

11-2-2000

Venezuela Offers Oil Deal to Central American, Caribbean Countries

LADB Staff

Follow this and additional works at: <https://digitalrepository.unm.edu/noticen>

Recommended Citation

LADB Staff. "Venezuela Offers Oil Deal to Central American, Caribbean Countries." (2000). <https://digitalrepository.unm.edu/noticen/8771>

This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in NotiCen by an authorized administrator of UNM Digital Repository. For more information, please contact amywinter@unm.edu.

Venezuela Offers Oil Deal to Central American, Caribbean Countries

by LADB Staff

Category/Department: Region

Published: 2000-11-02

Venezuelan President Hugo Chavez met with representatives of ten Central American and Caribbean nations in Caracas in mid-October to sign an oil-export deal. On Oct. 19, representatives from Belize, Costa Rica, the Dominican Republic, Guatemala, Haiti, Honduras, Jamaica, Nicaragua, Panama, and El Salvador met to sign the Acuerdo Energetico de Caracas (AEC).

Under the AEC, Venezuela will supply 80,0000 barrels per day of crude oil to the signatory countries. Payment is to be made over 15 years and the debt carries a 2% annual interest rate. Venezuela will provide financing based on the world price of crude. Should the price rise above US\$30 per barrel, Venezuela would provide financing for 25% of the cost. The amount financed would be less at lower price levels. The pact is for one year but is renewable.

Despite the apparent benefits to the oil-importing countries, there were critics of the AEC. Venezuelans against the pact said Chavez was giving the oil away, while some critics in Central America complained that Chavez was charging full market price. Foreign Minister Rangel responded that the pact's beneficiaries would pay full price and that the benefits lay in the financing arrangements.

Private oil importers and distributors in El Salvador and Nicaragua said they objected to terms of the pact that required the oil imports to go through beneficiary governments or government-run entities.

Two days before the Caracas meeting, the Nicaraguan government decided to send a representative but not to sign the pact because of disagreements about its terms. Officials in President Arnoldo Aleman's administration said the pact contradicted aspects of Nicaragua's structural adjustment policies because the imported oil would bypass private-sector oil companies.

An administration spokesperson said it would be a step backward to bring the state into the importation and distribution of oil. He said Nicaragua would propose modifications to the pact that would allow the government to sign it later. Nicaragua paid US\$160 million for oil imports in 1999 and will pay US\$300 million this year a sum equal to 55% of its exports.

Since 1980, Mexico and Venezuela have provided oil to the region on preferential terms under the San Jose Pact. The pact was renewed in August and currently authorizes delivery of 160,000 bpd to 11 Central American and Caribbean countries. However, restrictions on lines of credit offered under the pact have reduced its usefulness. Guatemala has not bought oil through the pact for five years.

The Caracas Pact has much more advantageous lines of credit so that Guatemala can now acquire up to 10,000 bpd with financing available. Shipments under the Caracas Pact are in addition to those delivered under the San Jose Pact. Central American presidents "trembling" over oil prices

In September, as world prices rose to US\$30 per barrel, Dominican Republic President Hipolito Mejia appealed to Mexican President-elect Vicente Fox for better terms under the San Jose Pact. Mejia said prices were creating "a very grave crisis" that had regional presidents "trembling." In El Salvador, a recent government attempt to cap local oil-industry profits (see NotiCen, 2000-09-14) had little effect on the rising pump prices.

During his address at the UN Millennium Summit in September, Honduran Foreign Relations Minister Roberto Flores Bermudez included uncontrolled oil prices in his criticism of neoliberal and global economic policies. The impact of high prices was "devastating" on weak economies, he said.

During the signing ceremonies in Caracas, Chavez proposed to turn the oil-export agreement into a regional economic and political confederation, which he called the Confederacion de Estados de America Latina y el Caribe. He said it was the only way "to get out of the abyss" into which past governments have fallen. "Either we unite or we are going to sink much more than we have in the last decades," said Chavez. [Sources: Spanish News Service EFE, 10/14/00, 10/16/00; Notimex, 10/17/00, 10/19/00; La Prensa Grafica (El Salvador), 10/20/00; Prensa Libre (Guatemala), 10/19/00, 10/21/00; La Nacion (Costa Rica), 10/22/00; El Panama America, 10/19/00, 10/22/00]

-- End --