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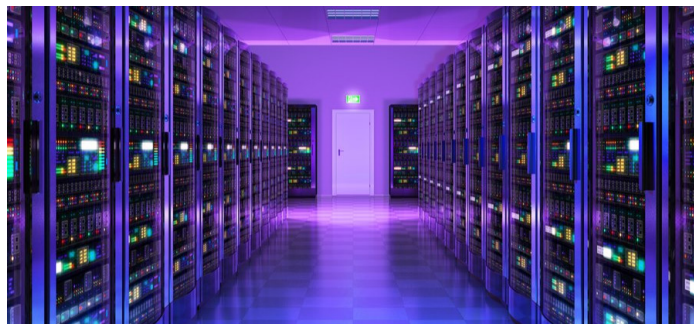
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## FEATURED Q&A

# What Has the Digital Silk Road Brought to Latin America?



Developing countries around the world, including some in Latin America, have signed agreements with China under its "Digital Silk Road," part of the Belt and Road Initiative. // File Photo: Huawei.

**Q** Five years ago, China's government introduced its "Digital Silk Road," a component of the country's Belt and Road Initiative. Under the Digital Silk Road, China is seeking to improve global connectivity and support the internationalization of Chinese technology companies. Since its establishment, what has the Digital Silk Road brought to Latin America and the Caribbean? What are the main benefits of the initiative for Latin America and for China? How will relations and tensions between China and the United States affect the initiative in the region?

**A** Margaret Myers, director of the Asia & Latin America Program at the Inter-American Dialogue: "China's Digital Silk Road (DSR), like much of the rest of the Belt and Road Initiative, is intended to help China advance a wide range of objectives. Above all, it would appear to support the exportation of increasingly high-tech goods and services, helping China to avoid a much feared 'middle income trap,' or situation in which a country that attains a certain income gets stuck at that level. With this in mind, China has promoted and supported outreach from its major e-commerce (Alibaba) and mobility service (Didi) providers in Latin America, for example, and certainly from the country's major tech and telecommunications firms such as Huawei and ZTE, which are providing integrated communications and command services, complete with data transmission, VoIP and video surveillance, among other products, to a wide range of countries. As a result of this backing, Chinese companies have in many cases been able to provide much-needed technology to developed and developing regions

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## TODAY'S NEWS

### ECONOMIC

## Costa Rican Gov't Begins Talks Today With IMF

Costa Rica is to begin talks today with the International Monetary Fund as the government seeks a deal to help it manage its large fiscal deficit.

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### BUSINESS

## Employees of Mexico's Interjet Begin Strike

Unionized employees of Mexico's Interjet went on strike following the suspension of the airline's operations last month. The airline has struggled amid the pandemic.

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### POLITICAL

## U.S. Prosecutors Level New Claims Against Honduran President

U.S. federal prosecutors made new allegations against Honduran President Juan Orlando Hernández. The presidency denied the claims that Hernández aided a drug trafficker in exchange for bribes.

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Hernández // File Photo: Facebook page of Juan Orlando Hernández.

## POLITICAL NEWS

## U.S. Prosecutors Level New Allegations Against Hernández

U.S. federal prosecutors on Friday made new claims against Honduran President Juan Orlando Hernández, alleging that he helped a drug trafficker deliver thousands of kilograms of cocaine to the United States in exchange for bribes, CNN reported. The Honduran presidency rejected the allegations as “100 percent false.” Federal prosecutors made the allegations in a filing in the Southern District of New York in the case of Geovanny Fuentes Ramírez, an alleged Honduran drug trafficker who is currently imprisoned in New York, The Wall Street Journal reported. The filing alleges that Hernández told Fuentes Ramírez that “he wanted to shove the drugs right up the noses of the gringos,” the newspaper reported. Hernández is not identified by name in the filings. He is referred to as “CC-4,” or co-conspirator number four, and is identifiable by references to his position in politics as well as by references to his younger brother. Hernández, who has not been charged, is also listed as an unnamed alleged co-conspirator in his brother’s case. In denying the allegations, Honduras’ presidency said in a tweet that the claims were “based on lies of confessed criminals who seek revenge and to reduce their sentences.” The president’s office added, “This and other opportunistic allegations are contested by the essential fact that during the Hernández administration, coca trafficking through Honduras fell from 87 percent to 4 percent from 2013 to 2019, as recognized by the publications of the Department of State (INCRS) of those years,” CNN reported. Honduras’ ambassador to the United States, Luis Fernando Suazo, also rejected the allegations, calling them “baseless,” the Associated Press reported. “They’re the ones who have reason to get revenge, they’re the ones who have reason to reduce their sentences, those are the sources,” said Suazo. The court filing also accuses Hernández of taking money from Honduras’ social security fund and from relief

funds that the United States donated, The Wall Street Journal reported. The allegations are not the first against Hernández. During the 2019 trial of his brother, Juan Antonio Hernández, the president was accused of taking more than \$1 million in bribes from Mexican drug kingpin Joaquín “El Chapo” Guzmán, an accusation that last week’s court filing repeats, the AP reported. The president has repeatedly denied the allegations. Juan Antonio Hernández was convicted on the drug trafficking charges against him after pleading guilty and choosing not to testify during the trial, CNN reported.

## At Least 23 Killed as Police, Gangs Clash in Caracas

At least 23 people were killed over the weekend in a confrontation between police units and gang members in Caracas, Reuters reported Sunday. The violence started Friday afternoon when two of Venezuela’s special police units—the Special Action Forces, or FAES, and the Special Tactical Operations Units, or UOTE—launched an operation in the capital’s La Vega neighborhood, which is overridden by gangs. The clash lasted until Saturday. No security agents appeared to have been killed, according to activists including Marino Alvarado of the PROVEA rights group and Últimas Noticias, a newspaper seen as close to the party of President Nicolás Maduro. Last year, a U.N. fact-finding mission called for the FAES to be dissolved due to its involvement in extrajudicial killings.

## ECONOMIC NEWS

## Costa Rica to Begin Talks Today With Int’l Monetary Fund

Costa Rica will begin talks today with the International Monetary Fund to seek a deal that would help the Central American nation

## NEWS BRIEFS

## Argentina Lets Provinces Restrict Nighttime Activities to Fight Covid

The Argentine government on Friday issued a decree allowing provinces to restrict nighttime activities in an effort to ease the spread of the novel coronavirus amid a new wave of cases during the Southern Hemisphere summer vacation, Reuters reported. Concern has reportedly risen among authorities as TV images show packed beaches and outdoor parties with little social distancing and people not wearing masks. New daily infections in Argentina more than doubled as the country’s summer holiday season began at the end of the year, Reuters reported.

## At Least One Killed in Fire at Headquarters of Mexico City Subway

A fire in Mexico City’s downtown subway headquarters left at least one dead and several others injured early on Sunday, officials said, Reuters reported. Six lines of the city’s subway lines were shut down because of the fire, which was believed to be a result of an electricity failure. Mayor Claudia Sheinbaum confirmed to reporters that one police officer had died and 30 people were taken to local hospitals, due mostly to smoke inhalation, Reuters reported.

## LATAM Airlines Taps SafetyPay to Enable Digital Wallet

LATAM Airlines Group has tapped digital payment platform SafetyPay to enable its digital payment wallet, SafetyPay announced Friday. The initiative will allow the airline’s customers to buy tickets via bank transfer or with cash, without entering personal information online. The move could help the airline expand its business by accepting payment from customers who do not have credit cards or do not want to use them, said SafetyPay’s CEO.

manage its large fiscal deficit, Agence France Presse reported. The government of President Carlos Alvarado is seeking a loan of \$1.75 billion and an improvement of the country's financial profile, América Economía reported. The country closed last year with a deficit that totaled 9 percent of GDP, according to central bank projections, as well as with debt levels equivalent to 70 percent of GDP. Among the expected objectives that would come as part of an agreement with the IMF is a reduction of public spending of at least 20 percent over the next four years, according to Finance Minister Elian Villegas, though he did not detail which areas would see funding cuts. The discussions with the IMF come after strong public rejection of any increase in taxes, a proposal that last October sparked protests and roadblocks throughout the country, ultimately forcing Alvarado to roll back the initiative. In subsequent talks with various sectors, including government representatives, unions and businessmen, participants agreed to seek an adjustment of 2.5 percent of GDP by reducing public spending, eliminating tax exemptions and generating new income, AFP reported.

## BUSINESS NEWS

### Employees of Mexico's Interjet Begin Strike

Employees of Mexico's Interjet went on strike Friday, a move that came after the airline's operations were suspended last month, Reuters reported. The airline has struggled amid the Covid-19 pandemic. In November, Interjet canceled several flights after reportedly failing to make advance payments for fuel for the second time in as many months. Employees of the airline are owed four months of salary and other pay, including Christmas bonuses and savings fund contributions, according to the employees' union. "The current situation of our company is regrettable," the union said, Reuters reported. The wire service was unable to reach an Interjet representative for comment.

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alike at lower prices than others. A primary example is Huawei's 5G infrastructure, which, based largely on its relative price point, and despite many warnings from the United States about quality and safety, may very well be utilized in 5G networks throughout the region. U.S. efforts to promote what it has called 'safe networks' in Latin America have nevertheless been effective in some cases. This includes in Chile where the government chose Japan over China to build an undersea cable. But price advantage aside, Chinese tech companies are increasingly well established in the region and have developed extensive personal networks over time, including among the officials at the local level who will employ certain cities-based technologies. Taking all of this into account, it is very likely that the DSR will continue to gain traction in Latin America."

**A** Xingjian "Jeff" Zhao, partner in the Shanghai office of Diaz, Reus & Targ, LLP: "As the legend goes, when Henry Kissinger asked Premier Zhou Enlai about the lasting impact of the French Revolution at a Shanghai reception in 1972, nearly two centuries after the Bastille's fall, the Premier quipped: 'Too early to say.' Accurate or apocryphal, Premier Zhou's statement encapsulates the farsighted historical lens needed to evaluate China's current 'soft power' foray into Latin America, the Caribbean and much of the developing world at large. 'Soft power,' as the term's coiner Joseph S. Nye Jr. explained, is power through attraction as opposed to power through military coercion or economic inducement. The Digital Silk Road dimension of the Belt and Road Initiative as a focus of both Chinese investment and soft power engagement in the region cannot be overstated. The Digital Silk Road, at its core, is a loose yet choreographed series of initiatives aimed at boosting China's soft power in, and exporting China's already well-entrenched digital infrastructure into, America's backyard. Infrastructure and equipment

providers such as Huawei and ZTE may—despite omnipresent U.S. sanctions—be good economic inducers in certain countries, but not necessarily effective propagators of Chinese soft power. However, fast-growing e-commerce platforms, such as Alibaba, Ant Financial and Tencent, are well-poised to create necessary points of attraction that would lay the groundwork for China's soft power play. By selectively exporting an already mature and socially entrenched digital payments infrastructure from China to targeted regions, but not directly participating in local lending and deposits businesses, these companies can expand with minimal exposure to regulatory hurdles or the need to acquire banking licenses. It is still far 'too early to say,' in Premier Zhou's words, where this will all lead. But there is already precedent. Ridesharing company Didi Chuxing's success in Brazil, owing to the company's ability to localize and adapt its sophisticated pool algorithms and security features from China to Latin American cities, examples how creating points of attraction by importing existing digital infrastructure can align with consumer needs, a company's bottom line and China's interests in the soft power space."

**A** Lin Hua, associate researcher at the Institute of Latin American Studies, Chinese Academy of Social Sciences (CASS): "The Digital Silk Road clearly provides new opportunities for the development of Latin American countries. The Economic Commission for Latin America and the Caribbean (ECLAC) has repeatedly emphasized the importance of strengthening digital economy and artificial intelligence for stimulating regional economic dynamism. However, due to the long-term financial and technological bottlenecks, Latin American countries' investment in digital development has been far from meeting their expanding needs. The digital gaps between Latin American countries and developed countries,

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as well as within Latin American countries, are widening. During the pandemic, the gaps have been even more obvious. In this context, Latin American countries need more external support. Relying on the cooperation under the Digital Silk Road, China, first of all, has played a positive role in the construction of network infrastructure for Latin American countries to make up for the funding and capacity shortfall. Second, China's successful experience in the sharing economy and e-commerce also has provided useful reference for Latin American countries to develop the new digital economy. China and Latin America are highly complementary in building the Digital Silk Road. Cooperation in the digital economy is a new way for China and Latin America to achieve common development, share digital dividends and promote economic and trade relations to a higher level. It is also conducive to both sides to win a greater voice in the formulation of international standards and rules. Digital technology is a focus of competition between China and the United States. The U.S. concern with the Digital Silk Road has been transformed into the U.S. government's policy toward China. Therefore, the tensions between China and the United States will certainly have an impact on the construction of the Digital Silk Road in Latin America and hinder Chinese enterprises from exploring the Latin American market. However, China's advantages in cost and financing are still attractive to Latin American countries."

**A** **Ray Walser, professor of practice at Seton Hall University and retired U.S. Foreign Service officer:** "Questions raised regarding the Digital Silk Road (DSR) are timely and important. While the United States undergoes the challenges posed by the Covid-19 pandemic, an imperiled economy and a presidential election whose very legitimacy is questioned by an aspiring autocrat, the world marches on. In much of the Americas, Chinese efforts to build digital infrastructure and capacity and promote

global interconnectivity sound positive and forward-looking. From a developing nation's perspective, the DSR appears to be a win-win situation for all. Countries struggling to meet basic needs—education, health care, e-commerce, job creation—during a pan-

“From a developing nation's perspective, the DSR appears to be a win-win situation for all.”

— Ray Walser

dem are far less likely to worry about data privacy, hidden technological backdoors, IPR theft and the like. The DSR promises to help overcome challenges posed by the region's geographical and demographic challenges. In the region's barrios and pueblitos, the DSR offers sustained hope and voice for the marginalized. The Trump administration, agitated by its failed trade war and mishandling of the 'China virus,' has accelerated hawkish views of China. Accordingly, China becomes a looming Leviathan, a Marxist-Leninist, totalitarian threat intent on global dominance. Anything it does must be part of a master plan. While beating China with rhetorical sticks and a stream of dire warnings may work at home, it is less likely to carry weight in the hemisphere. To compete in the Americas and elsewhere, the United States needs a positive vision of its capacity to partner in all aspects of the sweeping digital revolution. What's needed is a serious, public/private strategy to rethink digital innovation and integration while promoting principles and values—democratic governance, human rights, respect for individual privacy and entrepreneurial opportunity—that remain foundation stones in our increasingly digital world."

*The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at [gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org).*

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