INTER-AMERICAN DIALOGUE'S
LATIN AMERICA ADVISOR

BOARD OF ADVISORS

Diego Arria
Director,
Columbus Group

Genaro Arriagada
Nonresident Senior Fellow,
Inter-American Dialogue

Joyce Chang
Global Head of Emerging Markets Research, JPMorgan Chase & Co.

W. Bowman Cutter
Former Partner,
E.M. Warburg Pincus

Dirk Donath
Senior Partner,
Aimara Capital LLC

Jane Eddy
Managing Director,
Corporate & Govt. Ratings Group,
Standard & Poor's

Marlene Fernández
Corporate Vice President for Government Relations,
Arcos Dorados

Peter Hakim
President Emeritus,
Inter-American Dialogue

Donna Hrinak
President,
Boeing Brazil

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

James R. Jones
Co-chair,
Manatt Jones Global Strategies LLC

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
President,
McLarty Associates

Carlos Paz-Soldan
Partner,
DTB Associates, LLP

Beatrice Rangel
Director,
AMLA Consulting LLC

José Antonio Ríos
Chief Executive Officer,
Vadium Technology Inc.

Gustavo Roosen
Chairman of the Board,
Envases Venezolanos

Andrés Rozental
President,
Rozental & Asociados and Senior Fellow,
Brookings Institution

Everett Santos
President,
DALEC LLC

Shelly Shetty
Head, Latin America Sovereign Ratings,
Fitch Inc.

FEATURED Q&A

How Can Countries Improve Their Internet Capabilities?

Q Many Latin American countries have lost ground in their Internet capabilities during the last year, according to the World Economic Forum's recently-published 'Global Information Technology Report 2014,' which measures how well a country is prepared to use information and communications technology to create economic growth and improve well-being. No Latin American country cracked the top 10 and the regional leader, Chile, improved its score but still dropped one spot to 34th this year. What is behind the region's poor showing relative to other regions? What specific policies or initiatives could governments or businesses implement to reverse the decline?

A Andrés Maz, executive director of advanced technology policy at Cisco Systems: "There are successes at the country level, such as Chile, as well as steady improvements in Panama, Costa Rica and Colombia. However, many other countries around the world are improving faster in their networked readiness, and so recent gains in the region are not enough to keep up with the global pace. More can be done to accelerate the expansion of information and communications technologies in order to facilitate economic and social development across the region. General policy issues such as reducing regulatory bureaucracy, for instance, as well as enhancing general ICT skills and focusing on innovation and entrepreneurship all demand attention. But particular focus is needed to address two main issues in Latin America: 1) Expanding broadband infrastructure to ensure ubiquitous connectivity, particularly through wireless access. While companies and governments in the region have redoubled efforts to improve broadband infrastructure, the timeline, upfront cost of fixed wired investment and the geographic challenges of the region point to wireless broadband as the best way to start reaching most of the region's population that reside

Continued on page 3

U.S. House Approves Venezuela Sanctions Legislation

The U.S. House of Representatives on Wednesday approved a measure to sanction Venezuelan officials over their crackdown on protesters. Rep. Ileana Ros-Lehtinen (R-Fla.) said the bill would "hold these human rights violators accountable." See story on page 2.

File Photo: Office of Rep. Ileana Ros-Lehtinen.

Inside This Issue

FEATURED Q&A: How Can Countries Improve Their Internet Capabilities?.....1

U.S. House Approves Venezuela Sanctions Legislation 2

Argentina Reaches Deal With Paris Club on Debt Repayment.....2

U.S. Chamber of Commerce Delegation Visiting Cuba.....2

Brazil's Central Bank Signals Possible Rate Hikes After Election.....2

Pemex Negotiating With Chinese Firms Over $4 Billion Fund 3

Copyright © 2014, Inter-American Dialogue

NEWS BRIEFS

U.S. Chamber of Commerce Delegation Visiting Cuba

For the first time in 15 years, a delegation from the U.S. Chamber of Commerce, including President Thomas Donohue, is visiting Cuba, BBC News reported Wednesday. Donohue said the group is in Cuba to assess the economic changes taking place under President Raúl Castro and look at possibilities for trade if the more than 50-year embargo imposed by the United States were to end. Castro has introduced a series of economic reforms to open the communist economy since his brother Fidel handed him power in 2006.

Brazil's Central Bank Signals Possible Rate Hikes After Election

Brazil may resume raising interest rates following the October presidential election, Bloomberg News reported Wednesday. On Tuesday, the country's central bank decided to keep the benchmark Selic rate at 11 percent "at this moment" amid a slowing economy, ending the world's longest-running tightening cycle.

China's CNPC Plans to Invest $2 Billion in Peru in Next 10 Years

China National Petroleum Corporation (CNPC) expects to invest at least $2 billion in Peru over the next 10 years, Reuters reported Wednesday. After having recently bought **Petrobras**' assets in the country, Gong Bencai, the head of CNPC's Latin America division, told Reuters his firm was seeking to acquire companies or to participate in the bidding for oil fields. Peru has already approved an environmental permit allowing CNPC to conduct $1 billion of exploratory work in a natural gas block purchased from Petrobras.

Political News

U.S. House Approves Venezuela Sanctions Legislation

The U.S. House of Representatives on Wednesday approved legislation to slap sanctions on Venezuela over its crackdowns on protesters in the country's anti-government demonstrations. The protests began in early February and have left at least 42 people dead. The House approved the measure on a voice vote. It is designed to "hold these human rights violators accountable," said Rep. Ileana Ros-Lehtinen (R-Fla.), a sponsor of the bill, Bloomberg News reported. "The first step in doing so is hitting them in their pocketbooks and denying them entry into the United States." The measure would direct the United States to identify abusers of human rights and impose sanctions, including denying them visas to visit the United States and freezing any assets they hold in the country. The sanctions legislation also would impose penalties against those who provide Venezuela's government with firearms, ammunition, surveillance technology and munitions such as tear gas and rubber bullets. Venezuelan President Nicolás Maduro angrily responded to the threat of U.S. sanctions. "Any law approved by the U.S. Congress to sanction Venezuela is illegitimate and we won't recognize it," Maduro said on his weekly radio show. "We reject it, and we'll fight it around the world." The White House and State Department have voiced opposition to sanctions. However, Secretary of State John Kerry did say last week that all options for dealing with the crisis in Venezuela "remain on the table at this time." He added, "our hope is that sanctions won't be necessary." Wednesday's vote in the House of Representatives followed action by the U.S. Senate Foreign Relations Committee to advance a similar measure. However, the Senate bill is unlikely to reach the floor, **Eurasia Group** said Tuesday in a note to clients. "The debate will likely only pick up steam if massive protests do erupt and levels of violence lead to hundreds or even thousands of deaths and Venezuela becomes a permanent fixture in the domestic news media," said Eurasia Group analyst Risa Grais-Targow, Bloomberg News reported. Venezuela's opposition said May 13 that it had suspended talks with Maduro's administration because the government was failing to seriously consider its proposals. Two sessions of talks were held between the opposition and the government, with the Vatican and the foreign ministers of Brazil, Colombia and Ecuador mediating. Among the opposition's demands are the release of jailed opposition leaders including Leopoldo López, who was arrested in February on charges of inciting the demonstrations.

Maduro

File Photo: Venezuelan Government.

Economic News

Argentina Reaches Deal With Paris Club on Debt Repayment

Argentina's government on Wednesday reached a deal with the Paris Club group of creditor nations to pay approximately $9.7 billion in overdue debts over five years, BBC News reported. The debts stem from Argentina's massive default in late 2001. The Paris Club said Wednesday in a statement that Argentina's first installment of at least $1.15 billion would be due in May 2015. The second payment would be due a year later. Argentine President Cristina Fernández de Kirchner originally promised in 2008 to repay the Paris Club. However, Argentina's dwindling foreign reserves kept the govern-

Argentina's first installment will be due in May 2015.

Copyright © 2014, Inter-American Dialogue

ment from fulfilling the promise. Fernández's government and the creditor nations re-entered negotiations on the debt repayment in November 2010. Since its default more than a decade ago, Argentina has been unable to borrow on the international credit markets. However, officials of the South American country hope the deal with the Paris Club will help it to again borrow from abroad. However, the government still faces claims from holdout bondholders who continue to demand full repayment. Finance Minister Axel Kicillof represented Argentina in negotiations with the Paris Club.

Company News

Pemex Negotiating With Chinese Firms Over $4 Billion Fund

Mexican state oil company **Pemex** is negotiating with Chinese companies to create a fund valued at as much as $4 billion to invest and finance projects, Bloomberg News reported Wednesday.

Guajardo

File Photo: Mexican Government.

The proposed arrangement is in a "final stage of negotiations," Pemex said in a statement. The fund would be the largest Chinese investment fund created in Latin America to date, according to the report. Economy Minister Ildefonso Guajardo said earlier this month that companies from around the world had been expressing interest in making investments in Mexico's energy sector, as reforms to open the industry to foreign participation have been working their way through Congress. "Basically, Singaporean companies, Chinese companies, European companies, Norway, the Americas, the U.S. obviously. There is a lot of interest," he told Reuters. Chinese finance to Latin America surged last year from less than $5 billion in 2012 to $20.1 billion in 2013, according to the Inter-American Dialogue's China-Latin America Finance Database, making it one of the highest years on record. Chinese finance to Latin American and the Caribbean peaked at $37 billion in 2010—more than World Bank, Inter-American Development Bank, and U.S. Export-Import Bank finance combined that year. While Mexico's overall exports grew by 3.7 in April compared to the same month last year, oil exports declined 15.5 percent year-over-year last month, with crude exports down 21 percent in that period, driven in part by the 4.6 percent decline in oil prices, according to **Goldman Sachs**. Advocates for energy sector reforms have viewed falling hydrocarbons output as an imperative for opening the sector to foreign participation.

Featured Q&A

Continued from page 1

in areas without access. The critical challenge in wireless build-out is the release of spectrum in the 700 MHz band, which is best suited to provide high-speed wireless access. Latin America has a unique opportunity to accelerate this process by moving forward with the auctions of this spectrum band. 2) Transforming the delivery of government services, particularly in education, health care and justice by leveraging connectivity and ICT. With rapid economic growth across the region resulting in per capita income growth and lifting tens of millions of people into the 'middle class,' more Latin Americans are demanding better public services from their governments. City mayors and national leaders can leverage the power of ICTs and broadband connectivity to improve the way they manage government, deliver basic services and interact with local constituents. Video and collaboration technologies can provide real-time interactions across large geographic distances, embedded devices can sense and measure environmental conditions to improve management of resources, and the provision of e-government services and broadband access together support greater interaction with government."

Alejandro Buschel, founder and managing partner at ProGloBix in Seattle: "The region overall has attracted limited international attention from investors bidding for frequencies. Other regions have higher population density, allowing for a faster ramp-up of deployment, faster profitability and lower capital expenditures to reach a large number of users. As markets pass saturation (80-100 percent) operators begin experiencing a decline in average revenue per user. Once this happens, they spend more of their investment dollars on defending their subscriber and revenue bases. This means that any investment goes toward lowering the cost of existing services or adding services to existing customers. Not as much is invested in expanding service or introducing services that may have a longer development cycle. When mobile markets hit this level, the strategic focus of the mobile network operators is no longer the same as the country's. Over the past few years, many governments have completed national broadband studies. As these studies turn into concrete projects and networks, more people will have access to reliable service. As part of their national spectrum policies, governments have at their disposal certain frequency assets that are ideal for deployment into the rural and underserved areas. It is important that these frequencies are not just allocated or auctioned as a means of generating revenue, but should be applied in support of

> "Other regions have higher population density, allowing for a faster ramp-up of deployment, faster profitability and lower capital expenditures..."
>
> — *Alejandro Buschel*

Continued on page 4

Copyright © 2014, Inter-American Dialogue

Featured Q&A

Continued from page 3

a broadband strategy that will help countries reach their networking and development goals."

Alberto Arebalos, head of communications at Facebook Latin America: "Connectivity in the 21st century is a human right. And connecting the next 5 billion people who today are not on the Internet is one of the main challenges for the industry as well as countries around the world. Having said that, it is worrying to learn that Latin America is losing step with the rest of the world when communication and information technologies are key not only for human but also for economic development. Both governments and the private sector across the region have to work together to close the gap as soon as possible, not only with the rest of the world, but also between the cities and the countryside, and even among cities. The worst digital divide is not between Latin America and Europe or the United States, for example, but rather among citizens in the same country. But bringing connectivity, and fast, to the masses has to be a political decision made at the highest levels. Otherwise, Latin America will fall behind and the cost will be much bigger than the one needed to bring the communications infrastructure up to speed."

> "The worst digital divide is not between Latin America and Europe or the United States, for example, but rather among citizens in the same country."
>
> — *Alberto Arebalos*

The Advisor *welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.*

Tap Into the Archive

Subscribers can now access more than 2,000 archived editions of the **Latin America Advisor** through a new IP-protected, keyword search portal. That's more than 6,000 expert commentaries, all at your fingertips. Send an email to freetrial@thedialogue.org for access.

Photo: Matthew Petroff

Latin America Advisor
is published every business day by the Inter-American Dialogue, Copyright © 2014

Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
gkuleta@thedialogue.org

Megan Cook
Reporter, Assistant Editor
mcook@thedialogue.org

Inter-American Dialogue

Michael Shifter, President
Peter Hakim, President Emeritus
Genaro Arriagada, Nonresident Senior Fellow
Sergio Bitar, Nonresident Senior Fellow
Joan Caivano, Director, Special Projects
Maria Darie, Director, Finance & Administration
Ariel Fiszbein, Director, Education Program
Claudio Loser, Senior Fellow
Nora Lustig, Nonresident Senior Fellow
Margaret Myers, Director, China and Latin America Program
Manuel Orozco, Senior Fellow
Tamara Ortega Goodspeed, Senior Associate, Education
Jeffrey Puryear, Senior Fellow
Lisa Viscidi, Director, Energy Program

Latin America Advisor is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at:
1211 Connecticut Avenue NW, Suite 510
Washington, DC 20036
Phone: 202-822-9002 Fax: 202-822-9553
www.thedialogue.org ISSN 2163-7962

Subscription Inquiries are welcomed at freetrial@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.

Copyright © 2014, Inter-American Dialogue