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## FEATURED Q&A

# What Are the Main Challenges Facing Ecuador's Moreno?



Ecuadoreans' election of socialist Lenín Moreno bucked a recent trend of conservative candidates coming into power in Latin America. // File Photo: Ecuadorean Government.

**Q** Lenín Moreno took office May 24 as Ecuador's president, delivering a conciliatory inaugural address and vowing an open dialogue with the press and his political adversaries. Moreno was sworn in after naming officials to key cabinet posts, such as foreign, energy and finance ministers. What do Moreno's first days in office and his cabinet selections say about the kind of government he will lead? What are the biggest challenges he faces, and how will he address them? To what extent will former President Rafael Correa continue to influence public policy in Ecuador?

**A** Daniela Chacón Arias, city councilor of Quito: "Lenín Moreno faces an immense challenge that won't be easy to tackle. His conciliatory inaugural speech is a breath of fresh air after a decade of polarization and hatred politics. He has also made some first decisions that have pleased some opposition organizations, such as eliminating a conservative program on sexual and reproductive rights and the elimination of some public institutions that were proof of an era of dissipation. Therefore, most political actors seem willing to give Moreno a chance, even though he has appointed to his cabinet several of Correa's trusted advisors, and he has yet to demonstrate by actions what he said in his speech. And also, political actors seem willing to give Moreno a chance despite the fact that he seems unwilling to publicly recognize the economic crisis the country faces and make the tough decisions that are needed to overcome it. And here comes the immense challenge Moreno faces: he will need to balance the need for change to charm the opposition, to reduce polarization and to bring back some

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## Brazilian Police Arrest Close Temer Aide

Authorities arrested Rodrigo Rocha Loures, a former lawmaker and close aide to Brazilian President Michel Temer, in the massive corruption case that also targets Temer.

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## Canada's BRP Proceeding With Mexico Plans

The maker of the Sea-Doo watercraft said it will proceed with plans to expand output in Mexico, encouraged by U.S. President Donald Trump's willingness to renegotiate NAFTA.

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## PRI Appears to Have Narrow Win in Mexico State

With 83 percent of the votes counted, Alfredo del Mazo, the candidate of President Enrique Peña Nieto's Institutional Revolutionary Party, appeared to have eked out a victory.

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Del Mazo // File Photo: Mexican Government.

## POLITICAL NEWS

## PRI Appears to Win Narrow Victory in Mexico State Race

Mexico's ruling party, the Institutional Revolutionary Party, or PRI, narrowly claimed victory over the leftist National Regeneration Movement, or Morena, party in Sunday's gubernatorial election in the State of Mexico, Reuters reported. With 83 percent of the votes counted, the candidate from President Enrique Peña Nieto's ruling party, Alfredo del Mazo, had garnered 33 percent of the vote, while Delfina Gómez, the candidate from Andrés Manuel López Obrador's party, Morena, won 31.2 percent of the vote, lagging the victor by less than 2 percent. The narrow victory allowed the PRI to hold on to the key State of Mexico, which it has governed for nearly nine decades. The strong showing from the Morena party indicates that the PRI has a tough road ahead as the 2018 presidential elections draw near, when López Obrador plans to make a bid for the presidency. Rising crime and corruption under the Peña Nieto administration has left the PRI on the defensive ahead of the election. López Obrador, who has challenged election results in the past, called the vote count a "farce," and said he did not accept it, and Gómez said she had won the election. "We will never resort to violence, but we are going to firmly defend this country's democracy," López Obrador said in a video message.

## Close Aide to Brazil's President Arrested in Corruption Case

Rodrigo Rocha Loures, a former lawmaker and close aide to Brazilian President Michel Temer, was arrested Saturday in connection with a sprawling corruption investigation that also targets Temer, Reuters reported, citing a federal police spokesman. Police released a video in May that shows Loures running out of

a restaurant in São Paulo, carrying a bag containing 500,000 reais (\$154,000). Authorities allege the cash was a bribe from the owners of meatpacking giant JBS. Plea-bargain testimony from two executives of J&F Investimentos, JBS' holding company, implicate Temer and other politicians and led prosecutors to level the charges against Loures, who is accused of acting as a middleman for Temer. The president has denied the allegations. Loures has hired a lawyer in order to prepare a plea bargain, Reu-



Loures // File Photo: Brazilian Government.

ters reported, citing an unnamed source with knowledge of the matter. Such testimony could contradict Temer's assertion that he has done nothing illegal. Last week, Loures handed over to police a bag full of cash as part of the case. Loures is under investigation for allegedly negotiating 15 million reais in bribes from the meatpacking company. Temer has faced growing calls for his impeachment since the release of a secretly recorded audio tape in which he is allegedly heard endorsing the payment of hush money to jailed former Chamber of Deputies Speaker Eduardo Cunha in a conversation with former JBS Chairman Joesley Batista. Loures' arrest came a day after Brazil's top prosecutor charged Senator Aécio Neves with taking approximately \$615,000 in bribes from Batista and also with attempting to obstruct the investigation into the massive graft case, known as "Operation Car Wash," The Wall Street Journal reported. A lawyer for Neves, who has been seen as a possible presidential candidate in next year's election, said Neves had not seen the charges and could not comment on them. Brazil's Supreme Court will now decide whether to accept the charges against Neves. [Editor's note: See [Q&A](#) on whether Temer will be able to finish out his term in the May 31 issue of the Advisor.]

## NEWS BRIEFS

## Piñera Leads Guillier in Chile Presidential Poll

Right-leaning former Chilean President Sebastián Piñera has taken the lead in the polls ahead of center-left candidate Alejandro Guillier in the race for the presidency, Reuters reported Friday. The two candidates are the favorites for Chile's highest office ahead of the election in November. In a poll asking respondents who they would vote for in the presidential election, 24 percent favored Piñera, while 13 percent backed Guillier, according to a CEP poll. In December, poll results had shown 20 percent of respondents backing Piñera, while 14 percent had chosen Guillier.

## Brazil's BR Properties Plans to Raise \$309 Mn in Share Offering

Brazilian real estate company BR Properties said it plans to raise approximately 1 billion reais, or \$309 million, by selling new shares, Reuters reported Friday, citing O Estado de S.Paulo. Buyout firm GP Investments and sovereign wealth fund Abu Dhabi Investment Authority will subscribe the follow-on offering, O Estado de S.Paulo reported. GP acquired a controlling stake in BR Properties last year. BR will use the proceeds from the offering to cut its debt, the report said, potentially setting the stage for acquisitions in the future.

## Peru's Public Investments Total \$2.4 Billion for Year Through May

Peru's national, regional and local governments have made approximately \$2.4 billion in public investments in areas such as transportation and education for the year through May, state-run news agency Andina reported, citing the Finance Ministry. Local governments made \$1 billion in investments, while the national government has invested \$875 million and regional governments have invested \$477 million.

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peace to Ecuadorean politics. But he will still need to please his party, the continuation of the 'revolutionary project' and especially Correa in order to maintain loyalty and political support within the party. These two sides seem irreconcilable. Finally, Correa will still play a very influential role, and it won't be conciliatory, but rather an antagonistic and belligerent one, testing Moreno's leadership."

**A** **Nathalie Cely, former Ecuadorian ambassador to the United States and president of Centro Competitividad e Innovación:**

"During his first week in office, President Moreno appointed economics professor Carlos de la Torre as his finance minister and former international oil executive Carlos Pérez as oil minister. De la Torre also works as a consultant, while Pérez was the country manager for U.S. oil services company Halliburton for 13 years. Additionally, President Moreno appointed three ministers from the private sector to key ministries to foster private-sector relationships: Pablo Campaña as minister of trade, Eva García in industry and production, and Enrique Ponce in tourism. President Moreno's austerity decree is a positive move toward solving the fiscal balance, one of the country's most important financial concerns. The new cabinet and the administration as a whole are seeking 'unity, consensus and dialogue.' In his inauguration remarks, President Moreno emphasized the 'inclusive' and 'participatory' character of the new cabinet. Moreno is eliminating the six coordinating ministries and the National Administration Secretariat, the functions of which will be reassigned to other government entities. Furthermore, Moreno eliminated Plan Familia, which had put the National Intersectoral Strategy for Planning and Prevention of Adolescent Pregnancy (responsible for issues related to family planning) in the direct control of the executive. Finally, the National Secretary for Good Living was eliminated. These moves hint toward a greater decentralization of

power as President Moreno strives to build dialogue and show a sign of good faith to a divided country. President Moreno faces three key challenges: 1) Boosting private sector trust and investment in order to start adjusting the government to the new reality of lower oil prices; 2) Presenting a fiscal budget that will allow for the reduction of

“**The inclusion of key members of Correa's economic teams ... signal that President Correa's influence won't fade anytime soon.**”

— **Nathalie Cely**

the fiscal deficit while providing the government enough maneuvering space so it can restructure its debts (short term portion); and 3) Maintaining the external sector balance while simultaneously jumpstarting the economy. During his inauguration, President Moreno reiterated that former President Correa is the leader of the Alianza PAIS revolution. Furthermore, the inclusion of key members of Correa's economic teams in the Economic and Financial Regulatory body and as economic advisers signal that President Correa's influence won't fade anytime soon."

**A** **César Coronel Jones, founding partner at Coronel & Pérez in Guayaquil, Ecuador:** "Some of rhetoric in his address reflects the pragmatism and openness to dialogue that we hope will be a characteristic of the new administration. The cabinet is generally made up of people close to the Correa regime but who could be classified as moderates. There are some not-so-moderates, but there are also some new faces that reflect a desire for dialogue and better engagement with the private sector. Examples of this would be the minister of foreign trade,

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## Ecuadorean Police Arrest Five in Odebrecht Graft Case

Ecuadorean authorities arrested five people on Friday in connection with the local investigation into the Brazilian construction company Odebrecht corruption scandal, including a relative of Vice President Jorge Glas, Reuters reported. Authorities also raided several companies as part of the investigation. Glas confirmed that a relative of his was among those detained Friday. The arrests came after Chief Prosecutor Carlos Baca met with Brazil's attorney general on Thursday to discuss information from plea bargain testimonies. "Those detained and the raided companies are part of a wider web of organized crime that involved and had as its center the company Odebrecht," Baca said. He said he plans to return to Brazil to obtain more information. Glas in the past has been accused by a fugitive former oil minister as being the "ringleader" of a bribe network in the energy sector. He has denied wrongdoing and on Friday called for a full investigation into the Odebrecht corruption scandal.

### BUSINESS NEWS

## BRP Proceeding With Expanding Mexico Output: CEO

Canada-based BRP is proceeding with its plans to expand output in Mexico of its Sea-Doo watercraft in response to relaxed rhetoric from U.S. President Donald Trump over the North American Free Trade Agreement, or NAFTA, Bloomberg News reported. After Trump's election last November, BRP's chief executive officer, José Boisjoli, said the company would be "ready to act" if Trump withdrew the United States from NAFTA. However, Trump's willingness to renegotiate the accord has led to increased confidence, Boisjoli said.

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Pablo Campana, and the minister of energy, Carlos Pérez, who both have a background in and close ties with the private sector. The main challenges that the new government faces have to do with the heavy debt burden acquired during the Correa years and the high levels of public expenditure, all of which will be more difficult to handle in light of some of the expensive campaign promises Moreno made. The new government has shown signs that it plans to adopt some austerity measures. It is also trying to attract and encourage foreign and local investment and is making some efforts to improve relations with the IMF and other multilateral organizations, which may help with managing the high debt. Moreno has also somewhat distanced himself from the previous administration by not extending an increase in the value-added tax that was introduced after the April 2016 earthquake and which recently expired, and by reducing some import restrictions. His tolerant and open style has certainly generated some optimism. The big question is what will be the attitude of ex-President Correa, because much of the leadership and trustworthiness that the new government acquires will depend on this. There are signs that Moreno will at least try to distance himself from Correa's style and try to exercise his leadership in his own style, in a more respectful and calm manner; it is difficult to know at this point to what extent he will succeed and what Correa's attitude and role will be as ex-president."

**A** **Julio Carrión, associate professor of political science and international relations at the University of Delaware:** "So far, the Moreno administration is a typical case of 'mucho ruido y pocas nueces' (all bark and no bite). His cabinet selections signal that he has no intention, at least initially, to depart from the Correa administration. Paola Pabón, who devoted much of her time as national secretary of political management to defend Correa's autocratic excesses, has been re-appointed. Miguel Carvajal, another

political operative who served Correa in various capacities, has been selected as minister of defense. There are other examples. And then, and perhaps more worrisome, we have the reappointment of Colonel Rommy

“Clearly, the tone is different: less confrontational and more conciliatory.”

— Julio Carrión

Vallejo as head of the intelligence service, a post he has held since 2014 after serving as head of Correa's security detail. Vallejo, who began his association with Correa in 2005, has been repeatedly accused by opposition leaders of harassment and illegal surveillance. He was even implicated, through a main advisor, in the sleazy deals uncovered by the Panama Papers—a charge he denies. His departure would have been a step in the right direction. Moreno's economic team is also discouraging, for he appointed people who have either served with Correa or have publicly defended his economic policies. Only a few of the cabinet posts have been given to figures not associated with the previous government. This does not necessarily mean that Moreno will be a mere pawn of the former president, but it does indicate that he does not seek to distance himself from the previous policies. Still, it is too early to conclude that nothing has changed. Clearly, the tone is different: less confrontational and more conciliatory. The respite from Correa's bullying is welcome and should be celebrated. But we need to see more of the new president's actions to draw a more definitive conclusion."

*The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at [gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org).*

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