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A BRIEFING ON GLOBAL AFFAIRS, BUSINESS, CULTURE & DESIGN

All Eyes North

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UK £5
USD \$10
EUR 12 (GER)
DKK 122
SEK 100
JPY ¥2,310
AUD \$12.95
CDN \$12.50

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BANANA REPUBLIC —Ecuador

Preface

Ecuador used to be a loyal ally of the US, but now its new president Rafael Correa is cutting a very different course and even looking to Venezuela's Hugo Chávez for political guidance. *Monocle* travelled there to meet the old oligarchs and the new power players and discovered a country where, despite oil and banana wealth, the new government faces a perilous future.

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The sun was hot, and the inaugural celebration for the young new president of Ecuador, Rafael Correa, was sliding out of control. Pandemonium near the canopied stage prompted the organisers to threaten to call in flak-jacketed troops to control the unruly crowd. At one point the fledgling president, with Venezuela's Hugo Chávez at his side, had to shout down thunderous jeers from radicals unhappy with his choice of cabinet ministers. "A statesman's job is not to satisfy extremists, but to achieve our objectives with the least cost," he said.

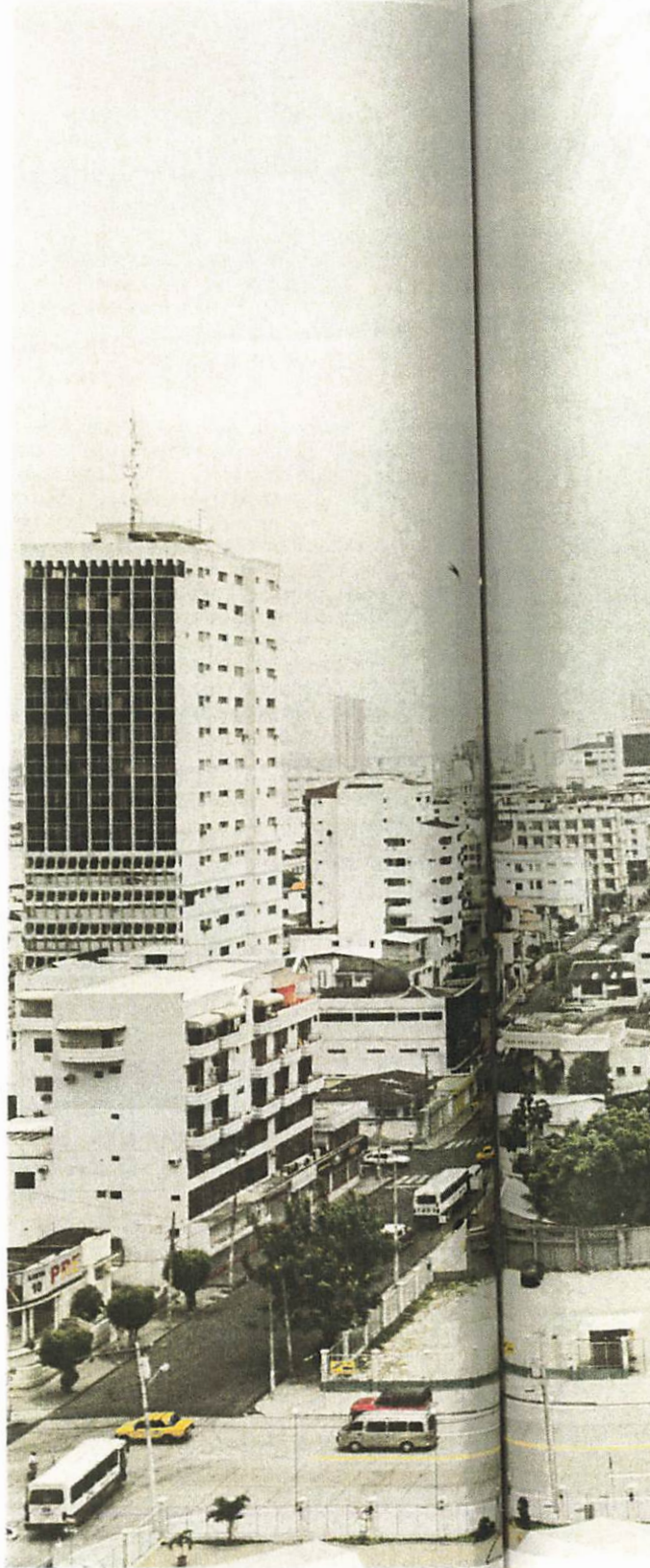
It was an oddly pragmatic statement for a jubilant leftist who had just won an election by embracing revolutionary rhetoric whenever necessary. Many in the crowd didn't get it. Some angry guests were throwing plastic bottles of water at each other and turned on two police officers when they came to intervene.

Ecuador is the latest country in Latin America to reject the neo-liberal policies that have dominated the region for the past 15 years and embrace what Chávez has dubbed "21st-century socialism".

For Chávez, Ecuador's oil reserves, rich agricultural resources and strategic location, situated between Colombia and Peru, make it a significant new trophy. For President Bush, Ecuador's new government is part of the US administration's latest nightmare – a potential anti-American axis (supported by the likes of Mahmoud Ahmadinejad, Iran's president) developing in America's backyard. Correa, for his part, is not making any enemies: he still calls the United States (Ecuador's largest trading partner) an "amigo" and says his main task is protecting his country's sovereignty and helping his people survive.

Ecuador has oil, bananas, flowers, shrimp and some of the most ecologically diverse forests left on the planet. But these resources have been squandered during a decade of political turmoil bordering on anarchy, 10 years in which Ecuador has had on average a new president every 15 months. Its democratic institutions are teetering. If Correa is to survive in office, he will have to fend off economic collapse while navigating between Ecuador's many fickle, personality-driven political camps on both left and right. "It's going to be a test of political skill for somebody who's got virtually no political experience," says Michael Shifter, professor of Latin American politics at Washington's Georgetown University.

Correa started his presidential campaign against his conservative opponent, the eccentric banana magnate Alvaro Noboa, with a strident anti-imperialist agenda. He called the dollarisation of Ecuador's economy in 2000 a disaster. He threatened to suspend payments on Ecuador's foreign debt and throw the Americans off the base in Manta on the Pacific coast. But he lagged in the polls. An economist who trained in the US and taught at one of Ecuador's most elite, expensive universities, Correa was considered too privileged by left-wing groups and too ideological by the middle class. Only when Correa moved to the centre, distanced himself from Chávez and declared the centrepiece of his platform to be a national referendum to reform Ecuador's notoriously corrupt Congress





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01 Avenue 9 de Octubre, Guayaquil

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01 Andrea Fernandez-Salvador:
"Ecuadorians are fed up with the old
political parties"

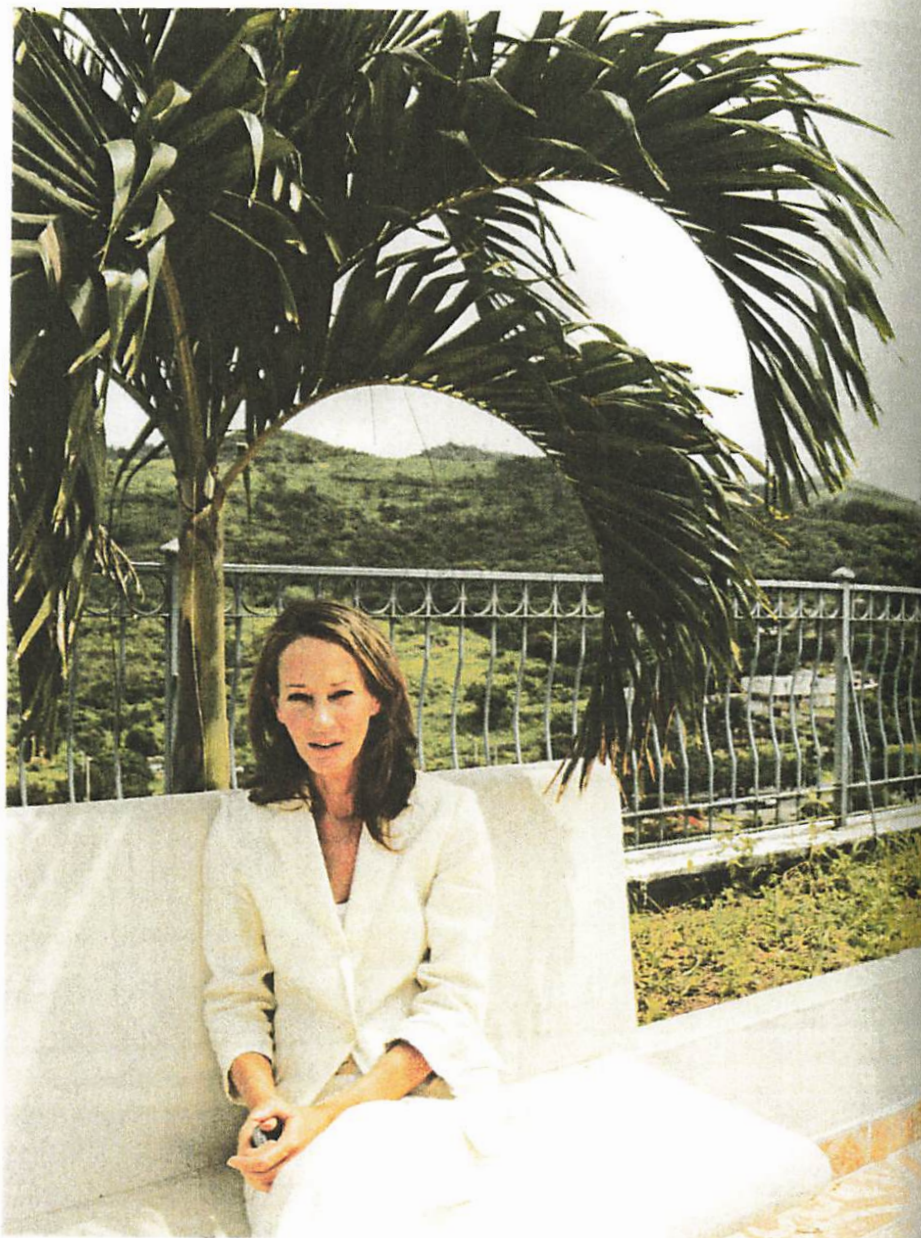
02 A Mini parked overlooking Quito

03 A monument to Ecuador's liberator
Antonio José de Sucre, Guayaquil

did he find widespread support and win with nearly 57 per cent of the vote. Correa's first month in office, however, was no honeymoon. Ecuador's bonds were downgraded to junk status and its foreign reserves dropped by almost a billion US dollars, raising the spectre of an economic collapse similar to that of Argentina's default in 2001.

Nine days after the inauguration, Guadalupe Larriva, Ecuador's first female minister of defence, was killed in a military helicopter crash. Correa ordered an investigation and sacked the army chief Pedro Machado. That same week Correa had to hire and fire two national police chiefs to find a third one untarnished by corruption. By the end of the month over-enthusiastic supporters of the referendum had stormed Congress, chasing legislators into the streets and reviving fears of anarchy. The novice administration had enough on its hands without provoking an economic meltdown. Economy Minister Ricardo Patiño confirmed that Ecuador would make the \$135m (£102m) interest payment on its foreign debt due in mid-February. "Every battle has to be fought at its given time," Correa said in a radio address. "We first need to pass the referendum."

The referendum will decide if Ecuador will elect a national assembly to reform its constitution and Congress, a process that Washington finds eerily akin to Chávez's first act in Venezuela. But Andrea Fernandez-Salvador, a Correa supporter from the city of Guayaquil, says that the initiative has given Ecuadorians hope for a fresh start. "They are fed



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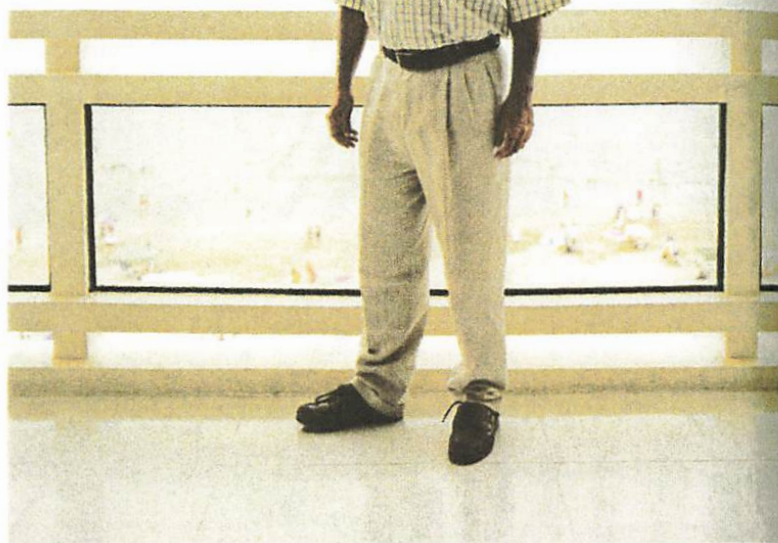
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The constitution says that in matters of great importance, the president may go to the people

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up with the old political parties that have always had their hands in everything in the country," she says. Fernandez-Salvador is not your typical activist. A slight, attractive, 51-year-old mother of four, she lives in a private gated development and comes from a prominent conservative family with social ties to some of the same politicians in Congress that Correa has sworn to run out of office.

"I grew up with them," she explains. "We went to the same dinner parties." It wasn't easy for her to support Correa and his fight against corruption openly. Among her acquaintances was Noboa, who still leads the largest party in Congress and remains the primary obstacle to reforming the government. "Even as a boy, Álvaro was always a bully," says Fernandez-Salvador.

Many Ecuadorians say Álvaro Noboa, the son of a billionaire who died in 1993, is another of the corrupt party bosses who have long controlled the country. Noboa has been accused by his critics of using child labour and hiring gunmen to fire at his own workmen when they went on strike. Noboa, however, sees himself as Ecuador's saviour. He started a philanthropic foundation, Crusade for a New Humanity, and has run for president three times.

He was appointed to his first political post, president of Ecuador's Monetary Board, in 1996, by then President Abdalá Bucaram. Bucaram, a former Olympic sprinter known as "El Loco" (he shaved his moustache off on television and invited Lorena Bobbitt, the penis-slasher, to his palace), helped Noboa to wrest

control of the family's fruit-exporting company from his sisters. Bucaram was then ousted in 1997 by Congress for being mentally unfit. In 1998 Noboa lost his first run for the presidency to Jamil Mahuad, who tried to solve Ecuador's worst economic crisis in decades by replacing the currency with the dollar.

Mahuad (who now teaches at Harvard) was in turn ousted in 2000 by a violent uprising and replaced, briefly, by a junta. In 2002 Noboa ran for president again and lost to Lucio Gutiérrez, an army colonel who had taken part in the uprising against Mahuad. Gutiérrez was himself ousted in 2005 by Congress after his failure to implement reforms provoked riots. During the campaign against Correa last autumn Noboa appealed to



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- 01 Modern apartments in Guayaquil
- 02 Benjamin Rosales, a centrist politician
- 03 Riverside slums, Guayaquil

voters by handing out cash and free computers. He promised to build 300,000 new homes a year and give them away to the poor through a lottery.

Noboa's election loss diminished his power, but not his hold in Congress. He can call upon Jorge Cevallos, the current president of Congress, whenever needed. Cevallos claims that Correa's national referendum is unconstitutional and that Correa's real goal is to consolidate presidential powers to implement authoritarian, Chávez-like socialist reforms.

"The constitution says that in matters of great importance the president may go directly to the people," counters Benjamin Rosales, a leading member of the centrist Concertación Democrática Nacional. "I believe 80 per cent of the people will vote for the national assem-

bly." The polls back him up, but the idea of any constitutional tinkering that may lead to authoritarianism in Ecuador sends chills all the way to Washington (whose policies, ironically, many wealthy Latin Americans blame for the current leftist swing across South America).

"There's little understanding [in Washington] about the different options these countries have, and that globalisation has really transformed the region," says Michael Shifter. Washington policymakers are, he says, divided between the old camp that still sees countries like Ecuador as America's backyard prerogative and a new camp that realises a different relationship is at hand. Stung by recent leftist victories, President Bush has announced that he will visit several countries in the region this March.

In the capital, Quito, where many of Ecuador's conservative elite live, Juan José and Consuelo Avellan hope that Washington comes to its senses sooner rather than later. Juan José shakes his head ruefully at the mention of President Bush's policies and the war in Iraq. "It hasn't helped," he says. The Avellans' elegant hilltop apartment overlooks the city. Juan José's family owns the largest steel mill in the country. Consuelo Avellan's great-uncle was Velasco Ibarra – a five-time former president.

After Correa's inauguration Consuelo sent a congratulatory email to her cousin, Alberto Acosta, Correa's new minister of energy and mining – who, the Avellans regret, went over to the leftists. They and other wealthy Ecuadorians are concerned about Correa's direction, but they are not pulling their money out of the country yet. They've seen this before. Bucaram and Gutiérrez also came to power with promises of radical reform. Both were ousted by their own supporters. Correa is different, the Avellans admit, a true outsider who might do the country good if he doesn't go too far.

Rosales doesn't believe Correa will step over the line or that the country will follow the path of Venezuela. "This is not about Chávez... It's not about right against left. It's non-ideological. We have to strengthen the centre, to create a rational democracy and economy," he says.

It's difficult to reconcile Chávez's popularity in Ecuador with the country's seemingly wholehearted embrace of US culture. Quito, once a sleepy colonial town, was transformed by Ecuador's oil boom in the 1970s. Today it is a modern metropolis with gleaming office buildings, shopping malls and heavily guarded ATM stations that dispense US dollars. Kentucky Fried Chicken outlets are everywhere, and Chevrolets (built in Ecuador) are the most popular cars.

Last year Ecuador's economy clipped along, growing 3.6 per cent with inflation of only 3.4 per cent. But at least half the population lives in poverty. On the outskirts of Quito there are miles of semi-industrial barrios with concrete-block houses crammed together, where people live on as little as 50 cents a day. It is up

to new economy minister Ricardo Patiño to redistribute what he can to the poor, while keeping Ecuador's creditors at bay. Correa has already doubled monthly living subsidies to the poor from \$15 (€11) to \$30 (€23) – a laudable first step for a country whose GDP per capita is among the lowest in Latin America.

To keep the government coffers full, Correa's team is looking beyond the IMF and the World Bank. Foreign Minister María Fernanda Espinosa, a former anthropologist and poet, recently returned from trips to Brazil and Venezuela (already providing Ecuador with a \$1bn [€760m] line of credit) with a basket of aid and trade accords. Espinosa has squabbled with the US government over its recent cut in aid for combating drugs – a reprisal, some say, for Correa's decision not to renew the lease of the US military base at Manta. Espinosa has had to deal, as well, with worsening tensions with Colombia over its aerial spraying of cocaine plants on Ecuador's border. "We've been pushed to the limit," says Mónica Chuji, Correa's spokeswoman.

Chuji is Ecuador's new secretary-general of communication, and perhaps best represents the new face of the government. An intense, 33-year-old indigenous woman with jet-black hair, she wears brilliant coloured shirts and rarely appears in public without her blue bead necklace – sometimes with a feather tied in. She is at Correa's side at most of his appearances and her non-establishment demeanour has made her a favourite with the Ecuadorian people. A few days before the inauguration she spoke to me by phone while riding on a bus with the other future cabinet ministers. They were on their way to a retreat to prepare for their move into office. "Is the new minister of the economy free to talk to a reporter?" Chuji called out to the team, prompting giddy laughter.

Even conservatives admit that Correa's earnest, idealistic team is a better choice than Noboa. They just wonder if it can survive. "They are full of good intentions," says José María Pérez, a Quito lawyer. "But I'm afraid they will get caught up in political bickering and

- 01 Art for sale at Parque el Ejido, Quito
- 02 President Rafael Correa
- 03 La Merced cathedral, Guayaquil
- 04 Mónica Chuji, President Correa's spokeswoman

will be seen as a menace to democracy, and too close to Chávez."

Correa publicly cemented his relationship with Chávez and Bolivia's socialist president Evo Morales at an inaugural rally held in the remote indigenous town of Zumbahua. Over the past decade the indigenous population has become a powerful force in Ecuadorian politics. At Zumbahua they were led by militant orators and waved banners with revolutionary slogans. Correa, who speaks Quechua, was there to prove he was one of them. But it was the fiery, red-shirted Chávez who stole the show, playfully referring to Correa as his *muchacho* and his *hijo*. Next to Chávez, Correa, in his quaint indigenous embroidered shirt, seemed less than revolutionary. In a hoarse voice he cautioned that change would occur "step by step" and asked the crowd, in Kennedy fashion, to help him help them.

Correa's pragmatic nature may not be popular with the radical elements of his constituency, but the crowds at Zumbahua got to their feet and chanted his name at the mention of the referendum. It has become a popular cause with a momentum that even his enemies in Congress realise may be unstoppable. On 13 February, after weeks of debate, the legislators finally voted to hold the referendum in April. It was a major victory for Correa, though he warned that the fight had just begun.

Forty-two members of Congress called the vote unconstitutional and walked out. It's clear that Noboa and his allies will not go down without a fight. After Noboa lost the election, there were rumors that he had suffered a mental collapse. He sequestered himself, refusing to make public statements or give orders to his deputies. But the defection of his allies seems to have finally woken him up.

"I am still the leader of the largest party in Congress!" he says. "And I am working on the situation [ie to stop defections to Correa] in Congress now." A few days after speaking to *Monocle* he appeared on television to say he was keeping his eye on Correa – and was counting how many new houses he built for the poor. — (M)

Can you bank on Correa?

We asked a leading Ecuadorian entrepreneur to give his view on how industry will fare under the new leader

"I have met the new president. He is a very intense guy, he listens, seemingly very carefully, he writes down notes while listening, and he never leaves one comment unanswered. That said, he is not afraid of contradicting anyone present. He seems to have some very good advisors close to him, not necessarily leftist ones, so that would perhaps make you think that his intentions are to be more a centre-socialist than a pure socialist or a socialist-communist.

"His connections with Chávez would seem to be very close, some say too close, although this could just be good neighbourly relations and not a dependence relationship. On the other hand it is far too soon to say what the near future will bring and we will wait and see what will happen to the new proposed Constituency Assembly. So, I am not totally convinced that his government will be either very bad as some say, or as good as they themselves believe they will be. In the meantime, we entrepreneurs will try to be as close as we can to the new ministers and watch their actions closely."



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Latin America's leaders march to the left



Argentina	The popular Nestor Kirchner has embraced Venezuela's anti neo-liberal stance.
Bolivia	Evo Morales is Bolivia's first indigenous president, a true believer in Chávez.
Brazil	President Luiz Inácio Lula da Silva , no longer the leftist hero, has won a second term with over 60 per cent of the vote.
Chile	Michelle Bachelet , Chile's first female president, is the kind of socialist the US likes.
Colombia	Álvaro Uribe , a conservative distrusted by his neighbours, has cracked down on armed groups with the help of US aid.
Ecuador	Ecuador's eighth president in 10 years, Rafael Correa , is a Chávez acolyte and has promised radical reforms for the country.
French Guiana	Operates as an overseas department of France. French president is head of state.
Guyana	Bharrat Jagdeo is a moderate, who has brought a measure of stability to Guyana.
Paraguay	President Duarte Frutos presides over a market economy plagued with corruption.
Peru	President Alan García , a moderate leftist, backs trade agreements with the United States and China.
Suriname	President Ronald Venetiaan has initiated economic austerity measures.
Uruguay	President Tabaré Vázquez recently signed a preliminary trade agreement with the US.
Venezuela	Hugo Chávez has started his second term with a more radical socialist agenda and ambitions to expand his vision to other Latin American countries.

