

# INTER-AMERICAN DIALOGUE'S LATIN AMERICA ADVISOR

## BOARD OF ADVISORS

**Diego Arria**

Director,  
Columbus Group

**Genaro Arriagada**

Board Member, Banco  
del Estado de Chile

**Joyce Chang**

Global Head of  
Emerging Markets  
Research, JPMorgan  
Chase & Co.

**W. Bowman Cutter**

Former Partner,  
E.M. Warburg  
Pincus

**Alejandro Delgado**

Economist for Latin  
America, Africa, the  
Middle East & Mexico,  
General Motors

**Dirk Donath**

Managing Director,  
Eton Park Capital  
Management

**Jane Eddy**

Managing Director,  
Corporate & Govt.  
Ratings Group,  
Standard & Poor's

**Marlene Fernández**

Corporate Vice  
President for  
Government Relations,  
Arcos Dorados

**Jason Hafemeister**

Vice President,  
Allen F. Johnson &  
Associates

**Peter Hakim**

President Emeritus,  
Inter-American  
Dialogue

**Donna Hrinak**

Senior Director of Latin  
America Government  
Affairs, PepsiCo

**Jon Huenemann**

Principal,  
International  
Department,  
Miller & Chevalier

**James R. Jones**

Co-chair,  
Manatt Jones  
Global Strategies LLC

**John Maisto**

Director,  
US Education Finance  
Group

**Nicolás Mariscal**

Chairman,  
Grupo Marhnos

**Thomas F. McLarty III**

President,  
McLarty Associates

**Carlos Paz-Soldan**

Partner,  
DTB Associates, LLP

**Beatrice Rangel**

Director,  
AMLA Consulting LLC

**José Antonio Ríos**

Chief Executive Officer,  
Vadium Technology Inc.

**Andrés Rozental**

President,  
Rozental & Asociados  
and Senior Fellow,  
Brookings Institution

**Everett Santos**

President,  
DALEC LLC

**Shelly Shetty**

Senior Director, Latin  
American Sovereign  
Ratings, Fitch Inc.

## FEATURED Q&A

### How Would U.S. Climate Legislation Affect Latin America?

**Q U.S. Senators John Kerry (D-Mass.) and Joseph Lieberman (I-Conn.) last month unveiled long-awaited climate legislation that aims to curb U.S. carbon emissions. Many in Latin America are watching what happens in the United States due to the potential trade and energy implications for the region. What are the Senate proposal's most important consequences for Latin America and the Caribbean? Is the bill likely to pass the Senate before year's end?**

**A David M. "Max" Williamson, counsel at Andrews Kurth in Washington:** "Given the political dynamic in the United States and competing legislative priorities such as immigration reform, it is questionable whether the Kerry-Lieberman American Power Act will reach the Senate floor this year, and if it does, whether the Senate bill can be reconciled with the House climate bill passed last June. Climate legislation's fate will hinge on whether President Obama chooses to bring to bear his personal engagement and influence. One unconventional possibility, however, is that if a number of incumbent members of Congress lose in this year's mid-term elections, look for the possibility of a 'legacy' vote during the lame duck session in December (coinciding with the Cancún climate change conference), which is how the U.S. superfund law was passed decades ago. If the Kerry-Lieberman bill stalls, it is

possible for the focus to shift to funding international greenhouse gas reductions in the nature of foreign aid (rather than a cap-and-trade mechanism) through bilateral trade agreements, particularly in Latin America. The United States will be under pressure to show leadership on the global stage, and Latin American countries could benefit if they engage creatively through diplomatic and trade channels, and particularly if there are opportunities for private investment. This and similar domestic programs being considered by executive agen-

*Continued on page 2*



### Chávez Suspends Venezuela's Electricity Rationing Program

Venezuelan President Hugo Chávez, pictured with employees of the Josefa Joaquina Sánchez Bastidas Generating Complex in Vargas state, said Thursday that the government is suspending its power rationing. See story on page 2.

*Photo: Venezuelan Government.*

## Inside This Issue

<b>FEATURED Q&amp;A:</b> How Would U.S. Climate Legislation Affect Latin America? .....	1
Clinton Pledges More Support for Fighting Crime in Caribbean .....	2
Chávez Suspends Venezuela's Electricity Rationing .....	2
Mexico Consortium Wins \$69 Million Bid for Fiber-Optic Lease .....	2
Brazil's Senate Approves Petrobras Capitalization Plan .....	3
<b>Capitol Hill Watch:</b> A Look at U.S. Congressional Activity on Latin America .....	3

## NEWS BRIEFS

**Mexico Consortium Wins \$69 Mn Bid for Fiber-Optic Lease**

Mexico's government on Thursday awarded a fiber-optic lease to a consortium consisting of **Telefónica**, **Televisa** and **Megacable** in an effort to bring more competition to the telecommunications market, Dow Jones reported. The group won a 20-year concession to lease about 12,000 miles of unused fiber-optic capacity from state-run utility Comisión Federal de Electricidad by submitting the minimum required bid of 883.8 million pesos (U.S. \$68.7 million), according to a statement from the Communications and Transportation Ministry.

**Colombia's Santos Eyes Balanced Budget by '14: Economic Advisor**

Juan Manuel Santos, the front-runner ahead of Colombia's June 20 presidential election runoff, aims to balance the country's budget by 2014 and achieve annual economic growth of 6 percent within the first two years of his term, Santos' economic advisor told Bloomberg News Thursday. Santos' plans to increase economic growth include a doubling of government housing subsidies for middle-class and poor residents, higher infrastructure spending and efforts to diversify the agricultural sector, said the advisor, Juan Carlos Echeverry.

**Peru Raises Interest Rates Over Inflation Concerns**

Peru's central bank on Thursday raised its benchmark lending rate as faster economic growth fuels inflation concerns. The increase to 1.75 percent from 1.50 percent is the second consecutive monthly rate hike, Bloomberg News reported. Peru was the second Latin American country after Brazil to raise borrowing costs in 2010.

**Political News****Clinton Pledges More Support for Fighting Crime in Caribbean**

U.S. Secretary of State Hillary Clinton on Thursday pledged more U.S. help to fight drug trafficking and other transnational crime in the Caribbean. "We all know well that addressing transnational security challenges in the 21st century requires a comprehensive approach," Clinton told a gathering of Caribbean foreign ministers in Bridgetown, Barbados, Agence France-

“For all of us, the safety of our people must be our highest priority.”

— Hillary Clinton

Presse reported. "For all of us, the safety of our people must be our highest priority." She said the United States is committed to the Caribbean Basin Security Initiative, which was launched last month in Washington. The initiative is intended to complement the Mérida Initiative security cooperation plan between the United States and the governments of Mexico, Central American countries, Haiti and the Dominican Republic.

**Featured Q&A**

*Continued from page 1*

cies in the United States may be the 'bridging' strategy to maintain low-carbon investments and show progress until a climate bill or international accord can eventually be struck."

**A** **Mark Lambrides, chief of energy and climate change in the department of sustainable development at the Organization of American States:** "If passed, the American Power Act (APA) has the potential to stimulate new trade and investment opportunities in Latin

**Economic News****Chávez Suspends Venezuela's Electricity Rationing**

Venezuelan President Hugo Chávez on Thursday suspended a national electricity rationing plan, saying that heavy rains have strengthened the electrical grid, Bloomberg News reported. "I feel a great spiritual relief because I suffered through these measures that we had to take," Chávez said on state television. "This shows our capacity to confront crisis after crisis." In January, the government ordered a reduction of 20 percent in electricity usage and penalized those who did not comply. A drought had caused water levels at the Guri hydroelectric dam to fall within eight centimeters of a collapse. The dam supplies hydropower plants that supply more than two-thirds of the country's electricity. The water levels are now higher due to the rainy season. The electricity rationing harmed Venezuela's economic growth and lowered production of steel and aluminum, said Chávez. The country's economy contracted 5.8 percent in the first quarter. The government will begin restoring electricity to Venezuela's largest steel mill, run by **Siderurgica del Orinoco**, as well as aluminum producers that are part of state-run **Venezolana de Guayana**, said Venezuela's electricity minister, Ali Rodríguez.

America and the Caribbean (LAC). The APA would permit covered entities to acquire international offset credits if they invest or engage in activities that result in the reduction, avoidance, destruction or sequestration of greenhouse gas emissions in developing countries. The APA addresses international offsets in the section entitled, 'Offset Credit Program for International Emission Reductions.' This section articulates the requirements for implementing an international offsets program and for determining what types of offsets will be recognized in the pro-

*Continued on page 4*

## Company News

### Brazil's Senate Approves Petrobras Capitalization Plan

Brazil's Senate on Thursday approved legislation to allow state oil company **Petrobras** to issue new shares to pay the government for access to reserves containing as much as 5 billion barrels of oil off Brazil's coast. The capitalization will help the company raise as much as \$25 billion from minority shareholders in the Western Hemisphere's largest sale of shares in more than a decade, Bloomberg

“Victory for Brazil!”

— *Delcido Amaral*

News reported. The plan will help Petrobras pay for as much as \$220 billion in spending through 2014 as Petrobras develops its pre-salt oil fields. The spending program is the world's largest investment program by an oil company. "My work is done," said Sen. Delcido Amaral, who presented the final draft of the bill, Bloomberg News reported. "Victory for Brazil!" The legislation now goes to President Luiz Inácio Lula da Silva. Shareholders are scheduled to vote June 22 on increasing capital by as much as 150 billion reais (\$U.S. 82.6 billion). Also on Thursday, Brazil's Senate approved other measures relating to Petrobras, which must go back to the lower house of Brazil's Congress because senators altered the legislation. One bill would make Petrobras the lone operator of oil fields in the pre-salt and other "strategic" areas, Bloomberg News reported. Also, senators approved the use of oil revenue to create a fund to compensate for sudden oil price changes, to avoid overappreciation of currency and to counter any imbalances caused by higher revenues from natural resources. Senators also passed legislation to change distribution of oil royalties, increasing payments to states and municipalities that do not produce oil. [Editor's note: See related Q&A in Tuesday's [Advisor](#).]

## Capitol Hill Watch

### A Look at U.S. Congressional Activity on Latin America

#### U.S. Congress May Block Funds for Haiti Judicial Reform Programs

Members of a U.S. Senate committee are considering a measure that could block funding for judicial reform programs in Haiti following alleged shootings by guards at an overcrowded prison in the wake of the Caribbean country's devastating Jan. 12 earthquake, *The Wall Street Journal* reported. The proposal by Sen. Patrick Leahy (D-Vt.) in the Senate Appropriations Committee would block funds "for justice programs in Haiti until a thorough, credible and transparent investigation" of a riot and escape attempt at the prison in the town of Les Cayes is completed and Haiti's government "takes appropriate action." For more than a decade, Leahy has pressed for Haiti to fight corruption in its justice system. Also on Thursday, Sen. Richard Lugar (R-Ind.), the ranking member of the Foreign Relations Committee, released a report urging Haitian President René Prével to schedule presidential and parliamentary elections. Haiti could face a "severe political crisis ... if an elected government is not in place to assume power after President Prével's term expires in early 2011," said Lugar.



Leahy

File Photo: U.S. Congress.

#### State Department Disburses \$15 Million for Cuba Pro-Democracy Activities

The U.S. State Department released \$15 million to support pro-democracy activities in Cuba after two Democratic congressmen dropped holds on the funds' disbursement, *The Miami Herald* reported Monday. Sen. George LeMieux (R-Fla.), an outspoken critic of the Cuban regime, lauded the move but called on the Senate and State Department to release an additional \$5 million that Congress also appropriated in the 2009 fiscal year budget. That sum includes \$2.6 million for **Development Alternatives Inc.**, the contractor whose employee was arrested last year in Cuba for distributing communications equipment to Jewish groups, according to the *Herald* report. Sen. John Kerry (D-Mass.) and a House member had been holding up the release of the funds over concerns about the effectiveness of Cuba democracy assistance programs.

#### Engel Praises Departing Head of U.N. Anti-Impunity Panel in Guatemala

The chairman of the U.S. House Foreign Affairs Subcommittee on the Western Hemisphere on Thursday praised Carlos Castresana, the outgoing head of a United Nations' anti-impunity commission in Guatemala, and called on the U.N. secretary general to quickly appoint a replacement. In a statement, Rep. Eliot Engel (D-N.Y.) said Castresana, a Spanish jurist who has led the U.N. International Commission Against Impunity in Guatemala (CICIG) since it was created in 2008, took on "one of the most challenging jobs in the world." Castresana announced his resignation on Monday, complaining that criminal groups had tried to derail the commission's work and accusing Guatemala's newly appointed attorney general, Conrado Reyes, of ties to organized crime. Guatemala's Constitutional Court on Thursday removed Reyes from office amid allegations of corruption. Reyes has denied any wrongdoing, but said he will comply with the court's ruling.

**Featured Q&A***Continued from page 2*

gram. The offsets framework allows for 25 percent of reductions to be achieved from international projects. From the standpoint of greenhouse gas emission reductions, LAC countries offer signifi-

ables. Many of the emerging renewable energy opportunities are right on the margin in terms of being competitive with conventional energy sources. It will not require large financial transfers to

“From the standpoint of greenhouse gas emission reductions, LAC countries offer significant potential for investment in the area of renewable energies.”

— Mark Lambrides

cant potential for investment in the area of renewable energies. Already the region is a leader in this area. For example, hydropower meets approximately 60 percent of the power generation needs of the region (highest proportion in the world), the installed geothermal capacity in Mexico exceeds 960 MW (third largest in the world) and approximately half of Brazil's transportation needs are met with biofuels (highest ratio in the world). There remains great untapped potential for the development and use of these technologies and fuels, as well as with wind, solar and other advanced renew-

push these projects into the positive realm, but it will be essential that politicians and regulators establish simple and transparent rules and procedures that do not overly burden transactions while encouraging large and small deals that offer true win-win solutions for carbon reduction.”

*The Advisor welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at [gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org) with comments.*

**Latin America Advisor**

*is published every business day by the Inter-American Dialogue, Copyright © 2010*

**Erik Brand**

General Manager, Publishing  
[erand@thedialogue.org](mailto:erand@thedialogue.org)

**Gene Kuleta**

Editor  
[gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org)

**Matthew Schewel**

Reporter, Assistant Editor  
[mschewel@thedialogue.org](mailto:mschewel@thedialogue.org)

**Inter-American Dialogue:**

Michael Shifter, President

Peter Hakim, President Emeritus

Katherine Anderson, V.P., Finance & Administration

Genaro Arriagada, Senior Fellow

Joan Caivano, Director, Special Projects

Dan Erikson, Senior Associate, U.S. Policy

Paul Isbell, Visiting Senior Fellow

Claudio Loser, Senior Fellow

Nora Lustig, Senior Fellow

Manuel Orozco, Director, Remittances and Development Program

Tamara Ortega Goodspeed, Senior Associate, Education

Marifeli Pérez-Stable, Senior Fellow

Jeffrey Puryear, Vice President, Social Policy

Viron Vaky, Senior Fellow

**Latin America Advisor** is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at: 1211 Connecticut Avenue, Suite 510 Washington, DC 20036 Phone: 202-822-9002 Fax: 202-822-9553 [www.thedialogue.org](http://www.thedialogue.org)

**Subscription Inquiries** are welcomed at [fretrial@thedialogue.org](mailto:fretrial@thedialogue.org)

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the publisher. The analysis is the sole view of each Advisor and does not necessarily represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the publisher.

## Financial Services

Upgrade your subscription with the  
**Inter-American Dialogue's biweekly  
Financial Services Advisor.**

INTER-AMERICAN DIALOGUE'S  
LATIN AMERICA ADVISOR ► FINANCIAL SERVICES

The answers to questions that  
informed executives are asking.

Send an email to [fretrial@thedialogue.org](mailto:fretrial@thedialogue.org) today.