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THEDIALOGUE

FEATURED Q&A

Does Macri Have the Right Telecom Plan for Argentina?

Argentine President Mauricio Macri, pictured last week during a visit to the National Agricultural Technology Institute, has sought to loosen fixed-price telecommunications policies. // Photo: Argentine Government.

Q Recent moves by the administration of Argentine President Mauricio Macri to loosen fixed-price policies governing the telecommunications sector over the past decade and a half are expected to generate higher corporate profits and unleash more investment by telecom companies, Bloomberg News reported earlier this year. What have been the consequences of previous policies on Argentina's telecom market and for local consumers? Does Macri have the right plan to develop Argentina's telecommunications and Internet infrastructure? Will anticipated profits and investments materialize? What is the state of competition in the Argentine telecom market, and how does it compare to those of peer countries?

A Leandro Agion, Argentina telecom analyst at IDC: "The fixed telephony fare, or fare for fixed-line voice, has been frozen since 2002, though other services like broadband and mobile services have had periodic price adjustments. As a consequence, telecommunications services providers' profits were affected mainly in the first decade of 2000. This generated conflicts between the telecoms and the government in those years—in one case it led to a trial in ICSID between Telefónica Argentina and the Argentine government. Afterward, the telecoms were able to compensate their finances with higher profits in other services, mainly mobile telephony and fixed broadband service (they we able to raise prices periodically). Nowadays, the fixed telephony market in Latin America is decreasing in connections and revenue, and Argentina is no exception. Therefore, Macri administration's recent move will have a low impact on the market. The use of

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TODAY'S NEWS

POLITICAL

Hurricane Earl Makes Landfall in Belize

The storm whipped the coastline as it came ashore near Belize City with 80 mile an hour sustained winds. It is expected to bring torrential rains to parts of Mexico and Guatemala.

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ECONOMIC

Peruvian Prime Minister Confident About Economic Reforms

Prime Minister Fernando Zavala said he was optimistic that Peru's opposition-controlled Congress would back President Pedro Pablo Kuczynski's economic reforms.

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ECONOMIC

Rosatom to Help Bolivia Build Nuclear Facility

Russia's Rosatom signed a deal with Bolivia's nuclear agency to build a research center that Bolivian President Evo Morales has expressed hopes would be the largest in Latin America.

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Morales // File Photo: ABI.

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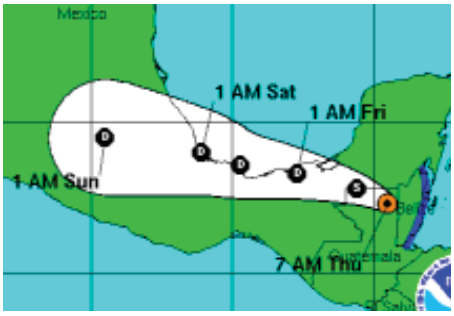
POLITICAL NEWS

Hurricane Earl Makes Landfall in Belize

Hurricane Earl pummeled Belize early this morning, making landfall near Belize City as a Category 1 hurricane, USA Today reported. The storm belted the country's coastline with 80 mile an hour sustained winds, coming ashore at about 1 a.m. local time. Earl weakened to a tropical storm as it moved inland. At 7 a.m. Central Daylight Time, the storm was located



Earl is expected to bring torrential rains to Mexico and Guatemala as it moves west. // Image: U.S. National Hurricane Center.

about 90 miles west of Belize City, moving west, and with maximum sustained winds of 65 miles an hour, according to the U.S. National Hurricane Center. The international airport in Belize City was closed on Wednesday, as were national parks and archaeological sites, USA Today reported. Cruise ship stops in the country were canceled for the week, the Belize Tourism Board said. Forecasters said the storm will bring torrential rains to Guatemala and southern Mexico. Some low-lying coastal areas of Guatemala were evacuated, and Mexican authorities in areas including Quintana Roo State prepared shelters and reported some evacuations. A huge wave caused by the storm capsized a lobster fishing boat in the Caribbean off the coast of Honduras, and rescuers saved all but two of the 83 people on board, the newspaper reported. Honduras' navy was searching for the two people who remain missing. Officials in Honduras also reported some damage. Lisandro Rosales, the head of the Central American country's emergency commission, said a large number of trees and utility poles were leveled. Schools along Honduras' coastal provinces along with two commercial airports were closed. The storm is blamed for at least nine deaths this week in the Dominican Republic. Strong winds knocked a power line onto a bus, which then caught fire, killing six people near the town of Nagua, the Associated Press reported. At least three others were killed when their boat capsized in Samaná Bay.

ECONOMIC NEWS

Colombia Sets Temporary Output Cap at Oil Fields

Colombia implemented a temporary production cap at a rate lower than the total available output at three oil fields after attacks by Marxist guerrillas last month blew up one of the main outlets to ship crude, Bloomberg News reported Wednesday. The attack on the Caño Limón-Coveñas pipeline forced production to be shut at the Caño Limón, Chipirón and Caricare oilfields, according to an oil workers' union official who works in one of the fields. The fields had been producing a combined

The attack forced production to be shut down at the Caño Limón, Chipirón and Caricare oil fields.

56,000 barrels per day, amounting to about 6 percent of the country's total output. The pipeline transports oil to Colombia's Caribbean coast for export. Repairs to Caño Limón-Coveñas, Colombia's second-largest pipeline, were slowed after last month's attack, due to inclement weather and the need for armed forces to be present at the repair sites in order to ensure the security of personnel working on the repairs. The attack on the Caño Limón-Coveñas

NEWS BRIEFS

Protesters Fill Streets as Olympic Torch Arrives in Rio de Janeiro

The Olympic torch arrived Wednesday in Rio de Janeiro ahead of Friday's opening of the Olympic Games, but hundreds of protesters angry at the high cost Brazil is incurring to host the Games were on hand for its arrival, BBC News reported. Riot police used pepper spray and tear gas to disperse the crowd.

Colombia to Deport 1,200 Cuban Migrants

The Colombian government has said it will deport some 1,200 Cuban migrants who have been stranded in the South American country, CNN reported Wednesday. The migrants were stopped in the northwestern city of Turbo, near the Panamanian border, on their way to the United States. Panama closed its border with Colombia in May in order to halt the stream of migrants passing through. The decision left hundreds stranded, camping in warehouses. Cuban immigration to the United States has spiked in the past year amid fears that U.S. immigration policies would change as relations between the two countries improve.

Russia's Rosatom Signs Deal to Help Build Nuclear Research Center in Bolivia

Russian nuclear power company Rosatom and the Bolivian Atomic Energy Agency, or ABEN, have signed their first commercial contracts on a project to construct a center for nuclear research and technologies in Bolivia, Rosatom said Thursday, Russian news agency Tass reported. ABEN signed two contracts—one with Rosatom's engineering subsidiary Atomstroyexport to conduct preliminary engineering surveys for the construction of the center, and the second with Rosatom Service on an estimation of the current state of Bolivia's national nuclear infrastructure.

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pipeline was the third attack on Colombian oil infrastructure by a Marxist guerrilla group this year. Ecopetrol, the operator of the pipeline, was forced to issue a force majeure, saying it would not be able to meet its contractual obligations to transport crude to the Coveñas oil terminal for export, due to the damages caused by the attack. Colombia is South America's third-largest oil exporter.

Peru's Zavala Confident About Economic Reforms

A day after meeting with the opposition-controlled Congress, Peruvian Prime Minister Fernando Zavala said he felt optimistic that lawmakers would back new President Pedro Pablo Kuczynski's economic reforms, including his plan to cut the value-added tax rate, Reuters reported Wednesday. He added that

Zavala // File Photo: Peruvian Government.

if Congress did not back the gradual VAT rate reduction, PPK would seek "alternatives." "The possibility always exists that it will be denied," Zavala said in an interview with Reuters. "But we do think that when they see the comprehensive proposals, we'll get a vote of approval." Kuczynski, who took office a week ago, proposed the tax reduction as part of his plans to modernize Peru, by encouraging small businesses to pay taxes. Zavala said his cabinet was also looking for ways to bring forward complementary tax proposals that would make it easier for small businesses to operate above the table. "Seventy percent of the economy is informal," Zavala said. "To jump start economic growth, we have to tackle this."

BUSINESS NEWS

Keppel Denies Claim it Paid Bribes for Petrobras Contracts

A former third-party commercial representative for Singapore-based offshore oil rig producer Keppel in Brazil alleged that the company's top managers authorized him to pay bribes to win contracts with state-run oil company Petrobras, Keppel said in an emailed statement Wednesday, Bloomberg News reported. The representative, Zwi Skornicki, told a judge last month that five top Keppel executives, including current Offshore and Marine Ltd. CEO Chow Yew Yuen, had authorized him to bribe public officials at Petrobras in exchange for contracts that were often valued at more than a $1 billion. Keppel has denied the allegations and said that none of its executives ever authorized Skornicki to pay bribes. Skornicki gave his testimony to Judge Sergio Moro, who heads the Carwash corruption probe into Petrobras. The testimony was published on a court Web site as part of the court record. He said that kickbacks went to Petrobras officials and people including the then-treasurer of the then-ruling Workers' Party.

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fixed telephony is being replaced for mobile telephony and apps like WhatsApp and Skype, for example. Regarding the Internet development plan, the Macri administration will continue with the previous plan, called 'Argentina Conectada' but rebranding it as 'Plan Federal de Internet,' or PFI. This plan will connect 1,200 cities to the Internet, so that 70 percent of Argentina will have connectivity access. If this is implemented successfully, it will represent a great step forward for Argentina, because it will help to reduce the digital gap. Argentina has Latin America's highest broadband penetration rate, at 15.9 percent. If the PFI is successful, it will be very important to reduce the digital gap, although it will remain far from the penetrations of developed counties like the United States or Western Europe. Regarding the mobile market, Argentina was really behind, because of the delay of the 4G LTE spectrum auction. Since the second half of 2014, the telecoms have been implementing 4G, but we still need more investment in 4G deployments in order to increase the quality of mobile communications in Argentina."

> **Nowadays, the fixed telephony market in Latin America is decreasing in connections and revenue, and Argentina is no exception."**
>
> **— Leandro Agion**

Wally Swain, senior vice president for emerging markets at 451 Research in Bogotá: "The situation in Argentina has been nothing short of tragic. The region's third-largest economy has seen its telecom growth slowed by horrifically bad policies of which frozen prices were merely the most visible manifestation. A botched experiment with restarting a state-owned operator that deprived the country of needed mobile spectrum is yet another example. The Macri government has correctly identified these populist but poisonous policies as the root causes of the country's poor network quality. The challenge will be that consumers and voters may have difficulty making the connection between frozen tariffs and poor service. Raising prices in the anticipation of more investment will, initially, create a negative backlash as the Kirchnerites and their followers will no doubt characterize this as 'rewarding multinationals for poor service.' (It's always good to play the xenophobic

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card and ignore the Kirchner/Fernández role in creating the mess in the first place). Reallocation of the spectrum wasted and sitting idle in Arsat will be at least as important to the service issues as—finally—adequately paying the operators for the services they provide."

Beatrice Rangel, member of the Advisor board and director of AMLA Consulting in Miami Beach: "While I believe the Macri administration's policies for the country in general, and telecoms in particular, to be grounded in accurate assumptions, I also think they need to be executed in stages and with a long-term view. To be sure, telecommunications are the 21st century gravity center for economic development, very much as fossil fuels were to industrialization in the past. Given telecoms' preponderance and economic weight, public policies need to address two issues. First comes market equilibrium, which calls for the correction of distortions such as price controls or subsidies. Market equilibrium attracts investments and innovation. This is being effectively addressed by measures adopted by the Argentine government. But equally important is to have rules that protect competition. Competition in the telecoms sector is the only and proven way to foster innovation and accessibility. Innovation builds value, while accessibility promotes development of middle classes. Given that aggregate demand is the pillar upon which a healthy economy rests, middle-class growth is essential to the economic health of Argentina or any other country. The need for a professional and forward-looking regulatory body is clearly essential. And that is where I see a great public policy vacuum in Argentina and almost everywhere in Latin America except Brazil, which through a blue chip regulatory agency (ANATEL) has preserved and enlarged competition in telecoms."

> **"Telecommunications are the 21st century gravity center for economic development...."**
>
> **— Beatrice Rangel**

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

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