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# The Putin-Chavez Partnership

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Mark N. Katz

Oil wealth makes Venezuela more attractive than Cuba as a Latin American partner for Russia.

UNDER President Vladimir Putin, Russia's ties to Venezuela have grown notably warmer, while its relations with Cuba have cooled. Putin clearly appreciates President Hugo Chavez's anti-American policy and rhetoric far more than similar expressions by Fidel Castro. As this suggests, shared anti-American interests are not enough to explain Putin's policies toward either leader or country. Russia, though, has developed very different economic relationships with Venezuela and Cuba. This appears to explain Putin's warmth toward Chavez and his lack of it toward Castro.

## Putin and Castro: No Love Lost

Russian-Cuban relations were strained before Putin rose to power. Castro deeply resented the cutoff in aid to Cuba undertaken by Mikhail Gorbachev and not reversed by Boris Yeltsin. Moscow, for its part, was unhappy that Cuba had not yet agreed to repay any of the debt it owed from the Soviet era (estimated by Russian sources as around \$11–20 billion).<sup>1</sup> The Russians, nonetheless, continued to use—and publicly value—the Lourdes electronic monitoring facility in Cuba for eavesdropping on American telecommunications. They were also building a nuclear plant for Cuba at Juragua, but work on this had been “temporarily halted for economic reasons.”<sup>2</sup> Russian-Cuban trade had increased to \$660 million by the beginning of the Putin era, although Russia's ambassador to Havana chided Russian firms for neglecting Cuba, while Spain, Italy, and Canada were all making deals.<sup>3</sup> Moscow and Havana both frequently denounced American foreign policy, especially in regard to Cuba.

Russian-Cuban relations appeared set to revive in

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Russia's president Vladimir Putin, right, and Venezuelan President Hugo Chavez talk during their meeting in Moscow's Kremlin on November 26, 2004. Chavez and Putin discussed energy cooperation between their countries, two of the world's largest oil suppliers, and military trade. (AP Photo/ Mikhail Metzel)

2000, Putin's first year in office. That summer, Moscow rejected the U.S. Congress's efforts to link American approval for the restructuring of Russia's Soviet-era debt repayment through the Paris Club to the closing of the Lourdes facility.<sup>4</sup> Amid a burst of activity from late 2000 through mid-2001 designed to show Russia's independence from and defiance of Washington (including the unilateral cancellation of the Gore-Chernomyrdin agreement, playing host to Iran's president Mohammed Khatami in Moscow, and signing a treaty of friendship with Beijing), Putin visited Havana in December 2000. While there, he extended a \$50 million credit to Cuba<sup>5</sup> and paid a visit to the Lourdes facility, thus indicating a desire to retain it.<sup>6</sup> A later Russian news report stated that between 1996 and 1999, Moscow had spent \$100 million to upgrade the Lourdes facility.<sup>7</sup>

This visit, however, ended up souring Russian-Cuban relations. Putin pressed Castro on the debt issue and called for it to be handled through the Paris Club.<sup>8</sup> This signaled a willingness to write off a substantial amount of the debt, but also an insistence that the balance definitely be repaid. For its part, Cuba refused to work through the Paris Club and even claimed that it owed nothing to Moscow.<sup>9</sup> Castro instead demanded that Moscow pay Cuba \$200 million annually for use of the Lourdes facility. He further insisted that this sum actually be paid and not merely offset against what Moscow thought Havana owed it.<sup>10</sup>

The following October, Putin announced that Russia would close the intelligence-gathering station in Lourdes as well as its naval base in Vietnam.<sup>11</sup> Some saw these moves as a gesture of support for the United States in

the immediate aftermath of the 9/11 terrorist attacks. According to one Russian press account, however, Putin had decided to close the Lourdes facility immediately after his December 2000 visit to Cuba.<sup>12</sup> The Castro government was very upset by this announcement, but by January 2002 the Lourdes facility had ceased operations.<sup>13</sup>

Since then, and despite both governments' continued criticism of various aspects of American foreign policy, Russian-Cuban relations have remained stagnant. Foreign Minister Sergei Lavrov met with Castro in Havana in September 2004, primarily to talk about trade and economic issues. A *Nezavisimaia gazeta* report on the meeting indicated that Castro "is on good terms with only a few leaders."<sup>14</sup> One of these few, it noted, was Hugo Chavez, thanks to whom "Cuba receives 53,000 barrels of oil a day from Venezuela on preferential terms."<sup>15</sup>

The debt issue seems to have loomed large in Putin's decision to downgrade relations with Cuba. Other countries, such as Syria and Iraq (both before and after the fall of Saddam Hussein) have also shown little inclination to repay their Soviet-era debts to Moscow, but Putin has actively sought to maintain good relations with them. Unlike Cuba, these other governments have at least acknowledged their debts to Moscow and present lucrative opportunities for Russian business even if the debts are largely written off (as has now occurred with both Syria and post-Saddam Iraq). Cuba, by contrast, simply does not present the potential for profitability that Putin seeks in partnerships with other states.

Despite these differences, many Russians—including the foreign policy and intelligence elites—strongly objected to Putin's closure of the Lourdes facility. They argued that the \$200 million annual rent Castro wanted would have been worth paying even if Cuba did not repay the Soviet-era debt, and that closing Lourdes after Washington had called upon Moscow to do so gave the appearance of knuckling under to American pressure.<sup>16</sup> Putin's defenders argued that spending the \$200 million per year on spy satellites would yield richer intelligence, and maintained that American pressure had not influenced his decision.<sup>17</sup> Whether the claim that Moscow would be better off spending the money on spy satellites rather than Lourdes is true cannot be determined here. But given Putin's sensitivity to anything relating to Russia's prestige and image in the world, it seems that something more than a simple cost-benefit analysis of how best to spend \$200 million per year in the intelligence budget could have motivated him to make a decision that he probably anticipated (quite correctly) would be extremely unpopular with the Russian public

for making their country look weak. While Putin did not want to be seen as giving in to Washington, he may have felt even more reluctant about giving in to Havana. Underlying all this, it would seem, was an assessment by Putin that Castro and Cuba were simply not worth \$200 million per year to Russia.

## Putin and Chavez: Love Blossoms

Chavez has very close relations with Castro, but this has not prevented him from developing warm relations with Russia despite the cooling of its connection with Cuba. Indeed, Chavez took the initiative in cultivating ties to Putin in 2001 at the very time when Russian-Cuban ties were deteriorating.

Chavez visited Moscow and met with Putin twice in 2001: in May and in October. Both of these visits took place as part of tours to several countries. At their first meeting in May, Putin and Chavez reportedly got along extremely well. Both expressed opposition to an American-led “unipolar” world, talked about their desire to close the gap in living standards between North and South, and (ignoring Putin’s differences with Castro) stated their determination to pursue cooperation with Cuba. More concretely, the Russian and Venezuelan defense ministers signed “a framework agreement on arms sales,” although no specific accord was reached.<sup>18</sup> Putin said he would visit Venezuela in 2002 (but as of mid-2006 he has still not done so). Chavez emphasized that he and Putin had established “a genuine strategic alliance.”<sup>19</sup>

Some discord was evident, however. Venezuela at the time was chair of the Organization of Petroleum-Exporting Countries (OPEC), which was cutting oil production in order to bolster the relatively low price of oil. By contrast, Russia, which is not an OPEC member, was expanding its oil production and thus working at cross-purposes with Venezuela and the other OPEC members.<sup>20</sup> If Chavez hoped to persuade Putin to curtail Russian oil production, he did not succeed.

Chavez next came to Moscow in October 2001—very soon after the Russian government announced the imminent closure of the Lourdes listening post in Cuba. This did not seem to be a subject of disagreement between the two leaders, but Russian oil production was. Oil prices were falling, and OPEC offered to cut production if major non-OPEC producers, including Russia, would do so as well. Putin and Chavez discussed this issue but did not reach an agreement.<sup>21</sup> Later in the fall, Russia agreed to trim its oil production, apparently not in response to Chavez’s entreaties but out of fear that

if it did not, Saudi Arabia would ramp up production and cause a price drop that would harm Moscow much more than Riyadh.<sup>22</sup> Even then, Moscow reportedly did not honor its verbal assurances to OPEC about cutting back production.

Whether as a result of the oil issue or not, Russian-Venezuelan relations suffered somewhat thereafter. Prime Minister Mikhail Kasyanov visited Venezuela as well as Brazil and Canada in December 2001. Chavez now seemed much less interested in buying Russian weapons than earlier in the year. Russian irritation with Chavez was evident in an *Izvestia* account that described him in less than flattering terms:

The meeting with Chavez . . . was to some extent an ordeal for Kasyanov. . . . Kasyanov courageously endured a 30-minute digression into the history of Russian-Venezuelan ties, the ceremonial unveiling of a mockup of a Russian rocket at a press conference, the excessively familiar tone with which Chavez addressed him, and Chavez’s suggestion that Kasyanov telephone his “friend Vladimir” and ask for permission for his “friend Mikhail” to stay in Caracas a few more days. Kasyanov smiled politely and raised his eyebrows as he glanced reproachfully at Russian reporters who were choking with laughter.<sup>23</sup>

Little of substance occurred in Russian-Venezuelan relations for another three years. In November 2004, however, Chavez went to Moscow and met with Putin for a third time. This visit marked the beginning of a qualitative improvement in the Russian-Venezuelan relationship that has continued ever since. During this visit, the two sides concluded a more definitive agreement setting the stage for Venezuelan purchases of Russian arms. Agreements on energy and other matters were also signed. With the price of oil much higher than previously, Russian oil production was no longer the point of contention between the two leaders that it had been in 2001. It was the higher oil prices, *Nezavisimaia gazeta* noted, that allowed Venezuela to buy Russian weapons.<sup>24</sup>

The atmospherics of the third Chavez visit to Moscow were very different from those of his second visit in October 2001 or Kasyanov’s to Caracas in December 2001. Putin had been emphasizing partnership with the United States in the twelve months following the 9/11 attacks, and so Moscow was not very receptive to Chavez’s anti-American rhetoric. However, by the time of Chavez’s November 2004 visit, several events had soured Russian-American relations, including the U.S.-led intervention in Iraq, the Rose Revolution in Georgia, and the Orange Revolution in Ukraine (both

of which Moscow considered to have been orchestrated by Washington). With the Orange Revolution actually in progress during Chavez's third visit, his anti-American rhetoric was very much in accord with the viewpoint of the Putin administration.<sup>25</sup> (Chavez himself had only recently, in August 2004, won a majority of votes in a recall election. While many of his opponents claimed that Chavez had rigged the election the Russian Foreign Ministry issued a statement declaring it legitimate.)<sup>26</sup>

This time the Russian-Venezuelan summit was followed up with concrete results. In February 2005, Rosoboronek-sport signed a contract to sell 100,000 Kalashnikov rifles to Venezuela. The Russian press has variously described this deal as worth from \$50 million to \$400 million.<sup>27</sup> The agreement was acted upon quickly: 30,000 of the Kalashnikovs were to be delivered by December 2005, the remaining 70,000 in March 2006.<sup>28</sup> In addition to this deal, Moscow has offered Venezuela the opportunity to manufacture Kalashnikovs under license.<sup>29</sup>

In March 2005, representatives of the two countries signed a \$120 million agreement for Venezuela to purchase nine attack helicopters (plus one for transport) from Russia.<sup>30</sup> The Venezuelan government took delivery of the first three attack helicopters in December 2005.<sup>31</sup> Caracas may purchase another thirty-four Russian helicopters, and is considering the purchase of fifty MiG-29 fighter aircraft to replace its fleet of twenty-two American-made F-16s, which cannot fly because Venezuela cannot purchase replacement parts for them from the United States.<sup>32</sup>

An agreement on cooperation in the energy sphere was signed that envisions Russian firms building petrochemical and power plants in Venezuela as well as participating in oil and gas exploration, extraction, refining, and transport. Russian firms will also engage in modernizing the Venezuelan coal industry. Under a contract signed in October 2004, Russian Aluminum will invest \$1 billion in Venezuela to develop bauxite deposits and set up aluminum production.<sup>33</sup> In January 2006, Venezuela, Brazil, and Argentina agreed to jointly build a natural gas pipeline, and Gazprom has expressed interest in participating in the project.<sup>34</sup>

Whether or not it is "strategic" is debatable, but the Russian-Venezuelan partnership Chavez envisioned in May 2001 has become quite profitable for Moscow since the end of 2004.

## How Long Can It Last?

Putin and Chavez clearly value the close relationship they have built up between their two countries and with

each other. The fact that each sees the other as an ally against U.S. unipolarity has obviously helped bring them together. A common antipathy for the United States, however, is not enough to sustain an alliance, as Russian-Cuban relations under Putin and Castro have shown.

Chavez's anti-Americanism combined with his country's great oil wealth makes him a far more valuable partner to Putin than anti-American but impecunious Castro. The Russian arms industry is delighted to sell weapons to Venezuela, which before Chavez came to power in 1999 mainly purchased arms from the United States. Chavez's animosity toward Washington has undoubtedly given Russian petroleum and other firms more opportunity to invest in Venezuela than they would have had if U.S.-Venezuelan relations had remained friendly.

On the Venezuelan side, Chavez's anti-Americanism gives him an incentive to cooperate with an increasingly anti-American Russia, while his country's energy wealth has given him the means to buy Russian arms and attract Russian investment. As previously mentioned, Venezuela's wealth provides a basis for interacting with Russia that is not available to Cuba, which is limited in this respect by its lack of such resources. In addition, Chavez does not carry Castro's baggage of previous disappointment with Moscow. Nor has the poor state of Russian-Cuban relations negatively affected Russian-Venezuelan ties. Indeed, Chavez may prefer this situation, for it means that Putin is not a competitor for influence with Castro.

Given that Russia and Venezuela possess both the desire and the ability to cooperate, it is not surprising that they are doing so. Their cooperation seems likely to continue and even intensify. How long will it last? Like all bilateral relationships, Russian-Venezuelan relations exist within a larger international political context. Changes in this could diminish Russian-Venezuelan cooperation. Some of the possible changes or scenarios do not seem probable at present. Others, though, seem much more probable.

A dramatic improvement in relations between the United States and Russia or between the United States and Venezuela would definitely change the nature of Russian-Venezuelan relations. Neither of these scenarios seems at all likely so long as Putin and Chavez remain in power. It is not clear who will succeed Putin when his second term ends in 2008, but it does not seem likely to be anyone more pro-American. Chavez could, of course, be ousted and replaced by a pro-American leader. At present, however, he seems well entrenched. It is highly doubtful, then, that either of these two scenarios



will disrupt the present level of Russian-Venezuelan cooperation.

A scenario more likely to arise that could have a negative impact on Russian-Venezuelan ties is a significant drop in the price of oil. Lower oil prices would mean that Venezuela would have less money for Russian arms, and Russian petroleum companies would have less money—and less incentive—to invest in Venezuela. In addition, tensions between Moscow and the OPEC members (including Venezuela) would undoubtedly re-emerge if Russia's oil output expanded and undercut OPEC's attempts to bolster prices by limiting supply. Chavez's 2001 call for Russian-Venezuelan cooperation did not result in much at that time, when oil prices were relatively low, but the relationship blossomed in late 2004, when oil prices were much higher—and it has continued in the high oil price environment since then. Lower oil prices will not necessarily disrupt Russian-Venezuelan cooperation, but will certainly test the relationship. There is no sign at present, however, that oil prices will fall or (more important) remain low long enough to hamper Venezuela's ability to buy Russian weaponry, discourage Russian firms from investing in Venezuela, or cause friction between the two countries over whether Russia complies with OPEC on oil-production targets.

Another scenario that could strain the Russian-Venezuelan relationship is the prospect that Chavez's actions and ambitions begin to irritate other Latin American states, such as Brazil, with which Moscow has sought improved relations. Indeed, six Latin American states (Mexico, Costa Rica, the Dominican Republic, Colombia, Panama, and Peru) have recalled their ambassadors from Caracas because of "verbal attacks by Mr. Chavez."<sup>35</sup> Latin American states fearful of Venezuela may turn to Washington for support—something Putin does not want to see happen. Nor would Putin have much leverage to restrain a more ambitious and aggressive Chavez. Cutting off or restricting Russian arms sales to Venezuela is not something he would do willingly, since Moscow does not want to lose a paying customer who can go elsewhere. Deteriorating relations between Venezuela and other Latin American countries, then, could result in less Russian influence throughout the region.

A hint that Moscow is nervous about this possibility appeared in an article by the chairman of the Russian Committee for Cooperation with Latin America that discussed the rising tensions between Chile and Bolivia stemming from the war they fought in the nineteenth century in which Bolivia lost its outlet to the sea: "Unilateral



Venezuela's president Hugo Chavez, center, inspects a rocket launcher system of a new Mi-17s Russian helicopter during a military ceremony in San Felipe, Venezuela, April 3, 2006. Venezuela plans to purchase 33 military transport helicopters from Russia as part of a broader arms deal between the two nations. (AP Photo/Miraflores Press Office/HO)

mediation by Venezuela's president Hugo Chavez, for one, who keeps repeating that he dreams of taking a dip in the sea from one of [the] Bolivian beaches, is not the best way to settle the longstanding conflict."<sup>36</sup> Chavez's pro-Bolivian statements were embarrassing to Moscow because the Putin administration has sought to improve ties to Chile. (When Putin attended the November 2004 Asia-Pacific Economic Cooperation [APEC] summit in Santiago, he sought to boost Russian-Chilean trade relations as well as initiate Russian arms sales to Chile.)<sup>37</sup> Differences of this kind, however, will probably not cause serious difficulties for Moscow so long as public opinion in other Latin American countries focuses more on Chavez's anti-Americanism than on his intentions toward their countries.

Another scenario that could negatively affect Russian-Venezuelan relations is the possibility of differences between the two countries with regard to the United States. Moscow and Caracas both pursue anti-American foreign policies, but there is also a degree of cooperation in U.S.-Russian relations that Putin wishes to continue. Moscow may be less willing than Caracas to challenge or provoke Washington. One Russian policy analyst suggested this in January 2006 when he noted that while Moscow may sell MiG-29 fighter aircraft to Venezuela, selling it the longer-range Su-30 "is next to impossible" due to "U.S. security concerns."<sup>38</sup> It is not certain, of course, whether this statement represents the views of the Putin administration or how strongly—if at all—Chavez seeks to buy Su-30s. However, if Chavez's expectations of Russian support for Venezuela vis-à-vis the United States are not met, he will be disappointed.

This would not necessarily lead to an immediate deterioration in Russian-Venezuelan relations, because Venezuela's relations with the United States are so poor that Chavez may be anxious to maintain the pretense of a strong "strategic partnership" with Russia no matter how what. It would, however, begin the accumulation of baggage that could eventually weigh down the Russian-Venezuelan relationship, just as occurred with the Russian-Cuban one. This scenario has not yet occurred, but seems highly likely because of Chavez's propensity for confrontation with Washington.

Finally, disagreements resulting from how Russian firms operate in Venezuela could also negatively affect the relationship. Chavez, as is well known, strongly objects to "neo-liberalism," "globalization" (both of which he sees as American plots), and American multinational corporations. Part of his reason for inviting Russian firms to invest in Venezuela is that he wants to avoid the "negative" aspects of "profit-hungry" American corporations. Although very different from their American counterparts in some ways, large Russian corporations are definitely like them in seeking to make a profit. Moscow may verbally support Chavez's ambitious social goals, but this are not what interests Gazprom, Lukoil, and other Russian firms investing in Venezuela. Disappointment is likely to arise on the Venezuelan side when it becomes apparent that Russian multi-nationals are as profit-hungry as American ones. More than disappointment is likely to arise on the Russian side if the Venezuelan government treats Russian firms as capriciously as it has treated their Western counterparts.

A scenario of this kind would cause serious friction between Russia and Venezuela. Its likelihood derives partly from the propensity toward uncooperative behavior on both sides, and partly because it does not depend on any action by a third party but could occur as a direct result of Russian-Venezuelan bilateral interaction. Nonetheless, it has not yet developed.

A variant of this scenario is the possibility of Venezuelan foreign policy causing problems for Russian business interests elsewhere in Latin America. Lukoil has begun prospecting work in Colombia, and a company official declared in January 2006 that "we expect to discover a major field" there.<sup>39</sup> If the Russian Kalashnikovs bought by Venezuela wind up in the hands of Colombian rebels, Lukoil's operations in Colombia could be negatively affected.

What this analysis suggests is that while Russian-Venezuelan ties have become stronger, a decline in oil prices, differences between Chavez and Russia's other

Latin American partners, Russian-Venezuelan friction over how to deal with the United States, or Russian-Venezuelan disagreements over trade and investment issues could sour the relationship. At present, however, the interests of Putin and Chavez converge. Unless and until one or more of these scenarios emerges and negatively affects their relationship, Russian-Venezuelan cooperation is likely to grow and intensify.

## Notes

<<AU: virtually all of the articles cited must have appeared originally in Russian, so Russian titles are needed, followed by English translation, and "translated in" for CDPSP and FBIS citations.>>

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