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Ecuador: An Overview

Political and Economic Situation

Ecuador is a small, ethnically and geographically diverse country of 17 million inhabitants, located in South America between Colombia and Peru. In 2017, Lenín Moreno of the leftist *Alianza País* (AP) party was elected president, succeeding President Rafael Correa (2007-2017), a populist leader of the same party who had governed in an increasingly authoritarian manner. Correa, Ecuador's longest-serving president, was reelected three times, bringing stability to Ecuador's previously tumultuous politics. Many thought Correa's socialist "Citizens' Revolution" movement would continue under President Moreno, who served as Correa's vice president for six years. President Moreno quickly distanced himself from Correa in style and substance, however, and implemented liberal political and economic reforms.

Historically, Ecuador's economy has relied on agricultural commodities, such as bananas, shrimp, and coffee. The discovery of oil in the Amazon in 1967 transformed the Ecuadorian economy, but the country remains largely dependent on commodity exports despite diversification efforts. Ecuador adopted the U.S. dollar as its national currency in 2000, following a major recession. Dollarization helped to curb inflation and foster macroeconomic stability. However, according to numerous assessments, strong economic growth under Correa, which averaged 5% annually between 2010 and 2014, was driven by a public investment boom fueled by high oil prices and lending from China. For its construction projects, the Correa government took on extensive debt from China that is partially repayable with oil shipments. Although the politically significant indigenous population initially supported Correa (see **Figure 1**), this support dwindled as Amazon and highland indigenous areas were threatened by resource exploitation and infrastructure development. Ecuador is one of the world's most biodiverse nations, with protected areas encompassing 25% of the country.

The Moreno Administration Through 2020

President Moreno has chosen not to run in national elections scheduled for February 2021 and is to conclude his presidency in May 2021 after a single term. His efforts to improve trade with the United States and renew other bilateral ties have been met with public skepticism. In addition, Moreno's government has been challenged by the fallout of the Coronavirus Disease 2019 (COVID-19) pandemic. The outbreak, combined with a halting economic recovery, has taken a toll on Moreno's public standing. His approval ratings are among the lowest in the region at 7%, according to numerous polls. At the same time, many analysts credit President Moreno for making major efforts to curb corruption, open and liberalize trade, and strengthen

democratic institutions by bolstering judicial independence and press freedom.

Figure 1. Ecuador at a Glance



Area: 109,483 square miles, slightly smaller than Nevada
Leadership: President: Lenín Moreno; Vice President: María Alejandra Muñoz Seminario; Minister of Foreign Relations: Luis Gallegos Chiriboga
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)
Key Trading Partners: United States (26.7%), China (14.8%), and Panama (8%) (Trade Data Monitor)
Poverty Rate: 25% (2019, World Bank)
Economy: GDP = \$93.1 billion (current U.S. \$, 2020 World Bank est.)

In October 2017, after two months in office, President Moreno suspended his vice president, Jorge Glas, for alleged corruption. Glas was another former Correa vice president who remained close to the former leader. In December 2017, Glas was convicted of taking \$13.5 million in bribes from Odebrecht, a Brazilian construction firm at the center of corruption prosecutions throughout Latin America, while serving as head of Ecuador's state oil company. In January 2018, Ecuador's legislature impeached Glas, who began a six-year prison sentence that was upheld on appeal in October 2019.

In February 2018, Moreno organized a successful referendum that prohibited indefinite reelection and adopted other measures to counter public corruption. The referendum also drove a wedge between AP factions aligned with Moreno and those loyal to Correa, who would be prohibited from returning to office. The former president campaigned against the referendum, which he characterized as a ploy to diminish his achievements. (However, in April 2020, Correa was convicted of corruption and sentenced in absentia, as he currently lives in Europe).

Although Ecuadorian voters approved Moreno's referendum measures, Correa convinced more than one-

third of the 74 AP legislators to join a splinter party, *Revolución Ciudadana* (RC). The party split weakened President Moreno's support in Ecuador's 137-member unicameral National Assembly, requiring him to put together coalitions to pass his legislative proposals. Nevertheless, in December 2020, Moreno secured the passage of an anti-corruption law intended to impose new controls on public procurement and private sector corruption. The law's enactment is to allow the government to access \$2 billion of financing from the International Monetary Fund (IMF).

Moreno pledged to cut government bureaucracies, eliminate offices, and reduce the size of what some view as a bloated public sector. He also proposed tax incentives to encourage a more business-friendly environment, along with efforts to assist the poor. In March 2019, he reached an agreement with the IMF for a \$10.3 billion loan over three years. However, removal of fuel subsidies and other economic reforms required to meet IMF conditions led to an outbreak of extended protest and vandalism in October 2019. Moreno's government imposed a 60-day suspension on mass gatherings, which it later cut in half. According to press reports, some 10 people died in the violence, and human rights advocates accused security forces of using excessive force to quell the protests.

President Moreno upheld his campaign promise to modify the country's controversial 2013 communications law. The law had defined communications as a public service, giving the government under President Correa broad authority to regulate media content and to investigate and sanction journalists. The amendments that reined in government powers passed the National Assembly in 2018 and went into effect the following year. In April 2019, several government agencies moved to establish a national Committee for the Protection of Journalists. According to the State Department's human rights report released in 2020, the committee helped reduce attacks on journalists.

Pandemic and Its Economic Consequences

Unlike the favorable international economic conditions Ecuador enjoyed during the Correa era, President Moreno faced a crash in global oil prices and, in 2020, a severe pandemic-induced recession. According to the IMF, Ecuador's growth slowed to 1.2% in 2018 and near zero in 2019. In October 2020, the IMF forecast a deep contraction of 11% for the year (although Ecuador's government estimates it will be closer to 9.5%).

Ecuador has managed to plug a large fiscal deficit with credits and deferrals. For example, to combat the pandemic-related recession, Ecuador secured an IMF front-loaded extended fund facility dispersal of \$6.5 billion over 27 months in late September 2020. Analysts forecast austerity measures required by the IMF could again fuel public discontent. Some predict economic growth may not return to 2019 levels until 2024.

February 2021 Elections

Although the National Election Council has registered 16 presidential candidates for the election scheduled for February 7, 2021, several analysts forecast it may be a

contest between two leading candidates proposing starkly different governing strategies: Guillermo Lasso of the center-right *Movimiento CREO*, who favors continuing to liberalize trade, and Andrés Arauz of the leftist party faction loyal to former president Correa, now in a leftist coalition called UNES. Yaku Pérez from the indigenous party, *Pachakutik*, linked to the 2019 anti-austerity protests, also could win broad support. Whoever takes power in May 2021 likely will face a complex economic recovery and a politically fragmented society. Polling in late 2020 suggested many voters remain undecided.

U.S.-Ecuadorian Relations

Although the United States traditionally had close relations with Ecuador, the relationship grew strained under President Correa due to his populist governing style and "anti-imperialist" stance. Friction between the two countries led to Ecuador's expulsion of the U.S. ambassador in 2011. Tensions escalated after Correa granted WikiLeaks founder Julian Assange asylum in Ecuador's London embassy. In 2014, Correa refused to sign agreements allowing the U.S. Agency for International Development (USAID) to continue its work in Ecuador.

Under President Moreno, rebuilding relations with the U.S. government has been a top priority. In May 2019, the USAID Administrator signed a memorandum to restart its programs in Ecuador. The USAID mission reopened in late 2020, with a focus on supporting Ecuador's efforts to rebuild democratic institutions, protect the environment, and create economic opportunities. U.S.-Ecuadorian counternarcotics collaboration also has increased. As a result of this enhanced cooperation, U.S. bilateral aid to Ecuador increased from less than \$2 million in FY2018 to an estimated \$19.5 million in FY2020.

The U.S. government has provided additional assistance to Ecuador to help the country manage an influx of Venezuelans and the ongoing impacts of the COVID-19 pandemic. In FY2020, the United States provided \$75.3 million in humanitarian assistance to support more than 400,000 Venezuelan refugees and migrants sheltering in Ecuador, as well as host communities. The United States also provided Ecuador with \$18 million of health and humanitarian assistance and 250 ventilators to support the country's pandemic response.

In addition to increasing assistance to Ecuador, the Trump Administration sought to strengthen the bilateral trade relationship. During Vice President Mike Pence's 2018 visit to Ecuador, the countries reactivated a bilateral trade and investment council. In December 2020, the United States and Ecuador signed a first-phase trade agreement. The Protocol on Trade Rules and Transparency includes provisions intended to benefit small- and medium-sized businesses, bolster trade and investment flows, and increase transparency, according to the U.S. Trade Representative. The United States was Ecuador's largest trading partner in 2019, accounting for more than 26% of total trade, followed by China.

For additional background, see CRS Report R44294, *Ecuador: In Brief*.

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