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## Rebooting the Ecuadoran Economy Should Be Top Priority for New Administration

by Luis Ángel Saavedra

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Ecuadoran President Lenín Moreno should concentrate on cleaning up the economy now that no obstacles stand on his way. His former vice president, Jorge Glas, is serving a six-year prison sentence for organizing a corruption network to the Brazilian giant Odebrecht ([NotiSur, Sept. 8, 2017](#), and [Nov. 10, 2017](#)). Moreno's political party, Alianza País (AP), is now under his complete control, as former President Rafael Correa and his followers have left the ruling party to start a new political organization. The National Assembly has a pro-administration majority. It appears that the referendum Marrero has called for Feb. 4 will easily succeed. And social organizations have called a truce while they wait to see where Moreno's policies are headed.

In this scenario, Moreno has no pretext to abandon the goals laid out during his campaign, especially that of implementing necessary conditions for the Ecuadoran economy to begin to grow.

### *Alianza País' burden*

The political hegemony Correa maintained for 10 years has fallen to pieces in the last seven months amid scandals of corruption involving his main collaborators. These scandals also threaten to touch him: It makes no sense that Correa would have remained unaware of the irregularities that plagued projects that were carried out during his administration and managed by his top officials. Correa is still defending Glas, who was his last vice president.

In addition to a six-year prison term, Glas faces new accusations that could lead to additional time in prison. Under those circumstances, the Constitution called for the National Assembly to name his replacement. It chose María Alejandra Vicuña Muñoz, 39, a clinical psychologist who began her political career next to Rafael Correa and was considered one of his most loyal followers during her time in the National Assembly between 2009 and 2017. She had been Moreno's minister of urban development and housing and became acting vice president after Glas' arrest ([NotiSur, Nov. 10, 2017](#)).

Vicuña's recent political decisions have been similar to those made by several leaders of the now-divided AP, the movement that led Correa and Moreno to victories in 2006 and 2017, respectively. Both factions asked for recognition from the country's top election authority, the Consejo Nacional Electoral (CNE), which eventually decided to recognize the faction of the AP led by Moreno.

The CNE decision caused Correa and other founding members of the AP to leave the party. Some 28 Assembly members loyal to Correa announced they would also leave but have not done so.

### *Moreno's referendum*

It the meantime, Correa, who had been living in Belgium, has returned to Ecuador to lead a campaign against a referendum called by Moreno to try to dismantle the control over state institutions that Correa achieved during his 10 years in office. The seven-question referendum, to

take place on Feb. 4, would also serve to legitimize Moreno, who reached the presidency via a tight electoral victory, and to quiet the voices still claiming electoral fraud.

Two of the referendum's questions bear directly on Correa's years as president and on his intention to maintain his influence on Ecuadoran politics. Question Two aims to eliminate the constitutional amendment approved by the National Assembly that allows for indefinite reelection and on which Correa could base a new run for the presidency (NotiCen, Aug. 21, 2015). Question Three is designed to remove the members of the independent agency tasked with appointing control authorities and superintendents (Consejo de Participación y Control Social). During the 10 years that Correa was in power, the members of the Consejo followed government directives, producing a vacuum in the Consejo's capacity to audit, judge, and punish acts of corruption.

Raúl Patiño, a former assemblyman and one of the leaders of the AP, complained during a party meeting that members of the Assembly had been given instructions not to investigate or prosecute government actions. They were told the complaints were the inventions of a corrupt press trying to destabilize Correa's government. Failure to monitor several state institutions allowed embezzlement estimated at US\$3.8 million.

The other questions on the referendum are designed to encourage a YES vote, even when it is not clear how the proposals would be carried out. For example, Questions Five and Seven are about environmental conservation, prohibiting metal mining in some areas and increasing the size of the Parque Yasuní reserve. How this would be accomplished is not explained. Yasuní is already being exploited, putting isolated communities at risk of disappearing. Metal mining is taking place in indigenous water sources and territories, which the referendum does not prohibit.

The three remaining questions have to do with taking political rights permanently away from those responsible for corruption, removing statutes of limitations from sexual crimes against minors, and eliminating the law of surplus value that affects the construction industry in particular. The anticipated option for these questions is also YES.

Correa decided to return to the country to campaign against the referendum, but he has been widely rejected. His caravans have been attacked with eggs and tomatoes, and his followers have retaliated by hitting the people in the crowds. Now Correa says that he is only committed to a NO vote for Question Three, the one that would modify the Consejo de Participación y Control Social. Perhaps he fears that institutions free from political controls would not take long to find evidence of corruption linked to him. In fact, the Attorney General's Office, taking advantage of Correa's presence in the country, has already called him to testify in ongoing corruption investigations.

While the political environment has been favoring Moreno, the economic environment is less clearly defined. Economic groups and grassroots social forces have settled into three pressure groups who want Moreno to implement their recommendations.

The first group, which calls itself the Foro de Economía y Finanzas Públicas (Forum on the Economy and Public Finances) is made up of neoliberal economists who have been connected to previous governments and who back the free market, deregulation of the economy, the reduction of state controls, and the reduction of public spending. It's a failed model but one that still has power, because its spokesmen are linked to the top movers of the country's economy.

The second group, created within the Instituto de Altos Estudios Nacionales (Institute of Higher National Studies, IAEN) promotes a pragmatic view of the economy and continued government

spending, especially in the areas of health, education, housing, and all sectors of social investment. It proposes covering the fiscal deficit by eliminating various subsidies, notably those linked to fuel, and increasing the value-added tax (VAT).

The third group is made up of unorthodox economists who propose implementing a modern socialist system in accordance with the demands of new models of international relation and respectful of the domestic democracy. Its main suggestions are based on the optimization of tax collection and lowering evasion levels. It also proposes an increase in taxes on large companies and fortunes, and effective control of fiscal spending to prevent corruption.

Representatives of these three groups are seeking to be the ones who influence the president's decisions. However, Moreno still has not made clear what direction he will take, having been busy trying to gain political legitimacy and control of the AP. He has now accomplished this. Therefore, he no longer has a pretext to avoid making economic decisions. In the near future, it will become clear where he plans to go and whether he can retain the high approval ratings he now has.

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