World leaders met in New York Sept. 22 to discuss a new global agreement on climate change ahead of talks scheduled for December in Copenhagen. What is at stake for Latin America with regard to the issue of climate change? Will the region play a big role in advancing (or hindering) a new global climate agreement? What are the best paths forward for countries of the region on this issue, and what, from a Latin American perspective, should a new global agreement entail? Can steps that some of the countries of the world have taken to fight climate change be replicated in Latin America and vice versa? If so, which? How would such a deal impact Latin American economies and regional trade flows?

Alicia Bárcena, executive secretary of the Economic Commission for Latin America and the Caribbean: "We are at a vital crossroads with regard to fighting global warming: We either continue on the path of multilateral negotiations based on shared values, agreed timetables and proportional efforts or we embark on a path of unilateral national initiatives that do not distinguish between relative levels of development and only obey the rules of the market. In June, the US House of Representatives approved the Clean Energy and Security Act, which seeks to reduce greenhouse gas emissions by 17 percent in 2020 as compared to 2005. This legislation, which is still pending approval in the Senate, would establish compensatory tariffs on carbon-intensive goods, such as steel, cement, paper and glass, imported from countries the United States considers as not doing enough to reduce their emissions. In France, the information on the carbon footprint of products and their packaging, as well as their consumption or potential environmental impact, will be mandatory as of January 2011. These unilateral measures could mean that the efforts and responsibility for mitigating the

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Political News

OAS Delegation Arrives in Honduras, Zelaya Wants Election Postponed

An Organization of American States delegation arrived Wednesday in Honduras for talks aimed at ending the stalemate that has dragged on since the Central American nation’s June 28 coup. "We are not here to create a debate," OAS Secretary General Jose Miguel Insulza said in Tegucigalpa, the Associated Press reported. "We are here to find concrete solutions to a situation that cannot be prolonged." Insulza unveiled a proposal that would reinstate ousted President Manuel Zelaya and offer both him and the coup leaders amnesty. The proposal is similar to one that Costa Rican President Oscar Arias proposed and the government of de facto President Roberto Micheletti rejected. Micheletti again on Wednesday appeared no more willing to allow Zelaya’s return. "You don’t know the truth or you don’t want to know it," Micheletti angrily told the diplomats. The proposal Insulza presented also requires Zelaya to give up any attempts to change the country’s Constitution. Meantime, Zelaya, who has been holed up at the Brazilian Embassy in the Honduran capital since sneaking back into the country Sept. 21 called for Honduras’ Nov. 29 presidential election to be postponed if he is not restored to the presidency by Oct. 15.

One member of the members of the OAS delegation, Peter Kent, Canada’s minister of state for the Americas, said the crisis must be resolved before the election. “I sense that everybody involved understands that we are nearly out of time and this crisis needs to be resolved now,” Kent said, according to the AP. Several countries have warned they will not recognize the winner of the election if it is held under the de facto government. [Editor’s note: See related Q&A in the Sept. 3 issue of the Advisor.]

Zelaya

Avianca, Taca Announce Merger to Form Region’s Largest Airline

El-Salvador based airline Grupo Taca and Colombian carrier Avianca said Wednesday they will combine to form Latin America’s largest airline group in a transaction worth more than $3 billion. The two airlines’ controlling companies will contribute stock to form a new joint holding company while Taca and Avianca will continue to operate as separate companies and maintain their respective brands. The two airlines have combined annual revenues of more than $3 billion, operate 129 aircraft and employ roughly 12,000.

IDB Provides $3.95 Million Grant to Aid Microfinance Institutions

The Inter-American Development Bank on Wednesday approved a $3.95 million grant aimed at helping microfinance institutions in Latin America and the Caribbean expand access to financial services. The grant, from the institution’s Multilateral Investment Fund, will contribute to a $10 million program to foster “innovative technology” to reduce operational costs and help provide financial products.

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effects of climate change may shift from north to south, and could turn into a new obstacle to the economic growth of developing countries. In Latin America, awareness about the trade relevance of the carbon footprint is just now emerging and the region should take it very seriously in designing its public policies and long-term economic planning. If addressed in a timely and comprehensive manner, this may be an opportunity to begin decarbonizing the energy matrix, renew infrastructure, improve productive processes and gradually move towards a development model with less carbon content. What we expect from Copenhagen is a renewed global agreement, with clear, binding commitments from industrialized countries, with explicit intentions on the part of emerging nations and financial mechanisms and technologies to achieve the goal of reducing greenhouse gas emissions between 20 and 40 percent by 2020 as compared to 1990 levels.”

A Santiago Levy, vice president for Sectors and Knowledge at the Inter-American Development Bank: “Without urgent and decisive action, climate change could undermine decades of development progress in Latin America and the Caribbean region and efforts to achieve the millennium development goals. Addressing this global challenge is a central theme for the region. Some climate change impacts cannot be reversed and will have major economic consequences. The region urgently needs to enhance its capacity to adapt to climate change. For instance, the effect on the tropical glaciers of the Andean region will change the timing and intensity of water availability for agriculture or energy production. Although Latin America and the

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Shares of Santander’s Brazilian Unit Begin Trading With a 3.7% Drop

Shares of the Brazilian unit of Spain’s Banco Santander declined on their first day of trading Wednesday due to speculation that the 14.1 billion real ($US 8 billion) offering was overvalued, Bloomberg News reported. The company sold shares in the initial public offering at 23.50 reais each. They fell to 22.62 reais at the end of the day in Sao Paulo. The IPO was the world’s largest since Visa’s in March 2008, BBC News reported. The bank is expected to use the proceeds to increase its number of branches, install automated teller machines and increase capital reserves.

Company News

Repsol YPF, Argentine Affiliate Ordered to Pay $3.39 Million

Spain’s Repsol YPF and its affiliate in Argentina have been ordered to pay 13 million pesos ($US 3.39 million) to former distribution competitor Autogas because of the “abuse of its dominant position in the supply of liquefied petroleum gas in bulk,” Argentine daily newspaper La Nacion reported Wednesday, citing the court’s order. The judgment against Repsol YPF and YPF with interest could surpass 50 million pesos. Autogas’ lawsuit had argued that “abusive trading conditions” for liquefied petroleum gas were established in a 1994 contract, EFE reported. The ruling said YPF sold the fuel in Argentina for $400 per ton while exporting it for $100 per ton. YPF has filed an appeal, La Nacion reported.

Legal Briefs

Uruguay, Argentina Finish Oral Arguments in Pulp Mill Dispute

A high-profile legal battle between Uruguay and Argentina over a pulp mill on the border of the two nations entered a final stage last week as lawyers for both sides finished oral arguments before the International Court of Justice in The Hague. Argentina first brought the case against its neighbor in 2006, arguing that the Botnia pulp mill, built by a Finnish company on the Uruguayan side of a river separating the two countries, releases harmful contaminants into the Uruguay River. Uruguay denies those charges and won the right to continue building the plant, which opened in November 2007, after the ICJ rejected Argentina’s initial request to halt construction. In its final submission to the court, Argentina said the plant violates a 1975 treaty and asked for the Botnia mill’s immediate removal along with compensation for damages suffered, according to a summary posted on ICJ’s Web site. Uruguay asked the court to throw out Argentina’s claims and affirm its right to continue operating the Botnia mill. In a statement released prior to final arguments, law firm Foley Hoag LLP, which is representing Uruguay, said a decision from the panel of 17 judges is expected by next spring. “This is a very important case, and not only for Uruguay and Argentina because it addresses the concept of sustainable development—encouraging economic development that ensures protection of the environment,” said Paul Reichler, who is leading Foley Hoag’s legal team.

Cargill Wins $77 Million Arbitration Award in Mexico Trade Barriers Dispute

US agricultural producer Cargill has won a $77.3 million arbitration award in a long-running case involving Mexican trade barriers to high-fructose corn syrup, The American Lawyer reported. The award, announced last month by Mayer Brown, which has represented Cargill, was reportedly the largest ever handed down under NAFTA. Cargill and other US producers of the sweetener filed arbitration suits against Mexico after the country passed a law in 2001 levying a 20 percent tax on imported high-fructose corn syrup. The plaintiffs argued the law was intended to force Mexican beverage makers to use locally grown sugar instead of the cheaper corn-based sweetener, thus violating NAFTA provisions. While the measures in question were lifted in 2008, Cargill and other US companies still sought damages for the time the restrictions were in effect. Prior to the Cargill award, Archer Daniels Midland and Tate & Lyle won a joint $33.5 million decision, while Corn Products International won a $58.4 million award in August.

Shearman & Sterling Represents JBS, Underwriters in Santander Brasil IPO

New York-based Shearman & Sterling has represented JBS USA Holdings, a subsidiary of Brazilian beef giant JBS, in its acquisition of US poultry producer Pilgrim’s Pride. In the deal, which was formalized Sept. 16, JBS will acquire 64 percent of Pilgrim’s Pride stock for $800 million in cash. The Pittsburg, Texas-based company’s shareholders will retain the remaining 36 percent of the shares. The total enterprise value of the deal is $2.8 billion. Shearman & Sterling also represented the underwriters of this week’s $8 billion initial public offering of shares of Banco Santander’s Brazilian unit.
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Caribbean account for a relatively small share of global emissions (12 percent), measures to mitigate climate help achieve other development priorities as well. Mitigation actions are closely linked to sustainable land and forest management, cleaner energy (including geothermal, biomass or hydro power), and efficient urban transport. The agreements in Copenhagen, and countries’ ability to show that they can address climate change, could affect access to new finan-

cial and investment flows in a number of areas, ranging from energy, agriculture and water resources to health, forestry and coastal zones. The Inter-American Development Bank is committed to mainstreaming climate change across its portfolio. We are working closely with ministries across the hemisphere on this core development issue to develop the types of comprehensive programs that are needed. We provide technical and financial support for designing and implementing climate change adaptation and mitigation programs. These include the use of carbon markets, guarantees, debt and equity products, as well as analytical advisory services, financial and investment planning, risk management and capacity building.”

Andrew E. Miller, human rights campaigner at Amazon Watch in Washington: "Fortunately for Latin America, few of its countries made the World Bank’s recent list of those most vulnerable to increased flooding, storms, drought and food insecurity. Predicted climate change impacts in the region, however, are serious. The melting of Peru’s glaciers, for example, means likely water shortages within several decades for the country’s growing population. International discussions about mitigating climate change since Kyoto have included the new eco-nomenclature of reducing emissions from deforestation and degradation, REDD. In short, the theory is to make forests more economically valuable standing than chopped down. The notion has found powerful supporters amongst governments, businesspeople (dreaming of a potential multi-billion dollar carbon market), multilateral banks, and large-scale conservation organizations. Given the Amazon rainforest’s unique and recognized value in regulating climate, sequestering carbon and providing other environmental services like creating water and air, there is widespread agreement that it must be saved. REDD is seen by many as a panacea. Not everyone, however, is a REDD partisan. Many indigenous peoples, understandably, are skeptical that the latest silver bullet is really in their interest. In fact, serious concerns have arisen that implementation of REDD could counteract fundamental indigenous rights, in the same way that countless conservation schemes have limited local subsistence activities and led to displacement around the world. Recent clashes in Peru and Ecuador around who controls natural resources might well portend ominously for implementation of REDD projects in indigenous territories. At climate change negotiations, indigenous leaders have been advocating for the explicit inclusion of their rights in the treaty coming out of December's Copenhagen summit. Enlightened proponents of climate change mitigation efforts impacting indigenous lands—a significant part of the Amazon—would do well to heed their call."

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