



# Cuba, Venezuela, and the Americas: A Changing Landscape

## Introduction

The Cuban Research Institute at Florida International University and the Inter-American Dialogue are pleased to present three working papers from our meeting on “Cuba, Venezuela, and the Americas: A Changing Landscape.” Organized on September 14, 2005 in Washington, D.C., this session featured a wide ranging analysis of the bilateral relationship between Cuba and Venezuela, examining the domestic political implications for both countries, the impact on hemispheric affairs, and the significance for U.S. policy in Latin America. Leading the panel discussion were Javier Corrales of Amherst College, Mark Falcoff of the American Enterprise Institute, and Daniel Erikson of the Inter-American Dialogue. The discussion was moderated by Michael Shifter, the Dialogue’s vice president for U.S. policy.

The session responded to the intense interest we have seen throughout the hemisphere in understanding the evolving ties between Cuba’s Fidel Castro and Venezuela’s Hugo Chávez. What began as a personal bond between the two leaders has transformed into a close geopolitical alliance that spans political, economic and social realms. Both leaders have sought to keep their relationship highly publicized, and to project an image of solidarity throughout the Americas. Observers remained divided on the degree to which the Chávez-Castro alliance has become an important factor in Latin America’s politics. Clearly, however, its impact on the domestic political situations of Venezuela and Cuba has already been significant.

This meeting was the first of a discussion series entitled *Cuba Forum*, organized jointly by the Cuban Research Institute at Florida International University and the Inter-American Dialogue. This initiative is intended to bring Cuba experts and the Washington policy community together to explore key issues surrounding Cuba today. We are grateful to Javier Corrales and Mark Falcoff for their excellent contributions, as well as to the many participants who engaged in a lively discussion and debate on this important topic. The working papers reflect the views of the authors and do not necessarily represent any broader consensus of opinion.

We are grateful to the Ford Foundation for its contribution to the *Cuba Forum* through the Cuban Research Institute, and we also thank the Christopher Reynolds Foundation and the Swedish International Development Agency for their continued support for the Inter-American Dialogue’s work on Cuba.

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INTER-AMERICAN  
DIALOGUE

# Cuba

## Working Paper



# The Logic of Extremism: How Chávez Gains by Giving Cuba So Much

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“Cuba and Venezuela have formed a major alliance where highly strategic assets are exchanged.”

Cuba and Venezuela have formed a political alliance that has no match in the Western Hemisphere. What began in 2000 as a seemingly innocuous set of agreements has become today a major alliance in which highly strategic assets are exchanged. These assets include energy resources, large financial transactions, joint business ventures, information technology, development aid, intelligence services, highly trained personnel, and military assistance.

The reason that this alliance is so appealing to both Cuba and Venezuela is that each country is exchanging assets that are inexpensive for the sending country but of enormous strategic value to the receiving country. Venezuela is sending approximately 90,000 barrels per day (bpd) of oil to Cuba. Venezuela's oil contribution to Cuba represents less than 3.5 percent of its total oil production, and it is easily affordable. For Cuba, on the other hand, 90,000 bpd represents an invaluable lifeline that more than meets the island's energy needs. Much of this Venezuelan oil is subsidized. Because payment terms are so favorable to Cuba, analysts estimate that Venezuela is providing Cuba approximately 20,000 to 26,000 bpd of *free* oil, for a total “gift” of \$6 to \$8 billion over the next 15 years.

Furthermore, there are reports that Castro is re-exporting 40,000 to 50,000 bpd of the 90,000 bpd of Venezuelan oil imports, given that Cuba consumes just 120,000 bpd

and produces 80,000 bpd domestically. If so, Cuba has essentially regained the same lucrative oil business that it enjoyed with the Soviet Union prior to 1991. But this time, Cuba would stand to make more money. In 1989, Cuba was reported to re-sell 60,000 bpd of Soviet oil in international markets. At the 1989 world price of \$22.05 per barrel Cuba was probably generating revenues of \$1.3 million per day from the resale. If Cuba is now reselling 40,000 bpd of Venezuelan oil at today's price of \$58.16, its revenue is near \$2.3 million per day.

In return for oil, Cuba is sending Venezuela between 30,000 and 50,000 technical staff. As many as 30,000 Cubans in Venezuela are presumably medical doctors. Some are sport coaches, teachers, and arts instructors. An undisclosed number consists of intelligence, political, and military advisers. Leaving aside the question of whether it is moral or legal to pay debts with labor, sending highly-trained personnel to Venezuela is a cheap contribution for Cuba to make. Cuba has a surplus of highly educated personnel, especially doctors. Cuba has a far greater number of doctors per capita relative to rich countries and even relative to its own health achievements; countries with similar infant mortality rates achieve this result with fewer doctors. Furthermore, Cuba has significant underemployment, and the demand for exit visas is large. In short, sending highly trained personnel to Venezuela is an affordable contribution for Cuba.

This import has yielded enormous political rewards for Venezuela. Many Cubans offering true social services are being stationed in Misiones that are located in very poor areas, where very few highly trained Venezuelans ever render services. This allows the government to establish a presence in areas where political competition—and thus political accountability—is very low, and where the potential rewards in terms of possible new voters are high. Another component of the agreement with Cuba calls for educational and medical exchanges. For example, under the *Convenio de Atención a Pacientes*, Venezuela can send patients and their relatives for medical treatment in Cuba. The Venezuelan government pays for transportation costs, and Cuba covers all other expenses. These Cuban services serve a political purpose as well, by allowing the Venezuelan state to reward loyalists with trips to Cuba. In 2003, the Venezuelan daily *El Universal* reported that more than 4,000 patients had participated since the program's inception in 2000.

### **More than just Oil-for-Labor**

From the point of view of Venezuela, the deal with Cuba is more than just oil-for-labor and services. Venezuela derives enormous military, financial, and political benefits that are easy to observe.

**Military benefits.** Venezuela's rapprochement with Cuba is helping Chávez with his latest effort, begun in 2004, to transform the military. This transformation includes three dimensions: weapons, doctrine, and structure. First, the government is seeking to replace NATO-compliant Belgian rifles that the army has used for more than three decades with approximately 100,000 Russian AK-103 and AK-104. These AKs are the new generation of the venerable AK-47, the rifle of choice of most Marxist and popular guerrillas worldwide. Venezuela will

also create factories to produce ammunition for these rifles.

Second, the government is transforming the military's traditional war-game doctrines that consisted of preparing the armed forces to defeat Colombian forces in the event of a border conflict. The new doctrine focuses instead on surviving an "asymmetrical war," defined as a situation in which Venezuela is attacked by a far more formidable conventional army, namely U.S. forces. Preparing for an asymmetrical war requires training the military in guerrilla warfare.

The third transformation is the creation of urban reservists to defend the nation in the event of international aggression. The reservists are also supposed to help with "the maintenance of internal order." Estimates place the number of current reservists between 250,000 and 300,000; the government's goal is for 2 million reservists. Venezuela needs Spanish-speaking experts to help adjust to its new arsenals from Russia. It will also need help training, regulating, and organizing the new reservists.

The Cuban military is well poised to help Venezuela with this three-pronged military transformation. With more than 40 years of experience with Russian military equipment, guerrilla warfare training, and counterinsurgency operations, Cuba is a perfect source of technical advice for Venezuela's new military path.

**Economic benefits.** The relationship with Cuba allows Chávez to further eschew oversight mechanisms on the financial operations of the Venezuelan state. The Venezuelan state owns *Petróleos de Venezuela, S.A. (PDVSA)*, the fifth largest state-owned oil company in the world. With net sales of \$58 billion in 2004, PDVSA is the second largest company in Latin America, next to Mexico's PEMEX.

“Cuba is helping Chávez with his effort to transform the military.”

“Venezuela is now one of Cuba’s top creditor nations.”

Whoever controls PDVSA controls a formidable cash cow. However, previous Venezuelan presidents never enjoyed total control over PDVSA because the firm had obtained significant independence from the Executive Branch, as even Chávez’s supporters recognize. Prior to Chávez, Venezuelan law stipulated that PDVSA’s revenues had to be transferred to the Central Bank, which in turn was becoming increasingly independent and transparent. And in 1998, Venezuela created a rule mandating a savings mechanism in times of high oil revenues. Chávez has undermined each of these controls. Nevertheless, PDVSA still remains subject to some scrutiny. Its offshore operations must comply with international laws and the laws of host countries, and its domestic operations continue to be covered by the press, which frequently reports on PDVSA’s irregularities.

Chávez thus needs a place to conduct oil-related financial transactions free of scrutiny. As a country where conventional international financial and trade laws hardly exist, Cuba provides a convenient hiding place. This may explain why Chávez has selected Havana for the headquarters of PDVSA’s Caribbean office and PetroCaribe. Chávez has also established a new Industrial Bank in Havana. The Bank is charged with financial intermediation of foreign exchange related to oil and its derivatives. Chávez can now conduct multi-million dollar oil-based transactions without the scrutiny of international and Venezuelan observers.

***Venezuela’s new colony.*** The relationship with Cuba also potentially gives Chávez enormous leverage over Cuba’s internal affairs, and consequently, significant influence during Cuba’s transition after Castro. When Chávez travels to Cuba to offer favorable deals, he gets more than just adulation; he also expands Venezuela’s control

over Cuba’s future. One of the enduring insights of the dependency theorists of the 1970s is that nations can gain control of other nations by becoming their benefactors. By granting favorable economic deals, nations can create levels of dependence. Cuba is fast accumulating financial debts to Venezuela. The *Miami Herald* reported that Cuba’s debt with Venezuela was \$2.5 billion and rising. Cuba issues long-term IOUs to PDVSA, thus deferring all payments for at least 15 years, in violation of the original 2000 accord which stipulated that no more than 25 percent of the petroleum exports to Cuba would be financed. Venezuela is now one of Cuba’s top creditor nations. Furthermore, the number of Venezuelan military personnel and state officials in residence in Cuba is increasing. Any successor to Castro will inherit the obligations and dependence that Castro and Chávez are cultivating.

Venezuela’s leverage over Cuba’s future has an impact beyond just Cuban domestic affairs. It will also affect relations with the United States. It is fair to assume that Cuba’s transition will occur with significant U.S. involvement. The transition may even descend into a military confrontation, possibly involving Cuban-Americans, and thus, the United States. The presence of Venezuelan political and military personnel during these events increases the chance of a conflict with the United States after Castro expires.

### **Why Flaunt the Relationship?**

The question remains: why does Chávez love to flaunt his relation with Cuba? Chávez could easily negotiate deals with Cuba under a lower profile. However, Chávez goes to great lengths to publicize his close partnership with Cuba. He has even named his own brother, Adán Chávez, as ambassador to Havana. My speculative answer to this question is based on the idea that extremism can be functional in politics. In particular,

flaunting this relationship allows Chávez to: (1) attempt to impress an otherwise disappointed audience; (2) bargain with other Latin American nations; and (3) maintain a level of polarization at home.

Actors turn toward extremist acts in politics when the audience that they are trying to impress has become disappointed with the performance. This argument can explain the Chávez government's boastfulness about its ties with Cuba. Chávez insistently wishes to impress the international leftist community. Although it is difficult to classify and compartmentalize the ideological positions of the left-of-center international observers, I would nonetheless argue that most progressive observers in the international community share the following principles: respect for democratic institutions; commitment to human capital improvements; checks on militarism; checks on monopoly capitalism; and resistance to imperialism. The problem with the Chávez administration is that his credentials on the first four principles are increasingly questionable.

Although Chávez wins elections, he is disrespectful of horizontal and vertical checks on his power. Although he spends on social programs, Venezuela has not registered marked improvements in education, health, and equity indicators. Venezuela's ranking in the United Nations Human Development Index declined from position 48 to 75 between 1998 and 2003. Although he talks about participation, the group that has made the largest political gains under his watch is the military, and now, the reservists. And although he has promoted anti-capitalist rhetoric, Chávez is the uncontested CEO of the largest monopolistic business in Venezuela—PDVSA. In many ways, Chávez has very few achievements that would impress the international leftist community. By turning increasingly toward Cuba—which is an easy policy to

pursue—Chávez can exaggerate his credential in a domain that is dear to the international left: anti-imperialism. And by pretending that most of the Cubans transferred to Venezuela are social workers, he also hopes to obtain credentials as a humanist.

By flaunting his close relations with Cuba, Chávez also enhances his bargaining power with moderate governments in the region. Chávez needs a major lever in his relations with Latin America because he needs to frustrate U.S. efforts—in effect since 2004—to create a Latin American alliance against Venezuela.

Venezuela has used a combination of inducements and threats to block this alliance-building effort. The abundance of oil resources, especially since 2004, allows Chávez to offer plenty of inducements throughout the region. With oil, Chávez has become a “tropical Santa Claus” in the region, to borrow the term of Diego Arria, former Venezuelan ambassador to the U.N. However, inducements are not enough. Chávez also needs to offer credible threats to Latin American nations. An alliance with Castro allows Chávez to offer such threats. Insofar as governments believe that Castro is involved in destabilizing their countries by funding radical domestic groups, Chávez can portray himself as holding the key to stability or instability in the region. Whether the Castro-Chávez team actually controls the activities of these radical domestic groups is immaterial. What matters is whether Latin American state leaders perceive the Castro-Chávez team to have such control. That perception gives Chávez leverage over governments in the region.

Chávez's intensifying relationship with Cuba no doubt comes with a political cost at home. It signals to domestic actors that Chávez is an extremist radical, producing an unnecessary sense of alarm within the

“Chávez seeks to frustrate U.S. efforts to create a Latin American alliance against Venezuela.”



““ **Chávez's  
embrace of Cuba is  
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domestic opposition. Relations with Cuba are heavily criticized by numerous Venezuelan actors: professional associations, business groups, labor unions, the Catholic Church, and civic groups. They are also criticized by potential allies of the government: nationalists, parts of the military, and politicians on the left. In other words, Chávez's embrace of Cuba is a polarizing policy in Venezuela.

Why is Chávez willing to accept the cost of a polarized political landscape? One theory is that polarization was not Chávez's intention but the result of an unintended security dilemma. Given the instability that prevailed in Venezuela between 2001 and 2004, Chávez decided to deepen relations with Cuba to acquire security assets. The more that Chávez turns to Cuba for security, the more recalcitrant the opposition becomes, increasing the government's sense of insecurity. This only pushes it closer to Cuba for more security assets, and polarizes the country further.

One could argue, to the contrary, that the polarization is instead intentional. Political scientist Youssef Cohen has argued that extreme, radical positions in politics are often the willing choice of politicians who face excessive pressure from the radicals within their ranks, too much infighting among coalition members, and swarms of defecting voters. These three fissures are increasingly visible within the Chavista coalition and

may explain why Chávez may be interested in polarizing politics at home. To ease these fissures and unite his coalition, Chávez needs to have a recalcitrant opposition. Relations with Cuba incense the opposition, which may help Chávez achieve some unity among the radicals who support him.

The defection of voters, especially from the poor, is noteworthy. While Chávez remains popular, he has lost enormous support among low-income groups since 2001, although he has recovered some of this support in 2005. Some authors find it admirable that Chávez retains the support of so many poor Venezuelans. More mysterious is why so many poor, Chávez's presumed natural constituents, have abandoned him despite extravagant populist spending. It could very well be that the turn to Cuba, or to extremism in politics in general, is the natural response of political insecurity within the government's own ranks.

### **Conclusion**

Venezuela's close relationship with Cuba provides Chávez with enormous domestic and international political advantages. Even the most serious political cost of this relationship—the polarization of domestic politics in Venezuela—is functional for Chávez as a mechanism for easing dissent within his ranks. Because the investment that Venezuela makes is cheap, and the rewards are so handsome, Venezuela's relationship with Cuba is bound to grow.

# Castro's Chávez Strategy

By Dan Erikson  
*Inter-American Dialogue*

Since 1999, the Cuban government has become increasingly reliant on Venezuela for external economic support and political backing. The motor of this relationship is the warm personal and political bond between Cuba's aging autocrat Fidel Castro and Venezuelan populist Hugo Chávez. Chávez, a former army paratrooper and fiery antagonist towards entrenched interests, won the presidency in 1998 with overwhelming support stemming from his indictment of Venezuela's political classes. Chávez first struck up a friendship with Castro in 1995, when he was given a hero's welcome in Havana following his release from prison for a 1992 coup attempt. As a presidential candidate, Chávez promoted the concept of "Bolivarian Revolution," a mix of economic populism and support for social programs, couched in leftist terminology. Chávez later traveled to Cuba as president-elect, and the two leaders have since consolidated a very public friendship that has significantly bolstered Cuba's political fortunes.

In October 2000, Chávez and Castro signed the so-called *Convenio Integral de Cooperación* that has formed the backbone of the "oil for services" arrangement that is economically crucial to Cuba. Under this agreement, Cuba would receive 53,000 barrels of oil a day at a favorable rate of financing, in exchange for providing technical support and advice in areas of education, health care, sports, and scientific

research. These oil shipments from Venezuela represented about one-third of the island's energy consumption, with an estimated value of \$400 million—or one-sixth of total imports—making Venezuela Cuba's largest trading partner. Yet for the state-owned oil company *Petroleos de Venezuela (PDVSA)*, Cuba's oil imports were barely significant, representing less than 2 percent of annual production. During the aborted military coup that ousted Chávez in April 2002, top PDVSA managers immediately suspended the oil shipments to Cuba, on the basis that the island had failed to make payments. The agreement was renewed in August of that year and by early 2004, the *Wall Street Journal* reported that Cuba's debt to Venezuela's state-owned oil company had reached \$752 million—80 percent of the company's debt—with scant effort to collect on the payments by the Venezuelan government. In 2004, Venezuela was Cuba's top trading partner with more than \$1.2 billion in trade mainly stemming from petroleum-based imports. In addition, Venezuela constituted the third largest export market for Cuba, with an estimated \$300 million in trade including pharmaceuticals, construction material, and agricultural products. However, Cuba risks becoming overly reliant on Chávez's ability to retain power, and any change in government in Venezuela would pose a significant shock to the island's economy.

“Castro risks becoming overly reliant on Chávez's ability to retain power.”

**“Cubans are bolstering political support for Chávez among Venezuela’s disenfranchised.”**

Cuba’s provision of thousands of doctors, educators, technicians and sports trainers to Venezuela has been an essential component of the bilateral relationship. For many years, Cuba has conducted a sweeping program of medical diplomacy throughout the developing world, and it has not been uncommon to find Cuban doctors working in the remote reaches of Africa or Latin America. However, there is no other country where Cuban specialists have taken on a role as extensive as in Venezuela. While estimates vary, the current program involves about 20,000 Cubans, including 14,000 physicians that represent approximately one-fifth of all Cuban doctors. Although this program often involves additional hardships for doctors who must spend years away from their families, their tour abroad does yield modest monetary incentives. The Associated Press has reported that Cuban doctors in Venezuela receive an extra stipend of \$186 a month while the Cuban government continues to pay the \$25 salaries to their families on the island. In Cuba, some worry that the departure of valued professionals for oil-rich Venezuela will lead to a further decline in a social safety net deprived of resources and largely dependent on human capital.

The Cuban government has declared 2005 to be the “Year of the Bolivarian Alternative.” During a two-day meeting in April 2005, Cuba and Venezuela signed an agreement to increase the number of healthcare workers to 30,000 and implement ambitious health programs, including the establishment of 1,000 free medical centers, training 50,000 medical personnel, and providing surgical treatment for up to 100,000 Venezuelans in Cuba. Cuba also offered to help to train an additional 40,000 Venezuelan doctors. Meanwhile, Venezuela has increased

daily oil shipments to Cuba to 90,000 barrels per day. In 2004, the Venezuelan congress ratified a “mutual legal assistance” treaty that opens the door for the Cuban government to retain legal authority over Cuban citizens living in Venezuela. Though such treaties are not in themselves unusual, some analysts fear that this legal cooperation is intended to allow Cuba to retain some level of control over its missionaries overseas and increase the legal jeopardy for defectors.

The U.S. government is concerned that the shared intelligence and defense training between the two countries has undoubtedly increased. Nevertheless, the preponderance of the doctors and educators are more likely to be exactly what they appear: Cuban professionals who have escaped the island’s scarcity and been provided with the chance to earn a little more money. In addition, by providing needed services in Venezuela’s poorest barrios, the Cubans are bolstering political support for Chávez among the disenfranchised who have otherwise seen few promised results from his “Bolivarian revolution.”

Does the strategic alliance between the two countries have the capacity to thwart U.S. objectives in the region? In 2004, spokesman Adam Ereli said that the State Department was “troubled by the close ties between the government of Venezuela under President Hugo Chávez and the Castro regime” and that “past experience—such as in Nicaragua and Grenada—demonstrates that Castro’s involvement has accompanied a breakdown in democratic processes.” During her confirmation hearing in January 2005, Secretary of State Condoleezza Rice referred to Venezuela as a “negative force” in the hemisphere, and criticized its ties to Cuba, which she described as “embracing the only undemocratic government in the region.”



Other U.S. officials have expressed deep concerns that the mix of Castro's smarts and Venezuela's cash could evolve into a hotbed of anti-American sentiment, lead to the rise of new leftist movements, and even pose a security threat to the United States and its allies in the region. The collapse of the Bolivian government of Gonzalo Sanchez de Lozada in 2003, followed by the resignation of his successor Carlos Mesa in 2005, and the rise of indigenous leader Evo Morales has generated rumors regarding this type of involvement. Former Assistant Secretary of State Roger Noriega described Fidel Castro as "nostalgic for destabilizing elected governments" and "increasingly provocative." It is certainly true that many indigenous leaders express admiration for Castro and Chávez at such left-wing gatherings as the "Bolivarian Congress of the People," convened in Caracas in November 2003. At the same time, Bolivia's deep poverty, social tensions, and history of racial exclusion hold considerable explanatory power regarding the country's recent instability.

Castro and Chávez have steadily moved from ringside cheerleaders of leftist movements in the hemisphere to become the protagonists of sweeping hemispheric proposals with the potential to shape the region's broader political dynamic. These include the "Bolivarian Alternative for the Americas," known as ALBA—a rejoinder to ALCA, the Spanish acronym for the U.S.-proposed Free Trade Area of the Americas. Led by Cuba and Venezuela, ALBA represents an integration agreement that includes trade, investment and social programs. Thus far, only Venezuela and Cuba have officially declared "membership" in this grouping, but other ALBA-related initiatives are gathering a wider audience. In June 2005, Venezuela helped to establish PetroCaribe, a joint oil venture with twelve

other Caribbean countries including Cuba. A Venezuela-sponsored regional television network, known as Telesur, has begun to broadcast throughout the region, and sparked discussions in the U.S. Congress of creating an alternative anti-Chávez broadcast. Although Telesur is nominally backed by Argentina, Cuba, and Uruguay, the Venezuelan government has contributed 70 percent of the channel's \$10 million start-up cost.

Recent polls reveal subtle shifts occurring in Venezuelan public opinion. In a survey released in July 2005, the Caracas-based polling company Datanálisis showed that 11.6 percent of respondents approved of using the Cuban system as a model for Venezuela, while 63.2 percent were opposed. While only a fraction of Venezuelans have professed to favor the Cuban model, this poll reflects that the sentiment has grown over the past three years. In an earlier poll conducted by this company in July 2002, merely 3 percent expressed support for Cuba while 91 percent remained opposed. In January 2005, Venezuelan preference for the Cuban model registered at only 6 percent, indicating that most of the growth in sentiment has occurred in the last six months. Worryingly, this period has been characterized by Chávez's public support for a "new socialism," dramatic denunciations of supposed "U.S. plots" to assassinate Chávez, and continued political repression in Venezuela. A separate nationwide poll, carried out by the firm Sejias & Asociados in late May and early June 2005, revealed that 48 percent of respondents preferred a socialist system over a capitalist system, with less than 26 percent preferring capitalism.

While most hemispheric leaders maintain relations with both countries, they have steered clear of entangling alliances

“Most hemispheric leaders have steered clear of entangling alliances with the two countries.”

**“ Venezuelan backing has allowed Castro to weather new U.S. restrictions and sideline the European Union. ”**

and instead focused mainly on regional integration and managing relations with the United States. The leaders of Venezuela and Cuba have a penchant for grand rhetoric describing a hemisphere united against American hegemony, but thus far they remain a two-man club. Nevertheless, there is a possibility that the pendulum may swing further in their direction if electoral victories are achieved by Evo Morales in Bolivia, Daniel Ortega in Nicaragua, or other leftist leaders.

The alliance between Havana and Caracas clearly has intentions to influence regional affairs, but its impact thus far has been most significant for the Castro government. Cuba, as the primary beneficiary of Venezuela's largesse, has gained critical breathing room in the management of its foreign and economic policy. Since 2001, Castro has undertaken a number of steps to roll back economic liberalization measures, including restricting new licenses for small-scale entrepreneurs, imposing tighter financial controls on state-owned

enterprises, and removing the U.S. dollar from circulation. Without the economic support provided by Chávez, it would have been much more difficult for Castro to reverse economic liberalization measures, especially given new U.S. restrictions on travel and remittances. Cuba has also taken steps to politically sideline the European Union, which has traditionally been its most important trading partner—a move that would be far more difficult in the absence of surging economic ties with Venezuela, and increasingly, China. Venezuelan support has allowed the Cuban government to strengthen its domestic position, and is poised to emerge as an important factor shaping the post-Castro transition. While speculation continues that Fidel Castro is harnessing Chávez to achieve international goals—namely the promotion of leftist movements in the hemisphere—there can be little doubt that domestic consolidation of the Cuban Revolution remains his highest priority.

# The Chávez Revolution: A Historical and Hemispheric Perspective

By Mark Falcoff  
*American Enterprise Institute (Emeritus)*

Often the best way to understand current events in Latin America is to have a solid grounding in Latin American history. Those who do are often struck by how little is new, and how cycles repeat themselves. The same often holds true for U.S.-Latin American policy.

If one knows nothing about the past, then the Chávez revolution in Venezuela would indeed seem to be a new and dangerous development in Latin America. In fact, there are several precedents, all of which suggest that no matter how much money the current Venezuelan president has on hand, and no matter how long he remains in power, in the end he is unlikely to transform his country into a more productive, more dynamic, and more integrated society, much less a truly significant international actor.

To be sure, the current situation in Venezuela is nothing to celebrate. What was once South America's most resilient democracy is slowly being dismantled, and what is worse, with the full approval (or at any rate no significant disapproval) of a vast majority of that country's people. The next decade will probably be spent ruminating over why this is so and how it came about. There will be plenty of time for Venezuela's old-style politicians to do just that, many of them presumably from the comfort of Miami, New York, or the Dominican Republic. The fact remains: Venezuelan democracy is in the process of transition

towards an authoritarian populist state and it is not apparent that there is anything anyone on the outside can do about it.

This development has significant international implications. Obviously the most important event in Venezuela since Chávez came to power has been the political and economic alliance with Castro's Cuba. In exchange for 90,000 barrels of oil a day ("sold" on such generous terms as to be a virtual giveaway), the Cuban dictator has been dispatching to Venezuela thousands of doctors, sports trainers, intelligence and police experts, and presumably also media and political advisers. The exchange is so obviously unequal (at this point Cuba owes Venezuela over a billion dollars, none of which is ever likely to be repaid) that Chávez has to constantly justify the enormous benefits which Venezuela is supposedly getting from the oil transfer.

Certainly from many points of view Chávez is something of a lifesaver for Fidel Castro. Quite apart from the fact that Cuba's economy has been in sharp decline again following a mini-recovery in the late nineties, new restrictions on remittances and travel from the U.S. imposed by the Bush administration have unquestionably dried up a major source of hard currency for Castro. This stream has suddenly been replaced by oil from Venezuela, which is largely being resold on the world market, much as was oil from

“Venezuelan democracy is in transition towards an authoritarian populist state.”

“One should not overestimate the Venezuelan president’s global reach.”

the Soviet Union prior to 1991. The advent of a regime frankly aligned to Cuba in a major South American country must also constitute something of a psychological boost to Castro and his followers, since it suggests that—in spite of all evidence to the contrary—they are still somehow on the side of “history.”

But it is not at all certain that the Cuban presence in Venezuela does not have some middle and longer term negative implications for Castro and Castroism. The first is that in spite of Chávez and *chavismo*, Venezuela is still very much a capitalist country with a bourgeois consumerist culture, and the Cubans who go to work there must be quite enchanted with it. After all, in Venezuela food and other basic items are not rationed; you can see American movies and television without difficulty; many people have up-to-date foreign cars; the food in the restaurants is—in contrast to Havana—actually quite edible. More than one Cuban doctor or sports trainer must be wondering whether this is a country that, with all its social problems, needs the kind of revolution Cuba has experienced for the past half century. Also, in spite of Chávez’s best efforts, the general atmosphere in Venezuela is largely non-ideological; this must be a refreshing change for many Cubans on mission there.

The situation is likewise not entirely favorable to Venezuela within Cuba either. In spite of Chávez’s gifts of oil, few Cubans have seen much benefit to their society as a result. Because Castro resells so much oil, blackouts in Havana have resumed, sometimes for as long as eight hours a day. Meanwhile, many clinics are now running short of doctors, dentists, nurses and other medical technicians, who have been sent over to Venezuela to earn cash to keep Castro in power. There is some evidence of a simmering discontent on this score, since

several busloads of Venezuelan tourists in Cuba were recently stoned.

Chávez, of course, sees his “revolution” as extending far beyond the Havana-Caracas axis. He is spending huge amounts of money to fund left-wing and indigenous movements in several Latin American countries, and has even launched his own continent-wide television network, known as Telesur. He opposes efforts by the United States to reach free trade agreements with other Latin American countries and has even launched his own, competing initiative which goes under the acronym ALBA. In some Latin American countries one notes the reappearance in bookshops of a certain kind of “anti-imperialist” literature of a type formerly subsidized by the Soviet Union. There is little doubt that in Colombia at least Chávez is supporting the FARC guerrillas.

Nonetheless, one should not overestimate the Venezuelan president’s global reach. Telesur is a graceless copy of its Cuban prototype, and unless Venezuelans and other Latin Americans are deprived overnight of the right to look at other networks, its ratings are bound to be below sea level. While Chávez is constantly announcing strategic alliances with other Latin American countries—building a gas refinery in Argentina or Uruguay, or providing oil at subsidized prices to the Caribbean islands, or buying up worthless debt paper here or there—the only country with which the phrase “strategic alliance” has any real meaning is Cuba. Virtually all of the other republics have stronger, more sophisticated and more productive relationships with the United States, the European Union and Asia, and are not likely to give them up for whatever bribes or benefits Chávez offers them. As successive U.S. administrations have learned, and not just in Latin America, people will take your

money but that does not guarantee that they will be your friends, particularly when you need them.

No doubt in a few countries, most notably Colombia and Bolivia, Chávez has been able to make his influence felt. But no serious observer thinks that the FARC has any chance of taking power there, and to the extent that they are seen as being supported by Venezuela—a country held in contempt by many, if not most Colombians—support for President Uribe and Plan Colombia is probably strengthened. As for Bolivia, that country may well be virtually ungovernable and unviable, at least in its present form, Chávez or no Chávez.

Nor can the personality of Chávez himself be dismissed in the equation. The Venezuelan president understands his own people very well and has probably been underestimated by his opponents and by many of us in the United States. (He has also been extraordinarily lucky in the matter of oil prices.) But his appeal beyond Venezuela's borders is very limited. To many South Americans, including not a few on the left, he is seen as a clown—in fact, that is the word that most of them use to describe him at least in private. He has awakened none of the visceral reactions that Fidel Castro was capable of arousing in the

'sixties and 'seventies. There might well be more “Bolivarian circles” presently being formed in the United States than in any Latin American country.

To be sure, no Latin American leader is going to criticize Chávez regardless of what he does within his own country. Or perhaps even outside it. Even Colombia has been somewhat reticent to go public with what it knows about the relationship between Chávez and the FARC. It may be that the Latin Americans themselves, having seen populist dictators come and go, feel that in time Chávez will be dispensed with by forces larger than himself—a decline in oil prices, the death of his mentor Fidel Castro, evidence of growing corruption within the Venezuelan “revolution”, and failure to deliver beyond the usual populist bread and circuses and perhaps eventually not even those. The United States would be well advised to heed the lessons of history and allow the Chávez revolution to run its course like an unpleasant fever. To pursue him as a threat that needs to be exorcised is exactly what he wants and what he has been trying to coax the United States into doing. One can hope that this time, at least, our need for oil will restrain us if we find ourselves once again incapable of learning from past mistakes.

“The United States should allow the Chávez revolution to run its course like an unpleasant fever.”





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