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 **Ecuador cancel oil contract with US company (OXY)**

Ecuador official sees US free trade talks as 'impossible'

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QUITO (MarketWatch) -- Ecuador won't be able to restart free trade negotiations with the U.S. after Monday's decision by the Ecuadorean government to cancel the operating contract of Occidental Petroleum Company (OXY), Ecuador's top trade negotiator, Manuel Chiriboga, said Tuesday.

"Evaluating all the elements that I have at this moment, and from the technical point of view, I see that it is impossible to re-establish the negotiations," Chiriboga told Dow Jones Newswires.

The government late Monday canceled Occidental's operating contracts in Ecuador, saying the company broke the terms of those contracts. The company denies the accusation and has said it will examine its legal options to challenge the decision.

Chiriboga said he hasn't spoken to U.S. government officials or members of the negotiating team since the Occidental decision was made, but from previous conversations it was clear that canceling the contract would paralyze trade talks.

"I do not believe that there will be an official pronouncement on the end of negotiations; I don't expect that, but (the end of talks) is practically certain," Chiriboga said.

Deputy Economy Minister Ruben Flores also acknowledged that finding an amicable solution to the Occidental case might have freed up the trade negotiations.

Flores has been in Washington in recent days to explain the process against Occidental. He concluded that the U.S. perceives the Ecuadorean decision as expropriation.

The lack of a trade deal leaves Ecuador in a precarious situation, as the existing preferential trade terms awarded unilaterally by the U.S. expires at the end of this year. Without a new deal, those sectors of the economy that benefit from the unilateral talks could be hurt, while Ecuador's economy as a whole will miss out on an opportunity to modernize, Flores said.

To add to the dismay, Ecuador's two neighbors, Colombia and Peru, have reached free trade agreements with the U.S. that are expected to be put to their respective Congresses shortly for approval.

Chiriboga said he plans to step down from his post once he has delivered a full report on the free trade negotiations to the government.

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