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Ecuador: An Overview

Ecuador is a small, ethnically and geographically diverse country of 17.5 million inhabitants, located in South America between Colombia and Peru (See **Figure 1**). President Guillermo Lasso of the conservative Creating Opportunities (CREO) party took office for a four-year term in May 2021. He has pledged to build on the accomplishments of former President Lenín Moreno (2017-2021), who implemented liberal political and economic reforms and pursued closer ties with the United States. Like his predecessor, Lasso could face resistance from some sectors of the population and in the divided legislature.

Political and Economic Background

During a decade in power (2007-2017), leftist populist President Rafael Correa brought some stability to Ecuador's previously tumultuous political scene. He governed in an increasingly authoritarian manner, however, constraining freedom of assembly and association, stifling freedom of the press and expression, and restricting independence of the judiciary. Correa also presided over a public investment-driven economic expansion, with growth averaging 5% annually between 2010 and 2014. Although stronger growth and increased social expenditures helped reduce poverty, Correa's policies left Ecuador with significant debts to China and reinforced Ecuador's dependence on petroleum and other commodity exports.

In 2017, Lenín Moreno of the Alianza País (AP) party was elected president. Although he served as one of Correa's vice presidents, he quickly distanced himself from the former president in style and substance. Among other measures, Moreno sought funding from financial institutions such as the International Monetary Fund (IMF) and made efforts to curb corruption, open and liberalize trade, and strengthen democratic institutions.

These shifts alienated some members of Moreno's party and generated backlash from some sectors of Ecuadorian society. In October 2019, for example, Moreno eliminated a fuel subsidy, triggering mass demonstrations and protracted protests. Human rights advocates accused security forces of using excessive force to quell the disruptive protests, which reportedly resulted in 11 civilian deaths. The fallout of the Coronavirus Disease 2019 (COVID-19) pandemic further eroded Moreno's popularity, and he left office after a single term with an approval rating under 9%.

2021 Election and Current Challenges

In April 2021, Guillermo Lasso, a conservative former banker and three-time presidential candidate, defeated Andrés Arauz, a loyalist of former President Correa, in a second-round presidential runoff. Many observers found Lasso's victory a shock, given his first round showing, barely above the third-ranked candidate from the center-left Indigenous Pachakutik party (see below text box). Lasso's

CREO party won 12 of 137 seats in the unicameral National Assembly.

Figure 1. Ecuador at a Glance



Area: 109,483 square miles, slightly smaller than Nevada

Leadership: President: Guillermo Lasso; Vice President: Alfredo Borrero; Minister of Foreign Relations: Mauricio Montalvo; Finance Minister: Simón Cueva Armijos

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 (27.5%), China (20.6%), and the European Union (14.5%) (Trade Data Monitor, 2020)

Poverty Rate: 25% (2019, World Bank)

Economy: GDP = \$96.7 billion (current U.S. \$, 2020, IMF est.)

Inaugurated in May 2021, President Lasso has pledged to implement a series of business-friendly reforms. He campaigned on tax reforms intended to promote growth, reduce import duties, and eliminate a 2% income tax on small and medium businesses. He also promised to double oil production and mining concessions. Lasso may struggle to move his agenda through the divided National Assembly, however, given the relatively weak position of his CREO party. The new legislature, seated in May 2021, is dominated by the leftist opposition coalition, UNES, linked to former President Correa.

President Lasso inherited a difficult economic situation. A crash in global oil prices and the COVID-19 pandemic drove Ecuador into a deep recession in 2020. The economy contracted by nearly 8% and the poverty rate climbed to an estimated 30.8%, according to the Economic Commission for Latin America and the Caribbean. Several economists project a relatively weak recovery for Ecuador in 2021 but forecast growth exceeding 4% in 2022 and the recovery of 2019 output levels by 2023.

Ecuador has managed to plug its large fiscal deficit—projected to reach \$4.8 billion (4.6% of GDP) in 2021—with credits and deferrals. In September 2020, for example, the IMF granted Ecuador a 27-month extended arrangement for a \$6.5 billion loan to address the crisis caused by the

pandemic in exchange for progressive tax reforms to be imposed by the end of September 2021. The Lasso government has pledged to cut the deficit in half in 2022, but some political analysts warn that austerity measures could fuel public discontent.

Ecuador also continues to contend with the public health challenges posed by the COVID-19 pandemic. With over 32,000 COVID-19 deaths reported in Ecuador as of September 2021, the pandemic's destabilizing grip endures. During Lasso's presidential campaign, he promised to vaccinate the Ecuadorian population expeditiously. He has won plaudits for his success in raising the full vaccination rate from 7% to 53% by September 2021. As of early September 2021, after 100 days in office, Lasso's approval rating exceeded 70%, according to several polls.

Pachakutik (PK) Party and Its Evolution

Ecuador is one of the world's most biodiverse nations, with protected areas encompassing 25% of the country, including marine and Amazonian ecosystems. The politically significant Indigenous population initially supported former President Rafael Correa, who rewrote the constitution to account for a multiethnic society, but that support dwindled as Amazon and highland Indigenous lands came under pressure from government-backed resource development and oil exploitation. Correa's government suppressed Indigenous protests against such projects on traditional lands, and the government condemned some Indigenous activists as terrorists. In acknowledgement of rising Indigenous political power, President Guillermo Lasso and his conservative Creating Opportunities (CREO) party backed the leader of the PK party for president of the National Assembly. This party has the second-largest number of seats (27 of 137) in the 2021-2025 National Assembly and draws support from Indigenous and pro-sustainable development groups.

U.S.-Ecuadorian Relations

Although the United States traditionally had close relations with Ecuador, former President Correa's populist style and policies, which he called "anti-imperialist," increased frictions. Correa shut down U.S. counterdrug operations at Manta Air Force Base in 2009, expelled the U.S. ambassador in 2011, and granted WikiLeaks founder Julian Assange asylum in Ecuador's London embassy in 2012. He also imposed restrictions on the work of the U.S. Agency for International Development (USAID), which resulted in the agency closing its offices in 2014 after 60 years of operating in Ecuador.

Warm bilateral relations resumed under former President Moreno. Counternarcotics cooperation restarted in 2018, with a focus on combatting illegal armed groups along Ecuador's northern border with Colombia. Likewise, the USAID mission in Ecuador reopened in late 2020 to help the country rebuild democratic institutions, protect the environment, and create economic opportunities. Moreno allowed British authorities to rearrest Assange in 2019, after seven years inside of Ecuador's embassy to the United Kingdom. President Moreno stripped Assange of the Ecuadorian citizenship that Correa had granted him.

U.S. bilateral aid to Ecuador increased from less than \$2 million in FY2018 to an estimated \$23.8 million in FY2021. The Biden Administration's FY2022 budget request for bilateral aid to Ecuador is \$28.8 million. This would include \$13 million for development programs, \$10.5 million for counternarcotics efforts, and \$5.3 million for military equipment and training. The United States also has provided more than \$25 million in FY2021 to help Ecuador address the humanitarian needs of some 500,000 Venezuelan refugees and migrants. For COVID-19 response, the U.S. government provided \$19.5 million in FY2021 to Ecuador. In July 2021, Ecuador received its largest vaccine donation to date: 2 million Pfizer-BioNTech vaccine doses sent by the U.S. government.

Former Presidents Trump and Moreno signed a first-phase trade agreement in December 2020. The Protocol on Trade Rules and Transparency includes provisions intended to benefit Ecuador's small- and medium-sized businesses, bolster trade and investment flows, and increase transparency. Ecuador's largest trade partner is the United States. Its top U.S. export is petroleum, followed by seafood, including shellfish, and fruits and nuts, such as bananas. Ecuador's top U.S. imports are refined petroleum and machinery. The Lasso government hopes to further bilateral trade by concluding a "mini" trade agreement with the United States and is eager to include other products in the U.S. Generalized System of Preferences.

The U.S. International Development Finance Corporation (DFC) announced it would help finance private investment, making available \$2.8 billion for sustainable development projects. In January 2021, the DFC reported it would refinance up to \$3.5 billion of Ecuador's debt to China in exchange for Ecuador's agreement to exclude China from its telecom networks. According to the DFC's chief executive officer, the "predatory" debt repayment also would assist Ecuador in improving the value of its strategic assets.

Issues for Congress

Congress may seek to influence the Biden Administration's policy toward Ecuador through such tools as the appropriations process, oversight hearings, and legislation. In March 2021, the Senate approved S.Res. 22, endorsing the advancement of bilateral economic, security, and development relations. Some Members of Congress have expressed support for negotiating a free-trade agreement with Ecuador. Other issues of interest include the Lasso government's performance in policing and security, its counternarcotics and environmental policy, and its handling of the plight of Venezuelans residing in Ecuador.

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

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