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Ecuador and the U.S.-China Rivalry

Between Two Great Powers



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Prófitas is Ecuador’s leading political risk consultancy firm. Founded in 2004, Prófitas gathers a specialized team of entrepreneurs and social scientists, whose goal is to help companies understand and manage the economic, political, and social environment of business.

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Executive Summary

In the coming decades, Ecuador's political stability and economic dynamism will largely depend on the country's ability to navigate between two great powers: The United States and China. If Ecuador is forced to choose between them, it will face political headwinds and economic stagnation. We present an alternative course—one in which Ecuador works pragmatically with both countries, making the most of each partner's comparative advantages.

China-Ecuador ties predate the 20th century, but they significantly expanded under the government of Rafael Correa (2007-2017). During Correa's 10 years in office, Ecuador's exports to China grew 20-fold. Over the same period, Ecuador became the third largest recipient of Chinese policy bank loans in Latin America, behind only Venezuela and Brazil—despite its small economy and population. Growing economic and diplomatic ties between the two countries accomplished a geopolitical aim for the Ecuadorian government by decreasing Quito's reliance on the United States and traditional multilateral lenders.

By 2017, Ecuadorians increasingly questioned the value of their country's ties to China in light of high-profile corruption scandals and assertive Chinese diplomatic maneuvers. The election of President Lenín Moreno in 2017 accelerated these trends, with Ecuador-China ties weakening in the fields of technology, lending, and investment. Bilateral trade continues to grow, however, and sitting President Guillermo Lasso (2021-present) is currently pursuing a free trade agreement with Beijing.

As Ecuador has grown more skeptical of China, the United States has stepped in to court the Andean country. In the last five years, the U.S. government has resumed security cooperation with Ecuador, reached a phase-one trade agreement (largely focused on investment), and lent support to Quito's environmental and diplomatic initiatives. A comprehensive trade agreement, however, remains elusive due to domestic political divides in both countries.

In the future, Ecuador should opt to work with the United States in certain cases and China in others, based on each country's comparative advantages. In some situations, Ecuador can benefit by bargaining with both countries and selecting the better offer. On security cooperation, the environment, good governance, and regional diplomatic coordination, Washington is the most suitable partner for Ecuador. Investment, lending, and trade each present tradeoffs involving deliberation and speed; China and the United States take different approaches to these tradeoffs, and Ecuadorian policymakers must select a partner accordingly. This middle approach entails challenges, but it is the best way for Ecuador to maximize its opportunities and limit its risks amid U.S.-China competition.

Contents

Ecuador's Embrace of China in the 2010s	1
Re-Evaluating the Relationship with China	3
U.S. Courting of Ecuador	5
Can Ecuador Balance Its Relationships with the U.S. and China?	9

Ecuador's Embrace of China in the 2010s

The election of President Rafael Correa to Ecuador's Carondelet Palace in 2006 marked the beginning of a new era for China-Ecuador relations. Between 2007 and 2017, Chinese trade and investment grew exponentially in the country, mirroring trends in other countries across the region. In political terms, Ecuador would drift away from the United States, instead establishing a strategic alliance with the Asian giant.

Prior to 2007, trade and investment flows with the People's Republic of China (PRC) had grown moderately. Ecuadorian exports to China averaged [around \\$44 million per year](#) between 2001 and 2006. In contrast, in the 10 years following Correa's inauguration, exports to China would increase 20 times over—reaching [\\$890 million](#) in 2017. Imports that year totaled [\\$2.96 billion](#), making China [Ecuador's second largest trade partner](#). During the same period, the PRC grew to account for [over 15 percent](#) of Ecuador's total foreign direct investment.

During this period, Chinese policy bank loans in Ecuador surpassed \$15 billion, making the Andean country the third largest recipient of Chinese financing in the region, behind only Venezuela and Brazil—both of which have much larger economies.

Like many countries in Latin America, Ecuador benefited from China's growing middle class and need for natural resources in the early 2000s. Ecuador's [main exports](#)—oil, bananas, shrimp, tuna, cocoa, and increasingly timber and minerals—have been an obvious fit for the Chinese market, while Chinese [manufactured imports](#)—especially machinery and chemicals—have proven highly competitive in the country. The growth of China-Ecuador trade was largely a market-driven phenomenon.

In contrast, the growth of Chinese investment in Ecuador, with the possible exception of the mining sector, required a more intentional effort on behalf of both governments. The Correa government's vision of a state-led economy—driven by public investment, particularly in the infrastructure and energy sectors—presented an opportunity for Beijing, which was looking to expand Chinese companies' global footprint. Opportunities for China increased following [Ecuador's debt default](#) in 2008, when international financial institutions and private financiers grew weary of lending to the Correa administration. Chinese policy banks came to the rescue by offering large loans, a portion of which Ecuador would be contractually bound to allocate towards investment projects to be carried out by Chinese companies.

This financing was characterized by relatively high interest rates—averaging around 6-7 percent—and a lack of transparency, with contract clauses withheld from public view. Furthermore, a number of these loans were to be repaid in part by crude oil deliveries at discounted rates. Some of these shipments are

[still pending today](#). This “oil-for-loans” scheme was also [commonly employed](#) by Chinese policy banks in Venezuela, another Latin American country which became heavily indebted to the PRC. These loans reflect China’s resource-focused strategy. During this period, Chinese policy bank loans in Ecuador [surpassed \\$15 billion](#), making the Andean country the third largest recipient of Chinese financing in the region, behind only Venezuela and Brazil—both of which have much larger economies.

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In geopolitical terms, the Correa government, along with a number of other left-wing governments in the region, viewed closer ties with China as a means of reducing their economic dependence on the United States and Western multilateral lenders. Increased trade with China reduced the relative importance of the U.S. market for Ecuadorian exports while Chinese financing also meant that Ecuador could avoid fiscal and good governance reforms required by traditional lenders. For China, a closer political relationship with Ecuador was a useful way to consolidate allies located in the neighborhood of its geopolitical rival. During his term, President Correa visited China twice—in 2007 and 2015. Meanwhile, Xi Jinping [visited Ecuador in 2016](#), using the opportunity to sign a “strategic partnership.” These partnerships are a common instrument employed by China to upgrade their bilateral diplomatic relations. Xi also [inaugurated](#) the Chinese-financed Coca Codo Sinclair hydroelectric plant, a [\\$3 billion](#) infrastructure project built by a Chinese construction company. These visits were important in signaling the coinciding political and economic interests which had brought the two countries closer together.

Re-Evaluating the Relationship with China

Over the last few years, Ecuadorian leaders, businesspeople, and civil society groups have led an important re-evaluation of China’s role. Ecuadorians’ increasing skepticism toward China coincides with a number of factors, including a change in administration in Ecuador, a series of scandals linked to Chinese investment projects, and China’s growing assertiveness toward Quito.

In terms of the political shift in Ecuador, shortly after his election in 2017, Correa’s former vice president and chosen heir, Lenín Moreno, turned against his mentor. This shift would lead to a pivot in the country’s foreign policy. While the Moreno administration did not explicitly criticize the PRC, it distanced itself from China and began a rapprochement with the U.S. government. This political shift reached its climax in late 2020, when the Moreno government signed onto the “Clean Network” initiative promoted by the Trump administration to dissuade countries from installing Chinese 5G technology (see below).

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At a societal level, the re-evaluation of China’s merits as an ally has been influenced primarily by corruption scandals linked to Chinese investment projects, as well as criticism of their construction, labor, and environmental standards. The Coca Codo Sinclair hydroelectric plant was among the most emblematic of these cases. Ecuadorian stakeholders have also criticized the terms of Chinese credit lines for lacking transparency and for disproportionately benefiting China—which continues to enjoy high interest payments and receive crude shipments attached to these loans at discounted rates. Moreover, international and national media outlets [accused](#) China of “exporting” an authoritarianism surveillance system to Ecuador through the construction of its Ecu-911 system—intended to prevent crime through the use of camera technology, but [allegedly used](#) by the Correa government to monitor political detractors.

Two events in 2020 also influenced Ecuadorian perceptions of China. Under significant fiscal pressure, Ecuador [engaged](#) in bilateral renegotiations of the repayment terms of various Chinese loans. During this process, Ecuador’s shrimp producers faced a crisis when China, their largest market, [suspended exports](#) due to traces of COVID-19 on packaging. A few weeks later, the arrival of [several hundred Chinese fishing vessels](#) close to Ecuador’s Galapagos Islands protected marine zone almost provoked a diplomatic crisis. Some in Ecuador interpreted these events as China employing pressure to maintain an upper hand on debt renegotiations.

Trade with Caution

Amid this skepticism, there has been a fall in Chinese financing and implementation of public works projects, both in Ecuador and in the wider region. Meanwhile, the Chinese government has grown more skeptical about lending to Latin America in general and Ecuador in particular. Just as the PRC has grown increasingly cautious about lending to Latin America in general and Ecuador in particular, with Ecuador's bid to obtain \$2.4 billion in oil backed credit lines from China [failing](#) in 2020.

Ecuadorians' reassessment of China's value as an economic and political partner has not restrained growth in bilateral trade.

Ecuadorians' reassessment of China's value as an economic and political partner has not restrained the growth trajectory of bilateral trade. Indeed, in spite of its center-right position and affinity with the United States, the current administration of President Guillermo Lasso looks to strike a free trade agreement with the PRC on pragmatic grounds. Furthermore, the Ecuadorian people generally view China's vaccine diplomacy and health equipment donations during the pandemic in a positive light.

U.S. Courting of Ecuador

As Ecuadorian stakeholders have grown more wary of Chinese investment, the United States has become more interested in the South American country. Over the last five years, ideological affinities between the White House and the Carondelet Palace, growing antagonism between the U.S. and China, and waning U.S. influence in Latin America have put Ecuador back on the United States' radar. U.S.-Ecuador cooperation has deepened in several sectors, including investment, security, and political support. Trade negotiations remain the least developed area of cooperation between the two countries.

U.S. ties with Ecuador were limited during the administration of Rafael Correa, who frequently [criticized](#) the United States, [rejected](#) counter-narcotics cooperation, [abandoned](#) his country's bilateral investment treaty with the U.S., and [strengthened](#) ties with U.S. adversaries in the region. The election of President Lenín Moreno in 2017 and Moreno's unexpected shift toward the center offered the United States an ideologically aligned partner in Quito. Center-right President Guillermo Lasso, elected in 2021, is a similarly compatible partner.

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Escalating tensions between the United States and China have also served to increase U.S. interest in Ecuador. Under President Barack Obama (2009-2013), especially during his last two years in office, U.S. officials grew more skeptical of the longstanding beliefs that political liberalization would follow economic liberalization in China, that China could serve as a responsible global stakeholder, and that open U.S. engagement toward China would further U.S. interests. Presidents Donald Trump (2013-2021) and Joe Biden (2021-present) have gone even further toward abandoning these beliefs. Several events in China provoked this change, including Xi Jinping's increasingly personalistic rule, human rights abuses in Xinjiang and Hong Kong, the embrace of "[wolf warrior diplomacy](#)," use of technology and economic power to constrain free speech beyond Chinese borders, and provocations toward Taiwan, India, the South China Sea, and the East China Sea. As China has expanded its economic cooperation with developing countries through programs such as the Belt and Road Initiative, the United States has largely looked to dissuade these countries from participating.

China's mismanagement of COVID-19 and the effects of the pandemic on supply chains—especially those between Asia and the United States—have led some U.S. policymakers to propose "[decoupling](#)" the U.S. economy from China. Decoupling would entail reductions in U.S.-China trade, investment, and technology transfers, achieved through policies such as sanctions, tariffs, export controls, visa restrictions, and consulate closures. Some proponents of decoupling propose that the U.S. create incentives for

companies to “reshore” (resume production in the United States). An alternative strategy for the United States would be “[nearshoring](#)” or “friendshoring”—that is, create incentives for companies to relocate supply chains to countries that are nearby and/or friendly to the United States. Like reshoring, such an approach aims to reduce the political and supply chain risks involved in supply chains that run through distant U.S. adversaries such as China. Unlike reshoring, however, nearshoring or friendshoring would allow firms to operate in countries with lower production costs than the United States. Candidates for nearshoring and friendshoring [include](#) many countries in the Western Hemisphere; Ecuador is an excellent candidate for both.

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Beyond ideological affinities between Quito and Washington and growing U.S.-China tensions, the United States’ waning influence in the Western Hemisphere has increased the importance of Ecuador for U.S. foreign policy. Since 2018, an [anti-incumbent wave](#) has brought a succession of leaders who are skeptical of the United States to office in Latin America. Many of these leaders are on the left, such as Luis Arce of Bolivia, Alberto Fernández of Argentina, and Andrés Manuel López Obrador of Mexico. But this group also includes leaders on the right with weak democratic credentials—such as Jair Bolsonaro of Brazil, Nayib Bukele of El Salvador, and Alejandro Giammattei of Guatemala. These leaders [bristled](#) as the U.S. excluded Cuba, Nicaragua, and Venezuela from the 2022 Summit of the Americas. Many of them have issued ambivalent statements about the Russian invasion of Ukraine, have abandoned democracy promotion within the Western Hemisphere, and have openly flouted U.S. anti-corruption initiatives. Ecuador and Uruguay have been key exceptions within South America, with their pro-U.S. orientation and strong commitment to democracy and the rule of law.

Growing U.S.-Ecuador Ties

Against this geopolitical backdrop, the United States has made inroads with Ecuador on several fronts, including investment, security, and diplomacy.

Investment has been a major area of enhanced cooperation between the United States and Ecuador in recent years. In 2018, President Lenín Moreno [launched](#) a new series of meetings of the U.S.-Ecuador Trade and Investment Council, which had been suspended under President Correa. The meetings culminated in December 2020 with a “phase one trade agreement,” largely centered on investment. President Lasso has listed investment among his top foreign policy priorities, and in August 2021, the Ecuadorian Congress [rejoined](#) the International Centre on Settlement of Investment Disputes (ICSID). This action, paired with other liberalizing reforms and greater confidence in the rule of law, has offered U.S. firms greater protections when investing in the South American country. Meanwhile, the United States has taken steps to promote nearshoring, including in countries such as Ecuador. In April 2022, Representatives Mark Green (R-TN) and Albio Sires (D-NJ) [introduced](#) the Western Hemisphere Nearshoring Act (H.R. 7479) which would incentive U.S. firms to move their supply chains to Latin

American and the Caribbean through a system of duty-free treatment and low-interest loans from the Development Finance Corporation (DFC).

U.S.-Ecuador security cooperation has similarly deepened over the last five years. While Correa prohibited the United States from using Ecuador's air bases, Moreno allowed the U.S. to resume counter-narcotics efforts, in addition to monitoring illegal fishing in the Pacific Ocean. The U.S. has also [resumed](#) funding for anti-corruption initiatives, law enforcement, humanitarian relief for Venezuelan refugees, military training, and information sharing to combat illegal trafficking. Ecuador was a [signatory](#) to the Los Angeles Declaration on Migration and Protection, signed at the 2022 Summit of the Americas.

U.S.-Ecuador trade ties have not developed to the extent that investment, security, and political cooperation has grown.

U.S. political and diplomatic support for Ecuador has also been robust. In January 2022, the United States, in cooperation with the Ecuadorian government, [revoked visas](#) for several corrupt judges and officials in Ecuador. The same month, Ecuador [expanded its marine protection area](#) around the Galapagos Islands, part of a diplomatic environmental initiative with Colombia, Costa Rica, and Panama that was backed by the United States. Most recently, in July 2022, Ecuador [joined](#) the Alliance for Development in Democracy (ADD), a political bloc composed of Costa Rica, the Dominican Republic, and Panama which has received [rhetorical support](#) from the United States and reached a [memorandum of understanding](#) on nearshoring with Washington. The [U.S.-Ecuador Partnership Act](#)—passed by the Senate Foreign Relations Committee in March 2022—would build on this political cooperation, directing the U.S. executive branch to deepen its relationship with Ecuador on a series of issues.

U.S.-Ecuador trade ties have not developed to the extent that investment, security, and political cooperation has grown. While the two countries reached a phase one trade deal in late 2020 and Lasso has expressed his interest in a broader trade accord with the United States, negotiations on a comprehensive agreement have largely stalled. This is in large part due to U.S. domestic politics. The U.S. Congress has not ratified a single trade deal since 2012, with the exception of the 2020 U.S.-Mexico-Canada Agreement (USMCA), which was a renegotiation of the North American Free Trade Agreement (NAFTA). After Obama failed to gain congressional approval for the Trans-Pacific Partnership in 2016, Trump withdrew the United States from the agreement. The U.S. Trade Representative (USTR) has been reluctant to negotiate new agreements under the Biden administration, and key Democratic constituencies—such as organized labor and environmentalists—are skeptical of trade. Any potential trade deal between the United States and Ecuador would need strong provisions regarding labor, the environment, access to generic medicines, and Indigenous rights.

Between Two Great Powers

Notwithstanding the lack of progress of trade, the U.S.-Ecuador relationship has significantly expanded since 2017. Much of this cooperation has been on the condition that Ecuador limit its ties with China. The U.S. campaign against Huawei is one illustrative case. Since 2019, the United States has considered the

Chinese technology firm to be a national security threat given the company's ties to the Chinese Communist Party. The U.S. has sought to dissuade other countries from using Huawei equipment in their 5G cellular networks, arguing that doing so would expose these countries' citizens to Chinese surveillance.

Ecuador's political stability and economic dynamism will largely depend on the country's ability to navigate between two great powers.

During the last few weeks of the Trump administration, U.S. officials reached a [framework deal](#) with their Ecuadorian counterparts under which Ecuador would exclude Chinese firms such as Huawei from the country's telecom networks. Under the deal, Ecuador would join the "Clean Network," a U.S. State Department initiative that supports 5G development without the use of Chinese technology. Ecuador would also [privatize state oil and infrastructure assets](#) in order to repay the loan and generate economic growth. In exchange, the U.S. DFC provided a loan of up to [\\$3.5 billion](#) to Ecuador, allowing the country to pay off much of its debt to China. In September 2021, the DFC extended another [\\$150 million](#) loan to the Ecuadorian Banco de la Producción (Produbanco) to promote inclusive development.

Critics of the agreement [have noted](#) that with U.S. funds, China will now be able to recoup its full loan amount rather than accept a "haircut," or partial repayment. They have also raised doubts regarding whether the [benefits of privatization](#) will accrue to the Ecuadorian people or foreign companies (especially if the Ecuadorian state is forced to sell the assets during a market downturn) and whether the deal will [exacerbate Ecuador's dependency](#) on oil. Proponents of the agreement have [emphasized](#) the United States' need to provide alternatives to Chinese projects, such as the Clean Network.

Setting aside the merits of the 2021 deal, one fact remains clear: Ecuador's political stability and economic dynamism will largely depend on the country's ability to navigate between two great powers.

Can Ecuador Balance Its Relationships with the U.S. and China?

Amid the U.S.-China rivalry, Ecuador should avoid falling firmly in either country's camp. This does not imply that Ecuadorian leaders must depend equally on both the U.S. and China on every issue. On certain issues important to Ecuador, such as security cooperation and civil society development, the United States has a comparative advantage and is the stronger ally. On others, China is more skilled and would be a more compatible partner. Other issues require the cooperation of both the United States and China.

Amid rising U.S.-China tensions, Ecuador is best suited to work pragmatically with both countries, making the most of each partner's comparative advantages.

Ecuador's optimal strategy for balancing between the U.S. and China requires policymakers in Quito to recognize each country's comparative advantage and choose partners on a case-by-case basis. There are three caveats to this approach. First, on some issues, Ecuador must avoid putting all of its eggs in one basket. The COVID-19 pandemic and the resulting economic disruptions have shown the importance of diversified input and markets. Trade is one area in which Ecuadorian leaders should court both the United States and China. Second, some issues entail tradeoffs to which China and the United States may take different approaches. On such issues, Ecuadorian policymakers should assess what balance is right for their country before choosing a partner. Third, there are issues in which the United States and China will compete with each other to offer a better deal to Ecuador. On these issues, Ecuadorian officials should encourage great power competition as long as it is to Ecuador's benefit.

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This strategy is similar in some ways to [active non-alignment](#)—a prescription for Latin America governments to maintain an equidistant stance between China and the United States based in respect for multilateralism, international law, sovereignty, and non-intervention. The strategy of active non-alignment—developed by Carlos Fortín, Jorge Heine, and Carlos Ominami—also recommends that Ecuador refrain from clearly siding with China or the United States on every issue. However, when it comes to domestic political matters within other countries, active non-alignment suggests that Ecuador should remain silent on grounds of non-intervention. This strategy would instead recommend that Ecuador align with the United States when criticizing human rights abuses and democratic backsliding.

The remainder of this chapter examines a range of issues and asks whether China or the United States is a stronger partner for Ecuador or whether the answer lies somewhere in between. It then concludes with some potential risks of the proposed strategy.

Security Cooperation

The United States is the strongest security partner for Ecuador. With ample experience in citizen security, counternarcotics operations, and monitoring against illicit fishing, mining, logging, and poaching, the United States already has well-developed security cooperation agreements with most Latin American states, including Ecuador. Ecuador's security interests also largely coincide with those of the United States. While China is interested in preserving stability in Ecuador, its interest is limited to protecting returns on its loans and investments. The United States, on the other hand, is interested in both stability and prosperity in Ecuador. If Ecuador fails to make progress on either of those fronts, the United States will continue to see an influx of irregular immigrants and an increase in supply of narcotics crossing its Southern border.

Economic Ties

Trade, investment, and loans are all issues in which Ecuador should seek diverse partnerships, working with the United States, China, international financial institutions (IFIs), and other countries so as not to become overly dependent on one outside actor. They are also areas in which Quito should encourage U.S.-China competition, which can lead to better outcomes for the Ecuadorian people.

Given the current U.S. political climate, a comprehensive U.S.-Ecuador trade deal is unlikely. Ecuador may instead push for progress on its Phase I trade agreement with the United States and emphasize the importance of [restoring](#) the Generalized System of Preferences (GSP). Meanwhile, Ecuador can benefit from the political environment in Beijing, which is more conducive to a trade accord. Ecuadorian officials can also use its negotiations with China to raise their country's salience in Washington.

Investment presents a dilemma between deliberation and speed for Ecuadorian policymakers. On the one hand, transparency, the environment, Indigenous rights, and labor rights are important to uphold in any investment deal. On the other hand, Ecuador suffers from high levels of poverty and an infrastructure gap, so the government must maximize efficiency and cost. No matter which set of values the government prioritizes, they will court public backlash—either from those who view investment as costly to the environment and society, or from those who continue to suffer from poverty due to low infrastructure investment. The Ecuadorian government must choose how to balance deliberation and speed, choosing their partners accordingly. U.S. investors generally uphold strong social and environmental standards, as required by legislation such as the Foreign Corrupt Practices Act (FCPA) and international agreements such as Extractive Industries Transparency Initiative (EITI). Beijing and its investors do not abide by these standards and, as such, are often able to complete projects cheaper and more quickly.

Loans present a similar dilemma. Loans from the U.S. Development Finance Corporation (DFC) and traditional IFIs such as the IMF, World Bank, and Inter-American Development Bank, are usually conditioned on environmental, social, and governance issues. On the other hand, loans from the Chinese policy banks generally include fewer conditions and are rarely linked to a country's economic policy. Instead, these loans are often conditioned on hiring Chinese contractors and subject to repayment in the form of oil exports (see above). The current government of Ecuador already favors many of the market-oriented reforms recommended by the U.S. and traditional IFIs, so these lenders can be attractive partners, especially as they may lock-in reforms beyond President Lasso's time in office. However, if political or economic realities require the government to diverge from IFI guidance, Chinese lending institutions may prove to be a better partner.

Climate and Environment

The United States is a strong partner for Ecuador on issues related to climate and the environment. Under the Biden administration, the U.S. has rejoined the Paris Climate Agreement. The recent passage of the Inflation Reduction Act will decrease U.S. emissions at home while also incentivizing innovation in green technology. The U.S. has also prioritized environmental protection in its investments, loans, and trade deals abroad.

Two pressing environmental issues for Ecuador are its newly expanded marine protection area around the Galápagos Islands and oil extraction in the Amazon rainforest. Given that Ecuador's marine protection agreement is largely a reaction to illegal Chinese fishing in the Eastern Pacific, the Chinese government is poorly suited to support the initiative diplomatically, financially, or logistically. The United States, in contrast, has lent diplomatic support to the project, and its experience in aerial monitoring of illegal fishing will become more important as Ecuador implements its protection zone. The next frontier of U.S. support should be financial. The U.S. government and U.S.-based organizations have pioneered [debt-for-nature swaps](#) in Belize, Costa Rica, and the Seychelles. A similar approach to [climate financing](#) would benefit Ecuador.

Oil extraction in the Amazon rainforest entails difficult tradeoffs between economic growth and long-term sustainability. Some analysts, such as Carlos Larrea of the Universidad Andina Simón Bolívar, [recommend China](#) as an ideal partner for a debt-for-nature swap focused on the Yasuní rainforest, citing China's support for environmental protection in Ecuador through the Kunming Biodiversity Fund. Ecuadorian leaders may wish to consider this approach given the high level of Ecuadorian sovereign debt held by China, or they may instead attempt to reach the best terms possible by negotiating with both China and the United States.

Civil Society and Good Governance Initiatives

The United States is a natural partner for Ecuador to promote good governance and a strong civil society. While Chinese development aid is agnostic as to the recipient country's political system, U.S. assistance is contingent on the recipient's commitment to rule of law and democracy as well as the country's

alignment with U.S. interests. Ecuador can draw on U.S. funding to reduce corruption, increase transparency, and promote non-profit organizations to hold policymakers accountable.

Diplomatic and Political Cooperation

Both China and the United States can serve different political goals for the Ecuadorian government. Bilateral diplomatic meetings with Beijing or Washington can further Ecuador's policy agenda on economic, security, and environmental issues.

Under Presidents Moreno and Lasso, the country has taken a leading role on human rights, particularly in its leadership of the Quito Process to aid Venezuelan refugees.

When faced with human rights abuses or democratic backsliding in other countries, a strategy of active non-alignment would generally advise Ecuador to remain silent, citing norms of non-intervention and sovereignty. A better approach is for Ecuador to take a position on these issues, working with the United States and like-minded leaders across Latin America to develop a unified diplomatic strategy. Authoritarianism in Cuba, Nicaragua, and Venezuela has negative consequences for the rest of the hemisphere, both by creating a supportive environment for budding autocrats in other countries and by contributing to refugee flows. Under Presidents Moreno and Lasso, the country has taken a leading role on human rights, particularly in its leadership of the Quito Process to aid Venezuelan refugees.

Risks of a Middle Course

Ecuador runs three risks by attempting to cultivate strong relationships simultaneously with the United States and China.

First, Ecuadorian policymakers may fear provoking either partner by working with the other. During the Cold War, the United States and Soviet Union demanded that smaller states choose one system or the other. If a country in the U.S. camp made diplomatic overtures to the Soviet Union, or vice versa, it would risk retaliation or even armed regime change. The modern U.S.-China rivalry is substantially less demanding for other countries. China and the United States are more likely to use carrots than sticks to attract other countries, and foreign leaders can be more confident in their ability to split the difference between the two great powers. Latin America's experience with Huawei demonstrates this well. For all of the Trump administration's diplomatic efforts against the tech company, many Latin American leaders accepted Chinese technology to expand 5G networks, with no retaliation from the United States. When the United States presented an alternative to Chinese 5G investment in Ecuador, the Moreno government made a conscious choice to accept it. Meanwhile, despite China's protestations regarding Huawei, Quito has had little difficulty deepening its relationship with Beijing on other issues, particularly on trade.

Second, Ecuadorian firms may be concerned with logistical issues related to working with both the United States and China. U.S. legal requirements may pose [concerns](#) for Ecuadorian companies that work with

China, so firms should carefully review these requirements, especially if they work with particular Chinese entities sanctioned or designated by the United States.

Third, there is a danger that Ecuadorian firms and bureaucrats make deals with the United States or China that run against the interests of the Ecuadorian people. Chinese firms, which are not subject to the Foreign Corrupt Practices Act or similar legislation, are [particularly prone](#) to investing in projects that accrue to their own benefit and the benefit of their Ecuadorian business partners, but fail to advance Ecuador's wider development goals. To mitigate this risk, senior leaders in the Ecuadorian government should bolster anti-corruption measures, guarantee competitive bidding for infrastructure projects, and hold lower officials accountable for receiving kickbacks. Civil society organizations can complement this effort and lend support to political leaders who succeed in reducing corruption. NGOs must also play a critical role in monitoring and reporting on these initiatives.

Amid rising U.S.-China tensions, Ecuador is best suited to work pragmatically with both countries, making the most of each partner's comparative advantages. The challenges associated with this strategy are not easily overcome. By adopting a middle approach between the United States and China, however, Ecuador can avoid the far greater risks that come with siding entirely with either great power.