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## FEATURED Q&A

# Can a New Finance Minister Revive Ecuador's Economy?



María Elsa Viteri was tapped earlier this month as Ecuador's new finance minister. // File Photo: Ecuadorean Government.

**Q** **María Elsa Viteri was tapped as Ecuador's new finance minister on March 6, following the unexpected resignation of Carlos de la Torre. Viteri previously served as Ecuador's finance minister from 2008 to 2010 under then-President Rafael Correa. What does Viteri bring to the job, and how will her approach differ from that of de la Torre? What does Viteri need to do to help revive Ecuador's sluggish rate of growth? How well has President Lenín Moreno been managing Ecuador's economy?**

**A** **Vicente Alborno, dean of business and economics at the at the Universidad de Las Américas in Quito:** "In the last 10 months, President Moreno has produced something close to a revolution in Ecuadorean politics by getting rid of most of Rafael Correa's political legacy. Various close collaborators of Correa are either fugitives or jailed (including his former vice president), and many institutions have been freed from Correa's control. This brilliant management within the political arena is in sharp contrast with the way the economy has been managed, especially with the naming of María Elsa Viteri as finance minister. Economic analysts in Ecuador are still trying to understand the government's motives for naming Viteri the new minister, especially because she does not possess most qualities usually expected in finance ministers. She lacks a deep understanding of the Ecuadorean economy, she does not have an outstanding image in the international financial markets, and she does not generate confidence with local investors. In order to revive the economy, Viteri needs to rebuild investors' confidence by presenting a sensible macroeconomic plan that draws a

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## TODAY'S NEWS

### POLITICAL

## Candidates Officially Launch Campaigns in Mexico

Campaigning officially began today ahead of Mexico's July election, in which voters will select the country's president, as well as legislators, state governors and other public officials.

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### ECONOMIC

## Brazil Sells Rights to 22 Blocks in Oil Auction

BP, Wintershall, ExxonMobil and Royal Dutch Shell were among the companies winning blocks in the auction, which netted more than \$2 billion for Brazil's government.

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### BUSINESS

## Chile's Codelco Posts \$2.89 Billion in Profit for 2017

The world's largest copper miner saw a jump in profits despite higher production costs. CEO Nelson Pizarro said a sharp increase in copper prices last year helped to drive profits.

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Pizarro // File Photo: Codelco.

## POLITICAL NEWS

## Candidates Officially Launch Campaigns Ahead of Mexico Vote

Campaigning officially began today ahead of Mexico's July election, in which voters will select the country's president for a six-year term, as well as all 500 members of the Chamber of Deputies and 128 members of the Senate, El Universal reported. In July, voters will also choose the mayor of Mexico City as well as eight state governors and candidates for other offices. Opinion polls ahead of the July 1 balloting show leftist Andrés Manuel López Obrador of the National Regeneration Movement, or Morena, party as the front-runner. López Obrador has a sizable lead ahead of Ricardo Anaya, the former head of the conservative National Action Party, or PAN, who is now running as the candidate of the left-right "For Mexico in Front" coalition. José Antonio Meade, who is not a member of the ruling Institutional Revolutionary Party but is running as its candidate, is running in third place. Anaya officially launched his campaign just after midnight, telling a cheering crowd of young people that he would fight graft if elected, Reuters reported. "Mexico is going to change," said Anaya. "This corrupt government has its days numbered." Mexico's attorney general's office said it is investigating Anaya on suspicions of money laundering in connection with a real estate deal, The Wall Street Journal reported. Anaya has denied wrongdoing, and his supporters say the investigation is politically motivated. Former First Lady Margarita Zavala, the wife of former President Felipe Calderón, also launched her campaign today in Mexico City. Zavala is running as an independent and is fourth place in the polls. Today's official start of campaigning is expected to be more muted than the big rallies planned for Sunday–Easter, which is charged with symbolism in the predominantly Catholic country, Agence France-Presse reported. [Editor's note: See [Q&A](#) in the Feb. 22 issue of the Advisor on what a López Obrador presidency would mean for Mexico.]

## ECONOMIC NEWS

## Brazilian Gov't Sells Rights to 22 Blocks in Oil Auction

Brazil sold the rights to 22 blocks at a deepwater oil block auction on Thursday, netting more than \$2 billion for the government, O Globo reported. The auction drew large interest from major international oil firms despite slower investments in offshore drilling for oil and gas, which declined from \$335 billion in 2014 to just \$160 billion in 2017, The New York Times reported. BP, Wintershall, ExxonMobil and Royal Dutch Shell were among the winners Thursday. Décio Oddone, director general of the National Petroleum Agency, called the auction a "success," pointing out that "not just American companies but practically all of the major countries in Europe were represented." Investments in offshore blocks have declined over the last few years due to falling oil prices and several high-profile spills. However, oil prices have recovered and Brazil has recently reformed its regulation of the energy sector.

## BUSINESS NEWS

## Chile's Codelco Posts \$2.89 Billion in Profit

Chile's state-run Codelco, the world's largest copper miner, on Thursday posted pre-tax profit of \$2.89 billion for last year, a sixfold increase over 2016. The company saw the jump in profit despite production costs that rose 7.8 percent last year to \$1.36 per pound of copper, Reuters reported. Codelco also announced that it produced 1.73 million metric tons of copper last year, its second-highest annual output on record, despite low grades of ore at the company's aging mines. CEO Nelson Pizarro said a sharp increase last year in the price of copper helped to drive profits. The company is seeking to produce just over 1.7 million metric tons of the metal this year.

## NEWS BRIEFS

## Costa Ricans to Vote Sunday in Presidential Runoff

Costa Ricans head to the polls this Sunday–Easter—to select their next president in the country's runoff election. Carlos Alvarado of the ruling Citizen Action Party and Fabricio Alvarado of the National Restoration Party re in a statistical tie, according to a recent poll, the Associated Press reported. The candidates are not related. Support for Fabricio Alvarado surged ahead of the first round in February after the Inter-American Court of Human Rights said Costa Rica should legalize same-sex marriage, an issue against which the evangelical pastor has campaigned.

## Brazilian Authorities Arrest Four With Links to Temer

Federal police in Brazil on Thursday arrested four people with links to President Michel Temer, O Estado de S.Paulo reported. The arrests were made in the investigation into corruption in concessions at Brazil's largest port, BBC News reported. Temer has denied wrongdoing. Those arrested include former Agriculture Minister Wagner Rossi and José Yunes, a businessman and former advisor to Temer.

## Phone App Denies it Shared Colombians' Data With Cambridge Analytica

A representative of mobile phone app Pig.gi on Thursday denied that the company shared data on its Colombian users with consultancy firm Cambridge Analytica, Reuters reported Thursday. On Wednesday, the Colombian Superintendency of Industry and Commerce blocked the app over possible ties to the British data firm, which is accused of collecting users' data without their consent during elections in several countries. Colombians are set to vote in the country's presidential election on May 27.

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

viable path to recovering fiscal equilibrium and rebuilding the country's competitiveness. Ecuador currently faces a fiscal deficit close to 8 percent of GDP and a shortage of internal demand that has driven inflation to negative levels. Years of overspending by the government and excessive red tape have made the country expensive and discouraged private investment."

**A** **Ramiro Crespo, president of Analytica Securities in Quito:** "The reasons behind Minister de la Torre's departure remain unclear, but apparently President Lenín Moreno wanted a change from someone he saw as 'too academic.' María Elsa Viteri was finance minister during President Rafael Correa's first term and also the minister responsible for managing Ecuador's default in 2008 and subsequent heavily discounted debt buyback in mid-2009. By choosing Viteri, Moreno signals policy continuity from his predecessor, while at the same time shows the strong influence of Gustavo Larrea, Moreno's top informal political advisor, who is close to Viteri. The reshuffle came days before the announcement of a new economic package that allegedly includes labor, fiscal and tax reforms that would help the country improve its fiscal trajectory and address structural economic problems. Viteri postponed its release in response to demands by business chambers and associations seeking to include relevant measures. Hopefully this time will be different as the government, despite holding numerous meetings with the private sector over a six-month period, ignored their main petitions in the misnamed 'economic reactivation law' passed late December 2017. Things could improve, and Viteri's appointment could have strategic value. De la Torre was apparently working on an economic package that was not aggressive enough in spending cuts. Thanks to her left-wing credentials, if tougher measures are to be announced, it would be easier for the government to have Viteri sell the idea that

such package is needed to bring Ecuador's fiscal position back on track and reignite economic growth."

**A** **Francisco Swett, chairman of Pallas Management Corp. and former Ecuadorean minister of finance, member of Congress, and central bank president:** "Mr. Moreno's decision-making processes are baffling, and his actions show he doesn't quite get it in matters of economics and of the predicament in which Ecuador finds itself. He fired Mr. de la Torre after the latter flunked badly in the handling of public finances. The former minister increased the government's debt by \$7.5 billion; at the same time, he underestimated the price of petroleum in the national budget (by some \$15 per barrel, no less), raised taxes and yet managed to come up short of funds, and very badly so. The persona, ideology, and actions of de la Torre are known as he was, in fact, one of the architects of the Correa policies, so his failure in tackling the country's economic ills were only to be expected. As for María Elsa Viteri, she is known for executing a 70 percent unilateral bondholder haircut in 2009 after she was instrumental in declaring those obligations to be null and void. That action meant that Ecuador has the second highest emerging market bond index score in the region (hovering a tad below 600) and must 'overpay' about 5 percent in financial costs to get funding. Ms. Viteri is confronting a thorny issue that she is not quite prepared to handle, as all revenue and income avenues for government support have dried up, and it confronts a cash shortfall of 5 percent of GDP which is untenable. There are dark storm clouds ahead, and Mr. Moreno is getting bad marks on matters of economics, which will have a direct bearing on the political climate."

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

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