

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

Senior Economist for
Latin America, Africa,
the Middle East
& Asia Pacific,
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

Vice President,
Global Public Policy &
Gov't Affairs, PepsiCo

Jon Huenemann

Vice President,
U.S. & Int'l Affairs,
Philip Morris
International

James R. Jones

Co-chair,
Manatt Jones
Global Strategies LLC

Craig Kelly

Vice President,
The Cohen Group

John Maisto

Director,
U.S. 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

Should Brazil Continue to Pursue Nuclear Energy?

Q Brazil's state-run nuclear energy company was recently approved for a 6.1 billion real loan from development bank BNDES for the completion of the nation's third nuclear power plant. The head of Eletronuclear also said the company will present the Mines and Energy Ministry a list of 40 sites that would be appropriate for the construction of new generators, which would then have to be approved by lawmakers and the Rousseff administration. Is pursuing additional sources of nuclear energy the right course of action to help meet Brazil's energy needs? Which forces are shaping the nuclear energy industry in the country? What are the prospects for wider use of nuclear power in the region and how should it be regulated?

A Claudio Frischtak, president of Inter. B Consultoria Internacional de Negócios in Rio de Janeiro: "Brazil currently has two nuclear power plants operation, adding up to 2,007 megawatts (MW), or 1.73 percent of total installed capacity. They have supplied base energy at high operating and safety standards. Thus, their share of total electricity production stands significantly above their capacity share, which is around 3 percent. In 2015, Angra III is expected to be commissioned, adding a further 1,405 MW, and the government has announced four new 1,000 MW nuclear power plants by 2030 in conjunc-

tion with an effort to increase proven uranium reserves (which stand at 310,000 tons but could grow to 1.1 million tons out of the 7 million tons of the world's estimated reserves) and 'close' the uranium enrichment cycle (the conversion of uranium into a gas is done outside Brazil and so is most of its enrichment). Globally, there are 53 plants under construction, 135 firmly committed and another 295 planned by 2030. Despite open safety issues (regarding definitive disposition of nuclear waste), high capital costs (\$5 million per MW of

Continued on page 3



Eighteen Killed in Gunfight in Mexico's Tamaulipas State

A gunfight between rival drug gangs left 18 people dead Monday in Mexico's Tamaulipas state. Masked soldiers are pictured patrolling last year in Ciudad Victoria, the state capital. See story on page 2.

File Photo: Agence France-Presse.

Inside This Issue

FEATURED Q&A: Should Brazil Continue to Pursue Nuclear Energy?	1
Gunfights in Mexico's Tamaulipas State Leave 18 Dead	2
Number of Mexicans With Pay Television Surpasses 10 Million	2
India's United Phosphorus Acquiring Stake in Sipcam Isagro Brasil	2
Judge Extends Order Delaying Payout in Chevron Case	2
Jury Convicts Puerto Rican Senator in Bribery Case	2

NEWS BRIEFS

Judge Extends Order Delaying Payout in Chevron Case

A U.S. federal judge on Monday extended a temporary order that bans Ecuadoreans who sued over contamination from collecting \$18 billion in damages from **Chevron**, the Associated Press reported. District Judge Lewis Kaplan said Chevron could suffer irreparable harm to its business relations, ordering it to post a \$21.8 million bond to cover the costs of a delay should it be found that the injunction was illegitimate. An Ecuadorean judge issued the award last month but Chevron has brought a racketeering case, arguing that the Ecuadoreans' lawyers manipulated evidence.

Jury Convicts Puerto Rican Senator in Bribery Case

Jurors found Puerto Rico territorial Sen. Héctor Martínez and businessman Juan Bravo Fernández each guilty of one count of bribery while dismissing one count of conspiracy against Martínez, who was also found not guilty of charges of obstruction of justice and interstate travel in aid of racketeering. The judge initially said the men should be detained but later agreed to a conditional release, the Associated Press reported.

Former Dominican President Wins Presidential Nomination

Former Dominican Republic president Hipólito Mejía has won the opposition PRD party's convention to be its next presidential candidate ahead of the May 2012 vote, local daily *Listín Diario* reported Monday. With nearly 54 percent of the vote, Mejía beat his rival, construction mogul Miguel Vargas, by at least 6 percentage points. The convention, which took place Sunday, was marred by alleged irregularities.

Political News**Gunfights in Mexico's Tamaulipas State Leave 18 Dead**

Gunfights in a northeastern Mexican town left 18 people dead Monday, the latest bloodshed in the country's brutal drug war, the Associated Press reported. The fighting happened in the town of Abasolo, said the Tamaulipas state government, which added security forces from the state and federal government were in the town to return it to order and investigate the killings. Tamaulipas has been torn by deadly confrontations between the Zetas and Gulf drug cartels as they fight a turf war. The shootings happened a day after seven police officers and a prisoner were killed after assailants attacked a convoy transporting inmates in Sinaloa state. Attackers traveling in approximately 20 vehicles enveloped the convoy, which was transporting two prisoners. In addition to the officers and inmate who were killed, six other officers and the other inmate were wounded. "The patrol vehicles were destroyed. It was practically a massacre," said Sinaloa state's attorney general, Marco Antonio Higuera. "Initial reports indicate there were 1,200 shell casings at the scene."

More than 35,000 people have been killed in drug related violence in Mexico since President Felipe Calderón launched his crackdown on the cartels in December 2006.



Higuera
File Photo: State of Sinaloa.

Economic News**Number of Mexicans With Pay Television Surpasses 10 Million**

The number of Mexican households subscribing to pay television services has surpassed 10 million, a national penetration of 41.2 percent, state news agency Notimex reported Monday. According to Latin American Multichannel Advertising

Council (LAMAC), the recent growth of pay TV in Mexico has been primarily due to more attractive pricing and packages of television channels, as well as bundling of internet, telephone and interactive TV services. Mexican states that registered the biggest increases in penetration had high concentrations of poor to middle-class households that earn less than \$1,000 per month. "We believe that the percentage of

“ We believe that the percentage of households with pay television can reach levels of 70 percent in about five years ... ”

— LAMAC report

households with pay television can reach levels of 70 percent in about five years, as is the case in countries such as Argentina and Colombia," the Council's report stated. Pay TV penetration in Brazil is still low at around 17 percent of households, compared with 52 percent in Argentina, according to a recent Business News Americas report. The average TV penetration in Latin American countries is 20 percent.

Company News**India's United Phosphorus Acquiring Stake in Sipcam Isagro Brasil**

Mumbai-based **United Phosphorus Ltd.**, India's largest agrochemical company, said on Monday said it will acquire a 50 percent stake in **Sipcam Isagro Brasil**, the *Economic Times of India* reported. Sipcam Isagro Brasil, a maker of crop protection chemicals, is a joint venture between two Italian firms, **Sipcam-Oxon Group** and **Isagro**. "The deal size is being pegged [at] around \$600 million," according to an *Economic Times* source. Sipcam had about \$1 billion in revenue last year, United Phosphorus said in the statement. Brazil has a \$7 billion crop protection market, making it among the five largest in the world.

Featured Q&A*Continued from page 1*

installed capacity) and a perception that potential non-nuclear clean energy sources are abundant in Brazil (wind, biomass, solar), the course pursued by government is on the whole correct. It should first be underlined that nuclear power will remain marginal in the country, at 1.9 percent in 2019, while the share of wind and solar power will increase from 0.5 percent to 3.3 percent during that period. Second, long-term energy security presupposes a variety of new low-carbon sources, nuclear being a relevant alternative, with safety conscious countries (France, Japan, South Korea) investing in new plants at a growing pace. Finally, it is imperative that the country introduce a new regulatory regime and an independent agency to attract private investment so as to master the design and construction of small and mid-sized nuclear plants and position itself to compete in a growing and technologically sophisticated market."

A José Goldemberg, physics professor at the University of São Paulo and former environment minister of São Paulo State:

"Brazil has two operating nuclear reactors and a third reactor under construction. There are modest enrichment facilities in the country but not enough to fuel the reactors. An additional four reactors are planned by 2030. In addition to that, there is a small research reactor for research, training and preparation of isotopes for medical use in São Paulo, but most of those isotopes are imported. There are plans for the installation of a multipurpose highflux reactor for research and isotope production. Recently an agreement was signed with Argentina for a joint effort on this project. Argentina has a rather developed capacity of building research reactors. Other Latin American countries, such as Venezuela, Chile, and Colombia, have ample hydroelectric resources and it is unlikely that they will install nuclear reactors for electricity production. From that perspective, Brazil, which also has a large untapped hydroelectric potential, is

setting a bad example. The fact that Argentina and Brazil installed nuclear reactors has, in the past, generated concerns about the proliferation of nuclear weapons since both countries refused to join the Non-Proliferation Treaty. This problem was solved only in 1990 by the creation of the Brazilian-Argentine Agency for Accounting and Control of Nuclear Materials. Both countries joined the Nuclear Non-Proliferation Treaty in 1994 and accepted International Atomic Energy Agency inspections. However, the two countries have not signed the Additional Protocol, which is viewed with apprehension in some quarters in the United States and Europe."

A Roberto Brandão, senior researcher in the Grupo de Estudos do Setor Elétrico (GESEL) at the Universidade Federal do Rio de Janeiro:

"Hydroelectric power plants generate roughly 90 percent of Brazil's electricity today. In the next decade, new large hydro power plants will account for most of Brazil's new generation capacity. Some large hydro projects are already under construction, including Belo Monte, Santo Antônio and Jirau. However, by 2020-25, most of the hydro potential will have already been tapped and Brazil will need alternatives to hydro power. Nuclear energy in Brazil is today a very expensive alternative to hydro generation. But it may prove a viable alternative after 2020-25. Choosing new sites for nuclear power plants is the very first step in what can be a 10 year plus construction cycle. Brazil has two nuclear power plants that date from the Brazilian nuclear power program in the 1980s. The equipment for the nuclear plant that is being built in Rio de Janeiro state now had already been bought when the nuclear program was discontinued. However, there are no plans for new investments in new nuclear power plants besides this 'old' Angra III project."

The Advisor welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.

Latin America Advisor

is published every business day by the Inter-American Dialogue, Copyright © 2011

Erik Brand

General Manager, Publishing
ebrand@thedialogue.org

Gene Kuleta

Editor
gkuleta@thedialogue.org

Rachel Sadon

Reporter, Assistant Editor
rsadon@thedialogue.org

Inter-American Dialogue

Michael Shifter, President

Peter Hakim, President Emeritus

Katherine Anderson, V.P., Finance & Administration

Genaro Arriagada, Senior Fellow

Sergio Bitar, Visiting Senior Fellow

Joan Caivano, Director, Special Projects

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

Subscription Inquiries are welcomed at 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.