

Chávez plays oil card in Nicaragua

The Christian Science Monitor
May 05, 2006

MANAGUA, NICARAGUA – Venezuela's populist president Hugo Chávez has been accused of using his country's oil wealth to help elect like-minded leaders in Bolivia, Peru, Mexico, and Nicaragua. But there's been little evidence, until now.

A cooperation agreement signed last week between Nicaragua's Sandinista leader - and longtime US nemesis - Daniel Ortega and Mr. Chávez is being touted by many here as an initiative to sell oil to Nicaragua on credit, allowing the country to invest more in poverty-fighting projects. Critics call it a blatant attempt to buy the Nov. 5 presidential election for Mr. Ortega.

"Central America is important for Chávez because the rest of his influence is concentrated in the Andean countries [of South America]," says Michael Shifter, vice president for the Washington-based Inter-American Dialogue. Mr. Shifter says Chávez is clearly on a mission to challenge US influence in the region, but that he also appears genuinely concerned with helping the poor - two traits that don't necessarily contradict one another. "This shows a larger ambition, and he is focusing his resources on Nicaragua and calculating that Ortega has a chance to win [elections in November]."

In the past few years, Chávez has made high-profile deals to sell discounted oil to Central American and Caribbean nations, and even to poor citizens in US states such as New York and Massachusetts.

But the deal struck between Chávez and Ortega comes during a grinding energy crisis, and before a pivotal election that could see another leftist leader come to power in the region. In the past year, energy shortages here have led to power-rationing blackouts and transportation strikes. Under the agreement, Venezuela will accept 60 percent of payment within 90 days of shipment, while the remaining 40 percent will be paid off over 25 years at 1 percent interest, including a two-year grace period.

The deal could be one of the most important real-world applications to date of the Bolivarian Alternative for the Americas (ALBA), a Latin American integration initiative started a year ago by Cuba and Venezuela to counter US efforts to promote hemispheric free-trade integration. ALBA

promotes the principles of social and economic justice, but so far is known more for its symbolism than concrete action.

Yet the pact is gaining steam, with newly elected Bolivian President Evo Morales signing on to ALBA in Havana this past weekend to much fanfare. On Monday, Mr. Morales also sent shockwaves throughout the energy sector when he announced that he would nationalize Bolivia's gas reserves, the second largest in the region.

When in Venezuela last week, Ortega vowed to join ALBA if elected this November. But critics say the agreement between Chávez and Ortega, signed during Ortega's visit, effectively means Ortega has joined ALBA early, undermining the legitimacy of the current Nicaraguan government, and using Venezuelan oil money to boost his campaign bid.

"This is just a sophisticated mechanism for Ortega to launder Venezuelan money for his campaign," charged congressman Wilfredo Navarro, vice president of the incumbent Liberal Constitutional Party (PLC). "Forty percent credit is the same as 40 percent of the money that will disappear and end up in Ortega's campaign."

The Sandinistas, however, claim the pact with Venezuela is an example of how they offer solutions to problems that the pro-business government has been unable to resolve - a form of "governing from below," which Ortega promised he would do when his revolutionary government was voted out of office in 1990.

Since that time, Ortega's party has managed to consolidate enormous power in the legislative, judicial, and electoral branches of government, despite losing three presidential bids in the process. He's currently polling third among Nicaragua's presidential candidates, but is only six points behind the pro-business frontrunner and US favorite, Eduardo Montealegre.

Last month, the incumbent PLC accused Chávez of planning to finance Ortega's campaign to the tune of \$50 million - an allegation that was denied by both Ortega and Venezuela's ambassador to Nicaragua.

President Enrique Bolaños, in statements to the local press, went as far as to warn Chávez that giving oil on credit to Sandinista mayors could constitute an electoral offense in Nicaragua.

Ortega maintains that the oil agreement is about helping the people of Nicaragua, rather than helping himself get elected. Yet the political

implications of the pact with Chávez are obvious, and Ortega isn't afraid of playing that card.

"Where is the United States when Bolaños needs help resolving problems with oil prices?" Ortega demanded last September, following Chávez's initial promise to broker a deal with the Sandinistas. "The *yanquis* had hundreds of millions of dollars to invest in the war in Nicaragua; hundreds of million of dollars to kill Nicaraguans. But where is the US when Nicaragua has to start rationing energy?"

"Chávez has an alternative, a proposal that's being implemented," Ortega added.

The US government, for its part, maintains that its commitment to Nicaragua's economic and social development is "longstanding, regardless of political affiliation," says US Embassy spokeswoman in Managua, Preeti Shah. "Since 1990 the United States has provided the people of Nicaragua with more than \$1 billion with programs designed to improve health, education, trade and development, as well as democracy and the rule of law."

The Chavez-Ortega pact has led to the creation of a Nicaraguan-Venezuelan oil firm, Alba Petróleos de Nicaragua, which will be managed by Nicaragua's Sandinista-controlled municipal government association, known as AMUNIC.

Patricia Delgado, executive director of AMUNIC, says that the agreement is still "in the beginning stages of analysis," and that the logistics are still being worked out.

She estimates that the first shipment of oil could be made in October, but admits there are a lot of external factors at play. But once the company is up and running, she says, it could generate some serious income for the local governments.

"This will strengthen the autonomy of municipal governments and facilitate local development," Ms. Delgado says. "The municipalities can't wait for the central government, we have to keep moving forward and advancing with whomever will take our hand."

Sandinista congressman and hardliner Bayardo Arce agrees that the initiative will strengthen his party's leadership. "We are trying to offer answers on the municipal level, but when we return to govern the country,

we will start to offer more integral answers," he said, after returning from Venezuela to help negotiate the oil deal.

Political analyst Carlos Fernando Chamorro says the Sandinistas should wait until the oil is distributed before they take too much credit for resolving the countries problems. "There is still a lot that is not clear about this agreement, and as long as the oil isn't coming, it remains just a campaign promise."