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FEATURED Q&A

Will a UN Report Dampen Enthusiasm for Biofuels in Latin America?

Q A report written by a special rapporteur on the right to food and submitted to the United Nations General Assembly in August labels biofuels production a "crime against humanity" and calls for a five-year moratorium, claiming biofuels are responsible for current and future increases in food prices that could lead to widespread hunger in poor countries. What impact will the report have on biofuels production? Will the report dampen enthusiasm for biofuels in Latin America?

A Guest Comment: **Joel Velasco:** "We believe Mr. Ziegler's interim report will not have a significant impact on biofuels production, nor will it dampen enthusiasm for biofuels in Latin America and beyond. The fact is that most of the statements made by the special rapporteur in the document lack credibility because they're based on anecdotes, unsubstantiated media articles, and isolated cases that certainly do not represent the norm. For instance, the report preys on the food versus fuel debate, claiming that biofuels are responsible for current and future significant food price increases, when it is well documented that sharp petroleum price increases have far more to do with food price hikes. The fact that some agricultural price increases actually benefit farmers around the world who have been suffering with low commodity prices for several years isn't even considered. The

report becomes apocalyptic and entirely unacceptable when it describes biofuels production as 'a crime against humanity' and a 'recipe for disaster,' suggesting that biofuels can lead to widespread hunger in poor countries. As Nobel Prize winner Dr. Amartya Sen pointed out a decade ago, hunger does not result from insufficient food production but from low income and unemployment, which limit access to food. Overall, the document is seriously lacking when it comes to sound, objective, and scientifically-based arguments, and is possibly more indicative of the author's personal

Continued on page 4

PHOTO OF THE DAY



Carlos Pareja was fired from his job as the head of Petroecuador yesterday, as President Rafael Correa declared a state of emergency at the state-owned company. See [story](#) on page 2.

Photo: Petroecuador.

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NEWS BRIEFS

New Video Proves Betancourt Alive in Colombia, Officials Say

Colombian officials showed video footage this morning of hostages held by the FARC rebel group, including the first images shown since 2003 of French-Colombian citizen and former presidential candidate Ingrid Betancourt, the Associated Press reported. France said the footage proves Betancourt is alive. Colombia obtained the footage from three suspected FARC members arrested Thursday. Negotiations with the FARC were derailed earlier last week when Colombian President Alvaro Uribe ended the role of his Venezuelan counterpart, Hugo Chavez, as FARC mediator.

Eastern Caribbean Earthquake Kills One, Damages Buildings

A strong earthquake hit the eastern Caribbean on Thursday, killing at least one person, injuring numerous others, and damaging commercial and residential buildings. The magnitude-7.4 earthquake struck at about 2:00 pm and was centered 14 miles northwest of Martinique's coastline. Electricity was out on the island overnight, wire reports said.

DDB Worldwide Names Ortiz Head of Latin America Business

New York-based advertising giant **DDB Worldwide** has appointed Juan Carlos Ortiz the new president for its Latin America operations and US Hispanic marketing. Prior to joining DDB, Ortiz was co-president of **Leo Burnett North America**. He succeeds Steve Burton, 55, president of DDB Latin America since 2001. Burton will continue with DDB Latin America as chief operating officer. Both Ortiz and Burton will be based in Miami, the company said in a press release.

Political News

Correa Declares State of Emergency at Petroecuador

Ecuadorean President Rafael Correa on Thursday decreed a state of emergency at **Petroecuador**, replacing the head of the state-owned oil company and putting the Navy in charge of operations. In the [decree](#), Correa said that inefficiency and organizational weakness had reduced Petroecuador's oil exploration, production, industrialization, commercialization, and transportation operations, resulting in a loss of income "that could provoke great domestic turmoil" and "directly harm the Ecuadorean people." Correa removed Carlos Pareja as head of Petroecuador, naming in his place Navy Rear Admiral Guillermo Zurita, who said his first act would be to re-establish order

gurat Thursday for a 6-month term and granted powers to rewrite the constitution. President Correa is expected to offer up his symbolic resignation to the Assembly but be quickly ratified in his post.

Venezuela Campaigns Wrap Up Ahead of Sunday Referendum

Supporters of President Hugo Chavez's referendum campaign to expand his constitutional powers are planning a rally today at 2:00 pm, as campaigning officially closes ahead of Sunday's vote. Chavez is expected to speak at 4:00 pm at the rally in Caracas. The margin of victory in the "yes" or "no" vote had turned against Chavez in recent weeks, but new high-profile spats with Colombia and Spain may have given the Chavez camp new momentum, according to some analysts. "While we would take the results of government

“It is necessary to urgently intervene in the whole of the Petroecuador system to safeguard national interests.”

— Rafael Correa

in the Amazon province of Orellana, the government said in a [statement](#). Protests and roadblocks this week in Orellana by jungle dwellers demanding funding for public projects have slashed Petroecuador's overall output by 20 percent. Zurita also said a Naval team will take over key posts at Petroecuador to "generate positive results at the company." Pareja, who had been in the post since Correa took office in January, was criticized by environmentalists and villagers in the oil-rich Amazon jungle over his handling of the company. He will remain as an advisor to



Zurita. Photo: Carondelet.

the president, the government said, according to Reuters. Ecuador is South America's fifth-largest oil producer, but production has suffered from inefficiency and repeated turmoil at Petroecuador. Meanwhile, Ecuador's Constituent Assembly was formally inau-

sponsored polls showing the 'yes' vote holding a substantial lead in Sunday's referendum with a large grain of salt, we do get the sense that the surprising momentum of the 'no' in closing the gap last week may have stalled out, and that Chavez's playing up of the Colombia dispute may be paying dividends for the 'yes' by stirring up nationalism," **JP Morgan Chase** analysts wrote in a research note today. [Editor's Note: see related Q&A in the Tuesday, November 27, issue of the *Advisor*.]

El Salvador's President Meets with Bush in Washington

US President George W. Bush met yesterday in Washington with President Elias Antonio Saca of El Salvador, the only country in Latin America to have military troops still stationed in Iraq. The two leaders discussed issues like trade, immigration, military ties, and combating gang and drug violence. Bush noted the latter

issues specifically in his remarks to reporters. "We share a concern about the drug issue and the crime issue. We're in the process of finalizing a strategy to help



Presidents Saca and Bush.

Photo: White House.

the Central American countries deal with these issues. And I've asked [President Saca] to take the lead," Bush said, according to a White House transcript. Saca said Bush has asked for financial support from the US Congress for the security plan. Immigration also came up during the meeting. "Today we have spoken of how important it is for my people to be legally living here in this country," Saca said. El Salvador's economy has grown about 4 percent over the past year, its strongest growth rate in nearly a decade.

Company News

ArcelorMittal Investing \$5 Billion in Brazil Expansion

Steelmaker **ArcelorMittal** said yesterday it will invest \$5 billion in Brazil and plans to double the capacity of its Monlevade plant in Minas Gerais state. The plan involves the construction of another blast furnace, which will add over one million tons of capacity at the plant. Speaking yesterday in Vitoria, Brazil, Lakshmi Mittal, the company's president and CEO, said he aims to increase shipments out of Brazil by 20 percent by 2012 "through organic growth alone." "Work on the ground will begin shortly," Mittal said. Arcelor and Mittal merged last year. The two companies had combined revenues of \$88.6 billion in 2006, with crude steel production of 118 million tons, representing around 10 percent of world steel output.

Capitol Hill Watch

A Weekly Look at US Congressional Activity on Latin America

Engel: Chavez Inciting Division Through Spats with Spain, Colombia

Venezuelan President Hugo Chavez is inciting division in Latin America by fighting with Spain's king, Juan Carlos, and Colombian President Alvaro Uribe, Rep. Eliot Engel (D-NY) said Thursday. "I am in Brazil discussing regional integration while I watch President Chavez incite regional division," Engel, the chairman of the House subcommittee on the Western Hemisphere, said in a press release. "First, he fights with the king of Spain, and now with Colombia's President Uribe. The future of the Americas lies in mutual respect and expanded ties between neighbors. Our hemisphere deserves better." Engel was in Brazil for a five-day visit as part of a congressional delegation to discuss regional integration and energy issues. On Tuesday, Chavez recalled Venezuela's ambassador to Colombia and said relations with the Uribe government were "impossible" after Uribe last week terminated Chavez's role as a mediator with Colombia's FARC rebels. Chavez has also demanded that Juan Carlos apologize for telling the Venezuelan leader to "shut up" at the Ibero-American Summit in Chile earlier this month. Chavez has said economic ties with Venezuela were in jeopardy because of the incident. Some analysts speculate that Chavez is seizing on the conflicts to boost his popularity at home ahead of a referendum this Sunday on controversial reforms—changes which opponents call anti-democratic—to Venezuela's Constitution.



Engel.

Photo: Office of Rep. Engel.

Reid Leads Senate Delegation to Latin America

US Senator Harry Reid (D-NV) this week kicked off a bipartisan congressional tour of Latin America. The delegation is scheduled to visit Guatemala, Paraguay, Mexico, Colombia, and the Brazil-Paraguay-Argentina "tri border" area from November 25 through December 2. Reid met Thursday with Mexican President Felipe Calderon, saying the Senate delegation had "a frank and productive conversation" with Calderon. "President Calderon has already demonstrated his strong commitment to fighting drug trafficking and organized crime. He understands that economic development in Mexico will help reduce illegal immigration to the United States, and he is fighting for reforms to achieve that goal," Reid said in a press release. Calderon, for his part, stressed to the US delegation

“President Calderon stressed the need for US authorities to redouble their efforts to reduce arms trafficking to Mexico.”

— Mexican government press release

that "since migratory flows reflect social, economic, and demographic realities, the only long-term solution to the phenomenon is to consolidate the employment and living conditions in Mexico that will prevent Mexico from losing its best men and women," according to a government press release. Calderon also stressed the need for US authorities to "redouble their efforts to reduce arms trafficking to Mexico," the release stated. The US delegation in Mexico comprised Democratic senators Jeff Bingaman, Kent Conrad, Byron Dorgan, and Robert Menendez, as well as Republicans Thad Cochran and Mike Crapo.

Featured Q&A*Continued from page 1*

biases and lack of knowledge about the subject of biofuels than the realities of this sector."

A **Guest Comment: Laura Rusu:** "Biofuels may offer the potential to reduce poverty by increasing jobs and markets for small farmers in developing countries, and by providing cheap, renewable energy for local use. But biofuels are not a panacea. In the scramble to supply the world with biofuels, poor people will get trampled. Reports show that as much as 5.6 million square kilometers (2.2 million square miles) of land—an area more than 10 times the size of France—could be in production of biofuels within 20 years in India, Brazil, southern Africa, and Indonesia alone. Poor people will face clearance from their land to make way for biofuel plantations, with many ending up in slums in search of work and others on the very plantations that have displaced them with poor pay, squalid conditions, and no worker rights. Food will also be less available and more expensive as more and more arable land is used to grow biofuel crops. People living in the poorest countries, unable to take advantage of the biofuels market, will be most at risk. We are already seeing significant price increases in sugar, corn, and other crops previously used for food now in demand to create biofuels. From an environmental standpoint, biofuels are unlikely to make a meaningful impact on reducing carbon emissions unless countries tackle their ever-increasing fuel consumption and change transport habits."

A **Guest Comment: Terry McCoy:** "There is no question that the case for biofuels as the solution to high oil prices and looming energy shortages is getting a second look. Several developments explain growing reservations. One has to do with the

argument—first highlighted by Fidel Castro—that shifting crops from food to biofuel production threatens to diminish global food supplies. A related critique has been the sharp increase in grain prices, most importantly corn, attributed to increased ethanol production in the US. Another concern is the social and environmental consequences of expanding biofuels production. Brazil, which is leading the global campaign in favor of biofuels, has born the brunt of critics who argue that expanding sugar cane cultivation for ethanol will perpetuate dangerous and exploitative labor practices and threaten the environment. Perhaps the most immediate question about biofuels is the bottom line. Suddenly there is a surplus of ethanol pushing prices and margins down. Rather than a definitive retreat from biofuels, I believe that the current pause will produce a reassessment of where they fit in the energy equation. Instead of being the solution to future energy needs, they will be seen as one component of a more diverse portfolio. Even in this more reduced scenario for biofuels, Latin America stands to benefit, especially those economies in Central America and the Caribbean (especially Cuba) that are oil importers and cane producers. The biggest winner still appears to be Brazil. It has growing hydrocarbon reserves and the most developed biofuels industry in the world."

Joel Velasco is Chief Representative in the United States for the Brazilian Sugar Cane Industry Association (UNICA).

Laura Rusu is a spokesperson for Oxfam America.

Terry McCoy is Director of the Latin American Business Environment Program at the University of Florida.

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