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**ECUADOR WEEKLY REPORT®**

**KEY INDICATORS**

**For the week of Jul 2 – Jul 6, 2018**

**Realigning Stars**

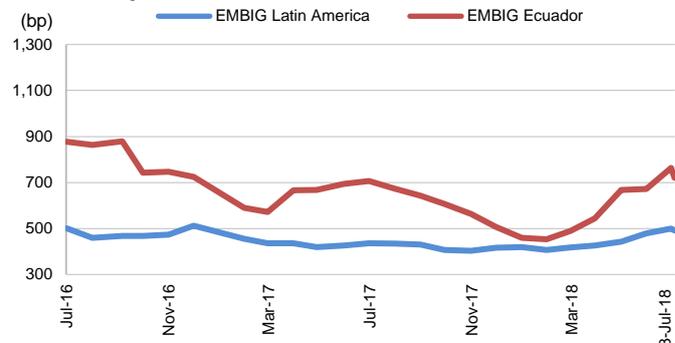
The speed at which relations between Ecuador and the US have thawed has surprised even US diplomats; only perhaps with North Korea have they gone ahead any faster. Whereas the road ahead does not look clear between Pyongyang and Washington, with Quito, the main roadblocks appear to have been dismantled; even the education ministry is asking for support in the design of English-language problems. And Venezuela and Bolivia this week helped to push Ecuador closer to the US and rest of the region. Thanks to comments by those countries' leaders, in the immediate future, Caracas and La Paz won't host Ecuadorian ambassadors.

The visit of US vice president Mike Pence to Quito helped to cement the quickly improving ties already put into evidence by his very visit. Not since 2010 had a major US representative, in that case Hillary Clinton, made an official trip to Ecuador. In his statement, Pence commended Moreno's bravery in confronting the authoritarian leadership he had inherited, working against the odds to reinstate the rule of law and freedom of speech. To help Ecuador continue the fight against corruption, he pledged \$1.5m in support, as well as \$3.5m for security along the Colombian border (on its part, the European Union is funding development projects in the area). While not much money on the face of it, the security funding is a relevant first step. It also helps to avoid the impression that Ecuador is undertaking a massive buildup that could imply involvement in Colombia's remaining civil strife.

Bond	Last Price (end of the month) 2018						
	6-Jul	29-Jun	May	Apr	Mar	Feb	Jan
Global 2020	105.24	102.24	104.12	103.10	108.42	108.75	109.98
Global 2022	105.52	102.55	105.36	105.54	111.06	113.07	116.32
Global 2023	96.99	93.71	97.75	97.89	104.68	106.64	110.12
Global 2024	92.50	89.25	94.06	94.11	100.70	102.06	106.04
Global 2026	97.14	93.58	99.08	98.50	107.37	110.44	114.40
Global Jun 2027	96.85	93.33	98.70	98.11	107.08	110.35	113.76
Global Oct 2027	92.55	89.16	94.49	94.36	102.19	105.58	109.17
Global 2028	87.73	84.02	88.66	88.53	96.76	99.23	102.04

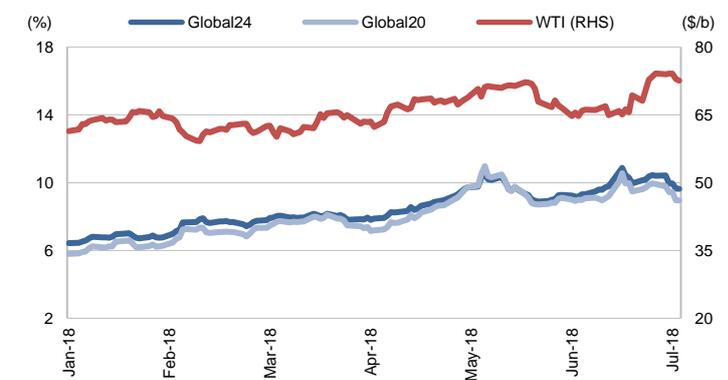
Source: Bloomberg and Analytica

**EMBIG Spread**



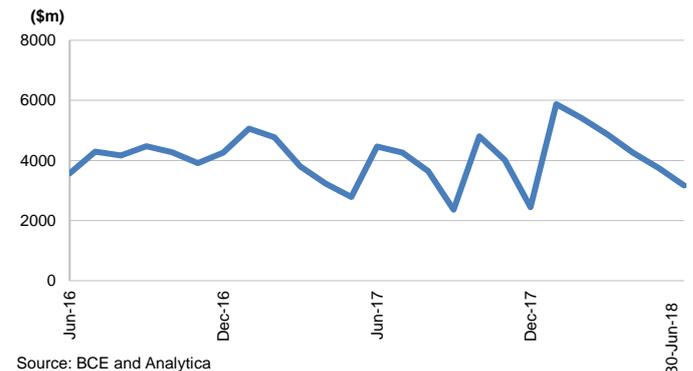
Source: JP Morgan and Analytica

**Bond Yields vs. WTI 2018**



Source: Bloomberg and Analytica

**International Reserves**



Source: BCE and Analytica

Moreno, on his part, stressed Ecuadorian interest in improved trade ties. Foreign trade minister Pablo Campana explained that Ecuador wants a trade agreement in line with the bilateral deals the Trump administration appears willing to pursue. Moreno also said that Ecuador was worried about the Trump administration's treatment of children of refugees and immigrants, including two Ecuadorian cases. Unlike the recent past, the situation has matured well enough between both sides that these kinds of differences no longer imply a bilateral crisis. While Pence's criticism of Venezuela didn't get an immediate response, Venezuelan president Nicolás Maduro and his Bolivian peer Evo Morales delivered the trigger for Ecuador to get in line with most of the rest of the hemisphere regarding Venezuela policy. On *Twitter*, Maduro called the arrest warrant (see below) against Moreno's predecessor, Rafael Correa (2007 – 2017), part of "persecution against the authentic leaders of our America" along with the legal woes of former presidents Cristina Fernández in Argentina and Luiz Inácio Lula da Silva in Brazil. Morales directly attacked Ecuador's prosecution's request for the arrest of Correa as proof of politization of the judiciary and US interference.

For the new foreign minister, José Valencia, this was enough to break with the recent past of lack of defense of Ecuadorean interests amid interference from its socialist partners. He ordered Ecuador's ambassador to La Paz to return to Quito for consultations, while a new ambassador to Caracas was told to delay travel there. In a meeting with foreign correspondents a day later, Moreno said those countries were partners in name only. Venezuela-led economic cooperation organization ALBA failed to function, while the UNASUR South American organization had been abandoned to an extent that Ecuador wants the \$42m headquarters in Quito that it had ceded to the group returned. Thus, de-facto, Ecuador has followed suit with the Western Hemisphere and European countries that refused to

send ambassadors to Caracas after the Venezuelan presidential elections that none of them recognized. Along with improving Ecuador's standing with the Western and Latin American community, it helps to pave the way for the administration to strengthen cooperation. Plus, a tough stance towards Caracas in particular will be popular with voters.

### **Beguiling Belgium**

Instead of heading to Quito to present himself before the National Court as he was ordered to do by a judge, former president Rafael Correa went to Ecuador's consulate in Brussels. Judge Daniella Camacho didn't take the disregard of her order lightly and has issued a warrant for his arrest, extended to Interpol to have him taken into custody in Belgium and extradited to Ecuador. Implicated by the judiciary in the probe of a kidnapping of an opposition activist in Colombia in 2012, Correa says he will fight the order rather than come home to face the music. He has already said that neither Belgium nor Interpol will accept the case given political overtones.

One question is how much his own statements will serve to undermine his case. Correa has given two improbable reasons for not being able to travel to Ecuador, though he has traveled widely in recent months, including Buenos Aires, Havana, Caracas, Moscow, Rome, and Madrid. In the Spanish capital, he gave an interview saying that he couldn't leave Belgium because he needed to be available for the care of one of his daughters who had been involved in a car crash. On *Twitter*, his brother Fabricio said the injuries weren't severe – perhaps the reason her father decided he could travel to Spain after all, despite his alleged paternal care.

Days later, he said he couldn't travel to Ecuador because of problems renewing his visa in Brussels. The exact date would be important in this case. If the problem with his visa happened before the World Cup started, he could not have traveled to Moscow for the inaugural game without a valid return visa for the

Schengen Area (filmed at the stadium, he also said he had a courtesy ticket for the game but later tweeted that he didn't attend in solidarity with his supporters who were tear-gassed in their protest against the legal inquiry in Quito the same day). Given the amount of travel he has undertaken in recent months as a pensioner, the Belgian judiciary might well not consider the order to present himself before the court in Quito as excessive even though Correa, despite his frequent intercontinental travels, called the order "impossible to fulfill." Still, according to Ramiro García, the criminal lawyer who heads the Pichincha Bar Association and a strong Correa critic, a court could consider that the former president did comply by presenting himself before the diplomatic representation office. After all, Correa already was permitted to give previous testimony to prosecutors regarding the case. According to transcripts in Ecuadorian media, Correa, in office a micromanager, said that he didn't know most of the people mentioned in the probe.

Despite his memory loss, he has made claims like saying that the attempt to kidnap a man in a foreign country wasn't actually a kidnapping because Francisco Balda, the victim, was only briefly held (and beaten), and that this might have been a case of police excess instead. Another claim is that he had immunity, and Correístas say Ecuador's congress had no right to allow the court trial to proceed, as they did in a vote. This position will probably not fly with foreign judicial instances given the international precedents of fallen leaders who have had to face up to their crimes. As former foreign minister Mauricio Gándara has noted in a recent column in *El Universo*, Ecuador belongs to the 2002 Statute of Rome of the International Criminal Court that removes this kind of immunity from former heads of state.

Nonetheless, Correísmo and its international allies in Bolivia, Venezuela, but also including the likes of French left-wing populist Jean-Luc Mélenchon, insist that Correa is the victim of a political witch-hunt. Part

of their claim is based on discrediting the changes in the judiciary under Moreno. While imperfect, this was legitimized by the Feb. 4 referendum and aimed at overturning the political influence that Correa imposed on the courts in 2011 (and de-facto much earlier). He is also being judged under rules he established and by officials who were working inside his legal system for years. This should weaken the likelihood that Belgium eventually might accept request of political asylum by Correa.

The Moreno administration meanwhile has adopted a position of insisting on judicial independence. In his meeting with correspondents, Moreno recommended that Correa come here to prove his innocence. At the same time, he did express his anger that Correa, in the same interview in Spain in which he said he couldn't travel to Ecuador because his daughter was recovering from an accident in Belgium, insinuated that Moreno's handicap – he has been bound to a wheelchair since being shot in 1998 – had triggered a hateful personality in the current president, and dismay at having worked under his leadership. The ball is largely in the court of the judiciary now. To avoid having Correa wait out the statute of limitation on this case in Europe, it needs to work hard to properly handle the case. At least, the insistence of Ecuador in the extradition of other Correísta fugitives like former central bank president Pedro Delgado or former comptroller general Carlos Pólit, among a list of more than 40, indicates that authorities may finally be serious about taking former officials who abused their positions to court.

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