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last updated on 2002-05-28

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GENERAL FEATURES OF TRADE POLICY

With a Gross Domestic Product (GDP) of US\$ 13.6 billion and an import market of US\$ 3.8 billion for a population of 12.7 million in 2000, Ecuador ranks fourth among the 5 national economies of the **Comunidad Andina (CAN)** or Andean Community (AC), behind Venezuela (GDP 120.5 billion, 16.7 billion in imports), Colombia (GDP 81.3 billion, 16.1 billion in imports), and Peru (GDP 53.5 billion, 7.4 billion in imports), and followed by Bolivia (GDP 8.5 billion, 1.5 billion in imports).

Although the oil boom in the 1970s turned Ecuador **from a poor, primary-export dependent economy into a middle-income country with a stock of wealth in the form of oil reserves**, it remains predominantly agricultural: Ecuador is the world's largest exporter of bananas and roses, and a major producer of shrimp and coffee, all of which together account for 12% of GDP, 45% of the country's exports and over one-third of employment.

The Ecuadorian economy has recorded a poor performance during the past decade, and poverty has been on the rise over the past few years. In 1998, Ecuador underwent an unprecedented macroeconomic crisis which forced the government to adopt a series of shock measures, such as freezing bank deposits for a year (March 1999) and moving to the **full dollarisation of the economy** (January 2000). After the passage of the Economic Transformation Law, whose centrepiece was the official dollarisation of the economy at a conversion rate of 25,000 sucres per U.S. dollar, the International Monetary Fund (IMF) approved a **stand-by credit** of about US\$304 million in April 2001 to support the government's economic reform.

As a member of the CAN, Ecuador joined the **Andean Free Trade Area** in 1993 as well as **Andean Customs Union** in 1995, when the Common External Tariff adopted by CAN countries entered into force. It is also a party to the Sistema Economico Latinoamericano (SELA, the Latin American Economic System), and the Asociacion Latinoamericana de Integracion (ALADI, the Latin American Integration Association).

At international level within trade fora, Ecuador is playing an active role in the **Free Trade Area of the Americas** process, and enjoys unilateral concessions from **various Generalised System of Preferences (GSP) schemes**. Since 1996 it has been a member of the World Trade Organisation (WTO). In 1999 it was admitted as a full member of the **Pacific Economic Cooperation Council (PECC)**, the only non-governmental official observer of the Asian-Pacific Economic Cooperation Forum (APEC).

Ecuador's main trade partner is the United States, with about 33% share of total trade in 2000 (38% of exports and 25% of imports). The Andean Community comes second (13.9% of exports, 22.7% of imports), followed by the European Union (12% of exports and 11% of imports). Other important partners are Chile and Japan. Ecuadorian exports fell by 8.8% to \$4.69 billion in 2001 as a result of lower oil prices, while imports went up by 42.4% to US\$5.3 billion. Unlike in previous years 1999 and 2000, Ecuador's trade balance ended 2001 in deficit, at US\$0.61 billion.

EU trade with Ecuador

Apart from the EU regulation applying the GSP for the year 2002 to 2004, trade relations between Ecuador and the EU are managed through the WTO agreements, the 1993 framework agreement between the EU and the Andean Community, and the Joint Declaration and Action Plan of the Rio Summit between the Heads of State and Government of Latin America, the Caribbean and the European Union (EU-LAC), held in June 1999. As indicated in the EC's Country Strategy Paper 2002-2006 on Ecuador, EC trade policy towards Ecuador (and the other Andean and Central-American countries) is primarily focused on development.

Three years after the Rio Summit, where the EU had agreed to launch negotiations for free trade agreements with Mercosur and with Chile, the Heads of State and Government of the EU-LAC met for the second time at the Madrid Summit. They underlined the importance of the WTO as the main forum for promotion of trade and welcomed the new initiatives to establish conditions under which, after the completion of the Doha Development Agenda by the end of 2004, feasible and mutually beneficial free trade agreements could be negotiated between the EU and Central America and between the EU and the Andean Community.

At bilateral level, the long-running dispute over bananas has dominated trading relations with Ecuador. In January 2001 the EU adopted a regulation that provides for a tariff only system for banana imports from 1 January 2006 at the latest. In the interim period, the tariff quotas are maintained and managed following the EC understandings reached with the USA and Ecuador in April 2001.

According to Eurostat, trade in goods between the EU and Ecuador grew by 24.3% to €1.74 billion in 2001, due notably to a substantial increase of Ecuadorian imports from the EU: these grew by 51.8% to €0.81 billion, while Ecuador's exports to EU countries increased by 7.5% to €0,94 billion.

The following table is an overview of the tradeflow between the European Union and Ecuador

Section	Year	Import(Euro)	Export(Euro)
Animals & animal products	1996	186,675,110	7,799,990
	1997	212,473,170	12,089,170
	1998	249,835,580	9,852,870
	1999	207,451,430	19,762,880
	2000	117,155,130	9,401,120
	2001	123,622,390	13,360,080
	2002	92,105,070	15,259,510
	2003	101,146,180	16,268,100
Vegetable products	1996	432,282,980	7,565,170
	1997	449,358,790	12,582,560
	1998	381,631,270	8,906,370
	1999	471,061,690	5,267,450
	2000	482,039,420	10,375,560
	2001	539,614,350	8,739,080
	2002	623,985,440	8,556,010
	2003	608,685,050	8,777,150
Animal or vegetable fats	1996	119,670	3,049,590
	1997	475,710	1,987,650
	1998	673,750	2,326,550
	1999	2,162,410	925,870
	2000	64,220	2,173,200
	2001	19,820	2,335,080
	2002	76,810	3,101,760
	2003	191,170	2,207,600
Prepared foodstuffs	1996	117,832,040	10,858,900
	1997	166,238,280	12,356,090
	1998	189,788,880	10,222,530
	1999	195,632,160	5,907,960
	2000	203,956,960	8,407,330

	2001	219,966,850	14,347,090
	2002	294,269,390	22,101,110
	2003	335,812,240	18,169,270
Mineral products	1996	130,350	2,648,660
	1997	3,333,460	2,848,960
	1998	80,340	3,444,650
	1999	925,430	3,320,480
	2000	2,886,110	4,069,650
	2001	9,870	26,183,620
	2002	5,680	6,220,650
	2003	70,950	3,461,040
Chemical products	1996	1,141,260	81,153,970
	1997	581,820	114,810,920
	1998	971,680	108,782,990
	1999	1,541,360	82,402,380
	2000	1,091,510	112,739,280
	2001	1,699,120	131,914,180
	2002	1,121,300	143,874,420
	2003	1,425,810	106,912,670
Plastics & rubber	1996	150,190	17,016,950
	1997	121,260	24,407,700
	1998	492,980	23,747,340
	1999	81,300	18,229,120
	2000	254,860	27,268,230
	2001	779,740	32,801,660
	2002	115,620	37,492,470
	2003	262,770	25,589,280
Hides & skins	1996	428,440	337,700
	1997	450,570	453,930
	1998	388,580	614,680
	1999	499,610	164,550
	2000	670,280	756,070
	2001	1,458,020	1,307,230
	2002	1,315,140	1,342,640
	2003	1,488,320	1,046,190
Wood & wood products	1996	9,905,520	191,480
	1997	11,023,980	454,740
	1998	6,300,080	1,045,570
	1999	4,911,100	636,240
	2000	4,370,930	935,730
	2001	4,351,720	1,734,490
	2002	3,481,570	2,214,380
	2003	2,824,330	2,309,660
Wood pulp products	1996	1,086,410	18,481,130
	1997	2,419,760	25,660,120
	1998	3,341,000	22,492,460
	1999	1,956,450	21,206,750
	2000	2,621,040	31,486,520
	2001	1,816,720	37,091,660
	2002	1,081,980	39,996,640
	2003	1,968,590	28,802,690
Textiles & textile articles	1996	14,332,520	6,297,920
	1997	17,757,870	8,872,720
	1998	15,536,310	9,868,400
	1999	15,766,110	5,323,050
	2000	19,188,440	9,643,050
	2001	13,820,730	14,361,220
	2002	12,151,120	12,051,000
	2003	12,064,190	10,501,600
	1996	1,233,020	1,185,360
	1997	1,492,240	1,799,510

Footwear, headgear	1998	1,196,750	2,131,790
	1999	1,234,640	1,215,560
	2000	1,360,640	1,561,180
	2001	1,561,370	2,266,770
	2002	1,541,650	2,612,520
	2003	1,347,460	1,842,070
Articles of stone, plaster, cement, asbestos	1996	1,931,780	14,528,400
	1997	1,161,030	17,688,080
	1998	790,020	18,543,990
	1999	886,900	8,715,770
	2000	1,300,610	10,907,220
	2001	913,900	16,544,350
	2002	944,520	18,722,010
	2003	722,540	15,453,930
Pearls, (semi-)precious stones, metals	1996	85,133,030	486,640
	1997	51,685,980	1,803,150
	1998	13,301,140	2,129,740
	1999	14,543,440	2,121,520
	2000	8,684,560	2,766,900
	2001	6,075,250	3,922,820
	2002	12,488,800	2,576,920
	2003	16,054,900	3,091,140
Base metals & articles thereof	1996	319,430	36,373,690
	1997	88,560	57,639,330
	1998	736,770	43,434,540
	1999	1,188,360	23,934,030
	2000	379,600	46,607,690
	2001	1,200,700	60,138,680
	2002	483,070	52,871,670
	2003	261,280	54,822,390
Machinery & mechanical appliances	1996	2,183,950	193,928,040
	1997	2,048,880	262,685,310
	1998	2,636,640	273,553,870
	1999	1,794,430	115,489,020
	2000	5,878,290	138,957,510
	2001	1,916,340	254,646,660
	2002	2,262,360	345,018,170
	2003	7,071,450	263,642,900
Transportation equipment	1996	125,750	30,777,460
	1997	115,210	20,232,980
	1998	275,540	28,615,430
	1999	189,860	53,816,690
	2000	185,340	15,803,970
	2001	484,460	32,203,360
	2002	168,260	43,229,660
	2003	422,710	116,805,170
Instruments - measuring, musical	1996	444,780	14,394,910
	1997	438,660	17,949,150
	1998	377,050	18,543,220
	1999	1,228,620	9,925,890
	2000	974,550	8,713,730
	2001	436,840	17,085,410
	2002	567,800	25,011,650
	2003	922,040	24,801,910
Arms & ammunition	1996	0	1,079,890
	1997	37,200	2,906,370
	1998	52,120	1,410,740
	1999	0	440,090
	2000	5,770	1,313,640
	2001	0	801,630
	2002	1,900	1,350,980

	2003	150	6,543,330
Miscellaneous	1996	9,503,420	12,696,740
	1997	11,843,520	14,346,070
	1998	14,673,420	10,207,240
	1999	8,767,880	5,962,770
	2000	9,624,650	5,489,450
	2001	9,585,140	9,726,830
	2002	9,248,120	12,755,150
	2003	6,969,120	8,823,870
Works of art	1996	113,810	438,590
	1997	275,980	86,910
	1998	141,150	371,620
	1999	34,510	33,560
	2000	44,170	38,430
	2001	49,770	453,020
	2002	90,850	52,360
	2003	325,650	40,020
Other	1996	589,050	1,886,930
	1997	952,810	1,114,530
	1998	978,460	1,736,770
	1999	1,403,620	2,396,530
	2000	1,010,630	2,399,470
	2001	1,254,020	3,765,770
	2002	2,089,080	3,498,500
	2003	891,150	1,863,100

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TARIFFS AND DUTIES

Applied Tariff Levels

Ecuador has adapted its Tariff Schedule to the **Common Customs Classification of the Andean Community (NANDINA)**, based on the Harmonized Commodity Description and Coding System (HS) of the World Customs Organization (WCO).

Ecuador applies the Common External Tariff (CET) of the CAN with two of its Andean Community partners, Colombia and Venezuela. The CET has a four-tier structure with basic levels of 5%, 10%, 15% and 20% and a series of tariff deferral arrangements that allow the CAN countries to move away from the basic structure. Ecuador's standard national tariff is slightly below the level of the CET.

Current duty rates may be searched by either an HS Product Code (4 or 6 digits) or by Keywords describing the product in the **Applied Tariffs section** of this Database. They also can be searched in the **Ecuadorian Tariff Schedule** approved by the External Trade and Investments Council (**COMEXI**).

Tariff Predictability

Ecuador has listed and bound all agricultural and non-agricultural items individually. The simple average of their ad valorem bindings is 25.8% and 20.1% respectively.

Tariff Quotas

Ecuador maintains 17 import tariff quotas (TRQs) for agricultural products.

Internal Taxation and Tax Discrimination

Besides a 12% value-added tax (VAT), a special consumption tax (impuesto de consumo especial) is levied on the import of cigarettes, beer, carbonated beverages, non-beer alcoholic beverages, vehicles up to 3.5 tonnes, aeroplanes, aircraft, helicopters, jet skis, three- and four-wheel buggies, yachts and pleasure

boats, and telecommunications and radio-electronic services. The taxable base of imported products subject to the special consumption tax is calculated by adding a 25% "notional minimum trade" (110% for cigarettes) to the ex-customs value. Imports are also subject to a 0.1% modernisation fee, a 0.25% contribution for the Exports and Investment Promotion Corp (Corporacion de Promocion de Exportaciones e Inversiones--Corpei) and a 0.5% tax for the Children's Development Fund. Payments made by Ecuadorian companies count as costs that can be deducted from income tax.

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NON TARIFF BARRIERS

Registration, Documentation, Customs Procedures

All imports must be inspected. Destination inspection is in principle not allowed and all imports are subject to Pre-shipment Inspection (PI), except for special cases.

Quantitative Restrictions and Related Measures

Since February 1995, Ecuador has been applying the Price Band Andean System (PBAS) for sub-regional and extra-regional imports of certain agricultural products to protect local producers by stabilising domestic prices. Under the PBAS, the general ad-valorem tariff rates are adjusted according to the relationship between market commodity reference prices and established floor and ceiling prices: the CET is increased when the international price falls down the floor level, and is reduced up to zero when the price increases over the ceiling.

Standards, Sanitary and Other Technical Requirements

Standards are set by the **Ecuadorian National Standards Institute (INEN)** according to international standards, in compliance with the **WTO Agreement on Technical Obstacles to Trade** and the **Andean System of Standardisation, Accreditation, Testing, Certification, Technical Regulations and Metrology**.

As a member of the World Trade Organisation (WTO), Ecuador has made commitments to subscribe to the Sanitary and Phytosanitary (SPS) Agreement. Ecuador has also committed to the **Office of International Epizootic (OIE)** principles and to the underlying **Codex Alimentarius (CODEX)** standards. The Ministry of Agriculture is responsible for administering Ecuador's zoosanitary and phytosanitary import controls. Sanitary registrations, which are required for foods, pharmaceutical products, cosmetics, and other consumer goods, must be obtained from the Ministry of Health through the National Institute of Hygiene and Tropical Medicine "Leopoldo Izquieta Perez" (INHMT).

Labelling requirements

Labels of food items, pharmaceuticals, cosmetics, and other perishables must show the trade mark, name of the manufacturer, country of origin, expiry date and sanitary registration number. Perishables need to have sufficient remaining shelf-life. Sanitary registration is conducted by the Ministry of Health's National Hygiene Institute Izquieta Perez.

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INVESTMENT RELATED BARRIERS

Ecuador's foreign investment regime is provided for in the **Constitution**, which declares that foreign investment enjoys the same rights as national investment, and more specifically in two laws passed in 1997: the **Law on Foreign Trade and Investment (LEXI)**, of May, and the **Law on Promotion and Guarantee of Investments**, of December.

In addition, Ecuador has signed bilateral investment agreements (BIT) with Argentina, Canada, Chile, China, Cuba, El Salvador, France, Germany, Italy, Paraguay, Romania, Spain, Switzerland, United Kingdom, United States, Uruguay, and Venezuela.

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IPR

As a member of WTO and a signatory to international agreements containing provisions on intellectual property rights (IPR), Ecuador has committed to provide an adequate and effective system of IPR protection consistent with its international obligations.

Ecuador is a party of the TRIPS Agreement (Trade-Related Aspects of Intellectual Property Rights) at WTO as well as of the Convention establishing the **World Intellectual Property Organisation (WIPO)**.

Ecuador's IPR regulations are based on its 1998 Intellectual Property Law and the following Decisions of the Andean Community:

- **344: Common Regime on Industrial Property** (of December 1993),
- **345: Common Provisions on the Protection of the Rights of Breeders of New Plant Varieties** (December 1993),
- **351: Common Provisions on Copyright and Neighbouring Rights** (December 1993), and
- **486: Common Intellectual Property Regime** (in force since December 2000).

The Law of the Intellectual Property is administered by the Ecuadorian Institute of the Intellectual Property (IEPI).