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NotiCen writers

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Havana, Caracas Strengthen Economic Pragmatism in Bilateral Relations

Havana's economic relations with Caracas are increasing under the government of President Raúl Castro. There is now a sense of greater pragmatism in commercial projects and industrial joint ventures, while the political rhetoric is losing the power that characterized the meetings of Venezuela's President Hugo Chávez with former Cuban head of state Fidel Castro.

Venezuela is the island's biggest trading partner (US\$3,318 million in 2009), followed by China (US\$1,687 million), Spain (US\$907 million), Canada (US\$726 million) and the US (US\$675 million). The relationship has grown since 1999, when Chávez took power and strengthened ties with the communist island. Since that time, official visits are frequent as are reciprocal gestures of support.

Health care has been the most visible collaboration between the two governments, but cooperation also extends to priority sectors such as energy generation. Venezuelan oil has eased the power cuts and the economic paralysis that affected Cuba in the 1990s after the collapse of the former Soviet Union.

Raúl Castro, reputed to be more pragmatic and more organized than his brother, has steered bilateral relations to a new stage. On July 25-27, the two countries held a ministerial summit in Cuba facilitating a "new dimension to bilateral economic ties," said Ricardo Cabrisas, Cuba's vice president of the Council of Ministers.

During that event, the priority areas discussed were light industry, trade, energy, oil and petrochemicals, agriculture, mining, and basic industry. Some 360 projects were analyzed, of which 140 are "the most likely options to materialize," and 41 are ready to be undertaken in "the immediate term," said Cabrisas.

Petroleum for Cuba

Caracas provides around 100,000 barrels per day of petroleum and its derivatives to Cuba. These are paid for mainly with Cuban medical services, teachers, coaches, and consultants in diverse fields. The island consumes about 150,000 bpd of oil.

A new refinery will be ready in 2013 in Cienfuegos, southcentral Cuba, which will increase the refining capacity of the island to 350,000 bpd. In addition, a plant in Santiago de Cuba is being expanded (from 22,000 bpd to 50,000 bpd), and a new refinery with a 150,000-bpd capacity is under construction in Matanzas, east of Havana.

In April, the two countries formed a joint venture made up of state-owned Petróleos de Venezuela (PDVSA) and Cubana de Petróleos (CUPET) to explore and produce crude from four mature fields in the South American country. This new company has a 60%-40% initial equity stake from Venezuela and Cuba, respectively. The agreement allows Cuba to drill for oil on Venezuelan soil.

However, Havana does not want to tie itself entirely to Venezuelan oil. Cuban Vice Minister of Foreign Affairs Rogelio Sierra Diaz says the island has strengthened relations with oil producers such as Brazil, Algeria, Russia, and Angola in part for strategic reasons related to energy and has contracts with foreign companies to search for unexploited deepwater oil in the Gulf of Mexico.

Additionally, investments in the nickel industry include building a ferronickel plant near Moa (some 700 km east of Havana) at a cost of US\$700 million. This plant will be completed in three years and will produce 68,000 tons of material annually. This area of Cuba is rich in nickel and cobalt deposits.

Nickel is Cuba's main export at 75,000 tons annually. Its contribution to the national economy was US\$2.1 billion in 2007, but, because of the drastic fall in international prices, scarcely US\$873 million was deposited into local coffers in 2009.

Other bilateral investments include a dozen manufacturing facilities, including a regasification plant and an ammonia and urea processing plant.

Cuba and Venezuela maintain agreements as part of the Alternativa Bolivariana para los Pueblos de Nuestra América (ALBA), which also includes Bolivia, Nicaragua, Ecuador, Dominica, Antigua and Barbuda, and Saint Vincent and the Grenadines.

Among ALBA's initiatives was the agreement last October to create a virtual currency, the sucre, to be used in transactions between member states and thus eliminate dependence on the US dollar. The value of the sucre is set at US\$1.25, and its use was set in motion for the first time in January 2010.

Doctors for Venezuela

Medical collaboration between the two countries has benefitted sectors of the population in poor and remote areas and in areas with high crime rates. This has prompted complaints from the Cuban people regarding the absence of doctors, specialists, and medical teams on the island, who, say patients, are sent to work in the neighboring country. Official figures show that more than 35,000 Cuban doctors and nurses have worked in Venezuela since 2003, the start of the Barrio Adentro (inside the neighborhood) mission, which provides free health-care services. Sixty-nine Cuban aid workers have died during their mission, some murdered in dangerous areas.

About 2,000 Cuban doctors have left Venezuela through Colombia with the aim of arriving in the US, an investigation by the Colombian newspaper El Tiempo indicated. The report said their motives were better income and career opportunities and to escape the political surveillance to which they are subjected during their service in Venezuela.

Of those professionals, seven doctors and one nurse initiated a complaint with the US judicial system against Cuba, Venezuela, and PDVSA in February for an alleged conspiracy to force them to work in conditions of "modern slavery," as partial payment of Cuba's debt to Venezuela for oil supplies.

Alerts from the Venezuelan opposition

Venezuelan opposition groups have expressed alarm at the growing presence of Cuban advisers who work in areas of strategic importance. Universidad Central de Venezuelan (UCV) researcher Antonio Pasquali said that tens of thousands of Cuban officials are working in sensitive areas of national administration, including issuing identity documents and passports, infrastructure and telecommunications services, immigration, the armed forces, police, security and intelligence, as notaries and registers, in ports and airports, and in mining and industry.

Retired Venezuelan Army Gen. Antonio Rivero said in April that the Venezuela armed forces are undergoing a "Cubanization." Rivero said that Cuban officials are involved in the planning and organization of the military, in engineering, weapons, communications, in doctrinal elements of the Strategic Operational Command, and in instruction and training.

This year, at the end of a visit to Caracas, Raúl Castro said that bilateral relations are established and that the two countries "each day are [more] the same thing." Opponents have called this relationship "Venecuba" or "Cubazuela." However, surveys indicate that more than 75% of Venezuelans would not like their country to be like Cuba.