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## FEATURED Q&A

# Will an Investigation Derail the Agenda of Ecuador's Moreno?



Ruth Palacios, who was replaced Monday as Ecuador's chief prosecutor, last month announced an investigation of President Lenín Moreno. // File Photo: Ecuadorean Government.

**Q** Ecuador's then-chief prosecutor, Ruth Palacios, announced last month that she had opened an investigation of President Lenín Moreno and several others following an opposition lawmaker's accusations regarding alleged links to offshore companies. The announcement came days after Palacios decided against probing Moreno's predecessor, former President Rafael Correa, on allegations that he received some \$281,000 from Venezuela to destabilize Moreno's government. What's behind the accusations against the two leaders? Why did Palacios choose to investigate one but not the other, and where does public opinion stand? Will the scandals continue into the foreseeable future, and to what extent do they threaten to derail Moreno's agenda?

**A** Ramiro Crespo, president of Analytica Securities in Quito: "Palacios decided not to investigate Correa because she claimed the crime would have been committed in a foreign jurisdiction, even though Russian and Venezuelan money reached Ecuadorean accounts. She did, however, start an investigation of Moreno. She called on individuals close to Moreno, such as Santiago Cuesta, an influential friend and aide, to detail their version of events without being under oath. The new chief prosecutor, Diana Salazar, will decide whether to continue the case. Many believe that Palacios had wanted to demonstrate independence in order to win the nomination for the permanent chief prosecutor position. Moreno is weakened by the bad economic situation he inherited from the Correa administration, which

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## TODAY'S NEWS

### POLITICAL

## Pence Calls on U.N. to Boot Venezuelan Envoy

U.S. Vice President Mike Pence called on the United Nations to revoke the credentials of Venezuelan President Nicolás Maduro's ambassador to the body and seat the envoy of the opposition's Juan Guaidó, who is internationally recognized as the country's interim president.

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### BUSINESS

## Prosecutors to Charge Brazil's Vale in Deadly Dam Collapse

The dam disaster killed approximately 300 people in January.

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### POLITICAL

## Julian Assange Arrested After Ecuador Ends Embassy Asylum

Police arrested WikiLeaks founder Julian Assange at Ecuador's embassy in London, where he has lived since 2012, after Ecuador withdrew his asylum.

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Assange // File Photo: Ecuadorean Government.

## POLITICAL NEWS

## Assange Arrested After Ecuador Ends Asylum at Embassy

British police today arrested WikiLeaks founder Julian Assange after Ecuador withdrew the asylum it had granted him in 2012 and which had allowed him to live since then at the country's embassy in London. "Today, I announce that the discourteous and aggressive behavior of Mr. Julian Assange, the hostile and threatening declarations of its allied organization against Ecuador, and especially the transgression of international treaties, have led the situation to a point where the asylum of Mr. Assange is unsustainable and no longer viable," Ecuadorian President Lenín Moreno said in a video statement posted to Twitter. Moreno said Assange has repeatedly violated the rules surrounding his asylum, including by interfering in the affairs of other countries through his work with WikiLeaks. "The patience of Ecuador has reached its limit on the behavior of Mr. Assange." Moreno said Ecuador had requested and received assurances from Britain that Assange would not be extradited to any country where he faces torture or the death penalty. Video showed a bearded Assange yelling at officers as he was dragged out of the embassy into a police vehicle.

## Pence Urges U.N. to Revoke Venezuelan Envoy's Credentials

U.S. Vice President Mike Pence on Wednesday urged the United Nations to revoke the credentials of Venezuela's ambassador to the international organization, painting him as a loyalist to President Nicolás Maduro, The New York Times reported. The United States considers Maduro a dictator and, along with dozens of other countries, recognizes National Assembly President Juan Guaidó as the country's legitimate president. During his remarks, Pence turned to

Samuel Moncada, Maduro's ambassador to the United Nations, and said, "With all due respect, Mr. Ambassador, you shouldn't be here. You should return to Venezuela and tell Nicolás Maduro that his time is up." Moncada shook his head at the statement. Pence also called on the United Nations to recognize Guaidó as Venezuela's president and "seat the representative of the free Venezuelan government in this body without delay." Maduro later said the U.S. vice president's comments show U.S. leaders "think they are superior to Venezuelans," the Associated Press reported. This week, the White House formally accepted Carlos Vecchio, Guaidó's appointee, as the country's ambassador to the United States, and the Organization of American States recognized another Guaidó envoy, Gustavo Tarre, as the country's ambassador to the body.

## Peruvian Judge Orders Jail for Ex-President Kuczynski

A Peruvian judge on Wednesday ordered former President Pedro Pablo Kuczynski to spend 10 days in jail and also ordered authorities to search properties in connection with an investigation into a bribery scheme related to Brazilian construction firm Odebrecht, El Comercio reported. Police officials gathered outside the former president's home in Lima's financial district and transported Kuczynski to the complex crime division of Peru's National Police at around 9 a.m. local time. "I don't have an opinion for now," Kuczynski said in a phone interview broadcast on local TV channel Panamericana. The former president called the order "ridiculous," Reuters reported. Kuczynski's attorney, Nelson Miranda, said he would file an appeal, and the former president's party on Twitter said the arrest order was "excessive and disproportionate." Kuczynski, 80, narrowly won Peru's election in 2016 but resigned less than two years into his presidency to avoid a near-certain impeachment by the opposition-controlled Congress. Prosecutors allege he was involved in "corrupt acts" in connection to public works contracts for highway and

## NEWS BRIEFS

## Cuba's National Assembly Enacts New Constitution

Cuba's National Assembly on Wednesday enacted the country's new constitution following a speech by Raúl Castro, who heads the Communist Party, state news agency Prensa Latina reported. The constitution modifies the 1976 charter and includes changes such as the creation of a prime minister position and the recognition of some forms of private property. Castro said it will help the island nation achieve "an increasingly prosperous, sustainable, inclusive and participative socialism." [Editor's note: See related [Q&A](#) in the Aug. 3 issue of the Advisor.]

## Brazil Will Focus on Fighting Inflation: Central Bank Chief

The Brazilian central bank will prioritize keeping inflation under control, rather than achieving economic growth, central bank chief Roberto Campos Neto said Wednesday during a conference in New York, Reuters reported. Brazil registered annual inflation at 4.58 percent in March, well above forecasts and the highest in two years. Campos Neto identified three main fiscal challenges for the country, which include passing a pension reform, capping public-sector salaries and reducing the interest rate burden on the country's debt load.

## Some 1,000 Hondurans Begin Trek Toward U.S.

Nearly 1,000 Hondurans have gathered in the city of San Pedro Sula to begin a trek toward the United States while thousands of other Central American migrants remain waiting for asylum hearings at the U.S.-Mexico border, BBC News reported Wednesday. More than 103,000 migrants were detained in March or deemed "inadmissible" when entering the United States from Mexico, according to U.S. Customs and Border Protection.

irrigation projects that Odebrecht won while Kuczynski was a cabinet minister in former President Alejandro Toledo's administration, according to a judicial resolution, the wire service reported. Kuczynski's secretary, Gloria Kisc Wagner, and his driver, José Luis Bernaola Ñuflo, were also ordered to spend 10 days in jail. While he initially denied any ties to the Brazilian construction giant, Kuczynski eventually acknowledged that his consulting firm had received payments from Odebrecht before he became a minister. However, he says he no longer controlled the company once he took office and denies the payments were bribes.

## BUSINESS NEWS

# Brazilian Prosecutors to Charge Vale in Deadly Dam Collapse

Brazilian prosecutors intend to file criminal charges against mining giant Vale and employees of the company in connection with the January collapse of a mine-waste dam, which killed approximately 300 people, The Wall Street Journal reported Wednesday. Vale employees who were directly involved in the operation of the mine near the town of Brumadinho knew that the dam was unsafe, alleged José Adércio Leite Sampaio, the prosecutor heading the investigation, based on evidence that authorities have collected. Sampaio did not name any specific individuals. "At this point, we know that the operational side knew [that the dam was at risk of collapse], but did Vale's directors know?" he told The Wall Street Journal in an interview. Charges in the case may include murder, manslaughter, false representation and environmental damage, he told the newspaper. Brazilian prosecutors also may file criminal charges against employees of German inspection firm TÜV Süd, which certified the dam as safe just four months before its collapse. Both companies said they are cooperating with investigators. Vale was also involved in a deadly dam collapse in 2015, when a dam it co-owned with BHP Billiton in Minas Gerais State failed, killing 19 people.



# 2019

## The SWIFT Latin American Regional Conference

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agement Global Liquidity and  
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## FEATURED Q&amp;A / Continued from page 1

has worsened with the postponement of unpopular reforms until the state apparatus, the dysfunctional Congress and the accusations of corruption are under control. He still has some citizen backing for his support for human rights, the break with Maduro and the fight against the enormous corruption of the Correa government. His agenda will depend on the legislative assembly's capacity to pass the reforms agreed upon with international organizations and on breaking the natural resources curse that has degraded Ecuador since the discovery of oil: many people intervene in politics not to help the common good, but rather to make big fortunes with state companies' and taxpayers' money."

**A** **Juan J. Paz y Miño Cepeda, Ecuador-based contemporary historian:** "Lenín Moreno broke with the Citizens' Revolution movement and subordinated himself, in political matters, to right-wing forces; in economic matters, to business associations; and internationally, to strategies of conservative regionalism, an attack against all Latin American progressivism. As a result, the institutions of the past decade were dismantled, and a business economic model was imposed, in contradiction of the 2008 Constitution. The corruption cases that affected the prestige of Rafael Correa's government have served to justify Moreno's actions. Venezuelan funds to finance the Eloy Alfaro Political Thought Institute have also been criminalized. The prosecutor's office dismissed it after finding no evidence of criminal responsibility. But it did initiate an investigation into the so-called INA-papers case, which involves Moreno. The confrontations between 'morenismo' and 'correísmo' explains the climate of accusations that is fostered daily on social media. This environment will continue. It's difficult to ask for prudence, rationality, objectivity and ethics. The government decisively influences state functions and institutions and maintains the support of economic and political elites, as

well as the media. Those particular interests have been imposed on the entire nation. Under such conditions, the citizens' reaction is still weak, but it will surely worsen as Moreno advances the economic measures necessary for the agreement it reached with the IMF. At present, this is accompanied by the galloping deterioration of the government, which all polling agencies confirm."

**A** **Walter Spurrier, president of Grupo Spurrier and director of Weekly Analysis in Guayaquil, Ecuador:** "Palacios was interim chief prosecutor and was lobbying to be confirmed to the post, but CPCCS, the selecting body, did not shortlist her. She announced the hasty preliminary investigation of Lenín Moreno as she was on her way out. So far, there is no evidence that the offshore account held corruption money. The president's name is not linked to the account, though his brother's is. Palacios may have acted out of spite. Venezuela paid Correa indirectly, through an NGO. It seems there is little ground for further action. The new chief prosecutor, Diana Salazar, previously headed the anti-corruption unit of the prosecutor's office that put Vice President Jorge Glas in jail. In appointing Salazar, CPCCS expects progress in stalled corruption cases involving the Correa administration. Correa wants to topple the government, but other political forces are unlikely to support measures to unseat Moreno. The situation may change if investigators find a smoking gun in the offshore case. Moreno's popularity is low. The public is unhappy about the sluggish economy, but the middle class appreciates him for having saved Ecuador from Venezuela's path. Moreno's agenda cannot be derailed because he does not have one. Moreno's weakness is his strength—in the recent elections, his party received only 5 percent of the vote, and he will be a non-factor in the presidential elections two years from now. Non-Correa political forces have their eyes set on the succession."

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