

4-10-2008

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Guatemala's Colom To Brazil, Modeling His Presidency On Lula's Success

by LADB Staff

Category/Department: Guatemala

Published: 2008-04-10

Guatemala's President Alvaro Colom visited Brazil the week of April 4. Colom had oil exploration on his mind and an expansion of trade ties. He and Brazil's President Luiz Inacio Lula da Silva talked of reopening negotiations leading to a trade deal between the Southern Cone Common Market (MERCOSUR) and Central America. These talks have been left to cool for at least a decade, but the two spoke of the Central American Summit in El Salvador this coming May as the time and place to rekindle.

A trade deal between the MERCOSUR countries, Argentina, Brazil, Paraguay, and Uruguay, and the countries of the Sistema de Integracion Centroamericana (SICA) was first brought up in 1996, but it never went anywhere. Lula was quoted as telling Colom, "Next month, in El Salvador, we will have an opportunity to take a definitive step toward making these aspirations a reality." Both presidents are talking up a new, southern-based orientation. Colom said the moment for a trade agreement among Latin nations has come. Most nations of the region already "have started to look toward the south," he said. "It is the time to build a strong Central America and also a strong Latin America."

For the Brazilian president, an alliance between the two regional groups is inevitable, but there are problems to solve. The two blocs differ greatly in size, and, therefore, the parties must do "whatever is necessary to find a way to correct the asymmetries between both blocs," said Lula. Grand regional visions aside, Colom had some specifics in mind. His bilateral agenda was to get Brazil interested in helping out with maximizing Guatemala's oil-producing potential. Petrobras, Brazil's national oil monopoly, has become an acknowledged regional leader in this business. Nothing very concrete came out of his visit, but Colom said Petrobras expressed interest in participating in exploration and extraction in Guatemala. "A possible Petrobras investment was talked about," he said, "the amount of which will be defined after a visit by [Brazilian] technical people [to Guatemala]." Brazil is also a leading technical resource on the subject of biofuels. Said Colom, "Guatemala is the fourth-largest producer of sugar in the world and has an enormous potential to develop ethanol with the help of Brazil." In truth, Guatemala is nowhere near the fourth-largest producer, but it was, for 2006-2007, the fifth-largest exporter. The economic viability of sugar-based ethanol production for export has yet to pan out, but there is some experimentation going on with other plant materials.

At the end of the three-day visit, the two sides signed a protocol of intentions with regard to energy-embracing rural electrification and renewable-energy production. But the prize that eluded Colom was a firm commitment on investments in any of seven newly discovered fields. Falling production despite new finds Despite the new discoveries, Guatemala's production has been dropping since 2000. Colom recently blamed this on "very bad oil legislation," which he said needed amending. He said oil experts had told him that Guatemala should be extracting 100,000-200,000 barrels per day, not 15,000 bpd as is presently the case. Guatemala was the only oil-producing nation of the isthmus

until Belize came on line with limited production, but at current production rates, Guatemala is far from self-sustaining.

There is no end in sight for the country's falling production. The government has forecast continued reductions, with 12,000 bpd expected by 2010. One major player, PERENCO of France, is set to, if not pull out, at least de-emphasize Guatemala. "We are not jumping away from any of the countries in which we operate in Latin America, but we are going to stress investments in some countries where we feel more comfortable," said the company's Latin America director Ted Denham. In this case, the company feels more comfortable in Belize, which "shares the same geological characteristics" as Guatemala but offers better terms and a safer environment.

Colom needs to get the country's reputation in these matters under control if production is to increase. In addition to drilling and pumping already in progress, there are plans to request bidding on a round of exploration and production leases this year. Colom has not yet decided on the precise terms of the launch. Energy Minister Carlos Meany, along on the Brazil trip, admitted a "lack of dynamism" in the sector while trying to interest Petrobras in the bidding. So far, three onshore areas have been identified for concession: 1-2007, Cotzal, in the Peten, covers 93,000 ha; 4-2007, Laguna Blanca in the Peten, covers about 127,000 ha; and 9-2007 in Piedras Blancas, also in the Peten, covers 108,000 ha. This underproduction is partly the reason for Guatemala's interest in renewable sources and sugar-based ethanol in particular.

With CAFTA as a platform, Guatemala is able to build on agreements between Brazil and the US to export ethanol to the US. Guatemala has a Brazilian-designed ethanol plant but has not produced a car-ready product because of a lack of local demand. Another part of the Guatemalan energy agenda involved building a gasoline refinery in the country (see NotiCen, 2006-06-08). This project fell from the category of high probability to being just one more sooty pot on the back burner.

The most recent commentary on that subject from Carlos Arturo Florez Piedrahita of the Organizacion Latinoamericana de Energia (OLADE) is that "it is not dead, but it could take ten more years." After two years of half-hearted activity, "there is no calendar of exact dates," said Flores, speaking at the Second Meeting of Energy Ministers of Africa, Latin America, and the Caribbean (AFROLAC). This was the refinery project that ceased to make headlines after Mexico reneged on a commitment to supply a guaranteed 210,000 bpd of crude. Even if Brazil is able to help with the technical aspects of increasing oil production, social issues plague production. Like mining, oil production might be good for the national bottom line but bad for the environment and for the people who live in the vicinity and have to live with pollution, with little benefit accruing to them.

Locals want to participate in the profits. A bill in the legislature would create a Ley de Fondo Tributario del Petroleo (FOPE). Under its terms, 50% of state oil revenues would go to the Consejos Distritales de Desarrollo (CODEDES). These district development councils would distribute the revenues among municipal councils. Where oil is extracted, the municipalities would get 35% of the proceeds. Municipalities where prospecting is ongoing would get 10%, and municipalities in which storage occurs would get 5%. Local officials have already threatened Guatemala's signature massive demonstrations if they are disappointed with the outcome of the legislation, but Colom has said he expects help with this, too, from Brazil. He said he hopes to learn from, and emulate,

programs to aid the poor. Lula said he would help with projects that have had some success in Brazil in alleviating poverty, including the Bolsa Familia, which provides direct payments to poor families, to keep children in school and prevent them from premature entry into the work force (see NotiSur, 2007-03-23).

Colom won office on a platform that promised an anti-poverty, pro-security thrust, and he appeared to at least touch all these bases on the Brazil trip. In addition to getting advice on welfare, the first lady, Sandra Torres de Colom, met with Brazil's Education Minister Fernando Haddad to get help in dealing with Guatemala's educational deficits, a major poverty issue. Torres directs the Consejo de Cohesion Social. She is a known political force and has been mentioned as a credible candidate to succeed her husband in the presidency in 2011. Colom also stopped in on Brazil's development bank, the Banco Nacional do Desenvolvimento Economico e Social (BNDES), to discuss infrastructure financing, essential both to the country as a whole and to developing oilfields. Colom shopped for assistance, including major hardware, for control of organized crime.

Some of the areas where oil is thought to lie are also prime drug-smuggling areas. Colom has said he wants Brazilian detection equipment including jungle-penetrating radar planes to police and patrol these regions. He came away with no guarantees but said he held high hope for acquiring six Embraer Super Tucanos, ten speedboats, and all the electronics pertaining thereto. "This equipment will serve primarily for the battle against narcotraffic and organized crime," he said. On the question of paying for the stuff, Colom said he would be talking in coming days with heads of several legislative committees having to do with defense and law enforcement, to explain to them the need for air and sea defense. Communication secretary Ronaldo Robles said Colom hopes to forge "a political agreement that would permit the approval of a national-emergency budget extension to acquire the equipment."

The extensive list of items Colom wants from Brazil is not solely because of the simple fact that Brazil has and Guatemala has not. It also reflects that Colom has called Lula's presidency and administration a model for his own. Neither is it the case that Brazil represents Guatemala's best and only hope. Colom has cast a wide net and has sought cooperation from Colombia, Mexico, the US, and even Honduras. Last month he sent Vice President Rafael Espada to the country next door to see how their deal with Venezuela's Petrocaribe is working out (see NotiCen, 2008-01-17). Colom is said to be seriously considering a Petrocaribe relationship whereby he will be able to import Venezuelan oil and fuels under very favorable conditions.

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