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FEATURED Q&A

Can Brazil Attract Billions in Data Center Investments?

Brazil's government is seeking to generate more than $350 billion in investments by providing incentives for constructing new data centers. // File Photo: DisobeyArt via Adobe Stock.

Q Brazil's government plans to exempt data centers from income and import taxes in a bid to generate more than $350 billion in investments over the next 10 years, Reuters reported April 28. Finance Minister Fernando Haddad traveled to Silicon Valley this week to speak with tech executives about the plan. How might these new tax exemptions affect data center construction in Brazil? How do other factors in Brazil—namely, borrowing costs and energy availability—affect the environment for data center investment? What advantages or disadvantages does Brazil pose to companies looking to build data centers in Latin America, relative to other countries in the region?

A Izabela Oliveira Rodrigues, graduate fellow for Brazil and the Southern Cone at McLarty Associates: "Brazil's proposed tax exemptions on data center investments, covering federal taxes and import duties, aim to boost its appeal as a digital infrastructure hub. Finance Minister Fernando Haddad's recent trip to Silicon Valley promoted the country's strengths: clean energy, legal certainty and a friendly regulatory environment. The plan requires 100 percent renewable energy use and reserves some server capacity for domestic needs, reinforcing Brazil's focus on sustainability and digital sovereignty. In line with the proposal, the Ministry of Science, Technology and Innovation also announced $87.5 million in government investment to support 'green' data centers. Compared to regional peers, Brazil offers scale and a large internal market, and it is open to foreign investments. Still, the country does not produce all the components needed to build

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TODAY'S NEWS

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Maduro, Putin Sign Cooperation Deal in Moscow

Venezuelan President Nicolás Maduro and Russian President Vladimir Putin on Wednesday signed an agreement to cooperate on areas including the oil sector and coordinated efforts at multilateral institutions.

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MercadoLibre Posts 44% Profit Increase for Q1

MercadoLibre on Wednesday said its profit for the first quarter increased 44 percent year-on-year, beating estimates.

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Departure of Venezuelan Gov't Foes 'Negotiated': Interior Minister

The recent departure of five Venezuelan opposition members from Argentina's diplomatic compound in Caracas was "negotiated," Venezuelan Interior Minister Diosdado Cabello said Wednesday.

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Cabello // File Photo: Venezuelan Government.

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POLITICAL NEWS

Departure of Venezuelan Gov't Foes 'Negotiated'

The recent departure of five Venezuelan opposition members from Argentina's diplomatic compound in Caracas was the result of a negotiation, Venezuela's interior minister said Wednesday, Reuters reported. U.S. Secretary of State Marco Rubio on Tuesday announced the opposition members' departure from the ambassador's residence and their arrival in the United States as a "successful rescue" and the result of "a precise operation." The primary opposition coalition on Wednesday said in a statement that Venezuelan President Nicolás Maduro's government was "surprised" by what it called an "international rescue," Reuters reported. However, Interior Minister Diosdado Cabello said the five individuals, all aides of opposition leader María Corina Machado, had a negotiated exit from the diplomatic compound. "They ended up negotiating ... everything was negotiated," said Cabello. "They can say whatever they want now, they can put on whatever show they want. It's the absolute truth," he added, Reuters reported. During his weekly show on state television, Cabello added that Machado had also negotiated with the government to allow her mother to leave Venezuela, which she did on Monday via a commercial flight to Bogotá, the Associated Press reported. Machado did not immediately respond to that claim. In characterizing the aides' departure as a rescue that took Maduro by surprise, the opposition coalition said on social media site X, "This operation is a testimony to the dedication of many people, who, to the surprise of the regime of Nicolás Maduro, managed to break the chains of oppression." The individuals departed while Maduro was visiting Russia, where he met with President Vladimir Putin. The opposition said the five individuals would share details about their experience "in the coming days," Reuters reported. As Cabello's television show aired, Machado's campaign manager, Magalli Meda, said in a post on X that agents were raiding her home—she posted photographs of men dressed in black, some with covered faces and wearing bulletproof vests, in her living room, the AP reported. "We denounce that at this moment, while Cabello lies about supposed negotiations for our departure, his repressive arm is violating our home in Caracas," Meda said.

> **"They ended up negotiating ... everything was negotiated."**
>
> **— Diosdado Cabello**

ECONOMIC NEWS

Maduro, Putin Sign Cooperation Deal in Moscow

Venezuelan President Nicolás Maduro and Russian President Vladimir Putin on Wednesday signed a 10-year "strategic cooperation" agreement in Moscow, Agence France-Presse reported. The two presidents agreed to enhance cooperation in the oil sector and coordinate efforts at multilateral institutions such as the United Nations to oppose unilateral sanctions, according to the wire service. The 10-year agreement includes commitments to jointly develop new oil ventures in both Venezuela and Russia, as well as expand oil trading operations between the two countries. The agreement is a "weighty, substantial and very important framework document," Kremlin spokesman Dmitry Peskov told reporters before Maduro and Putin's meeting, Reuters reported. "Let's take a leap now toward a comprehensive relationship of cooperation in all areas, and in the years to come," Maduro said during the meeting, AFP reported. "We have promising areas of cooperation, that's obvious," Putin said of Venezuela. Russia's government is hosting world leaders in Moscow this week to celebrate the 80th anniversary of the defeat of Nazi Ger-

NEWS BRIEFS

Colombia's Ecopetrol to Cut Spending by $230 Million This Year

Colombian state-run oil firm Ecopetrol plans to reduce expenditures for this year by around $230 million amid slumping global oil markets, CEO Ricardo Roa told analysts on a call on Wednesday, Reuters reported. The planned cost cuts are unlikely to affect Ecopetrol's oil and gas production, Rafael Guzmán, vice president for hydrocarbons, said on the call. Brent crude oil has lost approximately 25 percent of its value since January.

Ford Raises Prices for Models Produced in Mexico Due to Tariffs

U.S. automaker Ford Motor has increased prices for three of its vehicle models that it manufactures in Mexico by up to 7 percent in response to U.S. President Donald Trump's tariffs on the auto sector, Reuters reported on Wednesday, citing a notice that Ford had sent to dealerships last week. The price hike affects Mustang Mach-E SUVs, Mavericks and Bronco Sports built after May 2. A Ford spokesperson told Reuters Wednesday that the company has "not [yet] passed on the full cost of tariffs to our customers."

China's BYD, Tsingshan Back Out of Plans for Chile Lithium Plants

Two Chinese firms—electric vehicle giant BYD and metals conglomerate Tsingshan—are backing out of plans to build separate lithium processing plants in Chile, unnamed sources told Reuters on Wednesday. The companies had planned to invest more than $500 million total in the two plants. The plans were part of an agreement with Chile's government; that agreement has reportedly become unattractive due to falling global lithium prices.

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many in World War II. Brazilian President Luiz Inácio Lula da Silva is also in Moscow to attend the military parade ceremony at Red Square on Friday; Lula arrived on Wednesday, Bloomberg News reported. The Brazilian president's trip to Russia is his first since Putin ordered an invasion of Ukraine in 2022.

BUSINESS NEWS

MercadoLibre Posts 44% Profit Increase, Beats Estimates

E-commerce and fintech firm MercadoLibre had a net profit of nearly $500 million for the first quarter of this year, a 44 percent increase from last year's first-quarter profit figure, the company announced on Wednesday, Reuters reported. Strong revenue growth from Argentina drove earnings in the first three months of this year for the Montevideo-based firm; payment volumes in the South American country grew by 144 percent year-on-year, MercadoLibre said in a press release on Wednesday. Argentina is now the company's second-largest market, surpassing Mexico in revenue and remaining behind Brazil, Reuters reported. The company's stock price increased by more than 8 percent in after-hours trading on Wednesday, Bloomberg News reported. The firm's first-quarter earnings figures beat estimates from analysts polled by both Reuters and Bloomberg News. MercadoLibre, which offers services including digital payments and credit issuance, is Latin America's most valuable company in terms of market capitalization, according to Reuters. "We remain a key force in accelerating the shift from traditional retail to e-commerce, supported by ongoing investments aimed at delivering a seamless user experience," Martin de los Santos, MercadoLibre's chief financial officer, said Wednesday in a statement. "Our outstanding financial performance in Q1 is clear evidence that our strategic investments are delivering results and further strengthening our leadership in commerce and fintech across the region," De los Santos added.

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data centers domestically, and any chip export controls from the United States could hinder its ability to develop the infrastructure required for large-scale operations. High borrowing costs also remain a constraint, and the intensifying global race for data centers adds further pressure. However, Brazil's combination of energy surplus, green policies and strategic regulation positions it as a rising digital and environmental leader in Latin America. The government's inclination toward digital sovereignty was reinforced last year when Brazil found itself less affected by the CrowdStrike outage due to its reliance on domestic data centers. Private actors are responding accordingly, betting on 'powershoring,' using Brazil's 90 percent renewable energy matrix to process international data locally. Most have pledged to achieve full carbon neutrality by 2050—meeting this goal amid growing energy demand will require building data centers in areas powered by clean energy, giving Brazil a clear comparative advantage."

Camila Ramos, founder and CEO of CELA – Clean Energy Latin America in São Paulo: "The Brazilian government's plan to exempt data centers from income and import taxes is a significant step that demonstrates its commitment to fostering growth in this strategic sector. Data centers are a major driver of rising electricity demand globally—and Brazil is no exception. According to a recent study by CELA, data centers were the leading sector for long-term renewable energy contracting in Brazil in 2024, with 208 average megawatts secured that year. One of the key cost barriers for data centers in Brazil is hardware—particularly graphics processing units (GPUs), which represent the largest capital expenditure in these projects. Currently, GPUs in Brazil are among the most expensive in the world, costing up to twice as much as in other countries due to steep import taxes. Removing these taxes could significantly enhance Brazil's competitiveness when companies evaluate where to locate new data centers. Brazil also offers a major advantage in terms of renewable energy. It is one of the few countries with an abundance of high-quality renewable energy resources available for development—an increasingly critical factor for data centers, as companies prioritize sustainability and long-term energy contracts. That said, challenges remain. Grid connection bottlenecks and ongoing uncertainties around intellectual property and AI regulation could slow investment or complicate project development. Still, if the proposed tax incentives are enacted and paired with broader infrastructure and regulatory improvements, Brazil will be well-positioned to capture a significant share of the global data center market—an industry expected to double its power consumption over the next decade."

Bruna Ballestero, researcher for Brazil & Southern Cone at Control Risks in São Paulo: "Brazil's first national data center plan will encompass beneficial spillover effects to construction, telecommunications and services linked to artificial intelligence (AI). While Brazil's large water availability and new tax breaks for the sector will certainly position it favorably as a data center hub, shortages of skilled labor and obtaining government licenses to operate will likely remain challenges when building a data center in the country compared to countries such as Uruguay and Chile, where the information technology (IT) sector is more mature. Despite government appetite to promote such initiatives, slow policymaking will likely set the pace for granting tax exemptions to aid Brazil's data center and AI infrastructure boom. Regulatory changes governing AI, data center services and data privacy will take time to be approved in Congress and bear fruit. For example, Bill 2338/2023, which is under debate in Congress, will likely set the tone for technology regulation in future projects. The conser-

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vative majority in the Chamber of Deputies, however, will likely consider its restrictions on using copyrighted content to train AI tools controversial, causing processing delays. The risk of congressional gridlock on these matters likely motivated the executive branch to establish tech-related programs and guidelines through public policies, as these do not require legislative approval. As the federal government expects to promote the expansion of digital infrastructure by granting exemptions on capital expenditure, limited fiscal maneuverability will cap the extent of these sector-specific tax breaks. The executive branch's rhetoric and policy announcements related to the IT sector in Brazil do not necessarily reflect what the government will actually be able to implement over the coming year. That said, the executive will likely slowly put in motion the upcoming data center plan, with municipal and state administrations following with additional incentives based on local capabilities."

Ana Karina Souza, partner, and Stefanie Ólives, attorney, both at Machado Meyer in São Paulo: "The expansion of data centers in Brazil depends fundamentally on the ability to secure reliable grid connections in regions of growing digital demand. While Brazil offers abundant renewable energy, grid access remains a bottleneck. Connection requests must be submitted to the national system operator and local utilities, often resulting in delays, particularly in saturated urban corridors such as São Paulo and Rio de Janeiro. At present, data centers are subject to the same procedures as other large loads, without any differentiated regulatory treatment. Given their high energy intensity and near-zero tolerance for outages, this creates uncertainty for long-term planning and investment. Brazil's free energy market and renewable self-generation models offer attractive possibilities. Still, challenges remain regarding regulatory clarity on curtailment, system charges and dispatch criteria. High borrowing costs, a known issue in Brazil, further affect competitiveness when compared to other Latin American markets. The proposed tax exemptions may stimulate interest, but their effectiveness will depend on parallel progress in grid infrastructure and regulatory certainty. Encouragingly, a national regulatory framework specific to data centers is under discussion and is expected to address key issues related to connection procedures and long-term energy planning. Despite challenges, Brazil presents compelling advantages. It has one of the world's cleanest energy matrixes, a vast and growing digital consumer base, geographic stability, and a mature regulatory environment. If leveraged with coordinated planning, these assets position Brazil to become a leading hub for digital infrastructure in Latin America."

Upcoming Event

Hacia un sector privado activo en el fortalecimiento del Estado de derecho

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