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Leftist Party Promotes Costa Rica’s Membership in Petrocaribe; Private Sector Balks

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Five years ago, in the midst of a crisis triggered worldwide by skyrocketing oil prices, Costa Rica began pondering the possibility of joining the Venezuelan cooperation initiative Petrocaribe.

It was also a time during which conservative Costa Rican President Óscar Arias (1986-1990, 2006-2010) and late anti-US Venezuelan President Hugo Chávez (1999-2013)—who first promoted and, in 2005, along with more than a dozen other Latin American and Caribbean leaders, launched the initiative—were frequently at odds (NotiCen, Aug. 25, 2005).

The Acuerdo de Cooperación Energética (Petrocaribe) was signed June 29, 2005, by 14 Caribbean nations, during the First Energy Summit of Caribbean Heads of State and/or Government on Petrocaribe, in the eastern Venezuelan port city of Puerto La Cruz.

First signatories were Antigua and Barbuda, Bahamas, Belize, Cuba, Dominica, Dominican Republic, Grenada, Guyana, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, and Venezuela.

Haiti and Nicaragua became members during the third Petrocaribe summit, held in Caracas, the Venezuelan capital, Aug. 10-11, 2007.

The cooperation mechanism offers member countries a flexible payment plan for their oil purchases: 60% must be paid within 90 days and the remaining 40% over 25 years, with a grace period of two years and an interest rate of 1% when the price per barrel exceeds US$100. It also raises the long-term portion from 40% to 70%, with the same payment conditions should the price go above US$150.

The Venezuelan state-owned oil company Petróleos de Venezuela SA (PDVSA) says the initiative is based on solidarity support and seeks to overcome asymmetries regarding access to energy resources and establish a fair exchange system among Caribbean nations lacking state control of those resources.

It thus "aims at contributing to the transformation of Latin American and Caribbean societies, making them more equitable and cultured, more participative, and oriented toward solidarity."

"Therefore, Petrocaribe is conceived as an all-embracing proposal, aimed at eliminating existing social inequalities and fostering high standards of living as well as effectively promoting people's participation in shaping their own destiny," PDVSA also states in its official description of the agreement.

The initiative comprises other components, such as a Tratado de Seguridad Energética de Petrocaribe, initially signed by 10 countries attending the third summit, intended to strengthen energy security and stability in the Caribbean by enhancing regional nations' refining capability and building or improving energy infrastructure. "The treaty also promotes the rational use of energy resources in order to save and make the most efficient use of these resources," PDVSA adds.
Beyond the Acuerdo de San José

Petrocaribe goes beyond similar concepts contained in its predecessors, the Acuerdo de San José—which took the name of the Costa Rican capital, where it was signed in 1980 by Mexico and Venezuela, two major Latin American oil producers (NotiCen, July 29, 1987, and SourceMex, Aug. 7, 1991)—and the Acuerdo Energético de Caracas—signed in 2000 in the Venezuelan capital.

The third summit also produced a Declaración Política, which, among other points, highlighted the role of the Alianza Bolivariana de los Pueblos de Nuestra América (ALBA)—another Venezuela-promoted regional initiative (NotiCen, Oct. 23, 2008), in this case considered by opponents as an "OAS without the US and Canada."

The text explains that ALBA—the acronym is also the Spanish word for dawn—aims at regional unity based on social justice, solidarity, and strengthening social programs as well as national projects promoting economic development and trade.

When international oil prices shot through the ceiling in 2008, an alarm went off in Costa Rica, a Central American nation that buys all the oil it needs abroad.

The sudden upward spiral shot prices beyond US$140 a barrel and took the nation’s oil bill from a little more than US$1 billion in 2007 to twice that amount in 2008, leading this country of some 4.6 million people and more than 1.6 million vehicles to look for options.

The options then went from producing ethanol to diversifying foreign oil sources, and the latter alternative meant looking at joining Petrocaribe. That implied overcoming the ever-recurring tension in Costa Rica-Venezuela relations because of the criticism frequently exchanged between Arias and Chávez.

In 2007, after one of Arias’ frequent criticisms of Chávez, his Venezuelan counterpart suddenly announced the transfer to another country of a plant of the state-owned Venezuelan aluminum company VCG Aluminios Nacional SA (Alunasa), which employs some 400 Costa Rican workers. The plant was not closed down, tension between both leaders was reduced, and Costa Rica took the steps needed to join the bloc, the first of which was to take part as an observer in the June 2008 Petrocaribe summit in Venezuela.

Several rounds of technical talks between both countries ensued, alternating between San José and Caracas, allowing Costa Rica to know what Petrocaribe had to offer and Venezuela to know Costa Rica’s oil needs (NotiCen, May 11, 2006).

As the dialogue process got underway, Costa Rica repeatedly stated its hope of joining the initiative by the summit scheduled for December 2008, but leaders’ agendas forced the meeting to be postponed and Costa Rica never completed the procedure. Petrocaribe was thus forgotten by Costa Rica. That was until last month.

On June 9, Jorge Arguedas, an opposition congressman with the leftist Frente Amplio (FA), brought the option back, this time as a means to reduce the cost of electricity and the prices of fuels. Arguedas, a union leader in the state Instituto Costarricense de Electricidad (ICE), said that by joining Petrocaribe, electricity prices could drop as much as 40%, and fuel prices could go down by 26%.
This is one of Costa Rican President Luis Guillermo Solís’ concerns, a reason why the FA presented the president with the proposal, Arguedas told fellow legislators during a plenary meeting of the unicameral Asamblea Legislativa (AL).

Arguedas made the public suggestion a week after Solís told journalists that, regarding options for cheaper energy in the country, "the menu is immense … going from closing down RECOPE … all the way to seeking cooperation in Petrocaribe." The president referred to the state-owned Refinadora Costarricense de Petróleo (RECOPE), which processes the oil this country buys abroad (NotiCen, Sept. 22, 2011).

"I believe things must be put on the table—not closing down RECOPE, that’s not on the table, and we’re not going to do that—but realistic options must be put on the table for lowering prices, one of which is Petrocaribe," added Solís. "We’ll see whether that’s necessary, because there are other things that can be done before, which is what we’re going to discuss with sectors."

The day after the FA proposal, the Asociación Nacional de Empleados Públicos y Privados (ANEP)—one of this country’s major labor unions—came in with its support. ANEP has repeatedly made the same proposal since 2006, which it stated in a communiqué issued July 10.

Business sector opposes move
But 11 days later, the Unión Costarricense de Cámaras y Asociaciones de la Empresa Privada (UCCAEP)—the country’s top private-sector organization, warned against it. Joining Petrocaribe would not necessarily lower energy prices, but it would usher in Venezuela’s political influence, UCCAEP president Rolando Jiménez told a morning press conference.

The private sector leader also said that UCCAEP would seek to contact government authorities to take up the issue. He warned against the "political implications" that would derive, should Costa Rica join Petrocaribe, since "it would be an open door for the government of Venezuela to extend its political influence. This, of course, puts Costa Rica’s sovereignty at risk, and it’s impossible—we insist on this—it’s impossible to separate Petrocaribe from ALBA."

Jiménez also told NotiCen, "What we plan to do in UCCAEP regarding Petrocaribe is, as we’re doing now, categorically reject it and to say so directly to the authorities—personally, if possible—and to the public. This is the first announcement UCCAEP makes regarding Petrocaribe, and, from here on, we’ll have individual contact with different authorities."

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