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ECUADOR WEEKLY REPORT®

KEY INDICATORS

For the week of Nov 28 – Dic 2, 2016

Datapocalypse

In Ecuador, tax records are readily accessible on the internet if a person's full name (first, middle, and the last names of both parents) and identity card (ID) number are available. In many countries, this kind of transparency will be considered highly questionable for privacy reasons. One problem is the risk of identity theft from the wide availability of one's personal ID number. But the data protection bill (Ley Orgánica de Protección de los Derechos a la Intimidad y Privacidad sobre los Datos Personales) now being discussed in congress in practice appears to use the privacy argument as a basis for yet more state control of individual rights and, at the same time, risks extending restrictions on public information and thus reporting by independent media.

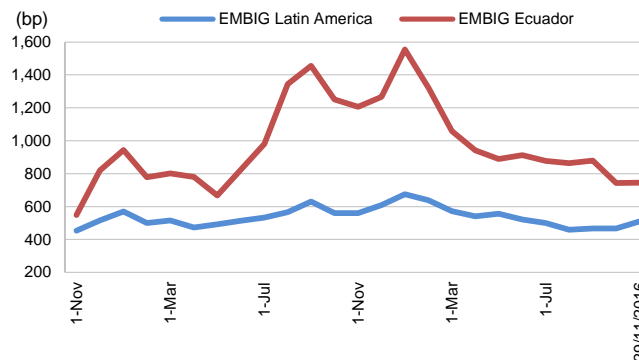
The bill, submitted by the president of the congress, Gabriela Rivadeneira (but who during one meeting with media was unable to respond to questions and had to defer to a legal aide), argues that it will "protect and guarantee the right of all people to intimacy (sic) and privacy in the treatment of personal data in databases or data banks, folders, archives, in physical or digital form, in public or private instances." It calls for rigid state control of databases, which will be considered legal only "if they are duly registered and their information has been obtained through legitimate means," while data therein must be both "truthful and not excessive," opening the door for extensive government interference. Limits on data collection however don't extend to "data that stems from public sources of

Ecuador's Global Bond Prices

Bond	Last Price									
	02/12/2016	1-Nov	1-Oct	1-Sep	1-Aug	1-Jul	1-Jun	1-May	1-Apr	1-Mar
Global 2020	105.47	105.54	106.13	102.51	102.30	100.49	99.38	100.28	95.21	90.54
Global 2022	104.93	104.94	106.11	102.47	102.89	100.03	N/A	N/A	N/A	N/A
Global 2024	92.03	92.15	94.55	90.25	88.05	87.49	87.64	89.44	88.04	82.88

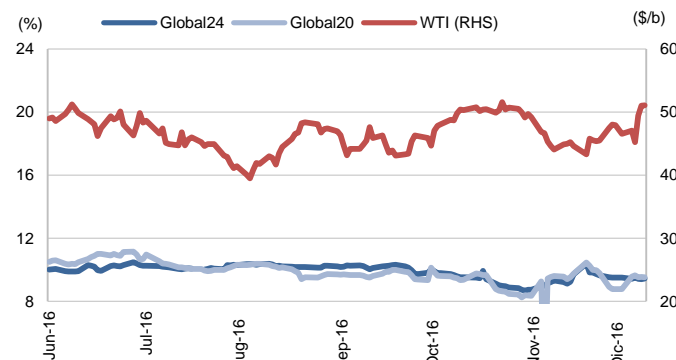
Source: Bloomberg and Analytica

EMBIG Spread



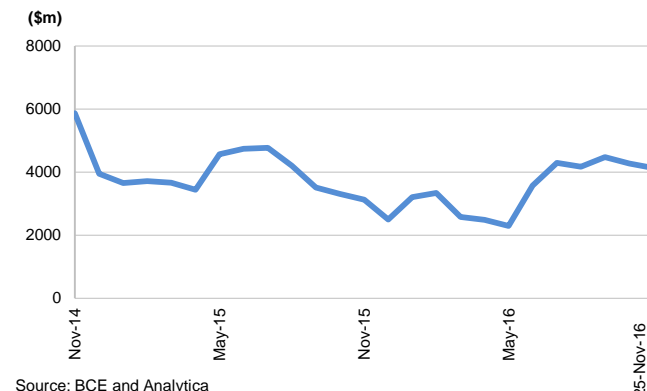
Source: JP Morgan and Analytica

Bond Yields vs. WTI in 2016



Source: Bloomberg and Analytica

International Reserves



Source: BCE and Analytica

information.” The bill aims to create an extended bureaucracy to manage the data based on the current National Registry of Public Data (DINARDAP) run by Nuria Butiñá, described by investigative news site *Milhojas.is* as a longtime friend of president Rafael Correa. The site also reports that DINARDAP has worked closely with the SENAIN intelligence service, which has used its resources in extensive domestic spying particularly on real or imagined opponents of the government, according to credible media reports (the government denies this).

Pledges that the collected data will be strictly protected have raised doubts. The bill establishes several exceptions to confidentiality, in particular allowing usage of data that are “indispensable for recognition, exercise or defense of a right in a judicial process,” which considering the lack of judicial independence in Ecuador looks like a very loose definition. An element of the bill that has led to further questioning is the definition of “sensitive data,” including “physical characteristics that reveal racial and ethnic origin, ideological, philosophical or moral convictions, political opinions, religious beliefs, genetic data, information regarding health and sexual life or whichever additional data linked to the intimacy” of an individual. Critics say that this definition in practice will allow individual politicians to block media from reporting on previous affiliations (the present administration includes people who were members of the hard-left Alfaro Vive Carajo terrorist group as well as the conservative-populist Social Christian Party, among others), alleging that journalists are infringing on their right to privacy. An example of how this issue has already affected the present electoral campaign is the controversy regarding the health of Lenín Moreno, the correísta candidate (confined to a wheelchair after being shot in a 1998 mugging), who has failed to present a clean bill of health despite opposition requests for him to do so.

How this might go ahead is described in DINARDAP’s expanded faculties: in the case of a “real threat to an affectation of constitutional rights,” it will be able to order “temporary or definite blocking of information systems.” Journalism advocacy organization Fundamedios warns that this could be used to shutter crucial social media networks like Twitter, Facebook, and YouTube, which the government has already attacked via dubious copyright claims through an obscure Spanish legal office called Ares Rights, among other instruments. While the law does call for extensive protection of individual rights to privacy, the government’s track record of domestic spying, the general lifting of bank privacy and the political usage of tax information – actually a felony – speaks of a much more sinister intent for the law, which might go into effect in time to affect reporting on the electoral campaign. After all, president Correa himself got access to tax records of opposition socialist and historian Enrique Ayala to raise claims that Ayala was earning too much as rector of the Andina University. Opponents of the government can safely rule out that their data will be protected.

Short-Term Bliss

Oil cartel OPEC surprised oil markets with a decision to cut crude oil output by 600,000 barrels per day, adding that non-OPEC members will contribute a like amount to slash daily production by more than 4%. The move triggered an immediate oil rally and optimistic OPEC estimates for prices to rise above \$60. Despite pledging to cut production, the OPEC move will benefit Ecuador because of rising prices, said foreign minister Guillaume Long, who bizarrely has replaced the oil minister, Jorge Icaza (CHECK), in OPEC-related meetings such as the one with OPEC secretary general Muhammed B (CHECK) and the Vienna summit in recent days. While Long said that OPEC’s decision proved the cartel was alive and kicking this century, analysts shouldn’t buy into the

hype as it has consistently exceeded its production ceiling in recent years.

For Ecuador, which agreed to participate in the output cut in line with president Correa's long insistence that OPEC had to do this to trigger oil gains beyond technical resistance levels, the cut has little practical relevance. It instead will help mask the recent fall in output that has been hidden by the startup in July/August of the Tiputini wells in the controversial Yasuní Ishpingo – Tambococha – Tiputini field. While Tiputini according to official data adds some 20,000 barrels per day of output, production has declined from around 560,000 bpd to around 540,000 bpd.

Meanwhile, US and Canadian shale oil producers have had to become leaner and consolidate amid the low-price environment. OPEC and the other oil hawks who have decided to cut output to trigger the price spike are thus unlikely to reap the benefits of higher prices for long. Additionally, the drive to reduce demand for crude for environmental reasons has already reached China, leaving perhaps India as the only remaining "hope" for a sustained pickup in demand while other economies shift to renewable energy and, gradually, electric vehicles.

Clean Dream

Following four years of research and planning, a solar-powered boat has begun to serve remote jungle communities in southeast Ecuador. Along a 67km stretch including two rivers, the craft links nine Achuar villages in the Amazon rainforest, providing clean and quiet transportation and showcasing an alternative to traditional fuel consumption in the area. The organization set up to create and manage the project, Kara Solar, calls it "a concrete solution for sustainable mobility in the Amazon that combines ancient indigenous wisdom with innovative modern technologies."

In the absence of roads, small planes and light boats using diesel-chugging outboard motors provide

transport in much of the Amazon. Aside from the pollution and noise, fuel storage and supply pose real logistical problems, not just financial, having to be flown in. In the case of the new craft, a roof topped by 32 lightweight solar panels charges 12 lead-acid batteries and powers two electric motors, but also provides shade or protection from rain. Local Achuar pilot the vessel, and traditional Amazon canoes inspired the basic design for the fiberglass hull. The project management includes the Latin American Association for Alternative Development (ALDEA) in association with the Achuar Nationality of Ecuador (NAE), providing Kara Solar, "a concrete solution for sustainable mobility in the Amazon that combines ancient indigenous wisdom with innovative modern technologies." Supporters include the Massachusetts Institute for Technology's Sloan Entrepreneurs for International Development (SEID) and Center for Ocean Engineering, Ecuador's ESPOL University, as well as community enterprise incubator PlanJunto.

Isolated indigenous communities in the Amazon have particular needs and face intense outside pressure, above all from the present administration's bid to unlock oil reserves, which are both economically and environmentally questionable (the area is among the most biodiverse on the planet). Communities are divided regarding the prospects of oil development, with both advocates of rapid development, including roads and commercial amenities juxtaposed against the preservation of the forest in the hands of its local native experts and of their historic way of life. While the administration argues that oil development provides the necessary funding for schools and clinics as well as basic services, locals have a more balanced view about which parts of their native economies require how much money –emergency medical care, running water, electricity, and internet and other communications, among others. The government insists oil is the way to go, but some communities have shown that with limited outside assistance, they

have been able to obtain basic services, even internet, without it.

Harnessing the sun provides several benefits, in particular of course climate-friendly transport. The “fuel” beyond the start-up cost is readily available. It can also boost tourism income as some jungle lodges elsewhere in the Amazon region already advertise access by noise-free canoes powered by muscles alone. Most significantly, it can reduce local interest for yet more roads, which have shown to be the single most significant trigger for large-scale deforestation. Hopefully, the innovative Kara Solar project will provide a seed for a large-scale shift from diesel to electric in jungle environments.

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