4-29-2005

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New President Palacio Attempts Stabilizing Government

by LADB Staff
Category/Department: Ecuador
Published: 2005-04-29

Ecuador's new President Alfredo Palacio slowly filled out his Cabinet and gathered international support for his nascent administration following the April 20 ouster of ex-President Lucio Gutierrez. While his pick for the Economy Ministry raised concern among foreign investor groups on Wall Street, Palacio made conciliatory statements in an effort to consolidate support for his presidency among international powers. Palacio became the country's seventh president in a nine-year period, a new record for Ecuador.

Many spoke of a permanent "crisis in the Ecuadoran presidency" with Gutierrez's ouster. Palacio's statements in his tense first days as president swung between defiance toward foreign powers, intended to appeal to a disenchanted public, and conciliatory statements directed to the international community. He removed some members of the military command while the Congress removed several of its members.

Congress elected Wilfrido Lucero of the Izquierda Democratica (ID) as its new head, deposed eleven deputies, and dissolved the Tribunal Constitucional (TC) and Tribunal Supremo Electoral (TSE), the two remaining intact branches of the federal judiciary after Gutierrez dissolved the Corte Suprema de Justicia (CSJ). Deputies also approved a law to designate 31 magistrates for the CSJ. The Congress is now dominated by a majority coalition made up of Pachakutik, the ID, and the Partido Social Cristiano (PSC).

Gutierrez's Partido Sociedad Patriotica (PSP) is under investigation for corruption as is Gutierrez, now exiled in Brazil with his wife, Deputy Ximena Bohorquez, and younger daughter.

Correa, critic of dollarization, in top economic spot

The most important and internationally watched of Palacio's Cabinet picks is Rafael Correa, the new economy minister who is close to the Pachakutik movement. The fiscal conservatism of Gutierrez's economy minister, Mauricio Yepez, had been encouraging to Wall Street and other foreign investors as well as multilateral lending institutions. Once Correa came into the picture, capitalist confidence in Ecuador's new regime dropped.

Ecuadoran risk ratings went up 67 points to 786 on global debt markets with Gutierrez's ouster, and predictions emerged that the country's annual growth could be cut in half this year with an anticipated reduction in foreign investment of 30%.

Correa has criticized the 1-to-1 peg of Ecuador's sucre to the US dollar. A number of Latin American governments dollarized their currencies to slow inflation and stabilize their economies, but critics point to increased wealth inequality, the danger of mass impoverishment if and when governments let their currencies float again, and the government's lack of control of monetary policy.

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A dedollarization of the Ecuadoran economy could lead to painful savings losses for citizens as happened when the Argentine government let its peso float free from the dollar during its 2001-2002 economic collapse (see NotiSur, 2002-02-15). While Correa acknowledged his role as a fierce critic of dollarization, he said in public statements that it was "almost impossible" to dedollarize right now.

"Que se vayan todos"

Organized protesters, called "forajidos," meaning renegades or outlaws, led the street push that caused Gutierrez's downfall and emerged as a potent political force in the partial vacuum that followed his exit from Carondelet Palace. Their calls for further purges within the Congress continued even after deputies had removed a number of members from their ranks. Forajido protestors stormed the runway of Quito's airport when Gutierrez left the presidential palace on a helicopter April 20, preventing Gutierrez from taking off in his private plane. After Gutierrez sought asylum from Brazil, they set up blockades outside the Brazilian Embassy for several days until police managed to remove Gutierrez in an early morning operation on April 24.

Amid it all, most Quito residents seemed to be trying to resume their normal lives, even though several government buildings, including Congress, were left in shambles after rioters set fires and threw rocks and bottles at anything remotely connected to the government. Will Palacio be able to build a power base or will popular disaffection with the political class continue to reign? Along with chants of "Lucio out!" protestors also chanted, "Que se vayan todos!" all of them [politicians] out.

Protestors stormed the Congress, attacking legislators inside the federal buildings, and not sparing members who belonged to parties opposed to Gutierrez. The crowds seemed to reflect much of the population's total disaffection with seated politicians. Press photos showed legislators under attack from crowds, bloodied, kicked, and pelted with debris.

International organizations, US tarry in recognizing Palacio

Ecuador's new president, seeking international acceptance after his predecessor's ouster, pledged on April 25 to respect earlier treaties including a deal allowing US military operations at a strategic air base. President Palacio also vowed not to run as a candidate for elections in October 2006, saying he planned to fulfill his "obligation to finish the term and turn the country over in an orderly fashion to the next president" in 2007. "Ecuador will be a nation that respects its commitments without restriction," Palacio told reporters. "This includes the Manta base. If the Manta base has been conceived as a front against drug trafficking, Ecuador will continue in that struggle."

Ex-president Abdala Bucaram (1996-1997), during his brief return to Ecuador, had rallied to have the base closed. Another treaty that will have international interests squaring off against the interests of Ecuadorans is the agreement Gutierrez signed a year ago with the International Monetary Fund (IMF).

IMF Director Rodrigo Rato visited Quito in February, just as large street protests against the Gutierrez government were underway (see NotiSur, 2005-02-25). At the end of that visit, Rato
called for "reforms" of the social security sector and state oil company Petroecuador, and the optimization of money generated by the Fondo de Estabilización, Inversión Productiva y Reducción del Endeudamiento Público (Feirep) to alleviate the public debt. The Spanish-born fund director praised the country's economic growth in the past year. The governments of the European Union (EU) and the US, and the Organization of American States (OAS), took days to recognize Palacio's installation, expressing concerns about whether the removal of Gutierrez had been legal.

US Ambassador Kristie Kenney indicated support for Ecuador's new leadership after meeting with Palacio. She told reporters at the government palace, "We never broke relations, and we continue to work with the government."

The OAS has demanded an explanation of how Congress could justify its decision to remove Gutierrez for "abandonment of the post" when he was still in the government palace issuing orders. The regional body said it would send a high-level diplomatic delegation to investigate whether the ouster was constitutional.

The delegation arrived in the capital April 27. Of the 62 legislators present in the unicameral Congress on April 20, 60 voted for Gutierrez's removal. The deputies applied the Constitution's Article 167, which says the Congress may depose the president for abandoning his duties.

Congress members said the president, by intervening in other powers of the state like the CSJ, abandoned his duties. They also pointed to his use of the Fuerza Publica to repress peaceful marches in Quito.

The Cuban government called the OAS refusal to promptly recognize the Palacio government "a disgrace," saying that the body recognized the 2002 Venezuelan coup led by businessman Pedro Carmona and the US removal of President Jean-Bertrand Aristide from Haiti in 2004, which Aristide alleges was a "kidnapping in the service of a coup" (see NotiSur, 2002-04-19, NotiCen, 2004-03-04).

The EU was the first to recognize the government, with the OAS and US following in subsequent days. Kenney's meeting with the new president heralded the onset of public US backing, coinciding with Palacio's agreement to leave the Manta base in US hands. A political independent without party affiliation to shore up his strength, Palacio may be especially in need of international support to keep afloat until the October 2006 elections.

**Gutierrez begins exile in Brazil, Bucaram in Panama**

The day of Gutierrez's ouster, the prosecutor's office issued arrest warrants for him, Bucaram, Social Welfare Minister Bolivar Gonzalez, and Gutierrez-installed CSJ head Guillermo Castro for supposed acts of corruption. Bucaram disappeared, with evidence showing that he exited the country through Peru and re-emerged in Panama, asking asylum there for the fourth time. Brazil's government granted Gutierrez asylum, saying it hoped the country could return to normalcy with his safe passage eastward. After negotiations with the Palacio government, the Brazilians managed to get Gutierrez out of the country.

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Gutierrez's fall may be a lesson for top leaders in maintaining loyalty to one's constituency. Ever since he alienated Pachakutik and the Confederacion de Nacionalidades Indigenas de Ecuador (CONAIE) indigenous people's organizations that helped bring him into office, the president had to scramble to find a base of political support. When his attempt to purge the CSJ aroused mass anger, Gutierrez had no one left to support him.

Prior to dissolving the court and carrying out other acts that led his opponents to call him a dictator, Gutierrez followed austerity and free-trade-oriented economic policies. These were the opposite of what many of his supporters were expecting.

"You have seen this same sort of cycle where presidents come in, off and on, on a populist platform," said Chris Johnick, an adjunct professor of human rights at Columbia University. "They create certain expectations, and then they are put into this vise of the north the American government and the World Bank and IMF, putting a lot of pressure on them, and we'll see in this latest case whether this new government can survive that."

In his first week of power, Palacio appeared to repeat the trend, mouthing populist statements about paying off "the social debt" ahead of paying Ecuador's enormous external debt but then backing off and saying the country would honor all treaties. If it includes austerity-mandating IMF and World Bank deals, Palacio might also find himself a focal point for Ecuadoran popular anger.

The fall of Gutierrez also echoed in the chambers of the capitals of Bolivia and Peru. In Lima, President Alejandro Toledo faces corruption investigations and abysmal popularity figures in a country where, like in Ecuador, economic growth has trickled down slowly if at all.

Bolivia's President Carlos Mesa, also an independent former vice president who stepped in after the fall of his country's chief executive, has struggled to stay ahead of challenges from the opposition Movimiento al Socialismo (MAS) and an autonomist movement in the east of his country. Mesa bought a little time by handing in a resignation that Congress rejected, but it is questionable whether he could withstand another national crisis like the highway-blockade protests earlier this year that made the country "ungovernable," according to Mesa (see NotiSur, 2005-03-11, 2005-02-11).

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