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## Ecuador Bows to Brazilian Pressure and Pays Debt to Brazil

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The Brazilian Foreign Affairs ministry revealed that Ecuador has quietly made overdue payments to Brazil on a loan for the construction of a controversial hydroelectric project, helping to end a months-long diplomatic dispute.

Overdue payments on a US\$ 246.9 million loan were made on Thursday, January 8, added the statement, so "the Brazilian ambassador will be returning to Quito next week." According to Ecuadorian sources the dispute was over an "estimated US\$ 80 million."

However the carefully worded statement also warned that Brazil "will continue to closely monitor the evolution of its economic and financial relations with Ecuador."

Ambassador Antonino Marques Porto was called to Brasília in late November after Ecuadorean President Rafael Correa said his country would not pay the loan to Brazil's National Development Bank because of allegations of poor quality work in the controversial hydroelectric project.

But Ecuador last month also expelled executives of Rio de Janeiro-based construction company Norberto Odebrecht SA because of allegedly faulty work on the San Francisco hydroelectric plant, considered key for Ecuador's future energy needs.

The dispute prompted heated exchanges between the two nations, and Brazilian Foreign Minister Celso Amorim angered Ecuador when he said last month that the nation had "shot itself in the foot."

In testimony before Congress in December, Amorim said Ecuador could suffer severe consequences for suspending loan payments, stating that Brazil is among the few sources of loans left for Ecuador because of the global credit crunch.

Ecuador is projecting a US\$ 1.5 billion deficit in 2009 because of low oil prices and has defaulted recently on some of its general foreign debt.

Officials have suggested that the dispute could put other joint projects at risk, including a land-and-river trade route that Correa wants to establish to link Brazil's Amazon rain forest to Ecuador's Pacific coast.

Such infrastructure projects integrating Brazil with neighboring nations usually receive heavy funding from Brazil, Latin America's largest economy with much deeper state financing resources than most of the continent's other nations.

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