

Petro-Diplomacy

Oil has served as the Chávez government's principal tool for exerting influence beyond Venezuela's borders. Its largesse has been spread across the region, with a number of key states on the receiving end. All told, Venezuela gives some 300,000 barrels per day to over a dozen countries in Central America and the Caribbean. Some 92,000 barrels a day are believed to go to Cuba, whose authorities have relied on Venezuela's helping hand to manage the transition to the post-Fidel Castro era. Chávez's total subsidies to Cuba are estimated at \$2 billion per year. However, the new global economic crisis and the associated suppression of energy prices may undercut Venezuela's ability to maintain its subsidy-based system of alliances. To put this effect into perspective, the LatinSource consultancy has reported that every \$10 drop in the price of oil results in a loss of \$5 billion in revenue for the Venezuelan government.