

Ecuador on brink of civil war as government deepens austerity measures

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18 March 1999

Ecuador drifted closer to the brink of civil war over the past week. Following a two-day general strike, the government of President Jamil Mahuad deepened economic austerity measures and ordered the virtual militarization of the country. Food and gasoline prices more than doubled overnight, bank accounts were frozen and proposals were advanced for drastic tax increases, sweeping privatizations of state-owned enterprises and the layoffs of thousands of public employees.

Defying a nationwide state of siege and the most intense police-military operation in Ecuador's history, taxi drivers and bus drivers paralyzed the capital of Quito and Ecuador's major port and industrial center of Guayaquil on March 16. Schools remained closed as teachers continued militant protests, and the southern part of the country was cut off by highway blockades by Ecuador's indigenous population.

The Mahuad government has responded to the rising tide of unrest with two appeals: one to the army to restore order, and the second to the Inter-American Development Bank and other international lending institutions to provide economic resources needed to prevent the country's "democracy from being put at risk."

International Monetary Fund Managing Director Michel Camdessus, meanwhile, issued a direct appeal to the Ecuadorian population. In a televised address the IMF chief combined understatement with irony by declaring that the only reason that the international financial community was not providing assistance was "the fact that there is no unity in Ecuador behind an emergency economic program."

While unions, social organizations and indigenous groups have called a series of protests, strikes and blockades, even the center-right Social Christian Party,

a traditional ally of Mahuad's Popular Democracy Party, has denounced the austerity measures as "useless and inhuman," demanding a wholesale revision of the government's economic policies. Five of the six members of the governing board of Ecuador's central bank, meanwhile, resigned their posts, declaring it impossible "to work in a coordinated way with the executive on the monetary and fiscal policy of the country."

The head of Ecuador's Chamber of Commerce responded to the combination of price increases and the freeze on accounts by declaring, "We expected him to hit the accelerator, and instead he stepped on the brakes."

The Patriotic Front, which unites the country's main trade union federation and the social and indigenous organizations, has declared Mahuad's economic policy "a declaration of war against the people" and demanded the president's immediate resignation.

With 60 percent of the country's 12 million people living below the poverty line, Mahuad's measures are widely seen as simply another means of forcing the most oppressed sections of society to bear the brunt of Ecuador's \$15 billion foreign debt.

"A social explosion is getting ever closer," declared Alberto Acosta, one of Ecuador's most well-known economic analysts.

Thousands of teachers marched through Quito to the Italian Embassy, where 30 of their colleagues are carrying out an indefinite hunger strike to protest the government's economic measures. The National Union of Educators, which has been on strike for more than a month, chose the embassy because it feared that under the state of siege any other site would be raided by the police or military.

Ecuador has been swamped by the same global

economic pressures that have ripped through the Brazilian economy and, before that, unleashed turmoil in East Asia, the former Soviet Union and elsewhere.

It has emerged as the weakest of Latin America's fragile national economies with an inflation rate of over 40 percent and rising, a 14 percent official unemployment rate and negative indices of growth and investment. Bank interest rates border on 100 percent and major bank collapses have occurred on an average of one a month since Mahuad took office in August.

The immediate roots of the crisis date back to 1995 and the five-week border war with Peru. The government launched a frantic arms-buying spree, creating an uncontrollable budget deficit and sending the economy into a decline that has continued to the present.

In the wake of the war, and amid growing economic crisis and social unrest, Abdala Bucaram, the right-wing populist from Guayaquil, won a heated 1996 presidential election. Dubbing himself "el loco," or the madman, Bucaram's government was riddled with corruption and engaged in public spending aimed strictly at servicing his supporters. Faced with mounting economic and political crisis, the Ecuadorian Congress voted in February 1997 to remove Bucaram from office on grounds of "mental incapacity."

Bucaram was succeeded by Fabian Alarcon, who may have appeared saner, but varied little in terms of economic policy. The country, meanwhile, suffered another economic blow in the form torrential rains and floods brought on by "El Niño," which left hundreds dead and destroyed at least \$2.6 billion worth of agricultural production. The agricultural sector, upon which at least half the country's population depends, was unable to meet its debt payments, pushing the country's banks into a major liquidity crisis.

On top of these political and natural disasters, Ecuador saw the price of its principal export, petroleum, the secret of all its previous economic successes, plummet on the world market by the end of 1998. The fall in earnings pulled the rug out from under the public sector and economic subsidies that had held the society together over the past quarter of a century.

By the beginning of this year, inflation began to rise uncontrollably as banks collapsed at a growing rate and hundreds of businesses and industries either closed their doors or carried out drastic layoffs. As capital

flight gripped the economy the value of the sucre, the national currency, was cut in half.



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