

BOARD OF ADVISORS

Diego Arria

Director, Columbus Group

Devry Boughner Vorwerk

Corporate VP, Global Corporate Affairs
Cargill

Joyce Chang

Global Head of Research,
JPMorgan Chase & Co.

Marlene Fernández

Corporate Vice President for
Government Relations,
Arcos Dorados

Peter Hakim

President Emeritus,
Inter-American Dialogue

Donna Hrinak

President, Boeing Latin America

Jon Huenemann

Vice President, U.S. & Int'l Affairs,
Philip Morris International

James R. Jones

Chairman,
Monarch Global Strategies

Craig A. Kelly

Director, Americas International
Gov't Relations, Exxon Mobil

John Maisto

Director, U.S. Education
Finance Group

Nicolás Mariscal

Chairman,
Grupo Marhnos

Thomas F. McLarty III

Chairman,
McLarty Associates

Carlos Paz-Soldan

Partner,
DTB Associates, LLP

Beatrice Rangel

Director,
AMLA Consulting LLC

Jaana Remes

Partner,
McKinsey Global Institute

Ernesto Revilla

Head of Latin American
Economics, Citi

Gustavo Roosen

Chairman of the Board,
Envases Venezolanos

Andrés Rozental

President, Rozental &
Asociados and Senior
Policy Advisor, Chatham House

Shelly Shetty

Head of Sovereign Ratings,
Latin America, Fitch

Roberto Sifon-Arevalo

Managing Director, Americas
Sovereign & Public Finance Ratings,
Standard & Poor's

FEATURED Q&A

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



5G networks can enable new services, but the business case for it is still unclear, Lucas Gallitto writes below. // File Photo: Pixabay.

Q 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?

A 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

TODAY'S NEWS

POLITICAL

Mexico Will Not Militarize Southern Border: Interior Secretary

Mexico will not order the militarization of its border with Guatemala to block caravans of migrants from entering, said Interior Secretary Olga Sánchez.

Page 2

ECONOMIC

Chile's Central Bank Cuts Growth Forecast

The central bank said it is expecting economic growth of between 3 and 4 percent for this year, along with lower inflation.

Page 3

POLITICAL

Venezuelan Chief Justice Seeks to Strip Guaidó's Immunity

The chief justice of Venezuela's supreme court asked the country's powerful pro-government National Constituent Assembly to strip opposition leader Juan Guaidó's immunity from prosecution.

Page 2



Guaidó // File Photo: Venezuelan Government.

POLITICAL NEWS

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

“We must unite now more than ever.”

— Juan Guaidó

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. Howev-

er, 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.

Mexico Will Not Militarize Southern Border: Interior Sec'y

Mexican Interior Secretary Olga Sánchez on Monday said Mexico will not order the militarization of its border with Guatemala to block caravans of migrants from Central America from entering Mexico and making their way north toward the United States, El Universal reported. Sánchez said Mexico will regulate and provide security to the migrants, adding



Sánchez // File Photo: Notimex.

that President Andrés Manuel López Obrador's government is “not repressive” and that militarization of its southern border is not an option “under any circumstances.” When asked whether she feared that U.S. President Donald Trump will close the U.S. border with Mexico, Sánchez said those were each country's unilateral decisions and echoed López Obrador's response of “peace and love” to Trump's threats of closing the border, El Universal reported. She added that coordinated action between the United States, Mexico and Central American countries is key, saying “we are very aware that migration has to change and be regulated, and I'm sure [Central American countries] will also have to do their part.” Meanwhile, U.S. Home-

NEWS BRIEFS

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.

land Security Secretary Kirstjen Nielsen on Monday ordered an expansion of the “remain in Mexico” strategy, which orders some non-Mexican asylum seekers to wait for the resolution of their asylum cases in Mexico instead of the United States, Politico reported. She said the policy would be broadened “to return hundreds of additional migrants per day,” according to the report.

ECONOMIC NEWS

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.

BUSINESS NEWS

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

FEATURED Q&A / Continued from page 1

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 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

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

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

— Lucas Gallitto

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

Continued on page 4

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.]

FEATURED Q&A / Continued from page 3

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."

A **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."

A **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.

LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue, Copyright © 2019

Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
gkuleta@thedialogue.org

Anastasia Chacón González
Reporter
achacon@thedialogue.org



Michael Shifter, President

Genaro Arriagada, Nonresident Senior Fellow

Sergio Bitar, Nonresident Senior Fellow

Joan Caivano, Director, Special Projects

Michael Camilleri, Director, Peter D. Bell Rule of Law Program

Kevin Casas-Zamora, Nonresident Senior Fellow

Ariel Fiszbein, Director, Education Program

Peter Hakim, President Emeritus

Claudio Loser, Senior Fellow

Nora Lustig, Nonresident Senior Fellow

Margaret Myers, Director, Asia and Latin America Program

Manuel Orozco, Director, Migration, Remittances & Development

Jeffrey Puryear, Senior Fellow

Tamar Solnik, Director, Finance & Administration

Lisa Viscidi, Director, Energy Program

Denisse Yanovich, Director of Development and External Relations

Latin America Advisor is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at 1155 15th Street NW, Suite 800 Washington, DC 20005

www.thedialogue.org

ISSN 2163-7962

Subscription inquiries are welcomed at ebrand@thedialogue.org

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the publisher. The analysis is the sole view of each commentator and does not necessarily represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the publisher.