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Fernando Luque,

**Embassy in London** 

"Stability for a

**Ecuadorean** 

troubled

economy"

real 28k

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You are in: World: Americas **Ecuador adopts US dollar** 



Ecuadorean money changers looking for trade

**Letter From** The President of Ecuador, Gustavo Noboa, has signed a law passed by Congress to replace the 🕨 22 Jan 00 | Americas UK Politics national currency, the sucre, with the United **Business** States dollar.

**Health** The measure sets an official exchange rate of **Education** 25,000 sucres to the US dollar.

**Entertainment** Under the plan, both currencies will be in Talking Point circulation, but in practice the dollar will be used for all but the smallest transactions.

> The country's central bank will no longer print sucre notes or issue debt denominated in the currency. Only coins will still be minted in the local currency.

In a related development, officials at the International Monetary Fund, the World Bank, the Inter-American Development Bank and the Andean Development Corporation announced an aid package for Ecuador worth \$2bn over the next three years.

## **Economic crisis**

Correspondents say the adoption of the dollar is a desperate attempt to revive Ecuador's economy, which is in severe difficulty because of currency devaluation, spiralling inflation and a banking crisis.

But the move is likely to face opposition from indigenous Indians, who forced the former president, Jamil Mahuad, from power in January.

Several thousand Indian protesters stormed parliament and declared a new government.



President Noboa: under pressure to revive the

economy A three-man council was briefly set up to take over the running of the country, but it was disbanded in the face of strong international pressure, and Mr Noboa took over as president.

Indigenous Indians later expressed anger at the outcome, and they have been threatening another uprising.

Their leader Antonio Vargas told a news conference after Mr Noboa's accession that all the problems which brought his followers to Guito were still there the crippled economy, the government's economic plan and its unwillingness to listen to their complaints.



Economic hardship has

fuelled protests He said Mr Noboa's government had between three and six months to avert what he called a social explosion.

Inflation topped 60% last year - the highest in Latin America - and more than half of Ecuador's 12 million people are trapped in poverty.

## **International support**

In Washington, the World Bank issued a statement saying the \$2bn credits would be made available over the next three years to support the government's economic and structural reforms.

If approved by the boards, about \$900m would be available for Ecuador over the next 12 months.

The funds would be earmarked to support the replacement of the local currency with the US dollar as well as to shore up the banking system and to strengthen social welfare programmes for the poorest segments of society.

In the proposed package, the International Monetary Fund would contribute \$300m, the World Bank \$425m, the Inter-American Development Bank \$620m and the Andean Development Corporation \$700m.

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## dollar plan **Internet links:**

- Confederation of Indigenous Nationalities of Ecuador
- ► CIA World Factbook: Ecuador

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