

**Foreign Policy Shifts of Ecuador and the Fall of  
The “21st century socialism” – A Brief Overview of  
Ecuadorian Foreign Policy between 2007 and 2019**

Az ecuadori külpolitika változásai  
és „21. századi szocializmus” bukása –  
a 2007-2019 között időszak ecuadori külpolitika áttekintése

**GUILLERMO VILLAVICENCIO MOLINA**



---

# KKI Policy Brief

Series of the Institute for Foreign Affairs and Trade

Publisher:

Institute for Foreign Affairs and Trade

Reviewer:

Sándor Gyula Nagy

Typesetting:

Tamás Lévárt

Editorial office:

H-1016 Budapest, Bérc utca 13-15.

Tel.: + 36 1 279-5700

Fax: + 36 1 279-5701

E-mail: [info@ifat.hu](mailto:info@ifat.hu)

<http://kki.hu>

© Guillermo Villavicencio Molina, 2019

© Institute for Foreign Affairs and Trade, 2019

ISSN 2416-0148



**Abstract:** In less than two years, the Republic of Ecuador has gone from being a staunch and unwavering promoter of Bolivarian integration to becoming self-regulated by the neoliberal model. For ten years, Rafael Correa's administration echoed the left policies promoted by Venezuelan Hugo Chavez and carried out a challenging reform in terms of foreign policy by overlooking institutions such as the IMF and World Bank in order to put Ecuador on the regional radar. Now, the current government is retracing the steps and looking forward to achieving a rapprochement with the US and international financial institutions. This paper is aimed at analyzing the reasons and events that led Lenin Moreno's administration to completely change the Ecuadorian foreign policy.

**Összefoglaló:** Kevesebb mint két év leforgása alatt az Ecuadori Köztársaság a bolívari integrációs törekvések kulcsfontosságú támogatójából a neoliberális, önszabályozó modell megvalósítójává vált. Rafael Correa kormánya egy évtizedig szajkózta a venezuelai Hugo Chávez által hirdetett baloldali politikák fontosságát, és valósított meg az IMF és a Világbank által szabott kereteket figyelmen kívül hagyó provokatív külpolitikai reformokat Ecuador regionális jelentőségének növelése érdekében. A jelenlegi kormány nem folytatja ezt az irányt, és közeledni próbál az Egyesült Államokhoz, valamint a nemzetközi pénzügyi intézményekhez. A jelen elemzés célja a Lenin Moreno által véghezvitt külpolitikai irányváltás mögött álló okok és az azt kísérő események bemutatása és értelmezése.

## INTRODUCTION

Latin America has constituted over the years a space where more than one integration initiatives have been implemented. Nevertheless, while some of those initiatives have reached some success with regard to free trade areas, zones of free movement, zones of free residence, single markets, and others, the desired level of integration has not been met. Some scholars argue that these failures are in part the result of a discontinuation of domestic and foreign policies by the incoming administrations which most of the time dismiss the progress achieved by their predecessors and start new and entirely different government projects.

Others, on the other hand, state that the setbacks affecting Latin American integration point to the lack of transparency in areas such as management system and budgetary procedure which, in the Ecuadorian case, have been more and more dominated by the executive. In this respect, this paper will explore Ecuador's political-economic situation over the last decade and provide an assessment of how certain events that took place recently in the region affected Moreno's change of posture.

## HISTORICAL BACKGROUND

### *ECUADORIAN FINANCIAL CRISIS AND DOLLARIZATION*

In the late nineties, a series of events triggered a profound economic, social and political crisis in Ecuador. In 1999 and 2000, during the [Jamil Mahuad](#) administration, the national financial system was affected by the closure of more than a half of the total amount of Ecuadorian banks. As a result, in 1999, the per-capita income fell by 9% and it climbed only 1% in 2000.

[Figure 1](#)

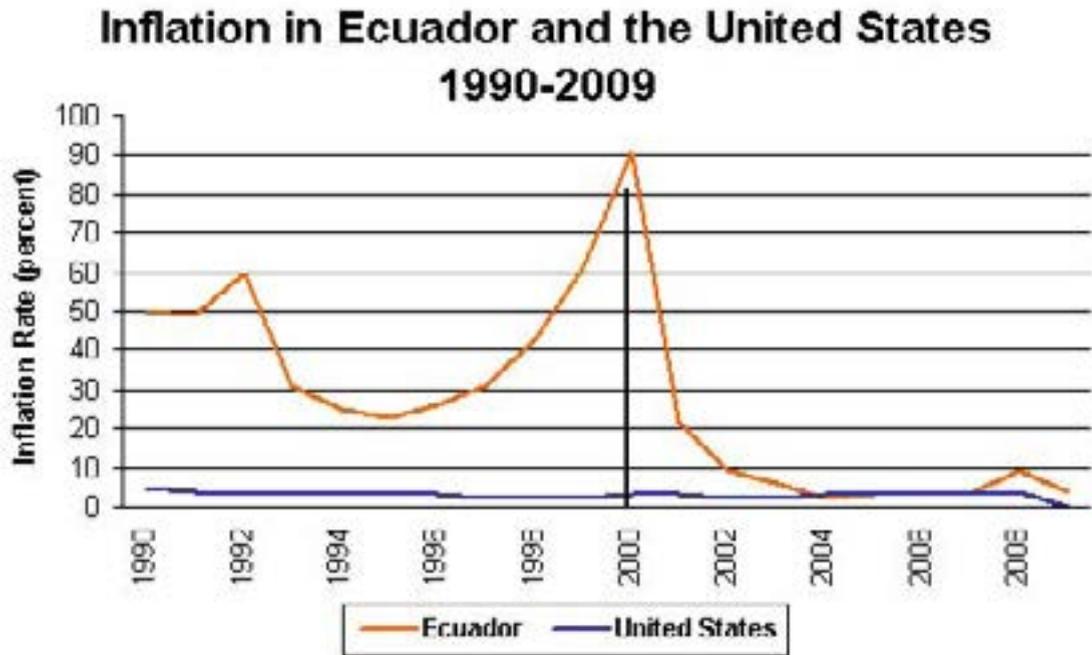


Ecuador had been facing an increasing de facto dollarization. The national currency lost [four and a half times](#) its value against the dollar's value. Mahuad was removed from office and Ecuadorian Vice-president [Gustavo Noboa](#) was appointed as the new head of state until the completion of the term. In the following years, the Ecuadorian political scene was led by [Lucio Gutierrez](#) who inadvertently won the 2002 elections and in January 2003 began a four-year term. The rhetoric used by Gutierrez in the presidential campaign allowed him to get the support of left-wing power groups, such as Pachakutik and MPD. Gutiérrez had criticized the decisions taken during previous administrations regarding the establishment of the military base in Manta and the proposal of the Free Trade Area of the Americas (FTAA).



Nevertheless, Gutierrez's foreign policy was aimed at preserving the neoliberal economic model, the rapprochement with the IMF and the strengthening of the [military cooperation](#) with the United States of America. Gutierrez was removed from office as a result of corruption scandals within the framework of a political crisis. Despite the forced exit of Gutierrez, his successor Alfredo Palacio resumed the neoliberal policies related to foreign affairs.

[Figure 2](#)



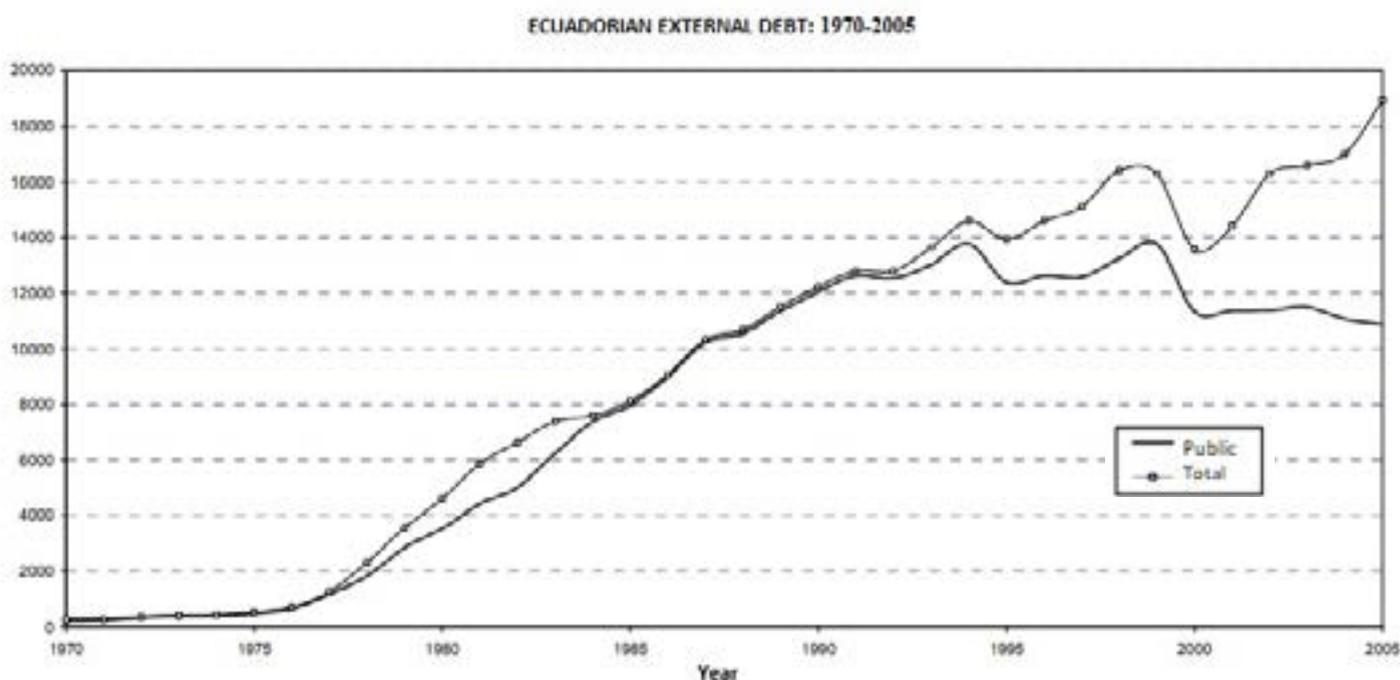
## FOREIGN POLICY OF THE RAFAEL CORREA ADMINISTRATION (2007-2017)

Since the mid-90s until the first half of the decade of the 2000s, Ecuador was shaken by a number of economic and political issues that increased popular discontent from below. In this scenario, the figure of [Rafael Correa Delgado](#) acquired political relevance in a quite short period of time. Correa had served as Ecuadorian Minister of Economy during the Palacio administration before running for president.

Correa took office in 2007 and was re-elected twice in 2009 and 2013. His administration followed a Bolivarian line, framed within the ideology of the Bolivarian Alliance for the Peoples of Our America (ALBA) and the new so-called Latin American socialism of the 21<sup>st</sup> century, based on Ecuador's unique features. This event represented a substantial change in terms of the political currents that dominated Ecuador in the past.

Correa’s foreign policy reflected a contraposition to the Free Trade Agreements with the United States and the payment of the external debt. On the one hand, the government intended to initiate an audit with the objective of overseeing the country’s historical indebtedness, since he had announced that this item was not going to be as important for the state budget as it was in previous administrations. On the other hand, with regard to the signing of a Free Trade Agreement with the United States, Rafael Correa maintained his intention to go away from any neoliberal policy that could harm the country. President Correa called the idea of negotiating a Free Trade Agreement as a “silly opening” because he considered it threatening to Ecuadorian sovereignty.

[Figure 3](#)



### REGIONAL INTEGRATION

The Bolivarian revolution led by Hugo Chavez encouraged other South American countries related to his political ideology to assume the need to consolidate a common destiny for the Latin American region. The main characteristic of this integration model was to move away from the unipolar model led by the United States. This was a result of the dependence of the countries of the region from the US, the even wider asymmetries among the countries and the intervention of the US in the internal affairs of each country.

Since Correa took office, his administration supported various regional integration initiatives that were considered alternatives to traditional regional interrelation spaces for Ecuador. In this context, it is worth stressing the support

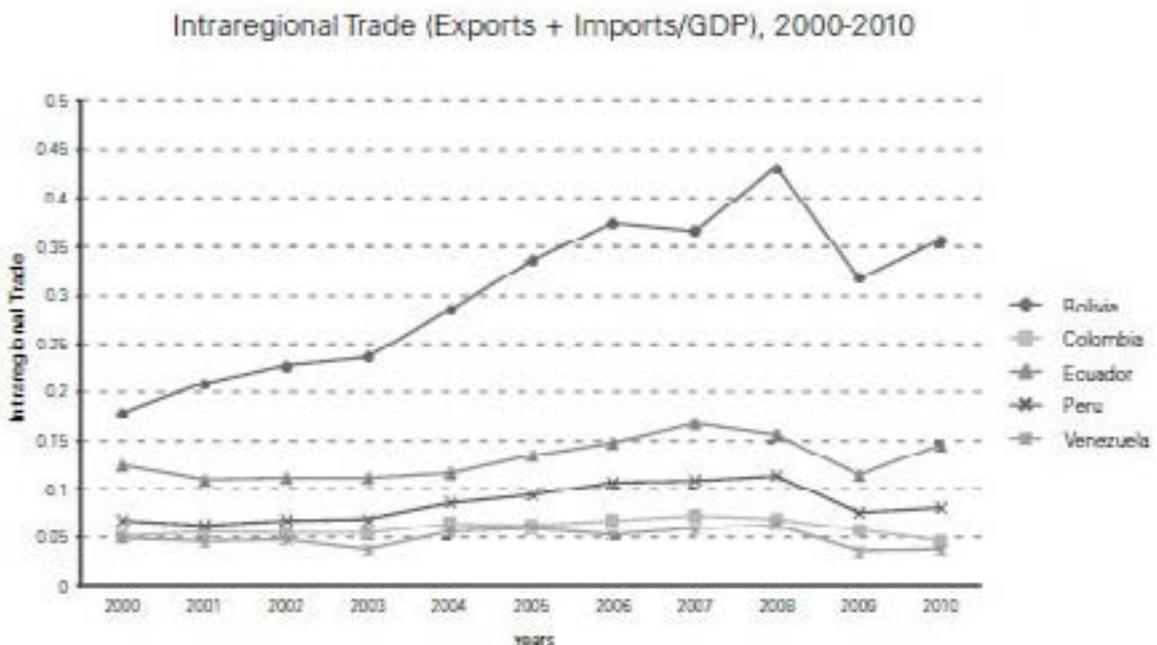


Correa extended to post-liberal integration schemes, such as [ALBA](#) and [UNASUR](#), whose objective, rather than economic or commercial integration, was the articulation and political integration of South America.

After having participated as an observer member of the Bolivarian forum, Ecuador formalized its status change during an extraordinary summit on June 2009 in Venezuela. However, ALBA proved to be a weak initiative in terms of diversification. Most of its members shared a large number of similarities with regard to natural resources and industrial progress, therefore the space for integration became not at all complimentary.

During the Correa administration, Ecuador was one of the most enthusiastic countries with regard to the formation of UNASUR, a South American entity that was expected to be the successor of the South American Community of Nations (CSN), which had been formed following the [Cuzco Declaration](#). However, discrepancies soon emerged such as the scope of the organization, and the difference of interests among the members. Moreover, an increasing alienation arose between the then South American leaders such as the Brazilian president Lula da Silva, Chilean president Michelle Bachelet and Venezuelan president Hugo Chavez Frías.

**Figure 4**



Source: ECLAC (2013).

For a number of scholars, this was a unique situation in South American history, in which countries intended to take maximum advantage to extend their independence in economic matters. Nevertheless, the common market was a pending task throughout the whole process. There was not a great integration of markets in South

America and the same commercial partners that were looking for an accelerated integration through UNASUR had almost [70%](#) of their trade with countries outside the area, such as the United States, the European Union, China and Japan.

### *ECUADOR-US RELATIONS*

The relationship between Ecuador and the United States experienced some ups and downs, following a sudden change in Ecuadorian foreign policy. However, the bilateral relationship did not deteriorate deeply, in fact it continued to be fluid given its importance from a bilateral cooperation perspective. Correa adopted an opposite position to the one that prevails in Ecuadorian history concerning the United States, who had put pressure on the Andean country to leave the Organization of the Petroleum Exporting Countries (OPEC) in 1992, and at the same time, to accept the [Andean Trade Promotion and Drug Eradication Act](#) (ATPDEA).

The Correa administration opposed the Free Trade Agreement draft (FTA) between Ecuador and the United States, supporting an Agreement of Economic Complementation instead. Furthermore, Correa refused to address the Revolutionary Armed Forces of Colombia (FARC) as a terrorist group, also managed to carry out Ecuador's return to OPEC and the closure of the US air base in Manta in 2009. In this respect, the Ecuadorian leader appealed to the principle of reciprocity and demanded an Ecuadorian base in the United States as a condition to extend the said agreement. Correa refuted extradition requests to former National Security Agency (NSA) contractor [Edward Snowden](#), in case he steps on Ecuadorian soil, as well as monitoring the protection of journalist [Julian Assange](#).

In 2008, after a [Colombian bombing](#) of FARC camps within Ecuadorian territory, Quito demanded explanations from the US government about an alleged involvement of the Central Intelligence Agency (CIA) in that event. In 2011, Ecuador [expelled](#) the ambassador Heather Hodges, due to a tangled case of espionage to the Ecuadorian police. In any case, the foreign policy model of the Correa administration was of limited opposition. Regional integration was considered essential in order to increase the joint negotiating power of the region before the United States.

### *ECUADOR-CHINA RELATIONS*

Ecuador was not a passive player as to China's rapid commercial incursion in South America, Correa found an important geopolitical partner in the Asian country. In January 2015, an [investment](#) of Chinese companies in Ecuador was agreed for 5.296 billion dollars in the Latin American country, besides including a mutual suppression of tourist visas. In 2006, about 75% of Ecuador's oil was sold in the United States, while by 2013 more than 50% of Ecuadorian oil was [re-directed](#) to China. Moreover, in 2008, when the Ecuadorian government declared a cease-payment of the national external debt with the IMF, Correa agreed to take [loans](#) granted by Chinese banks in order to offset the deficit in social expenditure that was carried out in the previous months.



Figure 5

### Ecuador Imports from China

Ecuador Imports from China was US\$3.68 Billion during 2017, according to the United Nations COMTRADE database on international trade.

Historical Data API

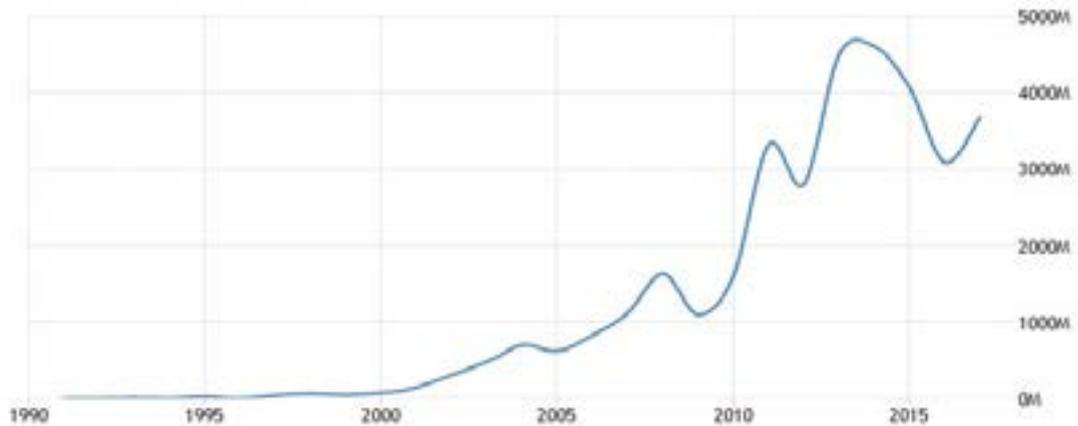
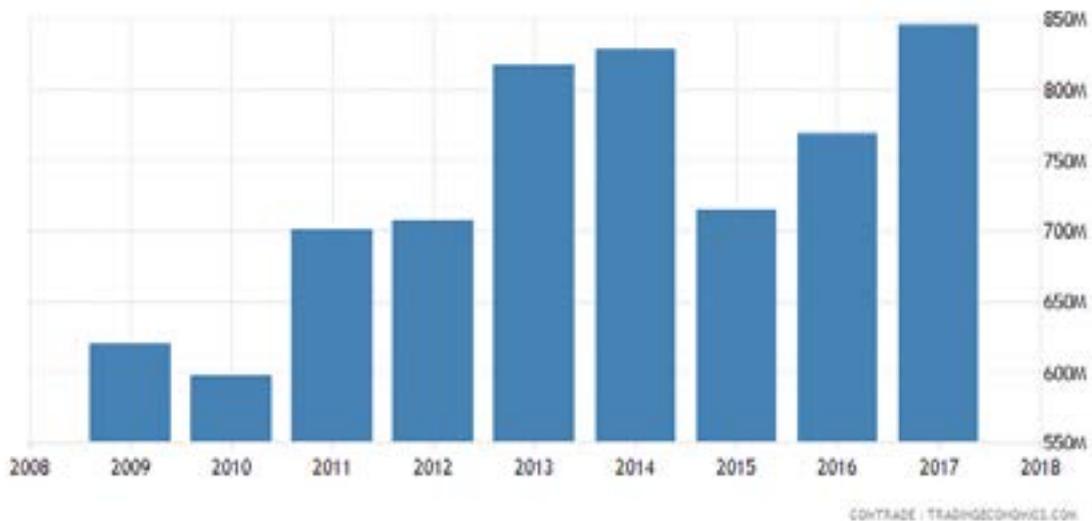


Figure 6

Ecuadorian Exports to Russia (2008-2018)



### ECUADOR-RUSSIA RELATIONS

The bilateral relations between Ecuador and Russia were promoted in 2009, when President Correa made his first official visit to Moscow with the aim of reaching cooperation [agreements](#) in the fields of technology transfer, armament and credit financing.

During an [official meeting](#), held in October 2009, between President Correa and Russian Prime Minister Dmitry Medvedev, both of them signed a number of cooperation agreements in different fields. The interest of the Ecuadorian government

in strengthening relations with Russia focused on the fact that the Eurasian nation was recovering the status of international power, which in the future would benefit Ecuador if this country still maintained its distance from the US. On the other hand, as long as Ecuador was a member of ALBA, there were several ideological common views between Russian and the said platform. For instance, both countries took a similar position regarding NATO's attempts of intervention in countries such as Syria and Libya.

### *ECUADOR-BRAZIL RELATIONS*

**T**he commercial exchange between Brasilia and Quito tripled from 2003 to 2012. Basically, Ecuador buys technology and machinery from Brazil, while Brazilian imports from Ecuador are primarily raw materials.

In 2008, Correa decided to [suspend](#) the payment of a debt with the National Economic and Social Development Bank of Brazil (Bndes) and submit the process to an international arbitration. Subsequently, Lula da Silva decided to withdraw his ambassador in Quito. Likewise, in the same year, the government of Ecuador expelled the Brazilian construction company Odebrecht, accusing it of having caused damages due to technical failures during the construction of a hydroelectric plant.

At the time, the Brazilian leadership sought to consolidate a regional order in South America. However, the different sub-regional integration initiatives were not complemented but rather rivaled. Ecuador, as a member of ALBA, adopted a vision leaned towards an anti-systemic and anti-hegemonic position, while Brazil protected the hybrid "revisionist axis" that mixes elements of open regionalism. In any case, both Ecuador and Brazil systematically questioned the oversight role of the Inter-American Human Rights System of the Organization of American States and agreed on the necessity to create a system of regional surveillance of human rights.

## **FOREIGN POLICY OF THE LENIN MORENO ADMINISTRATION**

**O**n May 24 2017, Rafael Correa handed over the presidency of Ecuador to [Lenin Moreno](#) who, as the governing-party candidate, was expected to [continue with the policies](#) initiated by his predecessor. Moreno was seen as the successor of the leftist political and social ideas set out by the former administration.

### *VENEZUELAN CRISIS AND NEW REGIONAL SCENARIO*

**S**hortly after taking office, Moreno's actions took an unexpected turn not only in domestic affairs but in foreign policy matters as well. The new administration became more willing to establish political dialogue and negotiations than the former government. During his first year as president, Moreno remained



politically fragile in the midst of corruption scandals of the former administration and a number of allegations of electoral fraud during the campaign. As a result, the foreign policy seemed unclear until 2018. In parallel, important events took place in the region which have eventually placed the government of Moreno in an even more delicate situation.

First, the [Venezuelan crisis](#) peaked to unsuspected levels triggering a mass exodus of people towards neighboring countries. Furthermore, the figures of Brazilian former presidents [Lula da Silva](#) and [Michel Temer](#) were dragged into corruption scandals. This series of events damaged the credibility of the South American left-wing governments. Similarly, the new governments of Argentina, Chile, Colombia and Brazil turned to the liberal right.

Moreno has gradually cut ties with Nicolas Maduro's government ever since. Initially, his government regretted the deaths following the demonstrations against the Venezuelan government and showed concern for the large number of political prisoners in that country, emphasizing the need for dialogue and direct democracy. Later, Moreno [announced](#) that Ecuador will leave the ALBA arguing that the decision was made in order to reinforce the search of a solution to the Venezuelan crisis. Furthermore, during the first [Prosur Summit](#), Moreno stated that the former Ecuadorian president, Rafael Correa, and the Venezuelan president, Nicolás Maduro, had used Venezuelan public resources in order to destabilize his government. Moreno also acknowledged Juan Guaidó as the Venezuelan interim president after the latter had declared himself as president in order to force the exit of Nicolas Maduro from office. On the other hand, Ecuador ceased to belong to UNASUR. According to Moreno, the bloc had deviated from its mission of regional integration and the conditions have not been met by the members in order to redirect efforts towards South American integration. As a matter of fact, UNASUR finds itself in a situation of acephalia and most of its members have withdrawn from this initiative.

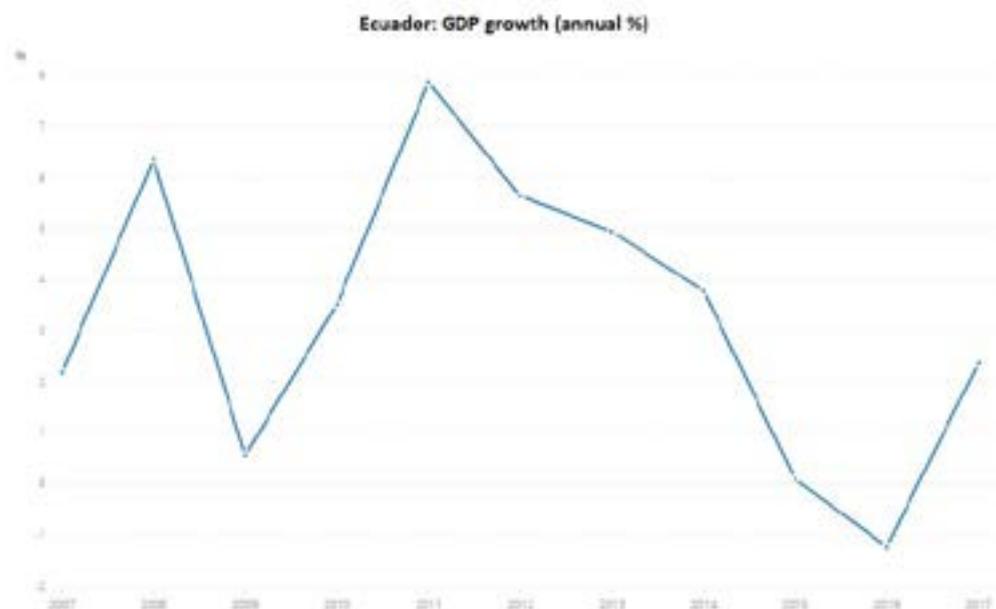
### *RETURN OF THE NEOLIBERAL MODEL*

The current Ecuadorian government found in the neoliberal model the best solution to its problems. At the beginning, Moreno had called everybody to not stigmatize the multilateral organisms. Later, Ecuador reached a [financing agreement](#) with the International Monetary Fund (IMF) according to which the technical staff of the International Monetary Fund agreed to financially support the economic policies of the Ecuadorian government.

As for the Ecuador-US relations, both countries have initiated a rapprochement process in economic and diplomatic areas. Notwithstanding the measures implemented by former president Correa in an effort to sever ties with the North American country, Moreno has placed the Ecuadorian trust once again in the US. For instance, he has held [meetings](#) with the US undersecretary of state for Political Affairs David Hale and with the US vice president [Mike Pence](#) in order to promote cooperation programs. Moreover, Assange's detention has been in line

with the strengthening of these relations, in fact, there are those who claimed that Trump's government has made some pressure on Moreno regarding the withdrawal of the asylum so the terms of future bilateral agreements will be more flexible for Ecuador.

[Figure 7](#)



### *THE JULIAN ASSANGE CASE*

After remaining five years at the Ecuadorian embassy in London, on January 18, 2018, Julian Assange obtained the Ecuadorian nationality. Later, his legal team asked the British Government to allow Assange to be released. However, since mid-2018, Moreno had expressed his disagreement with Assange's presence at the Ecuadorian embassy. According to him, the Australian had turned the embassy into an espionage center with the aim of interfering in domestic affairs of third countries. Furthermore, Assange's [behavior](#) within the premises of the embassy had caused complaints and discomfort among the embassy staff. As a result, his asylum was withdrawn by the Ecuadorian government and the programmer was immediately arrested by the British police. The former president Correa has shown himself as a fervent opponent of Lenin Moreno and did not hesitate to repudiate Moreno's decision concerning Assange's asylum ever since.

### *MORENO'S ATTITUDE TOWARDS RUSSIA*

One can argue that the close relations fostered by former president Correa between Ecuador and Russia have been left behind under the Moreno administration. That is to say these relations are no longer part of the upper



spheres of international politics. In the past, Russia enjoyed several Latin American platforms to exert political and economic influence in the region such as ALBA or UNASUR. However, once the said initiatives have weakened, the success of the Russia-South American countries partnership is relying mostly on bilateral agreements. With regard to the Ecuadorian case, while there is a number of ongoing cooperation agreements with Russia, most of them are limited to economic matters.

### *RAPPROCHEMENT WITH THE PACIFIC ALLIANCE*

**E**cador has officialized its intention to become an associate member of the [Pacific Alliance](#) in order to establish new partnerships with states with open trade. In [economic terms](#), the alliance represents 38% of the region's GDP and 50% of the trade. In addition, it attracts 41% of direct foreign investment in Latin America and the Caribbean. Its constitutive agreement includes the possibility of adding new members easily, as long as they have Free Trade Agreements (FTA) with each of the other members.

Nonetheless, Ecuador has a trade deficit with the member of the Pacific Alliance. For instance, the trade deficit with Chile for the [period 2011-2016](#) was USD 453 million dollars and an average annual growth of -5.6%. Also, Ecuador is at a strategic disadvantage due to the monetary sovereignty of the other members. The ability to devalue the national currency, if needed, puts the country at risk because if Ecuador becomes a member of the Pacific Alliance there would be no option for this country to control the foreign trade policy with tariffs or safeguards. However, Ecuador is the only South American country on the Pacific Coast that is not part of the Pacific Alliance.

## **GENERAL REFLECTIONS**

**W**ith regard to Correa administration, Ecuador entered a new scenario by rebuilding its foreign policy. It was a scenario in which there was the political will of the Ecuadorian president and the pressure of the majority of the citizens to advance to a more autonomous policy before the US and more focused on South American regional integration. However, this new approach was consolidated in the midst of a scenario of little internal consultation between civil society actors, epistemic communities and the lack of national consultation and debate scenarios.

The handling of Ecuadorian foreign policy under Correa administration entered a deeply personalist stage, centered around the figure of the President. However, this scenario was not unique to the Ecuadorian case. There was a strong trend in this sense throughout the Andean region, the Colombian case is similar, and the same description could be made for President Alvaro Uribe; or Venezuelan president Hugo Chávez, as far as foreign policy construction is concerned. However, it should be noted that, in the Ecuadorian case, personalism had gone much further in this government than in other Latin American nations.

The application of Ecuadorian foreign policy did not bring any superiority to the Ecuadorian role in international organizations; beyond creating new bodies to replace the existing ones, it failed to break the unipolar power of the US. For example, with regard to the [Organization of American States](#) (OAS), an organization led by the United States, the government of Rafael Correa repeatedly showed its opposition to the guidelines of this institution, especially because the organization lashed out against the ideological freedoms of each member state. However, the OAS only condemned the participation of the states that maintain a socialist government since they commonly violate constitutional principles of the Magna Carta of the said organization.

In other South American countries, the trend towards democratization when it comes to the process of construction and implementation of foreign policy is clear in Argentina, Chile, Mexico and Brazil where policy-makers, either the Senate or the Congress, are entitled to review foreign policy and are responsible for approving appointments of ambassadors or diplomatic representatives and even to qualify promotions in the foreign service. However, in the Ecuadorian case, there was no institutional stage or licensed body authorized to analyze, qualify or revise the appointments of ambassadors and diplomatic representatives in the foreign service, of any kind but the Presidency. For instance, in 2011 the Ecuadorian government made the decision to eliminate the [diplomatic school](#) where Ecuadorian foreign service officials were trained.

On the other hand, under the Moreno administration, the Ecuadorian foreign policy suffered a complete reversal in terms of economic strategies and diplomatic relations. As mentioned earlier, Moreno redirected the national policies towards the neoliberal model mainly because the national economic situation was not optimistic. Also, there was a big chance of becoming isolated in case of continuing with the Bolivarian ideas. In this regard, the Venezuelan crisis and the corruption scandals involving high officials of the former administration played a major role in defining Moreno's position which, for some scholars, has little room for maneuver as a result of the mistakes of the previous administration. In this regard, one can argue that the strengthening of the Ecuador-US relations is also the result of the Venezuelan situation. Apparently, Moreno conceives of the US as Ecuador's main economic partner.

Finally, Moreno's government does not have a clear strategy with regard to foreign policy. For that reason, any future action must be duly analyzed in order to avoid a major setback. For instance, the Ecuadorian government must determine whether the country is able to comply with the conditions set by the IMF concerning payment appropriations. Moreno should analyze which integration platform represent an optimum environment for Ecuador. Furthermore, given the Ecuadorian current situation in terms of the economy, it is necessary for this country to maintain friendly relations with the powers of the world such as the US, Russia and China.