

## BOARD OF ADVISORS

### Diego Arria

Director, Columbus Group

### Devry Boughner Vorwerk

Corporate VP, Global Corporate Affairs  
Cargill

### Joyce Chang

Global Head of Research,  
JPMorgan Chase & Co.

### Dirk Donath

Senior Partner,  
Catterton Aimara

### Barry Featherman

Senior Director,  
International Government Affairs,  
Gilead Sciences

### Marlene Fernández

Corporate Vice President for  
Government Relations,  
Arcos Dorados

### Peter Hakim

President Emeritus,  
Inter-American Dialogue

### Donna Hrinak

President, Boeing Latin America

### Jon Huenemann

Vice President, U.S. & Int'l Affairs,  
Philip Morris International

### James R. Jones

Chairman,  
Monarch Global Strategies

### Craig A. Kelly

Director, Americas International  
Gov't Relations, Exxon Mobil

### John Maisto

Director, U.S. Education  
Finance Group

### Nicolás Mariscal

Chairman,  
Grupo Marhnos

### Thomas F. McLarty III

Chairman,  
McLarty Associates

### Carl Meacham

Associate VP for Latin America  
Int'l Advocacy Division, PhRMA

### Carlos Paz-Soldan

Partner,  
DTB Associates, LLP

### Beatrice Rangel

Director,  
AMLA Consulting LLC

### Gustavo Roosen

Chairman of the Board,  
Envases Venezolanos

### Andrés Rozental

President, Rozental &  
Asociados and Senior  
Policy Advisor, Chatham House

### Shelly Shetty

Head, Latin America  
Sovereign Ratings, Fitch Inc.

### Roberto Sifon-Arevalo

Managing Director, Americas  
Sovereign & Public Finance Ratings,  
Standard & Poor's

## FEATURED Q&A

# What Is Behind Ecuador's Latest Anti-Graft Effort?



Ecuadorian President Lenín Moreno has pushed anti-corruption efforts since taking office last May. // File Photo: Ecuadorian Government.

**Q** Since his election last year, Ecuadorian 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?

**A** 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

## TODAY'S NEWS

### POLITICAL

## Mexican Rights Body Blames Security, Marines for 2014 Killings

Mexico's National Human Rights Commission blamed a mayor's paramilitary security team and marines for the 2014 killings of four people, including three siblings from the United States.

Page 2

### ECONOMIC

## Chinese Investment in Brazil Reaches Seven-Year High

Chinese investments in Brazil totaled \$20.9 billion last year, their highest level since 2010, according to Brazil's Planning Ministry.

Page 2

### POLITICAL

## Pope Arrives in Peru Following Visit to Chile

Pope Francis was greeted Thursday by President Pedro Pablo Kuczynski upon his arrival in Peru, where the pontiff will spend four days. The pope plans to meet with indigenous groups in Peru.

Page 2



Kuczynski greeted the pope in Lima. // Photo: Peruvian Government.

## 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.

## 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.

## 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 Pagamen-

## 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 President 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.

tos, Gavea and Madrone did not immediately comment. If the IPO happens this year, Stone Pagamentos would be Brazil's second card processor to list shares in 2018. PagSeguro Internet, which Brazilian media group Universo Online owns, filed last month for an IPO on the New York Stock Exchange and is expected to raise at least \$1.6 billion when the shares price next week and start trading on Jan. 24. Stone Pagamentos currently has 4.5 percent of the payment market in Brazil, which is home to approximately a dozen card processing firms. As of 2015, just 32 percent of Brazilians had a credit card, as compared to about 60 percent in the United States, according to the World Bank.

## 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.

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

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."

**A** **Abelardo Pachano, president of Finanview in Ecuador, former CEO of Produbanco 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."

**A** **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

Continued on page 4



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

are key for this aim: 1) Repeal the constitutional reform that allows indefinite re-election. This would block a further Correa presidential bid; and 2) Dismiss the Citizens' Participation Council, a Correa-controlled body which supervises the courts, electoral authorities and oversight institutions. A 'yes' vote in the referendum would allow Moreno to appoint new council members and through them, change Correista officials. As of yet, Moreno sends mixed signals regarding changes in government. His seems to be a gentler version of correísmo. Moreno just issued an executive order declaring the quest for investment a state policy, and has given the minister of foreign trade, the most pro-business member of his cabinet, a month to come up with comprehensive proposals to change the legal and regulatory framework to render Ecuador more attractive to investment. However, his December economic law discourages investors. Go figure."

**A** **Marc Becker, professor of history at Truman State University:** "Most likely, much more underlies the conflict between Moreno and Correa than what is readily apparent to the general public. Undoubtedly, personal and philosophical factors count for more than ideological divisions. In the absence of concrete evidence to the contrary, it is perhaps best to take competing statements at their face value. Moreno does not intend to roll back Correa's policies so much as to build a much more firm basis

for the advancement of shared concerns for the creation of a more equal and just society. Inevitably, in the midst of these disputes, egos become bruised and tensions arise. Policy decisions inherently result in tradeoffs between competing factors, with

“The clashes only become harmful when they lead to an entrenched divide”

— Marc Becker

these choices unavoidably favoring some interests over others. The resulting conflict is all part of the complicated terrain of politics, and depending on how they are negotiated, those disagreements are not necessarily a liability. The clashes only become harmful when they lead to an entrenched divide, where competing interests retreat into two camps that automatically line up against each other, regardless of the issue at stake. That is the true challenge facing Moreno. He has been adept at reaching out to Correa's opponents, including both to those in the business community and to those in the social movement to the left. But will he be able to mend fences with Correa's supporters, who still represent a sizable portion of the population? Doing so will require a good deal of tact on Moreno's part."

## LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue, Copyright © 2018

**Erik Brand**

Publisher  
[ebrand@thedialogue.org](mailto:ebrand@thedialogue.org)

**Gene Kuleta**

Editor  
[gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org)

**Nicole Wasson**

Reporter, Assistant Editor  
[nwasson@thedialogue.org](mailto:nwasson@thedialogue.org)



**Michael Shifter**, President

**Genaro Arriagada**, Nonresident Senior Fellow

**Sergio Bitar**, Nonresident Senior Fellow

**Joan Caivano**, Director, Special Projects

**Michael Camilleri**, Director, Peter D. Bell Rule of Law Program

**Kevin Casas-Zamora**, Nonresident Senior Fellow

**Ariel Fiszbein**, Director, Education Program

**Alejandro Ganimian**, Nonresident Fellow

**Peter Hakim**, President Emeritus

**Claudio Loser**, Senior Fellow

**Nora Lustig**, Nonresident Senior Fellow

**Margaret Myers**, Director, China and Latin America Program

**Manuel Orozco**, Director, Migration, Remittances & Development

**Jeffrey Puryear**, Senior Fellow

**Tamar Solnik**, Director, Finance & Administration

**Lisa Viscidi**, Director, Energy Program

**Denisse Yanovich**, Director of Development and External Relations

**Latin America Advisor** is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at 1155 15th Street NW, Suite 800 Washington, DC 20005

[www.thedialogue.org](http://www.thedialogue.org)

ISSN 2163-7962

Subscription inquiries are welcomed at [fretrial@thedialogue.org](mailto:fretrial@thedialogue.org)

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the publisher. The analysis is the sole view of each commentator and does not necessarily represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the publisher.

# What's Keeping You Up at Night?

The **Latin America Advisor** gets answers to the questions that informed executives are asking, every business day, so that you can rest easy.

SUBSCRIBE