

General strike in Ecuador opposes IMF austerity measures

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Protesters clashed with soldiers and police Thursday on the second day of a two-day general strike in Ecuador to oppose rising prices and the austerity program of President Jamil Mahuad. At least three protesters were killed, including a 15-year-old student in Guayaquil, as police attacked workers, students, peasants and indigenous people. Scores of demonstrators were injured and hundreds more detained by the police and army troops.

In the capital city of Quito almost all factories, public transport and businesses were shut down. Riot police used tear gas to disperse hundreds of protesters who responded with stones and Molotov cocktails. The strike also paralyzed Guayaquil, the country's largest city, despite the arrest of trade union leaders before the walkout.

Commerce throughout the provinces of Carchi, Imbabura and Pichincha also ground to a halt. Across the country, indigenous people with rocks, trees and burning tires blocked several major highways.

President Mahuad, who had declared a 60-day state of emergency before the strike, deployed 21,000 heavily armed soldiers and police to the major cities to guard roads, power plants and oil installations.

This is the second strike called by the Unified Workers Federation, the country's largest union coalition, since Mahuad took office seven months ago. Workers are demanding that Mahuad back down on austerity measures that have ended fuel subsidies, frozen wages and caused prices to soar for already impoverished Ecuadorans. A right-wing proponent of free market policies, Mahuad has privatized state-run enterprises and slashed social spending to bolster the confidence of foreign investors who hold \$16 billion of the country's debt.

An inflation of 45 percent, Latin America's highest,

has wreaked havoc on the living standards of millions of working and middle class people. Since September electricity prices alone have risen by 400 percent.

Marina Bustos, a housewife demonstrating in Quito Wednesday, told Reuters, "We're protesting because we can't live like this any more, with prices rising and rising. It's reached a point where we don't have anything to eat."

Already one of the Latin America's poorest nations with 70 percent of its 12 million people living in poverty, Ecuador has confronted an Indonesia-like economic crisis since January 1999 when the collapse of the Brazilian currency led to a flight of capital from Latin America. This has been exacerbated by falling prices for crude oil, one of Ecuador's major exports, and the multibillion-dollar impact of El Nino storms, which flooded the coastal areas.

The sucre, the nation's currency, has fallen nearly 70 percent against the US dollar since mid-February. In the last week alone the sucre lost 25 percent as foreign investors intensified their run on the currency when Mahuad's proposed tax hike encountered opposition in the Ecuadorian Congress.

On Monday Mahuad declared a national bank holiday through Thursday following the near collapse of Banco Progreso, the nation's second largest bank. The banks, many of which are threatened with insolvency, had been hammered by an estimated \$400 million in withdrawals in recent days.

The US, which holds the bulk of loans to Latin America, and the IMF have exerted intense pressure on Mahuad to proceed with the austerity program despite popular opposition. A presidential spokesman said the government planned to announce a "radically new economic program" late Thursday night to bolster investor confidence. The new program to sharply

reduce Ecuador's budget deficit was expected to include sharp rises in the cost of basic services and tax hikes, as well as limits on bank deposit withdrawals. These are the preconditions for a \$400 million IMF emergency loan.

Jaime Duran, a leading minister, said, "What is being prepared is not only something that helps close the fiscal gap, but a package of initiatives that allows us to put behind a focus on a paternalistic state and move to a radically different economic model than the one we have."

With the banks scheduled to reopen Friday, bankers have also demanded tough economic measures to increase investor confidence. "We expect President Mahuad to announce a global economic plan that will give sufficient confidence to avoid a run on deposits," Carlos Larreategui, head of Ecuador's Private Banking Association, told Dow Jones Newswires.



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