



Updated January 24, 2024

Ecuador: Country Overview and U.S. Relations

Ecuador is an ethnically and geographically diverse country of 18.3 million people encompassing portions of South America's Pacific coast, Amazon Basin, and Andean highlands. Ecuador's strategic port city of Guayaquil has become a major hub for trafficking cocaine from neighboring Colombia and Peru, the world's largest cocaine producers (see map, **Figure 1**). Ecuador faces an acute security crisis, as gangs have increasingly fought for control of drug trafficking routes and prisons and have assassinated politicians. Some Members of Congress have expressed concern about the deteriorating security climate in Ecuador, a key U.S. regional partner. Congress enacted a framework to deepen economic and other bilateral ties with Ecuador in 2022 and may consider legislation to provide additional trade preferences for Ecuador.

Current Political Conditions

President Daniel Noboa took office on November 23, 2023, to complete the term of his predecessor, Guillermo Lasso (2021-2023), who had called Ecuador's first-ever snap general elections. Lasso had pushed for market-friendly political and economic reforms but faced opposition from the country's powerful Indigenous movements and a divided legislature dominated by leftist parties that had repeatedly tried to impeach him. The 2023 elections were marred by the assassination of one of the presidential candidates and other political figures, allegedly by organized crime groups.

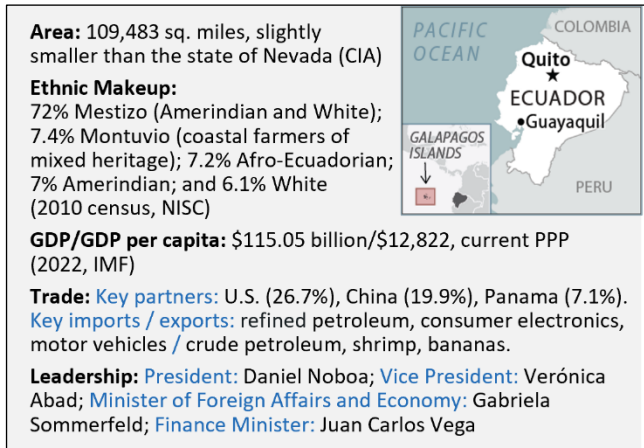
In mid-October 2023, Noboa won a second-round runoff with 52% of the vote, defeating Luisa Gonzales, an ally of former leftist populist president Rafael Correa (2007-2017). Noboa is the head of a center-right, pro-business party, National Democratic Action (ADN by its Spanish acronym). He is a 36-year-old former corporate executive and scion to a banana fortune. Voters also reelected about 30% of National Assembly members and approved by large margins national and regional referenda to halt oil and mineral extraction in two ecologically sensitive regions. President Noboa and the newly elected legislators are to serve until May 2025.

The new 137-member unicameral National Assembly was seated on November 17. The Correa-linked Citizens Revolution party (RC by its Spanish acronym) won the most seats (51), followed by the anti-corruption Build Ecuador Movement (26), the conservative Social Christian Party and allies (18), and the ADN (14). Indigenous party representation, which had been significant, declined. (Party affiliation is fluid, so seat allocation may change over time.)

Unlike President Lasso, whose minority government was challenged by highly disruptive protests and impeachment attempts, President Noboa quickly forged a large legislative majority. His loose coalition includes the left-wing RC,

Noboa's center-right ADN, and the right-wing Social Christian party. This legislative alliance may enable Noboa to enact policies intended to restore public security and continue Ecuador's post-pandemic recovery.

Figure 1. Ecuador at a Glance



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

Security Crisis

Ecuador has seen a sharp rise in violence over the past four years, attributable primarily to power struggles among gangs affiliated with transnational criminal organizations, including Mexican cartels and the Albanian mafia, battling for control of drug trafficking routes and infrastructure, such as ports. The homicide rate nearly doubled from 2021 to 2022, reaching almost 26 per 100,000 persons, a rate on par with Colombia and Mexico. Some observers estimate that the rate exceeded 44 per 100,000 in 2023, which would be among the highest rates in Latin America. In response, President Lasso declared multiple states of emergency but failed to quell the violence. High-fatality prison riots due to gang rivalries plagued Lasso's years in office. Criminal organizations are alleged to have widely corrupted public officials, judges, police, military, and corrections personnel.

In early 2024, President Noboa began to unveil his anti-crime strategy, known as Plan Phoenix. On January 7, the leader of Ecuador's largest gang, *Los Choneros*, escaped before the government could move him to a more secure prison. The next day, President Noboa declared a 60-day state of emergency and national curfew. Rivals to *Los Choneros* coordinated lethal uprisings in seven prisons in which some 200 prison guards were taken hostage. Armed men occupied a major television network during a live broadcast. This was followed by a wave of car bombs, police kidnappings, and other violence across the country, which appeared to be a politically motivated effort by

criminal groups to discredit Noboa's policies. President Noboa declared a state of internal armed conflict that named 22 criminal groups as terrorists and ordered Ecuador's armed forces to "neutralize" the named groups.

Noboa's Plan Phoenix is a long-term effort to improve intelligence systems, expand the military's role in fighting crime, and regain control in the prisons. Some critics argue it emulates El Salvador's militarized anti-crime model associated with reduced violence but increased human rights abuses. A constitutional change to allow the military to fight crime with the police, along with other security-focused measures, is slated for a referendum later in 2024.

Economic Background

During his decade in power, populist President Correa brought some stability to Ecuador's tumultuous political scene. He presided over a public investment-driven economic expansion, with growth averaging 5% annually from 2010 to 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 revenue from petroleum extraction.

The impact of the Coronavirus Disease 2019 (COVID-19) pandemic and a crash in global oil prices drove Ecuador into a deep recession. In 2020, the economy contracted by nearly 8% and the poverty rate climbed to an estimated 33%. The economy recovered in 2021, growing by 4.2% (driven, in part, by rising oil prices) before moderating to 2.9% growth in 2022. Growth dropped to an estimated 1.4% in 2023, according to the IMF, amid tightening global financial conditions, domestic turbulence, and drought that hobbled hydropower generation, Ecuador's leading domestic electricity source. Some observers forecast the 2023 referenda limiting oil and mineral extraction could reduce foreign investment and hamper economic growth.

President Noboa gained legislative backing for proposed tax and energy reforms during his initial months in office. In late 2023, the National Assembly passed his tax reform intended to incentivize payment of back taxes, encourage firms to hire younger workers (in part to reduce criminal recruitment), and provide tax rebates to the construction sector. The National Assembly also approved Noboa's energy reform intended to improve efficiency and foster private investment in electricity generation and distribution.

U.S.-Ecuador Relations

Although the United States traditionally had close relations with Ecuador, former President Correa's populism 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 Correa's successors, Presidents Lenín Moreno (2017-2021) and Lasso. President Noboa appears eager to deepen security cooperation and other U.S. ties.

President Biden signed the United States-Ecuador Partnership Act of 2022 on December 23, 2022, as Title LV, Subtitle B of the James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 (P.L. 117-263). It includes measures intended to strengthen democratic

governance in Ecuador and increase bilateral security cooperation and economic and commercial ties.

The Biden Administration requested \$45.7 million in bilateral foreign assistance to support governance, economic development, and security efforts in Ecuador in FY2024. The FY2024 request includes \$27.0 million in Development Assistance, \$13.3 million for International Narcotics Control and Law Enforcement programs, \$5.0 million in Foreign Military Financing, and \$292,000 for International Military Education and Training. Other U.S. funding provides humanitarian assistance to, and supports the integration of, the estimated 475,000 Venezuelan migrants and refugees in Ecuador. In May 2023, the U.S. International Development Finance Corporation helped Ecuador conclude the world's largest "debt-for-nature" swap, reducing Ecuador's debt service costs by \$1.1 billion while generating funding for marine conservation efforts in the Galápagos Islands and maritime reserve.

The Biden Administration has expanded its security cooperation and assistance to Ecuador in response to the deteriorating security climate. In mid-2023, the two countries launched the U.S.-Ecuador Defense Bilateral Working Group and signed a memorandum of understanding to strengthen the capabilities of the Ecuadorian armed forces. In December 2023, the Biden Administration was reportedly planning to provide \$200 million in military equipment and other security assistance to Ecuador. In a January 2024 statement condemning "narco-criminal violence in Ecuador," the U.S. State Department offered a range of technical assistance.

U.S.-Ecuador goods trade totaled \$17.5 billion in 2022. According to the Central Bank of Ecuador, the United States remained Ecuador's largest trade partner. However, in 2022, China exceeded the United States in non-oil trade for the first time. The Lasso government had advocated for a U.S.-Ecuador free trade agreement (FTA), building on a 2020 first-phase limited trade agreement. The Biden Administration has not expressed support for an FTA but has welcomed Ecuador's participation in the Americas Partnership for Economic Prosperity initiative, an effort to foster regional competitiveness and inclusive growth. Ecuador announced FTA negotiations with China in 2022 and signed an agreement in May 2023, though it has yet to be ratified. Two bills introduced in the 118th Congress (S. 913 and H.R. 6414) would make Ecuador eligible for designation as a beneficiary country under the Caribbean Basin Economic Recovery Act, potentially giving the country access to certain unilateral U.S. trade preferences.

In addition to considering foreign assistance appropriations and trade legislation, Congress may monitor conditions in Ecuador and their implications for U.S. policy objectives. Among other issues, some Members of Congress have expressed interest in helping Ecuador address security challenges without contributing to human rights abuses, reducing irregular migration from Ecuador while providing legal pathways for migrants, limiting China's influence in Ecuador, and protecting Ecuador's Amazon and Indigenous communities.

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