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FEATURED Q&A

What Will Rafael Correa's 'Steamroller' Bring Ecuador?

Q After trouncing his opponents to win re-election as Ecuador's president earlier this month, Rafael Correa vowed that his government would be a "legislative steamroller" that would make his administration's socialist reforms permanent. What are the most significant reforms that will come out of Correa's new term? Will Correa respect the rights of the opposition as he has promised? How will Correa's presidency affect Ecuador in the long term?

on oil. We will seek to strengthen our domestic legal framework to further address the needs of investors while protecting the rights of our citizens and environment. And we will continue to invest in the human talent of our people, such as through programs for early childhood education and improving the quality of public services, with an emphasis on social programs. Through these efforts we can continue to build a strong and vibrant economy that creates opportunities for all in Ecuador."

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A **Nathalie Cely, Ecuador's ambassador to the United States:** "In his new term, President Correa will continue to place the economic and social well-being of Ecuadoreans as his top priority. During his first term in office, the president invested heavily in overhauling the country's infrastructure, education, health care and legal frameworks with the goal of ensuring a strong foundation for long-term stability and growth. These policies have already reduced poverty from 37.6 percent in 2006 to 27.3 percent in 2012, and contributed to Ecuador becoming the third fastest-growing Latin American economy. The next challenge is to build on these accomplishments and ensure that the positive trends continue. Continuing to strengthen the business and investment climate will be one of the top goals of the president's second term. New reforms will be studied and put forward to help to diversify the economy away from its dependence



Argentina's Government Tells U.S. Court It Won't Pay Holdouts

Argentine Vice President Amado Boudou and Economy Minister Hernán Lorenzo (L-R) were among the government officials at a court proceeding Wednesday in New York at which the government told a judge that it will not pay so-called 'hold-out' bondholders. See story on page 2.

Photo: Clarín.

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NEWS BRIEFS

Mexico's Powerful Teacher's Union Head Formally Charged

Mexico's powerful national teacher's union head, Elba Esther Gordillo, on Wednesday was formally charged with engaging in organized crime and embezzling about \$160 million from union funds, the Associated Press reported. A judge will decide within six days whether the evidence is sufficient to merit a trial. If found guilty, Gordillo could face 30 years in prison.

Argentine Lawmakers Agree With Iran to Investigate 1994 Bombing

Argentina's Congress early this morning narrowly approved a controversial agreement with Iran to investigate the 1994 bombing of a Buenos Aires Jewish community center, Reuters reported. However, Jewish leaders say the pact to set up a "truth commission" risks undermining the ongoing judicial investigation into the attack, which killed 85 people. President Cristina Fernández says it could shed new light on the case, while one Jewish group leader, Guillermo Borger, told *Clarín* he would seek to block Congress' move in court.

PDVSA Importing 100,000 Barrels of Gasoline Daily: Report

Venezuelan state oil company PDVSA is importing 100,000 barrels of gasoline daily, *El Economista* reported Wednesday. The amount is equivalent to 30 percent of domestic consumption. Local production of gasoline has fallen to between 200,000 and 230,000 barrels per day. A massive fire last year at the Amuay y Cardón refinery and more recent electrical problems have crimped output at the massive Paraguaná Refining Center, which is operating at about 60 percent of its capacity.

Political News

Argentina Tells U.S. Court it Won't Pay Holdout Bondholders

Lawyers for Argentina on Wednesday told a U.S. appeals court that their client would not cave into demands that it pay a group of bondholders, Reuters reported. The 2nd U.S. Circuit Court of Appeals in New York on Wednesday heard more than two hours of arguments over the case. "We would not voluntarily obey such an

A lawyer for Argentina said the country is open to a solution that is "workable and doesn't create a terrible confrontation."

order," Jonathan Blackman, a lawyer for Argentina, told a three-judge panel. Blackman added that the South American country is open to a solution that is "workable and doesn't create a terrible confrontation." The court is expected to decide sometime next month whether to reverse an order that the Argentine government pay \$1.3 billion to the holdouts. Argentina is expected to appeal an adverse ruling. Last year, U.S. District Judge Thomas Griesa in Manhattan ruled that Argentina had violated its contractual obligation to treat all creditors equally. As much as \$24 billion could be at risk for Argentina, a potentially crippling figure for its fragile economy. Argentine Vice President Amado Boudou, Economy Minister Hernán Lorenzino and several other high-level Argentine officials attended the hearing.

Economic News

Brazil Must Cut Costs of Doing Business: Rousseff

Brazil must lower its high costs of doing business in order to better compete globally, President Dilma Rousseff told a meeting of government officials and busi-

ness leaders Wednesday in Brasília, Reuters reported. The country, Latin America's largest economy, must boost competitiveness and cut business costs through ways including opening ports to private initiative despite labor unions' opposition. "Brazil has an unnecessary cost with its ports. We have to open up to competition because the ports are part of the so-called Brazil Cost," said Rousseff. "Our country has to change, and change in the direction of greater competitiveness." This year, the country will make major investments in ports, roads, airports and railways in an effort to help the country advance, Rousseff said, adding that her government will also work to hold down inflation. The country's oil industry will also make major strides toward tapping its massive offshore oil reserves in auctions scheduled for November, she added. World economic conditions should improve this year and help to spur growth in Brazil, the president said, pointing out that a "soft landing" in China has allayed concerns globally that an economic crisis is looming. Brazil's gross domestic product grew only about 1 percent last year, despite several government stimulus measures. Many economists are expecting Brazil's economy to bounce back in the second half of this year.



Rousseff

File Photo: Brazilian Government.

Company News

Recent Acquisitions Boost Profit of Mexico's Coca-Cola Femsá

Coca-Cola Femsá said Wednesday that higher sales driven by acquisitions in Mexico helped boost its fourth-quarter profit by nearly 35 percent, Reuters reported. The world's largest bottler of Coca-Cola said its profit for the final three months of 2012 rose to 4.324 billion pesos (\$336 million), as compared to 3.212 billion pesos in the same quarter a year earlier. The revenue of the company, a joint venture of Coca-Cola and Mexico's

Femsa, said its revenue increased 10.4 percent in the fourth quarter to 39.86 billion pesos. Coca-Cola Femsa added that its bottled-drink volume grew 10.6 percent year-on-year in the fourth quarter, mainly fueled by sales of juices and other "still beverages," the company said. Over the past two years, Coca-Cola Femsa has been acquiring small bottlers in Mexico. It also recently acquired a 51-percent stake of Coca-Cola's bottling operations in the Philippines for \$688.5 million.

MasterCard Launches New Mobile Phone Payment Tool in Brazil

MasterCard announced Wednesday it has launched its wireless payment service, known as near-field communication (NFC), in Brazil. The project, launched in partnership with **Itaú**, **TIM**, **Redecard**, and **Gemalto**, will provide consumers with more convenience when shopping, according to a press release. Using MasterCard's Mobile PayPass product, a consumer can tap a smart phone onto the merchant's NFC-enabled point of sale from Redecard, and the payment is made instantly. Purchases are charged to a virtual account stored in the account holder's smart phone and billed via the account holder's Itaú-issued statement, similar to the way traditional card-gener-

Purchases will be charged to a virtual account stored in the account holder's smart phone.

ated payments are billed today, the company said. MasterCard is targeting fast-food restaurants, public transportation, fuel service stations, drugstores, vending machines and movie theaters, among other points of sale. MasterCard says it has made "a number" of smart phones equipped with the technology available to Itaú customers, which can be used at select merchant locations in the cities of São Paulo and Rio de Janeiro.

Featured Q&A

Continued from page 1

A Osvaldo Hurtado, former president of Ecuador and current president of Corporación de Estudios para el Desarrollo in Quito: "The ruling party's election to two-thirds of the seats in the National Assembly culminates the process of concentration that has allowed President Correa to put all the functions and organs of the state, including the judiciary, under his control. The exercise of absolute powers by the president, in violation of articles 3, 4, 5, 6 and 7 of the Inter-American Democratic Charter, cannot be justified with the argument that such an arbitrary process has been 'legitimized' through popular vote. President Correa has announced that he will radicalize the revolution that he has carried out since he took office six years ago. The ample majority of seats that Correa's party won in the National Assembly will allow the ruling party to impede any auditing of their actions and will allow it to obtain legal and constitutional reforms to suit their own interests. In order to increase his control of citizens and society, Correa has sought lawmakers' approval of a communications law and penal code which would limit rights and freedoms, mainly free expression. With regard to the economy, we should expect the growth of the public sector, increased restrictions on businesses and a lack of interest in foreign investment. In international affairs, Ecuador's nationalistic, third-world and anti-imperialist policies will continue."

A Ramiro Crespo, president of Analytica Securities in Quito: "With unprecedented political and economic power, Rafael Correa now has the chance to prove whether he's a new Nelson Mandela or a junior Hugo Chávez. Unfortunately, he's already started off in the wake of the latter, decreeing price controls on several dozen basic foods. This bodes badly for the coming four years, particularly if the upcoming land reform law also undercuts agricultural production. Media and

police reforms risk more repression. Correa has won sympathies overseas for having brought political stability to turmoil-prone Ecuador, and because of his obvious great popularity. But neither does stability prove him a statesman, nor popularity that he is a democrat. Given his gargantuan resources, results so far

“Given his gargantuan resources, results so far have been disappointing.”

— *Ramiro Crespo*

have been disappointing. Per capita, Ecuadoreans are now further away from Latin America's average GDP than in 2006. For all his soothing latest words, the real Correa is not the one who applauded a coherent, democratic and conservative opposition; he is the one who risked financial stability by imposing punitive taxes on banking when that same rival outdid him with a campaign pledge in December. Unencumbered by checks and balances, Correa could now create the much-needed legal stability that foreign investors need. This would help attract serious oil and mining companies to Ecuador, as well as investors who have avoided this country as if it had a dangerous tropical disease. But to achieve this, Correa would have to retrace many of his own steps, including haphazard tax changes and repression, that have alienated both supporters and opponents of oil and mining simultaneously. Real sovereignty could be achieved by loosening China's hold on financing and promoting the stability of the use of the dollar."

A Marc Becker, professor of history at Truman State University: "Correa appears positioned to accelerate policies to develop Ecuador's extractivist

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Featured Q&A*Continued from page 3*

economy during his new term. These promises worry Ecuador's social movements, particularly those associated with

“When Correa talks about respecting the rights of the opposition he is referring primarily to those associated with Guillermo Lasso ...”

— *Marc Becker*

rural and Indigenous communities that will be most negatively affected by these policies. Undoubtedly, these goals of development at all costs will continue to result in unprecedented economic growth rates that have lowered poverty and shrunk inequality. Environmentalists, however, are concerned with the potential long-term consequences of these policies, and whether they will contribute to a sustainable society. Those to Correa's left complain that

the policies are more capitalist than socialist in their orientation. Unfortunately, when Correa talks about respecting the rights of the opposition he is referring primarily to those associated with Guillermo Lasso, rather than those who challenge him on economic development issues from the left. These leftist dissidents face charges of terrorism and sabotage, and will probably continue to do so during his new term. The only thing that conservatives have to fear from a Correa presidential administration is that he has been more effective than they have been in implementing extractivist economic development policies. Correa is a very effective politician, and has beaten other power brokers at their own game of following populist and clientelistic policies. The result is that these conservatives have been relegated to a political irrelevancy.”

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

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