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## **Ecuadoran President Jamil Mahuad Battered by Protests**

by LADB Staff

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After eleven days of strikes, disturbances, and protests against the government's economic policies, Ecuadoran President Jamil Mahuad has made major concessions. It remains to be seen whether they will quell the anger and the calls for radical changes in economic policies. In late June, Mahuad announced a 13.1% gas-price hike for July as part of a series of measures to reduce the huge budget deficit that threatens to bankrupt the country.

Gas, sold by state-owned company PetroEcuador, rose from about US\$1.06 a gallon (3.8 liters) to US\$1.20 in a country where monthly incomes average about US\$108. Mahuad declared a state of emergency July 5 after taxi drivers went on strike blocking traffic in major cities to protest the increases. Ecuadorans react strongly to gas-price increases, especially since oil exports are the country's leading source of income. "We are asking the government to freeze the price of gasoline because it cannot be increased in a time of crisis like this," said Pedro Alava, president of the taxi union.

On July 13, Congress revoked the state of emergency, only to have Mahuad reimpose it the following day. Mahuad warns of economic hardships The strike came as the nation of 12 million people faced its worst economic crisis in decades. Before raising prices, Mahuad warned that the rest of 1999 will be very difficult economically. But he also predicted a rapid recovery in 2000 and a growth rate of 2%. "This year we will have a 5% decrease in GDP," said Mahuad. "Next year, we will begin to grow, we think by 2%. We will have a very difficult year in Ecuador, but it is also is hard year throughout Latin America."

In 1998, the Ecuadoran economy grew only 0.4% because of the effects of El Nino, low world-market prices for key exports including bananas and crude oil, and fallout from the economic crises in Russia, Asia, and Brazil. Other analysts estimate that the economy will contract by at least 6% and that inflation will be between 60% and 70% for the year, a huge increase from the 43.4% in 1998, the highest in Latin America. Mahuad said the recovery will begin in August, when the government finalizes an agreement with the International Monetary Fund (IMF) and finishes overhauling the banking system.

Mahuad dismissed any moratorium on the US\$16.2 billion foreign debt and promised to significantly reduce the debt before his term ends in 2003. "When I leave office, the country will have a smaller foreign debt than when I took office," he said. "I will reduce it; I will see that the Paris Club reduces our debt."

### ***Striking taxi drivers are quickly joined by others***

Taxi drivers were joined by public transport workers and truckers to protest the increased fuel prices. In addition, the Confederacion de Nacionalidades Indigenas del Ecuador (CONAIE) said its dialogue with the government had broken off and it began a "progressive and escalating

Indian uprising" throughout the country. On July 11, 6,000 indigenous people took over the city of Latacunga, capital of Cotopaxi province, 70 km south of Quito. They blockaded the bridge to the city to protest the fuel- price increases and demanded that the government shelve its plan to privatize state enterprises. The Indians also silenced radio and television in Tungurahua province, in the center of the country, when they cut power lines that supply the transmitters. Confrontations between security forces and Indians left 17 people wounded.

Popular organizations complain that Mahuad's policies are impoverishing large sectors of the population, which contributed to widespread support for the strike. Civic organizations called on the executive to rescind the latest economic adjustments, declare a moratorium on the debt, and dismiss Finance Minister Ana Lucia Armijos. Strike effects felt throughout the country Most major cities have been almost paralyzed by the taxi and bus drivers' strikes.

Angry transport workers demanded that the military be withdrawn and the more than 500 people arrested during the protests be released. Effects of the blocking of highways has begun to be felt in many cities where complaints are increasing of a shortage of supplies and of price gouging. President's concessions fail to stop protests On July 11, the government announced a six-month freeze on fuel prices to appease strikers. "We don't care if this is a victory or a concession, we are doing this for the country," said Administration Secretary Jaime Duran. Many protesters said, however, it was not enough.

The president of the Federacion de Taxistas del Ecuador, Pedro Alava, said the strike would continue. The taxi drivers are demanding a two-year freeze on prices in effect in June. "The union rejects this government measure because it sounds like a joke," said Alva. "To freeze prices until December doesn't get us anywhere, we cannot work with the gas prices set in July and that is not negotiable." Protesters on the outskirts of Quito and in Latacunga also expressed their frustration at the government measure.

### *IMF negotiations also cause controversy*

Another irritant is the government's negotiations with the IMF. Mahuad defends the efforts to sign a letter of intent with the IMF, saying no one else is willing to provide Ecuador with needed credit. The IMF has offered the government a standby loan of US\$500 million to strengthen the balance of payments, to reactivate production, and to clean up the private banking system.

Antonio Vargas, CONAIE president, disseminated an IMF document last week, which recommends that the government raise gas prices by 105%. Many sectors oppose the elimination of subsidies, another IMF demand. The IMF "proposes hiking the price of household gas between 85% and 117% and electricity and telephone rates by 65%," said Gonzalo Ortiz Crespo, former secretary general of the administration. He said the IMF also calls for indexing those prices to the US dollar so they do not lose their value. The Partido Social Cristiano (PSC), the second-strongest political party in the country, and the Izquierda Socialista (IS), the fourth-strongest, both oppose the IMF demands.

### *Mahuad is not the entire problem*

As the strike continued, former president Rodrigo Borja (1988-1992) suggested that Mahuad step down because the country "is falling apart." "The time has come to say very clearly to the president

that either he solve the problems or resign," said Borja. "There is no alternative; things can't go on like this."

Former presidential candidate Jaime Nebot of the PSC joined the growing chorus of opponents demanding that Mahuad either solve the problems or resign, and he raised the possibility of impeachment if things do not improve. Many analysts say, however, that even if Mahuad were to step down, it would not end the crisis because his successor would be faced with the same problems and be forced to apply many of the same solutions.

Miguel Lluco, national coordinator of the Pachakutik indigenous political party, said if Mahuad abandons his post he would be replaced by the vice president or the president of Congress, and that would be worse. "The solution lies in rectification," said Lluco. "The government needs to change its economic policies, replace the minister of finance, concern itself with the country's poor, and stop giving money to corrupt bankers. If not, the country will burn and then no one will be able to fix it."

### *Mahuad makes new offer*

On July 14, Mahuad capitulated, rescinding the hike in fuel prices. He also pledged to create a development fund for indigenous communities, and eliminate the IVA tax (impuesto al valor agregado) on goods under 100,000 sucres (US\$8.50). He said he hoped to quickly be able to lift the state of emergency and release those arrested during the protests. "Considering the damage that these confrontations are causing us, I have agreed to freeze fuel prices at the level they were on June 30 of this year," said the president. "This is an immense sacrifice for my administration."

Nelson Chaves, president of the Federacion de Transporte Pesado del Ecuador, said the union will meet to decide whether to end the strike in response to the government measures. Meanwhile, protests continue. [Sources: Associate Press, 07/05/99; Clarin (Argentina), 07/08/99, 07/11/99; Notimex, 07/08/99, 07/10/99, 07/12/99; El Nuevo Herald (Miami), 07/08/99, 07/12/99; Inter Press Service, 07/13/99; CNN, 07/07/99, 07/13/99, 07/14/99; Reuters, 07/09/99, 07/12/99, 07/14/99; Spanish news service EFE, 07/13/99, 07/15/99; Hoy (Ecuador), 07/15/99]

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