

Ecuador

Ecuador reaches \$1.4bn debt restructuring deal with China

Beijing is increasingly offering bailouts to countries at risk of financial crises



President Guillermo Lasso's government has been working for months to restructure its debt with China © Michael Nagle/Bloomberg

Joe Parkin Daniels in Bogotá 4 HOURS AGO

Ecuador announced on Monday night that it has reached a debt relief restructuring agreement with Chinese banks worth \$1.4bn until 2025, as Beijing increasingly offers bailouts to countries at risk of financial crises.

The government of centre-right president Guillermo Lasso said it had reached agreements with the China Development Bank and the Export-Import Bank of China (Eximbank) worth \$1.4bn and \$1.8bn, respectively. The deals will extend the loans' maturity and reduce interest rates and amortisation.

“As a result of these agreements, the maturities are extended to 2027 for China Development Bank and 2032 for Eximbank, allowing the cash flow relief to support government priorities,” said the Ecuador presidency.

The South American nation's government had been seeking since February to [restructure its debt with China](#), which has been its most important financial partner for the past decade, beginning under leftist former president Rafael Correa, who was in office from 2007-2017.

But the Chinese financing — totalling about \$18bn in loans since Correa took office — has drawn scrutiny from economists in [Ecuador](#) over high interest rates and a growing dependence on the Asian power.

China has disbursed tens of billions of dollars in emergency loans to countries in recent years in bailouts that have made Beijing into a [competitor of the western-led IMF](#). Pakistan, Sri Lanka and Argentina are three of the largest recipients of China's rescue lending, receiving \$32.83bn since 2017, according to data compiled by AidData, a research lab at the College of William & Mary in the US.

The funds freed up by the debt restructuring are expected to provide relief for Lasso, who is negotiating with indigenous protest leaders after [demonstrators brought the country](#) to a standstill in June over rising fuel and food prices. Their demands include increased spending on social programmes.

A separate deal announced last week between state oil company Petroecuador and China will bring in \$709mn, the company said, while Ecuador's finance minister, Pablo Arosemena, has promised that the money raised from that deal will fund social spending.

"The idea is that part of the oil is released and it is allowed to be sold at market price, which is an additional benefit for the Republic of Ecuador," he said. "And with those resources, the president can further strengthen social investment."

Analysts in Ecuador cast the debt restructuring as a political victory for the Lasso government, which has been weakened by the protests as well as its minority status in congress.

"It's a positive deal. There is an important political demand for a more active state role and more active state spending," said Sebastián Hurtado, the founder of Prófitas, a Quito-based political risk consultancy. "The reduction in payments that is being achieved is important from the perspective of public finances."

Ecuador is pursuing a free trade agreement with China, which it hopes to reach by the China-Latin America and the Caribbean business summit in December.

Hurtado, the analyst, said the restructuring deal could be a precursor to an agreement. "It is not easy, but in any case it is the sign of a good relationship with China."

