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ECUADOR WEEKLY REPORT®

For the week of April 25 – April 29, 2016

People's Triumph

Amid the ruins, hope emerges. Less than a week after the 7.8-magnitude killed at least 659 people and devastated large areas of Ecuador's northern-central coastlands, response is in full swing. People in Ecuador – not just locals, but many foreigners and even tourists – have pitched in with time and money to deliver hundreds of tons of help to the afflicted areas. Companies have pitched in with material goods, transport, and other expertise. In less than a week after the quake, insurance and tourism holding Grupo Futuro set up an emergency hospital offering free healthcare in Canoa, one of the worst-hit small towns along the coast (already, a baby was delivered there). Volunteers who have traveled rural earthquake-hit areas of Esmeraldas and Manabí report that many among the poorest locals have shown a positive, resilient response, grateful for but not all-too reliant on outside help. This has left the central government flat-footed.

Friction between officials and private individuals to some extent had to be expected. The quake had an impact on an enormous area, and impassable roads made it difficult to reach many outlying areas. This created bottlenecks that took time to clear. In fact, much of the response has been so great that there are stocks

ECONOMIC INDICATORS

Ecuadorian Global Bonds (Apr 28, 2016)

	BID	ASK
Global 2024	84.00	85.00
Global 2030	43.00	49.00

Source: Bolsa de Valores de Quito

BCE International Reserves In million US\$

Ago, 2015	4,201.10	-11.35%
Oct, 2015	3,308.36	-21.26%
Dec, 2015	2,495.96	-24.56%
Feb, 2016	3,341.64	33.88%
Apr 22, 2016	2,540.65	-23.97%

Source: Banco Central del Ecuador

Inflation

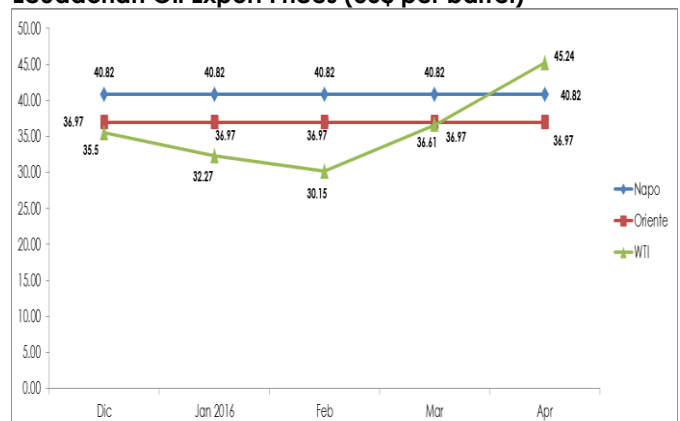
Mar	2016	0.14%
Year to Date		0.58%
Year on Year		2.32%

Banks – Short and long term Deposits In million US\$

Dic, 2015	14,554.40	1.69%
Jan, 2016	14,868.90	2.16%
Feb, 2016	14,635.10	-1.57%
Mar, 2016	14,756.40	0.83%
Apr 15, 2016	15,239.50	3.27%

Source: Banco Central del Ecuador

Ecuadorian Oil Export Prices (US\$ per barrel)



Source: Bolsa de Valores de Quito

still waiting to be cleared from warehouses in major cities. Supermarket chain Supermaxi set up collection spots near the cashiers so that shoppers can just drop off their donations without having to leave the premises. The Red Cross, too, had long lines as people waited hours to give blood. Among public services, representatives of aid organizations, some emerging practically from the ground up, said that coordination with local mayors went well. Caught once again between its independence as an apolitical organizations and the demands of the central government, military personnel at times found themselves having to decide on whether to stop and transport donations themselves or let private aid caravans pass. A fracas erupted between Javier Ponce, the agriculture minister, and an army captain, ending in fisticuffs (Ponce denies the incident, but additional testimony inclines us to believe it did happen). President Rafael Correa had to acknowledge the inability of the social ministry (MIES) to properly handle the situation (the top MIES official in the Amazon province of Morona-Santiago had to resign after she had donated clothes dumped in the trash, alleging they were in a poor state), putting the military in charge of distribution of help. Approving of the Grupo Futuro hospital, Correa also announced that a camp for people made homeless would be set up alongside it.

This was a relatively rare acknowledgement however. Aside from his threats to arrest people who cry or complain (EWR797), he spoofed the grass-roots efforts, saying that donations of food or tuna won't rebuild roads and other destroyed infrastructure. "We will overcome this (disaster) with organized collective action, institutionalized," therefore in the hands of the

Quito and Guayaquil Stock Exchanges

Equities Most Traded			
Issuing Company	Cash Value (From Apr 18 to April 23, 2016) (In Thousands US\$)	Closing Price (In US\$)	Last Date of Trade
QUITO LINDO QUITO LINDO S.A.	30,827.34	1.00	21/04/2016
CORPORACIÓNFAVORITA C.A.	283.20	1.99	27/04/2016
ALICOSTA BK HOLDING S.A.	154.80	12.00	28/04/2016
BANCO SOLIDARIO	143.72	0.94	26/04/2016
LA ENSENADA FOERESTAL (COVEFOREST) S.A.	98.53	2.60	26/04/2016
HOLCIM ECUADOR S.A.	76.96	63.98	27/04/2016
BANCO PICHINCHA	30.99	0.48	27/04/2016
FIDEICOMISO HOTEL CIUDAD DEL RIO	28.60	2.400	28/04/2016
INVERSANCARLOS	11.30	1.13	18/04/2016

Source: Precios máximos y mínimos de acciones & Pulso Bursátil Semanal
Issued by: Bolsa de Valores de Quito.

Fixed Income					
Securities lead by Analytica					
Issuing Company	Issue Type	Total Amount Issued (In Thousand US\$)	Credit Rating	Term (In years)	Yield of Return
OTECEL S.A.	Commercial Paper	50,000	AAA	1	4.25%
ECONOFARM SANA SANA	Securitization	12,500	AAA	5	7.25%
FARCOMED FYBECA	Securitization	12,500	AAA	5	7.50%
EDESA	Commercial Paper	10,000	AAA	1	5.25%
DEXICORP-GRUPO KFC	Commercial Paper	7,500	AA+	1	6.00%
URBANO EXPRESS	Securitization	4,000	AAA-	3	7.50%
		5,000		5	8.00%

state. The comment presents a false dilemma, a method the president often uses to make a point; no one has said that the reconstruction effort could be fully funded by private donations, let alone in cans of tuna (he also said people in rural areas have it better in the case of disasters because "they can eat grass"). For the president, the real dilemma is the triumph of liberal solidarity

over a sluggish, although not necessarily disastrous, central government. Correa's view of society and the state is disturbingly close to Benito Mussolini's "Everything for the state, nothing outside the state, nothing above the state." His administration has consistently clipped the rights of local administrations, now bureaucratically called "autonomous decentralized governments." And he's going for more, aiming to create a regulator of municipal governments. Besides mobilizing government efforts, his quasi war cabinet supposed to run the most afflicted zones has been most remarkable for its ham-handed attempts to claim private or municipal aid was actually supplied by Carondelet. In Canoa, National Secretary of Political Management (sic) Paola Pabón claimed that she'd been in the area since before the quake hit (false) and sought to take credit for a camp set up by a group of volunteers from Quito. Industry minister Vinicio Alvarado tweeted about "bringing back" 136 Quito firemen from the disaster zone; the fire department rebutted this, attributing the flight to support from airline LAN coordinated with the municipal government of Mauricio Rodas. Social networks continue to buzz with non-governmental offers of and requests for help. Fury has erupted over the government's plan to house bureaucrats, rather than homeless, in the housing estate built for the non-existent refinery near Manta. Mistrust of the Correa administration runs deep, and not just among Ecuadoreans. Privately, foreign diplomats say that their governments are making sure their donations don't make their way into Correa's hands (Ecuadorean embassies have meanwhile started to ask for cash rather than goods). Between the lines, foreign embassy statements

make that much clear, emphasizing non-governmental organizations as their local partners. Conservative Guayaquil mayor Jaime Nebot thanked local water utility Interagua for installing a water plant donated by French company Veolia in the town of Calceta. Even socialist opposition politicians are demanding funds collected through higher taxes go into an investment fund to monitor spending, previously an unheard-of demand for the left. In the absence of the oil-driven spending options, Correa had already lost significant support levels, although a pre-quake poll by Cedatos still left him with a 40% approval rating. Perhaps the roots of populism in Ecuador are shallower than the enduring popularity of Correa suggests. If a politician willing to tap the local energy, creativity, and solidarity shown these past few days wins the 2017 race, this would offer a tantalizing outlook very different from a decade of statism.

Favorites' Game

On April 13, Ecuador's controversial Constitutional Court (CC) approved a request by a little-known political group calling itself "Rafael contigo por siempre" (Rafael, together with you forever) to hold a referendum on whether the president might yet stand for re-election once again next February. The information became public on April 22, almost a week after the country's worst earthquake in decades. In theory, this opens the door for president Correa to compete in the upcoming elections once again. Certainly, the CC once more proved that it has no independence whatsoever from Carondelet.

The group, led by Pamela Aguirre, a lawyer from Ibarra and Stephanie Baldeón, a Guayaquil journalist, wants to repeal the one-time limit on Correa's reelection imposed by constitutional reform last year. They say that the limit on his right to stand for election is an unfair limit on his personal . Media have demonstrated that both lied when they claimed they weren't affiliated with the Correa administration. While Correa had term limits scrapped last year, he hesitated to have the rules benefit him personally. Massive street demonstrations against higher real estate and inheritance taxes, but also the constitutional changes, preceded this decision. Under the previous rule, there was a two-term limit to consecutive presidential reelection. Numerous political organizations sought a referendum on the changes to the constitution, rubber-stamped last year by the near 70% majority Correa enjoys in congress. The CC and the national elections commission (CNE) had played ping pong with the matter, eventually even denying them the option to collect the required signature.

CC and CNE had learned from the past: A year earlier, the CNE had disqualified the close to 800,000 signatures that the Yasunidos grassroots organization collected from citizens in a bid to force a referendum on developing new heavy crude oilfields inside the eastern part of the Yasuní National Park. The favoritism towards the pro-Correa organization is thus glaring, even though the 2008 constitution prohibits any change to electoral rules less than a year before elections. As the CNE has refused to return the signatures, some fear that they could be diverted to the pro-Correa camp. In 2012, the CNE was immersed in yet another scandal as tens of thousands of signatures that political

organizations had to submit to be able to participate in the elections a year later were proven to have been fraudulently obtained. Strong evidence pointed to identity theft committed inside the CNE.

Ecuador's 2008 constitution separates "amendments" from "reforms;" the former can pass via a two-thirds majority, which Correa has comfortably (thanks to gerrymandering in 2012), while the latter require a referendum. The CC ratified the claims that the changes were amendments, eliminating the need for a vote Correa could have lost. The proponents of removing the one-time limit on reelection insist that the issue is about rights, not electoral law. Some opposition politicians have challenged them to bring it on. But a lot will hinge on the final wording of the referendum question. It may well be very confusing, presenting two difficult legal options, or in complicated legalese, much like the 2011 referendum which Correa barely won, again amid signs of fraud. Likely, opponents of the 2015 constitutional reform will face the prospect of having to ratify those changes to keep Correa off the ballot – hardly an attractive proposal.

Correa may yet skip the referendum. He doesn't look good in polls, and must ponder the example of Bolivian president Evo Morales, who lost his own referendum as Bolivians rejected his attempt at getting his reelection ratified. According to constitutional lawyers, the CC could simply declare the "transitional", one-time ban on immediate reelection, unconstitutional. Correa thus could be a candidate next February without having to pass the referendum hurdle. Whatever the final decision, for the coming few

months, uncertainty about Ecuador's political and economic future has increased.

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