

A New Citizen's Revolution?

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On last April 2, it seemed as if former Ecuadorian President Rafael Correa's Citizen's Revolution would be a safe bet for at least another four years after Lenin Moreno, the candidate of the leftist government party Alianza PAIS and Correa's former vice-president, won a close runoff election by a margin of only 2.32 percent against the conservative Guillermo Lasso. Correa claimed that the table was now set for the new government to hit the ground running and he promised a smooth transition between him and Moreno.ⁱ However, what has occurred since then has stirred no little controversy, having caused a good deal of political disarray within Alianza PAIS as well as the country as a whole. Moreno's fight against corruption, which already threatens to involve a number of past members government officials, and adopting a contrasting approach to that of Correa's long economic policy of strong fiscal spending has seen him clash with his predecessor as well as with members of his own political party.

Moreno had already had distanced himself from Correa by moving to Geneva for two years after his Vice-Presidency, in order to serve as a Special Envoy on Disability and Accessibility under U.N Secretary-General Ban Ki-moon of the United Nations. Nevertheless, he still maintained political ties to his political party and he was widely expected to succeed Correa as president once his mandate was up.ⁱⁱ Facing a divided country, Moreno started his mandate with a message of unity and dialogue between the different factions of the country. He invited opposing election candidates to several meetings in order to hear their ideas on different matters such as corruption.ⁱⁱⁱ He shuttered a number of ministries, re-established relationships with the indigenous groups of the country and restored a friendlier dialogue with the press.^{iv v vi} Yet, there were also evident signs of disgruntlement between Correa and Moreno. After the aforementioned actions by Moreno, the former president started to publicly speak out against the current regime, labelling it as "disloyal" and "mediocre".^{vii} Matters further escalated as Moreno aimed his criticism at the former president's economic decisions and announced measures to be taken that went against steps that Correa had taken over the previous decade.

An Unsustainable Economy

Moreno was critical of Correa's past decisions of reckless fiscal spending, which he said had pushed the economy's sustainability to the breaking point.^{viii} He pointed out that the country's aggregate total debt had reached almost \$42 billion, which exceeded the limit of 40% of GDP allowed by law. It should be noted that Correa found a way around this limit when in 2016 the Central Bank started denominating the debt in what is known as consolidated debt, which eliminated any obligations that the government may have had with public entities and by that metric the debt is still below the 40% limit at this moment.^{ix} Both ways of measuring debt have been accepted by the IMF and other organizations but the consolidated debt metric was adopted so late in Correa's term that it raises significant questions. Although there is no magic number when it comes to sustainable debt levels, when one looks at other key economic variables, the critical situation Moreno referred to becomes apparent. First, Ecuador ended 2016 with a fiscal deficit of more than 7 percent and from January to June there was heavy public spending of around \$11.6 billion, which accounts for more than 15% for that same period as the year before.^{xi} It would appear that the reason for such spending was that in the first semester, in the months leading up to the election (March-April), the government had embarked on a spending frenzy in order to inaugurate several infrastructure projects they had been developing to further consolidate its public support just before the vote. This was backed by a sudden drop in fiscal spending during the months after the election (May-June) after which they had already secured a victory.^{xii} They got the necessary funding for this immeasurable spending by issuing more debt and accessing international markets, albeit at high interest rates. During the first semester of 2017, the government spent \$1.2 billion in the payment of interest that was 33.9 percent more spending than over that same period in 2016.^{xiii} The country only had access to these high interest rates because of perceived fiscal and external vulnerabilities by investors and that was evidenced by the downgrade of its credit rating by S&P from a B to a B-.^{xiv}

Path to Recovery and Reactivation

In order to face this crisis, Moreno announced a number of measures that further strained relationships within Alianza PAIS. First, he declared his plans to reenergize the real estate sector by revising a capital gains measure that was a landmark for the Correa government that tried to prevent a speculative bubble in real estate prices. The controversial matter of this law was that it sets a 75% tax to be levied on the seller's capital gains if that transaction is to be executed in the short term.^{xv} The law has caused stagnation in one of the economy's most important sectors as we have witnessed a 60 percent fall in trading within the real estate market.^{xvi} He wants to further promote private investment in all the areas of the economy, especially in the infrastructure sector where the government is set to take a secondary role. They will also be trying to further implement digital currency, which was introduced to the economy in recent years, but

the private sector was critical of this because they saw it as a way to issue a parallel currency, which goes against the rules of a dollarized economy.^{xvii} They will now try to work alongside the private financial sector instead of it just being in the hands of the central bank and hopefully this will enhance and optimize its use. He also declared austerity measures that would be installed by the government in an effort to lower the fiscal deficit down to 2 percent by the year 2020.^{xviii} Moreno would try to do so by a reduction of the public labour force and government official salaries, cuts in publicity, vehicles employed by public servants, amongst other actions. It should be noted that the reduction of salaries would not be an ideal step for the public sector going forward as it could discourage high skilled workers to go work in the public sector and that would affect the country as a whole. In the end, his announcements were met with praise by most but it was also highly criticized by some members of his own party including his own vice-president Jorge Glas, causing the already existing internal strife in Alianza PAIS to worsen.

The Worsening Transnational Corruption Scandal

Glas penned an open letter where he criticized the President's economic policy announcements and questioned his commitment to the Alianza PAIS movement.^{xix} He did this when he was already in the national spotlight after he found himself embroiled with accusations of receiving bribes from Odebrecht, tying him to the transnational corruption scandal that has shaken the region. Authorities had recently unmasked a huge network of bribes that was set up by Odebrecht in order to procure infrastructure projects around the region and almost every country in the region has been hit with corruption scandals. In Ecuador alone six former ministers, all from Correa's government are being investigated for their ties with Odebrecht. The letter, coupled with all the accusations against the vice-president led Moreno to strip him of all of his powers in an effort to further marginalize his controversial figure.

Glas has already seen an uncle of his, Ricardo Rivera, charged with illicit association and placed under house arrest after officials found evidence of him receiving money from Odebrecht as he helped them procure government contracts. The investigation in his uncle's case has consequently tied Glas into the scandal, as evidence appears to show a pre-existing arrangement between Glas and Odebrecht officials. First, an audio recording involving the state comptroller Carlos Polit, the state former comptroller, and José Conceição Santos, who was Odebrecht's leading figure in Ecuador from 2010 to 2016, was leaked and in it they appear to discuss a series of payments that Polit himself received. Furthermore, they also discuss how Jorge Glas used to request funds from some of the contracts that Odebrecht had obtained from the government over the years.^{xx} Then, a video surfaced of Rivera himself with Conceição in an apartment, as they appear to set up a payment for Rivera through the use of an offshore company. There is also an incriminating request from Rivera to Conceição for him to give money to Glas's recent campaign, after which they set up a meeting between Glas

and the executive from Odebrecht.^{xxi} On top of that, Ecuadorian law agencies have received information from Brazil as the latter continue to cooperate in the case and amongst that information there are a series of text messages in which Rivera is apparently arraigning another meeting between Glas (referenced as JG in the text messages) and Odebrecht officials.^{xxii} The mounting evidence appears to have reached a point in which authorities could no longer disregard it and on August 21 the country's Attorney General Carlos Baca announced his office had found sufficient evidence to put in a request so the National Court of Justice could set up a hearing. They are accusing Glas of illicit association considering how he could have used his position as Minister of Strategic Sectors between the years 2012 and 2016 during which Odebrecht was awarded contracts for five major infrastructure projects in various hydroelectric, refineries, amongst others totalling \$ 1.36 billion.^{xxiii xxiv}

Glas has defended himself by claiming that his uncle may have used his name in order to gain money but that he never committed any crimes. He maintains he will not resign as he was elected by the people and in the case he would resign, he claims that Moreno should do as well as they were elected together. Correa has backed him up and has taken his side against Moreno and that has caused members of Alianza PAIS to pick sides, further weakening their political postures in the National Assembly where they still hold a majority.

Conclusion

In the end, these two situations serve to point out Moreno's intention of distancing his government from that of his predecessor but it remains to be seen what this eventually means for Alianza PAIS as a political party and the Citizen's Revolution as a whole. Correa has already called for his political movement to stand up to Moreno and in the case that they do not do so he has insinuated that he is willing to remove himself from it and create a new party even though he had earlier claimed he was done with politics.^{xxv} ^{xxvi}Also, despite what appears to be a different economic and political approach, the fact that Moreno is still surrounded by several figures from the previous regime in his government raise questions about the legitimacy of his claims and whether he will uphold them in the long run or if this is just a political stunt to momentarily gain popularity.

Whatever the case may be, it seems to be working for him as recent polls have suggested he maintains a high level of acceptance.^{xxvii} The future of Glas is also of utter importance because in the case he would have to step aside, Correa would lose his guy in the current regime, the one who maintains a similar vision of how the country should be governed. The former president has witnessed the crumbling of his political movement and how his Citizen's Revolution is embarking on a different path to the one he had originally intended when he left power. No one can take away the social and infrastructure work Correa achieved during his time in office but it says something that

Moreno remains so popular right now after embracing a more conciliatory and open approach. For now, it appears as if the country is on a different path. Admittedly the country is still far from healing the divisive wounds it now bears that were being aroused after the long decade under Correa. This could still all be derailed if Moreno does not take decisive actions regarding an economy, which as he has said, is on the brink of collapsing. He has been decisive and unafraid during his first months in power and with the corruption scandal worsening and his critics getting harsher he will need more of the same.

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