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FROM OUR AUDIENCE

NOTE: The below Report and Commentary is excerpted from the most recent issue of *The National Investor*

ECUADOR PROTESTS, ETC.—CAUSES AND CONSEQUENCES?

1. Hello Chris, Hope all is well for you and the family at large. Any thoughts on the recent state of emergency in Ecuador? (NOTE: see <https://www.theguardian.com/world/2019/oct/03/ecuador-state-of-emergency-fuel-subsidies-protest>.) Cheers as always. . .

2. I just read of some vandalism at the site of a Chinese mining project in Ecuador. Having lost in court, are those against mining going to start resembling Antifa/Democrats down there?



President Lenin Moreno's "selling out" Ecuador back to the I.M.F. (he is at left early this year with outgoing I.M.F. head Christine Lagarde) has galvanized the public's anger. Latest polls show Moreno with a mere 15-20% support among the people.



Correa (left) and Moreno during happier times.

The straw that broke the camel's back for many in Ecuador came last week, when President Moreno's government imposed austerity measures prompted by the International Monetary Fund (in the name of reducing the country's deficit.) **The main bone of contention was the removal of the long-running subsidies for gasoline and diesel.** For a substantial part of Ecuador's population those fuel subsidies were critical to their ability to get around; allowing for below-cost fuel for citizens for their cars, and also rendering bus, taxi and related travel quite affordable (actually, *dirt cheap*.)

Correa. At a time when the country's oil revenues were considerably higher (due to both higher production and higher prices for a while) Correa used those revenues to help the population broadly via the subsidies. Additionally, this better environment enabled Correa to embark on a substantial infrastructure addition/improvement program which—as I have written previously—is reputed to be the best and most modern in all of South America.

Those subsidies came about years ago under the administration of Moreno's predecessor, Rafael

But these days the economy is weaker for various reasons; and Moreno (who was once Correa's vice-president but is now an *arch enemy*) claims it was Correa's graft, debt binge and the like that are the reasons (Correa, for his part, calls Moreno a traitor and blames *him*.) **Whatever the causes, Moreno determined early on that—once he was elected—he had to quickly embrace business and capital, including former banker enemies of Correa's (and, Moreno's voters thought, of him as well.)** In a broad sense, as I have explained, this has been GOOD news for the country's attempts to build its mining industry; and here, the industry generally has got more out of Moreno than it expected. Recently, Moreno made it clear that he wants more private investment to reinvigorate energy also.

While even some past supporters of Correa who are in the business world have been happy with this, the fact of life in Ecuador is that—as past experience shows—the majority of the country's citizens live pretty much hand-to-mouth; and too-aggressive moves towards “capitalism” at their seeming expense will be pushed back on. **Already—as I have also written before—Moreno is increasingly viewed in Ecuador as Bill Clinton was (and is still; and especially his wife) in the U.S.** Thought to be a champion for liberalism and progressivism, Clinton proved instead to be very much an Establishment/Wall Street president. The hatred that *real* progressives have for the Clintons only intensified in the last election season, when the Hildabeast and her minions used dirty tricks to fight off a *true* progressive, Bernie Sanders, for the Democrat Party nomination.

In Ecuador, you can multiply those feelings of betrayal and hatred by about 10 to come up with the core reasons why Moreno's support in the polls is below 20%.

Whatever Correa's real or imagined faults, in his 10 years in office this “socialist” (I have in the past distinguished his approach/policies from the likes of the late Hugo Chavez, Castro, etc.) *generally* presided over BOTH an infrastructure boom/good economic times AND created an ever-wider social safety net. This is not forgotten by Ecuadorians who—if they voted today—would *overwhelmingly* give

him his old job back by most reports. Further, Correa had instilled along the way a proper and deep mistrust over being under the thumb of international lending institutions/the “West.” That Moreno *for whatever reasons* felt it necessary to go back hat-in-hand to Mme. Lagarde and latch back on to the I.M.F. teat probably marked the beginning of the end of his political life, *which has now become even more fragile.*

As I am writing this, Moreno has now been basically chased out of the capital city, Quito. He is now holding forth and trying to keep his government together from the beautiful southwestern port city of Guayaquil (at right, during one televised address to the people, he’s flanked by some Cabinet members and *both* the military and national police force.) On the immediate heels of his fuel subsidy removal and related measures last week, Moreno instituted a 60 day state of emergency for the country. In response—as many of you would no doubt have already seen via various news sources—there have been massive protests, a crackdown on *those*, shutting down of media outlets *not* friendly to Moreno, the jailing of several National Assembly members accused of loyalty to Correa (who, one of Moreno’s story lines goes, has instigated and funded this “coup” in cahoots with Venezuela’s strong man Maduro) and more.



Hopefully, this is *not* the first in what could be a series of politically destabilizing events that keep Ecuador hamstrung for years. Here again, the renewed clamor for a more nationalistic/populist Correa is more attractive when you recall that—though he governed about 10 years with relative prosperity and harmony—the ten year prior to that (before 2007) saw *seven* presidents in 10 years. I can’t imagine *anyone* wants that revolving door and uncertainty back.

Bolstered as he is by the money and political power in Ecuador (and with the added requirement of subservience to the I.M.F.) Moreno probably doesn’t have to worry about a coup *from within*, as the military and national police are in no danger of losing their pay checks. And still, the protesters and *whoever* it is behind them in some ways, need to be careful to not overplay *their* hand either. Among the things Moreno has done right that have earned broad approval is belatedly cracking down on illegal mining and the crime it enabled/funded. As do any people who are peaceful at heart, nobody wants to see this all play out in the streets.

Moreno knows that—though he is vastly outnumbered people-wise, even if all the guys and gals with the guns answer to him—he can’t allow this state to last long without REAL problems. He has made clear that he’d be happy if the U.N. or the Catholic Church (Ecuador is 95% Catholic and the average citizen FAR more devout than in the spiritually decaying “West”) came in as mediators. Many don’t want to wait; leaders in the National Assembly are demanding Moreno resign and that a snap election be held; see <https://www.telesurenglish.net/news/Ecuador-Assembly-Calls-for-Presidents-Removal-Early-Polls-20191003-0022.html>.

It’s too bad (as I see things) that Moreno had to throw away this fuel subsidy *now*, and solidify the opposition to him. His government had already made known that it is leaving O.P.E.C., chiefly so as to be able to *significantly* increase energy production (indeed, according to one account I read recently, the

concessions in play potentially right now for possible oil exploration and production are *double* those for mining.) Now, hobbled by the various protests, current production has been curtailed by (last I read) 160,000 barrels/day.

As he demonstrated back around mid-year by cleaning out that one major “camp” of illegal miners, drug traffickers, kidnappers, etc. in the northern part of Ecuador, Moreno has no fear of cracking down on violent protests, vandalism and crime. That’s good—and necessary. Indeed, though some among the most radical environmentalists and other activists were critical over this, Correa himself once had to send the army in to quell an uprising at one major mining development project.

Aside from those protesters and their enablers, though, **the public supported Correa, because they trusted him.** Now with potential new rounds of such attacks on mining development (a new one at Rio Blanco, as you can read at <https://www.mining.com/arsonists-attack-ecuagoldminings-camp-in-ecuador/>) Moreno is going to have a relatively tougher time. After all, Correa fostered the development and modernization of the mining industry to benefit Ecuador and its people. *For Moreno, the accusation can now be made that he wants to protect it to make interest payments to the I.M.F.*



Rabble-rousing birds of a feather who can't take care of things at home

It remains to be seen whether Moreno can survive this and finish out his term (a year and a half left, I believe.) Needless to say, I have been and will remain in contact with numerous people there.

For the big picture of the mining industry in Ecuador specifically, these

recent protests and Moreno’s state of emergency have nothing to do with mining. As you already know from last month’s action of Ecuador’s Constitutional Court, in fact, it pretty much put an end to efforts by those opposed to regulated, legal mining (such as Yaku Perez, center in the photo at left above) to throw a monkey wrench into this industry’s development. Indeed, except among his most loyal and activist followers, Perez—the elected Prefect of Azuay Province—has come under increasing *scorn* for not only *spectacularly* losing his legal battle against the industry (and bringing anti-miners’ efforts and contributions to naught) but also having no time left to do HIS JOB at home for those who elected him. *That kind of reminds me of a certain New York City mayor who wasted everyone’s time—and neglected things at home—during his recent virtue-signaling and cartoonish presidential run.*

Certainly, it is way too early to divine any meaningful changes that could affect the mining industry generally, and the recent eagerness on the part of foreign mining companies to invest in Ecuador specifically. By and large--having been defeated in court now, and with the public more embracing of the industry—most of what is left to anti-mining groups is vandalism and the like. But by all appearances, Moreno has both the stomach and ability to fight back against those.

Near term, continued bottlenecks in regulation, permit issuance, and some administration issues affecting mining and even specific projects could suffer. Though the big picture and the government’s

support of the industry generally remain BIG positives, there remain many smaller, nagging issues. For instance, the recently-concluded aerial surveys and related work conducted by **Adventus Mining** on its JV'd (with **Salazar Resources**) Curipamba, Pijili and Santiago projects would have been done much sooner were it not that much of the needed equipment remained bottled up in port for several months at one point. It won't surprise me if other things like this bog down for a while.

The BIG risk, of course, is that the backlash against Moreno somehow results *not* in Correa coming back (in my opinion, one of the better potential outcomes) but a REAL “socialist” or Communist gaining power. As we are witnessing with President “AMLO” in Mexico right now where his energy policy/priorities are turning out, such a person in Ecuador *could* cause trouble by—simply as a reaction against Moreno and his banking/capitalist/I.M.F. backers—actually *attacking business* in the name of standing up for the people, etc.



It is sad—but *not surprising*, with the I.M.F. and its like the renewed overlords—that Ecuador may be facing the choice of either 1. Accepting more fully Western-style neoliberalism and its trickle-down economics, where the masses get some crumbs if there are any left or 2. pushing back with the extreme of Communism. As I said earlier, this should make Ecuadorans embrace anew the “third way” regimen Correa stood for, where business and the broad population/living standards DO grow together (for “newbies” who never watched this in times past when I was first touting Ecuador, etc. check out Correa’s interview by Charlie Rose from back in 2014, at

[https://www.youtube.com/watch?v=9vJuejPvgo4&t=98s.\)](https://www.youtube.com/watch?v=9vJuejPvgo4&t=98s.)

As I often say and is especially appropriate with this fluid situation. . .*stay tuned!*

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