

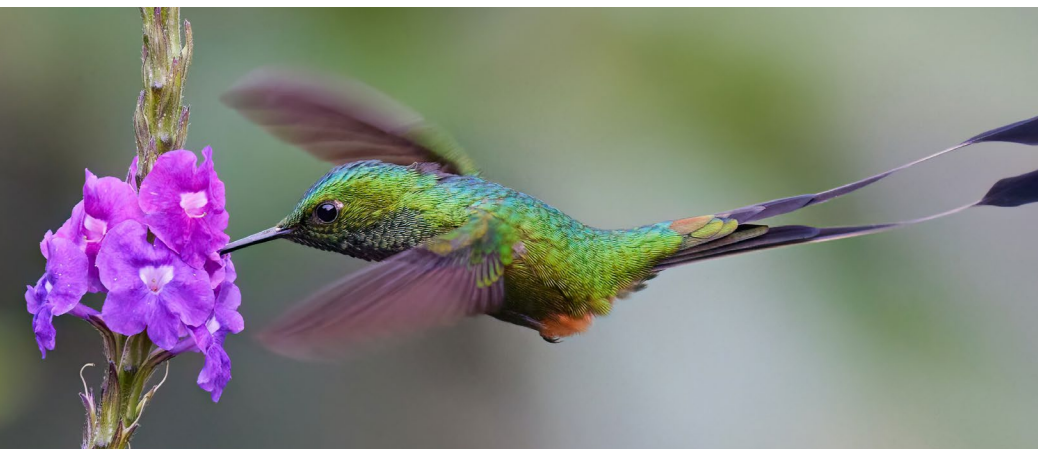
Newsletter

CHRISTMAS ISSUE | DECEMBER 2023



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Letter from the AES Chairman, Jonathan Lea

Dear Members,

In November we held a book launch event for David Pollock's 'Galapagos Sketches'. David's book records his response to the Galapagos as an artist visiting for the first time. We found that his book was a perfect counterpoint to David Horwell's naturalist's guide, 'Galapagos Wildlife' that we helped launch back in April. The launch also enabled us to connect with David's publisher and other contacts in the art world. We hope this will help us support Ecuadorian artists in the UK in future.

Galapagos Sketches is published by Pallas Athene while Galapagos Wildlife is published by Bradt Guides. You can buy Galapagos Sketches from **Waterstones** and Galapagos Wildlife from **Bradt**.

Don't forget to use easyfundraising.org.uk to buy and for your Christmas shopping and support the **Condor Trust for Education** who will be celebrating their 20th Anniversary next year. We look forward to helping them celebrate their achievements when they hit this important milestone.



New & Noteworthy

2024 Membership

Please don't forget to renew your membership for 2024! It's very easy - especially if you set up a recurring annual payment through your banking app.

MEMBERSHIPS



Personal Membership

£15.00 p/year



Couple Membership

£20.00 p/year



Student Membership

£5.00 p/year

For new members and anyone wishing to join, our bank account is:

The Anglo-Ecuadorian Society

Sort Code 30-00-08

Account no. 03757368.

For questions please email us at: angloecadoriansociety@gmail.com

Its your memberships that enable us to keep supporting Niurka and other good causes in Ecuador.

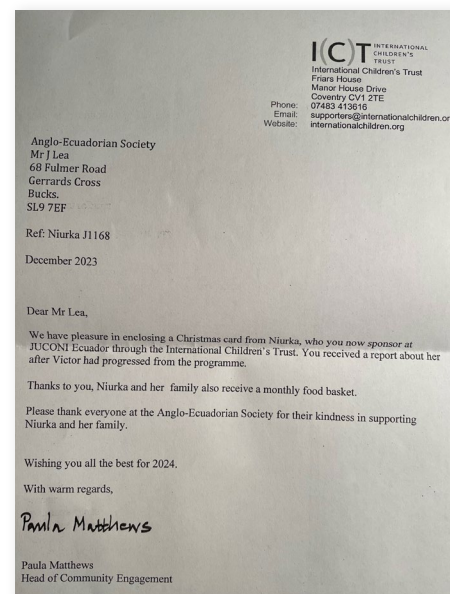
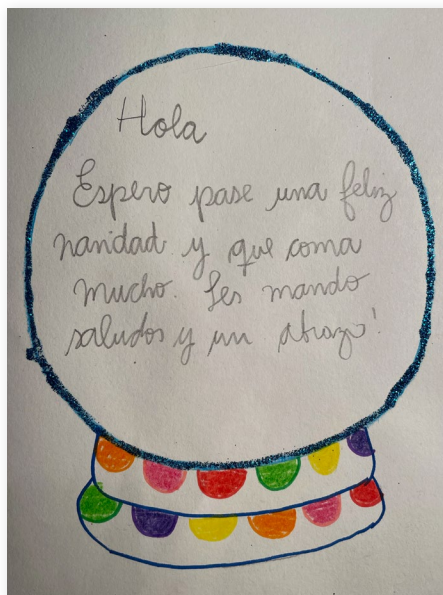
Graphic design & creative direction by
Kate Degel

We held our popular Christmas drinks reception at the Embassy again this year. It was a real pleasure to reconnect with some longstanding members and friends and to see many new faces as we continue reach out to a younger group of Ecuadorians working and studying here in the UK. We are very grateful to Ambassador Luis Vayas, who proposed the Christmas toast and to the whole of the Embassy team for their kind support for this event and our other activities during 2023.

Niurka, the 10 year girl we sponsor through the Juconi programme in Guayaquil has sent us a Christmas card wishing us all a Feliz Navidad!

I add my best wishes to you all for Christmas and for the New Year 2024,

Jonathan Lea



Visit juconi.org.ec for more information

AES Christmas Drinks 2023

Hosted by the Embassy of Ecuador in the United Kingdom



Ecuador's Default Danger

While most of its citizens worry about violent crime, international investors are starting to fear yet another Ecuadorian debt default, writes AES Newsletter Editor, James McKeigue

Ecuador has many unique attributes that make it stand out on the world stage. It's the world's largest shrimp and banana exporter, while the Galapagos Islands are a unique nature tourism destination. Unfortunately, Ecuador is also renowned – or rather, notorious – when it comes to repaying debt. It took Ecuador 180 years as an independent nation to completely repay an international bond, which it did for the first time in December 2015. In total the country has defaulted on its debt 11 times.

The topic of repaying international bonds can become political in Ecuador. For example, former president Rafael Correa (2007-2017) chose to default on a sovereign bond in 2008, not because Ecuador couldn't pay but because he claimed the debt had been illegally issued by his predecessors. But regardless of where you stand on the politics, it's logical that the default history makes international investors less keen to lend money to Ecuador.

Ecuador's debt dilemma

Under President Lasso (2021-2023) Ecuador's boosted its dollar reserves. However, they still remain far below the level of the country's debt. So even if Ecuador doesn't want to borrow any more money, it needs to find a way to service its existing debt to prevent default. The conventional option to issue bonds on the global debt market – which allows Ecuador to 'roll over' its existing debt. But because of its default history and parlous finances Ecuador has to offer much higher interest rates (or bond yields) to attract investors. That option becomes unpracticable when yields are too high (typically 10% above the US Treasury rate). In the past Ecuador has found alternative sources of funding, such as the IMF and opaque Chinese loans. However, both those creditors are unlikely to lend much more to Ecuador.

Another solution is to grow the economy, which



Ecuador is at the centre of the world but at the top of the default league

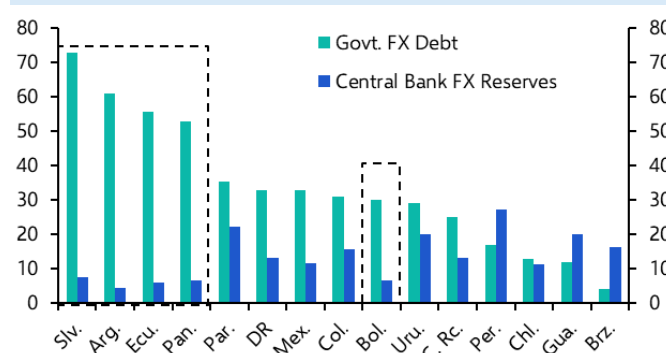
results in greater tax receipts for the government, which can be used to service the debt. Unfortunately, the recent vote in Ecuador to close down producing oil wells will reduce economic growth in 2024.

Likewise, the inability to build new mines or infrastructure projects also blocks an obvious source of extra government revenue. One obvious solution would be for new president, Daniel Noboa, to cut the diesel subsidy which costs the state an estimated \$4billion per year. In theory this measure, which would reduce fossil fuel consumption, should be popular in a country that just voted to close oil wells. In practice, the diesel subsidy has proved a lightning rod for protests every time that previous presidents have attempted to reduce it.



Can Guayaquil, the bustling port city, drive Ecuador's economic growth?

Ecuador's debt is far bigger than its reserves



*Government FX debt & central bank reserves (% of GDP)
Source: Capital Economics*



"Another solution is to grow the economy, which results in greater tax receipts for the government, which can be used to service the debt."

Rest of the region

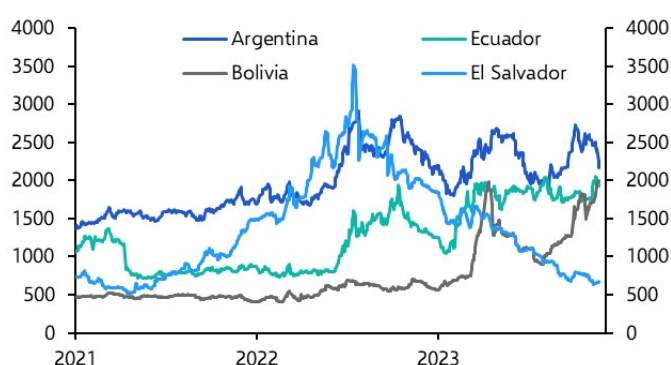
Ecuador's problems used to be common in Latin America, indeed most countries suffered debt crises in the region's 'lost decade' of the 1980s. But, as Capital Economics explains, most economies in the region have improved their debt management since then. "From the 1990s, most countries adopted flexible exchange rates, made their central banks independent and stopped deficit monetisation", says William Jackson, Chief Emerging Markets Economist at Capital Economics. "The resulting falls in inflation and interest rates, as well as the deepening of domestic financial markets, allowed much more debt to be issued domestically. And, at the same time, most central banks have built up large foreign exchange reserves. The upshot is that quick and acute sovereign debt crises that culminate in default are unlikely in much of the region."

But in Ecuador, Argentina and Bolivia, foreign currency-denominated sovereign debt is higher than elsewhere in the region. In Ecuador's case, since the economy is dollarised, all debt is in a foreign currency - ie money its central bank can't

print. At the same time, their central bank's foreign exchange reserves are low, meaning that the official sector has limited resources with which to repay foreign currency debts.

"The vulnerabilities that are pushing Argentina, Ecuador and Bolivia towards sovereign default bear similar characteristics to those that lay behind the Latin American debt crisis of the 1980s – large foreign currency debts and an absence of hard currency inflows", continues Jackson. "It's perhaps not surprising that the countries mentioned here are no stranger to default. Indeed, both Argentina and Ecuador restructured their sovereign debts during the depths of the pandemic in 2020."

It's becoming more expensive for Ecuador to issue debt



The spread (in basis points) over US Treasuries
Source: Capital Economics

For president Noboa it's just one more item on his daunting list of challenges. The technical details of debt-to-GDP ratios or bond yields don't win votes in Ecuador – as ex-president Lasso learned the hard way. Yet the real-world consequences of another default – either cutting subsidies or raising taxes – would be bound to capture the voters' attention.



Is Ecuador on the highway to default?

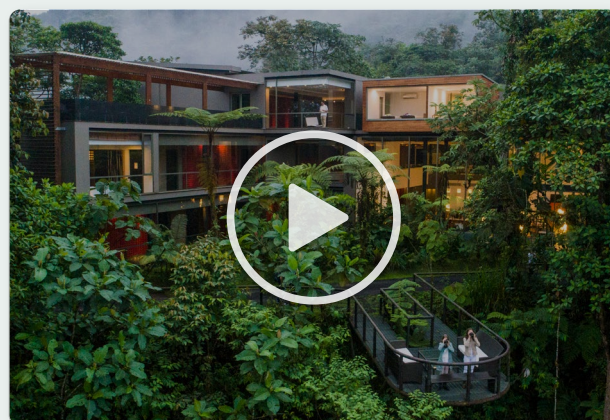
TRAVEL GUIDE

MASHPI LODGE

AES Committee Member, David Horwell, shares a review from one of his customers who recently visited Mashpi Lodge in Ecuador's cloud forest.

We have travelled many places, seen many things, and had some amazing holidays, but nothing touches me in quite the same way as the rain and cloud forests and we will take with us the most wonderful memories.

Our guide, Fernando Arias, played no small part in all of this in Mashpi. He saw with the eye what we struggled to see with binoculars! His knowledge of the forest and the incredible 'finds' (tiniest of frogs, insects, birds, lizards.....) were beyond belief or imagination. He taught us so much and, along with his cheeky and dry sense of humour, made our time extra special. He also had belief in our abilities – a number of his colleagues doubted we could achieve some of the walks we did, so we could have missed out on some spectacular experiences.



Mashpi Lodge: A sanctuary for your senses in Ecuador.

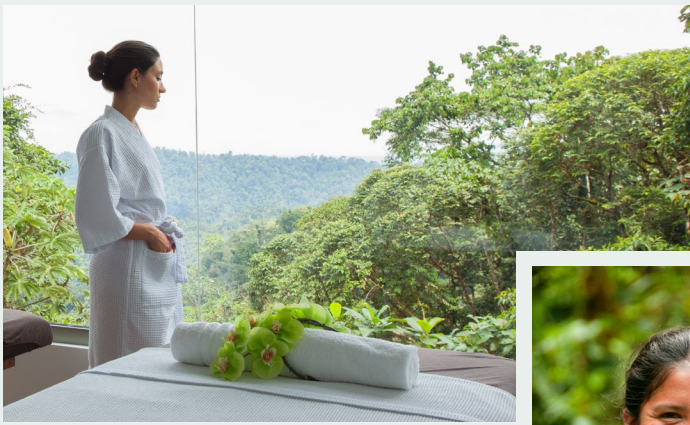
We couldn't have asked for more and we learned so much about the forest and our surroundings. He was no mean hand at taking photos with my iPad either.

We soared into and above the tree canopy, both by sky bike riding and sky gondola, walked a good distance through the forest, climbed down to waterfalls and back, waded along creeks, visited the butterfly observation centre, went to the hummingbird 'station', where we experienced the most beautiful, iridescent displays as they 'whooshed' by us to the feeders, and did a night walk where Fernando proved his vision at night was as good as in the daylight.

An incredible and worthwhile experience. Definitely not cheap but it is an exceptional place. Would avoid bank holidays as the atmosphere changes in the hotel when there is an influx of families from Quito, but the grounds are sufficiently large enough to enable you to enjoy your own personal experience in the forest. Another Oscar winning trip organised by David Horwell of *Select Latin America U.K.*



"Mashpi. What do you say, when words aren't enough to describe your feelings and experiences. That is Mashpi. Breathtaking."



Celebrating 80 Years of Promoting Latin America in the UK

AES Committee Member, Juan Teran Jurado, explains why Canning House has a venerable past and exciting future...

The 80th anniversary celebration of Canning House held at the Royal Institute of British Architects on 20 November, was honoured by the presence of David Rutley MP, Minister for Americas and Caribbean. He delivered a keynote speech marking the organisation's eight decades of existence, reflecting on 200 years of UK-Latin American friendship, and examining the evolving relationship between the two regions.

The Minister's speech spanned a wide range of topics, from the history of George Canning, the namesake of Canning House, to women and girls' rights, and the importance of critical minerals for the energy transition. He underscored the relationships that the UK and Latin America have established and continue to nurture, grounded in shared values, action on climate change, flourishing trade, and security matters.

Our event was graced by over 300 distinguished guests, including parliamentarians, business leaders, ambassadors, civil servants, and diplomats.

Throughout 2023, the Corporate Affairs division of Canning House organised a series of events, including six conferences, two country-specific trade and investment promotion events, five roundtables, and two webinars. These events covered a diverse range of topics such as green finance, fintech, renewable energy, agribusiness, and mining.

Our partners included JP Morgan, London Stock Exchange Group (LSEG), Google, Anglo American, Baker McKenzie, ERG, British Council among others. Our keynote speakers included Martin Gilbert, Chair at Revolut, Lord Callanan, British Minister for Energy Security and Net Zero and Mark Menzies MP, British Prime Minister's Trade Envoy.

We are thrilled to share with AES Members that Canning House is planning an exciting line-up of conferences for 2024 as part of our Sustainable Trade and Investment Conference Series. These conferences aim to foster dialogue and collaboration on sustainable trade and investment practices, bringing together industry leaders, policymakers, and academics from around the globe.

We look forward to welcoming you to these exciting events in 2024! Stay tuned for more details in the upcoming issues of the AES Newsletter.

Juan Terán Jurado
Head of Corporate Affairs - Canning House



Canning House 80th Anniversary event at Royal Institute of British Architects. November 2023. Jeremy Browne, CEO at Canning House.



Canning House Finance Conference at JP Morgan Headquarters in London. April 2023. Left to right: Martin Gilbert, Chair at Revolut and Sid Venkataramakrishnan, Fintech & Banking Correspondent at the Financial Times.



Canning House Finance Conference at JP Morgan Headquarters in London. April 2023. Left to right: Martin Gilbert, Chair at Revolut and Sid Venkataramakrishnan, Fintech & Banking Correspondent at the Financial Times.



Canning House Green Finance Conference at LSEG headquarters in London. September 2023. Left to right: Claire Dorrian, Head of Sustainable Finance, Capital Markets and Post Trade London Stock Exchange Group - Luz Abusaid, Head of Nature Climate Solutions Origination BP - Juana Hernandez, Senior Policy Analyst Trove Research - Carlos Zapata Lui, Vice President CarbonChain - Erik Berg, Managing Director, Head of Debt Capital Markets for Latin America and the Caribbean BancTrust & Co.

Here's a sneak peek into what we have planned:

MAR

Infrastructure Conference

*This conference will delve into the realm of **sustainable infrastructure development**, exploring innovative solutions and best practices in the field. We will discuss how infrastructure can be developed and maintained in a way that meets our needs today without compromising the needs of future generations.*

APR

Finance Conference

The role of finance in driving sustainable trade and investment is crucial. This event will discuss topics such as green finance and impact investing, exploring how the financial sector can contribute to a more sustainable world.

MAY

Health Conference

*Health and sustainability are closely intertwined. This conference will examine how **sustainable practices can contribute to improved health outcomes**, discussing topics such as the impact of environmental factors on health and the role of the health sector in promoting sustainability.*

JUN

Technology Conference

*Technology has the potential to revolutionise sustainable trade and investment. This event will explore the role of **emerging technologies in promoting sustainability**, discussing how technological innovation can drive sustainable practices in various sectors.*

OCT

Renewable Energy Conference

*Renewable energy is at the heart of sustainability. This conference will discuss the latest trends and developments in the field, highlighting the **crucial role of renewable energy in achieving our sustainability goals**.*

NOV

Mining Conference

*This event will focus on sustainable mining practices, discussing **how the mining sector can minimise its environmental impact and promote social responsibility**.*

[Click here to find out more](#) ►