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Restart For Plan Puebla-panama, but This Time There's Competition

by Mike Leffert

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Mexico's President Felipe Calderon called a meeting in Campeche April 10 to try to breathe new life into the moribund megaproject now being reviled in the press as the 'alliance that dares not speak its name,' Plan Puebla-Panama (PPP). Even when spoken, the name fails to make sense anymore now that Colombia has joined Mexico and the countries of Central America in a revival of the US\$50 billion extravaganza from the era of former Mexican President Vicente Fox (2000-2006) that envisioned a knitting-together of productive and development projects, road and hydroelectric projects, natural-resource management, coordinated trade policies, electric power grid interconnection, and maquilas. Since its 2001 inception, PPP has managed to spend US\$4.5 billion on roads, connecting the power grids of Mexico and Guatemala, and on updating customs services.

New wrinkles introduced at the Campeche meeting, besides the presence of Colombia's President Alvaro Uribe at the table, were the introduction of emphasis on the drug war and fighting organized crime and the plan to build a gasoline refinery somewhere in the region. The refinery remains in doubt, largely because Calderon has reneged on his predecessor Fox's commitment to contribute 230,000 barrels per day of crude to the enterprise (see NotiCen, 2007-03-01). Calderon's revised offer of 80,000 bpd makes the plant far less appealing to the private investors who were to bid on its construction and ownership.

The hyping of the refinery despite its reduced economic appeal has led some analysts to conclude that the reason for the PPP revival meeting has much to do with Mexico, Colombia, and the US wanting to counter the influence in Central America of Venezuela's President Hugo Chavez, who has promised a refinery for Nicaragua. The isthmus does not need two refineries. The thinking now, said an article in the Economist US edition, is that PPP has been failing because of US disinterest.

Jorge Casteneda, once Fox's foreign minister, said he thinks that could change because of Washington's concern about Chavez. Nicaragua's President Daniel Ortega objected to Colombia's entry into the PPP dynamic and did not attend the meeting, sending Vice President Jaime Morales in his stead. The meeting coincides with a flare-up of the dispute between Nicaragua and Colombia regarding ownership of the San Andres and Providencia islands (see NotiCen, 2002-08-08).

Also in play in the dispute is the right to oil exploration in the waters surrounding the islands. The issue is currently in process of adjudication at the International Court of Justice (ICJ) at The Hague. Opposition rested and ready Opposition to PPP has waned of late, mostly because of the plan's lack of progress. But with Calderon's call for revival has come renewed opposition. The Alianza Mexicana por la Autodeterminacion de los Pueblos (AMAP) issued a statement charging that the relaunch is nothing other than a change of strategy in a plan for multinational corporations to build immense projects with World Bank backing.

AMAP singles out the Mexican Grupo Carso and IBERDROLA of Spain, as well as Exxon, Shell, Wal-Mart, Bimbo, ICA, GAMESA, Repsol, Dundee Securite, CEMEX, ENDESA, AEOLIA, and the Bank of Japan, as the real beneficiaries of the plan. 'These companies seek to secure themselves through new mechanisms of militarization and governmental repression against the civil population,' said the AMAP statement. AMAP sees PPP as facilitating the aspirations of these companies and providing the means to deliver the hemisphere's goods to the US doorstep, but it points out, 'There is no clause that stops the megaprojects when they violate the human rights of the affected populations.' The organization demanded an immediate end to PPP 'because it does not represent a sustainable regional development plan, because it puts the region's biodiversity at risk, because it foments the privatization of natural resources like water, because it foments unfair trade among coffee producers....'

Most annoying to PPP critics is the observation that all the countries involved, with the possible exception of Nicaragua, have governments heavily invested in, and swayed by, US free-market policies. 'The PPP seeks to counteract and limit the model of integration that is being built in South America,' said Hector de la Cueva of the Red Mexicana de Accion frente al Libre Comercio. 'It is no coincidence that Colombia, an unconditional ally of the United States, has joined the PPP,' he told IPS. De la Cueva predicted renewed resistance. 'While the PPP was on ice, social resistance fell away. But the demonstrations will certainly be back soon, because this plan is clearly against the interests of small farmers and indigenous people.'

In attendance at the meeting, and joining Calderon, Uribe, and Morales, were Presidents Oscar Arias of Costa Rica, Antonio Saca of El Salvador, Oscar Berger of Guatemala, Manuel Zelaya of Honduras, Martin Torrijos of Panama, and Prime Minister Said Musa of Belize. A final statement of the meeting invited the participation of various UN agencies, the Organization of American States (OAS), and the European Union (EU) to participate. The statement approved requests from Ecuador and the Dominican Republic to join as observers. It also urged the US Congress to approve free-trade agreements pending before it with Colombia and Panama.

On the refinery issue, the statement approved the plan to build it as a private-sector venture under Calderon's new 80,000 bpd commitment. Colombia agreed to study how much of its oil it could commit. This approval could not be taken, however, as Central American acceptance of Calderon's new deal. Days after the meeting, the Guatemalan government announced it would formally request explanations of the revision from the Mexican Subsecretaria de Hidrocarburos and from Petroleos Mexicanos (PEMEX). Victor Suarez, Guatemala's presidential commissioner for the refinery project, said that this information was vital to making decisions about whether the plant could be profitable. He said commitments on provision of crude from Colombia, as well as examination of the possibilities of supply from Bolivia and Ecuador, would figure into the calculations, although the final arbiters of profitability will be the private bidders. It is difficult to see how Colombia alone could replace Mexico as a supplier. Uribe said any decision would be subject to increases in his country's production, now pegged at just 524,000 bpd.

Guatemala sees itself as a front runner in the competition to host the plant. Also known to be upset over Mexico's backtracking is President Arias. Working on other PPP energy matters after

the meeting, the region's foreign ministers announced completion of the basic regulation for the Mercado Electrico Regional (MER) for the PPP's Sistema de la Interconexion Electrica para los Paises de Centroamerica (Seipac). Edgar Navarro, director of the Comision Regional de Interconexion Electrica (CRIE), said the purpose of the regulation is to determine within the framework agreement who is eligible to participate in the MER and to regulate the activities of transmission companies on the grid. Navarro said CRIE estimates are that the project will begin functioning around the end of 2008, assuming that the legislatures of the involved countries approve the just-completed regulation.

Real competition

Insofar as PPP is basically about energy and commerce, the revitalized project now faces more than just opposition for its environmental and cultural insensitivities. As can be seen in Nicaragua, it now faces genuine competition both in material terms what it can produce and in ideological terms. A week after the lights went out on the PPP meeting, President Chavez convened an energy summit on Isla Margarita, off the Venezuelan coast, the Primera Cumbre Energetica Sudamericana, with the participation of 11 chiefs of state in attendance. Out of the discussions came the creation of a Consejo Energetico Sudamericano, the aim of which is to integrate the continent into a single energy power.

The agreements reached at the summit would appear to elevate the prospects for a refinery in Nicaragua from an idle Chavez boast to a reality with the prospect of offering Central America a source of fuel and electricity on better terms. This would be based on, as Chavez put it, 'the social currents of our populations,' rather than on market forces and the profit motives of private players.

In Nicaragua, Ortega's alignment with Chavez has provoked his opposition to warn that the president is turning the country into 'an island,' out of step with the isthmus' mainstream. Eliseo Nunez Hernandez of the Alianza Liberal Nicaraguense (ALN) was incensed at the alignment. 'We have to ask, how much do we export to Venezuela and how much to the United States? What is best for us and how much does Plan Puebla-Panama benefit us?' The summit has the possibility of changing the terms of debate in Nicaragua. With the backing of all of South America, the opposition might be convinced that the country faces genuinely competitive choices about where its fuel and energy will come from. Where trade is concerned, Ortega has not burned his Central America Free Trade Agreement (CAFTA) bridges.

Nicaragua, where north meets south

But the issue as currently framed is one that the opposition has espoused, whether or not it reflects the political reality. 'Every day that passes there is a greater alignment of this government with the Chavez project, with the Cuba project, and the relations with Iran,' said Partido Liberal Constitucionalista (PLC) Deputy Wilfredo Navarro. The conservative party will likely stick with the idea that Ortega is taking the country to the brink of confrontation with the 'international community' by 'involving us in battles between the United States and Venezuela; between the United States and Cuba; between the United States and Iran. This is serious for our country, because it compromises our foreign policy.'

ALN president Eduardo Montealegre, whom the US backed in last year's presidential election, stands beside Navarro, even though his party is a split-off from the PLC. 'The Alternativa Bolivariana de las Americas (ALBA) is not an alternative to CAFTA, and the PPP has turned out to be effective with concrete projects, while ALBA has been pure promises that haven't been realized,' he said. ALN legislative delegation chief Maria Eugenia Sequeira accused Ortega, who has so far successfully straddled the divide between the US and Venezuela, of trying to distance himself from PPP and CAFTA, with the eventual goal of lining up completely with ALBA.

There is also a middle ground in Nicaragua. Political analyst Alejandro Serrano Caldera takes the position that 'the government should not subscribe ideologically to any bloc, it must be open to all the possibilities of cooperation, wherever they come from, but without giving it the significance of a geopolitical or ideological commitment.' Economist Adolfo Acevedo said that, in strictly economic terms, ALBA offers the best benefits to the poorest countries, but 'here, transparency is very important. The president must be transparent with citizens.'

Both analysts agree the government has not handled its negotiations regarding the refinery, Venezuelan oil, or Venezuela's donation of electricity generators with the required transparency. Said Serrano, 'It seems to me very good that there be relations with Venezuela, and that the oil comes, as long as it comes under the conditions originally stated. I don't like the ambiguity. With the generators it was first said they were donations, later it turned out they had to be paid for, and if they have to be paid for, they should have been put to bid, and it wasn't done.' It is not certain that the generators will have to be paid for or if so, for how much and under what conditions.

But Ortega was certain that the country was in deep deficit in electricity generation, and no one other than Chavez was offering help. Ortega pointed out that, before the elections, and before the arrival of generators from Venezuela, the generation deficit was 30%. Now it is around 5%, according to Energy Ministry statistics, and more generators are on the way. Ortega told reporters that neither the US nor previous Nicaraguan governments did anything 'to help Nicaragua in the exploitation of the great potential of geothermic energy in this country, which has the capacity to generate 2,000 megawatts.' Ortega said his government 'is reviewing' a contract with the Canadian company Polaris, which contracted to produce 35 MW geothermically but is, in fact, generating only 7 MW.

For Ortega's party, the Frente Sandinista para la Liberacion Nacional (FSLN), there is no ambiguity. 'Nicaragua is integrating itself into different options that it didn't have before. That is to say, the general political policy of the government is to have relations with all countries, governments of the world, and regional organizations, signing treaties not just with one block of countries but with all those possible,' said FSLN chief of legislative delegation Jose Figueroa. Nicaragua seems set to be ground zero in the battle between north and south, much as it was in the 1980s, in one of the final confrontations of the cold war.

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