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FEATURED Q&A

What is the Future of Mobile Internet in Latin America?

Q Mexico-based regional wireless provider America Movil last month secured \$1.5 billion in financing to help upgrade its network in order to provide high-speed Internet access to mobile customers. Other regional telecom companies, like Spain's Telefonica, have also indicated they see mobile Internet as one of the region's fastest growing markets. How are Latin Americans using mobile Internet technology and, more importantly, can many more of them afford it? What factors could stand in the way of greater 3G penetration in Latin America?

is important and worth investing in. We also see long-term potential in connected devices—like having your video camera connected to the web for real-time 'broadcast.' But data traffic is growing faster than either subscribers or revenues and flat-rate plans only encourage this to keep growing. We simply don't think operators can maintain the 'all-you-can-eat' model without their investment costs spiraling out of control as well. Just to survive, they must introduce 'pay-as-you-go' plans or flat-rate plans with low monthly download caps.

Continued on page 3

A **Guest Comment: Wally Swain:** "All Latin American operators are enjoying big success with mobile broadband, primarily laptop modems. In fact, we estimate that in 2008, 60 to 70 percent of all 3G sales were for laptop connectivity. In Brazil, some operators even marketed 3G as a substitute for fixed broadband connections—a practice we do not recommend because mobile networks are not designed for heavy downloads or continuous use. So far then, the market has been dominated by early adopters, the kind of customers who can afford a laptop and a wireless data plan for the pleasure of accessing the web anywhere they want. The explosion of laptops and now netbooks in the region has also been a driver. The price of a data plan can be up to five times average carrier revenue per user so while the base may be small, the revenue



Mauricio Funes Takes Office as President of El Salvador

Mauricio Funes of the Farabundo Martí National Liberation Front (FMLN) was sworn in Monday as president of El Salvador. Funes immediately moved to restore diplomatic ties with Cuba. See story on page 2.

Photo: Salvadoran Government.

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NEWS BRIEFS

OAS Begins Meeting in Honduras, Cuba Tops Discussions

The 34 active members of the Organization of American States begin two days of meetings today in San Pedro Sula, Honduras. The OAS may vote on whether to reactivate Cuba's membership in the organization. Although the OAS normally acts by consensus, only a two-thirds majority is needed to pass a resolution. US Secretary of State Hillary Clinton is attending the conference and has said Cuba must make democratic reforms in order to be a full member of the organization.

Mexico Detains 29 Officers Over Suspected Cartel Links

Mexican authorities detained 29 police officers from the northern state of Nuevo Leon on Monday for suspected links to drug cartels, reported the Associated Press. The officers were held after soldiers and federal authorities found evidence linking them to drug dealers arrested last month, although no charges have been filed. Last week, authorities arrested 10 mayors and other local officials in Michoacan state for allegedly protecting the La Familia drug cartel.

Centrica Paying \$142.5 Million for Stake in Trinidadian Gas Block

British energy company Centrica said Tuesday it will pay \$142.5 million to acquire a 45 percent stake in a natural gas block in Trinidad and Tobago from Canadian Superior Energy. The agreement, which comes as Canadian Superior is trying to unload some assets to emerge from bankruptcy protection, is subject to approval from the Trinidadian and Canadian governments as well the existing field partners including operator BG Group, Centrica said in a statement.

Political News**Mauricio Funes Inaugurated as El Salvador's President**

Mauricio Funes, 49, was sworn in Monday as president of El Salvador, vowing to remain on good terms with the United States while also re-establishing diplomatic relations with Cuba, the

the strong examples of Obama and Lula as proof that progressive leaders—instead of being a threat—can be a new, safe alternative for their people," Funes said. Secretary of State Hillary Clinton represented the United States at Funes' inauguration. After the swearing-in, Clinton said the US is seeking a better relationship with Latin America. "We have to recognize that our country is not perfect either, that some of the difficulties that we had

“Progressive leaders—instead of being a threat—can be a new, safe alternative for their people.”

—Mauricio Funes

Associated Press reported. Funes' inauguration brings the Farabundo Marti National Liberation Front (FMLN) to power. The former guerrilla group fought US-backed Salvadoran governments before disarming in 1992. In his inaugural address, Funes mentioned US President Barack Obama and Brazilian President Luiz Inacio Lula da Silva. "We turned to

historically in forging strong and lasting relationships in our hemisphere are a result of us perhaps not listening, perhaps not paying enough attention," she told employees at the US embassy in San Salvador. Funes, a former television journalist, immediately moved to restore relations with "the sister nation of Cuba," leaving the United States as the only

What Leaders Are Saying About Reactivating Cuba's OAS Membership

Former Cuban President Fidel Castro: "We do not wish to be part of" the OAS. "[It should] expel the US and start from scratch with a new organization that will defend the interests of Latin America and the Caribbean."

Cuban Foreign Minister Bruno Rodriguez: "One way or another, the OAS is totally anachronistic; it serves other interests, and we feel that our path, Cuba's path, is one of Latin American and Caribbean integration, without a presence from outside the continent."

US Secretary of State Hillary Clinton: "Any effort to admit Cuba into the OAS is really in Cuba's hands. They have to be willing to take the concrete steps necessary to meet [democratic] principles."

Venezuelan President Hugo Chavez: "Venezuela would love to join Cuba" as a non-member.

OAS Secretary General Jose Miguel Insulza: "We must repeal Resolution VI of 1962. It's an old resolution, it's not valid anymore, and it doesn't condemn Cuba for not being democratic. It condemns it for being a member of the Sino-Soviet axis and says that this axis is aggressive against the United States."

Sources: *Time*, *Granma*, Associated Press, Council of the Americas

country in the hemisphere without formal diplomatic ties with Cuba.

Officials Have Little Hope of Finding Missing Plane, 228 Aboard

Rescue teams continued searching today for **Air France** Flight 447, which vanished over the Atlantic Ocean Sunday night, with 228 people aboard, the Associated Press reported. The plane, which had left Rio de Janeiro and was bound for Paris, was last heard from at 11:14 p.m. Rio time. Rescuers are combing a vast swath of the ocean, far off the northeast Brazilian coastline toward Africa, but have found no trace of the plane. Officials

The hope of finding survivors is "very, very small, even nonexistent," said France's transportation minister.

"do not believe that a simple bolt of lightning, something relatively classic in aviation, could have caused the loss of the craft," said Jean-Louis Borloo, the French transportation minister. "There really had to be a succession of extraordinary events to be able to explain this situation," Borloo told France's RTL radio. He said the aircraft and its two black boxes are likely in extremely deep water and that the possibility of finding survivors "is very, very small, even nonexistent." **TAM**, Brazil's biggest airline, said pilots on a route from Paris to Rio de Janeiro saw "several orange points on the ocean," which appeared to be a fire. Early this morning, Brazil's air force said a French merchant ship had searched the area where the pilots saw the apparent fire but saw no sign of the aircraft. Passengers from several countries, including 61 French citizens and 58 Brazilians, were aboard the plane. The plane encountered strong turbulence and also emitted several automatic messages to alert that its electrical system was failing and that it had lost cabin pressure, *The Washington Post* reported.

Featured Q&A

Continued from page 1

These could have the effect of broadening access to other socio-economic groups. Mobile voice took off in Latin America when operators introduced prepaid, lowering the 'entry' cost of service to nearly zero and providing budget-conscious customers absolute control over their expenditures. The same should happen with mobile broadband."

A Guest Comment: Juan Ignacio Fernandez: "The process of implementing 3G networks in the region began late in Latin America. About three years ago we saw the initial deployments in most markets, but since then most country markets have gradually adopted 3G networks that are designed primarily to offer a reasonable mobile Internet experience. Currently, the number of mobile Internet users remains modest in the region. Gartner estimates approximately 4.8 million subscribers for W-CDMA-based 3G networks, and around 2 million EV/DO users region-wide at the end of 2008. Mobile Internet is too expensive for most prepaid users and the penetration of laptops and 3G smartphone users is still relatively low although growing. Most applications for mobile Internet remain basic web connectivity although there are a number of other applications available in smartphones that will begin to gain importance as these devices

become more widespread. Bringing smartphones into the market at lower price points is a key for expanding the

“Currently, the number of mobile Internet users remains modest in the region.”

— *Juan Ignacio Fernandez*

use of the mobile Internet in Latin America. Additionally, network capacity will need to improve, particularly for the backhaul of base stations and core network improvements."

A Guest Comment: Michael Minges: "Mobile Internet is growing rapidly in Latin America. It is an attractive alternative to existing fixed broadband options in the region, which often are limited and expensive. According to the GSM Association, mobile is often the fastest broadband option in Brazilian neighborhoods. According to 3G Americas, the number of Universal Mobile Telecommunications System/High Speed Packet Access

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Company News

PDVSA Plans to Invest Between \$12 Billion and \$13 Billion This Year

Venezuela's state oil company **PDVSA** is planning to invest between \$12 billion and \$13 billion this year, Bloomberg News reported Monday, citing Hercilio Rivas, the company's director of research and development. Rivas said PDVSA will make the investments in an effort to boost crude production by approximately two-thirds. Oil prices will dictate the company's level of investment, Rivas said. Prices must be at least \$70 a barrel for

PDVSA to increase output to 5 million barrels a day by 2020, up from the current level of 3 million.

Oil prices have plunged 54 percent since their peak last July. The drop has led PDVSA to slash this year's spending from \$24 billion to \$14 billion, the



Rivas company's president said in April. Venezuelan President Hugo Chavez last month nationalized dozens of oil service companies after PDVSA stopped paying them.

File Photo: PDVSA.

Featured Q&A*Continued from page 3*

(UMTS/HSPA) subscribers in the region stood at 4.7 million in 2008, an increase of 75 times since 2007. Though much focus has been on HSPA, there are actually more people in the region using

“Mobile Internet ... is an attractive alternative to existing fixed broadband options in the region.”

— *Michael Minges*

CDMA2000 1xEV-DO (5.9 million according to the CDMA Development Group). The two greatest barriers to higher 3G penetration in the region relate to spectrum and pricing. Certain operators believe that more spectrum is urgently needed to handle the growth in mobile Internet. Continual delays in assigning spectrum may mean that operators will ration mobile Internet use. Otherwise they risk congesting their networks with data, impacting quality and

call success. In fact, many operators already ration mobile Internet use through monthly download caps and tiered pricing packages. Regulators should institute measures that provide for more spectrum and enhance competition. In addition, pricing remains a significant factor to increased use of mobile Internet technology. While mobile Internet has often been used with a USB card to connect laptops, the availability of new handsets, particularly the Apple iPhone—now available in 20 markets across Latin America—is spurring demand for mobile Internet from portable devices. However, the prices of these devices are still beyond the reach of most of the region's mobile users. In order to increase 3G penetration and mobile Internet use, cheaper Internet-enabled handsets are needed.”

Wally Swain is senior vice president for emerging markets at the Yankee Group.

Juan Ignacio Fernandez is research director of Carrier Network Infrastructure at Gartner.

Michael Minges is senior market analyst at the Telecommunications Management Group.

Energy

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