FEATURED Q&A

How Is Geopolitics Shaping Brazil’s 5G Network Rollout?

The pandemic and U.S. pressure to rebuff Huawei come as Brazil is seeking development of 5G technologies. // File Photo: needpix.com.

Citing complicated economic conditions brought on by the Covid-19 pandemic, Brazil has again delayed its auction for the deployment of 5G technologies. The announcement came as the United States steps up pressure on Brazil to rebuff Chinese supplier Huawei Technologies, a move a company executive said would “ultimately impact prices for carriers, regional Internet service providers and customers.” What is the significance of continued delays in the deployment process of 5G networks in Brazil? To what extent and in what ways is geopolitics influencing decisions regarding 5G services in the South American country? Taking politics aside, what are the most important factors that should be taken into account in order to make Brazil’s 5G deployment successful?

Lourdes Casanova, senior lecturer and director of the Emerging Markets Institute at Cornell University’s S.C. Johnson College of Business: “Following pressure from Brazilian telecom companies, the country’s telecommunications regulator, Anatel, announced it would delay the auction for the deployment of 5G technologies until the end of the year. The pandemic has caused the value of Brazil’s currency to fall against the dollar, as well as capital flight and a fall in the Brazilian stock market. The decision should also be viewed in the context of U.S. pressure on countries, including Brazil, to exclude Huawei as a provider of 5G. Huawei is a key telecom equipment supplier of Brazil’s main telecom operators: including the biggest one, Oi, Spain’s Telefónica, Mexico’s América Móvil and Italy’s TIM. All

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**U.S. Offers $5 Mn for Venezuelan Supreme Court Chief**

The U.S. State Department on Tuesday offered a $5 million reward for information leading to the capture of the chief justice of Venezuela’s Supreme Court, Maikel José Moreno Pérez, accusing him of taking bribes related to court cases in Venezuela. Moreno was charged in a criminal complaint in U.S. federal court in the Southern District of Florida with conspiracy and money laundering “in connection with the alleged corrupt receipt or intended receipt of tens of millions of dollars and bribes to illegally fix dozens of civil and criminal cases in Venezuela,” U.S. Immigration and Customs Enforcement, or ICE, said in a statement. The complaint against Moreno alleges that he authorized the seizure and sale of a General Motors auto plant worth approximately $100 million in exchange for a percentage of the proceeds. It also alleges that he pocketed bribes to authorize the release of Venezuelans, or dismissal of charges against them, including one who had been charged in a multibillion dollar fraud scheme against Venezuela’s state-owned oil company, according to ICE. Moreno told U.S. authorities in a visa application in 2014 that he earned the equivalent of about $12,000 annually. However, his U.S. bank records show some $3 million in inflows to his accounts between 2012 and 2016, according to ICE. The deposits were primarily “large round-dollar transfers from shell corporations with foreign bank accounts linked to Co-Conspirator 1, who is a former criminal defense attorney in Venezuela who currently controls a Venezuelan media company,” the criminal complaint against Moreno alleges. Moreno’s bank records from 2012 to 2016 show that he spent some $3 million, mainly in south Florida, including about $1 million for a private aircraft and private pilot, as well as $600,000 at Florida stores, including luxury stores, the complaint also alleges. In a statement posted to Facebook, Moreno denied the allegations, saying they are aimed at undermining him, adding that they will only strengthen his “autonomy and independence” as the head of Venezuela’s Supreme Court, the Associated Press reported. “This is not the first time a mouthpiece of the U.S. empire has tried to attack me,” Moreno said in the posting. “They will never succeed because the independence and sovereignty of our homeland is not up for discussion.”

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five operators have expressed interest in diversifying suppliers. The relationship of Brazilian telecom operators with Huawei is both old (starting in some cases about 15 years ago) and deep and will not be easily untangled. Another interesting aspect to consider is the sale of Oi, which has been bankrupt since 2016. Oi is in the process of creating four units: towers, data centers, mobile assets and fiber infrastructure. Telefónica, TIM and América Móvil are in talks to bid for the mobile assets together. In September, China Mobile, the world’s biggest mobile company, expressed interest as well. Although it was denied by the company later, Huawei was mentioned as being in partnership with China Mobile in wanting to buy Oi’s mobile assets. A successful 5G auction will require collaboration among all stakeholders and a more stable economic situation. At a moment when the real’s value is difficult to predict, it’s not easy to put a price on the auction and on Oi’s sale. Despite the rhetoric, Chinese exports from Brazil have grown in the first half of 2020, both in relative and absolute terms. Brazil, with $48 billion, is the biggest destination of Chinese investments in Latin America. Chinese companies such as SGCC have become major players in the electricity sector. Chinese influence in Brazil remains stronger than ever. As Brazil finds itself between Beijing and Washington, 5G represents a specific front of a complex global battle, and the victor is not clear.”

**NEWS BRIEFS**

**Mexican Authorities Find 23 Children Held Captive, Forced to Work**

Mexican authorities announced Tuesday that police discovered 23 abducted children being held in deplorable conditions in a house and forced to sell trinkets in the street, the Associated Press reported. Most of the children ranged in age from 2 to 15, but there were also three babies between 3 and 20 months old, according to prosecutors. They were being held in a house in San Cristóbal de las Casas, in Chiapas state.

**Imprisoned Former Guatemalan Health Minister Dies of Covid-19**

Jorge Villavicencio, a former Guatemalan health minister in prison on corruption charges, has died of complications related to Covid-19, the Associated Press reported Tuesday. Villaviciencio had been hospitalized on July 10 after a medical review requested by the prosecutor’s office confirmed he had contracted the virus. Villavicencio was health minister during the administration of President Otto Pérez Molina, who is also jailed on corruption charges but has been held in a hospital for unrelated medical issues, from 2012 to 2015.

**Canada’s Iamgold Resumes Operations at Suriname Mine**

Canadian gold miner Iamgold said on Tuesday that it is resuming operating at its Rosebel gold mine in Suriname after shutting it down in June following union leaders’ calls to stop work amid the coronavirus pandemic, Reuters reported. Iamgold last month said it had put in quarantine seven employees infected with the virus and taken steps to disinfect working areas, but the union said that was not enough. The union has now agreed to allow a restart, the company said.
**ECONOMIC NEWS**

Brazilian Economy Minister Presents Tax Reform Proposal

Brazilian Economy Minister Paulo Guedes on Tuesday unveiled to congressional leaders the first part of the government’s tax reform proposals, a plan that will combine two federal consumption taxes into a single value-added tax, Reuters reported. The new single tax on goods and services, to be known as CBS, would replace the so-called PIS and Cofins federal consumption taxes and be set at a rate of 12 percent, the economy ministry said, adding that it will be simpler, cheaper and more efficient for companies to apply, in addition to being more transparent for consumers. Guedes said the tax reform will lead the pace of the government’s broader economic reform agenda.

Guedes did not mention the possibility of a controversial financial transactions tax, which could have sparked opposition in Congress, the Financial Times reported. The government indicated, however, that this was only the “first phase” and more proposals will be made. Senate President Davi Alcolumbre said the proposals will be analyzed along with the state and local value-added tax proposals already underway in Congress as a “unified” package, Reuters reported. Rodrigo Maia, the speaker of the lower house, also applauded the proposal, the Financial Times reported.

**BUSINESS NEWS**

Protesters in Peru Attack Convoy of Las Bambas Mining

Protesters in Peru have attacked a convoy of vehicles from the Las Bambas mining group, one of Peru’s largest copper producers, and set fire to some of them, highlighting tensions in one of the Latin American countries hit hardest by the coronavirus pandemic, Reuters reported Tuesday. The miner, which Chinese firm MMG owns, said in a statement late on Monday that the convoy was transiting a mining area near the city of Espinar in the Cusco region when the vehicles were intercepted and attacked by protesters throwing rocks, and two were set on fire. The protesters “are violently demanding an economic benefit that is not linked to Minera Las Bambas and that has caused riots in the area,” Las Bambas said. “They sprayed gasoline on the vehicles and proceeded to set them on fire. The drivers of both units, who were threatened by the protesters, suffered personal injury and are currently in a safe place,” the miner added. Las Bambas produces about 400,000 tons of copper per year, about two percent of global extraction of the metal. Interior Minister Gastón Rodríguez last month said Peru’s government was expecting an increase in social protests as the country eases restrictions that were put in place to curb the spread of Covid-19, Reuters reported. [Editor’s note: See related Q&A in the July 10 issue of the Advisor.]

**THE DIALOGUE CONTINUES**

Will Moves Against the Opposition Strengthen Maduro?

Venezuela’s government has increasingly taken action against the opposition in recent weeks. The Supreme Court has removed the leaders of three influential opposition parties and replaced them with politicians reportedly tied to President Nicolás Maduro. The actions come ahead of legislative elections planned for later this year, and the parties targeted include the Popular Will party of opposition leader Juan Guaidó. What are the reasons behind the government’s latest actions against the opposition? What will these moves achieve for President Nicolás Maduro? How will the actions influence Venezuela’s election, scheduled for later this year?

Gustavo Roosen, president of IESA in Caracas: “Nicolás Maduro has devised this strategy in order to, as a first objective, regain the power lost in the 2015 parliamentary elections, when the opposition gained absolute control of the National Assembly. This loss of control over the legislative branch led Maduro to rig the 2018 presidential elections. Once Juan Guaidó was appointed interim president, based on the Constitution, and following the demonstration of the illegality of the vote that got Maduro re-elected, came the recognition of nearly 60 countries of the new interim president. Since then, Maduro has lost popular support, and today he has the support of just 13 percent of voters. The strategy also pursues a second objective: with the illegal dismissal of the opposition political parties’ leaders and the appointment of a National Electoral Council controlled by the regime, Maduro wants to call elections in which his party would be the big winner, as a consequence of the immense abstentionism that will take place. Imagine the difficulty of mobilizing opposition voters to go to the polls for rigged elections. It is clear, then, that what Maduro wants is the enthronement of the dictatorship with the votes of Venezuelans in purportedly transparent elections. The branches of government would then be controlled from the Miraflores presidential palace. On top of it all, with this call for parliamentary and presidential elections, Maduro is trying to satisfy the international community, which has continued to demand free elections from the revolutionary government.”

EDITOR’S NOTE: The comment above is a continuation of the Q&A published in Monday’s issue of the Advisor.
A decision has long ceased to be a technical one. Indeed, whether to allow Huawei to participate in the bidding process—which would practically guarantee the Chinese company a role given its cost competitiveness—is probably the single most important foreign policy decision the Bolsonaro government has to make. Contrary to the United States, where the return of great power politics is likely to have a unifying impact and reduce polarization, recent evidence suggests it will have the opposite effect in Brazil, where tensions between Washington and Beijing are imported into domestic politics, and accusing opponents of being controlled by either China and Washington has become more common. All this will make it more difficult to have a rational public debate about the subject. With no easy way out, it is only natural that policymakers will have a strong incentive to delay a final decision and fly under the geopolitical radar for as long as possible. Yet, the longer Brazil waits, the smaller the window of opportunity will be to use the coming technological transformation to increase the country’s global competitiveness.”

Ari Lopes, São Paulo-based principal analyst for Latin America at Ovum: “2019 was the year the world saw the first 5G deployments. It was expected that countries such as Mexico and Brazil would enter the 5G stage sometime in 2020, but Covid-19 changed those plans. The most immediate effect on the regulatory agenda in Brazil was the postponement of the 5G spectrum auction to 2021. For the telecoms sector in Brazil, the second half of 2020 and early 2021 will be a time to evaluate how demand for 5G has changed once the country finds some sort of new normal. For starters, the sector will be closely following the fluctuations of the Brazilian currency, as the real was among the currencies that lost more value against the U.S. dollar in the first half of the year. This has had a direct impact on the cost of smartphones and network equipment, and given that—as with any new technology—5G smartphones or modems (for fixed wireless access, or FWA) will be more expensive, it will be harder for communication service providers to price 5G competitively if the exchange rate remains at these levels in 2021. On the supply side, 5G network will not be available until suitable spectrum is made available, which is likely to happen only in 2021. All in all, despite the impact of Covid-19, 5G is an enabler for many economic sectors and will play a pivotal role in post-Covid-19 economic recovery. Omdia expected 2020 to be the year of 5G’s debut in Brazil, but that expectation now moves to 2021.”

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