

Our View On-The-Ground

REGIONAL MARKET VIEWS

Ecuador's Elections: Crucial Decisions Ahead

Ecuadorians are preparing to vote in a decisive second round on April 13, choosing between two opposing candidates: conservative President Daniel Noboa and left-wing representative Luisa Gonzalez. The first round was a tight race, with Noboa receiving 44.17% of the vote and Gonzalez close behind at 43.97%. The narrow margin highlights the unpredictability of the outcome.

Daniel Noboa is Ecuador's youngest president and the heir to a banana empire. His family business is currently Ecuador's second-largest exporter of bananas. Noboa assumed the presidency in 2023 to complete the term of his predecessor Guillermo Lasso, inheriting a challenging environment marked by a significant rise in violence and an energy crisis.

Luisa Gonzalez, an Ecuadorian lawyer and politician, is recognized for her close ties with former President Rafael Correa and her role as a leader in the Revolución Ciudadana party.

The elected president will inherit a nation facing rising homicide rates and an energy crisis. A severe drought has significantly reduced reservoir water levels, limiting the output of hydroelectric plants that supply the majority of the country's electricity.

Daniel Noboa and Luisa Gonzalez presented distinct proposals and perspectives on key topics, including security, economics, employment, international relations, and environmental concerns.

Security

Noboa has acknowledged that crime rates are still high and intends to continue the policies introduced during his term to enhance national security, which, according to his administration, reduced violent deaths and prison riots by 16%.

These measures include:

- Deploying military forces
- Imposing stricter penalties for drug-related offenses
- Classifying criminal organizations as terrorist groups.

Gonzalez has strongly criticized Noboa's policies, arguing that they fall short in addressing the country's security challenges, especially considering that January of this year was the most violent month on record. In response, she has proposed:

- Large-scale military operations
- Advancements in law enforcement technology
- Increased social investment in violence-stricken areas.

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Energy Crisis

To tackle the ongoing energy crisis, reduce dependence on fossil fuels, and address environmental challenges like pollution and climate change, **Noboa** has proposed increasing financial investments to develop and expand sustainable energy sources:

- Solar
- Wind
- Hydroelectric
- Geothermal power

This approach is expected to indirectly encourage private sector participation by incentivizing investments in infrastructure and advancing research and development in clean energy technologies.

Noboa also intends to enhance energy efficiency by improving storage systems and implementing a more effective management framework. He promised not to raise electricity rates.

Gonzalez emphasizes significant public investment in renewable energy and advocates for state control over Ecuador's hydroelectric infrastructure.

Her proposal involves:

- Upgrading hydroelectric plants.
- Blocking privatization efforts through government-led solar and wind initiatives.
- Promoting the decentralization of energy systems.

Economy and Employment

Noboa International's confidence in Ecuador's economic policies was evident under his term:

- IMF approved a \$4 billion loan over 48 months to support economic reforms and strengthen fiscal stability.
- In April 2024, CAF granted an \$800 million short-term bridge loan to provide immediate liquidity while awaiting IMF funds.
- Ecuador received the first \$1 billion in June, followed by an additional \$500 million disbursement in December, reflecting the

IMF's recognition of Ecuador's progress in implementing economic reforms.

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Gonzalez criticized the IMF agreement and, if elected, plans to renegotiate its terms to reduce the debt burden.

Gonzalez's economic strategy centers on:

- Addressing inequality by improving access to the financial system for low-income groups, small businesses, and rural communities.
- She advocates for strengthening public banks and microfinance institutions
- Aims to provide low-interest loans to small and medium-sized businesses, as well as women-owned enterprises.
- Unlike Noboa, she envisions transitioning Ecuador into a post-petroleum economy by promoting other non-petroleum sectors.

Noboa's economic approach will prioritize:

- Diversifying the economy by focusing on sectors such as tourism.
- Enhancing the country's logistics and transportation infrastructure.
- Offering incentives to businesses and entrepreneurs aimed at creating employment opportunities, particularly for young people and women.
- Increasing petroleum production by 20% and attracting private investment to advance petroleum industrialization within Ecuador.

Both candidates support Ecuador's **dollarization policy** but differ in their approaches.

Noboa proposals include:

- Increasing VAT
- Implementing tax reforms to reduce tax evasion
- Improving public finances

Gonzalez suggests policies to contain currency liquidity:

- Regulate cash flow
- Stabilize reserves
- Prevent capital outflows (leaving the country)

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Foreign Relations

Noboa

- Aims to combat drug trafficking and promote foreign commerce by exploring ways to strengthen ties with the United States, which include:
 - Advocating for the establishment of a U.S. military base in Ecuador
 - Negotiating a free trade agreement.

Gonzalez

- Has received open support from Mexico's current president, Claudia Sheinbaum.
- Following the footsteps of her mentor Rafael Correa, Gonzalez seeks to form alliances with

leftist leaders in the region, such as Lula da Silva of Brazil, Xiomara Castro of Honduras, Gustavo Petro of Colombia, and Gabriel Boric of Chile.

- Formed a strategic alliance with Erik Prince, founder of the military company Blackwater, to combat drug-related terrorism and safeguard maritime territories from illegal activities.
- Wants to revoke petroleum agreements with foreign enterprises, including the Camp Sasha deal, which Noboa granted to a Chinese-Canadian company.

Noboa's Election Outlook:

- Noboa has gained strong support and approval internationally, being viewed as a market-friendly president with strong approval on Wall Street.
- Noboa was among the few international leaders who attended the inauguration ceremony of U.S. President Donald Trump, signaling the potential for a strong relationship between Ecuador and the U.S. if Noboa wins.
- Last year, Noboa's approval rating was over 80% but fell to 53% in late January as voters are signaling discontent with the president due to the country's ongoing security crisis and the 2024's blackouts.
- In June 2024, as part of the IMF agreement, Noboa reduced gasoline subsidies—a policy previous administrations had avoided. This measure contributed to the decline in the president's approval rating.
- In April 2024, the value-added tax was increased from 12% to 15%, another measure that contributed to the decline in his approval rating.

Gonzalez's Election Outlook:

- Gonzalez has faced skepticism from the market, as investors recall the Correa administration's declaration of external debt as illegitimate and the subsequent suspension of \$3.2 billion in payments in 2008.

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- The close competition in the first round has sparked concerns about a potential return of the left to power, leading to an immediate drop in Ecuadorian bond values.
- During this election, Gonzalez has formed several strategic alliances, including one signed on March 30 with indigenous leaders who have expressed their support for her candidacy.
- Correismo's loyal electoral voter base played a key role in Gonzalez's outperformance of Noboa in the coastal regions during the first round.

Regardless of the outcome, Ecuador's incoming leader will face the challenge of tackling economic stagnation, increasing public debt, and a fractured political landscape. The administration will face pressure to rebuild public trust, combat organized crime, and reinforce democratic institutions. It must also promote political unity and secure international partnerships to achieve longer stability. Decisions made in the near future will be crucial to see if Ecuador progresses toward unified governance or remains in internal disharmony.

This opinion article was written on April 9, 2025, by the team of analysts at OTG Asset Management.

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