



# Guayaquil Magic of the South Pacific

Business reforms are putting Ecuador's economic heart on the international map.

**T**he city of Guayaquil, that shares the Pacific basin with China, lies 40 miles off Ecuador's Pacific coast at the head of the Guayas River. As capital of the Guayas province, Guayaquil is also the main maritime and fluvial port of South America and the economic hub of Ecuador. In 2003 the city was named "Paradigm City for Human Development" by the United Nations, in recognition of the urban regeneration begun by its current Mayor Jaime Nebot.



Guayaquil has completely transformed in recent years. A unique form of urban pride has won Mayor Nebot and his vision four consecutive mandates. In fact, the resurgence of this historic

Jaime Nebot, Mayor of Guayaquil

city, imbued with the spirit of the Indian warriors that once populated the area, has become a model for other cities throughout the continent.

Among the projects marking the new Guayaquil are attractive riverbank promenades, a new port terminal, park and road renovations, a new deep water port for big vessels and cargo transfer operations to and from China, a national and international bus terminal, street lighting and the new terminal at the modern José

Chinese imports up by a staggering 402.6%. Business relations between the city of Guayaquil and China are particularly close and have been bolstered by a vibrant Chinese community and the work of the Ecuador-China Chamber of Commerce. So strong is the connection, that a "Chinatown" business center is being built here.

A city that has grown up around its port, Guayaquil is also keen to establish itself as a gateway to Asia. Here too, new developments are underway, with plans for a deep-water harbor and marinas under review. Port of Guayaquil is a pillar of the local and national economy, and the thirteenth largest in the Latin American and Caribbean region.

The new Latin American Transfer, Distribution and Logistics Airport, to be located in the nearby Daular area, is an ambitious project proposed by TAGSA (Terminal Aeroportuaria de Guayaquil SA), the company which operates José Joaquín de Olmedo International Airport. There are plans to centralize air transport to and from China, to develop Guayaquil as a hub for value-added products. This will form part of a special free zone, with storage and transfer capacity and incentives for Asian and Latin American companies that locate there.

Guayaquil also offers visitors to Ecuador a sea-level altitude. This is particularly relevant for short-term stays, as far as acclimatization is concerned, and for passengers visiting Ecuador's Andes and Galapagos

**"Nowadays, it is not only countries and companies that compete—it is also cities."** Jaime Nebot, Mayor of Guayaquil

Joaquín de Olmedo International Airport. These and other ongoing changes are attracting business and tourism alike, shaping the city's reputation as the world's main access point to the South Pacific.

"Nowadays, it is not only countries and companies that compete, but also cities and systems. This is why I proposed allowing any municipality in the country to set up fiscal incentives," says Mayor Nebot. "Ecuador is a dollarized country, so investments in dollars are not subject to exchange rates and can be managed for long-term projects. Guayaquil can offer this, as well as legal security, a business-friendly administration and fiscal advantages outlined in our new municipal law." Under the new law, projects in unexploited market niches are offered tax breaks of up to 100% in sectors of strategic importance, such as energy and high-tech. The changes prompted Latin Trade magazine to vote Guayaquil "Best City for Business" in March this year.

Asia, and China in particular, play a prominent role in the city's future plans. Chinese investments in Ecuador reached \$400 million in 2005, as part of the \$4.727 billion invested by China in Latin America to date. Commercial relations with China are at an all time high, with Ecuadorian exports to the Asian giant rising 43.7% in 2005, and

Islands. The benign climate, which ranges from 80 to 100°F throughout the year, makes Guayaquil a "light destination", something Director of Tourism Joseph Garzozzi is keen to emphasize.

"People from cold countries can forget about coats and gabardines," he explains. "Guayaquil frees you from protocol and heavy luggage, leaving you to move around freely, enjoying the sights all year round, including the beaches." Lighter luggage is not just easier to carry, Garzozzi asserts, but "it also leaves more room for shopping!" Shopping is one of the city's specialties with more than 20 malls

Joseph Garzozzi, Director of Tourism

to satisfy a growing shopping tourism sector. In the future, Garzozzi would like to see an entire network of "light cities" develop to offer the same advantages year-round, with the "Pearl of the Pacific" leading the way.

Guayaquil's welcoming climate extends to the the business opportunities it offers and its growing reputation as South America's destination of choice for meetings, congress and fairs—all good news for the port city as it embraces the challenges of globalization.



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# Making a splash in 'Chinatown'

Guayaquil is gearing up for a boom in Chinese business relations.

**C**ommercial relations between Ecuador, the city of Guayaquil and China are the charter of the Ecuador-China Chamber of Commerce (CCECH). With the full support of the city's Mayor Jaime Nebot, the CCECH seeks to facilitate the entrance of Chinese business to Ecuador and vice versa. Chamber president, Eng. Washington Hagó points to Guayaquil's pioneering "Chinatown" concept as a "tourist, cultural and business-oriented project, to be built with the objective of representing China in all its splendor."

"We must not present ourselves to China as a market, but as a logistic and business center that can strengthen Chinese commerce in the region. We must provide services at competitive prices and allow investment in those areas," says Eng. Hagó.

In preparation for the boom, changes are also underway at Guayaquil's José Joaquín de Olmedo International Airport. As Ecuador's foremost tourist destination and the closest continental city to the Galapagos Islands, Guayaquil receives 2.5 million airline passengers a year — and the numbers keep growing.

Airport infrastructure has been expanded with the recent inauguration of a new 540,000 square foot cutting-edge international terminal designed for five million passengers a year. The new terminal is built and operated by the airport's concession holder Terminal Aeroportuaria de Guayaquil SA (TAGSA), whose main shareholders include Argentine airport management giant Corporación América SA and the Ecuadorian Ekron Construcciones. The concession is supervised by the Guayaquil Airport Authority, led by general manager Eng. Nicolás Romero.

Corporación América recently presented city officials with a new and even more ambitious project, formally known as the Latin American Transfer, Distribution and Logistics Airport. Much more than an airport, the proposed special economic zone will have transfer, storage and distribution capacity to join Latin American and Asian markets, principally China. Much like a free trade zone, companies operating here will benefit from tax breaks and other incentives, including lower costs in air transport of high added-value products. It will be set in the Daular region on a 5,000 acre terrain 20 miles from the city center, and close to the sites of the city's future deep-water and sea ports.

"This project is necessary, because air cargo from China to Latin America follows various routes in different countries, and often finds difficulties in distribution logistics and high transport costs," says Ezequiel Barrenechea, TAGSA's vice-president.

Meanwhile, just a short stroll from Guayaquil's financial and recreational areas lies the Hotel Ramada. Celebrating its 25th anniversary this year, the Ramada offers 76 rooms with all the comforts for business and pleasure travelers alike. It is the perfect place from which to feel the energy of this pulsating city.



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As well as being Ecuador's largest Port infrastructure with records loading rates, the Port Authority of Guayaquil has also the conditions for more operational efficiency regardless investments. As of 2005 the concession process is still successfully underway.



The transparent concession process has attracted several support agreement such as the United Nations Program for Development (ONUD); The Corporación Andina de Fomento (CAF) and the Economic Commission for Latin America. (CEPAL).



The aim of the Guayaquil Port Authority concession is to achieve greater specialization in its containers terminal, the raise of technology in logistics for banana export and improve competitiveness in Ecuadorian Foreign Trade.



The Guayaquil Port Authority Concession has been a major step towards the development of its province as well transforming the Authority in its self into a more efficient and better entity.



**PORT AUTHORITY  
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# Concessions power port growth

Expansion plans show it is full steam ahead for Port of Guayaquil.

**A**s Guayaquil's link with port city Shanghai suggests, the port is at the heart of the city's bid to become Asia's gateway to the region. The port is a pillar of the local and national economy — currently, 70% of all the country's import and export cargo passes through it, along with 93% of the country's total container traffic of 435,000 standard containers. These figures set the Port of Guayaquil as the thirteenth largest in the Latin American and Caribbean region, a position that will definitely rise as future infrastructure projects such as deep-water projects and marine ports come to fruition.

In fact, the city of Guayaquil owes its historical character to the port and its economic relevance to the Republic of Ecuador. In colonial times, Guayaquil was Spain's largest shipyard in the Americas. It was located at the very center of Guayaquil, with the docks set along what are now the Malecón 2000 and the Malecón del Salado promenades and the ships anchored in the stretch of river which crosses the city.

In 1958, a new port was built in the outskirts of the city, and the Guayaquil Port Authority (Autoridad Portuaria de Guayaquil—APG) was constituted that same year to manage its operation. Since then the APG has been working towards infrastructure improvements, export growth and increased efficiency, a task that came to a turning point in

and a more efficient system. All of which add up to substantial savings for the exporter.”

Ecuador is the world's leading producer of bananas, a title which the country has held since the 1950s. It is responsible for 30% of the global banana production. It has been the top exporter to the European Union for over a decade, and also exports heavily to the U.S. and Japan, its fastest-growing Asian market. Bananas are also one of China's main imports from Ecuador, especially in the growing sector of organic cultivation without pesticides and other toxins. The logistics of banana distribution are therefore a top priority for the Guayaquil Port Authority, as it strives to increase turnover and make the port more convenient and accessible.

The Port of Guayaquil is separated from the Pacific Ocean by 50 nautical miles of fluvial navigation up the Guayas river, adding an additional 100 nautical miles for the ships arriving to the port for loading and unloading and a few more hours of costly navigation time. Ad. Donoso affirms that increased efficiency of the port's operations can compensate this distance. “The 50-mile issue can be solved by making the port faster and cheaper to use. When the ships no longer have to waste time at the dock, the 50 miles will not matter. For them

**“We must facilitate a rapid and efficient business platform for Chinese companies to access Guayaquil and all of Latin America.”** Admiral Fernando Donoso, President, Guayaquil's Port Authority Directorate

1995, when the government adopted a three-phase modernization plan for all Ecuadorian port authorities to prepare for the challenges of globalization.

During the first phase, all the services provided by the port authorities were privatized in order to root out the bureaucratic inertia that was hindering growth. A second complementary phase was the adoption of a modernized legislation for the country's ports, with special emphasis on the coordination with customs to reduce red tape delays. The third and final phase, already underway, contemplates the concession of the port's container and multi-purpose terminals so as to guarantee the professionalism of their administration.

Admiral Fernando Donoso, president of Guayaquil's Port Authority Directorate, is appointed to oversee the current concession proceedings. He says: “The State must not be directly involved in the ports, rather it must ensure that politics do not mix with the



Admiral Fernando Donoso, President, Guayaquil's Port Authority Directorate

administration of such important assets. The Port of Guayaquil is a fundamental link in a larger logistic chain and the concessions must add value to this platform. It is not enough to have concession loading and unloading operations, there must also be other related activities that will improve the port's functioning, such as a free trade zone and a logistic assistance zone.

“We are also considering the construction of special fruits terminal to assist in the export of bananas, a terminal where the exporter can quickly take care of transport, customs, handling and so on. Such a terminal would allow ships to spend less time docked and a faster rotation in the trucks bringing the fruit, fewer losses for the producers

it will be like we had moved the entire port to the Gulf of Guayaquil, 50 miles downriver,” he explains.

Among the improvements being sought under the concession regime are plans for the construction of a terminal for cruise ships that will help promote the city's tourist potential. Guayaquil is one of Ecuador's main tourist destinations, offering a privileged climate together with a historical setting and strategic location on the Pacific.

“We believe Port of Guayaquil deserves to have a cruise terminal, because we have much to offer in terms of tourism. There are unspoiled reserves with protected natural resources close by. Cruises could be organized from the port to visit these areas, using ships similar to the ones they use in Barcelona, for example.

“It is fundamentally important that the city's geo-strategic facilities are used to promote the tourist sector. The airport is only 15 minutes away, for example. There is great tourist potential here, plus Guayaquil is also the gateway to the Galapagos Islands,” says Ad. Donoso.

The city is expecting a sharp rise in tourism from China, which has recently approved Ecuador as a tourist destination, coinciding with the “Chinatown” business project being implemented in Guayaquil. “We must facilitate a rapid and efficient business platform for Chinese companies to access Guayaquil and all of the Latin American countries,” says the Admiral. “Maybe in the future, when our deep-water terminal is a reality, we can consider concrete bilateral relations with China's main ports, such as Hong Kong or Shanghai, to dynamize the commercial traffic between both countries.”

One way or another, the Port Authority is committed to leading the consolidation of Guayaquil as the country's economic capital, full steam ahead.