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Will the Dominican Republic Remain Part of Petrocaribe?

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Petrocaribe is a subregional initiative launched by the Venezuelan government in 2005 as part of a broader Latin American initiative (NotiSur, Aug. 24, 2007), Petroamérica, which seeks the integration of the region’s energy resources. Petrocaribe is part of Venezuela’s Alianza Bolivariana para los Pueblos de Nuestra América (ALBA).

Information published on its Web site says ALBA is "based on principles of solidarity and complementarity between countries in terms making a fair and democratic use of resources in order to further the development of member countries."

On March 8, Dominican Republic President Danilo Medina told the press, "I hope the funding from Petrocaribe doesn’t dry up now because we need it." And it is hardly surprising given that, according to Venezuelan oil company Petróleos de Venezuela (PDVSA), Petrocaribe finances 43% of the member states' oil purchases, among other benefits (NotiCen, May 31, 2012).

Petrocaribe has undoubtedly had a beneficial impact on the Dominican Republic. An article published March 11 by the newspaper Listín Diario said, "Petrocaribe has been vitally important for the country’s economic stability." The article also said that the electric-energy sector has received US$3.1 billion since the agreement was signed in 2005.

Vicente Bengoa Albizu, administrator of the Dominican Republic’s Banco de Reservas, said, "In just the past three years, the country has received almost US$1.8 billion thanks to the agreement".

In the specific case of the Dominican Republic, Petrocaribe resources "have been invested in the electric-energy sector to reduce the deficit incurred by the Corporación Dominicana de Empresas Eléctricas Estatales (CDEEE) and the electric-energy-distribution companies (Empresas Distribuidoras de Electricidad, EDEs)".

That is to say that the resources obtained through Petrocaribe were transferred to the electric-energy sector instead of being spent on education, health care, and social projects to improve the living conditions of the poor, contrary to what funding from Petrocaribe is meant to be used for. Thus, Bengoa says the government decided to transfer the resources to the electric-energy sector, "which has a long history of inefficiency," in the hope that this would avoid a price hike that would hit the poor hardest.

Bengoa was among those who led the negotiations to sell off 49% of the shares of the Dominican oil refinery (Refinería Dominicana de Petrólea, REFIDOMSA) to Venezuela in 2008. The Venezuelan government purchased the shares for US$110 million in an operation that was "self-financed," according to Bengoa, leaving a balance of US$30 million that was paid for with one of the receipts via Petrocaribe.

The Dominican refinery has the capacity to process 36 million barrels a day. However, some critics have called for the government to pull out of Petrocaribe, arguing that the resources have not been well spent. In 2011, transport company owners and labor unions asked the Venezuelan Embassy to
suspend the Petrocaribe agreement as they considered that it was of no benefit to the country. They accused the government of "giving oil away to the Dominican oligarchy in exchange for its support in the general elections."

The transport sector continued to exert pressure until 2012 when the Central Nacional de Transportistas Unificados (CNTU) asked the Venezuelan government to review the terms of the Petrocaribe agreement with the Dominican Republic, because, in their view, oil is "over-priced" in the Dominican Republic.

In a letter sent to President Hugo Chávez via the Venezuelan Embassy, the CNTU expressed its concern that "the agreement between the two countries has not been given the upmost importance in the Dominican Republic."

In 2010, the Dominican Republic agreed to pay off part of the debt with glucose and grains. By 2012, the debt totaled US$2 billion, and the local press reported that the repayments in goods have been constant since 2010, when the Dominican Republic paid US$5.9 million; US$23 million were paid in 2011, in 2012 US$69 million were paid, and a similar amount is expected for 2013.

What is at stake with Petrocaribe?

The ratification of the constitution of the Comunidad de Estados Latinoamericanos y Caribeños (CELAC), signed in Caracas, Venezuela, on the Dec. 2-3, 2011, was a good opportunity to hold the meeting of Petrocaribe’s VIII Consejo Ministerial.

The event made it possible to review the progress made under this initiative, which covers 43% of the energy needs of the member states and manages an average supply of 95 thousand bpd of oil and its derivatives. "Petrocaribe has been consolidated as an alternative to obtain a safe supply of oil," said Venezuela’s Minister for Oil and Mining Rafael Ramírez on that occasion.

On the other hand, US Special Envoy and Coordinator for International Energy Affairs Ambassador Carlos Pascual has recently made a series of remarks that make it clear that the US is interested in securing the entry of foreign investors to the Dominican energy market, which revolves around Venezuelan oil.

Pascual said several of Petrocaribe’s members have previously avoided expressing their concerns, as they fear they might lose the subsidies. And, without mentioning any country in particular, Pascual said that "we are now listening to their demands to enter the global market."

Pascual said Petrocaribe has led its members to become "dependent on imported oil," which, he claims, explains soaring electricity prices. It is important to note that Pascual’s statements were made a few days before the Venezuelan presidential elections, when the outcome was still unclear. At that time, Pascual said that he hoped that the new government would favor foreign investment. Taking into account that Venezuela’s opposition candidate Henrique Capriles had advocated scrapping Petrocaribe, Pascual’s statements were understandable.

Added to this, the press reported that the Venezuelan government announced on April 18 that it would develop its oil infrastructure "without the interference of multinational corporations." Minister Ramírez, also president of PDVSA, said, "The main enemies of Venezuela's oil policy" are "American transnational corporations." Ramírez added that ExxonMobil is "one of the main corporations acting against the country."
Thus, Petrocaribe’s continuity following the death of Hugo Chávez appeared to be in doubt, and it is clear that the US is interested in taking advantage of any situation that furthers its aims of entering the Venezuelan energy market.

If the US was counting on Capriles winning the elections, this was clearly foiled by the outcome. Recently, during the V Summit of the Association of Caribbean States (AEC) in Haiti, Elías Jaua, Venezuela’s new foreign minister, said that the concerns expressed by Medina and the other 17 members of Petrocaribe will be addressed on May 4, during the next summit of Petrocaribe member states. Jaua said the meeting would take place in Isla Margarita, Venezuela.

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