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THEDIALOGUE

FEATURED Q&A

Has Latin America Managed to Bridge the Digital Divide?

Two children selling shoes on a street in Buenos Aires. // File Photo: Administración Nacional de la Seguridad Social.

Q The number of Latin Americans using mobile devices to access the Internet is likely to grow 50 percent by the end of this decade, telecom industry lobbying group GSMA said in a report released Sept. 20. What are the main reasons for the region's increase in the use of Internet-capable mobile devices to access the Internet? Which business sectors in Latin America are best positioned to benefit from this trend? Will access to the Internet unleash a wave of entrepreneurism in the region? How well are technology infrastructure and government regulations keeping up with the growing demand?

A Wally Swain, senior vice president for emerging markets at 451 Research in Bogotá: "The growth in mobile Internet use is largely driven by social networking. Latin America stands out from other regions not only in adoption but usage per day. That usage is not coming from the office or sitting at a home personal computer; it comes from using a mobile device. That said, it has proven difficult to directly monetize this usage. If the region is ahead of the crowd in social networking, it is behind the curve in 'mobile money,' especially using mobile devices to make purchases. Low credit card penetration, conservative banks and suspicious consumers conspire to make Internet purchases harder. You simply do not see people checking their MercadoLibre auction bids on their phones as commonly as in the United States with eBay. Even mobile operators struggle to get all they think they should out of mobile Internet devices. Using a mobile device to access

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TODAY'S NEWS

POLITICAL

Brazil's Lula to Face Trial Over Angola Corruption

Prosecutors allege Lula arranged loans from the country's development bank to help Odebrecht win public works projects in Angola in exchange for nearly $10 million funneled mostly through a firm owned by Lula's nephew.

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POLITICAL

Colombia Extends Ceasefire With FARC Rebels

President Juan Manuel Santos said he is not declaring Dec. 31 a firm "deadline" but added that a lasting peace agreement must be sealed soon.

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ECONOMIC

Chilean President Signs Pension Reforms Into Law

Facing low returns for retirees, the new measure will allow pension funds, known as AFPs, to invest directly in closely held companies and real estate for the first time, as well as buy shares in infrastructure concessions.

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President Michelle Bachelet // File Photo: Government of Chile.

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POLITICAL NEWS

Brazil's Lula to Face Trial Over Angola Corruption Case

A federal court in Brasília on Thursday ruled that former President Luiz Inácio Lula da Silva will stand trial on accusations of bribery and influence peddling, Agência Brasil reported. Tenth Federal Court Judge Vallisney de Souza Oliveira declared that there was enough evidence presented by prosecutors, whose case has "demonstrated so far the plausibility and likelihood of the allegations," he said. In a statement, Lula's defense attorneys said "the former president did not commit any of the alleged crimes." The case revolves around government loans for a Brazilian construction company, Odebrecht, seeking contracts in Angola. Prosecutors allege Lula arranged loans from the country's development bank, BNDES, to help Odebrecht win public works projects in Angola in exchange for nearly $10 million in bribes funneled mostly through a firm owned by Lula's nephew. Lula is already a defendant in two other federal cases on charges of attempted obstruction of justice, corruption and money laundering in connection with state-run oil company Petrobras, The Wall Street Journal reported. Separately, Judge Sergio Moro decided on Thursday to try Eduardo Cunha, the right-of-center former speaker of the lower house of Congress, for his alleged role in the Petrobras bribery scandal.

Colombia Extends Ceasefire With FARC

Colombian President Juan Manuel Santos on Thursday extended his ceasefire with the Revolutionary Armed Forces of Colombia, or FARC, rebels until Dec. 31 in the wake of a failed peace agreement referendum earlier this month, El Tiempo reported. Santos said he is not declaring a firm "deadline" but added that a lasting peace agreement must be sealed soon. He had provisionally extended the ceasefire until Oct. 31. On Wednesday, former President Álvaro Uribe, who led the opposition to the failed referendum, formally presented his proposals to amend the peace deal, the Washington Post reported. Analysts said the proposals by Uribe's Democratic Center party demand relatively modest changes to the deal, raising hopes that Colombia can avert a return to war. The biggest modifications would scrap plans under the accord to establish a special justice system to prosecute leaders without a requirement of prison time for crimes. The opposition has also decided not to insist upon taking away a negotiated guarantee of 10 seats in Colombia's Congress through 2026 for the rebels' future political party. Thousands of Colombians have marched through the streets in cities across the Andean nation in recent days demanding a compromise to save the accord.

ECONOMIC NEWS

Chilean President Signs Pension Reforms Into Law

Chilean President Michelle Bachelet on Thursday signed a law that will allow pension funds, known as AFPs, to invest directly in closely held companies and real estate for the first time, as well as buy shares in infrastructure concessions, Bloomberg News reported. The law will come into full effect in 12 months. In August, Bachelet proposed changes to the country's private pension system, requiring larger contributions from employers and independent workers in order to boost retiree benefits that have not met expectations after more than two decades of privatization. Chilean pension fund returns averaged 12.3 percent in the 1980s, 10.4 percent in the 1990s, 6.3 percent in the 2000s and just 4.3 percent since 2010, according to Bloomberg News. "The system has failed to keep its promise of providing good pensions," Francisco Javier Díaz Verdugo, Chile's Undersecretary of Labor, told the Advisor in August, noting that women in particular face a difficult time in retirement

NEWS BRIEFS

Petrobras to Stop Producing Biodiesel at Its Quixadá Plant

The biofuels unit of Brazilian state oil company Petrobras has announced it will stop producing biodiesel at its plant in Quixadá, Ceará starting Nov. 1, citing low profitability, AgraNet reported Thursday. The plant, which Petrobras Biocombustível opened in 2008, has an annual production capacity of 100,000 tonnes. Petrobras announced last month that its biofuel operations will be among the assets to be divested, as the company sharpens its focus on its traditional core business, OilPrice.com reported.

Enersis Americas Plans Bond Issue: Report

Enersis Americas, a Latin America unit of Italian energy firm Enel, has sent a prospectus for a potential bond issuance to the U.S. Securities and Exchange Commission, Reuters reported Thursday, citing a person familiar with the process. The report did not reveal the value of the issuance but indicated the sale will take place next week. Enersis oversees the parent company's assets located in Peru, Argentina, Brazil, and Colombia, according to Reuters. A new entity called Enel Chile SA will manage assets inside that country.

Kellogg Acquires Brazil's Parati Group in Cash Deal

Michigan-based cereal maker Kellogg Company said Thursday it is spending $430 million in cash to acquire Ritmo Investimentos, the controlling shareholder of iconic Brazilian food company Parati. The deal marks Kellogg's largest acquisition in Latin America to date and its fourth in emerging markets this year. Parati Group has 3,200 employees, including a salesforce of approximately 1,300 people serving about 60,000 customers directly, with annual net sales of nearly $200 million.

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securing enough income under the current plan. [Editor's note: See related **Q&A** in the Aug. 24 issue of the Financial Services Advisor.]

BUSINESS NEWS

Arcos Dorados, RBI to Source Only Cage-Free Eggs

Arcos Dorados, the world's largest McDonald's restaurant franchisee, announced Thursday that it will source 100 percent cage-free eggs by 2025. The company said in a statement it plans to work with farmers, suppliers and experts in animal behavior to evaluate how it can maintain a high quality of restaurant supply through the transition to cage-free. Elissa Lane, deputy director of the Animal Production Department with Humane Society International, worked with the company on the plan. "Animal welfare has become a prominent topic within the framework of corporate social responsibility in Latin America," she said. "We are very pleased to continue working with Arcos Dorados on this topic and other animal welfare related issues." Last month, the parent company of Burger King and Tim Horton, Restaurant Brands International, announced a commitment to source only 100 percent cage-free eggs and eliminate gestation crates for pigs, Meat+Poultry reported. RBI also said it will extend its cage-free egg policy to Latin America to prohibit eggs sourced from caged hens there by 2025. Gestation crates for pigs will be eliminated in North America by 2022 and in Latin America by 2025.

Subscriber Notice

The Skills Development Challenge in Latin America

WITH

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October 20, 2016

Ronald Reagan Building
Horizon Ballroom
1300 Pennsylvania Ave NW
Washington, DC

8:30 - 10:30 am

RSVP here

Swiss Re Teams Up With Bradesco

Insurer Swiss Re said Thursday its corporate solutions unit had signed a joint venture agreement for exclusive access to the distribution network of Rio de Janeiro-based Bradesco Seguros, the largest insurance company in Latin America, Insurance Journal reported. Under the agreement, Bradesco Seguros will take a 40 percent equity stake in Swiss Re Corporate Solutions Brasil Seguros, or SRCSB, while Swiss Re will retain a 60 percent stake in the company. The deal centers on Bradesco's commercial large-risk portfolio. "As a result of the integration, SRCSB will become a leading commercial large-risk insurer in Brazil," Swiss Re said in a statement. Bradesco Seguros has a distribution network with more than 4,600 Bradesco bank branches across Brazil and approximately 40,000 insurance brokers and agents registered to Bradesco Seguros. As part of the transaction, Bradesco Seguros' team of professionals responsible for commercial large-risk business in São Paulo and Rio de Janeiro will join SRCSB. Randal Luiz Zanetti, president of Bradesco Seguros, said in a statement that "our relevant participation in the joint venture reinforces our belief that commercial large-risk insurance is a promising business in Brazil." Completion of the transaction is subject to approval by authorities.

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FEATURED Q&A / Continued from page 1

the Internet does not necessarily mean using a mobile network to do so. The region is over 70 percent prepaid, which means complicated Internet charging and 'cost-conscious' consumers. Much 'mobile' Internet usage in Latin America is over WiFi, and that is very hard to monetize. Winning companies will structure charging cleverly and keep consumers engaged, providing enough value so that they are prepared to consume mobile data now rather than wait for WiFi later."

Alberto Arebalos, vice president for strategy and customer advocacy at Milenium Group Latam: "The mobile revolution is essential for the Latin American region to leapfrog its way forward on the long road to full Internet penetration. For many years, domestic broadband connections have been slow, expensive and not readily accessible for a big part of the population. It is very common to say that the worst digital divide is not between developed and underdeveloped countries but between big cities and small cities and rural areas in the latter. Affluent areas in cities like Mexico City, São Paulo, Buenos Aires or Bogotá have the same Internet penetration as other big cities in the world. But poorer areas in those cities or in the rest of the countries are abysmal. The mobile Internet is and will be the main form of connection for millions of middle- and low-income Latin Americans in the next five years, changing once and for all the landscape for how information is consumed, and products and services chosen. Changes in e-commerce, online advertising, media, entertainment and education will be accelerated, new dynamic and vibrant start-ups will pop up everywhere as the market grows exponentially. The Internet is, first and foremost, a social phenomenon, and Latin America is ready to take the place it deserves in the online world. The mobile and smartphone revolution is the path to that."

Alexander Sjogren, CTO at YellowPepper: "Latin Americans are seizing the opportunity to be connected via mobile devices. The increasing range of smartphones and options for mobile data plans incentivize Latin Americans to opt to use these devices to access the Internet as opposed to broadband home connection. As smartphones become more deeply present in their everyday lives, using the developed markets as indicators of the possible change in the Latin American markets, it can easily be predicted that Latin Americans will be more engaged with digital mobile media than other platforms as it continues to permeate their daily lives. As such, entrepreneurs in the Fintech sector are perfectly positioned to benefit from this trend, as they have access to a greater user base than had previously been the case. These entrepreneurs are also the ones who can provide innovative solutions to a market that has not received sufficient technological attention. By providing services such as micro-finance, peer-to-peer transactions and lending, entrepreneurs can reach an unmet need with large market value. However, while smartphone adoption rates are reason to be optimistic about the entrepreneurial opportunity, the entrepreneurs who will thrive in the changing market are the ones that look beyond the latest technology and solutions. Rather, they will have to develop within the limitations of infrastructural constraints, such as low mobile network connectivity. The future looks bright for entrepreneurs who bridge the latest innovation and efficient network practices when creating their solutions."

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

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