Interview: Roberto Aspiazu – Executive Director, Ecuadorian Business Committee (CEE); President, Mexican Chamber of Commerce in Ecuador



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Roberto Aspiazu, executive director of the Ecuadorian Business Committee and honorary president of the Mexican Chamber of Commerce in Ecuador, comments on the country's economic outlook and international trade relations with Mexico, the urgent need for Ecuador to shift its growth paradigm towards increased private investment and explains how the country's current international trade policies are affecting the structure of its pharmaceutical market.

Mr. Aspiazu, you are a multifaceted businessman, historian and journalist with an engineering background. Could you tell our readers about the path that has led to your current position in the Ecuadorian Business Committee?

I used to be involved in the media sector, as a journalist, television anchor and news correspondent in several Latin American countries, but it struck me that taking part in activities related to a different sector would be an interesting and fulfilling personal growth challenge. Thus, as Ecuador was in the process of negotiating a free-trade agreement with the USA 14 years ago, I got involved in the creation of a guild that would promote Ecuadorian business interests at an international level. More specifically, as this free trade agreement was being negotiated, the different Ecuadorian industry chambers remarked the creation of an umbrella organization in charge of

coordinating the protection of their interests would be more efficient than individual action. This led to the creation of the Ecuadorian Business Comittee (CEE) of which I became the executive director.

As the honorary president of the Mexican Chamber of Commerce in Ecuador you are also involved in the development of commercial relations between these two countries. How important is trade between these two countries?

The Mexican Ecuadorian chamber was founded ten years ago with the objective of facilitating international trade activities between these two countries. The chamber's main mode of action remains the arrangement of encounters between business personalities of both countries. The chamber currently supports the international activities of 30 enterprises, most of which are Mexican companies that have established operations in Ecuador.

Mexican-Ecuadorian trade is amongst the most important for Ecuador. In fact, Mexico was Ecuador's second largest supplier of packaged medicine in 2016 according to the Observatory of Economic Complexity. This economic proximity grounds itself in the shared history of both countries who where both part of the Spanish Empire. As a result of the close cultural and geopolitical ties between Mexico and Ecuador, both countries started trading together early in their history. For instance, the 1993 Mexican Ecuadorian free trade agreement was on of the first international trade partnership signed by Ecuadorian authorities.

Nonetheless, this trade agreement is fairly restrictive and one could reasonably argue for a renegotiation of the terms of trade that would deepen the commercial relationships that unite the two countries. Indeed, the agreement signed in 1993 only included 300 items. The Mexican Chamber of Commerce in Ecuador has attempted to revise the free trade agreement between the countries multiple times in the last seven years- unsuccessfully.

What makes Ecuador an attractive market for Mexican companies?

Despite some political problems faced by Ecuador, its dollarized economy is an element of stability that is reassuring the international community of investors, Mexicans included. Indeed, unlike other neighboring countries on the Latin American continent, Ecuador's dollarized economy protects all type of investments from the risk of inflation, which are common in emerging economies. Additionally, the strong cultural ties I mentioned previously, facilitate communication in the business world, which is a crucial element in the investment decision-making. Indeed, it is easier to follow up on an investment if one is familiar with local business practices.

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After a decade of economic boom fuelled by high prices of exported oil, and key social advances, Ecuador is facing a new set of economic realities. Considering your expertise in the country's macroeconomic domain, what do you perceive as the country's economic outlook?

Despite the Ecuadorian Central Bank's announcement boasting the economy's 3.3 percent year-on-year growth in 2017's last quarter, I believe this is an unsustainable figure that has been fuelled by immoderate international debt contracting. Indeed, our economy has been depending on these international loans since 2015 and our growth projections are related to the country's ability to continuously reach international lenders to sustain the government's public spending policy. The 2007-2017 period might have been a golden decade in terms of social advancements but it has merely been the result of ostensibly high public spending policies implemented by Correa's administration as the country exported highly priced crude oil to the USA.

Given the new economic context, I think our government is living beyond its means and should promptly revise its model to avoid defaulting. Indeed, in 2013 Ecuador reached a point where 44 percent of its growth was fuelled by public investment when the Latin American average for the period was around 26 percent. Unfortunately, President Moreno's cabinet is composed of the same economic advisors as his predecessor, former President Correa, thus increasing the likelihood that the same economic policies will be applied.

While I am confident in our country's ability to succeed, there needs to be a dramatic turn in terms of public policy giving more room for private investment and liberal economic policies. Ecuador will reach a turning point with the 4th February referendum, after which President Moreno will have the ability to reshuffle his economic advisory board and open perspectives of a different economic line than the one he has followed so far.

The government is looking forward to decrease Ecuador's dependence on the import of finished pharmaceutical good by supporting the local productive capacity. How relevant are the current policies in this regard?

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There appears to be contradictory signals in terms of the government's domestic production policies. Indeed, while the government has clearly claimed its ambition to develop the country's domestic pharmaceutical industry, some protectionist barriers are still hampering the ability of

local producers to compete with the importers of finished medical supplies. More specifically, some tariffs on imported raw materials exist for the purpose of producing pharmaceutical drugs, while there are none in the case of the imported finished goods. As a result of these policies, imported pharmaceutical products are cheaper than those produced locally.

Unfortunately, the government does not seem to have an adequate lecture about the realities of certain sectors. I believe there must be a real match between the political actors and the economic sectors for the economy to grow. Hopefully, dialogue following the referendum will lead to Ecuador lifting barriers to international investment and reduce public spending. Once these barriers have been lifted, our country will be in a position to start building its competitiveness across various sectors.

Where do you see room for improvement in the Ecuadorian healthcare system?

I used to be a board member of Fybeca, one of the country's largest retail chains of health related products. It appears that Ecuador's health system has not yet found ways to reduce costs associated with health- related services such as professional care, medical consultations and price of medication. As a result of the high costs associated with health services in our country and their constitutional universality, the country's public social security regime (IESS) is in deficit. Precisely, IESS is faced with major financial problems that could lead to its defaulting in under ten years. Indeed, the government has extended the rights of social security regime to dependents of contributors without increasing the institution's revenue inflow. Currently, IESS is disbursing and estimated USD 1.6 billion out of its USD eight billion savings to cover the costs of social security despite the institution's council of directors refusing to admit financial difficulties.

Also, access to quality healthcare services is still highly correlated to economic status. Indeed, those who can afford private insurance have the possibility to attend well-equipped clinics. Those who cannot, have no other option than to resort to overcrowded deficient healthcare facilities run by the public system.

Considering your various experiences in several Latin American countries, what advice could you give to someone willing to set up a business in Ecuador?

Finding the right partner, capable of informing them of the country's current economic situation and guiding them through the principles of doing business in Ecuador's different regions is essential. This partner will assist the potential new entrant with regards to the administrative complexities of setting up a business in Ecuador and inform him on the potential of the market he is looking to address.

Ecuador is an interesting country to conduct business in; even more so considering the new political openings 2018 has to offer. Indeed, our prior governments were extremely confrontational and unjustifiably reluctant to developing international trade. It appears Moreno’s administration is applying consultative methodologies and willing to reorient the country’s politics according to the new economic context. Hopefully, Ecuadorian authorities will also move forward with an American free trade agreement.

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