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President Enrique Peña Nieto Moves to Strengthen Relations with Cuba, Venezuela

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President Enrique Peña Nieto’s administration has taken steps to repair relations with Cuba and Venezuela, which deteriorated during the administration of ex-President Vicente Fox (SourceMex, Nov. 16, 2005) and were uneven at best during the government of former President Felipe Calderón (SourceMex, Feb. 21, 2007, and April 18, 2012). In early November, the Peña Nieto government reached a series of cooperation agreements with Cuba, including an accord to pardon about US$487 million of Cuba’s debt to Mexico. The administration also announced plans to begin trade talks with Venezuela in 2014. However, some complications developed in the effort to restore trade and diplomatic relations with Venezuela following reports that the Venezuelan military shot down a private Mexican plane flying over its airspace.

Large portion of Cuban debt pardoned
Mexico’s agreements with Cuba were announced during the visit of Cuban Foreign Minister Bruno Rodríguez to Mexico City. The agreements addressed several areas of common interest, including cooperation in promoting tourism and protecting the environment. The two countries also agreed to recognize and validate each other’s higher education degrees and signed an extradition treaty and a mutual-legal-assistance treaty in criminal matters.

"What we’ve done today I think has been to revive, strengthen, continue," Rodríguez told reporters in Mexico City on Nov. 2, the day the agreements were announced. "We signed a series of legal instruments that are undoubtedly very important."

The most significant agreement, however, was the Peña Nieto government’s decision to pardon about 70% of Cuba’s US$487 million debt. Administration officials view the agreement to waive most of Cuba’s debt as both a pragmatic and symbolic step in consolidating relations with the island nation. "We want to have a close relationship ... not only a friendly one between our peoples but so we can do things together in terms of economic exchanges," said Finance Secretary Luis Videgaray.

The move resolves a lingering controversy regarding Cuba’s debt to Mexico’s export-import bank, the Banco Nacional de Comercio Exterior (BANCOMEXT). The debt has created friction between the two countries, including delayed payments by Havana and a legal battle in international courts regarding collateral Cuba had offered. The Mexican and Cuban governments did renegotiate the debt in 2008, but the issue has remained an obstacle in their bilateral relations. "It was important to resolve this [debt] situation, which was an obstacle [to bilateral ties].

In addition to the debt agreement, Mexico expanded a credit line to support Mexican businesses that want to export products to Cuba.

The debt-forgiveness agreement drew some criticism from the conservative Partido Acción Nacional (PAN), which questioned the amount of money involved. Sen. Laura Rojas Hernández said the
total is especially significant in light of the tax-reform proposal approved by the governing Partido Revolucionario Institucional (PRI) and Partido de la Revolución Democrática (PRD), which contains several tax increases (SourceMex, Oct. 23, 2013).

"Our government provided a gift of [almost] US$490 million to Cuba in the same week that legislators from the PRI and its allies repeatedly supported an increase in taxes," Sen. Rojas wrote in a guest piece in the Mexico City daily newspaper Excélsior. "Even more significant, legislators came out in support of authorizing a move to incur as much as 700 billion pesos (US$53 billion) in additional debt."

"It’s not that I am opposed to helping others," added Rojas. "To the contrary. I have always maintained that Mexico should move beyond simple expressions of solidarity and speeches to concrete actions, both in cooperation and humanitarian assistance. But in this case, it is contradictory that on one hand the government is squeezing money from Mexican citizens and on the other it is giving away money that we don’t have."

Mexican officials view the move as an important opportunity to support Cuba’s recent efforts to open up its economy (NotiCen, June 27, 2013, and Oct. 31, 2013). The changes provide "an excellent opportunity to increase investments, trade, and cooperation," said Foreign Relations Secretary José Antonio Meade after a visit to Cuba in September. Bilateral trade between the two countries amounted to US$404 million in 2012, a slight increase from US$374 million in 2011. Direct investment from Mexican companies in Cuba stood at about US$730 million as of 2012.

The agreements that were announced apparently did not include any new developments on the memorandum of understanding that ex-President Calderón signed with the government of Raúl Castro to cooperate on oil exploration in Cuban waters (SourceMex, April 18, 2012).

**Venezuela could become viable trade partner again**

The announcement that Mexico and Venezuela intend to enter into trade discussions in 2014 goes a long way to repair a trade relationship that was broken when Venezuela withdrew from the Group of Three (G-3) agreement (SourceMex, May 17, 2006, and Sept. 10, 2008). Mexico and the other G-3 partner, Colombia, later went on to form an economic and trade bloc with Peru and Chile called the Pacific Alliance (SourceMex, Dec. 7, 2011, and June 20, 2012, and NotiCen, May 30, 2013).

After leaving the G-3, Venezuela put all its energies into consolidating the Alianza Bolivariana para los Pueblos de Nuestra América (ALBA) and strengthening other regional alliances in South America. While there are differences between Alba and the Pacific Alliance (NotiSur, April 5, 2013), the two blocs are also complementary, said Hugo José García Hernández, Venezuela’s ambassador to Mexico City.

Against this backdrop, Mexico and Venezuela have set out to recapture at least some of the close relationship that the two countries enjoyed as members of the G-3. In a meeting in Mexico City on Nov. 4, Foreign Relations Secretary Meade and Venezuelan counterpart Elías Jaua agreed to begin conversations leading to signing a trade accord. The two ministers announced that they had agreed
to hold the second meeting of a newly formed Permanent Binational Commission in 2014 as well as to update the legal framework guiding the relationship between the two countries.

In a communiqué, the two officials said the move to update the legal framework implies beginning talks leading "to signing a trade accord, creating an outline of cooperation to promote and protect investments, and renewing the Air Transport Convention signed in 1987."

During the visit to Mexico City, Jauá affirmed Venezuela’s support for Mexico’s candidacy for the presidency pro tempore of the Ibero-American Conference. Similarly, Meade reiterated Mexico’s support for Venezuela’s candidacy to be a non-permanent member of the UN Security Council during 2015-2016.

Venezuelan officials said the move to mend relations with Mexico has been easy because the Peña Nieto government has openly reached out to the South American country in many ways. The Mexican president attended the funeral of the late Venezuelan President Hugo Chávez (1999-2013) and did not hesitate to recognize President Nicolás Maduro as the country’s legitimate leader following elections in April. In recognizing Maduro, Peña Nieto declined to meet with opposition candidate Henrique Capriles, who claims the election was rigged (NotiSur, Aug. 30, 2013). The Mexican president explained his decision to shun Capriles by suggesting he would not interfere in "an internal conflict" in Venezuela.

Plane "incident" creates some uncertainty

Despite the apparent thaw in Mexican-Venezuelan relations, an incident a day after the Meade-Jauá meeting threatened to erase the good will that had been created. On Nov. 5, Venezuelan military official Vladimir Padrino López posted a pair of messages on Twitter related to the wreckage of a Mexican plane found in Venezuelan territory. In one tweet, Padrino López reported that the Venezuelan military "detected and intercepted" the plane. In the second tweet, Padrino López included an image of the blackened, smoking, partially destroyed plane on what appeared to be a broad, grassy plain.

The military official referred to the plane as an "air invader" that had been "immobilized" by Venezuela's Air Force in the state of Apure, which borders Colombia. Apure is often used by drug-trafficking organizations as a launching point for aircraft used to transport Colombian cocaine to Central America. From there, the drug is typically moved by Mexican cartels north to the US.

Other than Padrino López’s messages on Twitter, the Venezuelan government kept details of the operation quiet. This prompted Mexican officials to demand an explanation, although there was no immediate condemnation.

The Venezuelan government later explained that the aircraft was not shot down but was forced to land by the military and that the airplane was subsequently burned. The Venezuelan government said military officials have brought down 30 aircraft linked to drug trafficking since the legislature approved a law in 2012 aggressively targeting such airplanes.

There were also some suspicions in Mexico that the downed aircraft, registered to Jorge Salazar Ochoa of Colima state, might have been involved in the drug trade. Interior Secretary Miguel Ángel Osorio Chong initially reported that the seven passengers on board provided false identities to the pilots of the aircraft, which was making the investigation on the Mexican end difficult. A subsequent investigation indicated that five of the passengers might have had connections to the Sinaloa cartel.
Still, there was some frustration among Mexican officials that the Venezuelan government was withholding information about the circumstances that led to the destruction of the seized aircraft. "What we have asked the Venezuelan government is to give us information," said Osorio Chong.

At the same time, the interior secretary emphasized that the Peña Nieto administration was not necessarily out to defend the individuals associated with the aircraft. "We want to know for sure whether there were Mexicans involved [in the incident] and how we should assign responsibilities."

The situation gave the opposition PAN ammunition to criticize the Peña Nieto government’s new outreach efforts to Venezuela. The PAN delegation in the Senate urged the Mexican president to withdraw its offer to support Venezuela’s move to become a non-permanent member of the UN Security Council unless the South American country provides more details related to the downed aircraft. [Peso-dollar conversions in this article are based on the Interbank rate in effect on Nov. 13, 2013, reported at 13.00 pesos per US$1.00.]

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