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FEATURED Q&A

What Is Behind the Delay of Brazil's 5G Spectrum Auction?



Brazil has delayed the auction of its 5G spectrum, reportedly over disagreements at Anatel, the country's telecommunications regulator, about the auction's rules. // File Photo: Anatel.

Q Brazil's government said last month that its auction of the 5G spectrum that had been scheduled for March will now be delayed until the end of the year or more likely early next year. The postponement is reportedly due to a dispute at the country's telecommunications regulator, Anatel, over the auction's rules. What is behind the delay? What issues must be sorted out before the auction can proceed? What will the postponement mean for the government and for Brazil's telecommunications sector?

A Diogo Moyses Rodrigues, telecoms and digital rights specialist at the Brazilian Institute of Consumer Defense (IDEC): "The delay in decisions related to the implementation of 5G technology is essentially linked to geopolitical issues. Brazil is in a moment of total alignment with the United States, which has been pressuring the Brazilian government to delay the adoption of such technologies, since the Chinese would be the 'natural' suppliers of this technology. Some in the government claim that there are potential problems with interference in television retransmission services. However, this is, in practice, a secondary issue. IDEC does not consider this delay a problem in itself. The major problems of these sectors are not linked to the obsolescence of the technology currently used (3G and 4G), but rather to the business and commercial model, which maintains part of the population with second-rate connections. Currently, the plans offered to consumers are extremely expensive and based on franchises, with the connection being blocked after the consumption of the contracted data. In addition,

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TODAY'S NEWS

POLITICAL

Brazil Senate Passes Bill for Coronavirus

Although Brazil currently has no confirmed cases, the bill will allow for the isolation and treatment of people suspected of carrying the coronavirus, as well as rules for closing borders and ports.

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POLITICAL

Mexican Farmers Clash With Troops Over Water Rights

Angry local farmers pushed back against National Guard troops at a dam, as a dispute over water payments to the United States took a new turn after President Andrés Manuel López Obrador said his country has to pay its debts.

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POLITICAL

Trump Meets With Guaidó at White House

The meeting in the Oval Office happened a day after Venezuela's Juan Guaidó attended U.S. President Donald Trump's State of the Union address. Guaidó has been on a two-week international tour.

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Trump (L) and Guaidó // Photo: U.S. Government.

POLITICAL NEWS

Trump Meets With Venezuela's Guaidó at the White House

U.S. President Donald Trump met Wednesday at the White House with Venezuelan opposition leader Juan Guaidó, whom the United States and dozens of other countries recognize as the South American nation's legitimate interim president. The meeting in the Oval Office happened a day after Guaidó attended Trump's State of the Union address at the U.S. Capitol. During the annual address on Tuesday night, Trump called Venezuelan President Nicolás Maduro "an illegitimate ruler" and "a tyrant who brutalizes his people," and called Guaidó "a very brave man who carries with him the hopes, dreams and aspirations of all Venezuelans." The White House said Wednesday that Guaidó's meeting with Trump was an "opportunity to reaffirm the commitment of the United States to the people of Venezuela," the Associated Press reported. The two men were to discuss how the United States and Guaidó can work together to "expedite a democratic transition in Venezuela that will end the ongoing crisis." U.S. Vice President Mike Pence met with Guaidó at the Capitol before leaving on a trip to Pennsylvania, the wire service reported. Guaidó has been on a two-week international tour that has included stops in Colombia, Europe and Canada as he seeks support for his efforts to oust

Maduro. Guaidó defied a Venezuelan Supreme Court ban on his travel outside Venezuela. On Wednesday, the Trump administration vowed "very significant consequences" for Maduro if he interferes with Guaidó's return to Venezuela or harms him.

Brazil Senate Passes Bill to Prepare for Coronavirus

Brazil's senate on Wednesday passed a bill that establishes rules and measures to control the spread of deadly coronavirus in its territory, Agência Brasil reported. The legislation, which is expected to be signed by President Jair Bolsonaro, will allow for the isolation and treatment of people suspected of carrying the virus, as well as rules for closing borders and ports. An Air Force plane dispatched to China Wednesday to transport 34 Brazilians home is expected to return on Friday. Also on Wednesday, governors of Brazilian states asked for more federal funds to prepare for any coronavirus outbreak, Folha de S.Paulo reported.

Mexican Farmers Clash With Troops Over Water Dispute

Angry local farmers pushed back against Mexican National Guard troops guarding a

NEWS BRIEFS

Colombia Nears Economic Growth Target for 2019

Colombia's economy last year grew close to its long-term target for 2019, the country's central bank said on Wednesday, Reuters reported. Bank officials expect the trend to continue for the next two years, which will likely lead them to increase the benchmark interest rate. In related news, Fitch Ratings said Wednesday that Colombia's latest tax reform will likely lead to revenue losses in 2020, "underscoring the view that meeting this year's fiscal deficit target will be challenging and rely on extraordinary revenues."

New Head of Brazil's Indigenous Agency Draws Criticism

Brazilian President Jair Bolsonaro on Wednesday named a former Christian missionary, Ricardo Lopes Dias, to run its indigenous affairs agency, The New York Times reported. Anthropologists and officials within the National Indian Foundation quickly protested the appointment, saying that Dias, who previously evangelized in remote communities, could cause "irreparable damage" to isolated groups in Brazil's Amazon region. Since the late 1980s, Brazil's government has largely refrained from making contact with the dozens of tribes living in voluntary isolation there.

Chile Riots Hold Back Estée Lauder Results

New York-based consumer products maker The Estée Lauder Companies said today that net sales in Latin America declined slightly in the last quarter of 2019, as gains across most of the region were offset by a decline in Chile, "reflecting social unrest in that country" in the final months of the year. Globally, the company reported net sales of \$4.62 billion in 2019, an increase of 15 percent from the \$4.01 billion in the prior-year period.

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there is an abuse of the practice known as zero-rating, which violates net neutrality. Moreover, in relation to the potential use of 5G for the development of the Internet of Things, we believe that the country must first move forward in defining security and privacy rules before implementing connected objects on a large scale. And this debate, unfortunately, is still incipient. Although we do not believe that this delay is harmful to the consumer, 5G technology could be used

to increase the degree of connectivity of the poorest consumers, ensuring that mobile connections are as uninterrupted as fixed connections."



Jose F. Otero, vice president of 5G Americas: "There are many factors behind the Brazilian auction delay. From a government standpoint, it seems that there's a clear understanding that the deployment,

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water dam on Wednesday, as a dispute over water payments to the United States took a new turn after President Andrés Manuel López Obrador said his country has to pay its debts, the Associated Press reported. Under a 1944 treaty, Mexico and the United States allow cross-border flows of water to each other, but Mexico has fallen behind on payments, according to the report. Officials with the local government of the border state of Chihuahua have said Mexico should give scarce water to local farmers now, saying they hope that heavy summer rains will fill dams enough to repay the United States. In response, Mexico's federal government dispatched National Guard troops to the La Boquilla dam Tuesday, but hundreds of farmers pushed them back from the facility's control room. Earlier this week, farmers took over another dam near the border town of Ojinaga. Mexico's National Water Commission said they broke open locks, which could put the downstream population in danger if they tried to open flood gates at the dam. López Obrador stepped into the conflict Wednesday, saying there was enough water both for local farmers and payments to the United States. "We do not want an international conflict," the president said. "Treaties have to be lived up to. If we have signed a treaty, we have to comply with it." According to the International Boundary and Water Commission, which oversees treaty compliance, Mexico has an obligation to give the United States about 1.75 million acre-feet (enough to flood a field with a foot of water) every five years (2.1 billion cubic meters), The New York Times reported. The United States, in return, gives Mexico even more water from other water sources further west.

BUSINESS NEWS

Philip Morris Sees Shipments Fall in Latin America

New York-based tobacco company Philip Morris International today said its shipments fell 10.5 percent by volume in Latin America and Canada last year. The declines were sharpest in

THE DIALOGUE CONTINUES

Is the U.N. Still Needed to Keep Colombia's Peace?

Q **Colombian President Iván Duque on Jan. 8 asked the United Nations to extend its peace verification mission in the country until the end of his term in 2022. The tasks of the mission include monitoring compliance with the government's 2016 peace accord with the FARC rebels. Also last month, the U.N. High Commissioner for Human Rights expressed alarm at the "staggering number" of social activists killed in Colombia in recent years. How well has the peace accord been implemented, and how important has the U.N. mission been to ensuring compliance? What has led to the high number of killings of social activists, and what should be done to stop the attacks? How well are Duque's government and the FARC adhering to the accord?**

A **Adam Isacson, senior associate for the regional security policy program at the Washington Office on Latin America:** "The U.N. verification mission in Colombia has done an admirable job of monitoring aspects of peace accord implementation that correspond to its mandate: reintegration and security of ex-combatants, and protection of vulnerable populations. Though President Iván Duque was an opponent of the FARC peace accord, his government has made modest but real progress on former fighters' reintegration, and he has taken initial steps to increase state presence in

a few historically conflictive territories. But the government needs to do far more. Today there are about 12,000 or 13,000 members of armed groups active in Colombia: guerrillas, dissident ex-guerrillas, paramilitaries and regional criminal armies. That is far less than the roughly 50,000 who were active 20 years ago. However, the number is growing, and the government has ceded too many territories to them because it has been too slow to fill vacuums of state presence. Meanwhile, 2020 has begun with an absolute emergency: at least 20 local social leaders were killed during the first half of January, and dozens more have received threats. You can't implement a peace accord, which depends on grassroots political participation, when a local leader is murdered every 18 hours. Colombia must dramatically expand individual and collective protection measures for social leaders immediately. And it needs to bring to justice at least a few of these killings' masterminds. Higher probability of punishment is the best disincentive to those ex-guerrillas, paramilitaries, organized criminals, local political bosses and local landowners who are killing social leaders with impunity all across Colombia."

EDITOR'S NOTE: The comment above is a continuation of the Q&A published in the Jan. 24 issue of the Advisor.

Argentina and Venezuela, which both suffered economic downturns, and Canada, where the company had deconsolidated its struggling local unit, Rothmans, Benson & Hedges, or RBH, from last year's results. Without taking the latter factor into account, shipments in the region fell less sharply, by around 5 percent for the year. Philip Morris said smoke-free or heat-to-bacco products, considered by the com-

pany as less harmful to consumer health than burned tobacco, now account for 8 percent of global shipment volume and nearly one-fifth of net revenues. The company reported today that revenues overall rose 2.9 percent to \$7.71 billion last quarter alone. Smokeless tobacco sales were up 100 percent in Latin America and Canada last year, to 147 million heated tobacco units, the company reported.

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expansion and adoption of 5G will be essential for the successful implementation of Bolsonaro's digital strategy, which calls for an increase in broadband adoption by the general population and a greater percentage of the inhabitants of the country with access to next-generation high-speed networks. The fulfillment of these two steps would allow for improvements in cybersecurity (which is imperative in the enterprise sector), expansion of eGovernment initiatives, the potential acceleration of digital start-ups and a greater number of people getting training in professions that require digital skills. Hence, the development of a healthy 5G ecosystem is pivotal for the success of the government's digital infrastructure. That said, from the private sector perspective, there are certain areas that needed further explanation about their future. For example, how was the government to manage the common interest from mobile operators and satellite providers in the 3.5 GHz frequency? There's also the fact that only one provider has been calling for radio frequency spectrum allocation that would allow the immediate deployment of 5G while other market players say that they still need to recoup their 4G investment prior to their entrance into the 5G marketplace. One thing is clear: the postponement will allow Brazilian operators to obtain cheaper devices as time will allow for a larger number of providers to commercialize cell phones, resulting in a larger portfolio of handsets at different price points, making 5G more attractive to a wider audience."

A **Ari Lopes, São Paulo-based principal analyst for Latin America at Ovum:** "Anatel has been working on the design of the next spectrum auction, which will kick off the 5G era in Brazil. However, the agency had to delay it after a lack of consensus among its commissioners on key topics. One of these issues was the lack of clarity about interference of cellular communica-

tions in the TV receive-only (TVRO) service in 3.5 GHz. The country has an estimated 8 million households that rely on this sort of device to access TV content, so Anatel needs to define a solution. An important step was taken in January, when the sectors involved, telecoms and broadcast TV, agreed with the results of tests that proved that the use of filters in the antennas will mitigate

“**The stakes are high; it will shape the competitive landscape for Brazil's 5G market.**”

— Ari Lopes

interference. Another issue is the participation of regional Internet service providers. This sector, which has close to 10 million subscribers in the fixed broadband market, has demanded participation in the auction. Anatel commissioners are divided, with some of them willing to separate a portion of spectrum into regional blocks, and other commissioners reasoning that the best approach is to allocate maximum spectrum in national blocks to maximize capacity. TVRO tests might suggest a solution, allowing the addition of 100 MHz to the initial 300 MHz allocated in the 3.5 GHz band. This 400 MHz would be enough to support both national and regional requirements. Anatel is scheduled to meet today to try to reach a consensus. It will need to make a decision quickly if it wants the auction in 2020. The law requires the Federal Auditing Court to review auction rules, and the court has up to 150 days to analyze it. The stakes are high; it will shape the competitive landscape for Brazil's 5G market.”

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

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