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## PPP Hunts for Private Investment

by LADB Staff

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In the year since its signing in El Salvador, Plan Puebla Panama (PPP) has entered the execution phase with the commencement of regional electrical and highway interconnection projects. But environmentalists say the plan ignores environmental impacts and slights proposed social projects (see NotiCen, 2000-09-21, SourceMex, 2001-02-28, 2001-07-11, NotiCen, 2002-05-30).

In Guatemala, the 2002-2004 Economic Action Plan, presented by President Alfonso Portillo's Cabinet on June 10, incorporates projects closely related to PPP, like new electricity generation projects, electric grid connections, highway improvements and modernization, and concessions for port infrastructure. "We acknowledge that we have provided little information to the public so that the majority can understand the objectives of Plan Puebla Panama," said Florencio Salazar, Mexican coordinator for PPP. "This has meant misinformation and has politicized [the issue]. The plan is socially inclusive. It recognizes the rights and cultures of indigenous peoples. We will not begin any project that does not have a consensus or is not viably sustainable."

### *Upcoming summit will outline initial projects*

Salazar and Jose Luis Romero, general director of the Mexican Banco Nacional de Comercio Exterior (BANCOMEXT), visited Guatemala June 11 as part of a promotional tour for the fifth summit of the Mexican and Central American presidents on June 27-28 in Merida, Yucatan. The summit also included businesspeople from Central America, Asia, Europe, Mexico, and the US. PPP's initial projects were presented at the summit, which also advocated private investment in the projects. During their visit to Guatemala, Mexican officials defended the PPP's viability and argued that, in its first year, Mexico's Free Trade Agreement (FTA) with the Northern Triangle countries (Guatemala, Honduras, and El Salvador) was beginning to bear fruit (see NotiCen, 2000-07-13, 2000-08-31, 2001-03-22). Romero said that, according to statistics from BANCOMEXT, Guatemalan exports to Mexico in 2001 grew 5%, and have grown another 10% since the beginning of 2002.

In contrast, Mexican exports to Guatemala fell 12.7%. "This will be the tendency as the FTA becomes stronger. The Mexican market buys US\$1.7 billion globally, which enables a greater increase in Guatemalan exports to Mexico than vice versa," said Romero. Nonetheless, Guatemala's exports to Mexico grew moderately in comparison to that of El Salvador and Honduras. From January to March, Northern Triangle exports to Mexico grew 22%, while imports from Mexico grew 2.2%. Among the PPP's main achievements, said Salazar, is the projected electrical interconnection from Guatemala to Panama that begins this year with an investment of US\$320 million and will be completed in 2004.

A similar interconnection between Guatemala and Mexico will cost US\$70 million. This month, regional communication ministers will sign a memo of understanding in support of technical and financial projects for the highway connectivity project that also includes the construction of two main arteries. One runs from the Gulf of Mexico along the Yucatan Peninsula and down the Pacific coast of Honduras. The other goes from Puebla through Oaxaca, Chiapas, and Guatemala to Panama.

The system will include connections between the two highways. Though there is still no guaranteed private investment for PPP projects, Salazar said that one goal of the Merida summit was to secure private investment for fragments of infrastructure projects. More than 130 companies from Europe and Asia, 150 from Mexico, and 40 from Guatemala participated in the summit.

Environmental groups criticize neglect of social issues. In a presentation of the results of its research into the plan, Carlos Albacete, head of the environmental organization Tropico Verde, said the overarching goal of PPP is to make the region a passageway for international trade between Asia and the US and Europe. Albacete argued that the PPP's social projects are being postponed for infrastructure projects that would benefit big business. Environmentalists doubt there is any priority attached to the more social aspects of the plan.

In response, Salazar said that "they are projects that are implicit to strategic development. If we do not have interconnectivity in highways, electricity, and telecommunications, we cannot develop the economic capacity of Mesoamerica and, consequently, we will not have the economic growth that produces jobs." Salazar explained that the PPP social projects would begin with a human development initiative that includes education, health, disease prevention, and poverty reduction. He expects support from regional governments and international organizations such as the Inter-American Development Bank (IDB), the Central American Bank, the Corporacion Andina de Fomento (CAF), the Latin American Economic Foundation, the UN Development Program (UNDP), the UN Food and Agriculture Organization (FAO), the Facultad Latinoamericana de Ciencias Sociales (FLACSO), and the UN Educational, Scientific and Cultural Organization (UNESCO). The support of these groups will increase the possibility that social initiatives will solidify quickly.

The issue of human migration is not included in the plan, but would be subject to bilateral agreements between Central American governments and Mexico. "It is a very complex issue because we are not talking of just legal migration but also of illegal migration. We are interested in people having employment opportunities in their own communities. Development would slow migration and illegal activities such as drug and human trafficking," said Salazar.

### *Dry-canal proposal could transform the isthmus*

Trade among Asia, the US, and Europe represents 72% of all international trade. Between 1992 and 2001, commerce between the US and Southeast Asia grew 29%, while US commerce with the rest of the world grew only 18%. However, viable trade routes for US-Asia commerce are limited. Eighty percent of the US market is located on the Atlantic coast, which means that the main trade route is through the Panama Canal. The canal is currently saturated with traffic, and in light of projections of increased trade, it will soon be insufficient.

PPP is an answer to the current logistical difficulties of trade flows between Asia and the US and Europe, say some analysts. This is the reason behind the proposals to construct a land bridge between a port on the Gulf of Mexico and one on the Pacific Coast, and rail lines and highways throughout Guatemala, El Salvador, Honduras, and Nicaragua. The company Intercoastal Logistical Center is currently promoting the construction of two international logistical centers in Guatemala, on the Pacific and Atlantic coasts, along with a railroad to connect the ports. This infrastructure would represent another option, aside from the Panama Canal, for international maritime trade. Investors in Europe, South America, and Asia have promised some US\$2.1 billion, the estimated cost of the project.

The English financial firm Heritage would administer the funds. Construction is expected to begin in January 2003 and last three years, said Guillermo Catalan, special projects director with the Latin American Link Office (Oficina de Enlace para America Latina, ODEPAL), a Miami-based office promoting the project. The project is ambitious. It would compete with Canadian and US land bridges that transport the majority of international trade, and the Panama Canal. "The target market of the Guatemalan land bridge would be containers originating in the European Union with destinations in Asia, or vice versa. These containers currently utilize the Canadian and US land bridges, which offer the shortest option, but also the most expensive," Catalan said. "There is also a new market in South America, which could utilize the project as a midpoint in sending merchandise in less time and for less money. We are in a better geographic position than the Panama Canal, any boat crossing the isthmus via Guatemala [instead of the Panama Canal] would need one week less sailing time."

The project's supporters are anticipating that the Guatemalan government will declare the initiative one of national interest. That would lend legal security to investors and guarantee ease in the processing of environmental-impact statements, free-zone confirmations, legal permits, and construction. Catalan maintains there will be proven benefits of a regional project that will turn Central America into an international trade-transport zone. Central America is already an important thoroughfare for international commerce, and many analysts argue that the benefits of this are not obvious as the region continues to suffer from acute poverty levels and socioeconomic inequalities.

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