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Brazil Is Challenging Mexico And U.S. Domination Of Isthmus

by LADB Staff

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Brazil's President Luiz Inacio Lula da Silva had more in mind than a ceremonial appearance at the swearing-in of President Mauricio Funes in El Salvador the first week in June. The inauguration was just one stop on a three-country swing that included Guatemala and Costa Rica. In each of the three countries Mexico and the US have come to regard as their traditional bailiwick he strengthened bilateral ties and cut new deals. Lula's stealthy visit opens the isthmus to new options in trade, energy, and other matters. The Brazilian president's next stop after El Salvador was Guatemala, where his supportive presence was helpful to President Alvaro Colom, embattled as he is in a murder scandal and serious domestic problems that compromise governability and security. Drug trafficking is central to many of these problems, and Lula brought with him a US\$99 million line of credit that will ease Guatemala's purchase of six Embraer Super Tucanos and a radar system. The planes are Brazilian turboprop light attack aircraft with avionics and weapons systems designed to give serious pause to the drug runners' land, sea, and air transport capabilities. Government sources say these machines will permit the small country to dominate its entire airspace as never before. Brazil's president has a popular credibility in Guatemala that the US or the EU cannot match when talk turns to development and poverty. Lula said he wanted to put together "solid and profound" alliances between the two countries so that "the people believe the day has come for them to participate in their development." Lula explained in brief remarks upon his arrival, "Until 2003 the Brazil government did not customarily look toward Central America or Guatemala. Our political culture was to look always toward the north, to the United States or Europe." Since then, however, Brazil's fortunes and policies have changed. "We have much with which to contribute to solving Latin America's problems," he said. It was in 2003 that Lula took office, bringing significant political change to his country. Lula could not have shown up at a better time for the besieged Colom. He spoke supportively of this president who has been the victim of a bizarre murder accusation (see NotiCen 2009-05-14). Lula was unstinting in his show of support for Colom, admonishing opponents who seek to topple him, "Respect for those who were democratically elected is the indispensable condition for strengthening democracy." Transferring programs proven in Brazil The poor, who are legion in Guatemala, are Colom's natural constituency, and it is among the poor that Lula, a bootstraps leftist, has great appeal because some of the anti-poverty programs Colom has fielded originated in Brazil. During the visit, the two presidents signed accords to start programs in industrial training and food preparation in Guatemala that have succeeded in Brazil. The accords call for transferring "the model of implantation of professional-training centers developed by the Brazilian Servico Nacional de Aprendizagem Industrial (SENAI)." SENAI, the National Industrial Training Service, has existed in Brazil since 1942. It was created by government decree but is a private institution. It is an enormous organization in Brazil, training some 2.8 million people a year. SENAI is today, says its Web page, "a world reference in vocational training, technical and technological assistance, and production and dissemination of information." In Brazil, it has a national headquarters and 27 regional departments. According to plan, the model being exported to Guatemala will eventually have training centers throughout the country. The Guatemala project will

train its own trainers and managers. The nutritional program, *Cocina Brasil-Guatemala*, will transfer methodology in nutritional course building and education, "with intentions of increasing the nutritional content of foods consumed in Guatemala, with emphasis on low-income populations." This was Lula's third visit to Guatemala. The new programs build on cooperation projects that have been ongoing for the last four years, although under the auspices of a government that was not as purposively oriented toward the poor as is Colom's. Guatemala's poor are more than half the population of about 13.3 million. The presidents also discussed Brazilian participation in the next round of oil- and gas-exploration leasing and in private-sector participation in hydroelectric generation. Along with this would come access to Brazilian financing. Another item that came up in the give and take was Brazil's aspirations of becoming a permanent member of the UN Security Council if and when the question of expansion arises. Guatemala would support this, and Brazil would support Guatemala's bid to become a nonpermanent member for the 2012-2013 term. Guatemala would also support Brazil's 2010-2011 candidacy for nonpermanent membership. The presidents made several forays to visit Brazil-aided projects already in operation. A different agenda in Costa Rica Leaving a textbook exercise in mutuality behind him, Lula moved on to his next stop, Costa Rica, where the talk turned to the Southern Cone Common Market (MERCOSUR), the Sistema de Integración Centroamericana (SICA), and biofuels. Lula said he would like to see increased commerce between the isthmus and the South and feels the time to make that happen is just when President Oscar Arias becomes president pro tem of SICA and Uruguay's President Tabare Vazquez takes the tiller of MERCOSUR, "so that both can give us the gift of an accord between the two blocs. The two presidents have great experience." Arias is thought never to have seen a trade deal he did not like, and a link between the SICA countries of the isthmus plus the Dominican Republic with MERCOSUR's full members Argentina, Brazil, Paraguay, and Uruguay, plus associate members Bolivia, Chile, Ecuador, and Peru, would be very much to his taste. Costa Rica already has a bilateral trade deal with Brazil, but the wider deal would benefit the region as a whole, went the thinking. Costa Rica is far better off economically than is Guatemala, allowing the Brazilian to concentrate on sophisticated ventures of mutual benefit. One such is his plan to take advantage of Costa Rica's position in the Central America Free Trade Agreement (CAFTA) to use it as a platform for introducing ethanol, an abundant Brazilian product, into the US market, via two separate scenarios. Either Brazilian producers could partner with Costa Ricans to make the fuel from sugarcane there or Brazil-made product could be dehydrated in Costa Rica and shipped on to the northern market tax-free. Either scheme takes advantage of the collapse of ethanol plants in the US, which produced the fuel additive less efficiently and more expensively from corn. CAFTA in limited respects allows member countries to set up tollbooths for third countries to enter the US market under favorable circumstances. In this case, Brazilian ethanol would avoid paying US \$0.54 a gallon on the fuel. The trade agreement allows Costa Rica and other CAFTA members to import unlimited quantities of ethanol made with Central American cane and 31 million gallons a year of product made with cane grown elsewhere. In Costa Rica, the Brazilian president was less constrained by security issues and the lack of a trained labor force. He did not need to sell warplanes here. He could sell buses and finance them as well. "I'm going to ask some ministers to return here with business people," Lula said, to scout out even more opportunities. Those opportunities could even extend to buybacks of biofuels to the Brazilian market. New options for the region But the big prize seemed to be the SICA-MERCOSUR association. The advantage to the isthmus is that, unlike trade deals with other areas of the world, an agreement with South America would more readily lend itself to adjusting for asymmetries. At present, the terms of trade are poor for the isthmus. For every dollar exported, Central American countries as a whole import US\$24. Even better off Costa

Rica is on the short end of an 11-1 ratio. The biofuel buybacks could be instrumental in improving this picture. Some of this activity has already begun under previous contracts. Improved financing arrangements now under discussion would expand the trade, provide jobs in Costa Rica, transfer important technologies to the country, and, in turn, attract more private investment. Just a month ago, the Liga Agricola Industrial de la Cana de Azucar (Laica) signed a contract with a Brazilian firm that allowed it to reopen a dehydration plant in Puntarenas that had been shut down because of the crisis-softened US market. Brazil's interest in Central America is expected to grow but is attracting little attention in the US and Mexico, both of which have come to regard the isthmus as "theirs" through the years. Lula made his way through the isthmus under cover of the Organization of American States (OAS) annual meeting in Honduras (see NotiCen, 2009-06-04). The wider visit was also overshadowed by Lula's attendance at the Funes inauguration, the first by a Brazilian head of state. Brazil has also acquired regional-observer status in SICA, which Mexico, Chile, and Argentina also have but which the US does not. Significantly, Andres Oppenheimer reported in his Miami Herald column that Marisol Argueta, El Salvador's former foreign minister, said that, as Brazil's presence in the hemisphere grows, "nowhere is that more visible than in Central America because until two years ago our relations with Brazil were almost nonexistent." That is not entirely the case. In 2007, Lula joined the US in funding a pilot biofuels project in El Salvador, but it is true that the leftward drift of Central America's governments bring them closer to the Brazilian orbit than they do to Mexico or even the US. In El Salvador, it bears mentioning that first lady Vanda Pignato is Brazilian and a committed leftist with solidarity links both to the Sandinista struggle in Nicaragua and the Farabundo Marti para la Liberacion Nacional (FMLN) in her adopted country. In Brazil, she was a member of Lula's Partido dos Trabalhadores (PT). The first lady's close connection to Lula is expected to bring El Salvador solid economic support. According to Brazilian reports, that support could include the use of El Salvador's Pacific ports in Brazil's huge trade with China. China is Brazil's main trading partner.

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