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FEATURED Q&A

Will Mexican Firms Reap Returns From 5G Investments?



América Móvil said in February that it has launched 5G services in 18 cities in Mexico and hopes to expand the service to 120 cities across the country by the end of the year. // File Photo: Kabiur Rahman Riyad via Unsplash.com.

Q In February, Mexican telecommunications company América Móvil launched 5G services in 18 cities, enabling about one million Mexicans to access a 5G network. The company also announced it would invest \$1.8 billion to create the largest commercial 5G network in Latin America. Beyond infrastructure investments, Mexican telecoms firms also must coordinate with local, regional and federal government bodies in order to obtain licenses. What should Mexico's government be doing to facilitate the deployment of 5G networks? Will 5G services find commercial success in Mexico? What needs to happen for the cities that have 5G deployed to become "smart cities" that offer new economic and social opportunities that the technology's backers have touted?

A Luis Rubio Barnetche and Octavio Lecona, partners at Holland & Knight LLP: "5G can use different radio frequencies, some of which provide better bandwidth, while others are good for geographic coverage. For cities to take advantage, small 5G cells will have to be built and installed closer to the customer using existing infrastructure, including street fixtures, stoplights, street light poles and bus stops. Deploying 5G networks will require close and timely coordination with local, state and federal authorities. In Mexico, there are 2,458 municipalities, 16 Mexico City alcaldías and 32 state governments. The requirements to apply for an authorization to deploy infrastructure and the response time change from one municipality or state government to another. At the federal level, there are several entities that manage public buildings and fixtures. To overcome the overlapping

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TODAY'S NEWS

POLITICAL

Venezuela's National Assembly Appoints Pro-Gov't Justices

Venezuela's National Assembly on Tuesday appointed members of a new slimmed-down Supreme Court, re-appointing several justices loyal to President Nicolás Maduro.

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BUSINESS

ExxonMobil Finds Oil in Three New Wells off Guyana

ExxonMobil said Tuesday that it had discovered oil in three new wells off the coast of Guyana. The discoveries add nearly one billion barrels to the country's discoverable oil and gas potential.

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ECONOMIC

High Crude Prices May Help Ecuador With Deficit: Lasso

Ecuador may be able to reduce its fiscal deficit more than initially predicted if crude oil prices remain high, said President Guillermo Lasso.

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Lasso // File Photo: Ecuadorean Government.

POLITICAL NEWS

Venezuela's National Assembly Appoints Pro-Gov't Justices

Venezuela's National Assembly, which is loyal to the government of President Nicolás Maduro on Tuesday appointed the justices who will make up a new slimmed-down Supreme Court, keeping in place several justices who are allied with Maduro, Agence France-Presse reported. The appointments will reduce the size of the court from 32 justices to 20, and the magistrates are to serve for 12-year terms, the wire service reported. Twelve of the justices who will take seats on the court, known as the TSJ, were reappointed from the current court, and two are aligned with Venezuelan opposition groups, Bloomberg News reported. The National Assembly's vote "shows that the government does not trust new faces in the judiciary and prefers to run the risk of maintaining the institutionality that previously existed," Ali Daniels, director of Caracas-based nonprofit group Justice Access, told Bloomberg News. "It is not true that there is a new TSJ; it's essentially the same TSJ," he added. Last month, a United Nations fact-finding mission reported on a lack of impartiality in the high court and said recent reforms will lead to more political interference in the judiciary, Bloomberg News reported. The appointments of the smaller Supreme Court followed judicial reforms in January that reduced the number of justices who comprise it and also changed the method of selecting justices and also allowed for their re-election. Judicial reform was a major topic of discussion between Maduro's government and the country's opposition, but those talks broke down in October. Opposition leader Juan Guaidó, who has international recognition as Venezuela's legitimate interim president, called the National Assembly's vote on Tuesday "the most recent sign of absence of democracy in our country," Bloomberg News reported. Guaidó also called the Maduro government's judicial reform process a "mirage," the news service reported.

ECONOMIC NEWS

Region's Fintech Sector Doubles in Size in Three Years

The financial technology sector in Latin America and the Caribbean more than doubled in size between 2018 and 2021, according to a report released Tuesday by the Inter-American Development Bank. The number of financial technology platforms in the region reached 2,482 last year, a growth of 112 percent as compared to 2018, said the third edition of the study "Fintech in Latin America and the Caribbean: A Consolidated Ecosystem for Recovery." Additionally, 22.6 percent of the global number of fintech platforms are in Latin America and the Caribbean, according to the report, which the IDB released in conjunction with IDB Invest and Finnovista. Brazil has 31 percent of the total number of fintech platforms in the region, followed by Mexico, which has 21 percent, and Colombia, which has 11 percent, the report said, adding that Argentina also has 11 percent of the total and Chile has 7 percent. Growth in the fintech sector has been driven by increased demand for financial services that the traditional financial services sector does not provide, in addition to higher demand for digital financial services due to the Covid-19 pandemic, as well as regulatory changes that have increased transparency and security for users of fintech platforms, the report said. The trend is also leading more people to become part of the formal financial system, said IDB officials. "The study shows that the fintech ecosystem is becoming a key tool for promoting greater financial inclusion," said Juan Antonio Ketterer, head of the Connectivity, Markets and Finance division at the IDB. "At the IDB, we are committed to supporting the development of this sector because we believe fintech platforms hold great potential for expanding credit in sectors such as micro-, small- and medium-sized enterprises and segments of the population that are commonly excluded, such as women," he added. Payments and remittances remain the largest part of the fintech sector in Latin

NEWS BRIEFS

U.S. Supreme Court Questions Lower Judges' Orders on Asylum Policy

U.S. Supreme Court justices on Tuesday questioned orders from lower courts that blocked the administration of President Joe Biden from ending the "Remain in Mexico" program, the Associated Press reported. Liberal and conservative justices discussed the policy, put in place by Biden's predecessor, Donald Trump, which requires some asylum seekers to wait in Mexico for their hearings in the United States.

High Crude Prices May Help Ecuador Reduce Deficit: Lasso

Ecuador has the chance to reduce its 2022 fiscal deficit more than initially predicted as long as crude prices are high and it is able to sell state-owned Banco del Pacífico, President Guillermo Lasso said Tuesday, Reuters reported. A government prediction shows that it will end the year with a deficit of \$2.3 billion, \$1.4 billion down from the country's 2021 deficit. Lasso added that Ecuador still needs significant private investment in order to create new jobs.

Italy's Enel Planning to Sell Brazilian Power Distributor: Report

Italian power distributor Enel SpA is planning to sell Celg-D, its Brazilian power distribution company, in a \$2 billion deal, according to four sources familiar with the matter, Reuters reported Wednesday. Celg-D is based in the Brazilian state of Goiás and distributes power to 3.3 million consumers in the state. China's CPFL Energia, Spain's Neoenergia and EDP Energias do Brasil are among the firms interested in buying Celg-D. Rankings published by Brazilian power regulator Aneel showed Celg-D among the Brazilian power distributors with the worst service quality, Reuters reported.

America and the Caribbean, accounting for a quarter of the market, but digital loans and crowdfunding “are registering important growth in the region,” the report said.

BUSINESS NEWS

ExxonMobil Finds Oil in Three New Wells Off Coast of Guyana

ExxonMobil found oil in three new wells off the coast of Guyana, pushing up the recoverable gas and oil potential from the company’s discoveries by nearly one billion barrels to just under 11 billion barrels, the company announced on Tuesday, Reuters reported. Exxon, in conjunction with partners Hess Corp and CNOOC Ltd., are responsible for most of

The Stabroek block has seen 31 oil discoveries so far this year.

the oil and gas discoveries in Guyana in recent years. The company is planning to pump 1.2 million barrels of oil and gas per day from the Guyanese Stabroek block by 2027, as the block has seen 31 oil discoveries thus far, Reuters reported. Guyana, which is one of South America’s most impoverished countries, is planning to use the profits from its share of oil production to build up infrastructure in the country, including roads, houses, bridges, solar energy projects and gas-fired power plants, the wire service reported. In a Feb. 4 **Q&A** for the weekly Energy Advisor, Riyadh Insanally, a former ambassador of Guyana to the United States, noted that Guyana and neighboring Suriname are “poised to become major energy players and are of growing geostrategic importance,” especially to countries such as Brazil. He added that while they have an abundance of oil and gas, the countries are planning to “diversify their economies to avoid the resource curse.”

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bureaucracies, Mexican authorities should first put together an inventory of potential existing infrastructure in urban areas that can be used and shared among mobile operators. Second, application proceedings should be aligned at both the local and federal levels with the purpose of making them more comprehensive. For example, a single application should be created that all the applicable government entities can review in a timely fashion, instead of having to apply separately with each entity. Third, Mexico should harmonize municipal and state level requirements and fees to attain the licenses or permits required to build and deploy telecommunications-related infrastructure. Such initiatives demand a firm and long-term commitment from all three levels of government.”

A **Lourdes Casanova, senior lecturer at the S.C. Johnson College of Business at Cornell University:** “América Móvil, the largest telecom operator in Latin America, has invested more than \$1.8 billion to launch 5G services in 18 cities in Mexico. Its subsidiary firm Claro has struck deals with two telecom equipment providers, Swedish company Ericsson and Chinese firm Huawei, to put the necessary infrastructure in place to expand the 5G network to 90 percent of its market. Another telecoms provider, Telefónica, has already started rolling out 5G services in Brazil. To keep up with the competition, América Móvil has had to make a big move into 5G by building and now expanding the network in Mexico. More than 74 percent of Latin Americans have a smartphone, and with 5G being as much as 100 times faster than 4G, experts believe that the deployment of this latest-generation network will bring roughly \$90 billion to the Latin American economy by 2034. For the 5G deployment to be successful, there is a need for greater collaboration among all stakeholders: mobile operators, governments, network vendors, regulators and of course,

private businesses. Mexico’s telecoms regulator plans to launch a committee to discuss the industrial applications of 5G networks. One obvious application—5G will accelerate inclusion into the financial system for the millions of Latin Americans who do not have a traditional bank account. With 16 million new users signing up in 2020, Latin America is the fastest growing market for mobile-money accounts in the world, and the region’s large telecoms providers are at the forefront. Telefónica Brasil has launched Vivo Pay, a digital wallet for mobile payments. Claro and Banco Inbursa have teamed up to launch a similar product called Claro Pay, which lets users make mobile payments, transfer, recharge airtime and withdraw cash. These and other products like them mean that more people—particularly the unbanked—will have access to the financial system, and 5G will go a long way to making that inclusion a reality.”

A **Sonia Agnese, principal senior analyst for Latin America at Omdia:** “Fifth-generation mobile networks are a catalyst for growth, inclusion, productivity and prosperity. In Omdia’s study entitled ‘Why 5G in Latin America?’ it is estimated that 5G will enable \$730 billion of social and economic output in Mexico by 2035. However, despite its potential there are several challenges, and governments must take a leading role to enable the expansion of 5G networks. Radio spectrum availability and costs are the most important resources for the provision of 5G. América Móvil started the 5G race in Mexico with a solid network on an existing spectrum, and AT&T also did so with a smaller launch. However, high annual spectrum costs are becoming a barrier for connectivity expansion in the country, which has led telecoms provider Telefónica to return valuable radiofrequencies. Industry and experts requested that the regulator, the Federal Telecommunications Institute (IFT) reduce spectrum costs in line with international

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benchmarks, but instead Congress increased the costs in 2021. Infrastructure policy is the second key pillar of regulatory 5G enablers, because digital infrastructure requires coordination. The government should encourage investments in networks and remove deployment barriers, ensuring that requirements at a municipal level are transparent, proportionate, homogeneous and have streamlined approval processes. They can lead by example, facilitating access to government-funded networks, government-owned land and buildings. Establishing public-private partnerships, making available government property, offering tax incentives and being a demand aggregator are some of the ways the government could boost 5G adoption and stimulate economic growth. Mexico has a great potential for 5G, being the second-largest economy in the region, with two infrastructure competitors present in the country and the largest 5G network in Latin America."

A **José F. Otero, vice president for Latin America and the Caribbean at 5G Americas:** "Under normal conditions, governments view information and communications technologies as an integral part of their economic plans. Many have implemented measures to accelerate the modernization of legacy networks and infrastructure, and this includes the launch of 5G. Most leaders understand that their role is to provide the conditions that will allow new technologies to flourish. This should include collaborating with industry, ensuring that civil infrastructure is well maintained, reducing bureaucracy and cost in the licensing process and prioritizing telecommunications coverage over maximizing revenues. Unfortunately, none of these conditions are present in Mexico, at least not at the national level. Instead of creating the conditions necessary

to facilitate the expansion of the 5G network, the government of President Andrés Manuel López Obrador has made it more difficult for the telecoms companies to do so. He has eliminated some national telecoms regulatory bodies and gutted and diminished others. That's what happened to the

“**If the 5G network rollout and expansion is to succeed, Mexico's cities must work with the telecoms companies, not against them.**”

— José F. Otero

Federal Telecommunications Institute (IFT). López Obrador refused to replace three commissioners whose terms expired, so the positions were left empty. His government has also refused to listen to local industry actors, including the IFT's leadership, to decrease the costs of licenses and permits that telecoms operators need in order to move 5G network expansion forward. The fate of 5G in Mexico depends on the willingness of telecoms companies to navigate the maze of bureaucracy and excessive fees in order to build the next-gen network—and to look locally instead of nationally. If the 5G network rollout and expansion is to succeed, Mexico's cities must work with the telecoms companies, not against them. Then, those soon-to-be 'smart cities' can seek out assistance at the state level, as López Obrador has abdicated his government's responsibility of having a coherent telecoms policy at the national level."

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

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