By Gustavo Abad

It is noon on Feb.12, 2007. Five men chat in perceived privacy in the República Hotel, north of the capital of Quito. One of the men is Ecuador's Minister of the Treasury Ricardo Patiño. He is accompanied by his advisor, Héctor Égüez. Carlos Abadi and Alan Dayan are also present. They represent Abadi & Company, an American firm that renegotiates poor countries' foreign bonds. The fifth man is the former Ecuadorian minister of the Treasury, Armando Rodas, who acts as the link between the current minister and the businessmen.

The seemingly surreptitious meeting and the conversations that ensued remained out of the public purview for three months until Patiño fired one of his advisors, Quinto Pazmiño, whom he suspected of corruption. Patiño did not take into account, however, that his former right-hand man had a video of the meeting with the Abadi & Company representatives, and that he was willing to reveal it to avenge his dismissal.

On May 21, 2007, Teleamazonas, an opposition television station, released the video as if brandishing a trophy of war. The station offered neither proof of the tape's authenticity nor comment from the officials involved until several days later. In addition, the station only aired portions of the 100-minute video that seemed to jeopardize the minister's reputation, without providing viewers with any context for the segments.

In the tape, now known as the "Pativideo," the businessmen advised the minister to incite panic in the international markets by announcing that Ecuador would refuse to pay US$135 million in interest on its 2030 global bonds due on Feb.15, 2007, three days after the meeting. The announcement, explained the Abadi & Company representatives, would allow insurance companies to profit by increasing the value of their contracts with debt holders. The ensuing stock market transactions would translate into US$150 million in savings for Ecuador.

In late January, just a few weeks prior to the taped meeting, the Ecuadorian government had already publicly announced a possible moratorium on foreign debt payments. In the end, however, the government paid its debtors punctually. It remains unknown whether there was a relationship between the decision to pay and the exposed meeting, or if the events were nothing more than a media scandal brought on by the opposition. Aside from a congressional vote of no-confidence in the minister, there were no clear consequences of the meeting.

The “Pativideo” scandal demonstrates how two perverse practices in Ecuador come together: political espionage and media scandal. In the weeks following the video’s release, Ecuadorians tuned in as if they were watching a hit reality TV show: a series of videos and underground recordings of meetings and conversations among ministers, congressmen, judges and businessmen. Television stations celebrated the arrival of each new video and broadcast them without investigations into their veracity or origin.

The political espionage reached its climax on July 9, 2007, when President Rafael Correa brought a lawsuit against 12 congressmen, accusing them of trying to obtain privileges and bureaucratic job posts from the president in exchange for votes to approve the Law of Financial Justice, a government project to control the earnings of Ecuadorian bankers. The president’s proof was an undercover recording of a conversation between the congressmen and a government employee disguised as a police officer.

Tensions between the media and the government began when Rafael Correa assumed the presidency on Jan. 15, 2007. He was elected on a platform that emphasized social equity, national sovereignty and the need for profound political reform. Almost immediately, the traditional media aligned in opposition against the government, saying the president was both divisive and authoritative, influenced by his friendship with Venezuelan President Hugo Chávez.

But the results of an April 2007 national poll, commissioned by the government, delivered a blow to the media’s assertion that Correa had divided the population. The poll surveyed public opinion about the installation of a national assembly that would reform the nation’s legal system and draw up a new constitution. The results of the poll showed that the overwhelming majority of the public—82 percent—was in favor of the government’s proposal.

Contributing to government’s distrust of the media is the press’ perceived connection to Ecuador’s banking industry. The country’s banking system has been linked to corruption since 1999, when former Ecuadorian president Jamil Mahuad, pressured by bankers, decreed a bank holiday and limited bank withdrawals for a year. Although no exact numbers exist, it is estimated that the banks still retain roughly US$6 billion in unreturned funds.

The convergence of the government/media/bank relationship can be seen in other events surrounding the

Law of Financial Justice. On May 18, 2007, Correa sent the law, which aimed to limit the interest private banks could charge (interest rates can reach 70 percent), to Congress. Simultaneously, the Ecuadorian Association of Private Banks (ABPE—Asociación de Banco Privados del Ecuador) launched a media campaign against the law, while the ABPE's president, César Robalino, lobbied members of Congress. On July 18, Congress approved a version of the law that was different from the one proposed by Correa, and the banks' earnings remain untouched.

Since he took office, Correa has highlighted the dangerous connection between the press and the banking industry. However, his practice of generalizing all media outlets has been criticized. A direct confrontation took place on May 10, 2007, when the president filed a lawsuit against the daily La Hora because of two headlines: "Official Vandalism" (March 9, 2007) and "Correa assaulted the Bank Board" (April 16, 2007).

The Ecuadorian Association of Newspaper Editors (AEDEP—Asociación Ecuatoriana de Editores de Periódicos) and the Interamerican Press Society (SIP—Sociedad Interamericana de Prensa) supported the daily. Television viewers and radio listeners, however, sided with the president, according to polls by influential journalists, including Carlos Vera of the television station Ecuavisa, and Paco Velasco of the radio station La Luna.

While secret video tapes and covert tape recording of government officials grab headlines, other seemingly pressing stories receive little coverage. For example, The Commission of Civic Control on Corruption (CCCC—Comisión de Control Cívico de la Corrupción) has been in office for 10 years, but only 10 percent of its cases have resulted in any legal action. Two other corruption-fighting commissions have recently been created as well: the Truth Commission (CV—Comisión de la Verdad), to investigate state crimes during the government of León Febres Cordero (1984-1988); and the Special Commission for the Investigation of the Bank Rescuing (Comisión Especial para la Investigación del Salvataje Bancario).

The government also recently proposed ending oil extraction in Yasuní National Park, located in the Amazon region, in exchange for compensation from the international community. Additionally, Ecuadorian diplomats recently reached a compromise with Colombian officials to end the spraying of dangerous pesticides on coca plantations on the northern border. However, none of this news gets as much media coverage as the "Pativideos" or the president's confrontation with the press.

As of mid-August 2007, private banks still retained all of their privileges and interest rates reached exorbitant levels. In this country, it is only certain that if a person requests a US$20,000 home loan, 10 years later they will have paid US$16,000 in interest. So it is not surprising that in 2006, private banks reported profits of approximately US$250 million, while the poverty index grew to an alarming 70 percent. But this phenomenon does not trigger any scandals in the media.