



## Ecuador's pragmatic president Rafael Correa gets tough

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Rafael Correa's followers in the audience cheered when Ecuador's fiery leftwing president challenged an opposition legislator to a fist-fight, explaining that is how "we solved differences back in my neighbourhood".

"That is who he is. He is not acting. He is bold," said a government official of Mr Correa's macho display during one of the president's four-hour weekly television broadcasts. "And people love it."

For how much longer, though, is increasingly the question in this Opec nation. Mr Correa is known for being among the more pragmatic leftwing leaders that have come to power over the past decade amid South America's rising "pink tide". President since 2007, he brought political stability to a traditionally volatile nation, and successfully channelled its oil wealth into infrastructure projects and poverty alleviation.

Today though, amid a commodity price collapse that has hit all South American economies, the US-trained economist is showing his darker side. A man who proudly gave shelter to WikiLeaks founder Julian Assange is increasingly criticised for muzzling the press, autocratic bullying, and general "hypersensitivity", as British comedian John Oliver has termed it.

"People now realise that Correa acts like a tinpot dictator," says Andrés Páez, the opposition congressman who Mr Correa challenged after they clashed over a public defence contract.

"The fear now is that with less money, Correa will tighten the screws more," adds Ramiro Crespo, president of Analytica Securities, a Quito brokerage.

Mr Correa faces two pressing economic challenges as Ecuador's economy is forecast by the International Monetary Fund to shrink 0.6 per cent in 2015 after growing almost 4 per cent last year.

The first challenge is how to deal with a 26 per cent collapse in oil exports and 21 per cent drop in government revenues, while maintaining his so-called "Citizen's Revolution" funded by a near-doubling in state spending since 2007.

The warning signs are already there. The party of Mr Correa, who once sought to be the region's most prominent leftwing leader after Hugo Chávez died in 2013, is seeking to change the constitution so he can stand for a fourth term in 2017 — although he hinted last week he may not run again. Next year's budget has also been cut almost 18 per cent.

“This project is turning more authoritarian,” says Carlos de la Torre, an Ecuadorean sociologist at the University of Kentucky.

The 52-year-old president has sued media outlets, passed a media bill that critics call “a gag law”, and regularly calls critical journalists “ink hitmen”. When the Cotopaxi volcano outside the capital erupted in August, spewing ash and smoke, the government imposed a news ban “to avoid the dissemination of rumours” that could “alarm the population”.

“There is enormous pressure on the media,” says César Ricaurte, head of Fundamedios, a free-speech watchdog. “This is clearly an imperfect democracy, and if they amend the constitution [so Correa can be president again] . . . it will get worse.”

The second dilemma Mr Correa faces is Ecuador's use of the US dollar.

As in Panama and El Salvador, dollarisation has brought Ecuador financial stability since it was established in 2000. But it is now sapping Ecuador's competitiveness as other South American currencies tumble around it in the wake of the commodity price crash.

The effects of this are plain to see in Tulcán, the border town where Mr Correa staged his recent television show, modelled on Chavez's telethon “*Aló Presidente*”. There Ecuadoreans load up with devalued Colombian pesos, down by almost a quarter this year, to go cross-border shopping.

Dollarisation is like “being in a boxing ring wearing a straitjacket”, Mr Correa has complained, and in his book *Ecuador: From Banana Republic to No Republic* he called it an “economic absurdity”.

Yet, according to polls, 66 per cent of Ecuadoreans are wary of ending dollarisation. Indeed, the US dollar's approval rating is almost as high as Mr Correa's 67 per cent.

“The public's approval . . . is testament to its success,” says Steve Hanke of Johns Hopkins University, who advised Ecuador on dollarisation. “Correa's criticisms are simply political rhetoric. He knows it would be political suicide to replace the dollar.”

For now Mr Correa continues to ride high among supporters, who dismiss criticism he is becoming a dictatorial bully.

“He stands up for what he believes, defends people like myself, and has brought significant progress to Ecuador,” says Martha Piñeyros, a local teacher. “I'll vote for him endlessly.”

But leaner times may test that support — just as they have among other economically underperforming leftwing governments in the region, such as Brazil, Argentina and Venezuela.

“Painful [economic] adjustments like the one Ecuador has to go through often test the resolve of societies in keeping irrevocably fixed exchange rates,” says Francisco Rodríguez, Bank of America economist, pointing to the example of Argentina, which broke its currency peg in 2002, and Greece, which has struggled within the eurozone.