FEATURED Q&A

What Is Behind Ecuador’s Latest Anti-Graft Effort?

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Since his election last year, Ecuadorean President Lenín Moreno, who had been a protégé of former President Rafael Correa and was a member of his political party, has sought to roll back some Correa-era reforms and drove the removal of his vice president, Jorge Glas, who was a holdover from Correa’s presidency, on the grounds of corruption charges. In early January, Ecuador’s comptroller’s office said it would be auditing any debt contracted in the last five years of Correa’s term in order to determine if the operations and use of the funds were legal. What is motivating Moreno’s anti-corruption drive against the Correa administration? Is Moreno powerful enough and does he have broad enough support to make lasting changes to the government, or will Correa find a way to extend his influence? Will Moreno’s reforms lead to a better business environment for local and international companies?

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Ramiro Crespo, president of Analytica Securities in Quito: “As part of his job, Comptroller General Pablo Celi is investigating public debt issued under former President Rafael Correa from January 2012 through May 2017. He has already identified several irregularities, including making public debt documentation confidential; failing to account oil-backed loans as central government debt; using state oil company Petroecuador’s balance sheet to obtain external financing; and lifting the debt ceiling of 40 percent GDP by decreeing that this should consider only ‘consolidated’ debt net of that held by other institutions in the public sector. Celi has also set up a panel of 11 pro-bono observers, including myself, as independent observers for Continued on page 3...
POLITICAL NEWS

Mexican Rights Body Blames Security, Marines for Killings

The Mexican government’s National Human Rights Commission on Thursday blamed a border city mayor’s paramilitary security team and Mexican marines for the disappearance and murders of four people, three of whom were siblings from the United States, the Associated Press reported. The commission urged authorities to investigate the alleged role the officials and security forces had in the killings, Reuters reported. Commission investigators had determined that city officials in Matamoros, marines and state and federal police lied in their statements to cover up the murders, which happened in 2014, the AP reported. Erica, Alex and José Angel Alvarado Rivera of Progreso, Tex., disappeared on Oct. 13, 2014 while visiting their father in Control, a Mexican city close to Matamoros. An acquaintance of the siblings, José Guadalupe Castaneda Benitez, had also been taken. The four were last seen alive in the custody of marines and the Hercules unit, the security unit for Matamoros Mayor Leticia Salazar, the commission said. The four people were found all shot in the head more than two weeks after their disappearance. Mexican security officials have been regularly charged with human rights violations in connection with military efforts to crack down on the country’s drug cartels, initiated by former President Felipe Calderón in 2007, Reuters reported.

BUSINESS NEWS

Brazilian Credit Card Processing Firm Plans IPO

Brazil-based credit card processing firm Stone Pagamentos is planning an initial public offering later this year in New York, Reuters reported today, citing three people with knowledge of the matter. The IPO, which is planned for the year’s second half, would be part of the company’s efforts to compete with larger rivals such as Cielo and Itaú Unibanco Holding’s Rede division. For the offering, Stone Pagamentos and investment banks have discussed a transaction in which some of the company’s stakeholders would sell part of their holdings, the sources told Reuters. Stone Pagamentos has reportedly not yet hired advisors for the IPO. The company is controlled by its founders, André Street and Eduardo Pontes. Its minority shareholders include Britain-based buyout firm Actis and Brazil’s Gavea Investimentos. Also among Stone Pagamentos’ shareholders are U.S.-based investment firm Madrone Capital Partners and three of the founders of 3G Capital. Actis declined to comment to the wire service on the reported plans for the IPO, while Stone Pagamentos declined to comment.

ECOnOMIC NEWS

China Invests $20.9 Billion in Brazil in 2017

Chinese investments in Brazil totaled $20.9 billion last year, their highest level since 2010, the country’s Planning Ministry said Thursday. Last year, China made new investments in the areas of energy, transportation logistics, agribusiness, financial services, chemicals and electricity transmission and generation. In the last two months of the year, China’s investments in Latin America’s largest economy amounted to $6.7 billion, including energy-sector projects. Between 2003 and 2017, China became involved in 250 announced projects in Brazil, with a total value of $123.9 billion, the Planning Ministry said. Ninety-three of those were confirmed projects, with a value of $53.5 billion. Of the confirmed amount, 85 percent were projects in the areas of mining and energy, and the majority of the investments came from Chinese public-sector companies. Over the years, Chinese investments in Brazil have become more diversified, the ministry said.

NEWS BRIEFS

Infant Killed as Car Strikes Pedestrians on Rio’s Copacabana Beach

A car drove into crowds on a boardwalk near Rio de Janeiro’s Copacabana beach on Thursday, killing an infant and injuring at least 15 people, BBC News reported. The driver has been detained. He reportedly had an epileptic fit at the wheel of the car, and police found drugs to treat the condition in the vehicle. Brazilian police are investigating the driver, but initial reports indicate the incident was not a terrorist attack, ABC News reported.

Pope Arrives in Peru Following Visit to Chile

Pope Francis arrived in Lima Thursday for a four-day trip that will conclude his two-country visit to South America, the Associated Press reported. Francis, who also visited Chile on the trip, is expected to visit the Amazon jungle to meet with indigenous communities and to meet with President Pedro Pablo Kuczynski. Indigenous groups are hoping the pontiff will call on Peru to grant them formal land rights and will encourage the government to support the cleaning of rivers that have been polluted by illegal mining and deforestation.

Venezuela’s Opposition Refuses to Return to Talks With Government

Talks between Venezuela’s opposition and the government of Nicolás Maduro stalled Thursday as the opposition refused to return to the negotiating table, The Washington Post reported. A main reason was what opposition leaders called a “false” claim by a government official that the opposition helped to locate a rogue ex-police officer who was killed earlier this week in a shootout with security forces. The talks, being held in the Dominican Republic, are seen as a last effort to plan for a free and fair presidential election this year.
Argentina’s Pampa Energía Sells Some Onshore Assets

Argentina’s largest electricity company, Pampa Energía, has decided to sell a number of its onshore oil assets to Mexican independent explorer Vista Oil & Gas for $360 million, Kallanish Energy reported Thursday. The agreement includes direct ownership of 58.88 percent of Petrolera Entre Lomas, a 3.85 percent stake in the Entre Lomas, Bajada del Palo and Agua Amarga blocks, and 100 percent ownership of the Medanito S.E. and Jagüel de los Machos blocks. Pampa Energía said Monday that the sale, which is still subject to Vista shareholders’ approval, will allow Pampa Energía to move forward with other investments without issuing a bond convertible into common shares.

“This transaction is in line with the company’s strategy to focus its investments and human resources on the expansion of power generation installed capacity, on the exploration and production of natural gas, placing a special focus on the development and exploitation of our unconventional gas reserves (shale and tight gas), as well as to continue investing in the development of our utility concessions,” the company said. Vista Oil & Gas is headed by a former head of Argentine state oil company YPF, Miguel Galuccio, Reuters reported.

the audit. Unlike the audit that Correa called at the beginning of his administration, which he used to justify his 2008 default, this audit aims to shine light on the secrecy that he illegitimately imposed on debt workings. Debt transparency should in the medium-term help leverage country risk downwards, improving borrowing terms and the business climate in general. Attacking impunity for corrupt acts also responds to the anger of many voters over the shameless appropriation of public funds by apparatchiks of the previous administration. Ecuadoreans in general support the Moreno administration’s anti-corruption efforts, despite misgivings regarding its extent and uncertainty regarding his plans following the Feb. 4 referendum; demands are running high that he uses the legitimacy the vote will provide to reintroduce democratic principles, limited and honest government, and a market economy. The likely outcome of the vote also points to an ever-dimmer outlook for Correa’s ability to recapture power.”

Abelardo Pachano, president of Finanview in Ecuador, former CEO of Produeval and former Ecuadorean central bank president: “I would like to have a concrete answer, but it is still too early to have a clear picture of the current scenario. Ecuador is in a stage of recovering certain democratic principles that were lost during the previous government. The main one is to eliminate the clause that permits the indefinite re-election of presidents. With this provision conditioned to the results of the next referendum, former President Correa’s political career could be greatly curtailed. The official reason behind the referendum explained by the current government is the need to go back to the fundamentals of the Ecuadorean Constitution and bring back the principle of alternability of candidates or parties through fair elections. However, I can’t say I know for a fact that this reasoning is the only motivation for the referendum.

But it has become evident that the personal relationship between the former and current presidents has deteriorated markedly since President Moreno took office. The situation with former Vice President Glas had also become untenable. This is not just because he was Correa’s most unconditional ally, but also because he turned out to be a great political burden for being under scrutiny for his ties to corruption. This brings us to hypothesize the intention of a transition to consolidate Moreno’s leadership. Without a doubt, the strength of his leadership has improved, due to the support shown by the polls as a response to the intention to clear pending corruption cases; however, this is not enough to affirm that his leadership is consolidated or that it is strong enough. The results of the Feb. 4 referendum will determine the course of politics in the country. If the affirmative vote wins, as most polls suggest, Moreno will gain more power, and Correa’s leadership will dwindle over time. However, if ‘no’ wins the referendum, we will enter a stage of increased conflict and less certainty. In the economic aspect, it is hard to foresee change. There is no sign that the current government is willing to make relevant changes.”

Walter Spurrier, president of Grupo Spurrier and director of Weekly Analysis in Guayaquil, Ecuador: “Moreno refuses to be Correa’s puppet. He wants to be his own man, and he has taken actions to weaken Correa’s hold on the state. Glas was Correa’s henchman and choice for president, but Correa had to go with Moreno because Glas was unpopular. A plebiscite/referendum to take place on Feb. 4 asks the ‘yes’ vote on a constitutional reform to ban from public office those found guilty of corrupt acts. If the comptroller’s debt audit finds Correa guilty, it would be a roadblock to his return. Moreno is well on his way to smashing Correa’s power. He now controls two-thirds of the Alianza País block. Two other referendum proposals..."
Marc Becker, professor of history at Truman State University, offers a window into the conflict between Moreno and Correa.

"Most likely, much more underlies the conflict between Moreno and Correa than just a matter of tact on Moreno's part. The clashes only become harmful when they lead to an entrenched divide over competing interests. The clashes only become harmful because both sides have strong attachments to the positions that they are defending. These attachments to the positions are not necessarily a liability. The clashes only become harmful when they lead to an entrenched divide over competing interests.

That is the true challenge facing Moreno. He has been adept at reaching out to Corresistas, but he has yet to reach out to the business community and other opponents, including both those in his cabinet and those in the social movement to the left. But will he be able to mend fences with Correa's supporters as he goes forward with his plan for economic law reforms? The clash only necessary and avoidable.