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FEATURED Q&A

Will Cloud Services Bring More Growth to Latin America?



Cloud services are expected to grow rapidly in Latin America in the coming years. // File Photo: JuralMin via Pixabay.

Q The cloud services business in Latin America will grow to around \$7.4 billion by 2022, up from just \$1.8 billion in 2017, consulting firm Frost & Sullivan forecast in a recent report. What are the forces behind the growth? How does Latin America compare to other parts of the world in its adoption of cloud computing, and which countries have made biggest gains in taking advantage of cloud services for their economic development? How are public policy debates over privacy and restrictions on the international transfer of “big data” shaping the outlook for cloud services in Latin America and the Caribbean?

A Andres Jordan, principal consultant and founder of Factor6 Innovation Strategies and former vice president of digital innovation at Deutsche Telekom AG: “Latin America has a special set of circumstances at play. Its ICT infrastructure is in much need of upgrading, including its fiber backbones and fiber to the home. In a certain way, the cloud services sector fills the void while also driving the need for less infrastructure. That said, the faster rates in the overall growth of the Internet in Latin America tend to nullify some of those benefits. The faster adoption of cloud services in the region is being driven by multiple forces. 1) Adoption of e-commerce services is growing at rates superior to what was experienced in the United States during its e-commerce adoption phase. Just recently, Amazon announced entry into Argentina, for example, and Mercado Libre, the largest e-commerce site born in Argentina, is now expanding into Mexico. 2) Latin

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TODAY'S NEWS

POLITICAL

Barbosa Won't Seek Brazil's Presidency

Joaquim Barbosa, the former president of Brazil's supreme court, announced that he would not seek the country's presidency in October.

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BUSINESS

Petrobras Reports 56% Increase in Profit for Q1

A rebound in oil prices drove a rise in profit at the Brazilian state-run oil company in the first quarter. Petrobras' profit for the quarter was its highest in five years.

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ECONOMIC

Argentine Gov't Seeking Credit Line From IMF

Argentina's government is seeking financial support from the International Monetary Fund, President Mauricio Macri announced. The move follows a week of currency slides and billions of dollars' worth of intervention by the central bank in an effort to shore up the peso.

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Macri // File Photo: Argentine Government.

ECONOMIC NEWS

Argentina Entering Talks for Credit Line From IMF

Argentine President Mauricio Macri announced in a speech Tuesday that the country is turning to the International Monetary Fund for financial support after a week of currency slides that ate into central bank reserves. Administration sources told Argentine daily newspaper Clarín that the government will ask the IMF for “at least” \$30 billion in loans. Macri said he had spoken directly with IMF chief Christine Lagarde, and that negotiations over a “line of financial support” would officially begin Tuesday. Finance Minister Nicolás Dujovne said the move made pragmatic sense for the government, despite the political cost. “We are taking the cheapest financing available to us, with rates lower than in the market,” Dujovne told reporters Tuesday. The move came after a disastrous week for the Argentine peso, which fell 12 percent against the U.S. dollar despite the actions of the central bank, which increased interest rates three times in a week from 27.25 percent to 40 percent, Reuters

reported. If carried through, this will mark the first time Argentina has accepted a loan from the IMF since 2003. Many Argentines blamed the Fund’s loan conditions for a currency and financial crisis that set off a sharp devaluation of the peso beginning in 2001. Dujovne, however, said that today’s IMF is “different from the IMF of the ‘90s,” adding that the Fund had “learned its lesson” and signaled broad support for Macri’s gradual opening of the economy.

POLITICAL NEWS

Barbosa Won’t Seek Brazil’s Presidency in October Election

Joaquim Barbosa, the former president of Brazil’s supreme court, announced Tuesday that he would not seek the country’s presidency in the October election, The New York Times reported. Barbosa became the first black justice on the country’s Supreme Federal Tribunal in 2003 and served until 2014. Barbosa is known for cracking down on corruption, which Brazilians say is the most important issue heading into the election. Despite never declaring his candi-

NEWS BRIEFS

Colombia’s Truth Commission Begins Work

Colombia’s truth commission, established to reveal details about crimes committed during the country’s five-decade conflict with the Revolutionary Armed Forces of Colombia, or FARC, began work on Tuesday in Bogotá, Reuters reported. The commission was agreed upon in the terms of the 2016 peace deal between the FARC and the Colombian government and is meant “to heal wounds” from the long conflict, President Juan Manuel Santos said. More than 220,000 people were killed in the conflict, and more than seven million were displaced.

Mexican Negotiators Offer Compromise on Auto Content in NAFTA Talks

Mexico proposed raising the minimum North American content requirement in auto manufacturing to 70 percent during NAFTA negotiations on Monday and Tuesday in Washington, Bloomberg News reported, citing sources familiar with the negotiations. The proposal is up from 62.5 percent in the current deal, but short of the 75 percent margin the United States is seeking. The United States and Mexico are still at odds over U.S. demands to create special wage zones, or have minimum wage requirements, for car manufacturing in Mexico.

Guatemala, U.S. Coast Guard Seize Three Tons of Cocaine on Cargo Ship

Guatemalan authorities and the U.S. Coast Guard have seized three tons of cocaine from a cargo ship in international waters in the Pacific Ocean, officials announced Tuesday, the Associated Press reported. The drug bust is the largest in the Central American country’s history. The ship arrived in port Monday night, several days after it was stopped approximately 300 nautical miles offshore.

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Americans are prodigious users of social media. Many of the Internet-based media companies (Netflix included) are deploying content distribution networks in Latin American cities, bringing content closer to the end user. Incidentally, Brazil and Argentina rank in the top five in the world in terms of hours spent on social media sites. 3) Digital agendas such as Chile 2020 are driving up the adoption of cloud services to improve efficiencies in the delivery of services, to speed up the adoption of new cloud-based emerging technologies, and to reduce energy costs. Just recently, Argentina launched its own digital agenda. Startup ecosystems, such as the emerging cluster for fintechs in Brazil, are driving the need for cloud services

as well. 5) Lastly, the need to accelerate digital transformations in all institutions is also driving the adoption of cloud services such as SAP.”



Antonio Cárdenas, partner at White & Case in Mexico City:

“The services associated with Big Data have grown exponentially in the last 10 years, and Latin America is no exception. Today’s society demands more and better ways of interacting with technology and, with this, the storage and processing capacity of information must increase at the same rate. The force behind this growth, particularly in the case of Mexico, is that in recent years the penetration of

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dacy, he had reached up to 10 percent in presidential tracking polls. "I do not intend to be a candidate for the president of the Republic," Barbosa wrote in a posting to Twitter. "Decision strictly personal." The decision ends months of speculation that he would run for the nomination of the Socialist Party and brings more uncertainty into an already turbulent election season in Brazil. Last month, former President Luiz Inácio Lula da Silva, who had been leading in opinion polls, began serving a 12-year prison term for graft-related crimes.

BUSINESS NEWS

Brazil's Petrobras Reports 56% Increase in Profit for Q1

Brazilian state-run oil company Petrobras on Tuesday reported a 56 percent increase in profits in the first quarter as compared to the same period last year due to surging oil prices, the Financial Times reported. The firm's net profit reached 6.96 billion reais (\$1.94 billion) during the first three months of this year, amounting to Petrobras' highest quarterly profit in five years. The company has been mired in scandal since 2014, when the Lava Jato corruption investigation began to reveal details of graft and misconduct among top Petrobras and government officials. The firm settled a class-action lawsuit over the graft-related crimes with U.S. investors for \$2.95 billion in January. Pedro Parente, the company's CEO, saw the return of Petrobras to profit in the fourth quarter of 2016, and oversaw the sale of 3.22 billion reais worth of assets in just the first quarter of 2018, Reuters reported. "We are fulfilling the promise we made in our business plan, announced in 2016, and the result from the first quarter shows that we made the right decisions and that this effort has been worth it," Parente said in a statement. Petrobras' quarterly report also revealed that net debt was \$81.45 billion by the end of last month, down 4 percent since December, though the company remains the most indebted oil company in the world.

THE DIALOGUE CONTINUES

Are Brazil's Courts Meddling in Politics?

Q Brazil's attorney general on April 13 charged Jair Bolsonaro, the controversial right-wing presidential candidate who has been running near the front in polls ahead of this October's election, with inciting hatred and discrimination, allegations that could lead to a three-year prison sentence. The charges, which Bolsonaro's campaign called "groundless," came as debate continues in Brazil over the judiciary's role in deciding who can run in elections. Earlier in April, the front-runner in the race, former President Luiz Inácio Lula da Silva, lost a court appeal and began serving a 12-year sentence for corruption. The status of Lula's candidacy remains uncertain, however, despite his being imprisoned. **Are Brazilian judges overstepping by disqualifying popular political candidates? How could these and other judicial rulings affect upcoming political races? What are the implications of recent court rulings against politicians for the legitimacy of the wide-ranging Lava Jato corruption investigation, and for Brazilian democracy in general?**

A Joel Korn, president of WKI Brasil and senior international partner at UPITE Consulting **Services:** "Eligibility of political candidates is governed by specific legislation, the Clean Record law, which the Brazilian Congress enacted in 2010, triggered by a popular mobilization eager to prevent incumbents that don't meet ethical standards from running for public office. The law protects the constitutional right of defendants throughout the formalities of the legal process. More recently, in 2016, the Supreme Federal Tribunal ruled that defendants found guilty by judges at the second-level appeals court are subject to immediate imprisonment, without prejudice of further appeals to higher levels of the judiciary system. This decision, which the court ratified last month,

aligned the country's legal proceedings with virtually all the democracies around the world. It reinforced the ongoing investigations and legal processes involving corruption practices that have largely dominated political actions for years. Rather than being considered a move to disqualify popular candidates, this long and painful process should be seen as a very positive development for

“ This long and painful process should be seen as a very positive development...”

— Joel Korn

the end of tolerance of impunity. As investigations and the unparalleled transparent public sessions of the Supreme Federal Tribunal unfold, public disgust with politicians has intensified, along with an inevitable negative impact on the country's image. In the long run, however, it may be the seed for important cultural changes, paving the way for a country with stronger institutions and a reliable regulatory system. The strength of Brazilian democracy will depend on the credibility of elected governments and members of Congress. Against a scenario of uncertainties regarding who the actual candidates will be and what the potential political alliances will be, voters will have a critical role in selecting candidates who are genuinely committed to promoting economic reforms and social development. Hopefully, the upcoming election will reflect the fatigue with self-interested politics and signal an overdue turnaround in the country."

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

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Internet access has increased to more layers of the population, and with this, business models have been successfully imported from the United States, Japan, Korea and the European Union. These business models rely on a robust network; some examples are cloud storage, administration of advertising campaigns with cookies, consumer profiling, cryptocurrencies, streaming services, e-commerce, and so on. Access for a greater number of people, and the demand for new platforms for interaction (both social and economic) as well entertainment, coupled with lower prices of terminal devices and the relative decrease in the prices of mobile Internet access and fixed broadband, have allowed and will allow a fertile ecosystem to take full advantage of data management and processing capabilities. In Mexico, the fintech law aims to regulate financial technology and promises to allow banks and other financial institutions to expand the range of services based on information technologies. All of the above comes with a great challenge from a security perspective, since cybercrime is the felony with the greatest growth rate in the world, and Mexico is no exception."

A **Antonio García Zaballos, telecommunications lead specialist and leader of the broadband program at the Inter-American Development Bank:** "The Fourth Industrial Revolution, digital transformation, information economy and digital trade are some of the technological trends emerging in the global marketplace today. Governments must determine the extent to which they will embrace these trends, since these technologies permeate nearly every area of daily life. Individuals, organizations and industries are using technology in revolutionary ways to develop more operational efficiency, expand reach and improve the economy and society. An economy's adoption and use of cloud computing is one vehicle for reducing the divide, because of its ability to reinvent

enterprise IT and democratize leading-edge decisions. Economies embracing cloud computing experience the benefits of scalability, lower costs, an improved security posture and opportunities for innovation. To create cloud-computing capabilities, governments will need to support infrastructure required

“**To stay ahead, governments should develop policy frameworks that seek to build trust in technology...**”

— Antonio García Zaballos

to extend connectivity, ensure businesses have the right incentives to invest and innovate and develop the digital skills of the workforce, including in data analytics. The LAC region is at a critical juncture in its socioeconomic development; economies in the region must seize opportunities to advance robust digital strategies, including cloud computing. Countries that fail to do so will fall behind more advanced economies and will be disadvantaged in terms of innovation, performance, productivity and competitiveness. To stay ahead, governments should develop policy frameworks that seek to build trust in technology and address concerns about data protection, cybersecurity, financial market regulation, cross-border data transfers and data privacy; boost entrepreneurship, efficiency, and cost savings; maintain flexibility and foresight with respect to emerging technologies; and deliver education and training systems capable of preparing people for the future world of work."

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