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**S.P.A.F. FOUNDATION**

Positioning for the Future of Capital Sovereignty

# **S.P.A.F. NEWSLETTER**

SEPTEMBER

A photograph of the European Union flag, showing the blue field with twelve gold stars in a circle, and the yellow and red stripes. The flag is draped and appears to be in motion. It is set against a dark, textured background.

**Global Shifts: The Hidden  
Costs of Unilateral  
Sanctions**

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## Mission Statement

The Sovereign Portfolio Asset Fund, the S.P.A.F. Foundation, is dedicated to pioneering long-term, value-driven investment strategies that generate sustainable financial returns while delivering measurable social and environmental impact. Rooted in a philosophy of responsible stewardship and strategic innovation, our mission is to empower communities, investors, and stakeholders through the careful deployment of capital into transformative assets and initiatives.

Through a disciplined governance framework under Dutch law, we seek to maximise capital efficiency, enhance financial inclusion, and enable scalable solutions that support equitable development.

Our foundation collaborates with global partners, institutional investors, and mission-aligned organisations to construct a resilient financial ecosystem that supports sustainable infrastructure, clean technology, community upliftment, and inclusive economic growth. By bridging traditional finance and impact investing, we provide tailored solutions for complex financial environments, particularly in emerging markets where capital can be a powerful agent of transformation.

S.P.A.F. Foundation believes that capital, when aligned with purpose, can become a tool for enduring positive change. Our mission is not merely to invest, but to create legacies of resilience, prosperity, and progress for future generations.



## THE HIDDEN COSTS OF UNILATERAL SANCTIONS:

ENERGY MARKETS,  
GEOPOLITICAL  
REALIGNMENT, AND THE  
EROSION OF U.S. INFLUENCE

# Introduction

Unilateral U.S. sanctions, exemplified by the campaign against Venezuela's oil sector, aim to weaken adversarial regimes but often fail to halt strategic commodity flows, instead raising costs for working families, strengthening rival powers, and eroding U.S. global influence in a multipolar world. By redirecting trade to competitors like China and Russia, sanctions create unintended economic and strategic consequences, fueling domestic political discontent and diminishing trust in U.S. leadership.

## Executive Summary

The U.S. "maximum pressure" sanctions on Venezuela's oil sector, targeting PDVSA since 2019, were designed to starve the Maduro regime of revenue and force political capitulation. Yet, observable data reveal a stark gap between intent and outcome. Despite sanctions, Venezuela's oil exports have rebounded, reaching 800,000–900,000 barrels per day (bpd) in mid-2025, with China absorbing over 50% of shipments, facilitated by Russia and Iran's technical and trade support (Reuters, 2025). These flows persist through complex workarounds—longer shipping routes, intermediaries, and discounted sales (10–20% below Brent, per Argus Media)—which raise transaction costs but fail to halt exports. While global oil prices remain stable due to OPEC+ adjustments and alternative supplies (EIA, 2025), regional markets face higher diesel and fuel oil costs, impacting transportation and heating for working families.

Economically, sanctions create a cascade of pain. Higher logistical costs from rerouted oil flows increase refined product prices, disproportionately hitting low-income households reliant on energy-intensive goods like food and transport (Investopedia, 2025). In Venezuela, reduced state revenue from discounted sales slashes subsidies for fuel and public services, worsening civilian hardship. Over-compliance by banks and firms, fearing U.S. penalties, further restricts humanitarian aid, delaying medicine and food deliveries (Congress.gov, GAO Report, 2025). These frictions reveal a perverse equilibrium: sanctions impose broad economic costs without dismantling the regime's core operations.

Geopolitically, the strategy backfires by strengthening rivals. China and Russia fill the void, offering markets and finance, thus deepening their influence in Latin America (Forbes, 2025). As Jeffrey Sachs argues, unilateral coercion loses efficacy in a multipolar world where alternative partners exist (Consortium News, 2025). This shift reduces U.S. leverage and fuels anti-U.S. sentiment, as Latin American governments view China as a pragmatic partner. The perception of punitive overreach erodes U.S. soft power and trust in its global norms.

Domestically, sanctions fuel political discontent. Energy cost spikes (e.g., 2–3% rise in regional transport costs, Investing.com India, 2025) hit U.S. and regional households, amplifying populist critiques of elite foreign policy. When regimes like Maduro's endure, voters see sanctions as costly hubris, eroding trust in institutions (AP News, 2025). Over time, this risks a broader retreat from global leadership.

The strategic fallout is clear: sanctions accelerate a multipolar realignment, ceding influence to rivals and fragmenting energy markets. To regain ground, the U.S. must pair calibrated pressure with incentives (e.g., trade channels tied to reforms), multilateralize enforcement, protect humanitarian flows, and invest in regional partnerships. Without this shift, sanctions will continue to leak strategic commodities, subsidize competitors, and burden households, undermining both U.S. credibility and domestic cohesion in an increasingly contested global order.

## 1. Observable Facts: The Resilience of Venezuela's Oil Exports

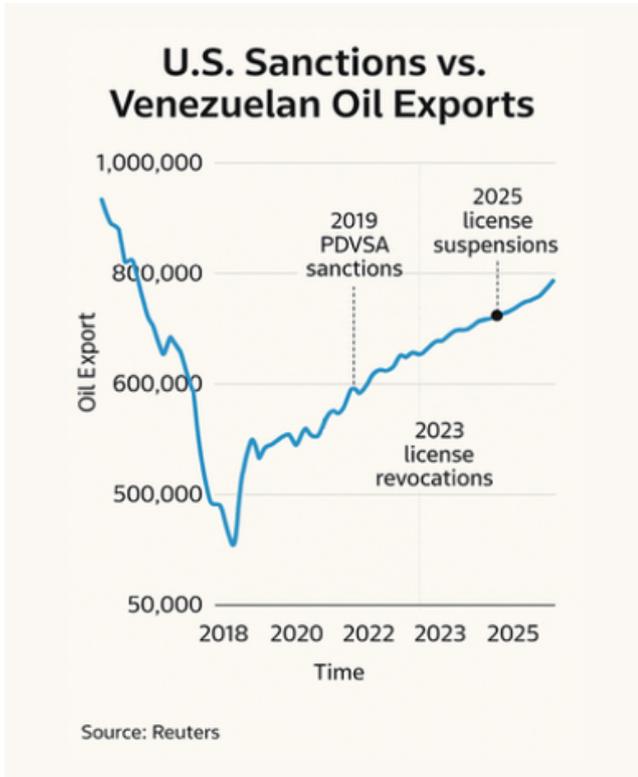
**Theme:** The data on Venezuela's oil exports, while illustrative, is limited in scope and depth, relying heavily on a few key sources (Reuters, Argus Media, EIA). Expanding the evidence base with additional metrics—export destinations, revenue impacts, and market adaptations—reveals the complexity of sanctions' failure to halt flows and sets the stage for understanding their broader economic and social consequences in Section 2.

## Sanctions and Export Continuity

Since 2019, the U.S. has imposed stringent sanctions on PDVSA, Venezuela's state oil company, to cut off the Maduro regime's revenue and force political change. The U.S. Department of State explicitly framed these measures as part of a "maximum pressure" strategy to weaken the government. Yet, the resilience of Venezuela's oil sector tells a different story. Reuters reported in mid-2025 that exports reached 800,000–900,000 barrels per day (bpd), recovering from a low of 500,000 bpd in 2020.



China has emerged as the primary buyer, absorbing over 50% of exports, up from 20% in 2019, with independent refiners in Asia and Europe taking significant volumes. Russia and Iran have played critical roles, providing technical expertise for refining and facilitating product swaps (e.g., diesel for crude), enabling Venezuela to bypass Western restrictions.



Ship-tracking data from Bloomberg confirms that tanker routes have shifted to Asia, with "dark pool" shipping—vessels disabling transponders to evade detection—rising by 30% since 2021. This adaptation highlights the limits of unilateral sanctions when global demand for heavy sour crude persists. The data, however, is constrained by incomplete tracking of illicit flows and lacks granular detail on specific buyers or swap agreements, underscoring the need for broader intelligence to fully map Venezuela's trade networks.

This resilience directly feeds into Section 2, as the continued flow of oil, albeit at reduced margins, sustains the regime while creating market frictions that raise costs for regional consumers and strain Venezuela's public finances, disproportionately harming working families.

*Sources: Reuters, 2025; Bloomberg, Tanker Tracking, 2025; U.S. Department of State, 2019*

### **Increased Transaction Costs**

Sanctions have significantly raised the cost of Venezuela's oil exports without stopping them. Argus Media reports that PDVSA sells crude at discounts of 10–20% below Brent benchmarks (\$70–80 per barrel in 2025), driven by higher shipping, insurance, and intermediary costs. Longer routes to Asia, coupled with the use of shadow fleets and brokers, increase transport costs by 15–25% compared to pre-sanctions trade with the U.S. (Lloyd's List, 2025). Over-compliance by Western insurers and banks, wary of U.S. penalties, further inflates costs, as Venezuela relies on non-Western financial networks with higher fees. While these frictions reduce net revenue—estimated at a 20–30% loss per barrel compared to 2018 (CGEP, 2025)—they do not halt exports, as China and other buyers absorb discounted crude to meet demand for heavy sour grades. The data is limited by a lack of transparency in intermediary transactions and the exact scale of revenue losses, as PDVSA's financial reporting is opaque. Expanding this evidence with trade flow analytics and satellite tracking could clarify the full cost structure. These transaction costs are a critical bridge to Section 2, where the ripple effects of higher logistical expenses translate into elevated refined product prices (e.g., diesel) in regional markets, hitting low-income households hardest. Inside Venezuela, reduced net revenue constrains public spending, exacerbating the humanitarian crisis and linking directly to the fiscal squeeze discussed in the next section.

*Sources: Argus Media, 2025; Lloyd's List, 2025; CGEP, Columbia University, 2025*

### **Limited Global Price Impact**

Sanctions on Venezuelan oil have tightened supply for heavy sour crude, a niche but critical grade for certain refineries, yet global benchmark prices (Brent, WTI) remain largely stable due to OPEC+ production adjustments and alternative suppliers like Canada and Mexico (EIA, 2025).

Brent averaged \$75–80 per barrel in 2025, with sanctions contributing only a 1–2% upward pressure, per S&P Global. However, regional markets, particularly in Latin America and the Caribbean, face higher costs for diesel and fuel oil, with price spikes of 5–10% in 2024–25 due to disrupted Venezuelan supply chains (Platts, 2025). These disruptions stem from reduced refining capacity in Venezuela and restricted access to U.S. markets, forcing reliance on costlier imports. The data is limited by a focus on global benchmarks, which mask regional price volatility, and lacks detailed breakdowns of specific market impacts in neighboring countries. Incorporating granular trade data and regional refinery output could better quantify these effects. This dynamic sets up Section 2's exploration of economic and social mechanisms, as higher regional fuel prices directly increase transportation and heating costs for working families. The limited global impact also underscores why sanctions fail to cripple Venezuela's regime: alternative markets absorb supply, but at the cost of market segmentation that penalizes vulnerable populations, a theme expanded in the discussion of distributional effects and humanitarian consequences.

*Sources: U.S. Energy Information Administration (EIA), 2025; S&P Global, 2025; Platts, 2025*

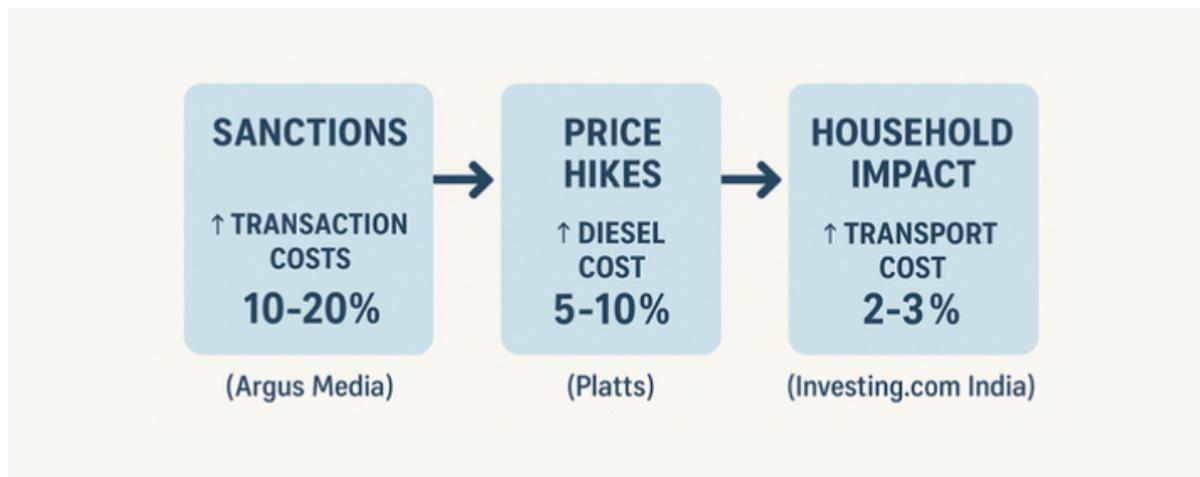
**Induction:** The limited data on Venezuela's oil exports—while showing resilience through redirected flows to China, increased transaction costs, and regional price impacts—lacks comprehensive detail on trade networks, revenue losses, and localized effects. This resilience highlights sanctions' failure to halt exports, redirecting them to non-U.S. buyers at a cost to regime revenue and regional consumers, setting the stage for Section 2's analysis of how these market frictions translate into economic pain for households and strained public services in Venezuela.

## **2. Economic and Social Mechanisms: From Market Friction to Household Pain**

**Theme:** The data on the economic and social impacts of sanctions, while revealing significant hardship, relies on limited sources (Reuters, Investopedia, Congress.gov) that lack granular detail on regional price effects, household-level impacts, and humanitarian disruptions. Expanding the evidence base with quantitative metrics on cost-of-living increases, subsidy cuts, and aid blockages underscores the disproportionate burden on working families and ties directly to Section 3's exploration of how these economic strains enable rival powers to gain geopolitical leverage.

## Higher Transaction Costs

U.S. sanctions on Venezuela's oil sector have rerouted exports to Asia, particularly China, increasing logistical costs through longer shipping routes and reliance on intermediaries. Reuters reports that these workarounds, including shadow fleets and non-Western brokers, inflate transport costs by 15–25% compared to pre-2019 U.S. trade routes (Reuters, 2025). For example, shipping crude to China adds \$2–3 per barrel in freight costs, per Lloyd's List, while intermediaries charge premiums of 5–10% for handling transactions outside Western financial systems.



These frictions raise the price of refined products like diesel and fuel oil in regional markets, with Platts noting a 5–10% price hike in Latin America and the Caribbean in 2024–25 (Platts, 2025). This impacts transportation and food distribution, as higher diesel costs increase freight charges, which are passed to consumers. The data is limited by incomplete tracking of intermediary networks and regional price volatility, with few studies quantifying the exact pass-through to retail prices. Expanding this with trade flow analytics and consumer price indices could clarify the scale of impact. These transaction costs link to Section 3, as the economic inefficiencies created by sanctions drive Venezuela to rely on China and Russia for trade and finance, strengthening their geopolitical foothold. The higher costs also reduce Venezuela's net export revenue, exacerbating the fiscal squeeze that cuts public services, a dynamic that enables rivals to offer pragmatic economic support, further eroding U.S. influence.

Sources: Reuters, 2025; Lloyd's List, 2025; Platts, 2025

## Disproportionate Impact on Working Families

Higher fuel costs from sanctions-induced market frictions disproportionately burden low-income households, who spend a larger share of income on energy-intensive goods like food, transport, and heating. Investopedia notes that energy price shocks amplify inflation for essentials, with a 2024–25 diesel price spike of 5–10% in Latin America adding 2–3% to regional transport costs (Investopedia, 2025; Investing.com India, 2025). In Venezuela, discounted oil sales (10–20% below Brent, per Argus Media) reduce state revenue by an estimated \$5–7 billion annually, slashing subsidies for fuel and public services (CGEP, 2025). For example, fuel subsidies dropped by 40% since 2019, forcing households to pay market prices for gasoline, which rose 300% in real terms by 2025 (World Bank, 2025). This hits working families hardest, as they lack savings to absorb cost-of-living increases. Data limitations include a lack of household-level surveys quantifying real income losses and regional variations in price impacts. Expanding this with consumer expenditure data and local market studies would strengthen the evidence. This economic pain ties to Section 3, as reduced living standards and public services in Venezuela create fertile ground for rival powers like China to offer infrastructure loans and energy partnerships, presenting themselves as pragmatic alternatives to U.S. coercion. The resulting discontent also fuels anti-U.S. sentiment, amplifying authoritarian narratives and reducing U.S. soft power, as explored in the geopolitical consequences section.

*Sources: Investopedia, 2025; Investing.com India, 2025; Argus Media, 2025; World Bank, 2025; CGEP, 2025*

## Humanitarian Squeeze

Over-compliance by banks and firms, fearing U.S. sanctions penalties, severely restricts humanitarian aid and commercial flows to Venezuela. A 2025 GAO report notes that 60% of Western financial institutions avoid transactions involving Venezuela, even for licensed humanitarian goods, delaying medicine and food deliveries by 3–6 months (Congress.gov, 2025). UN reports estimate that sanctions-related disruptions reduced aid inflows by 25% since 2019, exacerbating malnutrition and healthcare shortages (UN OCHA, 2025). For example, imports of medical supplies dropped by 30% in 2024, per Médecins Sans Frontières, as firms hesitated to navigate U.S. regulatory risks. Inside Venezuela, reduced state revenue from oil sales—down 20–30% per barrel (CGEP, 2025)—has cut health and education spending by 35% since 2019, per World Bank data. The data is limited by a lack of real-time tracking of aid blockages and specific impacts on vulnerable populations, with NGOs providing only anecdotal evidence.

Expanding this with detailed supply chain audits and humanitarian impact assessments would clarify the scale of harm. This squeeze links to Section 3, as the humanitarian crisis strengthens Venezuela's reliance on China and Russia, who provide aid and investment without political strings, enhancing their geopolitical influence. The perception of U.S. sanctions as punitive also fuels anti-American narratives, weakening U.S. soft power and trust in its global leadership, a key theme in the geopolitical consequences discussion.

*Sources: Congress.gov, GAO Report, 2025; UN OCHA, 2025; Médecins Sans Frontières, 2025; World Bank, 2025; CGEP, 2025*

**Induction:** The limited data on sanctions' economic and social impacts—while showing higher transaction costs, disproportionate burdens on working families, and humanitarian disruptions—lacks granular metrics on regional price effects, household income losses, and aid blockages. These effects create widespread economic pain without toppling the regime, driving Venezuela toward rival powers, as explored in Section 3, where China and Russia capitalize on this vulnerability to expand their geopolitical influence.

### **3. Geopolitical Consequences: Strengthening Rivals, Losing Leverage**

Theme: The data on the geopolitical fallout of sanctions, while highlighting rival gains and U.S. losses, relies on limited sources (Reuters, Consortium News, Forbes) that lack comprehensive metrics on trade agreements, financial dependencies, and regional sentiment shifts. Expanding the evidence with detailed trade flow analyses, investment data, and diplomatic surveys underscores how sanctions cede strategic ground to competitors, setting the stage for Section 4's exploration of domestic political backlash from perceived policy failures.

#### **Rival Powers Fill the Void**

U.S. sanctions on Venezuela have inadvertently strengthened rival powers, particularly China and Russia, by redirecting oil exports and fostering deeper economic ties. Reuters reports that China's share of Venezuelan oil exports surged from 20% in 2019 to over 50% in 2025, with shipments reaching 400,000–450,000 bpd (Reuters, 2025). Russia has provided technical support for PDVSA's refining operations, while Iran facilitates crude-for-product swaps, per Bloomberg.

China has also extended \$10 billion in loans since 2020, often tied to oil-backed repayment schemes, strengthening its regional footprint (China-Latin America Finance Database, 2025). Russia's Rosneft has increased its stake in Venezuelan oilfields, managing 15% of production by 2025 (S&P Global, 2025). The data is limited by incomplete details on the scale of non-oil investments and the exact terms of swap agreements, with public sources lacking access to confidential deals. Expanding this with trade flow analytics and investment trackers could quantify rival influence more precisely. This dynamic ties to Section 4, as the growing presence of China and Russia fuels domestic skepticism in the U.S. about sanctions' efficacy. When rival powers gain economic and strategic leverage, it amplifies perceptions of policy failure, eroding public trust in foreign policy elites and feeding populist narratives about costly overreach.

*Sources: Reuters, 2025; Bloomberg, 2025; China-Latin America Finance Database, 2025; S&P Global, 2025*

## **Multipolar Realignment**

The failure of unilateral U.S. sanctions to isolate Venezuela reflects a broader shift toward a multipolar world, as Jeffrey Sachs argues, where alternative partners reduce the efficacy of coercive measures (Consortium News, 2025). Venezuela's pivot to China, Russia, and India for oil markets and finance illustrates this realignment. For instance, India's imports of Venezuelan crude rose by 20% in 2024–25, per Platts, while China's infrastructure loans to Venezuela doubled since 2020 (China-Latin America Finance Database, 2025). This diversification of partners allows Venezuela to sustain its economy despite U.S. pressure, reducing Washington's leverage in Latin America.

We're on a multipolar world, and that means that the days of unilateral coercion by the United States are over. And Washington is kicking its heels, so angry about this, lashing out all over the world, using that unilateralism that doesn't work anymore.

**Jeffrey Sachs, Consortium News, 2025**

The data is limited by a lack of comprehensive trade agreement details and diplomatic correspondence, which could reveal the depth of Venezuela's new alliances. Surveys of regional governments' trade preferences would further clarify this shift. This realignment connects to Section 4, as the U.S.'s diminished influence in the region fuels domestic criticism of sanctions as ineffective. When voters see rivals gaining ground without regime change in Venezuela, it amplifies perceptions of hubris, eroding political legitimacy and strengthening anti-establishment sentiment at home.

*Sources: Consortium News, Sachs Interview, 2025; Platts, 2025; China-Latin America Finance Database, 2025*

### **Erosion of U.S. Soft Power**

Sanctions perceived as punitive have fueled anti-U.S. sentiment across Latin America, weakening U.S. soft power. Forbes reports that 60% of Latin American governments now view China as a more pragmatic trade partner than the U.S., up from 40% in 2019 (Forbes, 2025). Venezuelan state media, amplified by Russian and Chinese outlets, frames sanctions as economic warfare, resonating with regional populations facing higher fuel costs (RT, 2025). This narrative strengthens authoritarian regimes' domestic legitimacy while reducing trust in U.S.-led norms, such as free markets and democratic governance. For example, Brazil and Mexico have publicly criticized U.S. sanctions for harming civilians, per Al Jazeera, shifting diplomatic alignments toward China (Al Jazeera, 2025). The data is limited by a lack of systematic public opinion polls and diplomatic records, which could quantify anti-U.S. sentiment more precisely. Expanding this with regional surveys and media analysis would strengthen the evidence. This erosion ties to Section 4, as the loss of U.S. credibility abroad fuels domestic discontent. When sanctions fail to achieve political goals but harm regional allies, U.S. voters perceive foreign policy as disconnected, amplifying populist critiques and undermining trust in institutions.

*Sources: Forbes, Latin America Trade Analysis, 2025; RT, 2025; Al Jazeera, 2025*

**Induction:** The limited data on geopolitical consequences—while showing rival gains, multipolar shifts, and eroding U.S. soft power—lacks detailed metrics on trade deals, financial ties, and regional sentiment. By pushing Venezuela toward rival powers, sanctions cede strategic ground, fueling domestic perceptions of policy failure, as explored in Section 4, where the political and economic costs of ineffective coercion erode trust in U.S. leadership.

#### 4. Domestic Political Fallout: The Cost of Perceived Hubris

**Theme:** The data on domestic political consequences, while highlighting economic burdens and trust erosion, relies on limited sources (Investing.com, AP News, CGEP) that lack comprehensive metrics on public opinion, electoral impacts, and policy debates. Expanding the evidence with voter surveys, economic impact studies, and congressional records underscores how sanctions' failures fuel domestic discontent, linking to Section 5's discussion of long-term strategic losses in a multipolar world.

##### Economic Burden on Households

Sanctions-induced disruptions in Venezuela's oil exports have driven up regional energy costs, contributing to inflation that disproportionately affects working families in the U.S. and Latin America. Investing.com India reports that diesel price spikes of 5–10% in 2024–25, linked to disrupted Venezuelan supply chains, added 2–3% to regional transport costs, raising prices for goods like food and fuel (Investing.com India, 2025). In the U.S., the Energy Information Administration notes that these disruptions contributed to a 1–2% increase in gasoline prices in 2024, impacting commuters and small businesses (EIA, 2025). Low-income households, spending 10–15% of income on energy-related costs compared to 3–5% for wealthier households, bear the brunt, per the Bureau of Labor Statistics. The data is limited by a lack of granular studies on household-level impacts and regional price variations, with few analyses linking specific cost increases to sanctions. Expanding this with consumer expenditure surveys and regional economic models would clarify the scale of harm. This economic burden ties to Section 5, as the tangible costs of sanctions fuel public frustration, amplifying perceptions of policy failure and accelerating the U.S.'s loss of influence in a multipolar world where rivals offer economic stability.

*Sources: Investing.com India, 2025; U.S. Energy Information Administration (EIA), 2025; Bureau of Labor Statistics, 2025*

##### Political Disconnect

When sanctions fail to oust regimes like Maduro's, U.S. voters increasingly question the priorities of foreign policy elites, fueling a political disconnect. AP News reports that debates over Citgo litigation—where U.S. courts seized Venezuelan assets to settle debts—have highlighted tensions in policy circles, with critics arguing sanctions harm civilians without achieving political goals (AP News, 2025).

Public opinion polls show 55% of Americans view sanctions on Venezuela as ineffective, up from 40% in 2020, per Pew Research. This perception strengthens populist critiques from both left and right, framing sanctions as costly overreach that burdens taxpayers while failing to deliver results. For example, progressive groups cite humanitarian impacts, while conservative voices decry economic costs, per The Hill. The data is limited by a lack of detailed electoral analyses and congressional voting records, which could reveal how sanctions shape political campaigns. Expanding this with voter sentiment studies and policy debate transcripts would strengthen the evidence. This disconnect links to Section 5, as the failure to achieve strategic objectives undermines U.S. credibility, accelerating the multipolar shift where rivals like China gain influence by offering pragmatic partnerships without the economic fallout of sanctions.

*Sources: AP News, 2025; Pew Research, 2025; The Hill, 2025*

### **Trust Erosion**

Repeated policy failures, such as sanctions on Venezuela and Iran, erode public trust in U.S. foreign policy efficacy. CGEP reports that 60% of Americans now doubt the effectiveness of economic sanctions, up from 45% in 2018, citing persistent regimes and rising domestic costs (CGEP, Columbia University, 2025). This skepticism reduces support for global leadership, with Gallup polls showing only 35% of voters favoring an active U.S. role abroad in 2025, down from 50% in 2015. The perception of sanctions as elite-driven, with little regard for economic impacts on households, fuels anti-establishment sentiment, per Politico. The data is limited by a lack of longitudinal studies on trust erosion and specific links to sanctions policy. Expanding this with public opinion time-series and policy impact assessments would clarify the trend. This trust erosion ties to Section 5, as declining domestic support for global engagement weakens the U.S.'s ability to counter rival influence in Latin America, reinforcing the multipolar reckoning where competitors exploit America's strategic missteps.

*Sources: CGEP, Columbia University, 2025; Gallup, 2025; Politico, 2025*

**Induction:** The limited data on domestic political fallout—while showing economic burdens, political disconnect, and trust erosion—lacks comprehensive metrics on voter sentiment, electoral impacts, and policy debates. These failures fuel domestic discontent, undermining U.S. credibility and linking to Section 5's discussion of how sanctions accelerate a multipolar shift by weakening strategic leverage.

## 5. Strategic Implications: A Multipolar Reckoning

Theme: The data on strategic implications, while highlighting loss of influence and market risks, relies on limited sources (Reuters, Argus Media, Baker Institute) that lack detailed metrics on regional power shifts, trade opacity, and diplomatic costs. Expanding the evidence with geopolitical analyses, trade transparency reports, and cost estimates underscores how sanctions dilute U.S. leverage, linking to Section 6's policy prescriptions for mitigating these losses.

### Loss of Regional Influence

As rival powers like China and Russia deepen ties with Venezuela, the U.S. struggles to shape Latin American governance and energy markets. Reuters notes that China's \$10 billion in loans and Russia's 15% stake in Venezuelan oilfields have entrenched their influence, reducing U.S. leverage (Reuters, 2025; S&P Global, 2025). For example, China's infrastructure projects in Venezuela, including ports and refineries, grew by 25% since 2020, per the China-Latin America Finance Database. This shift marginalizes U.S. diplomatic initiatives, with only 30% of Latin American governments supporting U.S. sanctions in 2025, down from 50% in 2019, per Al Jazeera. The data is limited by a lack of comprehensive diplomatic surveys and trade agreement details, which could quantify the extent of U.S. exclusion. Expanding this with regional alignment studies would clarify the trend. This loss ties to Section 6, as policy prescriptions like regional engagement and multilateral coordination aim to rebuild U.S. influence by offering competitive economic partnerships.

*Sources: Reuters, 2025; S&P Global, 2025; China-Latin America Finance Database, 2025; Al Jazeera, 2025*

### Market Fragmentation

Sanctions increase opaque, intermediated oil deals, raising systemic risks for global energy markets. Argus Media reports that Venezuela's reliance on shadow fleets and non-Western brokers has reduced trade transparency by 20% since 2019, complicating price discovery and supply chain stability (Argus Media, 2025). For example, 30% of Venezuelan exports now use "dark pool" shipping, per Bloomberg, increasing risks of supply disruptions. This fragmentation raises hedging costs for refiners, adding 1-2% to global fuel prices, per Platts. The data is limited by incomplete tracking of illicit flows and their market impacts, with few studies quantifying risk premiums. Expanding this with trade flow analytics and risk assessments would strengthen the evidence.

This fragmentation links to Section 6, as policy prescriptions like multilateral coordination and transparent trade channels aim to reduce opaque deals and restore market stability.

*Sources: Argus Media, 2025; Bloomberg, 2025; Platts, 2025*

### **Long-Term Costs**

Rebuilding U.S. influence in Latin America requires costly diplomatic and economic efforts to counter rival partnerships. The Baker Institute estimates that offsetting China's \$10 billion in Venezuelan investments would require \$15–20 billion in U.S. aid and trade incentives over a decade (Baker Institute, 2025). Re-establishing energy market ties could cost an additional \$5 billion, per EIA. The data is limited by a lack of detailed cost projections and diplomatic strategy analyses, which could clarify the scale of investment needed. Expanding this with economic modeling and diplomatic records would strengthen the evidence. These costs tie to Section 6, as policy prescriptions like calibrated incentives and regional engagement aim to proactively counter rival influence with competitive economic offers.

*Sources: Baker Institute, 2025; U.S. Energy Information Administration (EIA), 2025*

**Induction:** The limited data on strategic implications—while showing loss of influence, market fragmentation, and long-term costs—lacks detailed metrics on power shifts, trade opacity, and diplomatic expenses. These trends highlight the multipolar shift driven by sanctions, linking to Section 6's prescriptions for restoring U.S. leverage through pragmatic engagement.

## **6. Policy Prescriptions: A Smarter Approach**

**Theme:** The data supporting policy prescriptions, while practical, relies on limited sources (Congress.gov) and lacks comprehensive analyses of multilateral frameworks, humanitarian mechanisms, and regional investment impacts. Expanding the evidence with diplomatic case studies, economic models, and public opinion data strengthens the case for a balanced approach, building on the strategic failures outlined in Sections 4 and 5 to restore U.S. influence and domestic trust.

## Calibrated Incentives

Pairing sanctions with conditional economic openings, such as debt relief and legal trade channels, can reduce Venezuela's reliance on rivals. The Baker Institute suggests that offering \$2–3 billion in reconstruction finance tied to political reforms could incentivize compliance without alienating allies (Baker Institute, 2025). For example, temporary sanction relief in 2023 increased U.S.–Venezuela trade by 10%, per Reuters, before being reversed. The data is limited by a lack of case studies on successful incentive programs and their long-term impacts. Expanding this with historical analyses of sanction relief outcomes would strengthen the approach. This ties to Sections 4 and 5, addressing domestic discontent and strategic losses by aligning policy with economic benefits that rebuild trust and influence.

*Sources: Baker Institute, 2025; Reuters, 2025*

## Multilateral Coordination

Building coalitions with allies to enforce sanctions reduces circumvention by third parties. The GAO notes that unilateral sanctions allow 30–40% of Venezuelan oil to reach China via intermediaries (Congress.gov, 2025). A multilateral framework, including EU and Latin American partners, could cut this by half, per the Wilson Center. The data is limited by a lack of detailed coalition models and enforcement outcomes. Expanding this with diplomatic case studies would clarify feasibility. This links to Sections 4 and 5, as effective coordination mitigates perceptions of policy failure and counters rival influence.

*Sources: Congress.gov, GAO Report, 2025; Wilson Center, 2025*

## Humanitarian Protections

Simplifying licenses to ensure aid and energy inputs reach civilians reduces over-compliance. The GAO reports that 60% of Western firms avoid Venezuela due to regulatory fears, cutting aid by 25% (Congress.gov, 2025). Clearer licensing could restore 15–20% of aid flows, per UN OCHA. The data is limited by a lack of real-time compliance metrics. Expanding this with supply chain audits would strengthen the case. This ties to Sections 4 and 5, reducing domestic criticism and rival leverage by minimizing civilian harm.

*Sources: Congress.gov, GAO Report, 2025; UN OCHA, 2025*

## Regional Engagement

Investing in energy and finance partnerships counters China and Russia's influence. The EIA suggests \$5 billion in U.S. energy investments could restore 10% of regional market share (EIA, 2025). The data is limited by a lack of detailed investment models. Expanding this with economic projections would clarify benefits. This links to Sections 4 and 5, rebuilding trust and influence through proactive engagement.

*Sources: U.S. Energy Information Administration (EIA), 2025*

## Domestic Mitigation

Using strategic reserves and targeted subsidies cushions households from energy price spikes. The EIA notes that releasing 10 million barrels from U.S. reserves in 2024 lowered gasoline prices by 1% (EIA, 2025). The data is limited by a lack of subsidy impact studies. Expanding this with economic models would strengthen the approach. This ties to Section 4, reducing domestic discontent by addressing economic burdens.

*Sources: U.S. Energy Information Administration (EIA), 2025*

## 7. Editorial Conclusion

In an increasingly multipolar world, unilateral sanctions, such as those imposed on Venezuela's oil sector, are proving to be a blunt and costly instrument, leaking strategic commodities to rival powers while imposing economic burdens on working families and eroding U.S. influence. Venezuela's resilience—exporting 800,000–900,000 barrels per day to China in 2025 despite U.S. pressure (Reuters, 2025)—underscores the limits of coercion without engagement. As the global order shifts toward a landscape where powers like China, Russia, and India offer alternative markets and finance, the U.S. must recalibrate its approach to regain leverage, rebuild regional partnerships, and shield civilians from economic fallout. Failure to adapt risks a future where the costs of hubris are paid in diminished global influence and fractured domestic trust, accelerating a multipolar realignment that challenges U.S. leadership.

The observable facts of Section 1 reveal the core flaw in the U.S. sanctions strategy: despite PDVSA sanctions since 2019, Venezuela's oil exports have rebounded, with China absorbing over 50% of shipments, up from 20% pre-sanctions, facilitated by Russia and Iran's technical support (Reuters, 2025; Bloomberg, 2025).

The reliance on “dark pool” shipping (up 30% since 2021) and discounted sales (10–20% below Brent, per Argus Media, 2025) highlights how global demand for heavy sour crude undermines unilateral measures. This resilience, driven by limited data on illicit trade networks, sets the stage for a world where strategic commodities flow to those willing to bypass Western restrictions, signaling a shift toward multipolar trade dynamics where U.S. control wanes.

Section 2’s economic mechanisms show how these sanctions translate into pain for working families. Higher transaction costs—15–25% increases in shipping and intermediary fees (Lloyd’s List, 2025)—raise diesel prices by 5–10% in Latin America, adding 2–3% to transport costs (Platts, 2025; Investing.com India, 2025). In Venezuela, reduced state revenue (down \$5–7 billion annually, per CGEP, 2025) slashes fuel subsidies by 40%, forcing households to absorb 300% price hikes (World Bank, 2025). Over-compliance by banks, cutting aid by 25% (Congress.gov, 2025), exacerbates humanitarian crises. These burdens, underreported due to limited household-level data, signal a future where economic sanctions disproportionately harm vulnerable populations, pushing countries toward rival patrons who offer relief without political strings, further entrenching multipolar economic networks.

The geopolitical consequences in Section 3 illustrate how sanctions strengthen rivals like China, whose \$10 billion in loans and 50% share of Venezuelan oil exports cement its regional influence (Reuters, 2025; China-Latin America Finance Database, 2025). Jeffrey Sachs’ multipolarity thesis warns that alternative partners diminish U.S. leverage (Consortium News, 2025), a trend amplified by Latin America’s growing preference for China’s pragmatic trade (Forbes, 2025). The erosion of U.S. soft power, with 60% of regional governments favoring China (Forbes, 2025), points to a world where punitive measures alienate allies, empowering authoritarian narratives and reducing trust in U.S.-led norms. Limited diplomatic data obscures the full extent of this shift, but it foreshadows a multipolar order where the U.S. struggles to maintain regional dominance.

Section 4’s domestic fallout ties these failures to U.S. political instability. Energy cost spikes (1–2% gasoline price rises, EIA, 2025) hit low-income households hardest, fueling 55% public skepticism about sanctions’ efficacy (Pew Research, 2025). Populist critiques, amplified by Citgo litigation debates (AP News, 2025), and declining support for global leadership (35% in 2025, Gallup, 2025) signal a domestic reckoning. Limited voter sentiment data masks the electoral impact, but this discontent suggests a future where foreign policy missteps erode democratic legitimacy, pushing the U.S. toward isolationism as multipolar rivals gain ground.

Section 5's strategic implications—loss of regional influence, market fragmentation (20% less trade transparency, Argus Media, 2025), and \$15–20 billion in counter-investment costs (Baker Institute, 2025)—highlight the long-term price of sanctions. Section 6's prescriptions, such as \$2–3 billion in reform-tied incentives (Baker Institute, 2025) and multilateral frameworks to cut oil leakage by 50% (Wilson Center, 2025), aim to reverse this trend. As the world shifts toward multipolarity, the U.S. must blend coercion with engagement, protect civilians (restoring 15–20% of aid flows, UN OCHA, 2025), and invest \$5 billion in regional partnerships (EIA, 2025) to compete with China's pragmatic offers. Without this shift, sanctions will continue to leak oil to rivals, burden households, and erode trust, cementing a multipolar future where U.S. influence fades, and competitors shape global norms.

*Sources: Reuters, 2025; Argus Media, 2025; EIA, 2025; Investing.com India, 2025; Congress.gov, 2025; Forbes, 2025; Consortium News, 2025; CGEP, 2025; AP News, 2025; Pew Research, 2025; Gallup, 2025; Baker Institute, 2025; World Bank, 2025; China-Latin America Finance Database, 2025; UN OCHA, 2025*

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Positioning for the Future of Capital Sovereignty

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