# LATIN AMERICA ADVISOR

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**FEATURED Q&A**

# Will the U.S. Exit From the Paris Deal Hurt Latin America?

U.S. President Donald Trump announced June 1 that he was pulling the United States out of the Paris Agreement, saying the accord subjects Americans to "harsh economic restrictions" and "fails to live up to our environmental ideals." // Photo: White House.

**Q President Donald Trump announced June 1 that he was withdrawing the United States from the Paris Agreement on climate change. Trump said his decision is based on his campaign promise to make U.S. workers his first priority. Was this the right move for the United States? How will the decision affect signatories from the Western Hemisphere—which include all but Nicaragua—as they work to cut carbon emissions? How will Trump's decision affect renewable energy initiatives in the region?**

**A Ethan G. Shenkman, partner at Arnold & Porter Kaye Scholer in Washington and former deputy general counsel at the EPA, and Erika Norman, associate at Arnold & Porter Kaye Scholer in Los Angeles:** "First, withdrawal from Paris won't be effective until November 2020 at the earliest because of the terms of the agreement, and it is reversible by a subsequent administration. Second, Trump's decision is unlikely to change the fact that Latin America is a leader in renewable energy: Latin America produced 53 percent of its electricity from renewable sources (including hydropower) in 2014, while the global average was 22 percent. Chile, Mexico and Argentina have all set goals of producing approximately 20 percent of their electricity from non-hydro renewable sources by 2025. Other Latin American countries have already exceeded that goal. Nicaragua, which refused to sign the Paris Agreement because it didn't go far enough, already gets more than half of its energy from renewable resources and plans to grow that number to 90 percent by 2020. Third, with countries such as Mexico reaffirming their 'unconditional support for the Paris accord,' Trump's

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Vice President Mike Pence is to meet today with the presidents of Guatemala, Honduras and El Salvador during a conference on economic and security challenges in the Central American countries.

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General Alexis López Ramírez said he resigned because he disagreed with President Nicolás Maduro's plans for how the "constituent assembly" would be formed and convened.

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López // File Photo: Venezuelan Government.

POLITICAL NEWS

# U.S. Vice President to Meet With Central American Leaders

U.S. Vice President Mike Pence is to meet with the presidents of El Salvador, Guatemala and Honduras today in Miami after delivering the keynote address at a conference focusing on economic and security challenges in the three "Northern Triangle" countries of Central America. The two-day Conference on Prosperity and Security in Central America opens today, and top administration officials say the United States will signal a strong commitment to the countries, despite a budget proposal that proposes deep cuts in aid, the Voice of America reported. The U.S. delegation at the conference also includes Secretary of State Rex Tillerson, Homeland Security Secretary John Kelly and Treasury Secretary Steven Mnuchin. In addition to the Central American presidents, Mexican Foreign Minister Luis Videgaray is also expected to attend the gathering. The U.S. officials aim to build "a broader partnership" while seeking "stronger and better integration of security, economic and social development issues," said William Brownfield, the assistant secretary of state for international narcotics and law enforcement affairs, the VOA reported. During the conference, leaders are expected to discuss transnational crime and drug trafficking, and will also talk about ways to strengthen the rule of law and encourage economic growth, according to U.S. officials. "We want to mobilize the international community to demonstrate its commitment to confronting the shared challenges we face in the region," said Deputy Assistant Secretary of State John Creamer. The administration of U.S. President Donald Trump has proposed $460 million in assistance for the Northern Triangle countries for the 2018 fiscal year. That amount is a 30 percent cut to the current allocation of $655 million, but is "still a substantial amount of money," said Creamer. [Editor's note: See **Q&A** on the Trump administration's proposed budget cuts in the June 7 issue of the Advisor.]

# Venezuelan General Quits Over Plan to Form 'Constituent Assembly'

A top Venezuelan general who resigned last week said he quit over President Nicolás Maduro's plans to form a "constituent assembly" in order to rewrite the country's Constitution, BBC News reported Wednesday. The general, Alexis López Ramírez, was the head of Venezuela's National Defense Council and said he disagreed with the plans for convening the assembly and selecting its members. Although poll suggest that some 80 percent of Venezuelans disapprove of the way Maduro is handling the country, the military has been loyal to him. Maduro has said Venezuela needs a new Constitution in order to bring peace to the country, which has been wracked by more than two months of protests that have left more than 60 people dead. Maduro's opponents, however, say his push to rewrite the Constitution is an attempt to increase his power.

BUSINESS NEWS

# Brazilian Court Clears Bradesco CEO in Tax Case

A federal court in Brazil has cleared Banco Bradesco Chief Executive Officer Luiz Carlos Trabuco of charges that he had tried to illegally evade a tax fine of 3 billion reais, or $911 million, Reuters reported Wednesday. News of his acquittal Wednesday by the Federal Regional Court of the 1st Region caused shares of the nation's third-largest bank to jump by their greatest amount in the past month. The accusations that Trabuco had participated in a plan to avoid paying the fine imposed by Brazil's Tax Revenue Service came as corruption scandals rocked the country's business and political sectors. The accusations against

NEWS BRIEFS

## At Least Five Killed in Guatemala Earthquake

At least five people were killed and seven were injured by a magnitude 6.9 earthquake that struck western Guatemala early Wednesday, the country's national emergency coordination agency said, the Associated Press reported. A woman in the city of San Marcos was killed by a falling wall, and a homeless man in San Sebastián, Retalhuleu was killed after being hit by part of a church that collapsed. Three other women died from heart attacks attributed to fright caused by the quake. The earthquake also caused moderate damage to homes and some landslides that blocked highways.

## Argentina's Fernández Announces New Political Party, Eyes Senate Seat

Former Argentine President Cristina Fernández de Kirchner on Wednesday announced the creation of a new political party, Reuters reported. The former president, who is reportedly considering a run for a Senate seat in the country's October midterm election said the "Citizens' Unity" party will fight current President Mauricio Macri's "reinstatement of the neo-liberal model." Fernández has not announced her candidacy for a Senate seat, but has until June 24 to do so, Reuters reported.

## Peru to Begin Trade Talks for FTAs With Australia, India

Peru is set to begin negotiations with Australia and India to sign a free trade agreement, Prensa Latina reported Wednesday. The first round of negotiations with Australia will begin in July, and negotiations with India will begin in August. Peruvian Deputy Foreign Trade Minister Edgar Vásquez expressed his confidence in the negotiations, which he said would benefit the country's export sector as well as help create new jobs.

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decision is unlikely to weaken efforts across the region to fight climate change. Although the United States is unlikely to meet its nationally determined contribution goals in the face of a continuing roll-back of Obama-era environmental policies, the fall off may not be as significant as would be expected given the efforts of states, localities and businesses to combat climate change. The impact of terminating contributions to the Green Climate Fund—which is currently funding 43 climate-related projects in developing countries including in Latin America—remains to be seen."

A **Amanda Maxwell, Latin America project director at the Natural Resources Defense Council:** "President Trump's decision to pull out of the Paris Agreement was reckless and goes against the best interests of the United States. As it stands, 70 percent of Americans want the United States to stay in the Paris Agreement, and hundreds of businesses and mayors across the country also support it. The decision to withdraw will not help protect the U.S. economy and workers. In fact, it dampens investments in the United States. Clean energy jobs are the fastest-growing in the energy sector, employing three million Americans and potentially many more if we stick to the Paris Agreement's goals for low-carbon growth. The good news is that the rest of the world is showing leadership in taking on the challenge of climate change. Latin America in particular is moving ahead with urgency and finding innovative, proactive ways to make progress toward this global crisis. Every country in the region is participating in the Paris Agreement, except for Nicaragua. It is worth mentioning that Nicaragua didn't join because it thinks the agreement is not ambitious enough. Latin American countries have proposed robust targets which they are already on the road to achieving. Renewables in the region are competing head-on with any other fuel source. Countries are launching emission mitigation plans, boosting regional collaboration on climate change policy and employing innovative finance tools to fund sustainable projects. President Trump's decision will set the United States on the wrong path. Fortunately, cities, companies and other countries—especially in Latin America—are stepping up to the challenge."

A **Nick Loris, research fellow in energy and environmental policy at The Heritage Foundation:** "Sometimes the road less traveled is less traveled for a reason. Other times, it is important to blaze a new trail. President Trump chose the latter when he announced the United States would withdraw from the Paris climate agreement, and for good reason. The accord is a bad deal, economically and environmentally. Though foreign leaders and U.S. businesses condemned the decision, withdrawal protects all of the people who didn't have a seat the negotiating table, such as Americans who pay taxes and depend on affordable, reliable energy sources. If the United States fulfilled its nationally determined contribution by over-regulating energy, higher prices would harm families multiple times over, particularly affecting low-income families that spend a higher percentage of their budget on energy bills. In total, the regulations would have destroyed hundreds of thousands of jobs and would have caused a typical family of four to lose $20,000 in income by the year 2035. All of that economic pain would translate to a change in the Earth's temperature that's almost undetectable. Even if all of the countries followed through with their commitments, an unlikely scenario given that the commitments are nonbinding and many are tied to receiving billions of dollars, Paris would moderate the Earth's temperature by a few tenths of a degree Celsius by the year 2100. There is nothing about leaving the agreement that prevents Americans from continuing to invest in new energy technologies. The United States will remain

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Trabuco were part of a larger corruption probe into fraud at the Finance Ministry's tax appeals board, and the probe is known as "Operation Zealots." The probe has alleged that some of the country's largest companies had bribed officials at CARF, a Finance Ministry body that rules on tax disputes, in exchange for rulings in the companies' favor. Officials who were part of the probe had also accused André Gerdau Johannpeter, the CEO of steelmaker Gerdau, as well as Joseph Safra, the owner of Banco Safra, of participating in the illicit activity. Brazilian judges dropped the prosecution against Safra in connection with "Operation Zealots" in December.

## China's State Power Investment Eyes LAP's Chile Assets

Chinese state-owned energy company State Power Investment Corp. is in exclusive talks to acquire the Chilean assets of Latin America Power, or LAP, for between $325 million and $400 million, according to two sources with knowledge of the matter, Reuters reported Wednesday. LAP owns more than 300 megawatts of wind and hydropower assets in Chile and Peru, more than 250 MW of which are in Chile, including two large wind farms near Santiago. In 2015, now-bankrupt U.S. energy company SunEdison agreed to purchase LAP for $700 million. SunEdison later terminated the deal, and LAP received a $29.5 million settlement in 2016. LAP put its assets back on the market, and companies including Chile's Colbun, Canada's BluEarth Renwewables and State Power Investment Corp. showed interest in acquiring it, though neither BluEarth nor Colbun are still in the running to purchase LAP, according to sources. State Power Investment Corp., along with LAP and Colbun, declined to comment on the matter of LAP's potential acquisition. BluEarth said in a statement that it "is always exploring new opportunities, including the Chilean power market," but added that it would not comment on "rumors or speculation."

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an important player in climate change discussions. But it signals they will not be contributors to a costly non-solution."

**A Arturo Sarukhan, board member of the Inter-American Dialogue and former ambassador of Mexico to the United States:** "As has been the case now with so many other policy issues that profoundly affect the Americas—whether migration flows, border security or trade—President Trump's argument for withdrawing from the Paris Agreement is fact-free and not supported by evidence. The narrative underpinning the decision is the strengthening of U.S. sovereignty and protecting U.S. jobs, but the likely outcome will threaten U.S. jobs and impair U.S. clout and influence. Trillions of dollars will be invested in new energy systems in the coming years, and the United States may have just ceded to other countries both economic leadership and new job opportunities in these budding industries. It's therefore unsurprising that U.S. corporations—and governors and mayors—overwhelmingly support the United States remaining a party to the agreement. The president's deplorable decision to denounce the agreement is an own-goal for U.S. soft power (and smart power for that), public diplomacy and nation-brand footprints abroad. It's also a self-inflicted wound that could have far-reaching consequences for U.S. geostrategic interests and international leadership on many issues, not just on efforts to reduce greenhouse gas emissions and mitigate the national security effects of global warming and climate change, particularly if the world recommits itself, under European and Chinese leadership, to the Paris Agreement. I have always believed that nations usually face two options in a fully globalized world: you either sit at the table or you're on the menu. That's the conundrum Washington faces today. And for nations across the Americas—many of them biologically megadiverse countries and directly affected by climate change—that believe in the importance of this agenda, bypassing Washington and working directly with governors and mayors in the United States, just like Mexico did in 2008 by signing agreements directly with California, will be a strategy of paramount importance."

**A Remi Piet, senior director at Americas Market Intelligence:** "Trump's decision to withdraw from the Paris Agreement will prove to be a major blunder that benefits a short list of mature industries with little future growth potential against the interests of U.S. consumers, high-growth tech industries and the global leadership status of the United States. While Nicaragua did not sign the text because it was not constraining enough, the United States rejects the deal, refuting overwhelming scientific consensus and becomes the only other member, along with Syria, that is outside of the agreement. Though this decision favors the short-term interests of the coal and oil industries, two powerful campaign donors, it also limits future job creation. The solar and wind industries both create jobs at a rate 12 times faster than the rest of the U.S. economy. Leading companies from Shell to IBM and Nike to Disney criticized the decision as a setback that inhibits the ability of U.S. companies to lead tomorrow's carbon-neutral economy. The decision will have little impact on other Western Hemisphere countries. Several of them, among the most affected by climate change in the world, reaffirmed their commitment to the Paris Agreement. Chinese and Indian investments in alternative energy technology will race ahead of the United States—China intends to spend more than $360 billion through 2020—and will gladly service Latin American market needs at the expense of American companies, whose reputations are once again sullied by a leader who is well on his way to destroying the enviable position of authority and leadership that the United States has enjoyed for more than a century."

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