

Cuban-Russian Relations in the 21st Century: Oil and Geopolitics

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Thesis submitted in partial fulfillment of
the requirements for the degree
Master of Arts in the Department of
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ABSTRACT

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Abstract

This thesis examines how the recent discovery of massive oil reserves off the coast of Cuba has driven a resurgence of Cuban-Russian relations in the 21st century. The first chapter demonstrates how the Russian government came to conceptualize the export of hydrocarbons as integral to the nation's development. It also examines the internal situation in Cuba after the fall of the Soviet Union to explain what initiated shifts in domestic policy that allowed for greater external investment. The second chapter discusses the effect of the discovery of these oil reserves, and how the Russians and the Cubans have come together over this issue against the backdrop of larger anti-American tendencies in Latin America. The first chapter relies more on secondary analyses of trends in both nations to help familiarize the reader with key concepts, such as the idea of Russia's energy weapon and Cuba's impetus for change. The second chapter heavily uses newspaper articles and speeches to demonstrate the visible shift in Russian attitude towards Cuba.

This thesis shows that the oil reserves have stimulated both countries to work closely together, though each has their respective reasons.

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1. Introduction

In the 21st century, politics and economics often carry equal weight when one country interacts with the other. This holds especially true in the case of Russia and Cuba, as both countries have recently begun working closely to an extent not seen since the end of the Cold War. Large oil reserves were discovered off the coast of Cuba in the early 2000s, which attracted the Russians, reliant as they are on profits from the export of natural resources. In presenting the Russian view on energy relations in his book *Russian Energy Power and Foreign Relations*, Jerome Perovic writes:

They deny using energy as a political lever and argue that their actions are driven purely by business interests as they seek to secure the highest possible return for their energy shares...Russia also points out that raising the prices for Russian gas shipped to Ukraine and other post-Soviet states to world market levels is a healthy development, as it stops the subsidization of these economies with cheap Russian energy.¹

Business as a driving force of Russian foreign policy is a central theme of this thesis. With the Russian state's reacquisition of oil and natural gas fields, it has a vested interest in establishing business ties across the globe to ensure a steady revenue stream. The Russians have since increased investment in numerous joint projects with the aim of developing the Cuban energy industry. By inserting themselves via joint ventures in the oil industry, the Russians are also exerting their presence in Latin America.

¹ Jeronim Perovic, *Russian Energy Power and Foreign Relations: Implications for Conflict and Cooperation*. (London: Routledge, 2009),9

This thesis thus seeks to evaluate the effect of Cuba's recent oil discovery on Russia's foreign policy ambitions. A marked shift in Russia's relations with Cuba exists between the early 1990s and the early 2000s. Russia went from repudiating Cuba to reestablishing a working relationship with the island. To account for this reversal of policy, this thesis will argue that a convergence of interests has stimulated the reestablishment of close ties, with the issue of Cuba's oil playing a large role in the formulation of both parties' respective policies towards each other.

With the collapse of the Soviet Union in 1991, to many it seemed that the Castro regime in Cuba would quickly follow suit, with its primary bank-roller having disappeared. This arrangement reflected the *carte blanche* financial aid regime of the Soviet Union; the ideological basis for alliances justified massive financial underwriting. Without the impetus of "socialist fraternity", Cuban trade with Russia fell dramatically, most notably in the energy sector, which had been buoyed for decades by the sugar-for-oil exchange program, wherein Cuba traded their sugar at inflated prices in exchange for the Soviet Union's oil. Cuba's economy shrank rapidly, and the government elected to remove bureaucratic barriers to attract foreign investment in the island. Greater investment reached Cuba, which helped to curb the economic downturn; nevertheless, the Cuban government's financial and energy situation is not ideal.

The discovery of massive reserves of oil off the coast of Cuba has the potential to change this situation. In 2004, American and Cuban governmental agencies assessed oil

reserves belonging to the Republic of Cuba as containing anywhere between five and twenty billion barrels of oil. Given the Cuban government's financial situation, however, independent exploitation of these resources is beyond its means, to say nothing of the government's lack of experience in conducting deep-sea oil excavation operations. To this end, the petroleum sector has also been opened up to foreign entities, with the Cuban government granting drilling rights to foreign entities in specifically designated "exploration blocks" off the coast of Cuba, of which there are fifty-nine. These blocks are located in Cuba's Exclusive Economic Zone, a maritime area that extends north to the US maritime borders and west to Mexico's maritime borders.² To underscore the significance of these oil reserves to the Cuban government, one need only look at the amount of international economic associations between the Cuban government and foreign corporations that relate to the oil sector: 15% of these agreements are oil ventures, a close second to the tourism industry's 20%.³ Among the nations involved in these ventures are Canada, Brazil, Vietnam, and Russia.

Having emerged from the economic chaos of the early 1990s thanks to rising oil prices, the Russian government is keenly aware of the power the export of this resource. After its recovery, Russia sought to re-exert itself in its traditional sphere of influence, the countries of the former Soviet bloc, while simultaneously pursuing a policy of

² Jonathan Benjamin-Alvarado, *Cuba's Energy Future: Strategic Attempts to Cooperation*, (Washington, D.C.: Brookings Institution Press, 2010), 29-30

³ Paolo Spadoni, *Cuba's Socialist Economy Today: Navigating Challenges and Change*. (Boulder, Colorado: Lynne Rienner Publishers, 2014), 89

integration with the European community. The export of another natural resource, natural gas, plays a significant role in this arrangement, as Europe's energy dependency only further empowered Russian policy. The numerous export disputes with much of the former Soviet Union (particularly Ukraine, Belarus, and Georgia) demonstrate the extent to which energy has become an integral tool in the administration of Russian foreign policy. As the Russian government consolidated its control over its energy sectors, it also began to gradually reestablish itself in Cuba.

Under Vladimir Putin, Russia has enjoyed renewed ties with Cuba, the significance of which his numerous state visits to the island throughout his tenure demonstrate. However, it is in the last ten years that a significant upsurge of Cuban-Russian cooperation became evident. This shift in attitude is also reflected in the Russian media, with Cuba constantly referred to as one of Russia's most loyal allies in the world.⁴ What precipitated this change? To begin to answer this question, a look at what has distinguished the past decade from other periods is in order.

The foreign policy approaches of the newly christened Russian Federation in the early 1990s, based as it was on greater rapprochement with the West, specifically Washington, all but insured a swift decline in Russian-Cuban relations, as Russia came around to the idea that support for Cuba was inimical to a working relationship with the

⁴ For an idea of this, see the 2008 articles in *Latinskaia Amerika: Rossiya-Kuba: Pered Vyborom, "I vam, i nam, nuzhna sil'naia Rossiia", Levnyi povорот v Latinskoi Ameriki i imidzh Rossii v regione*

West. The seemingly about-face in the Russian approach to Cuba is evident in the Russian foreign minister's answer to the Cuban government's recognition of the Russian Federation in 1992. After a brief exchange of diplomatic gratitude for the recognition, Russian Foreign Minister Andrey Kozyrev adds:

The Russian Federation will drastically and decisively advance along the path of democratization, construction of a market economy and inclusion among the family of civilized nations. This concerns not only the expeditious, though not to the detriment of security, dismantling of the confrontational military framework, but also drastic deideologization of international affairs and the meticulous guaranteeing of human rights, along with other top priority tendencies.⁵

The message was clear: relations with Cuba had lost their ideological basis, and the new Russia sought to normalize its ties with the rest of the world, a shift that would prove detrimental to the Caribbean country. Trade plummeted, and the Russian market presence on the island virtually disappeared. Economic ties began to increase during the mid-1990s, but the relationship between the two countries hardly evoked memories from the Cold War years.

By the beginning of the millennium, however, another shift in Russian foreign policy was taking place. Russia and the West often seemed at odds with each other, with the former feeling it was not an equal partner in the post-Cold War arrangement. Foreign policy issues contributed to this sentiment, and the Color Revolutions motivated

⁵ G. E. Mamedov *Rossiiā-Kuba, 1902-2002: Dokumenty I Materialy*. (Moskva: Mezhdunarodnye Otnosheniā, 2004), 448-449

Russia to take an interest in its former sphere of influence. With this impetus, the Russian government also looked abroad for new areas to exert itself. Owing to its focus on the Middle East because of the September 11th attacks, the Bush administration neglected relations with Latin America in general. Although nations like Colombia continued to work closely with the United States, by-and-large the region witnessed a lurch to the left across many of its countries. These shifts made relations with the United States in their previous state untenable. As a result, United States presence in the region was diminished, a factor that Russia could use to its benefit.

In the last years of the first decade of the millennium, each the three countries most relevant to the dynamics of the Russian-Cuban relationship, Russia, Cuba, and the United States, witnessed new presidential administrations. Whereas the Medvedev tenure has now come to be regarded as a brief pause between Vladimir Putin's terms in Russia, changes in Cuba and the United States bore the most significance for Russian-Cuban ties. Fidel Castro, citing his ailing health, stepped down as President of Cuba, ceding the position to his younger brother, Raul. Raul Castro's regime has shown itself to be more open to economic reforms than its predecessor, which encourages foreign involvement on the island, while Barack Obama's ascension to the Presidency of the United States had signaled a potential de-escalation of tension between the United States and Cuba.

Against the backdrop of these changes, Russia has pursued an economically expansionist policy in Cuba, initiating numerous ventures in the fields of energy, transportation, and biotechnology. This tendency culminated with Vladimir Putin's tour of Latin America in the summer of 2014. It began with a meeting in Havana, during which the Russian president officially forgave the multi-billion dollar debt Cuba had accrued during the Soviet era.

During this era, the Soviet Union's relationship with the distant island country of Cuba received much attention and scrutiny from academics and politicians alike. This comes as no surprise, given Cuba's proximity to the United States, its central role in the Cuban Missile Crisis, and the extensive military contributions Fidel Castro provided to Angola during the Angolan Civil War. Once the Cold War ended, however, interest in Cuba's relations with Russia practically vanished, a tendency noted by Mervyn Bain, a Cuban-Russian specialist, who writes in *Russian-Cuban Relations Since 1992*:

relations between the two countries have improved [since the collapse of the Soviet Union] but its foundations are now very different from Soviet-Cuban relations. Despite this, the relationship between Moscow and Havana in the post-Soviet period has surprisingly attracted very little interest from the international community. This was very different from the Cold War era when Soviet-Cuban relations had been the focus of much scholarly attention.⁶

⁶ Mervyn J. Bain, *Russian-Cuban Relations since 1992: Continuing Camaraderie in a Post-Soviet World*. (Lanham: Lexington Books, 2008), 1

Bain's surprise at the relative lack of attention is well-placed. Cuba remains a socialist state with roots in a ceaseless anti-American struggle, and the trajectory of its relations with Russia should evoke great interest, considering that Russian efforts to establish a greater presence in Latin America have grown throughout the 2000s. Despite being included on the United States' Sponsor of State Terrorism list, Cuba was not the focus of global affairs for quite some time, and Russian progress on the island has been slow and steady, which partly explains the diminished literature on this relationship's post-Cold War history. Nevertheless, one aspect has not been adequately addressed: how Cuba's energy potential influences the dynamic between the two states. This is no doubt due to the fact that most of this oil is still "potential"; that is, it has not been extracted in sufficient quantities to definitively say it has fundamentally reshaped Cuba's structure. This potential is important, however, because it is what drives closer cooperation between Cuba and Russia.

In order to understand the dynamics of this relationship, I had to look at the factors that drive it: Russian utilization of energy resources, Cuban financial necessities, and political expediency for the two countries. Most of the literature on the interaction of Russia's energy and foreign policies concerns itself with the ramifications for Russia's relationship with Europe. The "energy weapon" idea is prevalent throughout, and through understanding how Russia controls its energy deliveries via domestic and international monopolies on transport networks, it becomes clear just how important the

acquisition of these resources are for the Russian government. The literature on Cuba traces the development of the island's society after the disappearance of the Soviet Union, specifically how the realities of dealing with a capitalist world have forced the regime to make concessions to foster more productive business ties. Through these discussions, an image of a Cuba attempting to promote business with numerous world actors emerges, which explains the channels through which Russia is reintegrating itself: investment and business. Both nations also come together over their antagonism towards the United States, a point that becomes especially clear through a reading of Russian media.

Latinskaia Amerika, the official monthly journal of the Russian Academy of Sciences' Institute of Latin America, was the most valuable source in this respect. According to their website, the journal provides a "wide panoramic view of the continent" through interviews with diplomatic officials and via reportage covering new tendencies and developments in the region. Describing the influential role of the journal, the former Minister of Culture for the Russian Federation, Aleksandr Avdeev, declared:

The role of [the] journal is, without a doubt, very great. It is the only scientific publication serving the understanding between our nations - a source of the most complete and trustworthy information about the people, culture, traditions, economy, and politics of the Latin American countries.⁷

⁷ "Zhurnal "Latinskaia Amerika"" ILA RAN. <<http://www.ilaran.ru/?n=39>> 2005

Sergei Lavrov, the Minister of Foreign Affairs of the Russian Federation, expressed similar laudatory views:

Throughout the course of its decades-long history [the] journal has made a strong contribution to academic understanding of the processes occurring in the governments of Latin America and the Caribbean Sea. The articles published in its pages are remarkable for their profound analysis of the political, cultural, and socioeconomic lives of the region, and highlight the wide-range of questions of Russian-Latin American cooperation.⁸

The journal has therefore served as an enlightening source into how discussions of Latin America's importance in the larger framework of Russia's foreign policy are progressing. The trends identified above are present in many of the articles published throughout the late 2000s until the present day. It has acted as a framework for the investigation as a whole. Other Russian media reports from the period reflect the narrative developments presented in *Latinskaia Amerika*, and it is readily apparent that a reevaluation of the relationship with Cuba has occurred across Russian society. Given that it is the official journal of the Russian Academy of Sciences, the development of discussions may reflect the evolution of ideas held by officials in state ministries.

The first chapter of this thesis will examine how and why energy became a top priority for the Russian government. Russia's reemergence on the world stage has been facilitated in part by its revenues from the export of energy as oil and natural gas. This export of energy plays a decisive role in the framework of Russian foreign policy, geared

⁸ Ibid.

as it is towards reestablishing a presence in its traditional sphere of influence, in which Cuba must now be considered a part, given the tremendous amount of time and resources the Soviet Union spent on the island. One crucial aspect of this framework is the Russian use of energy as a “weapon”, whether real or simply perceived. This notion, further explored in the first chapter, is that Russia can assert itself in the countries it exports energy to by limiting or severing deliveries. Critics point to the repeated natural gas disputes with Ukraine and other former Soviet republics as evidence of the Russian government using energy to manipulate political developments in these countries. By cutting off supplies or demanding higher prices, especially during the cold winter months when demand for natural gas is at its highest, observers suggest that Russia is applying pressure on these states when their internal political developments threaten Russian interests.

The chapter will conclude with a discussion of how the Cuban government has attempted to make the prospect of doing business on the island more lucrative. In the wake of the Soviet Union’s dissolution and the abrupt end of financial aid, the Cuban government found itself in dire straits. This situation acted as an impetus for the relaxation of regulations governing business interactions with foreign entities. This in turn made the island more attractive for foreign companies, a trend that would have ramifications for Russian-Cuban relations in the 21st century.

The second chapter will assess the primary point of convergence of interests between Russia and Cuba: Cuba's newfound oil wealth. The Cuban government has been unable to meet the energy needs of its citizens, and the massive oil reserves promise to alleviate this. However, they have neither the technology nor the experience to successfully extract this oil, much of which is located in deep-sea locations. To this end, the aforementioned drive to attract more foreign investment has proved beneficial for the development of the oil industry, with many foreign companies signing contracts with the Cuban government to establish oil extraction ventures, Russia being among them. With Cuba suddenly facing the potential of becoming a significant oil-producing country, the appeal for Russian energy companies is mounting.

While these ventures have only recently begun, their influence on the development of Russian-Cuban relations during the past decade cannot be overlooked, especially considering that said ventures are usually agreed upon in the presence of a high-ranking Russian official. This increase in cooperation all occurs against the backdrop of anti-American sentiment in Latin America and Russia. Russia sees Latin America as a priority region for increased cooperation, and considers Cuba the best conduit into the region. Judging from the slew of articles published in the late 2000s in *Latinskaia Amerika*, Russia has identified several Latin American countries as allies in the push to offset American influence via the concept of "multipolarity" of world affairs.

These reports have also recognized the importance of the oil discovery for these relations. This thesis thus seeks to explain how all these factors have come together to promote renewed cooperation between the two countries. Rather than being seen as a return to Soviet-era norms, the Russian-Cuban relationship of the 21st century is best understood as both sides coming together for their own respective interests.

2. The Interplay of Oil and Russian Politics

2.1 *Russia's Love Affair with Hydrocarbons*

Today's Russia is a nation whose economy is characterized primarily by the export of energy resources, chiefly oil and natural gas. Its vast gas-delivery network spans from the far reaches of Eastern Siberia well across to nations of the former Soviet Union, where it then integrates into Western European pipelines, thus continuing that region's reliance on Russian energy deliveries. In this way, the government continues to assure the delivery of energy in exchange for record profits and a perceived increase of influence in internal affairs of Western European nations. The massive costs and labor associated with creating and maintaining such a system has also contributed to making hydrocarbon extraction and export a priority for the Russian government.

The export of these resources has become a tool through which to enact Russian foreign policy goals. This has led to the perception of this tool as an "energy weapon", especially concerning natural gas. With Russia as the primary supplier of Western Europe's natural gas supply, some have expressed concern that this uneven relationship could allow the Russians to exert pressure via delays or outright cessations of deliveries during political or economic disputes. The Russians themselves have become keenly aware of the disruptive potential of energy exports. In *The Emperor of Gas*, the introduction states: "Only under Putin has it suddenly become clear in Europe, and most importantly, in Russia, that natural gas is a tangible instrument of influence on the

international positions of many European and Asian nations...Even if they are not on friendly terms, these and other countries should be, at the very least, loyal in their relations with us.”¹ How did this dynamic come about?

At first glance, this arrangement seems natural, especially when one considers that close to 80% of global hydrocarbon reserves are under the jurisdiction of Russian state-owned companies.² Russia provides the European Union with 29% of its oil, and has 32% of world natural gas reserves, providing 30% of total world production.³ However, this relationship with Europe and the world is one of recent occurrence, the result of decades of negotiations and effort on the part of both the Russians (then under the auspices of the Soviet Union) and Western Europeans. To understand what has motivated the ever-increasing Russian reliance on its natural gas and oil reserves, it is necessary to examine the conditions under which this dynamic developed.

In doing so, three points become clear. The first of these is that the Russian government sees the export of natural resources as central to economic prosperity. The second point follows from this, in that the Russian government places a great importance on maintaining control of the majority of natural resource exports to ensure this economic prosperity. A clearer picture of this emerges through the history of the post-Soviet oil industry. Finally, as seen through the post-Soviet natural gas industry’s

¹ Natalia Grib, *Gazovyi Imperator: Rossiia I Novyi Miroporiadok*. (Moskva: Kommersant, 2009), 6-7

² Gutiérrez del Cid, Ana Teresa. "El rescate de la industria petrolera en Rusia y la utilización de los energéticos como instrumento de la política exterior." *Nueva Época*, 21.58 (2008) p. 138.

³ Vagit Alekperov. *Oil of Russia: Past, Present, & Future*. (Minneapolis, MN: East View Press, 2011), 331-339

history, the Russian government has conceptualized the export of natural resources as a powerful tool in its traditional sphere of influence and beyond.

This last point marks a clear rupture with Soviet-era politics, when Russian politicians used natural gas exports to build a relationship with Western Europe in the spirit of lowering Cold War tensions during the years of *détente*. They also used the export of oil to build bridges in the same fashion, as the case of Cuba clearly demonstrates. By subsidizing oil prices for the Castro regime, the Soviet Union was ensuring the survivability of its closest ally in the Western hemisphere. This oil arrangement disappeared along with the Soviet Union, and Cuba suffered greatly as a result. However, with the recent discovery of oil reserves off the coast of Cuba, oil is once again playing an increasingly fundamental role in Russian-Cuban relations. The dynamics of the arrangement have changed; Russia is no longer Cuba's primary supplier or underwriter (a role Venezuela has filled in recent years), and Cuba has adapted to its diminished energy capacity. Nevertheless, the existence of these oil reserves has attracted Russia, eager as its government is to diversify its oil holdings and increase the associated income flow.

By highlighting this shift in attitudes towards hydrocarbons, the difference in approaches to natural resources between the Soviet Union and Russia becomes evident, a necessary understanding in assessing how these attitudes affect Russia's relationships with others when energy is involved.

2.1.1 Integration with Western Europe

In the aftermath of the Second World War, the Soviet authorities looked to coal as the basis for their energy policy moving forward. Chiefs of the oil industry, however, recognized the potential for further exploitation of the Union's natural gas reserves. Aside from occurring naturally in natural gas fields, natural gas is also by-product of the oil extraction process; any development of the natural gas industry would inevitably assist the expansion of the oil industry. When Nikita Khrushchev began his rise to prominence in the early 1950s, the new Soviet Oil Minister, Nikolai Baibakov, saw in Khrushchev a potential patron, and began to advocate for further investment in both the natural gas and oil industries. The reasons for this were two-fold: not only would an increase in funding facilitate the creation of a Union-wide delivery network to address the nation's energy needs, but it would also allow the Soviet Union to catch up with the West in terms of total percentage of energy needs met through the utilization of natural gas.⁴ The Soviet leadership responded well to this last point, as they desired to match and even surpass the West in several economic indicators.

Soviet economic planning soon afterwards began to look to oil and natural gas as vital sectors of the nation's economy, and both industries noted an increase in growth. By the end of the 1960s, the Soviet Union had moved from being an importer of oil to

⁴ Per Högselius. *Red Gas: Russia and the Origins of European Energy Dependence*. (Basingstoke: Palgrave Macmillan, 2013), 14-15

being an exporter, a switch facilitated by the discovery of five dozen new oil fields.⁵ The natural gas industry also grew at a similar pace, and as more and more natural gas fields were discovered and exploited, plans called for an increase in pipe diameter to allow the transfer of large volumes of natural gas. Soviet pipe manufacturing was not up to the task of providing pipes that were sturdy enough for these plans. In contrast, pipe manufacturing in Western Europe was capable of doing so, but lacked the market initiative in their home regions, mainly due to the slower development of the natural gas industry in Western Europe. Thus was born the idea of “trading” natural gas for imported pipes.

As the export of oil demonstrated, the state monopoly on economic affairs meant that the government would have continuous access to hard currency as long as it maintained its deliveries of natural resources.⁶ These financial considerations, in conjunction with the already-established trade-off of advanced technological goods from the West, expedited the idea of establishing a natural gas export scheme with Western Europe.⁷ The spirit of détente that prevailed during the mid-1960s gave life to these ideas, and Austria became the first Western European nation to import Soviet natural gas. These first steps towards integration between Soviet and Western European natural gas transmission networks initially perturbed many. West German authorities feared

⁵ Stephen Kotkin, *Armageddon Averted: The Soviet Collapse, 1970-2000*. (England: Oxford University Press, 2008), 16

⁶ *Ibid.*, 124

⁷ Högselius, *Red Gas*, 36-37

that the Soviet Union would artificially lower natural gas prices as a means of destabilizing the West Germany coal industry.⁸

This can be interpreted as the first manifestation of the “energy weapon” idea, the notion that the Soviet Union would use its vast natural resources as a tool of economic warfare. This idea expresses two fears: the short-term fear of destabilization of domestic energy development in Western Europe and the long-term fear of Western European dependency on Soviet exports and the possible ramifications should the Soviet Union ever use a disruption of delivery as a means of manipulating political events. Although this fear is very much alive in today’s discourse concerning Russia, a point discussed below, the Soviet Union strove to maintain the image of a reliable business partner, and the energy weapon never materialized.

As the Soviets moved to meet their contractually-obligated natural gas deliveries to Austria, transmission problems arose due to the rushed nature of pipeline construction. It seemed that the Soviet Union would not be able to make good on its very first natural gas delivery, which would jeopardize the future of the entire industry. The leadership had staked vast amounts of labor, funding, and equipment in ensuring the development of this industry, and it was imperative that they demonstrated their reliability as a business partner. Per Högselius has speculated that the Soviet energy industry deliberately deprived the Ukraine and other western Soviet Socialist Republics

⁸ Ibid., 76-77

of natural gas and rerouted the difference to meet their obligations with the Austrians by showing that the volume of “missing” natural gas corresponds almost exactly to the amount stipulated by the Austrian contract.⁹ This observation demonstrates the ethereal nature of the energy weapon idea, at least during Soviet times: if natural gas was indeed rerouted and the republics were deliberately deprived of energy, then this hints at the notion that the Soviet leadership held business ties (and therefore, the acquisition of hard currency) above any notions of economic blackmail.

In the post-Soviet era, this consideration seems to have faded to the background. Although the Soviet Union did ultimately use delivery of energy resources as political pressure, these instances were few in comparison with the energy squabbles that can be seen in the post-Soviet era, as energy conflicts have arisen between Russia, the primary inheritor of the Soviet Union’s resources and infrastructure, and its former-Soviet republic neighbors. As far as Western Europe is concerned, the energy weapon has yet to be utilized, but recent developments surrounding the Ukrainian crisis and the subsequent rift between Western powers and the Russian Federation have shown that many are still wary of the nature of the energy relationship between the two. However, it must be noted that one of the factors that gave rise to the numerous energy conflicts in the post-Soviet era are due in large part to the way Soviet infrastructure was developed.

⁹ Ibid., 100

2.1.2 Groundwork for Conflict

When the Soviet Union's natural gas pipeline network was initially conceived, its main goal was to carry the gas from Siberia to the west of the Urals and beyond to the rest of the constituent Soviet republics, with the eventual goal being the construction of an all-union delivery system that would cross the wide expanses of Soviet territory. The various pipeline networks repeatedly crossed the borders of these constituent republics, which was prudent at the time, given that the network still fell under the dominion of one state. This layout would prove to be a hindrance in Russia's energy-power aspirations in the post-Soviet world, as each of the fifteen Soviet republics had become independent countries by the time of the Union's dissolution at the end of 1991.

The Soviet Union's system of state ownership went along with it. State assets began to transfer into the hands of private owners, though preparations for this process had begun during the perestroika era, with many well-placed functionaries using their positions to allocate funding and resources to themselves and their allies.¹⁰ The natural gas industry's reorganization also went through this process of pseudo-privatization, but with a key difference: the Ministry of the Gas Industry (Ministerstvo Gazovoi Promyshlennosti) formed a new corporation, Gazprom (a contraction of gazovaia promyshlennost, or gas industry), thus ensuring that control of the entire natural gas

¹⁰ For a detailed investigation into this process, see *Putin's Kleptocracy* (2014) by Karen Dawisha

infrastructure remained in the hands of those who had managed it in Soviet times.¹¹ In the post-Soviet period, the state would remain the largest shareholder of Gazprom, and Vladimir Putin's first tenure bore witness to the Russian state increasing its shares in Gazprom, either through direct state purchase or via state-owned subsidiaries such as the state-owned oil company, Rosneft.¹² This has effectively made Gazprom an instrument of the Russian government with which to exert influence, namely via the delivery of energy resources.

After a lull of about thirty years, one can see energy-delivery disruptions reemerge in the 1990s as the Soviet Union dealt with the secession crises of the Baltic republics (namely, Latvia and Lithuania). This only escalated further throughout the two decades of Russia's post-Soviet history, with repeated observed instances of disruptions of delivery to Ukraine, Belarus, and Central Asian and Caucasus countries.¹³ These conflicts arise when the offending nation finds it difficult to purchase natural gas at prices specified by Russian state-controlled companies, when efforts are underway to attempt to break the Russian monopoly on natural gas pipeline infrastructure, or when internal politics progress along a path that Moscow perceives as against its interests.

¹¹ Marshall Goldman, *Petrostate: Putin, Power, and the New Russia*. (Oxford: Oxford University Press, 2008), 59

¹² *Ibid.*, 83. Vagit Alekperov, president of LUKoil, seems to refute the idea that there are any state-owned corporations in the oil and gas industry by stating that the current model of the state owning more than 50% of shares in various companies is not state-ownership "in the pure (classical) sense." See pages 340-341 of his book *Oil of Russia* for his breakdown of ownership across the board. For the purposes of this analysis, however, I use the term "state-owned" to refer to any company that has more than 50% of its shares held by the Russian government or Russian-government owned subsidiaries.

¹³ Jonathan P. Stern, *The Future of Russian Gas and Gazprom*. (Oxford: Oxford University Press, 2005), 67

Marshall Goldman points to the energy dispute between the Ukraine and Russia in 2005 and 2006 as being demonstrative of this interplay of politics and energy in the region. When the Ukrainian president, Viktor Yushchenko, indicated a willingness to cooperate more closely with the West, Putin told Goldman and others:

Yushchenko was welcome to seek a closer alliance with the West and turn his back on Russia, but he should understand that if he did so, Russia was under no obligation to continue to subsidize its energy exports to Ukraine. Ukraine was paying as little as \$50 per 1,000 cubic meters while the market price in the West was \$150 per 1,000 cubic centimeters, so paying the higher price would cost Ukraine \$3-5 billion a year.¹⁴

Ukraine refused to pay for the higher price, and Russia accordingly halted deliveries to the region at the height of winter. Belarus was also asked to pay market price for natural gas and oil, something it was quite incapable of doing, though there was no impetus for this move, as Belarus' president Lukashenko had long considered Russia its primary ally. These situations have also played out in the Caucasus. Georgia has expressed an interest in creating a pipeline network independent of Gazprom control; Goldman suggests that Russia continues to provide overt support for the two breakaway regions of South Ossetia and Abkhazia in the hopes that such internal destabilization will dissuade further investment in such projects.¹⁵

Gazprom may maintain its hold in natural gas pipeline infrastructure in Russia and across Eastern Europe and Central Asia, but declining production figures suggest

¹⁴ Goldman, *Petrostate*, 144

¹⁵ *Ibid.*, 149-151

that current fields will deplete and it may not be able to meet both foreign and domestic demand unless the company diversifies its holdings.¹⁶ Nevertheless, as the crises outlined above have shown, the company's utilization as a means of exerting influence in the pursuit of foreign policy objectives should not be underestimated. This is not to say that politics is the primary motivating factor in Gazprom's business decisions, but rather serves to suggest the primacy of state-control over energy resources in the eyes of the Russian government. The sordid history of the privatization of the oil industry and the state's efforts to regain control only further emphasize this point.

2.1.3 The Soft Power of Energy

As explored above, the fear of the Russian energy weapon during the Soviet Union's existence was largely unfounded. Although delivery disruptions occurred, by and large the Soviet Union's leadership overriding concern was the maintenance of business ties and the income associated with doing business with the West. As a result of this careful fostering of a productive business relationship, Western European import of Soviet natural gas grew 120% from 1983 to 1990, thereby cementing the region's dependence on exported Russian natural gas.¹⁷ The export of Russian oil was also a guaranteed source of income for the Soviets, who acted in the interest of profits by not

¹⁶ Stern, *The Future of Russian Gas and Gazprom*, 8-11

¹⁷ Högselius, *Red Gas*, 200

artificially holding the price of oil down, as many had expected.¹⁸ It is therefore evident that the “business before politics” mantra has its roots in this time period, and has understandably been carried over into post-Soviet history by those brought up in the Soviet system.

However, despite the financial benefits of exporting oil, it is interesting to note that until the mid-1970s, Soviet planners placed greater emphasis on coal than on oil. Oil production at the time was faltering, and investment was eventually redirected in the hopes of resuscitating the industry.¹⁹ With the fall of the Soviet Union and the privatization and pilfering of the oil industry’s assets, the newly christened Russian Federation could not long depend on what had seemed to be a guaranteed source of income in the 1970s. By 1998, state income had fallen due to a variety of factors, not the least of which was an inefficient taxation system, and the ruble devalued to the point that the Russian government defaulted on its loans. In a way, however, this proved to be a boon, albeit a temporary one. With the value of Russian infrastructure depreciating, investment in ailing industries thus seemed lucrative for domestic investors. Oil companies, the majority of which were still in private hands, were thus able to reinvest their money without any foreign aid.²⁰ The following year, the price of

¹⁸ Goldman, *Petrostate*, 32

¹⁹Thane Gustafson *Crisis Amid Plenty: The Politics of Soviet Energy Under Brezhnev and Gorbachev*. (Princeton, N.J.: Princeton University Press, 1989), 24-30

²⁰Ana Teresa Gutiérrez del Cid. "El rescate de la industria petrolera en Rusia y la utilización de los energéticos como instrumento de la política exterior." *Nueva Época*, 21.58 (2008), 140

oil increased dramatically, and the Russian economy began to recover at an unprecedented rate. More investment, coupled with rising prices and the fact that Russian domestic consumption of oil allows for massive amounts of exporting meant that the Russian economy stabilized rather quickly.²¹ Those in positions of authority undoubtedly realized the potential of once again maintaining control over the income derived from the sale of oil abroad.

One such individual was prescient of this dynamic even before his ascension to the post of Prime Minister and eventual appointment as President. In his dissertation entitled “Strategic Planning of Mineral Resources Replenishment at a Regional Level in Market Economy”, Vladimir Putin argued for the need to reacquire control over Russia’s vast natural resources. The oligarchs, his argument went, could be allowed to retain control of their companies as long as they worked actively to advance Russia’s national interests, with dissenters being forcibly reappropriated to achieve these ends.²² These “national champions” would be expected to toe the line with respect to a foreign policy whose development has adopted a more independent (vis-à-vis the West) line since the recovery of the Russian economy.²³ This foreign policy has been interpreted as an

²¹ Ibid., 141

²² Goldman, *Petrostate*, 97. Goldman is referring to the dissertation Putin wrote in 1997 for his PhD at St. Petersburg Mining Institute. It has become known that the majority of the thesis was plagiarized from a 1979 work “*Strategic Planning and Politics*”. Despite its original authorship, that Putin would present this as his thesis indicates how he places some value on the ideas entailed. For more, see Slon’s 2013 article, *V svoey dissertatsii Putin sam napisal po vidimomu vsego paru stranits*

²³ Perovic, *Russian Energy Power and Foreign Relations*, 1

attempt to retain or regain Russia's traditional sphere of influence in the Caucasus, Central Asia, and Eastern Europe, and energy provides a useful method of allowing the Russians to insert themselves in the affairs of these nations.²⁴

To demonstrate the extent to which the Russian government expected oligarchs to adhere to the "national champions" doctrine, one need only look at the history of Kremlin efforts to take over private companies involved in the export of natural resources. Perhaps the most well-known incident is the Yukos affair. Yukos was an oil company privately owned by Mikhail Khodorkovsky, one of the most prominent of the "new Russians" who made their wealth during the early days of privatization after the fall of the Soviet Union. Khodorkovsky managed to acquire a large amount of resources by purchasing stock shares issued to each Russian citizen upon the collapse of the Soviet Union, as well as via the "loans for shares" program, wherein the Russian government borrowed money from newly established private banks, giving shares in many large industries as collateral. More often than not, the government would be unable to pay back the loan, and the bank was then authorized to sell off these shares in what many consider to be rigged auctions.²⁵

With his newfound wealth and control of several oil fields and manufacturing centers, Khodorkovsky established Yukos and drew up plans to create his own pipeline

²⁴ Ibid., 239

²⁵ Goldman, *Petrostate*, 63-65

network, thereby bypassing the state-owned installations and threatening to deprive the state of income associated with the flow of oil.²⁶ What's more, Khodorkovsky was also allegedly involved in negotiations to establish joint ventures with several Western companies, which would have meant that Russian oil fields would have fallen under the control of foreigners.²⁷ This flew in the face of the "national champions" policy, since it was implicit that no foreign control of Russian resources would be tolerated, given their perceived importance in fueling the development of the economy. To counteract this, the Russian government claimed Yukos owed back taxes, the amount of which forced the company into bankruptcy. This lowered the price of the company, allowing state-owned Rosneft to purchase the assets, which were eventually transferred to the other state-owned conglomerate, Gazprom.²⁸ Khodorkovsky himself was charged with fraud and imprisoned, effectively removing one of Putin's potential political opponents from the arena.

With the cases illustrated above in both the natural gas and oil sectors, it becomes clear that the state values control over their assets above all else. This need for control stems from the effect the sale of these resources has on the Russian economy. Although profits from oil do not directly contribute to the growth of the Russian GDP,

²⁶ Gutiérrez del Cid, "El rescate de la industria petrolera en Rusia", 144

²⁷ Goldman, *Petrostate*, 123

²⁸ Gutiérrez del Cid, "El rescate de la industria petrolera en Rusia", 147

they do increase state revenues²⁹, and for a regime that derives much of its legitimacy from economic stability and relative affluence, guaranteeing the flow of cash is understandably a priority. This concern goes alongside the perceived advantage of the export of these resources, as it establishes a dependency on the part of the consumer, thereby creating a closed loop of sorts: more income leads to greater concern for maintaining control over the delivery infrastructure, which in turn leads to more income.

2.2 Cuba and the Soviet Union: Oil and Beyond

The 1959 success of the Cuban Revolution and its significance is fondly remembered by Russian ideologues, judging from the tone used when writing about the island in recent publications. The island took on a special significance for the Soviet Union, as evidenced by the massive amounts of financial assistance it doled out to Cuba. Cuba and the Soviet Union's financial relationship can best be assessed via the "sugar for oil" program, wherein the Soviet Union would purchase Cuban sugar at prices above the world price, while selling oil to the Cubans at incredibly subsidized prices. In 1985 alone, the Soviet Union was paying 45 cents per pound of Cuban sugar when the world price was just four cents per pound, an increase by a factor of ten.³⁰ This uneven financial arrangement continued to be pursued for most of the Cold War, owing to the

²⁹ Perovic, *Russian Energy Power and Foreign Relations*, 27

³⁰ Bain, *Russian-Cuba Relations Since 1992*, 34

obvious strategic advantages of ensuring the survivability of the Castro regime, given its proximity to the United States.

Aside from these geographic considerations, the author of one editorial in *Latinskaia Amerika* detailing Russia and Cuba's history argues that the triumph of the Cuban revolution served to reinvigorate the socialist system, beleaguered as it was in the 1960s as a result of growing disenchantment in both the Soviet Union and abroad due to the 1956 Soviet invasion of Hungary. As both the Western and Soviet intelligentsia began to search for a way of disengaging from the socialist system, "the Cuban revolution roundly stopped this disengagement, and impelled them to once again turn back towards the ideal."³¹

On the Cuban side, the relationship with the Soviet Union was viewed as necessary in the polarized atmosphere of the Cold War, especially given the "blockade, and aggression, and terrorist acts, and pressure from the most powerful empire [the United States]...and we [Cubans], like the Russians, are a proud nation, with firm principles; we don't give in to pressure, we don't retreat before anyone, no matter how great they may be."³² This relationship with the Soviet Union opened the door for trade with COMECON, or the Council for Mutual Economic Assistance, the Eastern Bloc organization responsible for coordinating trade between socialist nations allied with the

³¹ S.A. Batchikov "Rossiia-Kuba. Pered Vyborom" *Latinskaia Amerika* 8 (2008), 14

³² A. Ganiev, "Khorokhe Marti Martines: "I vam, i nam nuzhna sil'naia Rossiia" *Latinskaia Amerika* 8 (2008), 8

Soviet Union. Aside from the financial sponsorship this promised, the socialist nature of COMECON afforded the Cuban government a space within which to develop economic ties without compromising on the three explicit goals of the Cuban revolution: economic development, social justice, and national self-determination.³³

This arrangement continued until the last few years of the Soviet Union's existence, when Mikhail Gorbachev's glasnost and perestroika initiatives allowed its citizens to turn a critical eye upon the Union's affairs. Financial troubles led to a paradigm shift in Soviet foreign affairs, and the time when Cuba could count on massive financial bankrolling had come to an end. Trade with Russia declined rapidly, to say nothing of the steep decline in trade with former socialist nations that resulted from the dissolution of COMECON. Between 1989 and 1993, the Cuban economy shrank 35-50%, with imports falling as much as 70% throughout the 1990s; "in brief, the island suffered a more severe depression than that of the 1930s, which is to say, the worst economic crisis in its history."³⁴ This is not to say that the economic troubles were solely the result of the disappearance of the Eastern bloc, but rather, as others have suggested, the result of years of bad policy that were simply exacerbated by the abrupt dissolution of the

³³ Mauricio De Parrondo *Cuba-Sociedad, Cultura Y Política En Tiempos De Globalización*. 1.st ed. (Bogotá: Centro Editorial Javeriano, 2003),129

³⁴ Marifeli Perez-Stable, *The Cuban Revolution: Origins, Course and Legacy*. 2nd ed. (New York: Oxford University Press, 1999), 90

international communist system.³⁵ This policy can best be characterized as an overreliance on a monoculture agricultural system, which inevitably led to the stagnation of other economic sectors as the government strove to harvest more and more sugar to continue to keep its “sugar for oil” program afloat.

In response to these rapidly declining figures, the Castro government announced an austerity program known as the Special Period in Time of Peace. The Special Period saw the introduction of severe measures, specifically in food pricing and distribution. It is interesting to note those sectors which were treated delicately during this time period. Access to healthcare and education was more or less preserved in the state that had been achieved up until the 1980s. Since up to 70% of rural inhabitants had not had access to medicine or educational facilities before the revolution, this stood as one of most poignant elements of support for the Cuban government.³⁶ Nevertheless, consumption fell and poverty spread throughout Cuba, and as the authorities attempted to retain the aforementioned gains of the revolution, the crisis called into question the social contract between the government and the people. If conditions continued to deteriorate, then the “pillars” with which the Cuban government derived their legitimacy could too disappear.³⁷

³⁵ Mauricio de Miranda Parrondo, *Cuba: Hacia una estrategia de desarrollo para los inicios del siglo XXI*, 1.st ed. (Bogotá: Centro Editorial Javeriano, 2003), 21

³⁶ Aleksandr Gasiuk, “Meditsinskii Hi-Tech Na Kube” *Mezhdunarodnaia zhizn'* 11 (2008), 155

³⁷ Parrondo, *Cuba: Sociedad, Cultura y Política en Tiempos de Globalización*, 134

To ensure their survivability, the regime was forced to take steps to integrate itself into the new global capitalist economy. These steps added extra stress to the already ailing system, as the bureaucratic oversight so traditional in socialist nations acted as an impediment. Functionaries were ignorant as to the rules of free-market exchange, interfering incessantly, thereby violating the inviolable rule of attracting investment, which is to respect the freedom of a business to establish ties at their discretion.³⁸ The benefit to this government interaction means that Cuban cadres would slowly adapt to the rules of the market, but as they had tasked themselves with simultaneously fostering these business ties while working to maintain the social equality and relative prosperity they derived their legitimacy from, one of these objectives would ultimately suffer due to improper attention. Consumption has decreased while the economy has grown since 1995, since the state attempts to encourage the growth of capitalist ventures while maintaining its monopoly over the distribution of resources.³⁹

Not all the vestiges of Soviet cooperation proved to be detrimental to the Castro regime. Thanks to the amount of investment and joint-ventures established on the island, Cuba's level of industry is unique among Latin America in how developed it is.⁴⁰ This means there is great potential for further growth if the right amount of investment

³⁸ Miguel Reyes and Mari Cornejo. *Cuba Después De La Era Soviética*. 1.st ed. (México, D.F.: Colegio De México, Centro De Estudios Internacionales, 1994), 269-270

³⁹ Parrondo, *Cuba: Sociedad, Cultura y Política en Tiempos de Globalización*, 134-140

⁴⁰ Reyes, *Cuba después de la era soviética*, 252

can be attracted. Furthermore, as Cuba has slowly made the switch from an import-based to a tourism-based economy, it is demonstrating that the government is prescient of the need to move beyond the nation's "Soviet endowment."

Nevertheless, there is one aspect that can fundamentally alter the need for greater investment and the development of the tourism industry: the possibility of the rapid growth of the Cuban oil industry. As the Deepwater Horizon oil spill in 2010 demonstrated, even the most technologically adept nation could still experience ecological disasters when drilling for oil. In Cuba's case, such an ecological disaster could adversely affect the tourism industry, which so depends on the pristine quality of Cuba's beaches and waters. Studies into similar situations involving an interplay between oil development and natural preservation indicate, however, that economic considerations usually trump environmental concerns⁴¹, and with the untapped potential of Cuba's massive, recently discovered oil reserves, the Castro government seems set on concentrating investment in this area.

⁴¹ Jose Puppim De Oliveira, *Implementation of Environmental Policies in Developing Countries: A Case of Protected Areas and Tourism in Brazil*. (Albany: State University of New York Press, 2008.), 12

3. Renewal of Ties

3.1 *Cuba and Russia in the New World*

The Cuban government's response to the crises of the 1990s, the so-called "Special Period in Time of Peace," bore witness not only to massive shortages of agricultural production, but also of oil production and imports. From 1990 to 1993, with the disappearance of Soviet oil subsidies, Cuban oil and oil byproduct purchases fell 45.8%, from 10.2 million tons to 5.5 million tons, as the government dealt with free-market pricing of oil.¹ The decline of available oil byproducts adversely affected the island's ability to generate electricity, which fell 17.1% from 1990 to 1995.² In the wake of these deficiencies, the Castro government deemed it prudent to open the oil exploration and extraction sectors to foreign government involvement in 1993³; the disappearance of Soviet financial support forced Cuba to diversify its contact with foreign entities to compensate for these losses.

This diversification of business partners was part of a larger process of economic liberalization on the Cuban government's part. Recognizing the necessity of reformulating the rules for establishing joint ventures with foreign entities, the Cuban legislation passed Decree Law 77 in 1995, which established "full protection and security

¹ Jose Luis Rodriguez, "Cuba y sus perspectivas energeticas: una revision reciente (I)", *Cuba Contemporánea* (27 Aug 2014)

² Ibid.

³ Benjamin-Alvarado, *Cuba's Energy Future: Strategic Attempts to Cooperation*, 22

against expropriation...[and] also abolished the limit of 49% of foreign shares for joint ventures.”⁴ With these attractive incentives, it seemed the Cuban government had removed the obstacles that had long dissuaded foreign investment on the island. The Cuban GDP, which had only begun to reverse its contraction in 1994, grew 2.5% in 1995, and by 1996 was growing at a rate of 7.8%.⁵ This perhaps reflects the increase in investor confidence resulting from this economic liberalization.

Russian interest in Cuba declined just as Cuba began to relax regulations governing foreign presence in the island’s industries. These industries were developed primarily with Soviet financing and manpower, meaning the Russians were hypothetically in an ideal position to take advantage of the new advantageous regulations. However, under Foreign Minister Andrey Kozyrev, the Russian Federation’s main geopolitical goal was to maintain good relations with the West and the United States, a policy Mervyn Bain refers to as the “Kozyrev Doctrine”; this meant there was finally a convergence of interests on the Cuban question from both parties.⁶ Russian enterprises lacked not only the desire to maintain their hold on Cuban industrial sites, but also the capital to compete with newly-arrived foreign companies. It thus came to pass that Russia ceded its primacy in the Cuban economy for both economic and political reasons, a step often criticized by contemporary Russian

⁴ Spadoni, *Cuba’s Socialist Economy Today*, 85

⁵ *Ibid.*, 6

⁶ Bain, *Russian-Cuban Relations Since 1992*, 55

commentators. Regarding this crucial moment when Russia could have capitalized on its firmly established presence on the island, deputy director of the Latin American Institute of the Russian Academy of Sciences Vladimir Sudarev opined: “We missed the moment when it would have been possible to convert even a part of the [Cuban] debt [to the Soviet Union] into joint Russian-Cuban enterprises, especially those large enterprises constructed by the Soviet Union”.⁷ The author goes on to emulate this revanchist attitude when describing the “ease” with which Russia abandoned its place in Cuba’s economy, and how Russia is now fighting to reclaim what it lost to other countries, especially in a particular industry on the island: the oil industry.⁸

3.1.1 Ya Liubliu Neft, or How and Why Russia and Cuba Reconciled

The Cuban government has long been aware that it was in possession of oil reserves of some amount⁹, but had never learned its true extent until 2004, when Cuban geologists arrived at an estimate of 20 billion barrels of oil in the continental shelf to the north of Cuba. American geological firms have evaluated these reserves at between five and ten billion barrels. Either sum is considered substantial, especially in comparison with the reserves held by Russia and OPEC. It is estimated that the former possesses reserves of 79 billion barrels, while the latter has control of over 264 billion barrels.¹⁰ For

⁷ Yuri Paniev, “Kuba stala bogache na 29 milliardov dollarov”, *Nezavisimaia Gazeta* (11 Nov 2013)

⁸ Ibid.

⁹ Reyes, *Cuba después de la era soviética*, 263-265

¹⁰ Goldman, *Petrostate*, 90-91

a tiny Caribbean country to potentially possess anywhere between five to twenty billion barrels of oil is therefore monumental, a significance not lost on the Cuban government, with Cuban commentators stressing that “these figures – once they materialize – would radically change Cuba’s energy equation.”¹¹ Using 2007 figures for daily oil use in Cuba, it has been suggested that if the new reserves were theoretically used only to meet internal demand, then Cuba would be self-sufficient for 100 years, to say nothing of the fact that Cuba could become a major exporter of oil if these numbers hold true.¹² Energy considerations aside, observers have noted that the very existence of oil reserves could be used as a means of securing external credit for the government.¹³

The raw amount of estimated oil has attracted the notice of the Russians, in no small part due to their perennial interest in oil developments. Although the sale of oil has been considered part of Russia’s energy arsenal, there has been some concern that a lack of interest in further exploration of oil fields would reduce Russia’s ability to meet European and Asian demand.¹⁴ The discovery of Cuban oil reserves of such large quantities has therefore presented the Russians with a possible means of alleviating these concerns.

¹¹ Jose Luis Rodriguez, “Cuba y sus perspectivas energeticas: una revision reciente (II)”, *Cuba Contemporánea* (2 Sep 2014)

¹² Ksenia Kolkunova, “Nefť Ostrova Svobody”, *Ekspert* (10 Nov. 2008)

¹³ Reyes, *Cuba después de la era soviética*, 264

¹⁴ Perovic, *Russian Energy Power and Foreign Relations*, 3

Stephen Kotkin has suggested that Russian foreign policy demonstrates a curious blend of business and political interests, with presidential entourages in foreign nations often being comprised of business leaders, thereby “focusing foreign policy ever more on the acquisition of prime assets for Russia’s state-owned and private companies.”¹⁵ If Russia were to increase its involvement in the Cuban oil sector, part of these assets could potentially bolster Russian holdings, as per the terms of Cuba’s reformulated regulations governing foreign ventures on the island. One *Kommersant* author has even suggested that if Russian companies successfully extract oil in Cuba in the predicted quantities, Russia would have the chance to become a primary supplier of hydrocarbons to the United States.¹⁶

Even with these aspirations set aside, joint ventures in the oil industry are often cited as one of the primary areas of Russian-Cuban cooperation. An article in the July 2014 issue of *Latinskaia Amerika* titled “Russia-Cuba: The Evolution of Cooperation” (Rossiia-Kuba: Evoliutsia Sotrudnichestva), outlining the current state of cooperation between the two countries, is indicative of this conceptualization. The authors specify the oil and natural gas sector as “one of the priorities of investment cooperation between Russia and Cuba”. They go on to identify the 2009 memorandum on cooperation between CUPET (Cubapetroleo, the state-owned Cuban oil company) and a Russian

¹⁵ Kotkin, *Armageddon Averted*, 210-211

¹⁶ Dmitry Butrin, “Raul v kustakh”, *Kommersant* (25 Feb. 2013)

national oil consortium and the 2009 signing of four contracts between CUPET and Zarubezhneft (one of several Russian state-owned oil companies) as the first long-term agreements between Russia and Cuba in this area in the past 20 years.¹⁷ Some have interpreted Russia's act of forgiving Cuba's Soviet era debt as a way of clearing the path for further cooperation in the oil sector. Polina Shelest of MixedNews writes: "Since Russia has the prospect of earning \$900 billion (and, most likely, even more) with Cuban oil, then from its perspective it is completely reasonable to forgive a debt of \$32 billion."¹⁸

The marked increase in cooperative activity (in the forms of contracts and memoranda) and completion of the negotiation process to forgive Cuba's debt all come after the discovery of these massive oil reserves. Although these observations suggest that the publication of the estimates has driven both parties to seek stronger ties with one another, there are myriad factors involved in creating the atmosphere for increased cooperation, from political to economic. On the Cuban end, the need for technical competence and funding for oil exploration efforts has proved to be the impetus for enhancing ties with not just Russia, but any country willing to accept the terms governing business in joint oil ventures, or production-sharing agreements (hereafter referred to as PSAs) with the Cuban government. The terms, as delineated by Dr.

¹⁷ N.V. Kalashnikov, "Rossiia-Kuba: Evoliutsiia sotrudnichestva", *Latinskaia Amerika* 7 (2014), 14

¹⁸ Polina Shelest, "Putin spisal dolg Kuby za nef't?" *Mixed News* (15 July 2014)

Benjamin-Alvarado, are that the oil is ultimately the property of the Cuban government. As such, the third-party, in this case the joint-venture established between the Cuban government and the foreign investor, is used as a middleman of sorts, being expected to supply all the equipment and labor force. The exploratory phase is to be fully funded by the investor. Should there be no oil or if the well yields low quality oil, the investor would not receive a return. If the oil is viable for sale on the market, however, a certain portion, known as “cost oil” is allocated to the investor as a means of return on investment. After this phase, the remaining “profit oil” is split between the investor and the Cuban government at pre-arranged percentages.¹⁹

The rather disproportionate responsibilities placed on the investor demonstrate the Cuban need for technological aptitude. As per the terms of the US-imposed embargo, any foreign investors hoping to develop extraction operations in Cuban waters must look for drilling rigs and equipment that contain less than 10% of American-developed technology, thereby complicating efforts at developing the industry.²⁰ Despite these restrictions, foreign companies still express interest in Cuban oil; as of 2010, Canadian-Cuban PSAs account for about 60% of Cuba’s heavy oil production.²¹ This is a market that Russia would like to tap into, and it, through companies like Zarubezhneft and Rosneft (another Russian-state owned oil company), has remedied the

¹⁹ Benjamin-Alvarado, *Cuba’s Energy Future: Strategic Attempts to Cooperation*, 24

²⁰ Spadoni, *Cuba’s Socialist Economy Today*, 70

²¹ Benjamin-Alvarado, *Cuba’s Energy Future: Strategic Attempts to Cooperation*, 26

embargo's restrictions by renting drills and other equipment for exploratory efforts in the Cuban continental shelf.²² Although these rental periods inevitably end, agreements signed by Rosneft at the 2014 St. Petersburg International Economic Forum demonstrate their continued desire to augment their effectiveness in working in offshore drilling sites. One agreement with offshore drilling companies RN-Burenie and Seadrill "will give Rosneft greater stability in the exploration of offshore oil wells", while another signed with CUPET established the creation of a working group between the two entities with the aim of realizing current projects.²³ Zarubezhneft has also made significant progress with the Cuban government, signing the four aforementioned contracts for exploratory concessions in the Cuban shelf and the coastlines in 2009. These types of ventures have not always been successful, however, with Gazprom Neft (the oil subsidiary of the state-owned natural gas company Gazprom) pulling out of projects as recently as 2013 as a result of a "lack of confirmation of expected oil reserves".²⁴ Experts also cited financial troubles as contributing to Gazprom Neft's decision, claiming that in 2013 the company had spent \$12 million on the project amidst "high and unjustified risks in the poorly-studied blocks of the Cuban part of the Gulf of Mexico."²⁵

²² "Kuba rasschitivaet na uchastie Rosnefti v nefterazvedke" *Neftegaz.ru* (21 May 2013)

²³ "Perechen' dogovorov, zakliuchennykh Rosneft'iu na PMEF", *Neftegaz.ru* (25 May 2014)

²⁴ Kalashnikov, "Rossiia-Kuba: Evoliutsiia sotrudnichestva", 15

²⁵ Anna Solodovnikova, "Gazprom nef' vyshla s Kuby posukhu", *Kommersant* (16 Sept 2013)

Despite these setbacks, we see that Russian companies are conscious of the limitations of the Cuban situation, and are actively seeking ways around them. When Zarubezhneft and CUPET signed the aforementioned agreement, the stipulations ensured that Zarubezhneft would get a guaranteed portion of produced oil until 2034. Although it was reported that Zarubezhneft's efforts in the Cuban shelf had proved fruitless, Russian companies continue to attempt to secure rights to various exploration blocks, as evidenced by further agreements secured by Rosneft and Zarubezhneft on the occasion of Putin's visit to Cuba in July 2014. Given that Russian oil accounts for less than 0.1% of Cuba's total imports from Russia, one can speculate that Russia does not see Cuba as a significant consumer for the Russian energy industry. Rather, considering the quantity of estimated oil in the Cuban shelf, Cuba seems most attractive as a potential source of petroleum. To this end, the recent partial debt forgiveness and promise of reinvestment of the remaining portion serves the dual purpose of assuring the development of Cuban industrial infrastructure as well as assuring a greater Russian presence in the Cuban market.

It is these continued efforts by foreign companies to maintain a presence in the Cuban market that has acted as an impetus for further Cuban integration into the global market. Cuban business ties with the capitalist world develop under the guidance of the political framework, and the past decade has seen the rise of a unique class of business-minded Cubans. These Cubans have seen their prospects grow as more ventures are

established with foreign entities, and have therefore linked their existence to furthering the development of these ties.²⁶ Due to their involvement with the political process, these individuals have an understanding of the ideological culture of the island, and are familiar with the rules of maintaining business with the larger capitalist economy. As such, they act as a bridge of sorts, closing the gap between the demands of the political class and realities of private sector operations. In this way, their emergence represents the appearance of a sector of society that is extremely interested in promoting further ties with the world at large.

Although the Cuban economy has made significant progress since the mid-1990s, the curb on development resulting from the relative rigidity of the Cuban Communist Party is evident. From 2000 to 2011, the approved goals for foreign investment have never once been met, with observers opining that this “demonstrates the inadequate elaboration of the plan, along with low interest in projects, or a lack of construction equipment...that is, the State loses financial resources and opportunities as a result of its shortcomings”.²⁷ This is a notion understood by those foreign entities interested in doing business in Cuba, including Russian corporations. Although Law 77, discussed above, has been seen as a significant improvement of conditions for foreign cooperation, Russian observers have characterized it as “very severe”, adding that it has

²⁶ Parrondo, *Cuba: Sociedad, Cultura y Política En Tiempos de Globalización*, 136

²⁷ Parrondo, *Cuba: Hacia una estrategia de desarrollo para los inicios del siglo XXI*, 35

prevented Russian capital from entering the market, as they are “not ready to act under current conditions.”²⁸ It can therefore be said that there are still steps that must be taken by the Cuban leadership to assuage these anxieties, and the emerging Cuban business class will prove instrumental in this.

3.2 From Oil to Politics

This is not to say that Russian companies are disinterested from working in Cuba. Given the intimate involvement of Russian businesses with foreign policy, geopolitical considerations can carry as much weight as financial concerns in influencing the conduct of relations between Cuba and Russia. As previously mentioned, Russian relations with the world developed under the auspices of the “Kozyrev Doctrine” in the immediate aftermath of the collapse of the Soviet bloc, and relations with Cuba cooled. This continued into the early 2000s, with the Putin administration making several overtures to the United States on the Cuban matter, the most significant of which was the closing of the Lourdes listening station. Opened in 1967 in Cuba, the Lourdes listening station allowed the Soviets to intercept most of the communications that took place in the continental United States, and was therefore a point of contention between the United States and the Soviet Union (later the Russian Federation).

With the recent cool in relations with the United States that developed since the latter half of the 2000s, the idea has arisen that these overtures were made in vain,

²⁸ Kalashnikov, “Rossiia-Kuba: Evoliutsiia sotrudnichestva”, 14

sacrificing some of Russia's clout in exchange for Western promises. As a result of this line of thinking, a new trend has emerged, wherein Russia must gain back what was lost when "the United States did not appreciate our gesture of good faith."²⁹ One such move is the possibility of reopening the Lourdes listening station, a move met with great fanfare, with one Russian source exclaiming: "I can only say one thing: finally!"³⁰ The Lourdes announcement is but the latest in the development of the revanchist Russian narrative. Looking earlier in the decade, we see its origins in dissatisfaction with Western actions, and as concerns Latin America, perceived neglect in the region on the part of the United States.

In 2008, a spate of Russian articles was written, analyzing the then-current state of political affairs. 2008 seems to be an ideal year for the development of this thesis because it bore witness to new presidential administrations in all three countries relevant to Russian-Cuban relations: Russia, Cuba, and the United States. The articles written at this time developed the idea that a new era of Russian foreign relations had arrived, one which would redefine Russia's position in the world. The reasons for this new paradigm, outlined in an article in *Politicheskii Klass* titled "*Russia's Friends and Enemies – 2020*", stemmed from what Russia perceived as the damage done by the United States continuing to act in a manner reminiscent of the Cold War, with articles

²⁹ Ivan Safronov and Elena Chernenko "Imeiushchii' ushi da vnov' uslyshit'" *Kommersant* (July 16 2014)

³⁰ *Ibid.*

citing the Iraq War as the turning point when the world had begun to repudiate the American dichotomy of “us” and “them”. Along with this rejection coincided the rise of states and organizations like China, the European Union, India, Iran, and Russia, which have “started to formulate their own view of enemies and friends, trying to put political and economic pressure on the United States”. This hints at the idea of a move from perceived unipolarity to a multipolarity, something which would be developed throughout other pieces written at this time. The “Friends and Enemies” contribution to this idea comes through at the end, when the author postulates that in order to combat US expansion, whether directly or indirectly, it is logical to support hotbeds of tension in different regions of the world (among which Cuba is listed) so as to draw the attention of Russia’s “main probable adversary.” A foreboding reference to 1941 is made, stressing the need to cultivate as many ties as possible to prepare for the upcoming global rivalry that will continue for decades.³¹

The Russian journal dedicated to Latin American affairs, *Latinskaia Amerika*, also contained several articles contributing to this discussion. Applying the same logic utilized in the previous article to the Latin American region, it is argued that Russia should take advantage of the “shift to the left” in Latin America as a way to position itself against the United States. These new leftist regimes would help in “the diversification of [Russia’s] external ties and in the search for support points in world

³¹ Aleksandr Shatilov, “Druz’ia i Vragi Rossii -2020” *Politicheskii klass* 9 (2008)

politics.” Commentators see Russia’s political situation, liberated from the ideological framework of Communism, as granting them more flexibility in dealing with foreign countries, hence the lack of qualms of working with left-leaning regimes in the region. Fundamentally, the driving force behind renewed interest in Latin America seems to lead back to an attempt at reacting to American influence in the post-Soviet sphere. If the Americans can play in our backyard, the thinking goes, why can’t we play in theirs? Against this backdrop, it was reported that renewed efforts at cooperation between Cuba and Russia were displayed at VIII session of the *Intergovernmental Commission on Cooperation Between Russia and Cuba*, with the tone of the meeting described as being trusting, the first time since the fall of the Soviet Union.³²

This continued spirit of cooperation is praised in *Latinskaia Amerika*. One author, commenting on how Kozyrev attempted to sever relations with Cuba, writes that many Russians in several departments are deserving of thanks due to their active efforts to neutralize Kozyrev’s plans.³³ A tally of Cuban installations is then mentioned, with the author adding: “these installations are invested not only with our resources, but also our spirit.”³⁴ Cuba is characterized as containing dormant riches which await their awakening, suggesting that Russia is already in a position to carry this out. As to what these riches are, a senior Russian researcher succinctly stated: “Poor countries, as a rule,

³² V.P. Sudarev, “‘Levyi’ povorot’ v Latinskoi’ Amerike i imidzh Rossii v regione” *Latinskaia Amerika* 9 (2008), 6-8

³³ S.A. Batchikov “Rossiia-Kuba. Pered Vyborom”

³⁴ *Ibid.*, 19

are rich in resources. And right now, resources are the most tradable and highly-priced goods...therefore the establishment of economic interaction [with Cuba] can be very beneficial for Russia.”³⁵ The past decade has been dedicated to this very establishment. Reporting on 2008 visit to Cuba by then-Vice Premier Igor Sechin, *Vedomosti* stated that “cooperation with states antagonistic to the United States is gaining momentum”³⁶, and goes on to describe recent cooperative ventures between Cuba and Russia regarding oil, space exploration, and the Russian satellite navigation system GLONASS.

The efforts of reestablishing a state of relations reminiscent of Soviet times came to a head in the summer of 2014, with Vladimir Putin beginning his tour of Latin America in Cuba, the significance of which was not lost on observers. Coming at a time when relations with the West were at their lowest point as a result of the Ukraine crisis, Putin’s Latin American tour was interpreted in the Russian media as the culmination of years of careful Russian entrenchment in the region. America is weakening, the reports say, so now Latin America has a chance to govern itself in a way that benefits their own people and not American corporative interests.³⁷ Given the historical ties between the two countries, Cuba was presented as the most logical entry point for Russia in the

³⁵ Arina Raksina, “Druzhiba za den’gi” *Novye Izvestiia* (July 31 2014)

³⁶ Alena Chechel, “Protiv CShA” *Vedomosti* (Sept. 18 2008)

³⁷ Andres Belo, *Shagi Komandante, Kul’tura* 28 (2014)

region, a sort of conduit that would allow Russia to present itself as a natural ally of Latin America.³⁸

The Latin American trip was generally regarded as a success. Putin himself characterized the region as rich in natural resources, such as oil and bauxite.³⁹ He reiterated his belief that multipolarity in global affairs would benefit Latin America, and as regards Cuba, stated: "We are ready to recover the lost possibilities."⁴⁰ These recovery efforts have manifested themselves, in his words, via "grand joint projects" between the two countries, specifically oil extraction efforts headed by Zarubezhneft.⁴¹ Of the ten agreements signed during President Putin's stop in Havana, four relate to the energy industry, demonstrating the importance placed on cooperation in these areas by both governments.⁴²

While the goals of these projects have yet to be realized or are plagued by difficulties such as low-quality oil yields, the overtures made by the Russians have been received well by the Cubans, who have in turn provided the Russians with support in other areas. Defense Minister Sergei Shoigu has announced that Russia is holding talks with the Cuba and other Latin American countries concerning the possibility of

³⁸ Aleksei Pankin "Kuba snova liubov' moia" *Komsomol'skaia pravda* (July 14 2014)

³⁹ "Vladimir Putin :La cooperacion con America Latina es clava en la politica exterior rusa", *Cubadebate*. (10 Jul. 2014), 1

⁴⁰ *Ibid.*, 4

⁴¹ *Ibid.*, 5

⁴² Leticia Martinez, "Incrementa la colaboración cubano-rusa (+ Convenios)." *Cubadebate*. (12 July 2014)

establishing naval bases.⁴³ Cuba has also supported Russia in the UN General Assembly by voting against a March 2014 resolution condemning Russian activity in the Ukraine, a move also taken by other Latin American countries.⁴⁴ These actions on the part of the Cubans demonstrate a reversal of the trend displayed in the 1990s by Russia under the Kosyrev Doctrine, when Russia either abstained from supporting or voted against Cuba on three separate occasions.⁴⁵

These trends indicate that Russia and Cuba are both making inroads towards a relationship reminiscent of the Soviet era. It is important, however, to make some distinctions. Russian trade with Cuba is still relatively low, with Venezuela having taken over the role of “oil subsidizer” for the island country. The two countries are not resurrecting the ideological basis for their relations with one another. Rather, pragmatic economic considerations and geopolitical concerns are what seem to be motivating the growth of Russian-Cuban cooperation. Given how Russia views and uses energy in achieving its foreign policy goals, the discovery of massive oil reserves undoubtedly motivated attempts at reconciliation with Cuba. This, coupled with general American neglect in the region, has translated into an advantageous situation for the Russian Federation, which seeks to counter perceived Western expansion in Eastern Europe by promoting its interests in the United States’ backyard. With recent developments

⁴³ Ruslan Kostiuik, “Rossiia vozvrashchaetsia v Latinskuiu Ameriku”, *Sankt-Peterburgskie vedomosti* (25 July 2014)

⁴⁴ Ibid.

⁴⁵ Bain, *Russian-Cuban Relations Since 1992*, 52-53

springing from the Ukraine crisis, the efforts to establish themselves in Latin America seem imperative, and Cuba has played an instrumental role in facilitating this process. With the debt forgiveness and increased Russian capital investment, Cuba has also benefitted from Russian overtures, and the stage seems set for more visible Russian participation in the region.

4. Conclusion

Russian-Cuban cooperation in the 21st century is not as a mere vestige of Cold War history. The conditions under which relations Russia and Cuba became close allies have disappeared; gone are the Marxist-Leninist ideological considerations that justified the *carte blanche* financial support of the Soviet era. The trend of Russian-Cuban relations in the 21st century has evolved because of the latter's transition to market capitalism and the former's attempts to maintain the socialist nature of its government. Russia emerged from the relative disorder of the 1990s that followed privatization by relying on increasing oil prices to fund its recovery. This dynamic solidified the Russian government's desire to ensure the continued revenue from the export of energy, both as natural gas and oil. Cuba's response to the disappearance of the common socialist market was to allow the gradual increase of foreign entities in the country's market while shifting its economy towards a more lucrative model based on tourism. All the while, however, Cuban infrastructure deteriorated and Cuba's reduced financial means meant that improvement of existing facilities was set aside in favor of maintaining the status quo. A side effect of this was that Cuba's ability to generate energy for its citizens' needs severely diminished, leading to an energy crisis that only compounded the other issues the regime faced.

The 2004 oil reserve assessments independently carried out by Cuba and the United States promise to negate these energy issues. In this capacity, the Russian

government views Cuba's oil industry as another source of energy-based income; given the quantity of estimated oil in the Cuban shelf, Cuba seems most attractive as a potential source of oil. To this end, the recent partial debt forgiveness and promise of reinvestment of the remaining portion serves the dual purpose of assuring the development of Cuban industrial infrastructure as well as assuring a greater Russian presence in the Cuban market. Thus, the recent upsurge in Cuban-Russian activity results from a convergence of interests. Aside from their respective economic considerations that have led to greater cooperation in oil ventures, both nations have found common ground in positioning themselves against US interests in Latin America. As Russia seeks to establish a greater presence in the region, it has used its historical relationship with Cuba as a way of presenting itself as a natural ally of the region, while also buttressing its interests against what it sees as its main rival in the region, China.¹ This reentry will have significant repercussions in the future as these great powers attempt to assert themselves in the region, and as the United States seeks to reestablish its relationship with the Latin American nations after the perceived neglect of the region by the Bush administration.

Cuba's oil discovery also reignited debate in the United States over their longstanding embargo against the socialist country. An article published in *Time* reports

¹ Igor Sechin, current Executive Chairman of Rosneft, stated this during an interview with *Latinskaia Amerika* in 2008 in his then-capacity as Deputy Prime Minister of Russia. For more, see "U nas est' vozmozhnost' I neobkhodimost' sotrudnicat' s Latinskoi Amerikoï – Igor Sechin" in the November 2008 issue of *Latinskaia Amerika*

that after the Cuban and United States governments published initial estimates of the quantity of oil, some Republicans in Congress discussed loosening restrictions on the embargo to allow American oil companies to participate in the scramble for extraction. The author also suggested that the discovery could mean a reassessment of the United States' relationship with Cuba should Barack Obama become President, given his professed desire to increase dialogue between the two nations.² When it became clear that Russia would play an active role in developing oil extraction efforts, American lawmakers argued for greater business freedom in America's own maritime territory to offset the potential production gain that Russia and Cuba would gain.³

As recent events have demonstrated, Obama has made good on his pledge and in December 2014 announced efforts to establish a normalization of relations between the Cuba and the United States, introducing measures to facilitate greater cultural and financial exchange between the two countries. Many have once again called into question the nature of the embargo, though only time will tell if it will be lifted. Regardless of the result, the processes that are already in motion demonstrate the cognizance on the part of the American leadership to adapt to Cuba in a world that has shed many of its Cold War characteristics. It is hard to say to what extent this is an answer to the aforementioned attempts by various American geopolitical rivals to secure

² Tim Padgett "How Cuba's Oil Find Could Change the US Embargo" *Time* (Oct. 23 2008)

³ Nick Snow "Will Russia-Cuba agreement produce significant US response?", *Oil and Gas Journal* (August 11 2009)

a foothold on the island and in the region, especially so shortly after Putin's prolific tour of the region and historic debt-forgiveness.

The nature of regional tours by Russian state officials demonstrates the fusion of business and foreign policy that has been characteristic of the Russian Federation in the last decade. Russia's governing elite has become more economically minded, and this is reflected in how they set about establishing ties with other countries. The Russian media has not failed to notice this, often mentioning the presence of business leaders, especially oilmen, when reporting on state visits to Cuba and Latin America.⁴ This is in line with Stephen Kotkin's assessment on the nature of Russian delegations to foreign nations, stating that their intended aim is to acquire as many assets abroad as possible, a goal easily facilitated if traveling with the Russian head of state.⁵ As far as energy resources are concerned, this trend reflects Vladimir Putin's concern with producing as much oil and natural gas before the price of these resources is affected by the widespread development of alternative energy sources, a view he expressed at the 2007 Valdai International Discussion Club, stating:

We will expand extraction and augment the extraction of oil and gas. That is first and foremost. We will do so because consumption in the world market is increasing. It is growing, and these goods are in demand on the world market. I don't think that we should wait forever for prices to rise. We know that there have been periods in economic history when,

⁴ See: Polina Shelest, "Putin spisal dolg Kuby za neft?" *MixedNews*, (15 July 2014)

Vicheslav Isaikov, "Khabanera po-russki" *Rossiiskaia Gazeta* (August 1 2008)

Denis Telmanov "Dmitrii Medvedev navestil družei", *Gazeta* (Nov 8 2008)

⁵ Kotkin, *Armageddon Averted*, 210

say, coal was the main source of energy, and then its value declined sharply. With all the current interest in the development of renewable resources, hydrogen, biofuels, and so on, why should we speculate by waiting for prices to rise?⁶

As we have seen, these resources are essential to the Russian state for two reasons. Foremost of these is the dependency of the economy on the revenues brought in by the export of natural resources. As the recent sanctions resulting from the Ukrainian crisis demonstrate, the Russian budget is tied to the price of oil, with Russian officials estimating that every dollar decrease of the price of oil results in a loss of about \$2 billion.⁷ The second reason is that Russia has continuously used the export of these resources as a way of securing influence with its neighbors. The successful extraction and production of Cuban oil in the estimated quantities thus presents the Russian government with a very attractive possibility, though it is yet unknown how the recent oil price developments will affect these arrangements.

The Cubans, at least at the official level, welcome these overtures by the Russians, whatever their intentions. After all, the loss of their privileged position in the socialist bloc perturbed the Cuban government, because of not only the loss of Soviet subsidies, but also of what Fidel Castro called the double blockade that resulted from a

⁶ "Meeting with Members of the Valdai International Discussion Club" September 14, 2007 (http://archive.kremlin.ru/eng/speeches/2007/09/14/1801_type82917type84779_144106.shtml)

⁷ Jake Rudnitsky and Henry Meyer "Putin Loses His Best Friend: Expensive Oil" *Bloomberg* (Oct. 15 2014)

lack of trade with former socialist nations and Russia.⁸ With Russia once again taking an interest in Cuban economic affairs, the Cuban government is in a position to harken back to the glory days of Cuban-Soviet partnership. Having had to navigate the 1990s without a viable partner on par with the Soviet Union, Havana surely welcomes the chance to ally itself with a rising power against the United States, as it did during the Cold War but now under diminished circumstances. Today's Russia is not the Soviet Union of yore; its financial and military capabilities are significantly reduced in comparison with its predecessor's. Nevertheless, with talk of establishing "naval resupply points" for Russian fleets and reopening the Lourdes listening station, Cuba seems to be receiving the assurances against intervention that it had long relied on during the Cold War.

With Vladimir Putin's government forgiving Cuba's Soviet-era debt, the Cubans have also acquired what they have sought for years and have removed a significant financial burden. Despite the fact that it was highly unlikely to ever repay this loan, the removal of this blemish on the nation's credit record increases chances of future investment or loans. The promise of Russian reinvestment is a further boon for the regime, and the development that will result in the oil industry promises to alleviate many of Cuba's energy woes. It therefore seems that Cuba has received the better end of

⁸ Castro 8 Aug Solidarity Group Speech , FL1108133194 Havana Cuba Vision Network in Spanish 0027 GMT 11 Aug 94 FL1108133194 Havana Cuba Vision Network Spanish BFN

the deal, with most of its results being immediately apparent, whereas the Russian perspective seems to be more far-sighted since it will take some time to establish successful oil extraction ventures and to market the oil. With Barack Obama's announcement of the impending normalization of relations, it seems that Cuba is now playing both the Russian and American sides to its advantage, securing the aforementioned debt-forgiveness from the Russians and diplomatic recognition from the Americans that might eventually result in the lifting of the fifty-year embargo.

The trajectory of Russian-Cuban relations since the fall of the Soviet Union has changed dramatically, from the early years of terse diplomatic relations, antagonistic UN voting records, and relative lack of economic exchange to the renewed zeal and effort that has characterized the past decade of relations between the two nations. This shift has coincided with the discovery of large reserves of oil off the coast of Cuba, a discovery that Russians, Cubans, and Americans alike qualify as being able to significantly affect the island's position in geopolitical affairs. The Russian and Cuban governments have decided to work together on this issue for their own respective reasons, so this arrangement is a convergence of interests developing against the backdrop of presenting an alternative to United States influence in Latin America. The Ukrainian crisis threatens to destabilize Russia's economic foundations, however, and it remains to be seen to what extent this will impede Russia's abilities to continue its investment plans in Cuba as well as throughout the world. The falling price of oil also

calls into question the economic feasibility of establishing these joint oil ventures, but recent history between Cuba and Russia demonstrates the enduring quality of their ties.

In an interview with *Latinskaia America*, former Cuban ambassador to the Russian Federation Jorge Marti Martinez praises the new direction of Russian-Cuban cooperation, stating:

You understand, it seems to me that the majority of Russian people know that Cubans are true friends of Russia, as time has shown. The foundations of our friendship were laid during the course of the past decades, and this helps. I have met with many people, including those of differing ideological views, and nevertheless, whenever I arrived anywhere, it was like in the song "Cuba – My Love." That is, there could have been an argument, a discussion; it could have been heated, as each country defends their interests. But we did this in a friendly manner, always understanding, that we would find common ground, and this is what has happened.⁹

⁹ M. Ganiev, "Khorkhe Marti Martines: "I vam, i nam nuzhna sil'naia Rossiia"

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