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NotiCen writers

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## PRESIDENT ALVARO COLOM SEEKS PETROCARIBE MEMBERSHIP FOR GUATEMALA; CONSERVATIVES PROMISE A BATTLE

Venezuela is on its way to becoming Central America's most ubiquitous purveyor of petroleum products, having just welcomed Guatemala to the Petrocaribe family. Petrocaribe is the program under which the Venezuelan state oil company Petroleos de Venezuela SA (PDVSA) supplies fuel and petrochemical products to the isthmus and the Caribbean on very favorable terms. The company already has deals with Honduras, El Salvador, and Nicaragua, while a heretofore reluctant Costa Rica is looking ever more favorably at signing up.

Just a couple months ago, a Guatemala deal seemed unlikely. President Alvaro Colom wanted to negotiate for a supply of 30,000 barrels per day, but his Energy Minister Carlos Meany said there would be no contract when the Venezuelan government offered only 10,000 bpd. That offer came after a preliminary discussion between Foreign Minister Roger Haroldo Rodas and his Venezuelan counterpart Nicolas Maduro.

Colom has had to figure formidable resistance from opposition parties into his plans. Both the Partido Patriotica (PP) and the Partido Unionista (PU) have voiced strenuous opposition, and Colom needs them to ratify the deal in the legislature. He irritated the leadership of all the parties by canceling a scheduled meeting with them to be in Venezuela for the fifth extraordinary summit meeting of Petrocaribe members. The deal he will reportedly bring back splits the difference between the original bid and offer. Guatemala will get 20,000 bpd.

The financing scheme is the same as that offered to other Petrocaribe members: 50% is to be paid within 90 days, the rest over a 25-year period at 1% interest. The oil will ship at full price, but the advantage is that the deferred payment will let Guatemala spend on more pressing projects money that would otherwise have gone to oil. The opposition PP and PU have both rejected the argument, stressing that the country's foreign debt would increase considerably.

PU leader Mario Rayo argued that in Nicaragua and Honduras, Petrocaribe membership has not resulted in lower retail prices. Colom has countered that the guarantee of steady supply is enough to justify the contract. He has already sought to control energy spending with the announcement to radically shift the energy production mix within the country away from oil (see [NotiCen, 2008-05-29](#)). "This agreement does not guarantee the reduction of prices, because we won't get preferential prices, but it does guarantee supply, which is our major objective," said the president.

### **A fight with the right**

The opposition has promised a fight when Colom returns. Alejandro Sinibaldi is both president of the energy committee and a PP leader. "We will oppose this measure in the legislature because it does not bring benefits to the consumer and because it raises questions about what the executive will do with the US\$52 million monthly it will get from the financing agreement."

Colom had previously answered that question in part by affirming that the savings would be "invested 50% in the system of social investment and the other 50% in job generation."

The ultra-conservative Sinibaldi then launched a diatribe against everything left of the far right. The deal was "a clear line of rapprochement" between Colom and Venezuelan President Hugo Chavez. "In Central America, only two countries are members of Petrocaribe: Nicaragua, whose government is socialist, and Honduras, with a populist government," he said. "This means that the government of Guatemala falls into the same line, which is counterproductive because it provokes a separation from our best trade partners, especially the United States."

Sinibaldi left out El Salvador on a technicality. That country does have a Petrocaribe arrangement, but it is directly with Farabundo Marti para la Liberacion Nacional (FMLN)-governed municipalities, bypassing the conservative national government entirely.

President Daniel Ortega's Nicaraguan government is closest to that of Chavez, and he welcomed news of Colom's signing on with a prediction that Petrocaribe "will end up being in all of Central America, now that they've lost their fear of the [US] empire." Ortega plans to be at the Maraciabo meetings to welcome Colom aboard.

Ortega's prediction also took into account Costa Rica's announced intention to seek a Petrocaribe deal. On July 8 a government statement said Foreign Minister Bruno Stagno, Minister of Environment and Energy Roberto Dobles, and president of Refinadora Costarricense de Petroleo (RECOPE) Jose Leon Desanti would attend the summit. The statement said, "In view of the high international prices of oil and the growing increase of the oil bill, the government has decided to explore the feasibility of taking advantage of the short- and long-term financing arrangements and the deferred payments that Petrocaribe offers."

The decision to look into membership in Petrocaribe is seen as a major concession by Costa Rican President Oscar Arias. The government has in recent weeks adopted a series of measures to save energy and ease the pain of an oil bill that, at US\$2.8 billion, has doubled since 2007. Like Guatemala, Costa Rica is also interested in guaranteeing supply. Civil-society organizations, including the large and influential Asociacion Nacional de Empleados Publicos y Privados (ANEP), as well as several legislators, have encouraged the government in this direction.

Costa Rica is seeking a better deal. The nation is already a customer of Venezuelan oil, but, said Desanti, "We are going to push so they offer us better payment conditions." Costa Rica is buying 90% of its oil from Venezuela at spot prices, with only eight days to pay. RECOPE used to have 90 days to pay, but Desanti explained the new tighter terms came into being after the company underwent restructuring about three months ago.

Meanwhile, Colom remained confident that, despite the bluster, the Congress would go his way. "We have a very good relationship with the Congress, so we don't think there will be a problem with ratification," he said.

[Sources: Caribbean and Central America Report, 06/26/08; Deutsche-Press Agentur, 07/04/08; Global Insight, 06/02/08, 07/07/08; Datamonitor News Wire, El Periodico (Guatemala), 07/08/08; Spanish news service EFE, 07/08/08, 07/09/08; Noticias Financieras, Latinnews Daily, 07/09/08]