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Ecuador: An Overview

Ecuador is a small, ethnically and geographically diverse country of 18 million inhabitants located in South America between Colombia and Peru, the world's two largest cocaine-producing countries (see map, **Fig. 1**). President Guillermo Lasso of the conservative Creating Opportunities (CREO) party took office for a four-year term in May 2021. He has sought to build on the accomplishments of his predecessor, President Lenin Moreno (2017-2021), who enacted liberal political and economic reforms and pursued closer ties with the United States. Lasso faces some resistance, including from the country's powerful Indigenous leadership and a divided legislature. Issues of interest to Congress include U.S. trade and investment ties with Ecuador, counternarcotics and environmental cooperation, and Ecuador's relations with China.

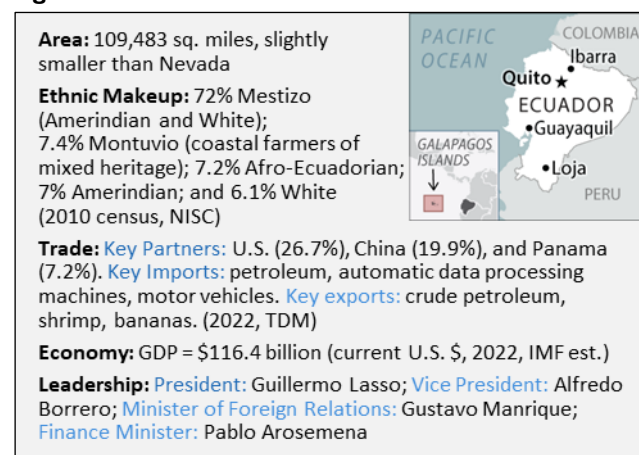
Political and Economic Background

During a decade in power (2007-2017), leftist populist President Rafael Correa—Moreno's predecessor—brought some stability to Ecuador's previously tumultuous political scene. He presided over a public investment-driven economic expansion, with growth averaging 5% annually between 2010 and 2014. Correa used that economic growth to increase social expenditures and reduce poverty; however, his policies left Ecuador with significant debt to China and more dependent on petroleum. Correa also governed in an increasingly authoritarian manner, limiting civic freedoms and restricting judicial independence.

Moreno, of Correa's Alianza País (AP) party, was elected president in 2017. Although he had served as one of Correa's vice presidents, President Moreno quickly distanced himself from Correa in style and substance. His efforts to reduce corruption and liberalize trade led to backlash from his AP party and some sectors of Ecuadorian society. The fallout of the Coronavirus Disease 2019 (COVID-19) pandemic further eroded Moreno's popularity.

In April 2021, Lasso defeated Andrés Arauz, a loyalist of former President Correa, in a second-round presidential runoff. However, Lasso's CREO party won only 12 of 137 seats in the 2021 unicameral National Assembly elections. Inaugurated in May 2021, Lasso had campaigned on tax reforms intended to promote growth, import duty reduction, and eliminate a 2% income tax for small- and medium-sized businesses. He also promised to double oil production and mining concessions. Lasso enjoyed widespread popular approval in his first 100 days in office for achieving a notable increase in COVID-19 vaccination rates. Ecuador suffered one of the most severe outbreaks regionally but attained a full vaccination rate of nearly 80% by August 2022, up from 4% in mid-2021. Ecuador continues to contend with destabilizing consequences of the COVID-19 pandemic, which resulted in 36,000 deaths and a mortality rate of 204 deaths per 100,000, as of May 2023.

Fig. 1. Ecuador at a Glance



Sources: CRS, International Monetary Fund (IMF); Ecuador's National Institute of Statistics and Censuses (NISC); Trade Data Monitor (TDM).

The harsh impact of the pandemic and a crash in global oil prices drove Ecuador into a deep recession in 2020, when the economy contracted by nearly 8% and the poverty rate climbed to an estimated 33%. The economy began to recover in 2021, with 4.2% growth, followed by an estimated 3% growth in 2022, driven in part by rising oil prices. The International Monetary Fund (IMF) projects 2.9% growth for 2023. Fiscal stability has improved under Lasso, following efforts to reduce public spending and improve tax collection. In December 2022, Ecuador concluded for the first time in two decades a \$6.5 billion extended fund facility agreement with the IMF.

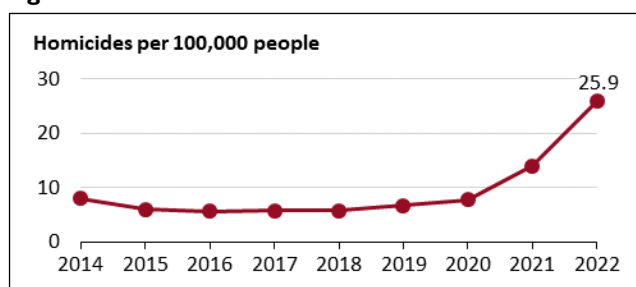
Lasso, however, has struggled to move some aspects of his pro-business and fiscal stabilization agenda through the divided National Assembly. The 24-seat pro-government voting bloc, consisting of CREO and some independent legislators, has struggled to overcome opposition from the 47-seat Unity for Hope (UNES) coalition linked to former President Correa. The Pachakutik party—the political party of the country's main Indigenous organization, the Confederation of Indigenous Nationalities (CONAIE)—has at times acted as a swing voting bloc with 27 seats.

Rising inflation and government-imposed fuel price increases prompted nearly three weeks of protests (led by CONAIE) in June 2022. The protests, at times violent, propelled the UNES coalition to attempt, unsuccessfully, to impeach Lasso in mid-2022. The protests ended when the Lasso government withdrew fuel price increases and suspended new oil and resource extraction projects in Indigenous territories, among other guarantees. In March 2023, some protesters returned to the streets and among their concerns was a lack of government progress on the post-June 2022 commitments agreed to by the government.

The National Assembly is expected to vote in mid-May 2023 on holding a new impeachment trial of Lasso for corruption charges. Most parties, including former allies to the right of Lasso's own party, potentially will vote to impeach. The affirmative votes of two-thirds of the Assembly (92 of 137 legislators) would be required to impeach the president. The President has threatened to disband congress using a constitutional option that would trigger new general elections if he were impeached. Some analysts warn rising political uncertainty could further erode investment and weaken Ecuador's economy.

Ecuador has seen a sharp rise in violence in the past three years, a development the government attributes mainly to illicit drug trafficking and organized crime. Homicide rates rose sharply to nearly 26 per 100,000 in 2022 (see **Fig. 2**), the highest rate since records were made public in the 1980s. Several high-fatality prison riots have prompted the government to announce reforms to address poor conditions and gang rivalries in prisons. In August 2022, an explosion in Guayaquil, Ecuador's largest city, killed five and injured more than two dozen people in what Ecuadorian authorities labeled a terrorist incident. Since Lasso's inauguration, his government has declared states of exception (states of emergency) to quell violence or restore stability in dozens of provinces. As of early May 2023, several remain in place, including in Guayaquil. In late April 2023, the Lasso government declared some Ecuadorian gangs to be terrorists, allowing further military support for law enforcement efforts.

Fig. 2. Ecuador Homicide Rate 2014 to 2022



Sources: Data from InSight Crime's "Homicide Round-up" (2014-2022). Figure by CRS.

U.S.-Ecuador Relations

Although the United States traditionally had close relations with Ecuador, former President Correa's populist style and self-styled "anti-imperialist" policies increased friction. Among other actions, Correa shut down U.S. counterdrug operations at Manta Air Force Base in 2009 and expelled the U.S. ambassador in 2011. Closer bilateral relations resumed under President Moreno and have continued under President Lasso. Lasso has expressed interest in strengthening security and economic ties with the United States. In June 2022, he announced a "Plan Ecuador" to advance cooperation in the fight against drug trafficking.

In April 2022, the Senate Foreign Relations Committee reported a bill, S. 3591, to advance U.S.-Ecuadorian relations (a related bill, H.R. 8711, was introduced in the House in August 2022). The bill was enacted in Title LV of the James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 (P.L. 117-263), which President Biden

signed on December 23, 2022. The resulting United States-Ecuador Partnership Act of 2022 includes measures for strengthening democratic governance, security cooperation, and economic and commercial ties between the two countries. At a White House meeting between Presidents Biden and Lasso in December 2022, both leaders highlighted Ecuador's participation in the Americas Partnership for Economic Prosperity initiative, intended to increase regional competitiveness, strengthen supply chains, promote inclusive growth, and revitalize regional economic institutions.

The Biden Administration's FY2024 congressional budget justification proposed \$45.7 million in bilateral foreign assistance for Ecuador, with the largest portion for Development Assistance (\$27 million), followed by \$13.3 million for International Narcotics Control and Law Enforcement programs. The United States donated 2 million doses of COVID-19 vaccine in July 2021, and the U.S. Agency for International Development (USAID) has provided close to \$52 million to support Ecuador's pandemic response since FY2020. From 2017 through September 2023, according to USAID, the United States will have provided \$240 million in assistance to help Ecuador address the needs of 500,000 Venezuelan migrants and refugees, and their host communities.

According to the Central Bank of Ecuador, U.S.-Ecuador trade in 2022 totaled \$16 billion and the United States remains Ecuador's largest trade partner. However, for the first time in 2022, China exceeded the United States in non-oil trade. The top U.S. import from Ecuador is petroleum, followed by seafood, including shellfish, and fruits, including bananas. Ecuador's top imports from the United States are refined petroleum and machinery. The Lasso government hopes to increase bilateral trade and investment with the United States, building on a first-phase limited trade agreement signed in 2020, and to eventually sign a U.S.-Ecuador free trade agreement. In 2022, Ecuador began the process of becoming a full member of the Pacific Alliance, a regional trade bloc, and applied to join the Comprehensive and Progressive Agreement for the Trans-Pacific Partnership. Ecuador announced free trade agreement negotiations with China in 2022 that concluded in 2023, which the Lasso government anticipates will be ratified this year. China's economic engagement with Ecuador has raised concern among some Members of Congress.

Members of Congress have expressed various views on aspects of the U.S.-Ecuador relationship. These include support for a free-trade agreement and concerns about policing, security (including maritime security), human rights, and crime, such as illicit drug flows and illegal mining. Some Members have noted with concern Ecuador's increasing role in irregular migration. According to U.S. government data, Ecuadorians were the fourth-largest nationality in U.S. Customs and Border Protection custody as of January 2023.

June S. Beittel, Analyst in Latin American Affairs

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