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SPECIAL TECHNOLOGY EDITION

Did Brazil's NETmundial Advance the Internet Debate?

Q Nearly 1,000 representatives convened in Brazil April 23 for NETmundial, a conference that President Dilma Rousseff initiated with ambitions to reconsider how the Internet functions and is governed. With an agenda addressing debates over sovereignty, privacy, net neutrality, human rights and open commerce, the conference generated high-level political attention. In what ways did the conference meet expectations and where did it fall short? How well did the event position Brazil and other emerging economies in the global Internet debates? What were the sharpest divisions that came to light, and where has consensus emerged? What would you like to have seen happen at NETmundial that did not?

A Pedro Less-Andrade, director of public policy at Google: "I was pleased to participate in NETmundial, an inclusive multi-stakeholder meeting that brought together participants from across the globe, and from all sectors of society, to discuss Internet governance questions. While the participants at NETmundial did not always agree (for example, on questions of how to address government surveillance or network neutrality), the meeting was remarkable for several reasons. (1) The global community affirmed key principles that enable a free and open Internet, including respect for human rights and a recognition that limitations on intermediary liability

protect free expression; (2) The meeting included unprecedented participation from stakeholders in remote locations: Through the power of technology and the efforts of the organizers, Internet users from Chennai and Tunis, for example, had their voices heard in São Paulo; (3) In both its process and its outcome document, the meeting affirmed the multistakeholder model—a consensus-based model that recognizes contributions from all parties, including governments, industry, civil society, academia and the technical communi-

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Rousseff Signs Internet Bill of Rights Into Law at NETmundial

Brazilian President Dilma Rousseff on April 23 signed the nation's first Internet Bill of Rights into law. "Internet governance should be multipartite, transparent and open to all," she said in a speech, Agence France-Press reported.

Photo: Agência Brasil.

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NEWS BRIEFS

América Móvil Eyeing Approval of Telekom Austria Deal

Mexico's **América Móvil**, Latin America's largest phone company, expects to receive regulatory approval of its deal to take control of **Telekom Austria** within two months, CFO Carlos García Moreno said May 1, Bloomberg News reported. América Móvil has agreed to invest as much as 1 billion euros (\$1.37 billion) through a rights issue in former state-run monopoly Telekom Austria and will also spend up to \$2 billion to buy out minority shareholders in a required public offer.

Mobile Banking Accounts for 6% of Brazilian Banking Operations

Operations using smartphones accounted for 6 percent of banking operations in Brazil last year, *TelecomPaper* reported May 2, citing a survey by the Brazilian Federation of Banks, or Febraban. However, Brazilians are using mobile banking conservatively, as 97 percent of account accesses using smartphones are only to check balances, not conduct transactions, the survey found.

Riverbed Tech. Names Cecil Perez Head of Latin America Sales

San Francisco-based **Riverbed Technology** announced April 9 that Cecil Perez has joined the company as vice president of Latin America sales, reporting to Rob Rosiello, the senior vice president of Americas sales. Perez joins Riverbed from **Check Point Software**, where he opened sales offices in Chile, Colombia and Central America. Prior to Check Point, Perez was at **Symantec**, where he was vice president of sales and marketing for Latin America. He has also worked at **Apple** and **Microsoft**.

Telecom News

Region's Mobile Phone Carriers to Boost CapEx 10 Percent This Year

Latin America's mobile telecommunications companies will spend 10 percent more on capital expenditures this year than last, rising to \$6.1 billion, Singapore-based **ABI Research** said in a report released April 22. Spending for upgrades and expansion of radio access networks, primarily for 3G WCDMA and 4G LTE coverage, will gobble up about 40 percent of capital expenditures. In another growth area, investment in small cell base stations is expected to rise by 40 percent this year, to an estimated \$484 million. The research report estimates that over the next two years, LTE subscriber adoptions will grow from 2.33 million to 23 million in the region. "There is pent-up demand for access to Internet services in Latin America that cannot be addressed

“There is pent-up demand for access to Internet services in Latin America that cannot be addressed by DSL and cable...”

— *ABI Research*

by DSL and cable Internet services," the company said, noting plans by **Telefónica Chile** to invest \$200 million over the next three years and plans by **Avantel** in Colombia to invest \$250 million on the first stage of its 4G roll-out this year after it was awarded 30 MHz of spectrum in June 2013. In Ecuador, the government has completed the first round of negotiations with **Movistar** and **Claro** for an award of 4G LTE spectrum, *El Comercio* reported last week. State-owned telecommunications company **CNT** is currently the only Ecuadorean operator licensed to provide LTE services on the local market, according to *TelecomPaper*. Meanwhile, the Argentina office of research firm **Frost & Sullivan** said in April that the number of broadband lines in service in

Latin America will grow from 52 million in 2013 to 91 million in 2018.

Latin America Subscriber Growth Lifts DirecTV Quarterly Results

California-based **DirecTV** said May 6 that new subscriber growth in Latin America helped push revenues up 4 percent in the first quarter this year, to \$7.86 billion. The company's **Sky Brasil** and **PanAmericana** units added 361,000 net new customers in the quarter, bringing the **DirecTV Latin America** and **Sky Mexico** combined subscriber total to over 18 million. DirecTV Latin America owns approximately 93 percent of Sky Brasil, 41 percent of Sky Mexico and 100 percent of PanAmericana, which covers most of the remaining countries in the region.

Biotech News

Companies Launch New Brazilian Industrial Biotechnology Assn.

A dozen industrial biotechnology companies on April 30 announced they'd formed the Brazilian Industrial Biotechnology Association, known by its Portuguese acronym ABBI. Led by founding members **Amyris**, **BASF**, **BioChemtex**, **BP**, **Centro de Tecnologia Canavieira**, **Dow**, **DSM**, **DuPont**, **GranBio**, **Novozymes**, **Raízen** and **Rhodia**, the group is seeking to promote a dialogue with stakeholders and policymakers to improve Brazil's biotechnology regulations and update current legislation in light of technological advances of the last several years, the group said in a press release.



Coutinho

Photo: BNDES.

The group will also seek changes to Brazil's patent laws as they relate to the industry. The launch event brought out some of the biggest names in Brazil's government. "The establishment of ABBI is important for the Brazilian government as this group is reliable partner in the for-

mulation of a coherent positive agenda, with proposals for the advancement of business and technology," commented Luciano Coutinho, president of the state-run Brazilian Development Bank (BNDES), which has invested about \$540 million in biotechnology projects in Brazil to date, according to ABBI.

Venture Capital

Amadeus Capital Invests in Brazilian Internet Site Bidu

London-based **Amadeus Capital Partners** said April 29 it had made its first investment in Latin America with \$8.9 million in funding for Brazil's **Bidu Holdings**, a two-year-old company offering price comparisons for customers looking online for insurance. Bidu is not tied to any one insurance company, rather it offers real-time quotes from ten insurers in Brazil, as well as other financial products such as credit cards, according to Amadeus. The B-round funding, led by Amadeus with participation from **Monashees Capital**, **Bertelsmann** and **Otto Capital Partners**, is the first investment from the Amadeus IV Digital Prosperity Fund, which held a first close in July 2013 at \$75 million and invests in later stage venture and growth companies developing online and mobile applications and services targeted the middle classes in Latin America, the Middle East, Africa and Asia. The cornerstone investor in the fund is **MTN Group**, a telecommunications service provider headquartered in South Africa.

Legal News

Telefónica Files Complaint Against Mexico's América Móvil

Spain's **Telefónica** has filed a complaint calling on Mexican regulators to force competitor **América Móvil** to follow regulations on sharing its network infrastructure information and selling unlocked mobile phones, Bloomberg News reported April 22. Regulators imposed new rules on América Móvil

Featured Q&A

Continued from page 1

ty, to the development of the Internet itself and to its global governance. Of course, NETmundial was only one meeting. More progress must be made in ensuring that all stakeholders—in developed and developing economies—have a voice in these discussions. We look forward to working toward this goal, starting at the Internet Governance Forum in Istanbul later this year. Working together, we can ensure that tomorrow's Internet reflects our shared values and continues to serve as a tremendous platform for economic growth, information exchange and innovation for years to come."

A **Richard Hill, president of the Association for Proper Internet Governance (APIG):** "I welcome the emphasis in the NETmundial outcome document on managing the Internet in the public interest. However, I am deeply con-

cerned about the inclusion and phrasing of certain clauses (such as those on intellectual property and private policing on the Internet), the omission of key issues including cyberpeace, the lack of

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—Richard Hill

progress on net neutrality, the weak language on mass surveillance, and above all about how the concept of new types of multistakeholder processes with new kinds of outputs, lacking any clear definition, might be construed by different actors in the future. NETmundial was clearly an attempt at institutionalizing

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earlier this year after finding it dominant in the mobile and landline markets, but the company has disputed aspects of the decision. In related news, America Movil said its first-quarter revenues from Mexico, its home turf, climbed 4.1 percent year-over-year to \$5.15 billion. The company's average revenue per user in Mexico increased 0.3 percent, while its churn rate moved up 0.5 percent year over year, according to **Zacks Investment Research**. [Editor's note: See [Q&A](#) on Mexico's new telecom rules in the March 19 issue of the *Advisor*.]

Mexico's Iusacell Sues IBM Over Contract

Mexican mobile phone carrier **Iusacell** has filed a lawsuit against **IBM**, accusing the U.S. company of causing it to lose \$2.5 billion in profits because of alleged fraudulent representations, Reuters reported April 17. At issue in the suit, which Iusacell filed in federal court in New York, is a contract that the Mexican

company alleged IBM induced it to enter. "Events subsequent to the execution of the agreement have revealed that IBM both knowingly misrepresented and wrongfully concealed from Iusacell material facts both before and during the parties' relationship," Iusacell said in a court document. Armonk, N.Y.-based IBM said that in 2010, it agreed to a long-term contract with Iusacell under which the U.S. company's Mexican operation made significant investments in Iusacell. The lawsuit is a "transparent attempt" by the Mexican company to avoid contractual obligations, IBM said in a statement. "Despite major improvement to Iusacell's information technology infrastructure and growth in Iusacell's revenues, Iusacell has failed to pay IBM Mexico what it is owed under the contract," said IBM. The Mexican unit of IBM has already filed a claim for arbitration against Iusacell in an attempt to enforce the contract, IBM said, adding that Iusacell's lawsuit amounted to an "ill-advised attempt to end-run" that arbitration procedure.

Q&A: Cybercrime

How Seriously Are Latin American Businesses and Regulators Taking Cybercrime?

Q U.S. retailer Target acknowledged in March that it missed early signs of the security breach that eventually compromised 40 million credit- and debit-card accounts and the personal information of as many as 70 million customers late last year. To what extent are banks, retailers and credit-card companies in Latin America exposed to liabilities relating to financial cybercrime? As the usage of payment cards and online shopping increases in Latin America, will regulators in the region impose tighter rules on financial services companies and retailers? How costly will compliance with anti-fraud measures become for banks and other credit-card issuers in the region?

A **Thomas Morante and Steven B. Roosa, partners at Holland & Knight:** "Latin America is considered somewhat behind the curve on cyber-preparedness, although support is growing for regulation and cyber laws have been adopted in several countries, including Argentina, Brazil, Colombia, Mexico and Peru. In addition, the Organization of American States has developed a cyber security program to support the OAS Comprehensive Inter-American Strategy to Combat Threats to Cyber Security. Because cybertheft is a global phenomenon where the attackers know no borders, the recent experience of U.S. retailers paints a useful picture of what the industry in Latin America faces. Retailers and other consumer-oriented businesses confront an enemy that: (1) conducts extensive reconnaissance, (2) takes advantage of multiple vulnerabilities in a system—such as in the Target case, where back-end servers and point-of-sale devices were compromised, and (3) is skilled at exfiltrating large amounts of data from organizations while bypassing monitoring systems. The cost of compromise is large, including lost customer goodwill, data-breach lawsuits by consumers, and the cost of indemnifying companies affected by the breach of

one's systems. Latin American governments are aware of these threats—with incidents of malware, spam, malicious Web site hosting and online banking theft on the rise. Playing defense has its costs: paying for implementation and operation of defensive systems, patching vulnerabilities and hiring information security professionals. Given the advantage that cyber thieves have, the quality of the attackers and the difficulty of mounting defensive measures, cyber woes will continue even if additional steps are taken in Latin America to strengthen defenses including enhancing cyber liability insurance against privacy breach and cyber attacks. This first- and third-party coverage is becoming more widely available, affording protection for fraud and theft, forensic investigation, business interruption, extortion, computer data loss and restoration, costs of litigation/regulatory response, and notification to customers."

A **Wally Swain, senior vice president for emerging markets at The Yankee Group in Bogotá:** "With an unfortunate tradition of fraud, money laundering and organized crime in many countries, Latin American banks and bank regulators are typically obsessed with security. This has, in fact, slowed the development of online and especially mobile banking and payments solutions. Sometimes they impose layers of physical security on top of online transactions. My leading Colombian bank requires that I physically go to a bank branch to validate a new payee. But sometimes security technology is available but not used. I have an EMV (chip) credit card, but I am not required to use the PIN. PIN codes are only used with EMV debit cards. Surveys show that Latin American consumers are surprisingly unaware of the need for data security. With consumers unaware and banks either applying inappropriate technologies or not applying available technologies, the region is ripe for a major scandal."

A **Marta Colomar-Garcia, associate attorney and Albert Xiques, senior paralegal at Diaz, Reus & Targ:** "The level of Internet use in Latin America has grown over the past decade. As a result, Latin America is increasingly becoming a cybercrime target. Online banking theft and hacking attacks tend to be the most common cyber liability risk in Latin America. Cyber liability cases regularly dominate headlines across Latin America. When a network security or data breach occurs, repercussions include liability, fines and penalties, and damage to the company's reputation. Most cases of cyber liability end with embarrassment, apologies, job terminations and loss of clients. However, victims have gone further by demanding compensation for damages or for reputational damage. Due to the increasing cybercrime in Latin America, the legal environment regarding privacy is evolving rapidly. The majority of countries are enacting data protection laws. Some countries like Brazil approach cyber-risks as a national security issue; others like Colombia focus on the economic impact of those risks. However, the Latin American legal landscape can vary considerably from one country to another. Most countries in the region are fostering partnerships among governments and with private businesses to act together and coordinate their approach to cyber-risks. Unfortunately, there is still a lack of legal uniformity, and companies should be aware of how the laws differ from one country to another. Although many governments have passed information security laws related to cyber data, companies cannot rely on government guidance for cyber security risks. If a cyberattack causes damage to a third party, the company could face liability or at least a claim. Given the costs of investigations, potential for fines, penalties and reputational costs, finding ways to set the proper tone and be proactive in deterring cyberattacks should be a top priority for corporations."

Featured Q&A*Continued from page 3*

multistakeholderism at the global level. It can be seen (optimistically) as a somewhat halting step toward the delineation of a multistakeholder policy formulation process in an appropriately inclusive and ultimately democratic manner, or alternatively as providing evidence of fundamental flaws in how multistakeholderism becomes operationalized. In this regard, I see the reference to 'demo-

nity at the microphone for all stakeholders and a variety of opportunities to participate and contribute to the resulting NETmundial Multistakeholder Statement of São Paulo: from open comments online, to remote hubs and live webcast options in various languages. President Rousseff opened the conference by signing Brazil's Marco Civil da Internet into law (which, by the way, did

“While the resulting principles and roadmap documents may not please everyone, by any measure, NETmundial was a successful experiment.”

— *Maria Medrano*

cratic multistakeholder processes' in the document as a clear and compelling corrective. We now need to spell out what would constitute 'democratic multistakeholder processes.' This of course includes the NETmundial call for further discussions on 'different roles and responsibilities of stakeholders in Internet governance' and its two references to 'respective roles and responsibilities.' This call should be taken as seeking an elaboration of what is a 'democratic multistakeholder process' where, of course, corporations are not given equal status with citizens in decisions regarding public policy issues."

A **Maria Medrano, director of global policy at the Information Technology Industry Council:** "Parabéns to the Brazilian government and Internet Steering Committee (CGL.br) for their work to organize NETmundial. The process of NETmundial has to be celebrated. In spite of the short amount of time to pull together such a widely attended and comprehensive event, NETmundial brought together more than 900 participants from 97 countries representing civil society, academia, the private sector, technical community and governments. As part of the über democratic process, there was equal opportu-

not include data localization requirements) and presenting it as a global model bill of rights for Internet users. In her remarks, she emphasized that NETmundial is not intended to replace existing Internet governance forums, but rather, to lend momentum to the ongoing discussions under two key premises: the preservation of an open, democratic Internet, and the desire to incorporate an increasingly broader audience into the process. Her remarks were followed by an intense two days of global multistakeholder discussion on principles and a roadmap for the future of Internet governance. As President Rousseff clearly stated, NETmundial was not part of traditional or formal Internet governance forums. It was a political event born of political developments. And as said by several stakeholders, NETmundial was an experiment. While the resulting principles and roadmap documents may not please everyone, by any measure, NETmundial was a successful experiment, raising awareness about the topic of Internet governance and the importance of the multistakeholder process."

The Advisor welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.

Latin America Advisor

is published every business day by the Inter-American Dialogue, Copyright © 2014

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Latin America Advisor is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at: 1211 Connecticut Avenue NW, Suite 510 Washington, DC 20036 Phone: 202-822-9002 Fax: 202-822-9553 www.thedialogue.org ISSN 2163-7962

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