

BTI 2016 | Ecuador Country Report

	scale	score	rank	trend
Status Index	1-10	5.55	# 65 of 129	
Political Transformation	1-10	5.45	# 69 of 129	➔
Economic Transformation	1-10	5.64	# 66 of 129	➔
Management Index	1-10	4.48	# 80 of 129	

This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2016. It covers the period from 1 February 2013 to 31 January 2015. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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Key Indicators

Population	M	15.9	HDI	0.711	GDP p.c., PPP \$	11349.7
Pop. growth ¹	% p.a.	1.5	HDI rank of 187	98	Gini Index	47.3
Life expectancy	years	76.5	UN Education Index	0.594	Poverty ³	% 11.6
Urban population	%	63.5	Gender inequality ²	0.429	Aid per capita	\$ 9.4

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | UNDP, Human Development Report 2014. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.10 a day at 2011 international prices.

Executive Summary

Following his ample electoral victory in February 2013 (winning 57.2% of the votes), Rafael Correa and his government continue to occupy a central position in this analysis. In the two years covered by this report, the administration has remained within the political and economic discourse that it has been developing since it came to power in 2007. This has been accompanied by radical reforms affecting both the political and economic structure of the country. Notably, the ideology of those in power is now marked by a challenge to both liberal democracy and the market economy.

Correa's style of leadership falls within the tradition of classic Latin American populism, centered on a charismatic leader. While he has been in power for many years now – and he has arguably consolidated more power in his hands than any leader in Ecuador's history – Correa's approval ratings are relatively high and his political party enjoys an absolute majority in the National Assembly. This will give the president considerable leeway to continue with his reform policies.

All these years of government leave much to be desired in terms of the quality of democracy, especially when it comes to the rights and freedoms of the population. The best example of this is the government's permanent confrontation with the media, deploying a number of mechanisms to weaken it. In terms of the economy, the abundant revenues generated by high oil prices have shaped the dynamic of the last two years. Although the price of oil has now started to decline, the effects have not been noticed because this occurred towards the end of the period being considered. Fiscal revenues have allowed the government to take on investments in infrastructure and to redistribute wealth through increased public-sector wages and subsidies. One of the merits of the government is its reliance on a series of public policy strategies – some more successful than others – and its concern for social issues such as education and health. Indeed, during the period under review, Ecuador saw some progress concerning its socioeconomic development with regard to improvements in inequality. Overall, Correa's administration has managed to usher in considerable improvements in comparison to his predecessors. The president's power has been

accumulating steadily since he won the presidency, making the government and public administration live in a permanent contradiction between the president's eagerness to intervene and the technocratic nature of the decision-making process: the decisions are void if they do not conform to the president's vision.

History and Characteristics of Transformation

Ecuador's transition from a military dictatorship to a democratic system of government took place in 1979, based on an agreement between civil reformers and soft-liners within the military. Since transition, inconsistencies have developed between political participation and representation: while the parties held a monopoly over political participation, they failed to anchor themselves in society in a manner that would have enabled them to fulfill the function of representation. They therefore lost legitimacy rapidly. In addition, the Ecuadorian process of democratization took place against the background of a long and profound economic crisis that further impoverished vast sectors of the population rather than alleviating poverty. The consequence was a de-legitimization of the democratic model, as large sections of the population did not consider it capable of solving the most urgent economic problems. Twenty-five years after the formal transition to democracy, the population's disillusion gave way to mistrust toward the democratic system.

A cycle of political crises began in February 1997, with the resignation of President Abdalá Bucaram, whom parliament and pressure groups forced out of office. Then National Congress President Fabián Alarcón succeeded him, albeit via proceedings in which political actors ignored constitutional procedures. Political stability seemed to have returned with the adoption of a new constitution and the assumption of office of President Jamil Mahuad in August 1998. After a few months, however, the government, and society as a whole, were shaken by a financial crisis that led to measures including the introduction of the U.S. dollar as the national currency and finally a coup d'état on 21 February 2000. In order to preserve the institutional continuity of democracy to some extent, the relevant political parties and actors agreed on the nomination of Vice-President Gustavo Noboa for president; Noboa held office until Lucio Gutiérrez took over the presidency in January 2003 as leader of a leftist, anti-neoliberal alliance. Gutiérrez had played a central role in the coup against his predecessor Mahuad. After assuming the presidency, he soon alienated his allies on the left, the unions and the indigenous movements. Protests grew after Gutiérrez dismissed the Supreme Court in December 2004. The president sought to calm protesters by dismissing the new Supreme Court in April 2005, but he was ousted that same month and Vice President Alfredo Palacio assumed the presidency.

In 2006, charismatic former finance minister Rafael Correa won the presidential elections and soon began pressing Congress to authorize a referendum calling for a constituent assembly to write a new constitution. After acrimonious conflicts between Correa and the legislature, a constituent assembly was elected. The new constitution was adopted in September 2008, which triggered new elections in April 2009. Correa won a new four-year term, his party PAIS (Patria Altiva y

Soberana, Proud and Sovereign Fatherland) captured 59 of 124 seats in the new National Assembly.

As in most other South American countries, the transformation of Ecuador's market economy involved abandoning the traditional model of development that had been typical in Latin America from the 1930s onwards. The debt crisis of the early 1980s revealed the frailty of this development model. In the ten years that followed, the governments of Hurtado, Febres Cordero and Borja made a great effort to stabilize the Ecuadorian economy with varying and altogether very little success. Measures taken in economic policy were, however, increasingly determined by IMF alignment requirements, but no fundamental stability was achieved. In 1998-2000, these developments resulted in Ecuador's worst economic crisis of the 20th century.

However, even after this deep crisis, fundamental reforms of the market economy were not undertaken. President Mahuad's introduction of the dollar as the national currency in 2000 marked the only milestone. Although this step helped to lower inflation, it was also one of the reasons for Mahuad's removal. The political and economic crisis of the 1990s finally prepared the scene for the ascendancy of Rafael Correa. His election in 2006 evoked widespread hopes for a radical change and an end of the "long night of neoliberalism." He strengthened the state and expanded support for poor households. It is still unclear, however, if Correa brings about a real new model of development or if he simply follows the familiar patterns of traditional caudillism and economic nationalism.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

There is no permanent and systematic questioning of the state's monopoly over its territory by political, economic or social actors. The principal threats to the state's monopoly on the use of force - separatist groups, guerrillas, terrorist groups and organized crime associations - have been unable to consolidate their power throughout the country. The northern border with Colombia (close to the Putumayo River) used to be one of the weakest zones in terms of state control, but negotiations between the Colombian government and the Revolutionary Armed Forces of Colombia, along with Ecuador's increased military presence throughout the area, have helped the government regain control. However, even though the state's hegemony over its territory is generalized and has been improved through public policies, there remain areas controlled by indigenous communities where the state's authority is directly challenged. An example of this is the refuge offered by the communities of Sarayaku to three political leaders seeking to avoid incarceration after losing a trial for libel against the president. The indigenous leaders argued that the sentence went against the principles defended by the Inter-American Commission on Human Rights (IACHR).

Nationalism is one of the guiding principles of Correa's administration. He has aimed at strengthening the idea of Ecuador as a solid and united nation-state, worthy of its citizens' pride. The idea of sovereignty and dignity is almost always embedded in the president's rhetoric. However, the concepts of nation and citizenship do not always evoke a shared discursive framework in which consensus can be cultivated. On the contrary, the connotation of the concepts of nation and citizenship has been exclusive and the nation has become more socially and politically polarized. The problems of exclusion and marginalization are more de facto than de jure, however. That is, the lack of recognition of equal rights is generated more by ethno-social structures and the economic dynamics of the country than by official policies that have been put in place by state institutions. The loss of mobilization capacity of indigenous organizations has also meant that positions challenging the hegemonic vision of the "national," proposing alternative multinational models, have lost force.

Question
Score

Monopoly on the
use of force

8

State identity

8

Despite the strong influence of the Catholic Church in the country and on its people, religion has not been a contentious issue. Since the beginning of the 20th century, there has been freedom of religion and the separation of church and state. The problem is that the dogmas of the Catholic Church, which are also part of society, serve as the basis for all decisions of a general nature.

No interference of religious dogmas

8

Though President Correa makes constant professions of his faith during public events (he defines himself as a practicing Catholic), the Catholic Church participates little in politics. In addition, the president defines himself as a supporter of “liberation theology,” and in this sense, tends to be suspicious of the church hierarchy. The president’s religious fanaticism has influenced legislation, as exemplified by the country’s abortion laws. The president opposed the consideration of special circumstances that would legalize abortions (including cases of sexual assault, which is what some of his party’s legislators and members of the women’s rights movement were pushing to include), threatening to renounce the presidency if the legislators didn’t reconsider. Correa always argued that he could not authorize any type of abortion because he is a practicing Catholic and his religion opposes abortion. Moreover, he took advantage of the minimal opposition he has within his political party to make this the official stance of Ecuador’s legislative body, even though opinions are diverse and not necessarily against abortion under specific circumstances. The government has designed public policies (Plan Familia) to prevent teenage pregnancies inspired by the most conservative Catholic teachings.

The basic structure of Ecuador’s public administration is present everywhere in the country (with some concentration in urban areas). One weakness, however, is that the majority of professionals in the public sector lack sufficient training. The government is making efforts to improve training, though, and is also incorporating more merit-based criteria into its recruitment process. Another problem in the government’s administration is the high turnover rate and, therefore, a lack of continuity in leadership. Even though basic administrative structures have been strengthened and equipped with more resources, corruption remains pervasive, fueled in part by the increased availability of funds. Public administration is one of the areas in which the PAIS government has been quite successful, thanks to an increase in the size of the public sector. The growth of the public sector has been made possible by higher oil prices, which has translated into an increase in government revenue. The amount of resources available, combined with political will, has resulted in a marked improvement in the state’s role as a provider of services. There have been two major areas of investment: road construction and power generation. However, the president’s overbearing role has disrupted the country’s administration due to his constant interference in its functioning, disregarding the boundaries set by the legislation.

Basic administration

7

2 | Political Participation

There are no major legal restrictions on electoral freedom in Ecuador. However, mechanisms that tip the balance in favor of one candidate or another do not necessarily imply electoral fraud. In Ecuador's case, there are two mechanisms that interfere with the elections' fairness: the government's permanent campaign to denounce all forms of criticism that come from public or political organizations and the lack of impartiality of the electoral authority, which almost always rules in favor of the government. Parts of the public and the opposition criticized the current members of Ecuador's National Electoral Council (CNE) because they were closely associated with the government or the PAIS movement.

Following changes to electoral legislation in 2012, press freedom during elections has been seriously curtailed, as the media is facing serious limitations to carrying out their work during political campaigns. The changes prohibit the media from disseminating messages, or reporting that could favor or detract from a "political thesis," candidate, or electoral preference. According to the 2013 World Report by Human Rights Watch, the 2012 reforms of electoral laws have undercut freedom of the press "by subjecting journalists and media figures to public denunciation and retaliatory litigation." The report notes that electoral authorities are given disciplinary powers to censor any media that violates the prohibition. The report also notes that the Constitutional Court supported the ban on media "directly or indirectly" promoting a candidate or party.

Under these conditions, the ruling party has a clear advantage during political campaigns. It is able to access government funds on political advertising, making campaigning less competitive and less fair. At the same time, Ecuador has rather strict and punitive laws on election spending, which serves to limit the influence of opposition parties. Over the years, the CNE's actions have rarely been impartial. For example, pure legal formalism was used to invalidate signatures that supported the realization of referendums to stop the exploitation of oil in the Yasuní Ecological Reserve and the indefinite re-election of the president and all elected officials. In the latter case, it was argued that the Constitutional Court had to authorize the proceedings because the matter at hand involved an amendment to the constitution. In addition, political parties that lost their listing due to their inability to obtain the minimum required backup also voiced their criticism during the appeals process, claiming that the calendar was organized so that it was practically impossible to meet the demands of the CNE. As in previous elections, during the presidential elections of 2013 and the local elections of 2014, the CNE failed to manage public funds efficiently and independently. In fact, funds were even used for partisan purposes, for example, to spread propaganda and to attack the ruling party's political opponents.

Free and fair
elections

6

In Ecuador, there are no non-elected individuals or groups that oversee elected authorities, allowing President Correa to consolidate more and more power. Over the past few years, power has become increasingly concentrated in the executive, that is, with President Correa, while other elected authorities, such as members of the National Assembly and local government officials, are restricted from fully carrying out their roles when the position they defend is not the same as the president's. The parliamentary majority won by PAIS in the elections of February 2013 and President Correa's victory have secured the president's control of the government and its legislative agenda. The military are under civilian control, though they are still a force to be reckoned with in politics.

Effective power to govern

9

Although previous actions against opposition groups were already harsh - indicative of the president's low tolerance for social and political groups opposing his administration - this is one of the aspects in which Ecuador's freedom and rights situation has clearly worsened, as association and assembly rights have increasingly become subject to interference or government restriction. Still, there are no outright prohibitions of independent political or civic groups, and demonstrations and protests can be held.

Association / assembly rights

6

In June 2013, the government issued a presidential decree (according to some jurists it should have been an organic law since it deals with a constitutional right) that sets strict control on the formation and activities of all civic groups that wish to be recognized as legal entities. The Unified Information System of Social Organizations and the National Register of Social Organizations were created to regulate civic groups, and the National Secretariat of Political Management, which reports directly to the president, controls them.

This ruling controls the formation, integration, modification and termination of civic organizations and non-governmental organizations (NGOs) operating in the country. Article 2 of the regulation states that organizations may "voluntarily participate in the various manifestations and forms of lawful organization"; the law grants the government discretion to determine what constitutes as lawful or unlawful participation. In addition, the regulation specifies that organizations are compelled to deliver to the competent regulatory body all the documentation and information required by the law, granting the government greater control over the activities of these groups and exposing all individuals associated with them.

Article 26 states that civic associations can be terminated if they distance themselves from the aims and objectives of their creation or repeatedly violate the provisions of authorities and regulatory bodies. The capacity to terminate the activities of social organizations does not correspond to an independent entity, but rather to secretariats and ministries that report directly to the president.

One of the most controversial provisions states that engaging in partisan political activities or interfering in public policies in such a way that threatens national security or affects public peace can lead to the dissolution of civic organizations. Apart from being rather ambiguous, the competent authority establishes this *ex officio*, that is, organizations are denied the right to self-defense. Thus, this decree reduces political action to partisan electoral action. It is a vision of democracy that restricts participation of all political and social actors in the political sphere. President Correa goes even further and challenges a political party's capacity to influence the public on the grounds that they have not won the elections. Finally, as an example of Correa's understanding of democratic politics, the government terminated an agreement that consigned a building to the National Indigenous Organization (CONAIE). The argument was that the meetings being held there were political and not organizational, and thus went beyond the scope of the CONAIE's authorized activities.

Freedom of expression is one of the rights that has been weakened the most in the past few years due to President Correa's openly combative relationship with the media. In 2013, the National Assembly of Ecuador passed the Communications Law, which regulates media operations and seeks to democratize the press. However, there is no doubt that it creates difficulties for the government's critics, as it sets up mechanisms of indirect control with high economic sanctions that threaten the solvency of any enterprise. Moreover, authorities have excessive discretion to allot fines, refusing to compromise when it comes to the private media, but changing their standards when the public media is involved. The Ecuadorian organization Fundamedios claims there is an arbitrary and discriminatory application of the law that has resulted in daily complaints and disproportionate sanctions.

The law created the Superintendence of Information and Communication (Supercom). The superintendent, Carlos Ochoa, is closely connected to the government, having been the former news director of the state's television channels. The president is involved in the superintendent's appointment as he nominates candidates to be considered by the Council of Citizen Participation and Social Control (where the government holds the majority). Regarding the profile of the members of the Council for the Regulation and Development of Communication, another regulatory body created by this law, Reporters Without Borders (RSF) echoes the criticism that its members are "too dependent on executive power." Finally, RSF points out that, under the new legislation, it is not clear whether or not the council can judge parallel to the country's ordinary justice system.

RSF notes that the legislation seeks to provide a new technical framework to regulate the press. However, it falls short when it attempts to influence journalistic practices. The law does not decriminalize the offenses of "defamation" and "libel," and there is the risk that certain clauses violate rights that it supposedly seeks to guarantee. For example, one article states that "everyone has the right to verify, contrast, and

Freedom of
expression

4

contextualize information of public relevance received through the media”; this could lend itself to manipulation, especially if the criteria used to judge the value of information depends on the government.

One of the legislation’s most controversial articles is related to “media lynching,” stating that “dissemination of information produced in a concerted manner and published repeatedly in order to discredit a natural or legal person or reduce its public credibility is prohibited.” RSF points out that this would interfere with the reporting of sensitive issues that are of public interest. At the same time, this helps the charge of “destabilization” that the government often raises against those who criticize it.

The Inter American Press Association (IAPA) called for the law to be repealed because it restricts freedom of expression. The IAPA’s call led to a furious reaction from Ecuador’s National Assembly, which issued a statement saying that it is an affront to the country’s sovereignty.

According to Fundamedios, 2014 saw “more direct attacks on the exercise of journalism and freedom in Ecuador”; 253 attacks were reported out of a total of 1,031 registered since 2008, among them cases of arbitrary judicial and administrative decisions, verbal aggression, abuse of state power and cases of Internet censorship. The figure represents an increase of 46% over 2013. Moreover, there have been reports about the closure of newspapers – Vanguard Magazine, El Hoy, La Hora, El Oro, and Guayaquil’s El Meridiano – disqualifications and stigmatizing speech from the highest spheres of power, and criminalization of social protest. President Correa’s harassment of journalists earned international coverage with the judgment against the cartoonist of the newspaper El Universo, Xavier “Bonil” Bonilla. The cartoonist was accused of lying in his work and not being able to demonstrate that the facts reflected in his cartoons occurred in the way he insinuated. The ruling by Supercom ordered rectification of the news “because the statement made in its content does not correspond to the facts.” Both the cartoonist and the newspaper were fined.

3 | Rule of Law

Correa’s populist style and his strategy to legitimize his power are incompatible with the liberal principle of the separation of powers. Rather, it invokes a Rousseauian ideology of democracy with an indivisible will, which the president embodies and represents.

While Ecuador maintains an official policy of the separation of powers, President Correa has developed a series of strategies to control the other branches of government outside of the executive. He maintains control by placing people in power from his political party or who are political allies. The president’s far reach has also become apparent in clashes with the National Assembly, in which his party

Separation of
powers
4

has a majority, when members make minor changes to a bill proposed by the president in order to come to a broader consensus.

When such situations occur, Correa often resorts to a series of maneuvers, such as media campaigns in which the assembly members or the National Assembly as a whole are portrayed as blocking and hindering the work of the president. In addition, he uses his right of veto to try to force the law to be revised on his terms. The most notorious case throughout this period concerned a group of PAIS legislators that proposed decriminalizing abortion under certain circumstances. The deputies were sanctioned for indiscipline and Correa even threatened to resign if they failed to reconsider their proposal.

President Correa has always been critical of the role of Congress and other branches of government, as his conception of government is that the legislative and judiciary branches are subject to the executive. The president's control of Parliament was increased thanks to the absolute majority won by his party in the 2013 elections.

In the 2008 constitution, an institution called the Council of Citizen Participation was established in order to guarantee independence in the nomination of supervisory authorities. However, the power of this council has been weakened, evidenced by the recent nomination of pro-ruling party candidates to serve in the regulatory bodies that control the media.

The administration of justice is chaired by the Judicial Council, composed of nine members that are renewed fractionally and are appointed by the Council of Citizen Participation and Social Control, which, despite being a formally independent body, is composed of people close to the government. New members were integrated most recently in 2013, proposed by the attorney general, public defender, National Assembly, the executive branch, and the National Court of Justice. Each of these institutions submits three candidates, from which one is chosen. It should be noted that all instances are controlled by Alianza País, thus curtailing the judiciary's independence. The maximum and final judicial instance is the National Court, composed of 21 judges serving nine-year terms. A third of the judges are renewed every three years. The next level consists of the Provincial Courts of Justice, whose authority come from the judiciary but whose appointment also depends on the Judicial Council.

Independent
judiciary
4

The government is making an effort to institutionalize the judiciary, but there has been political pressure against judges who have ruled against the state or other authorities. In the constitution, there are references to "procedural bad faith, malicious or vexatious litigation, generating procedural obstacles or delay" that are often used to purge judges. Furthermore, judges are prohibited from exercising leadership roles in political parties and movements, participating as candidates in elections for public office, or engaging in political or religious advocacy. Concerning

the courts of first and second instances, the government is implementing a program to mechanize the administration of justice in order to make it more efficient.

In addition to regular legal processes, one must take into account the role of the Constitutional Court, whose members are also appointed by the Council of Citizen Participation and Social Control. This body's integration has been criticized for being composed of pro-government members.

The reforms of the judiciary initiated in 2011 – deemed necessary due to chronic problems such as corruption and inefficiency – until now only served to strengthen the executive's capacity to influence it. The only independent report on this subject, written by the lawyer Luis Pásara with the support of the Foundation for Due Process (DPLF), analyzed 12 important cases and denounced the executive's interference in the judiciary. The main interferer was President Correa through his public statements while the judicial process unfolded. The report sees the Judicial Council (CJ) as an “executing arm” of the executive, evidenced by the administrative proceedings that lead to the dismissal of judges that rule against the state. The government tried to delegitimize the investigation through crude mechanisms, stigmatizing the investigator for his Peruvian nationality and noting that one of DPLF's contributors, the foundation that funded the study, was also a shareholder of oil giant Chevron (involved in an international legal dispute with the country).

Corruption allegations have decreased throughout the period under consideration. However, it is not clear if this is because corruption has decreased or because the media that used to disclose it now fears being persecuted by the government. Moreover, this decrease can also be explained by the opposition groups' inability to scrutinize Parliament and the lack of an independent judiciary. It is worth recalling the case of Deputy Clever Jiménez and his adviser, Fernando Villavicencio, who were accused of espionage while investigating corruption cases. Their homes were raided and Jiménez's parliamentary immunity was violated. At the moment, both individuals are in hiding to avoid going to prison for a previous conviction for statements they made concerning President Correa's erratic performance during the uprising of 30 September 2010.

From a legal point of view, offering or accepting bribes is illegal and punishable by a prison sentence of up to five years. However, the delivery of bribes or kickbacks in recruitment to the public sector is widely documented. Formal complaints are rarely lodged, as people fail to recognize this practice is a real problem.

The Comptroller is responsible for the supervision of public funds. There are frequent investigations and judicial proceedings as a result of mismanagement at the Comptroller's office, but it is generally only low-ranking officials who are sanctioned for misuse of funds, as they are unable to properly demonstrate how money was used.

Prosecution of
office abuse
4

In these cases, the amount of money being investigated is generally quite small, as the officials investigated lack the authority to move large amounts of money.

Some investigations on corruption are politically motivated, as government officials and candidates running for public office often make allegations of corruption, even if they have little evidence. There is generally little follow-up on corruption allegations. Such investigations often stall after being referred to the courts since the trials are lengthy and often inconclusive.

Civil rights in Ecuador are not properly respected and protected. Though the mechanisms and institutions to prosecute, punish and redress violations of civil rights are in place, they are not consistently effective, and they are occasionally undermined.

Civil rights
6

In Ecuador, there is no history of massive human rights violations such as those that have occurred in other countries in Latin America. Throughout the period under consideration, there have been a number of cases in which police have violated human rights and constitutional guarantees for political reasons. There is also a criminalization of social protest that consists of applying measures against individuals who do not protest peacefully against the government, leading to disproportionate criminal charges against protesters. This combines with the lack of independence in the judicial sector, as has been demonstrated in some cases of strong interference on part of the executive. Though on the one hand the government is eager to prosecute officials who commit abuses, on the other hand it allows for impunity in cases of public interest.

Apart from excessive force and isolated unlawful killings by security forces, further problems include prison overcrowding, arbitrary arrest and detention, and delays and denial of due process. Despite some recent increased legal protection – the inclusion of spousal rape into the new criminal code and the partial recognition of same-sex civil unions – in practice, violence and discrimination against women, children, ethnic minority groups, and the lesbian, gay, bisexual and transgender (LGBT) community persisted in the period under review.

4 | Stability of Democratic Institutions

While the country has formal democratic structures, they are not utilized to resolve political conflicts, nor do political actors respect them. The political situation in the country seems more and more like the old populist system in which the leader connects with the people (or “the fatherland,” as Correa says in his speeches) and receives the constant support of the “fatherland” through ongoing elections. It is a system in which power is concentrated with the president, and where institutions of liberal democracy and the rule of law are seen as barriers for achieving national goals. Although most of the actors pursue their interests through formal institutions, it is

Performance of
democratic
institutions
4

common to also use informal avenues to exercise influence. The independence and effectiveness of democratic institutions is undermined by Correa's aims to play the role of the populist president. He has created a form of government in which society is polarized in a Manichean fashion. In essence, he has used democratic institutions to access the power and once there, he either delegitimizes the institutions or reforms any aspects of them that limit his power. This situation is being worsened by a number of measures that were taken to allow the president's indefinite re-election, which by itself focalizes the functioning of the political system on a single leader.

Ecuador has a long-standing tradition of elections at the local and provincial level (practically since the beginning of the republic). One must take into account that there are many differences between municipalities due to the size of cities. Cities like Quito, Guayaquil, and Cuenca have mayors who are important actors within national politics, and their municipalities are important institutions in the making of public policies. On the other hand, there are small cantons with few resources or weak institutionalization.

In Ecuador there is a low level of commitment to democracy understood in a broad sense, not only as an electoral process that allows governments to develop public policies as representatives of the public interest. There is no data on the position of political actors, but one can extrapolate from past experience. It should be noted that none of the parties represented in Parliament opposed the coup against Bucaram, Mahuad and Gutiérrez. The military and other social organizations like the indigenous movement also played an important role in these processes.

Funding for Ecuador's democratic institutions is very weak. Democracy as a system has not been solidified in the country and has been experiencing a strong crisis since the mid-1990s. The situation was exacerbated by the economic crisis. This has created an enabling environment for the political transformation led by Correa, as laid out in "performance of democratic institutions."

It is important to remember that the president and the majority of the members of the government are openly critical of liberal democracy and the market economy, and are in favor of testing out different political structures, most notably what they call "new models of democracy," though it is not very clear what exactly that is. Most of the literature labels Correa's administration as populist, a term that automatically implies weak democratic institutions.

Commitment to
democratic
institutions
5

5 | Political and Social Integration

The transformations that have taken place in the party system are the best reflection of changes that have been occurring in the country since Rafael Correa took power. The system of political representation that worked, with some variability, since the transition, has virtually disappeared since the 2006 elections, and a new party system has not yet consolidated. With the parliamentary elections in February 2013, the new electoral system maximized the supremacy of the ruling party, PAIS. The new system for registering political parties marks a new phase in the operation of the system of Ecuadorian politics. With 12 political organizations having obtained the right to present candidates in all kinds of elections, it was expected that the parties would stabilize and give way to a system of political parties that solidifies the supremacy of the ruling PAIS. With 52% of the electorate's support, PAIS won 100 out of 137 seats in parliament, or a near three-quarters majority (73%). The remaining 27% of seats were distributed among seven of the remaining 11 parties, with 3 seats won by independent or regional candidates. The effective number of parties (according to the Laakso-Taagepera index) declined to a mere 1.8 ENP, down from 5.8 ENP in 2006.

Today, Ecuador's only large and structured political party is Correa's Alianza País, with a strong presence throughout the country. Meanwhile, other small initiatives or previously existing parties like the MPD, ID, PRE, PRIAN or UNO, which had parliamentary representation, have lost their legal registration due to their inability to gather the signatures of 1.5% of registered voters. At this time, there are 10 parties legally registered at the national level, of which only Sociedad Patriótica 21 de Enero, Partido Social Cristiano, Pachakutik and Partido Socialista Ecuatoriano Nacional predate Correa's rise to power. Despite maintaining their status, their parliamentary presence is minimal. Other legally recognized political parties, like Avanza and Unión Ecuatoriana, are very close to the government and their leaders are current or former government officials. The political opposition is highly fragmented and lacks a strong identity and social ties. Its biggest mobilization factor is opposition to the Correa administration. Members of this group are CREO, Movimiento Concertación, and SUMA. The left-right axis has been blurred by Alianza País's hegemony and cross-cutting character.

Ecuador has a moderate spectrum of interest groups (and about 46,000 social and civil organizations), though their overall strength to mediate between society and the political system has significantly diminished over the years, as the government is somewhat hostile towards independent groups, and more inclined to polarization. Business and labor organizations are either extremely weak or controlled by the government. In addition, civic groups are regulated by norms that practically prohibit any form of political participation if the organization involved is not a political party or movement. The government persistently harasses indigenous organizations such as the CONAIE, weakening them and reducing their political prominence.

Party system
4

Interest groups
4

According to Latinobarómetro 2013, Ecuador's approval of democracy increased from 52% to 62% between 1996 and 2013, now clearly above the average for the entire period (49%). They attribute the growth of democracy's approval to the transformation originated by President Correa's election. Correa was elected for the first time in October 2006 and the approval of democracy increased from 45% in 2005 to 54% in 2006, a direct positive impact. There are two possible explanations to this apparent contradiction. On the one hand, it could be that citizens confound their view of the operations of the political regime with the performance of the government. On the other hand, this viewpoint could be a result of propaganda from the government, as Correa portrays his administration as one that is transforming the country into a true democracy, and he portrays previous regimes as non-democracies. Assessing "citizens' approval of democratic norms and procedures" in a country such as Ecuador is complex because the data shows two contradictory trends. On the one hand, the citizens show modest support for democratic institutions and the regime as a whole (see "commitment to democratic institutions" and "party system"). On the other hand, they show a great amount of satisfaction regarding issues related to the way in which democracy currently functions in the country. Finally, it is important to note that the populist character of the Correa administration does not facilitate the creation of the social capital that, according to this indicator's definition, is essential for building a democracy.

Approval of
democracy
5

The lack of current data prevents us from measuring the evolution of social capital in Ecuador during the period under consideration. Nonetheless, nothing suggests that the trend observed in the Latinobarómetro survey of 2011 has changed. The study asked the following question to measure interpersonal trust: "Generally speaking, would you say that you can trust most people, or that one can never be too careful when dealing with others?" 24% of the respondents in Ecuador said "you can trust most people," which is just slightly above the regional average of 22%. It is well known, though, that for interpersonal trust to transfer into social capital, you need an enabling environment in which organizations and associations are inclusive and not influenced by corporate interests. In Ecuador, such social cohesion is challenged by the prevailing influence of traditional structures, which are founded in principles of exclusion and differentiation between groups. Add to this the climate of social and political polarization, typical of populist systems that, instead of increasing interpersonal trust and tolerance, generate exactly the opposite. Finally, one must also add society's inability to generate autonomous organizations of a different type, either due to the lack of associative tradition or because of the hegemony exercised by the state.

Social capital
4

II. Economic Transformation

6 | Level of Socioeconomic Development

Question
Score

Socioeconomic
barriers
5

Though Ecuador is doing well on several indicators of human development, poverty is widespread and inequality significant. Both are, to some extent, structurally maintained. The country ranked 98th in the 2014 Human Development Index (at 0.711, just above the threshold for “high human development”). When adjusted for inequality levels, Ecuador’s HDI value is 0.549, which involves a loss of three ranks. The country has a high coefficient of inequality (22.4), though it is not one of the highest in Latin America (e.g., Guatemala with 32.0 and Haiti with 38.9). Poverty levels have declined, according to data from the National Institute of Statistics and Censuses. In 2007, 36.7% of Ecuadorians were living in poverty (i.e., less than \$80 per month), compared to 24.7% in September 2014. During the same period, extreme poverty (less than \$45 per month) went down from 16.5% to 8.6%.

Poverty is concentrated in rural areas and affects women and the indigenous population with greater intensity. The UNDP’s Gender Inequality Index (0.429) shows that the situation of women is quite uneven if compared with countries with the same socioeconomic features. Looking at the Gini coefficient provided by the National Institute of Statistics and Censuses (INEC) as an indicator, we see that the levels of inequality among Ecuadorians have decreased from 0.551 in December 2007 to 0.485 in September 2014. Poverty in urban areas has declined substantially over the past years. However, poverty levels in rural areas remain high despite the reduction in some regions. In September 2014, the figures for poverty and extreme poverty in rural areas almost doubled the national figures, with 43.58% considered poor and 17.85% extremely poor. The literacy rate in 2013 was 93.3%. It was somewhat better for men, at 94.4%, than for women, of whom 92.2% were literate.

Economic indicators		2005	2010	2013	2014
GDP	\$ M	41507.1	69555.4	94472.7	100543.2
GDP growth	%	5.3	3.5	4.6	3.8
Inflation (CPI)	%	2.4	3.6	2.7	3.6
Unemployment	%	6.6	5.0	4.2	-

Economic indicators		2005	2010	2013	2014
Foreign direct investment	% of GDP	1.2	0.2	0.8	-
Export growth	%	8.6	-0.2	2.4	6.2
Import growth	%	14.4	14.8	7.0	5.5
Current account balance	\$ M	473.9	-1606.7	-1290.5	-
Public debt	% of GDP	35.0	19.7	26.0	31.3
External debt	\$ M	17408.3	14962.6	20279.8	-
Total debt service	\$ M	4202.1	1785.1	3127.1	-
Cash surplus or deficit	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	10.7	13.2	14.1	14.3
Public expnd. on education	% of GDP	-	4.1	-	-
Public expnd. on health	% of GDP	1.3	2.4	3.9	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	2.3	3.0	2.8	2.7

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | International Monetary Fund (IMF), World Economic Outlook, October 2015 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2015.

7 | Organization of the Market and Competition

The government has a political and economic project that openly criticizes the market economy and promotes a model it calls “21st century socialism” that, without excluding the private sector, promotes the active intervention of a strong state in society and the economy and clearly favors the creation and strengthening of public companies. The considerable state intervention in sectors the government regards as strategically important is clearly a case of discrimination based on ownership. Market competition operates under a weak institutional framework, with uneven rules for market participants. The informal sector has a strong presence, as does the “bazaar economy.” The government has created a normative framework to protect these practices. The informal economy is protected by the constitution as a mechanism for guaranteeing the right to work.

In 2000, following a severe financial crisis, Ecuador adopted the U.S. dollar as its official currency. Price controls and benchmark prices are repeatedly used to intervene in the markets, especially for food items. There is freedom to launch and

Market-based
competition
4

withdraw investments at least in the sectors open to private investment. Foreign investors are not discriminated against and may remit 100% of net profits and capital; profits have been subject to a 5% tax since 2011. However, the government has also deterred foreign investment with the repudiation of guarantees, frequent changes to taxes and hostility to banks. Foreign investment in “strategic” sectors such as media is restricted. Although foreign direct investment in Ecuador grew by 63.5% in 2013 relative to 2012 (from \$335.8 to \$549.3 million), it remains quite low, even less than that received by other countries with a smaller GDP such as Nicaragua or Honduras. A major problem for the economy is the large share of informal employment. According to ILO, 47.7% of Latin American and Caribbean workers were informal in 2013. Thus, Ecuador’s figure of 52.2% is clearly above the regional average. However, it should be noted that the government has introduced reforms to regularize the labor market by encouraging membership in social security systems and controlling rural and domestic work.

Until 2011, Ecuador did not have anti-monopoly legislation of its own but applied regulation of the Andean Community. In October 2011, the new anti-monopoly law entitled the “Organic Law for Regulation and Control of Market Power” entered into force. According to the Antitrust Review of the Americas 2013, the law created a new entity, the Superintendence for the Control of Market Power (Superintendencia de Control del Poder de Mercado) to investigate and decide antitrust matters and violations concerning the abuse of market power, restrictive practices or cartelization, unfair competition, and economic concentration. Industry groups have criticized the law’s terminology in defining market power abuses as overly vague. The government has been very active promoting laws that encourage the diversification of mass media ownership and has also prohibited banks from owning companies which are engaged in other activities such as the financial management of foreign exchange, the stock market or investment values, leasing, etc.

Rafael Correa’s government is in favor of state intervention in the economy by favoring the creation and strengthening of public companies, which generally enjoy monopolies. Due to the reduced size of the market and the concentration of business, Ecuador has tended toward oligopoly with respect to certain basic consumer products (flour, sugar, cement, etc.). In these cases, the state makes use of price controls to regulate the lack of competition. In order to increase supply in sectors subject to private oligopoly, the government has intervened by means of greater regulation or the direct intervention of the state as an additional agent producing or marketing products. The government has developed an active policy of concentrating economic activities under the control of the state.

Anti-monopoly
policy
5

This is one of the areas in which Ecuador's development process has progressed. During the period under consideration, Ecuador negotiated and signed a trade agreement with the European Union. The agreement came into force in January 2015 and grants tariff exemptions to Ecuadorian products entering the European market, with a focus on agricultural products and their derivatives. However, these opening measures are countered by new import restrictions executed by the government to compensate for the drop in oil prices and the effect this has on the country's income. It is important to recall that Ecuador is a country that normally has a negative trade balance.

Liberalization of
foreign trade

7

The government's commercial strategy has been focused on finding new markets, decreasing emphasis on the traditional markets for Ecuadorian products and reinforcing so-called South-South relations. However, the government attempted to change its strategy after finding that alternative markets were not sufficient for trade. It is important to note that the main export product of Ecuador is oil and its trade is strongly influenced by political factors.

The government has adopted protectionist policies by increasing tariffs on a number of imports. The government justifies this measure by the necessity to limit the rise in purchases abroad, which increased with the adoption of the U.S. dollar in 2000, and the increasing amount of money in the economy resulting from rising fiscal revenues being transferred to the economy by wages and subsidies. There is a wide range of restrictions, regulations, administrative inefficiencies and lack of transparency, which hamper free trade. One must add to this a 5% tax to capital outflows. The simple average of import duties is 21.7% (final bound) and 11.9% (applied in 2014), respectively (WTO Data 2014).

The biggest beneficiaries are big investors in public projects, such as large Chinese companies. This type of initiative contradicts other actions of government and a discourse that constantly questions the benefits of foreign investment. For example, the president proposed canceling foreign investment protection treaties that are settled in international mediation courts, pointing to the fact that the constitution designates that all legal disputes should be dealt with in the Ecuadorian courts. This, however, certainly does not offer any guarantees to investors, particularly given the lack of independence of the judiciary and the fact that the president himself meddles in the decisions of the courts. Another barrier to trade is ongoing corruption. In spite of the efforts made by the government to improve the customs system by establishing more flexible procedures for exports and imports, businesses argue that corruption in customs operations continues to hamper trade.

Ecuador has been a member of WTO since 21 January 1996.

The banking system and capital markets are differentiated, with some two dozen national and international private banks, a handful of public banks and several regional cooperatives oriented to savings and credit. Though not explicitly following Basel standards, the system supervised by the Superintendence of Banks (SBS) has adopted measures that equal international standards, and the system is considered more or less solid.

The Correa government defined as one of its priorities the tighter regulation of the financial system, leading to the adoption of the 2008 Law for the Creation of a Financial Safety Net, which, among other areas, established a bailout fund to be financed by the banks themselves, reformed the deposit insurance system, and regulated interest rates and the charging of commissions. Further regulations have contributed to an ongoing reorganization of the banking sector. In order to provide for a decartelization of the economy, the anti-monopoly law prohibited combining multiple banks or different types of financial institutions and restricted corporate ownership across banking and other financial interests. Banks are also required to maintain at least 45% of their liquid reserves in Ecuador, in addition to maintaining as liquid reserves at least 1% of their deposits in securities issued by the non-financial public sector. Having adopted the dollar as its national currency, Ecuador was hit considerably hard by the global recession following the financial crisis. According to the Superintendence of Banks, the delinquency rate was relatively low at the end of 2014, with 4.22% throughout the system. A good indicator of the confidence in the country's financial system is the 12.9% increase in deposits between June 2013 and June 2014.

In the last two years, two small banks (Territorial, in March 2013, and Sudamericano, in August 2014) and some credit unions have been closed without panic or threats of systemic crises. In the case of the two banks, their closures were due to decisions of the regulatory authorities. In the case of the credit unions, their closure was a result of bad financial practices or, in some cases, illegal ones. Since the closures affected small, local financial institutions, systemic threats have been limited, allowing the SBS to improve its control of the financial system.

8 | Currency and Price Stability

The Ecuadorian economy has been dollarized, which means the government does not have much room to maneuver or intervene with monetary policy. Inflation was 2.7% in 2013 and 3.67% in 2014. President Correa does not believe in independence for central banks, as it would limit the government's ability to set public policy. The 2008 constitution took away the full autonomy of the central bank, so that the government was able to reclaim national reserves that central bankers had stashed in overseas banks. The country could be at risk for high inflation due to the government's high public spending, but the risk is mitigated by the lack of monetary autonomy caused by dollarization.

Banking system

6

Anti-inflation /
forex policy

7

Ecuador has always had trouble balancing exports and imports. In 2014, the country finally managed to have a positive trade balance of \$470 million. The government has made a series of actions to balance it. Some imports have been restricted because the consumption of imported products shot up following the increase in public investment and wages.

The most serious threat to Ecuador's macroeconomic stability is the drop in oil prices, one of the government's main sources of revenue. In early 2013, the administration was already forced to cut \$839.9 million in capital expenditures and \$580 million in current expenditures (wages, goods and services). The \$36.3 billion budget was calculated assuming a price of \$79.70 per barrel of oil. But sales made in early January 2015 closed at \$39 per barrel, an abrupt decline that will probably lead to further cuts. According to the IMF, Ecuador had a fiscal deficit of nearly \$5 billion (4% of GDP) in 2013. The country's public debt stands at 24.4% of GDP, and government consumption constitutes 13.8% of GDP. Although the level of international reserves has improved (\$3.3 billion), they still remain low considering that Ecuador's GDP in 2013 was \$90 billion.

Mechanisms to capture resources have improved through channels such as the optimization of the tax-collecting system. Correa and his team have critical positions on the country's external debt; nevertheless, they have managed to negotiate favorable agreements for the country. The dollarization of the country has created an anchor that has prevented implementation of many policies that would affect the macroeconomic balance.

9 | Private Property

The 2008 constitution guarantees a series of forms of property (private, state, mixed, public, community and cooperative) with an emphasis on the social function that each should carry out. Although there has been a certain climate of respect for property rights on the part of the state and the majority of citizens, private property has been questioned under the new political environment. The government's attitude has contributed to this as it constantly uses the threat of embargo or nationalization as a way to put pressure on private firms. The most recent case in which property rights were violated was connected to the BIESS Act (Bank of the Ecuadorian Social Security Institute). This act attempted to put all pension funds of existing public employees under the control of the government's social security system. The conflict arises because the contributions to these funds were made voluntarily as a savings mechanism, and they are thus completely unrelated to the government's mandatory pension system. The argument used by the president to promote this confiscatory measure was that the state had also contributed to these funds. When it was proved that there were no public contributions in most of the funds, and that this measure would constitute an act of confiscation similar to the deposit freezes during the

Macrostability
6

Property rights
5

financial crisis of the late 1990s, the president stated that the decision should only affect contributions that are not the result of private savings.

Ecuador is currently ranked 59th of 97 countries in the 2014 International Index of Property Rights. Of all the aspects analyzed by this index, it points out political and legal factors as the most serious threats to private property.

However, property rights not only suffer from the political climate, but also from weak rule of law. Court delays are significant, judgments are unpredictable and inconsistent, and the judicial system is severely affected by corruption. There have been numerous cases in which the judicial system has not adequately protected property owners' rights. Deficiencies also exist with regard to intellectual property.

The right to engage in business is formally guaranteed, and the private sector is still the backbone of most economic activities in Ecuador. However, during Correa's terms in government, juridical uncertainty and a lack of economic clarity has worried businessmen, due to certain attitudes and interventionist policies on the part of the government. The problem is that official standards and the rule of law as a parameter have been replaced by what the government considers just or in the "national interest." While still relatively open to foreign investment in most sectors, new laws and regulations would limit to some extent private sector participation in so-called strategic sectors, most notably extractive industries. There have been no privatizations under the Correa government. Instead, state-owned enterprises have become increasingly important since the 2009 Law of Public Enterprises (Ley de Empresas Públicas), above all in strategic sectors such as resource extraction, telecommunications and transportation.

Ecuador is ranked 159th in the Index of Economic Freedom 2014, 26th out of 29 countries in Latin America/Caribbean, with a score of 48.0, which is far below the world and regional averages, albeit with some improvements concerning investment freedom, trade freedom, and labor freedom. According to World Bank data, starting a business in Ecuador is not easy; it takes 56 days and 13 procedures to do so. The impact of these barriers is reflected in other areas such as the limited foreign direct investment received by the country.

Private enterprise
5

10 | Welfare Regime

The Ecuadorian Institute of Social Security (IESS) mainly offers health services, pensions and loans. It has had financial problems, although these have improved since dollarization, which has prevented its resources from losing value for monetary reasons; nevertheless, it continues to have problems caused by the institute's debts to the private sector and the government's use of the IESS resources to finance its projects. Its coverage of health services is rather centralized in large urban centers and has improved in recent years thanks to investment. The IESS primarily covers workers within the formal sector of the economy. There is also a Peasant Social Security system that deals with rural workers under a different regime. The police and armed forces have their own social security systems. With the new constitution, social security coverage has been widened to the whole population, but the necessary mechanisms, infrastructure and resources that would turn this right into a reality have not yet been put in place. In terms of attention for more vulnerable sectors (the poor, the disabled, the elderly and single mothers), apart from a public health system that has serious limitations, there are indirect subsidies for products such as fuel or electricity and direct subsidies such as the so-called Human Development Bond, which consists of a monthly payment of \$50 per family. The government has set up a system of care for the disabled, a sector that was not previously accounted for.

Social safety nets

5

One of the initiatives created and maintained by the Correa administration is a program for people with physical disabilities. The program, which provides specialized care and orthopedic equipment to beneficiaries, is carried out through the Manuela Espejo and Joaquín Gallegos Lara Mission. Health expenditures as a proportion of GDP in 2012 was 2.9% (low in regional comparison). Life expectancy at birth rose from 75.9 years in 2011 to 76.2 years in 2012.

Equality of opportunity is somewhat compromised in Ecuador. The government has been successful when it comes to the reduction of poverty (see "socioeconomic barriers"). However, in rural areas with a greater concentration of indigenous people, poverty almost doubles the national average (43.58% in rural areas are considered poor and 17.85% extremely poor). The Ecuadorian government has increased investment in sectors such as education and health, with the aim of improving opportunities in the mid to long term. One of the main restrictions on equality of opportunity in Ecuador is the structure of exclusion that has grown up throughout its history and expresses itself in ethno-social patterns.

Equal opportunity

6

The 2008 constitution introduced a gender parity (50-50, including alternation) for lists of candidates to the national parliament. According to data compiled by the Inter-Parliamentary Union, of 137 seats, 57 (41.6%) are occupied by women in Ecuador's parliament. Illiteracy is about 2 percentage points higher among women. There are no significant differences between male and female enrollment in primary and

secondary education; in tertiary education, however, the ratio is 130.9 in favor of women.

In the case of indigenous people, despite many legislative provisions in their favor, the situation still is unsatisfactory: There is a sizeable gap between the average education level of indigenous and non-indigenous people. Being indigenous in Ecuador increases the chance of being poor.

11 | Economic Performance

According to CEPAL data, GDP growth reached a peak in 2011 (7.8%), but has slowed somewhat since then with 5.1% in 2012, 4.6% in 2013 and 4.0% in 2014. This is largely due to a slower world economy, mainly in the field of primary goods (on which Ecuador is highly dependent). Oil accounts for around 50% of total exports. One of the biggest problems facing the country at the macro level is the mostly negative current account balance (-0.3% of GDP in 2011, 0.2% in 2012 and -1.3% in 2013). According to the IMF, the fiscal deficit amounted to nearly \$5 billion (4% of GDP) in 2013. However, a great deal of the expenses corresponds to gross capital formation (and not to current public spending). The government has tried to implement a series of measures for limiting imports – mainly from neighboring countries with lower costs – but these have not proven to be effective. One serious challenge to imports limitation is the lack of a domestic monetary policy due to the dollarization of the economy. According to CEPAL data, unemployment increased slightly, from 4.7% in 2013 to 5.3% in 2014. However, underemployment and scarcity of work remain problems in the Ecuadorian labor structure, despite the efforts by the government for an improvement in formal contracts and social security inscriptions. According to the National Institute of Statistics and Census of Ecuador, annual inflation in December 2014 was 3.7%, down from 4.2% in 2012. This positive figure is due in part to the use of the U.S. dollar as currency. Another problem of the Ecuadorian economy is the low level of FDI. Though CEPAL data show an increase from about \$585 million in 2012 to \$730 million in 2013, this is still a low level given the size of the economy.

Output strength
7

12 | Sustainability

The environmental policy of Correa's government is contradictory. On the one hand, the government defines itself as "bio-socialist," which is meant to connote a political model that combines environmental protection with socialism. However, the government has projects in environmentally degrading sectors such as open pit mining and oil extraction. Oil is even being extracted from environmentally sensitive areas. Such environmental issues have become very controversial in Ecuador as of late.

Environmental
policy
5

One example of the contradictions and inconsistencies of environmental policy can be seen in the handling of the Yasuní National Park, which is notable for its rich biodiversity and its underlying oilfield (80% or 200,000 hectares of the oil field lie inside the park). The government has decided to exploit this oil, sabotaging all environmental initiatives that call for a referendum on the issue and refusing to assess alternatives to acquire the economic resources the government it says it needs.

Of all the countries in the world, Ecuador has one of the highest proportions of natural protected areas, with about 19% of the territory under some form of protection, including land and maritime areas. However, it is very difficult to provide adequate protection to these areas. According to the Environmental Performance Index of 2014, Ecuador ranks 52nd of 178 countries studied. Ecuador ranks second among Latin American countries, with Chile being the first.

The government is very eager to reform the education system and has substantially increased expenditure on education, with programs such as distributing scholarships, freetext books to primary school pupils, free education and a system of high-tech “millennium schools,” which have been built in rural areas. At the same time, the drive to incentivize continuous training of primary and secondary school teachers led to a change in the hiring system, generating conflict due its malfunctions.

There is a network of institutional support for research coordinated by the Ministry of Knowledge and by the National Secretariat of Higher Education, Science, Technology and Innovation (SENESCYT). The government is developing an ambitious scholarship program so that Ecuadorian students can earn graduate degrees at prestigious universities. Higher education is a priority of Correa’s administration because it believes this is crucial for the change in the country’s economic and social model. For this reason, it has invested heavily in research institutions that simultaneously function as education centers, exemplified by the construction of the City of Knowledge, Yachay. In addition, the government has launched programs to recruit university professors from other countries and has offered them good terms of employment.

According to the World Bank, public expenditure on education in 2012 was 4.4% of GDP. The enrolment rate for primary education is 113.6%, for secondary it is 86.8%, and for tertiary education, 38.9%. The literacy ratio is 93.3% (94.4% men; 92.2% women).

Education policy /
R&D
5

Transformation Management

I. Level of Difficulty

Despite being a country with major inequality, the difficulties for developing the country are not entirely structural given that the country is placed in the upper part of the Human Development Index (0.711), improving over time. These data suggest that structural conditions in the country are not an impediment to the promotion of development processes.

Structural
constraints
6

Despite a notable reduction in previous years, poverty and inequality are very sticky phenomena due to mechanisms of reproduction that often lie beyond immediate government influence. While there are serious deficiencies in education and infrastructure, the government is making major efforts to improve those sectors. Also, Ecuador seems to be escaping the mineral curse; it is a country with natural resources that is free of major epidemics and pandemics, natural disasters and civil wars.

There is a strong culture of organization in Ecuador but practices are rather particularistic and do not contribute significantly to the formation of interpersonal trust and/or trust in institutions, or indeed to the accumulation of democratic social capital. Rather, this culture responds to the logic of indigenous social organizations, which are focused on their own communities. The state's historic weakness and incapacity has generated incentives for self-government in the solution of public problems. The Catholic Church has also acted as a promoter of trade unions and local, peasant and indigenous organizations. To these elements, and others that are less relevant, we could add the indirect effect of political parties' weakness and their resulting incapacity to represent social demands.

Civil society
traditions
6

President Correa has dedicated himself to polarizing society throughout his term of office. The dividing line is between those who criticize him and those who support him. He has also heightened the ethnic and social divisions that have always been present in Ecuadorian society. Ecuadorian society today is afflicted by a dangerous black-and-white, binary logic centered on President Correa.

Conflict intensity
4

One of Ecuador's latent conflicts throughout the country's history is the ethnic conflict between the indigenous groups and white/mestizo society. The division has its origins in the colonial era, and is manifested in the entire structure of social, economic and political exclusion.

The huge inequalities and ethnic heterogeneity of the country constitute potentially dangerous cleavage-lines. With a Gini-coefficient of 0.485 in September 2014, the inequality of income distribution is still very high. Some of this potential for conflict is mobilized from time to time by actors such as CONAIE. However, these mobilizations are sporadic while social groups normally coexist without major frictions due to the traditional segmentation of society.

II. Management Performance

14 | Steering Capability

Question
Score

Ecuador's political scene has not changed much in the past two years because Rafael Correa's electoral triumph in 2013 only deepened the trends observed previously. Correa's government has maintained its priorities and lines of action, unlike previous governments which could not rely on a clear plan of government. However, its objectives do not always strengthen democracy and the market economy, or even counter them. Due to President Correa's consolidation of power, there often seems to be competing proposals within the government. These proposals concern, for example, the case of environmental issues that are clearly at odds with the president's economic model, which is focused on the extraction of minerals and petroleum. The position of the government is increasingly monolithic due to fact that those with dissenting voices are increasingly leaving government. The effect is the president is now surrounded by a group of staunch, hard-line supporters that adhere to his positions on an unconditional basis.

Prioritization
5

The concentration of power in the hands of Rafael Correa is so great that it is not possible to foresee the rise of a group, either within his party or from the opposition parties that would oblige the president to change his objectives. In general terms, the priority of the government is to strengthen the state as the central actor in all political, economic and social processes. Most notably, the government has prioritized political change focused on the "socialism of good living" and programs designed to change the production matrix.

The Ecuadorian model follows the policy of economic development which prevailed in post-WWII Ecuador and, as such, has a planning body called the National Planning Secretariat (SENPLADES). According to the official information, SENPLADES is arm of the national government responsible for articulating public policies related to management and public investment.

The Plan Nacional del Buen Vivir 2013 - 2017 comprises 12 national strategies and 12 national goals, which are designed to facilitate change and promote the "good life"

for all Ecuadorian citizens. The plan was prepared by SENPLADES as the Technical Secretary of the System of National Decentralized Participatory Planning, presented by President Rafael Correa, and approved by the National Planning Council. These efforts to design a comprehensive development plan have collided in several cases with authoritarian volunteerism of the president, however, and various actions and strategies have been modified or adapted because they did not seem suitable to the president. It should not be forgotten that the president is an economist by training and is constantly attempting to demonstrate his expertise in the field, though he is not always successful.

Ecuador's government has been quite effective in articulating and implementing its political and economic reform, although certain projects have failed. Such failure has come about due to either a rush to put them in place or due to resistance from certain sectors of the administration. During the review period, the number of changes to the structure and to the members of the Cabinet have decreased, which in principle increases the capacity of the government to implement public policies. Furthermore, it is one of the few times throughout the democratic period that there has been a group of people trying to put a clear political project into practice. However, it is important to remember that this reform project does not defend either the market economy or liberal democracy.

The government has also made a series of efforts to improve the functioning of the country's public administration. Measures include efforts to improve human resources and provide organizations with the necessary material resources for their best performance. This has been made possible by the increase in fiscal resources. Whether or not these measures have been effective in improving government administrations is unclear, however, and a medium and long-term assessment should be carried out.

While the quality of the government's policies might be controversial, the state's capacity to implement its policies has increased substantially. The increased effectiveness can be credited to the concentration of power in the executive and the growing reach of the central government, which has worked to increase the capacity of all entities responsible for carrying out public policies. Another manifestation of the trend toward authoritarianism has been the constant surveillance and monitoring of officials and ministers to ensure they are doing their jobs.

One of the greatest achievements of the government is the improvement of the road and energy infrastructure in the country, an area in which improvements were sorely needed. In general, the government has been very effective in the construction of infrastructure of all kinds –health, education and the funding for public administration. Good examples of changes in public policies are the free-trade agreement signed with the European Union and oil extraction in Yasuní, both explained in other sections of this report.

The government demonstrates little willingness or ability in policy learning. To better enable the government to effectively manage the implementation and operation of public policies, Correa's administration has set in motion a series of measures to restructure its public administration, planning processes and management systems. However, the measures have not resulted in positive results because such mechanisms are only effective in the context of strong institutionalization. In theory, the National Secretariat of Planning should take measure to fix the mistakes, but the effectiveness of the institution is limited because public policy decisions are highly influenced by the decision and will of the central government.

Policy learning
4

As mentioned above, the procedures are not always respected, namely in cases where a person with political influence considers it necessary to bend the rule for so-called national interests.

Despite the creation of mechanisms to encourage good practices in the negotiation of contracts and open auctions, corrupt practices persist.

The main difficulty in the decision-making process and the implementation of public policies comes down to the fact that in the end, all decisions depend on the will of the president. It is customary for the president to use his public appearances to put pressure on officials who are implementing various policies, and he is generally reluctant to listen to different viewpoints or to alter his objectives and procedures. Correa's government, as mentioned earlier, is very inflexible when it comes to criticisms and complaints by the opposition, media and other actors. As an example, we can mention the constant changes of cabinet members that have been made throughout the Correa government. Another example is the unwillingness to include the position of the National Assembly in public policy. The president has a negative view of the legislative and believes it tends to delay decision-making.

15 | Resource Efficiency

One of the problems with the use of human, financial and organizational resources is the concentration of functions in the president's person; so much so that there have been various occasions on which he has publicly rejected reports drawn up by experts in the ministries because he did not agree with the conclusions or recommendations therein. Time has shown that many of these conclusions and recommendations were, in fact, correct and appropriate.

Efficient use of
assets
5

At the same time, a great effort has been made to develop infrastructure, which for the moment is being underutilized, but constitutes an improvement in the way the government functions administratively.

Despite the government's reform efforts, there are sectors of the administration with very under-qualified personnel, which causes communication and comprehension

problems with the technical and executive sectors; as a result, public policies are not implemented efficiently.

In contrast to previous governments, the current administration has a system of planning and coordination and a development plan: The National Plan for Good Living 2013 - 2017.

The use of public resources has strengths and weaknesses, as the government has made large investments in infrastructure, for example, while funding is needed for pensions and other social expenses.

With view on the budget the development in recent years is clearly negative - currently the country runs up its biggest-ever budget deficit. As for administrative efficiency, Ecuador launched a big process of decentralization of competences from governmental to sub-national governmental level, with the aim of assuring the population equal access to services and public goods and promoting a balanced territorial planning. Decentralization, however, seems to be hardly compatible with the strong tendency toward personalization and centralization of power in the hands of the president. It is too early to assess this process at the moment. The Comptroller General is responsible for public accounting, but his responsibility is only accounting and he does not get involved in deciding the quality of spending or investment effectiveness.

In order to facilitate coordination within the executive branch, the government has launched a series of systems, such as regular meetings between the members of the executive. Likewise, the government has adopted a mechanism for coordination between different ministries and secretariats with the appointment of coordinating ministers. But, as already mentioned, President Correa's role in the decision-making process can and does supersede the state's coordination mechanisms, undermining their legitimacy.

The budget deficit is a clear indicator for the growing financing needs of the government. To meet these needs the expansion of oil extraction plays an important role, putting into question the commitment to environmental concerns. The contradictory policy pursued in the Yasuní case shows that economic and environmental goals are not sufficiently balanced.

The same can be said with regard to external financing. While on the one hand external financing is required, the declared "revolutionary" process (and the concomitant weakening of the institutional framework) is hurting the investment climate. Accordingly, the country's rating is way below investment grade.

Policy
coordination
6

In Ecuador, there are a number independent bodies charged with supervision, such as the Comptroller or the Attorney General. However, the opposition and members of the public have questioned the work of these bodies, alleging they have carried out weak investigations and have failed to take an in-depth look at the facts in many cases. The impartiality of the Attorney General, who was faced with looking into government mismanagement, was always under suspicion because before arriving at the Attorney General's office in July 2011, he was an official in Rafael Correa's government, having served as both a minister and an ambassador.

Anti-corruption
policy
4

There is a National Secretariat of Management Transparency whose mission is to ensure the implementation of the policy of transparency to combat corruption in the public sector and in government institutions; but with the Cabinet's restructuring after the elections of 2013, the Secretariat lost institutional category, power, resources and public visibility. Citizen complaint hotlines have been opened (1800 SOY HONESTO), evidencing the mechanisms of open government and access to information that this administration has attempted to create. However, it would be advisable to increase transparency on large public works contracts. In addition, government officials have excessive discretion to influence public auctions or contests that are not very competitive and have unclear allocation criteria. This is evident in studies, evaluations of public policy, and consulting, areas where the government is investing a lot of money.

Political Parties receive compensation for campaign expenditures and party activities that are disbursed after elections and amounts are calculated on the basis of the election results. During campaigns the maximum contribution that can be given by a donor is 10% of the expenses allowed (the ceiling of campaign expenditures is at about \$900,000). There is no limit between elections. Anonymous and foreign contributions to party financing are prohibited. The electoral authority (Consejo Nacional Electoral, CNE) is in charge of monitoring and overseeing the financial transactions of political parties. However, this institution needs to be made stronger with respect to their jurisdiction and their resources, particularly regarding their power to review reports submitted by political parties. There is still lacking a provision to make candidates and donors more accountable.

In an environment of confrontation between the government and the press, a situation has arisen in which the media have serious limitations when reporting the news. This has resulted in fewer cases of corruption being reported than when the media was stronger.

16 | Consensus-Building

The government openly questions liberal democracy and proposes a number of mechanisms which, according to members of the government, improve it and make it more participatory and direct, an opinion that is not shared by all political sectors in the country.

Consensus on goals
4

Despite the overwhelming dominance of the ruling party in government, it cannot be said that there is a clear consensus between all relevant policy sectors. However, the largest barrier to the creation of consensus is the inability of the government and the opposition to reach agreements on major public policy issues. One example of this was the president's veto of bills that were modified during the legislative process. In addition to the members of PAIS, other political groups in the National Assembly voted in favor of the bills. The lack of consensus-building is typical of majority governments like President Correa's. The president has a vision of government office in which he has been granted the right – by obtaining the majority of the vote - to make the public policy decisions he deems appropriate.

As mentioned in other sections of this report, there is no consensus on the economic order in Ecuador. The government has a critical opinion of the market economy, though permitting a kind of mixed economy. The commitment to market economy is somewhat ambiguous on the part of a range of actors, including the government, who frequently refers to socialism as an economic ideal. The economic sectors are poorly organized. Since PAIS came to power, its leaders have spoken little about political issues. However, they have made some statements against authoritarian attitudes and in favor of more market economy when the president made interventionist decisions.

There are no open anti-democratic actors in Ecuador. However, democratic rules and procedures are fragile and extra-constitutional forms of political action are common. Infrastructural or economic projects frequently meet this kind of resistance, limiting the government's capacity for reform. Among political actors in Ecuador, there is a kind of formal compromise with democracy. Nevertheless, there seems to be a fundamental disagreement on what form of regime democracy should entail and what the rules of the game should be. One of the peculiarities of Ecuador is that the government is headed by actors who do not believe in liberal democracy or the market economy. They define themselves as 21st century socialists and maintain that representative democracy is an outdated form of regime, for which reason they have to construct a different type of democracy, a system that they tend to qualify with a series of adjectives without ever defining them clearly: radical, participative, direct, sovereign, eco-socialist, among others. Among Latin American countries, Ecuador has had the greatest number of interruptions in the institutional order leading to presidents leaving office (Bucaram, Mahuad, Gutiérrez), which would seem to confirm the lack of a democratic vocation among the relevant political and social actors.

Anti-democratic
actors
7

The most significant cleavage in the country is ethnic and it divides society between a white/mixed-race group and the indigenous peoples. It should be mentioned that this is a confrontation with a long history that has laid the foundations for a social structure based on a discriminatory system that transcends the social and economic spheres.

Cleavage /
conflict
management
4

The government tends to exacerbate conflicts in general (not simply ethnic ones) instead of handling them. Correa's style of leadership falls within the tradition of classic Latin American populism, centered on a charismatic leader, a Manichean vision (people vs. oligarchy) and moralistic politics. The strategy for dealing with conflicts consists of marginalizing, obstructing or discriminating against actors who do not share the government's position. For the government, democracy consists of doing the will of the majority, and the personification of the majority is the president.

There is also a difference between the various regions of the country, which used to translate into a confrontation between the coast (the tropical region bordering the Pacific) and the mountains (the Andean zone), but tensions have decreased recently. This is one of the conflicts that the president has handled successfully, employing a narrative of national unity and integrating the cultural practices of the various regions; his personal experience has helped him here (he comes from the coast and has lived much of his life in the Sierra).

Despite the government's discourse of encouraging participation in public affairs, this participation is minimal because the regime does not accept demands that are not in line with its own position; indeed, the government openly confronts its opponents and delegitimizes their demands. Obviously, as power is understood as to be centralized in the figure of the president, the participation of other actors in the process of agenda setting, policy formulation, deliberation and decision-making, policy implementation and performance monitoring is practically zero.

Civil society
participation
4

What are presented as mechanisms of participation operate almost vertically and without feedback mechanisms and are, in fact, very closely related to paternalistic and clientelistic practices. Furthermore, so-called participation by civil society is used as a mechanism for legitimizing decisions that have already been taken by the political actors. Last, the governing party has the majority in the National Assembly and in other powerful entities.

Limits to the participation of civil society were increased with the signing of Presidential Decree Number 16, which establishes strict control on the formation and activities of all citizens' associations, reducing political action to partisan electoral action. It is a vision of democracy that restricts participation in all areas of politics to the plurality of political and social actors (see point: 2.3

Ecuador has not experienced major historical injustices or has already achieved reconciliation prior to 2014.

Reconciliation
n/a

17 | International Cooperation

The Correa government follows a development strategy emphasizing more state control of the economy as well as a somewhat restricted democracy that allows freedoms as long as they do not challenge the president's leadership. Its strategies, laid down in the "Plan Nacional del Buen Vivir 2013 – 2017," are inconsistent, however, and suffer from ad-hoc decision-making in response to changing circumstances. Notwithstanding, the government tries to use international cooperation for its own development agenda and is rather pragmatic concerning its partners, which range from the European Union to China, Venezuela and Iran. For that purpose, the government has a particular agency (the Secretaria Técnica de Cooperación Internacional) that establishes the areas where Ecuador requires international cooperation and assistance, and coordinates support.

Effective use of
support

6

As far as partners are concerned, China is a special case, as Ecuador has obtained funding for large infrastructure works and investments in the oil industry from China. As a result, China has become the government's preferred economic partner. This partnership was strengthened by President Correa's trip to China in January 2015, when he obtained financial support to sustain the budget and a national economy threatened by the reduction in international oil prices.

In addition, Correa has managed to occupy a leading position among the countries in the region considered to be allies. He has carried out intense international activity with the aim of strengthening relations with Latin American countries, with an emphasis on governments that share his political beliefs. President Correa was the leader in the construction of the new regional integration organizations, like the Union of South American Nations (Unión de Naciones Suramericanas, UNASUR), whose headquarters are near Quito and were funded by the government of Ecuador. Although this system has been very effective politically, it was not very profitable from an economic point of view since countries with strict regulations and closed markets are not the best possible trade partners. In addition, foreign direct investment has been minimal in comparison with other countries (see section 7.1). An exception is the government's success in signing a trade agreement with the European Union, allowing diversification of export products and destinations. But there are scenarios in which the government has wasted the opportunity to cooperate with the international community, like the permanent confrontation with the OAS or the mismanagement of its proposal to avoid the extraction of oil from the Yasuní ecological reserve.

Ecuadorian foreign policy has been quite erratic, going from one extreme to another. For example, after the government's constant criticism of trade agreements, the country entered into a commercial agreement with the European Union. Another example of this is the president's handling of the Yasuní-ITT initiative. This proposal basically asked for financial compensation from the international community to avoid the extraction of oil from the Ishpingo-Tambococha-Tiputini (ITT) area of Ecuador's Yasuní ecological reserve. An agreement was first reached in 2010, but the president did not sign it because he disliked the wording, and instead of negotiating, a new text made statements that destroyed the possibility of another agreement. He then relaunched the initiative, but, as it was already evident, it did not get the same reception as it had the first time. Finally, in August 2013, the president announced that the oil extraction would take place, blaming the international community for the initiative's failure. Another element that has weakened Ecuador's international credibility is its policy of control towards international NGOs. As a consequence of this, the Konrad Adenauer Foundation left the country in August 2014. However, the country's credibility for investors has improved. Standard & Poor's changed Ecuador's investment grade from B to B + in August 2014.

Credibility
4

The government has pursued a strategy of confrontation with international institutions like the IMF, World Bank and BID. However, the confrontation is no longer radical and loan negotiations have taken place in the last years. This confrontation has been sought and consistent with their criticism of liberal democracy and the market economy, and the alignment, on certain occasions, of the government of Ecuador with countries that have difficult positions in an international context (Iran, Russia, China, North Korea, etc.). This stance, which was sought after, and is not accidental, has inevitably distanced Ecuador from a number of countries. One issue that has taken away some credibility from the government in the international context has been its showdown with the press. In addition, Correa's government has opted for closer alliances with countries openly critical of liberal democracy and the market economy like China, which is the largest funder of Correa's government. An official visit of President Correa to China in January 2015 strengthened the relationship between the two countries.

Ecuador's government has a position of clear support for all projects that express the need for Latin American integration and cooperation. The government has been one of the most active driving forces behind the creation of an organization that will behave as an alternative to the OAS. The motivations to distance itself from the OAS are connected to the questions raised by the Inter-American Commission on Human Rights (dependent on OAS) against Ecuador's government for issues related to the freedom of the press and persecution of political opponents. The act of working to create such an organization is consistent with the pattern of political confrontation that Ecuador has established with the United States. It should be noted that Ecuador has lost a series of economic and trade agreements with the United States because of

Regional
cooperation
6

the lack of political harmony between the two countries. Another area of disagreement between the United States and Ecuador is related to the fight against drug trafficking.

Furthermore, President Correa has worked intensely at the international level to promote the Bolivarian Alliance for the Americas (ALBA), the Comunidad de Estados Latinoamericanos y Caribeños (CELAC), and, above all, the Union of South American Nations (UNASUR). Funded by the government of Ecuador, the headquarters of UNASUR are now located near Quito, and the building was inaugurated on 5 December 2014. The president's activities have centered on strengthening ties with other Latin American countries, particularly those governed by left-wing leaders. Following the death of Hugo Chavez, many analysts thought Rafael Correa could replace Chavez as regional leader, but that has not happened.

The government's regional relations tend toward crisis and confrontation whenever there is a difference of opinion, with the argument that the "homeland" has changed and is now courageous and sovereign. President Correa has bolstered Ecuador's status in international relations through mechanisms of direct diplomacy like official country visits and participation in multilateral meetings.

During the period under review, relations with Colombia (damaged during the Colombian government of Uribe) have improved. President Santos even visited the country in August 2014, when agreements were signed to enhance cooperation and border integration, and improve methods of transportation between the two countries. Relations with the government of Peru have also followed a similar dynamic, consisting of cabinet and presidential reunions aimed at improving integration and cooperation, particularly in border areas. The last meeting between the two governments was held in October 2014.

Strategic Outlook

Two issues will shape Ecuador's position in the immediate future: falling oil prices and, in the political arena, the decision of President Correa to reform the constitution to allow the indefinite re-election of any public officer, granting himself the possibility to extend his term until 2021.

The effect of falling oil prices has already been observed with a budget cut close to 4% in early 2015. It is important to recall that the budget was calculated assuming a price of \$79.7 per barrel of oil. Since sales in January 2015 closed around \$39, this sharp decline increases the likelihood of more budget cuts.

The government may seek an alliance with other oil-producing countries to intervene in the market, but it is unlikely that such an initiative will succeed given the measures taken by Persian Gulf countries. Moreover, other potential allies, such as Venezuela, Libya, Iran or Russia, are currently undergoing critical situations.

In addition to this, the appreciation of the dollar (Ecuador's official currency) directly affects other export commodities such as shrimp and flowers. Furthermore, Ecuadorian producers face competition from other countries that can adjust their monetary policies to make their exports more competitive. All this is taking place in the context of a fiscal deficit of nearly \$5 billion (4% of GDP) in 2013, according to the IMF.

However, the economic crisis does not imply political changes in the domestic sphere because the government still has the leeway granted by the high amount of funds dedicated to public investments. The administration therefore could proceed by trimming the investment budget and thus avoid cutting funds used for direct subsidies, public utilities, and salaries. Not to mention that the country still has China as its financier, as became clear after Correa's official visit to the country.

Moving on to the political field, removing the ban on re-election is a clear sign of Correa's and his administration's desire to retain power and consolidate the populist and near-authoritarian imprint that characterizes this government. Some analysts say that President Correa will not be able to stay in power with an adverse economic scenario, but there are at least three factors that trouble this assumption:

First, there is no clear political alternative with serious and credible policy proposals or political leaders behind it that can challenge President Correa's electoral supremacy.

Second, the government is portraying the economic crisis as exogenous, thus appearing as victim and not as the one responsible for it. The administration is also stressing the fact that it carried out redistributive policies when the economy was doing well. This rhetoric will almost surely convince

Ecuadorian citizens, given the absence of an organized opposition and given that the media has been daunted by government regulation.

Third, the level of support (60% in the worst scenario) enjoyed by President Correa is so high that he can withstand a sizeable loss of voters, especially if one takes into account that there are no political alternatives that can challenge his supremacy. The president will still have sufficient support to be a relevant actor in Ecuadorian politics.

On the other hand, following Chávez's death, the new dynamic in the relations between Cuba and the U.S., and the new electoral cycle in Latin America, the outlook throughout the region has changed. Among other things, this has weakened the strength of anti-neoliberal rhetoric as a mobilizing factor throughout the region. In this sense, it is expected that the government will seek to establish new alliances. Indeed, the trade agreement with the European Union, something which Correa was always reticent about, is an example of a potential new route for Ecuadorian foreign relations. Finally, it is likely that the president's desire for international prominence will decrease now that he has fewer resources to sustain these initiatives and has to devote greater efforts to domestic affairs.