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Ecuador

Challenges facing Correa's government and the new constituent assembly

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QUITO - Within less than a year Rafael Correa has won four election battles (the two rounds of the presidential elections at the end of 2006, a referendum on the election of a constituent assembly in April 2007, and elections of the constituent assembly members on 30 September 2007).

While all right-wing parties had been campaigning to block Rafael Correa's party, calling it a communist threat, 'Alianza Pais' won over 70 to 80 seats out of 130, which means it can count on a comfortable majority to draft and vote the new constitution. Moreover it should be able to rely on the support of such left-wing movements as MPD and Pachakutik to introduce in-depth democratic changes into the country's political structure. Election results for the constituent assembly are more favourable to change than in Bolivia where President Evo Morales's party and supporting movements do not total the two thirds of seats required for a new constitution to be voted in. This may explain the current political deadlock in that other Andean country.

Even the large media, a vast majority of which had clearly sided against Rafael Corréa during the election campaign, now prudently seem ready to change tack. The parties they supported have been so overwhelmingly disavowed that they (temporarily at least) tune down their attacks against the president and his party. Indeed the right-wing and centre-right parties (Christian democrats – UDC – and social democrats – ID) were completely crushed. PRIAN, the party of the banana tycoon Alvaro Noboa, who had been defeated by Rafael Corréa at the second ballot for the presidential elections last year, will not get more than 5 percent of the constituents' seats. The Social Christian Party, a traditional pillar of the Right, is thoroughly routed. Former president Lucio Gutierrez just managed to save 15 to 18 seats. This took them by surprise since poll surveys predicted modest scores for the candidates that Correa supported. The cautious evolution of the media is however still limited and they give very little air time to Rafael Corréa or the leaders of his party. The President speaks on the radio every Saturday. Various private and community radios broadcast his speech live. A public radio and television channel will open in a few weeks' time.

Alberto Acosta, whom I met a couple of days ago, says that the new constituents are faced with a very tight schedule. They will have to draft a new constitution within six months. 45 days later a referendum will be organised on the proposed text. The last months in 2007 and the year 2008 are full of democratic ballots: referendum on the content of the constitution as well as most probably election of a new parliament and new presidential election. Indeed Rafael Correa is said to want to bring his presidential mandate to a premature close (long before its normal conclusion at the the end of 2010), so as to further buttress his popular support and to begin a mandate under the terms of the new constitution. If this scenario goes through, if the Ecuadorian democracy is not smothered by a military coup, by the end of 2008 Ecuador might have a new democratic constitution, a new parliament (in which Correa's party could presumably count on a majority of seats which is not currently the case) and a newly elected president. This opens the way what could be to far-reaching economic and social reforms.

Economist Alberto Acosta, one of the former leaders in the campaign for the cancellation of the debt, [1] is likely to chair the new constituent assembly. He will suggest that they work in thematic commissions and in plenary meetings. In so far as the public debt is concerned, he intends to invite the Commission for a Comprehensive Audit of Internal and External Public Debt (CAIC in Spanish) to participate in the sessions of the constituent assembly's economic commission. The new constitution could include a clear definition of the conditions under which the State government and local authorities are allowed to contract public debts, as well as repudiating odious debts and fixing a maximum amount which can be used for reimbursing debts. For instance the constitution could specify that the part of the State budget devoted to paying back the debt can never exceed the amount allocated to education and health.

A few days after the election victory of 30 September 2007, Rafael Corréa's government announced that oil

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companies operating in the country would have to pay a larger share of their benefits to the State. This should bring the State slightly over one billion dollars additional revenue, which could be devoted to social expenditure.

This measure is highly appreciated by the population. Furthermore, Rafael Correa's government wants the banks to lower their interest rates, which are currently very high. A few months ago parliament, still with a right-wing majority, voted against a bill lowering interest rates. The parliament has become most unpopular. Surveys carried out after September 30 indicate that the majority of the electors are in favour of the current parliament resigning and being replaced by the constituent assembly.

The population expects a lot from Rafael Correa. His radical discourse has persuaded most Ecuadorians that a fundamental change is both necessary and possible if the president has a clear majority. President Rafael Correa wants to drastically reduce the portion of the budget allotted to repaying the country's public debt. At the same time he wants to increase social expenditure. Will he actually suspend payment of some debts in 2008? Will he repudiate the many odious and illegitimate debts the country is burdened with? [2] This is not at all certain, and this for a number of reasons. The main one is that with higher oil revenues the government considers it can still repay the debt while gradually increasing social expenditure. As indicated above, in order to implement this policy it has raised the portion of their revenues that oil companies are to pay to the state and it has decided to borrow on internal and external markets so as to restructure old debts. The latter policy is hardly advisable since it does not take into account the dangers looming over Ecuador and most developing countries, namely a rise in interest rates (a large part of the new loans are with banks that practise variable rates) and a fall in the market price of oil or other raw materials. It is likely that the Commission for a Comprehensive Audit of the Debt (CAIC) will be able to clearly identify odious and illegitimate debts. Will the government still repay them in order to avoid international tensions with creditors and tensions at home with the large private corporations that still control a large part of the country's economy? This essential debate will take place in 2008. Will Rafael Correa choose the way of a fair and sovereign solution to illegitimate debts? We hope so but this is not certain.

At the level of Latin American regional integration, the creation of the Bank of the South, which was announced for June 2007, has been delayed because of reticence on the part of Brazil. However, an important ministerial meeting took place in Rio de Janeiro on the 9th and 10th October 2007, during which a series of obstacles were lifted. In spite of Brazil and Argentina's attempt to go back on the one-country-one-vote ruling (which was ratified in May-June 2007) and which had been put forward by Ecuador, it would seem that the meeting did finally agree on this democratic ruling. The Bank of the South, whose headquarters is to be in Caracas, should normally come into being on 3rd November 2007 in the Venezuelan capital city.

The path to social reform is full of pitfalls. Several left-wing presidents have won elections in Latin America in past years by promising to break with the neoliberal policies of their predecessors, but few of them have actually kept their word. Let us hope that Rafael Correa will stay the course and that he will succeed in implementing social justice with democratic policies. So far his strategy has increased and comforted popular support for change. It has also laid down the necessary conditions for a democratic change in the institutions. It has further reinforced the country's independence towards the United States while strengthening Latin American integration. This is a lot already.

The situation in Ecuador must be followed closely. On Friday 19 and Saturday 20 October 2007 [CADTM](#) is pleased to welcome in Brussels a delegation from Ecuador led by Minister Ricardo Patino, who is in charge of the auditing of the debt and of the creation of the Bank of the South. The delegation will speak about debt auditing in the Congress room of the Belgian senate on Friday and Saturday ([see programme](#)). On Friday evening (8.00) at the [Jacques Brel youth hostel](#) a talk will be given on "Challenges facing Correa's government and the new constituent assembly."

Translated by Christine Pagnouille and Elizabeth Anne

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[1] Alberto Acosta has published several books as well as over one hundred articles on the debt. In 2003 he took part in a seminar organized by CADTM in Brussels on current changes in Latin America.

[2] See the chapter on the Ecuadorian debt "Ecuador at the cross-roads" in Les Crimes de la dette, CADTM-Syllepse, Liège-Paris, 2007. The text is also available online www.cadtm.org <<http://www.cadtm.org>> It was translated into Spanish, English (see <http://www.cadtm.org/spip.php?article2767>) and Japanese.