FEATURED Q&A

Will 5G Services Live Up to the Hype in Latin America?

In February, Chile officially announced its plans to begin an auction process as it seeks to soon roll out 5G connectivity nationwide. 5G services can bring benefits such as improved data speeds and more efficient energy use, but the expected costs involved with building 5G technology have been higher than anticipated, according to a McKinsey study published last year. To what extent should Chile be focusing on improving existing infrastructure instead of rolling out 5G connectivity, and how can the government and telecommunications companies mitigate high costs? Would 5G services benefit consumers in Latin American markets, and can they afford the bills that would pay for the network buildout? What are economic models of success for 5G rollouts in other parts of the world, and what can Latin America learn from them?

Maria Alexandra Velez, director of government and regulatory affairs, Latin America at SBA Communications Corporation: “Chile is among the most advanced countries in the region as it concerns connectivity and the regulatory framework. However, preparing Chile for 5G rollout requires improvement, particularly in infrastructure deployment. In order to mitigate high costs and increase network expansion efficiency, promoting the development of shared passive infrastructure is critical. Modifying the slow and cumbersome permitting process before the municipalities and the Undersecretary of Telecommunications (Subtel) will definitely help in accelerating the deployment of new telecommunications infrastructure in the country. Fortunately, Subtel is already looking into improving processes for mobile... Continued on page 3
Venezuela’s Chief Justice Seeks to Strip Guaidó’s Immunity

The chief justice of Venezuela’s supreme court on Monday moved to strip opposition National Assembly leader Juan Guaidó, who has international recognition as the country’s acting president, of his immunity from prosecution, the Associated Press reported. Justice Maikel Moreno, a supporter of President Nicolás Maduro, asked the country’s powerful National Constituent Assembly, which is also aligned with Maduro, to lift the immunity that Guaidó has as a legislator. Guaidó has been working to push Maduro from office following his re-election last year in a vote that the country’s opposition and dozens of countries consider illegitimate. Government officials loyal to Maduro previously announced that Guaidó is under investigation for allegedly receiving illicit funds and encouraging violence against the government. Maduro’s administration last week barred Guaidó from holding public office for 15 years and also previously arrested his chief of staff on terrorism charges. Meantime, Guaidó appeared at a university in Caracas on Monday and, amid the country’s frequent widespread power outages, reiterated his demand that Maduro step down. “We must unite now more than ever,” said Guaidó, the AP reported. “We must mount the biggest demonstration so far to reject what’s happening.” Maduro has blamed the blackouts on sabotage. On Sunday, Maduro said the country would begin a 30-day electricity rationing program, but he provided few details about it. International pressure has been growing for Maduro to step down. However, he retains the crucial backing of Venezuela’s military. Last month, Guaidó’s wife, Fabiana Rosales, met with U.S. President Donald Trump at the White House. She told Trump that she was concerned for Guaidó’s safety. “I fear for my husband’s life,” she told Trump, CNBC reported. Some three million Venezuelans have fled the country over the last five years to escape deteriorating living conditions.

We must unite now more than ever.”
— Juan Guaidó

Guatemalan Electoral Court Accepts Challenges to Aldana’s Candidacy

Guatemala’s top electoral court has accepted three challenges to the presidential candidacy of former Attorney General Thelma Aldana, which for now leaves her out of the race, the Associated Press reported Monday. One of the challenges, which were all brought by political rivals, alleges Aldana does not have a document from the comptroller’s office certifying her public accounts were settled, which is a requirement for candidates. Aldana can appeal the decision.

Argentina Establishes Interest Rate Floor

Argentina has established an interest rate floor of 62.5 percent, the central bank said Monday, as it seeks to contain inflation and protect the peso currency, which lost almost 10 percent of its value against the dollar last month, forcing up interest rates, Reuters reported. The central bank said it would continue to “strictly control” liquidity in the market “to support a minimum rate of 62.5 percent” in April.

Brazil’s Bolsonaro Visits Western Wall With Netanyahu

Brazilian President Jair Bolsonaro on Monday visited the Western Wall in Jerusalem with Israeli Prime Minister Benjamin Netanyahu, during the Brazilian leader’s four-day trip to Israel, Reuters reported. The visit came as Palestinians considered recalling their ambassador to Brazil over a new trade mission that Bolsonaro’s government opened in Jerusalem. In 2017, U.S. President Donald Trump recognized Jerusalem as Israel’s capital, breaking international consensus, and moved the U.S. embassy there last May. However, Brazil has held off on moving its embassy there.
Chile’s Central Bank Cuts Economic Growth Forecast

Chile’s central bank on Monday cut its forecast for the country’s economic growth this year to between 3 percent and 4 percent, Reuters reported. The central bank had earlier forecast growth of 3.25 percent to 4.25 percent for this year. The country is seeing a lower rate of inflation, meaning that policymakers should ease monetary stimulus more cautiously, according to the bank’s quarterly IPOM report. “The process will proceed gradually and cautiously, considering that the reduced level of inflation has given us space to evaluate our approach,” the bank said in the report. Last December, the bank had expected inflation of 2.9 percent for the end of this year, but now expects it to be 2.6 percent.

Inspectors Refuse to Certify Stability of 18 Vale Structures

Brazilian mining giant Vale on Monday said it has suspended operations at 10 of its dams and dikes in Minas Gerais State after safety inspectors refused to provide stability certificates to at least 18 of the company’s structures in Brazil, following the deadly collapse of one of its dams in January, The Wall Street Journal reported. The other eight dams had already been evacuated after Vale deemed them to be at risk. The loss of certificates does not require additional evacuations, nor will it alter the company’s sales forecasts for iron ore and pellets, Vale said in a securities filing, Reuters reported. The iron ore miner is facing a confidence crisis following the failure earlier this year at one of its tailings dams, which burst and killed around 300 people. The incident was the world’s deadliest mining disaster of its kind in more than 50 years, according to The Wall Street Journal. However, Vale said the external auditors had not signed off on the structures’ safety not because they had become more unstable, but rather because the guarantors had adopted more conservative models for their analyses. It added that auditors had also approved 80 of the company’s other mining structures. Tüv Süd, the German company that certified the dam that collapsed in January four months before the incident, is facing possible penalties under Brazil’s anti-corruption law, ranging from hefty fines to partial or total shutdown of its business in Brazil. [Editor’s note: See related Q&A in the Feb. 12 issue of the Advisor.]

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A Lucas Gallitto, acting head of Latin America at GSMA: “Initially, 5G will complement 3G and 4G networks, leaning on existing infrastructure rather than replacing it. It will coexist with earlier mobile generations, which will connect citizens to the mobile Internet for years to come. Governments should focus on increasing regulatory certainty, reducing or eliminating mobile-sector taxes, easing tax on energy for 5G and lowering administrative fees. It is especially vital that regulators avoid inflating 5G spectrum prices (for example, through excessive reserve prices or annual fees), as this risks limiting 5G network investment and driving up the cost of services for consumers. 5G is not only for advanced economies, it’s for all countries. 4G and 5G will coexist for a long period. The digital economy needs 5G to respond to consumers’ booming demand for mobile data and to enable a wide range of new services, an ‘enhanced connectivity experience.’

Despite 5G’s promise as an enabler of compelling new services, the business case is still uncertain.”

— Lucas Gallitto

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infrastructure permitting and spectrum availability. Latin American consumers will benefit by having enhanced mobile broadband, with increased speed and capacity allowing webpages, video and other data to load faster on mobile devices. They will also have an ‘always-on’ user experience and availability of billions of applications, with the added advantage that 5G will require lower energy-per-bit usage, improving device battery life. In recent surveys by PwC and Matrixx Software, customers seem to be willing to pay for 5G as long as it delivers an ‘enhanced connectivity experience.’

Although these surveys took place in Britain and the United States, I believe their results can extrapolate to Latin America, with the caveat of smaller demographics with enough economic power to access this enhanced technology. Some elements for successful 5G rollouts include creating an implementation roadmap, addressing spectrum needs for 5G use and updating regulatory frameworks to maximize spectrum use and encourage competition. Latin America needs to focus on spectrum, fiber and infrastructure. An efficient regulatory framework that encourages sharing infrastructure to decrease proliferation, improve the speed of deployment and reduce capital will maximize efficiencies, reduce cost and risk and ensure that all members of society are included in the digital revolution promised by 5G.”
of advances—including digitalizing industry (the so-called fourth industrial revolution). 5G will make possible an array of services that require fast, dependable, low-latency connectivity for many applications, such as: high-speed, reliable and secure broadband experience, automation of industrial processes, massive Internet of Things communications, connected cars and immersive augmented reality. These services will benefit Latin American societies by creating new jobs, fostering economic growth through productivity gains and ensuring better quality education. Despite 5G’s promise as an enabler of compelling new services, the business case is still uncertain. Since 5G was introduced a few months ago in the United States and South Korea, there is little expertise that we can learn from in Latin America, so a case-by-case study will be necessary to make 5G both economically affordable for the customers and profitable for the operators.”

Lourdes S. Casanova, senior lecturer and director of the Emerging Markets Institute at Cornell University: “Chile was the first country in Latin America to privatize the telecom sector in 1987. The privatization made possible the tremendous expansion of mobile coverage and put Chile (and Latin America) at the forefront of mobile penetration. Wireline networks were not upgraded at the same pace. 5G networks are a must for making the Internet of Things possible: self-driving cars, interconnected white goods, video streaming, among others, all need faster wireless networks, and for that 5G is key. China’s presence in Chile is quite important, and Chinese companies are at the forefront of 5G technology. Hence, quite likely, they may be the main providers of the necessary equipment for the 5G networks. Chile, once again, is a leader in Latin America, working toward the future. Will this investment be more productive looking forward than improving current wireless networks including wireline? Time will tell.”

Eduardo Mauricio Agudelo, chief executive of the infrastructure technical analysis and evaluation directorate at CAF – Development Bank of Latin America: “The accomplishment of a regional digital strategy for Latin America will require not only a common understanding of the relevant gaps at regional and sub-regional level (and on the best way to bridge such gaps), but also strong, continuous political support from the parties involved on how to coordinate joint efforts. The status of the digital economy in Latin America shows there are a number of obstacles still hampering citizens and businesses from fully enjoying the opportunities offered by a flourishing online environment. Some of the gaps concern connectivity (fiber, 4G, 5G), while others involve access to online goods and services (copyright, online piracy, and privacy and security). Regulatory debates on the impact of emerging technologies and applications, such as 5G, cloud computing or M2M, if they have started at all, are still at an early stage. The Gigabit Society in Latin America would focus on so-called socioeconomic drivers, including key industries, schools, hospitals and universities, among others. The connectivity ambition would shape the direction of the framework review and justify key elements, such as spectrum for 5G and regulatory incentives for very high-performance networks. The overarching goal would be ubiquitous connectivity, also along transport routes and providing broadband in rural areas. All in all, Latin America is one of the regions with the highest dynamism and take-up of mobile broadband. Take-up has been increasing substantially. Spectrum allocation remains a national matter subject to recommendations from international and regional organizations. A definitive roadmap toward increased spectrum harmonization in Latin America is a must.”

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.