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Dominican Republic Encouraged that Petrocaribe Will Continue and Expand

by Crosby Girón

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On more than one occasion, Dominican Republic President Danilo Medina has stressed how important Petrocaribe is for his country (NotiCen, May 31, 2012). Despite the rumors that Petrocaribe would come to an end following the death of Venezuelan President Hugo Chávez, after only two summits, Petrocaribe members, including the Dominican Republic, have proposed the creation of the Zona Económica Petrocaribe (ZEP).

During the VIII Summit of the Heads of State and Government of Petrocaribe, held in Managua in late June under the slogan "Energy for unity," Nicaraguan President Daniel Ortega read the declaration of pledges based on the initiatives and proposals in the document Agreements on the Working Programs for the Joint Evaluation of the Constitution of the Petrocaribe Economic Zone (Acuerdos de Programas de Trabajo para la Evaluación Conjunta de la Constitución de la Zona Económica de Petrocaribe).

Ortega said participants decided to divide the necessary tasks into five areas: transport and maritime and aerial transportation, productive alliances, tourism, trade, and commercial facilities.

President Medina, who took part in the summit, told the press that he was aware that Petrocaribe would be discussed from the perspective of the new Venezuelan government led by President Nicolás Maduro. "I would be very glad if the new Venezuelan government ratified our quota under Petrocaribe," said Medina.

It was recently announced that the Medina administration had appointed a new coordinator for the Petrocaribe initiative, José Ramón Suriel. As Petrocaribe program coordinator for the Venezuela debt exchange, Suriel has replaced Rafael Espinal. Suriel is a former member of the administrative council for the Empresa de Transmisión Eléctrica Dominicana (ETED).

The final declaration of the VIII Petrocaribe Summit pledges to do "an cross-cutting and multidisciplinary evaluation of trade, economic, financial, scientific, technological, and legal aspects under five structural programs: transport and communications, productive chains, tourism, trade, and social and cultural integration."

This means that, even though oil exchange is the main component of Petrocaribe, a new phase has begun with the consolidation of the ZEP aimed at bringing about "a common development that will encourage productivity and trade among the 18 member states."

The Venezuelan Debt

Official figures published by the press indicate that as of May 2013, the Dominican Republic's debt with Venezuelan as a result of the Petrocaribe agreement had risen by 6.8% between December 2012 and May 31, 2013, a US$224.5 million increase.
Figures published by the Dirección General de Crédito Público of the Ministerio de Hacienda show that, by the end of 2012, the Dominican Republic’s debt with Venezuela amounted to US$3.03 billion, an amount that had reached US$3.3 billion by May 31.

The Ministry of the Treasury says that, in 2009, the Venezuelan debt was US$1.5 billion. By 2010, it had risen to US$1.9 billion, and in 2011 it was US$2.4 billion. In 2012, the debt reached US$3.03 billion and by May 31 it amounted to US$3.3 billion.

In 2013, the Dominican Republic will have to pay Venezuela US$90.5 million as part of the Petrocaribe program, amounting to between US$6 million and US$7 million a month. By June, more than US$45 million had already been paid.

The government's 2013 budget is funded in part with US$650 million from Petrocaribe. Last year, the Petrocaribe funds amounted to US$609 million. As of March this year, the country had received US$199.2 million from Petrocaribe.

What is clear now is that, thanks to Petrocaribe, the government has obtained a significant amount of resources because of the advantageous repayment conditions offered by Venezuela: an annual interest rate of 1% and a 20-year repayment period. Venezuela supplies 29% of the fuel used by the Dominican Republic and is one of its main, although not its number-one, supplier. Most resources that the country receives under the agreement are used to fund the electrical-energy subsidy and the budget.

**Petrocaribe's impact on the Dominican Republic**

Article I of the Petrocaribe agreement says that Venezuela will provide the Dominican Republic with crude oil, refined products, and liquefied petroleum gas (LPG) or its energy equivalents—a total of 50,000 barrels per day based on a monthly average. However, until now, the importation of oil and its derivatives has not reached this amount. The latest studies show that the amount has been about half what the agreement establishes.

Minister of Industry and Trade José del Castillo Saviñón said that, as part of the VII Petrocaribe Summit, held in Cuba in March 2012, the country demanded that the 50,000 bpd quota should be met, since the country was only receiving 25,000 bpd.

However, the agreement states that the supply will be subject to evaluation and adjustment based on the purchases made by the Dominican Republic, the amount of oil that the Venezuelan government has available, and the measures implemented by the Organization of the Petroleum Exporting Countries (OPEC), as well as any other circumstances that might force Venezuela to modify the quota that it was assigned.

These circumstances could be the main reasons why the Dominican Republic has not received the quota stipulated by Petrocaribe.

Although the death of President Chávez caused uncertainty about the continuity of the program, during the latest Petrocaribe summit, Venezuelan President Maduro guaranteed the continuity of the mechanism created in 2005 to prevent the region’s economies from collapsing as a result of rising oil prices on the international market.

Maduro explained that the ZEP proposal means unifying and "transforming the economic, financial, and energy strengths" of each country into "opportunities for development," given that
it requires joint investments to promote trade and bolster industrial, agroindustrial, scientific, and technological development as well as to transform tourism in the Caribbean into a source of strength for the entire region.

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