

Andean Report by Mark Sonnenblick

Ecuador defaults

Washington's "perfect" debtor goes bankrupt; even David Rockefeller can't save President Febres Cordero.

Citing "cash flow problems," Ecuador failed to pay interest due to foreign creditors in early February. The amount of money involved is relatively small—the foreign debt is \$8.2 billion—but Ecuador's default marks a defeat for the Reagan administration's economic program for developing countries. When León Febres Cordero became President in 1984, he was fêted by President Reagan as the model of "neo-conservative democratic" statecraft. Febres followed the policies dictated by then-Treasury Secretary Donald T. Regan and the International Monetary Fund (IMF). He embarked on strict austerity and made the country a place where foreign investors could do what they pleased. Still, Ecuador has joined the ranks of the bankrupt.

A central bank communiqué issued Feb. 19 sought to explain the predicament to Ecuador's creditors: "Our country complied with all its commitments up to Dec. 31, 1986. At the same time, during that year, Ecuador made payments of more than \$1 billion to the international financial system." Central bank president Carlos J. Emanuel added laconically that it took "great effort and imagination" to keep current on interest during 1986.

The default was no surprise. Emanuel alerted creditors last Nov. 21 that Ecuador would have to spend 45% of its export earnings for debt service in 1987, compared with 30% in 1986. Despite its obedience, Ecuador has not been bailed out with new loans from its creditors any more than other submissive clients like Chile, Mexico, and Venezuela.

Who but David Rockefeller should fly into Quito Feb. 9 in a desperate mission to save Febres Cordero? Rocky's entourage included his Venezuelan towel boy Gustavo Cisneros and the manager of his Americas Society, George Landau. They presented Febres with their book, *Toward Renewed Economic Growth in Latin America*. Funny thing, the tract is a recompilation of exactly the economic practices which led Febres into bankruptcy.

It seems Rocky left his checkbook home, but not his propaganda mill. *New York Times* editor A.M. Rosenthal penned maudlin columns from Quito on what would happen if "Washington's favorite Latin American leader" were driven from power. He paints Febres as "a kind of Lee Iacocca type, only with lots of hair and a mustache," and praises him for having "followed a policy of deregulation that Washington admired, supported American policy on Nicaragua. . . ." Rosenthal exaggerates, "If Ecuador returns to military rule, it will make the future of every newborn democracy in Latin America considerably more dubious."

Febres could well be given a one-way ticket on an Ecuatoriana Electra to Miami. On Jan. 16, Febres suffered the embarrassment of being kidnapped by Air Force officers for 12 hours. He was only released when he promised his captors to amnesty them and Gen. Frank Vargas Pazzos, who had been jailed for a previous attempt to overthrow Febres.

"People have arrived at the conclusion that all the democratic means

to confront Febres Cordero have failed," declared Febres's predecessor Osvaldo Hurtado. "For this reason, they have turned toward Vargas Pazzos, who offers an effective—though not legal—alternative."

Febres's government is crumbling under him, as it is hit by one institutional crisis after another. The liberal media tries to describe Ecuador's "instability" with all the prejudice about "banana republics" still peddled in university Latin American studies departments. In their language, his opponents are just "populist demagogues" and over-ambitious "men on horseback." Such analyses cover up the misery caused by his International Monetary Fund economic policies.

It is difficult to predict what will happen in Ecuador, primarily because the key decision-makers are not picturesque characters like General Vargas. The country is a replica of the spy nests where Humphrey Bogart made his most famous films. The most obvious may be the U.S. influence, as noted by the *New York Times*. Febres gave refuge to Spanish ETA terrorists and let the Indian Sikh terrorists who murdered Indira Gandhi buy land and establish a government-in-exile inside Ecuador.

The Air Force has long-standing links with the British RAF and with the Israelis. Israeli Mossad arms trafficker and terrorist controller General Ze'evi used Ecuador as the base for his operations all over South America. Dope, Inc. has made Ecuador a major transshipment point and safehouse, and the government has done little to stop the drugs.

The opposition majority in Congress, it appears, has an alternative to the heavier doses of IMF shock which Febres plans. Congress President Andrés Vallejo told the press Feb. 4, "Continental solidarity to face the [debt] problem is necessary."