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bebereza@uw.edu.pl
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Wordliczek, Rafal
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THE MAIN ISSUES IN US-ECUADOR RELATIONS IN THE 21ST CENTURY

*Problemas principales en las relaciones entre Estados Unidos
y Ecuador en el siglo XXI*

Rafał WORDLICZEK*

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ABSTRACT: From an American perspective, Ecuador is a low-interest country and, thus US has developed a specific foreign policy towards it. There are two main goals driving US foreign policy towards Ecuador: democracy promotion and to encourage Ecuador in free market reforms by American economic initiatives like Andean Trade Preferences Act (ATPA). At present, US, European countries and Russia are all competing to control the keys of the Ecuadorian market.

KEYWORDS: Ecuador, US, free market, democracy, drugs.

RESUMEN: Los EE.UU. han elaborado una política exterior específica hacia Ecuador pues, desde la perspectiva estadounidense, este es un país de poco interés. Son dos los principales objetivos que dirigen la política exterior de los EE.UU. hacia Ecuador: la promoción de la democracia y el apoyo para las reformas del libre mercado a través de las iniciativas económicas estadounidenses como la Ley de Preferencias Arancelarias Andinas (ATPA). Actualmente, los Estados Unidos, los países de Europa y Rusia compiten por controlar las llaves del mercado ecuatoriano.

PALABRAS CLAVE: Ecuador, EE.UU., mercado libre, democracia, drogas.

* Rafał WORDLICZEK, Ph.D. in History, Assistant Professor in the Department of History of Diplomacy and International Politics and at the Faculty of International and Political Studies of the Jagiellonian University, Cracow, Poland. E-mail: wordlik@poczta.fm.

INTRODUCTION

The United States pursues an active foreign policy towards different regions of the world. U.S. relations with actors such as China, Russia, the European Union, and Japan are considered a priority. However, the United States, as the most influential player on the international political scene is also involved in the regions of low interest. An example of such an area is the Andean subregion. This article focuses on the foreign policy of the U.S. towards one country of the Andean subregion. The country selected for the analysis is Ecuador for two reasons. The first reason is associated with the current political history of Ecuador. As a result of the parliamentary elections in 2005, there was a change of foreign policy by the newly elected president Rafael Correa, from a pro-American one to one that was independent from Washington. The second reason for choosing this country is that the US views Ecuador as a significant petroleum exporter.

ECUADOR AS PART OF THE US FOREIGN POLICY IN THE 20TH CENTURY

For a long time in modern American history, Ecuador has aroused the interest of the United States in the context of the armed conflict played out between Peru and Ecuador. The dispute between these two neighboring countries concerned the frontier areas bordering the Marañón River in the eastern Amazon. The origins of the conflict date back to the colonial period and the subsequent peace agreements in the years 1829, 1890, 1924 and 1942, which did not lead to a lasting settlement. The President of the United States Franklin Delano Roosevelt strongly contributed to the Ecuadorian – Peruvian agreement of 1942 (Batowski, 2001: 289; Dobrzycki, 2000: 96; Dobrzycki, 2006: 504-505). The decisions taken in January 1942 proved to be short-lived for it only suspended the hostilities between the two countries for the duration of the World War II. The conflict has not been completely resolved, and during the Cold War there were several armed confrontations between the antagonized parties. Also after 1945 Washington watched the

development of events and made efforts to finish the conflict. In the mid-1991 there was a further escalation of the conflict when the Ecuadorian army entered the disputed land in the Cenepa River Valley in the Condor Mountains. In January of the following year, President Fujimori presented a proposal for a 37-point agreement, which was rejected by the authorities in Quito (Marcella, Downs, 1999: 103). Between 1993 and 1994, the Ecuadorians built military fortifications in the Cenepa Valley, and in turn, the Peruvian soldiers built a temporary military helipad. In January 1995, the Ecuadorian army bombed the Peruvian investment, which caused further tension between the parties. In the area of conflict, there was a confrontation between three thousand Ecuadorian soldiers and two thousand Peruvian troops. The War on the valley of the headwaters of the Cenepa River (War of the Upper Cenepa) began. As a result of the fighting, 300 to 400 soldiers were killed. Moreover, according to the estimates of economists, the war in 1995 brought losses to both parties of more than USD 1 billion (Palmer, 1997: 121). In such a situation, the American diplomacy became active. In the mid-1990s, President Clinton attempted the termination of this long-term conflict. The American initiative was supported by the following Latin countries: Chile, Brazil and Argentina. Through the representatives of those States, on February 17, 1995, still during the fighting, the Ecuadorian-Peruvian negotiations started. The first decision was to create the Military Observer Mission Ecuador-Peru (MOMEPE), headed by the commander of SOUTHCOM, General Barry McCaffrey. The main task of the MOMEPE was the separation of the fighting troops and the announcement of the valley of the Cenepa River headwaters as a demilitarized zone. Difficult conciliation talks, lasting several years, went successfully, since the Ecuadorian-Peruvian agreement concluded in Brasilia on October 26, 1998 has been respected by both sides till today. The key role in the signing of the agreement was played by American diplomat Luigi Einaudi and Brazilian President Fernando Henrique Cardoso (Leiva, 2005: 150).

The involvement of the United States in resolving the conflict after the Cold War was not accidental. It was a part of a new coherent policy announced by the Americans in the new post-Cold War political reality towards the countries of Latin America. Among the most important objectives

of the US foreign policy towards the countries of Latin America, during the presidencies of Bush and Clinton were: the promotion of democracy, the fight against drug trafficking, trade liberalization and economic integration of Latin America under the leadership of the United States, encouraging the governments of Latin American countries to pursue pro-American politics and the spread of the American culture among the local population (Bush, 1991: 1044). Critics accused President Clinton of attempting to achieve the desired objectives by the United States by using the Ecuadorian – Peruvian conflict in an instrumental and short-term way. According to them, Washington treated its commitment to the completion of the territorial dispute between Quito and Lima as preparing the ground for closer cooperation of an economic nature between the United States and Latin American countries. The problem was that closer economic cooperation would benefit only the American side (Bonilla, 1999: 41; McClintock, Vallas, 2003: 83).

ISSUES OF ECONOMIC SECURITY

Currently, Ecuador is present in American foreign policy for two main reasons. The first group of problems deals with economic issues, of which a significant part is the Ecuadorian export of petroleum to the United States. The second is the fight against international drug trafficking. In the case of Ecuador, the fight against drug trafficking is a result of American foreign policy towards Colombia. Since the middle of the first decade of the 21st century, a separate key issue in the relations between the US and Ecuador is the internal and international policy of the current President of Ecuador Rafael Correa. The Correa government has a direct impact on the contemporary relations between Quito and Washington.

At the forefront of the relations between Washington and Ecuador stand out common economic interests. Economic relations of the United States and Ecuador are dominated by the oil trade, and for Quito, the United States is the larger partner in their economy. Ecuador's economy is based on five major export products: petroleum, bananas, shrimps, flowers and cocoa. As much as 60% of export earnings come from the petroleum sector, which

accounts for about 40% of the budgetary resources of the country. For Ecuador, the United States is still the main importer of food and petroleum. In 2004, 40% of export from Ecuador found way into the American market. In turn, the United States is one of the main countries from which Ecuador imports goods. Ecuador buys from Americans for example: mechanical equipment, fertilizers, computers, electronic devices and processed fuel products. In 2012, 26% of the goods imported by Ecuador came from the United States, and Ecuador took the 34th place as a trade partner of Washington. The above trend in the economic relations between Ecuador and the United States has persisted from the early 1990s and has been going on up to date, despite the seizure of power by President Rafael Correa, a supporter of the politics independent from the United States (Leiva, 2005: 132-133).

According to the data of the *US Energy Information Administration*, among the countries of Latin America, Ecuador is one of the largest oil exporters to the United States (US Energy Information Administration, 2013). Despite the fact that the United States buys petroleum from Ecuador, the latter is not crucial to the American economy. Reserves of raw materials, for example petroleum and natural gas, are limited. In addition, uncertain legislative action of the central authorities, strikes, protests of workers and sabotage actions regarding oil drains do not have a positive effect on increasing the extraction of raw materials. In view of the unfavorable atmosphere to foreign investors since 2008, the investments of American companies in the mining industry in Ecuador decreased by 50%. Compared to other countries in the region, the importance of raw materials from Ecuador for Americans is secondary, and Washington is able to replace possible deficiencies in the supply of oil or gas with the supplies from other parts of the world. In the last decade the proportion of imports of this raw material to the United States from Venezuela, Brazil, Mexico and Colombia increased, while it decreased from Ecuador. In 2012, Ecuador occupied the 11th place among countries exporting oil to the United States. Oil fields in Ecuador are not the greatest, but they may provide a temporary alternative to the supplies of this resource from unstable countries in the Middle East region. The majority of oil imported from Ecuador is delivered to consumers in the western states of the USA. On this market, there are about 195 thousand Ecuadorian barrels of oil

delivered per day (*Testimony of the Honorable Karen A. Harbert...*, 2006: 18).

TABLE 1. THE EXTRACTION OF PETROLEUM BY THE FOLLOWING COUNTRIES OF THE REGION
(THOUSAND BARRELS PER DAY)

	2007	2008	2009	2010 forecast	2011 forecast	2012 forecast	2013 forecast	2014 forecast
Argentina	698	682	685	690	705	720	725	711
Bolivia	60	56	58	62	65	65	64	62
Brazil	1.833	1.899	2.060	2.350	2.550	2.700	2.900	3.100
Chile	10	8	8	7	5	5	4	4
Ecuador	520	514	490	495	485	500	510	525
Colombia	561	618	655	670	650	650	675	660
Mexico	3.471	3.157	2.997	2.827	2.690	2.600	2.550	2.500
Peru	114	120	119	105	120	130	130	124
Trinidad	154	149	160	150	140	132	130	125
Venezuela	2.613	2.566	2.350	2.380	2.500	2.630	2.700	2.870
Rest of Latin American countries	83	82	83	85	86	88	93	97
Latin America total	10.117	9.851	9.665	9.821	9.996	10.220	10.481	10.778

Source: „Ecuador Oil & Gas Report Q1 2010”, 2010a.

Statistics show that the extraction of petroleum by the countries of the region in 2009 amounted to 9.67 million barrels per day, and according to estimates in 2014, the extraction was expected to increase to 10.78 million barrels per day. At the same time, the share of Ecuador on the Latin American market fell from 5.07% in 2009 to projected 4.87% in 2014. Since 2001, there has been a decline in oil exports from Latin American countries. At the beginning of the 21st century, the export of this raw material from the countries of this region amounted to 3.37 million barrels per day, while in 2009 it fell to 1.92 million barrels per day. It is expected that oil exports will increase to 2.17 million barrels per day in 2014. The largest exporters of petroleum in the region will remain Mexico, Brazil, Venezuela, Colombia and Ecuador (Radler, 2010).

TABLE 2. THE EXTRACTION OF NATURAL GAS BY THE FOLLOWING COUNTRIES OF THE REGION
(BILLION M³)

	2007	2008	2009	2010 forecast	2011 forecast	2012 forecast	2013 forecast	2014 forecast
Argentina	44.8	44.1	44.5	45	47	48	48	45.6
Bolivia	13.8	13.9	14.9	16.1	17.3	18.6	20	20
Brazil	11.3	13.9	15	17	20	22	25	28
Chile	1.5	1.6	1.7	1.8	1.7	1.6	1.6	1.4
Ecuador	0.5	0.6	0.6	0.6	0.7	0.7	0.8	1.0
Colombia	7.5	9.1	9.3	9.5	10	10.7	11	11.5
Mexico	54	54.9	55	56.5	58	60	60	60
Peru	2.7	3.4	4	6	9	12	14	15.5
Trinidad	39	39.3	43	45	48	50	55	56
Venezuela	32.1	31.5	29.5	32	35	40	45	60
Latin America total	207.2	212.3	217.5	229.5	246.7	263.6	280.4	299

Source: "Ecuador Oil & Gas Report Q1 2010", 2010b.

For Ecuadorian economy, the energy sector is the main source of income. Export of petroleum accounts for half of total exports of the country, from which comes the third part of the tax revenue to the central budget. Ecuador is the sixth in terms of oil extraction and the fifth in terms of oil exports from all countries of Latin America, where 25% of oil exports go to the American market. Since the beginning of the 21st century, increasingly more important customers of the Ecuadorian raw material are China and the countries of Latin America. At the same time, Ecuador imports processed and refined petroleum and other fuel products. This is due to the lack of technical capacity of refining crude oil in the country. Crude oil extraction in Ecuador is decreasing; nevertheless, President Correa is trying to improve the situation by encouraging foreign investors to invest in the development of infrastructure related to the extraction, production and export of crude oil. In 2008, the crude oil reserves in Ecuador were estimated to be approximately 4.66 billion barrels. The largest deposits of this material are concentrated in five locations in the region of Oriente in the east of the country: Sacha, Libertador, Shushufindi, Lago Agrio and Auca. In September 2003, a private company Oleoducto de Crudos Pesados was founded to deal with the extraction and export of unprocessed petroleum. Since 2008, by the decision of the

central authorities as much as 52% of the extraction and export of this raw material belongs to the state-owned company Petroecuador. Just two years earlier, Petroecuador controlled 46% of crude oil production, but President Correa decided to strengthen the position of this state-owned leading economic source. The highest price for favoring state-owned Petroecuador paid a mining company whose shareholders were Americans. Correa's policy led to the closure of Occidental Petroleum on Ecuadorian market. Ecuadorian companies with foreign capital, e.g. Repsol YPF, Eni and Andes Petroleum continue their activities on commodity markets. Production of oil of each of these companies is at the level of 40-50 thousand barrels per day. In 2007, Ecuador's position on the world map of resources has been strengthened by the re-accession of Quito to the OPEC organization (Ecuador left OPEC at the end of 1992). Today it is the least significant member of the club with the lowest granted limit of the raw material extraction at the level of 430 thousand barrels per day. In 2008, crude oil meets the energy needs of the country in as much as 75%, and 20% of the energy is produced by hydroelectric power plants. Due to the lack of transport and distribution infrastructure, natural gas accounts for only 5% of the market ("New Estimates Boost Worldwide Oil, Gas Reserves", 2008). In turn, the importance of the resources of natural gas in Ecuador is symbolic and by 2014 it will remain at the level of 0.5 to one billion m³. Entirely indigenous natural gas resources are able to satisfy the needs of the Ecuadorian market. The above table shows that from the point of view of the economic and energy security of the United States, the priority still goes to such countries as Mexico, Venezuela, Brazil, Argentina and Colombia (*Testimony of the Honorable Karen A. Harbert...*, 2006: 20-21).

THE FIGHT AGAINST INTERNATIONAL DRUG CRIMINALITY

The second reason for the activity of the United States is associated with the position of Ecuador and its relations with the neighbors. Ecuador is pushed in between Peru and Colombia, the two major producers of cocaine and heroin. Through Ecuador passes the main route on which drugs are ille-

gally transported from Peru and Colombia to customers in the USA and Europe. At the turn of the 1980s and 1990s, the authorities of Ecuador, supported by the American services took steps to intensify the fight against criminal drug groups. (Bagley, Bonilla, Paez, 1991). According to the data collected in 2013 by officials of the State Department for Ecuador, the drugs transported each year weigh 110 tons, including 21.4 tons of cocaine (U.S. Department of State, 2013). Illegal drug production and trafficking from Colombia generates another problem. On the territory of Ecuador seek refuge various paramilitary units that participate in the Colombian war between the drug cartels. Permanent internal conflict also causes increased emigration from Colombia. Most refugees from Colombia head to Ecuador and settle along the northern border of the country. This process adversely affects the stability and security in the northern part of Ecuador (Beittel, 2012: 30). According to the Americans, Ecuador does not have the potential capacities and does not have sufficient forces to control the border with Colombia, to shelter refugees from Colombia and effectively implement the restrictions in the smuggling of drugs. Washington sees as the biggest disadvantages of Quito as follows: weakness of the state and local administration, corruption among officials and the problems of control of the borders with Peru and Colombia. The main problems of Ecuador in the fight against narcoterrorism were described in the document of the State Department *Country Reports on Terrorism, 2012*. According to this document, "Ecuador's greatest counterterrorism and security challenge remained the presence of Colombian terrorist groups in the extremely difficult terrain along the porous 450 – mile border with Colombia" (U.S. Department of State, 2012).

In 1999, the President of Colombia Andres Pastrana Arango announced a costly and ambitious program called Plan Colombia, whose main task was to finish the conflict ongoing for more than 40 years among Colombian drug cartels. The original cost of six-year Plan Colombia was estimated at USD 7.5 billion. More than half of the sum of USD 4 billion would have been paid by the Colombian side, and USD 3.5 billion dollars would have come from the international community (U.S. Department of State, 2001). In addition, Plan Colombia assumed the promotion of democracy, market economy and the introduction of social reforms. President Pastrana

was aware that the success of Plan Colombia would mean calming the internal situation in Colombia, and in turn, it would increase the level of security in the region and stabilize political relations in neighboring countries (Plan Colombia, 2001). Since the beginning of implementing Plan Colombia, the United States supported the program. In 2000, the Congress accepted Plan Colombia and President Clinton signed it. U.S. granted financial aid to Colombia and other countries like Bolivia and Peru, as a part of Plan Colombia for USD 1.3 billion. In the period from 2000 to 2005, the Americans donated further USD 2.8 billion. Additionally, from the budget of the Department of Defense there were assigned funds for USD 1.7 billion. In total, Colombia has received from the United States USD 4.5 billion to support Plan Colombia (DeShazo, Forman, McLean, 2009). In 2001, as part of Plan Colombia, U.S. under the agreement signed with Minister of Foreign Affairs of Ecuador Heinz Moeller transferred in two installments USD 8 and 12 million, for the purpose of training the Ecuadorian army and police, and sealing the borders with neighboring countries. During his stay in Washington in June 2001, Minister Moeller received from President Bush a promise to provide financial assistance for USD 40 million per year for the next five years (Moss, 2001). In order to support poor Latin American countries in the fight against drug trafficking, President George W. Bush announced in 2005 *Andean Counterdrug Initiative* (ACI). Since 2008, the Andean Counterdrug Initiative (ACI) was changed into the Andean Counterdrug Program (ACP). The change affected only the name of the program, while the goals and methods of their implementation remained unchanged. In 2010, by President Obama's decision the ACP funds have been transferred to the International Narcotics Control and Law Enforcement (INCLE). Thus, the ACP was formally completed. As part of ACI the Americans gave to Columbia the amount of USD 463 million, and the Department of Defense an additional USD 90 million. Since the beginning of the implementation of Plan Colombia and the ACI program, the United States allocated the sum of more than USD 8 billion (Veillette, 2006).

Financial assistance was continued by the Obama administration. In 2013, Washington allocated USD 332 million for the fight against drug trafficking in Colombia and neighboring countries (Beittel, 2013b: 23). Presi-

dent Correa from the moment of taking over the power was a strong critic of the American idea of combating drug production and trafficking in the region, using billions of dollars of programs ACI and Plan Colombia. Cooperation between Bogota and Washington within those initiatives raised concerns of the president of Ecuador. According to the announcement of the 2007 elections, two years later the Ecuadorian authorities did not agree to the continued presence of American troops in the maritime military base in Manta. American military base in Manta on the Pacific coast of Ecuador operated in the years 1999-2009. It was established in April 1999 based on the decision of the government of Jamil Mahuad Witt. In 2001, President Bush increased the number of soldiers in the base from 200 to 400. The last mission of the American soldiers took place in July 2009. Manta along with El Salvador, Curaçao and Aruba was one of the four important American military bases in the region, in which there were carried out operations against drug producers and traffickers (Beittel, 2013a: 7). Americans were surprised by the decision of President Correa, as *U.S. Forward Operating Location* in Manta was an important element in the fight against international criminal narcoterrorist groups. It should be added that in the territory of Ecuador there were five more military bases of the United States: Isla Bartla, San Lorenzo, Sucumbios, Macara i Tena (Jimenez, 2005: 108). The American army successfully controlled the Pacific coast and trained the Ecuadorian police forces for an effective fight against drug crime. Critics of the American military base in Manta challenged the sense of its existence for formal and legal reasons. Among them was also Correa, who believed that Washington funding the fight against drug trafficking mainly in Colombia and supporting Colombian government, may in the future take advantage of the situation and under the pretext of combating drug smugglers make moves against anti-American authorities in Quito. Correa is still convinced that such a potential action can be realized, thanks to the support of the authorities in Bogota, loyal to the United States (Beittel, 2013a: 31).

Ecuador was, for many years, a country whose political system was pro-American. The political and economic relations between Quito and Washington were going on properly. However, the current relations between the United States and Ecuador are largely shaped by the governing philoso-

phy of President Rafael Correa. The turning point for the United States was the year 2006. After more than a decade characterized by political instability and economic collapse, the sentiments among Ecuadorian society were radicalized and as a result, in November 2006 the leader of the left wing – Rafael Vicente Correa Delgado – was elected president. Rafael Correa aspires to the role Hugo Chavez, President of Venezuela then, until March 2013. The intention of the president of Ecuador is leading the ideological front-line of Latin American countries directed against the interests of Washington and current position of the USA in the region. An additional element of the government of Correa is the attempt to gain economic independence from the United States and to this end, thus initiating closer economic relations with Russia, the European Union and especially with such a prospective partner as the People's Republic of China. Since 2006, President Correa has consistently sought to diversify the relations of Quito with various countries to break the monopoly of the USA. Ecuador joined the organization alternative to the Andean Trade Preference Act (ATPA) – the Bolivarian Alliance of the Americas (ALBA), which was established in 2004 on the initiative of the president of Venezuela, Hugo Chavez. In addition to Venezuela and Ecuador, ALBA includes Nicaragua, Cuba, Bolivia and several smaller Caribbean countries. After the death of Chavez, the leadership of the organization remains an open question. Ecuador under President Correa is a very active member of many organizations present in the international arena. The most important examples include the activity in the Union of South American Nations (UNASUR), which has the seat of the secretariat in Quito, membership in the Community of Latin America and Caribbean States (CELAC) and in the Organization of American States (OAS). The first two international institutions are designed to promote economic, political and security cooperation between Latin American countries without the participation of the United States, and they are an alternative for a close collaboration of Latin American countries with the USA. The policy of Correa proved to be right, because in 2009 the former president received the confidence of 52% of the citizens, winning the presidential election in the first round of voting. On February 17, 2013, he won the next election with 57% of the votes. The most dangerous Correa's rival – Guillermo Lasso of central-right-wing party Mo-

vimiento Creando Oportunidades (CREO) gained a little lower than 30%. President Correa is the first politician since 1970 who enjoys constant popularity among the entire population of Ecuador, regardless of region of residence, education, gender and age. The benefits from the rule of Correa are visible in economic success of Ecuador, noticeable by the average citizens. According to the World Bank and United Nations, the economic situation in Ecuador is changing, and the standard of living steadily rises. The area of urban poverty has been reduced from 49% in 2002 to 32% in 2011, and the area of extreme poverty from 19% to 10%. Social programs targeting the poor population were financed by Correa from the raised tax on companies operating in the oil market in Ecuador, from sales of crude oil and from loans from China. A popular decision among the Ecuadorian society was the one to nationalize strategic sectors of the Ecuadorian economy. President Correa also benefitted from international economic prosperity and high oil prices on world markets. It is true that in 2009 Ecuador also felt the effects of the global recession and the economy recorded a low, but still positive GDP ratio of 0.6%. According to some economists, the Ecuadorian economy has avoided major turbulence, among others, by decision of the authorities in 1999, introducing the American dollar as the official currency of payment in the country. For Correa, the fight against the dollar as the currency of Ecuador is still one of the priorities of his policy, both in the economic and the ideological sphere. In 2010, Ecuador's GDP amounted to 2.6%, and a year later it rose to the impressive result of 7.4%, only to fall in 2012 to 5%. According to estimates of economists, Ecuador's GDP in 2013 was projected to reach 3.8%. The fall in GDP was the result of, among others, the decline in oil prices on the world markets and the closure by order of the authorities of Esmeralda, the largest refinery in Ecuador (United Nations Economic Commission for Latin America and the Caribbean's (ECLAC), 2012).

In October 2007, President Correa signed a decree, which included a record of raising taxes from 50% to 99% of revenue of the oil-trading companies. Interestingly enough, the new rules contained some seemingly beneficial alternative solutions. Investors could avoid paying high tax if they agreed to convert their existing projects in the service contracts. Accordingly, the companies would extract petroleum on behalf of the Ecuadorian gov-

ernment. For such an opportunity, they would be charged lower than the high tax tariff. At the same time, the mining infrastructure previously owned by oil companies would be taken over by the state. The new restrictive law was also aimed at American companies doing business in the Ecuadorian fuel market: Chevron and Texaco. Both Chevron and Texaco were not lucky to invest in Ecuador long before President Correa took office. Against these two companies, lawsuits were repeatedly filed for damages in the amount of many billion dollars. In fact, many harmful side effects caused by mining activities of American companies affected the lives of local people. In 1993, around 30,000 residents of the Ecuadorian part of the Amazon sued Texaco for pollution of the land with toxic waste over the period from 1964 to 1990. In turn, Chevron was accused of unlawful cutting of large areas of tropical forest in the eastern part of the country for investment purposes. Attorneys of corporate defendants pointed out the pervasive corruption among Ecuadorian government officials at various levels and the lack of availability of local judicial officers to politicians. American attorneys argued that according to the agreement concluded with the government of Ecuador, the American side paid in the early 1990s multibillion-dollar compensations. After 20 years of hearing sessions, in 2011 the Ecuadorian court ordered the American investors to pay compensation in the astronomical amount of USD 18 billion. The Americans appealed to the International Court of Arbitration in The Hague. In turn, the arbitration court decision was unfavorable to the Ecuadorian side. The arguments of the Americans prevailed, proving that the Ecuadorian court breached the bilateral agreement from the beginning of the last decade of the twentieth century, on the basis of which the compensations were paid. On June 6, 2013, the court of the District of Columbia in Washington found the decision of The Hague the final settlement of the dispute ("Energy in the Americas...", 2001: 103).

President Correa implementing the new law found himself trapped. On the one hand, the purpose of legal steps taken was to emphasize the pursuit of anti-American political line within the scope of the ideological and propaganda. On the other hand, the Ecuadorian authorities needed funds for the implementation of their populist social program, and the previous state revenues derived largely from the fuel sector companies. The new higher tax

rates were designed to lead to an increase in budget revenues. However, as a result of this decision, the climate in the energy sector in Ecuador for foreign investors deteriorated and was compared to Venezuela under the Hugo Chavez rules (*The State of Democracy in Venezuela...*, 2004; *The United States and Venezuela...*, 1991). As the result of the decree of 2007, by 2012 the investments of foreign capital in the Ecuadorian fuel sector decreased by 20%. In order to become independent from American investors and compensate for 20% loss, in August 2009, Ecuador signed an agreement with China for a loan of USD 1 billion for investments in the energy sector. At the same time, President Correa warned multinational corporations against attempts to obtain compensation from the government of Ecuador for losses due to the introduction of restrictive rules in 2007. He threatened that if a company made a lawsuit against the Ecuadorian government to the international court of justice, its activities in Ecuador would be completely prohibited. Despite threats of President Correa, in mid-2009 the estimated value of all claims was USD 11 billion, a sum equal to the annual budget of the country. Due to the withdrawal of a number of major foreign companies from the Ecuadorian market, the percentage of oil extracted by state-owned companies increased. In 2010, the state-owned mining companies had 62% market share and a year later, the share increased to 71%. Despite the increased activity of domestic companies, it was impossible to stop the decline of oil prices according to the supply-and-demand market. The policy of the current government of Ecuador, unfavorable to foreign investors, has caused a systematic decrease in petroleum extraction ("Ecuador Oil & Gas Report Q1, 2010", 2010c).

The tensions between Washington and Quito escalated in April 2011, when the Ambassador of the United States Heather Hodges was expelled from Ecuador. The decision made by President Correa to expel the ambassador to the United States from the country was a copy of the action of Evo Morales in Bolivia in 2008. Correa along with Chavez and President of Honduras Manuel Zelaya was an ardent supporter of radical actions initiated by Bolivia towards American diplomats in 2008. The accusations directed at the American diplomatic mission were also similar ("Expulsion of US Ambassadors...", 2008). In response, the American authorities an-

nounced the end of the diplomatic mission of the Ambassador of Ecuador to the United States. Less than a year later, the diplomatic relations were re-established, but the tension between the countries did not slow down. Adam E. Namm who was appointed the new ambassador of the U.S. to Quito failed to alleviate relations with the Ecuadorian authorities. Ecuadorian policymakers accused American diplomats of support for the opposition and their activities against political stability in Ecuador. In fact, Ambassador Namm gave public support to persecuted journalists from the newspaper *El Universo*. Anti-American policy of President Correa did not discourage the government of the United States from the aid programs for different agencies in Ecuador. A strong supporter of the continuation and funding of the programs in the field of economic and environmental nature, or counteracting the production and trafficking of drugs, was Ambassador Namm. According to the American data, in 2012 Ecuador received USD 22.9 million, and a year later the Obama administration allocated the amount of USD 21.3 million. Estimates of the Department of State show that about USD 11.8 million was transferred to the Ecuadorians in 2014. It is worth noting that despite the many difficulties being made by the Ecuadorian authorities, the United States kept sending volunteers from the American charities and NGOs, for example the USAID. In 2013 there were over 120 people in them. Similarly as Russia and Bolivia in 2008, Ecuador has decided to cease cooperation with the USAID and demanded departure from its territory of employees of the agency. In response to this step of President Correa, the Americans suspended the financial assistance in the amount of USD 32 million allocated for Ecuador for 2009 (Santamaria, 2013).

On the other hand, President Correa was aware of how important a trading partner for Ecuador was the United States, and how significant to the economy of the country is the treaty on preferential trade of 1991. In February 2011, he sought an extension of the agreement on the *Andean Trade Preference Act* (ATPA) within the bilateral free trade agreement, whose provisions would cease to apply. By the decision of the Congress, the free trade agreement was extended to July 31, 2013. This episode showed the Americans that the policy of President Correa is more anti-American in the declarations than manifested in real actions (Beittel, 2013b: 8).

In the mid-2013, a scandal bubbled out affecting the relations between the U.S. and Ecuador. In June, Edward J. Snowden, a computer technician working for the CIA and the U.S. National Security Agency escaped from the United States to Hong Kong and publicly announced important and secret information about the American intelligence services. After arriving in Moscow, he made a declaration that he would strive to obtain asylum in one of the Latin American countries. Snowden was referring to Venezuela, Cuba, Nicaragua, Bolivia or Ecuador. The reaction of the Ecuadorian authorities was unexpected of a country leading a policy with a high degree of anti-Americanism. President Correa acted in accordance with the expectations of Washington and indirectly refused to grant asylum to Snowden. On June 28, after a conversation with Vice President Joe Biden, President Correa stated that the request of Snowden to obtain asylum in Ecuador would be seriously considered only when Snowden was already present in Ecuador or in one of the embassies of that country. The source of such a reaction of the President of Ecuador can be seen in a similar situation in the mid-2012. Then, WikiLeaks founder Julian Assange, found himself in the Ecuadorian embassy in London and lived in its territory for a year. The actions of the Ecuadorian authorities in this case led to strained relations with the United States. In case of Snowden, despite the nature of his foreign policy, President Correa wanted to avoid another crisis with Washington. Correa is aware of the importance of economic relations with the United States and the role that trade exchange with Washington plays in the economy of Ecuador. The Snowden case and reaction of the authorities of Ecuador showed USA that the policy of President Correa is anti-American only in terms of harsh rhetoric. Critics of the rule of Correa, using the Snowden case, accused him of hypocrisy and lack of consistency in action. In an official speech, President Correa defended the attitude of Snowden, portraying him as a fighter for freedom of choice and expression. However, the same president of Ecuador introduced a restrictive bill aimed at indigenous journalists, and rebellious authors were put in prison (Garcia, 2013).

Since January 2007, the time President Correa took office; his decisions of an economic nature have had a negative impact on the vital American interests in the country. Firstly, Correa negated the free trade agreement

(FTA) concluded in 2006 between the United States and Bolivia, Peru, Ecuador and Colombia. Colombia and Peru, following the signed multilateral agreement, concluded bilateral trade agreements with the United States, strengthening the cooperation with Washington (Villarreal, 2012; Bolle, 2012).

Bolivia and Ecuador, following Venezuela, refused to sign such agreements, emphasizing the desire to pursue an economic policy independent of the United States. To the disappointment of Washington, both countries oriented their economic policy on the integration of Latin American countries. An expression of this activity was the change in 2012 in status of Ecuador from an observer into a full member of the economic organization, hosting Brazil, Argentina, Paraguay, Uruguay and Venezuela – Mercado Comun del Sur (MERCOSUR).

In 2008, President Correa denied the need to repay most of the USD 3.2 billion debt to foreign creditors, mainly to the United States. According to the president of Ecuador debts were contracted by the previous government, so Ecuador under his rule would not be liable to settle any balance for the irresponsible decisions of his predecessors. Correa's argument caused further cooling of the already strained American – Ecuadorian relations. The United States announced that it would not grant further loans, and American companies would begin to withdraw from investments in Ecuador. President Correa found a way out of this seemingly stalemate situation inviting investors from China to invest in the Ecuadorian economy on favorable terms. The crisis in relations with the traditional trading partner, which the United States viewed previously for Ecuador, made Correa decide to pursue closer cooperation with the European Union. Moreover, the authorities of Ecuador refused to cooperate with experts from the World Bank and the International Monetary Fund. The economic aid to Ecuador from international financial institutions was significant. For example, only in March 2003, the reformist economic recovery plan by the then President of Ecuador – Colonel Lucio Gutierrez was supported by the International Monetary Fund with the amount of USD 205 million (Tavidze, 2004: 96).

In June 2013 the American – Ecuadorian relations were put to another test. The Parliament of Ecuador adopted a new law on mining. The

person responsible for the implementation of the new regulations was the Minister of Mining Germanico Pinto, appointed in 2009, a loyal colleague and close friend of President Correa (Watkins, 2009). Mining of coal and gold is a relatively new industry in Ecuador. The purpose of the development of this branch is to reduce the dependence of state revenues from petroleum extraction and exports. President Correa has consistently strived to improve the competitiveness and attractiveness of Ecuador on the economic map of the world. At the end of 2010, the Parliament decided to build factories producing highly specialized products of mineral - chemical sector. Plants of this new industry were located on the outskirts of Quito and Guayaquil. This decision was not favorable for Americans, as so far chemical products and processed oil were mostly imported from the USA (Villarreal, 2011: 9). Traditionally, foreign companies, including the American ones, were present in the Ecuadorian oil sector for many years. Promotion of the state program of coal and gold mining at the expense of the fuel market, which so far was the leading sector, enabled President Correa to demonstrate the need to become independent of the American capital. To avoid any future emergence of foreign corporations of the mining sector, the new provisions introduced high taxation of potential profits in the future. Even before 2013, mining companies from Canada and the United States expressed interest in the exploitation of gold deposits with program *Fruta del Norte*. After the introduction of high taxes on the profits, North American companies withdrew from the project (Beittel, 2013b:4).

CONCLUSIONS

The election of Rafael Correa as President of Ecuador for three-times in row has caused a radical change in the American – Ecuadorian relations. Correa's presidency is characterized by militant anti-American rhetoric, "anti-imperialistic" decisions, and populist but authoritarian internal provisions. Both the USA and the international human rights organizations accuse President Correa of exercising authoritarian powers. Examples of negative steps were, among others: amendment to the constitution in 2008

that increased the powers of the executive bodies, especially the president. Another was the suppression of demonstrations of police officers in September 2010, protesting against deteriorating working conditions. Correa accused the protestors of standing behind the coup attempt and sent military troops against the demonstrators. As a result of the military intervention, five protesters were killed. Another action appalling international opinion in 2011 was the lawsuit against the journalists of *El Universo* newspaper who spoke critically of President Correa. The court ruled that journalists exceeded their rights and sentenced them to three years in prison and granted USD 40 million in damages to the president. The Human Rights Watch organization warned that such a policy can result in restriction of freedom of expression in the future and the introduction of restrictive rules imposed on Ecuadorian mass media. In fact, already on June 14, 2013, the Ecuadorian Parliament dominated by supporters of President Correa pushed through the restrictive law, which posed the possibility of censorship of the communications of the mass media. Some kind of Correa's revenge on human rights' defenders was an attempt to reduce funding for the activity of Inter-American Commission on Human Rights (IACHR), acting within the Organization of American States (OAS). Correa raised this initiative at the beginning of 2013, when Ecuador took over the presidency of the OAS. Despite the support of Bolivia and Venezuela, it did not entered into force due to the opposition of the vast majority of American countries (Human Rights Watch, 2013).

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