

South-South Cooperation between Venezuela and Cuba

Carlos A. Romero (Translated by Suzanna Collerd)

Universidad Central de Venezuela

Abstract

The cooperation relationship between Venezuela and Cuba creates a double contradiction. On the one hand, there is a relationship between two peripheral countries. On the other hand, there is the political, social and cultural configuration between Caracas and a country that, in and by itself, represents more than just a diplomatic and commercial relationship.

Therefore, this is not, nor can it be a ‘normal’ relationship as carried out among many governments of the South. In particular, there is a relationship where oil and revolution are understood as independent variables to explain such rapprochement. Here, the author tries to analyze how Venezuela has prioritized cooperation with Cuba in the context of building a foreign policy independent from the United States (US).

Introduction

In the context of South-South cooperation, the relationship between Venezuela and Cuba is a special case. The purpose here is to understand the extent and the intention of a relationship that amounts to 1% of Venezuela’s gross domestic product (GDP), includes programs that add up to almost US\$1.5 billion in 2009, consists of 31 Cuban entities and institutions’ intervention in more than 157 bilateral projects, and bilateral trade growth of 81% between 2008 and 2009. This is cooperation based on Venezuela’s regional programs such as the Bank of the

ALBA, the Bank of the South, PetroAmerica, PetroCaribe, and the San Jose Oil Agreement; It is also based on bilateral programs channeled through state institutions and excluding or minimizing the participation of multilateral organizations, the private sector, cooperatives, and non-government organizations (NGO).

This case is part of the Venezuelan revenue dependency process, in the sense that president Chavez’s administration controls oil revenues with the purpose of promoting its continental leadership and providing the basis for a global recognition that oscillates between solidarity and clientelism. In this way, state and non-state actors manipulate Venezuelan aid (a geopolitical revenue) in the form of favors, donations, transfers, third-party payments, direct aid, debt forgiveness, financing, and non-returnable investments. These actors capture the revenue, accessing it through the subsidized and deferred sale of oil, investment programs with substantial Venezuelan financing, and the payment for professional services, and no longer through the traditional commercial (exchange) or economic (value added) ways.¹

Economic, Commercial and Social Cooperation

The relationship between Venezuela and Cuba can be divided into two stages. The first, fundamentally bilateral, went from the arrival of Hugo Chávez to the presidency for the first time in 1999 until 2004. The second goes from 2004 until today, in the context of the Bolivarian Alliance for the Peoples of Our America, ALBA.

During the first stage, the Venezuelan interest in Cuba was the convergence and defense of two similar ideological and political projects as well as an economic and commercial rapprochement to create a common identity at the regional level. The purpose then was to circumvent the US economic embargo of Cuba, reactivate and grow the supply of Venezuelan oil in the island, help Castro's regime to overcome a severe economic crisis, reinvigorate the global leftist movement, and condemn American military actions in Afghanistan and Iraq as well as the American protection of anti-Castro terrorist Luis Posadas Carriles. Later, there were joint efforts to condemn the arrest of five Cuban citizens whom American prosecutors accused of being spies.

From the economic and commercial point of view, this relationship took a fundamental turn with the signing of the Integral Cooperation Agreement Between Cuba and Venezuela in October 2000. The purpose was to promote the exchange of goods and services in cooperative conditions, which led Venezuela to sell at a fixed, preferential price (US\$27 a barrel) 53,000 barrels of oil to Cuba since 2002. These barrels are paid in the following way: the half in 90 days after purchase and the rest over 25 years, with a 2-year grace period, including the cost of transportation and insurance.

In exchange, Cuba sent more than 13,000 Cuban workers to Venezuela, mostly workers in the health (doctors, nurses and paramedics) and sports sectors – first as a sort of barter, and then since 2003, in payments for professional services that reached roughly US\$4.4 billion in 2007. This led to growing cooperation in the energy sector, massive official Cuban participation in Venezuela's government social missions, and subsequent bilateral promotion in the Americas.

In late 2004, the creation of the Bolivarian Alternative for the Peoples of Our America ALBA, known since 2009 as Bolivarian Alliance for the Peoples of Our America – People's Trade Agreement (ALBA-TCP) gave a more regional flavor to the relationship between the two countries. In fact, a joint declaration on December 14, 2004, when the Integral Cooperation Agreement Between Cuba and Venezuela was modified and expanded, states that “a convergence of positions at a global scale is sought.” A key reflection also emerges from this declaration: “Once consolidated the Bolivarian process after the decisive victory in the August 15, 2004 recall referendum and the October 31, 2004 regional elections, and given that Cuba is in a position to guarantee its own sustainable development, the cooperation between the Republic of Cuba and the Bolivarian Republic of Venezuela will be based starting today not only on the principles of solidarity, which will always be present, but also on the exchange of goods and services to the greatest degree possible.”²²

The expansion of this agreement consolidated a new phase of economic complementarities beyond energy cooperation and the exchange of human resources. In the Agreement for the Constitution of the presently called Bolivarian Alternative for the Peoples of Our America ALBA, signed by Cuba and Venezuela in 2004, Bolivia joined later that same year, Nicaragua in 2006, Dominica and Honduras in 2008, and Antigua and Barbuda, Saint Vincent and the Grenadines, and Ecuador in 2009.

This alliance allows trade of goods inside member countries with no tariffs, in addition to the Unified System for Regional Compensation (SUCRE) for foreign exchange operations between member countries, and considered the basis for a future common monetary system.

Also, the alliance promotes the creation of several ALBA ‘grand-national’ companies such as Constructora Alba, PDVSA-Cuba S.A., the Alba Steel Mill project, a Cuban stock share in TeleSUR, the Complementation in the Sugar Industry Project, the Cuban Housing Project (PetroCasas), the bi-national Cuba-Venezuelan project for the endogenous agricultural development of Cienfuegos, the project for a joint rail company, the project for joint companies in the technology sector, foreign exchange financing agreements through Banco Industrial de Venezuela and Banco de Comercio Exterior de Venezuela, agreements on tourism promotion and air and maritime services (including open skies status for Cuban state airlines over Venezuela), a US\$63.4 million project to lay a 1,630-kilometer long submarine cable between La Guaira (Venezuela) and Siboney (Cuba) currently in execution by the Telecomunicaciones Gran Caribe, S.A Company (formed by Telecom Venezuela and Transit of Cuba), and the joint project to build an international airport in Saint Vincent and the Grenadines, for a total of more than 26 joint companies and 190 more in their final negotiation stages.

In addition, there are the Caracas Energy Cooperation Agreement; TeleSUR; the Latin American Parliamentary and People’s Forum for the Defense of National Economies; PETROALBA; the Gran Nacional Energy Company; the ALBA Energy Council; Ports of ALBA, S.A, company created to modernize, refurbish and build ports in Venezuela and Cuba; the socialist joint venture ‘Guardián del Alba S.A.’, to make software to safeguard technological sovereignty; Transalba, a Cuban-Venezuelan logistics joint venture to supply hydrocarbons to the countries of the area and that contributes to the development of a joint

merchant fleet; Alba Cultural; the Bank of ALBA and the Bank of the South, both promoted by Venezuela to create a financial integration, autonomous management of foreign debt and a social solidarity fund (comprised of concessional loans, no-interest loans, donations, humanitarian aid and non-reimbursable technical assistance).

In this context, trade relations between Cuba and Venezuela grew from US\$388.2 million in 1998 to US\$464 million in 1999, US\$912 million in 2000, US\$2.5 billion in 2005, US\$3.2 billion in 2006, and to US\$7.1 billion in 2007, close to 45% of the island’s total trade of goods and services. In 2007, trade totaled almost US\$2.7 billion in goods and US\$4.4 billion in services.

In 2008, trade of goods between Cuba and Venezuela totaled about US\$5.375 billion, US\$4.892 billion of which were Venezuelan exports to Cuba and US\$483 million were Venezuelan imports from Cuba. Adding the payment for professional services as part of the trade between the two countries, total trade amounted to US\$10.975 billion, a 35% increase since 2007.

Total aid to Havana from Caracas in 2008 was about US\$ 9.970 billion: US\$5.6 billion in payments for professional services; US\$2.5 billion in subsidies for oil sold at a fixed price of US\$27 and US\$1.87 billion in other bilateral cooperation projects. (Accumulated aid since 1999 is calculated to be about US\$18 billion)

Currently, Venezuela is Cuba’s main trading partner. On December 12, 2009, in the closing act of the 10th Cuban-Venezuelan Intergovernmental Meeting, both countries declared that they had signed 285 new commercial, economic, oil and social cooperation projects that will cost more than US\$ 3.185 billion.

Venezuela exports oil and derived products, footwear, textiles, construction materials, plastic, and industrial inputs to Cuba. From Cuba, Venezuela imports knowledge-intensive services, especially health services, and to a lesser degree, educational and sport services, technical assistance, biotechnological and pharmaceutical products, radio and television programs, cement, iron, steel, machinery, and measurement equipment. Since 2005, the daily quota of Venezuelan oil exported to Cuba has grown to a total of 153,000 barrels, resulting from 98,000 barrels through the Integral Cooperation Agreement (of bilateral character) plus 55,000 barrels through PetroCaribe, amounting to 90% of Cuba's total consumption of about 170,000 barrels a day. Additionally, the Hermanos Díaz oil refinery, in the province of Santiago de Cuba, the Nico López refinery in the province of La Habana, and the Cienfuegos refinery were refurbished by the joint company PDV-Cupet, which processes and eventually re-exports part of the 153,000 barrels a day Cuba receives from Venezuela, which now ranks second in Cuban exports. Other energy agreements have been signed, including the creation of a new refinery in the province of Matanzas.

The accumulated Cuban oil-related debt with Venezuela was about US\$ 4.975 billion in July, 2009, equaling 24% of all oil cooperation receivable accounts of Petróleos de Venezuela (PDVSA).³

In terms of social cooperation, in late 2007, Cuban authorities said that there were 39,000 'collaborators' in Venezuela, 31,000 of which were health workers. This was about 75% of all international Cuban aid workers, a total of 52,000 for that year. It is important to mention that the wage paid to each worker in Venezuela represents only 18% of the payment made directly to the Cuban government for each

one. Social cooperation between Venezuela and Cuba is expected to continue in 2009 with 137 ongoing and 48 new projects, an investment of US\$2 billion.

The first flight that took Venezuelan patients to receive medical attention in Cuba was in 2000. Yet, the social cooperation program started in 2003 with the first 53-member Cuban health brigade, which was an initial phase of the free healthcare program "Barrio Adentro", which benefits mainly the poorest segments of the population. Since its beginning, Barrio Adentro has provided medical attention to more than 1 million Venezuelans and saved more than 124,000 lives in the health clinics and 612,000 in the diagnostic centers for a total of 736,000 lives saved. There were also 104,000 surgeries performed plus more than 580,000 on vision problems in Misión Milagro. Free optometric attention was provided to 5,778,248 Venezuelans. In 23 states, 643,948 households were visited by Misión José Gregorio Hernández, locating 337,317 people with disabilities who are now covered by this program.

Cuban cooperation also benefited 3,389,809 athletes with the Barrio Adentro Deportivo program. Out of 109 Venezuelan participants in the Beijing Olympics, 68 were trained by Cuban coaches. There are 6,000 Cuban coaches in all 355 Venezuelan municipalities.

Since 2003, 1,663,661 Venezuelans have learned to read with the Cuban literacy system as part of the Misión Robinson program. Cuban cooperation with Misión Robinson II also graduated 437,171 students from primary school, 81,000 of whom are indigenous. In five years, 1,412,167 people joined the Mision Ribas, 510,503 of them graduated from high school. The Misión Sucre program (at the college level) enrolled 442,229 students, including 206,230 in

the educators formation program and 21,506 in the community medicine program. The Misión Corazón Adentro program, created in 2008 to bring culture to communities, includes 538,000 Venezuelans. In eight months, this program performed 1,398 community workshops with 17,918 participants and more than 300 performances by artistic brigades. With Cuban assistance, 119 radio and television community stations were created. Additionally, 1,400 Cuban agricultural experts are working with Venezuelan agricultural producers. In Cuba, there are 3,800 Venezuelan students in the undergraduate and 71 in graduate programs. In Venezuela, 4,146 graduate students are part of the Cuba-Venezuela cooperation program. Barrio Adentro's goal is for 25,000 Venezuelans studying under Cuban professors to graduate as medical doctors in five years. There are already 20,441 students in their first three years of study.

The Cuban and Venezuelan governments as well as experts have evaluated the effectiveness of social cooperation agreements. Though both coincide in their political and humanitarian impact, some reservations are held about their cost efficiency. Caracas and Havana have declared the reorganization of these programs in 2009, giving the Cuban government more control in their implementation with the arrival of 1,100 new Cuban doctors whose superiors will be appointed directly by Cuba, bringing the number of Cuban collaborators in Venezuela to more than 42,000 by the end of 2009.⁴

Strategy and Military in Cooperation Relationships

Cooperation between Venezuela and Cuba includes also the strategic military field. Since 1999, the connection between Cuba and Venezuela has been replacing the historical

relationship between Venezuela and the US. A military doctrine was adopted, taking in consideration an eventual American attack on Venezuela, dubbed as the "two-step attack" (first Venezuela and then Cuba) and the possibility of a fourth generation, asymmetrical war. The Cuban-Venezuelan strategy contemplates the need to propose a regional block different from TIAR, with the participation of Cuba and the exclusion of the US and helping revolutionary governments and movements in the region.

Since 1999, the Venezuelan Squadron has provided humanitarian assistance in Cuba related to natural disasters as well as regular visits to the island for official delegations and military study groups to perform professional exchanges and military training. Venezuela's military and defensive relationship with Cuba is widening: several Venezuelan troops undergo military training in Cuban academies on subjects from flying the Russian 'Sukhoi' fighters bought by Venezuela to coordinating and participating in intelligence operations.

The Venezuelan military attaché in Cuba was established in 2007. Until now, no reliable information can be given about a military treaty, arms trade, joint military exercises or the use by Cuba of a Venezuelan military base. Rumors exist about the possible presence of Cuban officials in key posts in the Venezuelan Bolivarian Armed Forces or the Venezuelan public institutions in charge of identifying citizens and registering their properties, as well as tripartite cooperation between Cuba, Venezuela and Russia or Iran in the case that joint military nuclear programs were to be developed. What can be proven is the adoption of a Cuban-inspired military iconography, such as the case with the new Venezuelan Army uniforms and the slogan adopted by the Armed Forces, "Homeland, Socialism or Death".⁵

In April, 2008, ALBA member countries signed an Agreement for the Implementation of Programs and Cooperation in Sovereignty and Food Security as well as the Agreement for Support and Solidarity with the People and Government of Bolivia. Taking into account that in May 2006 Venezuela signed a military Complementary Agreement to the Basic Agreement of Technical Cooperation between Bolivia and Venezuela, specialized Latin American circles commented that the realm of action of ALBA has been widened to include military matters. During ALBA's VII Heads of State Summit, member countries decided to study the possibility of creating a Security Council and a regional military school as mechanisms of military cooperation.⁶

But strategic and military action does not stop with the relationships among states. Cooperation among revolutionaries is also based on Cuba's support in matters such as strategic planning, intelligence, counter-intelligence, mobilization, and monitoring the military activities of the US. Also in the support of radical movements in Venezuela and the continent, such as Continental Bolivarian Coordination (since 2009 called Continental Bolivarian Movement), National Venezuelan-Cuban Solidarity and Friendship Movement, the presence of Venezuelan youth in political formation courses in Cuba, the "Esperanza" Plan, ALBA'S Tri-National Youth Brigade, the International Francisco de Miranda Front, the World Social Forum, the Sao Paulo Forum, the Porto Alegre Forum, the Bolivarian Amphictyonic Congress, and the People's Alternative Movement.⁷

Conclusions

During the 1980s, due to the failure of the Chilean experience, the case of the Caribbean island of Grenada, the retreat of the Left in the continent and the Soviet policy of reducing their presence in the hemisphere, Cuba stopped being a strategic concern, then, criticism of its societal model began. This worsened during the 1990s due to the hardening of US policy toward Cuba, the US economic embargo of 1962, Cuba's regional isolation, and its internal economic crisis, known as the "Special Period", which ended with the fall of the Soviet Union.

Entering the 21st century, Cuba was able to relate its own experience with those of the newly emerging Left in Latin America and the Caribbean, which began to flourish first in Venezuela and later in Brazil, Bolivia, Ecuador and other diverse, interesting cases. The debate then reemerged about whether Cuba was a security problem or a model to be followed in the Americas. This has generated a debate in Latin America about revolution, the supposed interference of these countries in the internal affairs of other countries, and the possibility that the Venezuelan political model follows the steps of the Cuban model.

In reality, since 1999, Cuba has had a very important partner in Venezuela. The expression "Cuba and Venezuela, two flags, one revolution" denotes the rapprochement between the two countries, their joint participation in ALBA, the development of an important socio-economic exchange, the creation of a complex cooperation process, and the promotion of socialism.

With cooperation, trade and joint economic investments, bilateral relations have been strengthened to the point of economic complementarities between the two countries. Noteworthy aspects of this relationship are the great financial volume accompanying this experience and the asymmetric cooperation model where Venezuela provides significant support. In this context, three questions arise:

- To what point is this cooperation sustainable? Is it conditioned on Venezuelan oil revenues rather than the generation of Cuban income?
- How can the effectiveness and efficiency of these cooperation programs be measured? To what extent is there a space for rectification of the goals and instruments that, according to some analysts, have shown deficiencies?
- What kind of unintended consequences can this cooperation have for the balance of Venezuelan foreign aid as well as for Cuban society in terms of income distribution, the illegal diversion of resources, and the balance between those who have access to Venezuelan aid and those who do not?

In this context, the future of cooperation relations between Venezuela and Cuba can develop in various scenarios. First, where the relationship continues widening based on the main elements of this alliance: economic complementation, energy cooperation and political agreements based on a combination of *hard power*^{*} (military assistance

and economic cooperation), *soft power*^{*} (ideological promotion), and *social power*^{*} (social aid).⁸

A second scenario would include an eventual political and economic opening in Cuba, both governments taking distance, and Cuba promoting a debate about the achievements of Venezuelan cooperation and its relation to the policy of subsidies and social rights that Havana wants to revise in the framework of its economic plans. Havana would then depend less on Caracas, curbing the ‘perverse’ consequences cooperation between the two countries is having. These consequences are caused by Venezuela’s intention to influence Cuban internal politics, Venezuelan revenue-dependency’s impact on the dislocation of Cuban society, the corruption generated in cooperation management, the accruing of Cuba’s financial debt to Venezuela, and the creation of social inequalities within Cuban society by the effect of Venezuelan assistance. (9) At the same time, Cuba would seek to strengthen energy, trade and financial relations with other countries such as Algeria, Angola, Brazil, Equatorial Guinea, Iran, Mexico, and Azerbaijan. Venezuela would also have to reduce subsidized oil sales to Cuba if the prices of Venezuelan oil or its production would drop considerably.

A third scenario would arise from internal changes in the orientation of the Venezuelan and Cuban processes, which would lead to a reconsideration of the basis and instruments of a strategic cooperation that has been based on the common commitments of building socialism and promoting an anti-imperialist foreign policy.

Carlos Antonio Romero is a Venezuelan political scientist and a university professor at the Universidad Central de Venezuela. He has a Doctorate in Political Science. For more than 30 years Dr. Romero has been studying Venezuelan, Cuban and Colombian foreign policy and has published more than ten books and several academic articles in those subjects. Carlos A. Romero lives in Caracas.

* N.T. Original in English

Notes

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- ⁴ Yolanda D Elía, *Las Misiones Sociales en Venezuela: una aproximación a su comprensión y análisis*. Caracas: ILDIS, 2006.www.ildis.org.ve/website/administrador/.../DocumentoMisiones.pdf; Michael Penfold-Becerra, Michael, Clientelism and Social Funds: Evidence from Chávez's Misiones", *Latin American Politics & Society* - Volume 49, Number 4, Winter 2007, pp. 63-84, 2007;www.radiorebelde.icrt.cu/.../mundo1-020109.html; www.radiomundial.com.ve/yvke/noticia.php?16112 –
- ⁵ Carlos A. Romero, "Venezuela y Cuba. Una seguridad diferente". *Nuevo Mundo Mundos Nuevos, Cuestiones del tiempo presente*, marzo-2009. Paris, France. URL:<http://nuevomundo.revues.org/index55550.html>.
- ⁶ See: Líderes de la ALBA sellan declaración de solidaridad con Bolivia. EFE: 04/23/2008. See also: www.argentinaa.notiemail.com/noticia/www.defesanet.com.br/y.;www.lostiemplos.com/.../alba-predomina-lo-politico-en-la-cumbre_41100_69784.html
- ⁷ Lourdes Cobo, Venezuela y el mundo transnacional: Instrumentación de la política exterior venezolana para imponer un modelo en América Latina. *ILDIS - CEERI (Ed)*. Caracas. 2008
- ⁸ On the discussion around the role of social power in Venezuelan foreign policy, see: Javier Corrales, "Using Social Power to Balance Soft Power: Venezuela's Foreign Policy". Center for Strategic and International Studies. *The Washington Quarterly* • 32:4. October 2009, pp. 97-114.
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