

ECUADOR

Overview

Ecuador has a small but growing market for U.S. high technology defense and dual use products. The economy has maintained growth rates in the 3-4% range during the mid-1990s. The greatest opportunities are and will continue to be in telecommunications equipment and services, both for the commercial and military sectors. However, opportunities also exist for commercial aircraft, environmental equipment and services, medical equipment, and military equipment of various types.

Defense Industry Environment

Ecuador's total military spending is estimated at around US\$500 million per year. Of this amount, over half is utilized for personnel, operations, and maintenance. The remainder is used for the purchase of equipment.

The Ecuadorian Army owns and controls a group of industries. These industries are located under the Office of Industries of the Army, known by its acronym, DINE. DINE's industries include the production of explosives, munitions, uniforms, shoes and boots, tents, packs, and miscellaneous military gear. DINE also participates in a variety of joint ventures in non-military fields. The Navy controls two shipping lines and the Air Force controls Tame Airlines.

Traditional suppliers of defense equipment have been Germany, the U.S., Great Britain, France, Israel, Brazil, and more recently China.

Defense Opportunities

The following is a listing of items currently of the greatest interest to the Ecuadorian Army. The list is not necessarily in priority order:

- Helicopters (light utility and gunships)
- Used UH-1 Helicopters and Parts
- Field Hospital Equipment
- Field Rations
- Fuel Trucks
- Liquid Oxygen Plant for Oxygen Bottles for Pilots
- Forklift Trucks
- Mobile Kitchen Trailers
- Small Arms Ammunition, 5.56 MM, 9 MM and 7.62 MM
- HF/VHF/UHF Field Radios, Parts, Test Equipment

- Jeep Type all Terrain Vehicles, Light Armored Troop Carriers (Humvee Type)
- Small Arms up to .50 Gal.
- Explosives, Grenades
- Anti-Personnel Mines
- Large Caliber Ammunition, Artillery, 155 MM
- Tank Training Simulators
- Riot Control Equipment (e.g., tear gas, gas masks, helmets).

The following is a listing of items which are of interest to the Ecuadorian Navy:

- Medical Equipment
- Fire Retardant Clothing
- Underwater Telephone Systems
- Night Vision Devices
- Bullet Proof Vests
- 45 Foot River Patrol Craft
- Satellite Communication Systems
- Harpoon Surface to Surface Missile Systems
- Numerically Controlled Machine Tools

In addition, the Navy controlled cargo line, Transnave, expressed interest in buying a number of cargo ships in early 1994 while the Navy controlled crude oil shipping line, Flopec, is planning to buy two new 60,000 ton Panamax tankers.

The following is a listing of items which are of interest to the Ecuadorian Air Force:

- Navigational Aids
- Ground Handling Equipment
- Modular Buildings (operations, maintenance, and small hangars)
- C 130 Engine Overhauls and Spare Parts

Defense Plan

The Ecuadorian military defense plan is divided into two sectors, internal and external defense. Internal defense covers narco-trafficking and potential guerrilla threats, while external covers defense of Ecuador's borders, particularly that with Peru. Weapons systems procured for internal defense will necessarily be light. For border defense, heavier weapons may be procured. However, lack of funding will continue to limit procurement of new weapons systems.

Defense Procurement Process

Bids for military or dual use equipment normally are not advertized. Sellers employ an Ecuadorian agent to pursue sales. Foreign bidders must be legally represented in Ecuador or associated with an Ecuadorian company in order to bid. There are no barriers to American firms receiving bids. U.S. companies should consider the use of the agent distributor service and gold key service to find appropriate agents. The Ministry of Defense is responsible for defense trade.

Key Defense Ministries/Armed Services and Points of Contact

Ecuadorian Joint Command

Calm Timoshenko Guerrero
Director of Logistics
Ecuadorian Armed Forces Joint Command
Ministry of Defense
Calle Vicente Maldonado, La Recoleta
Quito, Ecuador
Tel: 593-2-518-703
Fax: 593-2-580-220

Ecuadorian Army
Ministry of Defense
Calle Vicente Maldonado, La Recoleta
Quito, Ecuador
Tel: 593-2-583-749
Fax: 593-2-580-827

MG Patricio Nunez
Director of Logistics
Ecuadorian Army
Ministry of Defense
Calle Vicente Maldonado, La Recoleta
Quito, Ecuador
Tel: 593-2-583-749
Fax: 593-2-580-827

Air Force

LTC Luis Cartagena
Headquarters, Chief of Supplies
Ecuadorian Air Force
Ministry of Defense
Calle Vicente Maldonado, La Recoleta
Quito, Ecuador
Tel: 593-2-503-026
Fax: 593-2-580-588

Navy

Capt. Sixto Vega
Chief of Logistics
Ecuadorian Navy
Ministry of Defense
Calle Vicente Maldonado, La Recoleta
Quito, Ecuador
Tel: 593-2-583-295
Fax: 593-2-583-216

Army

LTC Galo Marin
Chief of International Military Assistance

Diversification/Commercial Opportunities

Ecuador plans to privatize its government-owned telephone company, Emetel, its electric power company, Inecel, and its national airline, Ecuatoriana. The privatization of Emetel is expected to occur during 1995. This will lead to a rapid expansion of telephone service and the purchase of all types of telephone equipment, all of which will have to be imported. At the same time there will be opportunities in establishing trunking facilities, the expansion of the cellular phone network, and the purchase of mobile radio systems (both to the police and the private sector) and satellite links.

The privatization of Inecel will lead to the purchase of new power generation equipment, in particular gas turbines, switch gear, and transmission and distribution equipment.

The privatization/sale of Ecuatoriana, which is currently not flying, will lead to the lease or purchase of possibly a half dozen large commercial aircraft. Privatization of Ecuatoriana is expected around the end of 1994.

Ecuador has two domestic airlines flying, Saeta and Tame. Saeta and to a lesser degree Tame, offer possibilities for the lease/sale of large commercial aircraft.

The Ecuadorian Civil Aviation Authority has plans to upgrade its air traffic control center in Quito.

Ecuador also has a small but growing market for medical/diagnostic equipment and the Ecuadorian police buy considerable amounts of law enforcement equipment from the U.S.

The market for environmental equipment and services is just now beginning to develop. Presently the largest need is for consultants to advise the oil industry on both the cleanup of existing oil production areas and the protection of future areas, particularly in the rain forest. Industry in Quito is now required to control liquid effluents and companies, particularly foreign, are beginning to install on site water treatment facilities. Urban waste water treatment facilities do not exist and will be needed.

The following is a description of "best prospect" industry sectors for U.S. exporters.

Telecommunications

The Ecuadorian market for telecommunications equipment is supplied almost entirely by imports. In 1994 the telecommunications market totaled an estimated \$92 million. Imports were estimated at \$83 million with U.S. imports accounting for 44 percent of the import market.

The prospects for the entire industry will change dramatically once the telecommunications reform bill is approved by Congress and privatization of the state telephone company occurs. U.S. telephone operators will have excellent opportunities to participate in the privatization process. Major investments are expected in public telephony and rural telecommunications. The market size is expected to grow substantially over the 1996-2000 period. The U.S. is well positioned in the growing areas of cellular and cable TV equipment,

satellite and value-added services including trunking, paging, data transmission, and personal communications. The U.S. has also potential to increase market share in basic switching and transmission equipment. U.S. equipment faces strong competition from Japanese and European counterparts who have traditionally dominated the telecommunications market in Ecuador.

Power Generation Equipment

In order to meet the projected 5-6 percent annual increase in electricity demand, Ecuador should add as much as 540 MW in new hydroelectric generation, as well as 390 MW in thermal generation. The potential import value for this equipment is estimated at as much as \$1.3 billion. There will be an increased demand for hydro and thermal generation equipment, including gas and steam turbines and small diesel generation units for back-up systems due to shortages in electric power.

Although major steps have been taken to restructure the sector, a new electrification reform law, which would turn to the private sector the generation and distribution activities, is still pending before the Ecuadorian Congress. The government will maintain control over power transmission. Once the law is approved, the market for large scale power generation projects will change from the state-owned electrification institute to private investor groups and power companies interested in expanding into the Ecuadorian market. The new generation plants are generally expected to be provided on a build- operate-transfer concession basis. The U.S. market share has been low in the past. German, Japanese, French and Italian suppliers have dominated the market both for hydro and thermal generation. However, the outlook is substantially more attractive for U.S. firms as the government moves to private sector generation. The U.S. is competitive in thermal generation whereas the European suppliers provide most switchgear.

Security Equipment

It is estimated that there will be a 30 percent increase in imports of technologically-advanced security and safety equipment to Ecuador in 1995. Residential and automotive alarms, anti-theft vehicle tracing devices, industrial security equipment for the oil industry and electronic surveillance equipment are considered best prospect products in this industry. Local production of safety clothes, gloves, shoes and safety boxes is very limited. There have been reports of kidnaping throughout Ecuador. Since the local police is not adequately prepared to handle such cases, anti-kidnaping tracing devices will also be in demand. Increasing auto theft will also lead to greater need for tracing devices.

Doing Business in Ecuador

For specific information regarding business practices in Ecuador, contact Helen Lee, Desk Officer for Ecuador, U.S. Department of Commerce, Tel: 202-482-0057; Fax 202-482-2218, for a copy of a Country Commercial Guide for Ecuador.

Key Ministries/Offices

Listed below are points of contacts within the key ministries for commercial procurement opportunities.

DAC (Office of Civil Aviation)
Brigadier General Hernan Quiroz, Director
General
Aviacion Civil
Calle Buenos Aires Y 10 De Agosto,
Piso 11
Quito, Ecuador
Tel: 593-2-223-179
Fax: 593-2-563-995

Tel: 593-2-528-745
Fax: 593-2-569-786

Empresa Municipal De Agua Potable
(Quito Water Sewerage Authority)
Ing. Patricio Ribadeneira, General Manager
Av. Mariana De Jesus E Italia
Quito, Ecuador
Tel: 593-2-507-873
Fax: 593-2-501-388

SAETA
Roberto Dunn Barreiro, President
Av. Carlos Julio Arosemena, Km 2.5
Guayaquil, Ecuador
Tel: 593-4-203-999
Fax: 593-4-201-153

Dr. Patricio Pena, Executive Director
Conam (Modernization Council Responsible
for Privatization of State Companies)
Juan Leon Mera Y Av. Patria
Quito, Ecuador
Tel: 593-2-509-432
Fax: 593-2-509-437

TAME
General Del Aire Julio Espinosa, Executive
President
Av. Amazonas 1354 Y Colon
Quito, Ecuador
Tel: 593-2-509-375
Fax: 593-2-500-736

Ing. Sergio Flores, Executive Director
Emetel
Quito, Ecuador
Tel: 593-2-568-588
Fax: 593-2-568-000

Dr. Patricia Abad, Minister of Health
Ministry of Health
Ministerio De Salud Publica
Calle Juan Larrea 446 Y Juan Carlos Checa
Piso 4
Quito, Ecuador

Ing. Ivan Rodriguez, General Manager
Inecel
Av. 6 De Diciembre Y Orellana
Quito, Ecuador
Tel: 593-2-221-083
Fax: 593-2-503-762

U.S. Government Points of Contact

Listed below are useful points of contact for U.S. firms interested in the Ecuadorian market.

U.S. Embassy:

Commercial Service

Commercial Section
Unit 5334
APO AA 34039-3420
Tel: 593-2-562-890
Fax: 593-2-504-550

U.S. Military Group
USMILGP EC
Unit 5344
APO AA 34039
Quito, Ecuador
Tel: 593-2-504-151
Fax: 593-2-504-549

Ecuadorian American Chamber of Commerce:

Calle La Nina Y Av. 6 De Diciembre,
Piso 4, Edif. Multicentro
Tel: 593-2-507-450
Fax: 593-2-504-571
Contact: Mr. Roque Mino, Executive Director