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Cuba, Venezuela Sign Oil Deal; Regional Alliance Discussed

by LADB Staff

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Cuban President Fidel Castro and Venezuelan President Hugo Chavez met in Caracas to sign wide-ranging agreements on trade and technical cooperation. The core agreement is an oil deal that will guarantee oil exports to Cuba for the next five years on favorable terms. The two leaders also discussed cementing the growing alliance between their two countries as the basis for regional unity to offset US dominance in a unipolar world.

On Oct. 30, Castro and Chavez signed the agreement (Programa de Cooperacion Energetica) by which Venezuela will ship 53,000 barrels per day of crude oil to Cuba for the next five years. Payment may be made over the next 15 years with cash or by barter in goods and services. Interest on Venezuela's export credits is set at 2%. Although the exact methods of repayment are not spelled out in the accord, Venezuelan Foreign Minister Jose Vicente Rangel said Cuba could make payments with medicines and the services of Cuban sports advisors and other technicians. Chavez said Venezuela would also accept Cuban medical services for Venezuelan citizens as partial payment.

The agreements signed in Caracas have the weight of an economic alliance. Besides the oil deal, Venezuela will extend long-term credits and favorable interest rates and Cuba will provide Venezuela with technical support in the sugar and tourism industries. In addition, Cuba is to make a start on repaying its US\$69 million debt to Venezuela. Venezuela also pledged to assist Cuba in developing its nascent domestic oil industry.

The oil-development plan includes Venezuelan investment in the Cuban oil industry, permission for Cuba to use Venezuelan oil-industry patents, and Venezuelan assistance in constructing a gas pipeline and expanding Cuba's limited refining capacity. Venezuela supplied Cuba with crude until 1995 under a triangular swap arrangement with the former Soviet Union. The new oil deal comes at a critical time for Cuba.

Rising crude-oil prices have forced Cuba to allocate US\$500 million in supplementary funds this year to cover import costs. Oil imports are costing Cuba around US\$1 billion per year. Cuba consumes about nine million metric tons of crude per year and produces 30% of that through its expanding oil industry. Most of the domestic production goes to electricity generation and a small amount is exported. Castro, Chavez forming broader regional alliance Chavez and Castro talked of a larger Latin American unity in which oil diplomacy is the initial unifying feature.

With references to Latin American independence hero Simon Bolivar, Chavez talked of Latin American unity anchored by a Cuba-Venezuela axis. During a radio appearance with Castro, Chavez said, "This is not just a matter of friendship. It is a geopolitical vision of the integration of our peoples." And in a reference to US hegemony, Chavez spoke of building a "multipolar world." The oil deal with Cuba came 11 days after 10 Central American and Caribbean nations signed a similar agreement with Chavez (see other article in this edition). Venezuela is now an alternative

to Mexico as the major oil ally in Central America and the Caribbean. Since 1980, Mexico and Venezuela have provided oil to the region on preferential terms under the San Jose Pact.

But Mexico has refused to include Cuba in any new version of the pact, explaining that Cuba cannot be depended on to pay its bills. The pact has also proved less attractive than before because of its restrictive export-credit rules (see NotiCen, 1999-10-07). Rangel said the Caracas Pact would "coexist" with the San Jose Pact. But while Mexico drifts closer to its North American Free Trade Agreement (NAFTA) partners and sharpens its political differences with Cuba (see NotiCen, 2000-08-31),

Chavez is using oil diplomacy and Venezuela's windfall profits from oil sales to the US to underwrite an alternative trade alliance. "In essence," said The New York Times, "the accord today lets Mr. Chavez use the increase in oil revenues earned in the United States to subsidize consumption in Cuba." [Sources: Notimex, 10/25/00; Agence France-Presse, 10/22/00, 10/26/00; El Nacional (Venezuela), 10/24/00, 10/26/00; Spanish News Service EFE, 10/26/00; Excelsior (Mexico), 10/23/00, 10/27/00; The New York Times, 10/30/00, 10/31/00]

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