

Correa's Re-election in Ecuador: Sweeping Triumph of Socialist Economic Program

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The Latin American Revolution scored another victory on February 17 when Rafael Correa, Ecuador's socialist leader, won his third successive election as President. Correa amassed close to 58% of the vote, leaving his closest rival 34 percentage points behind. Alianza Pais, Correa's political party, also won two-thirds of the seats in Ecuador's National Assembly.

Celebrating the sweeping triumph of his socialist economic program which he calls "the citizens' revolution," the popular President declared to his supporters:

"In this revolution the citizens are in charge, not capital. This victory belongs to each of you. No one and nothing is stopping this revolution, my friends. We are making history.

Correa promised to radicalize the Citizens' Revolution with free public education and health care. Up to now, his government has significantly expanded public access to both benefits. Given his domination of the legislature, Correa vowed to push through reforms that will make his socialist model permanent.

Ecuador is a South American country with a population of 14.6 million people, 37% of whom lived in poverty seven years ago. Since he was first elected in 2007, Correa had cut the poverty rate to 28% by 2011, a 27% reduction. He also more than doubled spending on education, halved unemployment to 4.1%, added 95,000 jobs, and greatly increased government spending on health care and subsidized housing. These impressive welfare achievements have ensured his popularity and given him a public approval rating of 85%.

The key to Correa's success has been his building of a strong, independent, democratic socialist state which controls the economic system and the financial sector. The state now sets economic policy, not the Ecuadorian economic elite in league with U.S. imperialism, as was the case before. And the main aim of this progressive state is the redistribution of income to the poor Ecuadorian majority, a project that has made Correa highly popular.

Before Correa, Ecuador had been one of the most politically unstable countries in South America, with seven Presidents going in and out of office in a period of 10 years. The reason for this turmoil was the enactment of neoliberalism by these corrupt leaders, their refusal to implement progressive economic reforms demanded by their people, and their subservience to the dictates of the United States. The Washington Consensus, as neoliberalism was termed, decreed that the government leave the economy in the hands of private

corporations, mainly U.S. multinationals, and Ecuadorian land-owners. This repressive system impoverished and marginalized most Ecuadorians, fueling the public revolt that brought Correa to power.

Once in office in 2007, Correa re-regulated the financial system, enacting “possibly the most comprehensive financial reform of any country in the 21st century.” The government took control of the central bank and brought back \$2 billion of reserves it held abroad. This money was then used by the public banks to make loans for infrastructure, housing, agriculture, and other domestic investment. Correa also refused to pay \$3.9 billion in foreign debt (one-third of the total) when an international commission found this amount to have been “illegally contracted.”

Correa then taxed money leaving the country and made banks keep 60% of their liquid assets in Ecuador. He reduced interest rates and increased bank taxes. His government also renegotiated contracts with multinational oil corporations when oil prices soared. About 40% of Ecuador’s official revenue comes from oil production, and oil prices increased by more than 80% after Correa took power. Government revenue rose from 27% of GDP in 2006 to over 40% in 2012. In 2009, Correa implemented a massive fiscal stimulus amounting to 5% of GDP. A large portion of that stimulus money went into construction, with the government increasing housing loans by \$599 million in 2009.

Correa’s reforms, as the Washington D.C.-based Centre for Economic and Policy Research (CEPR) concludes,

“played a major role in bringing about Ecuador’s strong economic growth [5% a year since 2007], increased government revenue [and] a substantial decline in poverty and unemployment,” while minimizing the effect of the global recession which started in 2008. As Mark Weisbrot, an economist at CEPR, describes it, “The end result of these and other reforms was to move the financial sector toward something that would serve the interests of the public, instead of the other way around (as in the U.S).”

The CEPR report adds:

“What is most remarkable is that many of these reforms were unorthodox or against the prevailing wisdom of what governments are supposed to do in order to promote economic progress. Taking executive control over the central bank, defaulting on one-third of the foreign debt, increasing regulation and taxation of the financial sector, increasing restrictions on international capital flows, greatly expanding the size and role of government – these are measures that are supposed to lead to economic ruin. The conventional wisdom is also that it is most important to please investors, including foreign creditors, which this government clearly did not do. While not all of Ecuador’s reforms went against orthodox policy advice, many of them did – and they succeeded. It should be no surprise that Correa [is so] popular.

“Ecuador’s success shows that a government committed to reform of the financial system can — with popular support —confront an alliance of powerful, entrenched, financial, political, and media interests, and win. The government also took on powerful international interests in its foreign debt default, its renegotiation of oil contracts, and its refusal to renew the concession for one of the United States’ few remaining military bases in South America. This success indicates that developing countries may have more and better policy options

than is commonly believed to be the case.”

Ecuador’s liberation from the dominance of its own élite and that of the United States is a truly revolutionary act for which Correa must be given the credit. The U.S. military base referred to above was the one at Manta on Ecuador’s Pacific coast, the lease for which Correa refused to renew when it expired in 2009. “We can negotiate with the U.S. about a base in Manta,” Correa jibed, “if they let us put a military base in Miami.” This flat rejection of U.S. military might signified that Ecuador was no longer a U.S. puppet, an amazing achievement given Ecuador’s long history under Western neocolonialism.

Throughout its modern history, Ecuador had been dominated by Washington, which has ruled the country in league with its economic élite and multinational corporations that have looted Ecuador’s oil wealth. The country’s rich control banana exports and are also involved in oil production, now Ecuador’s main source of wealth. Ecuador has the third largest oil reserves in South America, with 20 foreign corporations, including Texaco and Chevron, dominating its hydrocarbon sector. The top 20% of Ecuadorians possess 50% of the nation’s income while the bottom 20% account for only 5% of it.

The extent of CIA penetration of Ecuadorian society has been massive, as Philip Agee, the former CIA operative who was posted by the Agency to Ecuador, has detailed in his classic book *CIA Diary*. Agee documents daily activities by the CIA to subvert, dominate, or destroy important Ecuadorian institutions, including the government, military, political parties, the media, labour unions, and universities.

William Blum, author of *Killing Hope*, the best book on the CIA, adds that in Ecuador the agency had “infiltrated, often at the highest levels, almost all political organizations of significance, from the far left to the far right.” According to Blum, “In virtually every department of the Ecuadorian government could be found men occupying positions high and low who collaborated with the CIA for money. At one point, the agency could count among this number the men who were second and third in power in the country.”

Any government that was not neoliberal enough would be forced out of power by Washington through the CIA, leading to perpetual political and economic trouble. Ecuador was subject to the structural adjustment programs of the U.S.-dominated World Bank and International Monetary Fund (IMF), which cut public spending on health care, education, and welfare, enormously impoverishing most Ecuadoreans. Poverty rates shot up to 60% and unemployment reached 80%. This led to two decades of protests, including demonstrations and strikes led by social movements and labour unions, which finally brought Correa to power in 2007.

Rejecting the Washington Consensus, Correa has instead enthusiastically embraced the Latin American Revolution as the ideal vehicle for regional integration. Ecuador is a member of the Bolivarian Alliance for the Peoples of Our Americas (ALBA), the progressive eight-nation trade alliance created by Venezuela and Cuba, as well as that of the Union of South American Nations (UNASUR), which includes a regional parliament and military alliance. Correa dedicated his re-election to President Chavez of Venezuela before that heroic leader passed away in March.

While taking significant steps away from capitalism, Correa has not moved far enough to satisfy Ecuador’s indigenous organizations such as the Confederation of Indigenous Nationalities of Ecuador (CONAIE), the largest such group comprising 14 native peoples.

Indigenous peoples constitute 25% of Ecuador's population. CONAIE and similar native organizations support Correa in his opposition to neoliberalism and U.S. military involvement, but disagree with his plans to open up Ecuador further to foreign oil and mining companies (including Canadian firms such as Kinross). These plans entail corporate invasions of native territories that threaten the survival of indigenous culture and independence.

In November 2012, the Correa government started an international oil auction for 13 oil blocks that encompass 10 million acres of "untouched south-central Amazonian territory." CONAIE protested this auction, and five indigenous groups located in south-central Amazon called for its immediate suspension. "We totally oppose this auction," declared native leader Franco Viter. "The encroachment of oil into our territories represents the end of our way of life and could mean the end of our very lives themselves."

Correa is looking to oil and mining ventures to raise money for the Ecuadorian state's welfare policies, but for many Ecuadorians this is clearly not the direction to take for any progressive government. Having accomplished a considerable part of his socialist agenda, Correa is now being pressed to come up with constructive alternatives to corporate extractive exploitation, which has spread so much destruction around the world. And he is urged to do this in consultation with Ecuador's indigenous peoples, who have also participated fully in the two decades-long campaign against neoliberalism.

Asad Ismi is the CCPA Monitor's international affairs correspondent. He is author of the radio documentary "The Latin American Revolution" which has reached a global audience of about 33 million people. This is the 19th in a series of articles on this subject. For his publications visit www.asadismi.ws.

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