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Brazil's President Luiz Inacio Lula da Silva visited four Central American nations in a tour of northern Latin America that began in Mexico (see SourceMex, 2007-08-08). It was, for the most part, a "biofuels diplomacy" trip that was played in the media as pitting Lula's ethanol against Venezuelan President Hugo Chavez's oil. By most accounts, oil won.

Brazil is heavily invested in ethanol, and Lula has promoted the stuff as the future great source of the planet's energy and of the region's well-being (see NotiSur, 2007-04-27). "We have the opportunity to democratize access to new sources of energy, multiplying job and income creation and diversifying the energy matrix, bearing in mind the needs of our farmers and guaranteeing food production for all," Lula said just prior to leaving home for a swing through Mexico, Honduras, Nicaragua, Jamaica, and Panama.

Lula met the greatest resistance to his message in Nicaragua, where President Daniel Ortega conditioned the expansion of ethanol production on not "jeopardizing the environment or encouraging monoculture." Ortega came down hard on ethanol made from corn, calling it "a crime and an attack on the rights to food of the Latin American and Caribbean peoples." Ortega has said he sees Lula's ethanol policy as too close to that of the US together the two countries produce 70% of the world's ethanol for his tastes, and he could be expected to side with Chavez on matters of policy, but otherwise the two presidents are on good terms.

Ortega acknowledges that Brazil makes ethanol from cane, not corn, and generally agreed when Lula said, "Every country has an energy problem. We have 30 years experience in making ethanol," and that for Brazil ethanol is a good choice. This was the first meeting for Ortega and Lula since 1980, when the Brazilian was the struggling leader of the Partido dos Trabalhadores (PT) during the military dictatorship of Joao Figueiredo (1979-1985) and Ortega was president of revolutionary, Sandinista Nicaragua.

While Ortega might be expected to side with Chavez in a showdown, this is not a showdown, and there is plenty of goodwill left to go around between the two. On his arrival in Nicaragua, the leader of the US$966.8 billion economy said of the leader of the US$4.9 billion economy, "I am very happy, not just because I have returned to Nicaragua, but because Daniel Ortega has returned to the presidency of Nicaragua." Lula had advance notice of a cool reception to an offer of technical assistance for ethanol production, even sugarcane derived.

The day of Lula's arrival, Nicaragua's Minister of Energy and Mines Emilio Rappaccioli told the country on national radio, in response to a reporter's question on the subject, that it probably would not be discussed "because in Nicaragua plans for sugarcane plantings are already defined." He said

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the major agricultural firms, Pellas and Pantaleon, had made their projections for years to come. "Maybe this [production of ethanol] is good, acceptable, and justified in other countries, but for Nicaragua, we prefer to leave cultivable areas for other products that are digestible, grains for food."

There was still plenty to talk about. When the discussions ended, a joint statement said they had agreed "as far as the urgency of promoting the development of alternative sources of renewable energy," but there was no mention of ethanol, or any biofuel. The statement stressed, instead, "the importance of boosting hydroelectric and geothermal projects whose natural sources exist in Nicaragua and are sufficient to satisfy demand in the short, medium, and long terms." In this area, Lula promised, "Brazil will do everything within its power to offer loans for highly qualified companies to invest in the construction of hydroelectric power plants." The visit was, nevertheless, productive, at least from the Nicaraguan point of view.

The presidents signed a dozen or more agreements to promote development in energy and also in agriculture, health, and education. For Honduras, better oil than ethanol Nicaragua was Lula's second ethanol disappointment of his Central America tour. The first was Honduras, where President Manuel Zelaya said that what he wanted from Brazil was for Petrobras, the Brazilian state oil monopoly, to come do some oil prospecting.

Brazilian economics analyst Carlos Alberto Sardenberg explained the Central American lack of enthusiasm in the simplest of terms. "Everyone knows that the production of biofuel needs to increase an awful lot to supply a small part of the world market. Oil will remain irreplaceable for a long time." The visit was of less than eight hours duration but was historic as the first by a Brazilian president in 101 years of diplomatic relations.

The presidents managed to sign six cooperative agreements on defense, public health, and AIDS, and, said reports, the two presidents had the Petrobras conversation. They talked about technical training for water-resource management as well. There was time enough for Lula to pitch a free-trade agreement (FTA) between MERCOSUR and the Sistema de Integracion Centro Americana (SICA). MERCOSUR is the trade bloc composed of Argentina, Brazil, Uruguay, and Paraguay, with Bolivia, Colombia, Ecuador, Peru, and Venezuela as associates. SICA includes Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, and Panama, and the Dominican Republic as an associate member.

Jamaica and Panama lean toward ethanol Lula's biofuels plans were well-received in Jamaica, where development plans have included ethanol and biodiesel production for some time. A highlight of the visit was a stop at a sugarcane-ethanol plant. With Prime Minister Portia Simpson Miller at his side, Lula spoke of the industry's place in Jamaica's troubled economy. "Ethanol and biodiesel offer genuine opportunities for sustainable development," he said. "In addition to creating jobs and export income for the agricultural sector, they open the door to establishing local biochemical industries that produce technological development and contribute added value." He told his listeners that the industry has created 1.5 million direct jobs and 4.5 million indirect jobs in Brazil.

Where Lula really struck pay dirt, however, was in Panama, last stop on the tour. The country is well-disposed toward producing the fuels but also offers opportunities for Brazilian participation

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in the megaproject to enlarge the Canal. The Brazilian business entourage that accompanied Lula explored a virtual contractual paradise, while Lula and President Martin Torrijos signed a memorandum of understanding on biofuels to establish a task force from which might flow any number of technology exchanges and cooperative agreements. It is a renewable three-year agreement binding both countries to developing "safe, renewable, and environmentally sustainable" energy sources.

The task force will facilitate technology transfer and promote consumption of these sources of energy, particularly ethanol and biodiesel. It will study production, distribution, and sales logistics and promote joint programs in these areas. The task force will have members from both countries and from the agricultural, energy and mines, science and technology, environment, public services, and business sectors.

The Brazilian foray into Central America represents geopolitical games being played on several boards simultaneously. On the energy front, capturing Central America for ethanol or oil marks a victory for Lula or Hugo Chavez. On the trade front, a different game is being played. The MERCOSUR-SICA agreement, should it become a reality, would be a point for Lula in his efforts to secure trade agreements that do not include the US.

In this, Chavez and Lula are on the same side. Venezuela, besides being the cradle of a system of economic and cultural relations in fierce competition with US-sponsored neoliberalism, is also prospectively a full member of MERCOSUR (see NotiSur, 2007-08-17). The system Chavez espouses is the Alternativa Bolivariana para las Americas (ALBA). ALBA member countries are Venezuela, Bolivia, Nicaragua, and Cuba.

Hence, Nicaragua casts its lot with oil, not with ethanol, but it is also the case that Daniel Ortega is far from having to choose between Venezuela and Brazil. He can deal to his country's advantage with both, as can Honduras, which has sought Venezuela's help with oil supplies. President Zelaya remained free to accept Brazilian investments in hydroelectric production and oil development.

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