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Rafael Correa Sworn In as President of Ecuador

by LADB Staff
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Rafael Correa took the oath of office to begin his term as president of Ecuador on Jan. 15, 2007. He laid out plans to reform the Constitution, increase economic productivity, improve social services, reduce the country's crushing debt burden, and further integrate Ecuador into Latin America. One of his first acts was to decree a popular vote on forming a Constituent Assembly to rewrite Ecuador's Constitution. In naming his Cabinet ministers, Correa made a point to have a strong presence of women in the country's top positions. He also held a symbolic indigenous inauguration where the socialist presidents of Bolivia and Venezuela, Evo Morales and Hugo Chavez, were the guests of honor.

'Economic revolution' will reduce debt payments

The US-educated economist assailed Washington's free-market policies in his first speech as president of Ecuador, promising to push for an "economic revolution" that would emphasize renegotiating the country's US$11 billion foreign debt. One of six leftist Latin American leaders to win an election or be re-elected in little more than a year, Correa took office pledging a "profound transformation" in Ecuador.

Putting on the red, yellow, and blue presidential sash before cheering supporters in the galleries of Congress, Correa said the policies promoted by Washington since the 1980s failed to help Ecuador develop. Correa's remarks drew applause from several US antagonists who attended the ceremony; Venezuelan President Chavez, Bolivian President Morales, and Iran's hard-line President Mahmoud Ahmadinejad as well as from Nicaraguan President Daniel Ortega and more moderate left-leaning leaders from Brazil, Chile, and Peru.

Correa addressed the gathered leaders and said they all now share a new responsibility. "The people won't forgive us if we don't advance the integration of our America," he said. A political outsider who won election in a November runoff, Correa said he would work for an "economic revolution" in Ecuador that would emphasize renegotiating the foreign debt, "paying only what we can after attending to the needs of the poor."

Correa, 43, who has a doctorate in economics from the University of Illinois, becomes Ecuador's eighth president in a decade. During the campaign last year, Correa threatened to cut ties with the World Bank and the International Monetary Fund (IMF) and said he would not rule out a moratorium on foreign-debt payments unless foreign bondholders agree to lower Ecuador's debt service by half. He said in September 2006 that Ecuador could not afford its current US$2 billion debt service, representing 7% of the country's GDP. "Ecuador cannot pay more than 3%," he said.

Correa did not mention a possible debt moratorium in his inaugural speech. A debt renegotiation would not harm Ecuador's economy, but a moratorium would, said Michael Shifter, a Latin America analyst at the Inter-American Dialogue research group in Washington, DC. "If he goes ahead with it..."
(a moratorium), I don't think it's going to help Ecuador's economy. I think it's certainly going to give the jitters to Wall Street and the financial community," Shifter said.

Ecuador's bond ratings have fallen to the world's worst since Correa's promised to shave the debt in a manner similar to that of the Argentine government. Correa said some loans arranged by previous governments had been lost to corruption and an international tribunal should be set up to decide what debt should be repaid. More than 60% of Ecuadorans live in poverty. "It looks like he is going to play hardball," said Gianfranco Bertuzzi, an emerging-market bond specialist at Lehman Brothers investment bank in New York. "Bond holders are bracing for some kind of renegotiation, but what it means is still up in the air."

Bertuzzi said 15 Wall Street firms holding billions of dollars in Ecuadoran debt would meet with Correa's new Finance Minister Ricardo Patino in Quito to find out how Correa planned to proceed with the renegotiation. In February, Correa probably will announce a comprehensive plan, he added. Patino told a group of investors who visited his office Jan. 17 that much of the country's foreign debt is "illegitimate" and that the government may repay only 40% of it.

Patino told the investors that the debt is "a burden on Ecuador that inhibits growth" and takes away from social spending. Citigroup, which arranged the meeting, said in a note to clients. "He argued that for the first time in many years investors will be dealing with a finance minister determined to defend and prioritize social spending over external or domestic debt servicing." Citigroup analysts Don Hanna and Jose Wynne wrote in the report. Correa also has rejected a free-trade pact with the US, saying it would hurt Ecuador's farmers.

And he has said he will not extend the US military's use of the Manta air base on the Pacific coast for drug surveillance flights when a treaty expires in 2009. US Commerce Secretary Carlos Gutierrez, who represented the US at the inauguration, said Washington respected Correa's decision to reject the trade deal but hoped to continue "collaboration on matters of mutual interest in the future." Correa also is expected to push legislation to make foreign oil companies turn over majority interests in their oil fields, taking a cue from Chavez in Venezuela.

Legal analyst Diego Delgado of Quito said Correa might also follow Chavez's lead in reversing the privatization of some utilities, including telephone, power, and water companies. Economist Maria de la Paz Vela of Multiplica consultants said Correa is inheriting a reasonably healthy economy growing at a 4% annual rate, with low inflation of 2.8%. The economy got a US$1.1 billion boost from the confiscation of Occidental Petroleum's oil field in May (see NotiSur, 2006-06-02) and a new hydrocarbon tax that together bumped up Ecuador's total 2006 oil revenue to about US$3.8 billion, she said.

**First proposal: Constituent Assembly to rework Constitution**

Keeping his campaign promise, Correa decreed a March 18 national referendum on the need for a special assembly to rewrite the constitution. He says the measure is necessary to limit the power of Ecuador's traditional parties, which he blames for the country's instability. Correa ordered the Tribunal Superior Electoral (TSE) to "organize, guarantee, and direct" the referendum, which will
ask voters, "Do you approve that a Constituent Assembly with full powers in conformity with the electoral statute that is attached be convoked to elaborate a new Constitution?"

The Constituent Assembly would have 89 representatives, 57 representing the country's provinces, 29 representing the nation as a whole, and 3 representing emigrants. "We seek a profound transformation. Our leadership has failed. We want a democracy where our voice is heard, where our representatives understand that they are there to serve us," Correa said. The president's plans for an assembly could put him on a collision course with Congress, which is dominated by the traditional parties.

The Partido Renovador Institucional Accion Nacional (PRIAN) of his main opponent in the election, banana magnate Alvaro Noboa, holds 28 of the 100 seats in Congress while the Partido Sociedad Patriotica (PSP) of former President Lucio Gutierrez (2003-2005) holds 23. Analysts see a constitutional rewrite as Correa's best chance to outflank his opposition's powerful presence in the Congress.

Lawmakers have dismissed the last three elected presidents, including Gutierrez, after the eruption of huge street protests demanding their ousters. Some Ecuadorans worry that Correa's real goal is to consolidate political power in the presidency as Chavez has done. They say he has shown early signs of not respecting the opinions of his political opponents, even moderate ones.

One of Correa's key campaign promises was to give a "correa," or belt, to the widely-reviled traditional political sectors in Quito. The assembly would have to be approved by the sitting Congress, which effectively would be putting itself out of a job. "Whether it's by consensus, a deal, or through popular pressure, my expectation is that Correa will get his constitutional assembly this year," said Adrian Bonilla, a political scientist at Quito think tank Facultad Latinoamericana de Ciencias Sociales (FLACSO). "It's why he won the election."

Bonilla said he doubts that Correa would use such an assembly to concentrate as much power in his hands as Chavez has done. "Venezuela is different. Here, we are more heterogeneous, more fragmented. I don't think Correa would succeed in what Chavez did," Bonilla said.

**US diplomat: 'wash out ideology'**

Thomas Shannon, the US assistant secretary of state for the Western Hemisphere, claimed that the US wanted to help Ecuador in a Jan. 23 talk to the Center for Strategic and International Studies (CSIS), a Washington think tank. "When people want to help you, you should let them help you, as opposed to creating an environment in which there's conflict or confrontation," he said, referring to the possible debt default by the Andean nation. Shannon said US diplomacy should "wash out" ideology and rhetoric to "focus on results."

Yet the past cycle of South American elections has handed win after win to socialists and social democrats, often by margins of victory that have not been seen in decades. US diplomacy in the Shannon mold will be rowing against a strong tide of South American voter support for "ideological" leaders, leaders whose policies have thus far led to strong economic growth in countries like Argentina and Venezuela.
Febres Cordero resigns from Congress

In what seemed to hail a symbolic transformation in the Ecuadoran political stage, Former President Leon Febres Cordero (1984-88) whose center-right Partido Social Cristiano (PSC) long dominated Ecuadoran politics resigned from Congress and political life, citing unspecified medical problems.

Deputy Alfonso Harb, a top-ranking PSC official, made the announcement Jan. 5 on Febres Cordero's behalf soon after the Congress, elected last October, was sworn in for the new term. "Today the nation bids farewell to the public activity of the country's most important servant over the last 30 years," he told reporters.

Harb said Febres Cordero, 75, made the decision "because of physical ailments and also on medical advice that at this time he cannot be immersed in tense situations that could aggravate his physical condition." Harb did not elaborate. A chain smoker, Febres Cordero is the survivor of five heart bypass operations and two bouts with cancer since his presidential term. Febres Cordero is a bitter foe of Correa.

During his presidency, Febres Cordero became the leading South American ally of US President Ronald Reagan (1981-1989) by embracing free-market policies and criticizing Nicaragua's leftist Sandinista government. But he also counted among his friends Cuba's President Fidel Castro, though the two were ideological opposites. A wealthy businessman and a power broker nicknamed "the owner of the country," Febres Cordero dominated Ecuador's courts and its fragmented Congress during the last 15 years. In the first round of elections in 2006, the PSC candidate won less than 10% of the vote (see NotiSur, 2006-11-10). [Sources: El Comercio (Peru), 01/03/07; www.venezuelanalysis.com, 01/15/07; Bloomberg, 12/01/06, 12/05/06, 12/13/06, 12/14/07, 01/03/07, 01/18/07; El Universo (Ecuador), 11/15/06, 11/16/06, 12/14/06, 01/15/07, 01/16/07, 01/19/07; El Nuevo Herald (Miami), 12/12/06, 12/13/06, 01/09/07, 01/10/07, 01/16/07, 01/17/07, 01/19/07, 01/22/07, 01/23/07; The Miami Herald, 01/15/07, 01/16/07, 01/24/07; El Comercio (Ecuador), 11/15-17/06, 12/13/06, 12/14/06, 01/09-12/07, 01/15/07, 01/19/07, 01/22/07, 01/25/07; Associated Press, 11/30/06, 12/29/06, 01/05/07, 01/16/07, 01/17/07, 01/25/07; www.telesurtv.net, 12/14/06, 12/15/06, 12/26/06, 12/27/06, 12/30/06, 01/04/07, 01/08/07, 01/09/07, 01/11/07, 01/15-17/07, 01/19/07, 01/21-25/07]