

BTI 2012 | Ecuador Country Report

Status Index	1-10	5.39	# 73 of 128	
Political Transformation	1-10	5.70	# 64 of 128	➔
Economic Transformation	1-10	5.07	# 80 of 128	➔
Management Index	1-10	4.37	# 86 of 128	

scale: 1 (lowest) to 10 (highest) score rank trend

This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2012. The BTI is a global assessment of transition processes in which the state of democracy and market economy as well as the quality of political management in 128 transformation and developing countries are evaluated.

More on the BTI at <http://www.bti-project.org>

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Key Indicators

Population	mn.	14.5	HDI	0.720	GDP p.c.	\$	8028
Pop. growth ¹	% p.a.	1.4	HDI rank of 187	83	Gini Index		49.0
Life expectancy	years	75	UN Education Index	0.686	Poverty ³	%	13.4
Urban population	%	66.9	Gender inequality ²	0.469	Aid per capita	\$	15.3

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

Executive Summary

Since Rafael Correa's victory in the 2007 presidential election and the approval of the new constitution in 2008, there has been a series of radical institutional changes at the political and economic levels, which have, in practice, entailed a restructuring of the political class and the system of political representation. This change involves a group of people who question liberal democracy and market economics. Correa has become the president elect with the most power concentrated in his hands in the history of the country. Correa's style is very similar to classic Latin American populism, centered on a charismatic leader and personality with a black-and-white, moralistic vision of politics (reduced to a struggle between good and bad). He continues to enjoy relatively high levels of support despite holding the presidency for close to four years and not having had much success in various areas of public policy. In the economic sphere, the country continues to generate significant revenue from oil exports thanks to high oil prices, while remittances from abroad have decreased due to the economic crisis in the countries where the Ecuadorian emigrants are living. 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. At the international level, Ecuador remains one of the most active members of the left-leaning, anti-United States coalition headed by Venezuela's President Hugo Chávez.

History and Characteristics of Transformation

Ecuador's transition from a military dictatorship to a democratic system of government took place in 1979. Ecuador was one of the countries gripped by the third large wave of democratization in Latin America in the late 1970s. The Ecuadorian process of transition took

place upon the basis of an agreement between civil reformers and sectors within the military intent on more openness. Transition suffered because powerful conservative, liberal and other sectors of society were opposed to transition and were therefore excluded from influencing future policies.

The political alliances that subsequently formed civil governments also proved too weak to integrate the opponents of transition into the new political order. This group, which excluded itself from the process of democratization, nevertheless continued to be influential and even won the presidency five years after the transition process had begun. From this position they attempted to undermine one of the essential agreements of the transition, that is, political participation through parties, by anchoring political participation through so-called *Independientes* (independents) in the constitution.

The political elite generally lacked widespread appreciation for the democratization process and its rules of the game, which some political actors did not regard as their own. Transition therefore failed to reach a consensus on the mechanisms of the allocation and distribution of political power; this in turn restricted the consolidation, legitimacy and durability of the democratic model. 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.

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 which thus lost legitimacy as large sections of the population did not consider it capable of solving the most urgent economic problems. The economic crisis led to a considerable reduction in material resources, human and power resources, while the state increasingly lost control over these assets.

Furthermore, the economic crisis brought international financial organizations onto the national political scene in the form of political actors participating in political events in accordance with specific preconditions; there was practically no space for discussing or questioning their conditions or decisions. This by no means fortified the legitimacy of the democratic model. Twenty five years after the formal transition to democracy, the population's illusions have given way to mistrust toward the democratic system.

The cycle of political crises in the past eight years 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 marginally constitutional proceedings in which political actors ignored official procedure. 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 the office of 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 from the left, the unions and the indigenous movements. Protests grew after Gutierrez 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 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 so typical in Latin America from the 1930s onwards. This model consisted of industrialization by substituting imports. This meant that market-based structures did exist during the transition to democracy, but the domestic market was relatively isolated and over-regulated with a wide-reaching public sector. In Ecuador, this was partly a result of the early 1970s oil boom under military rule that was not channeled into a consistent and sustainable economic policy. Instead, the military's outdated development plans not only brought about increasing macroeconomic imbalance within Ecuador; they also resulted in growing budgetary deficits and an explosion in state and private debt.

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. Even under the somewhat chaotic governments of the 1990s, no fundamental stability was achieved.

In 1998-2000, these developments resulted in Ecuador's worst economic crisis of the 20th century. Although triggered by a combination of factors, the Ecuadorian economy was already crisis-prone by the mid 1990s. Poor decisions in economic policy-making and various negative external influences (e.g., El Niño floods in late 1997 that affected the agriculture of coastal regions in particular; the retreat of investors and creditors from Ecuador during the crises in Asia, Russia and Brazil in 1998/1999; a severe drop in oil prices on the international market in 1998, which led to a drop in export revenue) exacerbated the difficult situation.

The liberalization of the Ecuadorian financial market also led to a prolonged financial crisis that began in the mid 1990s. The dependency on the export of primary goods and on few price-

volatile products in particular makes Ecuador more prone to external influences. Until late 1999, the Ecuadorian economy recorded a 7% reduction in GDP but was able to recover in the years that followed. 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 10 (best) to 1 (worst).

Transformation Status

I. Political Transformation

1 | Stateness

Question
Score

The government of President Correa has successfully worked to increase the presence of the state throughout Ecuador's territory. The sectors that question the state's monopoly on the use of force are the indigenous organizations that oppose the government. For them, the plurinationality proposed in the constitution should be reflected in a greater share of self-government and autonomy; however, these demands have not found much support in the government, which has defended its powers and has not yielded to any of the demands. This has led to the movement losing its capacity to organize and apply pressure. There are no local guerillas, terrorist groups or large organized crime rings, which represent the primary threat to the state monopoly on the use of force in Latin American countries.

Monopoly on the
use of force

8

The northern border is a zone affected by the Colombian conflict and was, in previous years, a safe haven for members of the Revolutionary Armed Forces of Colombia (FARC). However, the situation changed when Colombia bombed a guerilla camp within Ecuador's territory (which caused relations between the two countries to be broken off). This action, combined with the increased Ecuadorian military presence in the region, has made the zone less secure for FARC. That does not mean to say that the influence of the Colombian guerrilla has disappeared completely in the north of Ecuador as the region continues to be a supply and provisioning zone for the rebels, albeit to a lesser extent. Finally, FARC has not openly interfered in Ecuador's internal affairs.

Security has worsened and criminality has increased, with one possible explanation being the presence of criminal gangs that are approaching the level of organized crime. Linked to this phenomenon, it is becoming increasingly common for citizens to resort to private security or to organize themselves (in sectors with fewer

financial resources) to carry out “police” work in their neighborhoods or communities; this often results in lynching or the violation of the detainees’ human rights.

The concept of the plurinational state enshrined in the new constitution puts in jeopardy the legitimacy of the nation state and its institutions. Demands for more autonomy within an overall national framework is one thing, abandoning the nation-state concept altogether is another, more problematic course. It carries the risk of even more disintegration not only in administrative, but also in cultural terms.

State identity

7

The confrontation between the government and the majority of indigenous organizations has led to the latter questioning the legitimacy of the nation state in a more belligerent way and calling for the plurinationality promised in the constitution to be developed in the form of self-government for the peoples they represent. On the other hand, Correa’s government has managed, among his supporters (the majority of the Ecuadorian voters), to align the interests and destiny of the “homeland” (nation state) with those of his political organization, government and person. This collation has the negative effect of excluding – quasi de facto and, above all, in a symbolic way – those who are not his supporters: to be against the government is to be against the “homeland.”

Despite the fact that the new constitution creates a formal framework promoting plurality, this is undermined by the efforts of the government to push forward a process of “national construction” and its confrontation with the indigenous groups, which despite being very critical, have lost their ability to mobilize and some of the social and “ethical/moral” legitimacy that they enjoyed before Correa’s government.

There also continue to be problems in recognizing equality of rights due to trends of exclusion generated by the country’s social and economic structures and the effects these have on the functioning of state institutions. This involves de facto but not juridical discrimination.

Freedom of worship and separation of state and church have been guaranteed in Ecuador since the beginning of the 20th century. In general, religion is not a source of conflict in the country, largely because the vast majority of the population is Christian, principally Catholic. Despite the fact that President Correa, the nexus of the country’s political life, is a self-confessed practicing Catholic and makes constant allusions to religious questions and Christian morality during his public appearances representing the state (the best example of this is the talk he gave at Oxford University after he had become president, centered on the experiences of a left-leaning Christian in a secular world), his practices have not met with public

No interference of religious dogmas

9

criticism and have even received signs of support. In spite of the differences between the government and the Ecuadorian Episcopal Conference, there have not been any major tensions.

The current government has worked to improve the presence and functioning of the basic structure of Ecuador's public administration throughout its territory (although this is more concentrated in the urban nuclei). However, there are still a series of structural problems in the way the administration functions due to the lack of professional training for civil servants, the absence or lack of continuity of guidelines at the different levels of government, and corruption. The revenue service has been improved and professionalized but there are sectors, such as education, in which changing labor regulations are creating uncertainty, in this case among educators. The government's justification is that temporary labor contracts generate incentives to improve teaching performance with the aim of signing a permanent contract after a trial period. However, according to teachers, the system is not working because budget shortfalls and other, more political, considerations are preventing the temporary contracts from becoming permanent ones. One of the merits of the current government is that it has increased investment in the health system. Nevertheless, the administration's structural insufficiencies are so great that the demand for human, material and infrastructural resources outstrips the supply.

Basic
administration
6

Tax receipts continue to be among the lowest in the region. However, the government, via the Internal Revenue Service (SRI), has improved the level of takings. According to their figures, net receipts from January to December 2010 amounted to \$7.864 billion, with a nominal growth rate of 17.5% compared to the same period in the previous year. According to the SRI's reports, direct taxes have increased as a percentage of total receipts from 38% in 2008 to 43% in 2010, although direct and indirect taxes continue to make up a small proportion of the state's general revenue; even more so when compared to other countries.

2 | Political Participation

There are no major legal restrictions on electoral freedoms. Nevertheless, various events that have taken place have altered the conditions of participation. Perhaps the most important change is the updating of the registers of political parties and organizations: among other conditions, parties and organizations have to present signatures of individuals who support them, which has become a restriction on participation because of the limited resources available to these political groupings. At the same time, the political polarization promoted by the government has been based on a delegitimization of political parties, which are cast as representing various particularistic interests; this message has been taken up eagerly in wider society, which blames "particracy" (or party rule) for the country's misfortunes. The restructuring of the electoral authority, which was aimed at bringing greater

Free and fair
elections
7

transparency to electoral processes, has instead served to increase the power of the executive branch. This was already apparent in the previous electoral processes, when the new system failed to limit the use of public funds in Alianza PAIS's campaign. The latest questionable act occurred when the National Electoral Council (CNE) issued a retroactive ruling concerning the collection of signatures to be submitted to initiate a recall referendum against the government in February 2011. A series of requirements was introduced which citizens are expected to meet, with the result that a large proportion of signatories were excluded.

Power is concentrated in the hands of President Correa (who was elected legitimately) but the other elected authorities (members of the Assembly or of local government) are restricted in carrying out their functions when they do not share the president's views. In Ecuador, there are no non-elected individuals or groups that oversee legitimately elected authorities. However, even if there are no genuine veto powers, there are special interests and organizations which frequently resort to unlawful means to enforce their will. On the other hand, some of these actors in the social and political opposition, such as the indigenous groups (who headed the opposition to the Water Law), have been attacked constantly, even being persecuted and accused of terrorism, which has led to their demobilization and weakening.

Finally, the events of 30 September 2010 – when police officers protested against a reform of bonuses and promotions by taking the president hostage for several hours – are difficult to interpret and it would be hard to categorize them as symptomatic of a lack of effective power on the government's part.

The rights of association and assembly are guaranteed by law. However, the current government uses the media and the government's propaganda mechanisms to maintain a permanent confrontation with organizations and associations that do not share its positions; for example, members of indigenous associations have been accused of terrorism due to some violent clashes with the police and government supporters that took place at the edges of a gathering which Correa attended. By this indicator, the situation has worsened compared to previous years.

Freedom of expression is one area in which the deterioration in the quality of Ecuador's democracy has been most apparent. The president is running a campaign against the media, which he accuses of being corrupt, mendacious, a refuge of the opposition, of being run by companies interested only in money, not the good of the country, and of "wanting to set policy without having won elections." He also accuses the media of only pointing out the mistakes and negative aspects of the government and not emphasizing the good that the government does. Each week, the president issues a radio address lasting more than two hours, in which he comments on all kinds of issues and explains what he has done during the week. Until the end of 2010, this program also included a segment called "Freedom of expression applies to everyone" in which he would concentrate on distorting

Effective power to govern

7

Association / assembly rights

8

Freedom of expression

6

information broadcast by the media or discrediting information that he did not consider to be entirely true, or which had a negative focus. In particular, the president would use this segment to discredit and delegitimize people who wrote opinion pieces, as well as the content of these pieces. At the same time, the government tends to use the broadcasting hours to which it is entitled in every medium (National Channels of Information) to simultaneously interrupt all the radio and television news programs in the morning or evening to refute the “headline stories” that are detrimental to the government. The government claims that it is trying to defend itself from a media that is not interested in providing information, and that it (the government) only wishes to offer its version of events, which is not presented by the media, as they do not provide balanced information.

In this context, the government announced a referendum that, among other things, will attempt to increase regulation of the media, something that the government has previously attempted through ordinary legislative means. Interpretations of the potential legal consequences of the government’s proposal indicate that holding the media and journalists accountable for information would create a regulatory framework that would make it possible to persecute critical members of the press. Furthermore, the regulatory council that would be created would be entrusted with establishing criteria for responsibility, making it a de facto tribunal that judges journalists’ excesses, thereby removing these processes from the ordinary judicial system.

The Correa government’s strategy of “blaming the messenger” has led it to propose in international forums that the media be regulated in order to make them enterprises without a profit motive. The government’s confrontation and aggressiveness (and this applies particularly to President Correa) towards the media and journalists has been condemned by Reporters Without Borders and the Inter American Press Association.

The issues raised here are sufficiently serious to indicate that there has been a transformation in Ecuador, resulting in a systematic attack on the media.

3 | Rule of Law

Since the new constitution came into effect in 2008 and Correa’s reelection in 2009, a tendency that has been apparent since January 2007 has intensified, namely a weakening of the structure of the separation of powers and the concentration of those powers in the hands of the president. Even if the formal division has been maintained, the different posts holding veto and oversight power are occupied by people close to the president, who respond to his agenda. President Correa has always been critical of the role of the legislative branch and other state powers; his conception of government is plebiscitary and involves the subordination of other

Separation of
powers

5

powers to the president, who can rely on broad electoral support. On occasions when the National Assembly has inserted elements into laws (without substantially altering the government's objectives) in order to include the demands of certain sectors or minority parties, Correa has made use of his constitutional powers to veto the laws and impose his initial agenda. At the time of writing, there is an investigation into the constitutionality of the questions that the president wishes to put to a referendum aimed at reforming the judicial system. This will involve a process in which final decisions regarding the structuring of the upper judiciary are his responsibility or the responsibility of his delegates.

Despite the creation of organs such as the Council of Citizen Participation and Social Control, the government has resorted to a series of practices to avoid fulfilling its obligations. These include the constitutional reform to the justice system mentioned above, which would remove the Council of Citizen Participation's authority to appoint judges and high-ranking members of the judiciary; these powers would be transferred to a commission that is subordinate to the executive. The justification for reforming the appointment system included in the new constitution, which has not yet even come into force, is that the reform is necessary to counteract uncertainty and increasing crime in the country.

Even if the president's party, PAIS, does not have an absolute majority in parliament, this has not created an impediment to putting his agenda into practice. Furthermore, the president's control over his party is absolute and anyone who has dared criticize any of the government's proposals has ended up being expelled from the party and accused of treachery.

The Constituent Assembly incorporated the upper judiciary in such a way that, despite being close to the government's political movement, it has maintained a degree of independence from the government and the legislative. The upper judiciary, consisting of the Judiciary Council and Supreme Court, was supposed to change once the new constitution came into force and the bodies that would take part in its creation – such as the Council of Citizen Participation – were formed. However, the process of restructuring has been repeatedly delayed. At the time of writing, the Constitutional Court is evaluating the government's proposal for a referendum aimed in large part at reforming the constitutional mechanisms (which have not yet been utilized) for structuring the Judiciary Council and for appointing judges. If the reform is successful, Ecuador's upper judiciary will be made up of persons nominated by the president or his delegates. At the same time, the Office of the Attorney General, an independent authority responsible for initiating legal proceedings on behalf of the state, is headed by a person of dubious morals who covered up for his wife who, according to witnesses and evidence presented, was driving the official vehicle in which she was traveling when it hit and killed a pedestrian. The impeachment procedure in the National Assembly provoked an internal division in the party of government because the president, despite a series

Independent
judiciary

4

of irregularities in the legal proceedings, supported the attorney general unconditionally. The attorney general has repaid this support in the form of judicial investigations in the government's favor.

In addition, there tend to be formal and informal denunciations of judges and officials who do not apply the law impartially. At the same time, judicial officials complain constantly about the lack of material and human resources to meet the needs of users. Finally, apart from its low professional standards and meager resources the judicial branch has suffered from the institutional discontinuity brought about by the rewriting of the constitution.

Despite official claims that corruption is being prosecuted and the creation of a secretariat to combat it, there continue to be cases of corruption on the part of officials and high-ranking public servants who are not properly penalized. The government has made great efforts to combat what it calls the corruption of businessmen. To this end, it has initiated large operations to uncover and punish persons or companies who do not comply with labor rights, do not pay taxes or who profited from loans from institutions that were rescued by the state. As far as the government is concerned, one of the most well-known cases involved the president's brother, who profited from Rafael Correa's position to win contracts with the state; despite the fact that the contracts were canceled once irregularities were proven, none of those implicated were penalized. Moreover, the concentration of power in the hands of the president and his movement also entails greater arbitrariness in the allocation of funds and a reduction in the efficacy of control mechanisms.

Despite the legal guarantees on civil rights, President Correa's authoritarian tendencies have meant a deterioration in this area; this is primarily due to the type of action and discourse he employs when confronting people who do not agree with him. There are proven and well-known cases of abuse of authority on the part of the president, above all in his weekly radio and television broadcasts, which he spends intimidating, harassing and humiliating opponents and people who he accuses of not respecting "the dignity of the president," without considering the existing asymmetry of power. He has even gone to the extreme of challenging to a fight citizens who disagree with or have supposedly insulted him.

The form of government that has prevailed does not hesitate to instrumentalize the power of the state to persecute people who voice disagreement with or who lack respect for those who control political power. This behavior is very dangerous because it forms the basis for violations of rights. It is important to remember that in a democracy, the power of the state should be used to protect the rights of citizens, it should not be used against them.

Prosecution of
office abuse

4

Civil rights

7

There are also abuses of authority and infringement of rights on the part of the police, when taking statements from people in custody and during “anti-criminal operations.” Finally, it should also be noted that Ecuador continues to suffer from its historical discrimination against indigenous peoples and against women.

There is no history of systematic, mass violations of human rights in Ecuador, in contrast to other countries in Latin America, which have suffered from civil wars, for example. Correa’s government convened a Truth Commission; its report indicated that in the period 1984 to 2008, there were 118 confirmed cases of human rights violations affecting 456 Ecuadorian citizens and foreigners.

4 | Stability of Democratic Institutions

Although the country has formal democratic structures, they have not become a central means for the processing of political conflicts, and are not respected by political actors. The best indicator of the weakness of democratic institutions is the fact that none of the three presidents elected before Correa reached the end of their respective terms. Over the last four years, there has been a political process that calls into question representative democracy based on liberal principles. President Correa leads the self-proclaimed “Citizens’ Revolution,” which has degenerated into a government centered on President Correa’s will that increasingly resembles traditional populism, in which the leader connects directly with the people (the “homeland” in Correa’s discourse) and receives constant support from the “homeland” via continuous elections. The system is hyper-presidential, with a plebiscitary leadership that sees the structures imposed by liberal democracy and the rule of law as an obstacle to the attainment of national goals. In addition, the legislature (still) does not function properly due to internal frictions and insufficiently institutionalized procedures.

Performance of
democratic
institutions

4

The level of consolidation of Ecuador’s democratic institutions is very low. Democracy as a regime does not have strong roots in the country and has suffered from severe crisis since the middle of the 1990s (which is reflected in the fact that Rafael Correa is the first president since 1997 who has managed to complete a term of office), a political crisis made worse by the country’s economic situation. In this context, there has been a profound political transformation that, while maintaining elections as a means of accessing power, is headed by a president and members of government who are openly critical of liberal democracy (and its institutions) and market economics.

Commitment to
democratic
institutions

5

The problem becomes more significant when we consider that this repudiation of democracy and lack of respect for its institutions is a pattern of behavior shared by other relevant actors within the political system. While democratic institutions are

seen as legitimate in principle, they are not accepted as the only stage for political contest – indeed, they are often not even seen as the principal arena.

5 | Political and Social Integration

The pattern of political representation that operated with slight variations since the transition period has disappeared. Some “traditional” parties, such as Democracia Popular, are now no longer represented in parliament while others, like Izquierda Democrática or the Partido Roldosista Ecuatoriano have only two and three seats respectively. Political parties and the so-called “particracy” (rule by parties and elites) were held responsible for the country’s political and economic crisis and, as such, the idea arose that to end the crisis, it was necessary to be done with the parties. This is the background to the PAIS movement headed by Rafael Correa; not yet even founded in 2007, it won the majority of seats in the National Assembly in the 2009 elections and now has 59 of the 124 members, as well as holding the majority in the Constituent Assembly. PAIS has become a hegemonic party and has successively merged its own organization and interests with those of the state (in a similar way to the PRI in Mexico or the United Socialist Party of Venezuela).

Party system
4

There is no opposition party sufficiently powerful to question the hegemony of PAIS. Despite the new predominance of PAIS, parties continue to be the least trusted political actors according to the 2010 LAPOP surveys, with only 26.4% of those surveyed having any confidence in the parties.

Evaluating the current party system in Ecuador is a complex undertaking because it does not completely fit with the elements suggested by the BTI score description. On the one hand, since Correa took power and his party has won election after election, the system has reduced the number of parties along with polarization and fragmentation. On the other hand, however, it continues to be a system with only weak social ties that continues to reproduce the clientelistic behavior that has always existed in the political system.

Business organizations do not play a greater role now, nor have they managed to make Correa heed their demands or treat them as legitimate representatives of the productive sectors. The Confederation of Indigenous Nationalities of Ecuador (CONAIE), which acts both as social organization and interest group, has lost its capacity to mobilize or connect with its bases. Its leaders’ attempts to gain support in clashes with the government have had very little impact. Due to the government’s reforms of the legislature and labor rights, there have been attempts to revitalize trade unions. This has been largely unsuccessful as it has proven impossible to mobilize the workers and the government lacks any openness towards the demands

Interest groups
4

of sectors that do not lend it unconditional support. Added to this is a lack of representativeness, as trade union membership rates are about 1%.

There is not only a lack of responsiveness on the part of the government, but also an imbalance within the intermediary system of interest representation and a lack of bottom-up procedures within interest groups themselves.

Approval of democracy has increased in Ecuador, as evidenced by the results of various surveys. However, it is important to mention that the presence of a government with broad electoral support, as is the case with Correa (something similar is occurring in Venezuela), tends to be reflected in a better opinion of democracy on the part of citizens. This means that the data does not necessarily imply an approval of democracy per se, but rather approval of an elected president who more or less fulfills his promises.

Approval of
democracy
5

According to the results of surveys by Latinobarómetro, the share of Ecuadorians who agreed with the statement ‘Democracy is preferable to any other form of government’ increased in 2010 to 64% (above the average for the region, which is 61%) compared to 43% in 2009. The same study showed that 83% of Ecuadorians claimed to agree strongly or agree with the fact that democracy can have its problems, but that it is the best system of government. The average percentage for the same question in the region as a whole is 77%; the largest percentage of affirmative answers was found in Uruguay, at 91%, and the least in Guatemala, at 59%.

According to the results of the LAPOP 2010 report, positive evaluation of democracy in Ecuador increased to 68.4% from 66.6% in 2008. By comparison, the greatest support was found in Uruguay, at 86.2%, and the least in Peru, with 60.1%.

However, citizens continue to have a negative perception of institutions and the way they function. The data of the Support for the System Index from LAPOP 2010 shows how weak the support basis is for democracy. The support index for Ecuador is 48.9; Uruguay is the country with the strongest support (68) and Argentina with the weakest (45.2).

Interpersonal trust, one of the key elements for measuring social capital, is 54.2% in Ecuador according to the LAPOP surveys. This is a relatively low value compared to other countries in the region (Costa Rica has the highest trust at 70% and the lowest is in Peru, at 46.2%).

Social capital
5

As for interpersonal trust (“Generally speaking, would you say that you can trust most people, or that you can never be too careful when dealing with others?”) in the Latinobarómetro only 17% of Ecuadorians answered in the affirmative – below the Latin American average of 20% and far below the level of Western democracies.

At the same time, associations and organizations have been among the country's most active collective political actors but their practices and discourse have not favored the creation of a democratic social capital. The objectives of the organizations have tended to be particularist or corporative. At present, there is less activity on the part of associations and the few organizations that continue to be active are close to the government.

II. Economic Transformation

6 | Level of Socioeconomic Development

Question
Score

Ecuador has improved its position in the United Nations Development Program's (UNDP) Human Development Index; in the 2010 report, it was in 77th place in the list of 169 countries (upper average) with a global index of 0.695 (thus ranging between its neighbors Colombia and Peru). Poverty levels have also dropped, according to data from the Ecuador's National Institute of Statistics and Censuses (INEC): in 2010, 38.3% of Ecuadorians were in a state of poverty (measured by indirect methods or data on consumption). One of the defining characteristics of poverty in the country is the fact that it is concentrated in rural areas and affects women and the indigenous population more intensely. Taking the Gini coefficient as an indicator, we can say that levels of inequality between Ecuadorians have increased in the past decade. According to UNDP data, the Gini coefficient was 0.437 in 1998, compared to 0.46 in 2006, according to INEC (measured according to restrictions on consumption). Data from the World Bank for 2007 shows Ecuador with a Gini coefficient of 0.544.

Socioeconomic
barriers
4

Economic indicators		2007	2008	2009	2010
GDP	\$ mn.	45503.6	54208.5	52021.9	57978.1
GDP growth	%	2.0	7.2	0.4	3.6
Inflation (CPI)	%	2.3	8.4	5.2	3.6
Unemployment	%	6.1	7.3	6.5	-

Economic indicators		2007	2008	2009	2010
Foreign direct investment	% of GDP	0.4	1.8	0.6	0.3
Export growth	%	2.3	3.3	-5.9	2.3
Import growth	%	7.9	9.9	-11.6	16.3
Current account balance	\$ mn.	1588.1	1466.6	-90.3	-1785.0
Public debt	% of GDP	33.2	26.3	24.7	20.4
External debt	\$ mn.	17796.9	17379.0	14130.4	14814.9
Total debt service	\$ mn.	3687.2	2713.2	5030.0	1849.4
Cash surplus or deficit	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	11.4	11.0	12.3	11.7
Public expnd. on edu.	% of GDP	-	-	-	-
Public expnd. on health	% of GDP	5.4	5.3	6.1	-
R&D expenditure	% of GDP	0.15	-	-	-
Military expenditure	% of GDP	2.9	2.8	3.4	-

Sources: The World Bank, World Development Indicators 2011 | International Monetary Fund (IMF), World Economic Outlook 2011 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2011.

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. The market economy is weak, like the rest of the country’s institutions. 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.

Market-based competition

4

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 towards oligopoly with respect to certain basic consumer products (flour, sugar, cement, etc.). In order to increase the offer in sectors subject to private oligopoly, the government has intervened by means of

Anti-monopoly policy

4

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.

Although several drafts have been discussed in the last few years, to date no national competition rules have been enacted. Ecuador is a member of the Andean Community, which in 2005 adopted rules to fight anti-competitive practices. The competition rules of the Andean Community foresee that Ecuador applies them until national competition laws are adopted. These rules, however, are not sufficient and appropriate to substitute national laws.

The Ecuadorian government's commercial strategy has been focused on finding new markets (such as Iran), decreasing emphasis on the traditional markets for Ecuadorian products and reinforcing so-called South-South relations, as well as strengthening organizations such as the Bolivarian Alliance for the Americas (ALBA) or the Union of South American Nations (UNASUR). However, it is important to note that Ecuador's main export product is oil, the international marketing of which 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.

According to the Heritage Foundation's Index of Economic Freedom Ecuador's weighted average tariff rate was 4.5 percent in 2009. However, there is a wide range of restrictions, regulations, administrative inefficiencies and lack of transparency which hamper free trade.

The banking system has recovered since the crisis of the late 1990s and the initial tensions with Correa's government have lowered; tensions that arose as a result of the Law on Financial Security, which, among other areas, regulated interest rates and the charging of commissions. Public banking has been encouraged by means of the Banco Nacional de Fomento or the Banco Ecuatoriano de la Vivienda. Following article 372 of the constitution, the government also insisted on the need to create the Bank of the Ecuadorian Institute of Social Security (Banco del IESS, also called "Member's Bank"); created in May 2009, it has enormous financial potential because it manages the finances of the country's public, mandatory pension system. There has been tension between banks and the government due to the fact that some financial groups owned communications media as part of their investment portfolios. The 2008 constitution prohibited major shareholders in the financial institutes from holding an interest in the media; the government then ensured that this prohibition was put into effect. However, the proposed referendum has once again taken up the issue with the aim of broadening the prohibition so that banks "dedicate themselves exclusively to the functions that concern them." This

Liberalization of
foreign trade

6

Banking system

6

conflict has more to do with the government's desire to control the media than with any problems with the banking system.

According to Heritage, Ecuador's financial sector remains underdeveloped, access to credit is costly, the financial system lacks efficiency, and capital markets are shallow.

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. According to data from Ecuador's Central Bank, after a period of increase, the inflationary cycle is showing a downward trend, from 8.36% (January 2009) to 3.33% (December 2010). President Correa does not believe in independence for central banks, as it would limit the government's ability to set public policy.

Anti-inflation /
forex policy

7

According to Ecuador's Central Bank, the balance of trade in the period from January to November 2010 closed with a deficit of \$1.460 million; this is a 356% growth compared to the deficit recorded for the same period in 2009. The government's economic team continues to believe in increasing expenditure as a necessary means for economic development. 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.

Macrostability

6

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, and issues such as the expropriation of land or other goods have again become topics of debate. 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.

Property rights

4

However, the property rights not only suffer from the political climate, but also from the weak rule of law. Court delays are significant, judgments are unpredictable and inconsistent, and the judicial system is severely affected by corruption. The new constitution increases the state's role in the economy and enshrines the government's right to control strategic sectors such as natural resources and

telecommunications. Ecuador is ranked 104th out of 125 countries in the 2010 International Property Rights Index.

The right to engage in business is formally guaranteed. 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." According to the U.S. State Department's Investment Climate Statement on Ecuador, the investment climate has become increasingly uncertain. 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.

Private enterprise
4

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. A project to increase coverage to families of members is currently under discussion. 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 \$30 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

According to INEC, 38.3% of Ecuadorians were in a state of poverty in 2010 (measured by indirect methods or data on consumption). 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

Equal opportunity
5

restrictions on equality of opportunities in Ecuador is the structure of exclusion that has grown up throughout its history, which expresses itself in ethno-social patterns.

According to the GEPPAL data base of the Interamerican Development Bank, in Ecuador 49% of parliamentary candidates were female – a regional record. There is also a 33% quota for female representation in parliament. The gender wage ratio is comparatively high, at around 90%. Unemployment and illiteracy is about one third higher among women. As for access to primary and secondary education there is no discrimination against 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. The difference amounts to 2.6 schooling years. Being indigenous in Ecuador increases one's chances of being poor by 16%.

11 | Economic Performance

The country's main problem is its limited growth; according to the U.N. Economic Commission for Latin America and the Caribbean (ECLAC), Ecuador will have among the lowest growth in the region. Nevertheless, high oil prices will provide the government with the resources to develop its policies, despite the negative impact caused by the drop in remittances from Ecuadorian emigrants. GDP per capita fell by 0.7% in 2009 and rose again by 1.9% in 2010, according to data from ECLAC. The inflation rate has dropped (5.2 in 2009); this positive figure is due in part to the Ecuadorian economy's use of the U.S. dollar as its circulating currency. However, unemployment rose to 8.5% in 2009.

One of the government's successes has been to reduce the burden of debt compared to GDP (18.4%) thanks to renegotiation of bonds, which has allowed the government to free up resources that it has directed toward social investment. The country's balance of trade is almost in equilibrium.

The Ecuadorian economy is not very dynamic, despite a favorable international situation, as can be seen in the low levels of direct foreign investment (\$318 million in 2009, with a downward trend in 2010). The dependence on oil exports represents a constant threat to the economy.

12 | Sustainability

Environmental policy was another problem for the Correa government because one of the core areas of his revenue policy is extractive industries such as oil drilling and mining; in the last year, the government's drive to promote mining has

Output strength

6

Environmental policy

5

declined, which has alleviated the confrontation with environmentalists. The government's principal environmental project is a plan aimed at not extracting oil from underneath the Yasuní Protected Reserve in order to protect the park and to seek, in return, the support of the international community in the form of economic compensation. After an initial arrangement with donors, the president broke the agreement that was to be signed with the backing of the UNDP and with contributions from various European countries. The reason given was that the president did not like certain aspects of the phrasing of the agreement, concluding that "they can shove their money." The government is currently trying to negotiate a new agreement, but the donors no longer have confidence in the process.

The number of companies complying with ISO 14001 environmental management standards has risen from 78 in 2007 to 110 in 2009. Despite these positive tendencies, a careful balance between environmental concerns and economic interests is not in reach, due to the developmental level of the country. Still, there is much to be done to reduce or to repair the most serious damages caused by oil producers in the Amazon rain forests.

The government is very eager to reform the education system and has substantially increased expenditure on education, with programs such as distributing free text books to primary school pupils and free education at all three levels. However, the reforms have not always been well directed and have tended to become the focus of conflict with certain sectors, such as the universities, because the new law regulating them failed to take a series of observations into account. At the same time, the drive to incentivize continuous training of primary and secondary school teachers led to a change in the hiring system; previously, all teachers had fixed contracts whereas now they are first hired as temporary workers and only later, after passing a series of trials, are they given a fixed contract. The problem is that the system is prone to arbitrariness and it is proving very difficult for teachers to gain the fixed type contract. Additionally, the contracts are being used as a means of blackmailing teachers into acting as supporters of the "Citizens' Revolution" in various governmental or party rallies. Despite the changes, research and development activity remains limited, as these processes need several years in order to show results. In the meantime, the president has announced the creation of the Minister for Coordinating Personal Skills and Knowledge, which will merge the Ministry of Education, the Department of Higher Education, Science and Technology (SENESCY), the National Institute of Higher Studies (IAEN) and the Institute of Educational Credit and Grants (IECE).

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 list (0.695, position 77) published by the UNDP. Furthermore, the country has improved and surpassed countries such as Colombia, which has a higher level of economic development. This data suggests that the country's structural conditions are not hopeless, despite not being completely favorable. It is a country where a large percentage of the population lives in poverty (38.3%, which could be considered a structural limiting factor), with severe deficiencies in education and infrastructure. On the other hand, it is a country with natural resources that is free of major epidemics and pandemics, natural disasters and civil wars.

Structural
constraints
6

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

II. Management Performance

14 | Steering Capability

Question
Score

Correa's government has maintained its priorities and lines of action, unlike other governments, which could not rely on a clear plan of government. The only objection that could be put forward here is that its objectives do not always strengthen democracy and the market economy.

Prioritization
5

Although it is true that there have been divisions between ideologues and pragmatists within the party of government, it is important to note that the more ideological section of PAIS has left the party, leaving the pragmatic faction currently in charge of the party and the government. Finally: 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 parties of opposition, that would oblige the president to change his objectives.

In the 2010 statement of accounts report, the economic priorities strengthen the presence of the state as an economic actor and no great importance is placed on measures taken to develop private initiatives. In political terms, the same report indicates that the government's priority is to "Strengthen the Citizens' Revolution." The political content of this process is unclear because it depends on President Correa's wishes.

Ecuador's current government has been very effective at carrying out its project of political and economic reform, and has adopted the right team and political means to do so. 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

Implementation
5

As indicated above, in the political sphere, the president has developed a series of measures that tend to strengthen the Citizens' Revolution, which can be grouped into two major core themes: on the one hand, they strengthen the power of the president and the people in his immediate sphere of influence and, on the other, they attempt to transform political institutions to make them more effective in the implementation of public policies, improving human resources abilities, optimizing processes and making use of planning techniques. The 2010 statement of accounts report covers a series of measures adopted to reinforce the presence of the state as an economic actor, such as intervention in the finance, energy, construction or

marketing sectors. At the same time, little attention is paid to measures taken to develop private initiatives.

Thanks to the public administration restructuring measures that the government has initiated, Ecuador has introduced planning and management systems that enable it to monitor the application and functioning of the public policies that it implements. Nevertheless, these measures at the micro level are subject to structural restrictions, and there has been only limited evidence of political learning on the part of Ecuadorians and their public authorities. For example, there is currently a drive to make a constitutional amendment to a document that has only been in effect for two years and that was elaborated by a political group close to the government and under its watch. Once again, there has been a decision to change regulations in order to solve the country's problems, instead of waiting for the adopted measures to take effect or seriously investigating the troubles besetting the institutions. Yet again, the referendum has been chosen as a mechanism for taking decisions, despite the fact that past experience has shown that it is not the best way to deal with various issues whose complexities and shades of meaning cannot be subjected to a binary decision. Likewise, the citizens have chosen to favor and strengthen Correa's leadership despite the ample evidence of the negative consequences of concentrating power in his hands.

Policy learning
4

15 | Resource Efficiency

One of the problems with the use of human, financial and organizational resources is the high replacement rate in the upper levels of government (constant change of ministers and cabinet structure) and 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. This centralization of decisions and the president's high levels of interference mean that the organizations cannot function properly or follow their own procedures. At the same time, 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. The expansion of the government's budget in recent years did not translate into economic growth.

Efficient use of
assets
5

In contrast with previous governments, the current government has a system of planning and coordination as well as a National Development Plan. However, a system that initially appears to be based on group effort is ultimately confronted with decision-making mechanisms based on the hierarchical leadership of President Correa. It could indeed be argued that coordination exists because the entire

Policy
coordination
6

apparatus of government is at the service of the president's will. Another contrast with previous governments is in the government's capacity to coordinate closely with the representatives of its party in the National Assembly.

The government pushed for the 2008 constitution to include supervisory bodies and it created the National Secretariat for Transparent Administration whose mission is to guarantee application of the transparency policies to combat corruption in public administration and institutions. Nevertheless, the government has shown an ambivalent response to concrete and justified complaints against its allies. The best example of this is the persecution of members of the citizens' oversight body that was responsible for investigating possible irregularities in the contracts and deals that President Correa's brother had with various public organizations and companies.

Anti-corruption
policy

4

16 | Consensus-Building

Between November 30, 2007 and July 25, 2008 the Constituent Assembly was in session and attempted, in theory, to create a consensus that would make it possible to transform the country. However, instead of offering a meeting place for different points of view, it simply served to legitimize PAIS's political project.

Consensus on goals

4

The pro-government group made up a majority of the Assembly and it only agreed on most measures (in the cases where there was a process of reaching consensus) with the minority parties of the left.

After the Assembly, the main pitfall in the construction of consensus has been the belligerence with which President Correa reacts to dissent. The best example here are his disputes with the indigenous movement on issues such as handling water resources and extractive industries. This conduct is encouraged by the weakness of the parties, interest groups and civil society.

Among political actors in Ecuador, there is a kind of formal compromise with democracy (as can be seen in the results of surveys). 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.

Anti-democratic
actors

6

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.

It is important to remember that the majority party in the National Assembly is President Correa's PAIS movement and the two share ideological positions, as would be expected. It should be indicated that President Correa has been reelected president and, on both occasions, he maintained a critical attitude to market economics and representative democracy, which would suggest that the voters agree with these positions.

There is a small group of parties that defend liberal democracy and the free market but they have only a minority presence in parliament and are divided among themselves. In total, the number of representatives on whom they can count makes up less than 5% of the assembly.

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. For example, the armed forces have been the de facto arbiters of institutional crises and the indigenous movement was an active player in the Mahuad crisis, even participating directly in one of the provisional governments. Finally, it should be mentioned that there was a large degree of citizen participation in the processes mentioned above, in the form of protests: direct democracy, according to analysts familiar with the situation.

The most significant cleavage in the country is ethnic and it divides society between a white/mixed race group and the "Indians." 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. The concept of the plurinational state constitutes an attempt to manage the ethnic differences, but it is not yet clear whether it will really function in this way.

Cleavage /
conflict
management
4

The government tends to exacerbate conflicts in general (not simply ethnic ones) instead of handling them. The strategy for dealing with conflicts consists in the total "destruction" of 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.

Civil society participation
5

What are presented as mechanisms of participation 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.

Ecuador has not experienced major historical injustices or has already achieved reconciliation prior to 2009.

Reconciliation
n/a

17 | International Cooperation

One area in which Ecuadorian politics has changed is in international relations. Correa has carried out intense international activity with the aim of strengthening relations with Latin American countries, with an emphasis on governments that share his left-wing beliefs and anti-U.S. stance, especially Hugo Chávez. At the same time, there has been an attempt to improve relations with Asian countries (particularly China) and European countries. However, the lack of consistency in his actions and his constant outspoken remarks have lowered other nations' expectations of a president who at the start was able to portray himself as an educated and cosmopolitan individual, eager to change things in his poor country.

Effective use of support
7

Nevertheless, the government has managed to profit from its ties to Hugo Chávez's left-wing block while simultaneously maintaining acceptable relations with the United States. It appears to have a fairly pragmatic focus at the international level.

Because of its lack of a long term strategy, the Ecuadorian government is difficult to predict. This is also a result of the internal divisions within the government, with pragmatists on the one hand and ideologues on the other. The Yasuní plan mentioned in "Environmental policy" is a clear example of the president's loss of credibility caused by the process of personalizing and centralizing politics in the person of the president and in his lack of clear patterns of behavior. In this context, the government has forced renegotiation of contracts signed between the state and companies operating in the country, arguing that they were detrimental to the state. Relations with international institutions are not good; one of the government's first acts was to expel IMF and World Bank missions from the offices that they occupied in Ecuador's Central Bank. Given the government's financial needs, it has approached international credit organizations. Non-governmental organizations are being subjected to a series of pressures brought about by attempts by the government to control their material resources and programs.

Credibility
4

Ecuador's government has a position of clear support for all projects that express the need for Latin American integration. Furthermore, President Correa has worked intensely at the international level to promote the Bolivarian Alliance for the Americas (ALBA) and the Union of South American Nations (UNASUR), of which he was president pro tempore. His activities have centered on strengthening ties with other Latin American countries, particularly those governed by left-wing leaders. When Uribe was president of Colombia, Correa maintained an aggressive stance toward the Colombian government (going so far as to withdraw ambassadors). Relations have improved since Juan Manuel Santos took office. 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.

Regional
cooperation

5

Strategic Outlook

Any forecast of Ecuador's immediate future should take the following elements into account:

- The clear consolidation of Rafael Correa's power and the greater concentration of power in his hands. He has an urge to control and centralize with the result that many of his proposals do not work.
- The change in certain elements that formed part of the initial coalition that supported Rafael Correa. Many of his first associates, who had always been further to the left, have distanced themselves from him and have become critical of him. His new support does not come from the left of the political spectrum and comes from the country's coastal region, not the mountains. The change in the coalition will entail a change in strategy and public policy but it is not yet clear what direction this will take.
- One of the country's biggest problems is the rise in crime, an issue for which the government does not have a clear strategy and which could lead to a drop in the president's popularity. Nevertheless, it is unlikely to threaten the president's leadership.
- Despite the favorable economic conditions caused by high oil prices, there has been an economic slowdown that is reflected in the lack of private activity and unemployment. This could be on the increase due to the government's confrontation with productive sectors and the lack of security for investment caused by the president's style of governing.
- The result of the referendum planned by the government will be a good barometer of support for the government. Initial surveys show that the president can continue to rely on the support of the majority of voters but his victory will not be as overwhelming as on other occasions.
- It would be very difficult for a structured opposition group to form, one with coherent proposals that is able to threaten Correa's hegemony.
- The possible reorganization and strengthening of the social sectors affected by the government's policies: workers, indigenous people, teachers, etc.
- At the international level, there will be continuity in the course set in support of Hugo Chávez and all his international policies.

There could be a clear change in direction if the president and his circle abandon their aggressive confrontational politics and try to build a new consensus with the political, social and economic sectors that are unfavorable to them. Obviously, for this to occur, these sectors will also have to lessen their belligerence toward the government. In summary, there should be a move away from a vision of power that has so far seen it as an instrument of revenge. Political change would also

be a positive stimulus to economic activity, and not only for major investors but also for families and minor agents who have postponed their decisions to invest.

In short, a move toward change depends on the ability of all the elites – both the government and the opposition, as well as the economic elites – to find a path to dialogue and cooperation.