

The View from Europe
By David Jessop

The wider impact of President Chavez's passing

Venezuela's late President, Hugo Chavez, was one of those figures about whom almost everyone had an opinion. Loved and hated in varying measure across the Americas, his death on March 5 is likely to have a profound effect on the countries of the Caribbean Basin.

Although the impact may not be immediate, his passing from office will eventually touch not just the Caribbean economy, but may also have a wider effect on geopolitics, social programmes and may even modify socialist aspiration across the Americas.

For unlike in Cuba, where a more technocratic generation of younger leaders are gradually taking high office, and almost alone among his generation in the Americas, President Chavez, part showman, part firebrand, part socially committed leader, spoke passionately from power, with a language that connected with the poor: the role played previously by Fidel Castro.

Although a figure of deep concern among many Latin American elites, criticised at home and internationally, but little known personally in the Anglophone Caribbean, his willingness to provide development support to the countries of the region through PetroCaribe, the concessional oil and development mechanism, set him apart.

Some may argue that PetroCaribe enabled the region to continue a policy of mendacity, delaying addressing underlying Caribbean economic problems, but many more would accept that it has enabled the region to survive in a challenging global economic environment.

It is therefore no exaggeration to say that the countries of the Caribbean – and arguably even those nations beyond that are critical of the Venezuelan system, unable or unwilling to fund any equivalent economic and social stability programme – have reason to be grateful to President Chavez.

His support through the PetroCaribe arrangements and its linked development assistance programmes, has for years underwritten heavily indebted Caribbean economies, doing much to help soften the impact of the 2007/8 financial crisis and subsequent recession, and enabling countries across the region to be able to continue their programmes, and even meet their IMF commitments.

His approach and profile also invigorated the left in Latin America and the Caribbean, encouraging them to continue to believe themselves the alternative voice in the Americas, better able than Washington or the market to take citizens out of poverty. In this respect President Chavez's influence was such that despite Venezuela's now evident domestic economic problems, food shortages, high levels of debt, inflation, decree laws, and the growing polarisation of its population, the belief remains among his supporters that the problems that have arisen are a result of the poor delivery of the social policies he espoused.

President Chavez's passing may also rebalance the geopolitics of the region.

If the terms of the existing PetroCaribe arrangement were to become less favorable, the nations with the greatest interest in providing alternative forms of support with energy security would be the US and perhaps China; the former in a few years' time, if the administration's policies change on exports of surplus Liquefied Natural Gas, and the latter through the possible provision of concessionary funds that might support a continuing preferential relationship between Venezuela and its PetroCaribe partners. Mexico too might again, in time, come to play a regional role in relation to its significant recent finds of natural gas.

Despite his many critics there were few indications that Mr Chavez sought political gain from his Caribbean programmes.

Since 2005 when PetroCaribe was created Venezuela has become of huge economic and social significance to Antigua, the Bahamas, Belize, Cuba, Dominica, Dominican Republic, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Nicaragua, St Kitts, St Vincent, St Lucia, and Suriname. It has also changed the nature of the region's long-term indebtedness; with Caracas projecting that over one third of the Caribbean's external debt by 2015 will be owed to Venezuela.

According to Petroleos de Venezuela (PDVSA), the state oil company, the overall arrangement in 2011 involved the supply of 0.2m barrels per day (bpd). The largest share of which was allocated to Jamaica (21,000 bpd) and the Dominican Republic (50,000 bpd) while Cuba received somewhere between 64,000 and around 100,000 bpd under a more complex arrangement. The scheme also incorporates oil exploration, distribution and storage and more recently joint ventures between members. In the case of Cuba, the arrangement meets more than two thirds of the country's oil needs, and a trade relationship that resulted in a net benefit to Cuba, some published figures suggest, of around US\$3,500m in 2010.

The hope in much of the Caribbean Basin therefore now must be that popular sentiment in Venezuela will carry Vice President Maduro to power in elections and that, as he told the Cuban leadership in January, he intends to maintain the same arrangements, in the short term at least, for PetroCaribe.

To a significant extent, how long the present terms last this may depend on whether Mr Maduro can turn around the Venezuelan oil industry. For the past ten years production has remained more or less stagnant. If this continues, pressure to reform the oil supply arrangements that are in place under PetroCaribe and for the cash-for-oil loan agreements with Beijing that produce only modest income for Venezuela, could become irresistible.

However, a factor that may support the continuation of the arrangement in some form is PDVSA's 2012 prediction that exports linked to preferential supply initiatives and debt agreements would drop from 772,000 bpd this year to about 410,000 bpd by 2019; a fall attributed almost wholly to reduced cash-for-oil supplies to China.

In both cases this could weaken pressure from members of the governing PSUV, the National Assembly, PDVSA and crucially, the armed forces, to renegotiate Venezuela's preferential oil arrangements.

The debt of gratitude the Caribbean owes to President Chavez is enormous. Mr Maduro is widely expected to win forthcoming elections, but could struggle to contain the fractures that may emerge within the ruling party in the absence of President Chavez.

The moment is at hand for a hard headed assessment by all interested parties of what happens next.

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