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What Correa's Win Means in Ecuador

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Presidential runoff elections in Ecuador on November 26 appear to have produced a handy victory for radical young economist Rafael Correa over banana magnate Alvaro Noboa. Washington has an interest in a friendly, stable Ecuador, but this outcome may not be conducive to friendship or internal stability. The president-elect has expressed hostility toward U.S. policies, particularly free markets. At home, he could encounter stiff opposition from a congress he promised to dissolve.

Some of Correa's agenda may be campaign rhetoric, and U.S. policymakers should seek opportunities to cooperate wherever possible. However, if he chooses to cool relations, Washington should prepare to help sustain Ecuador's civil society while strengthening support for neighboring allies to fight drug traffickers and terror groups.

A Weak State

Ecuador's democracy chugs along, but not without hiccups. Its politics have been shaped by populist presidents, military interventions, competing oligarchies in the highlands and coast, as well as by the existence of dozens of small political parties that have served to fragment the country's unicameral congress. During a 1970s oil boom, nationalistic military officers seized power while proclaiming a "reform" agenda, only to return to their barracks when prices dropped. Over the last decade, Ecuador has had eight presidents, three of whom were driven from office.

For now, Ecuador's economy is growing by about five percent—thanks to high oil prices and dollar-

ization in 2000 that tamed inflation—but persistent poverty and a noncompetitive business climate have fueled voter discontent. Nearly half of all citizens live under the poverty line, and half of school-age youth never get beyond elementary grades. Company managers spend twice as much time dealing with government regulations as counterparts elsewhere. Surveys show little confidence in a justice system bogged down by thousands of conflicting "junk" laws. Moreover, the use of oil resources—exploited since the 1960s—and foreign borrowing to fund subsidies for urban consumers still dominate national discourse.

Answering the Wrong Question

During the runoff campaign, neither candidate challenged the country's rent-seeking ways. Noboa came closer by favoring a free trade pact with the United States, which would have opened doors to a more competitive economy if accompanied by legal and regulatory reforms. Despite radical rhetoric, Correa clung to rents, borrowing, and a return to nationalism. He pledged to renegotiate contracts with foreign oil companies to extract higher royalties from them, stop payments to multilateral institutions, seek aid from Venezuela, and launch new social programs.

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In addition, Correa promised to end trade talks with the United States, phase out U.S. use of Ecuador's Manta air base for counternarcotics operations, rewrite the constitution to give the presidency more power, and clean up corruption. None of these actions address deeper needs for the rule of law, stronger citizen control over government, and a more open economy.

While mismanagement and corruption in the state-owned oil sector have depressed Ecuador's petroleum production for more than a decade, further government intervention will only constrain investment. Abandoning multilateral lenders for Venezuelan largesse may work as long as President Hugo Chávez has money to spend, but the flow could dry up at any time, leaving Ecuador unable to pay its bills.

Correa's promise to halt negotiations for a bilateral trade agreement with the United States may be a moot point with the current U.S. Congress, but cooling ties to Western, industrial democracies in favor of a supplicant relationship with Venezuela does nothing to make Ecuador's economy more welcoming to new small- and medium-sized enterprises. Meanwhile, Correa's withdrawal of base rights for drug interdiction suggests a worrisome tolerance for Colombian narcoguerrillas operating inside Ecuador. That could disqualify it for any extension of Andean trade preferences offered by the U.S. Congress.

Correa's vow to dismiss newly-elected lawmakers and name a constituent assembly of loyalists to write a new constitution enlarging presidential powers copies Chávez's original script. A similar experiment in Bolivia has met strong opposition. In Ecuador, it could spark a power struggle between congress and the executive, serving as a pretext to Venezuelan intervention.

Finally, there is the question of judgment. During his campaign, Correa referred to U.S. President George Bush as "dimwitted." Although he recanted, such outbursts erode chances that Correa will be taken seriously in foreign capitals.

A Measured Response

Correa is an ardent proponent of restoring Ecuador's inflationary national currency, but he backed

away from that idea during the campaign. He could soften on other radical positions as well, permitting continued dialogue on a range of issues. Still, as Minister of Economy and Finances, in a fit of impunity, he tried to raid the nation's oil stabilization fund and attempted to sell debt bonds to Venezuela, prompting President Alfredo Palacio to ask for his resignation. In any case, America should

- Clearly state U.S. expectations that Ecuador will respect democratic neighbors, continue cooperation on fighting drug trafficking and international crime, and invest in its own long-term stability and prosperity through policies that favor political and economic free choice;
- Adjust democracy and border alternative development programs to boost personal contact with Americans and counter incoming armies of Cuban doctors and Venezuelan security advisers;
- Augment support for civil society groups while the opportunity exists and ramp up public diplomacy efforts to strengthen local voices proposing independent solutions to Ecuador's poverty and governance troubles;
- Show good intentions by keeping bilateral trade options available when and if Ecuador qualifies for them; and
- Redirect security assistance as necessary and adjust strategies if America loses tenant rights at Ecuador's Manta air base for drug interdiction efforts.

Conclusion

The darker side of Latin American history is littered with attempts to amass power disguised as reform. Hopefully, Ecuador is not experiencing one of those moments. Even so, U.S. officials must be clear on Ecuador's role in sustaining peace and stability in the Andean neighborhood. And, if confronted by an antagonistic government, America may have to pare back assistance, shelve trade talks, support civil society where possible, and pursue a backup plan to fight drugs and thugs without Ecuador's help.

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