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FEATURED Q&A

How Energy Efficient Are Latin American Countries?

Q At the Americas Energy & Climate Symposium last month in Lima, representatives from governments in the hemisphere agreed to set up a regional research center for energy efficiency in Peru. The Inter-American Development Bank has estimated that implementing energy efficiency measures in Latin America could save \$36 billion in the next 10 years by negating the need to build out new capacity. How do countries in Latin America currently measure up when it comes to energy efficiency? What would be the cost of upgrading energy efficiency and is it worth it? What can governments and industries do to promote more efficient energy usage?

A **Guest Comment: José Goldemberg:** "Energy efficiency programs in Latin America are welcome but do not have the same importance as in the industrialized countries, which have energy systems with large inefficiencies built in. In those countries, energy efficiency is the 'low hanging fruit' and is the first priority in order to reduce emissions. In developing countries, where energy consumption per capita is lower than in industrialized countries—and is bound to grow—the strategy is to introduce early in the process of development clean and efficient technologies. This means that there are great opportunities for savings without having to go through expensive retrofitting. Setting up an Energy

Efficiency Center in Peru is thus a step in the right direction, but it has to be complemented by government actions making the adoption of minimum performance standards mandatory."

A **Guest Comment: Alvaro Rios:** "Energy efficiency is a must in Latin America. However, careful focus on approaching how to do it is the key. Many institutions and organizations and non-governmental organizations are triplicating efforts in not the same

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Honduras' Micheletti Willing to Step Down From Presidency

De facto Honduran President Roberto Micheletti said Wednesday that he is willing to step down as long as deposed President Manuel Zelaya does not return to power. See story on page 2.

File Photo: Honduran Government.

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NEWS BRIEFS

US, Colombia Nearing Deal on Expanding Military Presence

The United States and Colombia are getting closer to an agreement to expand the US military's presence in the South American nation, the Associated Press reported Wednesday. Officials from both countries expressed hope that talks scheduled for later this month in Bogota will lead to a 10-year agreement that could station hundreds of American military personnel in Colombia in support of anti-drug efforts. Currently, the US has about 600 military personnel and civilian contractors in Colombia.

Stocks Surge on Higher Hopes for Economic Recovery

Stocks in Latin America and the US jumped Wednesday on positive economic news, including a report of recovering industrial production, Bloomberg News reported. Industrial production in the United States saw its smallest drop in eight months, according to the Federal Reserve. Shares of Brazil's Vale also rose on an upgrade from Bank of America. Brazil's Bovespa index surged 4.96 percent, Mexico's IPC added 4.09 percent and in New York, the Dow Jones Industrial Average rose 3.07 percent, or 256.72 points, to end the day at 8,616.21.

Vehicle GPS Maker TomTom Expanding into Argentina

Portable navigation device maker **TomTom** announced Wednesday that it is expanding into Argentina. The Amsterdam-based company said it will begin offering products in Argentina beginning next month. "Argentina offers a good potential with over 9 million cars on the road every day," said the company's area director for Latin America, Elias Kabeche.

Political News**Micheletti Open to Resigning as Long as Zelaya Doesn't Return to Power**

De facto Honduran President Roberto Micheletti said Wednesday that he is willing to resign as long as deposed President Manuel Zelaya is not allowed to return to power, the Associated Press reported. Micheletti said he is open to stepping down "if at some point that decision is needed to bring peace and tranquility to the country, but without the return, and I stress this, of former President Zelaya." According to Honduran law, Supreme Court President Jorge Rivera would become president if Micheletti were to leave office. The Supreme Court backed the June 28 *coup* against Zelaya. The ousted president has vowed to return to the presidency. On Tuesday, Zelaya said Hondurans had a right to insurrection. Micheletti on Wednesday said groups, which he did not specify, are distributing

weapons for a rebellion. "This morning we were informed that they were handing out some guns," Micheletti said. He did not say who "they" referred to. However, Micheletti also said he thought an armed rebellion was unlikely. "I don't think we

“I don't believe Hondurans will pick up arms to kill other Hondurans.”

— Roberto Micheletti

will get to that point. Our country is peaceful. I don't believe Hondurans will pick up arms to kill other Hondurans," he said. In Tegucigalpa, protesters continued to call for Zelaya's return. Labor leader Israel Salinas told thousands of people marching through the Honduran capital

Featured Q&A

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direction, confusing ministries and local institutions on energy efficiency. Another issue that must be understood is that different countries have different situations. Olade has a good diagnostic of the situation of energy efficiency in the region and could be a good start. Resources are limited and there is room for a lot of institutions to assist. Duplicating and triplicating efforts must end."

Guest Comment: Arnaldo Vieira de Carvalho:

"Unfortunately most Latin American countries lag behind energy efficiency technologies already employed in Europe, Japan, South Korea, North America and other industrialized countries. Studies done by the International Energy Agency (IEA) in 11 of its member countries indicate that energy consumption in these countries would be 58 percent higher today without energy efficiency measures imple-

mented since 1973. Another IEA study on 16 of its member countries concluded that since 1990 half of their energy demand was met by energy efficiency measures. The World Energy Council estimates that existing energy efficiency technologies could save 25 percent of energy consumption by 2020 and 40 percent by 2050. In contrast, during the last decades, with a few exceptions such as Mexico, Brazil, Peru, Costa Rica and Chile, most Latin American countries have not dedicated much attention to energy efficiency policies and strategies, nor have they had concrete plans to do it in the short term, besides some educational campaigns and isolated compact fluorescent light distribution programs. However, this situation is drastically changing due to high energy price volatility during the last couple of years and exceptionally growing concerns with climate change. Nowadays, several other Latin American countries are also actively pursuing well-conceived and sustainable energy efficiency programs, including Nicaragua, El Salvador, Honduras,

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that a walkout is planned later this week by workers at state-owned companies. Also on Wednesday, a new **Gallup** survey showed more support for the ousted president than for the *de facto* leader. In the poll, 46 percent said they had a favorable view of Zelaya, as compared to 30 percent for Micheletti. Forty-four percent said they had an unfavorable view of Zelaya and 49 percent said they were unfavorable toward Micheletti. The survey was conducted by Costa Rica-based **CID-Gallup** from June 30 to July 4, shortly after Zelaya's ouster, and has a margin of error of 2.8 percent. Talks mediated by Costa Rican President Oscar Arias and aimed at ending the crisis are set to resume Saturday in San Jose.

Economic News

UN Agency: Mexico's Economy Will Contract 7 Percent This Year

Mexico's economy will contract 7 percent this year at the same time all of Latin America's gross domestic product falls almost four percentage points more than earlier predicted to negative 1.9 percent, the United Nations Economic Commission for Latin America and the Caribbean said Wednesday, Bloomberg News reported. In December, the agency



Barcena

File Photo: UN.

had forecast economic growth of 1.9 percent for the region. The region's economies are feeling pain after trade has slumped 38 percent from last year's peak, remittances to the region have declined and foreign investment has dropped, said the agency's executive secretary, Alicia Barcena. "Mexico is the biggest concern in the region," said Barcena. "It's an economy that depends very heavily on exports to the US, it's one of the countries with the biggest fall in remittances and it's also being hit by swine flu. Recovery for Mexico will be difficult and highly complicated." The effects of the swine flu outbreak may cost Mexico between 0.3

Comings & Goings

Brazil's **Banco Bradesco** has promoted two executives as executive directors after three employees resigned from the bank, Bloomberg News reported Wednesday. Candido Leonelli and Mauricio Machado de Minas were named to the posts after three directors who each had served for at least a decade announced they were stepping down. Paulo Isola, who has headed cards operations and the consumer finance unit, announced his resignation as did Armando Trivelato Filho and Luiz Pasteur Machado. The three executives who are stepping down all served on the bank's board. Isola spent 12 years at the company. Trivelato Filho worked for Bradesco for 33 years and Pasteur Machado was with the bank for 49 years. The new executive directors have each spent at least two decades at Bradesco. Leonelli will oversee client relationships and Minas will be in charge of technology. The departures and new assignments are happening four months after Luiz Carlos Trabuco Cappi became the chief executive officer of the bank, which is the second-largest non-state financial institution in Brazil.

Electricity holding company **Duke Energy International** (DEI), the Charlotte, N.C.-based company said Wednesday in a press release. Andrea Bertone, DEI's general counsel, is replacing Richard McGee, who announced his resignation in order to pursue other interests. Bertone has been with the company since 2001. She joined Duke Energy as assistant general counsel for energy services in the company's Houston office. In addition to being general counsel since 2006, Bertone is legal director for DEI Paranapanema, a Brazil-based generating company. Bertone "brings a unique combination of qualities—expertise with DEI's business ventures, an understanding of South American cultures and the commercial background required to run international operations," said Keith Trent, group executive and commercial business segment president. Bertone graduated with a law degree from the University of Sao Paulo and earned a master's degree in law from Chicago-Kent College of Law. DEI owns about 4,000 megawatts of generation, all in Latin America. Approximately 75 percent of the company's capacity is hydroelectric.

San Antonio-based **Franklin Mining** on Tuesday announced the appointments of Kurt Spenkoch as secretary and treasurer and Walter Rea Mendoza as chief financial officer following the deaths of two senior executives in June. Spenkoch was previously vice president of operations and a founding member of board of directors of the company, which has mining and energy interests in Bolivia and Argentina. He will remain a director of the company. Rea served as chief financial officer of Franklin's mining and energy projects in Bolivia. Both positions were previously held by William "Mack" Jackson, who died from a heart attack on June 23 at the age of 79. "Both Mr. Spenkoch and Mr. Rea are thoroughly familiar with Franklin Mining's operations and share our commitment to the success of our company," Chairman and CEO William Petty said in a statement. The company has yet to announce a new executive vice president to replace Fernando Infante, who died unexpectedly on June 4 from an infection. In a letter to shareholders, Petty said a decision on Infante's successor was "pending completion of the previously announced divestiture of our Texas and South American energy assets."

percent and 0.5 percent of its GDP this year. Elsewhere in the region this year, the commission said Brazil's GDP is likely to contract 0.8 percent and Chile's may shrink 1 percent. The commission is predicting growth of 0.6 percent for Colombia, 1.5 percent for Argentina and

0.3 percent for Venezuela. However, the commission is forecasting recovery next year. It said Latin America's GDP may expand 3.1 percent as Mexico grows 2.5 percent and the economies of Brazil, Colombia, Chile and Venezuela each grow 3.5 percent.

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Guatemala, the Dominican Republic, Panama and Ecuador, besides several countries in the Caribbean, just to name a few. Energy efficiency is the cheapest, cleanest and quickest to implement energy source. The Inter-American Development Bank estimates that energy efficiency could supply 10 percent of the energy Latin American countries require in the next 10 years for a fraction (roughly one third) of the cost of conventional energy supply options. Latin American governments should make (and several are already making) informed decisions about energy efficiency programs, including the implementation of energy efficiency regulatory frameworks, mandatory standards, financing/incentives mechanisms, facilitating access to lower income population to efficient appliances, developing alliances with manufacturers to develop more efficient technologies, among several other initiatives tailored to each country. Industries should explore new business opportunities derived from demand of more efficient equipment and should invest in corresponding research and development."

A Guest Comment: Jeremy Martin: "There is a growing consensus in the hemisphere, expressed at the Lima Symposium, that the most important 'new' energy source is the energy that we do not consume. With the clear marriage of energy and climate issues, participants also added that reduced energy demand can play an important role in tackling greenhouse gas emissions. Important gains have been made in energy efficiency via lower consumption in OECD countries in recent years. However, Latin America has not kept pace with this development. Recent decades have witnessed a laudable increase in the availability of electricity in many countries which in turn has provided for higher standards of living. However, by the important measure of energy intensity—energy consumption relative to total output of the economy—Latin America has

fallen behind. Electricity consumption growth has far outpaced GDP growth over the last 10 years, a glaring comparison to Germany, for example, where GDP grew by 30 percent between 1990 and 2007 and primary energy consumption decreased by 7 percent. An effective tool in promoting efficiency and conservation is sensible market-based pricing policies. Countries that artificially maintain low energy costs through subsidies not only promote higher utilization but also disincentivize investment in new technologies—and thus don't alter energy consumption patterns and behavior. Argentina is a clear example of this approach. Meanwhile, when faced with a major drought that crippled the nation's hydroelectric production, Brazil in 2001 adopted price incentives that fiscally rewarded users who curbed consumption and strongly penalized those who did not. The result was a 20 percent decrease in electricity consumption in just over a month. Promoting energy efficiency and conservation through rational pricing, intense campaigns of public awareness, increased competition, and open markets are important alternatives to constructing new production (both traditional and alternative) or increasing energy imports."

José Goldemberg is professor of physics at the University of Sao Paulo and a former secretary of the environment of Sao Paulo state.

Alvaro Rios is partner/director of Gas Energy Latin America, former executive secretary of the Latin American Energy Organization (Olade) and former energy minister of Bolivia.

Arnaldo Vieira de Carvalho is a sustainable energy specialist in the Energy Division of the Inter-American Development Bank.

Jeremy Martin is director of the energy program at Institute of the Americas.

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