

LATIN AMERICA ADVISOR

A DAILY PUBLICATION OF THE DIALOGUE

www.thedialogue.org

Thursday, January 7, 2021

BOARD OF ADVISORS

Diego Arria
Director, Columbus Group

Devry Boughner Vorwerk
CEO,
DevryBV Sustainable Strategies

Joyce Chang
Global Head of Research,
JPMorgan Chase & Co.

Paula Cifuentes
Director of Economic & Fiscal Affairs,
Latin America & Canada,
Philip Morris International

Marlene Fernández
Corporate Vice President for
Government Relations,
Arcos Dorados (McDonald's)

Peter Hakim
President Emeritus,
Inter-American Dialogue

Donna Hrinak
Senior VP, Corporate Affairs,
Royal Caribbean Group

Jon E. Huenemann
Former Corporate and
Government Senior Executive

James R. Jones
Chairman,
Monarch Global Strategies

Craig A. Kelly
Senior Director, Americas
Int'l 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

Beatrice Rangel
Director,
AMLA Consulting LLC

Jaana Remes
Partner,
McKinsey Global Institute

Ernesto Revilla
Head of Latin American
Economics, Citi

Gustavo Roosen
Chairman of the Board,
Envases Venezolanos

Andrés Rozental
President, Rozental &
Asociados

Shelly Shetty
Managing Director, Sovereigns
Fitch Ratings

FEATURED Q&A

What's at Stake in Ecuador's Presidential Vote?



Among the front runners ahead of Ecuador's Feb. 7 presidential election is Andrés Arauz (center), the handpicked candidate of former President Rafael Correa. // File Photo: Arauz Campaign.

Quadoreans are heading to the polls in February to elect a new president and National Assembly. How are the presidential and legislative races shaping up, and what's at stake in the election? Who are the most important candidates to watch, and what are the main differences in their platforms? What issues are emerging as the most salient for voters?

ADRIELA CHACÓN ARIAS, executive director at Fundación TANDEM and former Quito vice mayor and city council member: "This election is shaping up to be one of the most uncertain ones in the last decades. The weeks leading up to the start of the campaign on Dec. 31 were stained with a controversy between the electoral authorities as to who the candidates were. Only a few days before this date, the National Electoral Council finally decided upon a final list of candidates that excluded banana businessman Álvaro Noboa, the man who created the controversy. Nonetheless, the damage is done. The uncertainty that has been the trademark of this electoral process heightens mistrust in the electoral authorities to carry out a transparent process amid the pandemic and a deep political and economic crisis. As of now, three candidates are leading the polls: Guillermo Lasso, a conservative right-wing businessman, Andrés Arauz, Rafael Correa's handpicked candidate, and Yaku Pérez, the Indigenous and left-wing leader. The pandemic and its economic effects have definitely shaped the candidates' platforms, in which employment, security and safety are the most important issues. But the political and institutional crisis is also part of the discourse, and the divide between those who want Rafael Correa and

Continued on page 3

TODAY'S NEWS

POLITICAL

Latin American Leaders Express Horror at Attack on U.S. Capitol

Latin American political leaders were among those around the world condemning Wednesday's violent attack on the U.S. Capitol by a mob of supporters of U.S. President Donald Trump.

Page 2

ECONOMIC

Mexicans Send Home \$40.6 Bn in Remittances

Mexicans living abroad sent home a record level of remittances last year, the government announced.

Page 3

POLITICAL

European Union Drops Recognition of Guaidó

The European Union has dropped its recognition of Venezuelan opposition leader Juan Guaidó as Venezuela's interim president. The move followed the seating of a new National Assembly controlled by allies of President Nicolás Maduro.

Page 2



Guaidó // File Photo: Facebook page of Juan Guaidó.

POLITICAL NEWS

E.U. Drops Recognition of Venezuela's Guaidó

The European Union is no longer recognizing opposition leader Juan Guaidó as Venezuela's interim president, a blow to Guaidó's weakened campaign to oust President Nicolás Maduro, the Financial Times reported Wednesday. The change in tone came a day after a new National Assembly stacked with Maduro allies took office following a vote in December that was widely denounced as not meeting the basic tenets of free and fair elections and which major opposition parties boycotted. In a statement, the European Union's high representative for foreign affairs, Josep Borrell, said the bloc regretted the installment of the new legislature, saying that the recent vote "failed to comply with the international standards for a credible process." However, Borrell referred to Guaidó as one of "the political and civil society actors striving to bring back democracy to Venezuela," rather than interim president or head of the assembly. Much of Guaidó's clout has been based on strong international support for his claim to the presidency.

Region's Leaders Express Horror at U.S. Capitol Attack

Heads of state and other political leaders in Latin America were among those around the world expressing shock and horror Wednesday after a mob of supporters of U.S. President Donald Trump surrounded and broke their way into the U.S. Capitol in a violent scene that left at least four people dead. One woman was fatally shot in the violence, and the three others who died suffered medical emergencies, CNN reported. The rioters stormed the building in an apparent attempt to stop Congress from certifying the November victory of President-elect Joe Biden, who takes office on Jan.

20. In the episode, rioters broke windows to enter the Capitol, forcing lawmakers to recess for several hours and flee the chambers of the Senate and the House of Representatives before reconvening in the evening and ultimately certifying Biden's victory early this morning. Among the countries reacting to Wednesday's riot was Venezuela, which the Trump administration has slapped with several sanctions in efforts to force President Nicolás Maduro from power. "The government of the Bolivarian Republic of Venezuela expresses its concern with the acts of violence that are taking place in the city of Washington, United States," Venezuelan Foreign Minister Jorge Arreaza said in a statement. "Venezuela condemns the political polarization and spiral of violence that only reflects the profound crisis that the political and social system of the United States is currently experiencing." He added, "With this unfortunate episode, the United States suffers the same as what they have generated in other countries with their aggressive policies. Venezuela hopes that the acts of violence will soon cease and the American people can finally open a new path toward stability and social justice." Venezuelan opposition leader Juan Guaidó, whom the United States recognizes as Venezuela's legitimate interim president, called the assault on the Capitol an attack on democracy. "My thoughts are with the citizens and officials who feel that the roots of their country were attacked," he said. The Organization of American States' General Secretariat on Incidents said it "condemns and repudiates the attack against institutions being carried out today in the United States by protesters who disavow recent electoral results ... The exercise of force and vandalism against the institutions constitutes a serious attack against democratic functioning." U.N. Secretary General António Guterres was "saddened" by the episode, said spokesman Stephane Dujarric, Reuters reported. "In such circumstances, it is important that political leaders impress on their followers the need to refrain from violence, as well as to respect democratic processes and the rule of law." However, Brazilian President Jair Bolsonaro, an ally and admirer of Trump, said, "I followed everything today. You know I'm connected to Trump, right? So you already know my answer." Argentine President Alberto Fernández

NEWS BRIEFS

Critical Care Hospital Units in Peru, Bolivia at Risk of Collapse: Report

Critical care units of major hospitals in Peru and Bolivia are at risk of collapsing as they struggle to keep up with Covid-19 cases following end-of-year holidays, reflecting nationwide concerns about countries' public health capacities, Reuters reported Wednesday. While cases in the region remain below last year's peak, exhausted resources and medical workers, alongside a recent wave of severe cases, are taking a toll on already ailing health care systems across the region, officials say, Reuters reported.

Vale, Minas Gerais State Discussing Compensation Following 2019 Dam Burst

Brazil's Minas Gerais state officials will meet with representatives of mining company Vale today, with the two parties expected to begin talks on compensation for a 2019 dam burst in one of the company's mines in the town of Brumadinho, which left more than 260 people dead and caused serious environmental damage, Reuters reported. Minas Gerais state is seeking to win at least 28 billion reais (\$5.3 billion) in compensation, according to state secretary general Mateus Simões. A court-mediated hearing is scheduled for this month.

Credit Suisse Cuts Ties With Some Wealth Clients in Venezuela

Switzerland-based financial services company Credit Suisse has cut assets it manages for some of Venezuela's wealthy by more than 50 percent over the past several years, to about \$2 billion, Bloomberg News reported Wednesday, citing sources familiar with the matter. The bank's decisions come as it considers the risks of doing business with politically exposed clients in the Andean nation.

dez condemned the violence in a tweet. "We express our condemnation of the serious acts of violence and the affront to Congress that occurred today in Washington, D.C. We trust that there will be a peaceful transition that respects the popular will, and we express our strongest support for President-elect Joe Biden," said Fernández. Trump was widely criticized Wednesday for inciting the violence by telling supporters who had gathered in Washington to "fight" and go to the Capitol. "We will never give up, we will never concede," Trump said, Time reported. "History is going to be made ... We're going to see whether or not we have great and courageous leaders, or whether or not we have leaders that should be ashamed of themselves. If they do the wrong thing, we should never, ever forget that they did." After violence had already erupted, Trump told his supporters in a tweet to "remain peaceful" and "go home." Since Biden's victory in November, Trump has continued to pursue claims of electoral fraud, which several courts have rejected as baseless. In a statement this morning, Trump said he would leave office when Biden is sworn in, CNN reported. "Even though I totally disagree with the outcome of the election, and the facts bear me out, nevertheless there will be an orderly transition on January 20th," he said.

ECONOMIC NEWS

Mexicans Send Home \$40.6 Billion, Setting New Record

Mexicans living abroad sent home \$40.6 billion in remittances last year, a record level, the government announced Wednesday, Bloomberg News reported. President Andrés Manuel López Obrador called the amount of money transfers, which was an 11 percent increase from the previous year, a "heroic" effort. "Last year was an exceptional year," López Obrador told reporters in his regular morning news conference. "Our migrant countrymen acted as heroes, as heroines, the equivalent of doctors and nurses who are saving lives."

FEATURED Q & A / Continued from page 1

his policies back and those who oppose him continues to dominate the electoral scene. Even though the concerns are the same, the main candidates' platforms vary significantly as they represent opposing ideological views. One might think Arauz and Pérez are more similar as they are leftists, but Pérez brings the Andean Indigenous worldview, which marks an important difference."

A **Hernán Reyes, professor at Universidad Andina Simón Bolívar and Universidad Central del Ecuador:** "Since 1979, when

Ecuador was emerging from the military dictatorship and returning to constitutional democracy, the country has not experienced an electoral process so overshadowed by tensions, apparent irregularities, so many presidential candidates and so little citizen interest. Now, 40 years later, and in the face of the presidential and legislative elections on Feb. 7, the electoral scene has revived those old ghosts. Finally, we know there are 16 candidates qualified to compete, though businessman Álvaro Noboa, who was quite well positioned in the polls, has been definitively left out. Add to this that there is an unusual confrontation between the electoral authorities themselves, an issue that is being heard before the ordinary courts of justice. With Covid-19 surely affecting turnout, and a growing political disaffection caused by terrible government management of the last four years, the situation is dramatically more complicated. To make matters worse, although there is an unexpected number of candidates on the presidential ballot, for now, three of the 16 candidates seem to stand out: the 'correísta progressivism,' with Andrés Arauz, a young economist, at its head; the right-wing CREO movement, which for the third time has millionaire banker Guillermo Lasso as its candidate; and Yaku Pérez, who defines himself as an ecologist and 'defender of water,' and who is supported by a segment of the Indigenous movement and sectors of the radical left. To

complete the mess, the private media have done little to make the many candidates' concrete proposals transparent to the public, which is reflected in around 50 percent of voters being undecided. In short, there is enormous uncertainty in the face of the elections, which will define the country's future."



John Polga-Hecimovich, assistant professor of comparative politics at the U.S. Naval Academy and associate researcher at FLACSO-Ecuador:

"Not since Ecuador's return to democracy has there been 16 presidential candidates seeking election. This reflects a fragmentation of the electorate and a party system largely bereft of programmatic proposals and clear ideologies. The only three candidates polling in double-digits are ex-President Rafael Correa's handpicked candidate, Andrés Arauz, two-time presidential runner-up Guillermo Lasso and Indigenous activist Yaku Pérez. Given Ecuador's two-round system for the presidency, with a vote requirement of 50 percent or 40 percent plus 10 percent ahead of the second-place candidate, it seems likely that this contest will move to a second round. The leading contenders represent a wide range of policy visions. Front-runner Arauz has pitched himself as a leftist populist and Correa protégé. He has said his government will not comply with International Monetary Fund (IMF) conditions that were part of a 2020 loan and would instead increase public spending. Meanwhile, the candidate of the right, Lasso, is a social conservative and an advocate of orthodox, free-market economics and would likely cut social spending; his candidacy is the one most boosted by the exclusion of Álvaro Noboa from the ballot. Third, Pérez is an environmental activist who played a prominent role in the October 2019 anti-austerity protests and will likely siphon some left-wing votes from Arauz. Whoever wins will find it difficult to govern. The next administration needs to balance the country's legitimate

Continued on page 4

FEATURED Q&A / Continued from page 3

social and economic grievances with the need for fiscal responsibility. Moreover, the new president must lead the country out of a double-digit economic contraction caused by the Covid-19 pandemic. Unfortunately, despite overdue changes to the electoral system aimed at strengthening parties, the party system will likely remain fragmented, and the president will probably have to legislate without a majority."

A **Ramiro Crespo, president of Analytica Securities in Quito:** "The limited reliable poll data shows that Ecuador's electoral campaign is lackluster and full of uncertainty. It appears certain that the next president won't have a majority in Congress. To some extent, the campaign is the opposite of Bolivia's, with the center-right showing impressive coalescence around Guillermo Lasso, while the hard left is split among several candidates in a field of 16. Lasso pledges a deepening of economic reforms begun by President Lenín Moreno under the duress of reality. His main opponent is Andrés Arauz, a protégé of populist former President Rafael Correa, found guilty of bribery. Arauz is demagogically promising to distribute \$1 billion to voters within a week of taking office and another \$3 billion as an economic stimulus, along with providing free Internet. Besides Arauz, Pachakutik candidate Yaku Pérez, his main rival on the left, is promising an esoteric Indigenous program including universal basic income funded by issuing 'electronic currency.' The economy is front and center in the election, including the lack of jobs. A victory by Lasso would show that Ecuadoreans are willing to continue with reform. If Arauz wins, an Argentine-type crisis would immediately emerge, with dire economic consequences. In this context, a letter sent to the U.S. secretary of state by a group of U.S. legislators, including the distinguished Alexandria Ocasio-Cortez, should be strongly condemned for siding with the baseless questioning of the election by the

Correa-Arauz campaign, while the most likely fraud scenario is in favor of Arauz due to Correísta influence in the electoral council."

Fernando Carrión, professor and researcher in the Department of Political Studies at FLACSO in Ecuador: "Ecuador has started the electoral campaign with a strenuous, unprecedented and not very democratic struggle of power surrounding issues of contempt, malfeasance, electoral obstruction and conflict of powers, between the National Electoral Council, the Electoral Contentious Tribunal, the comptroller general, the attorney general and the Supreme Court. What will follow is also unclear. Two-hundred-eighty-three political organizations, known as 'rental parties' because they are sold to the highest bidder, will participate in the electoral process. This system of representation embodies a paradox between dispersion, due to the excessive number of organizations, and the political polarization between the right (Lasso) and the left (Arauz), according to the polls; all this has led to a high degree of indecision among the electorate a month before the first round on Feb. 7. According to the polls, the two candidates who will go to the second round will have between 20 percent and 25 percent of popular support, which shows polarization and little political legitimacy. Meanwhile, 15 national, 116 provincial and six foreign assembly members will be elected. A highly fragmented National Assembly is the most likely outcome, with no less than 11 to 12 parliamentary blocs, and with none having a majority. Against this backdrop, power struggles are envisioned between a weak executive and a fragmented legislature, an expression of a system of political representation that is typical of a democracy without political parties."

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.

LATIN AMERICA ADVISOR
is published every business day by the
Inter-American Dialogue, Copyright © 2021

Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
gkuleta@thedialogue.org

Anastasia Chacón González
Reporter & Associate Editor
achacon@thedialogue.org



Michael Shifter, President
Rebecca Bill Chavez, Nonresident Senior Fellow
Sergio Bitar, Nonresident Senior Fellow
Joan Caivano, Senior Advisor
Michael Camilleri, Director, Rule of Law Program
Kevin Casas-Zamora, Nonresident Senior Fellow
Héctor Castro Vizcarra, Nonresident Senior Fellow
Julia Dias Leite, Nonresident Senior Fellow
Ariel Fiszbein, Director, Education Program
Peter Hakim, President Emeritus
Nora Lustig, Nonresident Senior Fellow
Margaret Myers, Director, Asia and Latin America Program
Manuel Orozco, Senior Fellow
Xiaoyu Pu, Nonresident Senior Fellow
Jeffrey Puryear, Senior Fellow
Mateo Samper, Nonresident Senior Fellow
Tamar Solnik, Director, Finance & Administration
Lisa Viscidi, Director, Energy Program
Denisse Yanovich, Director of Development, External Relations & Special Projects

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

ISSN 2163-7962

Subscription inquiries are welcomed at ebrand@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.