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FEATURED Q&A

What Will Result From Ecuador's Political Turmoil?



Ecuadorian President Guillermo Lasso, facing impeachment, on Wednesday dissolved the National Assembly in a move allowed by the constitution that also will end his term and require new presidential and legislative elections. // Photo: Ecuadorean Government.

Q **Ecuadorian President Guillermo Lasso on Wednesday triggered a constitutional measure to dissolve the National Assembly and rule by decree until new presidential and legislative elections are held. Lasso invoked the measure as lawmakers were preparing to vote on whether to remove him from office over embezzlement accusations, which he denies. The move marked a moment of heightened political turbulence in a country that has experienced rising violence and skyrocketing homicide rates amid increasingly powerful narco-trafficking groups fighting for territory. What are the implications of the development for the president, and for the country? What types of decrees is Lasso likely to issue? When can elections be expected, and what will come out of them? How will the political instability affect Ecuador's economy and investment in the country?**

A **Eileen Gavin, principal analyst for global markets and the Americas at Verisk Maplecroft:** "Facing likely impeachment at the hands of the radical left-wing opposition allied to former president Rafael Correa (2007-2017), conservative President Guillermo Lasso reached for the 'nuclear option' of dissolving the National Assembly, thereby triggering a snap general election within six months to select a new government and legislature to complete the current term to May 2025. In the run-up, Lasso is authorized to rule using limited decree powers, and in theory he (along with the current crop of assembly deputies) can seek re-election. Following a strong performance for the left-wing Citizen Revolution (RC) party in local elections in Febru-

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TODAY'S NEWS

BUSINESS

Brazil Regulator Rejects Petrobras Drilling License

Brazil's environmental regulator rejected a license for state oil company Petrobras to drill for oil near the mouth of the Amazon River, the agency's president announced Wednesday.

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ECONOMIC

Chile's Congress Approves Higher Taxes for Miners

The lower chamber of Chile's Congress on Wednesday approved a tax increase for mining companies.

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POLITICAL

Authorities Find Nine Migrants of Kidnapped Group of 50

Mexican authorities have found nine migrants of a group of 50 who were kidnapped earlier this week. President Andrés Manuel López Obrador said National Guard troops were conducting a search.

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López Obrador // File Photo: Mexican Government.

POLITICAL NEWS

Mexican Authorities Find Nine Migrants After 50 Kidnapped

Authorities in Mexico have found nine migrants of a group of 50 that was abducted as they traveled in a bus to the U.S. border, ABC News reported Wednesday. The bus left Tapachula, in Chiapas state on Sunday and disappeared on Monday near Matehuala in San Luis Potosí state. The bus was found in Galeana, Nuevo León on Tuesday but without the migrants, who had permission to travel through Mexico, ABC News reported. The owner of the bus company received a call asking for thousands of dollars for each passenger, said the vice president of the National Confederation of Mexican Carriers in San Luis Potosí. In his morning news conference on Wednesday, Mexican President Andrés Manuel López Obrador said National Guard troops were searching for the kidnapped migrants. "They have already found

some," he said, the Associated Press reported. "Originally, we are talking of 50 [kidnapped migrants]. We are on it and we cannot say more for obvious reasons but work is being done," López Obrador added, ABC News reported. The nine migrants who were found had come from Honduras and Venezuela, and it was unclear whether they escaped or were freed, the AP reported. They were discovered wandering in a rural area and asking for help, the AP reported.

BUSINESS NEWS

Brazil Regulator Rejects Petrobras Drilling License

Brazil's environmental regulator rejected a license for state-owned oil company Petrobras to drill for oil near the mouth of the Amazon River, the agency's president, Rodrigo Agostinho, announced Wednesday, the Associated

NEWS BRIEFS

Salvadoran Forces Surround Town After Police Officer's Killing

More than 5,000 soldiers and 500 police officers mobilized around a small town in northern El Salvador after President Nayib Bukele said Wednesday that gang members had killed a member of the national police there, the Associated Press reported. The troops in Nueva Concepción, some 43 miles north of San Salvador, were "in search of those responsible for the homicide and the entire gang structure and collaborators still hiding in that place."

Journalists in Guatemala Facing 'Historic' Threats: Press Freedom Groups

Guatemalan journalists are facing "historic" threats amid government prosecutions, a coalition of press freedom groups said Wednesday, the Associated Press reported. In a statement, Committee to Protect Journalists, Article 19 and Reporters Without Borders said the situation facing journalists in the Central American nation "is extremely worrisome, not just for the rights of journalists to report, but mainly for the public's right to be informed." The statement followed daily newspaper El Periódico's announcement that it was shutting down. Its founder was jailed last year on money laundering charges that he denies.

Chile's SQM Reports 6 Percent Drop in Quarterly Profits

Chile's SQM, the world's second largest lithium producer, on Wednesday reported a drop of 6 percent in its first quarter profits, compared to the same period last year, to a total of nearly \$750 million, Reuters reported. It posted a quarterly revenue of \$1.65 billion for lithium and its derivatives, down from \$2.26 billion during the January-March period in 2022.

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ary, our base case is that Correísmo is now set to return to power, barely two years after it was roundly rejected in 2021. There is no great yearning for the return of disgraced former President Rafael Correa (who is currently self-exiled in Belgium to avoid a corruption sentence). His proxy candidate in 2021, economist Andrés Arauz, runner-up to Lasso, is again the most likely presidential nominee. Local business groups suggest that Arauz is more of a moderate, consensual figure than the highly polarizing Correa—and less likely to adopt Correa's interventionist and dogmatically anti-private sector stance. Nevertheless, the prospect of a new leftist government will set off alarm bells, not only on the part of domestic and foreign companies with assets and investments on the ground, but also external bondholders concerned about the sovereign's still-weak debt position after the last big (\$17.4 billion) restructuring of August 2020."

A **Marc Becker, professor of Latin American history at Truman State University:** "The intent behind the innovative 'muerte cruzada' provision of the 2008 constitution was to resolve problems with legislative deadlock, not to bail out the political fortunes of a deeply unpopular president. After almost two years in power, Lasso has very little to show for his time in office. Theoretically, ruling by decree during the next six months would allow Lasso to force through the right-wing agenda that failed to get him elected in his previous bids for top office, and that he was unable to implement through the legislative process. Doing so would most likely also result in failure and probably lead to him being removed from office through extraconstitutional means before new elections could be convoked. There is little chance that Lasso can be re-elected. The best outcome now would be

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Press reported. The controversial project drew opposition from activists over its damaging potential in the area. Agostinho underscored environmental concerns in the decision to turn down the state-owned oil company's request to drill the FZA-M-59 block. "There is no doubt that Petrobras was offered every opportunity to remedy critical points of its project, but that it still presents worrisome inconsistencies for the safe operation in a new exploratory frontier with high socioenvironmental vulnerability," Agostinho said. The region is home to a biodiverse area, and activists and experts warned against the destructive effects of possible leaks the project could engender. Some 80 civil society organizations, including WWF Brasil and Greenpeace, called for the license to be rejected. Petrobras for years has sought to open up a new exploration front to secure more of Brazil's northern coast, Reuters reported. It views the mouth of the Amazon as the newest and most important frontier for oil exploration in the country. The company earmarked almost half of its five-year, \$6 billion exploration budget for it, the AP reported.

ECONOMIC NEWS

Chilean Lawmakers Approve Increased Taxes for Miners

The lower house of Chile's Congress on Wednesday approved a mining tax reform that will require large producers of copper and lithium to pay higher taxes and royalties to the government, Reuters reported. The measure has already received approval in the Senate and now only requires the signature of President Gabriel Boric to become law. Boric has publicly backed the measure, the wire service reported. The reform was approved on a vote of 101-24 in the lower chamber. "Thanks to a transversal agreement, we approved a project that will allow a better distribution of the wealth that we generate among all of us," Boric said in a tweet. "We advance in decentralization and in the delivery of more resources for all the regions of Chile," he added. Finance Minister

THE DIALOGUE CONTINUES

How Important Is Spain to Petro's Agenda in Colombia?

Q During a state visit to Spain this month, Colombian President Gustavo Petro placed economic investment, migration policy and gathering support for his peace plan high on his agenda. Petro's trip came ahead of Spain's assumption of the European Union's rotating presidency in July and its plans to hold a summit between the bloc and Latin America. What did Petro accomplish during his trip? How important is the European Union to Petro's agenda? How much potential is there for Colombia to strengthen economic ties with Europe?

A Gimena Sánchez-Garzoli, director for the Andes at the Washington Office on Latin America: "Soon after his meeting with President Joe Biden at the White House, President Petro visited Spain. Timed to occur two weeks prior to Spain assuming the presidency of European Union, Petro's visit sought to secure Spanish support for the talks with the ELN and advance migration agreements involving Spain and increase economic investment ahead of the summit with Latin America. In Spain's parliament,

the right-wing Vox party criticized Petro and left the room. Despite this, Petro received a standing ovation after he presented an impassioned speech advocating for unity

“ [Petro] focused on advancing Colombia's environmental, total peace, migration and investment agendas.”

– Gimena Sánchez-Garzoli

against climate change. The visit was strategic, and Petro did not mention the negative impacts of colonialism and the monarchy on Colombia. He focused on advancing Colombia's environmental, total peace, migration and investment agendas.”

EDITOR'S NOTE: The comment above is a continuation of the Q&A published in Wednesday's issue of the Advisor.

Mario Marcel said the higher taxes would help to address past abuses. "With this legislation, we seek to avoid what happened many times with our country's natural riches: they were exploited, they disappeared, which left very little for the country and its future development," Marcel said after the vote, Reuters reported. The reform increases the maximum effective tax rate to 46.5 percent of operating profit for companies that produce more than 80,000 metric tons of fine copper and 45.5 percent for companies that produce between 50,000 and 80,000 metric tons of the metal, MercoPress reported. Companies that produce between 12,000 and 50,000 metric tons will maintain the current tax rate of between 0.4 percent and 4.4

percent, while producers of fewer than 12,000 tons of fine copper will be exempt from the tax. Chile's Sonami mining association expressed relief that the reform ended uncertainty over the tax rates that legislators would ultimately approve. "Uncertainty lasted for almost five years and, without a doubt, hurt the country's main productive activity," the mining association said in a statement, Reuters reported. The association said the final approved legislation was "better" than what the government had originally proposed. It praised Marcel for including revisions that are friendly to the industry. The changes put Chile's mining-sector tax levels just above those of other mining nations, Bloomberg Tax reported.

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that he simply serves in a caretaker role and calls for new elections as soon as possible to usher in a new government that is more attuned to the needs of society at large and more willing to rule on its behalf. Lasso's previous track record casts doubt on his willingness to do so, and that outcome could have more easily been achieved by allowing the impeachment process to run its course. Before yesterday's actions, Lasso was likely to go down in Ecuador's history as one of the country's worst presidents, which is remarkable for a country that has had so many bad ones. Now he is only assuring his position at the bottom of that list."

A **Diego Andrés Almeida, managing partner at Almeida Guzmán Asociados:** "It is too early to know what the outcome of the constitutional measure known as 'muerte cruzada' will be. It remains to be seen whether this strategy will be effective, considering there is no precedent for its use in the history of Ecuador. Even without the National Assembly, the president will have a difficult—if not impossible—task of governing in the next six months. Until the new officials take office, the president can issue laws considered to be of economic urgency without the prior approval of the constitutional court. The president's low popularity is also a cause for concern, considering that regardless of the issuance of this constitutional measure, he may still be illegally overthrown. The president is obliged to notify the National Electoral Council so it can call for elections within seven days. The elections will take place in the next six months. At the time of writing, no candidates have expressed their will to participate in the elections. However, there is a high possibility that candidates associated with Rafael Correa's movement will have a good chance of winning the elections, despite Otto Sonnenholzner's strong chances if he chooses to run. The current

political instability is a cause of concern for investors, who will likely choose to withhold investment until the new elections are held."

A **Alberto Acosta Burneo, editor of the Weekly Analysis in Guayaquil:** "President Guillermo Lasso on Wednesday decreed the 'cross-death' to save himself from an impeachment trial in the National Assembly. Within a seven-day period, early presidential and assembly elections must be called, and within a maximum of six months, the new authorities must assume their functions for the remaining time of the current term (until May 2025). The big question is: who benefits from this decision? Only time will tell, but it is possible to predict that Lasso's low popularity will make it difficult for him to be re-elected. However, some parties and movements will lose the representation they currently have in the National Assembly because of internal problems, division and the lack of ability to rebuild their forces in such a short time. The cross-death allows the president to legislate by decree. However, these decrees require prior approval from the constitutional court and, when the new assembly takes office, they can be annulled. The risk is that a future assembly dearth of a ruling party majority may eliminate a large part of what was approved by decree. The most optimistic scenario is that Lasso, without opposition from the assembly, will be able to carry out profound reforms. However, it is unrealistic to think that in six months Lasso can accomplish what he could not in two years. During this 'special period,' the president will govern without the National Assembly. This does not mean a free pass on any kind of reform. Rather, the filter has now shifted from the assembly to public opinion. The proposed reforms will be discussed and modified in the streets. The risk is that this may even involve the use of violence. Uncertainty is the new norm."

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