

BOARD OF ADVISORS

Diego Arria

Director, Columbus Group

Merike Blofield

Director, Institute for Latin American Studies, GIGA

Devry Boughner Vorwerk

CEO, DevryBV Sustainable Strategies

Joyce Chang

Global Head of Research, JPMorgan Chase & Co.

Paula Cifuentes

Director of Economic & Fiscal Affairs, Latin America & Canada, Philip Morris International

Marlene Fernández

Corporate Vice President for Government Relations, Arcos Dorados (McDonald's)

Peter Hakim

President Emeritus, Inter-American Dialogue

Donna Hrinak

Senior VP, Corporate Affairs, Royal Caribbean Group

Jon E. Huenemann

Council Member, GLG Inc.

James R. Jones

Chairman, Monarch Global Strategies

Craig A. Kelly

Senior Director, Int'l Gov't Relations, Exxon Mobil

Barbara Kotschwar

Executive Director, Visa Economic Empowerment Institute

John Maisto

Director, U.S. Education Finance Group

Nicolás Mariscal

Chairman, Grupo Marhnos

Thomas F. McLarty III

Chairman, McLarty Associates

Beatrice Rangel

Director, AMLA Consulting LLC

Ernesto Revilla

Head of Latin American Economics, Citi

Gustavo Roosen

President, IESA

Andrés Rozental

President, Rozental & Asociados

Shelly Shetty

Managing Director, Sovereigns Fitch Ratings

FEATURED Q&A

How Is the Internet in Latin America Likely to Change?



The Internet has been splintered into "a subset of interconnected networks ... to enhance surveillance and limit the free flow of information," Pedro Less Andrade writes below. // File Photo: John Schnobrich via Unsplash.com.

Q The technologies that underpin the global Internet are largely products of the United States and grew out of U.S. research projects and companies that commercialized and innovated the technology, the Council on Foreign Relations said in a recent report. However, the global Internet has become "less free, more fragmented and less secure," the report says, adding that countries around the world now exert more control over the Internet by localizing data, blocking content and launching political "influence campaigns." What is the current state of freedom and openness on the global Internet, and how is it changing? What does control over the Internet mean for politics, economics and commerce in Latin America and the Caribbean? Which big players are exerting more—and less—influence over how the global Internet operates, and what policies are needed in order to shape a future that will be most productive for the digitization of the Americas?

A Pedro Less Andrade, vice president of public policy for Latin America at Meta: "An open Internet promotes democracy. Its importance lies in the fact that it has empowered societies and generated new checks and balances over governments and companies, increasing their accountability. Consequently, totalitarian governments feeling threatened by this democratic spirit have altered the Internet's global multistakeholder governance model, splintering the Internet we know into a subset of interconnected networks carved within their geographies to enhance surveillance and limit the free flow of information, including content or platforms citizens can access or

Continued on page 3

TODAY'S NEWS

BUSINESS

Grupo México Withdraws From Mayan Train Project

Mining and transport firm Grupo México confirmed that it was pulling out of the project to build the Mayan Train tourist railway.

Page 2

BUSINESS

Amazon Web Services to Raise Investment in Chile: Executive

Amazon Web Services is expecting sustained growth in Chile and in Latin America as a whole, said an executive.

Page 3

POLITICAL

Brazilian Defense Chief Assures U.S. Counterpart on Election Security

Brazilian Defense Minister Paulo Sérgio Nogueira on Wednesday assured U.S. Defense Secretary Lloyd Austin that Brazil's armed forces are focused on providing security for the country's election.

Page 2



Nogueira // File Photo: Brazilian Government.

POLITICAL NEWS

Brazilian Defense Chief Assures U.S. Counterpart on Vote

Brazilian Defense Minister Paulo Sérgio Nogueira on Wednesday assured his U.S. counterpart, Defense Secretary Lloyd Austin, that the South American country's armed forces are focused on providing security so that its presidential election on Oct. 2 is carried out in a safe, secure and transparent way, Reuters reported, citing Austin. Nogueira and Austin spoke in Brasília during a gathering of Western Hemisphere defense ministers. "The Brazilian



Bolsonaro // File Photo: Brazilian Government.

minister of defense commented that he was very much focused on providing security to ensure that they were able to conduct a safe and secure and transparent election," Austin told reporters, the wire service reported. "He appeared confident in his ability to provide security," he added. The comments came as Brazilian President Jair Bolsonaro, who is in a tough bid for re-election, has repeatedly claimed, without presenting evidence, that the country's election system is flawed. Bolsonaro trails former President Luiz Inácio Lula da Silva in polls ahead of the vote, in some surveys by nearly 20 percentage points, Reuters reported. In formally launching his re-election campaign on Sunday, Bolsonaro said, "The Army is on our side," the wire service reported. During the gathering of defense chiefs in Brasília, Austin, a retired U.S. Army general, on Tuesday said militaries must be under firm civilian control. "Credible deterrence demands military and security forces that are ready, capable and

under firm civilian control," said Austin. "The more we deepen our democracies, the more we deepen our security," he added. John M. Carey, associate dean of faculty for the social sciences at Dartmouth College, told the Latin America Advisor that Brazilian electoral authorities "to their credit" have subjected the country's election system to security tests. "Those tests have uncovered some vulnerabilities, as they are designed to do and, if all actors operated in good faith, they should play a key role in maintaining and improving the security of voting," Carey said. "The problem is that Bolsonaro and his supporters are now motivated to undermine public confidence in Brazilian elections, and one path to doing so is by selective promotion of the vulnerabilities the testing regimen has revealed," he added. The Advisor sought comment on Bolsonaro's criticism of the country's election system from the country's ambassador to the United States, Nestor Forster, but an embassy representative told the Advisor that the embassy does not comment on domestic politics.

BUSINESS NEWS

Grupo México Withdraws From Mayan Train Project

Grupo México, a mining and transport firm based in Mexico City, confirmed the termination of its construction contract with the Mexican government to build the Mayan Train tourist railway in southeast Mexico, Reuters reported Wednesday. "We reached a neutral agreement with the government to hand over the Mayan Train project to the Defense Secretary Sedena," said a top Grupo México executive. The executive added that the decision followed multiple court injunctions that put the completion of the railway in jeopardy, the wire service reported. The decision followed the company's announcement of a 40.5 percent decline in its net profit in the second quarter, as compared to the same period last year, according to a company filing. Mexican President

NEWS BRIEFS

Colombia's Gulf Clan Gang Intensifies Attacks Ahead of Inauguration

Colombia's Gulf Clan drug gang has intensified attacks in recent weeks, killing a dozen police officers and injuring dozens more, ahead of the Aug. 7 inauguration of the country's incoming president, Gustavo Petro, Agence France-Presse reported. The attacks follow the extradition in May of its leader, Dario Antonio Úsuga, known as "Otoniel," to the United States to face drug trafficking charges, the wire service reported.

El Salvador to Dedicate \$560 Million to Bond Buybacks: Finance Chief

El Salvador is set to commit \$560 million in funds to an unexpected bond buyback plan in an effort to address concerns about its public finances, the country's finance minister, Alejandro Zelaya, said Wednesday, Reuters reported. Zelaya told Salvadoran broadcaster TCS that the funds could be used to buy some 2023 and 2025 sovereign bonds, whose maturities total about \$1.6 billion. "We are not going to buy the total debt," Zelaya said. "And we're not going to spend more than we have in the bank," he added.

Brazil's Petrobras Gives Board Supervisory Role Over Fuel Price Decisions

Brazilian state oil company Petrobras has given its board a formal supervisory role over decisions related to fuel pricing, the company said in a securities filing on Wednesday, Reuters reported. Under a new set of guidelines, Petrobras executives will meet with members of the board and the company's fiscal committee quarterly to discuss how it is setting fuel rates, an issue that has become increasingly important leading up to Brazil's October presidential election.

Andrés Manuel López Obrador on Tuesday said that the Mayan Train project will cost up to an estimated \$20 billion, as much as 70 percent more than the government's previous \$11.8 billion estimate, Bloomberg News reported. "The Mayan Train project is a very poorly conceived project, as are all of AMLO's projects," José F. Albarrán Núñez, the former president of Academia de Ingeniería México, told the Advisor in a June 15 Q&A. "Driven by political-electoral objectives, very little effort has been put into the planning, design and development of the project," he added.

Amazon Web Services Planning to Increase Investments in Chile

Amazon Web Services (AWS) is expecting sustained growth in Chile and Latin America as a whole in the coming years, Reuters reported Wednesday, citing Jaime Valles, the Amazon unit's vice president for Latin America. "In the future we plan to invest more and expand our physical presence in Chile, to the extent that customers demand it and need it to meet their needs," Valles told the wire service. "In particular in Latin America, we are working very closely with retail and banking companies," Valles added. The company said on Wednesday that it initiated the process to obtain an environmental permit in order to build a data center in Santiago worth \$205 million, Reuters reported. "In recent years, Chile has positioned itself as a digital hub in South America, thanks to the development of infrastructure projects and digital services from companies such as AWS," said Andrés Rodríguez, the director of InvestChile, an AWS blog post reported when an AWS Local Zone was announced for Santiago in March of this year. The company is focusing on startups in Latin America, offering technology and financing projects to help people grow their businesses, Valles said, Reuters reported. "At the end of the day, much of the generation of growth, productivity and employment comes from startups or small and medium-sized companies," he added.

FEATURED Q&A / Continued from page 1

publish. This Internet fragmentation is against its global ubiquitous architecture; it affects human rights and poses challenges to cybersecurity. Digital technologies have proven critical for businesses to stay afloat during the pandemic; consequently, small, medium and large companies accelerated their digital transformation. However, there is an urgent need in the region to close the digital gaps between territories, families, students, workers and companies. Smart and flexible policies that promote incentives for investment are needed to develop a more affordable bandwidth spectrum, increase access and ensure an appropriate balancing of safety and freedom of expression. Digital transformation can help the economies of Latin America and the Caribbean emerge from the crisis by stimulating business innovation and introducing new competitive conditions. It can also contribute to enhancing access to public services, including health and education, while improving governance, by placing citizens at the center of public policies. Any national regulatory approach to addressing harmful content should respect the global scale of the Internet and the value of cross-border communications. If designed well, these frameworks can contribute to the Internet's continued success by articulating clear, predictable and balanced ways for government, companies and civil society to share responsibilities and work together. Designed poorly, these efforts may stifle expression, slow innovation and create the wrong incentives for platforms."

A Lourdes Casanova, senior lecturer and director of the Emerging Markets Institute at the Cornell S.C. Johnson College of Business at Cornell University: "According to the 2021 Freedom on the Net report, governments have imposed new rules to control content, data or competition for big technology companies in more than 48 countries. While governments should encourage an open Internet, the reality is

that there is a global drive to control big technology companies. This drive to control is leading to a political, commercial and technological fragmentation of the Internet. Although the Internet was designed to be an open and global infrastructure, the current tendency to fragmentation is a driver and a result of the political realities in the world. China for instance is trying to have its own national standards in digital technologies. Russia is redesigning its Internet infrastructure (known as 'RuNet'), to control Internet traffic across its domestic market. This trend has accelerated since the beginning of the war in Ukraine. Latin America cannot escape the global tendencies toward increased fragmentation of the Internet. Many countries in Latin America are being forced to implicitly or explicitly choose between the U.S. and Chinese Internet camps. Culturally, Latin America is closer to the United States, which has also exerted significant influence in the region. However, over the last decade China has risen to become the largest trade partner for South America. This is giving China significant leverage to influence the development of the Internet in the region. An example is the decision by many countries in the region to allow the use of Huawei equipment among the bidders within the 5G auctions despite the ban sought by the United States."

A Agustina del Campo, director of the Centro de Estudios en Libertad de Expresión y Acceso a la Información (CELE) and vice chair of the Global Network Initiative Board of Directors, and Jason Pielemeier, executive director of the Global Network Initiative: "The Internet today is both more threatened than ever and more vital than ever. Most observers, including a recent Council on Foreign Relations' (CFR) task force, focus on the first truth, citing declining Freedom of the Net (FoTN) scores as evidence of the inevitability of the 'splInternet,' and/or the need for more robust foreign

Continued on page 4

FEATURED Q&A / Continued from page 3

policy and cyber responses on the part of Western governments. Yet the Internet continues to be a dynamic and ultimately liberating medium, particularly for those operating in closed societies. Assessing freedom and openness through a strict repressive vs non-repressive dichotomy is counterproductive. Many proponents of the 'open, interoperable Internet' have been moving to restrict cross-border data flows, introduce content regulation and enhance online surveillance.

“The Internet today is both more threatened than ever and more vital than ever.”

— Agustina del Campo & Jason Pielemeier

In some Latin American countries, judicial authorities are getting frustrated with malfunctioning mutual legal assistance treaties, which create empathy for dangerous data retention or data localization proposals, while others are grappling with private online censorship driven by the adoption of foreign free speech standards. That their attempts to address these challenges are at times ineffective, disproportionate or unwise is often times more attributable to the lack of good models, insufficient consultation with civil society or poor legislative process, than it is to fidelity to an authoritarian vision of the Internet. Increasing digitization globally demands clear rules, better processes, new consensus and strong commitments. Collaboration across stakeholder groups, including co-regulatory approaches should be regarded as part of the solution. These efforts will help determine whether the ongoing, global push to regulate the Internet will completely neuter the characteristics that allow it to foster greater freedom of expression, or instead establish a new paradigm that fosters greater accountability—for individuals, companies and states—while enhancing human rights.”

A **Husani Durans de Jesus, senior manager of policy for the Americas at the Information Technology Industry Council:** “The

rate and breadth of digital transformation in Latin America continues to yield significant opportunities for individuals, communities and governments, but certain policy proposals have also raised some challenges when it comes to ensuring an open, interoperable, reliable and secure Internet for all. Recently, policymakers in countries like Chile, Brazil and Peru have introduced policies with the stated intent of addressing issues such as misinformation and data protection, but the approaches of these initiatives stand to have an adverse impact on trade, stifle innovation, restrict freedom of speech and contribute to Internet fragmentation, all without appropriately addressing the issue at hand. For example, proposals that force the localization of tech services and data ignore the range of flexible bases for facilitating the necessary movement and processing of data available in international data protection legislation, and stand to weaken the functionality and competitiveness of digital services offered in those markets. Political commitments such as the Declaration for the Future of the Internet, which set principles to promote human rights, the well-being of all individuals and a fair and competitive ecosystem, are a step in the right direction. After all, the cross-border movement of data and ICT goods and services is key to fostering democratic engagement in the global economy, as well as countering digital authoritarianism and protectionism that threaten innovation and free speech. It is therefore critical that the U.S., European Union, Canada and like-minded countries should prioritize cooperating and actively supporting an open, interoperable, reliable and secure Internet for all.”

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

LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue ISSN 2163-7962

Erik Brand

Publisher
ebrand@thedialogue.org

Gene Kuleta

Editor
gkuleta@thedialogue.org

Leticia Chacón

Reporter
lchacon@thedialogue.org



Rebecca Bill Chavez, President

Bruno Binetti, Nonresident Fellow

Sergio Bitar, Nonresident Senior Fellow

Joan Caivano, Senior Advisor

Santiago Cantón, Director, Rule of Law Program

Kevin Casas-Zamora, Nonresident Senior Fellow

Julia Dias Leite, Nonresident Senior Fellow

Ariel Fiszbein, Director, Education Program

Sandra García Jaramillo, Nonresident Senior Fellow

Selina Ho, Nonresident Senior Fellow

Edison Lanza, Nonresident Senior Fellow

Nora Lustig, Nonresident Senior Fellow

Margaret Myers, Director, Asia Program

Manuel Orozco, Director, Migration, Remittances and Development Program

Xiaoyu Pu, Nonresident Senior Fellow

Jeffrey Puryear, Senior Fellow

Michael Shifter, Senior Fellow

Tamar Solnik, Director, Finance & Administration

Daniela Stevens, Director, Energy, Climate Change & Extractive Industries Program

Lisa Viscidi, Nonresident Senior Fellow

Latin America Advisor is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at 1155 15th Street NW, Suite 800 Washington, DC 20005

www.thedialogue.org

Subscription inquiries are welcomed at ebrand@thedialogue.org

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the publisher. The analysis is the sole view of each commentator and does not necessarily represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the publisher.