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Lenin Moreno and the struggle for the soul of Ecuador's (and Latin America's) left

By Evan Ellis / [Twitter](#) REvanEllis / August 2, 2018

From July 24-28, 2018, I had the opportunity to travel to Quito, Ecuador to present a paper at the International Studies Association-FLACSO regional conference and to speak with Ecuadorian businessmen, academics and others regarding the political dynamics and the security challenges in the country. At a superficial level, Ecuador is a good-news story for the United States. The Andean country has turned unexpectedly away from the populist socialism and anti-U.S. orientation of its previous president, Rafael Correa.



Since assuming power in May 2018, current President Lenin Moreno—widely presumed to be a Correa protégé—has replaced former leftist Correa’s appointees at key ministries such as Foreign Affairs, Finance and Defense with career professionals who are well-respected in the West. Many of the Correa ministers had been questioned both for their policy choices and on ethical grounds.

With a new Attorney General and Comptroller General, the Moreno government has also opened or accelerated investigations into corruption and criminal activities by numerous figures from the previous government, including former president Correa himself, as well as the terms of Ecuador’s commercial contracts with the People’s Republic of China. Those contracts are believed to contain terms that substantially harmed Ecuador for the benefit of individual Correa administration officials and Chinese companies.

The extent of Ecuador’s apparent shift in direction was highlighted by the June 2018 visit by U.S. Vice-President Mike Pence, whose warm tone included not only discussions regarding expanded U.S. security assistance and commercial ties, but also consideration of a possible future bilateral trade agreement between the two countries.

While Moreno government has indeed made significant progress in the fight against corruption and in improving Ecuador’s relationship with the United States, it would be a grave mistake for policymakers in Washington D.C. to break out

the champagne just yet. Ecuador is in the process of an important, yet delicate transition, with the possibilities for opposing tendencies in the current dynamic to produce serious political problems in the country. For the United States to help Ecuador to succeed in this positive, but complex and delicate process, it is important to recognize the reasons for and limits to the changes that are taking place within its government.

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The available evidence suggests that Lenin Moreno is a decent, thoughtful, and collegial man, committed to liberating Ecuador from the scourge of corruption into which his predecessor's embrace of Bolivarian politics and Chinese financing plunged the country. Moreno is no conservative, but rather a man with a deeply-rooted orientation toward applying statist solutions to Ecuador's challenges of inequality and development, and to viewing the groups and leaders of the global left as "the good guys."

The suspect members of Moreno's inner circle

The team that Lenin Moreno surrounded himself with in arriving at the presidency appears to reflect shared experiences and identification with leftist friends. A prime example is Gustavo Larrea, who led the

Revolutionary Left Movement (*Movimiento Izquierda Revolucionario*) that Moreno participated in against Ecuador's military government while the two were students at the Universidad Central in the 1970s. Larrea was also exposed in the computer records of FARC leader Raul Reyes for his meeting with and participating in the now-disbanded Colombian guerrilla group, which in internal communications referred to him as "comandante Juan." The revelation ultimately obliged the Correa government to force him out. Larrea later supported Moreno's candidacy and his February 2018 referendum on term limits through his "Democracy Sí" movement, and he has become a trusted advisor to the president.

Similarly, Moreno has a close personal bond with his former foreign minister, the far-left María Fernanda Espinosa and her Nicaraguan husband Eduardo Mangas. Mangas, whose leftist credentials go back to his membership in the Sandinista Youth, and who later served in the government of Nicaraguan revolutionary leader Daniel Ortega, became Moreno's personal representative to a range of bodies (with the limitations on the president's ability to actively travel due to his disability), and is reportedly a driving force behind Espinosa's foreign policy initiatives as Foreign Minister. Mangas was forced out of his official role as assistant to President Moreno in December 2017 after the publication of a tape in which he was heard to say that the accusations of corruption made against leaders in Rafael Correa's government were true. He subsequently refused to appear before authorities investigating the matter.

Another example of Moreno's criticized choice of confidants (apparently based on longstanding personal friendship) is Santiago Cuesta Caputi, who is accused of being involved in questionable oil

contracts with China. In May 2018, Moreno named Cuesta his Minister for the Optimization of State Efficiency.

It is true that, as Moreno managed the transition of power from Correa, he incorporated members of Correa's team into his own as part of his construction of a coalition. Moreno accepted Jorge Glas, Rafael Correa's childhood friend from his Boy Scout troop in Guayaquil, to continue under him as vice-president, a role that he began under President Correa in 2013. When Glas was found guilty and incarcerated for illicit association over his involvement in the Odebrecht scandal, Moreno replaced him with another leftist Correa supporter, Maria Vicuña (whose father founded Ecuador's Bolivarian socialist movement). Similarly, Moreno's first two finance ministers, Carlos de la Torre and Maria Elsa Viteri, were close confidants of Rafael Correa. Still, Moreno's appointment of his own group of left-oriented friends (in addition to Correa allies), highlight the importance of interpreting carefully the president's reasons for subsequent appointments of a more centrist orientation, and the limitations on President Moreno's potential tack to the middle.

Moreno's cabinet (hesitantly) shifts toward the center

As mentioned above, Moreno's initial choice for Foreign Minister was the strongly left leaning María Fernanda Espinosa. The choice was arguably not to placate Correa's faction of *Alianza País* so much a personal choice; Espinosa was a close friend and confidante of Moreno who had worked with him in 2014 when she was Ecuador's Permanent Representative to the United Nations in Geneva and he was supporting the country's United Nations delegation there, and may have had a role in employing Moreno's daughter at the Ecuadorian mission there.

Ecuadorians consulted for this work suggested that Espinosa's strong leftist orientation, including her support for the [Maduro regime in Venezuela](#) and the Sandinista government in Nicaragua, and her [decision to grant Ecuadorian citizenship to Wikileaks founder Julian Assange](#), [made her a liability for Moreno](#) in his desire to broaden Ecuador's options in the international community including [obtaining technical assistance](#), possibly [pursuing loans from the International Monetary Fund](#), and building greater security and commercial cooperation with the United States.

[Espinosa's June 2018 election](#) as head of the United Nations General Assembly arguably provided Moreno an opportunity to reluctantly [move her out of the Chancellery](#), replacing her with the [less radical](#), Harvard-educated career diplomat Jose Valencia. Yet while Valencia's [professional credentials](#) and years living in the United States (including time spent [working at the Organization of American States](#)) have paved the way for improved relations with the U.S., the new Chancellor previously worked directly under Espinosa and [may have been recommended to Moreno by her](#), suggesting that his ideological orientation is within the domain of acceptability for Moreno's left-wing support base, even if his professionalism and restraint contrast with some of the more troublesome positions of Espinoza on Venezuela, Nicaragua, and Assange.

With respect to the Economy and Finance Ministry, Moreno's first appointment, Carlos de la Torre, came under criticism for his [management of and accounting for Ecuador's public debt](#), which took off under his watch, [possibly exceeding the legal debt ceiling](#). María Elsa Viteri, who briefly [replaced him in March 2018](#), was also forced out when it came to light that an unpaid debt that she had with the

National Finance Corporation (CFN) legally prevented her from holding the position (the issue of the debt was and her consequent inability to exercise her official duties was inconveniently publicized while Viteri was at an important event in New York seeking financing for the country).

In the wake of such problems and embarrassments, Moreno arguably came under considerable pressure from the Ecuadoran business community to appoint a new Economy and Finance Minister who could gain the confidence of the international financial communityinternational investors and creditors, and help Ecuador develop new financial options less costly than depending on high interest rate loans from the PRC. In May 2018, he named Ricard Martínez, previously head of the Ecuadoran Chamber of Industry, who seems to fit the bill. The selection was arguably not so much an indication of President Moreno's commitment to Chicago School finance and monetary policies, so much as an solution for the need of a credible professional at the helm at Economy and Finance who could manage Ecuador's debt challenges and inspire investor confidence while sustaining or accelerating Ecuador's modest economic growth.

Supporting this interpretation of Moreno's orientation in economic policy, his commerce minister, Pablo Campana Saénz, while a businessman, is perhaps more importantly tied both to Ecuador's traditional business elite and to the Correa administration. On one hand, Campana is the son-in-law of Ecuadoran business magnate Isabel Noboa, with a role in advancing Correa-era projects such as the Refinery of the Pacific. On the other, he is said to be one of the few commercial elites who politically supported Rafael Correa, achieving significant business success during the Correa administration. Thus,

while Campana has expressed views which may seem neoliberal, such as a stated interest in joining the Pacific Alliance, his participation in the Moreno government arguably illustrates the compromise achieved between the Ecuadorian left and its business community, more than an ideological commitment from the Moreno government to neoliberal policies.

Such considerations notwithstanding, however, with the apparent input of Campana, and, to a lesser degree, the newly arrived Minister Martínez, the Moreno government put forth a modest but promising package of administrative and tax reforms in May 2018. More sweeping changes are reportedly in the works, with one Ecuadoran analyst consulted for this work suggesting that “nothing is off the table.”

With respect to the Defense Ministry, Moreno’s appointment to replace Miguel Carvajal in September 2017 with Patricio Zambrano, a socialist who embraced Venezuelan populist Nicholas Maduro, and who had no prior experience with defense issues, reportedly caused deep unease among Ecuadorian security professionals. The 2018 violence in Ecuador’s northern border area with the Colombian FARC dissident leader “Guacho,” including the kidnapping and murder of Ecuadoran journalists and the ambushes of military units that led to four military and five civilian fatalities in 2018, arguably motivated Moreno to replace Zambrano with a Minister of Defense with greater security sector experience to respond to the threat.

The selection of Oswaldo Jarrin, a career defense professional with 37 years of military experience, who had previously served as Minister of Defense and performed with distinction, was arguably a decision made

not to re-align Ecuador's security policy with the United States, but as with the changes in the Ministries of Foreign Affairs, and Economy and Finance, a bold, proactive change responding to a pressing need and an associated political liability by appointing someone whose credentials were beyond reproach. Even so, Jarrin was not the only candidate seriously considered for the post, with [General Paco Moncaya](#) (hero of the Cenepa war with Peru, and former [mayor of Quito](#)), and General Fabian Varela reportedly given serious consideration.

The country's subsequent steps to re-engage militarily with the Inter-American system, and re-examine some options for security cooperation with the United States were thus a logical consequence of Jarrin's appointment, supported by a military establishment whose leadership and doctrine had never fully been oriented toward castro-chavismo.

A reset for Ecuador?

Even beyond President Moreno's actions with respect to key cabinet posts, much of the President's focus, and his most significant choices since taking office have been driven less by the desire to change Ecuador's ideology, than a courageous and necessary effort to confront the significant corruption and cronyism that [appears to have been left behind by his predecessor](#). Indeed, even in the leaked tape that [forced Moreno to dismiss Mangas](#) as his personal secretary, Mangas argued to a group of provincial governors (whom he was attempting to convince to support the February 2018 referendum key to Moreno's consolidation of power) that they could take on the [corruption of Correa's team](#) without abandoning the socialist ideals of *Alianza Pais*.

While the referendum, which successfully passed in February 2018, contained superficial restrictions on new mining and petroleum activities that appealed to Moreno's support base among environmentalists and indigenous people who live in regions affected by such activity, the key elements on the ballot were arguably the elimination of multiple re-election—effectively ending the chances that Correa will return to the presidency—and, most importantly, the obliged renovation of leadership in the powerful Council of Citizen Participation and Social Control (Consejo de Participación Ciudadana y Control Social), which has an oversight role over the country's electoral and judicial organizations, including—critically—the power to appoint and dismiss judges.

The referendum victory allowed Moreno to eliminate Correa-cronies from the council and subordinate organizations, and replace them with people who, while not always Moreno's personal allies, were more disposed to seriously and independently investigate and prosecute President Correa and those who had been the center of corruption in his administration. The principal example of this is the head of the Council, 87-year old Julio César Trujillo, a respected pro-business lawyer and one-time presidential candidate. Trujillo, a conservative with a long career preceding that of Moreno, cannot be considered by any means a Moreno protégée or ally, yet has demonstrated himself to be committed to rooting out the corruption and abuses of the Correa government.

The most visible example the new direction in investigation and prosecution was the case of Jorge Glas for illicit association regarding Odebrecht, resulting in his removal from the Vice Presidency in August 2017, and his ultimate imprisonment. Glas may also be one of

the key beneficiaries of the petroleum and construction contracts with China.

Another key figure to be brought down was the Comptroller General Carlos Pólit, who was also accused of illicit association in the Odebrecht case, and obliged to take refuge in Miami in June 2017. The leaking of a taped conversation between Pólit and fellow Manabí-province Congressman Jose Serrano (rumored by some to be a key intermediary to the Sinaloa cartel, moving cocaine through the country) sealed Pólit's fate, paving the way for the assumption of the Comptroller General position by his deputy Pablo Celi, as well as the firing of the Attorney General Carlos Baca Mancheno, named in the tape, and who may have leaked it.

Celi thus arrived in the office under the jurisdiction of the previously mentioned temporary Council of Citizen Participation and Social Control with strong incentives to show that he would seriously take on corruption, including expanding investigations into the possible violation of the debt ceiling and a series of questionable deals signed between the Correa government and PRC-based petroleum companies and banks (Celi traveled to Beijing to speak with Chinese authorities about the case). Similarly, the Council's May 2018 firing of Attorney General Baca and replacement by his deputy, Paul Pérez, and a similar wave of new enthusiasm to pursue criminal investigations, including the role of Rafael Correa in the kidnapping, and possible attempt to assassinate legislator and political rival Fernando Balda, as well as possible criminal wrongdoing in the ex-President's contracts with the Chinese.

In March 2018, President Moreno eliminated the intelligence service SENAIN, created by Rafael Correa in 2009 after the Angostura incident (in which the Colombian military killed FARC commander Reyes on Ecuadorian territory), on the argument that the previous intelligence had become too penetrated by the United States. Under Correa, however, SENAIN arguably became a tool for gathering political intelligence on opponents of the regime. In April 2018, at the request of Ecuadoran Attorney General Paúl Perez, the Spanish government arrested Pablo Romero, the former head of SENAIN, for possible complicity in the kidnapping of Fernando Balda.

The Moreno government is reportedly designing a new organization for national intelligence which will be more focused on the fight against organized crime and other threats to the state, rather than against the opponents of Correa.

Challenges remain

While Moreno has made significant progress in attacking the networks of corrupt officials of his predecessor, the country continues to be a labyrinth of powerful interests working with, and often integrated into, the government, evolved but not entirely distinct from those of the Correa regime. While there is not public legal evidence to call these networks corrupt, they clearly exercise powerful influence and impose significant limitations on the government.

A key example of the confluence of Ecuador's influential business and political power-brokers is Posorja, a major port and logistics complex to be constructed on Ecuador's southern Pacific coast. The government awarded the contract for construction to the middle-eastern

logistics giant DP World, with the possible facilitation of [Ambassador to Qatar Ivonne Baki](#), a [figure in four Ecuadorian governments](#) (from Jamil Mahuad through Rafael Correa) with longstanding business ties in the Middle East through her Lebanese family and marriage to wealthy Lebanese businessman Sam A-Bakir. In 2004, then-Minister of Industries and Productivity Baki famously convinced then-businessman Donald Trump to [hold the Miss Universe pageant in Ecuador](#).

Of the most important [Guayaquil-based business interests affected](#) by the project, Ecuadoran business magnate [Isabel Noboa Ponton](#) (whose son-in-law Pablo Campana, as noted previously, is the Minister of Foreign Trade) reportedly [represented DP World](#) in its successful 2016 bid for the port, while Guayaquil mayor Jaime Nebot, who [initially opposed the project before embracing it](#), is believed by some to now also have an interest in the project.

[According to journalist and activist Fernando Villavicencio](#), one key area in which there may be an overlap between the interests of associates of Correa, those of Moreno, and Ecuadorian business figures, are the loans from Chinese banks, as well as their corresponding repayment through contracts for the delivery of Ecuadoran oil. As argued by Villavicencio [in his book El Feriado Petrolero](#), those contracts, with terms prejudicial to the Ecuadorian government, oblige the delivery of almost all of Ecuador's petroleum exports [through 2024](#) to Chinese oil companies. The [loans have been criticized](#) for both the [high rate of interest](#) (owing in part to Ecuador contracting them after having [defaulted in December 2008 on \\$3.2 billion in debt](#)), as well as their terms, with the difference in price between what China pays for Ecuador's heavy oil and its value on the

spot market averaging \$4 per barrel. A small number of businessmen tied to the Correa government reportedly receive substantial revenue from the deal, including Enrique Cadena Marin—who relocated to Miami for a time, then fled from the U.S. in advance of possible questions by authorities—and previously mentioned close friend and advisor to Moreno, Santiago Cuesta Caputi. In at least one contract, Marin’s group, Livingstone Financial of Dubai, earned intermediation fees of \$1 per barrel of Ecuadoran oil, an estimated total fee \$70 million..

Upon assuming office, Moreno put childhood friend Byron Ojeda in charge of Petroecuador to clean up the organization, and appointed Minister of Hydrocarbons Carlos Pérez Garcia to renegotiate new terms with the Chinese. During that time, three respected international oil companies reportedly made offers to Ecuador to buy out the contract with the Chinese, replacing it with terms that would have freed up far more of Ecuador’s oil to export, but which would have negatively impacted those making money from the substantial intermediation contracts tied to the Chinese. The Ecuadorian government never acted on the alleged buyout offers, and ultimately settled for minor adjustments in the terms, which was accompanied by the resignation of Ojeda in November of that year.

To his credit, President Moreno appears to be supportive of the efforts by prosecutor Paúl Pérez and his predecessor to not only bring criminal charges against Rafael Correa in the Balda kidnapping case, but also to begin to seriously investigating possible criminal wrongdoing in the contracts with China, including requests for relevant data from foreign partners. Perez’ action is a promising beginning, following years of inaction by his predecessor (who had even brought charges against

Villavicencio over his work which denounced wrongdoing in the contracts).

Similarly, Moreno appears to have empowered the Comptroller General Pablo Celi to investigate the abusive terms of the contracts, including a trip to the PRC for discussions with the Chinese banks and companies involved, although it is not clear how forthcoming the Chinese were in the matter. President Moreno himself may raise the issue with the Chinese in a potential visit to the PRC in November 2018.

“What is to be done?” (as Moreno’s namesake once asked)

The picture that emerges from this analysis is that President Moreno is a decent man with strong leftist commitments, in complicated circumstances. Moreno is trying to liberate his country from the downward spiral of corruption, isolation and collapse arising from the lethal combination constructed by his predecessor—of Chinese money, unscrupulous actors from both the business community and radical left, and centralized institutions with inadequate oversight. The qualified professionals that Moreno has, out of necessity, put in charge in the Ministries of Finance, Defense, and Foreign Affairs, and a new Attorney General and Comptroller General—that latter two apparently disposed to seriously investigate the abuses of the past—is a cause for hope, but also creates the risk of a government whose inertia in pursuing pro-market policies, re-building relations with the U.S. and prosecuting those who would use the country as their personal criminal enterprise, could create a serious confrontation with President Moreno’s support base, and perhaps his own principles. Such a political conflict could occur in multiple areas, including participation

in the condemnation of abuses in Venezuela and Nicaragua in international institutions; aggressively neo-liberal economic proposals; possible new loans from the International Monetary Fund; potential security cooperation with the United States that involves the U.S. DEA or physical presence of U.S. military on Ecuadoran soil; and the imprisonment not only of Rafael Correa, but of a critical mass of those involved in illicit businesses and possible criminal activities with him.

In the present delicate and complex environment in Ecuador, it is particularly important for the U.S. to proceed cautiously, respectfully and faithfully in its support for the country, with a focus on helping the country to strengthen its institutions, build prosperity, and disempower the radical left-business-criminal axis that took root in the country with the help of Chinese money during Correa's decade of rule.

In the defense sector, the U.S. should be prepared to provide expanded training and professional military education opportunities to the Ecuadoran Armed Forces, needed maintenance and overhaul support for equipment such as its HMMWVs, and if desired, intelligence and technical support. If requested by the Ecuadoran Ministry of Defense, the U.S. government might also consider support through programs such as the [Defense Institution Reform Initiative \(DIRI\)](#) and the [Center for Hemispheric Defense Studies](#) (The William Perry Center), and possibly the [return of a team of military professionals](#) in the U.S. embassy to facilitate security cooperation, but should not expect to renew significant operations on the ground in the country.

In commerce, the U.S. should follow-up on the discussions of Vice President Pence's visit to Ecuador to fast-track a [possible bilateral free trade agreement](#) with the country, or at least consider granting special

tariff-free access to the U.S. market, such as the deal previously provided under the provisions of the Andean Trade Promotion and Drug Eradication Act (ATP-DEA), as well as tax incentives for U.S. businesses to invest in the country.

With respect to institutional strengthening, the Department of State should lend all possible technical support to the investigation of abuses of the previous regime, including U.S. Treasury Financial Crimes Enforcement Network (FINCEN) cooperation with Ecuador's Financial Intelligence Unit (UAFE) under the new leadership of Diana Salazar, to the sharing of data and, where requested, manpower with the Attorney General and Comptroller General's office. When the Ecuadoran government desires, the U.S. should also consider providing resources for expanded confidence testing and databases within the Ecuadoran police, judiciary, and other government institutions, as well as computers and other equipment, and expanded training programs (both within the U.S. and elsewhere).

The good news, evidenced in part through the June 2018 visit of Vice President Pence, is that Ecuador has at least a small piece of Washington's attention. It also has, in the continuing service of Ambassador Todd Chapman, one of the most experienced U.S. diplomats at the helm of the U.S. embassy in Quito. Chapman has served in numerous key diplomatic posts, including Brazil, Bolivia, and Afghanistan, and in a senior administrative capacity in the State Department. In a similar show of seriousness, Ecuador has named Francisco Carrion an experienced diplomat and previous Vice-Foreign Minister, as its ambassador to Washington . Carrion knows the United States well through his time in New York as Ecuador's representative to the United Nations.

The United States cannot and should not seek to marginalize the Latin American left or wish them away. The region's problems of corruption and underdevelopment are persistent, and left-oriented concepts for addressing those challenges are a legitimate, if often destructive, option that resonates in the region, particularly when neoliberal solutions do not appear to have adequately addressed those challenges in a timely fashion. While a significant portion of the Latin American left continues to be driven by an agenda driven by undermining the U.S. and advancing personal gain, Lenin Moreno arguably represents a more principled part of the left. The U.S. can and must learn to deal with leaders like him in a constructive fashion.

For the United States, getting the relationship with Lenin Moreno and his team right is a key to the U.S. strategic position in the region, in showing that the U.S. can respectfully work with governments of all ideological persuasions, to help them to root out the pan-ideological threat of corruption and build strong, transparent democracies and just, peaceful societies. But it also requires vigilance and discretion on the part of the United States. The region is watching.

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