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ECUADOR WEEKLY REPORT®

KEY INDICATORS

For the week of Mar 26 – Mar 29, 2018

Candlelight Vigil

A reporting team from Quito newspaper *El Comercio* including a journalist, a photographer, and a driver went missing in Mataje early last week after passing a security checkpoint. The government has called their disappearance amid continued incidents at this northernmost point of Ecuador, just across from the border with Colombia, a kidnapping. President Lenín Moreno during a subsequent domestic security council meeting made extremely serious accusations against his estranged predecessor and former boss, Rafael Correa, for letting the situation spiral out of control.

Interior Minister César Navas held a press conference to report on the situation. At its end, in response to a reporter’s question, he said that there was contact with the kidnappers and that the three were in good condition. Despite a state of emergency since January, when suspected drug-running dissidents of Colombia’s Revolutionary Armed Forces (FARC) detonated a massive car bomb in San Lorenzo, the afflicted area’s main town, Navas gave the impression of being poorly prepared for what he had to say. True to the past decade’s abhorrence of the media, he hinted at saying that it was their own fault for having entered a dangerous area despite having been warned at the checkpoint. He also spoke of a need to observe a security protocol that quickly was revealed as a flimsy sham, weakening the credibility of the government’s insistence the media only report official statements – his own.

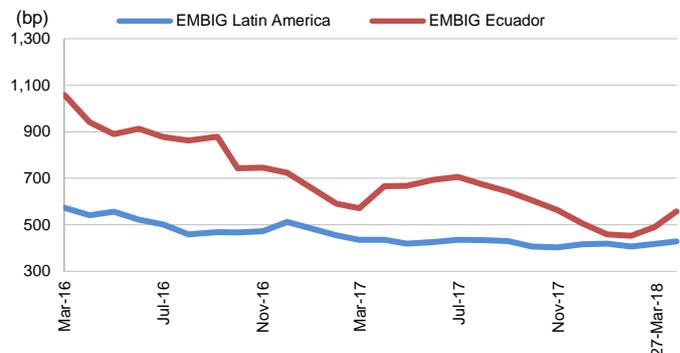
Reporters and media based in Ecuador have long

Ecuador's Global Bond Prices

Bond	Last Price (end of the month)						
	29-Mar	28-Feb	Jan	Dec	Nov	Oct	Sep
Global 2020	108.42	108.75	109.98	110.94	109.64	109.10	108.03
Global 2022	111.06	113.07	116.32	117.48	115.86	113.13	111.77
Global 2023	104.68	106.64	110.12	110.67	108.46	104.90	103.39
Global 2024	100.70	102.06	106.04	106.60	104.42	100.89	99.14
Global 2026	107.37	110.44	114.40	115.03	112.45	108.04	105.60
Global Jun 2027	107.08	110.35	113.76	114.73	111.66	107.57	105.04
Global Oct 2027	102.19	105.58	109.17	109.90	106.82	102.40	-
Global 2028	96.76	99.23	102.04	-	-	-	-

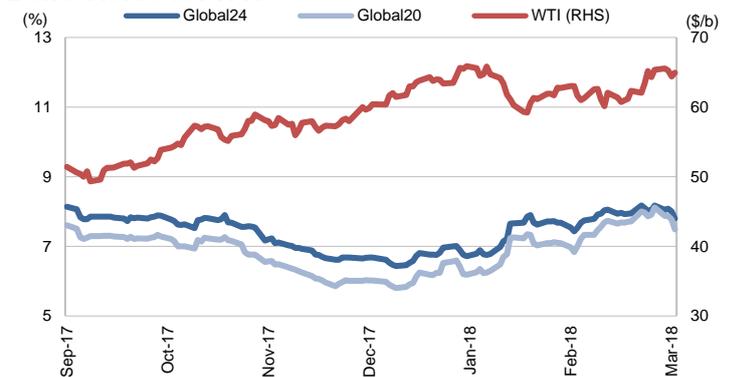
Source: Bloomberg and Analytica

EMBIG Spread



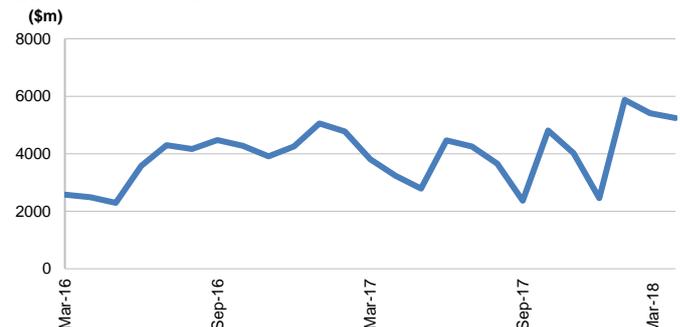
Source: JP Morgan and Analytica

Bond Yields vs. WTI



Source: Bloomberg and Analytica

International Reserves



Source: BCE and Analytica

ago been developing their own security protocols given their decades of experience with troublesome borders, in particular along the treacherous Colombian frontier, home to rebel movements and drug traffickers (sometimes one and the same organization). Apparently, the reporters were apprehended in Mataje, on Ecuadorian soil, while Navas made the clearly false claim that these kinds of criminal organizations do not operate here. The recent car bomb and spate of home-made bomb attacks belie these claims just as readily as the fact that the reporters went missing on Ecuadorian soil. When speaking to reporters holding a candlelight evening vigil in front of the presidential palace, vice president María Alexandra Vicuña meanwhile said she supported the missing reporters from government newspaper *El Telégrafo*, thus being unable to even name the affected newspaper. It's no wonder therefore reporters have been unwilling to stick to the script the government has ordered as it negotiates with the kidnappers.

Moreno himself has indicated that the administration is poorly equipped to handle the situation. He blamed Correa for buying faulty equipment, including Indian helicopters, Chinese radars and South African jet fighters that no longer operate, if they ever did. Moreno also said that the Correa administration – whose domestic security operations were run by José Serrano, deposed as the president of congress but still a legislator – was complicit in letting the situation in Esmeraldas, the province in which San Lorenzo lies, become a hotbed of narcotics smuggling (it's not just there though). Correa had warned of risks that not all FARC rebels would agree to demobilize under the Colombian peace process but proceeded to dismantle the top military leadership in his failed attempt to submit the armed forces to his "Citizens' Revolution." Moreno announced his intent to rebuild the military and police, which follows the dissolution of Correa's SENAIN intelligence secretariat, whose main purpose was to

spy and cajole real or invented opponents. This is laudable, but Moreno faces a fiscal crisis in which help to rebuild security can basically come only from the US and, perhaps, Colombia, if that country were to seriously attempt to control its rural border areas. Ecuador's insistence on remaining loyal to its damaging alliances with Cuba and Venezuela weigh on its possibilities to obtain help however. It would be a tragic irony that the increased freedom of the press were to coincide with an escalation of conflict that would put Ecuador's journalists under a similar threat as their colleagues in Colombia or Mexico.

Where Angels Fear to Tweet

Far from observing a pledge not to meddle in foreign affairs, from his longtime residence in Ecuador's London embassy, Wikileaks leader Julian Assange continued his confrontational tweeting style. Among many other political matters, he complained about the arrest of former Catalan leader Carles Puigdemont in Germany, the expulsion of dozens of Russian diplomats by Western countries (including some neutral ones) amid the scandal of the poisoning of a former spy with a nerve gas agent on British soil and engaged in a personal dispute with a senior UK diplomat (who was not particularly diplomatic, one might add). His feed subsequently went silent as president Moreno appears to have had enough of Assange's disobedience.

Ecuador has now cut off his access to "external communications" for a second time since president Rafael Correa was frightened into shutting off his internet after Wikileaks intervened in the US election by leaking e-mail from the Democratic campaign. As in the case with the first cut, the foreign ministry said that it had to do this to safeguard Ecuador's international relations. *The Guardian* reports that this even means he has not been permitted to receive personal visits, with fashion designer Vivienne Westwood having been turned back at the embassy's door. The usual suspects of Assange supporters like

US film director Oliver Stone, oblivious to Ecuador's interests and Assange's written commitment, protested on social networks.

But the matter won't end there. Previously, the government argued that the potential threat to his life – a largely hypothetical fear of extradition to the US, which, along with Belarus, is the only boreal nation that still applies the death penalty – led it to allow him to keep his asylum status, over Moreno's clear misgivings. He has called him "a rock in a shoe" and an "inherited problem," one of the myriad issues left over by Correa. In this week's statement, the foreign ministry failed to mention this, instead emphasizing that Ecuador's relationship with the UK is its priority, including the rest of the European Union as well. And, ominously, it said that Ecuadorian diplomats would meet Assange's lawyers in London next week to discuss further steps. This could now mean his expulsion, although few have gone so far as to spell this out, after his close to six years in the embassy. He fled there in mid-2012 to avoid extradition to Sweden for questioning in regards to accusations of sexual abuse.

While Sweden since dropped those charges, the UK continues to maintain an arrest warrant because he jumped bail. Some further legal caveats remain: As he is now an Ecuadorian citizen, which foreign minister María Fernanda Espinosa granted him in a foolish bid to have Britain recognize him as a diplomat (of course it didn't), there could be legal considerations against expelling him from Ecuadorian territory. This should actually not be a problem. After all, no Ecuadorian has a right to live in one of its embassies to avoid arrest. And given his now real isolation – it's not known whether he's learned the language of his adoptive country and is able to speak it with the embassy staffers with whom he shares his space – he might indeed find that he's better off outside. Ironically, as the media climate in Ecuador has improved and a reform of the harsh media law looks in the cards for the second half of this year,

Ecuadorian tolerance for Assange has waned. For Ecuador's foreign relations meanwhile, expelling Assange would be a rare clear step in the right direction, with the benefit that Espinosa can blame the decision on Assange's aggravating behavior.

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