

Green Brazil

Embracing renewable energy

The Cuban
Art Revolution
Growth
of Regional infrastructure Funds
Building
a Bridge to the Middle East

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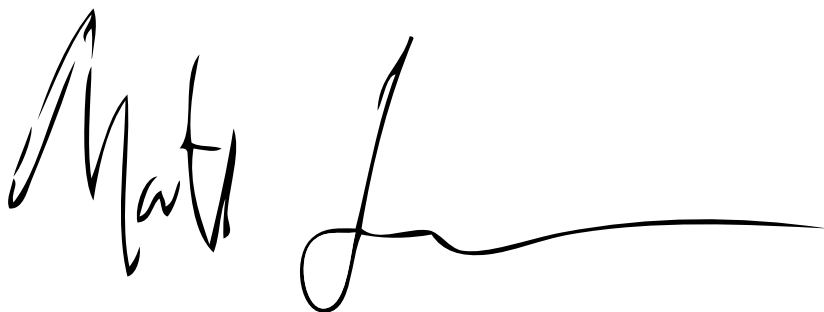
Letter from the Editor

This coming July will mark the one year anniversary of Alternative Latin Investor, and my first order of business must be to thank both our readers and contributors for their continued involvement with ALI. Your efforts have made ALI the premier online resource for alternative investments in Latin America.

As the world endures the bumpy ride out of the "Great Recession," Latin America has been faced with its challenges – most notably - recent earthquakes in Haiti and Chile. These disasters have brought international aid and attention to the region (see article, Top Aid: Chile). While it is unfortunate that this increase in exposure came at a tragic price, the region is being bolstered by positive events with the impending Olympics (2012) and subsequent World Cup (2014) both to be held in Brazil. With the spotlight shining bright on Latin America, governments have also moved to increase investment in infrastructure (see article Infrastructure Funds in Latin America, p. 10) resulting in greater regulation, but also greater opportunities for previously risk adverse investors.

It is my most sincere hope that ALI is able to facilitate the development of investment in Latin America with our dedication to providing current and reliable coverage of this niche industry. I encourage our readers to share their comments, questions, and suggestions with me at editor@alternativelatininvestor.com, as we continue to grow and improve the scope and quality of information on this dynamic market.

Thank you for your continued support.



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Cacao:

A crop ready for new investment?

■ By Stephen Kaczor

Can a case be made for the investment potential of cacao trees in Latin America, where they originated? Presently, half of the global supply of chocolate comes from Africa's Ivory Coast. Asia produces less than Africa. Both origins provide logistical advantages for processing in the Netherlands, where most chocolate is processed.

Latin America is a more sensible origin for the USA, the world's 2nd largest processor. The largest producers of cacao in the Americas are Brazil, Ecuador & Venezuela with a combined market share of 10%. Central America, South America, and Mexico provide interesting opportunities due to their proximity to world's biggest market, favourable cost structures, and abundance of suitable rain forest with existing seed crops of the best variety for premium chocolate.

Macro level investment in cacao for generic commodity markets has limited appeal; however, interesting opportunities exist in the gourmet sector. From a French cacao broker marketing tribal cocoa spears from Panama to an American chocolatier sourcing cacao in Guatemala, innovative investors are working with locals to develop new opportunities for this tropical crop.

■ History

Cacao was brought from the Amazon Basin to Central America by the Maya 2,600 years ago, according to analysis of residue in Maya pottery. Aztec royalty drank cocoa all day and night to fuel stamina for attending to their many wives and concubines.

Cacao was introduced to Europe by the Spanish around 1585, the date of the first recorded commercial shipment of chocolate from Veracruz to Seville. Swedish botanist Carl Linnaeus named the tree 'Theobroma' which means "food of the gods". Cacao beans were historically used as a currency, serving in the place of small coins as recently as 1840 on Mexico's Yucatán peninsula.

Global production doubled to 4 million short tons from 1974-2004 indicating an approximate annual growth rate of 3%. In 2004 a group of scientists in the Netherlands developed the first physiological growth and production model for cocoa to compare yields in different climates and cropping systems, and to set the agenda for future agronomic research.

■ Crop Variables

Theobroma Cacao is the crop that produces cocoa butter and the raw material for chocolate. These trees are native to the rainforests of the Americas, thriving within 20 degrees of latitude from the equator where solar radiation and the rainforest canopy provide the necessary conditions: rich volcanic soils,

low elevation (below 400 meters) and steady rainfall with high humidity.

More than 90% of world supply comes from the Forastero variety which is the most disease resistant and has the highest yields. Forastero is also bitter and bland, requiring a lot of sugar and vanilla for use in lower-quality milk chocolate.

The second variety is Trinitario, a hybrid of Forastero and Criollo.

The best quality cocoa beans are from the Criollo variety. Criollo cacao can be enjoyed directly from the pod and, properly fermented, maintains natural sweetness. When used commercially, the Criollo variety requires less sugar which is why 70% - 85% cacao dark chocolate bars are possible.

The main source for Criollo beans today is Venezuela's Hacienda San José, www.cacaosanjose.com, with representatives in France, Switzerland and Spain. This hacienda has 200 hectares of Criollo cacao with an average density of 1,000 trees per hectare.

Criollo cacao is prevalent throughout Central America, with crop development occurring from Panama to Guatemala.

According to research by the California Academy of Sciences, cacao trees are typically 12-25 feet tall, growing naturally under the rainforest canopy. They are pollinated by tiny flies called midges, which thrive in the decaying leaf litter of the rainforest floor and tend to stay close to the ground, so flowers grow directly on the trunk and lower branches. After these flowers are pollinated, pineapple-sized cacao pods grow in their place. Each pod holds about 30-50 cacao seeds - enough to make one or two dark chocolate bars.

The cacao beans are surrounded in the pod by a mucous that balances the bitter taste when eaten directly from the cacao pods, pictured here.

Processing

To make a kilogram of commercial milk chocolate, approximately 450 beans are processed. More or less can be used depending on the desired cocoa content. The beans are roasted, then cracked and de-shelled by a "winnow" in a factory. This machinery costs approximately \$80,000 for a small operation. The resulting pieces of beans are called nibs. Cocoa Nibs are the dry-roasted pieces of the cocoa bean. These nibs are sold in small packages at specialty stores and markets. Nibs can be used in cooking, snacking and chocolate dishes. Nibs can also



be ground, using various methods, into a thick creamy paste, known as chocolate liquor or cocoa paste which can be further processed into chocolate with cocoa butter, sugar and vanilla, then refined, conched and tempered. Alternatively, they can be separated with a press into cocoa butter and cocoa powder or “curvature”.

Macro Economic

Overview

Cocoa beans, cocoa butter and cocoa powder are traded on two world exchanges. New York’s Euronext Exchange is based primarily on SE Asian supply. London’s Intercontinental Exchange is based primarily on West African supply. Cocoa is the world’s smallest soft commodity market, meaning there are more sellers than buyers. The investment

exchanges establish the price of cocoa butter and cocoa powder by multiplying the bean price by a ratio. Combined butter

and powder ratio has tended to be around 3.5. If the combined ratio falls below 3.2 or so, production ceases to be economically viable and some factories cease extraction of butter and powder and trade exclusively in cocoa liquor. While the beans can be held in store for several years, ownership can change several times. Cocoa is traded in the same manner as grains or other commodities. This is a mature market with the prospect of a limited return on investment.

Better opportunities can be found in the market’s specialty sectors. Gourmet chocolate represents roughly 4% of the world’s annual cacao production, suggesting a market of 160,000 short tons per year. There are many examples of success with specialty chocolates.

By 2007, the rush to invest in Mexico reached a point where clear cases of bad underwriting had emerged. Aggressive assumptions on everything from lease rates, time to stabilization, residential unit pricing, sales velocity and aggressive exit cap rates seemed to justify higher going-in costs across the board.



Micro Economic Case Study: Tribal Cocoa

Spheres from Panama

Processing and distributing cacao products provides an interesting alternative to generic commodity markets. For this article, French cacao broker Mathilde Grand was interviewed at her café, Starfish Coffee. She also operates Citizen's Chocolate and participates in a cacao cooperative in Panama. In her experience in EU markets, cacao cultivated by indigenous growers produces a superior product preferred by chocolate aficionados over products produced by newcomers to this exotic crop.

Citizen's Chocolate markets tribal cocoa spheres, a handcrafted organic product from a cooperative in Bocas del Toro on the Caribbean coast of Panama. This region is home to the Ngobe-Buglé whose autonomous lands stretch between International Park Amistad to the coast of the Caribbean Bastimento Nature Reserve. In the shade of their jungles, cacao is cared for and harvested using sustainable indigenous traditions. After collecting the ripe pods, the seeds are removed, brought to fermentation then put out in the sun to dry for several days. Once dried, the seeds are roasted over a fire, ground and rolled into spheres that are perfect for baking or melting into water, milk, and spices for a delicious drink.

These tribal spheres are priced at \$2 each and are available in a rapidly growing network of retailers throughout Panama. Half

of the sale price goes toward the economic needs of the growers, those protecting the biodiversity of the rain forest canopy while sustainably maintaining their ancestral cultural traditions. Grand also partners in a cacao plantation on Isla Colon where biodynamic processes observe the lunar calendar and natural compost maintains the perma culture of the soils. She retails dried cacao beans in her café for \$5.95/lb, roasted for \$7.95/lb, nibs for \$9.95/lb.

Grand recommends anyone interested in entering the business attend the annual Chocolate Fair held in Paris. The Bourse de Commerce de Paris hosts an annual exposition of French chocolatiers in mid-October. Also, the Carrousel de Louvre hosts tastings and demonstrations by renowned chocolatiers from the end of November to the beginning of December.

Micro Economic Case Study: Sourcing in Guatemala

One of the world's top gourmet chocolate makers is Scharffenberger's in Berkeley, California. Hershey's purchased John Scharffenberger's company in 2005, just as he began sourcing cacao beans in Guatemala's Alta Verapaz, home of indigenous Kekchi Maya. At that time the tribe was earning only \$800 a ton, or 30% of the market price for beans of that quality. And they were beginning to transition to other crops. Scharffenberger asked the tribal leader to reconsider planting alternative crops and offered \$2,800/ton, according to Peter Kaminsky, writing for Conde Nast Traveler. His demand



estimate was in the range of 2,000 tons annually, or approximately 1% of the fine chocolate market. The rest is history.

Conclusion

Scharffenberger's logic is similar to Grand's, cacao can provide the indigenous with economic advantages that lead them to protect the rainforest by buying field crops instead of clearing rainforest and planting them. If one chocolatier can move an indigenous village toward cultivation of a crop with an annual value of \$5.6 million, there is clearly a good case for investment in cacao.

Scharffenberger told Kaminsky, "Cacao probably can't save this forest on its own, but mixing cacao in with tropical hardwoods,

whose price is only going to go up, can be a model for 'forest gardens' that will make economic sense. Why would you continue to raise corn when your land can produce a thousand times more money with forest products?"

Given the amazing health benefits of chocolate and recent increases in demand for products with higher cacao content, the upside of micro-level investment is that the premium market could easily surpass its current 4% level. Should a shortage of quality cacao lead to increased prices, investments in Criollo will naturally pay substantial dividends. Already, many small investors are doing very well with cacao.



Stephen is a Seattle-based writer, entrepreneur and consultant. He is a partner at International Market Resources, a Latin American trade consultancy, and the founder of Changes In Latitude, a travel company. The focus of Stephen's consulting is strategic market development, research and management. In addition to consulting and writing, he is passionate about Latin American culture, travel and



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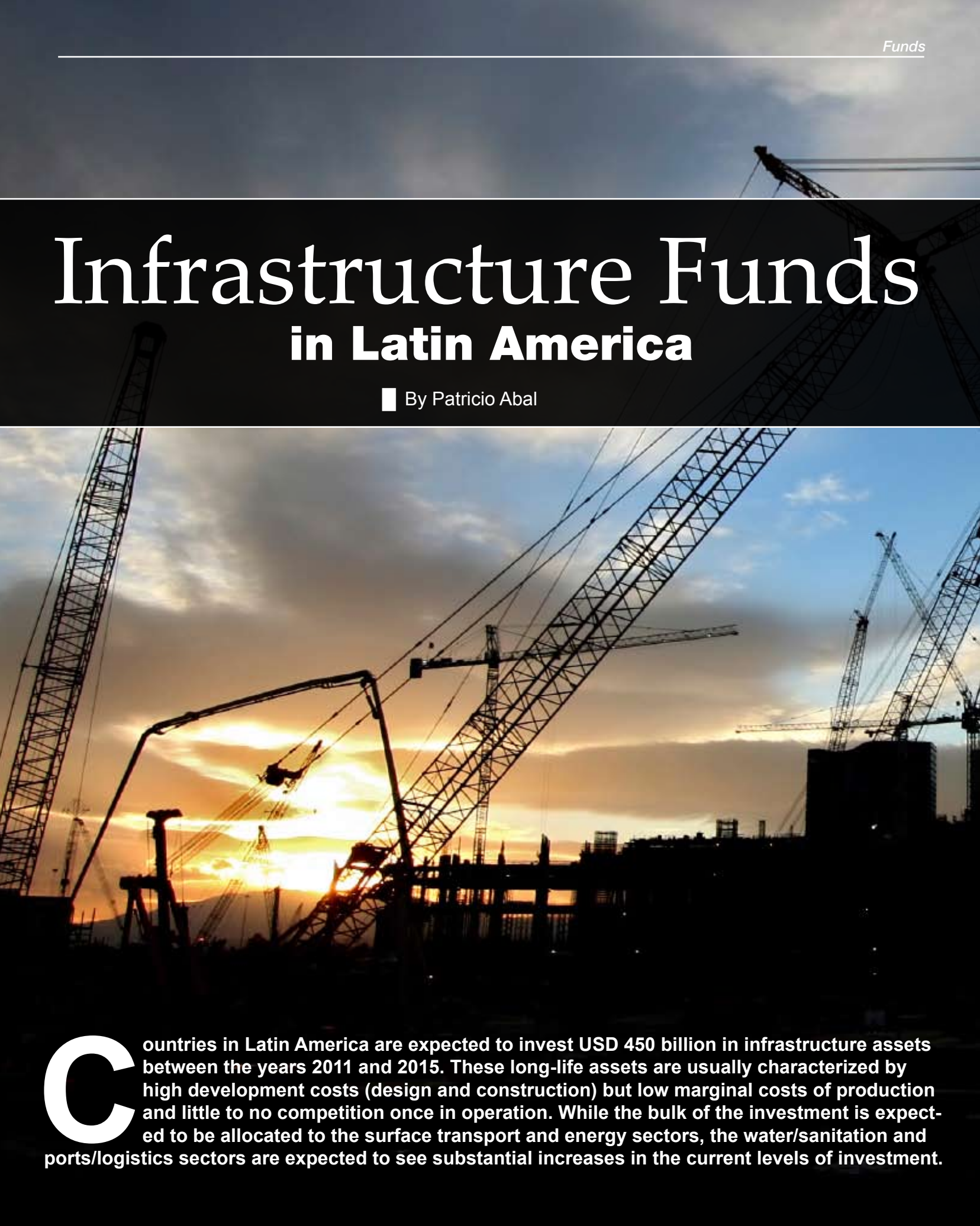
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supporting private equity



Infrastructure Funds in Latin America

■ By Patricio Abal



Countries in Latin America are expected to invest USD 450 billion in infrastructure assets between the years 2011 and 2015. These long-life assets are usually characterized by high development costs (design and construction) but low marginal costs of production and little to no competition once in operation. While the bulk of the investment is expected to be allocated to the surface transport and energy sectors, the water/sanitation and ports/logistics sectors are expected to see substantial increases in the current levels of investment.

All across the region, the public sector is often affected by budgetary constraints and lacks efficiency when it comes to building and operating infrastructure assets. That is why, with the help of loans and guarantees provided by governments and multilateral development banks, strategic and financial investors from the private sector are increasing their role in the provision of such public works and services. The private sector's involvement is done through private finance initiatives, concessions and joint ventures.

Several countries, mainly Chile, Brazil, Colombia, Peru and Mexico, offer attractive projects complemented by a strong political will, consistent and comprehensive legal, regulatory and institutional frameworks, appropriate investment climate and infrastructure financing mechanisms. It should be no coincidence then that the infrastructure funds established in 2009 plan to allocate their capital in said countries.

These funds purchase shares in the project company and work with strategic investors (operators, construction companies) to maximize the revenue. This increases their equity value over time. Their performance is tied to the ability to generate and extract cash from the operating asset (dividends) or through refinancing. The exit strategy can be the sale of their stake to other members of the consortium that owns the project company, to third parties or to the general public through an IPO.

Ashmore Investment and Inverlink's offer won the competitive bidding process organized by the Colombian government to manage what is now called the "Colombia Infrastructure Fund Ashmore I FCP". This fund is backed by Bancoldex, Colombian pension funds, the Inter American Development Bank ("IADB") and the Andean Development Corporation ("CAF"). Macquarie Capital Inc. acts as the technical advisor. The fund has plans to raise USD 500 million and intends to make ten transactions in private sector led projects from different areas such as sanitation, transport and energy. Also, the private equity fund Fintra raised USD 300 million and plans to make equity investments in transportation projects.

Toronto based Brookfield Asset Management closed an infrastructure fund in Colombia (USD 320 million) and set up another one in Peru. The latter, expected to start up with USD 500 million, is a result of a partnership with the local private equity firm AC Capitaes and will receive commitments from Peruvian private pension funds and loans from the IADB and the CAF.

With the implementation of the "Growth Acceleration Programs" (PAC I and PAC II) and the World Cup and Olympic Games coming up in 2014 and 2016 respectively, investment in infrastructure projects for the coming years in Brazil is expected to be in the hundreds of billions of dollars.

Brazilian investment bank BTG Pactual is setting up an infrastructure fund with capital raised from private equity sources that will focus on road, dam and port projects. Furthermore, the domestic conglomerate, EBX, announced early last year that it was planning to launch a USD 5 – 10 billion infrastructure fund, possibly with Chinese and Middle Eastern investors.

At the beginning of this year, Macquarie Group announced the launch of "Macquarie Mexican Infrastructure Fund" with USD 408 million in initial commitments from Mexican pension funds, the domestic agency for infrastructure development, FONADIN, and Macquarie.

Although no funds were announced in Chile, this country remains the leader in the region in infrastructure investments as a percentage of the GDP with 6%. This number is expected to increase after the devastating earthquake that struck the country on February of this year. Reconstruction costs are estimated at USD 30 billion.

One of many similarities among these countries that will benefit from infrastructure financing is that they allow domestic pension funds to commit capital to funds and to hold long-term debt issues. Pension fund managers are always interested in these assets since their long-term lifecycle closely matches their own long-term liabilities.

There are other factors that are essential to attract private capital into the infrastructure development business, including: an adequate risk allocation when drafting the contracts to avoid lengthy renegotiations, a proper selection of the work or service to be provided, a transparent and competitive bidding process, speedy dispute resolution mechanisms, oversight agencies free of any political interference, a properly designed subsidy support system to incentivize usage or demand and a consistent and comprehensive regulation of the contracts by which the private sector has outsourced the provision of a public work or service. A careful analysis of the aforementioned countries shows that in one way or another they fulfill these requirements.

Exciting times are ahead in infrastructure development for those Latin-American countries that have been successful in attracting private capital. A successful implementation of the projects will undoubtedly help their competitiveness and their overall welfare. It is not a coincidence that the countries that can't seem to attract private capital for infrastructure investing are also those that are finding it increasingly hard to finance the provision of works and services with public resources, resulting in substantially lower amounts of investment compared to the countries highlighted in this article.

“Special FX”:

So far, so good for USD and LatAm currencies in 2010

Contrary to popular opinion, the USD has continued to strengthen against most major currencies in the first four months of 2010. The main reason for this seems to be the sudden risk-aversion towards the Eurozone as the “PIIGS” (Portugal, Ireland, Italy, Greece and Spain) crisis dominates sentiment. Reserve asset managers and sovereign wealth funds that were clamoring to buy the Euro at the end of 2009 are apparently nowhere to be seen, according to some reports.

This absence of official buyers may or may not be true but for sure it seems that the evolution of the global FX market will in any event ultimately dictate that the world needs more than one reserve currency and once the dust has settled and markets focus on the next crisis (American debt levels?) that second currency of choice will most likely be the Euro, at least for now.

For that simple reason, aided by the fact that Greece comprises such a small part of the Eurozone as a whole and that the issues seem to be relatively in hand with the German & French cooperation in arranging an IMF facility if needed, we suspect the Euro may stabilize around 1.33 and even recover to around 1.41 over the next few months.

Not in the least due to the neglect or avoidance of the Euro by money managers, the positive repercussions towards the USD have been felt in certain parts of South America and particularly in Mexico, one of the United States’ biggest trading partners. The Mexican Peso has gained from just above 13 to the Dollar at the time of our previous article to the current level of around 12.20, outstripping even our ultra-bullish MXN forecast for an average of 12.5 for Q2. We remain bullish for Mexico on the whole yet have adjusted our outlook only slightly given that our long-term perspective on Mexico has been broadly accurate (so far) and allowing for the likelihood that Forex markets can quickly reverse what they create.

In a less-successful environment, Argentina has lagged Mexico due to ongoing issues with debt restructuring and the Argentinean Peso is still languishing at around 3.87. Frozen credit markets have played a part in this stagnation, for sure. That

said, the economic minister Amado Boudou indicated as we go to press that the ‘roadshow’ to begin courting investors to buy an expected \$20 billion of previously defaulted bonds could begin at the end of April or early May, a successful reception by investors would initiate a thaw that could allow Argentina to quickly re-enter international credit markets, thus assisting demand for and the recovery of the currency. Naturally there are various regulatory issues to contend with but if and when these are approved the government will be able to proceed with its plans, which include raising spending ahead of elections in 2011. Soybean oil exports to China fell in April, as did projections for sugar exports in general, not helping overall sentiment.

Brazil continues to draw the most attention in the region and with elections now within a few months, debates and arguments are hotting-up both domestically and internationally. To recap on our forecasts from last issue, we projected a 1.72 average for Q2 of 2010, which looks to be very close should the present situation remain stable. At that time the Real was trading at around 1.86 so the trend is firmly intact for a gradual appreciation of BRL.

Again, we reiterate that the BRL could be one of the most fundamentally undervalued currencies in the world, being supported by a budget surplus, high interest rates and with the nation having great global trade ties, being responsible for both soft and hard commodity production that the whole world demands and is willing to pay for. Aside from Central Bank operations it seems only due to the perceived risk in LatAm markets in general that BRL is not even stronger and for these reasons we continue to expect a potential move to the low 1.60s, subject of course to what the election campaign throws up.

Our future projections for LatAm currencies and the USD.

ARS (Argentinean Peso) - last 12 months trading range (3.67 / 3.89)

Forecast average

Current	Q2 2010	Q3 2010	Q4 2010
3.8700	3.81	3.68	3.67 / 3.89

BRL (Brazilian Real) - last 12 months trading range (1.69 / 2.19)

Forecast average

Current	Q2 2010	Q3 2010	Q4 2010
1.75	1.72	1.68	1.64

MXN (Mexican Peso) - last 12 months trading range (12.17 / 14.14)

Forecast average

Current	Q2 2010	Q3 2010	Q4 2010
12.20	12.25	12.05	11.7

include an increased GDP outlook, with a consensus opinion that it will rise to around 6 percent.

We continue to picture a bearish USD scenario against LatAm currencies over the next few months, at least until the Fed raises US interest rates which we believe will occur sometime late in H2 2010, providing some room for USD appreciation.

As with our January outlook, we feel that the equity and fixed income markets of the world in general may still not be able to perform as bullishly or as efficiently as the current sentiment suggests. Traditionally, equity markets fall during hawkish monetary cycles and with the Fed and other central banks likely raising interest rates towards the end of 2010, there really could be some unpredictable times ahead.

If anything we would expect any political surprises to arise from uncertainty with a risk of generating potential currency negatives, creating the possibility for a partial retrace of recent gains which would weaken the unit temporarily yet still allow the longer-term trend to be intact - such is the nature of FX markets.

Due to steady BRL appreciation, the Brazilian Central Bank has been quite active of late, stepping up its interventions of USD purchases from once daily to twice daily on some occasions, markets perceiving that the CB has drawn a line in the sand at the 1.70 level. Nobody wants to argue with the central bank but to us as observers this type of intervention could arguably be seen as a smoothing process simply serving to delay by orderly methodology what may be inevitable - especially given the almost undeniable backdrop that would imply further BRL strength as the economy continues to expand after the election.

As recently as the end of April, the Central Bank President Meirelles was quoted by newswires on the very issue of intervention, saying how important it is that the next government fight inflation and avoid manipulating FX rates. Subtle clues such as these should not be taken lightly, as they can provide great insight as to the likely future path of currency exchange rates.

In fact, the latest forecasts for 2010 in a weekly Brazilian central bank survey show economists raising their projections for the benchmark inflation index to rise, the 14th consecutive week that this has happened. If these expectations do become reality the Central Bank may have their work cut out for them in trying to stop the currency rising, fighting an insurmountable combination of strong fundamentals. Additionally, these forecasts

For the sake of economic prosperity this is one forecast we would be happy to be wrong on.

One thing for sure is that whatever economic outcomes materialize, FX markets will continue to provide valuable opportunities regardless of how other core asset markets are functioning.

Good luck trading.

Kevin Sollitt is the Portfolio Manager at Paradigm Foreign Exchange, based in the United States.

The above material is the author's personal opinion and is subject to change depending on market circumstances. It does not constitute and is neither intended to be nor should be used for investment advice or investment purposes.

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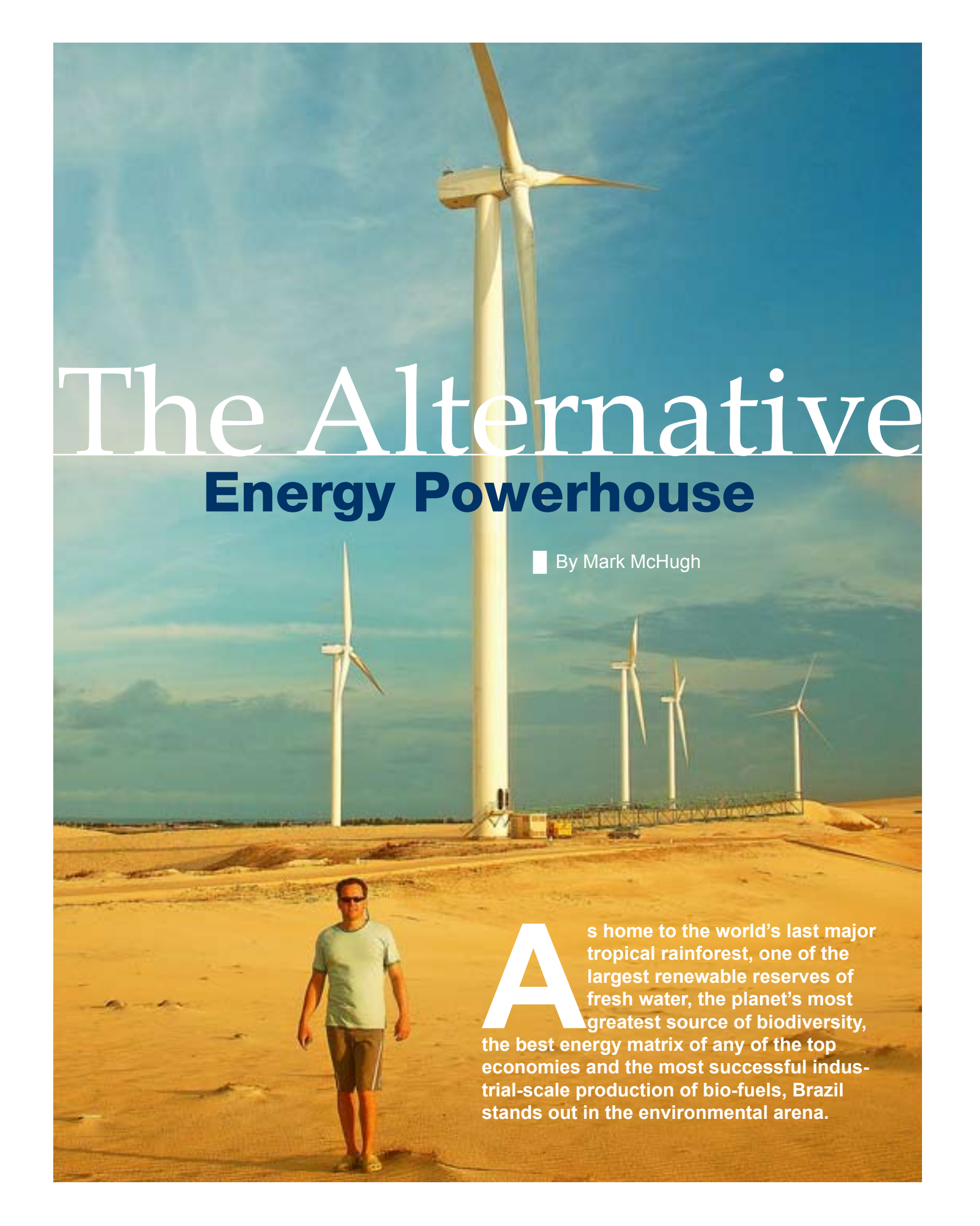
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A man in a light blue t-shirt and dark shorts stands in a sandy desert. In the background, several large white wind turbines are visible against a blue sky with some clouds. The scene is brightly lit, suggesting a sunny day.

The Alternative Energy Powerhouse

■ By Mark McHugh

As home to the world's last major tropical rainforest, one of the largest renewable reserves of fresh water, the planet's most greatest source of biodiversity, the best energy matrix of any of the top economies and the most successful industrial-scale production of bio-fuels, Brazil stands out in the environmental arena.

The Driving Force

In anticipation of the Copenhagen summit the Brazilian government made an ambitious pledge to reduce its emissions by at least 36% from business as usual by 2020. Brazil's new agenda is, politically and psychologically, an important step and it is significant that the Brazilian government is now willing to voluntarily set a target. Although a 75% contribution towards this objective is expected to come from halting deforestation in the Amazon, as with all initiatives to cut carbon emissions, there is no single answer, and significant investment in alternative energy is an essential element in achieving their goals. The Alternative Energy Sources Program (PROINFA), part of the government's flagship Growth Acceleration Program (PAC), aims to increase the share of energy produced by renewable sources to 10% of total annual energy consumption by 2012.

Brazil's Clean Energy Mix

The main factor contributing to Brazil's positive renewable energy mix is hydro-electric power, which accounts for over eighty-five per cent of the country's electricity generation. As one of the fastest growing emerging economies, Brazil is under increasing pressure to install new capacity to meet demand and to do it in a way which meets environmental objectives.

But the System is Fragile...

Heavy dependence upon hydropower has made the energy industry susceptible during the dry season. In 2001 there were significant power cuts due to the impact of drought on hydro flows. Growth in capacity and security of supply are becoming increasingly important political issues in advance of elections in October 2010. President Lula's chosen candidate, Dilma Rousseff, the current Minister of Energy and Mines, was criticized heavily following a major power outage across Southern Brazil in November 2009, which hit 60 million Brazilians in 800 cities. This was due to a problem with three transmission lines from the Itaipúa dam - the world's largest hydroelectric plant - and brought into sharp focus the vulnerability of supply ahead of the World Cup in 2014 and the Olympics in 2016.

Energy Diversity

In the scramble to diversify their energy portfolio, at the start of the last decade a number of projects to build natural gas-fired plants were initiated, based upon access to Bolivian natural gas, but the program fell well short of expectations. Now through the 2002 Programme of Incentives for Alternative Electricity (PROINFA), government efforts are focused on renewable sources, accelerating biomass, small hydro, solar and most importantly wind power developments with support provided from the national development bank or Nacional de Desenvolvimento Economico e Social (BNDES).

Massive Wind Potential

The 4,600 mile windswept Brazilian coast line, concentrated

in the northeast, coastal south, and northwest of Rio and Sao Paulo, has excellent potential for wind energy, estimated at around 140 gigawatts.

Wind Farm Beberibe, Ceará

The goal of PROINFA is to push wind power to a 5% contribution of the national electricity supply by 2012, or 10 gigawatts up from current 600 megawatts installed today. This will require an estimated additional USD6 billion of investment over the next few years. Through a feed in tariff, the plan is to bring capacity up by paying more for solar, wind, and biomass than for hydropower and thermal power.

Taking Part in the Wind Boom

Participation in the sector is through the auction of wind energy permits by the Agência Nacional de Energia Elétrica (ANEEL). Typically the large turbine manufacturers are teaming up with Brazilian partners in a consortium with land owners, developers and utility companies. Project finance is provided from international investment banks. The on-line auctions are attracting significant interest from many of the global players. India's Suzlon, Iberdrola, Energias de Portugal Renovaveis, the Portuguese utility's clean energy arm and Denmark's Vestas Wind Systems are all already involved in Brazil's wind power market. The sector is highly competitive and maturing quickly and as a consequence 'utility returns' are becoming the norm.

In the latest auction, December 2009, 339 projects were authorized to take part—71 farms and 773 turbines were approved resulting in 20 year power purchase agreements (PPAs) at an average price of R\$148 or about US\$85 per megawatt-hour. The total wind energy output from successful bidders will be 1.8 gigawatts. Interestingly, average prices came in well below expectations and just above hydro and thermal.

Nonetheless, Brazilian utilities like CPFL Energia (NYSE: CPL) are benefiting significantly. With a share price that has nearly doubled in the past year and a dividend yield of 6.50%, CPFL is one of the top energy infrastructure picks for 2010. So are a few privately-held firms operating in Brazil's wind energy build-out: Spain's Acciona; Argentina's IMPSA (who uses local manufacturing) and Brazilian domestic wind-energy giant, Wobben Windpower, a subsidiary of Germany's privately-held turbine builder Enercon.

The Ethanol Inheritance

After the oil shocks of the 1970s Brazil focused on bio-fuels and ethanol production as a way to reduce the dependency on imported oil and reduce foreign debt. The legacy of this decision is today's sugar cane based ethanol industry, which now has overtaken gasoline as the fuel consumed in light vehicles in the Brazilian domestic market.

The infrastructure in place includes nearly 400 ethanol distilleries and the ability to fill-up with alcohol at 29,000 service

Sugar-cane ethanol wins the contest hands down, as it has a carbon footprint eight times lower than comparable corn-based ethanol predominant in the U.S. and Europe.



stations nationwide. Strong growth in consumption has occurred over the last seven years with the advent of Flex vehicle technology, which allows complete interchangeability between gasoline and alcohol. Ninety percent of all new vehicles now have this capability. There is typically about a five percent consumer savings in tanking ethanol versus gasoline. Moreover, gasoline sold at the pump already contains 25% alcohol.

■ The Best Available Bio-fuels Technology

The debate rages in the bio-fuels industry about the real environmental benefit of bio-fuels and in particular whether fuel production is cost/energy-efficient and doesn't displace food crops or native habitats. In terms of current technologies, sugar-cane ethanol wins the contest hands down, as it has a carbon footprint eight times lower than comparable corn based ethanol predominant in the US and Europe. Recently the inclusion of a Land Use Change penalty (California) into the overall carbon intensity calculation has caused controversy: corn-ethanol is pushed over the limit and is no longer viable, giving some advantage to imported

sugar based ethanol. However corn-ethanol production continues to be heavily subsidized and is backed by the vociferous US farm lobby.

■ World Scale Ambition

Despite a strong desire to do so, Brazil has struggled to capitalize on its world-leading sugar cane ethanol industry. There has traditionally been surplus ethanol capacity in Brazil, yet exports have remained less than twenty percent of capacity, due mainly to protectionist barriers in the US and EU. Recently low sugar cane harvests in India and Brazil have sent the commodity price sky rocketing and in turn affected ethanol surpluses and prices limiting possibilities even further. In the medium-term Brazil is the logical source to export ethanol throughout the Americas and to Europe particularly to the USA, the world's largest market, but this is wholly dependent upon changes to the tariff structures and subsidies. However, there would appear to be no quick fixes when it comes to battling it out with the lobbyists in Washington.

Industry Connections

Following BP's (NYSE: BP), deal with a smaller Brazilian sugar cane ethanol producer called Tropical BioEnergia in 2008, Royal Dutch Shell (RDSA.L) announced plans, last February to make the biggest-ever foray into bio-fuels by a major oil player. RDSA.L has signed a Memorandum of Understanding (MOU) with Brazil's Cosan (CSAN3.SA) the world's largest producer of sugar and ethanol to form a \$12 billion ethanol joint venture that at the same time will become the third biggest fuel distributor in Brazil. Shell and Cosan plan to grow cane-based ethanol production from 2 billion liters to 5 billion liters annually and to exploit Brazilian ethanol on a global scale. At the same time Cosan will gain a significant advantage through vertical integration of ethanol production with the fuels distribution business. Negotiations are ongoing and expect to be concluded within six months. Cosan Chairman Rubens Ometto said the tie-up is intended to be "the step forward that was lacking, in spite of all our efforts, to make ethanol a global commodity." A week or so later two Brazilian sugar and ethanol producers agreed to merge—ETH Bioenergia, part of the Odebrecht group and Brenco, a Brazilian renewable energy company—to create what they hope will be the country's biggest bio-fuels company larger than Cosan.

A Shake-out Is Coming

The sector is open to further consolidation with a small number of big players and a long tail of mid to small size companies. Based upon a recent investigation of ethanol producers, many of the smaller players are in unsustainable positions, particularly those focused on ethanol production only. It is important in competing with the large conglomerates to ensure high agricultural yields and to have additional income streams offered by combined sugar and ethanol production and by selling power to the grid. The cost of acquisition of ethanol producers recently fell from around USD 120 to USD 50 per ton of milling capacity, although following the mega deals described above, price expectations are beginning to rise to around USD 80 per ton. However, the number of real investment opportunities is limited despite the high level of interest from both international and Brazilian investors. Many family businesses have typically taken on a lot of debt and are in the process of restructuring. As the industry emerges from its current painful transition there may be opportunities for the astute investor. There is also keen interest in investing in second generation bio-fuels; ethanol produced from cellulosic materials, which overcome some of the reservations about displacing food crops. A number of pilot schemes are being studied, but break through into full-scale production appears to be some years away.

Other Alternatives

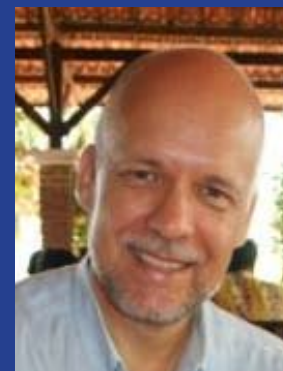
While the potential for hydro remains enormous, especially in the north, the authorities are pushing biomass and wind as the primary alternatives in roughly equal proportions. For biomass the main sources are in the sugar ethanol industry, with power generation from waste. Bio-diesel is produced from a variety of sources: soy, sorghum and jatropha, and the government has set an ambitious target of 5% content in diesel. This is unlikely to be achieved as supply currently does not meet demand. The impact of solar has been limited, although PV cells are used in rural electrification schemes.

The Challenge

The big challenge for Brazil is to leverage their alternative energy know-how and scale onto the world stage. With the right political will and with sufficient investment, Brazil can become this century's environmental superpower.

About the Author

Mark McHugh is Chief Investment Officer of Brazil Investment Advisors, a consulting and investment advisory firm based in NE Brazil. He was until recently, Vice President of Marketing Americas for Shell based in the US. His extensive know-how of the energy business was developed during a thirty year international career in marketing, sales, strategy consulting, and general management. He is skilled in investment strategy, leading new business development initiatives, M&A, and managing new business start-ups. He has a keen interest in emerging clean-tech opportunities and the alternative energy market in Brazil.



Concentrating Solar Power in the Atacama Desert

■ By Pablo Correa

The Atacama Desert is one of the driest, warmest and sunniest places on earth, analogous to the Sunbelt of the US. Despite its excellent conditions for developing solar technologies, this movement has yet to take hold in the region. To better understand the Chilean reality in the solar market and the potential development of Concentrating Solar Power (CSP), it serves to mention the landscape of Chile itself.

Chile is a long and narrow strip of land, located in South America. The country offers a rich array of climates and terrain. Continental Chile is approximately 4.200 kilometers in length and 300 kilometers in width at its widest point (26° S latitude) with an average of 200 kilometers of width throughout the rest of country.

The country has three distinct zones. Close to the Pacific Ocean the weather is coastal, due to the Cordillera de la Costa (a mountain range with an average elevation of 1.000-1.500

meters) acting as an umbrella for the inner valleys, blocking the passage of coastal moisture, thus causing high cloudiness close to the sea. On the east side, lies the Cordillera de los Andes (with an elevation of 3.000-7.000 meters) prime for cold and cloudy days. Located at the center, between both mountain ranges, lie the inner valleys, which feature wide land with soft slopes and good terrain.

From northern to southern Chile, there are many types of climates, but the noticeable climates are desert-like and sunny in the north, temperate in the center with distinctive seasons and cold and rainy in the south. Compared with Spain (Andalucía, Granada - Andasol) and North America (Southern California and Nevada – SEGS, Nevada Solar One) the locations of the main CSP plants, Chile has similar weather and soil characteristics (except at 30° S latitude as there are different levels of rain and humidity).

The best location, without a doubt, is in the heart of the Atacama Desert. The Direct Normal Irradiance (DNI) is around 3.300 kWh/m² yearly (measured by a meteorological station with pyrheliometer and solar tracker at around 25°S latitude, which is not the ideal site). This DNI is much better than the measures for California and Spain (for October and November we have DNI values up to 1.100 W/



m² or 1.180 W/m²). Related to this point, I must say cloudiness is extremely low (only seven cloudy days yearly, this is hopeful for successful operations and performance) as it leads to more sunny days to generate electric power from the sun. The load factor modeled with SAM and other models is high (more than 30%, better than constructed plants). There are many sites with moderate wind to avoid damages and protection of reflective surfaces. With this high DNI, the size of the solar field is reduced, and efficiency and availability of solar field and BOP is increased. A smaller solar field means less investment costs, improving the profit of the plant project. Solar field designs point at Spain being around 850 W/m². In Atacama, we can model up to 950 W/m², and more.

The most critical issue to materialize solar thermal power projects is the most common in a desert environment: water or “desert gold”. Atacama is extremely dry, with a low humidity in the air, around 30% HR all year. Some places haven’t experienced rain in more than 100 years. Mining companies have built big desalinated water pipelines along the desert from the sea to elevations of 3.000 meters or more with distances up to 250 km, employing a huge power consumption to transport the water and push it through its industrial processes. Due to this relevant point, one of the keys to creating a feasible solar thermal power project is the requirement of minimum quantities of water in the processes. All crucial are the make-up, dry or hybrid cooling of the steam cycle, reverse osmosis processes to purify water and cleaning processes of reflective elements. Evaporation rates are high.

In addition firms must be prepared to negotiate supply prices - water, land and power transmission lines (signed contracts) - with those mining companies who want to index it to CPI and the copper (minerals) price related London Metal Exchange, to absorb and avoid metals market fluctuations.

Environmental issues are quite relevant to this topic. Flora and wildlife are scarce, due to the fact that there are little to no trees and only scattered shrubbery. One reason for this may be the archeological impact, or rather the fact that these areas were once populated by very ancient civilizations - Inkas, Diaguitas, Atacameños and other local tribes - and were also the scene of the Guerra del Pacífico (war against Perú and Bolivia during 1879-1883). Furthermore, many of these areas are also strongly impacted by mining activities. These mining activities create additional blockades for the solar movement as many of the potential solar areas have present or future mining activities, and cannot be sanctioned for use.

A major consideration for the design of future solar plants in the north of Chile is the seismic factor. This area is well known to have uncertain and strong seismic activity. Our engineers have much experience with power block and other facilities, but in the

case of solar field, we don’t have much knowledge about how it will behave: frames, mirrors, piping, HCE or central receiver (solar tower). As California has a similar terrain, experience at the Kramer Junction plant in California may be useful. Reducing impact to operations will increase solar field availability and electric generation.

The most critical issue to materialize solar thermal power projects is the most common in a desert environment: water or “desert gold”.

The Atacama Desert terrain is made up of sand, “trumao” or “chusca” (fine dust) or crushed stone. The salt levels in the soil are another relevant topic, due to presence of sulfates and chlorides, which affect foundations - iron and concrete.

The logistical infrastructure of Chile is good. Highways, airports, ports, railroads all function at an optimum level, due to industrial activities.

Unfortunately, financial incentives for these kinds of technologies are not too developed in Chile. The last administration - Michelle

Bachelet’s government – attempted, through Mr. Marcelo Tokman, former Energy Minister, to boost a tender process to award up to \$ 14 million subsidy based in the CSP generation for a 10 MW commercial pilot. Due to the recent crisis in the south of Chile, the earthquake that struck on February 27, 2010 - this process of redirecting the funds under the new administration may see some delays.

In 2008-2009, renewable energy law lacked differential tariff-in, incentives or fees depending on which resource was in question. This is a big fault, due to different investment costs and load factors of renewables. It is especially a disadvantage for CSP, due to high costs, though utilities have a little bonus or penalty savings to produce other forms of renewable power.

This plant size (10 MW) is clearly small considering around 60.000 m² to 85.000 m² (with or without thermal storage for 2 hours) field aperture, if we compare it with 357.200 m² of NSO (base case) or 510.120 m² of Andasol, and is unattractive for main key players of solar power. However, we need set down costs to the local reality with the proper scale of our country. Sizing incentives with a little commercial pilot is an low bet to begin, but we can debug local renewable law. Perhaps Spanish standard size (50MW + 7.5 hrs TES) will be a good standard in the future if we consider mining requirements.

We need to create a business model for Chile to assure certain profitability for CSP developers and utilities in other such developing countries with conservative policies, but with a vibrant economy. This conservative vision is one of the greatest obstacles. All local companies and government seek low-risk businesses to invest in facilities with 25-30 year life span.

Mining companies have several opinions related to solar power. Some are looking to meet their requirements with lower invest-

ment renewables, like wind power. One point to highlight is that solar power is more stable and more predictable than wind power, combined with the weather conditions in the area, solar power will be a good business.

Different solar technologies like parabolic trough (HTF - molten salt), DSG, CLFR, Nolaris, Stirling, Archimedes, Skyfuel, power tower and initiatives like eSolar, Torresol, Brightsource or another, can find a good market in the future. A key driver to expand solar power is reducing investment and O&M cost. But one thing is certain, Atacama has a huge power consumption and thus need for energy: In the SING (Sistema Interconectado del Norte Grande), one of the two most important power transmission system in Chile, located in the north and the SIC – (Sistema Interconectado Central). One medium mine site has a power consumption 100-200 MW, and a big one can need 400-600 Mw. In this last case, we have 6 mine sites, at least. Are big energy consumers and the minerals can finance it. SING has 80% industrial consumption.

Another potentially relevant point, is that this industrial market does not only include electric consumption, due to many mining processes that improve their efficiency and increase temperature, thermal consumption is another latent market.

When CSP technologies have matured (especially thermal energy storage with molten salt – keeping in mind that the Chilean company SQM is the world's largest producer of potassium and sodium nitrates) and have solved all the potential problems to



prove their reliability, Atacama will be an ideal location to develop solar power plants and we will see mirrors in the desert. The high demand for energy and investments by mining companies will be a good stimulus to attempt such developments.

We need to create CSP awareness in Chile. Reliability and profitability... these are the main points.

For the last two years, my job was look for ways to create a financially and technologically profitable solar thermal power plant (CSP) - 10 MW parabolic trough. This would be the first CSP plant in South America.

Pablo Correa was the former project manager of CSP project 10 MW parabolic trough of Endesa Chile, main utility of Chile, at Atacama Desert. He led the project team and was responsible for supply contracts and PPA negotiations with potential mining customers, energy dispatch and business model (investment and O&M costs, penalties, bonus and energy cost), feasibility study (site and solar resource assessment), plant design, technical specifications and project EIA. He was responsible of several renewable projects assessment as waves and tidal, geothermal and bio-fuel.

He worked in Bechtel as Management Information analyst in Andean Region - Mining & Metals Business Unit, for the main mining projects in region.

Mr. Correa was previously in Banco Santander, main bank of Chile, as finance analyst. He has participated in several Internet start-ups.

Currently, is teacher of Master of Energetic Efficiency of Universidad Técnica Federico Santa María (Santiago, Chile), topic Concentrated Solar Power in the course Renewable Energy.

China Boycott

on Argentine Soybean Oil

■ by Bernard Lapointe



In early April China's Ministry of Commerce banned imports of soybean oil from Argentina as a part of a wider trade dispute. The dispute initially stemmed from Argentina's move to place a trade barrier on imports from China, which then spiraled into China taking retaliatory measures, including the boycott of Argentina soybean oil. According to a report from an Argentine newspaper (Ambito) dated April 6, Chinese Ambassador to Argentina, Gang Zeng stressed that the dispute was not a commercial or political retaliation, but due to the low-quality of Argentine's soybean oil. China Daily, in an article dated April 7, also echoed the same reason.

Symbiotic China – Argentina Relation

Argentina is the largest exporter of soybean oil with a dominant 50% share of global exports. China on the other hand is the largest importer of vegetable oils. In Sept/Oct 2009, China imported 10.5mn tons of oil and fats, or 34% of its total consumption, out of which soybean oil imports were 2.5mn tons. We estimate approximately 70% of China's soybean oil imports come from Argentina, placing China as an important source of export for the Latin American nation.

China May Opt For More Palm Oil:

Palm oil could emerge as a beneficiary if the dispute prolongs for an extended period. Some potential reasons for this:

- Palm oil is the closest substitute to soybean oil
- China is traditionally a large consumer of palm oil
- There is an ample supply of palm oil relative to soybean oil

If that were to be the case, the impact could be significant for palm oil. Using the estimated exports of 1.8mn tons to China in 2009 as the base, we calculate a 10% substitution would cut global palm oil stocks by close to 3%. Stocks/usage meanwhile would fall to 13.7% from 14.2%.

Cause of Dispute Is the Key

If dissatisfaction over trade barriers is the real cause for the boycott, despite the Chinese claiming otherwise, the probability of reaching a compromise is high. There are already high level (G2G) negotiations currently to resolve the issue. However, if the quality of Argentine's soybean oil is the issue, a quick solution would be difficult to find and China may permanently shift some of the procurement elsewhere - palm oil included. An alternative source of soybean oil is relatively scarce – the US and Brazil's combined exports capacity is only 70% of Argentina.

Interestingly the US share of world exports has risen from 5% in 2006 to 11% in 2009 and could reach 16% in 2010. On the

other hand both Argentina and Brazil have seen their share of world exports decrease during the same period.

US farmers could well be the winners of this trade dispute as the weak US dollar works in their favor. The Brazilian Real's massive appreciation over the past 18-24 months plays against the competitiveness of that country's soybean oil exporters.

India

India is the world's largest palm oil importer. The country may benefit from the dispute if it decides to switch some of its palm oil imports to soybean oil. It is understood that buyers are looking to switch to soybean oil to profit from China's ban on shipments of the commodity from Argentina.

Lower purchases of palm oil by India, which overtook China as the top buyer of the commodity in 2009, may pressure prices that touched an 11-week low on April 19 in Malaysia. Sales from Malaysia to the South Asian country slumped 81 percent in the first 20 days of April compared with the same period in March.

The price of soybean oil is attractive because of the lack of Chinese buying. The price-premium that soybean oil commands over palm oil declined 15% to \$81 a ton recently narrowing from a 12-month average of \$131 a ton, making soybean oil more affordable.

Soybean-oil purchases by India may reach 400,000 to 450,000 tons in the quarter ending June, up from 330,000 tons a year ago. Most of the increase will come from Argentina.

Mr. Lapointe is currently managing director at ArgonautGlobal Capital, a capital advisory firm with a special focus on India and China. He spent ten years acting as global equities portfolio manager and co-chief of strategy. He has managed portfolios and traded in equities, currencies and commodities on the world's major exchanges since 1994.

% global exports	2006	2007	2008	2009	2010F
Argentina	56	56	53	51	48
Brazil	24	23	21	20	18
USA	5	8	12	11	16
Rest of World	14	14	14	19	18

2010

Wine Grape Harvest in Argentina



Argentina, due to its *terroir*, is known for only having good years and great years. The consistencies of the climate - dry, high altitude, porous soil, and fresh run-off water, make Argentina the workhorse of the wine world. With that being said, 2009 was not such a good year for wine production, but we are happy to report that 2010 is looking up.

From the one billion kilograms of grapes produced in 2009 about 12.1 million hectoliters of wine were made and about 30% (2.9 million hectoliters) of that wine was exported. In 2010 these numbers are expected to be 13.2 million hectoliters of production and 3.4 million hectoliters exported which represents respectable growth for Argentina in the world market.

But these are just numbers. What can we expect in regards to the quality of Argentine wine in 2010? In terms of all around quality, 2009 was considered to be a mediocre year for Argentina. The overly dry and warm 2009 also had some highly variable weather patterns which caused a higher degree of fungal contamination than previous years. This obviously had a negative affect on the quality of the wine.

Due to a cool spring and hot summer this year, 2010 looks

to be good, but not necessarily great. Some wineries were pounded by hail in October and then in January, but overall the harvest numbers are expected to be up as previously stated. We expect very good Malbec and Bonarda with a marked degree of intensity and color due to these relatively favorable weather conditions during the growing season. Fruit forward wines should also be easy to come by as well since there have been no major problems like sudden rain or hail during the harvest. The aforementioned characteristics, however, do not necessarily translate to the structure, tannin and acidity content that make for spectacular, age-worthy wines. Whether we get powerhouse Malbecs capable of aging gracefully for 15+ years out of this vintage remains to be seen.

Though the statistical analysis of the INV (Instituto Nacional de Vitivinicultura) is not yet complete—as harvest is still going on,



and Argentina is in week 15 of harvest. —the harvest data so far published shows that this year should be a better year than 2009 in terms of kilograms of grapes, but not up to par with 2008 and previous years.

Even though exports in 2010 are expected to rise from 2009, they will still most likely be down from their peak in 2008 due to the global economic recovery. Projections for 2012 are optimistic as when the world climbs out of its slump, exports are expected to take off again. Exports in 2008 were 4.3 million hectoliters, and in 2009 were 2.9 million hectoliters. The United States is expected to stay the number one country that Argentina exports to and world consumption of Argentine wines is projected grow by 6% in the next five years.

Thinking about these numbers in terms of recent trends in the world wine business is helpful: more people are drinking domestic wines, especially in major wine producing countries, because of the cost of importing wines from other countries. People have been trading down in price since the 4th quarter of 2008. When the economy improves, however, this should change; as history shows that when the world economy is good, imported wine consumption increases.

Daniel Karlin is the Owner and Founder at Anuva Wines, for more information please see, www.anuvawines.com or email him at daniel@anuvawines.com



Top Aid:

Helping Rebuild Chile

■ By: Tiffany Joy Swenson

In the wake of the most recent natural disaster in Chile, organizations from around the world are working overtime to attend to the many needs of those affected. The 8.8 magnitude earthquake struck central Chile on February 27, 2010 and has been ranked as the 5th most powerful earthquake in the world since 1900. Millions have been left homeless or without basic necessities and the death toll from the earthquake and resulting tsunami stands at nearly 800 and rising as reports continue to trickle in.





With a slew of campaigns now hitting mainstream media – all claiming to be the best place to invest your charitable donation – it can be difficult to discern where one should place their hard-earned philanthropic dollars. ALI caught up with an organization called Charity Navigator, the United States' largest and most-utilized independent evaluator of charities, for information on their highest ranked charitable organizations and their prospective recovery efforts.

According to Sandra Minuitti, Vice President of Marketing & CFO, "Charity Navigator – <http://www.charitynavigator.org> – was founded in 2001, on the premise that people are amazingly generous and derive great satisfaction from helping others, but are not always sure how to help. Its founders envisioned an unbiased source of information that would assist givers from every state, and with every type of charitable interest, in finding a charity to support ... Using our objective, numbers-based rating system we have assessed the financial health of 5,500 of America's charities. Millions of people visit our website annually resulting in our ratings influencing billions of dollars in charitable giving in 2009."

Charity Navigator's rating system works by examining two broad areas of a charity's financial health -- how it functions day to day and how well positioned it is to sustain its programs over time. The necessary information is obtained to rate each charity's financial health from its Form 990 – the informational tax return charities file annually with the IRS.

Each charity is then awarded an overall rating, ranging from zero to four stars.

In order to streamline the relief efforts in Chile, Charity Navigator has compiled a list of the top-ten organizations aiding in Chilean disaster relief. In order to better understand what direct efforts are being made to help the Chilean people, post crisis, ALI caught up with representatives with two of these top relief organizations – World Vision and Samaritan's Purse.

World Vision is a Christian humanitarian organization dedicated to working with children, families, and their communities worldwide. Casey Calamusa, Media Relations Officer with World Vision, was kind enough to answer some questions in regards to their efforts in Chile.

Where are the majority of the donations coming from currently?

Most of our donations have come from private donors through online giving so far, and we have also seen some generous donations from corporations.

How much money is directly reaching the Chilean people?

We keep our overhead at or below 15 percent. So at least 85 percent is put toward the response.

How is recovery going?

World Vision is delivering food, emergency supplies and shelter materials in 15 locations. We have also set up 38 Child-Friendly Spaces, which allow kids a safe place to come and have informal education, participate in art and activities, and regain a sense of normalcy after frightening experiences. That said, the damage from the quake and ensuing tsunami were quite extensive and rebuilding will be a long process. Many people lost their homes and are now living in spontaneous, makeshift camps.

How do you think this quake has affected business in Chile?

Many businesses had damage or in some cases were completely destroyed. It will be an ongoing process for them to get up and running again.

<http://www.worldvision.org/>

ALI also spoke to a representative from Samaritan's Purse, another organization rated by Charity Navigator as one of the top-ten in regards to relief efforts in Chile. Founded in 1970, Samaritan's Purse is a nondenominational evangelical Christian organization that has been providing spiritual and physical aid to hurting people around the world since 1970.

Where are the majority of the donations coming from currently?

The majority of our donations for Chile, as well as our other projects, come from private, individual donors. Over \$300,000 has been received to help with this relief project.

What was your organization's immediate response to the quake in Chile?

Immediately after the quake, Samaritan's Purse dispatched a Disaster Assistance Response Team (DART) with desperately needed supplies to assist victims of this disaster. Our DART worked closely with a network of church partners in Concepcion to distribute nearly 30 tons of supplies including blankets, food, and infant care items. Many of the people we helped were living in makeshift camps in the mountains because they had lost their homes in the tsunami.

How have you followed up on the recovery process?

We completed the emergency phase of our response on March 10, but our team held meetings with the church network to determine the best way that Samaritan's Purse can help with recovery. Working through these local Christians, we plan to implement about a half a dozen reconstruction and livelihood projects in the coming weeks. www.samaritanspurse.org

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Golcio:

Business with LatAm Made Easy

In 2008, **BusinessWeek** magazine featured Mexico, Brazil, Chile and Costa Rica in the World's Top 25 outsourcing destinations. A year later, the Direction for Trade Statistics of the IMF reported that the size of the Latin American import and export markets had continued its upward trend and was approximately USD\$2 Trillion. Brothers Juan Figuera (25) and Pedro Figuera (26) were paying attention to these trends and decided to do something about it.

"We knew that there were countless trade and outsourcing opportunities in Latin America, but there wasn't an online solution that could help American Small-Medium Size Businesses (SMBs) to enter these markets. We decided to seize this opportunity and launch Golcio.com"

Golcio, a Boston, MA based startup, is a pioneer website that makes it easy for anyone to do business with Latin America. Golcio's multilingual (English, Spanish & Portuguese) platform allows users to connect with Latin American SMBs and trade products and services.

"Basically Golcio allows SMBs in the USA to easily source, import and export to and from reliable businesses in Latin America" Mr. Figuera commented.

Golcio believes that Latin America is a Green, Affordable and Reliable destination for business and they want to help their users to capitalize on such opportunity. "The best part of all is that Latin America's culture blends easily with American culture, not to mention the advantage of being in the same time zone"

Golcio was launched on January 26th 2010 and has already attracted businesses from all over Latin America including Mexico, Brazil, Argentina, Costa Rica, Uruguay and Chile. In addition, Golcio was selected as an exhibitor on the floor of the NYSE at the Kairos Summit 2010 and the startup was also one of the 5 finalists of the IDEA Venture Acceleration Competition at Northeastern University in Boston, MA.

For more information about Golcio, please visit www.golcio.com

VivaReal:

LatAm Real Estate goes Online

In the United States 90% of home buyers start their search online according to the National Association of Realtors (NAR). There is no concrete data available to compare this with Latin America, but internet penetration in the region has been growing at over 850% (Internet World Stats) since 2000 causing more people to go online in search of property. There is no central data base for all the properties in Latin America and most property listings are not online yet. This is why there is a need for VivaReal.

VivaReal was founded by Internet entrepreneurs Brian Requarth and Thomas Floracks. Their goal is to be the leading marketplace for buying, selling and renting real estate throughout Latin America and the Caribbean. The company has gained traction fast since it launched websites in Brazil, Colombia and Mexico amassing over 600,000 visitors to their network of sites in less than a year.

During 2009 many buyers from the US, Canada and Europe were not looking to Latin America for real estate (Recession). At the end of last year VivaReal saw a sharp increase (October) of Americans and Canadians looking for property in Mexico (34% and 37% respectively) ...Turnaround? January also saw a noticeable increase in people searching for real estate. According to the company there was a massive increase during the 4th quarter of foreigners looking for Brazilian real estate, most likely on the back of the recent announcement of the Olympics. Before the announcement VivaReal had around 30 different site visitors from countries looking for property in Brazil and the month after the announcement this number jumped to 60.

The top areas for foreigners looking to buy real estate in Latin America are:

- Mexico
- Costa Rica
- Brazil
- Panama
- Dominican Republic

Aside from serving expats, retirees and English speaking investors, VivaReal operates local websites in several countries. The company's strongest growth has come from Brazil and Colombia where it has begun to charge for listings on the website. One of the things that sets VivaReal apart

is that they operate a Freemium model, allowing individuals, agents and real estate companies to upload their listings for free in smaller markets and charging in big cities like Sao Paulo and Bogota. This allows them to grow traffic in markets that historically don't have many options for real estate searches online.

The company estimates that 3.4-5 billion USD is spent on real estate advertising annually in Latin America. Company CEO Brian Requarth states, "A very small fraction of real estate advertising is being spent online. In most emerging markets there is a disconnect between companies and consumers. Most companies are still advertising in the newspaper, magazines or traditional media, but the consumer is spending more time on the Web. As we build out new technologies that help the consumer find the property they are looking for our business





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Building a Bridge

to the Middle East

In 1973, Ibrahim Oweiss, a professor at Georgetown University, created the word “petrodollar” to describe the huge amounts of foreign currency being generated by the oil producing countries, which in turn were largely invested in the economies of other nations. Since then, the countries of the Gulf Cooperation Council (GCC) have continued these investments through so-called Sovereign Wealth Funds (SWF); the largest of them, Abu Dhabi Investment Authority is thought to have nearly \$800 billion dollars invested worldwide. Major financial institutions like Citigroup and Barclays as well as car makers such as Daimler AG and Ferrari already have among their largest shareholders Arab groups such as Kuwait Investment Authority, Aabar Investments, Kingdom Holdings and Mubadala.



Above: March, 2009 (Doha) Chairman of Qatari Businessmen Association Sheikh Faisal Bin Qasem Al Thani

The Emirates Towers, Dubai, United Arab Emirates



The Arabs are long-term and sophisticated investors and are very interested in Latin America, thus, The Gulf Latin America Leaders Council (GLLC) was recently formed with the aim of creating a bridge for investments that will help the economic growth in both regions. In general terms, Latin America represents emerging markets, growth markets, a growing middle class, natural resources, as well as human capital. Furthermore, there is the potential awakening of many alternative energy initiatives. Gulf based investors look very closely at this region. The aforementioned Abu Dhabi Investment Authority already invests through Private Equity firms, such as Southern Cross - focused exclusively in Latin America.

The interest in the region is apparent, but not all of the relationships and the infrastructure are yet in place. For example, only two banks from Latin America, Banco Itau and Banco do Brazil; have small representative offices in Dubai. No Mexican,

Chilean, Argentine, or Colombian financial institution is present in the GCC region and Arab banks are not represented in Latin America. These connecting points take time to be built. That is why the GLLC has a crucial role to play as they have the market intelligence, access, and know-how from both regions. By being extremely exclusive in terms of its Members, government agencies and other relationships they make sure the right people meet face to face. This is very important, as Arabs and Latin Americans need to build personal relationships as well as business relationships.

Daniel Melhem, President of GLLC, tells us that in the past three years Arab groups have gone from having little interest in Latin America to recruiting Latin Americans and traveling to improve relationships and have a better understanding of our markets. Last year, a delegation

from Abu Dhabi visited at least 14 countries in the western hemisphere. In January 2010, the Emir of Qatar, His Highness Sheikh Hamad Al-Thani, visited Argentina, Brazil and Venezuela. In the coming months, the GLLC expects another large delegation from Bahrain and Dubai to visit South America. This is no coincidence, he says, but a strategic decision aimed to diversify their investments. Another example of this is the daily flight that Emirates Airlines offers between Dubai and Sao Paulo, and daily flights that will connect Doha to Sao Paulo and Buenos Aires – which will start in June via Qatar Airways. Today, Arab funds have built the port of Callao in Peru, and made a significant investment in Banco Santander in Brazil, however, without doubt, Middle Eastern investors and their investment powerhouses, sovereign funds such as ADIA, ADIC, MUBADALA, QIA, KIA, and others look at Agribusiness and Food, Oil and Gas, Commercial Real Estate, Hospitality, Renewable Energy, and Mining. For example, one of these SWF is looking at acquiring 5 star hotels in Latin America's most important cities: Sao Paulo, Mexico City, Buenos Aires, Bogotá, and Santiago. This is clearly a strategic play as currently, yet another Gulf based airline, prepares to fly to these cities in the near future.

On the other side, we find great opportunities for investment in the GCC. Sectors such as logistics, distribution centers, hospitality, food processing plants, pharmaceuticals, aeronautics, and construction could all be tapped by Latin American companies willing to invest in the Gulf. One of the telling things about the crisis in Dubai, is that it based its statue on three sectors that were greatly affected by the global crisis: Financial, Tourism, and Real Estate. Its infrastructure, however, endures. Dubai will rebound again once companies look again for expansion, when British and German tourists look for a place to enjoy a holiday under the sun, and people from all over the world look at a financial center well connected with India, China, Korea, Africa and the GCC. This is why it is wise to look at this region very closely and learn about its great attributes.

To take advantage of the benefits offered by the interest of the Arabs in Latin America, the GLLC has organized two forums on investment - between April 26 - 29 in Abu Dhabi and Doha, where some major economic groups from both the Arabian Gulf and Latin America have already committed to participate.

Another area of particular interest is social responsibility, which runs deep in the GCC. "There is much interest in investing in infrastructure to rebuild a post-earthquake Chile, especially if certain guarantees from the new Chilean government are available," says Jorge Daccarett, Secretary of the GLLC and Executive Director of the Chilean Arab Business Council. "From our point of view, Chile is one of the countries that can most benefit from this new reality, its government is stable, foreign investments are safe, and they have a serious working-class" adds Melhem. "With these forums, we are taking a step towards the construction of a bridge between the two regions which is transforming into a real road for investments."

■ ALI Interview with Daniel Melhem:



What was the reason for starting the GLLC, and taking into consideration the huge wealth of capital in the Middle East, why now, why has no one attempted this before?

I believe that great opportunities are possible just because these simple ideas haven't been thought of by anyone before, or if they have, they haven't been followed through or well executed. My first trip to the GCC was back in 2006, when I visited Saudi Arabia, Kuwait, and the UAE. Meeting after meeting people were telling me that I was the first person from Latin America to visit them. This had to be an opportunity. When I went back home through London, I mentioned this fact to a friend of mine Lord Daniel Brennan, and we decided it was time to change this. Historically, Middle Eastern capital invested abroad has found its way to American and European financial institutions, which have had a virtual monopoly across the region. The capital invested in those countries was in some cases "recycled" to Latin America in the form of high interest loans. We remember this well because between 1975 and 1982, reckless governments gladly took those loans, eventually resulting in the most serious debt crisis in Latin America's history. Today, many things have progressed. By in large, Latin America as well as the

GCC have grown and matured, but still the connecting points between the two regions are not well established yet. The Gulf Latin America Leaders Council (GLLC) seeks to “bridge this gap” by attracting financial institutions and businesses to explore new opportunities and invest in new markets.

Given the wealth of natural resources and investment opportunities why hasn't the Middle East been interested in LatAm in the past?

Many of these reasons have to do with historical, geographical, cultural and infrastructural matters, and cannot be analyzed exclusively from a purely investment point of view. For example, the Middle East is strategically situated between Africa, India, Central Asia, the Eastern Mediterranean and Russia. Nowhere near Latin America. This is one of the reasons many Saudi, Kuwaiti and Qatari groups invest in Africa; and even in that vast continent, most of the investments are focused at the “MENA” region. MENA, meaning Middle East and North Africa, where these countries not only

share a geographical proximity, they also share a common language and religion. As far as other relationships are concerned, Middle Eastern students attend Colleges and Universities in Europe and the United States, this in its own right creates a link with these countries that passes from generation to generation.

There is much interest in investing in infrastructure to rebuild a post-earthquake Chile, especially if certain guarantees from the new Chilean government are available.

Looking at it from another point, what has Latin America has done so far to attract Middle East investment, or what Latin America has offered to the Middle East except empty promises?. In most government Trade and Foreign Relations' Agendas throughout Latin America, the Arab Gulf region is at the bottom of the list. That is certainly not the case with the U.K., France, India, the United States, Japan, Australia or South Korea.

How will the GLLC facilitate Mid-Eastern investment in LatAm?

First and foremost, our role is not to facilitate Gulf capital



Above: From Left to Right Sheikh Hamad Bin Faisal Bin Thani Al Thani, Chairman & Managing Director Al Khaliji Bank
 Sheikh Faisal Bin Qassim Al Thani, Chairman Al Faisal Holdings
 Dr. Mohammed bin Saleh Al-Sada, Minister of State for Energy & Industry Mr. Hussein Al Fardan, Chairman Al Fardan Group

investments into Latin America, but to serve the interests of our Members. Arab Members looking at attracting investments, Joint Ventures, or other businesses are equally represented by the Council. Having said that, like most organizations, the GLLC is built on certain principles, but principles alone cannot make much of a difference by themselves. The GLLC leverages these principles on three main areas: Access, Representation, and Execution. We provide access to the best economic groups with proven track record. We represent their interests in order to achieve their goals. And we bring together the best team of people in order to make our own contribution to the long-term success of any venture in which our Members are involved.

What are the potential cultural/religious obstacles facing the GLLC, Shari'a compliance, etc?

I do not believe there are any such obstacles. Islamic banking, consistent with the principles of Islamic Law, Shari'a, is not new, and in fact is still growing fast in the Middle East and South East Asia. Many institutions can structure Shari'a investments for Latin America investment funds whether it is Real Estate, Private Equity, or Agribusiness for example, just as they do in other regions of the world. HSBC Amanah offers Shari'a services and funds for example. Fund Managers must understand that many investors in the Arab world invest only through Shari'a structure investments and funds. Understanding its principles and engaging institutions which offer Shari'a advisory is an important step if you are looking at attracting certain investments in that part of the world.

Why target such a difficult region as apposed to say, China, or other Asian markets?

Well to start, my last name is Melhem, not Wong nor Nakajima. As human beings, Latin Americans are culturally more similar to Arabs than as to other regions of the world, with probably the exception of Southern Europe—we value long-term relationships, we honor our word and have strong family ties. I believe the Middle East offers a tremendous opportunity for visionary entrepreneurs and the new generation of business leaders who look at the GCC not only as an interesting market to penetrate and invest in, but also as a platform to expand beyond that region into Africa, Central Asia, India and China. The GCC offers investors great infrastructure, connectivity, low tax base, and security. Not many places in the world can offer these attributes. The GCC is a modern place, but still small in size. China and India are massive complex markets, very difficult to penetrate for foreign companies, which is not the case in the GCC, and even Saudi Arabia has become much more open. That is why Brazilian iron ore giant, Vale, established a \$1 billion steel pallet plant in Oman and not in India or China or Tenaris has chosen Dubai for its Headquarters in the Middle East.

Will there be a regulation or monitoring of Middle Eastern investment in LatAm?

There is regulation and monitoring in the GCC, and I am sure new rules will be applied after this crisis, just like new regulation is expected to be passed in the U.S. by the Obama Administration. We need to remember that it took more than 120 years for the U.S. to have a Federal Reserve, only much latter regulatory and monitoring entities, such as the U.S. Securities and Exchange Commission (SEC), the National Association of Securities Dealers (NASD), were formed. The GCC has been building its infrastructure from scratch only for the past 15 years! This by all means is already impressive. Transparency is the order of the day, financial markets worldwide are now facing this issue, and I believe most markets will adhere to new rules and regulation.

Shouldn't LatAm have some sort of presence in the Middle East and will you be starting an office there?

The GCC offers a great platform for banks, asset managers, and companies from different sectors to establish themselves in the region. Today we may look with wide open eyes at Brazil, but let's not forget India, Pakistan and Egypt, all closed markets to the Middle East, have a combined population that almost quadruples that of Latin America. The GLLC will certainly have an office in the Middle East and we will work closely with our Members to help them expand their business and services to the Middle East as well. Today we have an office in Buenos Aires, Santiago, and representatives in Saudi Arabia, the U.A.E., London, Brazil, Mexico and Washington D.C.

What is the current opinion of LatAm among Middle Eastern investors? And how do you hope to work with, change or affect this opinion?

Middle Eastern investors believe that Latin America is far away, although with more and more airlines flying between the regions this distance is shrinking every day. In the month of April we took three Latin American law firms to meet peers such as Al Tamimi; and it was striking to learn that even one of the most powerful Gulf based law firms have almost no relationships with other law firms from our region. We have spoken to numerous groups, some investors, for example look at investing through funds, as a first step into the region. These funds will provide sector, country, and currency diversification. Eventually they look at investing directly, this will take more time, but as mentioned before this is certainly on the way. All in all, we see a bright future for business and understanding among these two emerging powers, the GCC and Latin America.

A Week in the Life of Canning House



Canning House, London, was founded in 1943 to promote understanding and exchange between Britain, Spain, Portugal and Latin America. Honouring the name of – to this day – Britain's only foreign minister to devote a great amount of his energies towards the affairs of Latin America, Canning House aims to foster and foment links through cultural and business exchange.

The business events held at Canning House are often focused on trade investments. Most Canning House members are people who currently have business ties in Latin America or are people interested in expanding to the region. The various events held give them a platform to network and meet other like-minded companies and individuals. A week of events at Canning House is always varied. It can begin with an investment lecture focusing on Central America and end with a Fado concert. Investment-related events are typically focused on various trades – some of the most popular topics: oil and mining, financial systems, and energy theories.

To help convey something of the flavour of the work carried out, here is a look at the week just finished.*

Business first this week as Monday opened with a panel discussion exploring the economic choices facing Chile after its devastating earthquake. Reconstructing Chile: Rebuilding Lives and Livelihoods in the Aftermath of the Earthquake brought together speakers from the wine industry, the financial press and the charity sector as they debated both the macro-economic outlook for the country and the long-term humanitarian response needed for Chile to recover. The evening was conceived to support the efforts of Levantando Chile in their fundraising initiatives, and a charitable raffle proved a great success.

Education has an important role to play in the work of Canning House, inspiring people to discover and enjoy the cultures of Latin America, and for four evenings a week the Salón Colombia is filled with students attending the Brazilian Portuguese courses. In addition, there are regular school workshops aiming to encourage and support language study at schools throughout the country. This week Santiago from Think Galapagos was invited to lead several schools in a workshop studying the Galapagos Islands, the history of Darwinism and the future for conservationism.

Outside of its own walls, Canning House is also committed to supporting Latin American and Iberian communities both in London and throughout the UK, and this week sees the advent of the pilot scheme for the Arsenal Portuguese Double Club. Arsenal FC has successfully run a series of language courses for inner-city schools in which French, German or Spanish classes have been combined with football training sessions and materials provided in the target language. Canning House is very proud to support the launch of the Portuguese initiative.

The cultural calendar this week proved as exciting as ever. There is a photography exhibition on the Birth of the Mexican Oil Industry currently showing in the Library after a successful private viewing launch last week. Next week will feature the screening of Spirit of the Andes, a documentary film on the life and works of Bolivia's renowned painter Fernando Montes, which will serve as the culmination of an exhibition of Montes' work currently displayed in the Belize Hall at Canning House. Thursday night heralded the latest concert to be held in the Drawing Room, a performance by Martin Portillo of classical Harp music exploring Paraguay's most iconic musical styles. This follows the successful chorinho concert performed by Adriano Adewale a few weeks ago.

It is the hope that through activities such as these, those inspired by the magic of Latin America will find a platform for the exploration of cultural and business exchange within the walls of Canning House.

Canning House is currently preparing for a summit, which will focus on current business and investment trends in Brazil. For information on this and other upcoming events, please check the website regularly: www.canninghouse.org

*Based on the week 19-25/04/10

Art

A Cuban Revolution

■ By: Tiffany Joy Swenson

Cuban Art has been increasing in value over the past decades. In the following article, ALI speaks with both Cuban-born artist Jake Fernandez as well as Jorge Moya, Curator at the Cuba Art NY foundation. Both parties give their take on why Cuban Art seems to have such alluring investment potential.

Jake Fernandez was born in Havana, Cuba in 1951. His parents, a lawyer and a schoolteacher, settled the family in the town of Consolación del Sur about 120 kilometers west of Havana. Due to the rigors of his family's political activities—his grandfather was the senator of Pinar del Río in 1928, and his father was the mayor—he shuttled between Havana and the town of Consolación del Sur during his early childhood.

It was 1957 and Fernandez was merely six years old when three factors sparked his decision to become an artist. Growing up on Calle Maceo, just a few houses down from the world-renowned musician Willy Chirino, Fernandez snuck a peek at a charcoal drawing Willy had sketched. It was a portrait of Pope Pius XXII. Both mesmerized and challenged by the work, Fernandez decided to try his own hand at drawing. He discovered that he indeed had some facility for the craft. Soon after, Fernandez heard his first English words on the radio in Bill Halley's "Rock Around the Clock." Finally, he saw a grainy picture of Elvis Presley in a Cuban magazine called "Bohemia." Fernandez was taken by the artistry, the mastery and the imagery. All three influences conspired to seal his fate.

Fernandez left Havana in 1960 under the assumption that the move would be temporary and that his family would be able to return once the political upheaval settled. This was never to be, and at nine years old he had relocated permanently to



Carlos Estevez

2010 prices range from 10,000 to 30,000

2005 prices ranged from 3,000 to 10,000

Inner time, 2009

Carlos Rodriguez Cardenas

2010 prices range from 10,000. to 35,000.

2005 ranged from 5,000. to 20,000.

La Llave de NY

**José Bedia**

2010 prices range from 30,000. to 50,000.

2005 ranged from 15,000. to 20,000.

En La Sierra Quien Me Encuentra

**Ofill Hechavarria**

2010 prices range from 8,000. to 16,000.

2005 ranged from 2,500. to 5,000.

Miracle Mile



Gustavo Acosta

2010 prices range from 15,000. to 35,000.

2005 ranged from 10,000. to 20,000.

The Big Secret

**Arturo Rodriguez**

2010 prices range from 25,000. to 40,000.

2005 ranged from 18,000. to 25,000.

Departures xxi

**Jake Fernandez**

Title: Timpson Creek II
oil on linen over wood panel.

34" x 64"

\$35,000.00



Miami, Florida. He began his studies under Felix Ramos, son of Domingo Ramos, a well-known Cuban landscape painter. His emphasis on drawing and disciplined approach to painting continues to be a strong influence on Fernandez to this day.

The University of Florida in Gainesville was his next destination, where he graduated from the fine arts department and transferred to the University of South Florida where he completed his master's degree. After a year of self-imposed isolation in the outskirts of the Ocala Forest in Florida, Fernandez re-located to New York City where most of his maturing as an artist took place.

He first showed his work in Florida and the Southeastern United States. He had his first exhibition in New York City at the Robert Friedus Gallery in SoHo in 1980. Fernandez has since enjoyed a steady climb in his career that has allowed him to develop his art on a full-time basis for the past 25 years. Fernandez's body of work has steadily risen in value over last 30 years. A pastel that sold for \$350 in 1980 currently sells for \$30,000. A painting that sold in 1980 for \$700 goes for \$70,000 today. Fernandez's work has never been aggressively marketed, however he has a waiting list of over a year for commissioned work. He has also enjoyed exhibitions in galleries such as ACA Galleries, Peter Marcelle Contemporary - NYC, Westwood Gallery - NYC, Gallery Gemini - Palm Beach Florida and Hammer Galleries - NYC. Fernandez's work has also been purchased by institutions, including major corporations such as American Express, PepsiCo and IBM, and government agencies such as Florida State House of Representatives and the Florida Senate.

When asked to comment on the increasing value and investment potential of Cuban Art, Fernandez replied, "I believe interest in Cuban Art and Latin American Art in general is increasing due to globalization. The highly poetic content of a lot of Latin American Art is very attractive and timeless. Art as a vehicle to lift one's spirit and enrich one's life is a universally appreciated concept. I consider it a safer bet than the irony-laced, culturally narrow, fashion-driven forms [of art] that so often distort the market. I predict a bright future as more collectors outside Latin America join in."

In order to better understand the value of Cuban Art, ALI also spoke with Jorge Moya, one of the founding members and curator for the Cuba Art NY foundation. Started in 1982, Cuba Art NY is a private, nonprofit organization dedicated to, "advancing and preserving the work of contemporary Cuban artists living outside of Cuba." (cubaartny.org). The organization stages yearly exhibits and silent auctions featuring 15 carefully selected Cuban artists from different schools of thought and different periods. Each show is accompanied by a catalogue, and

the proceeds are split 50/50 with the artists. Cuba Art NY has had the prestige of working with top Cuban artists such as José Bedia and Carlos Rodríguez Cárdenas. Jorge Moya himself is a collector, and he is frequently approached by people who wish to sell him art based on the info compiled and published by Cuba Art NY.

Having closely monitored the field of Cuban Art over many years, Moya has witnessed an obvious increase in value. People who bought art in the early stages have done very well, and there's still a lot of room for growth. This is largely due to the participation of Latin American artists in Sotheby's auctions. Latin American Art has appreciated tremendously over the

"I believe interest in Cuban Art and Latin American Art in general is increasing due to globalization. The highly poetic content of a lot of Latin American Art is very attractive and timeless."

years. You could purchase an artist's work for \$3,000–\$6,000 ten years ago; that same piece would sell today for \$250,000–\$300,000 if not more. From an investment perspective, Moya feels that the value of Cuban Art is going to increase tremendously in the coming years. "I think Latin America [Art] as a whole is going to grow. Not only for Cubans but also for Argentines, Mexicans and Brazilians. The one thing that the Cubans have is that for the size of the island, there is a larger output of art. For some reason because of the conditions in Cuba, art has become a way of escaping the system. Artists

in Cuba have the same prestige as say [a] doctor or engineer would here [in the United States]. Also when they are studying, they have their eyes on the prize and the prize is to sell to foreigners. For example, Giorgio Armani's sister was shooting a catalogue in Havana, and she found a local artist and bought a few pieces from him; soon after, everyone in her crew had to have one. That spread the word, and [the artist] became an overnight sensation. Things like that don't happen all over the world—they do happen in Cuba. [Art] is a Cuban's way out of poverty. Furthermore, the price is going to continue to accelerate because more and more serious buyers are taking advantage of the opportunity. In the beginning we were selling to a lot of Cuban collectors; in the last two years or so we've been selling to museums, such as the Museum of Houston, as well as institutions and many private collectors."

Moya goes on to discuss the many factors that contribute to the strength of Cuban artists, including the impressive educational opportunities on the island. Cuba has a tradition of offering stellar art schools and programs such as the San Alejandro National School of Fine Arts, whose alumni include revered Cuban artist such as Wilfredo Lam and Agustin Fernandez.

Needless to say, much of what makes Cuban Art unique and valuable has to do with Cuba's history. Due to political upheaval, Cuban artists are people whose lives have become politically driven, and as a result they have very interest-

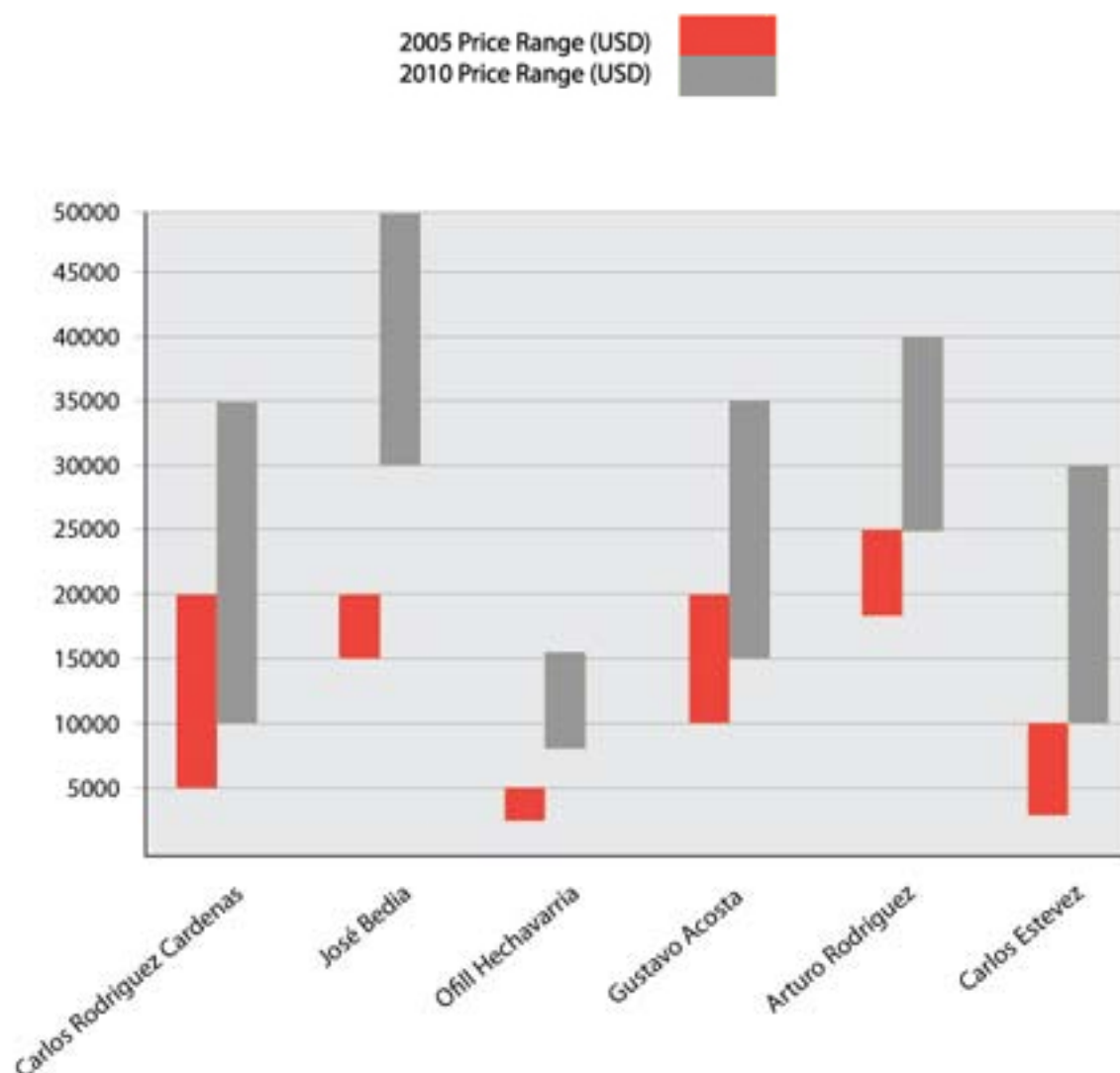
ing stories to tell. Historically this need for expression has found an outlet via art and music. (This is a phenomenon not unique to Cuba; when the wall came down in Berlin, the world realized there was a thriving community of Russian artists there, and they all did very well.) Both members of the Cuban community as well as foreigners find the allure of this free expression enticing. Furthermore, art often becomes a way to publicly rally for or against certain governmental oppression, both by the artists and those who choose to collect and display their works. The traditional mediums such as oil on canvas or photography have a history of selling well because of their portability, allowing collectors the opportunity to carry a piece of the story with them.

The question remains, how much of an affect does the Cuban culture actually have on the work of an artist who has given up his homeland? For insight on this point, ALI asked Fernandez if, as a Cuban artist living in the United States, he felt his Cuban roots influenced his body of work. He responded, "My early childhood memories of Cuba as a supernatural place are lasting

and vivid. Some see parallels in my work to the Magical Realists writers like Jorge Luis Borges and Alejo Carpentier with its labyrinthine complexities. My art is Cuban, because I am Cuban. I try to minimize the practice of introspection and concentrate on the present task at hand and let others connect the dots.... Cuban Art has a long tradition of works by expatriates, Wilfredo Lam being the most renowned. I believe that geography is secondary when it comes to Cuban Art. The soul and spirit of the Cuban artist follows him wherever he may roam."

Cuba Art NY is a private, nonprofit organization dedicated to, "advanc[ing] and preserv[ing] the work of contemporary Cuban artists living outside of Cuba." (cubaartny.org). For more information or to contact the foundation, please visit: <http://www.cubaartny.org/>

Jake Fernandez now resides in Bradenton, Fla. For more information or to contact Mr. Fernandez, please visit: <http://jakefernandez.com/>



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- Estif Aparicio, Arias, Fabrega & Fabrega (Panama)



Introduction

Be it a manufacturing facility, a winery or a small hotel off the beaten path, investments in onshore assets in Latin American countries can have widespread appeal to foreign investors. In addition to offering the possibility of a good return on investment, such ventures may also provide intangible benefits, such as being the possible means of supporting a life abroad, and can also form part of a larger asset-diversification/risk-mitigation strategy.

This article compares basic entity formation and banking practices among three Latin American countries; Argentina, Mexico and Panama, noting some special requirements and features of each jurisdiction. The description of each jurisdiction reflects the input of attorneys from several prominent local law firms.

Although there are some similarities across all Latin American companies—for example, that the dominant form of corporate entity is the sociedad anónima,—differences among jurisdictions probably outnumber such similarities. Therefore it is important for an investor to get a handle on the specific requirements of the target country (and in some cases, the relevant sub-jurisdiction - such as a province).

■ A note to investors from the United States

Ownership of 10% or more of a non-US corporation triggers a requirement for US taxpayers to file an annual Form 5471 with the U.S. Internal Revenue Service (IRS), providing a calendar year income statement and balance sheet of such company. US taxpayers must also state names, addresses and social security numbers of all owners of the business who are also US taxpayers.

In addition, US persons are generally required to file an annual information statement with the IRS disclosing any beneficial interest in, or signatory authority over, bank or other financial accounts located outside the United States. This information statement is filed on Form TD F 90-22.1, and is generally referred to as an “FBAR” (Foreign Bank Account Report). Failure by a US taxpayer

with non-US accounts to file an annual FABR can result in fines of up to \$10,000 per account and other potential penalties.

Such requirements can be a concern for some US taxpayers who may be interested in utilizing the offshore corporation and banking features of certain jurisdictions. However, US investors seeking to make onshore investments should also keep these requirements in mind.

Carl B. McCarthy is an international transactional lawyer who represents corporations, investment funds and high net worth individuals. He has been involved in numerous cross border transactions involving such jurisdictions as Mexico, Panama and Argentina in Latin America, as well as South Africa, Serbia and Montenegro, Turkey, Abu Dhabi and nearly a dozen member states of the European Union. He is a partner at the international law firm of Herzfeld & Rubin, P.C. in the firm's New York office. Carl began his career in the London office of Sullivan & Cromwell, the major international law firm.



Investing in a Business in Argentina

■ Choice of entity

The legal entities most common for foreign investments are the sociedad anónima (SA) (corporation) and the sociedad de responsabilidad limitada (SRL - limited liability company). In both cases the shareholders have limited liability. The main differences between the two forms of entity include required minimum paid-in capital (AR\$12 thousand/US\$3,000 for an SA) although in both cases the capital must be adequate to carry out the activities mentioned as the purpose of the company; lesser periodic filing requirements for the SRL; and limit on maximum number of equity holders (50) for an SRL. For both an SA and SRL, at least 25% of the par value of the corporate capital of the new company must be deposited at the Banco de la Nación Argentina upon formation and the remaining 75% within two years of its formation. Also, the transfer of shares in an SRL requires registration with the Public Registry of Commerce, whereas in the case of an SA such transfer is registered in the records of the company only.

Both forms of entity require a statutory auditor in addition to the directors appointed, if paid-in capital exceeds AR\$10 million (US \$2.5 million). In the case of SAs, if the shareholders have not appointed a substitute director, the shareholders are required to appoint a statutory auditor. Additionally, three statutory auditors who would form a supervisory committee are required for SAs when they intend to carry out specific activities (i.e. concession of public services, public offer of securities).

■ Use of a branch office of a foreign entity

Branch offices and offices of foreign companies must also be registered, in a filing that includes a duly translated and verified copy of the foreign company's constitutional documents, board resolution authorizing opening of a branch in Argentina and certain other information. The parent company shall appoint a legal representative of the branch, who generally will be the manager of the Branch, and a power of attorney must be issued in his/her favor.

■ Tax treatment of domestic entities

Both an SA and an SRL are considered to be Argentine residents for tax purposes, and therefore taxes are due upon income obtained worldwide, whether earned within Argentina or abroad, at a rate of thirty five per cent (35%) on net profits.

Profits paid by either an SA or an SRL to any beneficiary, whether local or foreign, in excess of the company's taxable income (estimated in accordance with the Argentina Income Tax Law) are subject to a thirty five per cent (35%) withholding that shall be made by the entity that distributes the profits. The tax is applicable only to the extent that those profits arise from earnings on which taxes were not paid by the entity itself. Since profits can be paid only if accounting profits exist, the tax will be due in those cases in which the taxable and the accounting income are different. It is our understanding that if the differences



■ Case study: Argentina

“Sunnybridge” Winery of Sonoma California, a small winery owned by a consortium of 15 private investors resolved to open a winery in the Mendoza region of Argentina in order to capitalize on the growing popularity of Malbec in North America. They chose to create an Argentine Sociedad Anónima (SA) as their vehicle. In order to comply with the requirement of having at least two shareholders, the Sunnybridge US parent entity owned all the shares in the SA except one share, which was owned by its founder. Please note that if the company is registered in the City of Buenos Aires, the minority shareholders should hold at least 2% of the corporate capital. However, in this case, the SA’s by-laws were submitted to the Public Registry of Commerce of the Mendoza province. Following registration, the SA was permitted to open bank accounts and obtain tax identification numbers. Sunnybridge agreed to pay US\$7 million for 10 acres of existing wine-producing land with an existing winery and distribution facility, and also budgeted US\$1.5 million for startup costs and capital improvements. Such funds were made available to the SA as an increase in corporate capital, which is exempt from the 30 percent % mandatory reserve requirement. In order to avoid having to hire a statutory auditor, the SA appointed one of the parent’s executives as a substitute director.

Simultaneous with the investment, Sunnybridge obtained residence visas for its founder and another employee to oversee the operation and refurbishment of the new winery, and hired a local staff to run it.

Clara Vela joined Marval, O’Farrell & Mairal in 1993 and has been a partner of the firm since 2003. Her professional practice is centered around giving companies and banks general advice regarding financial and commercial operations, including capital market transactions, securities issues, M&As, project finance, trusts, syndicated loans and debt restructurings. She graduated as a lawyer at the Universidad Católica Argentina in 1995 and obtained a Master in Laws at Duke University in 1998. She was a professor of Operaciones Financieras I at Universidad Di Tella (2005). She is author of the book International Financial Markets Guide (Ed Barnabas Reynolds 2004, Lexis Nexis UK, Butterworths). She is currently a member of the Colegio Público de Abogados de la Capital Federal.



Investing in a Business in Mexico

Choice of entity:

The most common type of legal entities for foreign investors are the Sociedad Anónima (SA - corporation), the Sociedad de Responsabilidad Limitada (S de RL - limited liability partnership) and, increasingly, the Sociedad Anonima Promotora de Inversión (SAPI - investment promotion corporation). An SA and a SAPI both have a minimum paid in capital requirements of \$50,000 Mexican Pesos (approximately US\$5,000), whereas an S de RL has a minimum capital requirement of \$3,000 Mexican Pesos (approximately US\$300). At least 20% of the capital of a corporation must be paid in at the time of formation, whereas at least 50% of the capital of an S de RL must be paid in.

The SA and the SAPI are both corporations. The SAPI was developed to address limitations under Mexican law that prevented US and European style shareholders' agreements among holders of shares in an SA, whose corporate form does not permit shareholders to agree to restrict their right to vote their shares or to give advance waiver of pre-emptive rights for capital contributions, among other things. The SAPI also allows options for the purchase or sale of shares (i.e. puts, calls, tag-alongs, drag-alongs, piggy back rights, etc.).

An S de RL, in contrast, is a partnership. The S de RL requires a minimum of two partners, and a maximum of fifty, and its corporate capital is represented by equity interests (partes sociales) with restricted transferability.

It should be noted that although all type of legal entities are mercantile corporations, the SAPI is regulated by the Ley del Mercado de Valores (Mexican Securities Market Law) and therefore separate provisions apply.

Use of a branch office of a foreign entity:

Branch offices and offices of foreign companies must also be registered, in a filing that includes a duly translated and verified copy of the foreign company's constitutional documents

and certain other information. Under the Ley de Inversión Extranjera (Foreign Investment Law), certain activities may only be carried out by Mexican companies or individuals. These include (i) passenger transportation (not including packaging or courier services), (ii) distribution and commercialization of fuel and liquid petroleum gas, (iii) transmission of radio and television, except for cable television, (iv) development banking, and (v) certain professional and technical services provided for under applicable Mexican laws.

Tax treatment of domestic entities:

All legal entities are considered to be Mexican residents for tax purposes, and therefore taxes are due upon income obtained worldwide, whether earned within Mexico or abroad, at a rate of thirty percent (30%) on net profits, as to the Impuesto Sobre la Renta (Income Tax).

Additionally, the Impuesto Empresarial a Tasa Única (Unique Rate Corporate Tax) must be paid by all legal entities in connection with income obtained from acquired assets or services rendered.

One of the most well-known tax-related features of the Mexican regulatory system is the Maquiladora system. "Maquiladora" literally means the "miller's share" taken for processing another person's grain. In essence, a Mexican corporation is set up to assemble goods that are entirely manufactured outside of Mexico.

Banking:

In order to open a bank account in Mexico, it is necessary to show proof of legal domicile in the country and a copy of the Registro Federal de Contribuyentes (Tax Payers Registry). All bank charges, commissions, and credit interests are subject to Impuesto del Valor Agregado (Value Added Tax).

■ Immigration opportunities for major investors:

An investor may setup a company in Mexico while in possession of a Tourist Visa but he or she may not work for that company in Mexico, or be paid by it except in dividends. In order to set-up and work for that company, an investor needs an immigration or residency visa by filing an application before the Instituto Nacional de Migración (National Institute of Immigration).

■ Special considerations:

When foreign ownership of shares is permitted, a statement known in Mexico as the *Cláusula Calvo* must be included in the by-laws. This clause indicates that any foreign shareholder must regard himself as a Mexican national with respect to its stock ownership in the corporation, and may

not invoke the protection of his government in matters connected to such ownership. In the case of non-compliance, he must forfeit his holdings to Mexico. In addition, foreigners may in principle not own real property in a zone along the United States border, or along the sea-coasts, except to the extent that the Mexican government permits such ownership through a trust (*fideicomiso*).

A foreign-owned legal entity must be recorded with the *Registro Nacional de Inversiones Extranjeras* (National Registry of Foreign Investments). The Foreign Investment Law requires that all corporations with foreign participation file a report on the foreign participation within the first forty business days after incorporation and file annual and/or quarterly reports regarding the financial situation of the company.

Shareholders meetings of Mexican companies must take place in Mexico.

■ Case study: Mexico

"Humbert" International Inc., a U.S. based manufacturer, recently incorporated a Mexican subsidiary under the form of a *sociedad anónima de capital variable*, with by-laws that included the *Cláusula Calvo* to allow foreign ownership. The company was formed for the production and commercialization of raw materials and chemical products in Mexico. Upon its incorporation, the company duly obtained the *Registro Federal de Contribuyentes* (Tax Payers Registry) and was duly registered before the *Registro Nacional de Inversiones Extranjeras* (National Registry of Foreign Investment).

Approximately four months later, the company filed the registration under the *Maquiladora* program which was obtained by the end of the month of June. Under such program the company began the importation of raw materials and formally started its operations by paying the corresponding taxes (VAT & reduced) and filing the economic annual and quarterly reports before the *Registro Nacional de Inversiones Extranjeras*.

In this case, as the officers of the company were Mexican individuals, it was not necessary to obtain any immigration visas.

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Expertise: Represented U.S. and non- U.S. corporations/financial institutions and has a special focus on Latin America with expertise in a wide variety of practice areas, including general corporate practice, mergers & acquisitions, banking, corporate finance, project finance, real estate, antitrust, telecommunications and intellectual property. Structuring and negotiating the project documents for mergers & acquisitions, joint ventures, shareholders agreements, finance and capital markets transactions, private and public offerings and antitrust matters.



Investing in a Business in Panama

■ Choice of entity:

The most common type of legal entity for foreign investors is the Sociedad Anónima (SA- corporation), which may have equity interests in which voting rights differ from economic rights. Unlike most Latin American countries, Panama does not require its corporate entities to have a minimum paid-in capital.

■ Use of a branch office of a foreign entity:

Branch offices and offices of foreign companies must also be registered, in a filing that includes a duly translated and verified copy of the foreign company's constitutional documents and financial statements and certain other ancillary information.

■ Tax treatment of domestic entities:

Panama's system of taxation is territorial. This means that, generally, only income derived as a result of activities carried out in Panama is taxed by Panama. For this reason, Panamanian corporations are frequently used for offshore activities (that is, activities not carried out in Panama) because Panama does not tax such foreign income at the company level.

A recent tax reform, enacted on March 15, 2010, provides that Income Tax rates applicable to most juridical persons will be reduced in 2011 from 30% to 25% with a transitional 27.5% rate applying during the 2010 fiscal year. In the case, however, of companies engaged in banking, power generation and distribution, cement manufacturing, telecommunications, insurance and reinsurance, certain financing and gambling activities, the Income Tax rates will be also reduced to 25% but in 2014 with a temporary Income Tax rate of 27.5% applying for the fiscal years 2012 and 2013. In addition to the income tax, other taxes paid by domestic entities doing business in the country are the 5% value added tax (which will most likely be increased this year to 7% as a result of the reform), and the

annual 2% Aviso de Operación Tax levied on the net worth of the company.

As far as the dividends and other distributions are concerned, the dividend tax applies only to those juridical persons that hold a license (known as the "Aviso de Operación" permit) to do business in Panama. A tax reform, currently in discussions in the National Assembly, is expected to expand the scope of the dividend tax payable by corporations to juridical persons that, although not holders of any Aviso de Operación, derive Panama source income. The dividend tax is 10% with respect

As far as the dividends and other distributions are concerned, the dividend tax applies only to those juridical persons that hold a license (known as the "Aviso de Operación" permit) to do business in Panama. A tax reform, currently in discussions in the National Assembly, is expected to expand the scope of the dividend tax payable by corporations to juridical persons that, although not holders of any Aviso de Operación, derive Panama source income. The dividend tax is 10% with respect to distributions payable out of Panama source income and 5% when the earnings distributed originate from foreign source income, in both cases, when shares have been issued in nominative form. For bearer shares, the dividend tax is 20%. No dividend tax applies if the relevant entity does not hold an Aviso de Operación and has not obtained Panama source income

The main difference, for tax purposes, between a registered branch and a Panamanian organized entity lies in the treatment of dividend tax. Branches must pay the dividend tax, regardless of whether or not the entity has actually distributed dividends. On the other hand, in the case of a Panamanian-organized entity, the tax applicable to undistributed earnings (known as Impuesto Complementario) is triggered only when the entity distributes less than 40% of its current earnings and even in such cases this 10% complementary tax is levied only on the difference between the earnings distributed by the Panamanian-organized entity and 40% of its current earnings. Special rules apply to entities established under special free trade zone regimes, such as the Colon Free Trade Zone.



■ Banking:

As is the case in most Latin American countries, by law, banks are subject to “know your customer rules,” meaning the bank has the obligation to know its clients (including the beneficial owners of the accounts) and the source of the funds. Banks will thus typically require letters of reference from the person opening an account in addition to basic corporate information and authorizations of the prospective client. It is not necessary to have a domicile in Panama in order to open a bank account.

While the value added tax applies to commissions charged by banks for their services, interest paid under bank accounts are not subject to any tax.

■ Immigration opportunities for major investors:

A foreign person that intends to open a business in Panama involving an investment for an amount equal to or above US\$160,000 may apply for an investment visa. The law requires that company constituted by the foreign investor hires at least 5 or more Panamanian employees.

Other relevant visas are various types of self support visas granted to persons that buy in Panama a real property for a purchase price that exceeds of US\$300,000 or who open a time deposit account for five years for the amount of US\$260,000. Similarly, retirees with a minimum monthly income of US\$1,000 or above may apply for a retiree visa.

■ Special considerations:

Panama uses the U.S. Dollar as currency of legal tender since its independence from Colombia in 1904. Panama does not impose exchange controls and does not have a special regime for foreign investors like some other countries. Aside from certain constitutional limitations, foreigners enjoy the same legal protections available to Panamanian citizens or entities controlled by them. Among the activities reserved to nationals are retail trade and distribution services. The entities engaged in these activities must be owned and controlled by Panamanian citizens.

Until recently, Panama had not entered into tax information or double taxation agreements with any country. Notwithstanding, this policy has changed with the Martinelli administration that took office in 2009 and as a result of that Panama has recently concluded a double taxation agreement with Mexico (which has yet to be ratified) and it is expected that in a relatively short period of time Panama will conclude at least 12 double taxation agreements in order to adhere to standards promulgated by the OECD.

Officers and directors of a Panamanian corporation can be of any nationality. In addition, the government of Panama has set up further legal incentives to attract onshore business such as its “MHQ” scheme, highlighted in the case study below

■ Panama's MHQ scheme

What do Proctor and Gamble as well as other giants in their respective sectors such as Otis, Maersk, Heineken and Western Union, have in common? They all have set up regional headquarters in Panama under a favorable and specialized regime that benefits the establishment of regional headquarters of multinational corporations.

Any non-Panamanian company that intends to provide any of the covered services identified below from a Panama headquarters to its subsidiaries, affiliates or associated companies may incorporate a corporation or register a branch in Panama and apply with the Ministry of Commerce and Industry for a "Multinational Headquarters" (MHQ) license. Among the services covered are administration of business operations, globally or for a specific geographical region; logistics; technical assistance; accounting; operational support; and research and development.

The holder of an MHQ license enjoys tax, immigration and labor benefits beyond benefits normally available to owners of a Panamanian corporation. Not only is the licensed MHQ exempted from income tax with respect to income derived from the services rendered to its affiliated companies doing business outside of Panama, but in addition certain of its non-Panamanian employees are also exempted from income tax, provided that their salaries are paid from abroad. It is also possible that the licensed MHQ may negotiate a tax agreement with the local tax authorities to address issues pertaining to its global operations. In addition, the foreign personnel of the licensed MHQ may import their household items duty free, up to a certain amount, when first arriving to Panama.

On the labor and immigration sides, the MHQ regime exempts a licensed MHQ from the immigration quotas normally applicable to all businesses with respect to certain categories of employees. Visas are granted for up to five years and foreign employees are exempted from the ordinary labor permit regime. In addition to the visas for regular staff, the regime also contemplates special visas for temporary visitors and for those attending special conferences or events organized at the MHQ's premises.

Estif Aparicio is an associate of the firm since 2000. Mr. Aparicio's practice focuses on securities regulation; banking and finance; mergers, acquisitions and joint ventures; antitrust, trade and competition; and taxation. From 2004 to 2006, the firm granted Mr. Aparicio a leave of absence to work for the Panamanian government as Chief Trade Negotiator of all bilateral and multilateral free trade agreements. As Chief Trade Negotiator, Mr. Aparicio coordinated Panama's participation in the Doha round of negotiations of the World Trade Organization and successfully negotiated free trade agreements with the United States, Singapore, and Chile. From 2006 to 2007, Mr. Aparicio worked for the law firm of Sullivan & Cromwell in New York, participating in capital markets, M&A and project finance transactions.

