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Ecuador

Lessons for the left from Correa's presidency

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The earthquake which struck Ecuador's Pacific coast on April 16, 2016 left some heavy traces, and not only in terms of human losses (nearly 700 dead, 6,000 wounded and 30,000 affected) or material damage (between 3 and 4 billion dollars needed for reconstruction), but also in social and political terms. And through the innumerable effects that this earthquake has had on the management of the country, we can understand the tensions and contradictions in the current policies of President Rafael Correa's government

Thus, if the government was able to rapidly mobilise for the organisation of first aid and assistance to the affected population, it has nonetheless been obliged to implement a panoply of tax measures to reinforce those already undertaken to counter the effects of the crisis due to the fall in oil prices [1], with a fall in GDP of more than 4% predicted for 2016. These included increasing VAT from 12% to 14%, the deduction of a day's pay for those earning more than 1,000 dollars per month (and 2 and 3 days for those earning more than 2,000 and more than 3,000 dollars, and so on) as well as a tax of 0.9% for those whose assets exceed a million dollars. Not to mention the much less invoked opening of negotiations with the IMF to obtain new credit lines as well as the possible sale of public assets.

Beyond the real scope of these measures taken in a context of profound recession, many critics have pointed out that they barely affect the wealthiest or the big companies [2] and weigh primarily on intermediary consumers while opening the door to neoliberal measures with serious medium and long term consequences, like indebtedness to the IMF or the sale of state assets. There is then nothing very original in these decisions, whose efficacy can be doubted and which are in strong contrast to the initial aspirations of the "citizen's revolution" proclaimed enthusiastically by Rafael Correa during his first term [See by way of illustration Correa's statement made on September 28, 2008, following the victory of the "yes" camp in the constitutional referendum: "Today Ecuador has decided on a new nation. The old structures are defeated. This confirms the citizen's revolution."]].

How did Correa come to power?

To understand what has happened in Correa's Ecuador, to grasp the nature of the social and economic changes which have taken place as well as the role the left has played or still plays, we must go well beyond these few measures taken in an exceptionally urgent situation. We must review the history of this country and assess the formidable economic, social and political upheavals which have profoundly transformed this Andean country from the 1990s onwards. It was at this time that the country's indigenous peoples – organised in CONAIE – erupted onto the social and political scene. In alliance with a coordination of urban social movements (CMS), and equipped from 1996 with a political arm, Pachakutik Nuevo Pais [3]. He thus took a path parallel to those of Hugo Chávez and Evo Morales and appeared in Latin America as part of the camp of the most progressive countries. But despite this, his basic project was one of modernisation of the country rather than a project of political and social transformation genuinely oriented to the left. And all the more so in that the political formation on which he based himself, Alianza Pais, while certainly receiving from the beginning the electoral support of the popular and indigenous movement, was not linked to it in an organic manner, remaining outside of it and sometimes in direct opposition to the demands and aspirations of some of its most active sectors. These initial ambiguities could be seen very clearly in terms of the economic model increasingly adopted, as well as the contradictory labels (populist or socialist) which its detractors or defenders bestowed upon it, generally without great rigour.

A “post-neoliberal” economic model?

It should be recognised that after years of neoliberal policies in the 1990s and early 2000s, the Correa government oversaw a genuine economic revival of the country, using massive inflows of foreign currency from higher oil prices for the construction of roads and large scale infrastructural works (motorways, airport, tramway, metro and so on). Also the economic project of “transformation of the productive matrix”, above all during Correa's second term, undoubtedly stimulated production in most economic branches of the country, notably agriculture, fishing and tourism. Autonomy in energy was promoted (by the construction of hydroelectric dams), while an original third way between the private and public sector was sought through the promotion of cooperatives.

But as in Venezuela, the cooperative sector found itself in direct competition with the traditional capitalist sector leading to a paradoxical result: whereas public investment grew constantly from 2007 and even surpassed private investment in 2013 and 2014, there has been a growing concentration of the private sector in the key areas of the economy, like telecoms, supermarkets, cars, drinks and so on. Also, the incomes of the big companies occupy an increasingly significant share of GDP, with the 100 biggest accounting for 57.74% in 2011 and 71.36% in 2014 [4].

This phenomenon is especially evident in agriculture where, although small livestock production has been officially supported, the development of export agriculture has also been pursued (for example flower and broccoli production), favouring the constitution of large scale environmentally unfriendly monocultures (excessive use of water, use of chemical products and so on) and mediaeval working conditions for those employed in the sector, mostly women, who work on a daily basis (which is illegal moreover) and thus do not benefit from social security or trade union protection [5].

This type of development could for some time have enjoyed the illusion of success if oil prices had not collapsed, leading to an anticipated contraction of the economy in 2016, after a growth in GDP of +0.4% in 2015 (but with a fall of 1.1% per inhabitant), as against +7.9% from 2011 [6]. The price of Brent (which represents 2/3 of oil traded in the world) fell from \$110 per barrel in February 2011 in July 2014 to an average of \$50 in 2015 then \$30.69 in January 2016 and \$38.32 in March 2016. With apparently unavoidable consequences for Ecuador [7]; with government income slashed, the extractivist course has been accelerated, with the exploitation of other primary products like mining resources, in particular iron [8].

Without challenging capitalism!

In fact this type of economic development impelled by the state has in no way challenged the inegalitarian and capitalist essence of Ecuadorian society. It is useful to look at the transformation of the living conditions of Ecuador's less privileged layers by comparing them to the rest of the continent. The statistics of the Nation Institute of Statistics and Censuses (INEC) show a significant fall in the rate of poverty, from 35.09% in 2008 to 22.49% in 2014, to rise again to 23.28% in 2015, although there remains a flagrant disparity between the urban and rural world, with rates respectively of 15.7% and 39.3% in 2015.

However, comparison with other Latin American countries does not allow us to state clearly that this fall is due to the social policies of the government alone. Over the period 2000/2014, in all Latin American countries the phenomenon is the same, for both neoliberal and progressive governments. Also, the CEPAL in its social panorama of Latin America of 2013, notes explicitly that this fall in poverty affects all countries [9].

After the dark years of the 1980s and to a lesser extent the 1990s, and after the spectacular fall in living standards, and massive growth of inequality, the rebalancing of social data is completely “normal”, especially in the context of a

return to growth. The striking difference between the so-called progressive regimes like Venezuela, Ecuador and Bolivia resides rather in the use of the oil or gas rent. In these three countries, particularly Venezuela, it has been used to develop social policies, notably in the areas of health and education.

But basically these policies of assistance do not break with the capitalist logic of the system. Not only are they content to invest in the existing institutional system without changing its basic structure, but they also remain very largely dependent on the prices of raw materials and above all they create a clientele dependent on the government's social policy. They do not at all resolve the problem of employment which remains the monopoly of private employers, and to a lesser extent the state.

As to disposable average incomes in Ecuador, the INEC says that between 2000 and 2015, they increased six fold for "capitalists in the productive branches" as against only fourfold for "salaried productive workers" and threefold for "workers in extractivist companies". There is then no real reversal of the trend as to the division of wealth. As for social inequality, the World Bank says that since 2006 all Latin American countries have experienced a fall in inequality due to a strong fall in poverty. The most unequal countries remain those of Central America but also Brazil, governed by the PT, and Colombia. In the Andean zone, Peru and Ecuador are equals in terms of reduction of inequality over this period.

There is finally a last major phenomenon to be observed: the existence of a significant foreign debt, expressing the dependency of the Latin American economies in relation to the great capitalist powers of the North. In Ecuador, the public debt went from 10,235 billion dollars in 2009 to 32,752 in 2015. Yet Correa had from 2007 engaged in a confrontation with the IMF-World Bank alliance. He had succeeded in renegotiating the debt and obtaining repayment on a sum divided by 4. Thus the BCE indicates that if in 2009 the service of the debt (depreciation and interest) was 3.87 billion dollars (of which 0.35 was interest) it was only 0.95 billion in 2010. But it has gone up again to reach 3.16 billion dollars in 2015, of which 1.07 was interest. Because of the exhaustion of banking resources due to the oil crisis, Ecuador no longer has access to international bank loans and only China will lend to it, at interest rates 2 or 3 times higher than the average [10]. However, sensing the fragility of the country's situation, the IMF has now negotiated a loan with Ecuador, a week after the earthquake of April 16, 2016.

New dependencies

Ten years after Correa's first victory in 2006, what remains of the aspirations for change incarnated so strongly in the idea of the citizen's revolution? Undeniably a set of social measures of considerable importance, with a net strengthening of public services, particularly at the level of justice, health and education [11]. For example in the budget programme for 2013-2017, the equivalent of 1.16 billion euros will be spent to create new universities. But the socio-economic structure of the country has not fundamentally changed, and neither have the mechanisms of economic dependency. The private banking sector has seen a strong increase in profits while the industrial and agricultural sectors have continued to be concentrated for the benefit of a handful of big companies. The bourgeoisie of Guayaquil and to a lesser extent Quito continue to hold most of the country's economic levers. And if the first procurer of resources, the oil sector, has undeniably fallen, especially since 2014/2015, the government has done everything to replace it by the extraction of raw materials, extending to the maximum the territory of the oil concessions in Amazonia, with all that implies in terms of environmental damage.

The extractivist policy of the government has not questioned head on the role played by the foreign multinationals. It has contented itself – which, to be sure, is not negligible – with demanding higher royalties than in the past, but has left the field free for them to exploit resources and allowed them to bypass the inherent rights of the peoples (often indigenous) living on the coveted lands, thanks notably to an article in the Constitution evoking "the higher interest of the nation". A Constitution which had yet been written to better protect the rights of the indigenous nations of

Ecuador.

Indeed as we know, these multinationals unhesitatingly pollute the environment on a lasting basis to extract precious minerals at minimum cost. This is notably the case with the iron extracted in the south of Ecuador for which cyanide is largely used and discharged into the water supply or disseminated in phreatic waters. This extractivist model broadly resembles that in vogue at the end of the 19th and beginning of the 20th century. The main difference resides in the amount of compensation attributed to the local governments, which is higher than before. But the basis remains the same: dispossession from ancestral lands, systematic contamination, evacuation of resident populations, enriching foreign companies, lasting degradation of the ecosystem, not to mention the appalling working conditions imposed on the workforce.

Dependency thus takes on a double dimension: dependency in relation to international speculation as to the price of raw materials over which Ecuador has no control where it has so much need of regular income to procure essential goods; but also dependency in relation to what should be called the confiscation of the management of the national subsoil by powerful foreign companies [See the exemplary case of Occidental, which, according to the terms of its contract with the Ecuadorian state, could not sell its concession to a third party (Canadian) company. It did so nonetheless with complete impunity at the time of President Palacios (2005-2006) and despite this received full support from the court of arbitration of the World Bank which ruled in its favour. The Ecuadorian state had thus to pay a 1.5 billion dollars fine to Occidental.]].

Beyond the consequences of this double dependency, there is the problem of a group of pawnbrokers, with the IMF and the World Bank at their head, ready to leap on the country when the conjuncture becomes unfavourable, which it currently is with the violent contraction of the economy since 2014/2015. The European Union is preparing to sign a free trade agreement with Ecuador, as an annex to that signed with Colombia and Peru, certain articles of which would allow European multinationals to invest in the country in extremely advantageous conditions and oblige the country to open its public services to the market.

Thus Correa's Ecuador has not experienced real structural change. Certainly the increase in public investment (notably in the infrastructures of transport and education) and the royalties demanded from the multinationals to exploit the subsoil can temporarily attenuate some of the most serious sources of discontent with the system. They cannot however change its nature, or attack the most tragic forms of dependency from which Ecuador suffers. This note is moreover largely confirmed by Correa himself. "The model of accumulation, we have not been able to change it drastically. We have improved things, with the same model of accumulation, before changing it. Because our goal is not to harm the rich, but to create a more just and equitable society" [12]. It's clear that what we have is neither radical social transformation nor anti-capitalism, but "post-neoliberal" policies in the framework of a capitalism which is still very much present. Nothing more, nothing less! Does this not explain Correa's statement on May 3, 2016 in relation to a list of privatisations of public assets to deal with the disastrous effects of the earthquake: "we must change this wealth into liquidities"?

A tense social situation

Since Correa's last re-election as president, on February 17, 2013, social mobilisations against government policies have become much broader. The "pro-extractivist" orientation of the government has exacerbated the struggles of the indigenous populations concerning the multinationals installed on their territories. And if several indigenous leaders have to various degrees been won over to government policies (Carlos Viteri, Ricardo Ulcuango and so on), this is not the case with the people in villages directly confronted with mining exploitation who are in open conflict with the state. A typical case is that of the violent confrontations in the region of Intag around the project of copper exploitation of Llurimagua in September 2014. Access was blocked by protesters against the concession of a part of

the valley to the Chilean company Codelco, leading the government to send the army to occupy the site then arrest the indigenous activists.

In other layers of society, it is the question of labour regulation which is crystallizing discontent. Since 2012, the division by three of the wages of workplace trainees and the possibility offered to companies of reducing work time while cutting wages in the event of difficulty has mobilised the FUT trade union federation. All the more so since this initial reform has been followed by several others, notably in 2015 with the generalisation of labour flexibility [13], the suppression of 40% of pensions corresponding to the part paid by the state and a restriction of trade union rights and the right to strike.

In August 2015, several trade union, indigenous and student organisations drew up a 13 point platform of demands; Correa refuses to discuss them on the grounds that they were sectional interest demands. Yet, they included the demand for agrarian reform and a law protecting water from privatisation and multinationals, the rejection of an increase in public transport prices and so on. The mobilisations were strong, like the march on August 13, 2015, which brought nearly 100,000 people onto the streets of Quito. There were strikes and demonstrations across the country for more than a week.

And this despite government repression, notably through decree 16 of December 4, 2013, which criminalised actions like workplace occupations and road blockades. This rupture between the social movement and the government is the fruit of a political turn which has sharpened since late 2012, towards economic growth at any price and the reduction of the "citizen's revolution" to an obligatory allegiance to the representative institutions alone, based on the schema of parliamentary democracy that we find in the western countries.

The fragmentation of the left

Before such a contrasting balance sheet, the Ecuadorian left, which had initially supported the aspirations to social change of the "citizen's revolution" has little by little gone through a process of distancing and division in relation to the latter. The case of Alberto Acosta is revealing. He was president of the Constituent Assembly and a leader of the left inside Alianza Pais: in 2008 he resigned because of a disagreement with Correa as to the duration of the Constituent Assembly and subsequently tried to establish a genuinely alternative regroupment of the new left forces. But until now without great success, and he remains quite isolated, at least in electoral terms [14].

The same is true of significant sectors of the indigenous movements and the trade union and urban movements who have been very quickly confronted with the limits and diktats of Correa's governmental style, especially during his second term. Therein lies another problematic dimension of this "citizen's revolution", its development in relation to the social movements of ever more invasive forms of control, either by creating pro-government social organisations to rival already existing organisations (such as the CUT created in November 2014), or by developing directly clientelist relations among the poorest sectors [15].

Thus Ecuador now presents a curious political panorama with nothing very clear on the horizon. Whereas the right is recovering its strength and considering the possibility of a unifying candidate for the 2017 presidential elections like the Guayaquil banker, Guillermo Lasso, Alianza Pais is still seeking a galvanising candidate, since the courts have ruled that Correa cannot run again (he can only do so in 2022) [16]. Two candidates appear ready to run: Lenin Moreno, former vice-president from 2009 to 2013, who strikes a more consensual tone, and Jorge Glatz (the current vice-president), who is more linked to Guayaquil business circles, although it is currently difficult to discern who has the better chance.

For the oppositional and non-governmental left, nothing is yet definitively decided, even if Pachakutik Nuevo Pais has just appointed a new coordinator who is more to the left (Marion Santi) while the names of Enrique Ayala Mora, the former rector of the Andina Simon Bolivar university, and Paco Montoya, former general and ex-mayor of Quito are most often advanced as figures who might do better than Alberto Acosta did in 2013.

All remains uncertain then, with one single assured note – that the left forces remain profoundly divided and fragmented. Some – stimulated in this by an ever more aggressive right wing offensive – to fiercely defend the governmental consequences, without any distancing or criticism worthy of the name. Others – having broken at one point or another with the government – tend to “demonise” its management, reactively and without nuance, showing themselves incapable of offering concrete and constructive proposals for change, still less for long term alternative thinking [Thus in relation to the law on press and media which the Correa government had sought to pass and which attacked the big media monopolies, the left opposed it forcefully in reactive mode, but without taking the trouble to bring out the positive aspects and amend the more dubious articles.]].

Lessons for the left?

What lessons should be drawn for the Ecuadorian left and more generally for the Latin American left facing an offensive on all fronts from an arrogant and vindictive right, in particular in Argentina, Venezuela and Brazil ? To reply to this question, we should remember the context in which, just like the Bolivarian revolution in Venezuela and the indigenous revolution in Bolivia, the “citizen’s revolution” in Ecuador began in the midst of the last decade and raised immense hopes of change. It amounted then, in the wake of political experiences (after the fall of the Berlin wall), to giving hope to collective and innovative experiences of social change capable of transcending the impasses of the so-called socialist experiences of the past, and ending the devastating effects of the neoliberal policies which had been followed in Latin America and which in Ecuador had led to genuine institutional crises. Hence this new attention to the indigenous condition, or experiences of participatory management and its imperative democratic requirements. Hence this undeniable interest in constituent processes bearing new rights (including for nature) and generating a social contract which could be entirely renewed. Hence finally the unexpected roads which each these experiences has concretely taken, following popular mobilisations and unforeseen elections or re-elections, providing signs of hope and of undeniable political renewal in times of a triumphant neoliberalism.

Nonetheless the citizens’ revolution in Ecuador – like the other processes of social transformation in Bolivia and Venezuela – has tended to run into an impasse on certain basic issues which form part of the historic heritage of the left. Among these, the taking into account of the central question of capitalist economic relations of production as well as the type of ownership they imply and the unavoidable conflicts they generate [17]. If we are on the left, we must of course take account of the new realities which emerge in a history subject to perpetual transformation, and if this means being attentive to the new relations of forces and participate in the struggles stimulate by new and dynamic social movement (feminist, ecological, indigenous and so on), we cannot for all that forget the determinant weight of capitalist relations of production which continue to exist and to reshape in a curious maelstrom all the other forms of inequality and domination (colonial, patriarchal and so on) inherited from the past.

Yet forget them is what that Latin American governmental left has tended to do once in power, relegating to the back burner these implacable questions, and finally taking the dead end of the most traditional Latin American “popular nationalism”. Isn’t this the situation Correa’s Ecuador is now in? And is this not what the left – when it evokes “the end of a cycle” or “the exhaustion of a project of social and economic development” – be thinking about?

[1] Already existing plans included an increase in taxes on cigarettes, alcohol, sweet and fizzy drinks as well as landline and mobile telephones

[2] Notably those who have profited from the large scale works promoted since 2006.

[3] Literally, "the return of the good times, new country".], they engaged in a massive struggle against policies of structural adjustment and dollarization but also demanded to be recognised as actors with the social, political and economic rights due to them as indigenous peoples or nations.

For a small country whose population is 40% indigenous, this was a kind of social and political earthquake which was reflected in seven massive uprisings (1990, 1992, 1994, 1997, 1998, 2000, 2001), two successful attempts to overthrow governments (Abdala Bucaram in February 1997 and Jamil Mahuad in January 2000) and an ill-fated participation in the government of President Lucio Gutierrez (2003-2005) which nonetheless seemed to be the culminating point for this desire for affirmation. Far from undertaking as it had promised to its indigenous allies in a programme of structural reforms, this government allied itself brutally with Washington and launched politics so unpopular that a coalition of its many opponents forced it to resign in chaos 24 months later.

It was then in a context of persistent institutional crisis that Rafael Correa – candidate for president at the head of a grouping of left and centre left parties, Alianza Pais – contested the elections with indigenous support and won with 56.8% against the banana magnate representing the right, Alfredo Noboa. It was however from this time that we can note the ambiguities which haunted the Alianza Pais project and which during the two terms of President Correa (2006-2013 and 2013-2017) would appear ever more clearly. Above all if they are put in the perspective of the immense aspirations for change in Ecuador from the 1990s and which did not merely take on an insurrectional form, but also questioned – in the name of an indigenous concept of the "good life" and the egalitarian ideals of the left – the neoliberal order and the colonial, capitalist and patriarchal social relations which continued to afflict Ecuadorian society.

Rafael Correa defined himself as a humanist and a left Christian who was the partisan of a regional integration policy, while opposing dollarization, the illegitimate debt and free trade treaty with the USA. Also, he wished to institute a "citizen's revolution", aiding the most deprived sectors of the country by establishing a constituent assembly to strengthen collective rights (including those of nature) and the multi-national character of the state (2008) [[Beyond certain specific limitations, this new Constitution nonetheless represents an undeniable advance for basic rights. The problem resides rather in whether there is the political will to concretely apply the principles.

[4] Data collected by Alberto Acosta on the basis of the results of BCE (Central Bank of Ecuador) and the *Superintendencia de Compañías*

[5] See in relation to this the careful investigation carried out by François Houtard concerning two Ecuadorian companies (Brownville Investment and Corola N.V.), presented as models by the Correa government of its "new productive matrix" and specialising in, respectively, the production of broccoli, and its processing for export to the USA, Europe, Japan and Israel. The countries mentioned already produce broccoli themselves and the capital of the two Ecuadorian companies is located in Panama and the Dutch Antilles.

[6] Economic data from CEPAL (The UN Economic Commission for Latin America and the Caribbean).

[7] Oil extracted in Ecuador is considered to be of lower quality and the price has fallen to 14\$ a barrel.

[8] In an interview in *Le Monde* on December 9, 2015, Correa said unambiguously: "We have said clearly that we would use up to the last drop of oil to emerge more quickly from poverty".

[9] This remark applies to the other statistical sources, like those of the Inter-American Development Bank. The same is true of the fall in the unemployment rate.

[10] China has become a very important economic partner for Ecuador. But not in the way you might imagine. Thus China buys 60% of Ecuadorian oil, but this doesn't arrive in China – once bought, the oil is resold to an Ecuadorian offshore company, in conditions which are very advantageous for the latter (2% of royalties plus 5 dollars per barrel) which then resells it US oil companies. With the dollars obtained by this sale, the Chinese buy Iranian oil, which is much cheaper to transport to China than Ecuadorian oil.

[11] Participation in the public education system has increased to 80% while in the private system it has fallen to 20%. Investment in education has multiplied threefold. Registration for primary schools has increased to 97%. In secondary education registration has increased from 40% in 2006 to

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65% today. A good improvement overall, then, even if a third of the population does not have access to secondary education and there are significant differences for indigenous and Afro-Ecuadorian people.

[12] *Telegrafo*, January 15, 2012.

[13] The former minister of labour, Francisco Vacas, said in an interview with *El Comercio* on February 21, 2016, that "flexibility allows companies to hire". A familiar argument.

[14] Acosta contested the presidential elections of 2013 against Rafael Correa, on a platform clearly situated on the left and stressing strong ecological concerns. However, he only won 3% of the vote.

[15] In particular during the general strike and the big demonstrations of August 2015, severely repressed by the Correa government. But there is also the arrest, on December 18, 2015, of the indigenous leader Carlos Perez Guartumbel as well as the expulsion from the country of his companion Manuela Picq, following the non-renewal of her visa by the authorities. See also the closure in December 2013 of the "Fundacion Pachamama", specialising in the defence of indigenous peoples as well as in late 2014 the threat to expel the CONAIE from its historic headquarters through the unilateral revocation of the loan for use contract drawn up in 1991, which 450 Latin-American intellectuals publicly opposed.

[16] He has just officially announced that he will not be a candidate, even if the collective "Rafael still with you", playing on the desire for national unity which surged in the wake of the earthquake, has campaigned to change the last judgement of the Constitutional Court and thus allow him to run.

[17] See in this respect the judicious historic overview provided recently by Horacio Gonzales in an article entitled "El Estado y el Jard n" in *Pagina 12*, December 9, 2015 "the reproach which Marx addressed to the Paris Commune Paris, was that in the midst of so much passion, so much mobilisation, so much fervour expressed in the streets, did not even touch the interest of the Rothschild bank, which functioned normally. So many barricades and no act of expropriation".