Ecuador: Breaking with Neoliberalism to Strengthen the Market

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Although seemingly a contradiction, Ecuador's political model, defined as a break with neoliberalism, is becoming the best way of guaranteeing the application of the rules of the global market, the surest exploitation of natural resources, and the incorporation of "marginal consumers," who can still be self-sufficient through their agricultural activities and who are a nuisance for the dynamism of the transnational economy.

**Dismantling the state**

A basic premise of the neoliberal project in Latin America was the downsizing of the state, that is, that the state get rid of its investments and social-services structure, making way for privatizations, and that it reduce its regulatory role in the national economy, letting regulation take place through market dynamics, as the classical theses of mercantile liberalism affirm.

Ecuador came to this process late; it was unable to initiate it with force until the 1990s with the administration of former President Sixto Durán Ballén (1992-1996), and it encountered more problems than progress (NotiSur, Aug. 3, 1995). The domestic economy was not large enough to attract transnational investors who could join the national elites and overcome the opposition of various social sectors. In addition, social mobilization, led by the unions, and the emergence of the indigenous movement also became strong obstacles to privatization. In November 1995, as the last hope for accelerating the privatization process, Durán Ballén called a national referendum in which the Ecuadoran people gave a resounding "no" to the privatization policy (NotiSur, Dec. 1, 1995).

The same was not true with the institutionality of the state and the legislature, where the principal control institutions were dismantled and laws passed that guaranteed private investment without any social responsibility, allowing the creation of countless shell companies to access public and private monies. The fiscal-control and financial-oversight agencies ceased to function, and no one could prevent the 1999 financial collapse (NotiSur, Jan. 14, 2000), as the state's institutionality had been undermined in favor of the interests of the large economic-power groups.

With weak state institutions; with permanent political instability, which prevented elected presidents from finishing their terms; with dollarization, which implied turning over monetary policy to the fluctuations of another economy, that of the US; and with a judiciary controlled by the political elites, a radical discourse became necessary, which denounced the effects of dismantling the state and offered to rebuild both the powers of economic control and regulation and its social-investment capacity and the strengthening of the judicial systems.

**The end of the long neoliberal night?**

It is within this political scenario that Rafael Correa's electoral discourse is shaped in 2006. He summarizes neoliberal policy and the need to "reinstitutionalize the state," strengthening the structures of fiscal and financial control, restoring the state's responsibility for social investment,
and reforming the justice systems, both in their legal foundation as well as in the configuration of a new judicial court whose independence will be guaranteed. Correa assured the public that his administration, which took office in 2007, would be "the end of the long neoliberal night."

The Correa administration initially augured well for the country, opening the way for writing a new Constitution in 2008, which was regarded as "protectionist," as it broadened rights and established a series of laws to protect them. Similarly, social investment grew at a quicker pace, and reform programs were implemented for schools, hospitals, and the very physical structure of state institutions, many of which went from being tiny offices in shacks to occupying modern office buildings that had been confiscated during the 1999 bank closures and were deteriorating after having been abandoned. The road network was also strengthened with the construction of first-class paved roads, highway projects were finished that had been left half done, and projects were begun that had been forgotten for decades, such as large-scale airports and bridges.

The quantity and diversity of investment captivated not only the population but also leaders of traditional organizations, who wholeheartedly supported Correa’s project, allowing him to begin to control not only the government but also the entire state apparatus, including the courts, the attorney general's office, and even the Asamblea Nacional (AN), to monopolize the media, and to attack public-sector unions.

Organizations like the Unión Nacional de Educadores (UNE) were fragmented and weakened; others, like the communist-leaning Central de Trabajadores del Ecuador (CTE), were absorbed by Alianza País, a movement created by Correa. The indigenous movement is experiencing something similar, with organizations such as the socialist-leaning Federación Nacional de Organizaciones Campesinas Indígenas y Negras (FENOCIN) also under the sway of Alianza País, while the base of the Confederación de Nacionalidades Indígenas del Ecuador (CONAIE) has been weakened by the Correa administration’s ability to use social programs to penetrate the indigenous communities.

The state’s new vitality generated new direct jobs and other indirect jobs based on specialized contracts such as those for automating public services; fiscal controls were similarly strengthened, doubling the tax collection of the last five administrations combined and forcing large businesses to pay their taxes, something that had not been seen before.

"This is really a culture change," said José Tonelo, executive director of the Fondo Ecuatoriano Populorum Progressio (FEPP), an organization that invests in campesino development and access to land.

"Where did you get this guy?"

During a panel on Jan. 5 at the Facultad Latinoamericana de Ciencias Sociales (FLACSO), Natalia Sierra, a political analyst and professor at the Pontificia Universidad Católica de Ecuador (PUCE), posed a question to Alberto Acosta and Gustavo Larrea, the initial ideologues of Alianza País who, after getting Correa elected and initially collaborating with his administration, were sidelined by the president. "Correa was never in any social mobilization. We never saw him with grassroots organizations. Correa never made any public statement in favor of social struggles. Where did you get this guy?" asked Sierra.

Acosta and Larrea said that the administration's policy changed course and that it betrayed the proposal of "citizen revolution." They said the project went well until the 2008 Asamblea
Constituyente, where the economic interests of sectors that had embedded themselves in the government were evident and that, in the end, took over governmental power.

Sierra does not agree with this analysis and says plans were drawn up beforehand to strengthen the international market, for which it was necessary to overcome the neoliberal model's flaws and create governments that, under the façade of "progressive governments," better serve the interests of international capital. This would include the governments of Ecuador, Bolivia, Argentina, Paraguay, and Brazil but would hold to a lesser degree with Venezuela, Uruguay, El Salvador, and Nicaragua.

For Sierra, weakening the state, a neoliberal proposal, weakened the ability to design legislation necessary to invigorate the international market, facilitate access to natural resources, and incorporate the still-resistive rural agrarian sectors in systems of consumption.

In this regard, strengthening fiscal controls makes it possible to raise the money for infrastructure necessary to exploit natural resources, giving form to the Iniciativa para la Integración de la Infraestructura Regional (IIRSA), which facilitates transnational extractive projects. Opposition to IIRSA has been continentwide; however, in Ecuador, the Correa administration has implemented the principal roads for this project, which affects indigenous territories and does not allow social organizations to demonstrate their opposition.

Similarly, strengthening the judiciary would respond to the need not only to control social protest but also to set clear rules for private investment. "It is a two-way project, prosecuting grassroots leaders and telling the old elites that they must adapt to the new norms or be excluded," said Sierra at FLACSO.

Sierra's analysis also explains the penal-code reform, which is underway and would criminalize various forms of protest, such as closing roads, shutting down public services, and boycotting production. With the same aim, a new Ley de Comunas is being discussed, which calls for developing agricultural production on collective-property lands, leaving aside the indigenous worldview that sees the Earth as an element of life and not as a means of production.

Beyond institutional strengthening and state investment, information control is essential in this new model; thus media control is introduced with the new Ley de Comunicación. Also essential is limiting opinion, undertaken with the Código de la Democracia, which includes banning opinions on the various candidates during election processes. Information is replaced with aggressive government publicity campaigns.

Finally, neoliberalism, more than an affront to human dignity, seems to have been a block to the completion of the very projects of those who designed it; it is therefore necessary to step back and look for new models that make possible the activities of transnational capital and the access to wealth that is held in the countries of the south, especially in indigenous territories. For that, the thesis of progressive governments seems to fit perfectly in these new plans.

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