

# Venezuela in the Caribbean: Expanding its sphere of influence

**By Sir Ronald Sanders**

Former Caribbean Ambassador and business executive

**Abstract:** *In the wake of deteriorating relations between the government of Hugo Chavez in Venezuela and the administration of George W Bush in the United States, Venezuela has sought to expand its influence into Commonwealth Caribbean countries by offering a loan scheme for oil payments. CARICOM countries account for almost half the votes in the Organisation of American states and the Latin American and Caribbean Group in UN bodies. President Chavez has called on the Caribbean to join a "sea of resistance" against US imperialism as part of his programme of 21<sup>st</sup> Century socialism and rejection of the US initiative for a Free Trade Area of the Americas. The US had written to CARICOM countries warning them against a relationship with Chavez and accusing him of threatening democracy. This article analyses the traditional relationship between CARICOM and the US on the one hand and the new relationship with Venezuela on the other, and argues that the CARICOM countries, small though they are, will act in their own interests.*

Key words: Caribbean, Venezuela, US, Petro Caribe

## Introduction

Prior to 2005, Venezuela had little influence on the 15 member States of the Caribbean Community (CARICOM),<sup>1</sup> even though for years it maintained diplomatic missions in virtually every one of them. Only three CARICOM countries have resident diplomatic missions in Venezuela. These are: Guyana, Jamaica and Trinidad and Tobago.

There was insubstantial trade between Venezuela and CARICOM States, poor transportation links, virtually no tourism, and inconsequential investment.

Within the Organisation of American States (OAS) and in the Latin American and Caribbean Group of the various United Nations bodies, Venezuela and CARICOM countries enjoyed no close relationship, and there was no great level of collaboration on issues.

## CARICOM concerns about Venezuela

CARICOM concerns with Venezuela centred on three things:

- Venezuela's claim to two-thirds of Guyana;
- Venezuela's passage of a law in 1978 which asserts not only ownership of Aves Island in the Caribbean sea but also treats it as an "island" and not a "rock" as defined by the UN Convention on the Law of the Sea, therefore entitling Venezuela to an Exclusive Economic Zone which would impinge on the maritime

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<sup>1</sup> CARICOM countries are: Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, St Kitts-Nevis, St Lucia, St Vincent & the Grenadines, Suriname, Trinidad and Tobago, and the British colony, Montserrat.

entitlements of Antigua and Barbuda, St Kitts-Nevis, Dominica, St Lucia and Montserrat; and

- Venezuela's participation in complaints to the World Trade Organisation (WTO) over the Caribbean's preferential access to the European Union (EU) market for bananas.

These three concerns defined CARICOM's relationship with Venezuela and featured regularly in Communiqués issued by its heads of government. Equally, the issue of Aves Island was regularly treated as one of contention in the declarations of the Organisation of Eastern Caribbean States (OECS)<sup>2</sup>.

Then three events occurred.

### **High oil price brings change**

First, CARICOM countries – with the exception of Trinidad and Tobago which is itself a producer of oil and natural gas – suffered from skyrocketing oil prices which reached unprecedented levels placing an enormous burden on their economies and stunting development.

Second, the government of President Hugo Chavez in Venezuela benefited greatly from high oil prices. When President Chavez came to power in 1999, the price of a barrel of oil was \$10. During his time in office, the price rose to as much as \$75 a barrel before dropping off to an average of between \$55 and \$60. This has given President Chavez considerable capacity to manoeuvre domestically and internationally and to challenge the old order of power in Latin America and the Caribbean. Paying off debts to the World Bank in April 2007, five years ahead of schedule - having already paid off the IMF - with the declaration from the Finance Minister, "Goodbye to you... Venezuela is free and sovereign",<sup>3</sup> illustrates the scope of the Venezuelan government's manoeuvrability.

Third, President Chavez became more strident than he had been in his anti-American stance and his denouncing of the US initiative for the establishment of a Free Trade of the Americas Area (FTAA) which he described as a vehicle for "US imperialism" and said "should be buried".

In the course of developing what he calls "a new era of 21<sup>st</sup> Century Socialism" in Venezuela which includes nationalisation of some of the assets of foreign-owned companies, President Chavez also articulated the concept of a "Bolivarian Alternative for the Americas" (ALBA) as a substitute to the FTAA.

### **Petro Caribe and ALBA Caribe**

In 2005, President Chavez launched two initiatives directed at the Caribbean – Petro Caribe and an ALBA-Caribe Fund.

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<sup>2</sup> The Organisation of Eastern Caribbean States (OECS) is a sub-regional organisation of the smaller member states of CARICOM. They are: Antigua and Barbuda, Dominica, Grenada, St Kitts-Nevis, St Lucia, St Vincent & the Grenadines and the British Colony, Montserrat.

<sup>3</sup> "Venezuela pays off multilateral loans", Associated Press reporting Television address by Finance Minister Rodrigo Cabezas, 14<sup>th</sup> April 2007, BusinessWeek.com

Briefly described Petro Caribe consists of two sets of Agreements: first a framework accord, the Energy Co-operation Agreement, which was signed by several CARICOM governments in June 2005; and, second several bilateral energy agreements which were subsequently signed between individual CARICOM governments and the government of Venezuela.

Under Petro Caribe, Venezuela provides crude and refined oil products to the participating Caribbean states for payment of 60% of the cost within 90 days. The remaining 40% is then to be paid over a period of 23 to 25 years at 1% interest as long as the cost of a barrel of oil does not fall below \$50 when the interest rate would rise to 2%. Petro Caribe, therefore, is in essence a loan facility and not oil at a discounted price or cheap oil.

Under the ALBA-Caribe Fund, to which Venezuela has subscribed \$50 million, participating countries can draw for financing social and economic programmes. How the Fund will continue to be financed when the initial Venezuelan contribution of \$50 million runs out is unclear. The Petro Caribe Agreement reads:

“In order to help foster the social and economic development of the countries of the Caribbean, PETROCARIBE shall have at its disposal a Fund earmarked for the financing of social and economic programs and consisting of contributions from financial and non-financial instruments. Such contributions may, upon agreement, be drawn from the financed portion of oil invoicing and the savings from direct trade”.<sup>4</sup>

If it is the intention that the CARICOM States that have signed up to Petro Caribe should contribute to the Fund, this is most unlikely to happen. Given their budget deficits and debt overhang, such initial savings as they make from deferred payments for oil will be used to finance their current account costs. Therefore, ALBA-Caribe may die when the Venezuelan contribution of \$50 million is exhausted unless Venezuela itself replenishes it.

### **Venezuelan and Caribbean objectives**

The question arises as to what do Venezuela and the participating Caribbean governments get from these initiatives and are their objectives *ad idem*?

Clearly, in the case of Venezuela, the initiative is an effort by President Chavez to weaken US sway over the region and extend his own influence in the area.

At the signing of Petro Caribe, President Chavez said that he wanted the Caribbean to be a “sea of resistance” to US imperialism. Further, he recognises that CARICOM countries represent almost half of the 34 votes in the Organisation of American States where debates on the hemispheric political situation are played out; and they are a solid bloc in the Latin and American and Caribbean group at the UN. If he could get them on his side, his policies could dominate the discourse of these bodies.

With respect to the participating CARICOM countries, they derive immediate relief from payment of the full cost of their oil requirements under Petro Caribe which eases their cash flow and allows them to spend on other projects.

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<sup>4</sup> Section 11 of the Petro Caribe Agreement

Some of them also recognise an opportunity to get help from Venezuela for infrastructural projects for which they have been unable to raise funding elsewhere. By the same token, since Petro Caribe is effectively a part loan arrangement, the debt of the participating governments will increase and a day of reckoning will come particularly since 14 of these countries are already amongst the 30 most indebted nations in the world in relation to their GDP.

In any event, the immediate payment relief and the social projects under the ALBA-Caribe Fund have proved to be sufficient incentive for several CARICOM governments to sign up to Petro Caribe.

### **US request rejected by Caribbean**

It is significant that the countries that signed up did so despite receiving a letter dated 27<sup>th</sup> June 2005 from the US State Department that was heavily critical of President Chavez saying that "democracy was being threatened under his rule" and accusing him of destabilizing neighbouring countries by supporting radical groups.

The letter was ignored by many Caribbean leaders in part because they had been concerned about the unilateralist practices of the Bush Administration and the demonstrable lack of meaningful involvement by the US in the economic and social issues that most concern CARICOM governments.

Also, they would have been perfectly aware that while the US was urging them not to deal with the Chavez government, the US itself continued to be the largest market for Venezuelan oil. As many of them would have seen it: If the US was dealing with the Chavez government, in its own self-interest, despite all the matters identified in the State Department letter, why shouldn't Caribbean governments? Particularly as the US remained neglectful of the issues that most concern the CARICOM countries?

These issues remain: official development assistance to build infrastructure and to provide employment, to alleviate poverty, and to finance human resource development and the provision of health services.

Since the end of the cold war, US official development assistance to CARICOM countries has dwindled and has focused only on issues of concern to the US; issues such as the interdiction of drug traffickers; port and airport security as part of the US war on terror; and illegal migration. And while the US has been neglectful of the Caribbean's needs for assistance, it has been proactive on issues of trade in goods and services that have hurt the region.

These include joining as a complainant with Latin American countries, including Venezuela, at the WTO to protest preferential access to the EU market for bananas from CARICOM countries; US antagonism to the offshore banking industry in the region; and its unprecedented action of withdrawing a commitment under the General Agreement on Trade in Services to avoid compliance with a WTO ruling in favour of Antigua and Barbuda that the US should bring its domestic laws into conformity with its international obligations and allow the delivery into the US of internet gaming and betting services from Antigua.

US unilateralist actions have deprived Washington of any sympathy for many of its positions.

The disregard for the UN Security Council over Iraq and the subsequent invasion; the reversal of the US government's commitment to the Kyoto Protocol at a time when the region is facing increased and stronger hurricanes; the reported atrocities at Abu Ghurayb; the detention of prisoners without charge at Guantanamo; and the continued imposition of an embargo against Cuba, have all contributed to a decline in US-CARICOM relations at an official level.

### **Embrace of Venezuela, not universally popular**

However, it should be noted that the readiness to embrace the Venezuelan government's initiatives does not include all CARICOM countries, nor indeed does it include all the actors within some of the CARICOM States whose governments have drawn closer to President Chavez.

The government of Barbados has not signed on to Petro Caribe arguing that it is a loan facility, and even though it is on soft terms, it is still a debt and fiscal management dictates that such debt be avoided; a new government elected in December 2006 in St Lucia has indicated that it may not pursue membership of Petro Caribe even though the previous government had signed up to it ;<sup>5</sup> the former Prime Minister of St Vincent & the Grenadines, Sir James Mitchell, has said that he doesn't "want to be friends with anybody who is nationalising everything in the country where its currency is continuously devaluing";<sup>6</sup> the government of Guyana has clearly decided that, given its peculiar position with Venezuela maintaining a claim to two-thirds of its territory, it cannot make itself wholly reliant on Venezuela for its energy needs: it has opted to take only half of its petroleum requirements under Petro Caribe, the other half continuing to come from Trinidad and Tobago; and the government of the Bahamas, elected in April 2007 has stated that "Petro Caribe was a matter that was previously being addressed under the previous administration and is not one of our immediate priorities right now".<sup>7</sup>

The Petro Caribe agreement has also had a polarizing effect on CARICOM itself particularly in relation to Trinidad and Tobago. And, the cost of this may be counted in the future.

In any event, given the division within CARICOM over Petro Caribe, even if the committed countries chose to blindly support the Chavez government in the OAS and in the Latin American groups at the UN as a *quid pro quo* for his help, they alone would not provide the support required to dominate the discourse of these bodies. In any event, as is shown more fully later in this paper, CARICOM States have shown no readiness to join Venezuela in President Chavez's "sea of resistance" to US imperialism.

CARICOM States remain interested in the FTAA and Trinidad and Tobago is one of the countries contending for its headquarters.

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<sup>5</sup> Caribbean Media Corporation (CMC) report: "St Lucian government not interested in Venezuela's Petro Caribe initiative", 20<sup>th</sup> February 2007

<sup>6</sup> Sir James Mitchell, Address to 21<sup>st</sup> Annual Convention of New National Party in Grenada, March 2007

<sup>7</sup> "Petro Caribe on backburner", The Bahama Journal, 18<sup>th</sup> May 2007

## **Caribbean energy security tied to Venezuela**

Venezuela has now replaced Trinidad & Tobago – a founder member of CARICOM – as the main energy supplier in CARICOM in contradistinction to three Articles of the Revised CARICOM Treaty, one of which – Article 79 – obliges member states “to refrain from trade policies and practices the object or effect of which is... to nullify or impair benefits to which other member states are entitled under the treaty”.

And, while the Trinidad and Tobago government eventually decided to facilitate Petro Caribe, its Prime Minister, Patrick Manning, is on record as saying that his country would not step-in to help if there is any break in supply from Venezuela in the future. He made it clear that “if we have to shift the markets from the Caribbean to, say, North America, all of our output would be committed to our new markets. Therefore in the event of a disruption of supply we would not be able to keep the market satisfied”.<sup>8</sup>

The fate of a Petroleum Fund, established by Trinidad and Tobago in 2004 to provide relief to CARICOM countries experiencing hardships because of high prices for crude oil and petroleum products, remains unclear.

In 2004-2005, the Fund was used to provide budgetary support to the government of Guyana following wide-spread flooding; to assist the government of Grenada in its recovery from Hurricane Ivan; and to provide a grant to LIAT, then an airline owned by several CARICOM governments, to help keep it flying.

But, as a CARICOM Secretariat document observes: “Implicit to the establishment of the Petroleum Fund is the assumption that CARICOM member states would source their petroleum related needs from Trinidad and Tobago”.<sup>9</sup>

In the end, the Trinidad and Tobago government decided to facilitate the Petro Caribe agreement between Venezuela and some CARICOM member states. One clue as to why it did so is that Trinidad can now proceed to divert its oil and gas supplies from CARICOM countries to the United States strengthening its relationship with Washington, assuring itself of on-time payments, and having no obligation to allocate part of its earnings to a fund to help its customers (as it felt obliged to do with CARICOM States). Another clue is that the Trinidad government was interested in settling its own arrangements with Venezuela to exploit oil and gas reserves along their maritime border. Had Manning decided to block the Petro Caribe agreement between Venezuela and some CARICOM States, he would have soured any prospect of an agreement between Venezuela and Trinidad & Tobago to share the hydrocarbon reserves between the two countries.

On 20<sup>th</sup> March 2007, President Chavez and Prime Minister Manning signed an energy agreement to share the hydrocarbon reserves located on the border between their two countries, including oil and natural gas. The costs and benefits will be divided between the two states depending on the amount of participation of each

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<sup>8</sup> Text of a reporting English by Spanish News Agency Efe: “Caricom leaders seek energy talks with Venezuelan President”, Madrid, 16<sup>th</sup> February 2007

<sup>9</sup> “Caribbean Trade & Investment Report 2005; Corporate Integration & Cross Border Development”, CARICOM Secretariat, Guyana, 2006, p. 53

government, guaranteeing a policy that will allow for the development of both nations.<sup>10</sup>

### **The costs of Petro Caribe and Alba Caribe high**

While precise and full information on what has flowed to CARICOM countries under Petro Caribe and ALBA Caribe is not readily available from official sources, the following has been gleaned from numerous press reports:

- Dominica has received asphalt, University scholarships, \$12 million for housing and a fuel storage tank. Venezuela has committed to building an oil refinery in Dominica to process 10,000 barrels of oil per day, but amid protests that this would spoil the naturalness of the island, the Dominica government has delayed implementation of the project pending the results of an environmental impact study;<sup>11</sup>
- In St Vincent a liquid natural gas facility has been built and a fuel storage tank is to be built. Further, the Venezuelan government has promised to help build an international Airport on St Vincent at a cost said to be in the region of \$200 million;<sup>12</sup>
- In Antigua, three fuel shipments of approximately 90,000 barrels each have been delivered. Venezuela also made \$7.8 million available to upgrade the Airport prior to Antigua hosting games in the 2007 World Cup Cricket tournament, but it is unclear whether this loan is part of the ALBA-Caribe Fund;
- In Jamaica, a line of credit has been provided for infrastructural projects such as a freeway, a sports centre and renovation of the Cultural centre. Jamaica is reported to be receiving 23,500 barrels of oil per day from Venezuela under Petro Caribe since July 2006.<sup>13</sup> There is also a promise to upgrade an oil refinery;
- Guyana's access to oil shipments under Petro Caribe was delayed because of a concession rate that was being negotiated due to Guyana's classification as a Highly Indebted Poor Country, but this was overcome. Guyana applied for and was granted \$1.5 million under the ALBA-Caribe scheme for a homeless shelter;
- Haiti has been promised \$1 billion for several projects including equipment for the construction of housing; support for Cuban personnel in Haiti; and to construct four power plants. Given the size of these funds, it is assumed that they are outside the ALBA-Caribe arrangement; and
- Belize has been identified for the construction of a small refinery. It has also been the recipient of oil shipments and a loan for balance of payments support.

### **Venezuela to pay phenomenal sums of money: Burden on PDVSA**

These loans, grants and deferred payments from Petro Caribe and ALBA Caribe all amount to a great deal of money to be found by Venezuela. The total sum that the

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<sup>10</sup> "Trinidad and Tobago signs energy agreement with Venezuela", Chris Carlson, Venezuelanalysis.com. 21<sup>st</sup> March 2007

<sup>11</sup> "Dominica government, environmentalists agree on oil refinery assessment", Caribbean Media Corporation (CMC) report, 22<sup>nd</sup> March 2007.

<sup>12</sup> "Chavez tries to woo Caribbean: Leftist calls for anti-imperialist unity, blasts NAFTA, promotes his agenda", Associated Press, 18<sup>th</sup> February 2007.

<sup>13</sup> "Government of Jamaica to funnel Petro Caribe funds to public bodies –IMF", Jamaica Gleaner, 15<sup>th</sup> September 2006.

country will have to pay out when its commitments to others are added is phenomenal.

It includes help to other Caribbean countries - Cuba and the Dominican Republic; to Nicaragua where an oil refinery estimated to cost \$2.5 billion has been promised;<sup>14</sup> to Argentina which has already received investments of \$3 billion; to Bolivia where last month alone Venezuela sent \$17 million in disaster relief aid, including 180 tons of tools, food and medicine, as well as helicopters, tractors and water purifying equipment;<sup>15</sup> and to Ecuador to build a refinery and expand an existing one.<sup>16</sup>

This considerable generosity to its neighbours is occurring at a time when the Venezuelan currency is devaluing in the informal domestic market and President Chavez's programme at home to transform conditions for the poor and to curb rising inflation is demanding a great deal of money, as is an increase in military spending in Russia on 24 fighter aircraft, 54 military helicopters and other items of military equipment said to be valued at \$ 3 billion.<sup>17</sup>

Additionally, in an effort to reduce reliance on the US as a market for Venezuela's oil, Petroleos de Venezuela (PDVSA) the State-owned oil company – whose earnings have provided most of the money to finance these projects – has been subsidising the costs of shipping oil to China and India to the tune of about \$3 a barrel.<sup>18</sup>

PDVSA also has to find the money to pay six large oil companies for a 60% stake in joint ventures operating in the Orinoco Oil fields which the Chavez government "nationalised" on 1<sup>st</sup> May 2007. The companies are said to have invested \$17 billion in the oil fields and it is assumed that Venezuela intends to pay them negotiated compensation for the 60% stake.

PDVSA has borrowed more than \$11 billion since the start of 2007, raising \$7.5 billion from a bond offer in March, and President Chavez has indicated that the company may go back to the market yet again.<sup>19</sup> This is a fairly rapid debt build up, underscoring that President Chavez is very dependent on oil prices remaining high to pay for his various programmes including Petro Caribe and ALBA-Caribe. And, obviously, he will do everything he can within OPEC to achieve this.

### **High oil prices crucial to Chavez's success**

So two things emerge from all this:

One, President Chavez needs oil prices to remain high to continue his various programmes; and two, having committed their energy security to Venezuela, Caribbean governments need the government of Venezuela – now and in the future – to be favourably disposed to continuing the Petro Caribe arrangements once oil prices remain high.

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<sup>14</sup> "Venezuela's Chavez continues whirlwind Latin American and Caribbean tour", Venezuelanalysis.com, 13<sup>th</sup> March 2007

<sup>15</sup> "Bolivia's 'Oligarchy' blocks Venezuela Plant, Chavez says", Alex Kennedy, Bloomberg, 12<sup>th</sup> April 2007

<sup>16</sup> "Venezuela to build new refinery in Ecuador", Agencia Latino Americana de Informacion y Analisis, 2 Venezuela, 5 June 2006

<sup>17</sup> "With friends like these", The Economist, 31<sup>st</sup> August, 2006.

<sup>18</sup> Latin America Newsletter: Special report, December 2006.

<sup>19</sup> "Venezuela's Chavez challenges oil companies to sue over nationalisation", Associated Press, 13<sup>th</sup> April 2007

Of course, if the price falls below \$40, the Venezuelan economy will be in some trouble and the government will have grave difficulty funding these programmes. Anyhow, at \$40, the Caribbean would no longer need the agreement.

### **The Caribbean's dilemma**

The dilemma for the Caribbean is two fold: what happens if President Chavez does not deliver on all his promises, and will a new Venezuelan government continue this largesse?

Venezuelan governments have reneged on promises in the past and it would be a foolhardy CARICOM government that did not make contingency plans for such a development. As for the attitude of a new Venezuelan government, the present main opposition party has already indicated that it would not continue the Petro Caribe arrangements, and it can be taken as read that a new government would abandon many of President Chavez's external programmes in favour of spending money domestically. Venezuelan opposition politicians have argued that the only reason Chavez is providing Caribbean nations such a bargain is to shore up support for diplomatic clashes with Washington. They assert: "Petro Caribe is Chavez's tool to buy political backing from these countries, which see the agreement as too attractive to turn down".<sup>20</sup>

### **Venezuela-Caribbean relations friendly: Tension eases on issues**

As a consequence of Petro Caribe and ALBA-Caribe, relations between the Venezuelan government and the governments of several CARICOM countries are now friendly and, in at least two of the troublesome issues that characterised their relationship prior to Petro Caribe – Aves Island and bananas – tensions seem to have abated. Only the Guyana territorial claim lingers.

Both the Prime Ministers of Dominica and St Vincent & the Grenadines are reported to have said that the OECS countries, which were previously vociferously upset about the ramifications to their maritime boundaries of Venezuela measuring its exclusive economic zone from Aves Island or Bird Rock, have now accepted Venezuela's sovereignty over the island or rock.<sup>21</sup>

In July/August 1997, the governments of Antigua and Barbuda, St Kitts-Nevis, St Lucia, and St Vincent & the Grenadines submitted protest notes formally registering objections to three maritime delimitation agreements, signed in happier times in 1978, between Venezuela on the one side and the governments of the United States, Netherlands and France.

The objection is based on the fact that these three agreements granted Aves the legal status of an island and therefore the capacity to generate a maritime jurisdiction. The four Caribbean islands argued that Aves is a "rock" not an "island" as provided for in the Law of the Sea Convention and, since it cannot sustain human habitation or economic life of its own, it should have no exclusive economic zone.<sup>22</sup>

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<sup>20</sup> "Hugo Chavez tries to spread socialism through oil profits", Newsmax.com Wires, 14<sup>th</sup> September 2005

<sup>21</sup> "Eastern Caribbean organisation accepts Venezuelan sovereignty over Bird Island", Report in Stabroek News, Guyana, 1<sup>st</sup> April 2007.

<sup>22</sup> See, [www.un.org/Depts/los/LEGISLATIONANDTREATIES/latinamerica.htm](http://www.un.org/Depts/los/LEGISLATIONANDTREATIES/latinamerica.htm)

Whether these objections by the four Caribbean countries will be pursued in the future is left to be seen. They have certainly been urged by the OECS Secretariat as recently as April 2006 "to maintain that the physical characteristics of Aves Island are such that it is not entitled to an exclusive economic zone or continental shelf... Furthermore, international law and State practice suggest that the feature should be given no effect in maritime boundary delimitation".<sup>23</sup>

### **Territorial claim to Guyana lingers**

With regard to Venezuela's claim to two-thirds of Guyana, President Chavez visited Guyana in February 2004 for one day and blamed the United States for keeping the border controversy alive during the decades of the 1960's to 1980's so as to avoid another Cuba in Guyana. He is reported to have played down Venezuela's territorial claim, preferring to concentrate on closer ties.<sup>24</sup> The former Venezuelan Attorney-General promptly attacked President Chavez as a "traitor" for supposedly surrendering Venezuelan territory.<sup>25</sup>

In any event, notwithstanding President Chavez's remarks in Guyana in February 2004, official maps of Venezuela continue to show two-thirds of Guyana as Venezuelan territory.

And, in early March this year, Mr Chavez did not turn up at a Summit meeting of the Rio Group held in Guyana even though the Guyana authorities were led to believe that he would be attending. An unofficial explanation was floated that the President was "not well"; but as veteran Caribbean journalist Rickey Singh put it: "Chavez seems to have a lot of work to persuade many that he did not intentionally 'stand up' Guyana".<sup>26</sup>

Meanwhile, the Venezuelan Foreign Minister, who did attend the Rio summit, suggested to the press that the territorial dispute could be addressed bilaterally removing it from the auspices of the UN Secretary-General who has been using facilitators to seek a peaceful solution to the problem. Although this suggestion got a frosty reception from non-governmental bodies in Guyana, it is at least possible that it reflected an earnest intention by the Venezuelan government to continue to improve relations with Guyana.

### **No clear 'quid pro quo' for Venezuela**

On the wider scene, there has been no real event since the advent of Petro Caribe and ALBA-Caribe by which Venezuelan influence on the Caribbean in international or hemispheric matters could be measured.

Venezuela did receive full support from CARICOM countries when it decided late last year to challenge Guatemala for a seat on the UN Security Council as one of the Latin

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<sup>23</sup> Brief to OECS Heads of Government, Status of Aves and its implications to Petro Caribe negotiations, April 2006, p.3

<sup>24</sup> "Chavez visits 'brother' Guyana", BBC News, 19<sup>th</sup> February 2004, [www.news.bbc.co.uk/1/hi/world/americas/3504019.stm](http://www.news.bbc.co.uk/1/hi/world/americas/3504019.stm)

<sup>25</sup> "Venezuelan Opposition claims Chavez surrendered Essequibo to Guyana", Caribbean Net News, 23<sup>rd</sup> February 2004. [www.caribbeannetnews.com/2004/02/23/chavez.htm](http://www.caribbeannetnews.com/2004/02/23/chavez.htm)

<sup>26</sup> "No-show Hugo Chavez", Rickey Singh, Trinidad Express, 7<sup>th</sup> March 2007.

American and Caribbean representatives. While this challenge was characterised as a battle between Venezuela and the US because of open campaigning by the US against Venezuela, CARICOM countries would not have supported Guatemala anyway because of its territorial claim to Belize.

In this connection, nothing much turns on the support for Venezuela by CARICOM countries on this issue.

### **Will Caribbean adopt Venezuela's positions?**

So what does all this translate to? Will the Caribbean begin to adopt President Chavez's 21<sup>st</sup> century Socialism with its aspects of nationalisation of foreign owned companies? And, will they join the Venezuelan President in hostility towards the US government?

The answer is unequivocally: "no".

Both Guyana and Jamaica – two of the larger territories of CARICOM – experimented with nationalisation and socialism in the 1970's. The consequences were dire for their economies reducing both to basket cases. In addition, they endured rapid deterioration in their health and education services, a huge migration of their middle-class, and increased poverty. Guyana is still classified today as a Highly Indebted Poor Country. In the last decade Guyana, Jamaica and every other CARICOM country embarked upon programmes of privatizing state-owned enterprises.

In sum, the adoption of "nationalisation" programmes is most unlikely. CARICOM countries are highly reliant on private foreign direct investment for their economic development, and each of them pursues aggressive programmes to welcome foreign investment, not scare it away.

### **Caribbean still tied to the US**

In any event, the relationship between CARICOM countries and the United States remains closely intertwined at several levels and much deeper than the recently established links with Venezuela. The US is home to the largest number of CARICOM migrants; it has become the country of choice for tertiary education outside the Caribbean itself; between 1997 and 2004, the United States was "the most prominent source of (foreign direct investment) inflows to almost all CARICOM States,"<sup>27</sup> Americans continues to represent the single largest number of tourists to CARICOM, and, in 2004, CARICOM States as a whole enjoyed a balance of trade surplus with the United States which continued to be its largest trading partner in goods and services – outdoing the EU.

Further, CARICOM countries have received billions of dollars in remittances from its Diaspora in the US. For example in 2005, Jamaica received \$1.65 billion; Guyana, \$279 million; Trinidad and Tobago \$97 million; Belize, \$81 million. The figure for Jamaica represented an astounding 19% of its Gross Domestic product.<sup>28</sup>

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<sup>27</sup> Caribbean Trade & Investment Report 2005, Corporate Integration and Cross-Border Development, CARICOM Secretariat, Guyana, 2006, p.138

<sup>28</sup> Ibid, p. 71

In this context, while CARICOM countries may frown at the unilateral actions taken by the current US administration and may look forward to a more attentive US government after the next US Presidential elections, the US market for their goods, for tourism, for private investment and for migration remains extremely valuable and they want to maintain it.

### **US also remains important to Venezuelan economy**

Caribbean countries are also conscious that notwithstanding President Chavez's statement in April 2007 that "there is no possibility of understanding for our revolution with the government of the United States", as Mr Chavez himself allowed in the same statement, "coexistence is possible".<sup>29</sup> And, at an economic level, Venezuela and the United States have a mutually dependent relationship. As the Prime Minister of St Vincent & the Grenadines, Ralph Gonsalves, humorously observed of Presidents Bush and Chavez: "Men quarrelling, but men trading".<sup>30</sup>

The United States continues to be the largest market for Venezuelan oil refining 60% of Venezuelan crude, and Venezuela cannot quickly or easily replace the US refineries. Although President Chavez threatens to cut off oil shipments to the US,<sup>31</sup> this is easier said than done.

The US itself continues to need Venezuela which is its fourth largest oil supplier after Canada, Mexico and Saudi Arabia and this is likely to continue for some time. Certainly, ethanol production from corn or sugar or both is not a short-term answer to US energy needs.

### **CARICOM media reject Chavez's policies**

Another factor that CARICOM governments have to consider is the reaction of groups, including the media, within their countries to the governance methods of President Chavez. Some influential media houses in CARICOM have voiced their concern about what they regard as President Chavez's dictatorial behaviour. They cite as examples that: he now rules by decree for 18 months; he has nationalised the country's largest electricity supplier and brought the largest telecommunications company under state control; he has taken control of 60% of the operations of foreign owned oil companies operating the Orinoco fields; and he has threatened to take control of Venezuela's banks if they refuse to abide by his edict to lend to domestic industries at low interest rates.

The Jamaica Observer newspaper was particularly agitated at what it described as "the appearance of a totalitarian state in the making" in Venezuela,<sup>32</sup> and it has been vocal against President Chavez's refusal to renew the broadcast licence of Radio Caracas Television (RCTV) which had been critical of him. He effectively closed it down on 27<sup>th</sup> May 2007. In an editorial, the Jamaica Observer newspaper declared:

"What is clear now is that President Chavez is descending further into the abyss of despotism and has become a major embarrassment to his counterparts in the Caribbean whose support he has been courting with gifts of cheap oil and

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<sup>29</sup> "Chavez: Détente with US impossible", Fabiola Sanchez, 14<sup>th</sup> April 2007, [www.phillyburbs.com/pb-dyn/news/88-04142007-1330162.html](http://www.phillyburbs.com/pb-dyn/news/88-04142007-1330162.html)

<sup>30</sup> "Eastern Caribbean organisation accepts Venezuelan sovereignty over Bird Island", Stabroek News, 1<sup>st</sup> April 2007.

<sup>31</sup> "Chavez detent with US impossible", Fabiola Sanchez, Associated Press, 14<sup>th</sup> April 2007

<sup>32</sup> "Time for CARICOM to address Chavez's assault on democracy", Editorial, Jamaica Observer, 27<sup>th</sup> May 2007

project financing. It is time, we believe, that CARICOM should bluntly tell him that his policies are unacceptable and highly oppressive".<sup>33</sup>

While CARICOM governments are unlikely to tell President Chavez any such thing while they continue to benefit in the short term from Petro Caribe, they have to be cautious about deepening a relationship with him given the disapproval of his behaviour by important sections of their own societies.

### **Caribbean will act in its own self interest**

In conclusion, because of Petro Caribe, President Chavez's government has become an influential player in the Caribbean, and there will be adjustments in bilateral relations between individual CARICOM governments and Venezuela tailored to peculiar circumstances.

But, CARICOM governments will not follow President Chavez in a leftist lurch, nor will they adopt policies of nationalisation of foreign owned enterprises.

Further, they will not adopt positions in the international community, or alter their bilateral positions to suit the interests of anyone. They will continue to act in their own self-interest as they see it, mindful always, as small states, of the African proverb: "When elephants fight, the grass suffers".

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<sup>33</sup> Ibid