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ECUADOR WEEKLY REPORT®

KEY INDICATORS

For the week of Apr 10 – Apr 13, 2017

Legitimacy Gap

While president Rafael Correa and Lenin Moreno, his heir apparent, are moving quickly to impose another four years of leftwing populism on Ecuador, conservative challenger Guillermo Lasso (CREO), with strong support from street protestors, is trying to obtain a recount to keep his drive to become president alive. While his effort faces gallingly unfair institutional hurdles, the staying power of street demonstrators will be important if he can hope to have all votes reviewed by hand in the end. Moreno and Correa meanwhile appear bent on derailing Lasso regardless of the cost, including saddling Moreno with an immense legitimacy problem amid a severely challenging economic environment.

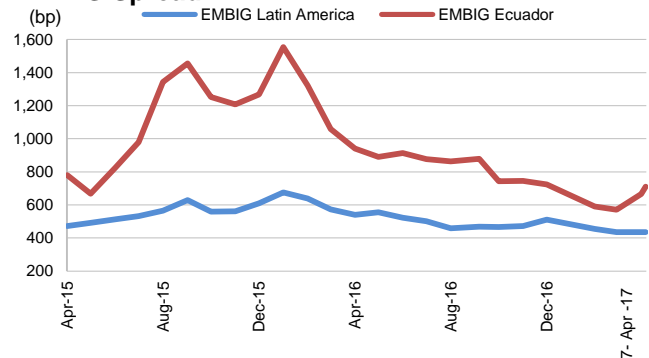
Already, the National Electoral Council (CNE), whose president, Juan Pablo Pozo, has so little sense of political decorum that he on election night thanked the Lord for holding high office as a contemporary of Correa, has rejected the fraud allegations presented by CREO. Nonetheless, Lasso this week formally filed for a complete recount, well aware that the CNE, the first instance, is judge and jury. The complaint names three main problems with the counting of the results: Firstly, the inaccessibility of the CNE web site early in the evening. CREO notes irregularities with ballots totaling 1.1m votes (according to the CNE, Moreno won by approximately 230,000 votes, giving him a majority of 51.15%). These issues consisted in problems with signatures and numerical inconsistencies including votes for Lasso that were counted as votes for Moreno and differences between

Ecuador's Global Bond Prices

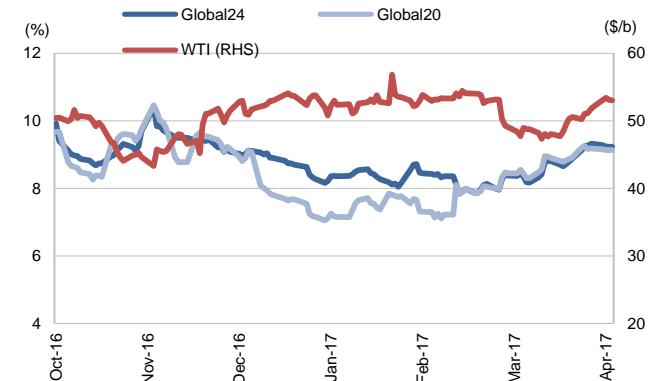
Bond	Last Price (end of the month)						
	13-Apr	Mar	Feb	Jan	Dec	Nov	Oct
Global 2020	105.76	106.65	110.18	109.52	107.89	105.54	106.13
Global 2022	106.27	106.66	111.82	112.25	108.81	104.94	106.11
Global 2024	93.36	94.57	100.41	99.07	95.92	92.15	94.55
Global 2026	100.77	103.92	108.65	105.96	102.50	N/A	N/A

Source: Bloomberg and Analytica

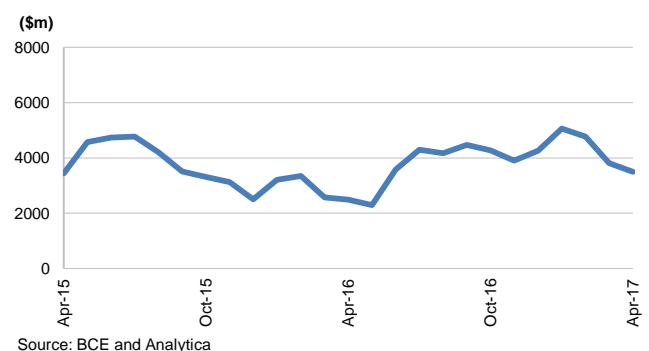
EMBIG Spread



Bond Yields vs. WTI in 2017



International Reserves



the numbers of voters and votes. As we reported last week, in close to 5% of polling stations, Moreno obtained statistically improbable returns of around 80% of votes. CREO also questions the CNE's software, including what the party calls a "fatal error" in that the total vote fails to match the total number of voters overall. "This means that the CNE information technology system does not reject the mistaken data when they are entered by the digitizers," which a proper system would, indicating "that there is no integrity of the information in the database the CNE is charged with" protecting. Additionally, the return from blank ballots was suspiciously low compared with the first round of voting. CREO did not mention this, but pollsters were obliged to hand in their exit polls to the CNE an hour before polls closed, an unprecedented measure. This has raised fears that some individuals at the CNE or in the government wanted those tallies to calculate by how much the data would have to be adjusted to provide Moreno with a win, in the case that he was behind in the contested election.

Ahead of CREO's filing, CNE officials had already dismissed the criticism of the election presented by CREO officials last week. Additionally, Omar Simon, a former CNE president who later became Correa's private secretary, in a television interview ludicrously said a recount of individual votes would take four years, even though Correa himself had demanded a vote-by-vote recount as late as April 5. The Electoral Tribunal, the appeals instance, meanwhile, is led by Lenín Patricio Baca, brother of the newly confirmed prosecutor general, Carlos Baca, a close legal aide of Correa. Some critics, including nominally opposition politicians, have chimed in with the government in demanding Lasso publicly put forward all of the fraud evidence he says he has. This is disingenuous. The observers sent by the Organization of American States quickly validated the elections. The desperation and rage with which Correa has sought to discredit questions regarding the outcome, attempting to present it as a *res iudicata*, should

however immediately raise international alarms (it has already done so domestically from the very night after the election). After his ferine decade in power, with a long track record of corruption, libel, tampering with justice, and political repression, neither he nor Moreno deserve the benefit of the doubt.

Street protests have meanwhile continued. In Quito on April 11, demonstrators re-gathered in front of the CNE headquarters even though the police had broken up the camp where they were staying overnight, reopening the avenue to traffic. As well as increased repression (see below) and Correa's diatribes, Moreno's initial mistakes have helped fuel the resentment in the streets, which, beyond the immediate issue of the recount, is hoping the result will end *correísmo* once and for all. Moreno angrily told a journalist who, as is common in Spanish-speaking Latin America, addressed him by his undergraduate university degree title (*licenciado*, or *licenciante*) he should have been called "president elect," while this formally can only go ahead once all potential appeals of the election have been cleared. In a meeting with the diplomatic corps, Moreno was unable to name the term for Australian hacker Julian Assange's status in Ecuador's London embassy. Not to criticize that he lacked the finesse to explain the difference between diplomatic and political asylum, but he did have to ask former (and perhaps future) foreign minister María Fernanda Espinosa for the word "asylum." Bizarrely, he also quipped that he would name the foreign ambassadors his foreign policy advisors. In a meeting with entrepreneurs in Guayaquil, he said that Ecuador was very different from Venezuela because compared with that country, toilet paper was readily available from (self-employed) street vendors here – hardly proof of a strong economy. He also refuses to acknowledge the true size of Ecuador's debt, while suggesting it could be renegotiated, implying some intellectual dishonesty. Already, his team has admitted that details of the cornucopia of subsidies, particularly a tripling of a

monthly cash transfer to \$150 and highly subsidized and even free housing were subject to a careful technical implementation plan, i.e. a lie. Considering the scale of economic woes he will inherit from Correa, a recount is essential for Moreno to achieve the stability to be able to govern.

The Mask Falls

With less than six weeks to go in his final term as president, Rafael Correa has practically abandoned all pretense of democracy. In particular, he has moved to clamp down on civil society through the kangaroo court at the Superintendencia de Comunicaciones (Supercom), the government media watchdog, and a fantastically hypocritical attack on Cedatos, Ecuador's top pollster, and major broadcasters. In its decision to agree with a partial recount (EWR841), Correa's Alianza País (sic) political movement, which it said was to expose CREO's lies, it outlined what has become a road map to repression. Signed by AP secretary general Doris Soliz, who before correísmo was a leader of the military-populist Sociedad Patriótica led by Lucio Gutiérrez (overthrown in 2005), it said that the recount should "forever isolate those liars and immoral people that the Fatherland does not deserve."

As a prelude of what this isolation means, the statement accused entities that reported exit poll data favoring a Lasso victory of committing "the very grave crime of attacking the public faith." AP would therefore sue pollster CEDATOS and television broadcasters Ecuavisa and Canal1 and other media that "proclaimed a false result." This severe move to impose censorship was followed up by a search of Cedatos, confiscation of computers, and arrests of statisticians of the reliable pollster. It should be noted that Ángel Polibio Córdova, CEDATOS's owner, said that never in the more than 40 years that it has conducted exit polls were the final results so different from the exit poll. Ruth Hidalgo, head of Participación

Ciudadana, an NGO that conducted a quick count that said the results were too close to call (thus supporting the case for a recount), tweeted that she feared they were next. Canal1 fired their news director after Correa blasted him on his Saturday radio and television propaganda show.

After Correa on the same show accused Cedatos, Participación Ciudadana, and Ecuavisa of "a plot," Ecuavisa evening news anchor Alfonso Espinosa de los Monteros "energically reject the verbal aggressions that I have been the object of during all these years. ... Personally, the country knows me. It knows me as a journalist, more than Mr. Correa. I therefore protest against this not at all dignified attitude by a ... that must end now." One must remember that a third of Ecuadorian television and radio broadcasters continue at risk of losing their licenses under a discretionary redistribution scheme. One of these, Quito radio station *Radio Visión*, received a warning from Supercom head Carlos Ochoa as a "severe call to attention" for allegedly "calling citizens to mutiny, disregard legitimate decisions of the authorities, (and) to promote xenophobia." *Visión's* supposed crime had been to open its microphones for citizens to call in to comment on the election.

Additionally, ahead of the vote, a leftwing Argentine newspaper, *Página12*, published a scathing report blasting Guillermo Lasso for overseas holdings, making him appear as some sort of a tax dodger. Much of this is a libelous presentation of public knowledge. Based on a complaint by a nominal NGO, in fact led by a well-known correísta Twitter troll and sometime government employee, Viviana Paredes, Secom is holding its kangaroo-court hearings against seven leading newspapers that didn't republish the *Página12* report. The position of Correa, Soliz, and other AP leaders has been even more fantastically hypocritical in this post-electoral scenario than in past years. Its favored pollsters, Opinión Pública Ecuador and Perfiles de Opinión, have published wildly wrong

surveys in recent elections, facing no more risk than public scorn. Escuela Politécnica Nacional, a respected public technological university, looks to have been pushed to compile a dubious, clearly illegal exit poll by the CNE. It seems clear who the plotters were in this election. Beyond the repression against the organizations we mention here, on March 31, the government submitted a law to regulate NGOs in an effort to do away with remaining freedoms of organized civil society (we will discuss this law in future editions).

For the international community, the issue should also not be seen as *res iudicata* either. In Ecuador, frustration and a sense of abandonment by the Western World is palpable. The non-resident foreign media's cameras and correspondents have left. Editorial scheduling and the weight of the Venezuelan crisis have left foreign readers with the impression that Moreno won with a minimal majority that will make it difficult for him to govern, but libel fears and Ecuador's small weight in world affairs mean that the fraud issue will also find it difficult to work its way into the global non-Spanish language media, aside from a well-received column by Mary Anastasia O'Grady in the *Wall Street Journal*. The quick recognition of Moreno's win by Latin American neighbors has also been received with some dismay by critics of the administration given that, technically, Moreno isn't president-elect until the appeals process is completed. The careful wording by the US, acknowledging the recommendation to dispel doubts about the cleanliness of the election, has been more positively felt.

If, to say it undiplomatically, the international community were to grow a pair, Ecuador could be an interesting test case for an early move to avoid a descent into a Venezuela-type crisis, the most obvious comparison, though not the only one, considering disturbing parallels with the likes of Hungary, Poland, and Turkey and the surge of the unabashedly chavista candidate Jean-Luc Mélenchon

in French polls. Additionally, for Trump-watchers, Latin American countries offer insight into the difficult struggle to escape populism, of course compounded by their weak institutional background. There is a risk of a backlash against heavy diplomatic pressure by maverick governments begging to present themselves as victims of imperialism. But millions of Ecuadorians feel that the international community is blatantly disregarding their basic rights by ignoring the crimes of an authoritarian government as somehow justified by its lip service to social improvement and the country's inherent third-world backwardness. As said above by Espinosa de los Monteros, this must end now. For the OAS, this means that Ecuador deserves to be considered for suspension due to its violations of the Inter-American Democratic Charter.

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