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LADB Staff

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by LADB Staff

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The shaky government of Ecuadoran President Alfredo Palacio lost one of its most popular ministers on Aug. 4 when the head of the Economy Ministry, Rafael Correa, left the Cabinet, stridently denouncing Palacio and his administrative style. The resignation brought street protests to Palacio's door, as the groups that helped force ex-President Lucio Gutierrez (2002-2005) to leave power in April rallied in Correa's defense. A subsequent strike in the provinces of Sucumbios and Orellana forced Defense Minister Solon Espinoza to step down on Aug. 19 and led Palacio to declare a state of emergency in those provinces.

Economy minister's removal leads to protests, mini-strike

Conflict between Palacio and Correa regarding the latter's handling of financing deals with the government of Venezuelan President Hugo Chavez led Palacio to call for Correa to quit. Correa called his situation in the government "untenable" after losing the president's support. "In a vulgar manner, the president called on me to make a report," said Correa in a radio interview after his removal. Correa said he was removed because he was too "pro-Chavez" for the "dark circle" of advisors he claimed had surrounded Palacio.

Another key controversy is what kind of dealings the government will have with the US-based Occidental Petroleum Corporation or Oxy. The nation's attorney general's office has called for Petroecuador, the state petroleum company, to annul its contract with Oxy. Conflicts with Oxy regarding multimillion-dollar tax payments have been a source of conflict between the Ecuadoran government and the company for months (see NotiSur, 2004-09-10) Correa criticized Palacio's request for the resignation of Petroecuador's president Carlos Pareja on Aug. 3 after corruption allegations against him emerged.

Pareja claimed the government's anti-corruption commission (Comision Anticorrupcion) was "persecuting" him on behalf of private interests. Hundreds of marchers took to the streets of Quito to call for Correa's reinstatement the night after he resigned. Government workers, among them Secretary for Production Luis Maldonado and employees of the Economy Ministry, struck on Aug. 5, saying they would not accept a replacement for Correa. The Frente Popular and the Confederacion de Nacionalidades Indigenas de Ecuador (CONAIE) also joined protests against Correa's removal.

Radio La Luna, a left-wing station that played a key role in mobilizing protest against Gutierrez earlier this year (see NotiSur, 2005-04-22), opened its microphones to Correa after he resigned. The station called on its listeners, who call themselves "forajidos" outlaws or renegades to protest outside the government's headquarters. The Palacio government said that there would be no change in economic policy, despite Correa's resignation. After the government announced that Correa's former vice minister Magdalena Barreiro would replace him, ministry employees ended their strike, taking her appointment as a signal that there would be a continuity of Correa's policies.
After Palacio took office in April, Correa told reporters that Gutierrez had "confidential commitments" with the International Monetary Fund (IMF) to pay off the public debt. Correa said these agreements, like those Gutierrez also made with the World Bank, were void because the public was unaware of them. Correa, formerly an opponent of dollarization in Ecuador, sought to bring more leftist economic initiatives to the Carondelet presidential palace.

The World Bank recently refused to disburse a US$100 loan to Ecuador, which Correa called an "offense." Correa's continued presence in the government would likely have offended international multilateral lending institutions and foreign investor groups as well.

Some analysts said they thought Correa was laying the groundwork for a run at the presidency next year and building support for his brand of populist economic policies. It is not difficult to imagine the economist running a successful populist campaign like that of Argentina's Nestor Kirchner, Uruguay's Tabare Vazquez, Brazil's Luiz Ignacio Lula da Silva, or Venezuela's Chavez. His hostile relationship with multilateral lenders will gain him few friends in Washington, DC, or on Wall Street, but it may energize the electorate.

Rebellion in northeast closes airport, oil operations

Defense Minister Solon Espinoza followed up Correa's resignation with one of his own after strikes paralyzed Sucumbios and Orellana provinces later in August. Espinoza's successor, Oswaldo Jarrin, announced that drastic actions would be taken against protestors who had put a halt to oil production with demands of better treatment from petroleum companies and more government support for the people. Jarrin said that the six-day-old protest would be met with "maximum force" by the military "if it is necessary." In the region, poverty afflicts about 85% of the population, even though it is the country's most resource rich.

Protestors were calling for greater resources to develop the region. Strikers and Army sources exchanged accusations that the other group was using extreme violence and committing vandalism. In various efforts to seize oil wells, there were reported oil spills. Strike organizers accused police and military forces of "brutal" repression of the protests while Army figures reported that protestors had damaged military facilities where women and children had been. The detention of strike leaders radicalized the strikers, according to news reports.

Petroecuador reported on Aug. 20 that crude oil production was down to 27,600 barrels per day compared with the regular output of 200,000 bpd. Ecuadoran protests contributed to record petroleum prices on world markets, although other factors like sabotaged pipelines in Iraq also helped keep the cost of light, sweet crude above US$65 a barrel. Venezuela's government helped stabilize the situation with the offer of an interest-free oil loan to Ecuador so it could meet its export commitments to the US.

On Aug. 22, Ecuadoran officials from the Energy and Economy Ministries began negotiations with Venezuela, renewing the tentative on-again, off-again relationship that the two governments
have had since Palacio came to power (see NotiSur, 2005-08-05). Underfunding pits union against Education Ministry. Adding to pressure on the federal government were conflicts with the Union Nacional de Educadores (UNE) and allied groups.

Leaders from the Comite del Contrato Social por la Educacion said the Education and Economy Ministries had promised an education budget of US$2.7 million for hiring teachers and funding education for young children in the first part of 2005 but had reneged on the commitment and scaled the payment down to US$2 million. This payment constitutes the first in a three-year, US$55 million budget for the "universalization" of basic primary education, where the state will pay for 10 years of children's basic education across the country and remove the "voluntary contribution" of US$25 that parents pay at the time of registering their children. The central government should provide US$17 million this year to hire pre-school teachers.

Education Minister Consuelo Yanez accused the union of boycotting the "universalization" process, while UNE and Contrato leaders fired back, accusing the Education Ministry of underfunding universalization by locking teachers into US$80-a-month contracts. The conflict about promised funds for education is another example of where the Palacio government's promises to increase social spending are falling short of the levels social organizations expect.

Contrato coordinator Milton Luna Tamaya said that the government was trying to escape commitments to integrate 100,000 youths who were not able to access primary education and 750,000 who were outside the education system entirely. Much of the education reform is supposed to be funded with monies that previously went to the Fondo de Estabilizacion, Inversion Social y Productiva y Recompra del Endeudamiento Publico (FEIREP). The transfer of FEIREP money from the payment of foreign debts to social spending was a central part of Correa's program, though critics said the national deficit was larger than the funds FEIREP would provide.

**Communications minister quits**

Another member of Palacio's Cabinet fell on Aug. 23, though the reasons for the resignation of Communications Minister Andres Seminario were not immediately evident. The important question for the Palacio government in the coming weeks and months will be whether the president is now involved in crisis management or is in fact forestalling an imminent fall from office. Palacio only needs to last through 2006 to complete his term, but further missteps could send him down the path that his former antagonist Gutierrez trod earlier this year.

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