

India-Ecuador

India's pivotal role in BRICS alliance has enabled trade and investment opportunities trans Africa and South America. India has intensive trade with the North American block however, trade and investment lacked economies of scope in the South American Block. Absence of a direct air link, tariff and non tariff issues like inadequate governance, licensing, visa issues (there is no visa required for tourists in Ecuador, up to a stay of 90 days, but nationals of Ecuador require a visa to come to India), etc were some of the main issues blocking trade and investment cooperation. However, the recent visit of Indian Minister of State for Trade (Commerce and Industry), Mrs. D. Purandeswari to Ecuador, a memorandum of understanding was signed which will open new possibilities. Another protocol for the establishment of the India-Ecuador Joint Economic and Trade Committee (JETCO) was signed during a meeting at Quito with the aim of further improving, deepening and strengthening the existing trade relationship between India and Ecuador. The objective of JETCO is to create a mechanism to discuss initiatives to improve economic relations between the two countries, including facilitation of trade and investments. A proposal for an air transport agreement has also been submitted by the Government of Ecuador to India. India's entry into the Brazilian markets has accelerated opportunities in the South American Block. India had a single common embassy for three South American countries Colombia, Costa Rica and Ecuador however keeping pace with the need of the hour it has opened a new embassy in Ecuador absolutely for Indo-Ecuador bilateral relations. Ecuador's domestic market is not too big as the population is just about 15 million, but the neighboring markets are open for trade offering many opportunities. Ecuador has an oil based economy however, downward trend in oil prices has forced this economy to seek alternatives to maintain its economic balance. In spite of an oil-rich economy, Ecuador faces problems of unemployment and manufacturing incompetitiveness contributed due to political illusions hence, these two are the main items on its development agenda. As far as India is concerned Ecuador is a land of opportunities. China has already invested in many of Ecuador's green energy projects by funding the construction of major dams in Ecuador. As per sources, the total foreign direct investment in Ecuador was around \$8 billion out of which China accounted for 50 per cent and while from India it was almost negligible. Chinese companies are investing in a big way in oil, mining and infra-structure.

Ecuador has facilitated trade and investment opportunities to International entities by introducing platforms such as free trade zones, tax incentives, dollarization, provision of trained labor, bilaterally compatible treaties etc. One can import raw materials and machinery duty free and then export finished or semi-processed goods without paying any taxes from Ecuador's free-trade zones. Businesses that occupy the free-trade zones have no restrictions on the repatriation of their profits, and they benefit from relaxed labor laws that allow them to hire workers on a temporary basis without supplying a year-long contract. Ecuador offers three types of tax incentives. For export trade units established in free trade zone there is 100 per cent exemption, with the possibility of extension of the same on import and export duties on all authorized goods and services, taxes on profits for 20 years, export taxes, local sales, as well as on repatriation profits for 20 years, municipal and capital taxes for 20 years, no restrictions on profits repatriation or foreign currency management and special customs regime, among other benefits. Dollarization has lowered the inflation rate in Ecuador, increased economic growth, and given business a solid basis for future planning. Most importantly it has eliminated the risk of a country's investments devaluing due to currency fluctuations. There is a good labor pool available in Ecuador, with minimum compensation levels set by the Ministry of Labor according to the job and industry and can be adjusted by Congress. The minimum compensation package is about \$366 with special offers for people who have excelled in their fields. Under a program called 'Prometeo' jobs are offered to foreign experts who have retired, because the retirement age in Ecuador is 70 years for government officers. Ecuador has conceptualized a project called 'yachai' under which it is making a 'city of knowledge' where companies can carry out research and production. Under this scheme Indian companies can benefit by using the research on agriculture and medicine. Ecuador is the first country to incorporate protection of Nature due to which there is a responsibility on the investment to comply with the norms like rights of Nature.

Bilateral relations between the two countries can be strengthened effectively through FDI and trade. India Ecuador has already opened innings in trade and investment in strategic economic sectors. Attracting FDI in

different export-oriented sectors is one of the main objectives of the country. For foreign investment Ecuador offers apart from the above incentives, privilege location, extended production diversity, great potential in agribusiness, fishery, aquaculture, forestry, mining, tourism and favorable legislation towards foreign investment, preferential commercial access to different markets.

FDI is allowed in any sector of the economy, without requiring a previous authorization with equal rights and treatment for both FDI and national investment and right to repatriate profits. At the same time, complete liberty to negotiate investments registered in the country being among the others. Private sector companies from India have evinced interest in many sectors including forestry and agriculture. Mahindra and Tata already have their presence in Ecuador. ONGC Videsh India's public sector company has shown interest in oil sector. Ecuador imports energy, but there are plans to develop 12 hydro-electric projects. SEFTECH a private company from India which has shown interest in these hydro-electric projects.

The total trade between the two countries amounts to \$250 million wherein Indian exports to Ecuador amount to \$230 million and Ecuadorian exports to India are just \$20 million. Main Export items from Ecuador are crude oil, wood (teak) and cocoa. Main Import items from India are mineral oils, iron and steel, vehicles, machinery and equipment, motorcycles, pharmaceuticals products. Imports of Ecuadorian cocoa, in particular, saw an exponential growth in 2014, India imported Ecuadorian cocoa worth USD 12.39 million. Ministry of Defence of the Republic of Ecuador awarded Hindustan Aeronautics Limited (HAL), a contract for supply of seven Dhruv helicopters. A team of Indian technicians and pilots accompanied the Ecuadorian Air Force to assemble and test the machines. This contract for the helicopters, the first to be sold by India abroad, marks an important step in the bilateral relations and the confidence shown by the Ecuadorian government in India's industrial prowess.

Apart from this prevailing trade there is an immense scope for looking at trade with different dimensions from both sides. There is immense scope for expansion of trade and investment among the two countries apart from the already existing ones. India can import fishing and agricultural products from Ecuador such as canned tuna fish, prawns and sardines and broccoli and asparagus. Tourism can be explored by India in Ecuador by offering special incentives. Ecuador is the second smallest country in Latin America, having the biggest bio-diversity. A tourist can enjoy three different regions in a day; one can visit the Capital Quito, go to the world famous Galapagos Islands and end up with the Amazonic forest. Forest is spread on one third of our country's total area. Indian companies can invest in mining sector as Ecuador has gold reserves of 225.000 tons, 12.500 tons of silver and produces about 350.000 barrels of oil per day. Sectors like pharmaceuticals, food and drink, wood and IT services hold a significant potential for trade and investment in Ecuador. Other sectors of probable investment are plastics machinery, water resources equipment, orthopedic equipment and telecommunication equipment. Although Ecuador is the world's leading exporter of bananas and a world leader in rose production, significant opportunities exist in import markets among some other agricultural goods. The top identified include cotton, corn and soya. The Ecuadorian textile industry has focused on developing export markets in recent years. However, cotton imports are rising somewhat as a result of decreased local cotton production which was hard hit by unfavorable weather conditions following the El Niño and La Niña phenomenon creating negative implications. India can put up joint manufacturing activity in Ecuador by importing cotton from India and supplying the shortage to these export units. Thus, catering to the already existing export textile market. Ecuador Imports corn mainly for the domestic poultry industry as the same is growing at approximately 10% to 13% annually, and the shrimp industry at 3% during the last five years. The improved economic situation brought about by dollarization, along with the possibilities of taking advantage of the markets both in Colombia and Peru, may encourage corn and poultry exports to these markets. Imports of soybean meal by Ecuador are expected to continue at relatively high levels as domestic soybean production remains at historically low levels due to climatic hazards. The recovery of local consumption and the increased demand of poultry and eggs from the country's northern and southern borders will encourage the use and importation of soybean meal from India. India has a dynamic auto manufacturing industry and has been a major exporter of motorcycles, bicycles, auto parts, tyres and autolubricants. India's main export market is Africa and middle east. Ecuador's strategic presence and comparative advantage in producing rubber and natural oils used in manufacturing of lubricants will provide an advantage to Indian manufactures and exporters. Ecuador has rich climate and soil fertility to ensure rich agricultural produce of rubber and natural oils like castor oil. Industrial output such as manufacture of tyres and lubricants is agricultural raw material intensive. Though India has excellent manufacturing capacities in the chemical and automotive tyres sector there is a

heavy shortage of agricultural produce of these commodities and has to import the raw material from south eastern countries which decreases price competitiveness. India's manufacturing capacity coupled with Ecuador's supply prowess will help India gain self sufficiency at a competitive price and help enter the South American region for the trade in same. In Ecuador one can also own small import/export concern and is a great way to start business in Ecuador. Done on a small scale, buying merchandise in markets and shops overseas for resale back home can easily pay for one's travel. Done on a larger scale, one can turn this kind of project into a steady income.

Ecuador is relatively open to foreign investment in most sectors; however, foreign direct investment (FDI) inflows are very low in comparison to other Latin American countries. The major reasons being economic, commercial, and investment policies are often contradictory and subject to frequent changes. Standard & Poor's credit rating for Ecuador stands at B with stable outlook. Moody's credit rating for Ecuador was last set at B3 with stable outlook. Fitch's credit rating for Ecuador was last reported at B with negative outlook. In general, a credit rating is used by sovereign wealth funds, pension funds and other investors to gauge the credit worthiness of Ecuador thus having a big impact on the country's borrowing costs. The legal uncertainty resulting from inconsistent application and interpretation of existing laws complicates enforcement of contracts and increases the risks and costs of doing business. Systemic weaknesses in the judicial system and its susceptibility to political or economic pressures are issues for companies investing in or trading with Ecuador. Frequent changes in Ecuador's tax code make business planning difficult. In the past three years, Ecuador has not conducted an investment policy review with the Organization for Economic Cooperation and Development (OECD), World Trade Organization (WTO), or United Nations Conference on Trade and Development. Ecuador is ranked 151 out of 189 in the category of Ease of Resolving Insolvency in the 2015 World Bank's, Doing Business Report. Any Treaty with Ecuador should provide guarantees for national treatment; unrestricted remittances and transfers; prompt, adequate, and effective compensation for expropriation; and the resolution of investment disputes through international arbitration. The Government of Ecuador's (GOE) ongoing actions could lead to the termination of its BITs, placing uncertainty on the future of Ecuador's investment treaties. Foreign investors can remit 100 percent of net profits and capital, subject to a capital exit tax currently set at five percent. Ecuadorian law requires private companies to distribute 15 percent of pre-tax profits to employees each year. There are instances of international companies operating in Ecuador, primarily in regulated sectors such as petroleum and electricity, having filed for international arbitration due to investment disputes. These issues need to be dealt with by India while maintain bilateral relations with Ecuador.

India-Ecuador established diplomatic relations in 1969. Agreements signed include,

1. MoU between the two state-owned oil companies – ONGC Videsh Limited of India (OVL) and PetroEcuador in 2006. MoU between Confederation of Indian Industries (CII) and Export and Investment Promotion Council of Ecuador (CORPEI) in 2006.

3. MoU on Agriculture between India and Ecuador in 2008.

4. MoU to set up a Centre for Excellence in Information Technology in 2009.

5. Agreement on Defence Cooperation in 2011.

6. MoU on Economic Cooperation in 2013.

7. Ministry of External Affairs (MEA) & Foreign Ministry

8. MoU on Foreign Office Consultations in 2000.

9. Agreement between Diplomatic Academies in 2006.

10. Agreement for gainful occupation of the family members of the officials of the respective diplomatic missions of the two countries in 2006.

11. Agreement on exemption of visas for diplomatic & official passport holders in 2007.

12. Education Agreement in 2006.

13. Cultural Agreement in 2006.

14. Cultural Exchange Programme 2009-11.

15. Defence Cooperation: A Memorandum of Understanding to establish a Center of Excellence in Information Technology (IAEN) was signed in August 2009 in Quito.

Apart from these bilateral ties, on the request of Ecuador, India donated medicines, worth US \$ 200,000 to the Ministry of Health of Ecuador in 2008. Another donation of generic medicines from India worth US\$ 800,000 was undertaken in August 2010. The Centre of Excellence in Information Technology has started functioning at the Northern Technical University in Ibarra, Quito from May 2015 and has already trained more than 7,00 students. Three resident Indian professors have been conducting the courses in Ecuador. Indian culture and philosophy are known in Ecuador. International Yoga Day was organized in Ecuador on 21st June, 2015, in Quito, Guayaquil and Ambato. In total, around 600 people participated in the celebrations. The Embassy in cooperation with Ministry of tourism also organized a Food Festival in Guayaquil in July 2015. An ICCR sponsored troupe also performed in Guayaquil. Indian community in Ecuador is very small. There are around 350 Indian nationals living in Ecuador most of whom work in service sector and small business.

It can be concluded that with rising political cohesiveness in Ecuador India can rely on these bilateral relations and work towards strengthening them.