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Ecuador

An open scenario, with nothing decided in Ecuador

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Beyond the support of the traditional press and big commercial groups and the boost to its image received from sympathetic pollsters, the new Ecuadorian government of Guillermo Lasso starts with a certain political weakness. [1] This stems from its origin.

- Lasso reached the second round with less than 20% of the vote in the first round and with a minimal advantage over Yaku Pérez, Pachakutik's candidate – even if we leave aside the refusal to count the votes, agreed between the CREO movement (Creando Oportunidades), founded by Lasso for the 2013 elections, and the Partido Social Cristiano (Christian Social Party - PSC);
- More than 60% of his votes in the election came from people for whom he was not the first choice – it was not an endorsement of his proposals, but a rejection of Correa's candidacy. It cannot therefore be taken for granted that his voters will support every measure taken by Lasso's government.
- And also, a certain parliamentary weakness. The legislative bloc of his CREO party has only 12 MPs out of 137.

To overcome this difficulty, he first set up a surprise alliance including the PSC and the Unión por la Esperanza (UNES), the name adopted by the Correista alliance for the 2021 elections. But the government broke the agreement on the very day the Assembly was installed to form another alliance, this time with the so-called “independents”, but also Pachakutik and Izquierda Democrática, which narrowly managed to win the leadership of the Assembly, after no force was able to obtain a majority on the first day.

This episode also shows that the government has taken the political initiative and seems ready to challenge the hegemony of the right of the Christian Social Party, which the latter has held it since the “return to democracy” in 1979. A dispute whose outcome we will have to wait to see.

Thanks to the clientelist power of attraction that governments have (even more so in a scenario of political fragmentation like that we are experiencing), Lasso co-opted first the deputies of the small local parties and then those who disaffiliated from other political parties, forming with them the parliamentary group Bancada del Acuerdo (BAN), with four former Social-Christians, two former members of ID of social democratic leanings tendencies and a former Pachakutik supporter. With 26 members, it is currently the second largest group, but it is still far from the majority, even if we might think that the disaffiliations are not over and that they could continue throughout the period.

The agreement by which the Assembly authorities were appointed is also precarious: now the ID has 16 MPs and Pachakutik has 26. As together with the BAN they have just enough to get a majority, each vote could put them on the brink of defeat.

When it comes to passing laws, the government will have to turn to other parliamentary groups: there will always be a doubt whether or not it will be successful in obtaining a majority, with whom and at what cost.

For the time being, this alliance has been maintained, despite some setbacks, such as the loss of the chairing of the strategic economic committee, which went to a member of parliament from Pachakutik, in agreement with the PSC and the UNES. But the real test of its stability will come with bills that are genuinely relevant to the government's neoliberal agenda and that have not yet been sent to the Assembly.

Economic policy

Lasso's economic policy offers nothing new. It is based on the application of the letter of intent that the Moreno government (2017-2021) signed with the IMF and whose application – although partial – was the trigger for the massive demonstrations of October 2019.

This includes maintaining the mechanism of monthly increases in gasoline prices, introduced by the regime taking advantage of the situation created by the pandemic. A planned employment reform aims to extend the precarious employment already initiated with the hypocritical “law on humanitarian aid” approved by Moreno: extend part-time contracts, facilitate temporary contracts and make dismissals less expensive, which will generally reduce employment costs.

It is also proposed to step up trade opening, starting with an agreement with Mexico as a gateway to the Pacific Alliance and having agreements on the agenda with the United States, China and South Korea, among others.

Privatization, through which the new government hopes to attract foreign investment, is also at the top of the list: the privatization of refineries, a port for fuel distribution, highways, the state telephone company (one of the Ecuadorian companies with the highest annual turnover), the country's second largest bank, currently in public hands, and probably hydroelectric power stations.

If privatisation make it possible to increase resources initially, in the medium term they will lead to a significant reduction, eliminating companies that have a high profitability. The government will therefore need sources of funding. Perhaps the planned tax reform will bring something, depending on the increase in the census of taxpayers: there is talk of an increase in VAT and the finance minister has already said that those who earn more than \$500 a month will have to make a greater effort – in a country where the minimum wage is \$400 and where the cost of the basic food basket exceeds \$700 per month. Larger amounts are expected to come from an aggressive deepening of oil and mining extractivism and a new foreign debt, accentuating the dependent nature of the Ecuadorian economy.

With such an economic policy, social conflict can break out at any time. To prevent this, the government is targeting in three directions: a renegotiation with the IMF (which has already said it will not change the measures, but only the pace of their implementation, with the aim of postponing foreseeable social protests), social policies and “governability”.

Social policies

With its social policies, the government hopes to counter popular discontent. The social inclusion minister has announced the creation of the so-called “Bono Prospera” voucher – in addition to those maintained by the previous government, which affect 1,400,000 families, but for which there would only be funding until October. The new voucher would cover 400,000 families, but neither its amount nor its operation have yet been announced.

It also proposed to provide 200,000 housing units free of charge in the countryside and to “promote the construction” of another 500,000 in urban areas; this would mean the construction of 175,000 housing units per year, with the idea of harmonizing “profitability and social solidarity”. In the same vein, Lasso has publicly asked the Association of Ecuadorian Banks (Asobancos) to engage in a microcredit line at an interest rate of 1% and with longer maturities. Savings and credit cooperatives and popular financing institutions have expressed their willingness to do so, but a response is still awaited from Asobancos which has remained cautiously silent. However, a former bank chief executive added his voice to the idea, noting that all that is needed is for the finance minister to meet with bank owners. For the time being, the agriculture minister has reaffirmed that small farmers will receive loans at an interest rate of 1% for a period of 30 years and Lasso himself has declared that for this purpose “at least one billion dollars”

will be allocated.

Perhaps the most publicized social policy measure was the offer to vaccinate 9 million people in the first 100 days of the government. According to official data, 2.7 million people [out of a population of 17 million] have already received at least one dose, and the health minister has announced that 6 million doses of China's new CanSino vaccine are expected. Meanwhile, the situation in hospitals remains dramatic, with no supplies or medicines to treat Covid patients... or other inpatients.

As far as wages are concerned, the employment minister has said that the offer made during the electoral campaign to increase the minimum wage to 500 dollars per month will be carried out... while specifying that this will be done gradually over the four years of government.

It remains to be seen which of these policies will be implemented, but it is clear that they depend on the money the government is able to mobilise and on the social impact of economic policies. As has already been observed under the Moreno government, neoliberal economic policies can liquidate the claims of social policy because of the disastrous effects they have on the living conditions of the majority of the population. But, on the other hand, it is clear that they will also depend on another factor: the existence of political agreements between economic power groups, which have generally been very reticent about any measures, even slightly redistributive. This aspect will have a lot of weight, especially in the offers of microcredit and wage increases.

“Governability” and the armed forces

The relative weakness with which the government began its term of office highlights concerns about “governability” and social legitimacy. The government has adopted a discourse that aims to win the acceptance of a majority of the population, taking advantage of the enormous consensus it has achieved among the dominant classes and in large sectors of the middle classes, as well as the spirit of expectation that usually prevails among the population during the first months.

On the one hand, it seeks to legitimize itself within the anti-Correa environment that allowed it to triumph in the second round: it has decreed an “ethical code” as a supposed remedy for corruption, but which seems above all intended to preserve “state secrets”; it has announced that it would sell the public media that had been in the hands of the state since the banking crisis of 1999-2000 and says it is giving up control of the media, which would henceforth be “self-regulated”, and that from now on the national channels would no longer be under its command.

On the other hand, it promotes a discourse on rights and inclusion, promising to end gender violence: “The fight for gender equality is not just about women. It is a national problem. An Ecuadorian problem that needs to be addressed by the government,” Lasso said in his inaugural speech on 24 May. Previously, he had already promised to respect the ruling of the Constitutional Court which decriminalized abortion in the event of pregnancy caused by rape. The new Human Rights Secretary announced the creation of an undersecretariat serving the LGBTIQ+ population, including in the areas of health, education and judicial services, as well as 24/7 health centres to provide comprehensive care to female victims of gender-based violence. The government is committed, she said, to “eradicating all forms of discrimination and violence.”

A nod has also been made to ecology: Lasso announced that the name of the environment and water ministry will be changed to the environment, water and ecological transition ministry. “The ecological transition is not a brake on development,” he said. “Going towards circular, inexhaustible, even regenerating forms of production means growth thanks to clean industries, connected to new technologies”. “Green capitalism” is beginning to make its way and will

surely clash with the resistance to extractivism.

The same objective is pursued by the announcements mentioned concerning vaccination, housing and microcredit. The first is aimed at the general population, who have had enough of the Moreno government's mishandling of the pandemic. The other two are aimed at a large sector of the lower classes, composed of small landowners, usually despoiled by big capital, and now subject to the risks of the pandemic.

The focus on the countryside is surely dictated by the high level of conflict that manifested itself openly in October 2019. It is complemented by the creation of the Secretariat for the Management and Development of Peoples and Nationalities, whose leadership was entrusted to Luis Pachala, an indigenous person who was already a deputy from the province of Bolívar for the CREO movement in the period 2017-2021, but who failed to get re-elected in these last elections. He is no novice in this field: in 2003, under the government of Lucio Gutiérrez, he founded the Fedepicne, an organization that sought to “break the monopoly of the Confederation of Indigenous Nationalities of Ecuador (CONAIE) and Pachakutik””. He will have the rank of minister. Meanwhile, sectors linked to the Federación Ecuatoriana de Indígenas Evangélicos (Federation of Evangelical Indigenous Peoples and Organizations of Ecuador - FEINE) presented Lasso with the baton of command, at a ceremony held in Colta, in the province of Chimborazo, an act that was repeated almost immediately in Tamboloma, a province of Tungurahuae.

The new employment reform aims to create the conditions to “normalize” the overexploitation of labour, but also to fragment the working class and widen the gap between stable employees and the most precarious sector. Since “nothing is more precarious than not having a job” offering precarious jobs may seem acceptable to those who are unemployed or underemployed. And it will surely be in tune with the mentality of the middle classes who have adhered to the neoliberal discourse.

Discussions with hauliers are an important part of this same strategy, especially after the events of 2019. In the initial negotiations, hauliers indicated that they were prepared to accept that gasoline would continue to increase each month in exchange for a targeted subsidy and increased fares.

All this is aimed at pre-emptively disabling social protests and creating the conditions for dividing the possible popular bloc fighting against the IMF's policies.

But in case this does not happen, repression is already being prepared. Lasso has announced that he will strengthen the armed forces to act in the field of internal control, on the pretext of the presence of micro-drug trafficking mafias. And at the military high command renewal ceremony, he stated unequivocally: “There will be no tolerance for groups that act outside the institutional framework and seek to destabilize the country through anarchy. We are committed to social peace and tranquillity for citizens.” He also called the savage crackdown unleashed in October 2019, which left a dozen people dead, more than a thousand injured, more than a thousand arrests and several criminal trials against protesters and social leaders, a “heroic performance.”

What about the left?

In this context, the left has not started off well. The conflict over the political representation of the people was evident in the elections in February and April. *Correísmo* can no longer claim to be the exclusive representative of the popular sectors – it has been losing votes from 2013 until today. Moreover, the behaviour of the parliamentary left in recent weeks is far from the image it wants to give of itself: having the largest parliamentary group (but far from guaranteeing it a majority as it had during the ten years of *Correísmo*), it has chosen to ally with the right to capture leadership positions in the National Assembly. But the alliance failed because CREO withdrew. So far, the UNES and

PSC benches continue to act in agreement; it remains to be seen whether they will do so when the legislative work has to address central political issues. *Correísmo* intends to present itself as the only opposition to the neoliberal measures to be taken by the new government and, from there, to recover political positions. But it knows that, in order to do so, it will have to get rid of Pachakutik and the social movements, in particular CONAIE and the Frente Unitario de Trabajadores (FUT - United Workers' Front), which explains the deluge of attacks it has directed against them.

A significant sector of the lower classes has indicated that it is looking for a new political representation. This explains the support for Pachakutik, while the latter does not seem to have been sufficiently prepared to respond to it. It began by establishing an agreement with the ID but does not seem to have had a well-defined strategy of action and alliances, under pressure from local and particular interests. Finally, together with the ID, it chose to establish an agreement with CREO and its satellite BAN. They thus took an important symbolic step by electing Guadalupe Llori, an Amazonian woman persecuted since the beginning of *Correísmo*, as President of the Assembly; but Llori and other members of the Assembly were at various times carried away by the discourse of "governability". It is too early to draw any conclusions from this, because so far only the Assembly's directive and the composition of the legislative committees have been discussed. In any case, the test will come for Pachakutik with the bills that Lasso will introduce to render the implementation of his neoliberal proposal viable.

At the moment, social organizations seem to be in a wait-and-see period. CONAIE organized some mobilizations in the provinces of Imbabura and Cotopaxi which, although they did not involve a very large number of participants, were important in establishing their predisposition to mobilize. The same goes for the actions undertaken by the FUT. In addition, CONAIE is about to hold its congress, at which its governing council is to be renewed.

Under these conditions, future tasks continue to revolve around the strengthening of social organizations, the search for concrete spaces of unity between the main organizations of the popular movement and between them and the political representations. It is necessary to maintain contact between social and political organizations and this important segment of the people which is looking for new forms of representation, beyond *Correísmo* and the right. That is why there is an urgent need to take formal measures in the construction of a political and programmatic space that does not stop at the polarisation between populism and neoliberalism.

It is an open scenario, and perhaps not the best one, but nothing has been decided and everything will depend on what is done from now on.

PS:

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[1] In the first round of the presidential election, on 7 February 2021, in which the outgoing President, Lenín Moreno, did not stand for re-election, four main candidates competed: economist Andres Arauz, dauphin of former President Rafael Correa, candidate for UNES, who won 32.72% of the votes cast; former banker Guillermo Lasso, neoliberal conservative, candidate of the CREO Movement and the Christian Social Party (PSC), who won 19.74%; Yaku Pérez the candidate of Pachakutik, the political wing of the Confederación de Nacionalidades Indígenas del Ecuador (Confederation of Indigenous Nationalities of Ecuador - CONAIE) who obtained 19.39%; and Xavier Hervas, business leader, candidate for Izquierda Democrática, a centrist social liberal, who obtained 15.68%. In the second round, on 11 April 2021, Guillermo Lasso (52.4%), beat Andres Arauz (47.6%).