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Correa vs. Noboa: Ecuador's Choice Between 'Marx' and Markets

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Radical leftist presidential candidate Rafael Correa was favored in opinion polls going into Ecuador's presidential and legislative elections on October 15. In a surprising result, moderate industrialist Alvaro Noboa garnered 27 percent of the vote to Correa's 23 percent, followed by other challengers with counts in the teens and single digits. Noboa and Correa now head for a November 26 runoff.

The October 15 result does not mean that Ecuador has dodged a bullet. Polls indicate substantial voter discontent with current levels of corruption, political factionalism, and lack of social progress. Correa, an outsider who admires Venezuelan president Hugo Chávez and Cuba's Fidel Castro, is charismatic and could still prevail. Noboa is a mildly populist insider who advocates free trade and bills himself as the "anti-Chávez."

If Correa wins the November runoff, his actions in office could provoke capital flight and possibly rebellion. If Noboa wins, Ecuador has a chance at stability, but only if he embraces electoral reforms, the rule of law, and a competitive economy.

Political Dynamics

Ecuador is a tiny Andean oil exporter whose 13 million people generate \$18 billion in gross domestic product—equivalent to Winston-Salem, North Carolina, a city of 440,000. Milking oil revenues to sustain heavy social spending has kept its government in debt since the 1980s. About 45 percent of the population lives in poverty, and only half of its students get beyond grade school. Although Ecua-

dor turned from military dictatorship to civilian rule in 1979, politicians have shunned most reforms that would strengthen democracy and help all citizens compete against powerful elites in business.

Political institutions remain tentative. In the last 10 years, Ecuadorans have dismissed three presidents before their terms ended. In 1996, Abdalá Bucaram won the presidency by campaigning against corrupt oligarchs. After only a few months in office, lawmakers removed him for corruption. In 2000, special interest groups ousted President Jamil Mahuad for trying to dollarize the economy, a reform his replacement implemented anyway. In 2005, congress dismissed President Lucio Gutierrez for illegally firing members of the supreme court.

Meet the Candidates

Correa is a university professor who served briefly as Minister of the Economy and Finances in the current caretaker administration of President Alfredo Palacio. There, the 43-year-old U.S.-educated economist tried to raid the government's rainy day oil stabilization fund to pay for social programs. To evade multilateral lending guidelines, he promoted the sale of Ecuadoran bonds to the government of Venezu-

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ela. When the World Bank canceled a \$100 million loan to Ecuador, an embarrassed President Palacio asked for his resignation.

Alvaro Noboa is a lawyer, banana magnate, and philanthropist who ran unsuccessfully for president in 1998 and 2002. During this year's campaign, he offered to build hospitals while reportedly giving away wheelchairs and cash. He is a "stay the course" candidate who promises to keep Ecuador from following the authoritarian models of Venezuela's Chávez and Cuba's Castro. Noboa welcomes a potential U.S.-Ecuador free trade agreement, but has not challenged the monopolistic grip of elites who dominate the economy and political parties.

Dangerous Agenda

Correa's plans to marginalize elites and steer Ecuador away from traditional ties with industrial democracies could prove divisive. During the campaign, he said he would do the following:

- Dismiss lawmakers and name a constituent assembly of "capable citizens" to replace the congress and courts. This vaguely defined group would write a new constitution concentrating power in the presidency—similar to the charter that gave sweeping authority to Chávez in Venezuela;
- Abandon the U.S. dollar and restore the *sucre* as the national currency, thus taking Ecuador back to the days of printing money and high inflation;
- Renegotiate foreign debts or refuse to pay them, thus cutting ties with international lenders;
- Pull out of free trade negotiations with the United States and enter an aid pact with Venezuela;
- Renegotiate contracts with foreign petroleum companies to give the government a greater share of oil revenues; and
- Deny the U.S. permission to use Ecuador's Manta air base for drug interdiction when its lease runs out in 2009 or sooner.

During the campaign, Correa also announced the formation of "family committees" to confront those who oppose his ideas—similar to Chávez's

Bolivarian Circles and Fidel Castro's neighborhood revolutionary defense committees.

A Way Forward

In preparation for the runoff, Noboa needs to do more than portray his rival as a Chávez clone. He must present a detailed plan to counter Correa's hard socialist agenda. He would do well to emulate Peruvian President Alan García who shed the populist ideas of his past but not his concern for the poor. García is now shrewdly crafting trade and globalization into tools to liberate the poor from dependency on government largesse and charismatic saviors. Once unpopular in Peru, free trade is now gaining public support.

A similar strategy could work for Noboa, but only if he challenges elites now comfortable with the status quo to accept the rule of law, ease burdensome regulations governing small businesses, strengthen property rights, and permit banking competition to bring affordable credit to the poor. With more control over their own affairs, Ecuador's working classes would be less susceptible to "follow me" messages of strongman pied pipers like Correa.

The Bottom Line

Neither Noboa nor Correa bring much experience to the presidency. Noboa is heir to a family fortune and will need expert advisers to help him strengthen institutions and bridge interests between the rich and poor. Correa is a resentful academic, behaving as if he alone knows what's best for his constituents—a recipe for blunders and corruption. Most Ecuadorans actually want to get away from that. At least with Noboa, they have a chance.

While the United States can't influence the electorate's decision, it can communicate its abiding interest in a bilateral free trade agreement to lock in opportunities for Ecuador to advance economically beyond commodity exports. Then in November, it will be up to Ecuadorans to decide which candidate can take advantage of that open door.

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