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Ecuador: An Overview

Political and Economic Situation

Ecuador is a small, ethnically diverse country of 16.5 million inhabitants located in South America between Colombia and Peru. In April 2017, Lenín Moreno was elected president from the leftist *Alianza País* (AP) party, succeeding President Rafael Correa (2007-2017), a populist leader of the same party. Correa, Ecuador's longest-serving president, was reelected three times, bringing some stability to Ecuador's tumultuous politics. Many thought Correa's "Citizens' Revolution" would continue under President Moreno, who served as Correa's vice president for six years. President Moreno, however, quickly distanced himself from Correa in style and substance. In recent months, Moreno has adopted market-friendly policies, shown interest in closer relations with the United States, and rejected Venezuela's government under President Nicolás Maduro, which Correa had promoted as an ally.

Moreno narrowly won a runoff election with slightly more than 2% of the vote. Correa's two former vice presidents were on the winning ticket: Moreno at the top and Jorge Glas as Moreno's vice president. Once in office, Vice President Glas remained close to Correa, while President Moreno moved quickly to adopt a more moderate tone. In October 2017, President Moreno suspended Glas due to allegations that he had taken bribes from the Brazilian construction firm Odebrecht when he oversaw Ecuador's petroleum company. Odebrecht has been the focus of corruption prosecutions throughout Latin America. In December 2017, Glas was convicted and sentenced to six years in prison for taking \$13.5 million in bribes from Odebrecht executives. He was impeached in January 2018 and removed from office.

President Moreno has taken additional steps to limit Correa's lingering influence in politics, which many analysts characterized as anti-democratic. In February 2018, Moreno organized a referendum that would prohibit indefinite reelection (including Correa's return to office) and address corruption. While all measures on the ballot passed, the results deepened fissures between AP members loyal to Correa and those aligned with Moreno. During the campaign against the referendum, Correa convinced 28 of the 74 AP legislators to join a new, Correa-based party. President Moreno currently has support from 58 legislators (out of 137 in the National Assembly), which include his wing of the AP in coalition with some smaller parties. To achieve passage of priority legislation, Moreno must seek to shore up coalitions, because his supporters lack a majority.

In Ecuador's municipal elections in March 2019, many analysts noted a fracturing of the political landscape, as none of President Moreno's political allies won a significant victory. This was particularly striking in

elections for mayor in the country's largest cities of Guayaquil and Quito (Figure 1).

Figure 1. Ecuador at a Glance



Area: 109,483 square miles, smaller than the state of Nevada

Leadership: President: Lenín Moreno; Vice President: Otto Sonnenholzner; Minister of Foreign Relations: José Valencia

Ethnic Makeup: 72% Mestizo (mixed Amerindian and White); 7.4% Montuvio (coastal farmers of mixed race and indigenous heritage); 7.2% Afro-Ecuadorian; 7% Amerindian; and 6.1% White (2010 census, National Statistics and Census)

Poverty Rate: 23.2% (2018, World Bank)

Economy: GDP: \$107.3 billion (current US \$, 2018 IMF est.)

Historically, Ecuador has relied on commodity exports, such as bananas, shrimp, and coffee. Discovery of oil in the Amazon in 1967 transformed the Ecuadorian economy, but the country remains largely dependent on commodity exports despite efforts to diversify away from oil. In 2000, Ecuador adopted the U.S. dollar as its national currency following a major recession in 1999. Dollarization helped curb inflation and fostered some macroeconomic stability. However, according to numerous assessments, strong growth under Correa was driven by a public investment boom fueled by high oil prices and lending from China, including loans for oil.

The Correa government took on extensive debt from China for its construction projects that is partially payable with oil shipments to China. One of the largest projects, the Coca Coda Sinclair hydroelectric project, cost some \$2.9 billion but reportedly had significant design flaws. Ecuador's total trade with China increased from \$234 million in 2002 to \$5.2 billion in 2018. China was Ecuador's second-largest trade partner in 2017, accounting for 16% of imports and almost 7% of exports. The United States, however, remained Ecuador's largest trading partner, accounting for 27% of total trade. Public opinion regarding China soured in 2017, when the Ecuadorian navy captured a Chinese fishing ship in the country's territorial waters near the Galapagos with 300 tons of illegally caught sharks.

After a 2.4% expansion of GDP in 2017, Ecuador's economy slowed to an estimated 1.4% annual growth in 2018, according to the Economist Intelligence Unit, and is forecast to grow by less than 0.5% in 2019. Analysts expect that planned cuts to government spending, put in place to win an International Monetary Fund (IMF)-backed loan package of \$10.3 billion over three years, will depress public investment. The fiscal tightening related to IMF conditions, combined with low oil prices, may amplify voter discontent that has been increasing. Moreno has pledged to trim public expenditures by cutting central government bureaucracies, eliminating offices, and selling government buildings. He has proposed tax incentives to encourage a more business-friendly environment, although with efforts to protect the poor. In 2018, Moreno announced a major initiative to liberalize the economy and plans to privatize seven of Ecuador's 22 state-owned companies in 2019. He has endorsed public-private partnerships for government projects in such areas as infrastructure and energy.

Modifying the Controversial Communications Law

In 2019, President Moreno made good on his promise to modify the country's controversial 2013 communications law. The law had defined communications as a public service, giving government broad authorities to regulate its content, dissemination, and scheduling. It also gave the president authority to investigate and sanction journalists through an agency known as the Communications Superintendent (Supercom). From 2014 to 2017, Supercom levied some 675 fines targeting media critical of the government.

Moreno proposed a series of changes to modify the law substantially. The amendments, which gained passage in late 2018 with 75 votes in the National Assembly, rein in the powers granted to the national government in the original law.

The updated version, submitted to the National Registrar in February 2019, eliminates Supercom, giving the entity 180 days to review its processes and reverse pending sanctions against media targets; reinstates banned radio and television frequencies; and stipulates that foreign individuals or entities cannot own more than 49% of any national media company. Furthermore, the amended law now defines access to information as a human right. While many observers celebrate the changes made to the law, others argue that the reforms should have gone further. For example, the reformed law creates a new regulatory body—the Council for Regulation, Development, and Promotion of Information and Communication—that some consider a milder version of the Supercom. Additionally, critics maintain that the reform did not repeal an article that restricts media outlets from publishing information about judicial cases.

U.S.-Ecuadorian Relations

While the United States traditionally had close relations with Ecuador, under former President Correa the relationship became tense in large part due to his populist governing style and his combative “anti-imperialist” stance. Friction between the two countries culminated in Ecuador's

expulsion of the U.S. ambassador in 2011 following public disclosure of confidential diplomatic cables by WikiLeaks. The strains in the U.S.-Ecuador relationship continued when Correa granted WikiLeaks founder Julian Assange asylum in Ecuador's London embassy in 2012.

Diplomatic ties have since been restored, and in mid-2018, Vice President Mike Pence visited Ecuador and held talks with President Moreno to broaden the bilateral dialogue and strengthen U.S.-Ecuadorian relations in a number of areas. Vice President Pence recognized efforts by Ecuador to encourage private investment. President Moreno noted with gratitude the inclusion of Ecuador in the renewal of the U.S. Generalized System of Preferences (GSP) and called for the inclusion of additional products in the GSP going forward. The leaders also announced a commitment to reactivate a bilateral Trade and Investment Council. They also discussed strategies and U.S. assistance to manage the influx of more than 150,000 Venezuelans who had fled their country and continue to shelter in Ecuador.

In mid-April 2019, British authorities arrested Julian Assange after nearly seven years of asylum in the embassy at the invitation of Ecuador's government, which had stripped Assange of his protected status. Many analysts interpret Assange's rearrest as a positive development in U.S.-Ecuador relations. Subsequent reports indicate that the Moreno government plans to turn over Assange's computer and phone records to the United States.

Ecuador received nearly \$1.8 million in bilateral foreign aid both in FY2017 and FY2018, while the Trump Administration requested \$1.5 million for Ecuador in FY2019. For FY2020, the Trump Administration has requested an increase to \$6.2 million, with \$1 million in development assistance to build civil society capacity, \$5 million for counternarcotics, and \$200,000 for International Military Education and Training. The United States is also supporting some 110 Peace Corps volunteers in Ecuador. The U.S. State Department maintains in its 2019 *International Narcotics Control Strategy Report* that Ecuador's security forces and judiciary lack sufficient funding to effectively combat the transnational criminal challenges the country faces, including drug trafficking.

President Moreno has asserted that his efforts to “freshen up” democracy in Ecuador will address neglected foreign relations. Ecuador's capacity to cope with thousands of Venezuelan migrants displaced in Ecuador remains challenging as instability persists in Venezuela. U.S. relations with Ecuador may seek to revitalize key elements of the former relationship, including close counternarcotics cooperation, amid Moreno's planned efforts to reassert the rule of law, support basic press freedoms, restore judicial independence, and curb public corruption.

For more background, see CRS Report R44294, *Ecuador: In Brief*, by June S. Beittel.

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