

ECUADOR



Ecuador U.S. foreign assistance to Ecuador focuses on strengthening democracy and creating a prosperous, privatesector-based, market economy as the country pursues new policy initiatives that have changed government institutions and resulted in a new publicly approved constitution.

FOREIGN RELATIONS: Ecuador always has placed great emphasis on multilateral approaches to international problems. Ecuador is a member of the United Nations (and most of its specialized agencies), the Organization of American States (OAS), and many regional groups, including the Rio Group, the Latin American Energy Organization, the Union of South American Nations (UNASUR), and the Community of Andean Nations (CAN). In August 2009, Ecuador assumed the one-year rotational presidency of UNASUR.

Under the Correa administration, Ecuador has increased its efforts to strengthen and diversify its political and economic ties with countries within Latin America, Europe, and Asia. In Latin America, President Correa has traveled to Peru, Chile, Brazil, Argentina, Venezuela, and Cuba, for example, where his government has signed agreements to promote economic cooperation. Similarly, outside the region, Correa has visited Spain, Italy, and France, as well as China, Iran, and Russia, among other countries.

In October 1998, Ecuador and Peru reached a peace agreement to settle their border differences, which had festered since the signing of the 1942 Rio Protocol. This long-running border dispute occasionally erupted into armed hostility along the undemarcated sections, with the last conflict occurring in 1995. The U.S. Government, as one of the four guarantor nations (the others were Argentina, Brazil and Chile), played an important role in bringing the conflict to an end. The peace agreement brokered by the four guarantors in February 1995 led to the cessation of hostilities and a Military Observers Mission to Ecuador-Peru (MOMEPE) which monitored the zone. In addition to helping broker the peace accord, the U.S. has been active in demining the former area of conflict and supporting welfare and economic projects in the border area.

The ongoing conflict in Colombia and security along the 450-mile-long northern border are important issues in Ecuador's foreign relations with Colombia. The instability of border areas and frequent encroachments of Colombian guerillas into Ecuadorian territory has led the Ecuadorian army to deploy more troops to the region. Although Ecuadorian officials have stated that Colombian guerrilla activity will not be tolerated on the Ecuadorian side of the border, guerrilla bands have been known to intimidate the local population, demanding extortion payments and practicing vigilante justice. The Correa administration is pursuing a policy known as Plan Ecuador to develop the northern border region and protect citizens from the drug threat. A Colombian military incursion into Ecuador in March 2008 caused the Government of Ecuador to break diplomatic relations. In October 2009, Ecuador and Colombia agreed to re-establish diplomatic relations at the chargé d'affaires level.

U.S.-ECUADORIAN RELATIONS: The United States and Ecuador have mutual interests in combating narcotrafficking and cooperating in fostering Ecuador's economic development and reducing poverty. Ties have been strengthened by the presence of an estimated one million to two million Ecuadorians

living in the United States, by 150,000 U.S. citizens visiting Ecuador annually, and by approximately 20,000 U.S. citizens residing in Ecuador. More than 100 U.S. companies are doing business in Ecuador. In February 2009, the Government of Ecuador expelled two U.S. Embassy officials who administered U.S. assistance to specialized police units. A Department of State spokesperson rejected any suggestion of wrongdoing by Embassy staff.

The U.S. launched a Bilateral Dialogue with Ecuador in November 2008, during which cooperation in human development and poverty reduction, economic development, commerce and investment, and migratory issues was discussed. The second plenary meeting is planned for late 2009, and will include a discussion of security-related issues, in addition to continuing initiatives begun in the first plenary meeting.

The United States assists Ecuador's economic development directly through the Agency for International Development (**USAID**), through multilateral organizations such as the Inter-American Development Bank, and through trade and technology transfers facilitated by the Foreign Commercial Service (FCS). In addition, the U.S. **Peace Corps** and the State Department's Narcotic Affairs Section operate sizable programs in Ecuador. Total U.S. assistance to Ecuador amounted to over \$40 million in 2008.

The United States is Ecuador's principal trading partner. In 2008, Ecuador exported about \$8.4 billion in products to the U.S. For over 10 years Ecuador has benefited from duty-free entry for many of its exports under the Andean Trade Preferences Act (ATPA) and received additional trade benefits under the Andean Trade Promotion and Drug Eradication Act (ATPDEA) in 2002. The U.S. Congress approved a number of extensions of those benefits, now set to expire on December 31, 2009. In May 2004 Ecuador entered into negotiations for an Andean free trade agreement with the U.S., Colombia, and Peru, but negotiations between the U.S. and Ecuador have not resumed since the Government of Ecuador announced controversial reforms to hydrocarbons legislation in April 2006. The Correa administration has stated it has no interest in negotiating a free trade agreement with the United States.

The United States exported \$3.32 billion in goods to Ecuador in 2008, a slight increase over 2007, which accounts for just over 19% of Ecuador's imports. Ecuador is the 46th-largest market for U.S. exports. Major U.S. exports to Ecuador include machinery, chemicals and fertilizers, computers and electronic equipment, petroleum products, transportation equipment, and paper. The best prospects for U.S. firms are in the plastics, decontamination equipment, franchising, and medical equipment and devices sectors. U.S. firms remain competitive and successful in many sectors of the market.

Although there are problems with money laundering, border controls, and illegal immigration, Ecuador shares U.S. concern over narco trafficking and the activities of illegal armed groups. The government has maintained Ecuador virtually free of coca production since the mid-1980s, and is working to combat money laundering and the transshipment of drugs and chemicals essential to the processing of cocaine (with U.S. support). Ecuador also gives priority to combating child labor and trafficking in persons.

Ecuador and the U.S. agreed in 1999 to a 10-year arrangement whereby U.S. military surveillance aircraft could use the airbase at Manta, Ecuador, as a Forward Operating Location (FOL) to detect drug trafficking flights through the region. The Ecuadorian Government informed the United States in July 2008 that it will not renew the lease for the Forward Operating Location when it expires in November 2009. The U.S. ceased these counternarcotics flights in July and fully departed the FOL in September 2009.

Ecuador claims a 320-kilometer-wide (200-mi.) territorial sea. The United States, in contrast, claims a 12-mile boundary and jurisdiction for the management of coastal fisheries up to 320 kilometers (200 mi.) from its coast, but excludes highly migratory species. Although successive Ecuadorian governments have declared a willingness to explore possible solutions to this issue, the U.S. and Ecuador have yet to resolve fundamental differences concerning the recognition of territorial waters.

Peace and Security: The United States will bolster counter-narcotics operations by modernizing police and military capabilities in interdiction, evidence gathering, strengthening port and maritime controls, and providing support for police and military presence in strategic locations. Security assistance will enhance the Ecuadorian military's ability to control its national territory, thereby denying terrorist organizations, including illegal Colombian armed groups, areas to train and organize. U.S. programs will reinforce the principles of civilian control of the military, respect for human rights, and effective resource management. The United States also plans to support the Government of Ecuador's (GOE) work in de-mining, particularly in the southern border area with Peru where mines left from the border skirmish in the mid-90s still pose a threat to the local population. Training, equipment upgrades, and infrastructure improvements for de-mining training facilities will enhance Ecuador's capabilities in this critical area. The United States will partner with the GOE and local businesses to create new legitimate jobs and raise incomes for vulnerable groups in the border regions by helping small producers and private businesses access supply and value chains. U.S. programs will support local government efforts to strengthen their ability to deliver basic services (including drinking water and sewerage) and productive infrastructure (roads, bridges, and irrigation canals), and to expand citizen participation in and oversight of local decision-making. Funds for alternative development will increase economic opportunities and improve the livelihoods of an additional 40,000 persons.

Governing Justly and Democratically: Strengthening democracy and democratic institutions remains a top U.S. priority in Ecuador. The United States will partner with Ecuadorians to promote effective local governance, strengthen key democratic institutions under a new constitution, promote consensus-building, support participation of citizens in political and other democratic processes, and improve access to justice for vulnerable populations. U.S. assistance to local governments will improve services and implement programs that promote transparency and respond to citizen priorities. In partnership with the first Ecuadorian legislature elected under the 2008 constitution, the United States will provide technical assistance and training to help new legislators be responsive and accountable to the people. Civil society, particularly women, ethnic minorities, and people with disabilities, will receive support to participate fully in political processes. U.S. programs also will support Ecuadorian efforts to fight corruption. To ensure more equitable access to justice, specific activities will help improve the quality of justice services by training prosecutors, judges, and the judicial police.

Investing in People: The United States will work with national and local governments to expand and rehabilitate water supply and sanitation infrastructure and to establish community-based operation and maintenance systems. U.S. assistance will increase household-level understanding of hygiene through health education activities to prevent disease among mothers and children. U.S. assistance will also support improvements in infrastructure and the integration of disabled or socially excluded workers in the workforce.

Economic Growth: The United States will work with national and provincial governments and business groups to improve their ability to identify potential local and foreign investors, to strengthen and expand by 50 percent the network of provincial economic development agencies created in FY 2007, and to increase the productive capacity of ten economic sectors selected in 2008 in consultation with the GOE.

U.S. programs will support Ecuadorian policy reform efforts aimed at improving legal and administrative procedures in areas such as competitiveness, small enterprise development, and foreign investment. U.S. environment programs will continue to work with Ecuador's national and local governments, indigenous organizations, the private sector, and the non-governmental community to improve the sustainable management of protected areas and forests, which are fundamental to preserving Ecuador's unique biodiversity. Work will focus on ecotourism and the management of protected areas, indigenous lands and watersheds. U.S. and local partners will expand the number of hectares under improved management, work to increase tourism revenues in protected areas, improve management of critical habitat, and support decentralized management of forest and water resources.