

# Cuba Perks Up as Venezuelan Foils Embargo

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BOGOTÁ, Colombia, Aug. 3 — As Raúl Castro takes up the task of leading [Cuba](#) in place of his brother Fidel, there is, surprisingly, one less thing he may have to worry about: the state of Cuba's economy.

## A New Benefactor

When the Soviet Union collapsed, Cuba lost billions in subsidies and plunged into an economic crisis. But its economy has been recovering, largely because of a relationship with Venezuela.

### Foreign financing in Cuba 2005-6, in billions



Source: Cuba Transition Project

The New York Times

The credit goes, in large part, to the economic lifeline thrown to Cuba by the Venezuelan president, [Hugo Chávez](#), who is using his country's tremendous oil reserves to prop up the Castro government and counter Bush administration policy in Latin America.

To the exasperation of American officials, long determined to force a change of government by choking off the Cuban economy with an

embargo, [Venezuela](#)'s patronage may take some pressure off Raúl Castro at what is otherwise a time of great uncertainty.

The Cuban government released no new information on Thursday on the health of [Fidel Castro](#), 79, who is recuperating from a still-unexplained abdominal surgery. Raúl Castro, 75, who was named provisional leader on Monday by his brother, has yet to make an appearance.

In his first public comment on Fidel Castro's illness, President Bush issued a statement on Thursday saying, "I urge the Cuban people to work for democratic change on the island."

"We will support you in your effort to build a transitional government in Cuba committed to democracy, and we will take note of those, in the current Cuban regime, who obstruct your desire for a free Cuba," Mr. Bush added.

The government made it clear Thursday that it intended to continue to rule the country, and reprinted in the party-run newspaper Granma a speech by Raúl Castro saying the party would carry on ruling no matter what happened to Fidel Castro. A report issued last month for President Bush said, "The current regime in Havana is working with like-minded governments, particularly Venezuela, to build a network of political and financial support designed to forestall any external pressure to change." It was issued by the Commission for Assistance to a Free Cuba, which is chaired by Secretary of State [Condoleezza Rice](#).

Wayne Smith, a former American diplomat in Havana, said that in recent years the Bush administration has shifted policy from openly working to undermine Fidel Castro's government to trying to ensure that he is not replaced by his brother Raúl or another Communist figure.

“Getting in the way is Chávez and Venezuela, giving assistance to Cuba — and not only giving assistance but forming an alliance with Cuba,” said Mr. Smith, who is a senior fellow at the Center for International Policy in Washington. “It just drives the Bush people crazy.”

One of the world’s last Communist countries, Cuba’s economy is far from healthy, but it is also a world away from the one left destitute and marooned when Cuba’s long-time benefactor, the Soviet Union, collapsed, beginning in about 1989.

Compared with the grim early 1990’s, when imports — the vast majority from Eastern Europe — plunged nearly 75 percent in three years, Cuba’s economy has shown important signs of renewal in recent years.

At the Farmers Market on 19th Street in Havana on Thursday, stalls were brimming with super-sized avocados and mangoes. String beans were almost a foot long. Rolls came out warm from the oven. Vendors offered lobster and shrimp caught fresh that morning. And the place was bustling with paying customers.

For vendors, the money is so good that some abandoned government posts to sell produce. “I used to make about \$5 a month,” said José Antonio Milanés Vasco, once employed in a state food warehouse. “Now I make \$3 a day. My life has been totally transformed.”

Philip Peters, an expert on the Cuban economy at the Virginia-based Lexington Institute, said that such experiments with open-market reforms have helped lift the island’s economy. Such farmers markets, Mr. Peters noted, were supported by Raúl Castro in the early 1990’s, when the government first allowed farmers to sell their surplus crops after the state found itself unable to pay farm subsidies.

Today, Mr. Peters said, there are 300 such markets across the country. And while the state continues to provide families with monthly

allowances of rice, beans, cooking oil, milk and other basic items, the so-called “free markets,” have turned some farmers into venture capitalists and revitalized the agricultural sector.

“Clearly Cuba has moved far beyond the crisis that affected it in the 1990’s,” Mr. Peters said. “Back then, the question was whether the economy would survive. That is not a question anymore.”

Instead, the question for any government after Fidel Castro, particularly for one headed by his brother Raúl, is whether those economic openings will widen.

While the political realm would in all likelihood remain tightly controlled under Raúl Castro, he has in recent years sent signals that Cuba could dabble with the kind of economic reforms that have been embraced by other authoritarian governments, like those in China and Vietnam.

Though he is the head of the army and state security apparatus, he has also run the island’s tourism industries, which were one of Cuba’s first experiments with allowing controlled pockets of economic liberalization. Today they generate about \$2 billion a year in foreign earnings.

The government says economic growth topped 10 percent last year. The figure is doubtful to many economists, but even the [C.I.A.](#) put growth at 8 percent in 2005.

Cuban resources, like nickel, are selling at record highs, and the island may in the future benefit from plans to turn sugar cane into ethanol.

Havana has also signed important economic deals with countries like China, Canada and Spain, whose companies are interested in everything from selling transportation equipment and machinery to investing in tourism and oil exploration.

But no country has been more important to Cuba than Venezuela.

Mr. Chávez, who often meets with Mr. Castro and speaks of the elder president as Latin America's most important statesman, has provided Cuba with 100,000 barrels of oil a day at a cut rate.

Venezuela provides credits, pays for more than 20,000 Cuban doctors who offer services to the poor in Venezuela and bankrolls programs like Mission Miracle, whereby tens of thousands of Latin Americans are flown to Havana for eye surgeries that raise hundreds of million of dollars annually for the Cuban state.

“Without a doubt, Cuba was able to come back and it's because of Venezuela's help, not just the oil accord but many other types of assistance,” said José Toro Hardy, an oil economist in Caracas, Venezuela.

The Cuba Transition Project, a [University of Miami](#) team of researchers who study Cuba's economy, say Venezuela has provided more than \$2 billion in financing, most of it in crude oil and refined petroleum products.

Indeed, the Venezuelan oil accounts for half Cuba's total consumption — a windfall for a nation that, until recently, was mostly surviving on tourism dollars.

Venezuela has also become a major buyer of otherwise uncompetitive Cuban goods, like aging parts from old sugar mills and battered medical equipment. Exports from the island to Venezuela rose from just \$25 million in 2002 to \$300 million by 2004.

All together, Caracas and Havana have signed dozens, perhaps hundreds, of economic accords, the most important being a recent trade pact with Bolivia's president, Evo Morales, that is aimed at countering Washington's efforts to create a hemispheric trade agreement.

Among the most important of the Chávez government's projects in Cuba is the restoration of the Cienfuegos oil refinery on the island, a plan that could cost Venezuela hundreds of millions of dollars. The Venezuelans are talking not just of reactivating the long-dormant facility, but also of upgrading it to refine the heavy, tar-like Venezuelan oil.

Raúl Castro, as his brother's chosen successor, would benefit greatly from continued Venezuelan largess, which could give him the comfort to experiment with other parts of the economy.

"The Cuban government has made statements lately that if Raúl is in power, one of his main concerns is going to be dealing with the basic needs of the Cuban population," said Eric Driggs, a researcher at the Institute for Cuban and Cuban-American Studies at University of Miami. "If that means giving some measure of a better life or putting more food on the table, I think he'll take it."

Mr. Driggs and others, like Mauricio A. Font, a Cuban-born expert on the Castro government at the [City University of New York](#), caution that while the Venezuelan aid is vital to propping up the economy, it does little to help Cuba be self-sufficient.

The importance of tourism is everywhere in Cuba, from its elegant hotels to the costly renovation of Havana's historic center, which have attracted tourists like Mieke Zee, a nurse from the Netherlands, and her husband, Jeroen.

She said they had been to Africa several times. "Poverty does not seem so bad here," she said. "I mean, I have been to countries where children do not have enough to eat. Here children eat, they go to school and they have health care."