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FEATURED Q&A

What Does the Itau-Unibanco Merger Mean for Brazil?

Q Brazil's Banco Itau announced last week that it would merge with Unibanco, creating Brazil's largest bank. What does the merger mean for Brazil's banking system? Is it the result of the credit crunch hitting home in Brazil or a natural trend toward consolidation?

A **Guest Comment: Thomas Rideg:** "Itau and Unibanco have planned this merger for more than 15 months without making a sound. This venture not only positions Itau/Unibanco as the largest bank in Latin America, but also places a big question mark regarding who Bradesco (formerly Brazil's largest private bank) is going to buy among the few available and relatively large local candidates. This merger will be positive for Brazil as it brings further strength to Brazil's financial sector in a time when the country's companies (as well as those in most emerging markets) become vulnerable to losing value in the international arena as a result of the global crisis which not only affects share value but also depreciates local currency, hence depreciating revenues in US Dollars. Losing this value makes these companies vulnerable to buy-outs by international players. Itau/Unibanco is now that much more difficult to become an acquisition target, and ready to explore international territory. Furthermore, this does illustrate some consolidation in Brazil, which already began to take place as a first wave in the 1990s (when

more than 30 acquisitions took place), and now will be further stimulated by any expected turbulence in the financial sector: Buy or get bought."

A **Guest Comment: Eduardo Kiss:** "The answer is quite simple and straightforward: The merger has nothing to do with credit crunch or with the present problems in the international financial markets. Negotiations, according to the bankers involved, were initiated 15 months ago, long before the
Continued on page 4



Bolivia Seeks Extradition of Sanchez de Lozada

Bolivian officials said Tuesday that they had sent the US a formal request to extradite former President Gonzalo Sanchez de Lozada, accusing him of "genocide." See story on page 2.

Photo: Bolivian Government.

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NEWS BRIEFS

Nicaraguan Opposition Party Alleges Fraud in Local Elections

Nicaragua's leading opposition party on Tuesday called for an international review of Sunday's municipal elections, alleging that the balloting was marred by fraud, the Associated Press reported. President Daniel Ortega's Sandinista Party gave a strong showing in the elections, winning 94 of the 146 mayoral races nationwide. The Constitutionalist Liberal Party won in 46 of the contests. Organization of American States Secretary General Jose Miguel Insulza said he was concerned about the allegations of fraud.

IDB Co-Financing Mexican Climate Change Study

The Inter-American Development Bank, along with Great Britain, is financing a study into climate change in Mexico, the IDB said in a release Tuesday. The study will examine the economic impact of climate change in ten Mexican states. It also will look at how to lessen negative consequences of global warming. The study is among measures Mexico has agreed to take on under a \$200 million programmatic policy loan that the bank's board of directors approved November 5.

Photo of Fidel Castro Appears on Church Website

For the first time since June, a photo of former Cuban leader Fidel Castro has appeared, this time on the Internet site of the Russian Orthodox Church. The photo shows Castro, 82, alongside church leader Metropolitan Kiril Gundjaev during his visit last month to Havana, reported *El Nuevo Herald* in Miami. In the image, Castro seems little changed since his last publicly-released photo.

Economic News**After Four Years of Delay, Costa Rican Lawmakers Approve CAFTA**

Costa Rican lawmakers Tuesday broke a four-year logjam by approving the Central American Free Trade Agreement (CAFTA), the Associated Press reported. Costa Rica was among the signatories to the accord in 2004, as were the other countries of Central America, the Dominican Republic and the United States. However, the legislation that would allow it to take effect in Costa Rica had



Oscar Arias

File Photo: Costa Rican Gov't.

been stalled in the country's Legislative Assembly by lawmakers opposed to allowing competition against the country's state-run insurance and telecommunications industries. Critics have also argued against intellectual-property laws that require prison terms for offenders. Legislators on Tuesday struck a deal to reduce the amount of jail time that vendors of pirated products could face. In the debate over intellectual property, lawmakers agreed to allow schools to make copies of some materials. In a referendum last year, voters in Costa Rica supported the trade accord. "After more than four and a half years of debate, two extensions and one historic referendum in which the majority said they agreed with the free trade accord, we are finally closing this chapter," said Rodrigo Arias, President Oscar Arias' brother and spokesman. The president said he will act to ensure CAFTA takes effect in Costa Rica by January 1.

Political News**Bolivia Seeks to Extradite Former President Sanchez de Lozada**

Bolivia has issued a formal request that the United States extradite former President Gonzalo Sanchez de Lozada, Bolivian offi-

cials said Tuesday, according to the Associated Press. The extradition request alleges Sanchez de Lozada committed "genocide" in ordering a crackdown on rioters in 2003. Government troops shot at a group of protestors, mainly Aymara Indians. At least 60 people were killed. Sanchez de Lozada fled to the US and currently lives just outside Washington in Chevy Chase, Maryland. Sanchez de Lozada's attorneys say the 2,700-page extradition request amounts to harass-

“The actions taken by the Sanchez de Lozada government were constitutional, lawful and appropriate.”

— Howard Gutman

ment by the government of President Evo Morales. "The actions taken by the Sanchez de Lozada government were constitutional, lawful, and appropriate," attorney Howard Gutman said in a statement.

Venezuela Deports Two Colombians Facing Drug Charges to US

Venezuela deported to the US two Colombian cousins whom US authorities have wanted since 2001 on drug charges, the Associated Press reported. Henry Fortich Coneo and Wilmer Villadiego Coneo had been arrested last month in Venezuela. They were flown to Miami Tuesday. The men stand charged on 16 counts, said Nestor Reverol, the head of Venezuela's anti-drug office. The cousins are accused of being members of a now-defunct gang in the Dominican Republic.

Company News**Petrobras Profit Nearly Doubled in Q3**

Brazil's **Petrobras** reported Tuesday that its profit for the third quarter of 2008

nearly doubled, due to higher prices for crude and refined oil as well as higher output, Bloomberg News reported. Net income for Brazil's state-owned oil company increased to 10.9 billion reais (\$US 4.89 billion), representing 1.24 reais per share. In the same period a year ago, the company reported net income of 5.52 billion reais or 63 centavos per share. Net sales rose to 67.5 billion reais, an increase of 52 percent. Petrobras was helped by higher prices. Oil futures on the New York Mercantile Exchange were on average 57 percent higher in this year's third quarter than in the third quarter of 2007. Paulo Roberto da Costa, Petrobras' head of refining, said earlier this month that the company is reviewing all its spending with an eye toward cost-cutting. The company's bottom line also benefitted by its decision to hike wholesale gasoline price increases 10 percent in April. At the same time, it increased diesel prices 15 percent. The increases marked the first time Petrobras had increased fuel prices since September 2005. The company's extraction cost also increased 20 percent from the year-ago period to 17.61 reais per barrel, excluding taxes and royalties. Petrobras' stock has slumped more this year in comparison to the broader market, falling 46 percent since the beginning of 2008. The Bovespa index has fallen 42 percent during the same period.

Brazil's Electrobras Turns Profit in Third Quarter

Electrobras, Brazil's state-owned utility company, on Tuesday reported a profit for this year's third quarter after posting a loss for the same period in 2007, Bloomberg News reported. The holding company reported consolidated net income of 2.1 billion reais (\$US 952 million), or 1.87 reais per share. In the third quarter of 2007, Electrobras posted a loss of 174.1 million reais, or 15 centavos a share. Government regulators approved rate increases, helping the bottom lines of Electrobras' subsidiaries. The generation companies' rates move along with changes in Brazil's IGPM consumer price index, which increased 12.3 percent for the one-year period that ended September 30.

Legal Briefs

Peru Informant Reward Case Sets Precedent in Post-9/11 Era, Diaz Reus Says

US District Judge Marcia Cooke last Friday rejected Peru's attempt to avoid paying a \$5 million reward to Jose Guevara, a Venezuelan man who claimed to have helped Peru capture fugitive government official Vladimiro Montesinos in 2001. "This is a precedent-setting case in international litigation in this post 9/11 era, where countries routinely make reward offers for the capture of terrorists, political figures and drug dealers," Guevara's attorneys, Michael Diaz and Carlos Gonzalez of **Diaz Reus & Targ LLP** in Miami, said in a press release. "If a government or a governmental entity is going to offer a reward in exchange for information that it cannot otherwise obtain on its own, then it must be prepared to pay that reward." Montesinos is now on trial in Peru on a long list of charges related to arms trafficking, drug dealing, money laundering, extortion and murder while he headed Peru's National Intelligence Service in the 1980s. Seven years ago, Guevara filed his suit in the US to claim the reward, but the Peruvian government then sought to dismiss the case under the Foreign Sovereign Immunities Act (FSIA), which protects foreign governments from US lawsuits. Diaz and Gonzalez argued that by offering a reward, Peru had engaged in "commercial activity," which is an exception to the FSIA. A December trial date has been set for Guevara's suit against two of Peru's former Ministers of the Interior, the last remaining component of the case.

Ecuador Denounces Eight Bilateral Investment Treaties

The Republic of Ecuador late last month denounced its bilateral investment treaties (BITs) with eight countries: Cuba, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Paraguay and Uruguay. Ecuador had been a party to a total of 24 BITs, which aim to promote and protect foreign investment. "In February 2008, Ecuador announced its intention to terminate a number of those treaties. Official sources now confirm that Ecuador has done so," the Washington, DC office of **White & Case** said in an email to clients. Each letter stated that after evaluating the impact of the BITs on its economy, Ecuador had "concluded that [these BITs] had not achieved their fundamental objective, that is, to encourage the attraction of capital for productive bilateral investment." White & Case partner Jonathan Hamilton noted in the client alert that the BITs that Ecuador denounced notably include certain survival provisions, such as stipulations that the treaty will continue to apply to investments made prior to the denunciation for a period of a given number of years from the date of denunciation. Ecuador remains a party to 16 other BITs, including with countries such as Canada, Chile, China, France, Germany, The Netherlands, Spain, the United Kingdom and the United States.

Mary Rose Brusewitz Named Partner at Strasburger & Price in New York

Strasburger & Price, LLP last week named Mary Rose Brusewitz as a partner in the international practice group of the firm. She will be based in Strasburger's New York office. A former Partner at **Orrick, Herrington & Sutcliffe**, Brusewitz concentrates her practice on transactions and restructurings involving Latin America, Spain and Portugal. She is also a leading expert in the growing field of microfinance and carbon credit financing.

