

Brazil-Ecuador clash bares tensions between ‘left’ governments

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With South American heads of state scheduled to assemble in Bahia, Brazil later this month for a meeting of the recently created UNASUL (Union of South American Nations), relations between the continent’s so-called left governments, which were at the center of the alliance’s creation, appear fraught by growing tensions.

The sharpest conflict has emerged between the Brazilian government of President Luiz Inácio Lula da Silva and that of President Rafael Correa in Ecuador, over the latter’s move to suspend payments on a \$243 million debt to a Brazilian bank.

But the problem appears to be broader. Paraguay’s President Fernando Lugo declared Wednesday that he is challenging the validity of his country’s foreign debt, and in particular what is owed to Brazil for the building of a bi-national hydroelectric dam in Itaipu. “Many of our debts have already been paid,” said Lugo, who announced that he had formed a team of economic experts to study the matter.

And in testimony before the foreign relations committee of Brazil’s chamber of deputies, the country’s Foreign Minister Celso Amorim warned Wednesday that the threat of default could upend the project of Latin American integration and dry up loans for infrastructure projects in neighboring countries.

Amorim said that the Brazilian government is carefully monitoring the situation to see if other countries will follow Ecuador’s example in defaulting on loans.

He revealed that Brazil’s Ministry of the Economy had contacted the Venezuelan government following reports that in the face of collapsing oil revenues it is reviewing its foreign debt policy. Asked if this would affect Brazilian loans and Brazilian companies operating in Venezuela, the government of President Hugo Chavez gave only a vague answer, according to Amorim. “There has not yet been a decision in this regard,” he said.

The diplomatic crisis between Brazil and Ecuador erupted at the beginning of October, when Ecuador’s President Correa, without any prior warning, expelled the Brazilian construction firm Odebrecht from the country. The company was building—with funding from the BNDES (National Economic and Social Development Bank of Brazil)—a hydroelectric dam in the area of San Francisco. The project cost almost \$200 million and furnished 12 percent of Ecuador’s energy.

The San Francisco hydroelectric dam was inaugurated in November 2007, but just seven months later it had to shut down operations, due to structural defects. In response, the Ecuadorean government warned the company that the project was seriously flawed and that the interruption of

power had inflicted major losses on the country’s population.

President Correa presented an ultimatum to Odebrecht to immediately repair the dam. In addition, he demanded that the company pay damages for the losses incurred as a result of the shutoff of energy supplies.

For its part, the company refused to pay any damages to the Ecuadorean government. As a result, the crisis spiraled and led to Odebrecht’s expulsion from Ecuador.

Alleging a series of irregularities, the expulsion decree was signed by President Correa on October 13. It annulled four contracts worth a combined total of \$800 million that had been signed with Odebrecht. According to Correa, the construction firm tried to charge Ecuador the cost of repairs for which the company itself was responsible. Moreover, he claimed, irregularities were found in four other major projects that were being built by the firm.

According to Correa, the company “fooled the country” when it first announced that it was prepared to comply with all of the demands made by the Ecuadorean government. Correa added that the directors of Odebrecht are “accustomed to doing whatever yields them a profit and thought that they could continue doing this.”

Relations between Brazil and Ecuador deteriorated further when, on November 20, Correa indicated that he was moving to suspend the payment of debts to Brazil that he considered “illegal and illegitimate,” and was appealing to the international courts for arbitration. “We will seek not only to punish the guilty, but also to not pay an illegal, illegitimate and corrupt debt,” said Correa. The loan secured from the BNDES amounts to \$243 million.

After Odebrecht’s expulsion from Ecuador, the Brazilian government responded by canceling a visit to the country by a delegation led by Brazil’s Minister of Transport Alfredo Nascimento. The Ecuadorean president protested the cancellation. “I hope that the Brazilian government will revise its decision,” said Correa. “We do not understand the position of the Brazilian government, but we respect it.”

Correa: “Not a state-to-state problem”

He went further, charging that the Brazilian firm’s executives “are trying to pressure Lula to go against Ecuador when it is not a state-to-state

problem, but that between a state and a private firm which, as we have said, is corrupt and corrupting.” Going further, the Ecuadorean president threatened to nationalize the oil fields that are being explored by the Brazilian national energy company, Petrobras.

If Correa sees this as not a “state-to-state problem,” but one between a state and a private firm, what does the Brazilian government say? How has the administration of Lula confronted this problem?

Faced with the refusal of the Ecuadorean government to repay its loan, the Brazilian government announced its “serious concern” over the question. Foreign Affairs Minister Celso Amorim announced that the Brazilian ambassador was being recalled from Ecuador in a demonstration of Brazil’s “dissatisfaction with the way in which things have been carried out until now.”

Amorim described the crisis with Ecuador as “serious and outside the diplomatic routine.” He suggested that harsher measures are to come. “We are going to examine with the seriousness that is merited, the fact that this does not correspond with what we imagined should be the relations between two friendly countries, I repeat, not only because of the nature of the measures, but because of the way in which they were taken.”

As can be seen, the Brazilian government indeed sees the problem as a “state-to-state” one and is acting accordingly.

It should be noted that this diplomatic crisis with Ecuador is not the first one confronted by the Lula government. Recently, there was a similar confrontation with the Bolivian government of Evo Morales, due to the nationalization of Petrobras facilities and the revision of contracts with the state-owned company. In that case, despite the tensions, the Brazilian government passively accepted the demands of Morales and the crisis was overcome with declarations of “solidarity” between the Brazilian and Bolivian governments.

Given that precedent, what is driving the Brazilian government to confront its present problems with Ecuador in a different manner? Why has the Lula government resolved to take more drastic measures in response to the actions taken in Quito?

Lula’s ties to Odebrecht

Lula (and a large part of his government) owes a lot to Odebrecht. In 2002, when he was first elected, the company was the biggest donor to his election campaign. In 2006, when he ran again, it also put up a great deal of the campaign funds.

Emílio Odebrecht, owner of the firm, has claimed on various occasions to have been Lula’s friend since the 1990s. After Lula’s first election, he was the one who came up with the celebrated phrase aimed at calming his fellow employers: “President Lula has nothing to do with the left; he was never on the left.” On another occasion, speaking about Lula’s electoral victory, he declared, “It was the best thing that could have happened to Brazil.”

The electoral campaigns of Lula and his Workers Party have been financed by the big banks and corporations, and it is their interest which

they defend. This is the fundamental driving force of its present hard line against Ecuador.

Obviously, on the other side, the government of Rafael Correa is representing not the Ecuadorean workers and poor, but rather those of his country’s own employers and financial interests.

More fundamentally, relations between the governments of Latin America—including those that had postured as “lefts”—have been increasingly frayed by the worldwide financial crisis.

Last September, Lula boasted of the supposed resilience of the Brazilian economy: “People ask me about the crisis, and I answer, go ask Bush. It is his crisis, not mine.” Over the past three months, such bravado has evaporated.

The much-touted “decoupling” of Latin America’s economies from that of the US has proven an illusion. The Sao Paulo stock market has suffered among the worst losses in the world, and job cuts are spreading through the Brazilian economy. Auto companies have announced plans to put 47,000 workers—41.6 percent of their work force—on temporary layoff this month.

Capital is fleeing the region as investors dump “emerging markets,” and prices for primary commodities that have accounted for much of its export growth have plummeted.

Under the relentless pressure of the global financial crisis, the rhetorical support for Latin American unification that has been a hallmark of the so-called left governments of the region is giving way to growing tensions between nations and a sharp intensification of class conflicts within every country of the region.

The worldwide capitalist crisis is once again demonstrating that the historic task of uniting the states and economies of Latin America and freeing the region from the legacy of imperialist oppression cannot be carried out by governments of the bourgeoisie—no matter how left their pretensions—but only by the working class in the struggle for the overthrow of capitalism.



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