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Summary

Ecuador is a small, oil-producing country of about 16 million inhabitants located on the west coast of South America between Colombia and Peru. President Rafael Correa was first elected in 2006 and has since won two elections following the 2008 rewrite of Ecuador's constitution. Correa took office after a very unstable decade in Ecuadorian politics when no elected president finished his term. He has enjoyed sustained high levels of popular support for most of his administration, a degree of stability unparalleled in recent times. In November 2015, he indicated he would not run for reelection in 2017, leading some to speculate if, or how, Correa might continue to influence Ecuadorian politics in the future as a popular former president. To the surprise of some, President Correa's once-large base of support declined in 2016, and his approval rating fell to 35% for the first time in May 2016.

In mid-April 2016, a 7.8-magnitude earthquake struck off the coast of Ecuador in the northwest region near the province of Manabí, killing 651 people and leaving thousands homeless and displaced. The April earthquake was followed by hundreds of aftershocks, some of them severe. Two earthquakes hit near the same part of the coast on July 10, 2016; the stronger of the two registered 6.3 on the Richter scale. Although the government reported no deaths, President Correa renewed states of emergencies in Manabí and Esmeralda Provinces (the latter borders Colombia). Several U.S. Members of Congress have called for a temporary protected status (TPS) for Ecuadorian citizens in the United States from the earthquake-affected region.

President Correa has described his effort to remake the politics of Ecuador as a "Citizens' Revolution" and placed it in the tradition of "21st century socialism" personified by populist leaders of nearby Andean region countries, Venezuela and Bolivia. Ecuador has effectively fought poverty with ambitious social programs and investments in infrastructure and seen strong growth, averaging 4% annually. However, the country's economy barely avoided contraction, with only 0.3% growth in its gross domestic product (GDP) in 2015 as a result of the dramatic drop in oil prices. In 2016, most analysts forecast that Ecuador's economy will contract between 2% and 4%. Petroleum is the country's largest export, comprising more than half of total exports and about two-fifths of public-sector revenues. Ecuador is the smallest member of the Organization of the Petroleum Exporting Countries (OPEC), and petroleum is its largest export to the United States, the country's top trade partner.

With the slump in oil prices and budget-tightening measures to compensate, the Correa government has been hit with growing protests from a diverse set of domestic actors: indigenous people, trade unionists, environmentalists, and critics from the right and center-right. The president's critics also maintain that he has constrained freedom of assembly and association, stifled freedom of the press and expression, and politicized the judiciary while centralizing power in the executive branch.

Under left-leaning Correa, relations between Ecuador and the United States have been strained. President Correa has been critical of undue U.S. influence or "imperialism" in the region. Yet, Ecuador has maintained close economic relations with the United States. Following a period of economic turmoil, Ecuador adopted the U.S. dollar as its currency in 2000. Ecuador receives significant remittances from Ecuadorians living in the United States and abroad. Ecuador has also become a popular place for U.S. tourists and retirees.

This report will briefly examine the political and economic conditions in Ecuador and U.S.-Ecuadorian relations.

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Introduction

Ecuador is a small nation of 16 million people 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 armed groups seeking to rest, resupply, and transport drugs, as well as thousands of refugees fleeing Colombia's internal conflict who have crossed its porous northern border. In January 2015, Ecuador was considered to have the third largest proven reserves of crude oil in South America, with 8.8 billion barrels, and was an important source of crude oil imports to the western United States.

Rafael Correa, elected president three times, has become one of Ecuador's most enduring leaders. While the United States has traditionally had close relations with Ecuador, under Correa's leadership the relationship has often been 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 remain.

An earthquake on the country's northwest coast caused the displacement of more than 30,000 people in April 2016. The Correa government estimates that earthquake damage to infrastructure exceeds \$3.3 billion and that the quake left more than 4,000 injured and 651 dead. Belt-tightening measures taken by the government responding to a halving of oil revenues have exacerbated political tensions, and President Correa has struggled with low approval ratings in 2016 for the first time, as have other leftist populist leaders in South America.

Political Situation

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, 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.

Ecuador ended a decade of political and economic instability with the election of Correa, a left-leaning U.S.-trained economist, in late 2006. Prior to running for public office, Correa was a professor of economics and served as finance minister during the Alfredo Palacio Administration (April 2005-January 2007). He 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.

Fulfilling a key campaign pledge, Correa succeeded in rallying the nation to support a referendum to rewrite the constitution. The new constitution, Ecuador's 20th, was written by an elected Constituent Assembly, was approved with 64% of the vote in September 2008, and went into effect in October 2008. The 2008 constitution increased the power of the executive and allowed the president to run for two consecutive terms. As required under the new constitution, 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 late 2008 and took office in April 2009, while his party, *Alianza País* (AP) or Country Alliance—which is sometimes referred to as a movement—won the most seats in the National Assembly, although not a majority.

Figure I. Map of Ecuador and Ecuador at a Glance



Ecuador at a Glance

Population: 16 million (2014, WB)

Land Area: 98,985 square miles, slightly smaller than the state of Nevada

GDP: \$100.9 Billion (current U.S. dollars, 2015, WB)

GNI Per Capita: \$6,010 (current U.S. dollars, 2015, WB)

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)

Languages and Religion: Spanish 93%, Quechua 4.1% and other indigenous and foreign 2.9%; Roman Catholic 74%; Evangelical 10.4%; Other 7.6%

**Established group described as a mix between Amerindian and Black*

Leadership

President: Rafael Correa

Vice President: Jorge Glas

Minister of Foreign Relations: Ricardo Patiño

Minister of Finance: Fausto Herrera

Minister of Defense: Fernando Cordero (2015, EIU)

Trade

2015 Exports/Export partners: \$18.4 Million: Petroleum, bananas, shrimp, tuna, cut flowers, cocoa, gold, wood /USA 39.4%, Chile 6.2%, Peru 5.1%, Vietnam 4.3%

2015 Imports/Import partners: \$21.4 Million: Mineral oil, computers and components, electrical machinery, passenger motor vehicles, pharmaceuticals/ USA 27.0%, China 15.3%, Colombia 8.3%, Panama 4.9%, South Korea 3.7%

Source: 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 International Unit (EIU) 2015 at <http://country.eiu.com/Ecuador>. Map created by Bisola Momoh, Supervisory Visual Information Specialist.

Ecuador's economy benefitted from oil price increases beginning in 2006 with petroleum selling at \$52 a barrel and reaching \$98 a barrel in 2013. President Correa used the resources garnered from petroleum exports to invest in infrastructure and development.¹ He 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 Ecuador's poverty rate dropped to 22.5% in 2014 but rose slightly to 23.3% in 2015. The World Bank also estimates that rural poverty rates, which have always been higher, reached slightly more than 39%, rising about 4 percentage points between 2014 and 2015.³

During Correa's first term (2009-2013), his popularity increased as the country generally enjoyed strong economic growth and the government implemented redistributive policies that catered to Ecuador's majority lower-income groups. Correa won a landslide reelection on February 17, 2013, 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 has been the first leader since the late 1970s to enjoy sustained popularity across the regions and a broad array of class and demographic groups, although the recent significant drop in oil prices since his reelection has coincided with more widespread protest.

Despite his popularity, President Correa has been described as "prickly" and "defensive" with regard to media criticism.⁴ The nongovernmental organization (NGO) Freedom House characterized Ecuador's press as "not free" in 2015. In Freedom House's assessment, the press environment under Correa has been characterized by self-censorship and intimidation due to government fines, sanctions, and hostile rhetoric from government officials levied in response to news coverage critical of Correa or his government. Since the passage of a communication law in 2013, the government has implemented a policy of forced corrections, which have become a means of institutional censorship. The communications law also includes a new offense, "media lynching," which it defined as releasing information that harms the prestige of a person or legal entity. The law and how it is being enforced appear to be partly responsible for the country's drop by 13 places in the Reporters Without Borders 2015 press freedom index.

In a notable case followed internationally in 2014, Ecuador's media oversight commission 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 Earlier, in 2011, President Correa won a lawsuit against the same newspaper for a column critical of the president. The court found in President Correa's favor and the ruling would have resulted

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 millones 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-ochos-anos/>.

³ The World Bank, "Ecuador Overview," April 11, 2016, at <http://www.worldbank.org/en/country/ecuador/overview>.

⁴ Even admirers have taken note of his reaction to criticism. For example, see James North, "Why Ecuador's Rafael Correa Is One of Latin America's Most Popular Leaders," *The Nation*, June 2015. Critics, such as University of Kentucky professor Carlos de la Torre, consider him a charismatic or populist authoritarian leader.

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

in a \$40 million fine as well as jail time for the journalist, but the president pardoned the newspaper's executives and the columnist after significant international criticism.

President Correa describes his ideology as a "Citizens' Revolution," but maintains that it responds to conditions in Ecuador and is not merely a replication of the leftist policies of his now-deceased ally, Venezuelan President Hugo Chávez. Often described as confrontational, President Correa's populist approach weaves together 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. The brash way the president responded to the police rebellion was viewed by some observers as a way to burnish his reputation.⁶ Critics point out he has also centralized political power in the presidency, politicized the judiciary, and targeted media and political opponents. According to Human Rights Watch and other NGOs, the Correa government's efforts to reform the justice system have instead politicized it and compromised its independence.⁷ In mid-2013, the president issued an executive decree (Decree 16) that allows 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.⁸

New opposition to President Correa arose in the summer of 2015 and led to a decline in his approval rating.⁹ 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.¹⁰ Some members of CONAIE began a national march through the highlands to oppose resource extraction projects on their native lands and voice other demands related to bilingual education. Other events reportedly stimulated unease, including the sharp decline in oil prices that started in 2014, plans for removing limits on presidential reelection without popular approval through a referendum, and the threatened eruption of a major volcano near the capital in August 2015.¹¹ Human Rights Watch maintains that in response to protests over the summer that the Correa government stifled dissent through use of excessive force and arbitrary arrests of nonviolent protesters.¹²

⁶ Simon Romero, "In Ecuador, a Leader Who Confounds His Supporters and Detractors Alike," *New York Times*, October 10, 2010.

⁷ See, for example, Luis Pásara, "Judicial Independence in Ecuador's Judicial Reform Process," *Due Process of Law Foundation*, July 2014.

⁸ 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.

⁹ 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.

¹⁰ Michael Shifter and Murat Dagli, "Mass Protests Challenge Correa's 'Citizens' Revolution' in Ecuador," *World Politics Review*, June 29, 2015.

¹¹ Nathan Gill, "Everything Is Going Wrong in Ecuador," *Bloomberg Business*, August 25, 2015. President Correa issued a decree of exception that allowed for "anticipatory" censorship of information about the volcano's eruption. See opinion piece, Martin Pallares, "Ecuador's Political Eruption," *New York Times*, September 2, 2015.

¹² Human Rights Watch, *Ecuador: Crackdown on Protesters: Excessive Use of Force, Arbitrary Detentions, Illegal Home Searches*, November 10, 2015.

In late 2014, President Correa had introduced legislation to allow indefinite reelection in the National Assembly, a body where the president's political party, Alianza Pais, holds 100 of the 137 seats. Government efforts to push through a constitutional amendment permitting reelection appeared to be on track for approval by the National Assembly in late 2015 along with several other constitutional changes. However, many citizens wanted to see the reelection change put to a national referendum even if they planned to vote in favor of Correa in 2017. Support for the referendum reportedly exceeded 80%. Most analysts predicted that the legislative package of changes to the constitution would easily win approval in the National Assembly before the end of the year. One of those changes would allow President Correa to run for a third term, and, in the view of most observers, he was best placed to win.

In mid-November 2015, President Correa stunned many with his announcement that he and others who had already served two terms would not be eligible to benefit from the change, although he would continue to back legislation to amend the constitution to allow for indefinite reelection for a future president and other key elected offices. The legislative approval of the package of constitutional changes passed in December 2015.¹³

Some observers speculate that President Correa will wait out the economic downturn and return to run for another term as president in 2021. They suggest that unless another natural disaster or political trauma stimulates a movement to draft President Correa to run in 2017 despite constitutional prohibitions, he will likely leave office for a term. The prospects for his AP party to retain the presidency, though, remain strong. Other analysts believe that the divided political opposition in Ecuador may be able to coalesce and win in 2017, possibly in a second-round runoff.¹⁴ Likely AP candidates appear to be former vice president Lenin Moreno at the top of the ticket and current Vice President Jorge Glas as Moreno's running mate. The opposition to date has not coalesced around a single ticket, but conservative banker Guillermo Lasso of CREO is a likely contender and Cynthia Viteri may represent the center-right Social Christian Party. The election is slated for February 19, 2017, with a possible runoff in April 2017.

Economic Conditions

Ecuador's dependence on a few export commodities—primarily bananas, cacao, coffee, and sugar—that are subject to highly volatile price swings have historically 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 sharply to just 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 strong 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

¹³ "Wily Correa," *Economist*, November 21, 2015; Dan Collins, "Protests in Ecuador as Lawmakers Approve Unlimited Presidential Terms," Dan Collins, "Protests in Ecuador as lawmakers approve unlimited presidential terms," *The Guardian*, December 3, 2016.

¹⁴ "Ecuador: Country Report," Economist Intelligence Unit (EIU), July 2016; Eurasia Group, "Political Trajectories: Ecuador," July 5, 2016.

2014.¹⁵ However, in the middle of 2014 the price of oil declined significantly, and Ecuador's oil earnings fell. As a consequence, the Economist Intelligence Unit 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 (ITT) field in Yasuni National Park in the Amazon may provide an economic boost that some observers suggest will improve Ecuador's growth prospects in 2017, although the plan is highly controversial based on previous Correa policies intended to avoid exploiting the environmentally-sensitive area.¹⁶

Ecuador has frequently had conflicts with the petroleum industry, as President Correa has sought to increase state control over the energy sector. State-owned companies handle the bulk of oil production, but it is also carried out by some small domestic and some large foreign companies. Between 2006 and 2009, oil production declined due to insufficient investment, but the decline leveled out in 2010. In late 2010 and early 2011, the government shifted its oil concession contracts from production-sharing arrangements to service (fee) contracts. Because several companies refused to renegotiate, those operations were taken over by the state oil company, increasing the state's portion of oil production from 62% in 2010 to roughly 71% in 2011. Efforts to diversify the economy away from oil have also led the government to open up mining concessions and seek foreign investment.

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 has shown 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 as part of the EU-Andean Community Association agreement that is scheduled to go into effect in 2016.¹⁷ In March 2015, Ecuador imposed import tariffs of between 5% and 45% on roughly 30% of the country's imports in an effort to compensate for falling oil revenue. The action caused friction with neighboring trade partners Peru and Colombia.

Ecuador's access to external lenders and global finance has been limited by its 2008 default on \$3.2 billion in debt to global lenders. Consequently, the Correa government has turned to nontraditional allies such as China for external finance. From 2005-2014, 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—weakens further.¹⁸ 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. According to press reports, however, some private sector analysts question whether Ecuador will be able to meet its debt obligations given two strains on the

¹⁵ The data is drawn from the U.S. Energy Information Administration website at <http://www.eia.gov>.

¹⁶ "Ecuador: Country Report," EIU, November 2015; "Ecuador: Country Report," EIU, July 2016.

¹⁷ Mercedes Alvaro, "Ecuador, EU Trade Deal Could Come into Effect in 2016," *Wall Street Journal*, May 4, 2015.

¹⁸ 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.

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.¹⁹

Ecuador's economic slowdown in 2016 and the country's need for external finance were exacerbated by the deadly April 16, 2016, earthquake. Ecuador's costs for reconstruction and humanitarian assistance for an estimated 720,000 people in the affected region are a burden that the government and private sector have sought to address. In response, the U.S. Office of Foreign Disaster Assistance has 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.²⁰ A U.N. appeal by the Office of Coordination of Humanitarian Assistance sought to raise \$73 million. In July 2016, about 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% in 2015. 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 are expected to help ease the government's current balance-of-payments needs.

U.S. Relations

In recent years, Ecuador's relations with the U.S. government have frequently been tense. Over the course of his time in office, President Correa has 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. He has also drawn Ecuador closer to nontraditional allies such as China and Iran, raising concern among Washington policymakers. Moreover, President Correa has at times adopted a brash stance toward U.S. policies, accusing the administration in Washington of imperialism and threatening Ecuador's sovereignty.²¹

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 weakened.) In 2012, Ecuador provided asylum to WikiLeaks founder Julian Assange, who has remained in Ecuador's embassy in London since that

¹⁹ Carolyn Cui and Manuela Badawy, "Oil, Dollar Put Squeeze on Ecuador," *Dow Jones Institutional News*, November 25, 2015.

²⁰ U.S. Agency for International Development (USAID), "Ecuador," June 3, 2016.

²¹ 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.

time. In 2013, President Correa indicated 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 terms in office, State Department spokespersons have criticized violations of constitutional freedoms in Ecuador. These range 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 insist 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 recent 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 president and conducted other political speech that according to the government contradicts the group's stated mission in its charter. 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 international criticism.²²

The State Department's 2016 *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). The State Department classifies 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 significant 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

The Obama Administration in its second term has been less inclined to invest scarce resources in Ecuador, which has not responded to diplomatic initiatives to significantly improve relations.²³ 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 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 FY2014 and 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.²⁴ The United States also provides funding to Ecuador for a robust Peace Corps program. In FY2015, the Peace Corps provided nearly \$5 million to support 120 volunteers in its program in Ecuador. In FY2016,

²² See statement of U.S. State Department spokesperson John Kirby, concerning the September 8, 2015, closure of Fundamedios, September 10, 2015. For 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.

²³ Michael Shifter, "U.S. Learning to Live with Strained Ecuador Ties," *World Politics Review*, January 7, 2014.

²⁴ U.S. Department of State, *Congressional Budget Justification, Foreign Operations, Appendix 3, Fiscal Year 2016*, February 27, 2015.

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 have overstayed visas or are illegally present in the United States but cannot safely return home.²⁵ As of mid-July 2016, the United States has not yet made 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. In 2014, the United States exported \$8.2 billion in goods to Ecuador and imported almost \$10.9 billion in goods from Ecuador. Ecuador's major exports include petroleum, bananas, cut flowers, and shrimp while its imports include industrial materials and fuels and lubricants (see **Figure 1**).

According to the 2015 investment climate statement by the U.S. State Department, Ecuador is relatively open to foreign investment in most sectors, but its inflows of foreign direct investment (FDI) are quite low by regional standards. FDI inflows to Ecuador in 2014 were \$774 million (.77% of GDP), with \$10 million coming from the United States. This low level 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, the existing U.S.-Ecuador Bilateral Investment Treaty may be withdrawn. The State Department also notes that Ecuador repealed its criminal intellectual property rights provisions in 2014, undermining its compliance with its international obligations.²⁶

Between 1991 and 2013, Ecuador was a beneficiary country under the Andean Trade Preferences Act (ATPA).²⁷ 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 continues to be a designated beneficiary developing country under the GSP, and the GSP was most recently extended through December 2017. In 2014, about \$291 million, or about 3% of Ecuador's total exports to the United States (about \$10.9 billion), qualified for GSP treatment.²⁸

²⁵ Caroline May, "Rep. Gutiérrez 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/>.

²⁶ U.S. Department of State, *Ecuador: 2015 Investment Climate Statement*, June 2015, at <http://www.state.gov/documents/organization/241754.pdf>. Investment data cited is from the Central Bank of Ecuador.

²⁷ For more background, see archived CRS Report RS22548, *ATPA Renewal: Background and Issues*, by (name redacted).

²⁸ 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: Overview and Issues for Congress*, by (name redacted).

A persistent U.S.-Ecuador commercial dispute is 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 was eventually 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.

Outlook

The upcoming presidential elections scheduled for February 2017 now look quite different from what many Ecuadorians expected and many analysts had predicted—that their charismatic President would run for reelection and continue his Citizens' Revolution for years to come.

Among the questions that U.S. policymakers may choose to consider are the following: Will President Correa fulfill his pledge not to seek reelection even if he is unsure that the Citizens' Revolution is likely to continue or his party, Alianza Pais, appears vulnerable to defeat? What will be the impact of austerity budgeting replacing the social investment programs that he funded with ample oil profits previously? How will President Correa's political support be affected during his remaining time in office? What is the likely future role for Ecuador in the Andean region and in South America more generally? Although President Correa's political future remains uncertain, how might another leader or Correa's successor approach U.S.-Ecuadorian relations?

Some observers predict that Ecuador will host future peace talks between the Colombian government and its second largest guerrilla group, the National Liberation Army (ELN), following preliminary talks that took place in Ecuador in 2015. Stability in Ecuador under Correa has also been accompanied by a shift toward less traditional allies, such as Iran and China. How will the historically close ties between Ecuador and the United States fare under new leadership and changing economic circumstances in the future?

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