



2010
ANNUAL MEETINGS
International Monetary Fund
World Bank Group
Washington, D.C.

Press Release No. 21

October 8, 2010

Statement by the Hon. **KATIUSKA KING MANTILLA**,
Alternate Governor of the Bank for **ECUADOR**

**Statement by Katuska King Mantilla
Minister for the Coordination of Economic Policy
National Government of the Republic of Ecuador**

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Sixty-six years ago the Republic of Ecuador joined 28 other countries to approve the Articles of Agreement that formed the International Monetary Fund. This institution was conceived – let us recall – at the United Nations Monetary and Financial Conference celebrated in Bretton Woods in July of 1944, as a bastion of a new and better world just emerging from the ashes for World War II.

Since that day, the world has changed profoundly. Neoliberalism has proved to be a failure and, nevertheless, globalization continues: it promises wellbeing and wealth to all, while in fact it brings exclusion and poverty, pollution and climate change. The crisis of 2008, with its origins in the greed and irresponsibility of the financial sector, left the world with 60 million new human beings living in poverty. Poverty is not a label to be attached to a human being if he lives on less than one dollar or one dollar and twenty-five cents per day. It is an abject and desperate condition that inhibits the capacities, the functionings, and the liberties of women and men, young and old, and corrodes social cohesion.

Is this the consequence of the capitalist order in the same way that the environmental crisis appears to be? The failure of the Kyoto Protocol on climate change and the *coup de grâce* that it received in Copenhagen last December appear to confirm this hypothesis.

Yes, the world has changed, and not necessarily for the better. In fact, the detrimental change has far outweighed the transformations that we have been able to achieve through organizations called upon to guarantee global peace and wellbeing. When the subprime mortgage crisis unleashed the world-wide financial crisis, there was a general call for the exhaustive restructuring of the global financial architecture. Less than two years ago we clamored to restore the regulatory power of the public sector over financial markets hoping that this would prevent new attacks on the common good. Likewise, we clamored the urgency of transforming the governmental structure of international financial institutions to make them more democratic and pluralistic. Yet, aside from an extraordinary disbursement of special drawing rights, what exactly has changed since the crisis?

The Government of the Republic of Ecuador, which I am honored to represent, maintains the conviction that a new international financial architecture is indispensable to our capacity to confront the challenges that history has brought upon us. Our efforts to build the Bank of the

South and to establish the Unified System for Regional Compensation (SUCRE) are oriented toward this end.

Ecuador has responded to the crisis with very different policies from those prescribed by John Williamson more than two decades ago. In three years, and in spite of the global crisis, we have more than doubled public investment in education and health. Since 2007, we have increased tax income an annual average of 14%; in August of 2010, the burden of public foreign debt was 13.8% of GDP and total service to foreign debt (public and private, considering amortization and interest) has been reduced to 9.6% of GDP.

My Government holds the conviction that private enterprise is fundamental for the fulfillment of our development objectives and we are open to new foreign investment, as can be corroborated by Sinohydro, the Chinese company that will invest 1.682 billion USD in the largest hydroelectric project ever constructed in my country.

Equally fundamental to our development objectives is the promotion economic systems based on social solidarity. This can only be attained through an efficient and modern public sector, not in the absence of the State, as was the general thinking during the era of univocal economic thought, which preceded us. This is why we have strengthened our public banking system— between January of 2007 and June of 2010, investments increased to 7.015 billion USD, while between 2000 and 2006, these merely reached 2.092 billion USD.

In defiance of the advice championed by orthodox economic thinking, Ecuador did not turn to structural adjustment in the face of the global crisis. Despite the extraordinary vulnerability to exogenous events that defines an economy as open as ours, between 2007 and 2010 Ecuador has maintained an average GDP growth rate of about 3.4%, we have not been overwhelmed with unemployment (unlike many other economies), and, while in Latin America the crisis drove 10 million people into poverty, Ecuador's poverty index decreased from 37.6% in December 2006 to 33% in June of 2010.

These indicators are promising and confirm the integrity of a sovereign economic policy that prioritizes human beings above capital and which seeks to build a society *with* a market rather than a society *for* the market. This economic policy is derived from a new conception of development whose objective is not the infinite search for an increase in the standard of living (based on consumerism) but rather the creation of social and economic conditions that allow us opportunities for living well – that allow for a *buen vivir* based on solidarity, a harmonious relationship with nature, gender equity, ethnic equity, and intergenerational justice.

Thank you very much.