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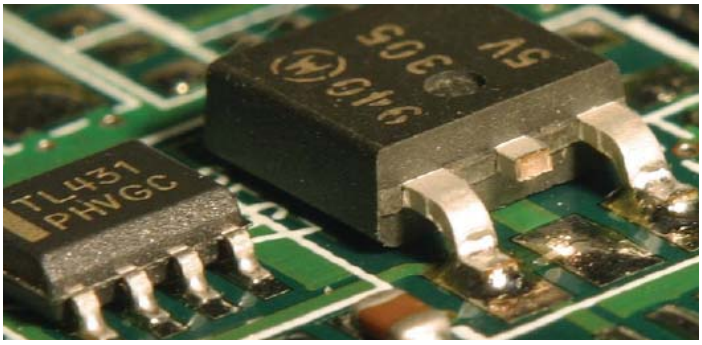
THEDIALOGUE

FEATURED Q&A

Will Lower Growth Curb Spending on New Technology?



This year will be "dismal" for IT spending in the region, but growth will return in the following years, Donald Feinberg says below. // Image: pdphoto.org.

Q Oracle CEO Mark Hurd said last month the technology giant plans to open a major new data center near São Paulo in August in response to "huge increases" in cloud computing growth across Latin America, Forbes reported. Are other global technology companies making big bets on the region? Will spending on information technology remain strong in Latin America and the Caribbean despite the economic slowdown in recent years? What's been driving IT spending in the region, and which countries will see the strongest gains and which will lag behind?

A Donald Feinberg, vice president and distinguished analyst at Gartner, Inc.: "Large global players are making bets in cloud infrastructure throughout Latin America and specifically in Brazil. Amazon Web Services (AWS), IBM and Microsoft have local cloud datacenters in Brazil, and SAP will follow Oracle later in 2015. According to Gartner's June update to its forecast, public cloud services will grow worldwide to about $316 billion through 2019 from an estimated $176 billion for 2015. Although Latin America is small compared to the worldwide numbers, the forecast for 2015 is almost $5 billion, growing to $10.6 billion in 2019, of which Brazil is $2.7 billion and $5.7 billion respectively, more than 50 percent of total spending. Although smaller, Mexico (forecast at $1 billion and $2.3 billion in 2015 and 2019, respectively) is growing at a similar rate (2014-2019 compound annual growth rate, or CAGR) of 19.4 percent, compared to Latin America (19.7 percent) and Brazil (19.3 percent). While cloud services are showing strong growth, for the next year, Latin America and specifically the larger countries overall

Continued on page 3

TODAY'S NEWS

POLITICAL

U.S. Upgrades Cuba's Status on Human Trafficking List

The State Department on Monday removed Cuba and Malaysia from its list of countries that are failing to fight human trafficking. The move came a week after the United States and Cuba re-established diplomatic relations.

Page 2

ECONOMIC

Venezuela Headed for Default in 2016: Hausmann

The former Venezuelan planning minister said the country is likely to "stumble into" a default.

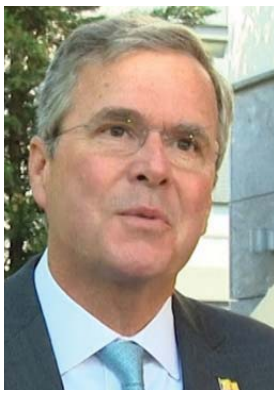
Page 2

POLITICAL

Puerto Rico Needs 'More Flexibility' to Deal With Debt: Jeb Bush

The Republican presidential candidate and former Florida governor also said he supports statehood for the U.S. territory.

Page 2



Bush // File Photo: U.S. Government.

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POLITICAL NEWS

Colombia to Begin Search of Mass Grave Site

Forensic experts in Colombia on Monday began searching a Medellín landfill believed to be one of the largest urban mass grave sites in the world, BBC News reported. It is thought that the landfill on the outskirts of the city, known as La Escombrera, holds the bodies of between 90 to 300 people who disappeared in 2002 during the country's civil war. At the time, then-President Álvaro Uribe had ordered the launch of an operation against left-wing rebels in the area. When the rebels left the Comuna 13 shantytown area, right-wing paramilitaries continued searching for rebels and are accused of most of the killings, along with criminal gangs. Families of possible victims held a ceremony and laid flowers and pictures at the site before the start of the excavation, which will involve the removal of 20,000 metric tons of earth over the next five months. "It took us 13 years to get here. This is a drop of hope," said Luz Elena Galeano, the head of a women's organization that is seeking justice for missing relatives. Information about the location of the supposed mass grave came from former fighters, CNN reported. More than 200,000 have been killed since the conflict between Colombia's main rebel group, the FARC, and the government began in 1964. The two sides have been engaged in peace talks in Havana since 2012.

U.S. Upgrades Cuba on Trafficking List

The United States on Monday removed Cuba from its annual list of countries that fail to fight human trafficking. Last year, the State Department's Trafficking in Persons Report listed Cuba as a Tier 3 country, meaning that it was deemed to have failed to meet minimum standards in fighting human trafficking and was doing nothing to improve, The Washington Post reported. However, in this year's report, the State Department listed Cuba as a Tier 2 nation, meaning that although it still does not meet minimum standards for fighting modern slavery, it is working to improve. The State Department in Monday's report also upgraded Malaysia to a Tier 2 from a Tier 3 country. The U.S. government's removal of Cuba from the Tier 3 list came a week after the two countries formally re-established diplomatic relations after 54 years of broken ties, opening embassies in Washington and Havana. Some human rights advocates blasted the removal of Cuba and Malaysia, saying the decision was politically motivated. Malaysia is among the countries that are part of the Trans-Pacific Partnership trade deal, which could be finalized at negotiating sessions that open today and run through Friday in Hawaii. "It really looks for the first time like the report has been used to further a number of political aims, which is a terrible development," said Sarah Margon, the Washington director of Human Rights Watch, The Washington Post reported. "It undermines the report's credibility." Sarah Sewall, the U.S. undersecretary of state for Civilian Security, Democracy and Human Rights, said both Cuba and Malaysia are making strides in combating human trafficking. "The government of Cuba does not fully comply with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so," said the report.

ECONOMIC NEWS

Venezuela Headed to Default Next Year: Hausmann

Venezuela will have no choice but to default on its foreign debt next year, Ricardo Hausmann, a professor at Harvard University, told Bloomberg News Monday. Hausmann, the director of the university's Center for International Development and a former Venezuelan planning minister, said last year that the government had "no moral grounds" for paying debt at a time of intense shortages of staple products.

NEWS BRIEFS

Puerto Rico Should Be Given 'More Flexibility' to Deal With Debt: Jeb Bush

U.S. Republican presidential candidate Jeb Bush on Monday told an audience in Orlando, Fla. that Puerto Rico should be given "more flexibility" in dealing with its $70 billion debt, Fox News Latino and the Associated Press reported. "It could become like Greece, but without relief," said the former Florida governor. Bush also said he supports statehood for Puerto Rico. [Editor's note: See related **Q&A** in the June 10 issue of the Advisor.]

Endesa Chile Moving Ahead With 36 Projects

Power company Endesa Chile announced Monday that it has given the green light to move forward with 36 projects in Brazil, Chile, Peru and Colombia as the company looks to expand operations in Latin America, Reuters reported. Endesa Chile, which is controlled by Italy's Enel, said the projects will add 6,300 megawatts to its portfolio, almost half of which will be in Chile, and will be focused on natural gas and hydroelectricity. On Monday, the company reported a 9 percent drop in second-quarter profits to $81 million.

Peru Expands Pension Program by 24 Percent

Peru's Pension 65 program, which provides monthly revenue for people aged 65 and above who live in underprivileged areas of the country, has added 89,760 senior citizens to its registry over the past year, a 24 percent expansion, state news agency Andina reported Monday. There are nearly 500,000 current beneficiaries of the program, with the largest increase being registered in native Amazonian communities. A total of 376,092 beneficiaries have joined the banking system to receive their benefits, the government said.

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FEATURED Q&A / **Continued from page 1**

will show little or no positive growth in IT spending. In fact, our most recent data shows that overall IT spending in Latin America dropped in 2014 and will again in 2015, returning to positive territory only in 2016. The CAGR for Latin America from 2014 to 2019 is negative 0.9 percent, while the same period worldwide shows a positive 1.0 percent CAGR. We believe that 2015 will be dismal for overall IT spending in Latin America at a negative 10.7 percent, followed by steady, albeit smaller growth through 2019, 1 percent to 2.5 percent per year. 2016 will be the pivotal year."

> **"Large global players are making bets in cloud infrastructure throughout Latin America and specifically in Brazil."**
>
> **— Donald Feinberg**

Jeff Paschke, research director, multi-tenant datacenters, at 451 Research: "IT spending in Latin America and the Caribbean is being driven by rapid growth of the Internet population in the region, rapid adoption of smartphones and companies in the region investing more in IT than they have historically. Global and regional telecommunication companies have been investing heavily in Latin America over the past few years, rolling out IT services including cloud services. We have also seen an uptick in the building of third-party datacenters in Latin America offering IT services to customers. 451 Research forecasts the cloud computing 'as a service' market is expanding at a compound annual growth rate of 25 percent globally between 2014 and 2019, with even faster growth being experienced in Latin America. Brazil is the largest market in Latin America, but the country is experiencing a challenged economy with a recession and a major corruption scandal. However, economic slowdowns typically lead to more companies looking to outsource portions of IT to reduce costs, which will benefit IT service and cloud providers. Countries in the Pacific Alliance region, which includes Mexico, Colombia, Chile and Peru, are easier places to do business than Brazil and are starting from a smaller base resulting in strong IT services growth. The challenged economies of Argentina and Venezuela will continue to put a damper on IT spending, but companies in these countries will continue to look to IT services seeking lower costs."

Gustavo Sorgente, general manager of the Central America, northern South America and Caribbean (CANSAC) region at Cisco Systems: "Cisco is strongly supporting cities and countries across Latin America to pave the way to digitization in order to develop more competitive infrastructure to let them compete in regional and global markets. Our expectation is to play a role for those countries to do better in the global competitiveness index every year."

> **"Economic slowdowns typically lead to more companies looking to outsource portions of IT to reduce costs."**
>
> **— Jeff Paschke**

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

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Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
gkuleta@thedialogue.org

Megan Cook
Reporter, Assistant Editor
mcook@thedialogue.org

THEDIALOGUE

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Fax: 202-822-9553

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Subscription Inquiries are welcomed at freetrial@thedialogue.org

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