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## Ecuador's Unexpected Transition

CATHERINE M. CONAGHAN

When Rafael Correa became Ecuador's president in 2007, he joined the populist cohort leading Latin America's bold “Left Turn.” Like his Andean counterparts—Venezuela's Hugo Chávez and Bolivia's Evo Morales—Correa came to power as a political outsider and fierce critic of neoliberal economics, which he blamed for enriching Ecuadorian elites and impoverishing the masses. Promising a “Citizens' Revolution,” Correa pledged to fight corruption, redistribute wealth, and restore national pride.

Correa's meteoric rise to power came at a time of political and economic crises. Ecuadorians were fed up with traditional politicians and their parties; they had taken to the streets to force the removal of three presidents between 1997 and 2005. Launching his presidential bid at the age of 43, Correa was the newcomer that voters sought. Proud of his PhD in economics and his brief stint as economy minister in 2005, Correa was outspoken, energetic, and unrelenting in his criticism of the political class. With his anti-elite stance and leftist credentials, Correa easily won the 2006 runoff election against billionaire Álvaro Noboa.

For the next decade, Correa delivered on his vows to shake up a stale political system, though he did so in ways that many Ecuadorians eventually came to reject. A new 2008 constitution, written by a constituent assembly controlled by Correa's Country Alliance (AP) party, enshrined an impressive package of rights for long-marginalized groups—women, indigenous peoples, children, the disabled, and even “Mother Earth” (*Pachamama* in the native Kichwa language) were granted special protections. Yet the progressive rights agenda ran up against constitutional provisions that heavily concentrated power in the executive

branch. Correa, not the citizens, would decide how the revolution translated into public policies.

With prices as high as \$100 per barrel for the country's petroleum exports, windfall profits provided the resources to underwrite a classic populist economic model. Government spending propelled massive infrastructure projects, from highways to hydroelectric plants. Expanded social assistance, consumer subsidies, and public-sector hiring improved living standards. According to the World Bank, the percentage of Ecuadorians living in poverty fell from 37.6 percent in 2006 to 22.5 percent by 2014. The ranks of the middle class grew to more than a third of the population.

Prosperity, however, was accompanied by authoritarianism. Buoyed by the economic good times, Correa was reelected twice and used his presidential bully pulpit and enhanced powers to lash out against those who challenged his brand of revolution. Environmentalists, indigenous activists, journalists, and human rights defenders took the brunt of verbal and legal attacks. The government's harassment assumed various forms: defamation lawsuits, fines, and criminal prosecutions. By 2013, the deterioration in civil liberties prompted the US monitoring group Freedom House to place Ecuador's media in its “not free” category, alongside those of Cuba and Venezuela. In the absence of any effective oversight by the press or civil society, officials took advantage of opportunities to demand kickbacks on government contracts. Correa's successor, Lenín Moreno, later denounced the “galloping corruption” of that era.

Following a trajectory reminiscent of previous populist episodes in Latin America, the wind went out of the Ecuadorian experiment's sails by late 2015. Collapsing oil prices on international markets depleted government coffers and put the brakes on economic growth. As the magnitude of the decline became clear, street protests multiplied; the president's approval ratings nosedived.

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Unwilling to risk a personal defeat, Correa decided against seeking a fourth term immediately in 2017. Instead, he and AP settled on finding a placeholder president: a loyalist who could ride out the storm, assume the political costs of managing an unavoidable austerity program, and keep political power in their hands in anticipation of Correa's return in 2021.

Moreno, the low-key and likable former vice president, seemed to fit the bill. The placeholder plan, however, went awry almost immediately after Moreno eked out a victory in the April 2017 runoff election. Rather than take marching orders from the outgoing president, Moreno distanced his government from the authoritarianism and corruption of the Correa era. Moving quickly and with unanticipated acumen, Moreno set a course to remove Correa's remaining influence in government institutions and in AP. As Ecuadorian analysts observed, "decorreaification" became the number-one goal.

Ecuador's current trajectory dramatically diverges from that of its Andean neighbors where Left Turn leaders remain in power. In Venezuela and Bolivia, incumbent presidents are pursuing controversial reelection bids, virulently resisting domestic and international pressure to change course. In contrast, Moreno has signaled that Ecuador is ready to replace heady talk of revolution with a pragmatic turn to moderation.

## ENTER MORENO

Ecuadorians knew Moreno from his 2007–13 tenure as Correa's vice president. Confined to a wheelchair since he was shot in an attempted robbery in 1998, Moreno had been a businessman and authored books promoting humor as a therapeutic tool. As vice president, affable and soft-spoken, he made for a contrast to his younger boss, who thrived on bombast and confrontation. Moreno oversaw a new social assistance program for the disabled and sometimes served as the administration's "back channel" to the business community. Avoiding the administration's mounting conflicts, he departed in 2013 for a stint as a United Nations special envoy on disability, based in Switzerland.

As the plan for Correa's 2017 reelection bid ran aground, tensions inside the ruling party rose to the surface. While AP enjoyed support from the left, social movements, and middle-class reform-

ists in its early years, the coalition steadily eroded as Correa plowed ahead with policies that promoted extractive industries and clamped down on dissidents.

By 2016, the party was little more than a hodgepodge of self-interested cliques held together mostly by their desire to stay in power and by personal ties to Correa. Any chance for another AP election victory hinged on keeping all factions on board in support of a ticket that for the first time would not be headed by the party's charismatic leader.

AP settled on a formula combining change and continuity; it offered voters a friendly face and kept the peace among party insiders who feared a leadership upheaval. Easygoing and unscathed by controversy, Moreno emerged as a logical choice for the top of the ticket. The vice president since 2013, Jorge Glas, was nominated to continue in that post. As a boyhood friend of Correa and the lead negotiator in government dealings with business investors, Glas was viewed as a guarantor: he

would ensure that AP's top officials were exempt from scrutiny and that the Moreno administration would prepare the way for Correa's return in 2021.

Moreno's electoral victory was hard-fought and controversial. Flouting election laws, the

government poured money and personnel into the campaign. Moreno topped the field of eight candidates in the February 2017 first round, but his 39 percent of the vote fell short of the threshold to avoid a runoff. In April, Moreno faced off against the center-right candidate, Guillermo Lasso. A noted Guayaquil banker, Lasso had founded the Creating Opportunities Party for his first failed presidential run in 2013.

Contrary to exit polls and a sampling of polling stations that gave Lasso a slight edge early on election night, the official results declared Moreno the winner. Lasso demanded a recount and questioned the integrity of the government-controlled National Electoral Council. Not surprisingly, the recount reaffirmed Moreno's winning margin, with 51 percent of the vote to Lasso's 49 percent.

With half of the country doubting the legitimacy of his victory, Moreno used his May inaugural address to signal a departure from the confrontational style of his predecessor. As Correa looked on from the gallery of the National Assembly, Moreno called for mutual respect, dialogue with

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*Correa accused his successor of leading a witch hunt.*

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political opponents, and a “fresh, fluid” relationship with the press. Embodying the change in style, Moreno announced an end to the hours-long Saturday morning broadcasts that Correa used to browbeat opponents and celebrate his accomplishments.

For a public weary of belligerent rhetoric, the speech was refreshing. Nonetheless, skeptics wondered whether Moreno was committed to and capable of delivering on democratic reforms. With Glas at his side, Moreno was surrounded by Correa loyalists in the cabinet as well the AP's National Assembly majority. Firing off tweets and opining regularly in media appearances, Correa made it clear that he was prepared to keep up the pressure on Moreno, even after he took up residence in Belgium with his European-born wife.

### INCONVENIENT TRUTHS

To make the presidency his own and marginalize his predecessor, Moreno needed to establish credibility with the public and build an independent base of political support. Seeking to make a compelling case for change, he began by delivering unwelcome news about what the Citizens' Revolution had left behind.

In the weeks leading up to Moreno's inauguration, Correa insisted that he had left “the table set” for the incoming government, conveying confidence that the economic downturn had been managed effectively. By implication, Moreno would be fully responsible for whatever economic difficulties lay ahead. But Moreno quickly disputed Correa's rosy assessment of the public finances. “There's no table set and that's the pure, clear truth,” he declared just six weeks into his presidency.

Even as prices for Ecuadorian petroleum tumbled to under \$40 per barrel in 2015, Correa had steadfastly refused to trim public expenditures, which accounted for as much as 40 percent of the country's gross domestic product. Instead, he compensated by adding to Ecuador's already substantial debt while his economic team deployed accounting methods that minimized the red ink. Internal lenders like the Social Security Institute and the Central Bank were tapped along with external creditors that included Chinese banks and international bondholders.

In a nationally televised address on July 28, Moreno warned that the government faced a “critical situation.” He outlined the looming problems: an \$8 billion annual deficit including interest payments, a record aggregate debt of \$42 billion, and

billions more in repayment obligations to public entities. The country would finish 2017 with an anemic annual growth rate of 0.7 percent.

Adding to the spate of bad economic news, Moreno openly acknowledged the waste, fraud, and incompetence uncovered in the huge construction projects of the previous administration. In August, the government-owned oil refinery in Esmeraldas was temporarily shut down when major structural problems were uncovered after its \$2 billion renovation by the Correa administration. Esmeraldas served as a painful reminder of another Correa flop: more than \$1 billion spent on the proposed but never built Pacific Refinery project. Investigations into Yachay Tech University, which was intended to realize Correa's dream of creating a new Silicon Valley in the Andes, revealed more profligate spending. After an August visit to the campus in the northern province of Imbabura, Moreno confirmed that the school was an overblown mess, plagued by poor construction and inflated spending on buildings and administrative salaries.

Cultivating his image as a technocrat, Correa had spent a decade vowing to turn Ecuador into a South American “jaguar” with an economy akin to Asian “tiger” economies like Hong Kong, Singapore, and South Korea. The promised transformation never got off the ground. Even as Correa directed planners to jumpstart import-substitution industries and seed high-tech ventures, the economy remained stubbornly traditional, dependent primarily on revenues from petroleum and mining along with traditional agricultural exports like bananas and shrimp. Instead of an economic miracle, Moreno inherited a bloated public administration and an extraction-based economy in the doldrums. Making matters worse was the growing realization that a significant portion of the country's resources had found its way into the pockets of public servants.

### UNCLEAN HANDS

Campaigning as an anticorruption crusader in 2006, Correa had pledged a “clean hands” government and stringent law enforcement. In practice, however, transparency and accountability took a back seat. With executive control over key oversight agencies, a legislative majority unwilling to investigate fellow party members, and restrictive regulations on media coverage, Correa had the tools to quash accusations of corruption. He regarded any accusation of wrongdoing as an unac-

ceptable political attack, aimed at damaging his reputation and belittling his policy achievements.

Official denial and obfuscation became more difficult in April 2016, when the publication of leaked documents known as the Panama Papers drew attention to the offshore tax evasion practices of global elites. Local reporters worked with the International Consortium of Investigative Journalists to trace the Ecuadorian ramifications of money-laundering operations directed by the Panamanian law firm Mossack Fonseca. The trail led to two former managers of the state-owned oil company, PetroEcuador, and a former cabinet minister. All three men were tied to offshore companies that siphoned millions of dollars from government projects. In the face of overwhelming evidence, Correa conceded that a few of his appointees had “succumbed to temptation” but denied that corruption went any deeper in his government.

As the 2017 election campaign neared, another explosive revelation undermined Correa’s “clean hands” mantra. In December 2016, the US Justice Department announced findings in its investigation of the giant Brazilian construction firm Odebrecht SA. Building on Brazilian cases, the US investigation confirmed that the company had been involved in widespread bribery schemes throughout Latin America. According to the report, Odebrecht had spent \$33 million on bribes in Ecuador from 2007 through 2012.

Correa dismissed the report as a political smear aimed at influencing the election, and sidelined investigations into the matter. But further testimony from Odebrecht executives in Brazil made the scandal impossible to ignore. The first arrest came in late April, after the election, when Odebrecht’s lawyer revealed that Correa’s former electricity minister, Alecksey Mosquera, had taken a million-dollar bribe linked to a hydroelectric project. Correa said Mosquera had probably filed inaccurate income tax and business records but rejected any suggestion that the errant official was emblematic of the way his government did business.

In the months following Moreno’s inauguration, denial gave way to accountability as the list of high-ranking public officials and businessmen charged in the Odebrecht scandal steadily grew. Among those swept up in the indictments was Carlos Polit, the sitting comptroller general. He had served in that position, responsible for auditing government spending, since 2007.

After years of rumors about corrupt deals involving the vice president, the Odebrecht scan-

dal put the spotlight on Jorge Glas for his role in overseeing infrastructure projects. In June 2017, his uncle, Ramón Rivera, was arrested for accepting \$13 million in payments from Odebrecht. As evidence mounted that Rivera had acted as Glas’s intermediary, Moreno moved decisively, signing an executive order in August that stripped the vice president of his official duties. Leaked emails between Glas and Rivera undermined Glas’s assertions that his interactions with his uncle were strictly social. In September, a former Odebrecht executive testified that Glas had received \$14 million in payments from the company, using Rivera as a go-between. On October 2, Glas was charged with criminal conspiracy and ordered held in a Quito jail pending trial.

### SHIFTING CALCULATIONS

Correa reacted angrily to Moreno’s allegations that his administration had been incompetent and corrupt. Labeling Moreno as “mediocre” and “a traitor,” Correa accused his successor of leading a witch hunt aimed at keeping him out of the 2021 presidential race. Moreno responded in kind, likening Correa to the power-crazed, self-serving creature Gollum from *The Lord of the Rings*. The discovery of a hidden camera inside the president’s office added to the drama; Moreno accused Correa of secretly watching government meetings from his residence in Belgium.

The explosive conflict between the two leaders bred confusion and division inside AP. When the Glas investigation accelerated in late August, two high-ranking AP advisers and one cabinet member resigned to protest the corruption allegations. Nonetheless, the AP-controlled legislature gave in to public pressure and authorized the criminal prosecution of the vice president.

By September, the Cedatos public opinion poll registered Moreno’s job approval rating at 77 percent, surpassing Correa’s top rating of 68 percent in his first year in office. Hesitant to break openly with their own popular president, yet fearing Correa’s Twitter-borne wrath, AP legislators and operatives dodged the fray at first. In a move clearly meant to co-opt AP members aligned with Correa, Moreno appointed María Alejandra Vicuña, the minister of urban development and housing, as interim vice president after Glas’ arrest. Previously known as a tireless defender of Correa, Vicuña embodied the shifting political calculations inside AP.

Eroding AP loyalty to Correa was one part of Moreno’s political strategy; building a broader co-

alition outside the party was another. As part of a “National Dialogue,” interest groups that had been excluded, and even demonized, by the previous administration now found a seat at the policy-making table. The Confederation of Indigenous Nationalities of Ecuador met with Moreno and cabinet ministers to discuss territorial governance, water management, local transportation, and mining. The Consultative Taxation and Productivity Council brought together business groups to advise the administration on how to revise economic policy.

Emphasizing openness, Moreno met with reporters, editors, and owners of media companies. In an event unimaginable during the previous administration, anticorruption protest groups were given free rein to rally in Quito’s main plaza, directly in front of the presidential palace.

### LOADED QUESTIONS

Moreno unveiled the linchpin of his plan to erase Correa from the political landscape on October 2, announcing a national referendum on political reforms. After inviting citizens’ groups to provide input on what issues should be put before the voters, Moreno proposed a ballot posing seven “yes or no” questions.

Three questions took direct aim at Correa and his influence over the executive branch of government. One of these offered voters the opportunity to overturn the hastily devised 2015 constitutional amendment that would allow Correa to run for the presidency again in 2021 with no term limits on subsequent reelection. Another ballot question gave voters the option to endorse a lifetime ban from political office for anyone convicted of corruption.

A third question proposed the restructuring of one of the most controversial bureaucracies created during the Correa administration, the Council on Citizen Participation and Social Control (CPCCS). In theory, the CPCCS was supposed to function as an autonomous entity charged with selecting personnel for top posts in the most powerful government bodies—such as the attorney general, comptroller, regulatory superintendents, human rights ombudsman, and members of the Judicial Council and the National Electoral Council. In practice, it operated as a vehicle for ensuring Correa’s control over appointments. The proposed reform would allow Moreno to appoint new CPCCS members

to undertake a review of all previously appointed public officials. In effect, this would set the stage for removing Correa’s allies from strategic posts across the public sector.

The referendum proposal delivered the final, decisive blow to AP party unity. Correa returned from Belgium in late November, hoping to rally the party and stop the referendum. But his efforts fell flat in the rapidly changing political environment. Recognizing Moreno’s personal popularity and the public’s growing support for the referendum, two-thirds of AP legislators in the National Assembly endorsed the plan. The dwindling pro-Correa faction mounted legal challenges to block the process. When the Constitutional Court delayed its ruling, Moreno invoked decree powers to mandate that the referendum be held on February 4, 2018.

By December, the once-dominant AP was in tatters, with legal disputes pending in the electoral court over which officials were entitled to run the party. Presiding over a convention of

1,500 loyalists in Esmeraldas province, Correa railed against Moreno’s “absolutism.” Meanwhile, Moreno welcomed the swelling number of groups openly declaring support for all the proposed reforms. The

heterogeneous “yes” coalition included unions, civic groups, indigenous organizations, and parties from across the political spectrum.

### TEMPTATIONS OF POWER

Whatever the outcome of the referendum, Moreno has been astonishingly effective in executing a strategy that marginalized Correa. Once regarded as the Machiavellian genius of Ecuadorian politics, Correa ran up against a new reality after he relinquished the presidency. As Moreno’s popularity rose, Correa could no longer exercise unilateral control over his party or state bureaucrats in the manner to which he had grown accustomed. His celebrated charisma faded quickly as other political actors scrambled to reposition themselves in a landscape reshaped by the shrewd new president. The failed effort to block the referendum with legal maneuvers was proof positive of the seismic shift in institutional power away from Correa.

As Moreno leads Ecuador into the post-Correa era, important questions loom about where the country is headed. In the political realm, Moreno

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faces decisions on how far he is willing to go in championing genuine democratization. Displacing Correa is just a first step in that direction. Whether Moreno is committed to dismantling the vast constitutional and legal edifice that allowed Correa to concentrate power in the presidency and govern without oversight remains to be seen.

On the positive side, Moreno signed an executive order overturning elaborate regulations for civil society organizations. The Correa government had wielded the regulations to intimidate groups, shutting down the environmentalist Pachamama Foundation and the National Teachers' Union. Moreno has also called on the National Assembly to overturn draconian provisions in the Law of Communications regulating the press. Nonetheless, Moreno has been steadfast in defending the merits of the 2008 constitution, which laid the foundations for a vast expansion of presidential powers. Critics warn that in the absence of serious constitutional reform, Moreno could easily slide into the same unrestrained use of executive power that characterized the Correa era.

Moreno's commitment to rooting out corruption will also be tested in the year ahead. The December 2017 conviction of Glas in the Odebrecht scandal is likely the first in an avalanche of corruption cases. After Glas's conviction, Correa said, "They're coming for me." Yet Moreno's anticorruption campaign may be tempered by how it affects his many political allies who served in the previous government. In an audiotape leaked in December, former Moreno adviser Eduardo Mangas suggested that the president's own anticorruption commission was a diversionary tactic aimed at containing the damage rather than promoting robust investigations.

Moreno has used the referendum to build public support for what will be the most daunting challenge of his presidency: reviving a flagging economy drowning in debt. Ecuador's debt now accounts for 55 percent of the country's GDP; servicing the debt consumes close to half of the government budget.

So far, Moreno has shown little appetite for bold economic reforms. This hesitation is partly due to his strategy of first consolidating political power with the referendum. Keeping the president's approval rating buoyant and protesters off the streets, rather than cutting public sector jobs

and popular programs, is the top priority. Like the previous administration, the Moreno government has continued to pile up more debt. Relying on economic technocrats who served under Correa, Moreno has yet to signal any intent to depart from his predecessor's state-centric economic model, which favors import-substitution industries over promoting diversified exports and improving competitiveness in international markets. Despite the ballyhooed consultations with the private sector, business groups have voiced growing frustration with the government's unwillingness to move on tax relief, deficit reduction, and deregulation.

Moreno will have to juggle business demands alongside those emanating from the grassroots. Elected on a promise to provide cradle-to-grave assistance for the neediest in Ecuadorian society with his *Toda Una Vida* program, Moreno would pay a high political cost if he backed away from increasing social spending. Confirming his commitment to fighting poverty in December, Moreno announced incremental increases to targeted social assistance payments, boosting family income from \$50 to as much as \$150 per month.

In a deft move to shore up support from below, Moreno included two referendum propositions popular with environmentalists, indigenous groups, and the left. One would limit petroleum mining in the Yasuni National Park and the other would allow for bans on mining in other vulnerable and protected areas.

## CAUTIONARY TALE

Originally expected to act as caretaker president, Moreno flipped the script and put his own stamp on the regime. Political change, rather than continuity, marked the first year of his presidency. Still unknown are the long-term consequences of Ecuador's unexpected transition: whether Moreno's decorreafication will prove to be a lasting achievement and set the stage for full-bodied democratization, or whether it might trigger renewed conflict and instability. Stinging from his recent defeats, Correa is down but not out of the fight with Moreno. The former president will be looking for ways to weaken or destabilize his successor's government, especially if economic adjustment policies trigger popular unrest.

Elsewhere in the Andes, political change is not yet on the agenda. In Venezuela, President Nico-

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*Moreno signaled a departure from the confrontational style of his predecessor.*

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lás Maduro—who succeeded Hugo Chávez after his death in 2013—has consolidated power and clamped down on the opposition in anticipation of his 2018 reelection bid. The same scenario is playing out in Bolivia: with a favorable ruling from the Constitutional Court, President Evo Morales set aside the results of a 2016 referendum that would have made it impossible for him to run for a fourth term in 2019. In both countries, the presidents and their parties are using their control over courts, the legislature, and election boards to keep themselves and the status quo in place.

In contrast, Correa gambled on a different formula and failed: the folly of trying to govern through a proxy president is now glaringly clear. Just as the Odebrecht scandal was setting off a continent-wide tsunami of criminal prosecutions against government officials, Correa's exit gave Moreno an opening to clean house, ridding him-

self of a corrupt and potentially treacherous vice president. Without Glas in place inside the government, Correa lost operational control of the ruling party and key institutions. As accusations of corruption swirl around the administrations of Maduro and Morales, the notion of giving up power in any way—even to a carefully chosen successor—is likely to be judged as far too risky.

For authoritarian-minded incumbents, Ecuador's transition is a cautionary tale about the dangers of losing control even with a carefully orchestrated succession plan. For citizens, however, botched successions can turn into welcome opportunities for democratization. In the streets and at the ballot boxes in 2018, Ecuadorians will offer their own judgments on how far the transition should go and how effectively their president has confronted the complex legacies of the Correa era. ■