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## FEATURED Q&A

# How Can Noboa Encourage Job Growth in Ecuador?



Ecuadorian President Daniel Noboa, who took office last month, is pushing legislation to encourage job creation. // File Photo: Ecuadorian Government.

**Q** At his swearing-in as Ecuador's president on Nov. 23, Daniel Noboa highlighted his goal to create jobs through urgent legislative reforms. In order to spur job creation, Noboa is expected to propose legislation to incentivize hiring, particularly of young people. What are the most important reforms Noboa should push in order to create jobs in Ecuador? Which are the most important industries to target for job creation? What other economic reforms does Ecuador need in order to help grow its economy?

**A** Adrian Pérez Salazar, senior associate at Coronel & Pérez in Guayaquil, Ecuador: "Daniel Noboa emphasized job creation as one of his key campaign promises. Accordingly, on Nov. 28, less than a week after he was sworn in, he presented a bill to the National Assembly titled the 'Economic Efficiency and Employment Creation Act' aimed at revitalizing the economy and spurring job creation. Some of the bill's highlights include the creation of free trade zones, a new framework for public-private partnerships and tax incentives for hiring younger workers. The National Assembly must now analyze and eventually approve, amend or veto the proposed bill. While most of these reforms are welcomed, it is still unclear whether they will address the more serious structural problems in the labor markets. In particular, analysts have long pointed out the necessity of reforming the very outdated Ecuadorian labor code. Common-sense amendments such as legalizing hourly wages would bring much-needed flexibility for workers and employers, reducing unemployment and energizing the economy. Implementing structural labor reforms, however, is easier said than done. Labor laws are

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Venezuelan President Nicolás Maduro on Tuesday ordered the exploration and exploitation of Guyana's Essequibo region, which Venezuela claims as its own.

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### ECONOMIC

## Argentina's Milei Reportedly Taps Bausili as Central Bank Chief

Argentine President-elect Javier Milei reportedly selected economist Santiago Bausili as central bank chief.

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## Peruvian Court Orders Release of Former President Fujimori

Peru's constitutional court on Tuesday ordered the release of former President Alberto Fujimori, who has been imprisoned for human rights abuses.

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Fujimori // File Photo: TV Perú.

## ECONOMIC NEWS

## Venezuela's Maduro Orders Exploration in Disputed Territory

President Nicolás Maduro on Tuesday ordered Venezuelan state-owned companies to “immediately” start exploration and exploitation of oil and gas deposits as well as mines in Guyana’s Essequibo region, which Venezuela claims as its territory, the Associated Press reported. The order came two days after Venezuelan voters approved a government-supported referendum to back the country’s claim over the disputed area, which makes up two-thirds of Guyana’s territory. Maduro said he would “grant operating licenses for the exploration and exploitation of oil, gas and mines in the entire area of our Essequibo,” the AP reported. Maduro also said he was ordering the creation of subsidiaries of Venezuelan public companies including oil producer PDVSA and mining conglomerate Corporación Venezolana de Guayana to operate in the area, the wire service reported. Maduro also announced that his government is establishing a new Comprehensive Defense Operational Zone for the disputed area, an agency similar to military commands that operate in various regions of Venezuela. “I propose a special law to ban all companies that operate with Guyanese concessions from any transaction,” Maduro said Tuesday, adding that companies will have “three months to withdraw” after the law is approved, the Financial Times reported. He also ordered the printing of maps showing the Essequibo region as Venezuelan territory. Guyana has denounced the referendum and Venezuela’s claims to the disputed territory, which intensified after ExxonMobil discovered oil off the area’s coast in 2015. Guyanese President Irfaan Ali said he would report the situation to the U.N. Security Council and the International Court of Justice, the Financial Times reported. “The Guyana Defense Force is on high alert,” Ali said in a televised speech Tuesday night. “Venezuela has clearly declared itself an outlaw nation,” he added, the newspaper reported.

## Argentina's Milei Eyes Bausili for Central Bank: Report

Argentine President-elect Javier Milei, who takes office on Sunday, is planning to tap economist Santiago Bausili as the head of the country’s central bank, Reuters reported Tuesday, citing three unnamed people with knowledge of the matter. Bausili is an ally of incoming Economy Minister Luis Caputo. Bausili previously worked for Deutsche Bank and was most recently a partner of consulting firm Anker. Milei has pledged to close the central bank and dollarize Argentina’s economy but since winning last month’s runoff election, he has selected mainstream economists for top ministry positions. [Editor’s note: See related [Q&A](#) in Tuesday’s issue of the Latin America Advisor.]

## POLITICAL NEWS

## Ex-Paraguayan Military Officials Accused in Arms Ring

Authorities in Paraguay have arrested several former top military officials who stand accused of being part of a weapons smuggling ring that trafficked firearms from Europe to South America, officials said Tuesday, the Associated Press reported. Paraguay carried out the arrests in an operation that also involved Brazilian and U.S. authorities. Officials launched at least 20 raids in Paraguay as part of the operation, and at least the same number of raids were carried out in Brazil, the AP reported. One raid was carried out in the U.S. state of Kansas, Paraguayan officials said. Thirteen people were arrested in Paraguay, including the former official in charge of controlling imports and distribution of weapons. Former Paraguayan Air Force head Gen. Arturo González was also among those arrested. “The weapons were imported from Europe to Paraguay, where they were defaced

## NEWS BRIEFS

## Amnesty International Accuses El Salvador of Causing Rights Crisis

Amnesty International on Tuesday accused the Salvadoran government of perpetrating one of the worst human rights abuse crises since the Central American nation’s 1980-1992 civil war, the Associated Press reported. Under President Nayib Bukele, El Salvador has jailed nearly 74,000 people in a sweeping crackdown on gang activity. Amnesty International alleges those arrested have faced “systematic use of torture and other mistreatment.”

## Former Informant Pleads Guilty in Connection With Moïse Assassination

A former informant for the U.S. Drug Enforcement Administration, or DEA, on Tuesday became the fourth person to plead guilty in the United States to charges related to the 2021 assassination of Haitian President Jovenel Moïse, Reuters reported. Joseph Vincent entered the guilty plea in U.S. federal court in Miami to charges including conspiracy to kill and kidnap a person outside of the United States, The Hill reported. He could face life in prison when he is sentenced Feb. 9, Reuters reported.

## Woodside Energy Signs LNG Deal With Mexico Pacific

Australian oil and gas producer Woodside Energy announced today that it had signed a 20-year deal with Mexico Pacific to purchase liquefied natural gas (LNG), Reuters reported. Woodside Energy CEO Meg O’Neill told Reuters that the deal “delivers a new source of LNG into our trading portfolio, expands our geographic diversification in the Pacific Basin and builds on our presence in Mexico.” The agreement outlines the purchase of 1.3 million metric tons of LNG annually.

and resold to intermediary groups operating on the Brazil-Paraguay border, ultimately reaching major criminal factions in Brazil,” Brazil’s federal police said in a statement, the AP reported. Nearly 43,000 weapons, worth approximately \$243 million, were smuggled into Paraguay over the last three years as part of the trafficking ring, the AP reported, citing Brazilian authorities. A company based in the Paraguayan capital, Asunción, imported the pistols, rifles and ammunition from European manufacturers based in Croatia, the Czech Republic, Slovenia and Turkey, Brazilian authorities said in a statement, according to The Brazilian Report. The operation was known as “Dakovo,” in reference to a city in Croatia. Once the weapons arrived in South America, they were sold to intermediaries that had connections to criminal groups in Brazil, the AP reported. Money from sale proceeds was allegedly laundered through accounts in the United States. The investigation found that military officials involved in the trafficking network authorized “the importation of weapons, altering documents to conform to firearms laws, as well as authorizations for irregular sales in exchange for significant sums of money,” Paraguay’s National Anti-Drug Secretariat said in a statement, the AP reported.

## Peru’s Constitutional Court Orders Fujimori’s Release

Peru’s constitutional court on Tuesday ordered the release of former President Alberto Fujimori, who has been serving a 25-year sentence for human rights abuses during his time in office in the 1990s, the Associated Press reported. Fujimori has been imprisoned since 2007 after he was convicted of corruption and human rights abuses in connection with the formation of death squads, which were alleged to have killed 25 Peruvians at his direction. Fujimori was pardoned in 2017 by then-President Pablo Kuczynski, but a contradictory ruling by the Inter-American Court of Human Rights (IACHR) ordered that Fujimori was to remain behind bars. The ruling Tuesday was made on the basis of that 2017 pardon, ordering

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an extremely sensitive topic in Ecuador, and many political groups, particularly unions and other workers’ associations, have historically been extremely suspicious of any changes to the labor code. Additionally,

“Labor laws are an extremely sensitive topic in Ecuador...”

— Adrian Pérez Salazar

many critical reforms would need approval of the Constitutional Court and perhaps even constitutional amendments to be enacted. As such, it is clear that while President Noboa’s proposed reforms are welcomed, there is still much to be done.”

**A** Grace Jaramillo, professor at the University of British Columbia and Simon Fraser University: “President Noboa just

sent a lackluster first economic reform to the National Assembly—lackluster because he prioritized tax deductions and even an extremely out of place forgiveness to tax debtors at a moment when Ecuador’s fiscal situation is at its worst since 2018. Even during good times—much less during bad times—it is not good to use tax exemptions as the main tool to attract investment. It is a moral hazard that perpetuates income inequality and a persistent fiscal deficit and therefore low investment in social policies. Noboa can do way more to restart the economy by unlocking permits and reducing reg-

ulatory burdens to mining projects that are already in the pipeline of approval. Just 10 of them can provide more than 20,000 direct jobs, not counting the many opportunities for small and medium-sized enterprises that provide transportation, hospitality services and procurement to those projects. These mining projects are the low-hanging fruit at this moment, especially now that Yasuní-ITT oil production is staged to close. The energy sector can also jumpstart the economy if Noboa thinks outside the box. One of the fastest and probably the most important ones for resuming energy provision without blackouts is to finally execute the gasifier plant in Guayas. Another idea that can spur the economy and does not imply tax discounts, but rather direct investment, is to ask the largest companies in the country to invest in solar plants in arid zones, through power-purchasing agreements whereby their

“It is not good to use tax exemptions as the main tool to attract investment.”

— Grace Jaramillo

energy production connects to the rest of the electric system while they receive for their plants and infrastructure the amount of energy their energy plants produce in the country. The plants as assets are theirs, but they provide for their immediate energy needs and the country as a whole, creating energy banks. Mining and energy are the key

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Fujimori’s release on humanitarian grounds. Lawyers representing Fujimori told reporters that the former president would likely leave prison today, The New York Times reported. Ahead of Tuesday’s ruling, the IACHR reiterated its stance on keeping Fujimori imprisoned, but Peruvian President Dina Boluarte is reportedly expected to support the constitutional court’s

release order. Fujimori’s tenure in office was marked by his support for hardline security policies and his dissolution of the country’s Congress. Critics allege Fujimori ruled as a dictator and supported extrajudicial killings during his government’s counterinsurgency campaign against left-wing guerrilla groups, primarily the Sendero Luminoso, or Shining Path.

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elements to jumpstart Ecuador's economy immediately. However, the country's international attraction for investment will depend on Noboa's credibility as a fiscal manager, and the reform he just sent for approval is not sending good signals to the world."

**A** **Santiago Mosquera, head of research at Analytica Investments in Quito:** "President Daniel Noboa unveiled a comprehensive tax reform destined for urgent deliberation in the National Assembly, with the aim of securing approval before the end of the year. Notably, the reform does not introduce new taxes or propose increases in tax rates. Instead, it focuses on invigorating economic activity by extending tax incentives to corporations, fostering employment opportunities for young workers and offering tax rebates incurred by companies in the construction sector. Moreover, the reform incorporates provisions such as tax amnesty for delinquent taxpayers, a robust framework to bolster free-trade zones and foster public-private partnerships, and incentives for renewable energy projects. Recognizing the historical weakness in tax collection during the early months of the year, especially preceding the influx of income tax revenues

in late March and early April, the bill includes a novel approach. It mandates monthly income tax withholdings, equivalent to 3 percent of monthly taxable income, to be remitted by companies to the tax authority. These payments will be treated as tax credits during the annual income tax filing. This measure targets 499 major taxpayers identified by the tax authority, which collectively are responsible for 55 percent of total income taxes, according to official figures. If ratified, this initiative seeks to ensure a more consistent inflow of tax revenues throughout the year, albeit potentially affecting companies' liquidity position, precisely when Ecuador is suffering an economic slowdown and companies face restricted access to bank financing. While the extent of participation in the tax amnesty remains uncertain, authorities have expressed optimism regarding potential tax collection, anticipating a figure exceeding \$900 million. It's worth noting that Ecuador has previously employed tax amnesty measures, with concerns raised about their frequency undermining the tax authority's ability to combat tax crimes."

*The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta.*

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