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FEATURED Q&A

Will Constitutional Reforms Benefit Ecuadoreans?



Under the reforms, President Rafael Correa, or any candidate, would be able to run for president indefinitely, beginning in 2021. // File Photo: Ecuadorean Government.

Q Ecuador's National Assembly on Dec. 3 overwhelmingly approved a series of constitutional reforms, which include lifting presidential term limits, declaring the news media a 'public service' and granting the military broader power over domestic security. Will the reforms be good for Ecuador? What will be their consequences? Do the reforms signal any significant changes in Ecuador's stability for businesses and investors?

A Francisco Borja, Ecuador's ambassador to the United States: "The recently approved constitutional amendments are a needed change to advance important transformations in Ecuador and are a sign of a more institutionalized, organized and accountable Ecuador that will bring broader stability to our society and a more reliable environment for investors. Removing presidential term limits reflects a more mature and confident Ecuador in terms of the implementation of its democratic system. Many progressive and stable democratic countries like Canada, Spain, and Germany feature systems of elections without term limits. Additionally, the current Constitution of Ecuador empowers the electorate to revoke the mandate of any publicly elected official, including the president, at any point in time (even outside of scheduled elections), ensuring that Ecuadoreans themselves have the final say. In the case of declaring communications a public service, the objective is to diversify the Ecuadorean news spectrum, including, as the Communications Law states, ensuring a plurality of frequencies for communal, private and public radio stations. It also ensures the right of any individual or organization to proportionally respond and defend him

Continued on page 3

TODAY'S NEWS

ECONOMIC

Argentine Peso Plunges After Gov't Lifts Currency Controls

The Argentine peso plunged to 13.9 per dollar, near its rate on the black market, after the new government of President Mauricio Macri lifted currency controls.

Page 2

ECONOMIC

Mexico, Chile Raise Interest Rates

The central banks of Mexico and Chile raised interest rates following similar action by the U.S. Federal Reserve

Page 2

POLITICAL

Court Delivers Rousseff Win in Impeachment Fight

Brazil's Supreme Court ruled Thursday that a committee formed earlier this month to guide the impeachment process against President Dilma Rousseff must be scrapped and reconstituted.

Page 2



Rousseff // File Photo: Brazilian Government.

POLITICAL NEWS

High Court Boosts Rousseff's Chances of Remaining in Office

Brazil's Supreme Court ruled Thursday that the impeachment effort against President Dilma Rousseff can go forward, but only if a congressional committee formed this month to guide the process is scrapped and reconstituted, The Wall Street Journal reported. The committee would have to be reformed under new rules that are seen as more favorable to Rousseff. "The decision today is positive for

“The decision today is positive for Dilma because it increases the chances of her avoiding impeachment.”

— Lucas de Aragão

Dilma because it increases the chances of her avoiding impeachment," Lucas de Aragão of political consulting firm Arko Advice, told the newspaper. "The new committee should be more balanced." In addition, the high court gave more power to Brazil's Senate to block the effort to oust Rousseff, BBC News reported. "The government has a larger and more stable majority in the Senate in comparison to the lower house," Christopher Garman of the Eurasia Group told The Wall Street Journal. "The government is closing out the week on a good note in the impeachment battle." Earlier this month, House of Deputies Speaker Eduardo Cunha set the rules for selecting members of the impeachment committee, which was selected by a secret ballot. However, in ruling that the committee must be disbanded, the Supreme Court said the committee must be chosen through an open ballot. The committee would consider the evidence against Rousseff and decide whether to send the process to trial in the Senate. The Supreme Court also

ruled Thursday that Rousseff would be able to remain in office while the Senate weighs whether to accept the Chamber of Deputies' recommendations on impeaching her. At issue in the impeachment is the accusation against Rousseff that she illegally manipulated budget figures to disguise poor fiscal performance. She has repeatedly denied the allegations.

ECONOMIC NEWS

Argentine Peso Plunges as Gov't Lifts Currency Controls

Argentina's peso plunged in trading on Thursday after the government of President Mauricio Macri lifted currency controls, The Wall Street Journal reported. As expected, within minutes of trading Thursday morning, the Argentine currency fell to 13.9 per dollar from 9.8 the previous day. That marked the peso's largest percentage decline since the midst of the country's economic meltdown in January 2002. Later in trading in New York, the peso stood at 13.305 per dollar. Foreign exchange restrictions have boosted the value of the peso since



Macri // File Photo: Argentine Government.

2011. Less than a week after the new government took office, Finance Minister Alfonso Prat-Gay announced Wednesday that the administration was doing away with the controls and would allow Argentine businesses to freely buy dollars. Private citizens will still face some restrictions in buying dollars, Prat-Gay said, BBC News reported. The finance minister added that the government needed to remove the restrictions in order to improve the country's

NEWS BRIEFS

Mexico, Chile Follow U.S. Fed in Hiking Rates

Mexico's central bank raised its interest rate on Thursday for the first time in seven years in an attempt to keep the peso from devaluing even further after the U.S. Federal Reserve raised its interest rates on Wednesday, Reuters reported. Banco de Mexico raised its benchmark rate by 25 basis points to 3.25 percent, saying it was raising interest rates even though inflation was at a record low, because of the Fed's decision to raise the rate the day before. In other news, Chile's central bank raised its key interest rate 25 basis points to 3.5 percent on Thursday.

Chile Seeks to Mitigate Effects of Airport Workers' Strike

Chile's government is taking steps to mitigate the effects of airport workers' 48-hour strike Thursday and today, the Associated Press reported. The government on Thursday said it would replace striking workers in order to prevent major delays. The work stoppage is expected to cause delays, especially with an increased number of travelers ahead of the Christmas holidays. Airline LATAM said it has suspended the sale of tickets for the two days on which workers will be striking, and said that passengers can change the date of their flight at no extra cost.

Brazil's OAS Gets Green Light for Restructuring

Brazilian construction company OAS on Friday won approval for its restructuring plan after it agreed to sell one of its most valuable assets in order to pay its creditors, Bloomberg News reported. OAS made a deal to sell its stake in airport operator Invepar for at least \$343 million, the company's press office said. OAS is one of the first major Brazilian construction companies to make a deal with creditors after the widespread Petrobras corruption scandal.

FEATURED Q&A / Continued from page 1

or herself against any public accusations. These changes fundamentally forge a news media landscape with increased accuracy, truthfulness and reliability standards, which in turn will foster a more vibrant and inclusive society. Finally, granting the armed forces a subsidiary role to assist police in security operations was a necessary step to formalize and more effectively manage the support that the Ecuadorean armed forces already provide to the country and the region in combating new security threats, such as ever more sophisticated international crime organizations, as well as to provide aid and security during natural disasters. These reforms show that the old Ecuador, where the only way to achieve legal reforms was through public unrest and violent demonstrations, belongs to the past. Ecuador is now a modern country with solid institutions and rich political discourse that are reflective of a more stable and mature democracy.”

A **Walter Spurrier, president of Grupo Spurrier and director of Weekly Analysis in Guayaquil, Ecuador:** “The constitutional reforms institutionalize an authoritarian state. They assume the current regime and leader will last indefinitely. Communications as a public service means putting into the Constitution the president’s view that the press should not be free. The government will have more solid grounds to revoke permits for private media to operate. This week, the government closed down a television station in Loja, a provincial capital. Already, the independent mainstream media tones down any news the government would dislike. Alleged corruption cases are no longer reported, unless they pertain to out-of-favor former public officials. It is not that the armed forces will have more power, but rather that the government will have grounds to order them to repress opposition, something the armed forces have been reluctant to do in the past; they did not defend presidents Jamil Mahuad nor Lucio Gutiérrez, who had

to flee for their lives. Indefinite re-election means Correa forever, although at the last minute he included a transitory clause to the reforms that would bar him from running in 2017. Apparently, President Correa wants to maintain open the option that somebody else would have to carry out the adjustment the Ecuadorean economy needs, an adjustment that would certainly be unpopular, and that he could return as savior in the forthcoming elections. Some multinationals may find it more amenable to work under an authoritarian regime than under an unstable democratic one.”

A **Marc Becker, professor of history at Truman State University:** “A focus on Ecuador’s constitutional reforms is a red herring that distracts attention from more important issues. Conservative criticism of lifting term limits is an obviously hypocritical and politically motivated attack on a popular left-wing president. Neither the Ecuadorean right nor their international supporters raised similar concerns about Margaret Thatcher’s long stretch in office in the United Kingdom, nor Stephen Harper’s endless re-elections in Canada. These conservative critics will use any mechanism at their disposal to regain power and return Ecuador, as well as other Latin American countries, to discredited neoliberal economic policies. Their intent is to shift wealth and resources away from marginalized populations and to the upper-income brackets. A much more urgent and important necessity is to move away from dependency on an export economy. History illustrates that these commodity booms are short-lived and ultimately very harmful. While they benefit international businesses and investors, they do little to develop Ecuador’s—or any other Latin American country’s—domestic economy. Under Correa, Ecuador has made tremendous advances in social development. The country has made impressive gains in the United Nations Human Development Index,

Continued on page 4

anemic economy, BBC News reported. Despite the short term pain, analysts believe the removal of the controls may improve the economy by bringing more investment and boosting the export sector.

BUSINESS NEWS

Brazilian Appeals Court Restores WhatsApp Service

A Brazilian appeals court on Thursday restored service to WhatsApp, a popular instant messaging smartphone application owned by Facebook, after a judge in São Paulo briefly shut down the service because the U.S.-based firm did not wiretap certain accounts, The New York Times reported. The appeals court said it was “not reasonable” to suspend the app. The São Paulo judge had ordered WhatsApp to be shut down for 48 hours after the company did not allow police to eavesdrop on certain accounts as part of a criminal drug case. A drug gang’s leaders were thought to be using instant messaging apps like WhatsApp to communicate so police went to the court to ask for data from three accounts. Facebook

Facebook said it was technically impossible to wiretap the accounts.

said it was technically impossible to wiretap the accounts due to the technological structure of WhatsApp. “We’re disappointed that a judge would punish more than 100 million people across Brazil since we were unable to turn over information we didn’t have,” said Facebook spokesman Matt Steinfeld. WhatsApp allows users to send text messages and make voice calls for free over an Internet or data connection, and it is used by nearly half of Brazil’s population as an alternative to more expensive cellphone services.

FEATURED Q&A / Continued from page 3

and it has moved to the category of high human development. These advances will not be preserved through constitutional reforms, but rather through fundamental changes in Ecuador's economic model."

A **Ramiro Crespo, president of Analytica Securities in Quito:** "Dec. 3 was, plainly, a blow to democracy, a statement not made lightly. A Cedatos survey showed that 87 percent of Ecuadoreans wanted the reforms to be put to voters, rather than decided behind their backs by the National Assembly, 70 percent of which is controlled by Correa. This spells an unfortunate truth: 2016 will be more repressive. The approved

“The approved reforms set the stage for more censorship.”

— Ramiro Crespo

reforms set the stage for more censorship. After all, press freedom becoming a 'public service' is not unlike Spain under the dictatorship of Francisco Franco. If the public at large loses its window of media outlets, how will a healthy dialogue occur, and how will the opposition reach the critical mass of an audience? Then there is the reintroduction of inheritance and capital gains laws, on very punitive levels. Going forward, censorship, high taxation and flexible term limits are a double-edged sword in that they concentrate more political power in the hands of few. This buys them time, but the private sector and investors will grow more reluctant to do business in an uncertain environment where the rules of the game change this easily. This concentration of power will alienate the private sector, and the government should be wise to recognize that tax collection

represents half of its revenue. From whom will the government collect taxes when the private sector dims its light? The other half of the government's revenue is largely oil, which is not expected to yield much in 2016. The assembly might just have shot itself in the foot."

A **Adam Isacson, senior associate for the regional security policy program at the Washington Office on Latin America:** "The reforms passed earlier this month are not good for Ecuador. Similar reforms would be bad for any country. The potential consequences are grave. Several provisions, including the repeal of term limits, concentrate power further in the executive branch, weakening democratic checks and balances. While the reform won't allow President Rafael Correa to run again in 2017 (the 10th anniversary of his first election), it may allow a Dmitri Medvedev-style caretaker to occupy the presidency for four years until Correa returns. The definition of media as a 'public service,' meanwhile, would weaken independent journalism, another important fetter on power. This provision may empower the state to decide what communication is 'proper,' making it the arbiter of the people's right to be informed. The 'integral security' reform potentially broadens the military's role in a way that inserts soldiers into many aspects of public life, in roles for which they haven't trained, with no clarity about who the 'enemy' is. These reforms give arbitrary state behavior and corruption a much greater possibility to prosper. This is terrible news for anyone considering doing business in Ecuador. Leaders who go unscrutinized can make poor decisions, especially in the economic realm. Graft and influence-peddling, rather than clear rules, can come to determine much economic activity. In short, countries where citizens don't have the ability to oversee their government tend to be poor places for long-term investment. This is a wrong turn for Ecuador."

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