

Sample Ecuador LTE

Sir:

Your piece, "XX" missed critical context on why the Ecuadorian government has defaulted on some of its commercial debt.

Responding to a call from civil society in Ecuador and the Jubilee debt movement, in 2007, the government of Ecuador established an independent Public Debt Audit Commission to comprehensively examine the origins, nature, and impacts of the nation's US\$10 billion debt.

The commission produced a detailed study documenting hundreds of allegations of irregularity, illegality, and illegitimacy in the contraction of Ecuador's debt. In the case of the bonds Ecuador has now defaulted on, the commission alleged that they were issued and restructured illegally, violating Ecuador's constitution and domestic laws, U.S. Securities and Exchange Commission regulations, and general principles of international law. While the current crisis is no doubt putting the squeeze on Ecuador's ability to make its debt payments and increase social spending, the main reason for Ecuador's decision on its debt is because it is acting on the serious findings of this commission.

Ecuador, like many developing nations, has been pushed into a corner. The country's authorities faced two choices: keep paying a dubious and possibly illegal debt at the risk of social unrest, or default and face the wrath of the international markets.

The fact that Ecuador had only these choices highlights a gaping hole in the international financial system: the lack of an international, independent mechanism for countries to petition about potentially illegitimate and/or illegal debt or in the case of an inability to pay. An independent body should be created to address this issue: while Ecuador is the first developing country during the current crisis to default -- it is unlikely to be the last given the severity of the global recession.