

ICT on the Public Agenda Opportunities & Challenges

August 2020

Sector: ICT



Current Context

Technology policy in Mexico and USMCA

- Technology and the digital economy have been at the forefront of Mexico's public conversation in recent weeks and months. The digitization of work, commerce, and many other aspects of people's daily lives has been accelerated due to the circumstances wrought by the COVID-19 pandemic. Additionally, the entry into force of the [USMCA](#) trade agreement on July 1 has placed a spotlight on the digital economy, as the agreement's digital commerce chapter further integrates Mexico with the tech sectors of Canada and the United States, requiring a number of significant policy reforms in order to achieve compliance.
- July's entry into force of the USMCA, featuring a new chapter devoted exclusively to digital trade, is being hailed by government officials, civil society and members of the business community as a milestone that will provide much needed certainty for the tech industry and will open new avenues for investment. Small businesses in particular stand to benefit from their newfound market access by using digital avenues to sell their goods and services in the US and Canada. However, technology will only be a motor for growth if measures to face the current economic crisis are also taken and a clear plan for promoting the sector is developed over the next decade.
- Industry groups and civil society organizations in Mexico have been active in promoting their key initiatives and positions related to the internet and digital economy, particularly with their responses to public policy actions in the wake of the USMCA's entry into force on July 1. Organizations such as the [Latin American Internet Association \(ALAI\)](#) expressed optimism over the potential opportunities for small and medium-sized enterprises (PyMEs) in Mexico that could be facilitated by the trade agreement's chapter on the digital economy, as Mexican businesses could be better positioned to access the United States market and services through e-commerce. However, ALAI's leadership also underscored the importance for Mexico of [further developing its digital public policy framework](#) in order to instill more certainty and stability in the growing sector.
- In order to prepare for compliance with the coming into force of the USMCA and its digital economy chapter, President López Obrador and Congress, led by his ruling party [Morena](#) in Congress, passed and jointly announced a new, stronger digital copyright protection law along with reforms to the [penal code](#). This legislative action sparked swift backlash from opposition lawmakers and civil society groups, who warned that the new regulations posed a significant threat to freedom of expression on the internet, having been written in such a way that individuals could be sent to prison for committing minor copyright violations or making certain repairs to their digital devices. In response, a group of more than 30 civil society and advocacy organizations spearheaded a movement on social media and accompanying online petition against censorship and restrictions, or [#NiCensuraNiCandados](#). A wide range of domestic and international groups have announced their support for the petition, including the [International Federation of Library Associations \(IFLA\)](#), a leading global advocate for information services.

Current Context

Austerity and the government's ambivalence toward technology

- Far from supporting a reduction effort that would reduce the digital divide, the AMLO government has put in place harsh austerity measures with a cut in spending across the board of 75%. This has led to the withdrawal of computer equipment from government offices, the cancellation of programs such as the eMexico connectivity program, as well as cuts related to information technology.
 - On July 3, The Federal Telecommunications Institute (IFT), the autonomous government agency in charge of regulating telecommunications, connectivity and broadcasting services across the country, announced a transfer of 207 million pesos in federal funds, approximately 13% of the institute's 2020 budget, to the Treasury (Hacienda) in order to support efforts to confront the COVID-19 pandemic. This transfer is a harsh blow to the IFT, which had already seen its budget cut by 38% in real terms since 2014.
 - Finally, Jorge Arganis Díaz Leal, the new Secretary of Communications and Transportation (SCT) announced the elimination of the Office of the Undersecretary of Communications and Technological Development, as part of a reorganization plan. This move can be interpreted as confirmation of fears that the SCT and the government more broadly are not fully prioritizing the digital economy, despite laying out an ambitious goal of achieving universal internet access before the end of the current administration's term in office in a 5-year sectoral development plan released in July.
- The IFT is undergoing a period of transformation that promises to have major implications for Mexico's digital economy. On August 10, the institute announced a new period of open consultation over its proposed 2020-2024 roadmap document that will direct its digital policy priorities for the remainder of the current administration's term in office. Any companies or organizations operating in the digital space in Mexico would be well-served to closely monitor and actively participate in this consultation process, which will last until September 21.

Current Context

Net Neutrality

- An additional area of concern for civil society amid the attention paid to digital regulation has been over net neutrality, particularly in the context of new proposals of regulations covering Mexico's digital sector. In response to the [IFT announcement of regulations](#) governing internet access and communications, a [multi-stakeholder initiative](#) comprised of civil society, advocacy groups and businesses based both in Mexico and globally came together to organize <https://salvemosinternet.mx/> and voice their joint concerns over internet censorship as well as threats to user privacy and equality of services that could result from the new IFT policy proposal. This is an important topic to monitor for apps companies and streaming services.
- Moving forward, businesses should expect digital copyright protection issues, net neutrality, e-commerce, cybersecurity, and the digital access gap to be topics of discussion when the full Congress goes back into session in September. This list of topics gets even broader when we consider what was under discussion in the last session: [taxes for digital services](#), [fintech](#), [regulations for apps that offer hospitality services](#), [digital labour or teleworking rights](#), [personal privacy and safety](#), [digital violence](#), [digital rights](#). Finally, Congress can be expected to revisit a number of highly consequential proposals that would require streaming services such as [Netflix](#), [Amazon Prime](#), and others to register with the IFT and commit to a portion of their programming being produced in Mexico in order to operate in the country.

Takeaway

The rapid changes and increasing prominence of the digital economy worldwide demand that businesses and governments quickly establish a medium- and long-term vision for how they will position themselves in this new environment. Companies without a digital strategy will be left behind in this new paradigm, and countries that fail to expand access and encourage the use of technology in their economies will see their competitiveness evaporate. Mexico's regulatory conflicts with businesses and civil society as well as its unclear outlook for the future of its digital infrastructure amid continued public austerity are concerning. The government needs to more clearly define its digital vision instead of vacillating between cuts and ambitious development plans that do not complement each other.



Opportunities

- 1. USMCA adds some certainty:** The entry into force of the [USMCA](#), featuring a new chapter devoted exclusively to digital trade, will provide much needed market certainty and will open new avenues to both investment and digital services for Mexican companies, particularly small businesses that stand to benefit tremendously from their newfound market access.
- 2. Mexico's many partnerships:** The [USMCA](#) adds to Mexico's significant portfolio of international partnerships that prioritize integrating and developing digital economies, including the [Pacific Alliance](#) and the [Comprehensive and Progressive Agreement for Trans-Pacific Partnership \(CPTPP\)](#). Mexico is the only country participating in all three agreements, making its market particularly well situated to take advantage of rapidly expanding global interest in harmonizing digital economies across borders.
- 3. A still untapped market:** As a result of the pandemic, we have seen increases in e-commerce activity and broader internet use by consumers, and a prioritization of digital services by companies and organizations of all kinds. A recent survey study by the [Mexican Online Sales Association \(AMVO\)](#) found that the number of unique daily visitors to e-commerce sites in Mexico increased by 53% between January and July of this year. These developments promise to offer more openings for digital businesses as Mexico continues to evolve. Businesses who were not potential users / clients of these services represent an untapped potential market in Mexico.
- 4. Participate via IFT's public consultation process:** Businesses and civil society organizations have a golden opportunity to make their voices heard by digital policy makers (until September 21) by participating in the [IFT's public consultation](#) related to its proposed 2020-2024 roadmap. The results will have significant influence on the institution's priorities for the digital economy.
- 5. Thought leadership can make the difference:** The legal and regulatory framework is still being defined by [Congress](#), making this the right moment to develop proposals that help define the country's vision for the tech sector.



Challenges

1. **Austerity, austerity:** The government budget cuts threaten to handicap initiatives designed to promote and develop digital infrastructure and reduce the digital divide. The tech community must come together to advocate against further cuts.
2. **Tech controversy:** The outcries over the new copyright protections and net neutrality debates exemplify the conflict between the business community's need for regulatory consistency and civil society's concerns, and the government's approach to policing digital commerce and internet use.
3. **Cybersecurity is lax:** Cyberattacks aimed against both businesses and individuals are becoming more common in Mexico. Companies and governments will need to share best practices and coordinate with one another both domestically and internationally in order to stave off a threat that is here to stay.

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- [Media Coverage of Digital Economy and ICT Industry.- July 2020](#)
- [Civil Society Organizations/Academia Activities .- July 2020](#)
- [ICT sector in Public Policy .- July 2020](#)
- [ICT sector in Congress.- July 2020](#)

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All information presented is based on official sources and reliable media. It is a compilation of the most relevant events of the month. AGIL(E) uses the information gathered to provide a conceptual analysis.

The information presented covers July 1st - August 12th