

Ecuador's Foreign Policy: Presidential Interests and Ideology

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Theme: Ecuador's foreign policy, in the context of the Rafael Correa's 'government of the Citizens' Revolution', is complemented by the '*Patria, altiva, digna y soberana*' ('Proud, honourable and sovereign homeland') project. Accordingly, a set of positions and alliances based 'on the defence of sovereignty and regional integration' has been adopted. Some of these are very controversial and have a clear ideological bias, which has compromised the country's international image.

Summary: In the three years since Rafael Correa and his Alianza País movement came to power, the country has had three different Foreign Affairs ministers. The latest one, Fander Falconí, has a more academic background and a certain ideological bias. He was one of the founders of Alianza País and the president has entrusted him with restructuring the mechanisms for diplomatic appointments. Foreign policy is essentially directed by Correa, who imprints his personal style on it. The Foreign Ministry is expected to follow his lead and not get in the way. A search for confrontations has become a constant feature of his administration, both at the national and international levels. On top of this, the relative proximity of Correa's positions to those held by Venezuela and Bolivia, the deteriorating relations with Colombia and the US, a rapprochement with Iran and Russia, and some controversial decisions on debt and foreign investment have complicated relations with key partners such as the US, Brazil and Spain.

Analysis: Rafael Correa begins his third year in power with unprecedented levels of popularity. After two years in office he had a 60% approval rating –a remarkable figure, given that none of his predecessors had registered more than 40% approval in their second year–. Following a decade of political convulsions that saw eight presidents hustled quickly out of office by popular pressure, Correa has enjoyed unprecedented social calm and great support for his administration. This has been brought about in part by the economic bonanza of the past five years –mainly in the oil and gas sector– that provided the currency necessary to carry out an ambitious program of social reforms. In December 2008, a referendum was held in which 63.9% of Ecuadorians approved the new Constitution which, among other things, allows for presidential re-election. This Constitution, in line with those adopted by Venezuela (1999) and Bolivia (2009), promotes '21st century socialism' and is characterized by a strong central government control. According to Correa, in his speech to the nation in 2009, this is 'the greatest achievement of this second year of the citizen revolution [...] making it possible to overcome [...] neoliberalism' and 'distancing us from the harmful paradigms that we are now seeing fail around the world'. The document includes a long list of citizen rights and argues in favour of the recovery of strategic sectors such as oil, gas and water.

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In addition to its Constitution, Ecuador's foreign policy follows the National Foreign Policy Plan 2006-2020 (PLANEX 2020): a kind of 'white paper' coordinated by Ambassador Javier Ponce Leiva between 2005 and 2006. The Plan includes what are supposed to be the basic points of consensus on foreign policy, beyond party politics. However, it gives Correa wide scope for action. The president, according to the new Constitution, is responsible for 'defining foreign policy, guiding international relations, signing and ratifying international treaties and agreements, with the prior approval of the National Congress, when the Constitution so requires' (Art. 171.12), as well as 'ensuring the maintenance of national sovereignty and the defence of the integrity and independence of the State' (Art. 171.13). For this reason, PLANEX stipulates that the Foreign Ministry must prepare four-year action plans with strategic guidelines that respond to the priorities and goals set by the president.

This context, favourable to presidential action, may change in 2009, since the current economic crisis will reduce the inflow of remittances (which in 2008 came to three billion dollars or 5.4% of GDP) and revenue from crude oil exports. This could put Ecuador in a difficult situation, made worse by the country's decision not to pay back some of its foreign debt and the threats posed to foreign companies, all of which could close the doors to new credit and scare off investors. The results of the upcoming elections must also be considered. Although it is taken for granted that Correa will win, the margin of an Alianza País victory could condition his line of international action. Other important issues remain on the foreign agenda, including regional integration, relations with neighbouring countries, both to the north and the south, and alliances with third countries. Correa's personal stamp on his foreign policy is strongly nationalist and anti-imperialist, with a clearly populist touch. The call for a 'proud, honourable and sovereign homeland' brings to mind the early Peronist slogan: '*Patria justa, libre y soberana*' (a 'proud, just, free and sovereign homeland').

Ecuador on the regional scene

Latin America's recent 'shift to the left' has reactivated integrationist tendencies in the region, based on the questionable argument that greater political and ideological harmony would favour a rapprochement among countries and would eliminate many of the obstacles to integration. With Mercosur and the Andean Community of Nations (CAN) both deep in crisis, new regional integration projects are emerging. With an excess of rhetoric and optimism, energy and infrastructure are now being touted as the catalysts for integration. These projects respond essentially to the interests of Brazil and Venezuela, which are vying for the role of leader in South America. Despite different agendas and styles, Hugo Chavez and Lula da Silva both see regional integration as a way of consolidating their international position. While Brazil favours the Union of South American Nations (Unasur), Venezuela leans toward the Alternativa Bolivariana de los Pueblos de nuestra América (ALBA – Bolivarian Alternative for the Peoples of Our America), but without turning its back on Unasur.

ALBA was promoted as an alternative to the unsuccessful FTAA (Free Trade Area of the Americas) and the neoliberal 'Washington Consensus'. Made up of Bolivia, Cuba, the Dominican Republic, Honduras, Nicaragua and Venezuela, it lacks institutional coordination and its actions focus on the presidential summits headed by Chavez. Unasur, which is more a body for political dialogue than a regional integration project, has 12 member countries and is also poorly coordinated at the institutional level. Despite the boost the organization received through its mediation of the Bolivian crisis in 2008, the

regional presidents have been unable to come to a consensus on the election of a secretary general.

Rafael Correa has opted to travel on the razor's edge, leaning toward Venezuela, but without breaking all ties with Brazil. He does not feel entirely comfortable with Hugo Chavez, although he believes that a relationship with Venezuela could be more manageable than one with Brazil. This is clear in the Banco del Sur project, one of the highest-profile integrationist plans promoted by Correa, which, while receiving the blessing of Chavez and other South American governments, has been blocked by Brazil. For this reason, Correa is turning to Russia and Iran in the belief that these countries could become alternative sources of financing for some of his development programs.

The Correa government has reiterated its interest in regional integration as a more effective way of dealing with globalization, while securing a place for the country and for the region on the international scene. Although he shares the Bolivarian 21st century socialism project –with some nuances– Correa has not made a final decision on whether or not to accept Chavez's repeated invitations to join ALBA. Nevertheless, he has posed on several occasions in the same photo as Chavez, most recently on February 2 this year, when the ALBA presidents met in Caracas to celebrate the tenth anniversary of Chavez's arrival in power. Correa was the only president invited. Prior to this, we saw him at the latest World Social Forum in Belem, where Chavez, Evo Morales and Fernando Lugo, along with Correa, promoted the struggle for 21st century socialism as the only alternative to 'humanity-destroying capitalism', in a 'dialogue on the integration of the peoples of our America'. Lula was notably absent, having eschewed the public event in favour of a private meeting with his counterparts in a discussion of the crisis in Latin America. Weeks later, he attended the summit of progressive leaders in Viña del Mar –an event that neither Correa nor Chavez attended–.

In recent years, Ecuador and Venezuela have signed numerous bilateral cooperation treaties. In January 2007, the state-owned oil companies Pdvsa and Petroecuador reached an agreement to exchange Ecuadorian crude oil for Venezuelan derivatives. This was the culmination of negotiations begun in May 2006, when Correa was not president. In August of that year, both countries broadened their energy cooperation agreements, including an Energy Security Treaty, a memorandum for the construction of a refinery on the Ecuadorian coast, and the overhaul of facilities for the Campo Maduro de Sacha operation. In 2008 five new agreements were signed in the areas of energy, steel and trade. In a bilateral meeting held in February 2009 –which Daniel Ortega of Nicaragua finally agreed to attend– the presidents of Ecuador and Venezuela signed new agreements and issued a joint statement reaffirming their commitment to work together for independence in the areas of food, industrial production, finance and knowledge. But despite the rhetoric of both leaders, the results of the agreements remain to be seen. As Foreign Minister Falconí said at the meeting, although 35 bilateral cooperation documents have been signed, 'some of them have not materialized'.

While Ecuador has overcome its differences with Peru, its relations with Colombia remain broken since the bombing of a FARC camp in Ecuadorian territory in March 2008 –a military action that killed the second in command of the terrorist organization, Raúl Reyes–. The bilateral crisis has gone through different phases, a decisive one following Uribe's accusation, made in April last year, that Correa lacked the will to normalize bilateral relations and also, that Correa was responsible for interfering in operations against the FARC. For his part, Correa felt betrayed by Uribe, who at first did not admit

the characteristics of the attack, which led the Ecuadorian president to make some inaccurate public statements.

Ecuador quickly denounced the Colombian position and demanded proof of the accusations. Quito demands that Bogotá meet five conditions to re-establish relations: (1) Colombia must give up its campaign to link Ecuadorian authorities to the FARC; (2) It must increase its security presence on the border; (3) It must provide the information demanded regarding the March 1 incursion in which, according to Quito, the US may also have taken part; (4) It must compensate the families of the Ecuadorians and Mexicans killed in the attack; and (5) It must make a contribution to UNHCR to assist the nearly one million Colombian refugees in Ecuador –many of them displaced by guerrilla attacks–. Although it has not responded officially to these demands, it does appear that Colombia is increasing security on the border. Controversial statements by Colombian Defence Minister Juan Manuel Santos, to the effect that the operation against Reyes was ‘an act of legitimate self-defence’, have stirred up the dispute once again. Correa spoke out against these statements, as did Chavez, who called them ‘a threat’. This is a kind of dialogue of the deaf in which two contradictory ways of seeing things clash: Colombia is demanding greater commitment from its neighbour in the fight against terrorism, while Ecuador is demanding more commitment from Colombia on the issue of border security and greater respect for Ecuador’s national pride.

This crisis, which is not affecting economic and trade relations between the two countries, is nonetheless one of the most serious in Latin America and highlights the difficulties that regional bodies such as the Organization of American States (OAS) have in solving this kind of problem. Colombia has not been at all receptive to the efforts made by the OAS to solve the crisis, and there are major differences between the Colombian and Venezuelan, Ecuadorian and Bolivian positions (although La Paz is less involved) on the Colombian conflict and the role of the United States in the region. After the Costa do Sauipe summit, Correa said that his government would work to help create an ‘Organization of Latin American States’ –without the US and with Cuba– to replace the OAS.

Ecuador’s agreement with the US on the Manta military base, which is used to fight narco-trafficking, is due to expire this year and will not be renewed. The arguments raised against renewing the agreement include the loss of sovereignty due to the presence of foreign military personnel and the use of the base for Plan Colombia operations. Making negotiations even tenser, Correa has demanded that the US provide lists of its military personnel who land at Manta for technical operations. Ecuador not only rejects Plan Colombia –to which it has responded with its Plan Ecuador– but has also made anti-Americanism a major line of its foreign policy. This has led it to seek strategic alliances with Iran and Russia, following Chavez’s script. In early February, during a bilateral meeting with Chavez, Correa said: ‘21st century socialism has no models –it has principles– and our peoples will find the best answers because they have already taken their future into their own hands. Leave us alone!’

Correa has also recently been at the centre of a dispute with Brazil over his refusal to pay part of the foreign debt and because of a series of incidents with Brazilian companies operating in Ecuador. Quito requested arbitration on a 243-million dollar loan from the Brazilian Development Bank (BNDES) for the construction of a hydroelectric plant that opened in 2007. The work was done by Odebrecht, which was expelled from Ecuador in September 2008 due to breach of contract. In protest, Brazil recalled its ambassador in Ecuador and the crisis was resolved only after Odebrecht accepted the conditions imposed by Quito, in late September. The Brazilian ambassador did not return until late

December. Brazil suspended various cooperation projects with Ecuador and postponed the visit of a mission headed by the Transportation minister. Ecuador announced the possibility of nationalizing the oil fields operated by Petrobras if the company did not agree to amend its contracts to comply with the new hydrocarbons policies. Correa complained that a dispute with a private company was causing a diplomatic crisis, despite the way this issue was being handled with a supposed ally like Lula. Of greatest concern to Brazil is the declaration that Ecuador's debt with BNDES was illegitimate –an action backed by the ALBA presidents, who are thinking they may be able to take similar action–

The international crisis and the collapse of oil prices have stretched state-owned Petroecuador to its limits. The layoff of 1,500 workers was recently announced. In addition to this, there are disputes with foreign companies over contract renegotiations that affect Petrobrás, Repsol-YPF, the French company Perenco and the Argentinean Compañía General de Combustibles (CGC-Ecuador). Negotiations were not held in a friendly climate as a result of the president's inflexible stance. This, plus the treatment given to the external debt, will quite likely scare off foreign investment and will lead to certain credit lines being frozen, given the sense of legal insecurity that has been transmitted. While Ecuador wants to make it clear that it will not allow interference in its sovereign affairs, Correa's angry reactions and his statements, whether conciliatory or threatening, generate a climate of uncertainty that does nothing to help his country's image abroad.

Ecuador in the global context

The arrival of Barack Obama as US president has awakened new hopes in Latin America for better relations in the hemisphere. The most significant development so far has been the meeting between Obama and Lula who, in addition to the economic crisis, dealt with the issues of Cuba and the US-Latin America alliance. Ecuador has proven to be one of the US's problems in the region, not only because of the cancellation of the agreement on the Manta base –a blow for US anti-narcotics and anti-terrorist cooperation policy in the region– but also due to the expulsion in February of two US diplomats, Mark Sullivan and Armando Astorga, accused of interfering in Ecuador's internal affairs. A month later, Correa said his government very much wanted 'fraternal relations' with the US. It is to be hoped that the Summit of the Americas in Trinidad and Tobago will make clearer what he wants from bilateral relations with Washington.

The relationship with the United States is especially important to Ecuador. In addition to the large number of immigrants and the corresponding remittances (1,322 million dollars in 2008, 47% of the total amount), the trade relationship is significant. In 2007, 41.9% of Ecuadorian exports went to the US and 23.7% of the country's imports originated there, making the US Ecuador's biggest trading partner. In recent years, as a result of the Correa administration, US foreign direct investment (FDI) has dropped considerably. At the end of the third quarter of 2008, there had been a 37.6% drop compared to the previous year. The US ambassador in Quito, Heather Hodges, said last November that 'the United States has stopped investing in Ecuador due to a lack of clear rules for companies'.

Iran and Russia

Correa's rapprochement with Iran and Russia –following the Bolivarian example– is perhaps one of the most original and also most controversial components of his foreign policy. This strategy has two simultaneous and contradictory goals: to establish closer ties with Venezuela and to reaffirm the independence of Ecuador's foreign policy and its national sovereignty vis-à-vis the United States. The statements made by the president

and some of his ministers regarding relations with these countries reveal a strong interest in keeping Washington at a distance. In this context, it is quite possible that Ecuador could rejoin OPEC (Organization of Petroleum Exporting Countries).

In December 2008 Correa visited Iran to strengthen relations between two OPEC partners. At almost the same time, Russian Foreign Minister Serguei Lavrov visited Ecuador. Correa's visit to Iran was met with certain scepticism by some Ecuadorian analysts, who insinuated that it responded more to political vibrations than economic reasons. The president replied that it was part of an 'intelligent foreign policy and a very coherent one that opens markets, makes contacts and establishes relations with those who see Ecuador in a positive light'. Ecuador and Iran have little in common except that they are in conflict with the United States. In February 2009 Iran opened an embassy in Quito, while Correa plans to visit Teheran to convert Ecuador's trade office there into an embassy. Economic and trade relations with Iran are insubstantial for the moment, except in the energy sector. Eighty percent of what Iran exports to Ecuador is oil, while the main Ecuadorian exports (tuna, flowers, oil and bananas) are not attractive to the Iranian market. Technological and military cooperation –the area in which the most agreements have been reached– and the oil and gas sector are the areas where common ground may be found. Following a visit to the Iranian Defence Ministry, Correa asked Ahmanineyad to help reactivate Ecuador's petrochemical industry. For Iran, rapprochement with Ecuador fits well in its foreign policy, which focuses on seeking allies to offset the political and economic isolation imposed by the United States. Iran needs support to resist US and EU pressure to stop its nuclear program. In 2006 only three IAEA countries backed the Iranian nuclear program, two of them Latin American: Venezuela and Cuba.

Lavrov visited Quito in November 2008 to sign a set of cooperation agreements, while President Medvédev was in Caracas at a meeting of ALBA presidents, where he indicated his interest in joining as an observer. The presence of Russian leaders in Ecuador responds to economic objectives (essentially trade and tourism), but in the case of Iran it also forms part of the country's search for strategic positions in Latin America to counterbalance US power. Ecuador has also shown interest in technical and military cooperation with Russia. In late March 2009, the Ecuadorian Defence Minister travelled to Moscow to formalize a military assistance agreement negotiated during Lavrov's visit.

Bilateral relations with Spain

The agenda of bilateral relations between Spain and Ecuador has been dominated by the issue of migration: Ecuadorians form the second biggest community of foreigners in Spain –after Moroccans– and the largest colony of Latin Americans. According to the revised census of 2008 by the Spanish National Statistics Institute (INE), there were 458,437 Ecuadorians in Spain. Ecuador is interested in Spain, among other reasons, because almost 3.5% of its population is living here. Proof of this are the visits made in 2007 and 2008 by Ecuadorian authorities. In 2007, on his first official tour of Europe, Spain was the first country that President Correa visited. He was received both by the Spanish president and by the King of Spain, and his visit had a higher profile than in other European capitals. The following year he repeated the trip, this time with the then Foreign Minister María Isabel Salvador (in May); Migration Secretary Lorena Escudero visited Spain twice that year (in January and September) and Defence Minister Javier Ponce visited once (in June). Other issues are also on the agenda, including trade, investments and relations with the EU.

Immigration is one of Ecuador's main economic resources, as the figures for remittances show. In 2008, Ecuador received 2,822 million dollars (7% of its GDP) (8.6% less than in

2007), of which nearly 1,157 million came from Spain (41%). They are the second biggest source of income after oil exports and are the most important part of the bilateral relationship –greater than the sum of FDI, trade (two areas of the relationship that are still weak)– and Official Development Assistance (ODA) all combined. Due to the impact of the international financial crisis on Spain and the increase in unemployment (nearly 14% at the end of 2008, including 44,323 Ecuadorian job seekers: more than double the figure for 2007), the Central Bank of Ecuador announced that the flow of remittances from Spain fell 2% from 2007 levels –a small drop, but the first one registered since statistics were first available–. The Central Bank of Spain has not made an optimistic forecast either, with double-digit drops in 2009. The Ecuadorian government has shown its concern for the fact that many of its nationals could become illegal residents if they lose their jobs, and its displeasure with the European directive aimed at returning them home. Correa was one of the first Latin American presidents to demonstrate his opposition to the directive, expressing his ‘solidarity’ with the thousands of Ecuadorians who live in Europe, ‘especially in Spain and Italy... after the scandalous legislation approved by the European Parliament to criminalize immigration’. Spanish Vice-president Maria Teresa Fernández de la Vega announced in Santo Domingo that Spain would not implement this directive since Spanish law offers better guarantees for the public interest. Both governments appear interested in coordinating immigrant return plans, as the foreign ministers stated on February 26 in Quito.

At the Quito meeting, the ministers dealt with thorny bilateral issues: debt, investment and trade. As for debt, it would seem that the declared ‘illegitimacy’ will not affect Spain. The ministers studied the 30-million dollar ‘bilateral debt for investment swap program’: 18 million will finance Plan Ecuador and six million will support migrants, while the rest is for reconstruction. Moratinos also expressed interest in negotiations with Repsol-YPF which, after tough negotiations, will remain in the country. On the trade front, with a balance favourable to Ecuador, the banana dispute remains open, though the World Trade Organization (WTO) has ruled in Ecuador’s favour several times. Regarding negotiations for the association treaty with the EU, Ecuador finally decided to take the same position as Colombia and Peru, rejecting the rigid Bolivian stance.

Conclusions: The personal character that Correa imposes on his country’s foreign policy has meant that Ecuadorian diplomacy has been shifting: at times closer to joining Hugo Chavez’s Bolivarian project and at times closer to the more moderate positions taken by Lula da Silva. For now, Correa has not made a final decision in this regard, especially considering the many failed promises from Venezuela. For this reason, he has not formally joined ALBA and prefers to remain an observer rather than a full member of the Bolivarian organization. As part of this difficult balancing act, closer ties to Chavez have meant, in the regional context, a prolongation of the conflict with Colombia and the start of a crisis that is affecting the fight against drug trafficking and terrorism. The relationship with Brazil has also become complicated, since Ecuador’s unilateral declaration regarding the illegitimacy of the external debt.

Other conflicts have developed with some strategic partners such as the US and Spain, due to the treatment given to companies from those countries and the climate of confrontation that President Correa extended from domestic to international policy. In the current context of global economic crisis, these positions may aggravate the economic situation by shutting off international credit and reducing the flow of investment. For this reason, Correa has sought out Iran and Russia as anti-imperialist allies and new economic partners –something that does not seem to be improving his image internationally–. In any case, it appears that the Ecuadorian administration has been

going through a certain learning process in terms of international policy, and that in the immediate future it may contain a larger dose of pragmatism. Therefore, in the coming months we will have to keep a close eye on the course that Correa finally sets for his foreign policy.

Relations with Spain, characterized by the human and economic dimensions of migration, may become closer as a result of the crisis. Both governments will have to work hard to manage the flow of emigrants affected by unemployment. This apparently fluid relationship breaks down when it comes to the prickly issue of Spanish investment, which Correa has threatened on more than one occasion. Ecuador has become an unreliable country for Spanish entrepreneurs. However, the president's decision to return to conversations with the EU to move toward the signing of an association treaty sends out a positive signal in the opposite direction. Negotiations with the EU, which will begin soon, and the celebration of the bicentennial of Ecuador's independence seem to be a good time for Ecuador and Spain to bring their positions closer together and to strengthen ties with Ibero-America and Europe.

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