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FEATURED Q&A

What Role Should Governments Play in Regulating Land Use?

Q Roughly half of the deforestation that was avoided in Brazil's Amazon region from 2005-2009 was the result of governmental policies, according to a report released March 21 by the Climate Policy Initiative. Meanwhile, "billions" of investment dollars are on hold as Brazil considers a proposal governing land purchases, nearly two years after the country banned foreign investors from buying large tracts of land, the *Financial Times* reported. Meanwhile, the alarming rate of loss of Paraguay's Chaco Forest has also recently made headlines. What role should the state play in regulating land usage? How can Latin American governments balance preservation of unique environmental systems with economic growth?

A James N. Levitt, fellow in the Department of Planning and Urban Form at the Lincoln Institute of Land Policy in Cambridge, Mass.: "For most of the past decade, Latin American economic growth has maintained a healthy pace. Foreign direct investment from nations such as China that are seeking reliable supplies of minerals and other natural resources has been particularly strong. And growing populations in the region continue to strive for improved incomes and living conditions. All of this economic activity is putting severe and sustained pressure on Latin America's unique land base. Most professionals working in the field of land conservation are all too familiar with the urgent reports of the disappearance of and ongoing threats to landscapes along Chile's Valdivian Coast, in the Brazilian Amazon, in the Chaco region of Paraguay, and in uplands of Belize, to name just a few. In recent years, government regulation has played a highly significant role in checking the loss of forest cover in Latin America. For example, Chile's regulations restricting the cutting of native forestlands and the use of non-native plantation species have transformed the behavior of

Continued on page 3

Rich Nations' Policies Hurting Growth, Rousseff Tells Obama

Wealthy nations' monetary policies are harming the economies of emerging markets, Brazilian President Dilma Rousseff told U.S. President Barack Obama Monday. Rousseff's visit to Washington was her first since taking office. See story on page 2.

Photo: Brazilian Government.

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NEWS BRIEFS

Costa Rican Diplomat Freed After Kidnapping in Venezuela

A Costa Rican diplomat kidnapped last weekend in Venezuela has been freed and is in good health, Reuters reported today. Guillermo Cholele, a trade attache at the Costa Rican Embassy in Caracas, was seized on Sunday night as he returned to his home in La Urbina. "He is in good physical state, under police protection en route to meet up with his family," Venezuelan Interior Minister Tareck El Aissami told reporters. The "express" kidnapping of diplomats and sports figures has become increasingly common in Venezuela.

Brazil's Petrobras Reports Oil Leak Near Site of Chevron Spill

Brazilian state oil company **Petrobras** has reported a leak at a well near the spot where U.S.-based **Chevron** had 3,000 barrels of crude oil seep into the ocean in November, Bloomberg News reported Monday. Droplets of crude were detected coming out of the seabed at the Roncador area, Brazil's petroleum regulator said. Chevron's spill triggered criminal probes and threats of billions of dollars in fines. The ANP said it's testing samples of the oil found at Roncador to find out the origin of the seep and expects results within two days, Bloomberg News reported.

Ecuador's Trade Surplus Grows to $199 Million

Ecuador's trade surplus amounted to $199 million in February, as compared to $91 million the previous month, the country's central bank announced Monday, Bloomberg News reported. The country's exports in February reached $1.97 billion, while imports totaled $1.77 billion, the bank said.

Economic News

Rich Nations' Policies Hurting Growth, Rousseff Tells Obama

Wealthy nations' monetary policies are hurting global economic growth, Brazilian President Dilma Rousseff told U.S. President Barack Obama Monday during her one-day visit to Washington, Bloomberg News reported. In addition to telling Obama that the United States should invest more in Brazil, Rousseff expressed concerns about "expansionist" monetary policies that "lead to a depreciation in the value of the currencies of developed countries, thus impairing growth" in emerging-market economies. Rousseff later told Brazilian reporters that wealthy nations have relied too much upon ultra-low interest rates in order to spur growth. The policies are leading to a "monetary tsunami" that harms Brazil's economy by causing its currency to soar, hurting exports. Obama said trade and investment between the United States and Brazil is at "record levels." The United States has "drastically" reduced waiting times for Brazilians to acquire U.S. visas, Obama said, adding that Washington will open two new consulates in Brazil. Rousseff, whose visit to the White House was her first since taking office 15 months ago, said Brazil would welcome more U.S. investment, saying that Brazil's massive offshore oil deposits offer a "tremendous opportunity" for the two countries to work together more closely. Obama is looking to help U.S. businesses profit not only from Brazil's oil fields, but also from $200 billion in infrastructure and hotel improvements needed in Brazil ahead of the 2014 World Cup and 2016 Summer Olympics. Rousseff also said she expressed concerns about Brazil's trade balance with the United States. Latin America's largest economy had an $8.2 billion trade deficit with the United States last year. In 2007, it had a $6.4 billion surplus with the United States. Of the BRICS nations, which also includes Russia, India, China and South Africa, only Brazil has a trade deficit with the United States, said Rousseff. On policies with other countries in the hemisphere, Rousseff told Obama that after this week's Summit of the Americas, Cuba should no longer be excluded from the gathering. The U.S. and Brazilian presidents are both scheduled to attend the summit in Cartagena, Colombia. Also notable at Monday's meeting at the White House were two topics that Rousseff said were not discussed. The Brazilian president said she and Obama did not talk about Iran's nuclear program, which the United States opposes, but Brazil defends. Also not part of the talks Monday, according to Rousseff, was Brazil's upcoming decision on awarding a contract, which could be worth as much as $4 billion, to either U.S.-based **Boeing**, France's **Dassault** or Sweden's **Saab**.

Interest rates near zero are leading to a "monetary tsunami," said Rousseff.

Chile Eyes $100 Billion in Mining Investments Through 2020

Chile's level of investment in its mining sector is expected to reach $100 billion by 2020, the country's mining association, Sonami, said Monday, Reuters reported. The association's previous estimate had been for $80 billion in investment between 2011 and 2018. A month ago, Chile's government estimated the country's total mining investments would reach $91.46 billion through 2020. The world's top copper-mining country, Chile is likely to produce 7.5 million metric tons of copper annually within the next eight years. That compares to approximately 5.2 million metric tons last year. Chile's state-owned copper company, **Codelco**, plans $17 billion in long-term investments in order to increase its output to more than 2.1 million metric tons annually. The company is the world's-largest copper producer. In addition to copper, Chile also produces metals including molybdenum, gold and silver.

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Political News

Mexico's Peña Nieto Vows to Create New Police Force

Enrique Peña Nieto, the front-runner in Mexico's presidential race, said Monday that, if elected July 1, he would create a new police force comprised of former soldiers in order to put a stop to the country's vicious drug-related violence, Reuters reported. Peña Nieto told the wire service that he would create a "national gendarmerie" that would be made up of troops already fighting the cartels. Peña Nieto, of the opposition Institutional Revolutionary Party, said he would position those soldiers in locations where organized crime has outgunned the authorities. "What's the aim? To support municipalities with major institutional weakness. Some have few police, or don't have any," Peña Nieto told Reuters. Peña Nieto also said he would expand the size of the federal police to more than 50,000 officers from its current total of about 40,000. In most polls, Peña Nieto has a double-digit lead over Josefina Vázquez Mota of the ruling National Action Party.

Peña Nieto

Photo: Peña Nieto campaign.

Company News

Shares of Colombia's Helm Bank Soar on Takeover Report

Shares of Colombia-based **Helm Bank** leapt 16 percent Monday on a report that the lender will be acquired, Bloomberg News reported. The bank is expected to announce this week that it is being taken over, Colombian newspaper *El Tiempo* reported, citing unnamed sources familiar with the matter. Helm's shares soared to 460 pesos in their biggest one-day gain since they began trading in December 2007. The lender's stock has increased 50 percent so far this year, as compared to the 18 percent gain in Colombia's IGBC index. Investors have been betting on helm's acquisition amid a surge in financial firms in the Andean region and expanding credit in Colombia, Juliana Valencia, an analyst at the **Alianza Valores** brokerage in Bogotá told Bloomberg News. "Recently we've seen a lot of appetite for Colombian banks, not only given the economy's expansion but also the growth in lending," she said. Last year, there were $7.56 billion in deals to acquire financial firms in the Andean region, five times the total in 2010. Helm's president, Carmina Ferro, said in February that the bank's controlling shareholders were uninterested in selling. The news service could not reach Ferro Monday for comment on *El Tiempo*'s report.

Featured Q&A

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that nation's large and prosperous forest products sector. Yet the pressures, and the worries over the survival of some of earth's most unique natural assets, continue. Beyond regulation, there is a set of complementary conservation practices that are increasingly familiar and useful to Latin American land conservationists. These techniques call for collaboration of landowners across the public, private, NGO and academic sectors to achieve measurable and lasting 'landscape-scale' conservation outcomes. They include: the use of conservation easements granted by private landowners to governments and land trusts; the leveraging of mitigation markets to rectify the loss of ecosystem function resulting from such activities as mining and road construction, as well as commercial and residential development; and incentives for targeted, sustainable economic activity, enhancing the prospects, for example, for local eco-tourism and value-added forest products manufacturing businesses. The question really, then, is not whether regulation should play a role in the protection of Latin America's green infrastructure, but rather how new private-sector friendly conservation techniques can complement such regulations while helping to sustain Latin America's economic progress."

A Sebastián Acha, member of Paraguay's Chamber of Deputies: "The land clearance rate of the Chaco is faster than ever. There is no consensus between producers and the government in order to protect and sustainably develop this fragile ecosystem, which is susceptible to desertification. The role of the state is key. There is a need for clear policies related to sustainable development, and there is an urgent need for policies that use Paraguay's natural capital for the socio-economic development of the country, based on the protection of biodiversity. At the present, there is a gap in national regulations that protect the Chaco eco-region, and there are two marked positions. On one side, there are the producers that need to develop the land by clearance for timber harvesting and cattle ranching, and on the other side are organizations and people concerned about the protection of the Chaco. The role of the government in this situation is vital to balance these two positions for the protection and sustainable development of the Chaco, the country and perhaps the region. A good example of this is the payment for ecosystem services that promote conservation through economic incentives. The role in governments in achieving 'sustainable development' by developing green economic policies and clear national regulations is key, but is only the first step. Harmful human behavior needs to be changed, starting with a solid environmental education about the vital role of biodiversity in human well-being."

A Fabio Rubio Scarano, senior vice president in the Americas division of Conservation International: "The state should play a major role both in terms of regulating land usage as well as in creating and enforcing good environmental legislation. For example, Brazil has good environmental laws, but they have always

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Featured Q&A

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been poorly enforced. Land use policy is still a problem. For instance, Brazil has some 60 million hectares of unproductive land on fertile soils currently occupied by cattle-raising with an average of one cow per hectare or less. Curiously, this is almost the same amount of land dedicated to highly productive and modern agribusiness (nearly 67 million hectares). In other words, with adequate land reform to make cattle-raising more intensive in smaller areas and allow expansion of agriculture to currently unproductive areas, Brazil could arguably double its food, fiber, fuel and commodity production without cutting down a single tree. This depends on adequate land use policy. In the case of the Amazon, there has been much reduction in deforestation in Brazil, but it is increasing at fast rates in countries such as Bolivia and Peru. Road infrastructure and energy are two of the main drivers, and Brazilian investment is also related to that. So, in the case of the Amazon, we should think of transnational policies to avoid simply transferring the deforestation problem across borders. Finally, there are already several examples across the region, at the local scale, where conservation-based development has been increasing the life standards of local people. The working hypothesis of Conservation International is that there is a direct causal relationship between maintenance of natural capital and human well-being. In partnership with local governments and local societies, we are beginning to build field demonstrations that confirm this hypothesis."

> "Brazil could arguably double its food, fiber, fuel and commodity production without cutting down a single tree."
>
> — ***Fabio Rubio Scarano***

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

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