

5-30-2002

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Recommended Citation

LADB Staff. "PPP Encounters More Obstacles." (2002). <https://digitalrepository.unm.edu/noticen/8964>

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PPP Encounters More Obstacles

by LADB Staff

Category/Department: Central America

Published: 2002-05-30

Almost two years after Mexican President Vicente Fox first proposed a project for regional economic development and integration between Central America and Mexico, known as Plan Puebla-Panama (see SourceMex, 2001-07-11) his government has encountered more obstacles to the plan than initially expected. The main objective of the plan is to attract new investment to southern Mexico and Central America by building highways, railways, gas pipelines, and electric power lines connecting south and southeastern Mexico with the countries of Central America.

Florencio Salazar, coordinator of the plan, has tacitly acknowledged that his government has not sufficiently convinced people of the plan's value. Salazar said the chief weakness is the lack of information, so the general population does not know what the objectives of the plan are. With better information, he said, "we could avoid speculation that does not reflect reality."

Meanwhile, the European Union (EU) says it cannot further finance the plan at this time, contending that the Inter-American Development Bank (IDB) has indicated that the plan has already received sufficient financing. The EU says that regional governments need to improve their fiscal discipline to generate their own funding for the plan. Plan had initial high hopes President Fox launched Plan Puebla-Panama with high hopes and lofty expectations.

In June 2001, the Mexican president said that the plan would "beat all speed records" in carrying out its projects. Political figures in Central America also expressed great optimism about Fox's plan. The head of Panama's Partido Revolucionario Democrático (PRD), Martín Torrijos, said that his country was "a vital point for the establishment of Plan Puebla-Panama because we have the ideal transportation infrastructure to drive this project."

In June 2001, Central America's presidents joined Fox in El Salvador to sign onto the Mexican president's initiative, billing Plan Puebla-Panama as a "great alliance" to improve life in some of the hemisphere's poorest areas. Obstacles appear immediately. But even at the signing of the agreement, obstacles to the plan's implementation had already begun to appear. None of the region's presidents was clear as to the sources of funding for the plan.

When Costa Rican President Miguel Ángel Rodríguez was asked about how the plan would be funded, he could only answer that "these are projects that have merit, and therefore I believe the financing will be obtained." Even the IDB, billed as a major source of financing for the project, was unclear about the details. The IDB claimed that it was difficult to calculate how much Plan Puebla-Panama could cost but said the financing was not "unreachable." The IDB's president, Uruguayan banker Enrique Iglesias, said the important thing was that the political will to advance the plan be maintained.

In Central America, obstacles to the plan were not confined to questions of finance. Plan Puebla-Panama also faced political opposition. Some Salvadoran lawmakers, among others, said that only Mexican businesses and investors stood to benefit from the plan. They questioned the contention that the plan would help the poor. By March, 22 organizations in Nicaragua had come together to oppose the plan. Among these organizations were the Federacion Nacional de Cooperativas (FNC) and the Central Sandinista de Trabajadores (CST). They contend the plan would only benefit US transnational corporations while further marginalizing the poor.

Some have also questioned the apparent contradictions in Mexico's immigration policy. Initially, discussions of Plan Puebla-Panama were accompanied by Mexico's pledge to respect the human rights of Central American immigrants. But immediately after signing the June 2001 agreement, the Fox administration was dogged by accusations that Mexico was militarizing its southern border to stop the flow of undocumented immigrants heading for the US. Carlos Fazio, a columnist for the Mexican daily La Jornada, accused Fox of carrying out the US's anti-immigrant "dirty work." Soon, environmentalists, including those with the Costa Rican group Oil Watch, were lamenting Plan Puebla-Panama's inducements to US oil exploration in Central America.

Oil Watch contends that oil exploration on Costa Rica's Atlantic coast has caused destruction of marine life. In January, Panama's vice minister of foreign relations said that, up to this point, "we haven't seen concrete results" from the signing of Plan Puebla-Panama agreement. He said one of the major defects was not having first entered into a dialogue with the business sector and civil society to give the plan the support the democratic system needs for this type of project.

Plan makes limited progress

Nevertheless, Plan Puebla-Panama has made limited progress. The IDB has devoted US\$300 million to interconnect the electric power grids of Central America. Honduran Minister of Economy Juliette Handal de Castillo said the investment in electrical infrastructure will reduce the costs of electric energy, which is currently very expensive in every country in the region. Handal de Castillo contends that high electric energy costs have prevented Central American countries from being sufficiently competitive economically.

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