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Ecuador

# The challenges for the new government

- IV Online magazine - 2003 - IV347 - February 2003 -

Publication date: Monday 3 February 2003

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**The triumph of Lucio Gutiérrez has put the demands of the popular movement to the fore and must be analyzed in the historical context of Ecuador over the last two decades.**

# The victory of Lucio Gutiérrez and the role of the organized popular sectors

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From the 1980s onwards, when the end of the oil boom and the project of industrialization through import substitution forcefully promoted by the military governments of the 1970s, Ecuador has been systematically subjected to the blackmail of the foreign debt, the deepening of unequal exchange and the radical policies of structural adjustment from the late 1980s onwards under the programmatic dictates of the Washington Consensus. The results have been devastating: the Ecuadorian economy has been weakened in the context of the Andean area; an increasing ecological deterioration has taken place in all regions of the country; unemployment has grown, as have migration from the countryside to the cities, the concentration of land ownership, and the presence of trans-national companies in areas like service industries, food, oil and telecommunications. The state's role as provider of services and guarantor of social rights has been reduced to a minimum, with the areas most affected being those of education and health.

The crisis deepened in the 1990s. Since 1995 the Ecuadorian economy has not emerged from a deep recession caused by policies that raised the value of the currency with interest rates that at times reached almost 100%, and which opened Ecuadorian markets to foreign manufactured products, ruining thousands of artisans and small industries. The ultra-neo-liberal policies in favour of financial capital created the conditions for the serious banking crisis of the late 1990s, which led to the military and popular uprising of January 21, 2000 that overthrew the neo-liberal government of Jamil Mahuad. The banking fraud impoverished and ruined hundreds of thousands of small and medium savers and caused the flight of more than a million and a half people, especially to Spain. This has deepened the discontent of the majority of the populations, and has been translated into despair and anger.

The Pachakutik Movement of Plurinational Unity New Country and the January 21 Patriotic Society, supported by the Democratic Popular Movement, were and are, along with the most important forces of the popular movement: the Confederation of Indigenous Nationalities of Ecuador (CONAIE); the National Federation of Indigenous, Peasant and Black Organizations (FENOCIN); the Ecuadorian Federation of Free Trade Union Organizations (CEOLS); the National Union of Educators (UNE); the affiliates of Seguro Campesino and finally the National Federation of Indigenous Evangelicals (FEINE), supported a candidacy that harnessed the popular rejection of the political system and neo-liberal policies. This meant that in the first round a united front was constituted as an electoral force that won support from workers, farmers, indigenous peoples, small traders, former military, artisans, unemployed, teachers, university students, public and private employees, and small proprietors in the countryside and the city.

The electoral Program has as central elements support for production rather than the corrupt banks, for honest industrialists rather than dishonest ones, and opposition to corruption and the system of political parties, without clearly approaching crucial questions like the Free Trade Area of the Americas (FTAA) and the foreign debt. This vote is also a reflection of the crisis in Argentina, the rise of the popular movement in Brazil, Peru and Bolivia and concern over Plan Colombia.

The election results reveal the continuity of the democratic struggles which have taken place since the 'No' victory in

the plebiscite on privatization and political reform in November 1995; the growth of Pachakutik; the overthrow of the government of Abdalá Bucarám in February 1997; the fight for the constituent assembly in 1998; and the overthrow of the Mahuad government in January 2000.

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The vote for Gutiérrez is also the expression of a layer of popular and indigenous leaders, who do not follow in an unrestricted way a military caudillo, but see in the conjuncture an alternative of power.

The influence and authority that the military still have in Ecuadorian society have been capitalized on by Gutiérrez. Nationalism is a significant ingredient in the consciousness of important sectors of a population that yearns for a strong leadership. This was a vote of indignation vote, a vote against the conditions of life, a vote of protest against the political system. It reflects the radicalization of important sectors of urban and rural youth that enter for the first time in the political life of the country. With a significant vote in the most important cities, Gutiérrez gained the majority of his support in the peripheral areas of the country, especially in the central provinces of the Sierra where the indigenous peasantry is strong, and in Amazonã-a. This victory comes within the framework of important electoral victories and advances in Latin America like those of the MAS in Bolivia, or the PT in Brazil.

## A scenario of contradictions and conflicts

The new government will face complex and difficult economic, political and social conditions. There is a set of interlinked problems.

The financial sector and the big exporters and importers support a neo-liberal free trade programme. In spite of the moderation Gutiérrez's discourse, there are economic groups and political sectors of the right and the center - in the Congress, local government, big business, mass media and the unions - that are prepared to fight a battle to wear him down and box him in.

Right now, the weight of the foreign debt is untenable. Servicing it requires more than half the income of the state, which prevents it from dealing with growing social necessities. Dollarization is exacting an ever higher price from the popular sectors and for the internal production of goods and services in an economy that incessantly buys more and sells less, that lacks internal and external productive investment and that is characterized by increasing inflation and fiscal difficulties.

Dollarization has meant the loss of monetary sovereignty as well as enormous gains for the import sector in consumer goods. The predicted benefits of dollarization, as a mechanism to stop inflation, lower banking interest rates and attract external investment have not been fulfilled. Interest rates border on 20% and inflation on 30%. Only the high price of Ecuadorian oil and the remittances of emigrant workers have sustained dollarization. In the months to come, the export sector will bring pressure to end dollarization, whereas its maintenance benefits importers. However, beyond the concrete interests of the economic groups of the bourgeoisie, a dollarized economy is ultimately untenable if it does not improve exports and external investment.

The fiscal crisis is serious due to a deficit of more than 700 million dollars for December of this year, which means a crisis of payments, that some sectors want to resolve through an increase in the price of gas of domestic use and gasoline, measures that in Ecuador always hit the popular sectors hardest.

The most immediate response is the threat of strike action by more than 100,000 teachers who have not been paid

since November.

The application of Plan Colombia and the existence of the US military base at Manta jeopardize the sovereignty of Ecuador and threaten to increasingly involve the armed forces in the imperialist internationalization of the Colombian conflict. In spite of the contradictions between the programmes presented at the first and second rounds of the election, and the change in class composition involved in establishing a government of national unity, the popular organizations maintain their support to the future government. The Pachakutik Movement, which has a perspective of arriving in government by the end of the decade, is sharing responsibility for what it considers to be a transitional government, jockeying for position with business and political sectors. The strategy of Pachakutik is to maintain a government of coalition with business sectors that lacks clear ideological definitions. Pachakutik is against the big monopolistic groups, especially of the coastal region, and will promote policies that favour their peasant and indigenous social base, strengthening the local governments under their control while capturing spaces of resistance within the State. Within this strategy of fighting for positions in the government, it has stuck strongly to Lucio Gutiérrez and his party. Pachakutik is gambling its future as a political project.

The Ecuadorian indigenous movement, trade unions, popular sectors and peasants are going to share government with economic groups that have drawn closer to Gutiérrez before and after the elections. We can point to the presence of the economist Mauricio Pozo as economic adviser - he is very close to the IMF, the Bank of Pichincha and the PROINCO group, that has interests in the Sierra in particular and has capital close to 3,000 million dollars.

Much closer to Gutiérrez is the banker Mario Canessa, of the Bolivariano Bank, linked to banana export sectors that represent about 500 million dollars. Canessa could become Minister of Economy and is connected to economic groups like that of the Quirola family which owns the Bank of Machala, exporting shrimps and bananas, and the Wong family which is also involved in the banana export trade and represents capital of about 250 million dollars. Another economic adviser is Guillermo Lasso of the Bank of Guayaquil, a key figure in the Mahuad government. Also involved are the Grupo Carrera Drouet and the Maspons and Dunn families, who account for about 1,000 million dollars. These are importers linked to the Noboa Corporation, the most powerful economic group in Ecuador, worth about 2,000 million dollars and headed by Alvaro Noboa, the losing candidate in the last elections.

The Febres Cordero group, owned by the family of the rightist ex- president Leon Febres Cordero, is keeping its distance. This Group represents about 600 million dollars and the greatest influence on the Social Christian Party, the biggest political party in Ecuador.

## The challenges for the popular movement

The coming weeks and months will be ones of intense expectation and social mobilization. The main body of the popular movement has decided to grant the new government initial support and time.

The bourgeoisie is divided. There are sectors that are prepared to co-govern, whereas others hope for an easing of the situation through the approaches Gutiérrez has made to the international financial bodies, and the governments of the US, neighbouring states and Spain and Germany, as well as his calls for dialogue with all sectors. The greatest initial opposition will be concentrated in Congress.

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Among the popular classes, we aim to bring about a joining between the spontaneous consciousness of the masses and the organized sectors. The challenge is how to deepen, develop and give continuity to a situation of the struggle for government and of political and economic crisis. The people have developed a consciousness of the necessity

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and possibility of political changes that finish with the old system and a rejection of neo-liberalism that is potentially anti-capitalist. It is fundamental to connect with the level of present consciousness and advance it, to link the immediate and present demands with those that fundamentally question exploitation, domination and oppression.

The central elements of this program are those that allow an extension of the democracy from the popular sectors; that confront the FTAA and Plan Colombia; the dictatorship of financial capital and neo-liberal policies; that place in the centre demands to end structural adjustment, the non-payment of the foreign debt, the closure of the US military base at Manta; and the struggle for water, land and natural resources. All this should harness the self-organization, expression and independence of the popular sectors. That is what is at stake.