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FEATURED Q&A

Is Ecuadorean President Rafael Correa at War With the Media?

Q Ecuadorean journalist Emilio Palacio last week requested asylum in the United States. Palacio, along with the owners of national daily newspaper *El Universo*, faces millions of dollars in fines and prison time for a column that was critical of President Rafael Correa. The case has prompted an outcry from press freedom advocates as well as reproach from the Inter-American Commission on Human Rights, which Ecuador has increasingly criticized. Is Correa 'at war' with the media, as his detractors have alleged, or is his administration merely seeking to reign in libel and a reckless press, as the government suggests? What consequences does the dispute between the government and the media have for Ecuadorean democracy? Is the Inter-American Commission on Human Rights, which has also come under fire from Brazil for being on the wrong side of these issues, at risk of being weakened?

A Nathalie Cely, Ecuador's ambassador to the United States: "Unwilling to admit that their columnist's published allegation accusing President Correa of genocide was malicious and untrue, publishers of *El Universo* and their allies have been working with a Washington PR firm to stir up international concern about press freedom in Ecuador. From the beginning, the president asked only for a retraction and an apology for the false story and then could withdraw the defamation suit that has *El Universo*'s publishers worried. While the ultimate result of the case is still unknown, it's important to note that, to date, no one has been jailed, fined or otherwise punished for what any objective reader would acknowledge was reckless journalism. Can you imagine *The New York Times* or another great newspaper starting a PR campaign outside the country instead of relying on the courts and national opinion? As for the larger issue of press freedom, anyone who pays attention knows that Ecuador's newspapers and TV broadcasts on any day carry

Continued on page 4

Venezuela Supplying Diesel to Syria Despite Sanctions

Despite Western sanctions against Syria, Venezuelan President Hugo Chávez, pictured Thursday with U.S. actor Sean Penn, is supplying diesel to Syria amid its violent crackdowns on civilian protests. See story on page 2.

Photo: Venezuelan Government.

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NEWS BRIEFS

Ecuador's Correa Hints at Pardon for *El Universo* Columnist, Owners

Ecuadorean President Rafael Correa on Thursday hinted that he is considering a pardon for a columnist and the owners the *El Universo* newspaper, who face jail terms and millions of dollars in fines for defamation, the Associated Press reported. The ruling from the country's highest court is not subject to appeal. The columnist, Emilio Palacio, is seeking asylum in the United States, while two of the owners have also fled to Miami and the third is seeking asylum at the Panamanian Embassy in Quito.

Countries Send Aid to Honduras After Deadly Prison Fire

Mexico and Chile are sending forensic efforts to identify the 355 people who died in a Honduran prison fire on Tuesday, while the United States is sending investigators to establish how the blaze was started and France and Spain are offering medical aid for survivors, the Associated Press reported. The fire at the prison in Comayagua has brought to attention to Honduras' underfunded and overcrowded prison system.

Moody's Downgrades Belize's Government Bond Rating

Moody's Investors Service on Thursday downgraded Belize's government bond rating to Caa1 from B3 and said the rating is on review for possible future downgrades. Moody's said there are concerns that Belize may seek to restructure a $547 million bond that is the equivalent to half of the government's debt. Campaign statements ahead of the country's upcoming elections also raise concerns about Belize continuing timely debt service payments, Moody's added.

Political News

Venezuela's Government Supplying Diesel to Syria

The government of Venezuelan President Hugo Chávez is supplying diesel to Syria, possibly flouting Western sanctions against the Middle Eastern country, which has been violently cracking down on civilian protests, Reuters reported today. A shipment of the fuel, which Syria would be able to use for army tanks, was expected to arrive this week at the Syrian port of Banias, the wire service reported, citing shipping data and two traders. The shipment could be worth as much as $50 million. Chávez is a supporter of Syrian President Bashar al-Assad and Iranian President Mahmoud Ahmadinejad, who have been facing Western sanctions, and has defended Arab leaders such as late Libyan leader Muammar Gaddafi. When asked Thursday about whether Venezuela's shipments of diesel to Syria could help the Middle Eastern country's military, Chávez said Venezuela doesn't ask the United States what it does with oil it imports from Venezuela. No one can tell Venezuela what it should do with its oil, he added. "We are free. We are a free country," Chávez said standing alongside his friend, U.S. actor Sean Penn. Syrian security forces have killed nearly 6,000 people in crackdowns against civilian protests and a rebel insurgency that is growing more powerful, according to rights groups.

Economic News

Brazil to Ease Tax on Imported Vehicles for Investing Companies

Brazil's government plans next month to begin rolling back a tax increase that had been charged on imported cars for vehicle manufacturers that are building assembly plants in the South American country, the government's chief industry policy maker told Bloomberg News, the news service reported Thursday. The government had implemented the tax of as much as 30 percent to counter a surge of imported vehicles. "The tax was used as an emergency brake, now we will lower it," Mauro Borges Lemos, head of the Brazilian Industrial Development Agency, told Bloomberg News. "It's an incentive to speed up investments," he added. Automakers that may benefit from the government's decision to roll back the tax include China's **Anhui Jianghuai Automobile Group Co.** and Germany's **BMW**, which have both announced investments in Brazil. The tax was part of the government's effort to aid manufacturers that are hurting because a 35 percent rally in the country's currency since the end of 2008 has lowered the cost of imports, mainly from China. In 2011, car imports rose 30 percent. Later this year, Brazil is also expected to announce a gradual cut to the IPI tax, giving tax breaks for vehicles that have a larger percentage of domestically made parts and that have higher safety and fuel-efficiency standards. "Our technology is below world standards," Lemos told Bloomberg News. "What we want is modernization."

Lemos

File Photo: Global Competitiveness Forum.

Company News

Advance America Shares Leap on Grupo Elektra Takeover

Shares of U.S.-based payday lender **Advance America Cash Advance Centers** soared Thursday after Mexico's **Grupo Elektra** agreed to acquire the company for $655 million, Bloomberg News reported. Advance America shares closed up 33 percent at $10.44 in New York.

To Our Subscribers

The Latin America Advisor *will not be published Monday, Feb. 20 in observance of the Washington's Birthday holiday in the United States. We will resume publication on Tuesday, Feb. 21.*

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Elektra, which Mexican billionaire Ricardo Salinas owns, agreed to pay $10.50 a share for Advance America, Elektra said in a statement. The deal is valued at $780 million including debt. Salinas has said he wants to provide financial services to those at "the bottom of the pyramid," in the United States. In Latin America, Elektra's average loan size is $400 and the lender charges interest so high that customers sometimes pay twice the amount of the original loan. Salinas said in November that the high interest rates are necessary to cover the costs of offering the loans. Elektra's **Banco Azteca** unit must determine borrowers' credit quality and sometimes make personal visits to borrowers to collect on delinquent accounts, Salinas said in November. Advance America, based in Spartanburg, S.C., has 45 days to solicit better offers. Salinas, Mexico's fourth-richest man, has a net worth of $8.2 billion, according to Forbes. He also controls broadcaster **TV Azteca** and mobile-phone provider **Grupo Iusacell**.

Salinas

File Photo: The Paley Center for Media.

Ecuador's Government May Not Sign Contract With Kinross

Ecuador may refuse to sign a contract with Canada's **Kinross** for the company's Fruta del Norte gold project because the company is looking to renegotiate a tentative deal with the government, Energy Minister Wilson Pastor told Reuters on Thursday. President Rafael Correa has wanted to bring in foreign investors in order to mine the country's gold, silver and copper deposits. However, he also wants to maximize revenue from the projects and government talks with Kinross have been long-running. "We think their demands are a bit over the top," Pastor said of the negotiations with Kinross. "There are things that we cannot accept because we cannot break or change the law." Still, Pastor expressed hopes that the two sides can soon reach an agreement. Under the current agreement with the government, Kinross would have to pay about half its income in taxes and royalties. "We are looking for an improved package on both the royalties and the taxes," Kinross' chief executive officer, Tye Burt, told analysts Thursday on a conference call.

> "We are looking for an improved package on both the royalties and the taxes."
>
> ***— Kinross CEO Tye Burt***

Research Alert

Mexico Has Lost $872 Billion From Illicit Flows: Report

Mexico's economy lost $872 billion between 1970 and 2010 in illicit financial outflows, according to a report released Jan. 30 by Washington-based Global Financial Integrity, a program of the Center for International Policy. On average, illicit financial outflows accounted for 5.2 percent of the country's annual GDP over that period.

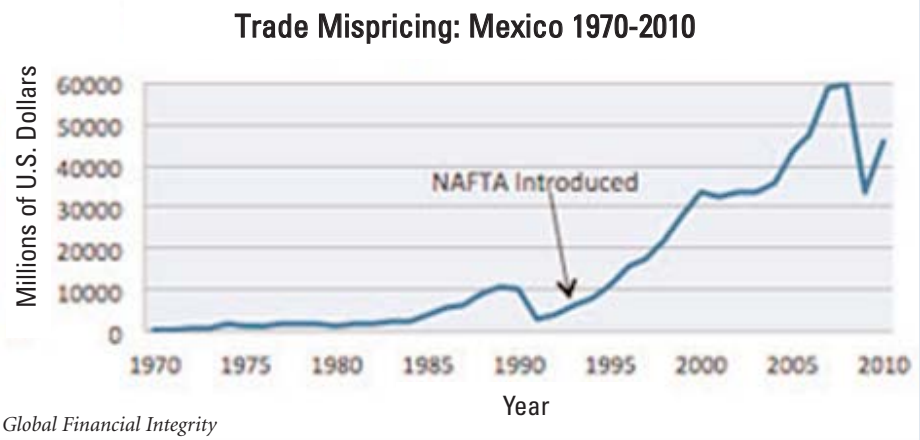
"We consider such outflows from developing countries to be the most damaging economic condition hurting the global poor, while at the same time significantly impacting the national security and foreign policy interests of western nations," said Raymond W. Baker, the advocacy group's director.

The outflows represent cross-border transactions of illegally earned, utilized or transferred money, but the report's authors suggest that the figures are conservative because data related to drug smuggling, human trafficking and some forms of trade mispricing is unavailable.

According to the report, trade mispricing is one of the most common ways for money to flow illegally out of the country, accounting for around 80 percent of illicit outflows in the 1990s and 2000s.

Trade manipulation, over-invoicing imports or under-invoicing exports, rose sharply after NAFTA was introduced, said Baker. In the 24 years prior to the free trade agreement, illicit outflows measured 4.5 percent of GDP. They increased to 6.3 percent of GDP in the following 17 years.

The study recommended a series of policy changes to staunch the illicit outflows, including entering into an automatic exchange of information agreement with the European Union, strengthening the computerized system for detecting trade manipulation and focusing on pursuing macroeconomic stability.



Global Financial Integrity

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Featured Q&A

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vigorous criticism and commentary, sometimes fair and sometimes not, of the government, the president and other public officials. Ecuador has more media choices per capita than the United States. Ecuador supports the work of the Inter-American Commission on Human Rights but joined recently with a majority of our neighbor countries in calling for reforms in the way it operates, which should lead to a stronger, not a weakened, institution."

Carlos Lauría, senior Americas program coordinator for the Committee to Protect Journalists: "The administration of President Rafael Correa is engaged in a broad assault on free expression through criminal and civil defamation suits, smear campaigns against critics, coerced pre-emption of news programming and legal measures aimed at regulating media content and censoring the news. In his five years as president, Correa has turned Ecuador into one of the hemisphere's most restrictive nations for the press, according to research by the Committee to Protect Journalists. The sentence against leading newspaper *El Universo* represents a blow to freedom of expression and a setback for democracy in this country. This shortsighted ruling will only keep Ecuadoran journalists from reporting critically on powerful politicians. The president has put his own reputation ahead of the national interest of ensuring a robust public debate. A series of recommendations promoted by Ecuador aimed at weakening the inter-American human rights system, which were presented in vague and broad language, may seriously restrict the work performed by the office of the OAS Special Rapporteur for Freedom of Expression by preventing it from publishing its own report on freedom of expression in the Americas; tightening the office's funding; and creating a code of conduct to increase states' control."

Michael Shifter, president of the Inter-American Dialogue: "From the perspective of press freedom, it is hard to defend the Ecuadoran government's legal suit against *El Universo* for a column critical of President Rafael Correa, or for Correa's sharp assault leveled against the OAS' Inter-American Commission on Human Rights, and specifically the Special Rapporteur for Freedom of Expression. Correa's intolerance prompted an understandably widespread outcry in editorials in several leading newspapers in the United States and throughout Latin America. To be sure, defamation laws are unfortunately still on the books in a number of countries—but happily these are rarely activated. Further, there is a separate issue that merits serious attention about the concentration of media ownership in several countries in the Americas. And President Correa is correct when he claims that other governments in the region have, albeit for different reasons, criticized the Commission and have sought to curtail its influence (the Brazilian government's objections to the decision on Belo Monte dam have been widely reported). In that respect, Ecuador is not alone. But none of this justifies the Ecuadoran government's unusually fierce and excessive attacks on *El Universo* and journalist Emilio Palacio for simply exercising his right of free speech. Further, though President Correa may not agree with the reports issued by the Commission and the Special Rapporteur, these institutions perform an essential function in the inter-American system and are committed to defending democracy in the hemisphere. This does not mean that they always get everything right, but no other regional body plays this indispensable role. "

The Advisor *welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.*

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