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## FEATURED Q&A

# What Does Ecuador Need in Order to Rebuild?



Last month's earthquake killed more than 650 people. President Rafael Correa is pictured surveying the damage in the city of Manta. // Photo: Ecuadorean Government.

**Q** Ecuadorean President Rafael Correa on April 20 announced tax increases, including a one-time levy on millionaires, in order to pay for rebuilding after the country's devastating 7.8-magnitude earthquake on April 16. It is estimated that it will cost the country \$3 billion to repair the damages to infrastructure caused by the natural disaster. Is Correa's plan to increase taxes going to be enough to rebuild Ecuador? What else can the government do to help repair its infrastructure and assist those affected by the earthquake? How much of a role will international aid and multilateral organizations play in administering disaster relief and recovery efforts?

**A** Abelardo Pachano, president of Finanview in Ecuador, former CEO of Produbanco and former Ecuadorean central bank president: "Without a doubt, the earthquake and its consequences have worsened the country's current recession.

This natural disaster has hit Ecuador, which currently has low monetary reserves, a large fiscal deficit and a weakened balance of payments. The country has high unemployment and low consumption. Damage from the earthquake surpasses the government's management capacity. This involves the whole community. It is crucial to know the magnitude of damage to establish plans of action and sources for financing. Immediate action has been taken at the disaster zones by civil society volunteers. The government is doing its part, but there needs to be a space for alliances, agreements and support. It is essential to have a well-defined and planned strategy. The recession demands that we do not overtax contributors. There is a need for creativity in formulating solutions, such

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## TODAY'S NEWS

### ECONOMIC

## Puerto Rico Defaults on Most of \$422 Mn Debt Payment

U.S. Treasury Secretary Jacob Lew warned that a taxpayer bailout may be the only option if federal legislation to allow Puerto Rico new powers to restructure its more than \$70 billion in debt isn't approved.

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### POLITICAL

## Brazil Attorney General Seeking Probe of Neves

Senate opposition leader Aécio Neves is accused in the massive corruption scandal at state-run oil company Petrobras.

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### POLITICAL

## Opposition Submits Petitions for Maduro's Recall

Venezuela's opposition submitted petitions that it said contained 1.8 million signatures of voters who favor a referendum to recall President Nicolás Maduro.

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Maduro // File Photo: Venezuelan Government.

## POLITICAL NEWS

## Venezuelan Opposition Delivers Petitions for Maduro's Ouster

Venezuelan opposition leaders on Monday delivered 80 sealed boxes worth of petitions, which they said were signed by 1.8 million voters, seeking the recall of President Nicolás Maduro, the Associated Press reported. Opposition leaders said they collected nine times the required 200,000 signatures in less

“With this successful strategy, MUD moves forward in its bid to achieve urgent political change through strictly peaceful and constitutional means.”

— Jesús Torrealba

than a week. If the National Electoral Council verifies the signatures on the petitions, a second petition drive would be held during which 20 percent of the country's voters, or nearly four million people, would have to sign petitions in order for a nationwide referendum on recalling Maduro is held. If a vote is finally held, more than 7.6 million people, the number of votes Maduro received in his 2013 election, would have to vote to oust him. Last December, opposition candidates in the country's legislative election garnered 7.7 million votes to take control of the National Assembly. On Monday, the opposition Democratic Unity Roundtable, or MUD, coalition's leader, Jesús Torrealba, expressed confidence in the process. “With this successful strategy, MUD moves forward in its bid to achieve urgent political change through strictly peaceful and constitutional means,” Torrealba said as he handed over the sealed boxes filled with petitions, BBC News reported. Maduro became president in 2013 after the death of Hugo Chávez. His term ends in 2019,

and his opponents blame his policies, and those of Chávez, for the country's economic crisis, which includes triple-digit inflation and shortages of many staple goods. On Sunday, however, Maduro used a May Day rally at the presidential palace to urge his supporters to defend his administration. “If the oligarchy were to do something against me and take this palace by one means or another, I order you, men and women of the working class, to declare yourselves in rebellion and undertake an indefinite strike,” said Maduro, the AP reported. Venezuela's dire economic situation has also attracted international attention. Pope Francis last month sent Maduro a letter expressing concern, the Vatican confirmed Monday. A Vatican spokesman declined to disclose the contents of the letter, but the pope has previously offered to mediate between the country's political factions.

## ECONOMIC NEWS

## Puerto Rico Defaults on Most of \$422 Mn Debt Payment

Puerto Rico on Monday defaulted on most of a \$422 million debt payment, the cash-strapped U.S. territory's largest payment default to date, The New York Times reported. “We have repeatedly traveled to Washington to convey the



García Padilla // File Photo: Government of Puerto Rico.

urgency of the situation,” Gov. Alejandro García Padilla said Sunday in a televised address. “So far, no action has been taken. The crisis escalates each passing day.” Puerto Rico did pay \$23 million, representing interest.

## NEWS BRIEFS

## Brazil's Attorney General Seeking Probe of Neves

Brazilian Attorney General Rodrigo Janot has asked the Supreme Court to authorize corruption investigations into Senate opposition leader Aécio Neves, BBC News reported today. Neves, a former presidential candidate, has been accused of taking bribes from state-owned electricity company Furnas. The case is linked to the wider Operation Car Wash corruption probe. Neves denies wrongdoing. If the court decides to open an investigation, Neves will have to testify within 90 days, daily newspaper Folha de São Paulo reported.

## Honduran Authorities Arrest Four in Indigenous Activist's Killing

Police in Honduras have arrested four men in connection with the killing of indigenous and environmental activist Berta Cáceres in March, BBC News reported Monday. Two of the arrested men are said to be linked to the Honduran military. The four suspects have been named as Douglas Bustillo, Mariano Chávez, Sergio Ramón Orellana and Edilson Duarte Meza. [Editor's note: See related [Q&A](#) in the April 21 issue of the Advisor.]

## First U.S.-to-Cuba Cruise Ship in 50 Years Docks in Havana

Carnival's cruise from Miami to Cuba, the first such cruise between the two countries in five decades, docked in Havana on Monday, CNN reported. The ship's arrival is the first stop on a historic, seven-day cruise that is a sign of closer ties between the United States and Cuba. The boat set sail on Sunday and has Cuban-born passengers aboard. On April 22, the Cuban government relaxed a ban on allowing Cuba-born individuals to travel to or from the island by boat.

## BUSINESS NEWS

## FEATURED Q&amp;A / Continued from page 1

## Brazilian Judge Orders Carriers to Block WhatsApp

A Brazilian judge ordered wireless companies to block the WhatsApp messaging application for 72 hours, affecting 100 million users in the South American country, Reuters reported Monday. The ruling is the second in five months against the popular Facebook-owned messaging application; the service had been temporarily shut down by an order from the same judge in December, for similar reasons. Judge Marcel Maia Montalvão in the northeastern state of Sergipe issued the order because Facebook has failed to hand over user data for use in a criminal investigation. In March, Montalvão ordered the arrest of a Facebook executive based in Brazil for failing to comply with an attempt to block the messaging service, BBC News reported. WhatsApp said in a statement the company is “disappointed at the decision” after doing its best to cooperate with the authorities on the matter, Reuters reported. The decision “punishes more than 100 million users who depend upon us to communicate themselves, run their business and more, just to force us hand over information that we don’t have,” the statement said. The judge’s order applies to the five main wireless carriers in Brazil. Executives at the carriers—Telefónica Brasil, América Móvil SAB’s Claro, TIM Participações, Oi and Nextel Participações—did not have an immediate comment. [Editor’s note: See related [Q&A](#) in the Jan. 25 issue of the Advisor.]

## State Grid’s Plans to Buy Abengoa’s Assets May Be Delayed

China-based electric utility company State Grid said its plans to buy Spanish multinational energy and telecoms corporation Abengoa’s power transmission lines in Brazil may take longer than expected, citing the different nature

as international emergency credits, renegotiating the debt with China and, if there is a remaining deficit, looking at how there could be domestic contributions. The country needs to find incentives to recover all economic activities that are now damaged. We shouldn’t forget that governments normally cover 30 percent of the costs of damages. Civil society takes on the rest, and that is a large and relevant burden. The government should remain calm and look for a transparent mechanism of managing resources to ensure the future.”

**A** **Marc Becker, professor of history at Truman State University:** “Natural disasters are difficult for any society, and most illustrative is how people respond to them. The January 2010 earthquake in Haiti was deadly, precisely because of a lack of a functioning government, which should be a lesson for those who advocate neoliberal policies. Government regulations are necessary to ensure that structures are sound, and governments offer the first line of response in times of crisis. Fortunately, under Rafael Correa, Ecuador has a strong and capable administration that has demonstrated its ability to respond to these types of events.

of some assets as complicating negotiations, Reuters reported Monday. State Grid is also eyeing assets in other segments of Brazil’s electricity agency, State Grid’s vice president, Ramón Haddad said Friday. “There are all types of assets—greenfields, brownfields, some with related financing deals, others with contracts already signed to provide services, so it is a protracted transaction,” Haddad said. He declined to give a timetable for the deal. A top official from Brazil’s energy ministry said he expected a firm offer from State Grid by May. The negotiations with Abengoa involve several new projects that Brazil’s government believes are key to guaranteeing the country’s future power supply. Abengoa ceased working on the construction of the projects in Brazil late last year, following a request to seek a pre-insol-

Otherwise, the death toll from this earthquake would have been much higher. The tax levy is consistent with policies that privilege the common good over the selfish interests

“Natural disasters are difficult for any society, and most illustrative is how people respond to them.”

— Marc Becker

of a wealthy and powerful minority. Ecuador will emerge stronger because of these policies. Most disturbing are the statements of conservatives who blatantly exploit the natural disaster to launch political attacks against a popular president. Their opportunistic actions stand in stark contrast to those on the social movement left who have mobilized grassroots responses to the crisis. Their actions in rallying the country are inspiring, and provide a model for the type of unity that is a human—and humane—response to a natural disaster.”

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vency request in Spain. The company has been given until October to reach a deal with creditors and avoid bankruptcy. Abengoa had been building more than 6,000 kilometers of

**Abengoa has until October to reach a deal with creditors and avoid bankruptcy.**

power transmission lines in Brazil. The company already operates 3,500 kilometers of lines in the country. State Grid is the only company that has said it is in talks to buy Abengoa’s Brazilian assets.

## FEATURED Q&amp;A / Continued from page 3

**A** **Andrés Franco, deputy director of private sector engagement at UNICEF:** "After the Ecuador earthquake, tax reforms and other efforts must target the younger population. At this moment, children and adolescents are the ones most in need of help. At UNICEF, we estimate that about 250,000 children were affected. Homes are destroyed, the public health system is in crisis, food and water are scarce, and streets are filled with rubble. For instance, Pedernales, one of the most affected areas, has a population of approximately 61,000 people, about 50 percent of which are below the age of 20. Either directly or indirectly, this earthquake has affected many children, adolescents and their families. The best contribution is cash. It can be for the government, or it can be donated to the many NGOs who can make use of it. There is lots of generosity when these natural disasters hit villages and towns, and we all want to give. But in doing so, we need to make sure that we give only what is needed. Cash can always be used, and other contributions may help especially if we give exactly what authorities tell us is required. It is also important that we support the national government in responding to this emergency and avoid creating parallel mechanisms that do not contribute to one organized response. What do children

need? They need water purification tablets, mosquito nets and tarps; fleece blankets, plastic tarps, large tents, insecticide treated bednets, Vitamin A capsules and kits for the

“**At this moment, children and adolescents are the ones most in need of help.**

— Andrés Franco

treatment of diarrhea. Children also require psychologists and community communicators (particularly in Pedernales, Jama and Muisne) to provide psychosocial attention for children and adolescents. Finally, children must get back to learning with temporary learning spaces. This return to 'normalcy' is crucial for all children after the earthquake. The government must provide all of this. The tax reform can be one way of mobilizing the resources that will be needed to bring this sense of normalcy back to all children."

*The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at [gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org).*

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