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HIGH TIME FOR QUITO

*Ecuador's
capital takes off*



Not only is Quito
in Ecuador one
of the highest
altitude cities in
the world – it is
also on the up
when it comes to
economic potential

RISING CAPITAL

WORDS DANIEL SCHEFFLER



lying into Quito, the first thing I notice is how much more spread out it is than I expected. The second is that we still seem high up. At 2,850 metres, the city sprawls across the eastern

flank of Pichincha, an active volcano – after Bolivia's La Paz, it is the second-highest altitude city in the world. We cruise from the smart new airport, opened in 2013, to the old town, which has a quintessentially colonial South American feel. In 1978, the historic centre was made the first UNESCO World Heritage Site, and its churches, convents and public structures have recently been meticulously reconditioned.

From the rooftop of the 16th-century domed Metropolitan Cathedral of Quito on the Plaza Grande, the view is awe-inspiring. The winged Virgin Mary, Loma El Panecillo, surveys the city from a neighbouring hilltop, with greenery from the urban Parque Metropolitano and snow-capped mountains in the distance. Meanwhile, across town, the Basílica del Voto Nacional, an imposing neo-Gothic church, vies for attention.

A CHANGING CITY

Quito, home to around 2.6 million people, is the centre of government in Ecuador. The National Assembly is here, as is the presidential palace. In the past, Quito's biggest international players were oil companies, such as Andes Petroleum and Halliburton, but change is in the air thanks to a surfeit of young entrepreneurs. And with a new government elected in 2017, it is preparing to receive the world.

Some of the city's most impressive developments are already underway, and building sites and cranes are everywhere. For instance, the employment-creating underground metro will be opening mid-2019, and a cross-city cable-car system is planned for around the same time. New tourist accommodation is another facet of the city's continued

reinvention. New design hotel Carlotia and luxury boutique property Illa Experience hotel are both in the historic centre in period buildings that have been beautifully and sensitively modernised for the 21st-century traveller.

"Political and economic stability were never Ecuador's strength in the past," says Quito restaurateur Jan Niedrau, whose restaurant Zazu is a Relais & Châteaux member. "Governments were frequently overthrown by the people, corruption has been an issue for a long time and a devastating economic crisis has struck the country."

But as Niedrau points out, Ecuadorians simply got used to this instability. "Quite frequently you will hear people comment that Ecuador in this sense is like a cork swimming on water". The waves will rock and shake it, but it will always float," he says.

BUMPS IN THE ROAD

However, the road to real growth can be winding. Research company Focus Economics projects the GDP growth slowing to 1.7 per cent in 2018, while 1.3 per cent is already forecast for 2019: good, but not great.

Which for President Lenin Moreno, who was recently granted a long-sought-after mandate to implement constitutional changes and pursue a more global-facing agenda, must be rather disappointing. The reduced oil output, along with planned austerity measures (to reduce the debt burden) is impacting overall economic activity. And according to the World Bank, the nation's high dependence on external borrowing, paired with not having its own currency (it uses the US dollar), is what could potentially jeopardise long-term financial stability.

But the economic outlook isn't all doom and gloom. In 2017, Ecuador joined the EU's trade pact with Colombia and Peru, agreeing to eliminate high tariffs and tackle technical barriers to trade. According to the Council of the European Union, the agreement "includes



WHY NOW?

Juan Fernando Molina, an executive at automotive and car hire company Corporación Maresa, thinks the greenfield opportunities in services and technology is what makes Quito so special. "International companies that partner with local knowledge will have a competitive advantage," he says.

"I believe that one of the main advantages of the city is its [small] size, which allows you to do high-quality business networking," says Gonzalo Chiriboga, president of the República del Cacao. "Many multinational corporations now use Quito as a pilot market for new developments and products launches due to its unique consumer habits."

commitments on the enforcement of labour and environmental standards, as well as rapid and effective dispute settlement procedures."

QUALITY OVER QUANTITY

"Historically, Ecuador was known as a supplier of cheap raw materials – particularly products such as bananas, roses and cacao, with prawns the biggest – in addition to oil," says Jerry Toth, co-founder of Toak, a high-end chocolate company based in Quito.

"This type of economy generally presents a country with a very low ceiling of economic development. The government recognises this, and for the last five years has encouraged Ecuadorian businesses to steer their focus towards finished goods, particularly from raw materials that are produced in-country. This isn't the kind of thing a country can change overnight," say Toth, "and

Ecuador still has a long way to go. The country would sell its premium cacao at bulk prices with low margins, to chocolate makers in countries such as Switzerland and the US, who used their specialised skills to produce the 'finished good' of chocolate, which commands higher margins."

NATURAL CHARMS

Ecuador, although a relatively small country, has some of the world's most biodiverse areas – from the Amazon rainforest and the Andean mountains out to the Galapagos Islands. According to its official tourism agency, it is home to 18 per cent of the world's bird species and orchids, ten per cent of the world's amphibians and eight per cent of the world's mammals. But, this is under threat from oil exploration, agriculture and mining. Canopy Bridge, a non-profit network based in Quito, aims to help. It is connecting indigenous farmers with buyers from the city and runs many educational programmes promoting better environmental considerations for both Ecuadorians and overseas visitors.

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QUITO, ECUADOR RISING CAPITAL

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...SILICON ANDES

Quito is also the brain of what you could call the "Silicon Andes". The Yachay Tech University, with a campus just outside the city, is part of a government project to establish a hub for technological innovation and knowledge-intensive businesses. The idea is that the university uses its \$400 million annual budget to collaborate with public and private research institutions.

But there is much more going on beyond this. In the past year, the emergence of food and beverage startups are most evident, particularly craft beer and chocolate. Now there are many dozens of Ecuadorian beer brands, all of which are small and local, but as Toth points out, "legitimately good".

"Quito has always been important to me, for many reasons; the first of which is that I'm from Quito," says businessman and ecologist Roque Sevilla. "Secondly, I was mayor of Quito from 1998 to 2000, so I've got to know it even better."

For Quito the era of digitalisation is gaining momentum and, once it goes into full force, it will help facilitate companies and businesses here, in a big way. "It also helps that internet and mobile connectivity in the capital are among the fastest on the continent, according to mobile phone provider Movistar."

Patricio Alarcon, the president of the Chamber of Commerce, says the city has a developed entrepreneurial ecosystem, with many coworking, innovation spaces and incubators. "IMPAQTO [coworking community] is one of the most developed coworking spaces, renting out part of its

infrastructure to companies such as Spain's vehicle hire company Cabify," he adds.

Currently, around 50 startups based in Quito are listed on the Startup Ranking website (which has global coverage), with e-learning platform Cuestionarix and human resources specialist Evaluar.com ranking highest in Ecuador (points are given for importance on the internet and social influence). So it's no wonder I can find activities such as Start Up Weekend (which took place in April), and business initiatives from organisations such as Kruger Corporation, which supports and motivates new enterprise via its lab for startups.

LESS BUREAUCRACY

In the World Bank's Ease of Doing Business index, Ecuador currently ranks 118 out of 190 countries – one slot behind Argentina and four ahead of Uganda. This is an improvement from five years ago when it was ranked 139. "In 2006, before the start of former President Rafael Correa's government, I remember waiting in lines for hours on end and having to hire a tramitador (middleman) for even the most trivial paperwork," says Marcel Perkins, owner of the Illa Experience hotel. "This was usually a friend or partner of the person behind the desk at public offices. Nowadays most paperwork can be done online or quickly without having to pay anyone for these services. You can incorporate a company in a few days and be up and

running with your business ideas quickly. Trademarks can be registered easily, there are several mediation and arbitration chambers to help solve problems and that business goes smoothly in general.

"In the tourism industry, infrastructure has moved on in leaps and bounds, and Ecuador has gone from being a pothole-ridden country that would destroy the sturdiest 4x4s, to having some of the best roads in South America," adds Perkins, who also owns Latin Trails, a local tour operator.

And now, with the larger, improved airport, which opened outside of the city five years ago, many airlines feel comfortable to use it. Quito recently welcomed Jetblue, United Airlines and Air Europa, while from summer this year Condor is planning direct flights from Frankfurt International.

THE FUTURE

"Over the past few years a sense of pride has grown in the younger population. New graduates are studying gastronomy, tourism, hoteliering, arts and music – all related to rescuing Ecuador's heritage," says Perkins. The result is the rise of many restaurants offering haute cuisine and international fusion with local ingredients, interesting music venues showcasing local artists, micro breweries that use local grains, new types of city tours that involve unique experiences and eclectic boutique hotels.

"The city of Quito has become a metropolitan capital with cosmopolitan views that embrace modern lifestyles; the city is inclusive to minorities and, with Ecuador's no visa policy, it has become home to citizens from several nations around the globe," adds Perkins.

The talk on the street is the need for more crowdsourcing, a free-trade area near the airport for the logistics industry and pedestrianising the old town to encourage more visitors – all good ideas for the near future. "With a solid business idea and plenty of passion, you will find few places of this size in the world that can compete with Quito," says Niedrau. ■

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