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# Ecuador: In Brief

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# Summary

Ecuador is a small, oil-producing country of 16 million inhabitants located on the west coast of South America between Colombia and Peru. In 2017, Ecuador was considered to have the third-largest proven reserves of crude oil in South America, with 8.3 billion barrels. It is the smallest member of the Organization of the Petroleum Exporting Countries (OPEC). Petroleum is Ecuador's largest export to the United States, the country's top trade partner. With the reduction in crude oil price since 2014, Ecuador's earnings have fallen after years of strong growth.

Former President Rafael Correa (2007-2017), a leftist populist leader, was elected and reelected over a decade, bringing stability to Ecuador. In 2015, his popularity began to decline; he dropped in the polls to a 35% approval level by the middle of 2016. A recession brought on by low oil prices had diminished government revenues, and President Correa had adopted many unpopular budget-tightening measures. Protests from diverse groups—indigenous people, trade unionists, environmentalists, and critics from the right and center-right—became more frequent. Correa's critics accused him of constraining freedom of assembly and association, stifling freedom of the press and expression, and restricting independence of the judiciary.

On April 2, 2017, presidential candidate Lenín Voltaire Moreno of the *Alianza País* (AP) party narrowly won a runoff election in Ecuador, with a margin of slightly more than 2% of the vote. The 2017 election was the first in a decade in which Rafael Correa did not run for president. His two former vice presidents both ran on the same ticket: Moreno, who served six years as Correa's vice president, was at the top of the ticket, and Jorge Glas, Correa's most recent vice president, left the Correa Administration in 2016 to become Moreno's vice presidential running mate. Once in office, Vice President Glas remained close to Correa, whereas President Morena moved quickly to adopt a more moderate and conciliatory position and shifted away from Correa's abrasive style. In October 2017, President Moreno suspended Glas from the vice presidency due to accusations of "illicit association" with the Brazilian construction company Odebrecht. In December 2017, Glas was convicted and sentenced to six years in prison for taking more than $13 million in bribes from Odebrecht executives. Out of office for 90 days, Glas was impeached in January 2018 and replaced by acting Vice President Maria Alejandro Vicuña, who is close to Moreno.

Correa's party, the AP, had retained a majority in the February 2017 legislative elections but split as Moreno was accused of being a traitor and of undermining Correa's reform approach, which he called the "Citizens' Revolution." Many observers thought that Correa planned to return in 2021 to be easily reelected. Correa had pushed through legislation in the National Assembly allowing for indefinite reelection, and many assumed he would avail himself of this option after his former vice presidents served a term as caretakers. However, President Moreno set a public referendum for February 4, 2018, to limit the presidency to two terms, among other measures. The referendum was approved by a large margin, thus consolidating Moreno's control and making Correa's return to power unlikely.

Under Correa, relations between Ecuador and the United States were strained, but the two countries maintained close economic ties. Following a period of currency turmoil, Ecuador adopted the U.S. dollar as its currency in 2000. Ecuador receives significant remittances from Ecuadorans living in the United States and abroad. Ecuador also has become a popular destination for U.S. tourists and retirees.

This report examines the political and economic conditions in Ecuador and U.S.-Ecuadorian relations.

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# Introduction

Ecuador is a small nation situated along the Pacific coast of South America (see **Figure 1**). Located between Colombia and Peru, two major cocaine-producing countries in the Andean region, Ecuador is strategically important to the United States. In addition to being a major transshipment point for U.S.-bound illegal drugs, it has been used as a refuge by Colombian terrorist groups seeking to rest, resupply, and transport drugs. At one time, it was also the destination for thousands of refugees fleeing Colombia's internal armed conflict who crossed into Ecuador along its porous northern border.

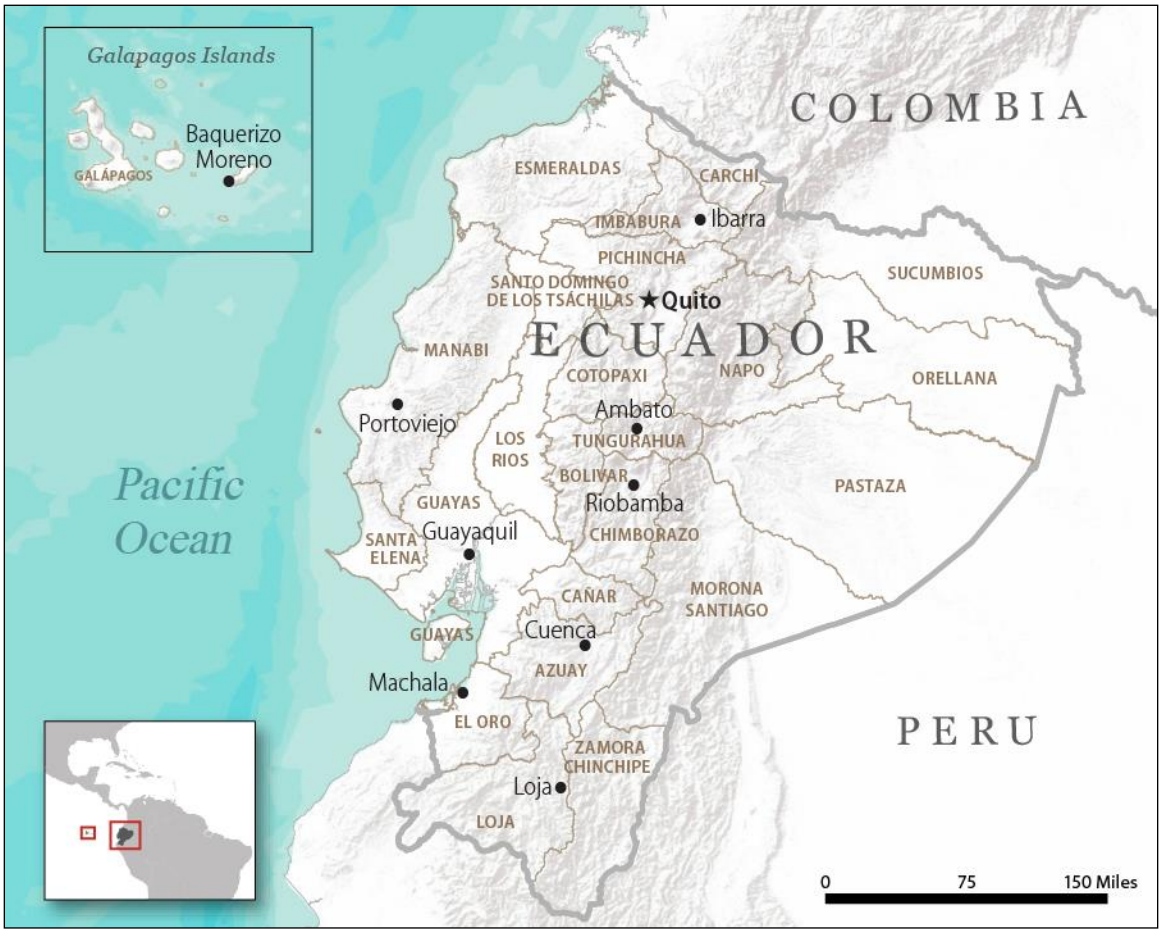
Rafael Correa, elected president three times (2007-2017), was one of Ecuador's most enduring leaders. Although the United States traditionally has had close relations with Ecuador, under Correa's leadership the relationship grew tense due to his populist governing style and his combative, self-described "anti-imperialist" stance. Friction between the two countries culminated in the expulsion of the U.S. ambassador in 2011 related to disclosures in confidential diplomatic cables made public by WikiLeaks. Although the United States and Ecuador restored full diplomatic relations in 2012 with the appointment of a new U.S. ambassador to Ecuador, tensions between the countries remained. President Correa called his reform approach a "Citizens' Revolution" and placed it in the tradition of "21st century socialism" personified by populist leaders of Venezuela and Bolivia.

An earthquake on the country's northwest coast in April 2016 left more than 4,000 injured and 651 dead and led to the displacement of some 30,000 people. The Correa government estimated that earthquake damage to infrastructure exceeded $3.3 billion. Belt-tightening measures taken by the government in response to a significant decline in oil revenues had exacerbated political tensions, and President Correa struggled with low approval ratings in 2016, when Venezuela and Bolivian leftist populist leaders in South America and President Daniel Ortega in Nicaragua also faced greater internal and external criticism. In 2016, the Ecuadorian economy contracted by 1.6%, although it recovered in 2017 with a 1.3% expansion.

Former Vice President Lenín Moreno won a narrow victory in April 2017 presidential elections on the *Alianza País* (AP) party ticket. President Moreno veered away from former President Correa soon after he came to office. Moreno called a national referendum on February 4, 2018, that openly challenged some of the Correa government's efforts to centralize power, including abolishing indefinite reelection and limiting tenure to two terms, turning back a measure that had insured the judiciary contained only presidential supporters, and making mining off-limits in indigenous and protected areas. The referendum's seven measures won handily, with greater than 60% voter approval.

President Moreno faces economic challenges and will have to rely on his supporters within the now-divided AP governing party in the legislature to move reform efforts and deal with governance challenges. Correa—who returned from Europe, where he was living for a period with his Belgian wife, to fight the referendum advocated by President Moreno—managed to convince about a third of AP members of congress to join him in forming a new party. In January polling, President Moreno continues to enjoy a popular approval rating of near 70%, which in 2018 is perhaps the highest level of support for a president in the Western Hemisphere.

**Figure 1. Map of Ecuador and Ecuador at a Glance**




| | |
|---|---|
| **Geography** | *Land Area:* 109,483 square miles, smaller than the state of Nevada |
| **Leadership** | *President:* Lenín Moreno*; Vice President:* Maria Alejandro Vicuña*; Minister of Foreign Relations:* Maria Fernando Espinosa*; Minister of Finance:* Carlos de la Torre*; Minister of Defense:* Miguel Angel Carvajal Aguirre |
| **People** | *Ethnic Composition:* 72% Mestizo (mixed Amerindian and White); 7.4% Montuvio*; 7.2% Afro-Ecuadorian; 7% Amerindian; and 6.1% White (Ecuador's 2010 census, National Statistics and Census Institute)<br>*Languages and Religion:* Spanish 93%, Quechua 4.1% and other indigenous and foreign 2.9%; Roman Catholic 74%; Evangelical 10.4%; Other 7.6% |
| **Economy** | *GDP:* $98.61 billion (current US dollars, 2016)<br>*GNI Per Capita:* $5,800 (current US dollars, 2016)<br>*2017 Exports:* $16.8 billion total. *Top export products:* petroleum, bananas, shrimp, tuna. *Top export partners:* United States 32.2%, Chile 6.8%, Vietnam 6.6%, Peru 5.6%, Colombia 4.8% (2016)<br>*2017 Imports:* $16.2 billion total. *Top import products:* Mineral oil, pharmaceuticals, passenger motor vehicles, cellular phones and components, soy bean products. *Top import partners:* United States 25%, China 16.6%, Colombia 8.6%, Panama 4.7%, Brazil 4.1% (2016) |

**Sources:** Graphic created by CRS. Trade figures cited are drawn from the Global Trade Atlas. Other data from Central Intelligence Agency World Fact Book (CIA) online; Ecuador at a Glance World Bank (WB) at http://data.worldbank.org/country/ecuador; Economist Intelligence Unit (EIU).

# The Correa Government

Ecuador has a relatively long experience with democracy, but it has been marked by frequent cycles of instability. Since its independence in 1830, regionalism and personalism have defined Ecuador's political culture. Following a return to democracy in 1979 after nine years of military rule, political party splits, bureaucratic ineptitude, and corruption proliferated. Voters have periodically blamed incumbent governments for the country's problems and often have turned to populist, anti-traditional party candidates to govern.

In 2007, Ecuador ended a decade of political and economic instability with the election of Rafael Correa, a left-leaning, U.S.-trained economist. Before running for public office, Correa was a professor of economics and served as finance minister during the previous Alfredo Palacio Administration. Correa built a broad coalition of support for his first presidential campaign that included Ecuador's organized indigenous population, Ecuador's poor, trade unions, environmentalists, and others who were disenchanted with the highly unstable national government.

Once elected, Correa succeeded in rallying the nation to support a referendum to rewrite Ecuador's constitution. The new constitution, Ecuador's 20th, was written by an elected Constituent Assembly, and the new constitution increased the power of the executive and allowed the president to run for two consecutive terms. As required under the new constitution, in 2008 new elections were then organized for president, vice president, members of the unicameral National Assembly, and provincial and local offices. President Correa was elected in 2008 and took office in April 2009. His party—*Alianza País* (AP), or Country Alliance, which is sometimes compared to a political movement—won the most seats in the National Assembly, although it did not win a majority.

Ecuador's economy benefitted from oil price increases beginning in 2006 with petroleum selling at $52 a barrel and reaching $98 a barrel by 2013. The Correa government effectively used petroleum exports to invest in infrastructure and economic development.[1] The Administration increased public expenditures, including conditional cash transfer programs to those living in poverty. According to statistics provided by the Correa government, the poverty rate in Ecuador declined from about 38% in 2006 to 25.8% in 2014, with the extreme poverty rate falling by more than half.[2] The World Bank estimates that poverty declined to a level just under 23% in 2016.

Despite broad popularity over many years, many observers viewed President Correa as "prickly" and very defensive in response to criticism; some analysts described Correa as a charismatic populist leader with authoritarian tendencies. In his first term, strong economic growth permitted President Correa to implement redistributive policies that provided benefits to Ecuador's majority lower-income groups. President Correa's Citizens' Revolution, as he called his ideology, incorporated themes of economic justice and Andean pride with a critique of the traditional partisanship of Ecuadorian politics.

In September 2010, President Correa faced a police uprising over pay and work conditions that resulted in five deaths, which Correa and his supporters called an attempted coup. Some observers viewed Correa's brash response to the police rebellion as a way to burnish the

[1] Carolos de la Torre, "Populist Playbook: The Slow Death of Democracy in Correa's Ecuador," *World Politics Review*, March 19, 2015.

[2] Government of Ecuador, "1'3 milliones de ecuatorianos salieron de la pobreza en los últimos ocho años," April 13, 2015, at http://www.ecuadorencifras.gob.ec/13-millones-de-ecuatorianos-salieron-de-la-pobreza-en-los-ultimos-ocho-anos/.

president's reputation.[3] Critics noted that he continued to centralize political power in the presidency, politically influenced the judiciary, and targeted media and political opponents. In 2011, President Correa won a lawsuit against *El Universo* newspaper for a column critical of the president. The court found in President Correa's favor, and the ruling would have resulted in a $40 million fine as well as jail time for the journalist, but after significant international criticism the president pardoned the newspaper's executives and the columnist. According to Human Rights Watch and other nongovernmental organizations, the Correa government's efforts to reform the justice system instead politicized it as the government harassed and punished its critics.

On February 2013, Correa ran for a second term and won with 57% of the vote. Correa's share of the vote was more than 30 percentage points higher than his nearest rival, Guillermo Lasso, of the center-right *Movimiento Creando Oportunidades* (CREO) party. In addition to the presidency, Correa's AP won a strong congressional majority with 100 seats in the 137-seat National Assembly. President Correa became the first leader in Ecuador since the late 1970s to enjoy sustained popularity across the regions and a broad array of class and demographic groups.

In mid-2013, the president issued an executive decree (Decree 16) that allowed the government to disband civil society organizations for any of a variety of reasons, including compromising the interests of the state, disrupting public order, or moving away from the objectives for which they were created.[4] In a notable case in 2014, Ecuador's Media Oversight Commission, set up by Correa through a highly restrictive communications law passed by the AP-dominated legislature, fined the daily newspaper *El Universo* and required cartoonist Xavier Bonilla (known as Bonil) to amend his drawing that depicted a police search of the home of someone who defamed Correa.[5] In 2015, the country fell by 13 places in the Reporters Without Borders press freedom index.[6]

Opposition to President Correa formed in the summer of 2015 and lowered the president's approval rating.[7] In August 2015, the major labor union confederation called a national strike in response to what they viewed as a restrictive new labor code and unfair pension changes. The union members were joined by other protestors, including right-leaning opponents of proposed legislation to sharply increase real estate and inheritance taxes and the once pro-Correa indigenous organization *Confederación de Nacionalidades Indígenas del Ecuador*, or CONAIE.[8] Human Rights Watch criticized the Correa government's use of excessive force and arbitrary arrests of nonviolent protesters during this time.[9]

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[3] Simon Romero, "In Ecuador, a Leader Who Confounds His Supporters and Detractors Alike," *New York Times*, October 10, 2010.

[4] Daniel Wilkinson, "Ecuador's Authoritarian Drift: Correa Cracks Down on Environmental Activism," *Foreign Affairs*, August 27, 2015. According to the author, the decree was used in December 2013 to shut down a prominent environmental group, Pachamama Foundation, which advocates for the protection of indigenous communities.

[5] Human Rights Watch, *World Report 2015: Ecuador*, January 2015.

[6] The Moreno government has indicated it hopes to modify the communication law, and restore full freedom of expression, but this change has not yet been completed. For more, see Human Rights Watch, *World Report 2018*: Ecuador Events of 2017, January 2018.

[7] Robert Kozak, "Ecuador Native Groups, Opponents Strike Against President Correa; Through March to Quito, Block Roadways Throughout the Nation," *Wall Street Journal*, August 13, 2015; "Correa's Approval Rating Slips," Economist Intelligence Unit, August 3, 2015.

[8] Michael Shifter and Murat Dagli, "Mass Protests Challenge Correa's 'Citizens' Revolution' in Ecuador," *World Politics Review*, June 29, 2015.

[9] Human Rights Watch, *Ecuador: Crackdown on Protesters: Excessive Use of Force, Arbitrary Detentions, Illegal Home Searches*, November 10, 2015.

President Correa introduced legislation to allow indefinite reelection in the National Assembly late in 2014. The legislature, dominated by Correa's political party, which held two-thirds of the seats, appeared likely to approve the change. Government efforts to push through a constitutional amendment permitting indefinite reelection were criticized, because many citizens wanted to see the change put to a national referendum—even if they planned to vote in favor of Correa in the 2017 national elections. Support for the referendum reportedly exceeded 80%. Many analysts maintained that changes to the constitution would easily win approval in the National Assembly. In mid-November 2015, President Correa made a surprising announcement that he and others who had already served two terms would *not* be eligible to benefit from the constitutional change to allow for indefinite reelection and compete in the 2017 elections. The National Assembly then approved a set of constitutional changes in December 2015 that included the measure allowing a future president to be reelected indefinitely.[10] President Correa appeared to be satisfied to wait out the economic downturn and return to run for president in the next term in 2021.

# 2017 Elections and the Moreno Government

The 2017 elections were the first in a decade in which Rafael Correa did not run for president, but his two former vice presidents both ran. Lenín Moreno served as vice president under Correa from 2007 to 2013, and Jorge Glas was Correa's most recent vice president until he left office to become Moreno's vice-presidential running mate.

As a candidate for the AP party, Moreno campaigned on continuing the work of the leftist Correa government but suggested the country needed a better balance between public and private interests. In the preelectoral stage of the presidential race, Moreno polled in first place most often, although he faced a field of candidates ranging from right to far left. He came close to winning the first round, held in February 2017, with the needed 40% of the vote. Moreno generally is regarded as more affable and easygoing than former President Correa, and Moreno worked for years as a disability advocate. Moreno was shot during a carjacking years ago and is wheelchair-bound. He continued his advocacy for disability issues after leaving the Correa government by serving as the U.N. Special Adviser on Disability and Accessibility based in New York.

Jorge Glas ran on the same ticket as Moreno's vice president, but Glas turned out to be an unpopular running mate. He was seen as much closer to Correa, and some observers indicated that Glas was likely to assume the presidency if Moreno decided to step down for possible health reasons. Following his victory in April, Moreno held a press conference to say he was not likely to succumb to health problems and leave his post. Glas was embroiled in a corruption scandal that worsened in December 2016. Moreno vowed during the campaign to make the management of Petroecuador, where Glas once was in charge, much more transparent.

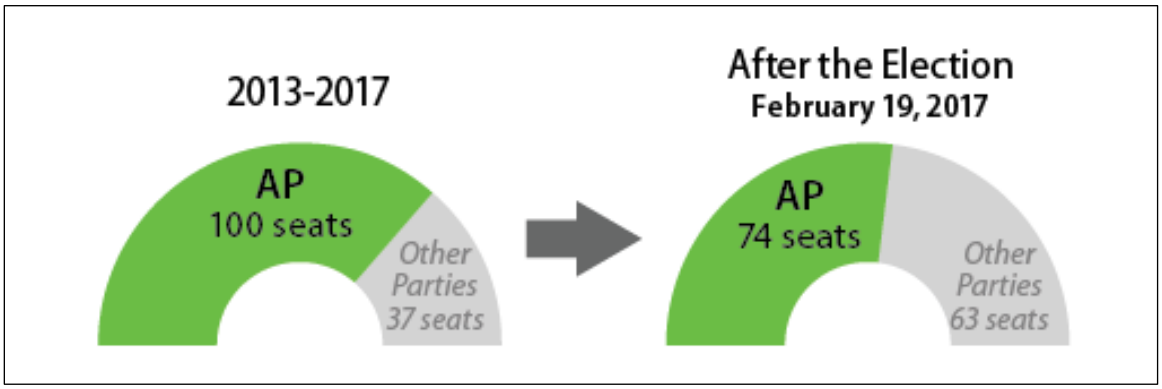
On April 2, 2017, Moreno narrowly won in the runoff for the presidency with a margin of slightly more than 2% of the vote, according to Ecuador's National Election. Moreno took 51.2% of the vote, and opposition candidate Guillermo Lasso received 48.8%. Lasso, came in second in the first-round vote in February 2017, had gained the backing of an array of opposition parties. A former banker, Lasso posed his campaign as a movement for change following a decade of rule by the AP party. Moreno and Glas began their term on May 24, 2017.[11]

[10] "Wily Correa," *Economist*, November 21, 2015; Dan Collyns, "Protests in Ecuador as Lawmakers Approve Unlimited Presidential Terms," Dan Collyns, "Protests in Ecuador as lawmakers approve unlimited presidential terms," *The Guardian*, December 3, 2016.

[11] CRS In Focus IF10581, *Ecuador's 2017 Elections*, by June S. Beittel.

Ecuador also held elections for the legislature in February 2017. According to official tallies, more than 3,900 candidates competed for National Assembly seats in the 137-member body. In total, 70 different political parties registered candidates. Hamstrung by low oil prices and a contracting economy, the dominant AP party, as expected, lost seats in the National Assembly; it went from holding a supermajority of 100 seats in the prior congress to 74 seats in the February elections, but it retained a majority (see **Figure 2**).

**Figure 2. AP-Held Seats in Ecuador's National Assembly Before February 2017 Elections and Immediately After**




**Source:** Created by CRS with data from *El Telégrafo*, including http://www.eltelegrafo.com.ec/especiales/2017/Asamblea-Nacional/.

The Moreno Administration likely will wrestle with a more fractured National Assembly than the previous administration, in part because of expected widening fissures within the AP. Those divisions sharpened after Vice President Glas was impeached in January 2018 following his conviction for taking a $13.5 million bribe from the Brazilian construction company Odebrecht and his sentence to six years in prison in late 2017. In early January 2018, former President Correa returned from Europe to campaign against the Moreno-declared public referendum slated for February 4, 2018, which Correa viewed as a direct attack on his legacy.

In campaigning for the referendum, President Moreno declared that his predecessor had concealed the weak state of the Ecuadorian economy. Correa responded by seeking to split the AP. In mid-January, Correa induced 28 of the 74 AP legislators to leave the AP party and join a new, Correa-based variant, called Citizens Revolution, thus causing the AP party to lose its legislative majority. President Moreno now will have to negotiate with numerous parties to form a coalition to pass certain types of legislation, such as constitutional reforms, even though the February referendum results (such as canceling the option for indefinite reelection, reimposing term limits, and not allowing public office holders to return to office after a corruption conviction) was approved by voters in early February 2018 (see results in **Table 1**).

**Table 1. Results of the February 4, 2018, Referendum in Ecuador**

| Referendum Proposals | Yes | No |
|---|---|---|
| 1. Loss of political rights for individuals guilty of corruption | 73.9% | 26.1% |
| 2. Ban on indefinite reelection | 64.3% | 35.7% |
| 3. Reorganization of the Council of Citizen Participation and Social Control | 63.2% | 36.8% |
| 4. No statute of limitations on sexual crimes against minors | 73.7% | 26.3% |

| | | |
|---|---|---|
| 5. Prohibition on mining in protected areas and urban zones | 68.8% | 31.2% |
| 6. Abolition of the real estate "Surplus Value" law | 63.2% | 36.8% |
| 7. Expansion of protected area in the Yasuní National Park | 67.5% | 32.5% |

**Sources:** National Electoral Council; EIU.

# Economic Conditions

Historically, Ecuador's dependence on a few export commodities—primarily bananas, cacao, coffee, and sugar—that are subject to highly volatile price swings left it vulnerable to economic instability. The discovery of oil in the Amazon region in 1967 transformed the economy. In 2000, Ecuador adopted the U.S. dollar as its national currency following a major recession in 1999. Dollarization helped curb inflation and restored some macroeconomic stability. In 2009, however, economic growth declined to 0.6% during the global recession, accompanied by falling oil prices and a decline in remittances provided by Ecuadorians living and working abroad (a major source of external revenues). Showing signs of recovery in 2010, the economy rebounded and grew by 2.8%. After growth of 7.4% in 2011, Ecuador's growth averaged 4.5% from 2012-2014.

Some observers have attributed the high growth to a public investment boom that was fueled by high oil prices and lending from China. According to the U.S. Energy Information Administration, Ecuador was the third largest source of foreign oil to the western United States in 2014.[12] However, in the middle of 2014 after the price of oil declined significantly, Ecuador's oil earnings fell. As a consequence, the Economist Intelligence Unit (EIU) forecast that Ecuador's economy would contract slightly in 2015, although the economy ultimately grew by less than half a percent. President Correa's plans to begin extracting crude oil from the Ishpingo, Tambochoa, and Tiputini field in Yasuní National Park in the Amazon to provide an economic boost did not salvage the economy from going into recession. In 2016, Ecuador's gross domestic product contracted by 1.6%.

Ecuador's economic slowdown in 2016 and the country's need for external finance were exacerbated by a deadly April 2016 earthquake. Ecuador's estimated $3 billion costs for reconstruction and humanitarian assistance for 720,000 people in the affected region remain a burden that the government and private sector have sought to address. In response, the U.S. Office of Foreign Disaster Assistance provided more than $3 million in assistance, including provisions airlifted in for 50,000 people in the earthquake-prone region and assistance with water and sanitation systems in affected areas.[13] A U.N. appeal by the Office of Coordination of Humanitarian Assistance sought to raise $73 million. However, as of July 2016, only one-fifth of this amount had been received from donor countries, including the United States.

The Correa government increased a value-added tax and implemented a plan to further cut government expenditures after cutting capital expenditures by 30%. Despite President Correa's reluctance to ask for assistance from the International Monetary Fund (IMF), the IMF approved a request for $364 million in financial support under its Rapid Financing Instrument in early July 2016 for Ecuador. Additional loans from China and the World Bank to help ease the government's balance-of-payments needs were considered.

[12] The data is drawn from the U.S. Energy Information Administration website at http://www.eia.gov.

[13] U.S. Agency for International Development (USAID), "Ecuador," June 3, 2016.

Ecuador's access to global financial markets also had been limited by its 2008 default on $3.2 billion in debt to global lenders. Consequently, the Correa government turned to nontraditional allies, such as China, for external finance. From 2005 to 2014, Chinese banks provided almost $11 billion of financing to Ecuador. The Correa government also asked China for an additional $7.5 billion in financing in early 2015 as crude oil prices—the nation's biggest export—weakened further.[14] China agreed to the financing request and began to disburse funding, including nearly $1 billion in May and June of 2015. Ecuador successfully returned to the international capital market in June 2014 with a $2 billion bond issue followed by additional smaller bond issues in 2015. President Moreno later discovered loans made by China under the former president required that Ecuador pay China back the equivalent of roughly three years of the country's oil production, or 500 million barrels of oil through 2024 in loans for oil arrangements.[15] According to press reports, some private sector analysts question whether Ecuador will be able to meet its debt obligations given two strains on the country's public finances: the slump in oil income due to the commodity's low price and the strong U.S. dollar, which, as a result of Ecuador's dollarized economy, makes the country's exports less globally competitive.

Ecuador withdrew from efforts to develop a regional free trade agreement (FTA) between the United States and Bolivia, Colombia, Ecuador, and Peru in 2006. The United States subsequently signed bilateral FTAs with Peru and Colombia, but Ecuador showed no interest in pursuing an FTA with the United States. Following Venezuela's acceptance in 2012 to full membership in the South American customs union, Mercosur (*Mercado Común del Sur* or Common Market of the South), the leftist governments in Bolivia and Ecuador applied to move from observer status to full membership in the trade bloc originally composed of Argentina, Brazil, Paraguay, and Uruguay. According to some observers, out of a concern for Ecuador's struggling non-oil exporters, Correa embraced a trade agreement with the European Union (EU) as part of the EU-Andean Community Association agreement that went into effect in January 2017.[16] Recently the EIU forecast that Ecuador's economic growth in 2018 will increase from 1.2% to 2%.[17]

# U.S. Relations

Through the two terms of former president Correa, Ecuador's relations with the U.S. government were frequently tense. Over the course of his time in office, former president Correa expelled various U.S. State Department representatives. In 2014, the Correa government imposed restrictions on the work of the U.S. Agency for International Development (USAID), which resulted in the agency closing its offices in Ecuador after 60 years of operating in the country. Correa also expelled the World Bank's representative, and, as noted above, defaulted on $3.2 billion in sovereign debt in 2008. Correa drew Ecuador closer to nontraditional allies such as China and Iran, raising concern among Washington policymakers. Moreover, the former president at times adopted a brash stance toward U.S. policies, accusing the administration in Washington of imperialism and threatening Ecuador's sovereignty.[18]

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[14] Clifford Krauss and Keith Bradsher, "China's Global Ambitions, Cash and Strings Attached," *New York Times*, July 26, 2015. The authors maintain that about 40% of the Ecuadorian government's revenues are derived from oil.

[15] "Ecuador Seeks to Renegotiate China Oil Deals," *The Oil Daily*, October 25, 2017.

[16] Mercedes Alvaro, "Ecuador, EU Trade Deal Could Come in into Effect in 2016," *Wall Street Journal*, May 4, 2015.

[17] Economist Intelligence Unit, *Country Report: Ecuador*, February 2018.

[18] Girish Gupta, "Anti-American Ecuador May Be Snowden Destination," *USA Today*, June 24, 2013; Juan Forero, "Through Snowden, Ecuador Seeks Fight with U.S.," *Washington Post*, June 25, 2013.

Traditionally, the Ecuadorian government has cooperated closely with the United States on counternarcotics efforts and combating crime. However, President Correa came to office as a vocal critic of Plan Colombia, the multi-billion dollar program aimed at countering terrorism and drug trafficking in neighboring Colombia that received crucial support from the United States. He shut down U.S. counterdrug operations at the Manta air force base by refusing to renew its lease in 2009. Ecuador joined the Bolivarian Alliance of the Americas (ALBA) started by former Venezuelan President Hugo Chávez in 2004 as an alternative to U.S.-led trade partnerships. Ecuador, Bolivia, Venezuela, Cuba, and Nicaragua all belong to the alliance along with a group of smaller Caribbean nations. (Following Chavez's death in 2013 and Venezuela's economic decline since 2014, however, ALBA has been significantly weakened.)

In 2012, Ecuador provided asylum to WikiLeaks founder Julian Assange, who has remained in Ecuador's embassy in London. However, President Moreno indicated in 2018 that housing Assange was no longer convenient. It remains unclear in February 2018 what action President Moreno may take to expel Assange. In 2013, President Correa also announced that he was considering an asylum request from Edward Snowden, who was wanted by the United States for release of top-secret documents about U.S. surveillance programs.

Throughout Correa's decade in office, State Department spokespersons criticized violations of constitutional freedoms in Ecuador. These ranged from President Correa's frequent lawsuits against the press and his national broadcasts lambasting journalists by name, to his efforts to dismantle nongovernmental and civil society organizations and insisting that USAID partner organizations be registered with the government. Forced closures include the Pachamama Foundation in late 2013, which advocated for environmental and indigenous culture protections, and steps to shutter the last watchdog media organization in the country, Fundamedios. According to the government, Fundamedios failed to block social media posts deemed critical of the Correa Administration and conducted other political speech that according to the government contradicts the group's stated mission. Although the Correa government announced steps to close Fundamedios in early September 2015, three weeks later Ecuador's government suspended the closure, seemingly responding to widespread international criticism.[19]

The State Department's 2017 *Trafficking in Persons Report* maintained that Ecuador is a source, transit, and destination country for men, women, and children subjected to sex trafficking and forced labor, with many cases of sex trafficking and also domestic servitude. The report notes that particularly vulnerable populations are Afro-Ecuadorians (7% of the population, according to the most recent census data) and indigenous people (7% of the population). For five years, the State Department has classified Ecuador as a Tier 2 country—a rating that indicates that Ecuador does not comply fully with the minimum standards for the elimination of trafficking but is making some efforts to improve. Key recommendations of the report were for Ecuador to fund and enhance programs for trafficking victims, to implement a national anti-trafficking plan, and to improve investigations of trafficking cases and prosecutions.

## U.S. Foreign Assistance

In FY2013, foreign assistance appropriated by Congress for Ecuador exceeded $18 million and included more than $13 million in development assistance administered by USAID. However, as

[19] See statement of U.S. State Department spokesperson John Kirby, concerning the September 8, 2015, closure of Fundamedios, September 10, 2015. From more information, see "Robert F. Kennedy Human Rights Rejects Ecuadorian Government's Attempts to Dissolve Leading Human Rights Organization," press release, Robert F. Kennedy Human Rights, September 14, 2015. Also, see "Ecuador Government Drops Plan to Shut Down Press Watchdog," *Associated Press*, September 25, 2015.

the Correa Administration more tightly restricted the programs that the State Department and USAID could conduct in Ecuador, most U.S. assistance programs, ranging from counternarcotics to environmental sustainability, closed down. In FY2015, the foreign aid allocations for Ecuador dropped below $1 million. In the FY2016 foreign assistance budget request, the Obama Administration requested $2 million in development assistance for Ecuador, primarily to support Ecuadorian civil society groups engaged in policy dialogue, and this funding level was appropriated.[20] For U.S. foreign assistance to Ecuador in FY2017, $1.6 million was appropriated for similar activities. In the Trump Administration's FY2018 budget justification for foreign assistance programs, no funding for Ecuador was requested.

The United States also provides funding to a Peace Corps program in Ecuador. In FY2017, the Peace Corps provided $5.1 million to support 110 volunteers in its program in Ecuador. In FY2016, Ecuador received earthquake response assistance from the State Department's Office of Foreign Disaster Assistance. In addition, Ecuador requested that temporary protected status be granted to Ecuadorian citizens living in the United States who were affected by the natural disaster and who overstayed visas or were illegally present in the United States but could not safely return home.[21] The U.S. government declined to make this determination.

## Commercial Relations

Some observers maintain that U.S.-Ecuadorian relations have managed to stay on a fairly even keel despite strains, citing the still-vibrant relationship as trade partners. Ecuador's major exports include petroleum, bananas, cut flowers, and shrimp while its imports include industrial materials and fuels and lubricants (see **Figure 1**).

A persistent U.S.-Ecuador commercial dispute has been the long-standing, multi-billion-dollar lawsuit against the U.S. oil company Chevron. In 1993, 30,000 Amazon residents in Ecuador brought a class-action suit claiming they were injured by toxic waste from Texaco's oil production activity between 1964 and 1990. Texaco (which has since merged with Chevron) is accused of contaminating large areas of Ecuadorian rainforest. The contentious and complex 22-year-old legal case has been through many appeals. In 2011, an Ecuadorian court in Lago Agrio found in favor of the Amazonian plaintiffs, issuing an $18-billion judgment against Chevron, which eventually was upheld in a higher court but lowered to a $9.5-billion damage award. Chevron subsequently claimed that the judgment in Ecuador was achieved by fraud and bribery, and the energy company has pursued international arbitration in the case. The Amazonian plaintiffs have sought to target Chevron's assets in other countries, such as Canada.

According to the 2017 investment climate statement by the U.S. State Department, Ecuador has attracted little foreign direct investment (FDI). This low level of FDI is partly because of uncertainty facing prospective investors, such as corruption, systemic weaknesses in the judicial system, and inconsistent application and interpretation of existing laws. For example, former President Correa threatened to withdraw the existing U.S.-Ecuador Bilateral Investment Treaty, and the treaty was voted out by Ecuador's legislature in May 2017, shortly before President Moreno took office. On the other hand, the Correa government had taken steps to try to attract more investment in key sectors, such as mining. In late 2015, it also passed a law encouraging

[20] U.S. Department of State, *Congressional Budget Justification, Foreign Operations, Appendix 3, Fiscal Year 2016*, February 27, 2015.

[21] Caroline May, "Rep. Gutiíerrez Presses the Obama Admin. to Extend Temporary Legal Status to Ecuadorians," Breitbart, May 23, 2016, at http://www.breitbart.com/big-government/2016/05/23/rep-gutierrez-presses-obama-admin-extend-temporary-legal-status-ecuadorians/.

Public-Private Partnerships. Corruption remains a problem, and Ecuador ranked 120 out of 176 countries surveyed for Transparency International's 2016 Corruption Perceptions Index and received a score of 31 out of 100.[22]

Between 1991 and 2013, Ecuador was a beneficiary country under the Andean Trade Preferences Act (ATPA).[23] The law provided eligible countries with unilateral preferential access to the U.S. market for certain products in an effort to replace the dependence on the illegal narcotics trade. However, after Congress extended ATPA preferences to Ecuador and Colombia through July 31, 2013, Congress decided not to extend the preferences again to Ecuador (Colombia and the United States had enacted a free trade agreement so the preferences were no longer relevant). During the time the renewal for Ecuador was under consideration, Ecuador was indicating it might respond favorably to an asylum request by former National Security Agency contractor Edward Snowden and did not want to be swayed by its pursuit of ATPA benefits.

Another U.S. trade preference program that Ecuador benefits from is the U.S. Generalized System of Preferences (GSP). Ecuador continued to be a designated beneficiary developing country under the GSP, and the GSP was extended through December 2017. In 2014, for instance, about $291 million, or about 3% of Ecuador's total exports to the United States (about $10.9 billion), qualified for GSP treatment. In December 2017, however, the GSP was not renewed.[24]

# Outlook

Ecuador is a more divided and polarized nation than in the years when Correa won elections by a landslide. How the historically close ties between Ecuador and the United States may fare under President Moreno's leadership remains to be seen, following his successful consolidation of power and declaration of independence from his one-time mentor and predecessor with a victory in the February 2018 public referendum. Some analysts warn that President Moreno may be constrained in pursuing meaningful policy change as he tries to move within the same party and gain backing from a political movement built by Correa while navigating a more fractured National Assembly and relying on ad hoc coalitions.[25]

[22] U.S. Department of State, Ecuador: 2017 Climate Investment Statement, July 2017, at https://www.state.gov/e/eb/rls/othr/ics/investmentclimatestatements/index.htm?year=2017&dlid=270066#wrapper.

[23] For more background, see out-of-print CRS Report RS22548, *ATPA Renewal: Background and Issues*, by M. Angeles Villarreal, available to congressional clients upon request.

[24] Congress renewed the GSP program through December 31, 2017, in Title II of P.L. 114-27, and the program was retroactively renewed from July 31, 2013 (the latest expiration date), through July 29, 2015, the effective date of the current GSP renewal. For more background, see CRS Report RL33663, *Generalized System of Preferences (GSP): Overview and Issues for Congress*, by Vivian C. Jones.

[25] Michael Shifter and Ben Raderstorf, "He Outmaneuvered Correa, But How Long Can Ecuador's Moreno Keep His High-Wire Act Up?," *World Politics Review*, January 22, 2018; John Otis, "Ecuador's President Turns on His Anti-American Mentor," Dow Jones Institutional News, January 30, 2018.

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