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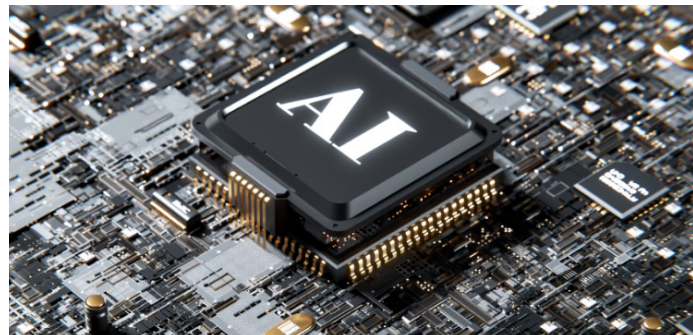
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## FEATURED Q&A

# What Is the Future of Mexico's Tech Investments?



Microsoft said last month that it will invest more than \$1 billion over the next three years in Mexico. // File Photo: Igor Omilae via Unsplash.com.

**Q** Microsoft announced on Sept. 24 that it will be investing \$1.3 billion over the next three years to build up its infrastructure for cloud computing and artificial intelligence in Mexico. The investment is aimed at improving connectivity as well as supporting the adoption of AI technology by small and medium-sized businesses, Microsoft said in a statement. What's the future of AI in Mexico after the announcement? What benefits will the investment bring to Mexico? What policies can Mexico's incoming presidential administration enact to encourage similar investments in technology?

**A** Nicolás Mariscal, member of the Advisor board and chairman of Grupo Marhnos: "Mexico's new administration has emphasized the need for investments in science and technology. Microsoft's announcement is in line with the priorities of the new government, and could very well boost both private and public investments in AI. There is a public underinvestment in science and technology in Mexico. In the 2024 budget, only 148 billion pesos were destined to the area of science, technology and innovation. That is around 0.6 percent of GDP, when international organizations recommend an investment of 1.5 percent. South Korea invests 4.93 percent, making it the country that spends the most after Israel. The majority of businesses in Mexico are small and medium-sized. They are also the least willing to adopt technologies. Microsoft's announcement is most welcome as it will focus on enhancing connectivity and the adoption of AI in such businesses. This should raise their productivity, benefiting the country's economy. In the next three years, around five million people will receive training in AI

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## TODAY'S NEWS

### ECONOMIC

## Ecuador Orders Companies to Reduce Usage of Electricity

Ecuador's government has ordered a group of companies to lower their power usage amid an energy crisis caused by a severe drought. The country heavily relies on hydroelectricity.

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### BUSINESS

## Brazil's Root Capital Seeking to Raise \$200 Mn

Rio de Janeiro-based private credit firm Root Capital Gestão de Recursos is seeking to raise \$200 million for a distressed debt fund amid soaring bankruptcy claims.

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### POLITICAL

## Haiti Transitional Council Selects New Leader

Haiti's transitional presidential council on Monday selected Leslie Voltaire as its new rotating president. The council's outgoing leader objected to the appointment.

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Voltaire // File Photo: @leslievoltaire via X.

## POLITICAL NEWS

## Haiti's Transitional Presidential Council Selects New Leader

Haiti's transitional presidential council on Monday selected architect Leslie Voltaire as its new rotating president, a move that came despite the objections of the council's outgoing leader, Reuters reported. In the role, Voltaire succeeds Edgard Leblanc Fils, who refused to sign a decree confirming the appointment, citing unresolved corruption allegations against three other council members who approved Voltaire for the post. In taking up the position, Voltaire said he would help to strengthen the council. "Under my presidency the transitional presidential council will consolidate its gains and structures to work with more efficiency and transparency," said Voltaire, who represents former Haitian President Jean-Bertrand Aristide's party on the council, Reuters reported. "Haitian people have enough of violence, of lies and of corruption," Voltaire said, adding, "We must forget our personal interests and prioritize the nation." Voltaire's selection came just days after a gang attacked the town of Port-Sondé in the country's Artibonite region, leaving at least 70 people, including children and infants, dead. Approximately 6,300 people have fled their homes following last Thursday's attack, according to the United Nations' migration agency, the Associated Press reported. [Editor's note: See related [Q&A](#) in Monday's Advisor.]

## ECONOMIC NEWS

## Ecuador Orders Companies to Reduce Power Usage

Ecuador's government has ordered an undisclosed group of companies to reduce their electricity usage as the country manages its

worst drought in nearly a century, Bloomberg News reported on Monday. Business leaders told the news service that state power sector regulators had already temporarily cut off electricity to more than 200 companies in Cuenca and Ambato, including German tire manufacturer Continental. This "unprecedented" new round of power cuts was "taken without prior notice or consultation with productive sectors," said Maria Paz Jervis, president of Ecuador's Entrepreneurial Committee, said at a press conference on Monday. Each eight-hour blackout period translates to roughly \$96 million lost in gross domestic product, according to calculations that the Entrepreneurial Committee made in September. Ecuadorean power sector planners already extended planned rolling blackouts last month due to alarmingly low power output from hydroelectric dams, which account for more than 75 percent of the country's electricity supply, according to the most recent data from the International Energy Agency. Some companies may have to entirely stop using electricity from the grid for a time if the crisis persists and hydroelectric dam levels remain at critical levels, as basic health and security services will take precedent, Bloomberg News reported.

## BUSINESS NEWS

## Brazil's Root Seeking to Raise \$200 Mn for Distressed Debt Fund

Rio de Janeiro-based private credit firm Root Capital Gestão de Recursos plans to raise \$200 million for a distressed debt fund as bankruptcy claims soar in Latin America's largest economy, Bloomberg News reported Monday. Bankruptcy filings in Brazil reached 1,480 this year through August, up 78 percent from the same period of 2023 and up 185 percent from 2022, according to data from Serasa Experian. "This is one of the best times ever to buy distressed assets in Brazil," Rafael Fritsch, partner and chief investment officer at Root Capital, told Bloomberg News. While interest

## NEWS BRIEFS

## Relatives Bury Slain Mayor of Mexican State Capital

Relatives on Monday buried Alejandro Arcos, the mayor of the Mexican city of Chilpancingo, who was murdered on Sunday, less than a week after he took office, the Associated Press reported. Arcos was found dead in the city, the capital of Guerrero state, and photos circulating on social media showed his severed head left on the roof of a pickup truck, the AP reported. Chilpancingo has been beset by turf battles between rival drug gangs.

## Ecuadorean Judge Orders 30 People to Stand Trial in Organized Crime Case

Thirty Ecuadorean judicial and legal officers must stand trial for alleged connections to organized crime and drug trafficking, a judge in Quito ruled on Monday, Reuters reported. Among those called to stand trial are a former president of the nation's judicial regulatory body, an ex-national assemblyman allied with exiled former President Rafael Correa and a former police general. Prosecutors allege that the defendants arranged favorable legal proceedings and prison conditions for certain criminals in exchange for money obtained from illegal activities.

## Colombia, Discussing Debt-for-Nature Swap With Germany: Minister

Colombia and Germany are discussing a debt-for-nature swap, Reuters reported Tuesday, as the South American country looks to raise funding for a \$40 billion energy transition plan. Foreign Minister Luis Gilberto Murillo told Reuters in Hamburg that talks are "going in the right direction," but specifics—including what projects will be included in the deal and the overall price tag—have yet to be determined, the wire service reported.

rates have generally fallen across the region as of late, amid monetary loosening in the United States, Mexico and Colombia, Brazil's central bank opted to raise its benchmark rate from 10.50 to 10.75 percent on Sept. 18. "High-liquid funds can't buy illiquid assets, so there is little capital available for an increasing number of distressed assets," Fritsch told Bloomberg News. The International Monetary Fund projects Brazil's GDP will grow by 2.2 percent in 2024, and year-over-year inflation will be 4.1 percent. Brazil also continues to suffer its worst drought in more than 70 years, the effects of which are likely to depress fall harvest totals—alongside earnings from the agricultural sector—the Associated Press reported last month. "We continue to see stress in Brazil's credit markets, the companies continue to go broke, the agribusiness sector is horrible," Fritsch told Bloomberg News.

## Jamaica Eyes Use of India's Digital Payment System

Jamaica is considering the implementation of India's Unified Payments Interface system, which could help the Caribbean nation strengthen digital connectivity, the St. Kitts & Nevis Observer reported Monday. The payments system was among topics of discussion between Jamaican Prime Minister Andrew Holness and Indian officials when Holness visited the country last week. The Unified Payments Interface is a real-time payment system that makes it easier for users to use a mobile phone to instantly transfer money between bank accounts, the newspaper reported. The system allows users to send or receive money to individuals and also pay for purchases. The system also supports QR codes and various payment options and has grown in popularity in India. During his visit, Holness told Indian news agency PTI that Jamaica "has established as part of its development goals to become a digital society." Holness and Indian officials also discussed cooperation in other areas including trade and defense, the St. Kitts & Nevis Observer reported.

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as part of the investment. The government should leverage this opportunity and find ways to more closely collaborate with the private initiative to develop new technologies. And a good way to start would be by increasing public investments in science, technology and innovation."

**A Efrén Mezura-Montes, head of the Artificial Intelligence Research Institute at the University of Veracruz:** "This investment represents a unique opportunity for Mexico to boost the adoption of artificial intelligence. Several businesses and academic institutions will surely benefit from this type of AI access, which is currently difficult mainly because of the economic resources required. Businesses can improve their visibility and have an impact on Mexico's enterprises and the government. This inclusion will accelerate the adoption of AI in Mexico. Mexico's new presidential administration will have a unique opportunity to accelerate the process of getting solid policies soon. Such policies must ensure that AI tools available to users pass through solid evaluations that guarantee that no harm is possible. Moreover, relevant areas for Mexico (such as health, security and agriculture) might be prioritized to finance research on AI (this is relevant for education and research institutes and enterprises). Finally, other international enterprises, besides Microsoft, can benefit from Mexico's opening to investments on AI technologies. However, it will be very important that such benefits affect both academia and businesses."

**A Karen González Fernández, professor in the department of philosophy at the Universidad Panamericana:** "An investment like the one that Microsoft will make in Mexico represents a great opportunity for the country to position itself in a better place in the research and development of artificial intelligence, but it also implies several

important challenges. The Mexican government must be very attentive to ensuring that the use of these resources occurs within a framework of general responsibility, which includes consideration of the use of natural resources and the environmental effects that the development of AI tools will generate, in addition to ensuring that the benefits of this investment really go to the Mexican people, both in investment, education and generation of jobs, as well as in the destination of the results obtained. Furthermore, this investment should be inserted within the framework of a broader plan that the government must generate from its origin, in which artificial intelligence is considered one of the most important technological tools of this century. Such a plan should also be clear about the role that Mexico is expected to play in the development and use of these technologies at a global level. Although steps are already being taken in legislation, it is important to generate clear and precise public policies in this regard that prioritize the well-being of Mexican citizens; and also generate educational programs for the entire population that include both the necessary technical content and the most important ethical considerations in this regard."

**A Claudia del Pozo, CEO of Eon Institute, and Ricardo Baeza-Yates, director of research at Northeastern University in Silicon Valley:** "Mexico, which has the region's fifth-best infrastructure available to promote the development of AI, will undoubtedly benefit significantly from Microsoft's investment. However, the true scope of this benefit, especially in terms of social impact, will largely depend on the new government's ability to establish public policies around AI, promoting education, training and responsible innovation. Only by implementing appropriate policies can we expand our capacity to create responsible AI-based solutions that respond to the needs and challenges of the local context,

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ensuring that this investment translates into inclusive and sustainable progress for the country. For this, it will also be necessary to guarantee Mexicans' security, establishing governance tools and frameworks, the first being a regulation of the use of AI, which promotes the legitimacy of the applications, their transparency and accountability in case of problems, among other principles. In the framework of technological policies, Mexico is also in debt with respect to other Latin American countries, as it does not have a national AI strategy. That said, it is also important to reflect on the environmental impact associated with this investment. For example, the construction of a data center in Querétaro, a region with considerable water scarcity, raises legitimate concerns about the long-term sustainability of this type of infrastructure. In short, Microsoft is offering a great opportunity for Mexico, but it is not clear how we will take advantage of it nor what the collateral damage that applications that use this infrastructure may cause will be."

**A** **Erik Zamora, artificial intelligence researcher at the National Polytechnic Institute:** "Nothing will change immediately after the announcement, except for public perception. As the investments truly flow to Mexico for building infrastructure and skills, this will open new economic opportunities for Microsoft, Mexican businesses and the Mexican government. This initiative seeks to

improve connectivity, cloud and computing skills. It will allow more businesses to take advantage of AI technology, hopefully making some of their operations more efficient or offering new services/products. Finding the right operations to help businesses with AI is the tricky part. I'm not an economist,

**“The goal of training five million people in three years is quite ambitious.”**

— Erik Zamora

but the basic strategy is to subsidize costs and forgive taxes. A good point here is to know what the terms of this big investment were with the Mexican government. If they are adequate, perhaps the government could repeat them with other big companies. Finally, investing in more and better infrastructure is a great way to grow industries. However, this wouldn't be enough if infrastructure development isn't paired with efforts to build computing and AI skills. That said, the goal of training five million people in three years is quite ambitious. I imagine the training will be less in-depth than what is provided by a bachelor's degree. To put this into context, Mexico graduates about two million students a year across all fields of higher education, so over three years, that's roughly six million graduates, to be optimistic."

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