

Ecuador: Dollarization Brings Down Another Government in the Americas

by Gretchen Small

It was a familiar scene: On April 20, in the midst of mass protests escalating out of control, a rump session of the Congress of Ecuador voted to oust the President, Lucio Gutierrez, and replace him with his Vice President, Alfredo Palacio, who was sworn in the same day.

Gutierrez was the third Ecuadoran President in less than 10 years to be ousted in the midst of mass turmoil.

U.S. statesman and economist Lyndon LaRouche's assessment was blunt: The problem in Ecuador is dollarization, and until that is faced, no institutional re-engineering will solve the problem. LaRouche has repeatedly cautioned, over the past 10 years, that Ecuador's problems are but a marker for the general disintegration of the financial system globally. When the first in the series of three ousted Presidents, the nutty Abdala Bucaram, was impeached on grounds of "mental incapacity," in the midst of a mass strike in February 1997, LaRouche issued an international warning, titled, "The Cuckoo Fell From the Nest":

"What happened in Ecuador is not simply an internal affair of Ecuador, nor of South and Central America; the fall of the cuckoo from its Ecuador nest, signals an ongoing, worldwide, chain-reaction collapse of the International Monetary Fund's current policy. . . .

"The onrushing world-wide financial collapse impels the crazed monetarist desperadoes of the financial centers to force governments to impose ever-more-savage measures of austerity. This combination has prompted a booming wave of political mass-strikes, against the governments which bend to the financiers' will. . . . The days are numbered, when Gingrichism and even the mere pretense of 'democracy' can still dwell in the same house."

Revolving Door Governments

Exactly as LaRouche warned, no government of Ecuador has been capable of imposing the ever-increasing degree of austerity demanded, and remain in office.

Following Bucaram, the next President to be ousted was Jamil Mahuad (1998-January 2000), whose government previewed the Argentinian blowout which would follow barely two years later. Faced with the collapse of Ecuador's banking system and the "trashing" of its currency by foreign speculators, Mahuad confiscated domestic bank accounts in March 1999 to secure money to pay the debt; was forced nonetheless

to default on Ecuador's Brady bonds in September 1999; and then, on Jan. 9, 2000, announced that Ecuador would eliminate its currency and the Central Bank's role as a generator of credit, in order to adopt the dollar as the national currency. Ecuador, in short, was giving up all economic sovereignty, through dollarization. The elimination of the currency was explicitly unconstitutional, but the bankers endorsed it heartily as the model for other nations.

Advising Mahuad, were the same financier wizards (Domingo Cavallo et al.) whose quasi-dollarization system ("convertibility") would also blow out, in succession, Argentina's domestic financial system, foreign debt, and government in December 2001. Within three weeks of dollarization, Mahuad was ousted, following a combined Indian-military uprising, led by a middle-level military officer, Lt. Col. Lucio Gutierrez. After three attempts to form a government came and went in the space of the 24 hours, Jan. 21-22, Mahuad's Vice President, Gustavo Noboa, was named President by the Congress. Dollarization, however, stayed.

As Noboa assumed his new office, LaRouche warned on Jan. 23, 2000, that dollarization was imposed on Ecuador as an "intentional" policy of imposing "slavery" and "genocide." It is "an intent to destroy the nation," LaRouche said. "They were not merely out to impose conditions. The deliberate purpose, by people such as the Inter-American Dialogue involved, is to eliminate the existence of the nation-state of Ecuador. And if we don't stop them, they'll do it".

They have yet to be stopped. Gutierrez was released after spending some months in jail; was elected President in 2003 after he ran on an anti-dollarization, anti-free-trade platform; quickly cut a deal with Wall Street and the IMF to instead enforce and deepen the policies he was elected to end; and was ousted in April.

"My government is the last chance to prevent Ecuador from self-destruction," the new President, Palacio, told an Ibero-American daily on April 26. "We're playing one of our last hands. I deeply love my country, but if we don't make necessary changes, the danger of national dissolution will be great."

Echoing LaRouche, former Argentine President Eduardo Duhalde, now president of the Mercosur Representatives Committee, warned in a column in the Argentine daily *Clarín* on April 25, that dollarization was the problem to be faced.

“It was foreseeable that this economic model threatened to bring about an implosion, and that would bring the Ecuadorans to the brink of civil war. The fragility of democracy, the weakening of the institutions, and the discrediting of politics, were similar to the panorama in the collapsed Argentina,” Duhalde wrote.

When he visited Ecuador at the end of 2003, he reported that because dollarization had left 50% less credit available than in 1998, there was no financing available for production. For every 10 barrels of oil that Ecuador sold, six went to pay the debt, forcing cuts in social expenditures to levels below those of the 1980s. Duhalde urged Ecuador’s neighbors to help it resolve its conflicts, and find an alternative path in which it can recover peace, institutions, and growth.

Turning Away from ‘Bucaram II’

The good news is, that around the Americas, governments are beginning to look for those alternatives. Goading them on, is the stark contrast between the desperate reality created by the collapsing system, and the insanity of the Bush Administration, headed by the United States’ own “cuckoo,” George Bush, Jr. That insanity was on full display when, on May 3, Randal Quarles, Assistant Secretary of Treasury for International Affairs, told the annual meeting of David Rockefeller’s Council of the Americas that, “recent economic performance in the region has been outstanding. . . . No countries are currently experiencing recession or financial crisis.”

Stark raving mad! Here’s Ecuador, which for four years has suffered a combined unemployment and underemployment, ranging from a high of nearly 80% in the wake of dollarization in 2000, to barely under 60% today. One out of six Ecuadorans have left the country, to seek a job elsewhere. The situation in the other countries is similar, and every government in the region knows they could face Ecuador-style turmoil and possibly uprisings, at any time. Even as the Organization of the American States (OAS) readied a fact-finding mission to Ecuador to assess whether this latest ouster of a President was constitutional, the OAS found itself issuing warnings on April 26 to two other countries, Belize and Nicaragua, that they resolve their “current difficulties”—i.e. mass protests against price hikes and austerity which threaten government stability—without violating “constitutional procedures.”

Condoleezza Rice got a first-hand taste of the rebellion brewing in the region, when she made her first trip to the region as Secretary of State, visiting Brazil, Colombia, Chile, and El Salvador April 26-30.

Defense Secretary Donald Rumsfeld had stomped through the region March 21-24, pushing the Bush Administration’s line that securing “democracy” and “free markets” requires ousting the Hugo Chavez regime in Venezuela, the alleged cause of all the region’s troubles. Less than a week after he left, the Presidents of Colombia (Alvaro Uribe), Brazil (Lula da Silva) and Venezuela (Hugo Chavez), joined by Spanish Prime Minister José Luis Rodríguez Zapatero, met

in Venezuela on March 29, to discuss how to foster peace in the region, by cooperating on cross-continental infrastructure projects. Everyone was clear: Cooperation, not regime change, was needed.

Three days later, Rice scheduled her trip to Brazil. Before she could get there, the OAS member-states delivered another blow to the Bush Administration, twice rejecting its candidate for Secretary General. First, on April 8, former Salvadoran President Francisco Flores, was forced to withdraw his sure-loser candidacy for the post. Its first choice shot down, the U.S. threw its support behind Mexican Foreign Minister Luis Ernesto Derbez, who was running against Chile’s Interior Minister, Jorge Insulza. Although Chile’s economic policy is certainly to Washington’s liking, Insulza’s candidacy, backed by Brazil, and especially Venezuela, was taking shape as a South American option, one which might not play ball with the Bush “regime change” obsession on Venezuela.

As one OAS Ambassador told this news service shortly before Ecuador’s government fell: “Things are changing around here.” Governments are beginning to dare tell Bush: “No.”

Will Bush Team Heads Roll?

Rice arrived in Brazil on April 26, just after the Ecuadoran government collapsed. President Lula da Silva reported, in an April 29 press conference, that his message to Rice was that Brazil and the other countries of the region need peace, “so that people can think of development, of economic growth, and generating wealth.” That’s why Brazil is pushing hard for the physical integration of South America; that’s why we created the South American Community of Nations; and “that’s why I told the U.S. Secretary of State, that President Bush should join Brazil and the countries of South America in this policy of creating infrastructure, of creating physical integration, because it will facilitate growth and the establishment of peace in our continent.”

Next stop, Colombia. Foreign Minister Carolina Barco reported that in their talks, President Uribe told Rice that it was time to stop speaking of right- or left-wing democracies in the region, and instead work towards social democracies. The region needs a consensus around programs which promote social cohesion. This is a theme repeated by Uribe on several occasions since the March 29 summit, including in a discussion at a university on April 26, the night before he met Rice. My generation in Colombia has never known a day of peace; why should the next generation live through that, too? he asked.

Arriving next in Chile, Rice spent hours negotiating an end to the impasse over the new head of the OAS. In the end, Mexico’s Derbez withdrew his candidacy, and the Bush Administration threw its support behind Chile’s Insulza, to avoid what would otherwise have been inevitable defeat. As it was, major U.S. dailies reported that not since the OAS was founded after World War II, had a Secretary General candidate initially opposed by the U.S., won.