WORLD TRADE ORGANIZATION

WT/TPR/S/383/Rev.1

5 April 2019

(19-2169)

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Trade Policy Review Body

TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

ECUADOR

Revision

This report, prepared for the third Trade Policy Review of Ecuador, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Ecuador on its trade policies and practices.

Any technical questions arising from this report may be addressed to Mr Angelo Silvy (tel.: 022 739 5249) and Ms Eugenia Lizano (tel.: 022 739 6578) and Ms Ana Cristina Molina (tel.: 022 739 6060).

Document WT/TPR/G/383 contains the policy statement submitted by Ecuador.

Note: This report was drafted in Spanish.

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SUMMARY

1. The social structure of the Ecuadorian economy underwent considerable changes during the period under review (2011-2018). In particular, there was a notable decline in the oil sector's share of GDP, which decreased from 13.2% in 2011 to barely 4.8% in 2017. At the same time, there was a growth in the share of services in GDP, driven above all by construction, trade and education, and health and social services. The fastest growing sector during the review period was aquaculture and shrimp fishing. The negative effects of the balance-of-payments crisis caused several sectors and branches of economic activity to contract in 2015 and 2016, and led to the adoption of safeguard measures and a cut in spending. The economic contraction triggered by the crisis had an impact on oil operations and repercussions in most industries.

2. In 2017, per capita GDP reached USD 6,217, compared to USD 5,193 in 2011. The rate of poverty fell during the review period from 29.6% in June 2011 to 24.5% in June 2018, while extreme poverty declined from 12.4% to 9%. Nevertheless, poverty rates are still high and represent a significant economic challenge for Ecuador.

3. The Ecuadorian economy grew at an annual average rate of 3.3% between 2011 and 2017, although unevenly, fluctuating between a GDP growth rate of 7.9% in 2011 and a 1.3% contraction in 2016. Inflation remained moderate during the period under review. The growth in the Consumer Price Index (CPI) began to slow down in 2012, and has remained below 4% since then. In 2017 the economy entered a deflationary phase, with the CPI decreasing slightly, by 0.2%, over the year. This phase continued in the first half of 2018, with the CPI contracting by 0.7% over the 12-month period ending in June 2018.

4. The US dollar has been the currency of legal tender in Ecuador since March 2000. Consequently, Ecuador cannot implement an active and independent monetary policy, which limits its ability to respond to external risks, although it does contribute to securing macroeconomic stability. Because Ecuador has a dollarized economy, fiscal policy is its main tool for macroeconomic adjustment. The Organic Law on Fiscal Responsibility, Stabilization and Transparency sets a limit on the annual growth of primary Central Government expenditure of 3.5% in real terms (excluding capital spending), and stipulates that the fiscal deficit as a percentage of GDP (excluding oil export revenue) must decrease by 0.2% each year. A limit is also set for the public debt at 40% of GDP. However, these objectives have not been attained, since public spending has continued to increase while revenue has fallen. As a result, Ecuador posted a fiscal deficit every year from 2011 to 2017. In 2017, the fiscal deficit was 4.5% of GDP. The Organic Law on the Promotion of Production, Attraction of Investment, Generation of Employment, and Fiscal Stability and Balance of 2018 aims to achieve fiscal adjustment and progressively reduce the fiscal deficit to 2.3% of GDP by 2021.

5. The current account of Ecuador's balance of payments is marked by certain specific structural characteristics, such as a deficit in the services balance, a substantial deficit in the income account balance and a strong reliance on current transfers, in particular remittances. The merchandise trade balance varied considerably under the influence of crude oil price fluctuations. The deficit in the income account balance was due mainly to payments relating to direct investment and other investments in Ecuador largely linked to the petroleum sector and to mining activities. Remittances, which totalled USD 2,840 million in 2017, are a significant source of funding for private consumption in Ecuador, and are an important source of support for domestic demand. The current account of Ecuador's balance of payments posted moderate deficits in the period between 2011 and 2014. In 2015, however, the deficit increased to the equivalent of 2.2% of GDP, owing in particular to a sharp fall in exports caused primarily by lower oil prices.

6. In order to offset the Central Bank's loss of assets, in March 2015 Ecuador adopted a balance-of-payments safeguard that affected 38% of tariff lines and resulted in a significant reduction in imports. It remained in effect until 1 June 2017. Ecuador traditionally runs a capital and financial account surplus. The main source of capital flows into the country has traditionally been direct investment, usually – but not always – related to the oil sector. However, since 2014 this type of investment has dwindled and been replaced by portfolio investment, primarily relating to foreign debt securities issued by Ecuador. The public sector's consolidated external debt reached USD 39,500 million at the end of 2017 (37.9% of GDP), up from its 2011 level of USD 15,200 million, or 19.2% of GDP.

7. Despite the sharp fall in their prices, mineral products, in particular oil, are Ecuador's main export goods. In 2017, they accounted for some 36.7% of total exports, compared to 57.9% in 2011. Agricultural products are the second largest export category, accounting for almost a quarter of total exports. Ecuador's main agricultural export is bananas. Exports of fish and crustaceans, especially shrimp, increased substantially, accounting for 17.2% of total exports in 2017 compared to 6.6% in 2011. Manufactured goods accounted for more than two thirds of Ecuador's imports. Although Ecuador is a major oil producer, it lacks the refining capacity to meet domestic demand for refined products and imports oil derivatives: fuel imports accounted for 17% of total imports in 2017.

8. The principal destinations for Ecuador's merchandise exports continue to be its trading partners in the Americas, although their share of the total declined from 79.1% in 2011 to 59% in 2017. The main destination for Ecuador's exports is the United States, which received 31.7% of total exports in 2017, followed by the European Union (28) (16.6%), Peru (6.7%), and Chile (6.5%). Over the review period, Ecuador's exports have managed to penetrate or gain a foothold in non-traditional markets such as China, and the Russian Federation and Viet Nam. The main sources of imports in 2017 were the United States (20% of the total), China (18.6%), the EU (28) (13.1%), Colombia (8.1%) and Panama (4.5%).

9. The general outline and objectives of Ecuador's trade policy are set out in the Constitution, which stipulates that the State shall have sole control of "strategic" sectors: energy in all its forms, telecommunications, non-renewable natural resources, transport and refining of hydrocarbons, biodiversity and genetic heritage, the radio spectrum and water. The National Development Plan (PND) establishes targets and general objectives to be achieved. Amendments to trade policy and to the actual trade measures, which can be quite frequent, are implemented by means of laws, regulations and resolutions depending on the level of the issuing state entity. Transparency and predictability of trade policy would benefit from regulatory streamlining and consolidation in order to make it easier to implement the measures adopted and provide some policy continuity.

10. Ecuador participates actively in the multilateral trading system, and believes that trade should be fair and inclusive, so that its benefits extend to both large enterprises and small craft businesses, promoting development and offering greater employment opportunities. Ecuador is of the view that any outcome from the multilateral negotiations should prioritize development and special and differential treatment, and to take into account flexibilities for developing and least developed countries. During the review period, Ecuador submitted a significant number of notifications to the WTO Secretariat.

11. Regional integration with Latin American and the Caribbean countries is a strategic objective of the Ecuadorian State. Ecuador is a member of the Andean Community (CAN) and the Latin American Integration Association (LAIA), and has agreements with other Latin American countries. The review period saw the entry into force of agreements with Guatemala (2013), Nicaragua (2017) and El Salvador (2017). The Protocol of Accession of Ecuador to the Trade Agreement between the European Union and its member States, of the one part, and Colombia and Peru, of the other part, also entered into force in 2017 as the only agreement that Ecuador has signed outside of the region.

12. Ecuador's Constitution stipulates that the State reserves the right to administer, regulate, monitor and manage strategic sectors and that in those sectors, foreign investment must be in addition to national investment. There are no restrictions on foreign investment in the other sectors and foreign investors must undergo the same procedures and obtain the same authorizations as Ecuadorians. Ecuador grants general tax incentives for investments in any part of the country. It also grants sectoral incentives for new businesses that are set up in priority sectors, incentives for investments in "depressed areas", and, since 2015, incentives for public projects implemented by public-private partnerships. There is also an incentives regime for Special Economic Development Zones (ZEDEs), which are customs destinations in delimited zones in the national territory that enjoy specific tax incentives.

13. As of December 2018, Ecuador had not yet submitted its instrument of ratification of the Agreement on Trade Facilitation. However, since 2012 it has taken measures to facilitate trade, including the implementation of an electronic customs system, ECUAPASS, and the Ecuadorian Single Window (VUE) in 2018; the introduction of risk management as the procedure for carrying out checks; the use of automatic inspections and X-ray inspections; and the Authorized Economic Operator (AEO) programme. But though it has adopted measures to facilitate trade, Ecuador uses a

number of pre-import control documents, including the register of importers, permits, prior import authorization, certificates of inspection or verification of classification issued at origin, the customs destination document, certificates of recognition, and automatic and non-automatic licensing. In addition, some of the products subject to technical regulations issued by the Ecuadorian Standardization Service (INEN) require a "Certificate of Recognition" as a supporting document for importation, and products subject to phytosanitary and animal health requirements need the appropriate certificates. The Foreign Trade Committee (COMEX) determines what accompanying documents or import permits are required, which vary according to the product, and is responsible for issuing rules on import procedures other than customs procedures.

14. Ecuador applies both *ad valorem* and compound tariffs. The latter apply to 418 tariff subheadings, or 5% of the total, primarily clothing. The simple average of Ecuador's applied MFN duties increased between 2011 and 2018 from 9.3% to 10.9%, excluding *ad valorem* equivalents (AVEs), or 12.2% if they are included. Tariff protection for agricultural products (WTO definition) is substantially higher than that for non-agricultural products. In 2018, the average tariff on agricultural products was 18.5%, compared to 17.3% in 2011, whereas the average tariff on non-agricultural products, which was 8.2% in 2011, rose to 9.7% in 2018 excluding AVEs, or 11.2% including them. The increase in the average tariff is due to in part to the proportional decrease in the number of tariff lines subject to a zero tariff rate from 46.7% of the total in 2011 to 37.3% in 2018, and an increase in tariff lines with rates higher than 20% from 14.2% of the total in 2011 to 19.8% in 2018.

15. Ecuador continues to apply the Andean Price Band System (SAFP) to a 189 ten-digit tariff lines (HS 2017) (roughly 2.5% of its entire tariff schedule).

16. Ecuador has bound its entire tariff schedule at rates ranging from 5% to 85.5%. Comparing the applied MFN tariff in 2018 with the bound tariff, and taking into account only the lines that are strictly comparable in view of the change in nomenclature, the MFN applied tariff exceeds the bound rate for eight subheadings and six items.

17. Ecuador is not a frequent user of trade defence measures. During the period 2012-2018 it neither adopted nor maintained any anti-dumping or countervailing measures, nor did it initiate any investigations in that respect. In 2012, Ecuador issued new regulations governing safeguard investigations. In 2015, it imposed a definitive global safeguard measure (WTO) for a period of three years, consisting of an additional, non-discriminatory tariff surcharge on top of the current tariff. Also, in the Andean Community framework, Ecuador imposed an exchange-rate safeguard for products originating in Peru and Colombia, which was eliminated in 2015. A further two safeguard measures were also imposed in the CAN Framework, one relating to imports of powder for the preparation of detergents, and the other to sugar imports. In addition, Ecuador maintains a system of "surveillance" of products which consists in monitoring import trends that could cause threat of injury to the domestic industry and where necessary adopting appropriate surveillance measures. During the review period, Ecuador adopted four surveillance measures to analyse import conditions.

18. In 2015, in accordance with paragraph 9 of the Understanding on the Balance-of-Payments Provisions of the General Agreement on Tariffs and Trade 1994, Ecuador notified the WTO that it had introduced a temporary and non-discriminatory *ad valorem* tariff surcharge in order to regulate the general level of imports and thereby resolve its critical balance-of-payments problems and remedy the lack of liquidity in its economy. The tariff surcharge covered almost 40% of Ecuador's tariff schedule and affected only imports for consumption. The safeguard was in place from March 2015 to June 2017, and was progressively dismantled according to a timetable that had been proposed and discussed in the Committee on Balance-of-Payments Restrictions. During the imposition of the tariff surcharge, a number of changes were made in the way it was applied. Some of these changes were made in the interests of consistency with other government policies and in accordance with the needs of domestic industry or the government. Thus, certain rates were modified, certain products were exempted and others were excluded.

19. Ecuador uses a number of prior documents to accompany the export customs declaration (DAE) for definitive exports, including export authorization, export registration, export certificates, export permits and export licences. In general, Ecuador guarantees the free export of goods with the exception of those that may affect public health, environmental conservation, animal and plant health, and the cultural heritage. COMEX may also regulate and/or restrict exports to ensure the supply of raw materials for the domestic industry and thus promote the incorporation of value added,

pursuant to the country's industrial development policy. These measures may be imposed *ex officio* or at the request of an industry.

20. During the period under review, Ecuador suspended the export levy collected on some of its main export products, such as bananas and coffee. In 2015, it eliminated minimum reference prices for coffee, but continued to use minimum reference prices for bananas and cocoa. The reference price for bananas is set on the basis of the support price that exporters must pay producers.

21. Ecuador implements various export promotion schemes, but exporters may avail themselves of only one scheme at a time. The granting of Tax Credit Certificates (CATs) was reactivated between 2013 and 2016 to support exporters whose access to international markets had become more difficult. COMEX was responsible for identifying the beneficiaries of the CATs, fixing the maximum annual amount of the benefit for each exporter, and determining the international markets to which Ecuadorian exports had lost access. Exporters of goods that use or incorporate imported packaging or packing, raw materials or inputs are eligible under the conditional drawback scheme that provides for the total or partial refund of foreign trade levies paid on imports of goods that are subsequently exported. Between 2015 and 2016, a simplified conditional drawback scheme was applied which enabled certain imported products to benefit from a fixed percentage for the drawback of up to 5% of the export value.

22. The Free Zones were replaced by Special Economic Development Zones (ZEDEs). The administrators and operators who set up in ZEDEs are eligible for specified tax incentives. Goods produced in the ZEDEs should, *inter alia*, contribute to diversifying the domestic supply for export, and be specifically export-oriented. However, they may exceptionally be authorized to enter the national territory for sale on the domestic market in limited percentages, depending on the product.

23. Ecuador grants fiscal incentives for the development of production in general, as well as for specific sectors such as agriculture and basic industry, and also for the popular, solidarity and community-based economy. The micro, small and medium-sized enterprises (MSMEs) are also granted incentives in the form of preferential financing and access to government procurement, and by facilitating the setting-up of business.

24. Technical regulations as well as phytosanitary measures are issued to protect human, animal and plant life, preserve the environment, and ensure consumer safety and protection. Technical regulations must be in the interests of the national economy and in line with the current state of development of science and technology as well as the country's climatic and geographical specificities. During the period under review, a number of changes were introduced in the regulatory framework governing plant and animal health in order to update the country's legislation and bring it into line with the international legal framework. The entities operating in this area were also reformed. Ecuador requires a certificate of recognition or Conformity Verification Certificate as a supporting document for the import customs declaration for certain goods subject to technical regulations when the value exceeds USD 2,000. For textiles, clothing and footwear, there is no threshold, and the Conformity Verification Certificate is required in all cases.

25. Competition legislation applies across all economic sectors, including the strategic sectors and those for which regulatory bodies exist. The technical body in charge of competition policy may initiate an investigation *ex officio*, at the request of another body of the public administration, or in response to a complaint by any public or private person showing a legitimate interest. Generally speaking, however, prices in Ecuador are market-driven. However, the State has the obligation to regulate, control and intervene, when necessary, to define a price policy aimed at protecting domestic production.

26. State-owned enterprises are entrusted with a major role in the Ecuadorian economy: under the Constitution, the State reserves the right to administer, regulate, control and manage strategic sectors. Accordingly, State-owned enterprises have been set up in different areas such as the management of strategic sectors, the provision of public services, and the sustainable supply of natural resources or public goods. There are currently no government support programmes directly aimed at public enterprises. However, State-owned enterprises are exempt from income tax (25% of the tax base) and the advance payment of income tax. In 2014 and 2018, Ecuador notified that it had a State-trading enterprise falling within the definition of GATT Article XVII. This enterprise is responsible for the temporary storage and domestic marketing of agricultural products (especially

yellow flint maize, rice and cereals), the management of strategic food reserves, and support for the marketing and distribution of inputs. It is involved only in domestic marketing, and does not import or export.

27. Ecuador is not a party to the WTO Agreement on Government Procurement and does not participate as an observer in the Committee on Government Procurement. Through its national Public Procurement System, Ecuador seeks, *inter alia*, to ensure the quality and transparency of public expenditure and avoid discretionary action in government procurement, as well as to promote domestic production and the participation of craftworkers and MSMEs. Ecuador uses government procurement as a strategic element of public policy to achieve some of the objectives established in the National Plan for Good Living 2013-2017, such as, for example, changing the production matrix through public investment and procurement. In order to achieve the objective of changing the production matrix, public procurement policy promotes import substitution and reserves markets, in particular for MSMEs and the popular and solidarity economy (EPS).

28. During the review period, a number of changes were made in the legal framework governing intellectual property rights (IPRs). In 2016, the Organic Code of the Social Economy of Knowledge, Creativity and Innovation (Code of Knowledge) was promulgated, replacing the earlier Intellectual Property Law (LPI) of 1998. The Code of Knowledge contains provisions governing both industrial property and copyright and related rights, as well as plant varieties and traditional knowledge. Its implementing regulations were adopted in 2017. However, they do not regulate all IPR matters. Those not governed by the Regulations to the Code of Knowledge continue to be governed on a transitional basis by the 1998 LPI Regulations.

29. The Agricultural Sector is of considerable importance for Ecuador because of its contribution to GDP and employment, and as the second-largest generator of foreign exchange after petroleum. Ecuador is a net exporter of agricultural products, and its principle export product is bananas. One of its main public policy objectives is to achieve food sovereignty, and to that end it has introduced preferential financing mechanisms for small and medium-sized producers, facilitating their access to inputs and promoting productivity in the agricultural sector. In 2018, Ecuador notified a series of domestic support measures for agriculture in relation to pest and disease control, research, marketing and promotion services, and inspection and infrastructure services, and a State programme to promote the use of agricultural insurance. Generally speaking, these programmes do not target specific products. Ecuador has notified to the WTO that, during the period 2012-2016, it did not grant any export subsidies for agricultural products.

30. Agricultural products (WTO definition) received more tariff protection that non-agricultural products. Ecuador uses the Andean Price Band System (APBS) for certain agricultural products with a view to stabilizing their import price. In general, imports of agricultural products require a sanitary or phytosanitary import permit and may also require other prior control documents. During the review period, certain agricultural products were subject to non-automatic import licences. These licences are granted to permit importation in the event of shortages when it is necessary to supplement domestic production in order to be able to keep the country permanently supplied with food. Under the legislation in force, import licences are not granted in periods when domestic goods are being produced. Ecuador intervenes in the marketing of certain agricultural commodities by establishing "minimum support prices" to ensure that the producer gets a "fair price". For some of these products, a domestic crop "absorption commitment" is also required.

31. The share of the fisheries and aquaculture sector in GDP is modest (1.1% in 2017) and did not vary substantially during the period from 2011 to 2017. However, the sector is considered fundamental to the economy as a generator of foreign exchange. Fisheries and aquacultural exports accounted for 24.1% of total exports in 2017. Shrimp is the fisheries and aquaculture sector's main export product and has become the largest generator of foreign exchange, excluding petroleum. The authorities have notified that with the exception of training programmes, there are no specific incentives to promote the fisheries and aquaculture sector.

32. The mining sector, made up of artisanal and small-scale operations, accounted for 1.5% of GDP in 2017. Since this sector was declared strategic in 2009, a number of regulatory and institutional reforms have been introduced to help with its development. One of the principal changes was the opening up of the sector to foreign investment, which is permitted up to 100% in small, medium and large-scale operations. It is prohibited only in the artisanal mining regime.

33. The hydrocarbons sector remains the pillar of the Ecuadorian economy. It is the chief contributor to the State budget and the largest foreign exchange earner. As the country's leading export product, crude oil is the most important item. The sector was badly affected by the slump in international prices between 2014 and 2016, which was a major shock to government income and the trade balance. State-owned companies account for a considerable share of the hydrocarbons market, since they are the country's main producers and exporters. In 2017 they produced 78% and exported 86% of the country's oil.

34. On the energy consumption front, Ecuador is aiming for self-sufficiency as well as a reduction in its use of fossil fuels and substitution of non-renewable sources. Consequently, public investment in the energy sector was significant during the review period. The result was an improvement in the infrastructure and an increase in production. State participation in the sector remains considerable. In the specific case of electricity, private investment is permitted only for generation and, in some cases, transmission, while all other activities are reserved for the State.

35. The share of services in GDP increased during the period under review from 60.8% in 2011 to 64.6% in 2017. Services generated 62.2% of total employment in 2017, as compared to 61.1% in 2011. Although the balance of services in Ecuador has traditionally posted a deficit, during the review period a sharp increase in travel earnings helped to reduce the deficit from 2014 onwards.

36. During the review period, Ecuador made significant regulatory and institutional changes to strengthen the financial system, increase lending to the production sector, promote microcredit and develop the securities market, among other things. In spite of the large number of banking and insurance institutions, these markets continue to be dominated by just a few companies. Foreign investment is generally allowed, albeit subject to requirements mainly relating to setting up a business and its legal structure. In the insurance market sector, restrictions apply to cross-border trade, except for the commitments made with the European Union and EFTA on maritime transport and aviation insurance.

37. The telecommunications sector underwent various regulatory and institutional changes during the review period, including the enactment of a new law in 2015 which seeks to modernize the sector, and the creation of a regulation agency. The new law promotes the provision of the universal telecommunications service, including Internet, and contains provisions on authorizations for the supply of communication and audiovisual services, consumer rights, service fees, conditions of competition, and penalties. In addition to a number of private firms, two public companies operate in the sector. One of these companies (CNT EP) has a share in all of the telecommunications service markets and competes with the other companies. However, it has a dominant market share in the fixed-line telephony (85%) and fixed Internet (51%) markets.

38. As regards the provision of air transport services, one of the most important changes during the review period was the adoption, in 2018, of a policy to deregulate air traffic, except for cabotage, along with more detailed and flexible provisions on charter flights. For the most part, the provision of air transport services may be delegated to national or foreign private companies. Only domestic air transport services (cabotage) are reserved for Ecuadorian nationals. In general, foreign investment is allowed in the maritime transport and port sector, albeit subject to certain requirements. Certain activities are the exclusive responsibility of the State, such as the transportation of hydrocarbons, and others are reserved for Ecuadorian flag vessels, such as inland waterway transport for passengers and cargo.

1 ECONOMIC ENVIRONMENT

1.1 Main features of the economy

1.1. The sectoral structure of the Ecuadorian economy underwent considerable changes during the period under review (Table 1.1). The period was marked by a notable decline in the oil sector's share of GDP, which decreased from 13.2% in 2011 to barely 4.8% in 2017, and by a growth in the share of services, which collectively accounted for 64.6% of GDP in 2017 (at current prices) compared to 60.8% in 2011 (including construction and water and electricity supply services). The manufacturing share (excluding oil refining) grew moderately over the period, increasing from 12.2% of GDP in 2011 to 13.3% in 2017. Agriculture, livestock, hunting and forestry, which dipped between 2011 and 2013 and then picked up again over the following years, accounted for a slightly smaller share of GDP in 2017 (8.2%) than in 2011 (8.5%). The biggest contributors to GDP within the services sector were construction (11.6% in 2017), trade (9.5%) and education, health and social services (8.9%).

1.2. Aquaculture and shrimp fishing was the fastest growing subsector, in constant terms, between 2011 and 2017, with an average annual growth rate of 16.8% over that period, but its share of GDP remains small. At the other end of the spectrum, the worst performance came from the oil refining industry, whose average annual growth rate shrank to 1.6%. The negative effects of the balance-of-payments crisis caused several sectors and branches of economic activity to contract in 2015 and 2016 and led to the adoption of safeguard measures and a cut in spending. The economic contraction triggered by the crisis had an impact on oil operations and repercussions in most industries.

1.3. The services sector continued to play a key role in employment, providing 62.2% of all jobs in 2017, compared to 61.1% in 2011 (Table 1.1). The trade subsector, in particular, accounted for 19.1% of jobs in 2017; it was followed by education, health and social services, which contributed 6.8% of all jobs, and construction, which contributed 6.7%. Manufacturing accounted for 11.3% of all jobs in 2017, up from 10.5% in 2011. Over the review period, the proportion of jobs provided by agriculture, fisheries, and mining and quarrying declined from 27.9% in 2011 to 26.1% in 2017.

Table 1.1 Structure of GDP and employment, 2011-2018 Q2

	2011	2012	2013	2014	2015	2016	2017[a]	2018 Q2[a]
Current GDP (USD million)	79,277	87,925	95,130	101,726	99,290	99,938	104,296	54,096
Per capita GDP (USD)	5,193	5,665	6,031	6,347	6,099	6,046	6,217	..
Real GDP growth rate (%, at 2007 prices)	7.9	5.6	4.9	3.8	0.1	-1.2	2.4	1.3
By branch of economic activity (% of GDP at current prices)								
Agriculture	8.5	7.5	7.6	8.0	8.5	8.4	8.2	8.0
Aquaculture and shrimp fishing	0.5	0.5	0.5	0.6	0.4	0.5	0.6	0.7
Fisheries (except shrimp)	0.6	0.7	0.6	0.6	0.5	0.6	0.5	0.5
Oil and mining	13.2	12.9	12.5	11.1	4.7	3.8	4.8	5.4
Oil refining	0.8	0.7	0.5	0.3	0.8	0.9	1.1	0.9
Manufacturing (except oil refining)	12.2	12.2	12.6	13.5	13.6	13.6	13.3	13.2
Electricity and water supply	1.2	1.2	1.1	1.2	1.5	1.7	1.8	1.7
Construction	10.2	10.7	10.5	10.7	11.2	12.0	11.6	11.4
Trade	10.6	10.3	10.5	10.4	10.3	9.6	9.5	9.6
Accommodation and food services	1.8	1.9	2.0	2.0	2.1	2.1	2.1	2.1
Transport	4.7	4.4	4.5	4.3	4.8	5.4	5.2	4.9
Mail and communications	2.3	2.2	2.1	2.1	2.0	1.9	1.9	1.8
Financial service activities	2.9	3.1	2.7	3.1	3.2	3.1	3.4	3.4
Professional, technical and administrative activities	6.4	6.5	6.9	6.9	6.9	6.6	6.8	7.4
Education, health and social services	7.6	7.9	7.9	7.7	8.5	8.8	8.9	9.0
Public administration, defence; compulsory social security	6.3	6.3	6.4	6.6	6.7	6.9	6.8	6.5
Domestic services	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.5
Other services[b]	6.4	6.1	5.9	5.9	6.4	6.6	6.2	6.7
All services	60.8	60.8	60.9	61.3	64.1	65.2	64.6	64.8
Other GDP elements[c]	3.5	4.6	4.8	4.7	7.3	6.9	6.9	6.5

	2011	2012	2013	2014	2015	2016	2017[a]	2018 Q2[a]
Real growth rate by branch of economic activity (%, based on GDP at 2007 prices)								
Agriculture	7.5	-0.5	6.4	5.9	2.1	-0.2	4.4	3.1
Aquaculture and shrimp fishing	21.7	7.3	9.1	40.0	18.6	8.2	15.9	9.8
Fisheries (except shrimp)	3.0	11.1	7.9	-0.1	-5.2	3.5	3.5	-4.3
Oil and mining	2.8	2.6	2.9	6.6	-2.1	1.5	-2.8	-3.5
Oil refining	10.9	9.4	-25.4	-34.0	-6.5	27.4	9.5	-23.2
Manufacturing (except oil refining)	5.8	3.4	6.2	3.7	-0.4	-2.6	3.1	0.8
Electricity and water supply	27.1	17.9	11.5	6.5	9.0	0.5	9.6	7.2
Construction	17.6	12.2	7.4	4.7	-0.8	-5.8	-4.4	0.9
Trade	5.8	4.7	6.8	3.5	-0.7	-4.0	5.4	4.1
Accommodation and food services	6.0	4.0	4.8	2.3	-3.7	-0.6	5.8	6.4
Transport	5.5	6.1	10.2	2.6	4.6	1.3	0.1	0.5
Mail and communications	12.1	8.8	6.5	5.2	-1.1	-0.8	1.1	0.6
Financial service activities	13.5	16.5	-2.0	10.8	-0.7	-1.2	6.3	2.6
Professional, technical and administrative activities	7.8	6.9	5.7	4.5	-1.3	-2.1	1.1	0.5
Education, health and social services	4.6	6.8	2.3	4.5	4.0	0.5	3.8	4.5
Public administration, defence; compulsory social security	10.4	6.4	7.9	3.3	4.4	2.7	1.1	0.6
Domestic services	-3.5	-1.4	1.8	4.8	-2.4	8.6	7.9	3.2
Other services[b]	3.9	0.3	3.4	2.5	1.0	-2.2	-4.7	-1.8
Other GDP elements[c]	12.7	5.1	0.2	-6.0	-19.5	-12.6	31.4	3.9
Employment								
Unemployment rate (%)	4.2	4.1	4.2	3.8	4.8	5.2	4.6	4.1
Economically active population (EAP) (%)	62.5	61.7	62.1	64.5	65.8	67.3	67.7	66.4
Employment by branch of activity (%)								
Agriculture, livestock, hunting and forestry and fishing	27.9	27.4	24.8	24.4	25.0	25.6	26.1	29.4
Oil and mining	0.5	0.5	0.7	0.8	0.7	0.6	0.4	0.4
Manufacturing (including oil refining)	10.5	10.6	11.4	11.3	10.6	11.2	11.3	11.1
Electricity and water supply	0.6	0.5	0.8	1.0	0.7	0.6	0.7	0.5
Construction	6.1	6.3	7.6	7.4	7.3	7.1	6.7	6.5
Trade	20.4	19.9	18.3	18.9	18.8	19.0	19.1	18.0
Accommodation and food services	4.9	5.1	5.3	5.5	6.1	6.5	6.4	6.3
Transport	5.6	5.6	5.5	5.9	6.2	5.7	5.9	5.7
Mail and communications	1.1	1.2	1.2	1.2	1.2	1.0	1.0	0.9
Financial service activities	1.1	0.9	1.1	1.0	0.8	0.6	0.7	0.7
Professional, technical and administrative activities	4.0	4.4	4.6	4.3	4.5	4.2	4.5	4.3
Education, health and social services	7.9	8.0	7.6	6.8	7.1	6.9	6.8	6.2
Public administration, defence; social security	3.8	3.7	4.0	4.4	4.4	4.2	4.3	3.6
Domestic services	2.3	2.5	3.1	3.3	2.7	2.8	2.5	2.6
Other services	3.5	3.5	4.1	3.8	3.9	3.9	3.6	3.8
Services	61.1	61.6	63.1	63.4	63.8	62.6	62.2	59.1
Other indicators								
Monetary indicators								
M1 (end of period, 12-month change)	12.2	20.0	12.1	14.9	1.9	18.9	8.4	5.4
M2 (end of period, 12-month change)	19.7	16.4	13.4	14.4	-1.1	16.5	10.0	8.0
Interest rates								
Passive reference rate (end of period)	4.5	4.5	4.5	5.2	5.1	5.1	5.0	5.1
Active reference rate (end of period)	8.2	8.2	8.2	8.2	9.1	8.1	7.8	7.3
Inflation								
Consumer price index (end of period, % change)	5.4	4.2	2.7	3.7	3.4	1.1	-0.2	-0.7

	2011	2012	2013	2014	2015	2016	2017[a]	2018 Q2[a]
Exchange rate								
Real effective exchange rate (2014=100)	108.1	104.6	103.5	100	88.6	86.4	89.1	87.1
Total foreign external debt (USD billion)	15.2	15.9	18.7	24.1	27.8	34.5	40.0	42.0
Foreign external debt as share of GDP %	19.2	18.1	19.7	23.7	28.0	34.5	38.3	77.7
Gross international reserves (USD million, end of period)	2,958	2,483	4,361	3,949	2,496	4,259	2,451	3,167
Gross international reserves, (USD million, year average)	3,830	3,738	4,088	5,011	3,767	3,548	3,793	4,527
Population (thousands)	**15,266**	**15,521**	**15,775**	**16,027**	**16,279**	**16,529**	**16,777**	**..**

a Provisional data.
b Includes real estate, entertainment, recreation and other services.
c Other GDP elements include other taxes on goods, subsidies on goods, tariffs and value added tax (VAT).

Source: Central Bank of Ecuador.

1.4. In current terms, Ecuador's per capita GDP increased rapidly between 2011 and 2014, and then decreased, reflecting the lower rates of economic growth brought on by the reduction in oil revenue that led to the country's balance-of-payments crisis (see below). In 2017, Ecuador's per capita GDP was USD 6,217, more than USD 1,000 above the 2011 level (USD 5,193). During the review period, the poverty rate decreased from 29.6% in June 2011 to 24.5% in June 2018; extreme poverty declined from 12.4% in June 2011 to 9% in June 2018.[1] Poverty levels are, however, still high and continue to represent a significant economic challenge for the country.[2] According to the World Bank, Ecuador's Gini coefficient was 0.45 in 2016, one of the lowest in Latin America, which indicates a relatively equitable distribution of income by the standards of the region.[3]

1.5. The Government has continued implementing policies to improve income distribution. As part of that effort, National Development Plan 2017-2021 "A Lifetime" seeks to promote economic and social inclusion and fight all aspects of poverty so as to guarantee economic, social, cultural and territorial equity.[4] Through structural reforms, it aims to strengthen the production system, generate value added and spur innovation in order to reduce external vulnerability. One of the Plan's challenges is to transform the production matrix and encourage new production in order to move beyond a commodity export model.[5] To achieve this, it encourages production chains with a view to stimulating the production of higher value-added goods, and promotes institution-building to ensure market transparency and efficiency by nurturing competition. There is a recognition of the need to promote private investment in a predictable environment to help improve current conditions and expectations. There is also an effort to implement comprehensive and inclusive fiscal policies to help make tax collection more efficient and progressive, reduce tax evasion and avoidance, optimize expenditure quality and improve the maturity profile of public financing. With respect to the external sector, the objective of the Plan is to achieve a balance-of-payments surplus by promoting and

[1] Central Bank of Ecuador, Programming and Regulation Division, National Directorate for Macroeconomic Study, *Estadísticas Macroeconómicas. Presentación Coyuntural*, August 2018. Viewed at: https://contenido.bce.fin.ec//documentos/Estadisticas/SectorReal/Previsiones/IndCoyuntura/EstMacro082018.pdf.

[2] Online information from the World Bank, "Countries: Ecuador". Viewed at: http://datos.bancomundial.org/pais/ecuador.

[3] Central Bank of Ecuador, Programming and Regulation Division, National Directorate for Macroeconomic Study, *Estadísticas Macroeconómicas. Presentación Coyuntural*, August 2018. Viewed at: https://contenido.bce.fin.ec//documentos/Estadisticas/SectorReal/Previsiones/IndCoyuntura/EstMacro082018.pdf. See also online information from the World Bank. Viewed at: https://data.worldbank.org/indicator/SI.POV.GINI.

[4] Government of Ecuador (2017), *Plan Nacional de Desarrollo 2017-2021, Toda una Vida*, adopted on 22 September 2017 pursuant to Resolution No. CNP-003-2017. Viewed at: http://www.planificacion.gob.ec/wp-content/uploads/downloads/2017/10/PNBV-26-OCT-FINAL_0K.compressed1.pdf.

[5] Government of Ecuador (2017), *Plan Nacional de Desarrollo 2017-2021, Toda una Vida*, adopted on 22 September 2017 pursuant to Resolution No. CNP-003-2017. Viewed at: http://www.planificacion.gob.ec/wp-content/uploads/downloads/2017/10/PNBV-26-OCT-FINAL_0K.compressed1.pdf.

increasing exports and discouraging imports that negatively affect domestic production or the environment or that involve unnecessary foreign exchange outflows.[6]

1.6. Ecuador's macroeconomic policy is directed towards addressing structural imbalances so as to achieve macroeconomic sustainability and advance the country's development. The National Development Plan 2017-2021 identifies a set of policies for reaching those objectives, with the main ones being to:

- ensure the smooth functioning of the monetary and financial system through efficient liquidity management;
- channel resources into the production sector, promoting alternative sources of financing and long-term investment, with coordination between the public bank, the private financial sector and the popular and solidarity financial sector;
- promote access to credit and to the services of the national financial system and encourage financial inclusion;
- increase tax collection and make the tax system more efficient and progressive;
- optimize public spending through sustainable management of public financing;
- strengthen the dollarization system, promoting greater foreign exchange inflows, encouraging non-oil exports and attracting foreign direct investment so as to ensure a sustainable balance-of-payments situation;
- create incentives for long-term foreign and domestic private investment to help create jobs and promote technology transfer and with a strong domestic component;
- enhance value added and the role of the domestic component in government procurement, ensuring greater participation of MSMEs and participants in the popular and solidarity economy;
- support participants in the popular and solidarity economy through reduced formalities and preferential access to financing and government procurement so as to effectively include them in the economy; and
- promote market competition through the efficient regulation and control of monopolistic practices, concentrations of power and market failures.

1.7. The 2021 targets set by the Plan include:

- maintaining the cash-to-GDP ratio at around 15.64%;
- increasing the total value of domestic financial sector trade- and production-related lending from 12.1% of GDP to 15.2%;
- increasing the total value of public-housing-related lending operations from 12.6% to 20% of the total value of all housing-related lending operations;
- increasing the number of microcredit operations from 10.34% to 11.44% of the total number of new operations in the national financial system;
- reducing the non-financial public sector deficit to 0.41% of GDP in 2021;

[6] Government of Ecuador (2017), *Plan Nacional de Desarrollo 2017-2021, Toda una Vida*, adopted on 22 September 2017 pursuant to Resolution No. CNP-003-2017. Viewed at: http://www.planificacion.gob.ec/wp-content/uploads/downloads/2017/10/PNBV-26-OCT-FINAL_0K.compressed1.pdf.

- increasing the trade balance from 1.26% of GDP to 1.65% by 2021;
- increase the popular and solidarity economy's share in government procurement;
- increase direct taxes collected as a percentage of total taxes collected by 2021; and
- maintain the ratio of net taxes collected to GDP.

1.8. In connection with its 2018 Article IV consultations with Ecuador, the International Monetary Fund (IMF) highlighted that the Ecuadorian authorities had been taking important steps recently to strengthen fiscal institutions and re-establish a competitive private-sector driven economy. The IMF pointed out in particular that the new Law on the Development of Production, approved by the National Assembly in June 2018 (see below), contained marked improvements in the fiscal policy framework that went in the right direction though further refinements were possible, and that, in addition, efforts were underway to increase fiscal transparency. The effort to implement measures aimed at improving the legal framework for investors and facilitating trade was also recognized. However, it was noted that Ecuador was still adjusting to external shocks that had exposed underlying structural imbalances in the country's economy and would have to deal with challenges, such as a high fiscal deficit and rising public debt, an overvalued real effective exchange rate, and vulnerabilities in the country's balance of payments. The IMF indicated that, although higher oil prices and measures such as cuts in capital spending and a public sector hiring freeze could help reduce the fiscal deficit, a more balanced and frontloaded fiscal consolidation was needed to reduce the deficit to more sustainable levels. It was also recommended that Ecuador's external position be strengthened by, among other things, building up adequate reserve cushions and adopting further supply-side reforms to improve competitiveness, foster job creation and raise productivity.[7]

1.2 Recent economic developments

1.2.1 Production and employment

1.9. Ecuador's economy went through as many as three clearly differentiated phases during the period under review (2011-2018). First there was a phase of economic expansion supported by high international crude oil prices from 2011 to 2014 (the economic expansion actually began in 2009). This was followed by a phase in which oil prices fell, hampering economic activity and leading to a balance-of-payments crisis in 2015, flat GDP that year and a drop in it the next. The economy picked up in 2017, thanks in large part to the rise in oil prices and renewed domestic demand.

1.10. Ecuador's constant GDP grew more than 7% in 2011 and more than 5% in 2012, driven by investment, public and private consumption and exports, mostly of petroleum products. The economy slowed down slightly in 2013 and 2014, with growth rates of 4.9% and 3.8%, respectively. This slowdown was due in part to slower growth in domestic demand, particularly private consumption; net exports of goods and services contributed negatively to GDP growth in 2015 and positively in 2016 (Table 1.2). In 2015, the first year of the balance-of-payments crisis, Ecuador's economy stalled and then entered a downturn: in 2016, Ecuador's GDP fell by 1.2%. After five consecutive quarters of contraction, the economy began to grow again in late 2016, and in 2017 GDP rebounded by 2.4%. However, the recovery remains weak: GDP contracted by 1% in the first quarter of 2018 compared to the previous quarter, but expanded 0.4% in the second quarter. In the first half of 2018, GDP grew 1.3% compared to the same period the previous year.

[7] IMF (2018), *IMF Staff Completes 2018 Article IV Mission to Ecuador*, 5 July 2018, Press release No. 18/278. Viewed at: https://www.imf.org/en/News/Articles/2018/07/05/pr18278-imf-staff-completes-2018-article-iv-mission-to-ecuador.

Table 1.2 GDP of Ecuador by expenditure, 2011-2018 (first half)

Growth rate by expenditure (%), based on GDP at 2007 prices

	2011	2012	2013	2014	2015	2016	2017	2018[a]
Real GDP	7.9	5.6	4.9	3.8	0.1	-1.2	2.4	1.3
Domestic demand	7.1	4.2	6.2	3.4	-2.2	-4.3	5.5	3.6
Household final consumption expenditure	5.1	2.9	3.9	2.7	-0.1	-2.4	3.7	2.9
General government final consumption expenditure	8.7	11.1	10.3	6.7	2.1	-0.2	3.2	2.6
Gross fixed capital formation	14.3	10.6	10.4	2.3	-6.2	-8.9	5.3	3.2
Changes in inventories	-13.3	-70.2	-31.3	80.3	-126.1	361.7	-168.3	844.5
Exports of goods and services (f.o.b.)	5.7	5.5	2.6	6.2	-0.6	1.4	0.7	0.8
Imports of goods and services (f.o.b.)	3.6	0.8	7.0	4.8	-8.2	-9.6	12.2	9.1

a First half.

Source: Central Bank of Ecuador.

1.11. The increase in domestic demand between 2011 and 2013 resulted from the implementation of policies to facilitate the allocation of credit and keep its cost under control. These policies and the growth in domestic demand led to an increase in imports, which, in the case of merchandise trade, practically doubled during that period. The high growth in domestic absorption (including imports) during the period contributed to higher deficits in the current account of the balance of payments. In 2015 and 2016, domestic demand, mainly private consumption and gross capital formation, contracted considerably as a result of measures taken to respond to the balance-of-payments crisis – in particular the higher prices of imports after tariff surcharges were initially applied on 38% of all tariff headings (see below) – and to cut public spending. In 2017, domestic demand picked up, expanding by 5.4%, primarily because of a sharp rise in private consumption and public spending, while gross capital formation continued to decline.

1.12. In the phase from 2011 to 2014, growth in consumption was supported by injections of liquidity into the financial sector and the introduction of interest rate caps. This was reflected in the average 4% growth in imports of goods and services between 2011 and 2014. In the same period, exports of goods and services increased at an average annual rate of 5%. Public spending also contributed significantly to growth during that period, with an average annual growth rate of 9.2%. Growth in general government spending was especially strong between 2011 and 2013, but it slowed down considerably in 2015 and shrank in 2016. In 2015, consumption and investment weakened, in part because of worsening expectations as the balance-of-payments current account deficit increased, and a higher cost of borrowing as interest rates went up. In 2017, private consumption and public spending were back on the upswing, expanding 4.9% and 3.8%, respectively.

1.13. From a sectoral point of view, growth has been unevenly distributed across sectors during the period under review. Between 2011 and 2017, the most dynamic productive sectors were electricity and water, aquaculture and shrimp, and education, health and social services, while the manufacturing and agricultural sectors posted lower growth rates and the oil-refining sector contracted sharply.

1.14. The upward economic trend in Ecuador from 2011 to 2014 helped keep the rate of job creation up. As a result, Ecuador's unemployment rate decreased to 3.8% in 2014. After that year, however, it began to increase, partly reflecting lower investment and the effects of the crisis: it was 4.8% in 2015 and rose to 5.2% in 2016 before decreasing again to 4.6% in 2017.

1.15. Inflation remained moderate during the period under review. The Consumer Price Index (CPI) rose by 5.4% in 2011, increased at a slower rate in 2012 and 2013 (4.2% and 2.7%, respectively), and then picked up again slightly in 2014, rising 3.7%. The CPI increased by 3.4% in 2015 and then rose only 1.1% in 2016, reflecting the weakness of domestic demand.[8] In 2017, the economy entered a deflationary phase, with the CPI decreasing slightly, by 0.2%, over the year. This phase continued in the first half of 2018; the CPI contracted by 0.7% over the 12-month period ending June 2018. The recent trend of a strong US dollar is likely to help keep inflation low, or even negative in the near future. This will allow Ecuador to regain some of the competitiveness it lost in third markets because of the rise of the dollar.

1.3 Fiscal policy

1.16. Because the country has a dollarized economy, which leaves limited scope for any monetary policy initiative, Ecuador's main tool for macroeconomic adjustment is fiscal policy. The Constitution mandates that the State maintain a disciplined fiscal policy. The Organic Law on Fiscal Responsibility, Stabilization and Transparency (Law No. 72, Official Register of 4 June 2002) sets fiscal deficit limits: annual growth of primary Central Government expenditure must not exceed 3.5% in real terms (excluding capital spending); and the fiscal deficit as a percentage of GDP (excluding oil export revenue) must decrease by 0.2% each year. A limit is also set for the public debt at 40% of GDP. However, as will be discussed later, in practice these goals have not been met.

1.17. In accordance with Article 294 of the Constitution of the Republic of Ecuador of 2008, the Ministry of Finance prepares a Four Year Budget Programme each year. The programme brings together an institutional vision of overall macroeconomic performance in the medium term, fiscal policy and an analysis of the sustainability of public finances, and it presents tax expenditure estimates.

1.18. The main fiscal policy tools identified in the Four Year Budget Programme are the use of incomes policies, expenditure management and public sector financing. The incomes policy is associated with the strengthening of tax and tariff management. With respect to the latter point, during the review period the authorities have sought the implementation of a tariff policy that provides adequate and proper protection for the national production sectors.[9] The Budget Programme also calls for the use of tax incentives to promote the development of productive activities. Public expenditure policy is concerned with guaranteeing the provision of public goods and services. It also seeks to ensure a link between the role of fiscal policy as a stabilizer of short-term growth and the financing of long-term development objectives, while adhering to the conditions that ensure the time consistency of fiscal policy.[10]

1.19. Between 2011 and 2014, total non-financial public sector (NFPS) spending increased considerably, from 39.5% of GDP to 43.6% (Table 1.3). Spending during that period was relatively inflexible, despite the practice of earmarking tax income to different areas and levels of government being discouraged.[11] Revenue, on the other hand, went from 39.3% of GDP in 2011 to 38.4% in 2014. Revenue began falling sharply in 2015, mainly owing to the drop in oil-related revenue, which decreased from 16.3% of GDP in 2011 to 5.6% in 2017. Tariff revenue accounted for 1.4% of GDP in 2017, after reaching a peak of 2% in 2015, when the balance-of-payments safeguard was adopted.

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[8] Online information from the Central Bank of Ecuador. Viewed at: http://www.bce.fin.ec/index.php/component/k2/item/754.

[9] Ministry of Finance (2012), *Programación Presupuestaria Cuatrianual 2012-2015*. Viewed at: http://www.finanzas.gob.ec/wp-content/uploads/downloads/2012/08/PROGRAMACION_PRESUPUESTARIA_2012-2015.pdf.

[10] Ministry of Finance (2016), *Programación Presupuestaria Cuatrianual 2016-2019*. Viewed at: https://www.finanzas.gob.ec/wp-content/uploads/downloads/2015/11/34-Programaci%C3%B3n-Presupuestaria-Cuatrianual-2016-2019.pdf.

[11] Ministry of Finance (2012), *Programación Presupuestaria Cuatrianual 2012-2015*. Viewed at: http://www.finanzas.gob.ec/wp-content/uploads/downloads/2012/08/PROGRAMACION_PRESUPUESTARIA_2012-2015.pdf.

Table 1.3 Non-Financial Public Sector (NFPS) Operations, 2011-2018 (first half)

(% of GDP)

	2011	2012	2013	2014	2015	2016	2017	2018[a]
Total revenue	**39.3**	**39.3**	**39.2**	**38.4**	**33.6**	**30.3**	**32.0**	**18.6**
Oil revenue	16.3	13.9	12.0	10.7	6.5	5.4	5.6	3.3
Exports[b]	16.3	13.9	12.0	10.7	6.5	5.4	5.6	3.3
Sale of derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-oil revenue	20.8	22.5	23.8	23.5	25.9	24.3	24.4	13.6
VAT	5.3	6.2	6.4	6.3	6.4	5.4	5.7	3.0
ICE	0.8	0.8	0.8	0.8	0.8	0.8	0.9	0.5
Income	3.8	3.8	4.0	4.1	4.8	3.6	3.6	2.3
Import tariffs	1.5	1.4	1.4	1.3	2.0	1.6	1.4	0.7
Other taxes	1.0	1.8	1.8	1.7	1.6	2.6	1.9	0.8
Social Security contributions	5.0	5.4	4.8	4.6	5.1	4.7	5.2	2.8
Other	3.5	3.2	4.6	4.7	5.1	5.5	5.7	3.5
Non-financial public enterprises' operational surplus	2.2	2.9	3.4	4.1	1.1	0.6	2.0	1.7
Total Expenditure[c]	**39.5**	**40.3**	**43.7**	**43.6**	**39.5**	**37.7**	**36.5**	**16.6**
Current expenditure	27.7	27.8	28.4	28.5	27.7	26.6	27.2	14.0
Interest	0.6	0.7	1.0	1.0	1.4	1.6	2.1	1.2
External	0.6	0.6	0.8	0.8	1.2	1.3	1.8	1.0
Internal	0.1	0.1	0.3	0.2	0.3	0.2	0.3	0.2
Salaries	9.2	9.5	9.4	9.3	10.0	10.0	9.9	4.8
Goods and services	3.2	3.9	4.7	5.2	5.1	4.7	4.8	2.0
Social Security benefits	4.0	3.8	3.6	3.6	4.3	4.7	4.8	2.4
Other[d]	10.6	9.8	9.7	9.3	6.9	5.7	5.5	3.5
Capital expenditure	11.8	12.5	15.4	15.1	11.8	11.0	9.3	2.6
Gross fixed capital formation	11.4	11.7	14.8	13.7	10.3	10.3	8.3	2.3
General State Budget[f]	6.7	7.0	8.9	8.1	5.6	6.1	4.9	0.9
Non-financial public enterprises	2.7	2.8	4.2	4.1	3.2	2.5	1.8	0.8
Local government	1.9	1.8	1.6	1.4	1.5	1.4	1.2	0.6
Other	0.0	0.1	0.0	0.0	0.1	0.3	0.4	0.0
Other capital expenditure	0.4	0.7	0.6	1.4	1.5	0.7	1.0	0.3
Treasury adjustment[e]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OVERALL BALANCE	**-0.1**	**-0.9**	**-4.6**	**-5.2**	**-6.0**	**-7.3**	**-4.5**	**2.0**
Overall balance + Reduction + Enhancement	-0.1	-0.9	-4.6	-5.2	-6.0	-7.3	-4.5	2.0
Primary Balance	0.5	-0.2	-3.5	-4.2	-4.6	-5.8	-2.3	3.2

a First half.
b Includes CEREPS and FEISEH Fund resources to April 2008 and CFDD funds from January 2008.
c Records of expenditure on an accrual basis.
d Includes CFDD funding with oil revenues from 2008.
e Represents unexecuted expenditures reversed in favour of the Central Government.
f Public sector structure as per the Constitution of the Republic of Ecuador of 2008.

Sources: Ministry of the Economy and Finance, non-financial public sector entities and Central Bank of Ecuador.

1.20. Ecuador posted a fiscal deficit every year from 2011 to 2017. The NFPS deficit increased from 0.1% of GDP in 2011 to 7.3% in 2016. The fiscal situation deteriorated considerably between those years, mainly as a result of decreasing oil revenues amidst continued expenditure growth, and despite the increase in the traditional surplus of the non-financial sector public enterprises (Table 1.3). In 2017, the fiscal deficit was 4.5% of GDP.

1.21. The fiscal policy of the current Government is guided by the principles of the Organic Law on the Promotion of Production, Attraction of Investment, Generation of Employment, and Fiscal Stability and Balance of 2018 (Box 1.1), which aims to achieve fiscal adjustment and boost private activity in three stages: stabilization, convergence, and long-term sustainability. Implementation of the Law rests on five strategic pillars: (a) government fiscal and policy discipline; (b) strict observance of international commitments; (c) institutionalization of efficiency and transparency in management; (d) an emphasis on social policies; and (e) an improved framework for public-private partnerships.

Box 1.1 Organic Law on the Promotion of Production, Attraction of Investment and Generation of Employment, and Fiscal Stability and Balance

The Organic Law on the Promotion of Production, Attraction of Investment, Generation of Employment, and Fiscal Stability and Balance was approved by the National Assembly in June 2018, but the executive branch raised some objections. These were taken into account by the Assembly, which approved an amended version of the Law on 7 August 2018. As of September 2018, regulations to implement the Law were not yet in place.

The Law puts forward a plan for long-term economic stability and introduces incentives to attract new investment to the country, from both domestic and foreign sources, with the aim of promoting employment and reinvigorating production and the economy. The Law broadens the scope of the priority sectors identified in the Internal Taxation Law by including services exports, film making and international events, agriculture, oleochemicals, energy efficiency, sustainable construction materials and technology, software development and services, and the industrial, agro-industrial and agro-cooperative sectors.

The Law provides for significant reforms to the following legal instruments:

- Tax Code;
- Organic internal Taxation Law;
- Ecuadorian Tax Equity Reform Law;
- Organic Code of Production, Trade and Investment;
- Law on Companies;
- Labour Code;
- Organic Law on Public-Private Partnership and Foreign Investment Incentives;
- Organic Monetary and Financial Code;
- Hydrocarbons Law;
- Mining Law; and
- Organic Law on Human Mobility.

The specific economic stimulation measures include:

- Elimination of the minimum advance payment of income tax.
- Progressive reduction of the foreign exchange exit tax (ISD) until eliminated, beginning the first tax year after the Law's publication in the Official Register, subject to approval by the body responsible for public finances. The tax credit for ISD paid on imported inputs, raw materials and capital goods will continue.
- Increase in the limit on income tax deductions for the expenses of micro, small, and medium-sized enterprises that invest in technical training and productivity improvements from 1% to 5%. This applies to both new and existing businesses.
- Exemption from income tax and advance payment of income tax for new investments by new and existing businesses (in proportion to the investment) in priority sectors (industrial, agro-industrial and agro-cooperative): (a) for 12 years for enterprises located in cities throughout the country other than the urban areas of Quito and Guayaquil, (b) for 8 years in the urban areas of Quito and Guayaquil and (c) for 15 years for investments in border cantons, in the industrial, agro-industrial and agro-cooperative priority sectors. This is contingent on the investments being implemented within a period of 24 months, which may be extended by 24 months by Executive Decree, and there being a net gain in employment.
- Exemption from income tax and advance payment of income tax for 15 years for basic industries; an additional five-year exemption for investments in border cantons.
- ISD exemption for payments for imports of capital goods and raw materials for new investments, up to the amount and time-period indicated in the investment contract.
- ISD exemption for dividend payments abroad (for residents and non-residents) up to the time-period set forth in the contract, provided that the resources for the investment come from abroad and their entry into the country can be shown.
- Restructuring of interest on tax debt by year.
- For developers of social housing projects, a VAT refund for taxes paid on local purchases of goods and services used in the development of the project.
- A 0% VAT rate for social housing construction services.
- For regular exporters and exporters in the inbound tourism sector, an additional deduction for trade promotion expenses up to 100% of total promotion and advertising costs and expenses.
- ISD refund for regular exporters that import raw materials and inputs and capital goods, provided they demonstrate a net foreign exchange inflow into the country.

- VAT and ISD refunds on exports of services, as determined by the Tax Policy Committee.
- 20-year income tax exemption for associative and/or community tourism ventures; the implementing regulations will set out the conditions and procedures for implementing this incentive.
- Extension of the time-period for making new productive investments in the areas affected by the April 2016 earthquake from 3 to 5 years and up to 15-years' income tax exemption. The tourism sector is eligible for an additional 5 years.
- Extension of the benefits to all investments made in Manabí y Esmeraldas, by virtue of the Solidarity Law.
- Promotion of the special economic development zones (ZEDEs) through a ten-year income tax exemption for their managers and operators and a ten-point reduction on their income tax rate for an additional ten years after expiration of the exemption period.
- A single income tax on profits from sales of shares, at a progressive rate ranging from 2% to 10%.
- A 0% VAT rate on imports and transfers of inputs in the agriculture, aquaculture and fisheries sectors; solar panels; LED lamps; new shipyard-built fishing vessels; parts and spare parts for wheeled tractors up to 200hp; items and machinery for use in agriculture, aquaculture and small-scale fishing; batteries and chargers for hybrid and electric vehicles; agricultural insurance; and land lease for agricultural use.
- A 0% VAT rate on electric vehicles for personal use, public transportation and freight transportation.
- A 0% Special Consumption Tax (ICE) rate on electric vehicles used for public transportation and on gas stoves and cookers.
- Availability of VAT tax credit for up to five years.
- A refund of 50% of VAT paid on development, pre-production and post-production expenses in audiovisual, television and film production activities.

Source: Internal Revenue Service of Ecuador (SRI), Organic Law on the Promotion of Production, Attraction of Investment, Generation of Employment, and Fiscal Stability and Balance. Viewed at: http://www.sri.gob.ec/web/guest/ley-organica-fomento-productivo.

1.22. The authorities estimate that the consolidated central government deficit will be 3.8% of GDP in 2018. They expect it to decrease over the following years and be 2.3% of GDP in 2021. Much of the improvement is expected to stem from a reduction in spending, as no substantial increase in either oil or non-oil revenues is foreseen (Table 1.4). Tackling the fiscal imbalances continues to be an important policy priority. The higher oil prices, temporary tax measures, cuts in capital expenditure and freeze on government procurement could help reduce the deficit. However, more balanced and frontloaded fiscal consolidation would help increase confidence, reduce borrowing costs and achieve more sustainable deficit levels more quickly.

Table 1.4 Projection of Consolidated Central Government finances 2018-2021

(% of GDP)

Item	2018	2019	2020	2021
Total revenues	19.0	19.1	19.1	18.8
Oil revenue	2.2	2.8	2.7	2.5
Tax revenue	14.2	13.8	13.9	13.9
Non-tax revenue	2.3	2.2	2.2	2.2
Transfers	0.3	0.3	0.3	0.3
Total expenditure	22.8	22.3	21.7	21.1
Current expenditure	16.2	16.3	16.3	16.2
Capital expenditure	6.6	6.0	5.4	5.0
Primary balance	-1.0	-0.5	0.2	0.7
Overall balance (above the line)	-3.8	-3.2	-2.6	-2.3

Source: Ministry of the Economy and Finance.

1.4 Monetary and exchange rate policy

1.23. The 2008 Constitution gave the executive branch the exclusive right to formulate monetary, credit, foreign exchange and financial policies and eliminated the autonomy of the Central Bank of Ecuador (BCE), which is responsible for implementing those policies. The Constitution also provides that the credit and financial policy be executed through the public banking system. The BCE's functions include facilitating payment and collection, in cash or through the financial system, and evaluating, monitoring and controlling the amount of money in the economy, for which it uses bank reserve requirements as a tool. The BCE's profits are made over to the Ministry of the Economy and Finance.[12]

1.24. Article 302 of the Constitution provides that the objectives of the monetary, credit, foreign exchange and financial policies shall be to: (a) provide the means of payment needed for the economic system to operate efficiently; (b) establish global liquidity levels that ensure adequate financial security margins; (c) channel excess liquidity into investments required for the country's development; and (d) favour borrowing and lending rates and ratios between the two that stimulate domestic savings and the financing of productive activities, with the aim of maintaining price stability and the monetary equilibrium of the balance of payments.[13] Pursuant to the Law Amending the Law on the Monetary Regime and State Bank of 2009, the BCE Board is composed wholly of government officials.

1.25. The US dollar has been the currency of legal tender in Ecuador since March 2000. Consequently, because the economy is fully dollarized, the BCE does not act as lender of last resort. To partly offset the lack of a lender of last resort, the authorities established a Bank Liquidity Fund, which is a commercial investment trust, created and established to serve the liquidity needs of private financial institutions subject to reserve requirements. There are also minimum liquidity requirements that banks have to meet. In addition, owing to its dollarized economy, Ecuador cannot implement an active and independent monetary policy, which limits its ability to respond to external risks. Through its use of the US dollar as currency, the Ecuadorian economy absorbs the effect of currency fluctuations which may not necessarily be in harmony with its own economic cycle.[14] On the other hand, as recognized by the IMF, dollarization has played an important role in securing macroeconomic stability.[15]

1.26. The Central Bank basic interest rate has been kept at 0.2% since January 2010, when it was lowered from 5.1%, a rate set in 2009.[16] Also, since July 2008, the Central Bank has been regulating lending interest rates, establishing interest rate ceilings for commercial, consumer and housing loans and microcredits. As a result, lending interest rates have remained broadly stable. The reference lending rate averaged 7.8% in 2017, compared with 8.2% in 2011, while the borrowing rate increased from 4.5% to 5% over the same period.

1.5 Balance of payments

1.27. After posting a deficit equivalent to 2.3% of GDP in 2010, Ecuador's current account of the balance of payments showed moderate deficits in the period between 2011 and 2014. In 2015, the deficit increased to USD 2,223 million, equivalent to 2.2% of GDP (Table 1.5), on account of deteriorating merchandise and services trade balances, and in particular, a sharp fall in exports caused primarily by lower oil prices. As explained below, in March 2015 Ecuador adopted a balance-of-payments safeguard that affected 38% of tariff headings and resulted in a significant reduction in imports; this was, however, insufficient to keep the deficit from increasing. The safeguard remained in effect until 1 June 2017 and explains in large part the reductions in the trade deficit in 2016 and 2017. It was accompanied by measures to curb the growth of domestic demand, and these also had an impact on imports (Box 1.2).

Table 1.5 Standardized balance of payments, 2011-2018 Q2

(USD million)

	2011	2012	2013	2014	2015	2016	2017	2018 Q2
Current account	**-400**	**-162**	**-944**	**-678**	**-2,223**	**1,322**	**-372**	**-53**
Percentage of GDP	**-0.4**	**-0.2**	**-0.9**	**-0.7**	**-2.2**	**1.3**	**-0.4**	**-0.1**
Goods	**-303**	**50**	**-529**	**-63**	**-1,650**	**1,567**	**311**	**268**
Exports	23,082	24,569	25,587	26,596	19,049	17,425	19,618	10,916
General merchandise[a]	22,612	24,069	25,070	26,059	18,663	17,101	19,398	10,812
Repairs on goods	6	6	6	6	6	6	6	3

[12] Online information from the Central Bank of Ecuador. Viewed at: https://www.bce.fin.ec/index.php/funciones-del-banco-central.

[13] Online information from the Central Bank of Ecuador. Viewed at: https://www.bce.fin.ec/index.php/normas-de-creacion.

[14] WTO document WT/BOP/S/18 of 27 May 2015.

[15] IMF (2014), *IMF Executive Board Concludes 2014 Article IV Consultation with Ecuador.* Press release No. 14/393, 20 August 2014. Viewed at: https://www.imf.org/en/News/Articles/2015/09/14/01/49/pr14393.

[16] Online information from the Central Bank of Ecuador. Viewed at: https://contenido.bce.fin.ec/home1/estadisticas/bolmensual/IEMensual.jsp.

	2011	2012	2013	2014	2015	2016	2017	2018 Q2
Goods procured in ports by carriers	464	494	511	531	380	319	214	101
Imports	-23,385	-24,519	-26,115	-26,660	-20,699	-15,858	-19,307	-10,649
General merchandise[a]	-23,362	-24,496	-26,093	-26,637	-20,676	-15,835	-19,284	-10,637
Repairs on goods	-6	-6	-6	-6	-6	-6	-6	-3
Goods procured in ports by carriers	-17	-17	-17	-17	-17	-17	-17	-8
Services	**-1,563**	**-1,394**	**-1,420**	**-1,171**	**-805**	**-1,054**	**-994**	**-80**
Services provided	1,587	1,804	2,041	2,346	2,391	2,140	2,300	1,477
Transport	399	409	436	437	444	410	414	205
Travel	843	1,033	1,246	1,482	1,551	1,444	1,657	1,153
Other services	345	363	359	427	396	286	229	119
Services received	-3,150	-3,198	-3,461	-3,517	-3,197	-3,194	-3,294	-1,557
Transport	-1,762	-1,708	-1,709	-1,744	-1,510	-1,238	-1,471	-739
Travel	-594	-611	-622	-635	-639	-661	-687	-324
Other services	-795	-879	-1,130	-1,138	-1,048	-1,295	-1,136	-494
Income	**-1,257**	**-1,298**	**-1,372**	**-1,552**	**-1,731**	**-1,845**	**-2,354**	**-1,337**
Income received	84	105	113	121	140	162	187	122
Compensation of employees	8	9	9	11	10	10	9	4
Investment income	76	96	103	110	131	152	178	117
Direct investment	-	-	-	-	-	-	-	-
Portfolio investment	-	-	-	-	-	-	-	-
Other investment	76	96	103	110	131	152	178	117
Income paid	-1,342	-1,403	-1,485	-1,673	-1,871	-2,007	-2,541	-1,459
Compensation of employees	-8	-8	-10	-11	-13	-14	-14	-7
Investment income	-1,334	-1,395	-1,475	-1,661	-1,858	-1,992	-2,527	-1,452
Direct investment	-698	-674	-681	-664	-598	-434	-365	-240
Portfolio investment	-62	-64	-64	-143	-231	-301	-808	-572
Other investment	-574	-659	-731	-854	-1,029	-1,258	-1,353	-640
Current transfers	**2,722**	**2,480**	**2,376**	**2,108**	**1,963**	**2,654**	**2,665**	**1,096**
Current transfers received	2,985	2,757	2,703	2,727	2,644	3,461	3,358	1,699
General government	225	207	177	189	188	226	190	90
Other sectors	2,759	2,550	2,525	2,538	2,456	3,236	3,168	1,609
Workers' remittances	2,672	2,467	2,450	2,462	2,378	2,602	2,840	1,482
Other current transfers	87	83	76	76	78	634	327	126
Current transfers sent	-262	-276	-327	-619	-681	-807	-693	-603
General government	-4	-4	-34	-203	-162	-302	-134	-327
Other sectors	-259	-272	-293	-416	-519	-505	-559	-276
Capital and financial account	**179**	**68**	**1,090**	**902**	**2,188**	**-1,221**	**385**	**117**
Capital account	**99**	**138**	**85**	**87**	**-49**	**-794**	**87**	**-220**
Capital transfers received	109	149	96	98	99	99	99	47
General government	85	124	73	74	75	75	74	36
Other sectors	24	24	23	24	24	24	24	12
Capital transfers sent	-	-	-	-	-136	-882	-	-262
General government	-	-	-	-	-136	-882	-	-
Acquisition of non-produced, non-financial assets	-10	-11	-11	-11	-11	-11	-11	-6
Financial account	**80**	**-70**	**1,005**	**815**	**2,237**	**-427**	**297**	**337**
Direct investment	644	567	727	772	1,322	767	618	530
Abroad	-	-	-	-	-	-	-	-
In Ecuador	644	567	727	772	1,322	767	618	530
Portfolio investment	41	67	-910	1,500	1,473	2,201	6,491	2,726
Assets	48	139	-903	-492	626	-555	16	-158
Liabilities	-7	-72	-6	1,992	848	2,756	6,475	2,884
Equity securities	2	5	2	1	2	6	4	2
Debt securities	-9	-77	-9	1,991	846	2,750	6,471	2,882
Other investment	-270	-1,180	3,065	-1,869	-2,012	-1,632	-8,620	-2,203
Assets	-2,404	-1,595	-1,158	-5,394	-5,257	-6,100	-6,853	-933
Trade credits	-711	-779	-1,486	-1,576	-1,529	-1,395	-1,537	-756
Currency and deposits	-1,011	-424	-1,932	-4,191	-2,567	-5,143	-3,952	-1,219
Other assets	-681	-393	2,260	372	-1,161	439	-1,364	1,042
Liabilities	2,134	416	4,223	3,526	3,245	4,468	-1,766	-1,270
Trade credits	583	-428	1,412	664	219	398	-1,034	-280
General government	532	-495	1,363	-330	436	615	-816	-172
Other sectors	51	67	50	994	-217	-217	-217	-108
Loans	1,505	680	2,821	2,841	3,064	4,108	-793	-986
Monetary authorities	-0	-0	-0	-0	-0	365	-0	-0
General government	1,405	794	2,129	1,746	2,073	2,279	-235	-609
Banks	-65	30	-75	-19	-10	-2	-2	-1
Other sectors	165	-143	767	1,115	1,001	1,466	-556	-377
Currency and deposits	-1	73	-24	27	-53	-54	28	-10
Monetary authorities	18	66	-67	-11	-24	-31	38	-10
General government	-	-	-	-	-	-	-	-
Banks	-19	8	43	39	-29	-22	-10	0
Other liabilities	47	90	13	-7	15	15	32	-8

	2011	2012	2013	2014	2015	2016	2017	2018 Q2
General government	47	90	13	-7	15	15	32	7
Reserve assets	-336	475	-1,878	411	1,453	-1,763	1,808	-716
Monetary gold	-106	-109	379	559	54	-46	-316	-3
Special drawing rights	2	-1	-4	2	1	4	6	5
Reserve position in the IMF	-17	-0	-0	3	2	1	-2	1
Foreign exchange	-210	1,128	-2,619	-149	1,353	-1,837	2,099	-719
Other assets	-4	-543	366	-3	43	115	21	0
Errors and Omissions	**221**	**97**	**-145**	**-225**	**35**	**-101**	**-13**	**-64**

a Includes unrecorded trade. See methodological note on balance of payments. Viewed at: http://www.bce.fin.ec/docs.php?path=./documentos/Estadisticas/SectorExterno/BalanzaPagos/metodologia.pdf.

Source: Central Bank of Ecuador.

Box 1.2 Balance-of-payments safeguard, 2015-2017

On 2 April 2015, Ecuador notified on the basis of paragraph 9 of the Understanding on the Balance-of-Payments Provisions of the General Agreement on Tariffs and Trade 1994, that on 11 March 2015, it had introduced a temporary tariff surcharge for a period of up to 15 months in order to regulate the general level of imports and thereby resolve Ecuador's critical balance-of-payments problems.[a] The purpose of the measure was to rapidly offset the deterioration of the balance of payments and the decrease in liquidity available to the Ecuadorian economy.

The tariff surcharge applied to 2,955 ten-digit lines, or 38% of a total of 7,581 tariff lines, which in monetary terms amounted to 31% of imports recorded in 2014. The surcharge was applied at *ad valorem* rates of 5%, 15%, 25% and 45%.

Ecuador made various changes to the list of goods covered by the safeguard and the related tariff rates; it extended the period of application of the safeguard following the April 2016 earthquake and established a progressive timetable for its dismantlement beginning in 2016 (Section 3.1.6.3). The impact of the earthquake on GDP was estimated at 0.7%, in addition to the loss of productive assets worth 0.26% of GDP.

The measure was permanently eliminated on 1 June 2017.

a WTO document WT/BOP/N/79 of 7 April 2015.

Source: WTO Secretariat.

1.28. The current account of Ecuador's balance of payments is marked by certain specific structural characteristics, such as a traditional deficit in the services balance, a substantial deficit in the income account balance and a strong reliance on current transfers, in particular remittances. The deficit on the income account stems mainly from payments related to direct and other investment in Ecuador, linked to a large extent to the petroleum sector and to mining activities. The deficit on the income account increased considerably between 2011 and 2017, when it reached USD 2,354 million (2.3% of GDP), compared to USD 1,257 million in 2011 (Table 1.5). The increase in the income account deficit was due to higher dividend and royalty payments for foreign direct investment. The surplus in the transfer account remained high throughout the period under review and reached USD 2,665 million, or 2.6% of GDP, in 2017. Transfers decreased slightly in 2014 and 2015, but picked up again starting in 2016, reflecting an increase in remittances, which climbed to just over USD 2,600 million that year and to USD 2,840 million in 2017. Remittances are a significant source of funding for private consumption in Ecuador, as they finance a significant share of imports, of both goods and services, and are an important source of support for domestic demand. They are also behind a good part of household savings.

1.29. Ecuador traditionally runs a capital and financial account surplus, which offsets the current account deficit. Traditionally, the main source of capital flows into the country has been direct investment usually, but not always, related to the oil sector. This type of investment has, however, dwindled since 2014 and been replaced by portfolio investment. Portfolio investment inflows primarily relate to foreign debt securities issued by Ecuador. The capital and financial account deficit posted in 2016 resulted primarily from the fall in direct investment that ensued from the drop in oil prices.

1.30. After increasing in 2011, international reserves declined considerably in 2012, owing mainly to the decline in current transfers. Ecuador resorted to foreign loans and other types of financing to boost international reserves in 2013, when they peaked at USD 4,360 million. By end-2014, however, this level had declined to USD 3,949 million. The decline continued in the first three months of 2015 and was the decisive factor in the decision to implement the balance-of-payments safeguard

(Box 1.2). Although the measure helped slow the fall in reserves, they declined to USD 2,496 million at 31 December 2015, enough to cover just one month of future imports of goods and services. The fall in imports, partly caused by the safeguard and the increase in external debt, caused international reserves to increase to USD 4,259 million in 2016 (Table 1.6). In 2017, international reserves decreased to USD 2,451 million owing to increased imports of goods, a higher income account deficit and a negative flow of debt-related overseas payments. International reserves at 30 September 2018 totalled USD 2,963 million as exports of goods picked up and the services balance improved.

Table 1.6 International reserves (end of period), 2011-2018[a]

(USD million)

	2011	2012	2013	2014	2015	2016	2017	2018[a]
1. Net foreign exchange position (1.1+1.2+1.3)	1,597.6	469.2	3,088.2	3,237.4	1,884.6	3,721.8	1,622.3	1,865.5
1.1 Cash	649.3	244.2	360.4	361.0	434.6	357.7	431.4	555.2
1.2 Net deposits in banks and financial institutions abroad	295.4	225.0	1,428.7	1,193.1	560.7	331.5	217.0	233.4
1.3 Investments, term deposits and securities	652.9	-	1,299.1	1,683.3	889.3	3,032.5	973.9	1,076.9
2. Gold	1,293.3	1,402.6	1,023.5	464.9	410.5	456.4	772.8	779.8
3. SDRs	23.1	24.2	27.9	25.9	24.6	21.0	15.3	7.7
4. IMF reserve position	43.8	43.8	43.9	41.3	39.6	38.3	40.6	39.8
5. LAIA position	-0.2	542.7	177.0	179.5	136.8	21.3	0.0	-0.2
International reserves (1+2+3+4+5+6)	**2,957.6**	**2,482.5**	**4,360.5**	**3,949.1**	**2,496.0**	**4,258.8**	**2,451.1**	**2,963.0**

a At 30 September.

Source: Online information from the Central Bank of Ecuador. Viewed at: https://contenido.bce.fin.ec/documentos/Estadisticas/SectorMonFin/RILD/RI.xls.

1.31. The public sector's consolidated external debt reached USD 39,500 million at the end of 2017 (37.9% of GDP), up significantly from its 2011 level (USD 15,200 million, or 19.2% of GDP).

1.6 Developments in trade and investment

1.6.1 Trends and patterns in merchandise and services trade

1.32. According to the information provided by the authorities and data from Comtrade (which may differ from the balance-of-payments data), Ecuador's merchandise exports (f.o.b.) in 2017 totalled USD 19,122 million, a 14.4% decrease compared to 2011 (USD 22,343 million), while merchandise imports (c.i.f.) amounted to USD 19,845 million, an 18.3% drop compared to 2011 (USD 24,286 million). The fall in the value of exports can be traced back largely to the decrease in the value of oil exports resulting from the lower international crude oil prices. The fall in imports reflects the weakness of domestic demand and the effects of the balance-of-payments safeguard implemented by Ecuador between March 2015 and 1 June 2017.

1.6.1.1 Composition of merchandise trade

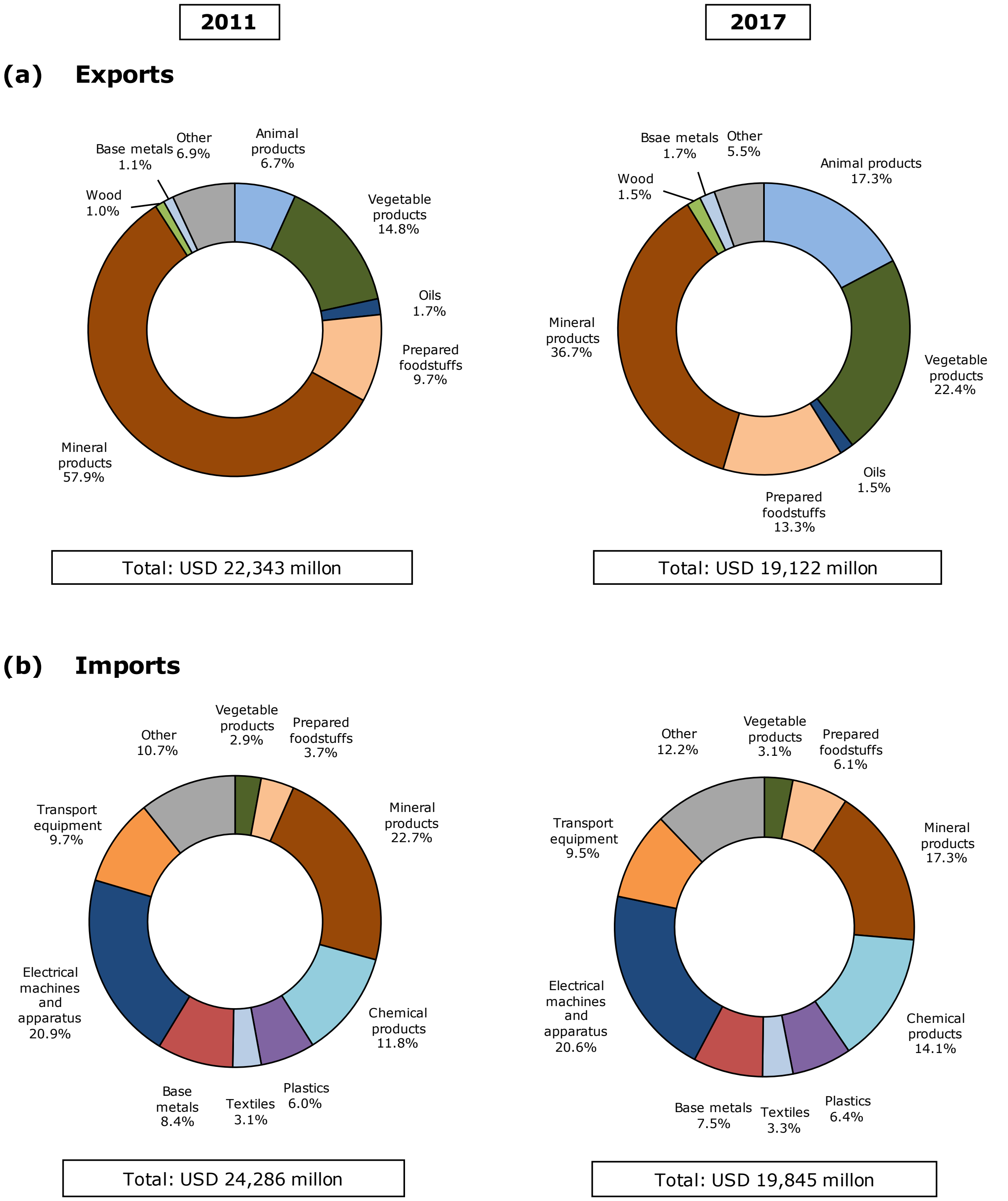
1.33. Despite the sharp fall in their prices, mineral products, in particular petroleum, are Ecuador's main export goods. In 2017, they accounted for some 36.7% of total exports, compared to 57.9% in 2011.[17] Agricultural products are the second largest export category. In 2017, exports of vegetable products accounted for 22.4% of total exports, compared to 14.8% in 2011, with bananas being the principal agricultural export. Exports of fish and crustaceans increased substantially during the review period, representing 17.2% of total exports in 2017 compared to 6.6% in 2011. In this category, the primary product is shrimp, which, along with bananas, is Ecuador's main non-oil export. Another growth category among exports during the period under review was food preparations and beverages, whose share of total exports increased from 3.7% in 2011 to 6.1% in 2017 (Chart 1.1 and Table A1.1). Canned tuna exports also did well in this sector.

1.34. Manufactured goods accounted for more than two-thirds of Ecuador's imports. In 2017, the main import categories were machinery and mechanical appliances (20.6% of the total), chemical products (14.1%) and automotive products (9.4%) (Chart 1.1 and Table A1.2). Imports of

[17] Comtrade figures using SITC classification.

fuel, particularly refined petroleum, contracted sharply during the period, decreasing from around 22.3% of total imports in 2011 to 17% in 2017. The still relatively high share of mineral imports in total imports is explained by the fact that, although it is a major oil producer, Ecuador has insufficient refining capacity to meet domestic demand for refined products and imports oil derivatives such as diesel, gasoline and liquefied petroleum gas.

Chart 1.1 Merchandise trade by main products, 2011 and 2017



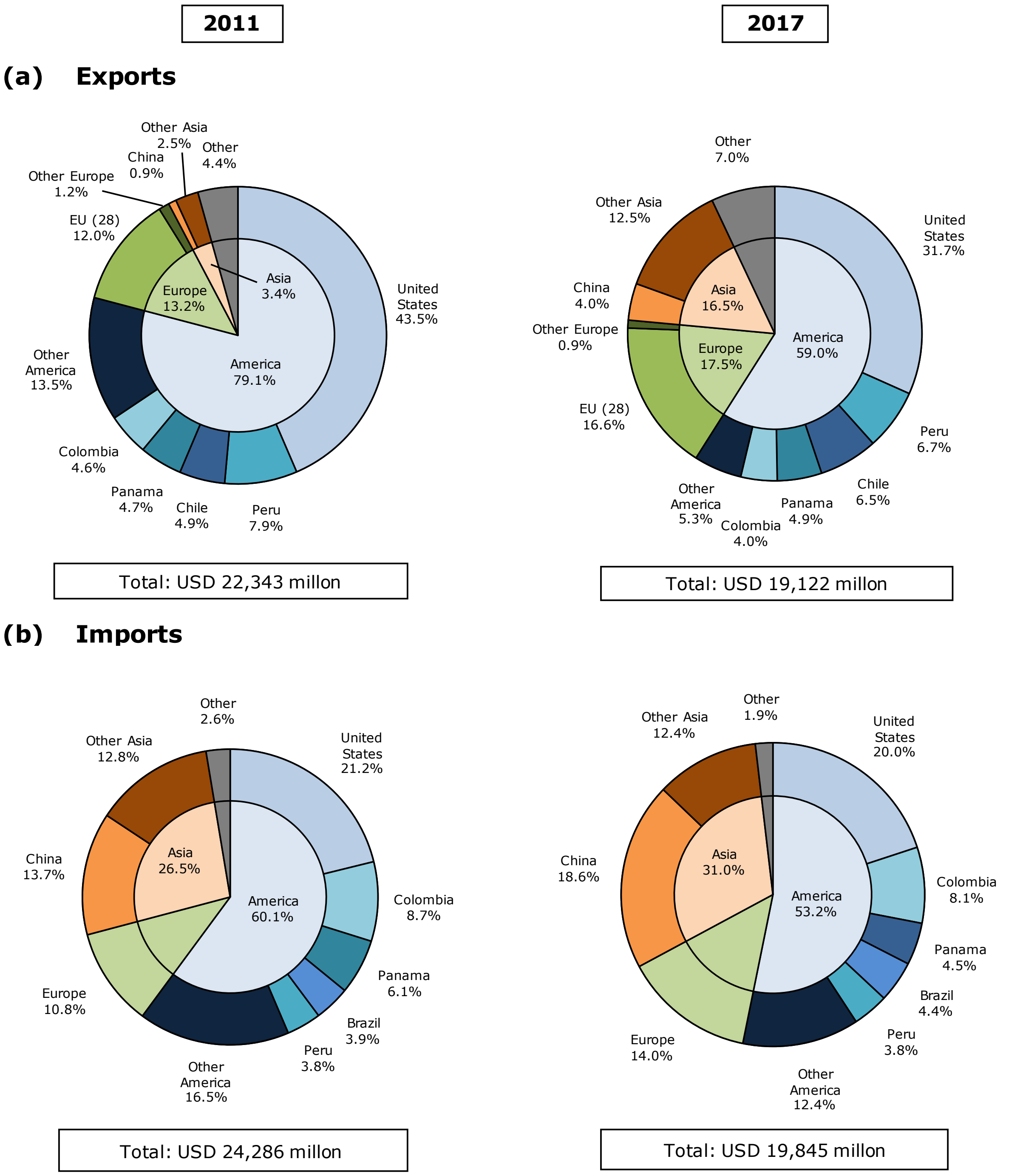
Source: WTO Secretariat estimates based on data from the Comtrade database.

1.6.1.2 Direction of trade

1.35. The principal destinations for Ecuador's merchandise exports continue to be its trading partners in the Americas, although their share of the total declined considerably during the period under review, from 79.1% in 2011 to 59% in 2017. The main destination for Ecuador's exports is the United States, which received 31.7% of total exports in 2017 compared to 43.5% in 2011, followed by the EU (28) (16.6% of the total in 2017 compared to 12% in 2011), and, within the Americas, Peru (6.7%), Chile (6.5%), Panama (4.9%) and Colombia (4%) (Chart 1.2). The geographical distribution of Ecuador's exports underwent significant changes between 2011 and 2017. For example, Viet Nam became an important market for Ecuador's exports, accounting for only 0.2% of total exports in 2011, but 7.6% in 2017. China's share in total exports went from 0.9% in 2011 to 4% in 2017, while the Russian Federation's share went from 3.1% in 2011 to 4.4% in 2017 (Chart 1.2 and Table A1.3).

1.36. Ecuador's merchandise imports also come mainly from its trading partners in the Americas, which accounted for 53.2% of total imports in 2017, compared to 60.1% in 2011. The main sources of imports in 2017 were the United States (20% of the total), China (18.6%), the EU (28) (13.1%), Colombia (8.1%), Panama (4.5%), Brazil (4.4%) and Peru (3.8%). During the period under review, the Americas' share of Ecuador's imports decreased while China's increased.

Chart 1.2 Merchandise trade by trading partner, 2011 and 2017



Source: WTO Secretariat estimates, based on UNSD Comtrade database and data provided by the authorities for the year 2014.

1.6.1.3 Trade in services

1.37. Ecuador traditionally runs a large services balance deficit due mainly to its deficit in transportation and some other services. This structural deficit has generally been in the range of 1.2%-2% of GDP and has been one of the factors leading to the posting of a current account deficit. During the review period, there was an important increase in travel receipts, which helped lower somewhat the traditional services balance deficit since 2014. The deficit decreased from USD 1,563 million in 2011 to USD 1,054 million in 2016, and then to USD 994 million in 2017

(Table 1.7). The deficit dropped to USD 80 million in the first half of 2018, mainly owing to a significant increase in the travel category.

Table 1.7 Trade in services, 2011-2018 Q2

(USD million)

	2011	2012	2013	2014	2015	2016	2017	2018 Q2
Services provided (exports)	**1,587**	**1,804**	**2,041**	**2,346**	**2,391**	**2,140**	**2,300**	**1,477**
Transport	**399**	**409**	**436**	**437**	**444**	**410**	**414**	**205**
Maritime transport	359	371	392	394	402	370	370	181
Passenger	0	0	0	0	0	0	0	0
Freight	291	298	316	315	346	318	311	149
Other	68	73	76	79	56	52	59	32
Port charges	15	16	16	17	12	11	13	7
Cargo handling	15	16	17	18	13	12	13	7
Commission and brokerage	18	19	20	20	14	13	15	8
Crew accommodation and food	11	12	12	13	9	8	9	5
Other (charters of less than one year, with crew)	10	11	11	11	8	8	9	5
Air transport	39	38	44	43	42	40	44	25
Passenger	6	6	5	5	6	6	6	4
Freight	28	27	35	35	33	32	35	20
Other	5	4	4	3	3	3	2	1
Airport charges	1	1	1	1	1	1	1	0
Cargo handling	1	1	1	1	1	1	1	0
Commission and brokerage	1	1	1	1	1	1	1	0
Crew accommodation and food	1	1	1	1	1	1	1	0
Other (charters of less than one year, with crew)	0	0	0	0	0	0	0	0
Land transport	0	0	0	0	0	0	0	0
Passenger	0	0	0	0	0	0	0	0
Freight	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0
Travel	**843**	**1,033**	**1,246**	**1,482**	**1,551**	**1,444**	**1,657**	**1,153**
Business	218	267	322	383	401	373	428	298
Personal	626	766	924	1,099	1,151	1,071	1,229	855
Other services	**345**	**363**	**359**	**427**	**396**	**286**	**229**	**119**
Communication services	160	144	126	111	88	66	42	16
Construction services	0	0	0	0	0	0	0	0
Insurance services	0	0	0	0	0	0	0	0
Financial services	0	0	0	96	98	41	38	29
Computer and information services	0	0	0	0	0	0	0	0
Royalties and licence fees	0	0	0	0	0	0	0	0
Other business services	0	0	0	0	0	0	0	0
Personal, cultural and recreational services	82	100	110	99	74	43	20	5
Rentals of films, videos, etc.	42	51	56	51	38	22	10	3
Public performances (artists)	22	27	30	27	20	12	5	1
Press subscriptions, newspapers and magazines	10	12	13	12	9	5	2	1
Other	8	10	11	10	7	4	2	1
Government services	104	119	124	121	136	136	129	68
Services received (imports)	**3,150**	**3,198**	**3,461**	**3,517**	**3,197**	**3,194**	**3,294**	**1,557**
Transport	**1,762**	**1,708**	**1,709**	**1,744**	**1,510**	**1,238**	**1,471**	**739**
Maritime transport	1,147	1,070	1,041	1,085	874	614	797	407
Passenger								
Freight	1,072	1,000	972	1,014	817	573	745	380
Other	75	70	68	71	57	40	52	27
Port charges	18	17	16	17	13	9	12	6
Cargo handling	17	16	16	17	13	9	12	6
Commission and brokerage	13	12	12	12	10	7	9	5
Crew accommodation and food	14	13	13	13	11	8	10	5
Other (charters of less than one year, with crew)	13	12	12	12	10	7	9	5
Air transport	551	564	604	594	589	580	623	305
Passenger	323	333	366	355	355	373	399	191
Freight	146	147	144	149	142	111	123	66
Other	82	84	95	90	91	96	102	48
Port charges	21	22	24	23	23	25	26	12
Cargo handling	21	22	25	23	24	25	26	13
Commission and brokerage	13	14	15	15	15	16	17	8
Crew accommodation and food	14	14	16	15	15	16	17	8
Other (charters of less than one year, with crew)	13	13	15	14	14	15	16	7
Land transport	64	74	64	65	47	45	51	26
Passenger	0	0	0	0	0	0	0	0
Freight	64	74	64	65	47	45	51	26

	2011	2012	2013	2014	2015	2016	2017	2018 Q2
Other	0	0	0	0	0	0	0	0
Travel	**594**	**611**	**622**	**635**	**639**	**661**	**687**	**324**
Business	161	166	169	172	173	179	187	90
Personal	433	445	454	462	465	482	500	235
Other services	**795**	**879**	**1,130**	**1,138**	**1,048**	**1,295**	**1,136**	**494**
Communication services	19	16	13	10	9	8	7	4
Construction services	0	0	0	0	0	0	0	0
Insurance services	290	325	413	383	241	480	463	202
Financial services	22	46	130	143	207	219	132	59
Computer and information services	0	0	0	0	0	0	0	0
Royalties and licence fees	66	90	126	111	72	46	30	11
Other business services	101	77	80	82	85	88	78	35
Personal, cultural and recreational services	188	210	237	270	310	333	324	139
Rentals of films, videos, etc.	150	168	189	216	248	267	259	111
Public performances (artists)	25	28	32	36	41	44	43	19
Press subscriptions, newspapers and magazines	13	14	16	18	21	22	22	9
Other	0	0	0	0	0	0	0	0
Government services	110	115	131	139	123	121	102	43
BALANCE	**-1,563**	**-1,394**	**-1,420**	**-1,171**	**-805**	**-1,054**	**-994**	**-80**

Note: The services balance includes the reprocessing of freight, in connection with imports of petroleum derivatives, from the second quarter of 2012.

Source: Central Bank of Ecuador.

1.6.2 Trends and patterns in FDI

1.38. As an oil exporter, Ecuador has traditionally benefited from significant FDI flows. However, FDI has been declining since 2015, partly because with the lower crude oil prices there is less investment in the oil sector. The manufacturing and trade sectors were also affected by the lower levels of investment flows (Table 1.8).

Table 1.8 Direct investment by activity, 2011-2018 Q2

(USD thousand)

	2011	2012	2013	2014	2015	2016	2017	2018 Q2
Total	644,072	567,487	727,033	772,270	1,322,490	767,414	618,432	529,983
Agriculture, forestry, hunting and fisheries	449	17,835	20,752	38,903	67,781	41,873	124,601	37,504
Trade	77,696	83,341	110,247	148,546	172,872	122,224	101,968	28,805
Construction	50,534	31,578	69,196	4,744	6,834	30,465	59,133	15,281
Electricity, gas and water	-10,825	46,447	29,201	-4,671	61,758	1,195	2,129	-7,772
Mining and quarrying	379,202	224,945	252,886	685,578	559,834	462,759	68,277	273,989
Manufacturing	121,927	135,596	137,918	107,722	264,101	37,503	144,210	54,177
Community, social and personal services	27,824	1,699	-2,319	14,072	-10,834	-1,886	-3,857	1,962
Business services	44,697	39,479	117,682	24,355	243,772	33,251	75,003	74,039
Transport, storage, and communication	-47,433	-13,433	-8,530	-246,981	-43,628	40,033	46,967	51,997

Source: Central Bank of Ecuador-SIGADE, Agency for Hydrocarbons Regulation and Control (ARCH), Hydrocarbons Secretariat (SHE) and the Supervisory Authority for Companies, Securities and Insurance.

1.39. The leading investors in Ecuador during the review period were Argentina, Canada, Chile, China, Colombia, Peru, the United States, Uruguay, the Bolivarian Republic of Venezuela, and several European Union member countries (principally France, Italy, the Netherlands and Spain, among others). Investment flows by country have fluctuated considerably during the period under review (Table 1.9).

Table 1.9 Direct investment by country, 2011-2018 Q2

(USD thousand)

	2011	2012	2013	2014	2015	2016	2017	2018 Q2
AMERICA	**450,363**	**328,819**	**413,835**	**436,900**	**697,778**	**167,951**	**247,371**	**326,399**
United States	11,621	93,513	41,913	10,099	186,172	87,598	34,965	19,273
ANDEAN COMMUNITY	**52,369**	**38,858**	**30,564**	**48,515**	**205,387**	**34,976**	**33,488**	**77,550**
Bolivia	46	2	0	1,857	10	725	0	**1**
Colombia	21,069	8,158	-1,286	19,683	13,863	24,557	13,844	2,690
Peru	7,173	12,762	11,731	6,673	169,533	6,110	9,056	12,406
Venezuela, Bolivarian Republic of	24,081	17,937	20,119	20,302	21,980	3,584	10,588	67,834
REST OF AMERICA	**386,373**	**196,448**	**341,358**	**378,286**	**306,219**	**45,377**	**178,918**	**229,577**
Argentina	27,442	25,339	19,096	14,002	14,161	8,636	9,043	4,127
Bahamas	10,890	-4,403	5,535	-15	0	50	5	0
Barbados	18,086	25,937	-214	-214	-214	2,064	-1,062	-107
Belize	1	50	139	3,567	69	1,872	0	0
Bermuda	1,984	6,924	6,790	61	24	52	4,222	8,418
Brazil	10,028	955	37	-8,460	2,437	3,127	334	1,672
Canada	252,206	59,071	28,444	229,079	73,768	-43,935	-75,748	91,820
Chile	15,530	15,895	23,506	18,189	77,627	14,420	44,638	24,769
Costa Rica	19,762	4,414	9,210	17,343	7,688	6,779	19,135	2,450
Cayman Islands	-62,819	-101,950	1,500	12	0	0	68,834	15.8
Dominican Republic	493	1	201	100	49	25	52	0
Mexico	70,133	83,136	91,031	4,196	1,613	7,607	6,897	59,911
Netherlands Antilles	-5,427	-1,636	-18,259	-5,415	-395	-193	0	**0**
Panama	32,350	25,205	54,503	27,575	17,608	24,539	21,709	1,766
Uruguay	2,746	6,488	115,211	62,461	43,032	385	60,865	28,393
Virgin Islands	-7,567	50,801	4,388	15,761	57,208	15,767	15,170	455.8
Other countries	535	221	239	44	11,545	4,184	4,823	7,557
EUROPE	**107,309**	**118,873**	**189,540**	**178,741**	**464,623**	**542,487**	**131,052**	**177,663**
Austria	0	1,419	1,013	1,830	26	28	13	0
Belgium and Luxembourg	15,850	-4,509	-1,689	-4,114	-5,696	2,498	-16,935	-3,041
Denmark	14	10	1,402	0	79	0	5	0
Finland	-11,205	-6,211	-4,000	-31,868	-18,066	-26,562	-890	0
France	-1,653	-1,510	-944	-24,472	19,975	-15,455	-2,664	5,018
Germany	-1,878	-128	558	11,688	6,623	142	2,779	8,267
Iceland	0	0	0	0	0	0	0	0
Ireland	-653	0	5	4	0	0	8	29
Italy	25,124	27,410	60,673	27,187	25,208	43,090	19,280	6,620
Netherlands	6,885	10,517	48,321	75,956	293,401	381,876	40,285	86,663
Norway	19	1	178	0	3	0	0	0
Romania	676	60	1,036	0	0	0	0	1
Slovenia	0	0	0	0	0	0	0	0
Spain	52,256	49,843	70,573	67,322	71,164	102,303	80,017	64,588
Sweden	-1,499	3,362	-2,855	444	28,680	1,125	-499	1,860
Switzerland	7,995	17,737	8,684	28,404	18,708	18,525	-2,482	4,890
United Kingdom	14,831	18,707	1,270	25,377	20,611	34,385	11,152	2,747
Other countries	547	2,164	5,314	981	3,908	532	984	23
ASIA	**79,046**	**87,035**	**97,713**	**83,493**	**123,048**	**78,451**	**96,337**	**26,322**
China	80,128	85,867	94,326	79,032	113,877	57,835	84,677	22,561
Cyprus	0	0	0	0	0	0	0	0
Israel	-59	44	2	210	97	13	68	125
Japan	200	300	300	78	444	8,000	-7,996	0
Korea, Republic of	88	68	809	794	22	1	3,072	176
Philippines	0	0	0	0	0	0	25	0
Russian Federation	265	80	11	61	305	117	191	260
Singapore	-1,802	50	2,189	2,969	-369	11,761	3,447	-203
Chinese Taipei	-426	-663	-53	0	0	1	0	0
Other countries	651	1,290	129	349	8,672	722	12,853	3,403

	2011	2012	2013	2014	2015	2016	2017	2018 Q2
AFRICA	**101**	**33**	**1,055**	**1**	**1**	**1**	**6,102**	**15**
Algeria	0	0	0	0	0	0	0	0
Equatorial Guinea	0	0	0	0	0	0	0	0
Liberia	0	0	705	0	0	0	0	0
Other countries	101	33	350	1	1	1	6,102	15
OCEANIA	**7,188**	**8,376**	**-4,300**	**25,964**	**33,654**	**3,656**	**103,944**	**33,484**
Australia	6,502	2,759	-4,300	-4,601	102	1	46	32,484
New Zealand	686	5,617	0	30,565	33,553	3,655	103,898	1
Samoa	0	0	0	0	0	0	0	0
OTHER	**41**	**24,327**	**29,129**	**47,146**	**3,359**	**-37,204**	**27,172**	**-450**
TOTAL	**644,048**	**567,463**	**726,972**	**772,245**	**1,322,465**	**755,342**	**611,978**	**529,983**

Source: WTO Secretariat, based on information provided by the authorities.

2 TRADE AND INVESTMENT REGIMES

2.1 General framework

2.1. Ecuador is a republic with a presidential system and five independent Branches of Government: the Executive, the Legislature, the Judiciary, the Electoral Branch and the Transparency and Social Control Branch. The Constitution of the Republic (2008) is the supreme law in the Ecuadorian legal order. Ecuador has continued to reform its legal framework in many areas in order to align it with the provisions of the 2008 Constitution.

2.2. During the review period a referendum was held to amend the Constitution, leading to the adoption of constitutional reforms that were incorporated into the Constitution of Ecuador on 14 February 2018. Those reforms are currently in force. They include: (i) the removal of the indefinite re-election of public servants elected by suffrage; (ii) the restructuring of the Council of Citizen Participation and Social Control (CPCCS, see below); (iii) the prohibition on conducting any type of metallic-mining-related activity in protected areas (areas of significant biological wealth), and in urban centres; and (iv) an increase in the penalties imposed on persons convicted of acts of corruption.[1]

2.3. The President of the Republic, who is the Head of State and of Government, is elected on a ticket with the Vice-President by universal suffrage for four-year terms, and may be re-elected only once.[2] The President is responsible for determining foreign policy and signing international agreements. Only the President is empowered to propose draft laws on the introduction, amendment or abolition of taxes, and to present the annual budget of the Republic to the legislature.[3]

2.4. The Executive Branch is led by the President and comprises the Vice-President and Ministries, many State Secretariats and associated public institutions. Ministers are appointed by the President.[4]

2.5. Legislative power is exercised by the National Assembly (equivalent to a Parliament), a unicameral body comprising 137 members who are elected by universal suffrage for four-year terms and may be re-elected for only one further consecutive term.[5] The Constitution lists those matters that must be governed by law (statutory matters) including the exercise of constitutional rights, the creation or abolition of taxes, the definition of State bodies' powers and the introduction of new offences and penalties.

2.6. "Organic laws", which require an absolute majority of the National Assembly in order to be adopted, are laws that regulate: the organization and functioning of the institutions established under the Constitution; the exercise of constitutional rights; the functioning and powers of the decentralized autonomous governments; and the electoral and party political systems.[6] All other laws are referred to as "ordinary" laws; they cannot amend or take precedence over an organic law and must also be approved by an absolute majority of the members of the National Assembly.[7]

2.7. The Judiciary and the Indigenous Justice Branch operates through the National Court of Justice (CNJ), the provincial courts, the tribunals, and magistrate's courts. The CNJ is the highest body in the administration of justice and has jurisdiction over the whole of the national territory. The CNJ comprises 21 judges appointed for nine-year periods across six chambers specializing in particular areas of law.[8] The Council of the Judiciary governs and disciplines the judiciary; its powers include

[1] National Electoral Council online information. Viewed at: http://cne.gob.ec/es/institucion/sala-de-prensa/noticias/4349-el-si-gana-en-las-siete-preguntas-del-referendum-y-consulta-popular-2018 and information supplied by the authorities.
[2] Article 144 of the Constitution.
[3] Articles 135, 301 and 305 of the Constitution.
[4] Article 303 of the Constitution.
[5] National Assembly online information. Viewed at: http://www.asambleanacional.gob.ec/es/pleno-asambleistas.
[6] Article 133 of the Constitution.
[7] Organic Law on Legislative Responsibilities, Article 53.
[8] There are six chambers specializing in the following areas: administrative law, tax law, criminal law, civil and commercial law, labour law and family law. Article 182 of the Constitution, and information viewed at: http://www.cortenacional.gob.ec/cnj/index.php/component/k2/item/100.

appointing members of the CNJ[9] and determining the organic structure of courts and tribunals.[10] The Council of the Judiciary comprises five members and their respective alternates, who are in turn elected by the Council of Citizen Participation and Social Control (CPCCS).[11]

2.8. The Constitutional Court (CC) resolves objections that arise on constitutional matters submitted to it by the President of the Republic during the legal drafting process, and can rule *ex officio* on the constitutionality of the related legislation. The CC is also responsible for examining the constitutionality of treaties signed by the President of the Republic prior to their approval by the National Assembly. The judgments of the CC are binding and become part of the Constitution. The CC comprises nine judges elected for nine-year periods who cannot be immediately re-elected upon the expiry of their term. One third of the judges are renewed every three years.[12]

2.9. The Office of the Attorney-General of the State (PGE) represents the State in legal proceedings and provides legal advice to public-sector bodies. The PGE verifies the legality of the acts and contracts performed by public-sector bodies.[13] The Office of the Comptroller General of the State (CGE) is the body responsible for overseeing the use of state resources.[14]

2.10. In terms of its territory, the Ecuadorian State is organized into geographical regions (4), provinces (24), cantons (223) and parishes (1,041).[15] The Constitution specifies the exclusive powers attributed to each level of government.

2.11. The regions are governed by Decentralized Autonomous Governments (GAD). The GADs can perform a regional planning role and design the policies required for regional development. The GADs can also issue regional legislation and share in the revenue generated by the exploitation of natural resources in their territories.[16]

2.12. The Constitution is the highest-ranking law in Ecuador followed, in descending order, by international treaties and conventions; organic laws; ordinary laws; regional regulations and district ordinances; decrees and regulations; ordinances; agreements and resolutions; and other acts and decisions issued by the authorities (Table 2.1).[17] The power to ratify or terminate trade agreements or treaties that involve or have a bearing on the country's economic policy lies with the President, subject to the prior approval of the National Assembly.[18]

Table 2.1 Hierarchy of legislation in Ecuador

Order	Detail
Constitution	Drafted by the Constituent National Assembly and subsequently put to a constitutional referendum.
International treaties and conventions	The President of the Republic is responsible for their signature or ratification. The President must also immediately inform the National Assembly of all the treaties he signs, stating their precise nature and content.
Organic and ordinary laws	The issuance, amendment and repeal of organic laws, as well as interpretations thereof that are generally mandatory, requires an absolute majority of the members of the National Assembly. The other laws are ordinary laws, which cannot amend or prevail over an organic law.
Regional regulations	The autonomous regional governments, usually decentralized institutions that have political, administrative and financial autonomy, are responsible for formulating these regulations.
District ordinances	Formulation is the responsibility of the governments of the autonomous metropolitan districts, i.e. special systems of government at cantonal level that were introduced in response to concentrations of population and the conurbation process.

[9] Article 183 of the Constitution.
[10] Article 186 of the Constitution.
[11] Article 179 of the Constitution.
[12] The nine judges of the Constitutional Court are elected by a committee comprising six members: two from the Executive two from the Legislature, and two from the CPCCS. Articles 432 and 434 of the Constitution.
[13] Article 237 of the Constitution.
[14] Article 211 of the Constitution.
[15] Article 242 of the Constitution.
[16] Articles 262 and 274 of the Constitution.
[17] Article 425 of the Constitution.
[18] Article 419 of the Constitution.

Order	Detail
Decrees and regulations	These are decisions of a general or specific nature taken by the President of the Republic in order to lead the government effectively.
Provincial and cantonal ordinances	Formulation is the responsibility of the provincial and municipal governments respectively; their aim is to plan out provincial and regional development and to draw up local land plans that dovetail with national, regional, cantonal and parish plans in order to regulate land cover and land use in urban and rural areas.
Agreements and resolutions	The powers of the National Assembly that do not involve the passing of legislation are exercised through agreements and resolutions.

Source: Information provided by the authorities.

2.13. The power to introduce draft laws lies chiefly with the President of the Republic or members of the National Assembly (supported by at least 5% of National Assembly members or a *bancada legislativa* – legislative bench).[19] Draft laws can also be introduced by the other Branches of the State in the areas within their competence; or by other public institutions such as the CC and the PGE; or by citizens or civil associations if the draft is supported by 0.25% of registered voters.[20] However, only the President of the Republic can table draft laws that introduce, amend or abolish taxes, increase public spending or alter the country's administrative-political structure[21] (Box 2.1). The President may also send the National Assembly urgent draft laws on economic matters. The Assembly must approve, amend or reject a draft law within 30 days of its receipt. If the Assembly fails to approve, amend or reject a draft law within the time allowed, the President will enact it as a decree-law.

Box 2.1 Legislative procedure

Stage one
Presentation of the draft law to the President of the National Assembly. The draft may refer to a single matter and the presentation must include the grounds, the proposed articles and the norms that would have to be amended or repealed if the draft is approved. The draft is debated twice and discussed in the relevant parliamentary committee. In order to move on to stage two, a draft must be approved by an absolute majority (favourable vote of half the members of the National Assembly plus one) (draft organic law) or a simple majority (favourable vote by half plus one of the members of the National Assembly present at the plenary session) (draft ordinary law).
Stage two
Once approved by the National Assembly the draft is forwarded to the President of the Republic, who may: (i) Approve the draft. The text will be enacted as law. If the President fails to make a decision within 30 days the draft will be deemed approved. (ii) Reject the draft in its entirety. The progress of the draft is halted for one year and may only be processed after one year has elapsed since the date of the rejection. Once that period has expired the National Assembly may debate it once more and vote. If the draft receives a favourable vote from two thirds of members it will be enacted as law. (iii) Reject the draft in part. The President of the Republic can submit an alternative text that can include only the aspects covered in the original draft, and send it back to the National Assembly.
Stage three
Consideration of a draft law rejected in part. The rejected draft will be discussed in a single debate at the National Assembly within a period of 30 days and may be: (i) Adopted as amended by a favourable vote of the majority of members present. (ii) Approved as initially submitted by a favourable vote of two thirds of members.

Source: Articles 134-140, Political Constitution of the Republic of Ecuador.

2.14. The Ecuadorian Constitution provides for a mechanism for consulting the people on the establishment, amendment or repeal of legislation (referendum on constitutional and legislative matters). The bodies empowered to use this mechanism are: the President of the Republic (acting

[19] Political parties or movements that hold at least 10% of the seats in the National Assembly can form a *bancada legislativa*. Representatives of one or more political parties that do not meet the required minimum percentage individually but can do so jointly may also form a *bancada legislativa* (Article 116 of the Organic Law on Legislative Responsibilities).
[20] Article 134 of the Constitution.
[21] Article 135 of the Constitution.

on his/her own initiative); the DAGs (legislation on matters within their jurisdiction where they are supported by three quarters of the members of the Government); or citizens supported either by at least 5% of eligible voters (national consultation), or by no less than 10% of eligible local voters (local consultation). The President alone can call a referendum on matters concerning taxation or the administrative-political structure of the country. The Constitutional Court must examine the constitutionality of proposed referendums.[22]

2.15. The CPCCS is an autonomous State body comprising seven principal councillors and seven alternates elected by universal suffrage every four years from among the candidates put forward by social organizations and citizens. Among other duties, the CPCCS is authorized to make appointments to certain offices such as the State Prosecutor and the National Electoral Council.[23] The outcome of the referendum of February 2018 was a decision to restructure the CPCCS and terminate the mandate of the members in office earlier than envisaged.

2.2 Trade policy formulation and objectives

2.16. The general outline of Ecuador's trade policy is set out in the 2008 Constitution and has not been amended during the review period. In accordance with the Constitution, the aims of any State policy or programme must be subject to the provisions of the National Development Plan (PND) which is mandatory for the public sector and for other sectors.[24] The National Secretariat of Planning and Development (SENPLADES) draws up the PND with participation from the other State institutions and citizens.

2.17. Under the Constitution, the objectives of trade policy are to: (i) develop, strengthen and invigorate domestic markets in line with the strategic objectives set out in the National Development Plan (see below); (ii) regulate, promote and implement measures to strategically integrate the country into the global economy; (iii) strengthen the productive base and boost domestic production; (iv) contribute to ensuring food and energy sovereignty with a view to reducing internal disparities; (v) promote the development of economies of scale and fair trade; and (vi) prevent monopolies and oligopolies, particularly in the private sector, and other practices that distort the functioning of the markets.[25]

2.18. The Constitution of the Republic of Ecuador provides that the State will have sole control of "strategic" sectors and of the application of selective import substitution, discouraging imports "that adversely affect domestic industry, the natural world or involve an unnecessary outflow of foreign exchange".[26] Strategic sectors are defined as energy in all its forms, telecommunications, non-renewable natural resources, transport and refining of hydrocarbons, biodiversity and genetic heritage, the radio spectrum, water, and all other sectors determined as such by law.[27] Additionally, under the trade policy outline provided for in the Constitution, the Ecuadorian State must encourage environmentally responsible exports, preferably those that generate higher employment and value added, especially exports from small and medium-sized producers and the crafts sector in particular. The State must encourage imports that are needed in order to attain its development objectives, protect domestic industry, the natural world or public health.[28]

2.19. Amendments to trade policy and trade measures are implemented by means of laws, regulations and resolutions depending on the level of the issuing State entity. Although reforms are within the general scope of the National Development Plan, there are a lot of amendments, especially to the implementation of policies and/or measures. The transparency and predictability of trade policy would benefit from regulatory streamlining and consolidation in order to make it easier to implement the measures adopted and provide some policy continuity.

2.20. During the review period, State institutions in Ecuador have also undergone various changes: ministries, agencies and councils have been created and then merged, abolished or phased out.

[22] Articles 103 and 104 of the Constitution.
[23] Article 208 of the Constitution.
[24] Article 280 of the Constitution.
[25] Article 304 of the Constitution.
[26] Article 306 of the Constitution and National Planning Council (2017) *National Development Plan*, page 66.
[27] Article 313 of the Constitution.
[28] Article 306 of the Constitution.

Established in 2013, the Ministry of Foreign Trade and Investment (MCEI) is currently (2018) the body responsible for foreign trade policy. The MCEI took over the duties of the Vice-Ministry of Foreign Trade and Economic Integration, which reports to the Ministry of Foreign Affairs and Human Mobility. The MCEI is responsible for formulating foreign trade policy; its other duties include: (i) representing and defending the interests of the State in foreign trade matters; (ii) promoting exports and foreign investment; and (iii) regulating imports and strategic selective import substitution.[29] Various institutions assist the MCEI in implementing trade policy (Table 2.2).

Table 2.2 Principal institutions involved in trade policy (31 July 2018)

Ministries and Secretariats	Chief functions
Ministry of Foreign Trade and Investment (MCEI)	•Propose, conduct and coordinate the negotiation of trade agreements and administer and implement the international trade agreements signed by Ecuador. •Promote and coordinate economic integration processes. •Promote Ecuadorian exports of products and services in international markets. •Promote foreign investment and foreign exchange earnings. •Propose and coordinate policies to facilitate access for Ecuadorian exports to international markets in areas such as technical, sanitary, phytosanitary and customs standards. •Propose and implement policies, standards and export and import procedures in accordance with the country's requirements and needs. •Propose and implement incentive and regulatory schemes to increase the value added of exports and ensure integration in international value chains.
Ministry of Foreign Affairs and Human Mobility Vice-Ministry of Foreign Trade, Political Integration and International Cooperation	•Contribute to the process of Latin American integration. •Define a foreign policy based on multilateralism. •Coordinate international relations for the sectoral ministries. •Contribute to formulating international economic and trade policy. •Evaluate trade and economic agreements.
Ministry of the Economy and Finance National Customs Service (SENAE) Legal Directorate for Government Procurement, Administrative Outsourcing and Recruitment National Directorate of State-Owned Companies Development Bank of Ecuador (BDE)	•Customs services and controls for trade transactions. •Define policy on State-owned companies and monitor them. •Coordinate development policies. •Strategic import substitution. •Promoting the export basket. •Market access for industrial products.
Ecuadorian Service for Standardization (INEN)	•Implement and monitor, within its field of competence, Ecuador's WTO commitments.
Ecuadorian Accreditation Agency (SAE)	•Accreditation policy
Ministry of Agriculture and Livestock	•Develop the agro-industrial sector and its internal and external marketing systems. •Define with BanEcuador the thrust of finance policy for the agricultural sector. •Publicize information about production methods and markets. •Foster international cooperation for agricultural development.
Ecuadorian Agency for Agricultural Product Quality Assurance (AGROCALIDAD)	•Agricultural health and safety regulations and systems. •Implementation and monitoring, within its field of competence, of Ecuador's SPS commitments.
Ministry of Aquaculture and Fisheries	•Access to markets in fishery and aquaculture products.
Under-Secretariat for Quality and Safety	•Implement the National Aquatic Animal Health Plan. •Award health accreditation to establishments. •Ascertain compliance with regulations. •Conduct laboratory analyses. •Issue certificates. •Maintain a register of aquatic animal inputs.

[29] Decree No. 25 of 12 June 2013 and online information from the Ministry of Foreign Trade and Investment (MCEI). Viewed at: http://www.comercioexterior.gob.ec/funciones-atribuciones.

Ministries and Secretariats	Chief functions
Under-Secretariat for Fisheries (SRP)	•Develop, manage and coordinate the drafting and implementation of national fisheries policy. •Promote sustainable development of the industry, generating high value added, high-quality products that yield economic and social returns. •Approve price-regulation mechanisms, within its field of competence. •Together with the competent institutions, coordinate access to preferential credit for the fisheries sector. •Annually set the maximum volumes, sizes and species of catches permitted, in accordance with the results of scientific research, technical estimates and the need to conserve bio-aquatic resources.
Under-Secretariat for Aquaculture (SA)	•Develop, draft and apply policies, plans and programmes to regulate and encourage all stages of the production chain to achieve sustainable development of aquaculture. •Propose and recommend the adoption of policies, strategies, plans, programmes, projects and technical legislation related to aquaculture activities. •Monitor compliance with the legislation in force in relation to aquaculture. •Plan, coordinate and publicize programmes for monitoring aquaculture activities.
National Fisheries Institute (INP)	•Provide services and advice to the fisheries and aquaculture sector through scientific research into hydrobiological resources and their ecosystems with a view to sustainable management.
Ministry of Public Health (MSP)	•Price controls on medicinal products.
National Agency for Sanitary Regulation, Control and Surveillance (ARCSA)	•Contribute to improving the National Health System by regulating and monitoring compliance with the sanitary requirements for establishments and products for human use and consumption. •Increase efficiency in the regulation of products for human use and consumption and of establishments covered by its area of competence. •Increase efficiency in the certification, oversight and subsequent control of products and establishments covered by its area of competence.

Source: Information provided by the authorities and online information from the National Secretariat for Planning and Development. Viewed at: http://www.planificacion.gob.ec/wp-content/uploads/downloads/2017/10/Organigrama-Funcion-Ejecutiva_25-05-2017.pdf.

2.21. The Committee on Foreign Trade (COMEX), an interministerial body, is responsible for approving trade policy and regulating all related matters.[30] COMEX is chaired by a representative of the Ministry of Foreign Trade and Investment (MCEI) and is composed *inter alia* of representatives of the following bodies: Agriculture and Livestock; Aquaculture and Fisheries; Industry and Productivity; Economy and Finance; and the National Secretariat of Planning and Development (SENPLADES). The National Customs Service of Ecuador also participates in COMEX but does not have the right to vote.[31]

2.3 Trade agreements and arrangements

2.3.1 WTO

2.22. Ecuador has been a Member of the WTO since 1996. This is the Trade Policy Review Body's third review of the country's trade policy. As at October 2018, Ecuador had not yet submitted its instrument of ratification of the Agreement on Trade Facilitation to the WTO. Ecuador is not a signatory to the Agreement on Trade in Civil Aircraft, and has not yet ratified the Protocol amending the TRIPS Agreement. Ecuador is neither a signatory to the Agreement on Government Procurement nor does it have observer status in the Committee on Government Procurement. Ecuador affords MFN treatment to all its trading partners. It submitted various notifications to the WTO Secretariat during the review period (Table A2.1). Under the framework of the Amending Protocol incorporating the Agreement on Trade Facilitation, Ecuador submitted a notification of its Category A

[30] Article 71 of COPCI.
[31] MCEI online information. Viewed at: http://www.comercioexterior.gob.ec/comex; and Decree No. 25 of 12 June 2013.

commitments, in other words, provisions that the Member will implement by the time the Agreement enters into force (or in the case of a least developed country Member within one year after entry into force).[32]

2.23. During the review period Ecuador has been neither a complainant nor a respondent in any dispute before the WTO, but has participated in 19 disputes as a third party.

2.24. Within the framework of the WTO Ecuador is a member of the following groups in the agriculture negotiations: the Group of Small and Vulnerable Economies, the Group of Article XII Members, the Tropical Products Group, the G-20 (Agriculture), the G-33 ("Friends of Special Products") and the "Friends of Fish" Group.

2.25. During the Buenos Aires Ministerial Conference, Ecuador reaffirmed the importance it attaches to the multilateral trading system and to the outstanding Doha Development Agenda issues. Ecuador believes that trade should be fair and inclusive, so that it benefits both large enterprises and small craft businesses, promoting development offering greater employment opportunities.[33] According to the authorities, Ecuador is of the view that any outcome from the negotiations should prioritize development and special and differential treatment, and take into account flexibilities for developing and least developed countries.

2.3.2 Regional and preferential agreements

2.26. The objectives for trade integration continue to be to prioritize integration in the Andean region, South America and Latin America. According to the Constitution, integration with Latin American and Caribbean countries is a strategic objective of the Ecuadorian State. The Constitution also provides that Ecuador should favour the consolidation of supranational organizations in Latin America, and the signature of international treaties on regional integration.[34]

2.27. Ecuador has nine trade agreements in force with different trading partners and is a member of the Andean Community and the Latin American Integration Association (LAIA).

2.3.2.1 Andean Community

2.28. Ecuador is a signatory to the Andean Subregional Integration Agreement of 1969 which has evolved into what is now the Andean Community (CAN). The Andean Council of Ministers of Foreign Affairs and the Commission of the Andean Community are the bodies within the Andean Integration System responsible for defining a Community strategy aimed at achieving deeper regional integration.[35] The CAN has established a free trade zone for all goods produced in the region and has developed common rules for trade between the member countries; moreover it has facilitated the harmonization of national legislation in the areas of customs, tariff nomenclature, services, agricultural health, technical regulations, trade defence measures and intellectual property.

2.29. The CAN has set a common external tariff. The tariff is not binding and its application has been suspended until each member country can provide the flexibility required to apply common tariff levels pursuant to Decision 805 of 24 April 2015. The CAN member countries may negotiate trade agreements with third countries on a community, individual or joint basis.[36]

2.3.2.2 LAIA

2.30. During the review period three partial scope agreements (AAP) entered into force under the LAIA framework in respect of Ecuador: AAP No. 42 with Guatemala (2013), AAP No. 45 with Nicaragua (2017) and AAP No. 46 with El Salvador (2017).

[32] WTO document WT/PCTF/N/ECU/1 of 7 August 2014.
[33] WTO document WT/MIN(17)/ST/43 of 13 December 2017.
[34] Articles 416 and 423 of the Constitution.
[35] Article 51 of the Cartagena Agreement.
[36] Article 1 of Andean Community Decision No. 598.

2.3.3 Trade agreement with the European Union

2.31. In November 2016 Ecuador signed the Protocol of Accession of Ecuador to the Trade Agreement between the European Union and its Member States, of the one part, and Colombia and Peru, of the other part. The Agreement entered into force in respect of Ecuador on 1 January 2017 and was notified to the WTO that year.[37] The Agreement provides for the liberalization of around 95% of European Union tariff lines for Ecuador and around 60% of Ecuador's tariff lines for the European Union at the time of entry into force. The full implementation period of the agreement is 17 years.[38]

2.3.4 Other trade agreements and arrangements

2.32. Ecuador benefits from the Generalized System of Preferences (GSP) adopted by Australia, the United States, the Eurasian Economic Union, Japan, New Zealand, Norway, Switzerland and Turkey.[39] Ecuador ceased to be a beneficiary under the European Union scheme of preferences in January 2015.[40] In terms of export value, the GSP with the United States extends the highest unilateral benefits to Ecuador with USD 390 million in exports in 2016. In turn, Ecuador was the eighth largest beneficiary of the United States GSP that year.[41] In March 2018 the GSP with that country was reauthorized until December 2020.

2.33. Ecuador is a member of the Global System of Trade Preferences among Developing Countries (GSTP), comprising 43 countries. The GSTP lays down reciprocal concessions between its beneficiaries (except for the least developed countries, which are not required to grant concessions).[42] Ecuador has not signed the Protocol building on the GSTP.

2.4 Investment regime

2.34. The Ecuadorian investment regime is primarily governed by the Constitution of the Republic of Ecuador, the Organic Code of Production, Trade and Investment (COPCI) of 2010, the Organic Law on Internal Taxation (LORTI) of 2004, the Organic Law on the Promotion of Production, Attraction of Investment and Generation of Employment and Fiscal Stability and Balance of 2018, and a number of executive decrees.[43] The COPCI was amended in part in 2014.[44]

2.35. Since its establishment in 2013, the Ministry of Foreign Trade and Investment has been the body responsible for formulating, directing, managing and coordinating investment policy. Responsibility for negotiating and signing international treaties concerning foreign investment lies with the Ministry of Foreign Affairs and Human Mobility.[45] The Strategic Committee for the Promotion and Attraction of Investment (CEPAI)[46] was established in 2017 and replaced the Sectoral Council for Production (CSP) in 2018.[47] The CEPAI comprises the Ministers for Foreign Trade, Foreign Affairs and Human Mobility, and the Economy and Finance, as well as the National Secretary for Planning and Development. Its responsibility is to define policies and programmes to foster, promote and attract investment. It is also responsible for coordinating institutions to promote and attract foreign investment, granting approval to investment contracts, and providing investors with assistance in implementing investment projects.[48]

[37] WTO document WT/REG380/N/1 of 3 March 2017.
[38] European Commission online information. Viewed at: http://www.sice.oas.org/TPD/AND_EU/negotiations/ECU_joins_COL_PER_FTA_e.pdf.
[39] Information provided by the authorities.
[40] European Commission (2015), *The EU's Generalised Scheme of Preferences,* page 22. Viewed at: http://trade.ec.europa.eu/doclib/docs/2015/august/tradoc_153732.pdf.
[41] Online information from the United States Trade Representative. Viewed at: https://ustr.gov/sites/default/files/gsp/GSP%20by%20the%20numbers%20March%2010%202017.pdf.
[42] Article 17 of the Agreement on the Global System of Trade Preferences. Viewed at: http://unctad.org/en/Docs/ditcmisc57_en.pdf.
[43] Decree No. 25 of 20 June 2013 and Decree No. 252 of 22 December 2017.
[44] "Unnumbered" Law of 29 December 2014.
[45] Article 6, Decree No. 252 of 22 December 2017.
[46] Decree No. 252 of 22 December 2017.
[47] Decree No. 440 of 26 June 2018.
[48] Executive Decree No. 252 of 11 January 2018.

2.36. The Constitution provides that the State should promote national and foreign investment but expressly prioritizes national investment.[49] Foreign investment is in addition to national investment in those sectors considered as strategic, namely energy in all forms, telecommunications, non-renewable natural resources, transport and refining of hydrocarbons, biodiversity and genetic heritage, the radio spectrum, and water.[50] In accordance with the Constitution, the State may delegate participation in strategic sectors to joint ventures in which it is the majority shareholder.[51] There are no restrictions on foreign investment in the other sectors and foreign investors must undergo the same procedures and obtain the same authorizations, where applicable, as Ecuadorians.[52] According to Article 14 of the COPCI, new investment does not require authorization of any kind except as expressly provided for in law and as required under the relevant regional ordinances; the requirements set forth therein must be complied with in order to be eligible for incentives.

2.37. Ecuador grants national treatment to foreign investors and guarantees the same level of protection to domestic and foreign investment, subject to the limits set forth in the Constitution, the COPCI and national laws. Foreigners with Ecuadorian residency are considered to be domestic investors when their capital is generated in Ecuador.[53] The Constitution protects the right to property and prohibits confiscation of property. Expropriations are exceptional, must be conducted in a non-discriminatory manner, and are subject to the procedures laid down in law following payment of fair and adequate compensation.[54]

2.38. Domestic and foreign investors' rights include: (i) the freedom to produce and market lawful goods and services, and to freely determine their prices except where specifically regulated in law; (ii) the freedom to import and export goods and services, subject to the exceptions in law; (iii) free transfer of earnings and profits derived from the investment made; (iv) free transfer of earnings from the total or partial sale of the object of investment; and (v) free access to the Ecuadorian financial system and securities market.[55]

2.39. Since 2014, foreign investors investing in medium or large-scale metallic-mining or who invest at least USD 100 million in any other sector of the economy may ask to sign an Investment Contract with the State. The Investment Contract ensures the continuity of tax incentives for the duration of the contract. The contracts are in force for 15 years at most and may be renewed once subject to authorization by the CEPAI.

2.40. Ecuador grants tax incentives for various types of investment: general incentives for investments in any part of the country; sectoral investments for new businesses that are set up in priority sectors[56]; incentives for investments in "depressed areas"; and incentives for public projects implemented by public-private partnerships as established in 2015. There is also an incentives regime for Special Economic Development Zones (ZEDE), which are customs destinations in delimited zones in the national territory that enjoy specific tax incentives (Table 2.3).

2.41. The general incentives include the following: a gradual reduction in income tax (IR) to 22%, in place since 2013, and other IR reductions dependant on the type of investment and other factors; and exemption from the foreign exchange exit tax (ISD) for external finance operations lasting more than one year (Table 2.3).[57] In addition to the general incentives, the incentives scheme for

[49] Article 339 of the Constitution.
[50] Article 313 of the Constitution.
[51] Article 316 of the Constitution.
[52] Article 17 of the Organic Code of Production, Trade and Investment (COPCI).
[53] Article 13 of the COPCI.
[54] Article 18 of the COPCI.
[55] Article 19 of the COPCI.
[56] Priority sectors are defined as those that contribute to strategic import substitution and encourage exports, for example: the agro-industrial sector (fresh, frozen and processed foods); agroforestry products; mechanical engineering; petrochemicals; the pharmaceutical sector; tourism; renewable energy; logistical services; biotechnology; exports of services; development and production of software and hardware services; energy efficiency; construction materials and technology industries (information supplied by the authorities).
[57] Article 24.1 of the COPCI.

"depressed areas"[58] grants investors an additional deduction for the calculation of the IR of 100% of the cost of employing new labour for a period of five years.[59]

2.42. New investment that assists with diversification of the production matrix, "strategic import substitution", export promotion or rural and urban development throughout the country are eligible for the tax incentives allowed under the sectoral and regional development schemes. The incentives include total exemption from IR for five years, depending on the site of the investment and the type of industry concerned; for example, the IR exemption for basic industries is ten years.[60]

2.43. Investors who participate in public projects delivered by Public-Private Partnerships (APP) are eligible for exemption from IR payments (for ten years from the first year of operation), ISD and foreign trade taxes, and for other benefits under the LORTI.[61]

2.44. ZEDEs are customs destinations in delimited zones in the national territory that enjoy specific tax incentives: (i) exemption from the payment of tariffs on foreign goods imported from abroad; (ii) a VAT rate of 0% on imports; (iii) a tax credit for the VAT paid on locally purchased raw materials, inputs and services; (iv) exemption from ISD on imports of goods and services related to their authorized activities and external finance operations; and (v) a 5% reduction in the rate of IR in the Quito and Guayaquil urban areas and full exemption from IR for five years outside those areas.[62]

Table 2.3 Investment incentives

Incentive	Type of incentive
Generally applicable incentives	Progressive corporate income tax reduction of three percentage points until it reaches 22%. A 10% reduction in income tax for reinvestment of profits in technology and productive assets that can trigger innovation. Additional deductions when calculating income tax for the costs involved in job creation or wage rises, the acquisition of new assets for improved productivity and technology, cleaner production and all the incentives set out in this Code. Exemption from the foreign exchange exit tax (ISD) for external finance operations lasting more than one year. Facilities for payment of foreign trade taxes. Additionally: • **Companies that sell shares to their workers** may defer payments of income tax and payments on account for five tax years for all new investment. • **Investment in technology for green production:** when calculating income tax, an additional deduction is to be made of 100% of the cost of purchasing machinery and equipment that will result in cleaner production, the implementation of renewable energy systems (solar, wind or similar energy), or a lower environmental impact. Investment in innovation in medium-sized enterprises: Reduction of 10 percentage points in income tax if profits are reinvested in innovation. Additional deductions in the calculation of income tax for costs under the following headings: • Technical training for research, development and technological innovation (up to 1% of the cost of wages and salaries per year). • Expenditure on productivity improvements within the business (up to 1% of sales). • Costs of promoting the business and its products internationally (up to 50% of promotion and publicity costs).
Incentives for "depressed areas"	All the incentives granted under the generally applicable regime. Additional deduction when calculating income tax of 100% of the cost of employing new labour, for 5 years.

[58] "Depressed areas" are areas of high unemployment.
[59] Article 24.3 of the COPCI.
[60] Article 24.2 of the COPCI.
[61] Article 16 of the Organic Law on Public-Private Partnership and Foreign Investment Incentives of 18 December 2015 (18 December 2015) lists the eligibility requirements for the tax incentives available under the partnership arrangements.
[62] Online information from the Ministry of Industry and Productivity. Viewed at: http://www.industrias.gob.ec/incentivos.

Incentive	Type of incentive
Sectoral and regional development incentives (for new investment/enterprises in priority sectors)[a]	Full exemption from IR for 5 years for new investments located outside the urban limits of Quito and Guayaquil.[b] Additional 100% deduction of the cost of annual depreciation of new, productive fixed assets for 5 years for companies incorporated in any part of the country prior to January 2010. Exemption from income tax for ten years for basic industries[c], calculated as of the first year in which income attributable to the new investment is generated, in any part of the country; for border cantons, the income tax exemption is for 12 years.
Incentives for public projects implemented by public-private partnerships	Ten-year exemption from income tax calculated from the first tax year. Exemption from the foreign exchange exit tax for imports, financing and dividend payments. Exemption from foreign trade taxes for imports related to the project. Exemption from VAT paid on imports related to the project.
Special economic development zones (ZEDE)	Exemption from tariff payments on imported goods. 0% VAT rate for imports. Tax credit for the VAT paid on locally purchased raw materials, inputs and services. Exemption from the foreign exchange exit tax for imports or for external finance payments abroad. 5% reduction in the rate of IR in the Quito and Guayaquil urban areas and full exemption from IR for 5 years outside those areas.

a New enterprises are companies incorporated on or after 31 December 2010 or new companies incorporated by existing companies, for the purpose of making new and productive investment.

b Exemption from income tax for the development of new and productive investment. For the purposes of applying the provisions of this Article, the new and productive investment shall be made outside the urban jurisdictions of the cantons of Quito or Guayaquil and in the following economic sectors deemed priorities by the State: production of fresh, frozen and processed foods; forestry and agro-forestry and their manufactures; engineering; petrochemicals; pharmaceuticals; tourism; renewable energy including bioenergy or biomass energy; logistics services for foreign trade; applied biotechnology and software; and strategic import substitution and export promotion sectors determined by the President of the Republic (Article 9.1 of the COPCI).

c The basic industries are the smelting and refining of copper and/or aluminium; the smelting of iron and steel for flat steel production; the refining of hydrocarbons; the petrochemicals industry; the cellulose industry; and the ship-building and repair industry (information supplied by the authorities).

Source: COPCI and information provided by the authorities.

2.45. The goods produced in ZEDEs must assist in diversifying the national export basket and be particularly intended for export. Exceptionally however, a small percentage, to be determined when examining the investment project for the ZEDE, may be authorized to enter the national territory to be placed on the domestic market. These limits do not apply to products obtained in economic sectors that are classed as basic industries or in processes for the transfer of technology and technological innovation.

2.46. Establishment of a ZEDE requires an authorization from the Sectoral Economic and Production Council. This authorization, previously issued by the Sectoral Council for Production, takes account, *inter alia*, of the objectives of the National Development Programme[63], and is valid for a renewable period of 20 years.[64] The location of the ZEDE is determined by the body responsible for the development of production.[65] There are three types of ZEDE, depending on their activity (Table 2.4).

[63] Decree No. 440 of 26 June 2012.
[64] Article 38 of the COPCI.
[65] Article 35 of the COPCI.

Table 2.4 Types of Special Economic Development Zones (ZEDE)

Types of ZEDE	Economic activities covered
Technology transfer	Any type of technological development, electronic innovation, biodiversity, sustainable environmental or energy-related improvement project.
Industrial diversification	Any type of undertaking focused on the export of goods, inward processing activities such as processing, manufacturing (mounting, assembly and adaptation) and repair (restoration, conditioning) of any type of goods for the purposes of export and strategic import substitution.
Logistics services	Any type of inward processing activities, for example storage of freight for the purposes of consolidation and deconsolidation, sorting, labelling, packing, refrigeration, handling in dry ports or inland freight terminals, coordination of national or international distribution of goods.

Source: Article 36 of the COPCI.

2.47. Ecuador also offers non-tax incentives to MSMEs and enterprises established under the popular and solidarity economy regime (EPS) (Section 3.3).

2.48. The 2008 Constitution prohibited signature of international treaties or agreements under which the Ecuadorian State cedes jurisdiction to international arbitration bodies. Pursuant thereto, in 2008 notice of termination was given in respect of eight bilateral investment protection treaties (TBI) and in 2010 Ecuador withdrew from the International Centre for Settlement of Investment Disputes (ICSID).[66] In May 2017 the National Assembly approved the termination of the (16) remaining TBIs signed by Ecuador. The treaties involved were with: Germany, Argentina, Brazil, Canada, Chile, China, Plurinational State of Bolivia, United States, Spain, France, Italy, the Netherlands, Peru, the United Kingdom, Sweden, and Switzerland.[67] The effective date of expiry/termination of those TBIs varies in line with their respective survival clauses and as a result some of the agreements will remain in force for between 5 and 12 years.[68]

2.49. Ecuador has 20 double taxation treaties in force.[69] During the review period Ecuador signed double taxation agreements with Uruguay (2013), Republic of Korea (2014), China (2015), Singapore (2016), and Belarus (2018).

[66] WTO document WT/TPR/S/254/Rev.1 of 11 January 2012.
[67] Notices of termination were officially given in Decrees Nos. 1399-1414 of 16 May 2017.
[68] Information provided by the Ecuadorian authorities.
[69] Internal Revenue Service (SRI) online information. Viewed at: http://www.sri.gob.ec/web/guest/fiscalidad-internacional2.

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Measures directly affecting imports

3.1.1 Customs procedures and requirements, and customs valuation

3.1. Ecuador's customs procedures are primarily governed by the Organic Code of Production, Trade and Investment (COPCI) and its implementing Regulations, as well as by regulatory decrees and the resolutions of the Ecuadorian National Customs Service (SENAE), through which specific procedures such as those for the implementation of the COPCI are adopted.[1]

3.2. Since 2012, Ecuador has adopted a range of measures to facilitate trade and hence import procedures. These include the implementation of the ECUAPASS electronic customs system and the Single Window for foreign trade formalities (VUE) (2018)[2]; the introduction of risk management as the procedure for carrying out checks; and the use of automatic inspections and X-ray inspections. It has also facilitated trade by publishing the manuals of Customs procedures and instructions on the SENAE website, which may also be used for tariff classification consultations.

3.3. All importers, who may be individuals or legal persons, whether Ecuadorian or foreigners based in Ecuador, must be registered in the ECUAPASS computerized system, and for this purpose must meet the requirements laid down by the SENAE.[3] Importers may use the services of a customs broker authorized by the SENAE or have an employee who is the "Authorized Foreign Trade Representative" (RACE), and is identified as the "declarant". The customs broker may be Ecuadorian or foreign provided they reside in Ecuador. The customs broker or the declarant will represent the importer in the procedures for importing the goods. However, the use of a customs broker is not obligatory.[4]

3.4. The customs broker must provide the supporting documents that have to be attached to the import customs declaration (DAI). These supporting documents, which provide the basic information concerning the operation, are in general the following: the commercial invoice or document attesting to the commercial transaction; the transport documents; the certificate of origin (where appropriate); and whatever other documents the SENAE or the foreign trade regulatory authority (the Committee on Foreign Trade or COMEX) may consider necessary.[5] These documents must be processed prior to shipment of the goods.[6]

3.5. COMEX determines what accompanying documents or permits are required for the import operation, which vary according to the tariff subheading of the goods. These documents are requested electronically from the government control entities through the VUE, which is part of the ECUAPASS computerized system. The import permits must be attached to the DAI.

3.6. Ecuador has not introduced any new import regimes since 2012. The country has various such regimes: clearance for home use (COPCI, Article 147); temporary admission for re-exportation in the same state (COPCI, Article 148); temporary admission for inward processing (COPCI, Article 149); replacement of duty-free goods (COPCI, Article 150); processing under customs control (COPCI, Article 151); customs warehousing (COPCI, Article 152) and reimportation in the same state (COPCI, Article 153) (Box 3.1, import regimes).

Box 3.1 Import regimes

Clearance for home use
Goods imported from abroad or from a Special Economic Development Zone or a Free Zone that is still under concession may move freely within the Ecuadorian customs territory for the purpose of remaining therein definitively, subject to payment of all applicable import duties and taxes, surcharges and penalties and compliance with the customs formalities and obligations.

[1] Law (without number) of 29 December 2010.
[2] Decree No. 312 of 2 February 2018.
[3] SENAE, Bulletin 76 – 2015. Online information viewed at: https://www.aduana.gob.ec/boletines/registro-de-operadores-de-comercio-exterior-183541.
[4] COPCI Regulations, Article 64.
[5] The Ministry of Foreign Trade and Investment, established in 2013, heads COMEX.
[6] COPCI Regulations, Article 73.

Temporary admission for re-exportation in the same state
Specific goods may be introduced into the customs territory for use for specified purposes, with total or partial suspension of payment of import duties and taxes and surcharges, for re-exportation within a specified period without undergoing any change whatsoever (COPCI Regulation, Article 124).
Temporary admission for inward processing
Goods intended for exportation as compensating products after having undergone processing may enter the Ecuadorian customs territory with suspension of payment of import duties and taxes and applicable surcharges.[a] The compensating products obtained may be imported under the clearance for home use regime subject to payment of taxes on the imported component of the compensating product.
Duty-free replacement of goods
This regime authorizes the importation free of import duties and taxes and surcharges of identical or similar goods that have been used to obtain goods previously exported on a definitive basis.
Processing under customs control
Under this regime, goods may enter the customs territory in order to undergo processing that modifies their nature or state, with suspension of import duties and taxes and applicable surcharges, for subsequent clearance for home use of the resulting products, subject to payment of the import duties and taxes and surcharges that may apply according to the tariff classification of the finished product.
Customs warehousing
Under this regime, imported goods are stored for a specified period under customs control in a place authorized for this purpose without payment of the applicable duties, taxes and surcharges.
Reimportation in the same state
This customs regime authorizes the importation for home use, exempt from import duties and taxes and applicable surcharges, of goods that have been exported provided they have not undergone any processing or repair abroad and that all the amounts payable by virtue of a refund or drawback under a conditional exemption from duties and taxes or any subsidy or other amount granted at the time of export have been paid.

a Compensating products are those obtained as a result of the incorporation, processing or repair of goods that have been authorized to enter under the inward or outward processing regimes.

Source: COPCI Regulations.

3.7. The declarant or customs broker must submit the import customs declaration (DAI) online through the ECUAPASS computerized system. Once the DAI has been accepted, the ECUAPASS system automatically assigns an inspection channel for the goods and generates the customs discharge. The inspection channels may be: automatic inspection; non-intrusive automatic inspection (i.e., using means that do not open the means of transport); documentary inspection; or intrusive physical inspection (the presence of the customs broker or declarant is required). The inspection takes place once the declarant/customs broker has paid the amounts due under the customs discharge through the financial institutions authorized by the SENAE for such collection.

3.8. Following the inspection, and in the absence of observations, the completion of inspection is entered in the ECUAPASS system and the withdrawal of the goods is authorized ("Withdrawal Authorized"). Thereupon the declarant/customs broker undertakes the formalities for withdrawing the goods from their temporary place of storage, subject to payment for storage for the length of time the goods remained there. Otherwise, where observations are entered in the ECUAPASS system, the declarant/customs broker must provide justifications or corrections within the period of one day.

3.9. In some cases, the goods are subject to subsequent valuation or tariff classification controls depending on their risk profile. These subsequent controls may be carried out within five years from the date at which the foreign trade taxes should have been paid or from the day following the expiry of the authorized regime period. In all cases this process must be completed within one year from the date of notification of the start of the procedure, with the issuance by the responsible body of the final report on the matter containing the appropriate recommendations. The SENAE may carry out these controls on any foreign trade operator directly or indirectly linked with the international trade of goods subject to control as well as on any other person who may be in possession of goods or information, documentation or other facts relating to the operation subject to the customs control, without requiring any judicial authorization for the purpose. Customs may also examine and request accounting information, bank transactions, documents, archives, magnetic supports, computer data and any other information relating to the goods. If the subsequent control verifies circumstances suggesting that a customs offence has been committed, the operators may be penalized.[7]

3.10. In 2018 the Authorized Economic Operator (AEO) programme was included in Ecuador's foreign trade facilitation policy.[8] Implementation of this programme has been underway since 2010, initially through a private project and since 2015 through an SENAE regulation governing the activity of AEOs. This regulation established the prior conditions and requirements for Foreign Trade Operators to be classified as AEOs, together with the advantages conferred by AEO certification and the grounds for their suspension or revocation.[9] The Andean Community (CAN) countries subsequently signed a Mutual Recognition Agreement (MRA) to strengthen the controls applying to foreign trade operators wishing to be certified as OEAs.[10] In July 2018 five companies (four exporters and one customs brokerage) were classified as AEOs.[11]

3.11. Users wishing to be accredited as AEOs must apply to the SENAE. The classification may be obtained separately for each stage in the logistical chain. The authorization is renewable every three years and remains in force as long as the requirements laid down by the SENAE are met. AEOs may be subject to random checks to monitor compliance with safety, human resources and administrative standards.[12]

3.12. During the period under review, no major changes were brought to the regulatory framework on customs valuation, which is governed by the WTO Rules, CAN Decision No. 571 and its implementing regulations (Resolution No. 1684), as well as the national legislation on customs valuation, specifically the provisions included in the COPCI. The SENAE has not made changes in the procedures for determining the value of imported goods since Ecuador's previous review and strictly applies the valuation methods set out in the WTO Customs Valuation Agreement. The SENAE does not use reference prices. It uses a national value database for risk assessment purposes, constituted by the Andean Value Declarations, which correspond to the import prices of goods valued by the transaction value method.

3.1.2 Rules of origin

3.13. Ecuador does not use non-preferential rules of origin.

3.14. In general, the preferential rules of origin of the treaty that entered into force during the review period 2012-2018 (the "Protocol of the Accession of Ecuador to the Trade Agreement between the European Union (EU) and its Member States, of the one part, and Colombia and Peru, of the other part") follow the same lines as those of the other treaties previously signed by Ecuador. The criteria granting origin under this treaty may be general or specific. The Agreement stipulates that products originating in either party are those wholly manufactured in the EU or in Ecuador, or products that include materials that have not been wholly obtained in them, provided such materials have undergone sufficient processing in the EU or in Ecuador. Sufficient processing is determined on the following basis: (i) if after processing there is a change in tariff heading; (ii) if previously specified changes have been made; or (iii) if the value of the non-originating materials is below the established threshold ("value added criterion"). In the treaty with the EU bilateral cumulation between the EU and the Andean countries is allowed, and in some cases extended cumulation. In this case, Ecuador may also use materials originating in other Andean countries or in a Central American country, provided they are processed or incorporated subsequently.

3.1.3 Tariffs

3.1.3.1 Tariff structure

3.15. In 2018, Ecuador's customs tariff contained 7,997 ten-digit tariff lines of the HS 2017. Ecuador applies both *ad valorem* and compound tariffs. Compound duties apply to 5% of tariff lines

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[7] COPCI, Article 104, Subsequent Control, amended by Executive Decree of 27 March 2017, Article 10.
[8] Decree No. 312 of 2 February 2018.
[9] Resolution SENAE-DGN-2015-0720-RE.
[10] Resolution SENAE-SENAE-2017-0693-RE of 6 February 2018.
[11] Information provided by the authorities.
[12] COPCI Regulations, Articles 267-268.

(418 ten-digit HS lines), primarily clothing (322 lines of HS 61, HS 62 and HS 63) (Table 3.1). For the purposes of this review, *ad valorem* equivalents (AVEs) were calculated for 317 lines; the available information did not allow them to be calculated for the remaining lines (101).[13] In the absence of an AVE, only the *ad valorem* component of the compound rate was used.[14]

Table 3.1 Tariff lines with compound tariffs and *ad valorem* equivalent (AVE), 2018

HS Chapter	Description	No. of tariff lines with compound tariffs	No. of tariff lines with AVEs	Lines for which AVEs were not estimated	
				No imports	Different unit
22	Beverages, spirits and vinegar	20	0		20
40	Rubber and articles thereof	8	4	4	
61	Articles of apparel and clothing accessories, knitted or crocheted	133	125	8	
62	Articles of apparel and clothing accessories, not knitted or crocheted	122	121	1	
63	Other made-up textile articles	67	56	11	
64	Footwear, gaiters and the like	28	0	4a	24
69	Ceramic products	5	5		
76	Aluminium and articles thereof	6	6		
85	Electrical machinery and equipment and parts thereof	28	0		28
96	Miscellaneous manufactured articles	1	0	1[a]	
		418	**317**	**29**	**72**

a The unit is also different.

Source: WTO Secretariat estimates based on data provided by the authorities.

3.16. In addition to specific tariffs, Ecuador continues to apply the Andean Price Band System (SAFP) to 189 ten-digit tariff lines (HS 2017) (roughly 2.5% of its entire Tariff Schedule). The products concerned are meat and edible offal (HS 02); milk and dairy produce (HS 04); cereals (HS 10); milling industry products (HS 11); oil seeds and oleaginous fruits (HS 12); animal or vegetable fats and oils (HS 15); preparations of meat, fish or crustaceans (HS 16); sugars and sugar confectionery (HS 17); preparations of cereals (HS 19); residues and waste from the food industries (HS 23); starches (HS 35) and miscellaneous chemical products (HS 38). The lines to which the SAFP applies have two components, one fixed *ad valorem* and the other variable. The duties resulting from the application of the SAFP vary in line with world prices of the products in question. The purpose of this measure is to stabilize the domestic prices of these products.

3.17. Under the SAFP, duties are determined according to a variable *ad valorem* tariff, which may be a reduction or an increase in the MFN *ad valorem* tariff. The reduction or increase is calculated on the basis of the international price with respect to the price band comprising "floor" and "ceiling" prices fixed on the basis of historical world prices in reference markets. When the reference international price is below the "floor", a tariff surcharge on the MFN *ad valorem* tariff is applied, and when the reference price is above the "ceiling", a tariff reduction is applied to the MFN *ad valorem* tariff. When the reference price is within the price band, the corresponding MFN *ad valorem* tariff is applied without any surcharge or reduction. The SAFP may affect the predictability of the tariff, as without making a calculation importers cannot know what tariff they will be facing. Where trade agreements are concerned, the use of the SAFP varies according to what has been negotiated: in some cases the SAFP continues to apply and in others only the *ad valorem* part is used.

[13] The AVEs were calculated using the unit values based on trade in 2017. In the cases where the AVEs could not be calculated, this was due to the following: (a) in some cases no trade data were available (29 lines); and (b) in 72 cases the import volume unit did not correspond to the unit of the specific part of the compound tariff. The trade volume data are expressed for all tariff lines in metric tons, while for alcohol (HS 22) the unit of the specific part of the compound tariff was expressed in degrees of alcohol content, or per pairs (HS 64) or unit (HS 85).

[14] The trade data used to calculate the AVEs come from the Central Bank of Ecuador (BCE). Online BCE information viewed at: https://www.bce.fin.ec/index.php/informacioneconomica/sector-externo.

3.18. The simple average of Ecuador's applied MFN duties increased between 2011 and 2018, from 9.3% to 10.9%, excluding AVEs, or to 12.2% if they are included (Table 3.2). As in 2011, in 2018 protection for agricultural products (WTO definition) was substantially higher than that for non-agricultural products. In 2018, the average tariff on agricultural products was 18.5%, compared to 17.3% in 2011, whereas the average tariff on non-agricultural products, which was 8.2% in 2011, rose to 9.7% in 2018, excluding AVEs, or 11.2% including them. The highest average tariffs in 2018 were on dairy products (34.9%), sugars and sugar confectionery (28.4%), animals and animal products (26.8%), and fish and fishery products (25.6%) (Table A3.1). The greatest tariff change taking into account the estimated AVEs is that on clothing (HS 61 and HS 62), where the average rate of 10% excluding the AVEs (Table A3.1) rises to an average of 33.4%, i.e. almost triple the average tariff of 11.2% for non-agricultural products (Table A3.2).

Table 3.2 Structure of MFN tariffs, 2011 and 2018

(%)

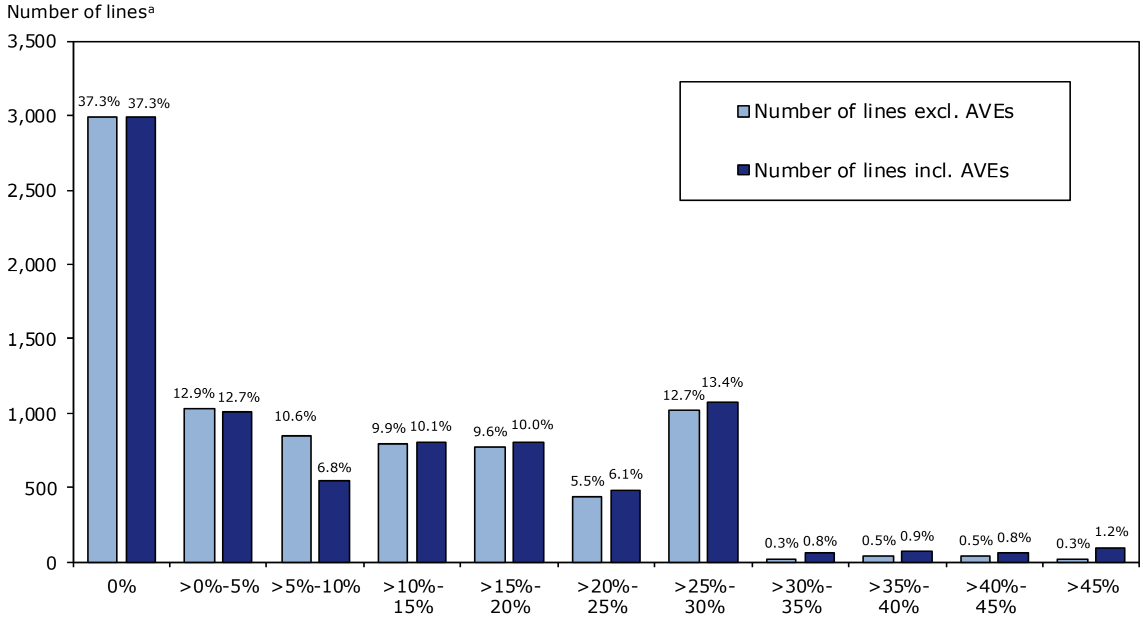
		2011 (HS 07) excl. AVE	2018 (HS 17)	
			excl. AVE	incl. AVE
1.	Total number of lines	7,241	7,997	7,997
2.	Non-*ad valorem* tariffs (% of all tariff lines)	5.0	5.0	5.0
3.	Non-*ad valorem* tariffs with no AVEs (% of all lines)	5.0	1.0	1.0
4.	Tariff quotas (% of tariff lines)	0.4	0.0	0.0
5.	Duty-free tariff lines (% of all lines)	46.7	37.3	37.3
6.	Average of lines above zero (%)	17.5	17.4	19.4
7.	Simple average	9.3	10.9	12.2
8.	Agricultural products (WTO definition)	17.3	18.5	18.5
9.	Non-agricultural products (including petroleum, WTO definition)	8.2	9.7	11.2
10.	Domestic tariff "peaks" (% of all lines)[a]	10.8	1.3	2.7
11.	International tariff "peaks" (% of all lines)[b]	24.8	29.3	33.1
12.	Overall standard deviation of applied rates	11.0	11.7	15.1
13.	Bound tariff lines (% of all lines)	100.0	100.0	100.0

a Domestic tariff peaks are defined as those exceeding three times the overall average applied rate.
b International tariff peaks are defined as those exceeding 15%.

Source: WTO Secretariat estimates based on data provided by the authorities.

3.19. Ecuador's MFN tariff has 42 rates ranging from 0% to 85.5%, including the tariffs resulting from the application of the price band system but excluding the estimated *ad valorem* equivalents. In 2018, 98.5% (99.3% in 2011) of tariff lines carried rates below 30%; 37.3% carried a tariff of 0% (46.7% in 2011), and only 1.6% of the total number of lines carried a tariff above 30%. That percentage rises to 3.7% of the total after including the estimated *ad valorem* equivalents. In that case, the percentage of tariff lines with rates over 45% reaches 1.2% of the total (Chart 3.1). The products subject to a rate of over 45% were: animals and animal products; dairy products; cereals and cereal preparations; and sugars and sugar confectionery, excluding the estimated *ad valorem* equivalents. Including them, the list would also contain clothing and other textile articles (HS 61 and HS 63), which carry tariffs of up to 422.2%, 286%, 202.2%, 191.2% and 178.9%, including the AVEs.

Chart 3.1 Frequency distribution of MFN tariff rates, 2018



a The total number of lines is 7,997.

Source: WTO Secretariat calculations based on data provided by the authorities.

3.1.3.2 Tariff bindings

3.20. In the Uruguay Round, Ecuador bound its entire Tariff Schedule at rates ranging from 5% to 85.5%. The majority of tariff lines were bound at a rate of 25%; the other most frequent rates are 10%, 20% and 30%. Some products were bound at a rate of less than 10%, for example fertilizers, chemicals, pharmaceuticals and seeds, which were bound at 5%. The 85.5% bound rate applies to cuts and offal of chicken, poultry, ducks or guinea fowl. Comparing the MFN applied tariff and the bound tariff, and taking into account only the lines that are strictly comparable in view of the change in nomenclature, in some cases Ecuador's MFN applied tariff exceeds the bound rate (Table 3.3).

Table 3.3 Products for which applied MFN tariff rates exceed the bound rates, 2018[a]

HS	Description	MFN tariff *(ad valorem)*[b]		Bound tariff
Tariff lines where the MFN tariff is higher than the bound tariff (excluding the SAFP calculations)				
4805.120000	Straw fluting paper	15		10
4805.190000	Other uncoated paper and paperboard	15		10
7214.200000	Containing indentations, ribs, grooves or other deformations produced during the Rolling process or twisted after rolling	20		15
7308.909000	Other	20		15
8415.900000	Parts	15		10
8502.139000	Other	25		20
8525.802000	Digital cameras and video cameras	25		20
8544.491000	Of copper	25		15
Parts of tariff lines where the MFN tariff is higher than the bound tariff (excluding the SAFP calculations)				
0206.210000	Edible offal	25		20
0206.220000	Edible offal	25		20
0206.290000	Edible offal	25		20
0206.410000	Other	30		25
0207.140000	Frozen poultry livers	85.5		30
0207.270000	Frozen poultry livers	85.5		30
0405.200000	With a milk fat content of at least 39% but less than 75% by weight	30		20
0713.339900	Kidney beans	25		15
0901.900000	Coffee husks and skins	30		20
1604.110000	"Chum", "Coho", "Pink" and "Sockeye" salmon, canned	30		20
4016.999000	Fishing net floats of vulcanized rubber other than hard rubber	30		25

HS	Description	MFN tariff (*ad valorem*)[b]		Bound tariff
4601.990000	Plaits and similar products of plaiting material, whether or not assembled into strips	30		25
8474.900000	Parts of machinery in subheading 8474.10.10, 8474.39.20, 8474.80.20 and 8474.20.10	15		10

a Only strictly comparable lines were taken into account for this estimate.
b The *ad valorem* tariffs and the *ad valorem* part of the SAFP and compound tariffs were taken into account for this estimate.

Source: WTO Secretariat estimates based on data provided by the authorities.

3.1.3.3 Tariff quotas

3.21. Ecuador maintains tariff quotas in the WTO but does not use them (Table 3.4). According to the authorities, they have not been used for various reasons: lack of domestic demand; the products imported have originated in countries with which trade agreements provide for preferential tariffs lower than the in-quota tariff; or the out-of-quota MFN tariff was temporarily lowered and therefore was below the in-quota tariff, as in the case of soya cake (HS 2304.00.00.00) and wheat (HS 1001110000, HS 1001190000, HS 1001910000 and HS 1001991000).[15]

Table 3.4 Products subject to tariff quotas, 2018

Products	Tariff line (HS 2002)	Tariff line (HS 2017)	In-quota tariff (%)	Out-of-quota tariff (%)	Volume of tariff quota 2017 (tonnes)	In-quota imports in 2017 (tonnes)
Whole turkeys, fresh or chilled	0207.22.00	0207240000	25	45	250	0
Chicken cuts and offal, frozen	0207.14.00	0207140000	30	85.5	2,500	0
Milk in powder, granules or other solid forms, of a fat content, by weight, not exceeding 1.5%	0402.10.00	0402101000 0402109000	45	52	1,250	0
Milk in powder, granules or other solid forms, of a fat content, by weight, exceeding 1.5%, not containing added sugar or other sweetening matter	0402.21.00	0402211100 0402211900 0402219100 0402219900	45	52	1,250	0
Other, of a fat content, by weight, of not less than 26% on dry product	0402.29.00	0402291100 0402291900 0402299100 0402299900	45	52	1,250	0
Glucose	1702.30.90	1702309000	35	0	1,500	0
Glucose with fructose	1702.40.10	1702401000	35	0	200	0
Glucose syrup	1702.40.20	1702402000	35	45	100	0
Flint maize – other	1005.90.00	1005901100[d] 1005901200[e] 1005901900[e]	25	45 35 45	19,678	0
Grain sorghum – other	1007.00.90	1007900000	25	45	12,300	0
Maize starch	1108.12.00	1108120000	25	40	137	0
Soybean oilcake	2304.00.00	2304000000	25	0	17,000	0
Rapeseed oilcake	2306.40.00	2306410000 2306490090	25	0 15	6,000	0
Wheat (all lines unless for animal consumption)	1001.00.00	1001110000 1001190000 1001910000 1001991000 1001992000	19	0 0 0 0 33	480,000	0
Barley, other except seeds	1003.00.90	1003900010[d] 1003900090[e]	25	2	16,000	0
Malt, unroasted	1107.10.00	1107100000	20 - 25	36	16,000	0
Wheat starch	1108.11.00	1108110000	25	33	120	0

Source: Information provided by the authorities.

[15] COMEX Resolutions No. 039-2016 and No. 040-2016.

3.22. In the framework of its trade agreements, Ecuador negotiated preferential quotas with Argentina, Brazil, Guatemala, Paraguay, the European Union and Uruguay. In all the agreements, preferential quotas apply only to agricultural products. The number of tariff lines subject to quota varies according to the agreement, but in all cases these measures cover less than 1% of the entire tariff schedule. As for tariff rates, in most cases the in-quota tariff rate was 0%, except in the case of quotas negotiated with Paraguay for meat and edible offal and for preparations of meat, fish or crustaceans, and in the case of the quota negotiated with Uruguay for meat and edible offal and for dairy products. In the case of out-of-quota tariffs, the range varies according to the product and the agreement. According to the information provided by the authorities, the volumes of the quotas negotiated with the MERCOSUR member countries are all the same but the tariff rates differ[16] (Table A3.3).

3.1.3.4 Tariff preferences

3.23. Ecuador grants duty-free treatment on all imports from the other members of the Andean Community (CAN) (the Plurilateral State of Bolivia, Colombia and Peru), provided they comply with the CAN rules of origin; and similar treatment is provided on imports from the Bolivarian Republic of Venezuela. The average preferential tariff that Ecuador has negotiated in the various agreements varies considerably, as does the coverage of the preferences. The average tariff applied for some trade partners is relatively low, between 0% and 1% in the case of the agreements with Argentina, Brazil and Chile; under these agreements, the number of duty-free lines exceeds 90%. On the other hand, in the case of the agreement with Mexico, the number of duty-free lines is less than 40% and the preferential tariff (11.7%) is barely below the average MFN tariff (12.2% including AVEs), as also in the case of El Salvador and Nicaragua. In the case of the EU, 62% of tariff lines are duty free, while the average applied tariff is 5.5%, less than half the MFN tariff. In all cases, the number of agricultural products that enjoy preferential treatment is smaller than the number of non-agricultural products (Table 3.5).

Table 3.5 Analysis of tariff preferences applied to countries with which Ecuador has negotiated trade agreements, 2018

	Number of lines	Total		WTO categories			
				Agricultural products		Non-agricultural products (excluding petroleum)	
		Average (%)	Duty-free lines (%)[a]	Average (%)	Duty-free lines (%)	Average (%)	Duty-free lines (%)
MFN	7,997	12.2	37.3	18.6	22.4	11.2	39.5
Bilateral agreements							
Chile	7,997	0.9	96.3	4.2	85.4	0.4	98.1
Cuba	7,997	10.6	40.8	14.8	30.4	10.0	42.3
El Salvador	7,997	11.5	39.8	16.3	27.5	10.8	41.6
European Union	7,997	5.5	62.0	9.8	48.5	4.9	64.0
Guatemala	7,997	10.0	45.9	13.9	37.6	9.4	47.1
Mexico	7,997	11.7	37.9	16.7	25.1	10.9	39.7
Nicaragua	7,997	11.8	38.7	16.7	26.6	11.0	40.4
Mercosur							
Argentina	7,997	1.0	93.4	1.8	92.2		93.5
Brazil	7,997	0.8	94.0	1.8	92.2	0.7	94.2
Paraguay	7,997	1.9	88.1	4.2	80.3	1.5	89.3
Uruguay	7,997	3.3	81.3	5.5	73.1	2.9	82.5
Andean Community							
Bolivia	7,997	0.0	100.0	0.0	100.0	0.0	100.0
Colombia	7,997	0.0	100.0	0.0	100.0	0.0	100.0
Peru	7,997	0.0	100.0	0.0	100.0	0.0	100.0

a Duty-free treatment includes the treatment negotiated in the agreement as well as duty-free treatment under the MFN tariff.

Source: WTO Secretariat estimates based on information provided by the authorities.

3.24. Ecuador also grants preferential treatment to imports from countries with which it has signed agreements in the LAIA framework. Under the general LAIA provisions, the scope of these preferences depends on the degree of development of the beneficiary country: among the LAIA participants, Ecuador has granted greater advantages to the Plurinational State of Bolivia and Paraguay.

16 Information provided by the authorities.

3.1.3.5 Tariff concessions

3.25. Ecuador continues to maintain special regimes providing for the suspension, exemption or reduction of tariffs. These include in particular reimportation in the same state; temporary importation for inward processing; temporary importation with re-exportation in the same state; duty-free replacement of goods; and processing under customs control. In addition, the special warehousing regime authorizes storage of goods intended for the supply, repair and maintenance of ships, aircraft and cargo units intended for the provision of public passenger and cargo transport services, free of any foreign trade levies. Goods imported under the international trade fair regime may enter the country with suspension of payment of duties and taxes for a specified length of time.

3.26. Trade in goods intended for domestic use or consumption between frontier areas (local border traffic) is carried out without foreign trade levies up to certain limits established by the SENAE. Imports by the State and personal effects, emergency aid shipments, donations, medical equipment and postal parcels may be exempted from import duties and taxes (Table 3.2).

Box 3.2 Imports exempted from foreign trade levies

Travellers' personal effects.
Household effects and work equipment.
Emergency aid shipments for natural disasters or similar disasters on behalf of public sector entities or private charity or aid organizations.
Imports by the State, public sector institutions, enterprises and bodies, including decentralized autonomous governments, enterprises at least 50% of whose capital is held by a public institution, the Junta de Beneficencia de Guayaquil and the Sociedad de Lucha Contra el Cáncer (SOLCA). Imports by joint public-private enterprises are exempted *pro rata* to the public sector's share in them.
Donations from abroad on behalf of public sector or private non-profit sector institutions intended to cover services related to health and hygiene, food, technical assistance, charities, medical assistance, education, scientific and cultural research, provided they have signed cooperation contracts with public sector institutions. There is no exemption in the case of donations of vehicles, except in the case of those for special uses, such as ambulances, hospital or X-ray vehicles, library vans, fire trucks and the like, provided their function is consistent with the activity of the beneficiary institution.
Coffins or urns containing bodies or human remains, samples without commercial value, within the limits and conditions established by the national customs service.
Imports provided for in the Law on Diplomatic Immunities, Privileges and Duty-free Treatment, including diplomatic and consular representations and missions, international organizations and other foreign governmental bodies accredited with the national government.
Medical equipment, technical aids, special tools, raw materials for orthopaedic and prosthetic devices used by handicapped persons for their own use or for the legal persons responsible for their care. Vehicles for the same purposes, within the limits provided in the Law on Disabilities.
Postal parcels not exceeding 4 kg in weight and a transaction value, excluding carriage and insurance, of USD 400, provided they are for the use of the recipient and not intended for sale. The following are also considered postal parcels: • books, letters, postcards, magazines, photographs or any other type of information contained in audio and video, magnetic, electromagnetic or electronic media; not subject to licensing, etc., for judicial, commercial, banking or other use but without any commercial purpose; • packages, bags or sacks containing documents or articles known as co-mail, entering the country by international transport lines, by their own means of transport and for their own specific use.
Objects and pieces belonging to the cultural heritage of the State imported or repatriated by State institutions established by law for the purpose.
Waste materials of goods covered by special regimes that are destroyed in accordance with the customs regulations.

Source: COPCI (Article 125).

3.27. In Ecuador, tariffs are an economic policy instrument used to promote the development of the various sectors in line with government policy, with the objective of enhancing their competitiveness. Accordingly, COMEX may modify tariffs either *ex officio* or at the request of an interested party.

Thus, in 2017 tariffs were reduced to 0% for inputs for the pharmaceutical industry, machinery and equipment for the footwear industry and some resins for the manufacture of brakes.[17]

3.28. COMEX is also authorized to postpone temporarily the levying of tariffs in general or on specific economic sectors in the interests of domestic production or the economic needs of the State or of an industry. Accordingly, in some cases tariff concessions or "deferrals", which may be temporary, are granted for imports of a specified volume or a specific quota of some products; in order to obtain this benefit importers must meet some specific requirements that vary according to the product, such as for example to absorb the domestic harvest. During the review period, payment of tariffs has been deferred on a number of occasions, generally to 0%, owing to a variety of circumstances (Table 3.6). These "deferrals" are granted once the domestic harvest of maize and soya beans has been absorbed; but in some cases, in order to benefit from the deferral registration in the register of importers is required.[18] In other cases, the tariff deferral is granted only for a quota, for example, in the case of tyres (HS 4011.20.10.00) or for imports of wire rod.[19]

Table 3.6 Tariff deferrals/reduction to 0%, 2012-2018

HS Code	Description	Requirement/Observation	COMEX Resolution No.
1001.19.00.00 1001.99.10.00 1101.00.00.00 1103.11.00.00	Wheat and meslin flour	Tariff deferral to 0%. Suspension of the SAFP.	099-2012 001-2015 012-2015
2304.00.00.00	Soya bean cake	Tariff deferral to 0%. Importers must absorb the entire domestic maize and soya bean harvest. Suspension of the SAFP.	103-2013 040-2014 039-2016
8516.60.20.21	CKD induction cookers	Tariff deferral to 0%. Manufacturers must be registered in the Register of Importers and comply with the "Efficient Cooking Programme".	013-2014 039-2014 045-2014
7228.30.00	Other bars and rods, not further worked than hot rolled	Tariff deferral to 0% for 10 years.	020-2014
7214.10.00 7216.31.00 7216.32.00 7216.33.00 7228.70.00 7229.20.00 7326.20.00 8410.90.00 8413.70.19 8481.80.99 8414.30.99 8481.90.90	Metalworking industry products	Tariff deferral to 0%. Incentive for the development of the metalworking sector.	027-2014
6305.10.10.00	Jute sacks and bags	Tariff deferral to 0%.	001-2015
8703.80.10.10 8703.80.10.90 8703.80.90.10 8703.80.90.90	Electric vehicles	Tariff deferral to 0%. Elimination of quotas or other restrictions on imports of such vehicles.	009-2015
8418.61.00.00 8418.99.90.00 8516.10.00.00 8516.90.00.00	Electric water heaters and heat pumps and parts thereof	Tariff deferral to 0%. Promotion of production of electric hot water heaters.	020-2015
8479.89.90.00 8419.40.00.00 8421.39.90.00	Distillation or rectification apparatus	Tariff deferral to 0%. Intended for domestic bioethanol processing for the production of ECOPAIS petrol and/or its exportation.	031-2015

[17] COMEX Resolutions No. 014-2017, No. 018-2017 and No. 015-2017.
[18] COMEX Resolution No. 103-2013.
[19] COMEX Resolutions No. 036-2012, No. 042-2015, No. 035-2016, No. 019-2017 and No. 028-2017.

HS Code	Description	Requirement/Observation	COMEX Resolution No.
5903.10.00	Textile fabrics with poly (vinyl chloride)	Tariff deferral to 10% at the request of a single enterprise. The fabrics must be used to manufacture metal furniture. Importers must be registered with the MIPRO.	038-2015
4011.10.10 4011.10.10.00 4011.10.90.00 4011.20.10.00	Radial and other tyres	Tariff deferral to 0%. Import quota	036-2012 042-2015 035-2016
8708.80.20.20	Shock absorbers and parts thereof	Tariff deferral to 0%. Importers must register with the MIPRO.	004-2016
The list of beneficiary products is established by the Tax Policy Committee pursuant to Resolution No. CPT-RES-2016-04 and its amendments	Capital goods	Tariff deferral to 0%. Capital goods not produced in Ecuador for areas affected by the earthquake. An import quota is also established.	029-2016
8438.80.90.00 8422.30.10.00	Vertical filling machines with a capacity not exceeding 40 units per minute	Tariff deferral to 0%.	038-2016
8470.89.90.90	Other automatic harvesting machines for the aquaculture sector	Tariff reduction to 0%.	041-2016
7227.20.00.00 7213.20.00.00 7213.91.10.00 7213.91.90.00 7213.99.00.00 7227.10.00.00 7227.20.00.00 7227.90.00.00	Wire and rod	Tariff deferral to %; tariff for a specific quota of 10,000 and then 12,000 tonnes.	019-2017 028-2017

Source: Prepared by the WTO Secretariat on the basis of COMEX Resolutions.

3.1.4 Other charges affecting imports

3.29. Imports are also subject to other charges: these include the customs charge (until 2018)[20], the foreign exchange exit tax (ISD), value added tax (VAT), the Special Consumption Tax (ICE) and the contribution to the Children's Development Fund (FODINFA)

3.30. The FODINFA contribution is 0.5% applied to the c.i.f. value of imports. Domestic products are not subject to this contribution.[21]

3.31. Value added tax (VAT) is levied on imports of tangible goods, at all marketing stages, as well as royalties from copyright, industrial property rights and related rights, and the value of services provided. There are two rates of VAT: the general rate of 12%, which applies to most lines in the Ecuadorian Customs Tariff, and the 0% rates.[22] In the case of imports, the taxable base for VAT is the sum of the c.i.f. value plus the taxes, duties, charges, fees and surcharges included in the import declaration.

[20] The customs control service charge was established under Resolution No. SENAE-SENAE-2017-0001-RE, and eliminated in 2018 by Resolution No. SENAE-SENAE-2018-0003-RE of 7 June 2018.

[21] Executive Decree No. 248 of 1 December 1988.

[22] Internal Taxation Law (LORTI) of 17 November 2004 (as amended), Article 55.

3.32. The Special Consumption Tax (ICE), is levied on certain goods and services, whether domestic or imported, and varies according to the item concerned. The ICE may be *ad valorem* or specific depending on the product (Table 3.7). The taxable base for calculating the *ad valorem* ICE is the ex-customs price multiplied by 1.25. The ex-customs price is the customs value of goods plus the tariff, contributions to funds (such as FODINFA) and surcharges (as in the case of the balance-of-payments safeguard) collected by the customs authority when imports are released from customs.[23] In most cases the ICE is *ad valorem* and ranges from 0% to 300%. The specific ICE is levied on cigarettes, beer, aerated beverages, alcohol and alcoholic products. Beer, alcohol and alcoholic products other than beer are currently subject to specific or mixed levies, according to the price. The mixed levy is used for alcohol and alcoholic beverages. Producers of alcoholic beverages that use artisanal alcohol or aguardiente from sugar cane produced by micro or small enterprises have a reduction in the specific tariff.[24]

Table 3.7 ICE, 2011 and 2018 (29 October)

Product	HS Code	2011		2018	
		Number of tariff lines	Rate	Number of tariff lines	Rate
***Ad valorem* ICE (%)**					
Alcohol and alcoholic products other than beer	2204	5	40	n.a.	n.a.
	2205	2			
	2206	1			
	2207	2		2	40
	2208	16		n.a.	n.a.
Machinery and equipment, whether or not electrically heated	8419	n.a.	n.a.	1	100
Firearms, sporting guns, and ammunition	9301	1	300	12	300
	9302	n.a.	n.a.	4	
	9303	2	300	10	
	9304	n.a.	n.a.	2	
	9306	7	300	6	
Aeroplanes, helicopters, water scooters, motor tricycles and quadricycles, yachts and recreational craft	8703	1	15	n.a.	n.a.
	8802	7		7	15
	8901	1		1	
	8903	4		5	
Aerated beverages	2201	1	10	1	10
	2202	2			
Cigarettes	2402	4	150	2	150
Beer	2203	1	30	n.a.	n.a.
Stoves, ranges, grates, cookers	7321	n.a.	n.a.	5	100
Vans with a retail price not exceeding USD 30,000	8702	1	5	n.a.	n.a.
Incandescent lamps	8539	5	100	9	100
Other tobacco	2403	n.a.	n.a.	4	150
Perfumes and toilet water	3303	1	20	1	20
Motor vehicles with a retail sales price ≤ USD 20,000 up to USD 30,000	8703	9	5	n.a.	5
Motor vehicles with a retail sales price > USD 30,000 and ≤ USD 40,000	8705	7	15	n.a.	15.
Motor vehicles with a retail sales price > USD 40,000	8711	6	15-35	n.a.	15-35
Motor vehicles other than vans with a retail sales price > USD 20,000 and ≤ USD 30,000	8704	4	10	n.a.	10
Hybrid or electric motorized vehicles (up to 3.5 tonnes):		n.a.	n.a.	n.a.	
With a retail sales price ≤ USD 35,000		n.a.	n.a.	n.a.	0
with a retail sales price > USD 35,000 and ≤ USD 40,000		n.a.	n.a.	n.a.	8
with a retail sales price > USD 40,000 and ≤ USD 50,000		n.a.	n.a.	n.a.	14
with a retail sales price > USD 50,000 and ≤ USD 60,000		n.a.	n.a.	n.a.	20

[23] Online information from the Ecuador Internal Revenue Service. Viewed at: http://www.sri.gob.ec/web/guest/impuesto-consumos-especiales.

[24] Idem.

Product	HS Code	2011		2018	
		Number of tariff lines	Rate	Number of tariff lines	Rate
with a retail sales price > USD 60,000 and ≤ USD 70.000		n.a.	n.a.	n.a.	26
with a retail sales price > USD 70,000		n.a.	n.a.	n.a.	32
Video games	9504	1	35	1	35
Specific or compound ICE					
Alcohol and alcoholic products other than beer (other than artisanal)	2204 2205 2206 2207 2208	n.a.	n.a.	7 2 1 1 21	USD 7.22/l of pure alcohol plus 75%
Large-scale industrial beer (Ecuadorian market share greater than 1.4 million hectolitres)	2203	n.a.	n.a.	1	USD 12/l of pure alcohol plus 75%
Medium-size industrial beer (Ecuadorian market share of more than 1.4 million de hectolitres)	2203	n.a.	n.a.	1	USD 9.62/l of pure alcohol plus 75%
Small-scale industrial beer (Ecuadorian market share of more than 730,000 hectolitres)	2203	n.a.	n.a.	1	USD 7.72./l of pure alcohol plus 75%
Craft beer	2203	n.a.	n.a.	1	USD 2.00/l of pure alcohol plus 75%
Cigarettes	2402	n.a.	150	2	USD 0.16./ Unit
Fruit juices (sugar content >25 gr/l)	2009	n.a.	n.a.	18	USD 0.18/gr of added sugar

n.a. Not applicable.

Source: Information provided by the authorities and online information from the Ecuador Internal Revenue Service. Viewed at: http://www.sri.gob.ec/web/guest/impuesto-consumos-especiales.

3.33. In order to reduce pollution and encourage recycling, in 2011 Ecuador introduced a redeemable tax on plastic bottles (IRBP).[25] The IRBP applies to the bottling of drinks of any kind (alcoholic, non-alcoholic, aerated, non-aerated and water) in non-returnable plastic bottles of polyethylene terephthalate (PET). Dairy products and medicines in non-returnable plastic bottles are exempt. The tax also applies to imported bottled drinks. The importer pays a tax of USD 0.02 per bottle when the bottled product is withdrawn from customs.[26]

3.34. Importers are also subject to the foreign exchange exit tax (ISD), levied at a rate of 5% on the value of all currency operations and transactions with foreign countries. The tax base is the amount of the transfer of foreign exchange, credit, deposit, check, transfer, giro, and in general any other mechanism for settling obligations relating to operations with foreign countries. In the case of payments made from abroad in connection with imports, the tax base is the customs value of the goods indicated in the customs declaration and other relevant documents.

3.35. ISD payments in connection with the importation of raw materials, inputs and capital goods included in the list drawn up by the Tax Policy Committee for this purpose may be considered as tax credits for the payment of income tax (or advance income tax) for the year in which the payments were made, as well as for the four subsequent years. The list was established in 2012, but may be modified in each fiscal year. [27]

3.36. Some transactions are exempt from the ISD, such as payments for imports for home use of electric and induction cookers and parts thereof; pots and pans for use with induction cookers; and electric domestic hot water heating systems, including those for electric showers. Payments abroad by administrators and operators of Special Economic Development Zones (ZEDEs) in connection with

[25] Law on Environmental Promotion and Optimization of State Revenues of 24 November 2011.

[26] Online information from the Ecuador Internal Revenue Service. Viewed at: http://www.sri.gob.ec/web/guest/impuesto-redimible-botellas-plasticas-no-retornables.

[27] Tax Policy Committee Resolution No. CPT-03-2012.

imports of goods and services related with their activity are also exempt. Payments for imports of goods used to implement a public-sector project, regardless of the import regime, and the acquisition of services for the execution of the public project are also exempt.[28]

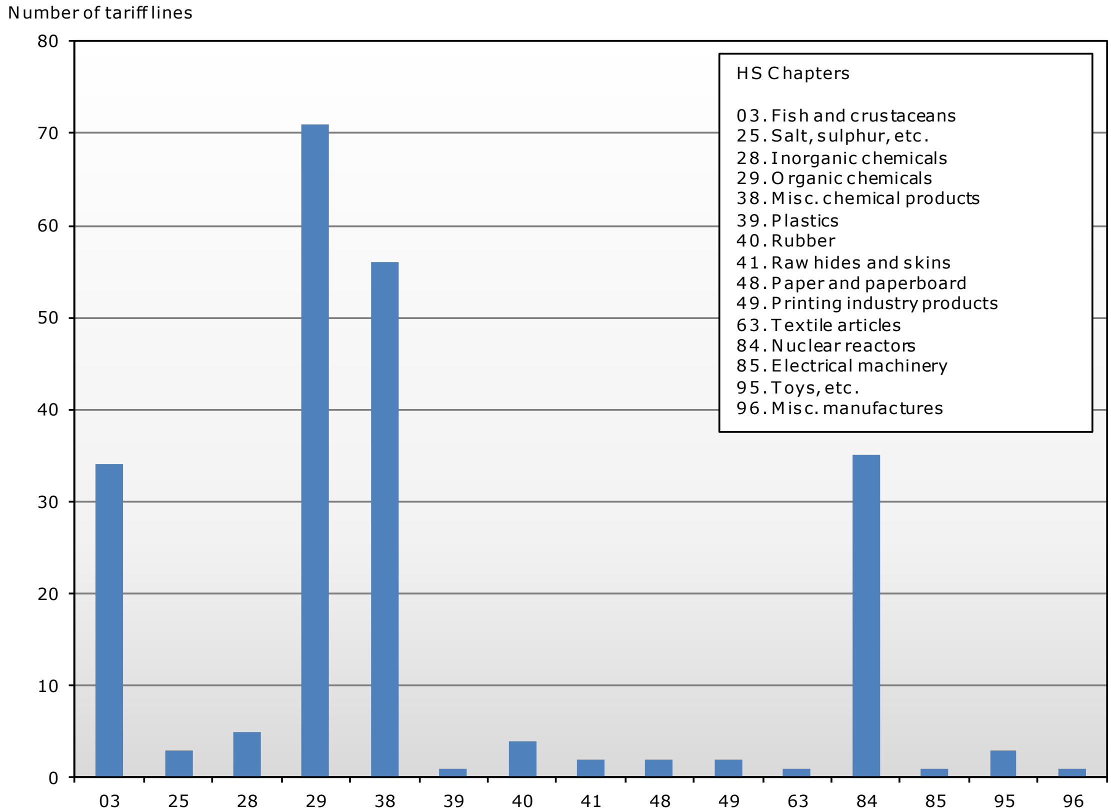
3.37. Exports of goods and services are liable to the ISD if the corresponding foreign exchange from the payment for the exports does not enter Ecuador.[29]

3.1.5 Import prohibitions, restrictions and licensing

3.38. COMEX is responsible for issuing rules on import procedures other than customs procedures, such as registers, authorizations, prior control documents and licences.[30] It also determines the goods that are prohibited. Goods whose importation is prohibited must be reshipped, except for clothing, perishable goods and educational materials, which are donated to the ministerial department responsible for social policy (COPCI Regulations). Most import prohibitions are imposed for health, phytosanitary and environmental reasons, as well as to comply with international agreements.

3.39. In 2018, Ecuador prohibits imports of certain products (221 ten-digit HS lines) regardless of their origin (Chart 3.2). These are mostly organic chemicals (71 ten-digit tariff lines of HS Chapter 29) and other chemical products (56 ten-digit tariff lines of HS Chapter 38), followed by nuclear reactors (35 ten-digit tariff lines of HS Chapter 84) and fish and crustaceans, molluscs and other aquatic invertebrates (34 ten-digit tariff lines of HS Chapter 3). Ecuador also prohibits imports of other products (692 ten-digit HS tariff lines) according to their origin on phytosanitary grounds, and also to implement, *inter alia*, UN Security Council Resolutions and other international agreements to which Ecuador is a party.

Chart 3.2 Import prohibitions by HS Chapter, 2018



Note: 221 ten-digit HS tariff lines are prohibited.

Source: WTO Secretariat estimates based on information provided by the authorities.

[28] Online information from the Ecuador Internal Revenue Service. Viewed at: http://www.sri.gob.ec/web/guest/impuesto-a-la-salida-de-divisas-isd.
[29] Idem.
[30] Article 72(f) of the COPCI of 29 December 2010.

3.40. Ecuador uses various pre-import control documents, including importer registration, permits, prior import authorization, certificates of inspection or verification of classification issued at origin, customs destination documents, certificates of recognition and automatic and non-automatic licensing.[31] In addition, some of the products subject to technical regulations issued by the Ecuadorian Standardization Service (INEN) require a "Certificate of Recognition" as a supporting document for importation, and products subject to phytosanitary and animal health requirements need the appropriate certificates.[32]

3.41. The type of prior control may vary for the same product according to the circumstances, and accordingly the requirements may vary or one kind of permit may be replaced by another.[33] Thus, the "Product Register" has been replaced by the "Import Authorization for Pesticides and Similar Products for Agricultural Use" or by the "Sanitary Authorization for Veterinary Products"; or the "Register of Importers" has been replaced by the "Phytosanitary Import Permit" or "Animal Health Import Permit"; or the prior control documents called the "Health Register" and "Import Permit" have been replaced by the "Non-automatic Import Licence".[34] Generally speaking, the Ecuadorian legislation does not specify the purpose of each kind of prior control document nor the requirements for obtaining it. The difference between the various documents is not always clear, nor is the need for imposing one type of control or another. For example, in some cases the registration of importers may be required in order to enable the importer to benefit from a tariff reduction or concession or to prevent stolen goods from entering the country.[35] In addition, some imports may be exempted from the prior control requirement.

3.42. In 2012, COMEX established an import licensing system, which is general and non-discriminatory, for imports under any customs regime or destination. The licence is a necessary requirement for clearing goods and COMEX determines the requirements, time-frames and conditions that importers must satisfy in order to obtain the non-automatic licences.[36] In the case of non-automatic import licences for basic foodstuffs, which are issued by the Ministry of Agriculture and Livestock, the Ministry has issued instructions for importers to be able to obtain the licences.[37] Nevertheless, in all cases a firm decision is required for any type of licence to be issued.[38]

3.43. According to the MAGAP instructions, all importers may apply for authorization to import products subject to non-automatic licensing. The licensing regime is based on whether the imports supplement the domestic production capacity to satisfy domestic demand. The MAGAP carries out a technical analysis to determine the volume of imports that will be allowed, on the basis *inter alia* of the outlook for domestic production, demand and consumption of the product to be imported, as well as the importer's purchases of domestic output over the last two years. The Under-Secretariat for Marketing issues a resolution for the total or partial approval of the import licences requested. However, in order to avoid serious injury to domestic producers, no imports whatsoever will be allowed at the times when the domestic output is being marketed.[39]

3.44. The term "automatic and non-automatic licensing", as used in this section, includes all types of import controls other than those on health or technical grounds. This terminology has been used because the information provided to the Secretariat by the authorities is given in this form. However, it does not indicate which licences are automatic and which are not. These controls are applied to imports of all origins.[40]

3.45. Various control documents are needed to obtain an automatic or non-automatic licence. These documents are issued by a number of ministries, according to their remit and/or the product,

[31] COMEX Resolutions No. 009-2014, No. 015-2014 and No. 013-2017.

[32] As of 27 August 2016, 284 HS 2017 ten-digit tariff lines require "Certificate of Recognition" as a supporting document for importation (COMEX resolutions No. 011-2016, No. 116-2013, No. 003-2014, No. 006-2014, No. 007-2014, No. 010-2014, No. 013-2014, No. 014-2014, No. 011-2016, No. 019-2016, No. 025-2017 and No. 026-2017).

[33] COMEX Resolution No. 037-2016.

[34] COMEX Resolutions No. 019-2014, No. 043-2015, No. 005-2016, No. 027-2016, No. 037-2016, No. 019-2017, No. 022-2017, No. 023-2017, and No. 024-2017.

[35] COMEX Resolutions No. 50-2012, No. 009-2014, No. 015-2014, and No. 010-2017.

[36] COMEX Resolution No. 56-2012.

[37] COMEX Resolution No. 102-2013 and MAGAP Resolution No. 299 of 14 June 2013.

[38] COMEX Resolution No. 56-2012.

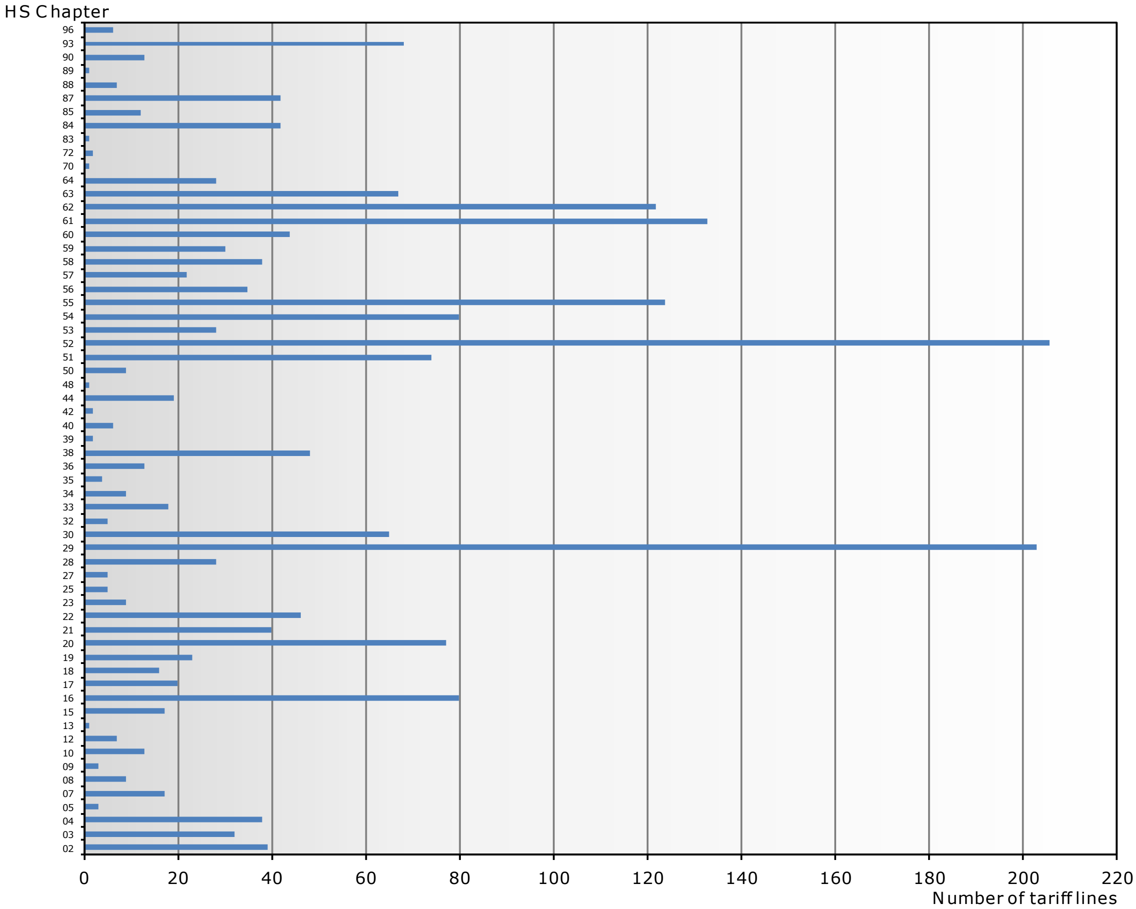
[39] MAGAP Resolution No. 299 of 14 June 2013.

[40] COMEX Resolution No. 102-2013.

including the Ministry of Agriculture and Livestock, Ministry of Aquaculture and Fisheries, Ministry of Industry and Productivity, Ministry of Public Health, Ministry of the Environment and Ministry of Transport and Public Works.

3.46. In the previous trade policy review of Ecuador in 2012, 1,364 ten-digit HS tariff lines were identified as requiring some type of import control. In 2018, 2,158 ten-digit HS tariff lines were subject to some kind of import control (automatic or non-automatic licensing). These measures affected in particular such products as cotton (HS Chapter 52) and clothing (Chapters 61 and 62); organic chemicals (HS Chapter 29); and preparations of fruit and vegetables (HS Chapter 20) (Chart 3.3).

Chart 3.3 Automatic and non-automatic licensing by HS Chapter, 2018



Note: 2,158 tariff lines are subject to automatic and non-automatic licensing.

Source: WTO Secretariat estimates based on information provided by the authorities at 1 January 2018.

3.47. During the review period, Ecuador imposed quantitative restrictions on certain products. In 2013 it established an import quota for vehicles (HS 8706.00.10.80, HS 8706.00.21.80); in 2014 an import quota was also established for electric vehicles[41]; and a similar measure was adopted in 2015, but covering a larger number of tariff lines.[42] COMEX allocates the quota by means of a resolution.[43] Import quotas were also adopted for vehicles (HS 8703.24.10.90) for the Ecuadorian National Red Cross Society.[44] In general, imports of used vehicles are prohibited but there may be exceptions for vehicles for agricultural use or for specific activities, and in some cases the tariff is reduced to zero.[45] Since 2012, cellular telephones (HS 8517.12.00.00) have been subject to a

[41] COMEX Resolution No. 049-2014.
[42] COMEX Resolution No. 050-2015.
[43] COMEX Resolutions No. 101-2013, No. 003-2013, No. 106-2013, No. 019-2015, No. 050-2015 and No. 050-2015.
[44] COMEX Resolution No. 106-2013.
[45] COMEX Resolutions No. 025-2014 and No. 024-2014.

quantitative restriction and in 2013 the number of tariff lines subject to this measure was increased (HS 8552); in 2015 a quota was established for imports of other cellular telephones (HS 8517.12.00.29, HS 8517.12.00.39 and HS 8517.12.00.99).[46] As in the case of motor vehicles, COMEX allocates the quota through a resolution.[47]

3.1.6 Anti-dumping, countervailing and safeguard measures

3.1.6.1 Anti-dumping and countervailing measures

3.48. The legal framework governing anti-dumping and countervailing measures includes the provisions of the relevant WTO and GATT 1994 Agreements, the COPCI of 2010 and its implementing Regulations, and Andean Community Decisions No. 283, No. 456 and No. 457. Ecuador has notified to the WTO Resolution No. 42 of the Committee on Foreign Trade, "Requirements and procedures for dumping investigations and the application of anti-dumping measures", published in Official Register No. 677 of 5 April 2012.[48] The Ministry of Foreign Trade and Investment is the authority responsible for conducting investigations, while the SENAE deals with the application of anti-dumping and countervailing duties.

3.49. The legislation provides that anti-dumping and countervailing duties shall remain in force for the period and to the extent necessary to counteract the injury to the domestic industry. However, they must be terminated within five years from their entry into force. Definitive anti-dumping duties, safeguards or countervailing duties may be reviewed and modified periodically at the request of a party or *ex officio* at any time, following a report by the investigating authority, independently of whether such duties are subject to national or international administrative or judicial proceedings. The import duties imposed as a result of the investigations into unfair practices may be smaller than the dumping margin or the amount of subsidy shown to exist, provided they are sufficient to discourage the importation of products under unfair international trade practices.

3.50. On 30 June 2018, Ecuador did not have any definitive anti-dumping measure in force; however, its latest notification to the WTO in this regard covered the period from 1 January to 30 June 2014. Since 2010 only one investigation has been initiated, concerning metallized polypropylene up to 25 microns thick (HS 3920.20) from Chile and Oman[49], which was concluded without application of provisional or definitive measures. At that same date, Ecuador did not have any countervailing measures in effect, and during the period 2012-2018 did not initiate any countervailing investigations.

3.1.6.2 Safeguard measures

3.51. In 2012, Ecuador issued new regulations governing safeguard investigations.[50] The Ministry of Foreign Trade and Investment is the authority responsible for conducting safeguard investigations, while the authority responsible for determining injury or threat of injury is the Ministry responsible for the production sector concerned by the investigation.[51] The domestic industry is defined as "the producers as a whole of the like or directly competitive products operating within the national territory or those whose collective output of like or directly competitive products constitutes at least 40% of total domestic production of those products that are claimed to be affected by the increased imports".[52] In the case of fragmented producers and small and medium enterprises, the required percentage is 25%. Safeguards shall remain in effect for up to four years and may be prolonged for a further four years, provided the need for doing so is justified, taking into account the implementation of the adjustment programme for the domestic industry.

3.52. Ecuador has initiated two safeguard investigations since 2010, and in both cases definitive measures were applied. In the first investigation, opened in 2010, the product concerned was imported under NANDINA 7007.21.00.00 with the tariff description (windshields) "of size and shape suitable for incorporation in motor vehicles, aircraft, vessels or other vehicles". The investigation led

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[46] COMEX Resolutions No. 115-2013, No. 047-2014, No. 014-2015, No. 024-2015 and No. 049-2015.
[47] COMEX Resolutions No. 104-2013, No. 014-2014 and No. 035-2014.
[48] WTO document G/ADP/N/1/ECU/3/Suppl.1 of 13 May 2016.
[49] WTO document G/ADP/N/230/ECU of 9 August 2012.
[50] COMEX Resolution No. 43-2012 (WTO document G/SG/N/1/ECU/6 of 11 May 2012).
[51] Idem.
[52] Idem.

to the application of a specific duty for windshields for a duration of three years as from 1 November 2010. In the first year a tariff of USD 12.72 was applied to windshields, which fell to USD 9.54 in the second year, USD 6.36 in the first half of the third year and to USD 3.18 in the second half of that year.[53]

3.53. In 2014 an investigation was initiated to determine whether the increase in imports of certain types of wood and bamboo flooring was causing serious injury and threat of serious injury to the domestic industry. This initially led to the imposition of a provisional safeguard measure.[54] In 2015, Ecuador imposed a definitive safeguard measure for a period of three years, consisting of an additional, non-discriminatory, tariff surcharge on top of the current tariff.[55] In the first year the surcharge was USD 1.50 per kg. The measure was progressively dismantled: as of the second year the surcharge was USD 1.12 per kg and in the third, USD 0.75 per kg.[56]

3.54. In the Andean Community framework, in December 2014 Ecuador imposed an exchange-rate safeguard for products originating in Peru and Colombia. The measure consisted in the application of an *ad valorem* customs duty equivalent to 7% for products from Peru and 21% for products from Colombia.[57] This measure was applied across the customs tariff schedule and was eliminated in March 2015.[58]

3.55. In 2017, Ecuador adopted two safeguards in the Andean Community framework. The first was the elimination of the tariff preference for imports of powder for the preparation of detergents (HS 3402.90.99.00), with the lifting of the tariff to 15%, the same level as the MFN tariff.[59] This measure was eliminated at the end of 2017.[60] In the same year, Ecuador imposed another Andean Community safeguard on imports of sugar (HS 1701.14.00.00, HS 1701.91.00.00, HS 1701.99.10.00, HS 1701.99.90.10 and HS 1701.99.90.90) from all CAN member countries. In this case, Ecuador established an annual quota of 30,000 metric tons with a zero-rated tariff for the tariff lines subject to the measure. Imports in excess of the quota were dutiable at the MFN tariff rate. This measure will be applied for two years and may be extended. The Ministry of Industry and Productivity (MIPRO) administers the quota through a register of importers.[61]

3.56. In addition to the general safeguards under the WTO and CAN frameworks, "surveillance" measures are applied to products. The Ministry of Foreign Trade and Investment, through COMEX, has to monitor import trends that could cause threat of injury to a domestic industry and adopt the appropriate surveillance measures. The decision to impose surveillance is adopted by the Ministry following a technical report by the investigating authority, either *ex officio* or at the reasoned request of a party. The duration of surveillance measures is limited to 12 months. When a product is subject to surveillance, importers need a "surveillance document", validated by the investigating authority, as an accompanying document for the customs declaration in order to be able to carry out the import operation.[62] When the unit price varies by up to 5% in relation to the price given in the surveillance document, the import operation is permitted. If the price is 5% lower than that given in the surveillance document, the import operation is halted.

3.57. During the period 2014-2015, Ecuador did not adopt any surveillance measures, but in 2016-2017 it adopted four such measures to analyse import conditions. In 2016, the measures concerned imports of other paper in rolls (HS 4803.00.90)[63], moulded or pressed articles of paper pulp (HS 4823.70.00.00)[64]; semi-chemical fluting paper (HS 4805.11.00.00); and other corrugated paper (HS 4805.19.00.00)[65] In 2017 a surveillance measure was adopted for imports of domestic

[53] WTO documents G/SG/N/8/ECU/3 and G/SG/N/10/ECU/4 of 21 October 2010.
[54] WTO documents G/SG/N/6/ECU/9 of 2 September 2014 and G/SG/N/7/ECU/3 of 23 October 2014.
[55] WTO document G/SG/N/8/ECU/4 of 24 April 2015 and COMEX Resolution No. 022-2015.
[56] COMEX Resolution No. 022-2015.
[57] COMEX Resolution No. 050-2014.
[58] COMEX Resolutions No. 002-2015, No. 005-2015 and No. 010-2015.
[59] COMEX Resolutions No. 011-2017 and No. 012-2017.
[60] COMEX Resolution No. 031-2017.
[61] COMEX Resolution No. 030-2017.
[62] COMEX Resolution No. 016-2014.
[63] Resolution No. MCE-VNIDC-2016-003-R of 22 March 2016.
[64] Resolution No. MCE-VNIDC-2016-006-R of 19 August 2016.
[65] Resolution No. MCE-VNIDC-2016-007-R of 31 October 2016.

and commercial refrigerators and freezers (HS 8418.10.20.00, HS 8418.10.30.00, HS 8418.10.90.00 and HS 8418.50.00.90).[66]

3.1.6.3 Balance-of-payments safeguards

3.58. Through the Committee on Foreign Trade (COMEX), the Government can adopt trade defence measures, such as a safeguard, to restrict imports in order to protect the balance of payments. Thus, in 2015, in order to regulate the overall level of imports and hence safeguard the balance-of-payments equilibrium and remedy the lack of liquidity in the economy, Ecuador introduced a temporary and non-discriminatory tariff surcharge, initially for a period of up to 15 months.[67]

3.59. On 2 April 2015, in accordance with paragraph 9 of the Understanding on the Balance-of-Payments Provisions of the General Agreement on Tariffs and Trade 1994, Ecuador notified the WTO that on 11 March 2015 it had introduced a temporary and non-discriminatory tariff surcharge for a period of up to 15 months in order to regulate the general level of imports and thereby resolve its critical balance-of-payments problems.[68] In its WTO notification, Ecuador indicated that the notified measure did not exceed what was necessary to address Ecuador's balance-of- payments disequilibrium, which was expected to amount to between USD 2 billion and USD 2.4 billion in 2015. It stated that the measure was based on Article XVIII, Section B, of the GATT 1994 and the Understanding on the Balance-of-Payments Provisions of the GATT 1994.[69] In 2015 and 2016, the Committee on Balance-of-Payments Restrictions held consultations concerning the measure. During these consultations, Members were not in agreement as to whether Ecuador's measure would serve to redress the balance-of-payments deficit nor as to its compatibility with the WTO rules, but recognized that Ecuador had acted in a completely transparent manner and had respected the timetable established for dismantling the measure.[70]

3.60. The tariff surcharge was applied to goods for home use, while goods imported under other import regimes were not affected (COPCI, Article 147).[71] The surcharge was added to the MFN tariff or the preferential tariff applicable to the imports. Imports such as travellers' personal effects, household effects, emergency aid shipments, gifts from abroad and government imports were exempted (COPCI, Article 125); as were goods imported with donations from international cooperation and those originating in countries considered to be relatively less economically developed in the LAIA framework (the Plurinational State of Bolivia and Paraguay).

3.61. The tariff surcharge initially covered 2,955 HS 2012 ten-digit tariff lines, or the equivalent of 38% of the entire Customs Tariff (7,581 HS 2012 ten-digit lines).[72] After the measure had been imposed, the list of tariff lines affected was changed and the surcharge applied to 2,938 tariff lines.[73]

3.62. The surcharge was *ad valorem* calculated on the basis of the c.i.f. value of imports. There were five rates of 5%, 15%, 20%, 25% and 45%; the majority of lines were subject to a surcharge above 25%: the 45% rate applied to 45.4% of tariff lines and the 25% rate to 13.2%; the 5% surcharge applied to 24% of lines. In some cases (86 ten-digit tariff lines of HS 2012), some of these lines were zero-rated (Chart 3.4).

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[66] Resolution No. MCE-MCE-2017-0001-R of 6 June 2017.

[67] Resolutions No. 011-2015 and No. 001-2016; and WTO document WT/BOP/N/79 of 7 April 2015.

[68] COMEX Resolution No. 011-2015.

[69] WTO document WT/BOP/S/18 of 27 May 2015.

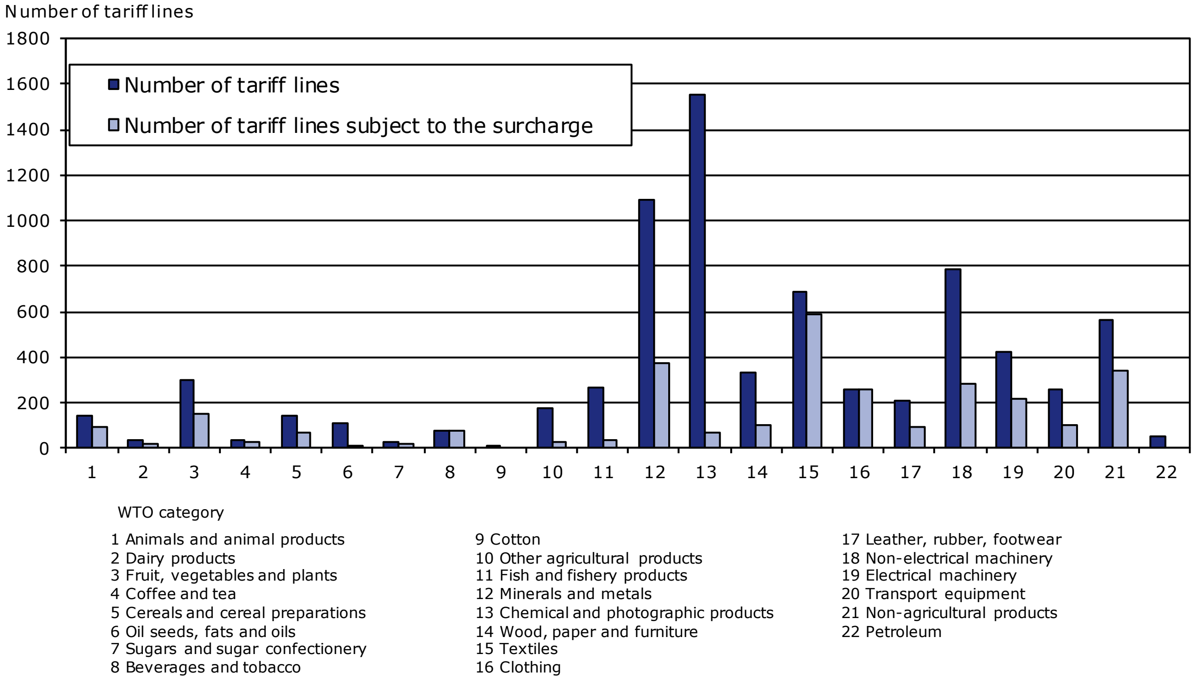
[70] WTO document WT/BOP/R/114 of 31 August 2017.

[71] COMEX Resolutions No. 016-2015 and No. 036-2015.

[72] COMEX Resolution No. 016-2015 of 8 April 2015.

[73] Ecuador initially mentioned 2,955 HS 2012 ten-digit tariff lines, of which six were eliminated by Resolution No. 16-2015. However, in addition the Secretariat noted that of the remaining 2,949 lines five HS 2012 codes were not valid, one corresponded to a subheading that comprised two tariff lines, and five were not really lines but rather subheadings and the corresponding lines had already been included in the communication. This gave a total of 2,938 tariff lines (WTO document WT/BOP/S/18 of 27 May 2015).

Chart 3.4 Tariff lines subject to the surcharge by WTO product category, 2015



Source: WTO Secretariat estimates based on data provided by the authorities.

3.63. Non-agricultural products (WTO definition) were more affected by the surcharge than agricultural products (WTO definition); 83.5% of the products subject to the surcharge were non-agricultural. Of these, the most affected were textiles (591 ten-digit tariff lines of HS 2012, Chapter 15), followed by minerals and metals (370 ten-digit tariff lines of HS 2012, Chapter 12) and other non-agricultural products (343 ten-digit tariff lines of HS 2012, Chapter 21). The agricultural products most affected were fruit, vegetables and plants (150 ten-digit tariff-lines of HS 2012, Chapter 03).

3.64. As a result of the application of this surcharge, in some cases the applied tariffs exceeded the bound levels. Thus, following the imposition of the import surcharge 28% of all tariff lines (2,101 ten-digit tariff lines of HS 2012) were subject to applied tariffs above the bound levels.[74]

3.65. During the imposition of the tariff surcharge (2015-2017), a number of changes were made in the surcharges, in addition to the reductions under the dismantlement timetable.[75] Some of these changes were made in the interest of consistency with other government policies and in accordance with the needs of domestic industry or the Government.[76] Thus, during the safeguard application period some rates were modified; some products were exempted; some products became zero-rated; and some products were excluded, such as those imported for tourist projects, to fulfil government contracts, imports of traders based in specific provinces (Carchi, Huaquillas, Loja, Orellana and Sucumbios), specific products for approved vehicles and passenger and school public transport vehicles, gloves for medical use, three-wheeled vehicles, and propellers and propeller blades for vessels.[77] In 2017, before the safeguard was wholly dismantled, the domestic industry producing extruded aluminium sections requested the Ministry of Foreign Trade and Investment to adopt a trade defence measure on grounds of unfair practices, and as a result the *ad valorem* tariff was changed into a compound tariff and these products were excluded from the balance-of-payments safeguard.[78]

[74] WTO document WT/BOP/S/18 of 27 May 2015.
[75] Resolutions No. 011-2015, No. 005-2016 and No. 006-2016.
[76] COPCI Article 72q; COMEX Resolutions No. 037-2015 and No. 047-2015.
[77] COMEX Resolutions No. 002-2016, No. 016-2015, No. 035-2015, No. 023-2015, No. 029-2015, No. 039-2015, No- 003-2016, No. 007-2016, No. 008-2016, No. 026-2016, No. 031-2016, No. 048-2016, No. 041-2015, No. 048-2016, No. 006-2017, No. 006-2017, No. 009-2017, No. 010-2017 and No. 015-2016.
[78] COMEX Resolution No. 005-2017.

3.66. In 2015, Ecuador submitted a timetable for dismantling the surcharges.[79] In January 2016, Ecuador began to remove the safeguard measure, reducing the 45% rate to 40% and eliminating the 5% rate (April).[80] In April 2016, following the earthquake that caused great damage to the country, Ecuador announced that it would postpone implementation of the dismantlement timetable that had been proposed and discussed in the Committee on Balance-of-Payments Restrictions until April 2017 (original timetable) (Table 3.8). In October 2016, Ecuador reduced the 40% rate to 35% and the 25% rate to 15%, and presented an alternative timetable for removing them.[81]

Table 3.8 Timetable for the removal of the balance of payments safeguard measure, 2017

Surcharge	April 2017	May 2017	June 2017
Original timetable			
15%	10.0%	5.0%	0.0%
25%	16.7%	8.3%	0.0%
40%	26.7%	13.3%	0.0%
Alternative timetable			
15%	10.0%	5.0%	0.0%
35%	23.3%	11.7%	0.0%

Source: COMEX Resolutions No. 006-2016 and No. 021-2016.

3.67. Broadly speaking, following the removal of the safeguard measure most of the applied MFN tariffs returned to their 2015 level (Table 3.9). In 2018, in the case of only 20 tariff lines was the applied MFN tariff higher than in 2015, but still remained below the bound level: for two tariff lines that were subject to the surcharge, the rate was lower than the 2015 MFN rate. For five lines, the *ad valorem* tariff applied in 2015 was replaced by a compound tariff. This change occurred in 2017 prior to the removal of the safeguard when the domestic producers of "extruded aluminium sections", asked the Ministry of Foreign Trade and Investment to adopt "a trade defence measure on grounds of unfair practices"; accordingly, the *ad valorem* tariff was replaced by a compound tariff and these products were excluded from the application of the balance of payments safeguard.[82]

Table 3.9 Comparison of tariff lines before and after imposition of the safeguard (2015-2018)[a]

HS Code	Description	2015			2018
		MFN tariff	Surcharge	MFN applied tariff	MFN applied tariff
8702109080	CKD-engine vehicles	13	15	28	3
8453100000	Machinery for preparing, tanning or working hides, skins or leather	5	15	20	0
7216500000	Other angles, shapes and sections, not further worked than hot rolled, hot drawn or extruded	15	45	60	20
7304290000	Other tubes and pipes	0	5	5	5
7308902000	Sluice gates	15	45	60	25
8504219000	Other liquid dielectric transformers	15	15	30	25
8504221000	Having a power handling capacity exceeding 650 kVA but not exceeding 1,000 kVA	15	15	30	25
8504341000	Transformers having a power handling capacity not exceeding 1.600 kVA	15	15	30	25
7303000000	Tubes, pipes and hollow profiles, of cast iron	0	5	5	15
7304110000	Tubes, pipes and hollow profiles, of stainless steel	0	5	5	15
7304190000	Other tubes, pipes and hollow profiles	0	5	5	15
7304220000	Drill pipe of stainless steel	0	5	5	15

[79] WTO document WT/BOP/R/114 of 31 August 2017.
[80] COMEX Resolution No. 001-2016.
[81] COMEX Resolutions No. 011-2015, No. 005-2016, No. 006-2016 and No. 021-2016.
[82] COMEX Resolution No. 005-2017.

HS Code	Description	2015			2018
		MFN tariff	Surcharge	MFN applied tariff	MFN applied tariff
7304230000	Other drill pipe	0	5	5	15
7304240000	Other pipe, of stainless steel	0	5	5	15
7304510000	Cold drawn or cold rolled (cold reduced)	10	45	55	25
7304410000	Cold drawn or cold rolled (cold reduced)	5	5	10	25
7304310000	Cold drawn or cold rolled (cold reduced)	0	5	5	25
7304390000	Other tubes and pipes	0	5	5	25
7304490000	Other tubes and pipes	0	5	5	25
7304590000	Other tubes and pipes	0	5	5	25
7304900000	Other tubes and pipes	0	5	5	25
7326110000	Grinding boles and similar articles for mills	0	5	5	25
7604102000	Profiles, including hollow profiles	10	45	55	5% + 1.2 $/kg
7604210000	Hollow profiles	10	45	55	5% + 1.2 $/kg
7604291000	Bars	10	45	55	5% + 1.2 $/kg
7604292000	Other profiles	10	45	55	5% + 1.2 $/kg
7608200000	Of aluminium alloys	15	45	60	5% + 1.2 $/kg

a Only includes strictly comparable tariff lines.

Source: WTO Secretariat estimates based on information provided by the authorities.

3.68. In June 2017, Ecuador notified the WTO that it had eliminated the balance-of-payments safeguard measure as scheduled on 1 June.[83]

3.1.7 Other measures affecting imports

3.69. The National Finance Corporation (Corporación Financiera Nacional (CFN)) provides financing for imports of raw materials and semi-finished or finished products not produced in Ecuador or whose production is inadequate to satisfy domestic demand. These products must be transformed and the finished product must be exported.[84] The financing is granted for up to five years; the minimum amount is USD 50,000 per client with a maximum of USD 25 million per borrower and USD 50 million per economic group. The interest rate depends on the percentage of financing within the total value of the project. The financing may be used as working capital for all economic activities which the CFN is authorized to finance.[85]

3.70. The Import Letter of Credit is a financial instrument which the CFN issues on behalf of its client as a documentary credit in favour an exporter abroad. It is paid when the terms and conditions established between the purchaser and seller have been fulfilled. It is available for natural or legal persons having annual sales exceeding USD 100,000. The minimum amount of the letter of credit is USD 50,000. This type of instrument is used to finance imports in advance and provides payment security. For recurring operations, the client may obtain a credit line on which letters of credit are issued.[86]

3.2 Measures directly affecting exports

3.2.1 Customs procedures and requirements

3.71. Both Ecuadorians and resident foreigners in Ecuador may be exporters. For this purpose they must obtain a Taxpayer's Registration Number (RUC) issued by the Internal Revenue Service (SRI), an electronic signature in the Civil Register which is valid for two years, and register with the

[83] WTO document WT/BOP/N/84 of 20 June 2017.
[84] Online information from the Corporación Financiera Nacional. Viewed at: https://www.cfn.fin.ec/financiamiento-de-importacion-2.
[85] The full list of activities that the CFN may finance may be viewed online at: http://www.cfn.fin.ec/wp-content/uploads/2016/02/Anexo-1-Activ.-Financiables-2.pdf.
[86] Import Letters of Credit. Online CFN information viewed at: https://www.cfn.fin.ec/cartas-de-credito-importacion.

Customs ECUAPASS computerized system. Exporters may hire the services of a SENAE-authorized customs broker or a freight forwarder registered with the SENAE to submit the export customs declaration (DAE), or may do so in person through the ECUAPASS system. The person submitting the DAE is called the "declarant" and will represent the exporter in the export procedure.

3.72. The declarant must submit the accompanying and/or supporting documents that have to be attached to the DAE. These include the commercial invoice, packing list, prior authorization (where appropriate), certificate of origin (where appropriate) and plant or animal health certificate (where appropriate). The export process begins with the submission of the DAE. Once it has been received, the export entry record (IIE) for the entry of the goods to the primary zone through which it will be exported is registered, following which the ECUAPASS computerized system automatically assigns an inspection channel for the goods, which may be automatic, documentary or physically intrusive.

3.73. If the inspection channel assigned is the automatic one, the exit of the goods from Ecuadorian customs territory is authorized (Exit Authorized); otherwise, an inspection takes place and, if no observations are made, the responsible official registers the completion of the inspection in the ECUAPASS system and the DAE is given " Exit Authorized " status. If the inspection process reveals discrepancies, the official enters the corresponding observations and they must be justified or corrected by the declarant within one day. Once the DAE has authorized exit status, the goods may be shipped. Where necessary the declarant may correct the DAE. Once the goods have been shipped, the declarant may regularize the DAE with the SENAE, which closes the definitive export process.

3.74. Ecuador has other export regimes apart from definitive export (Table 3.3). In the case of exports subject to the regimes of temporary exportation for reimportation in the same state and temporary exportation for outward processing, the procedures are different and a customs broker is required.

Box 3.3 Export regimes

Definitive export
The definitive exit of the goods from the Ecuadorian customs territory or to a Special Economic Development Zone or a Free Zones that is still in operation located within the Ecuadorian customs territory.
Temporary exportation for reimportation in the same state
The temporary exit from the customs territory of goods for a specified purpose and time is authorized, within which time they must be reimported without having undergone any change with the exception of normal wear and tear.
Temporary exportation for outward processing
Goods in free circulation in the customs territory may be temporarily exported outside the customs territory or to a special economic development zone or the free zones which are still in operation within that territory, for transformation, processing or repair and subsequently reimported as compensating products which are exempt from the corresponding duties and taxes.

Source: COPCI Regulations.

3.2.2 Taxes, charges and levies

3.75. Ecuador does not impose taxes on exports with the exception of bananas and coffee. However, exports of goods and services are liable to the ISD if the corresponding foreign exchange from the payment for the exports does not enter Ecuador.[87]

3.76. Banana and coffee exports are subject to an export levy of 9.7% and 2%, respectively, on their f.o.b. value.[88] In 2013, the export levy on bananas, used to finance the Banana Industry Fund, was suspended[89]; and that on coffee was suspended in 2015.[90] The coffee contribution (2% on the

[87] Online information from the Ecuadorian Internal Revenue Service. Viewed at: http://www.sri.gob.ec/web/guest/impuesto-a-la-salida-de-divisas-isd.
[88] Information provided by the authorities.
[89] Ministerial Decision No. 406 of 11 September 2013.
[90] Amendment to the Law Creating the National Agricultural Research Institute (INIAP) and repeal of the Special Law on the Coffee Sector, Official Register No. 446 of 26 February 2015.

f.o.b. value of coffee beans, roasted beans and ground roasted coffee per unit of 100 pounds exported) was used as part of the funds needed to finance the National Coffee Board (COFENAC).[91]

3.77. The authorities indicated that the charges for the granting of permits, registrations, authorizations, licences, analyses, inspections and other export-related formalities are fixed in proportion to the cost of the services actually provided.

3.2.3 Minimum export prices

3.78. Exports of bananas are subject to a minimum reference price. The reference price is set by the MAG (formerly the MAGAP), and is based on the support price that exporters must pay producers (Section 4).

3.79. Ecuador uses minimum reference prices for exports for internal taxation purposes in the case of cocoa beans (HS 1801.00.19) and semi-finished cocoa products (of HS headings 1803, 1804 and 1805). These prices are set weekly on the basis of the New York Intercontinental Exchange prices and serve as a reference for marketing these products on the domestic market. In the case of coffee (HS 09011190), reference prices were abolished in 2015 when the Special Law on the Coffee Sector was repealed. Ecuador does not fix minimum reference prices for shrimp. However, the Aquaculture Management Directorate of the Under-Secretariat for Aquaculture issues a monthly list of reference prices for aquacultural exports, for purely informational purposes. According to the authorities, the purpose of this list of reference prices is to give Ecuadorian shrimp producers and exporters a fuller picture of world prices.

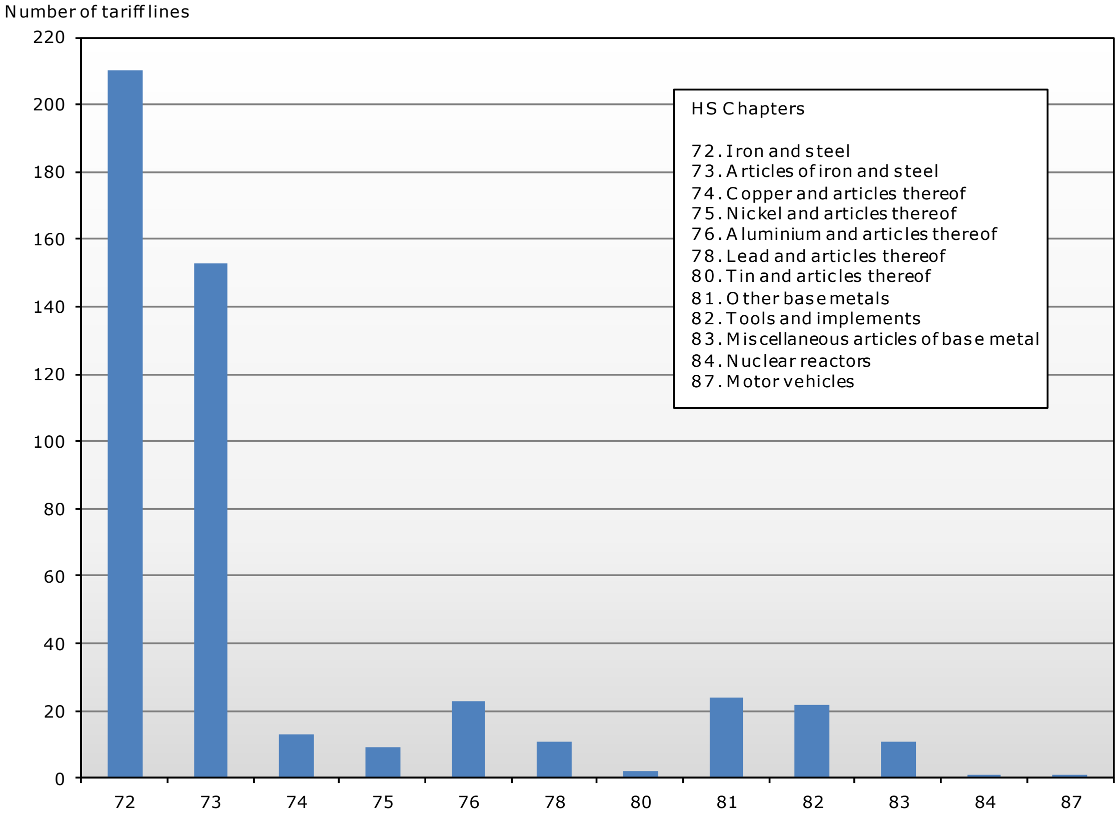
3.2.4 Export prohibitions, restrictions and licensing

3.80. The Committee on Foreign Trade (COMEX) is responsible for issuing rules on export requirements other than customs formalities, such as registration, authorizations, prior control documents and licensing.[92]

3.81. In 2018, Ecuador prohibits the definitive exportation and temporary exportation for outward processing of certain products (480 ten-digit HS tariff lines) (Chart. 3.5). The prohibitions mostly concern metal products and manufactures, tools, nuclear reactors and motor vehicles.

[91] Special Law on the Coffee Sector (codified text) of 2004 of 17 March 2004.
[92] Article 72(f) of the COPCI of 29 December 2010.

Chart 3.5 Export prohibitions by HS Chapter, 2018



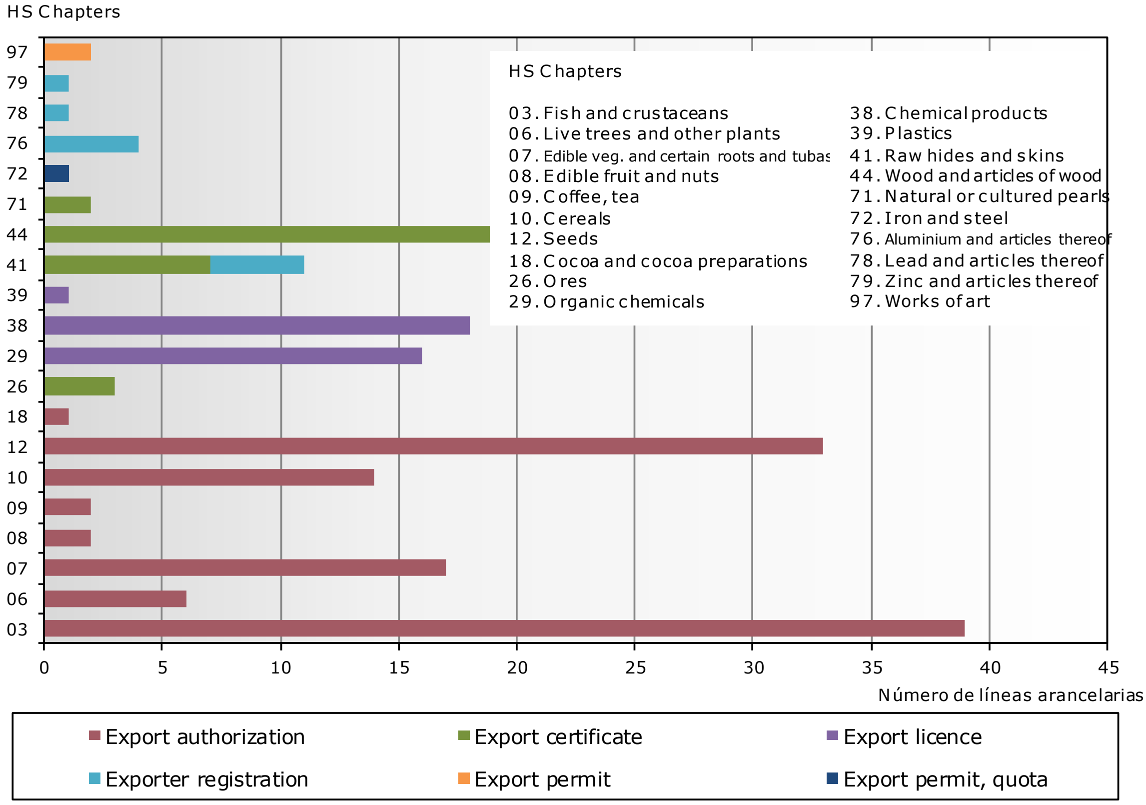
Note: 480 tariff lines are prohibited.

Source: WTO Secretariat estimates based on information provided by the authorities.

3.82. As in the case of imports, Ecuador uses various prior documents to accompany the export customs declaration (DAE) for definitive exports, including export authorization, exporter registration, export certificates, export permits and export licences.[93] In 2018, these requirements concerned 193 ten-digit HS tariff lines (Chart 3.6).

[93] COMEX Resolutions No. 009-2014, No. 015-2014 and No. 013-2017.

Chart 3.6 Export restrictions by HS Chapter and type of restriction, 2018



Note: 193 ten-digit tariff lines are subject to restrictions.

Source: WTO Secretariat estimates based on information provided by the authorities.

3.83. In general, Ecuador guarantees the free export of goods with the exception of those that may affect public health, environmental conservation, animal and plant health[94], and the cultural heritage. Exports may also be restricted in order to comply with Ecuador's undertakings under the various international agreements to which it is a signatory, such as the Montreal Protocol.[95]

3.84. Controls are also used for statistical purposes. The Mining Regulation and Control Agency (ARCOM) maintains the corresponding registers in order to carry out statistical controls of the marketing and export of minerals as well as to ensure that the other legal obligations are fulfilled, including ensuring that the origin of the minerals is lawful; hence, exports of copper, silver and gold ores (HS 2603.00.00.00, HS 2616.10.00.00, HS 2616.90.10.00, HS 7108.12.00.00 and HS 7106.91.00.00) require an export certificate from ARCOM, failing which their exportation cannot be authorized.[96]

3.85. Export controls may be used to support specific industries or encourage domestic production of specific industries.[97] Thus, the "pollution abatement, public transport fuel subsidy rationalization and vehicle scrapping programme" prohibits the export of scrap (HS 7204.30.00.00, HS 7204.10.00.00, HS 7204.29.00.00, HS 7204.41.00.00, HS 7204.49.00.00, HS 7204.50.00.00, HS 7205.10.00.00, HS 72.05.21.00.00, HS 7205.29.00.00, HS 7403.22.00.00, HS 7404.00.00.00 and HS 7602.00.00.00). However, in the event of an oversupply of scrap (in relation to the processing firms' capacity) or if the reference market price obtained by calculating the moving average for the last three months does not correlate properly with the price paid by the scrapping firms, the MIPRO may grant export quotas.[98] Accordingly, Ecuador set a quota for exports of

[94] COMEX Resolution No. 029-2017.
[95] COMEX Resolution No. 023-2017.
[96] Requirements for the export certificate for owners of mining rights, Resolution No. 017-ARCOM-2017.
[97] Constitution of the Republic of Ecuador, Article 284.
[98] Executive Decree No. 676 of 24 February 2011.

non-ferrous scrap. These quotas may only be used by exporters registered with MIPRO, and are allocated on a first come, first served basis.[99]

3.86. COMEX may also regulate and/or restrict exports to ensure the supply of raw materials for domestic industry and thus promote the incorporation of value added, pursuant to the National Industrial Development Plan. These controls may be imposed *ex officio* or at the request of an industry. Thus, in 2013 the National Tanners Association (ANCE) requested MIPRO to re-establish the Register of Exporters of Raw Hides and Skins (for raw hides and skins of bovine (including buffalo) or equine animals – (HS 4102.10.00.00,HS 4102.21.00.00, HS 4102.29.00.00, HS 4104.11.00.00, HS 4104.19.00.00, HS 4104.41.00.00 and HS 4104.49.00.00) as a mandatory requirement for their export, given the indiscriminate outflow of these raw materials from the country with the result that the sector was facing difficulties in the supply of salted hides.[100] From 2014, COMEX considered it necessary to impose an export requirement in the form of a quality certificate issued by MIPRO-approved inspection bodies, and suspend the Register of Exporters of raw hides and skins. According to the authorities, the quality certificate makes it possible to verify the correct use of the tariff subheadings for exports of hides and skins, thereby facilitating the export of the hides and skins that the local industry does not use. In addition, MIPRO also monitors the processing capacity of the tanneries, as well as the industry's production prices and activation plan. If its half-yearly evaluation indicates an oversupply of raw hides and skins in the country, it opens export quotas.[101]

3.2.5 Export support and promotion

3.2.5.1 Export support

3.87. Ecuador notified the WTO that during the period 2012-2016 it did not grant any export subsidies for agricultural products.

3.2.5.2 Drawback regimes and other incentives

3.88. The tax credit scheme was established as an export incentive for when exporters face a worsening of access to international markets as a result of changes in tariff levels or other adverse measures in their destination markets. The scheme consists of a "Tax Credit Certificate" (CAT), which stipulates the value of the credit. The CATs are issued by the National Customs Service as a credit note and are freely negotiable. They may be used to settle any tax obligation with the exception of fees for services provided, royalties and other contributions levied by the State in connection with mining and hydrocarbon activities.[102]

3.89. The granting of Tax Credit Certificates was reactivated in 2013. COMEX acts as the management committee for the purposes of the Tax Credit Law: it draws up the list of products eligible for CATs[103], establishes the period for which they will be considered and the percentages to be applied for each tariff line[104], as well as the maximum annual amount that may be allocated to the grant of CATs under the General Budget of the State. For example, in 2016 this amount was roughly USD 21 million.[105] COMEX is also responsible for identifying the beneficiaries of the CATs, fixing the maximum annual amount of the benefit for each exporter[106], and determining the international markets for Ecuadorian exports in which exporters have faced a worsening of access levels.[107] The maximum annual amount of the benefit, as approved by COMEX, may not exceed what is necessary to offset the reduction in the level of access to an international market.[108]

3.90. The most recent list of products and exporters eligible for the CAT, and the percentage to be applied for the grant of the CAT, dates from 2016, since when, according to the authorities, the

[99] SENAE Resolution 177 of 3 May 2011.
[100] COMEX Resolution No. 008-2014.
[101] COMEX Resolution No. 008-2014 and No. 333 of 28 July 2014.
[102] Tax Credit Law, Supreme Decree No. 3605-B of 13 July 1979 and amendments thereto.
[103] No information is available on how the list of CAT-eligible products is drawn up.
[104] No information is available on how the percentage applied for the CAT for each product is determined.
[105] COMEX Resolution No. 030-2016.
[106] No information is available on how the maximum annual amount of the CAT is determined.
[107] COMEX Resolution No. 105-2013.
[108] Implementing Regulation to the Tax Credit Law, Decree No. 100 of 4 September 2013.

mechanism has not been used.[109] The percentages vary according to the product and are calculated on the basis of the export value. In 2013 they ranged from 0.1% for aerated beverages (HS 2202.10.00.00) to 32% for acrylic sweaters and similar articles of clothing (HS 6110.30.10.00).[110] In that year the scheme particularly benefited products such as flowers (HS Chapter 06) and textile products (HS Chapters 61, 62 and 65). There was no significant change in the eligible products in 2016. The percentages for the grant of the CAT range from 0.05% for pineapples (HS 0804.30.00.04) to 35% for tuna (HS 1604.14.00.01).[111]

3.91. Exporters of goods that use or incorporate imported packaging or packing, raw materials or inputs are eligible under the conditional drawback scheme that provides for the total or partial refund of foreign trade levies paid on imports of goods that are subsequently exported. Exporters may request this drawback within 12 months of the importation for home consumption of the good that was part of the definitive export, counting from the date of release of the goods.

3.92. The value of the drawback was originally based on the input-output matrix presented by the exporter. In principle, it amounted to 100% of the foreign trade levies actually paid on imports of products for which the drawback was requested; however, the amount refunded could not exceed 5% of the transaction value of the exported goods.[112]

3.93. A simplified conditional drawback scheme was introduced in 2015, under which a fixed percentage of the export value was determined for the drawback. In 2015 this procedure could be used for all exports except vehicles (Chapter 87); some fresh and prepared fish (Chapters 3 and 16); some flowers (Chapter 6); some salts, sulphurs, earth and stone, plastering materials, lime and cement (Chapter 25) and mineral fuels (Chapter 27), among others. In general, the refund amounted to 5%, Ecuador's weighted tariff between 2010 and 2014, but some products received a smaller drawback of 3% or 2%. In some cases, the drawback varies according to the market of destination[113], as in the case of "*cavendish Valéry*" bananas (HS 0803.90.11.00), Lady Finger (bocadillo) bananas (HS 0803.90.12.00) and other bananas (HS 0803.90.19.00): 2% for the European Union, 3% for the Russian Federation and 4% for China. COMEX may periodically review the exports subject to the simplified procedure as well as the refund percentage.[114] In 2016, COMEX modified the list of products eligible for the 5% drawback.[115] According to the authorities, this procedure has not been used since the last quarter of 2016. In order to be able to finance the simplified conditional drawback procedure, in 2015 the Ministry of Foreign Trade and Investment implemented the "Export Sector Promotion" Investment Project. The total amount allocated to the project in 2015 was USD 229 million, but only USD 50 million was used.[116]

3.94. Exporters who take advantage of the CATs or who have used the ordinary conditional drawback procedure are not entitled to the simplified conditional drawback. The exporter may decide whether to use the simplified scheme or the original scheme. Exporters using the simplified scheme must repatriate the foreign exchange from the export operation to Ecuador.[117]

3.2.5.3 Free Zones and Special Economic Development Zones (ZEDEs)[118]

3.95. In 2010, Free Zones were replaced by Special Economic Development Zones (ZEDEs). According to the authorities, the free zone scheme did not meet the planned objectives in terms of promotion of investment, exports, employment and technology transfer. Furthermore, it was based on the principle of extraterritoriality, which created limitations for the State: for example, there was no clear legal framework, projects were not necessarily aligned with government economic development policies, and the formalities and procedures for the entry and exit of goods to and from the free zones were complicated. The COPCI therefore replaced the Law on Free Zones in 2010.

[109] COMEX Resolution No. 030-2016.
[110] COMEX Resolution No. 105-2013.
[111] COMEX Resolution No. 030-2016.
[112] COPCI, Article 157; COPCI Regulations, Articles 170–175, Decree No. 758 of 29 December 2010; COMEX No. 027-2015 and No. 040-2015.
[113] COMEX Resolution No. 013-2015.
[114] COMEX Resolutions No. 013-2015, No. 027-2015 and No. 040-2015.
[115] COMEX Resolution No. 017-2016.
[116] Information provided by the authorities.
[117] COMEX Resolution No. 017-2016.
[118] This section is based on the COPCI and its implementing regulations, and the Regulations on Special Economic Development Zone Operators (Ministerial Decision No. 148 of 8 March 2017).

However, free zones whose concessions had been granted under that law remained in operation for the duration of the concession. Nevertheless, free zone administrators and users are subject administratively and operationally to the COPCI. In addition, companies administering free zones that wish to migrate to the ZEDE regime may do so provided they submit an application to the competent authority (the Sectoral Economic and Production Council) six months before the free zone concession expires.

3.96. Until 2010, free zones were supervised and controlled by the National Council for Free Zones (CONAZOFRA); the five remaining free zones are currently regulated by MIPRO.[119] Since 2010, enterprises that register as new users of the free zones must fulfil the same requirements as ZEDE operators. By 2018, five ZEDEs had been set up.

3.97. The ZEDEs were established as a customs destination, in delimited areas of the national territory, for the establishment of new investment that will be subject to special foreign trade, tax and financial treatment. The administrators and operators who set up in ZEDEs enjoy specified tax incentives (Section 2). The Sectoral Economic and Production Council is responsible for running and supervising the ZEDEs, which may be of three kinds according to their objective: technology transfer, industrial diversification, and provision of logistical services.

3.98. The goods produced in the ZEDEs should, *inter alia*, contribute to diversifying the domestic supply for export and be specifically export-oriented. However, they may exceptionally be authorized to enter the national territory for sale on the domestic market in limited percentages. The percentage depends on the project submitted, as approved by the Sectoral Economic and Production Council, which determines when such entry will be permitted. These limits do not apply to the products obtained in economic sectors that are designated as basic industries and technology transfer and technological innovation processes.[120]

3.2.5.4 Export promotion

3.99. The Export and Foreign Investment Promotion Institute (PRO ECUADOR), under the Ministry of Foreign Trade and Investment, is the government entity responsible for planning, coordinating and implementing export promotion policy as well as for attracting foreign investment, in order to promote Ecuador's exportable supply of goods and services, with emphasis on diversification of products, markets and participants. PRO ECUADOR advises priority sectors and carries out training activities, with special emphasis on integrating small and medium-sized enterprises in the value chain. It also coordinates and prepares national and international promotion activities, together with specific cross-sectoral projects as well as others aimed at specific sectors, such as the Incubation Project for the artisanal footwear and textiles sector.

3.2.6 Export finance, insurance and guarantees

3.100. The agency responsible for implementing export finance, insurance and guarantee programmes is the National Finance Corporation (CFN). The CFN is Ecuador's development bank, a public financial institution whose mission is to promote the development of the country's production and strategic sectors through a range of financial and non-financial services geared to government policies[121] (Table 3.4). The instruments it offers facilitate foreign trade operations by providing clients with backing that gives them access to favourable credit terms and conditions.

Box 3.4 Financial instruments for exporters, 2012-2018

Export finance
Working capital: financing to promote the export of any product made in Ecuador across all economic activities. Finance for up to 100% of export-related costs (for example, insurance, carriage, exporting costs); no finance for taxes and duties in relation with the operation.

[119] Ministerial Decision No. 11.270 of 26 July 2011.

[120] Basic industries are copper and/or aluminium smelting and refining; steelmaking for the production of flat steel; hydrocarbon refining; petrochemicals industry; pulp and paper industry; and shipbuilding and repairs.

[121] Online information provided by the National Finance Corporation (CFN). Viewed at: https://www.cfn.fin.ec/corporacion-financiera-nacional.

Minimum amount of financing is USD 50,000 per client; maximum amount is USD 25 million per borrower and USD 50 million per economic group. Post-shipment finance: short-term loans to finance the period between shipment and payment by the foreign purchaser. Development finance: long-term loans aimed at generating new export capacity (for example, construction of factories and creation of new product lines). Maximum period is five years for working capital and up to 15 years for fixed assets. There are grace periods for capital of 1 to 4 years according to the cash flow. The nominal interest rate is 7.5% for the corporate segment, 8.25% for the business segment and 9.75% for the SME segment. The CFN's Assets and Liabilities Committee (ALCO) sets the interest rates.
International factoring
Financial instrument that allows exporters to receive early settlement of their future invoices (with international clients) in order to obtain working capital. Finance for up to 80% of the value of the export invoice with a due date of at least 30 days. Available to Ecuadorian exporters of (non-oil) goods and services with annual sales exceeding USD 100,000. The discount rate is 6.25% per annum up to 60 days, 7.25% up to 120 days and 7.25% up to 180 days.
Stand-by letter of credit
Financial instrument whereby the CFN undertakes to pay a client's obligation to a foreign beneficiary. It is executed when the terms and conditions agreed between the parties are fulfilled but the client does not honour its obligation. This service is available to non-oil exporters with annual sales exceeding USD 100,000. The minimum amount of the stand-by letter of credit is USD 50,000. A commission is charged per event. The initial commission is 3% annually.
Documentary collection
Non-financial instrument whereby the CFN undertakes the documentary verification and collection of payments for a foreign trade operation without undertaking to honour the payment. This service is available to exporters with annual sales exceeding USD 100,000. A commission is charged per event.
Credit guarantees
With this instrument the CFN, through the National Guarantee Fund, allows a bank operating in Ecuador and having an agreement with the National Guarantee Fund to provide pre-shipment or post-shipment loans for exports. The CFN covers 50% to 80% of the required guarantee. The commissions are between 2.5% and 4.5% annually.

Source: Online information from the National Finance Corporation.

3.3 Measures affecting production and trade

3.3.1 Incentives

3.101. As notified to the WTO, during the period 2013–2018 Ecuador did not provide any type of subsidy within the meaning of Article 1.1 of the Agreement on Subsidies and Countervailing Measures or that were specific within the meaning of Article 2 of that Agreement.[122]

3.102. Nevertheless, one of Ecuador's fiscal policy objectives is income redistribution through transfers, taxes and subsidies (Article 285 of the Constitution). Accordingly, Ecuador grants fiscal incentives for the development of production in general (Section 2) as well as for specific sectors such as agriculture and basic industry, and also for the popular, solidarity and community-based economy.

3.103. Fiscal incentives for production development are of four kinds: (1) general, which apply to investment anywhere within the national territory; (2) sectoral and for equitable regional development, for the sectors that help to change the energy matrix, strategic import substitution, export promotion and rural development; (3) for depressed areas; and (4) for public projects implemented through public-private partnerships (Section 2).[123]

[122] WTO documents G/SCM/N/253/ECU of 17 July 2013; G/SCM/N/284/ECU of 14 July 2015; and G/SCM/N/315/ECU of 26 February 2018.
[123] COPCI, Articles 23-24.

3.104. In addition to the incentives for production development and export promotion, the Government also promotes basic industries that transform renewable and non-renewable natural resources into inputs for the production of intermediate and final goods. The following are considered basic industries: copper and/or aluminium smelting and refining; steelmaking for the production of flat steel; hydrocarbon refining; petrochemical industry; pulp and paper industry; and shipbuilding and repairs.

3.105. As part of the policy to promote the popular, solidarity and community-based economy, to which the micro, small and medium-sized enterprises (MSMEs) belong, Ecuador provides incentives in the form of preferential financing and public procurement mechanisms, and by facilitating the setting up of enterprises (feasibility studies, market studies, innovation projects) as well as exports (through the Exporta Fácil ("Exporting Made Easy") programme for MSMEs and craft workers). The Banking Supervisory Authority will establish a special guarantee scheme for the financing of MSMEs as well as special rules to enable them to have access to the stock market.[124] In addition, public institutions are obliged to include MSMEs in government procurement procedures as provided for by the National Public Procurement System (Section 3.3.6).

3.106. Exporta Fácil is a programme backed by various State institutions that was launched in 2012 to facilitate export procedures so that MSMEs and artisans can increase their exports and gain a foothold in new markets. Under this programme, participants can ship products for up to a value of USD 5,000 and a maximum weight of 30 kg per shipment, without restriction on the quantity of packages sent.[125] Exporters who use Exporta Fácil must have a RUC, be registered on the programme's web portal and use a Simplified Customs Declaration, accompanied by the mandatory documents including the commercial invoice, packing list and prior authorizations or certificate of origin, as appropriate.

3.107. The National Finance Corporation (CFN B.P.), which is part of Ecuador's development banking system, is a public financial institution that offers a range of financial and non-financial services for the development of Ecuador's production and strategic sectors. It has credit lines for the production sector, with particular attention paid to SMEs (Table A3.4).[126]

3.108. BanEcuador was set up in 2016 to replace the National Development Bank, with the purpose of providing loans geared to the particular features of the targeted production activity, area and client, so as to bring about a change in the production matrix and achieve food sovereignty.[127] BanEcuador grants financing to individual and family, communal and associative production units, entrepreneurs, and the MSMEs involved in the production of goods or provision of services or in trade (Table 3.10). The interest rate on loans is determined in line with the bank's interest rate policy, which according to the authorities is based on market conditions and operating costs, financing cost, provisioning and inflation. BanEcuador accepts various types of guarantee for its loans.

Table 3.10 BanEcuador financial products, 2018

Product	Beneficiaries	Features	Term
Banco del Pueblo	Trade, services and small-scale industry	Amounts: USD 50-15,000 Up to 100% financing No credit history required	Up to 5 years
Gran Minga Agropecuaria project	Agriculture and forestry	Amounts: 50-150 times the unified minimum wage Up to 100% financing	Up to 10 years for agricultural activities Up to 20 years for forestry activities
Entrepreneurial credit	Entrepreneurs in any sector	Amounts: USD 500-50,000	Up to 60 months
Credit for small and medium-sized enterprises (SMEs)	Production, trade, services	Amounts: USD 5,000-500,000 Various types of guarantee are accepted	Variable, according to type of investment

[124] COPCI, Articles 63-66.
[125] Online information from Exporta Fácil. Viewed at: http://www.exportafacil.gob.ec/index.php?option=com_content&view=article&id=3&Itemid=108.
[126] Online information from the CFN. Viewed at: https://www.cfn.fin.ec/corporacion-financiera-nacional.
[127] Executive Decree No. 677 of 13 May 2015.

Product	Beneficiaries	Features	Term
Credit for micro enterprises	Production, trade, services	150 times the unified minimum wage Various types of guarantee are accepted	Variable, according to the type of investment

Note: The unified minimum wage in 2018 is USD 386. Ministerial Decision No. MDT-2017-0195 of 26 March 2018. Viewed at: http://www.trabajo.gob.ec/wp-content/uploads/2018/01/ACUERDO-MINISTERIAL-MDT-2017-0195.pdf.

Source: BanEcuador.

3.109. The State has a responsibility to achieve food sovereignty, for which purpose there are preferential financing mechanisms for small and medium-sized producers, facilitating the acquisition of inputs and promoting productivity in the agricultural sector.[128] BanEcuador and the CFN B.P provide the financing for these segments. In addition, in 2018 Ecuador notified a series of domestic support measures for agriculture relating to pest and disease control, research, marketing and promotion services, inspection services and infrastructure services. In general, these programmes do not benefit specific products.[129]

3.110. The Government provides support for farmers, in particular small and medium-sized producers, under its Agroseguro programme, through which a State insurance company (Seguros Sucre) offers agricultural insurance against adverse natural phenomena. The programme finances 60% of the net premium of the insurance policy, up to a limit of USD 700, for all crops except bananas, where the limit is USD 1,500.[130]

3.3.2 Standards and other technical requirements

3.111. The legal framework governing the standardization system in Ecuador consists primarily of the Constitution, the Ecuadorian Quality System Law and its implementing regulations[131], as well as other manuals, ministerial decisions and resolutions, and the rules of the Andean Community (CAN) (Table 3.5).

3.112. The Ecuadorian Quality System Law governs, *inter alia*, the principles, policies and entities concerned with conformity assessment activities. It also ensures compliance with citizens' rights and international commitments in this area. The guiding principles of the Ecuadorian quality system include fairness and national treatment: accordingly, domestic and imported goods and services are treated in the same way, and the technical regulations and conformity assessment procedures of other countries are recognized provided they are suitable for Ecuador. In addition, the participation of all sectors in the development and promotion of quality and dissemination of information is guaranteed.

Box 3.5 Regulation of the Standardization System, 2018

Inter-Ministerial Committee on Quality Resolution No. 001-2013-CIMC 30 May 2013 (as amended by Resolution No. 002-2013-CIMC of 22 August 2013 and Resolution No. 001-2014-CIMC of 10 June 2014): conformity assessment and manual of procedures prior to release for home use, marketing and supervision in the market place at all stages for goods produced, imported and marketed that are subject to Ecuadorian technical regulation

Ministerial Decision No. 11256 of 15 July 2011: establishes prices for Ecuadorian technical standards, codes, good practice guides, manuals and other technical documents.

Ministerial Decision No. 11446 of 25 November 2011: delegates to the Under-Secretariat for Quality the power of approving and officializing proposals for standards or technical regulations and conformity assessment procedures proposed by the INEN.

Ministerial Decision No. 17074 of 19 May 2017: instructions for establishing the designation process for conformity assessment purposes.

[128] Constitution of the Republic, Article 281.
[129] WTO document G/AG/N/ECU/45 of 24 July 2018.
[130] 2017 Project Information Note, Agricultural Insurance Unit, MAGAP.
[131] Law on the Ecuadorian Quality System of 22 February 2007 (amended by the COPCI of 29 December 2010) and General Regulations to the Ecuadorian Quality System Law (Executive Decree No. 756 of 17 May 2011).

Resolution No. 2017-003 of 25 January 2017: establishes the guidelines for the preparation and adoption of standardization documents of the Ecuadorian Standardization Service (INEN), through study and participation in national committees.	
CAN Decision No. 827 of 18 July 2018: establishes the guidelines for the preparation, adoption and application of technical regulations and conformity assessment procedures in member countries of the Andean community and at the Community level. (CAN Decision No. 827 of 18 July 2018 replaced CAN Decision No. 562 of 26 June 2003.)	

Source: Information provided by the authorities.

3.113. The Ecuadorian Quality System is the set of processes, procedures and public institutions responsible for the implementation of the quality and conformity assessment principles and mechanisms. The Ministry of Industry and Productivity (MIPRO) is the leading institution of the system. In addition to MIPRO, the system consists of the Inter-Ministerial Committee on Quality, the Ecuadorian Standardization Service (INEN), the Ecuadorian Accreditation Service (SAE), and the government entities and institutions which, according to their remit, may issue standards, technical regulations and conformity assessment procedures, including the Ministries of Electricity and Renewable Energy (MEER), Public Health (MSP), the Environment (MAE), Tourism (MINTUR), Agriculture and Livestock (MAG), Aquaculture and Fisheries (MAP), and Transport and Public Works (MTOP), as well as the Provincial Councils and the Municipalities.

3.114. The Ecuadorian Standardization Service (INEN) is the technical body responsible for regulation, standardization and metrology activities. It is assisted by the Inter-Ministerial Committee on Quality, which coordinates intersectoral quality policy and comprises various ministers or their representatives.[132]

3.115. The standardization process begins with the identification of national standardization needs, which involves evaluating the possible impact of such rules. On the basis of this analysis, the priority areas are identified and included in the Annual Standardization Programme (Chart 3.7). This programme is drawn up by the INEN and included in the National Standardization Plan, which is in turn part of the National Quality Plan, an annual plan adopted by the Inter-Ministerial Committee on Quality.

3.116. Working drafts of standards are assigned to the various technical departments, which study them taking into account the respective technology, bibliography, publications and international standards. The working draft becomes a "draft standard" when the technical department submits it to the technical committee consisting of all interested parties: academic circles, public bodies, industry, chambers and consumers. Once approved by the technical committee, draft standards are published for public consultation (Chart 3.7). They may be consulted on the INEN website for 60 days in the case of the normal procedure or 15 days in the case of an accelerated procedure, which arises in the event of a national emergency or to address a situation impairing the country's legitimate objectives.

3.117. The draft standard then undergoes a quality control to check that it complies with the standardization principles, contains the applicable and demonstrable requirements, and complies with the internal standardization procedures. Once the document has undergone quality control, it is edited and sent to the MIPRO Under-Secretariat for Quality to be approved and officialized and then finally published in the Official Register (Chart 3.7).

3.118. Standards are systematically reviewed every five years to assess their validity. Nevertheless, they may be reviewed earlier if standardization needs so warrant. Following this assessment, standards may be revised, modified or eliminated.

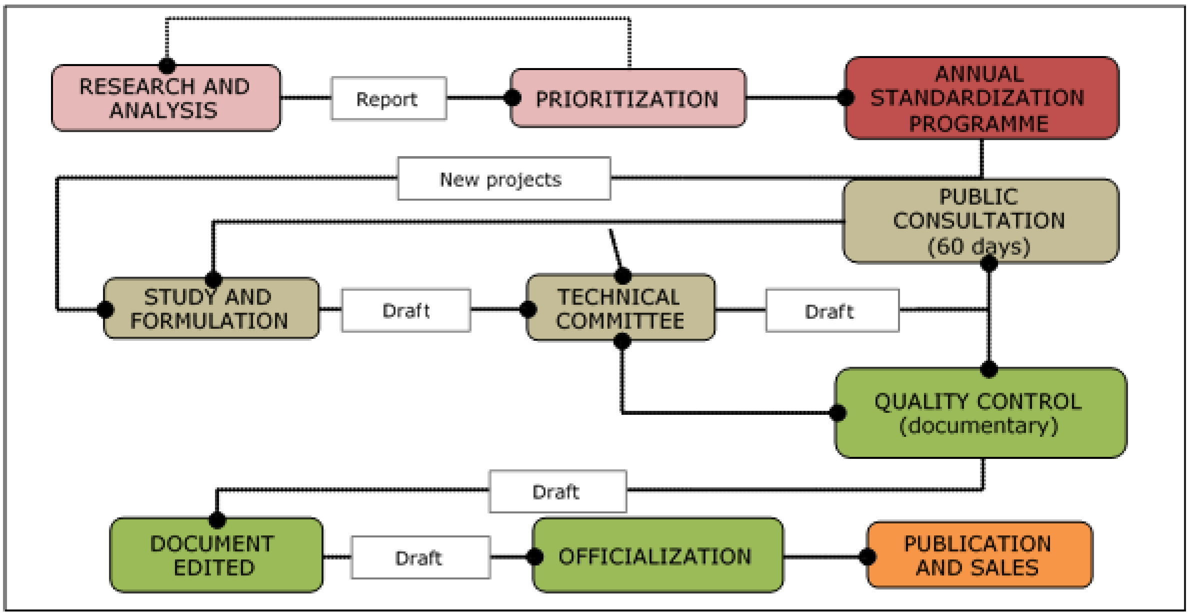
3.119. Notwithstanding the voluntary nature of technical standards, the authorities may make compliance with them mandatory through a technical regulation. Technical regulations are issued to preserve safety, human, animal and plant health, the environment and consumer protection. They

[132] The Inter-Ministerial Committee on Quality comprises the ministers responsible for: coordinating production, employment and competitiveness; industry and productivity; the environment; tourism, agriculture, livestock, aquaculture and fisheries; public health; transport and public works; and electricity and renewable energy (Law on the Ecuadorian Quality System of 22 February 2007 (latest amendment: 29 December 2010), Article 9).

must be in the interests of the national economy and in line with the current state of development of science and technology as well as with the country's climatic and geographical specificities. However, the authorities indicated that technical regulations are governed by the principles of national treatment, non-discrimination, equivalence and transparency, as set out in the international treaties, conventions and agreements in force in Ecuador.

3.120. Technical regulations are prepared by central, provincial and municipal government entities.[133] MIPRO is the leading body of the Ecuadorian Quality System and issues the Ecuadorian Technical Regulations (RTEs) with the technical support of the INEN (RTE–INEN).[134] In July 2018, 232 RTE–INEN regulations were in force. They must be reviewed, like standards, at least every five years with the technical support of the public and private sectors.[135] According to the authorities, they are updated or modified in line with international and/or sectoral needs.

Chart 3.7 Standardization process



Source: Information provided by the authorities.

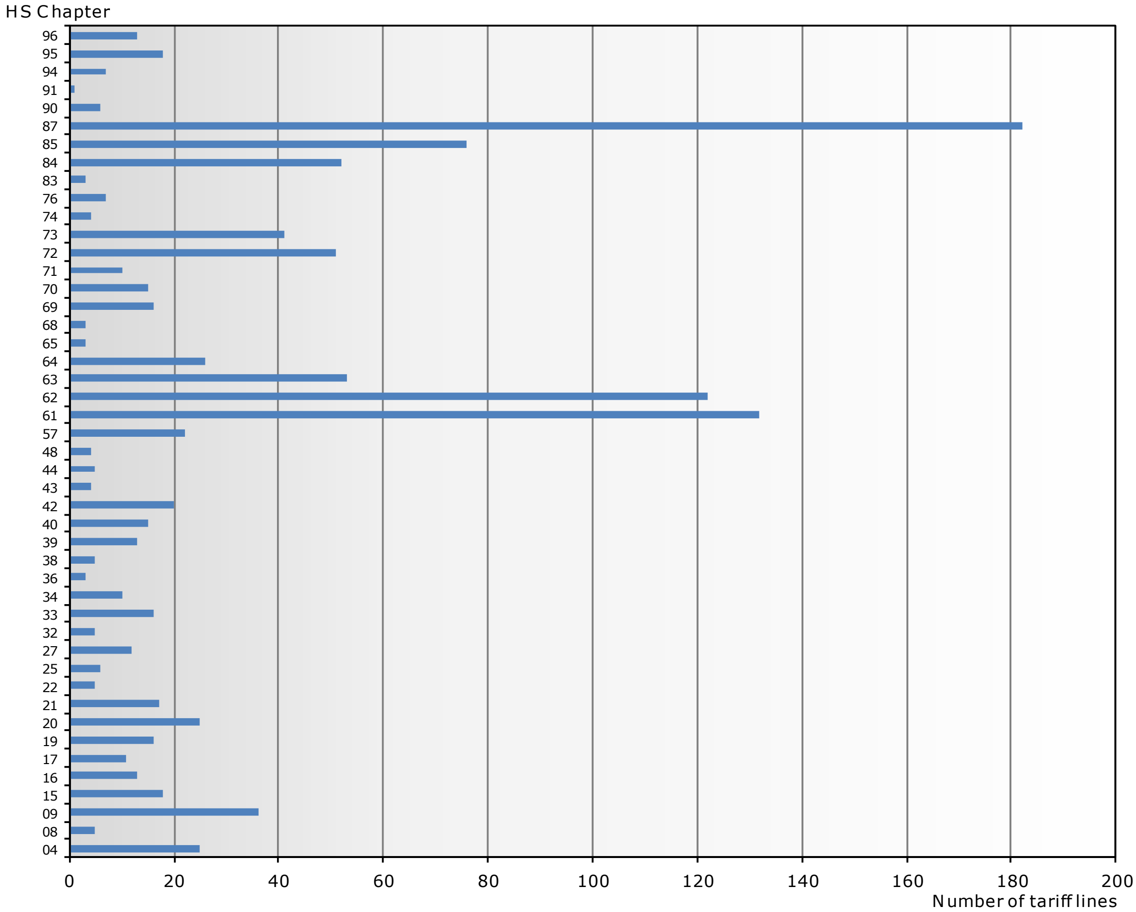
3.121. During the period 2012–2018, Ecuador submitted 207 regular notifications and 25 emergency notifications to the WTO TBT Committee through MIPRO's Under-Secretariat for Quality, Ecuador's national contact point and/or information centre for the WTO. The notifications related to: consumer protection and the prevention of misleading practices; protection of human health or safety; and quality requirements. Nine of these measures concerned labelling.

3.122. Members questioned Ecuador's technical regulations on 18 occasions during the review period. Measures that have been questioned several times include the labelling system for processed food for human consumption, and the procedure for obtaining a Certificate of Recognition or conformity verification certificate (form INEN-1).[136] This certificate, which is issued by the INEN, is a supporting document for the import customs declaration for certain goods subject to technical regulations when the value exceeds USD 2,000, except in the case of textiles, clothing and footwear, for which there is no threshold.[137] In 2018, 1,152 ten-digit tariff lines were subject to technical

[133] Law on the Ecuadorian Quality System, Article 29.
[134] Ibid., Article 8.
[135] Preparation, adoption and application of Ecuadorian technical regulations, RTE-INEN (NTE INEN 1000:2009).
[136] Technical Barriers to Trade Information Management System. Online information. Viewed at: http://tbtims.wto.org/es/SpecificTradeConcerns.
[137] Resolution No. 009-2009, General Framework for Conformity Assessment, and Resolution No. 010-2009, Procedure for obtaining the Certificate of Recognition (Form INEN 1) (G/TBT/N/ECU/44 of 16 April 2009); and COMEX Resolutions No. 116-2013, No. 003-2014, No. 006-2014, No. 007-2014, No. 010-2014 and No. 011-2016.

regulations. The goods involved are mainly motor vehicles (HS Chapter 87), clothing and accessories (HS Chapters 61 and 62) and electrical machinery and equipment (HS Chapter 85) (Chart 3.8).

Chart 3.8 Imports subject to technical regulations, by Chapter, 2018



Note: 1,152 ten-digit tariff lines are subject to technical regulations.

Source: WTO Secretariat estimates based on information provided by the authorities.

3.123. The Ecuadorian Accreditation Service (SAE) is responsible for conformity assessment accreditation in Ecuador, for which it has the power to accredit the technical competence of conformity assessment bodies; supervise such bodies; and determine the technical conditions under which they may offer their services.[138] Conformity assessment bodies that may operate in Ecuador include public or private entities accredited by the SAE and foreign bodies with which mutual recognition agreements have been signed or that have been so designated by MIPRO. The latter may also temporarily designate other foreign bodies, where the service cannot be provided by the entities authorized to operate in Ecuador.

3.124. Before they can be marketed, both domestic or imported products subject to a technical regulation must have a certificate of conformity issued by a certification body accredited in Ecuador or issued in accordance with the mutual recognition agreements in force. Each technical regulation establishes the procedure for demonstrating the conformity of the product. In the case of government procurement of goods and services, it is also necessary to establish compliance with quality requirements through a conformity certificate.

3.125. Products that have the INEN Quality Seal Certificate of Conformity (INEN Quality Seal) do not need a conformity certificate to be marketed. The INEN Quality Seal, which began to be used in 2015, is obtained upon application[139]: the INEN grants the seal when a product is manufactured

[138] Law on the Ecuadorian Quality System, Article 21.
[139] INEN Resolution 2015-0002 of 10 March 2015.

under an INEN-approved quality system and permanently complies with the requirements established in the relevant technical regulation. The Seal is valid for three years, renewable for three consecutive years.[140] Enterprises must pay for the technical services, for example, tests, audits to determine product quality or audits of the enterprise quality management system carried out by INEN in order to be able to grant the Seal.

3.126. Ecuador has a National Calibration System to guarantee the uniformity and reliability of measurements made in the country both with respect to commercial and service transactions as well as for industrial processes and scientific and technological development research work. The National Calibration System consists of the INEN National Metrology Laboratory, the laboratories designated as primary laboratories for the safe custody of national calibration standards, and accredited calibration laboratories. The National Metrology Laboratory issues the appropriate metrology procedures.

3.127. The INEN manages the National Calibration System and coordinates the necessary activities for determining the accuracy of the calibration standards and instruments used by the accredited laboratories in order to ensure uniformity and reliability of the measurements.

3.3.3 Sanitary and phytosanitary requirements

3.128. The main laws governing phytosanitary and animal health policies and measures are the new Organic Law on Agricultural Health, dating from 2017, the Organic Law amending the Organic Law on the Food Sovereignty Regime, and the Organic Law on Health. The Organic Law on Agricultural Health was enacted in order to update and harmonize the national phytosanitary and animal health regulations with the national and international frameworks, and therefore it also repealed various laws.[141] The regulatory framework in this area also comprises a number of other laws, decrees and regulations (Box 3.6).

Box 3.6 Main legislation governing sanitary and phytosanitary measures

Organic Law on Agricultural Health of 27 June 2017
Organic Law amending the Organic Law on the Food Sovereignty Regime of 12 October 2010
Organic Law on Health of 22 December 2006
Law on Fishing and Fisheries Development (Codification 2005-007) of 11 May 2005
Regulations to the Law on Fishing and Fisheries Development, Executive Decree No. 3198 of 19 February 2016
Resolution No. 217 of 31 October 2016: establishes the procedure for the approval of foreign enterprises and their establishments wishing to export livestock products to Ecuador.
Resolution DAJ-201707-EC-0201-0064: National Plan for Surveillance and Control of Pollutants in Primary Sector Production.
Resolution No. 0099 of 30 September 2013: instructions on the general rules for promoting and regulating organic, ecological and biological production in Ecuador; regulates and controls organic production.
Organic Law on Health of 22 December 2006: sanitary control of the production, importation, distribution, storage, transport, marketing, dispensing and outlets for processed foods, medicines and other products for human use and consumption as well as the systems and procedures for ensuring their safety and quality.
Executive Decree No. 1290 of 13 September 2012: divides the "Dr Leopoldo Izquieta Pérez" National Institute of Hygiene and Tropical Medicine, and creates the National Institute of Public Health and Research (INSPI) and the National Agency for Sanitary Regulation, Control and Surveillance (ARCSA).
Technical Regulation INEN RTE INEN 022 (2R): labelling of processed, packaged and packed food products.

[140] The list of products that have obtained the Quality Seal may be viewed online at: https://drive.google.com/file/d/1TX2muPrGaqWDHojaZRYzQmLrhxAJCa3Q/view.

[141] The laws repealed in 2017 were the Law on the Eradication of Foot-and-Mouth Disease; Law on Animal Health; Law on Plant Health; Law on Slaughterhouses; Emergency Law No. 36; and the Law on State Veterinary Laboratories.

Resolution ARCSA-DE-067-2015-GGG of 2016: unified technical health requirements for processed foods, food processing plants, food distribution, marketing and transport establishments and mass catering establishments.
Resolution ARCSA-DE-028-2016-YMIH of 2017: technical health requirements for food supplements.
Ministry of Aquaculture and Fisheries (MAP) Ministerial Decision No. 13 of 20 October 2017: Organic Statute on Process-Based Organizational Management of the Ministry of Aquaculture and Fisheries (MAP): establishes the powers and competencies of the MAP. Aquaculture activities in the production chain must observe the aquacultural health and safety rules established by the health authority.
Ministry of Agriculture, Livestock, Aquaculture and Fisheries Decision 241 of 17 June 2010: minimum health requirements for the aquaculture industry.

Source: Information provided by the authorities.

3.129. Since 2017, the authority responsible for plant and animal health and food safety in the primary production sector in Ecuador has been the Ecuadorian Plant and Animal Health Regulation and Control Agency (AGROCALIDAD), attached to the Ministry of Agriculture and Livestock (MAG), which took over all the responsibilities of the Ecuadorian Agricultural Product Quality Agency. AGROCALIDAD is responsible for protecting and improving animal and plant health and food safety in primary sector production, including organic production. To this end, it draws up, issues and applies sanitary and phytosanitary measures affecting both domestic production and imports and exports. It works with international bodies such as the International Plant Protection Convention (IPPC), the OIE, Codex Alimentarius and, at regional level, the CAN.

3.130. The Ministry of Public Health regulates and exercises sanitary control of the production, importation, distribution, storage, transport and marketing of processed foods, medicines and other products for human use and consumption, as well as the systems and procedures that ensure their safety and quality.[142] To this end, in 2012 the National Agency for Sanitary Regulation, Control and Surveillance (ARCSA) was established as part of the Ministry.[143] The ARCSA is tasked with ensuring public health through the regulation and control of the quality and safety of products for human use and consumption as well as the hygiene and health conditions of establishments subject to its supervision and control. It issues technical rules and standards and protocols for the sanitary control and surveillance of the products and establishments for which it is responsible[144], and monitors compliance with technical requirements.[145]

3.131. The ARCSA is responsible for granting, suspending, cancelling or renewing health registration certificates and the mandatory health notifications for cosmetics and hygiene products. It also carries out controls and surveillance in the markets after registration certificates or mandatory health notifications have been obtained. In addition, the ARCSA issues health registration certificates for imports of the products under its control and, in the case of exports, regulates the procedure for obtaining the export health certificate for processed foods, processed food products and medicines manufactured and/or prepared in the country exclusively for export.[146]

3.132. Since 2017, the Under-Secretariat for Quality and Safety of the Ministry of Aquaculture and Fisheries (MAP) has been responsible for health, quality and safety policy in the aquaculture and fisheries sector.[147] It replaced the National Fisheries Institute as the authority responsible for health controls, official inspection of establishments, analysis of fishery and aquaculture products, and product safety certification for exports. Currently, the National Fisheries Institute carries out

[142] Organic Law on Health, Article 6.
[143] Executive Decree No. 1290 of 30 August 2012.
[144] These products are: processed foods, food additives, nutraceutical products, processed natural biological products for medicinal use, homeopathic medicines and dental products; medical, biochemical reactive and diagnostic devices, hygiene products, pesticides for domestic and industrial use manufactured domestically or abroad for import, export, marketing, dispensaries and outlets, including those received as donations, and domestic hygiene products and absorbent personal hygiene products.
[145] The requirements by product and procedure implemented by the ARCSA may be viewed online: https://www.controlsanitario.gob.ec/documentos-vigentes.
[146] Resolution ARCSA-DE-012-2017-JCGO (Health Technical Regulations on Products for Human Use and Consumption Exclusively for Exportation).
[147] Ministry of Agriculture and Fisheries (MAP) Ministerial Decision No. 13 of 20 October 2017.

scientific and technological research on biological ocean resources with a view to diversifying production, promoting the development of fisheries and optimizing their utilization.

3.133. AGROCALIDAD has responsibility for drawing up plant and animal health measures for the primary sector: its various technical coordination units have procedures for the proper elaboration of regulations in each area within its competence.[148] These procedures generally include the stages of drafting, adoption and publication of the rules, followed by implementation. They are prepared with the technical support of the stakeholders – producers, importers and/or exporters.

3.134. According to the authorities, the main legal provisions relating to plant health are harmonized with the IPPC guidelines. A number of resolutions have been issued laying down the phytosanitary requirements for imports of plants, plant products and other regulated articles, as well as the procedure for import and export controls and the new list of quarantine pests not present in Ecuador, among others (Box 3.7). AGROCALIDAD's Food Safety Directorate has published a number of handbooks of general agricultural and livestock good practices.[149]

Box 3.7 Regulations governing phytosanitary measures, 2012-2018

Resolution No. 146: establishes phytosanitary requirements for single occurrences of imports of plant propagation material that promote change in the production matrix and are prioritized and justified by the MAG authorities
Resolution No. 222: mandatory requirement procedures for imports of samples of plant propagation material intended for research
Resolution No. 116 and Resolution No. 082: quarantine pests not present in Ecuador (until 15.9.2017)
Resolution No. 063: Handbook of procedures for the control of international transit of plants, plant products and regulated articles

Source: Information provided by the authorities.

3.135. In the case of imports of animal products, the official veterinary service in the country of an enterprise wishing to export its products to Ecuador must forward the exporter's request to AGROCALIDAD together with information on the health status of the species concerned and information on the enterprise and its establishments. This information is assessed by AGROCALIDAD's General Animal Health Coordination Office, which reserves the right to request additional information and carry out an *in situ* inspection. The result of the evaluation of the exporting country's sanitary status will be communicated to that country. If the result is favourable, the process of authorizing the enterprise (and its establishments) wishing to export to Ecuador will be initiated. Enterprises have to submit specific information, through the official veterinary service of their country of origin, to the General Animal Health Coordination Office, which reserves the right to request additional information and carry out an *in situ* inspection. The result of the evaluation will be transmitted to the official veterinary service of the country concerned.

3.136. The approval of the enterprise and its establishments wishing to export animal products to Ecuador is valid for three years. In the event of changes in the sanitary status of the country of origin or the enterprise, AGROCALIDAD may stop issuing animal health import permits and suspend the approval of the enterprise (and its establishments) until the official veterinary service of the country of origin provides the necessary information, and also, where appropriate, carry out an *in situ* inspection. The costs involved in the approval process are borne by the interested parties (public and/or private institutions) wishing to export to Ecuador. Requests for renewal must be made by the official veterinary service of the country concerned at least 30 days prior to the expiry of the approval of the enterprise (and its establishments). Once this period has expired, animal health import permits will no longer be issued. The renewal will be granted provided there have not been any changes in the sanitary status of the country of origin or in the production operating procedures of the enterprises and their establishments.

[148] AGROCALIDAD has five technical coordination offices: General Animal Health Coordination Office; General Plant Health Coordination Office; General Food Safety Coordination Office; General Coordination Office for Agricultural Input Registration; and General Laboratories Coordination Office.

[149] The complete list is available at: http://www.agrocalidad.gob.ec/direccion-de-inocuidad-de-alimentos.

3.137. In the case of exports of agriculture and fishery products, the MAP Under-Secretariat for Quality and Safety draws up and maintains a register of natural or legal persons authorized to export. Establishments wishing to be included in the register must comply with the technical protocols and the verification of their health conformity for the Under-Secretariat for Quality and Safety to be able to issue the official guarantees required by the various markets of destination for the fishery and aquacultural products to be exported. The Under-Secretariat for Quality and Health is responsible for the sanitary control and regulatory inspection of all establishments and entities in the traceability and processing chain for fishery and aquacultural resources intended for export.

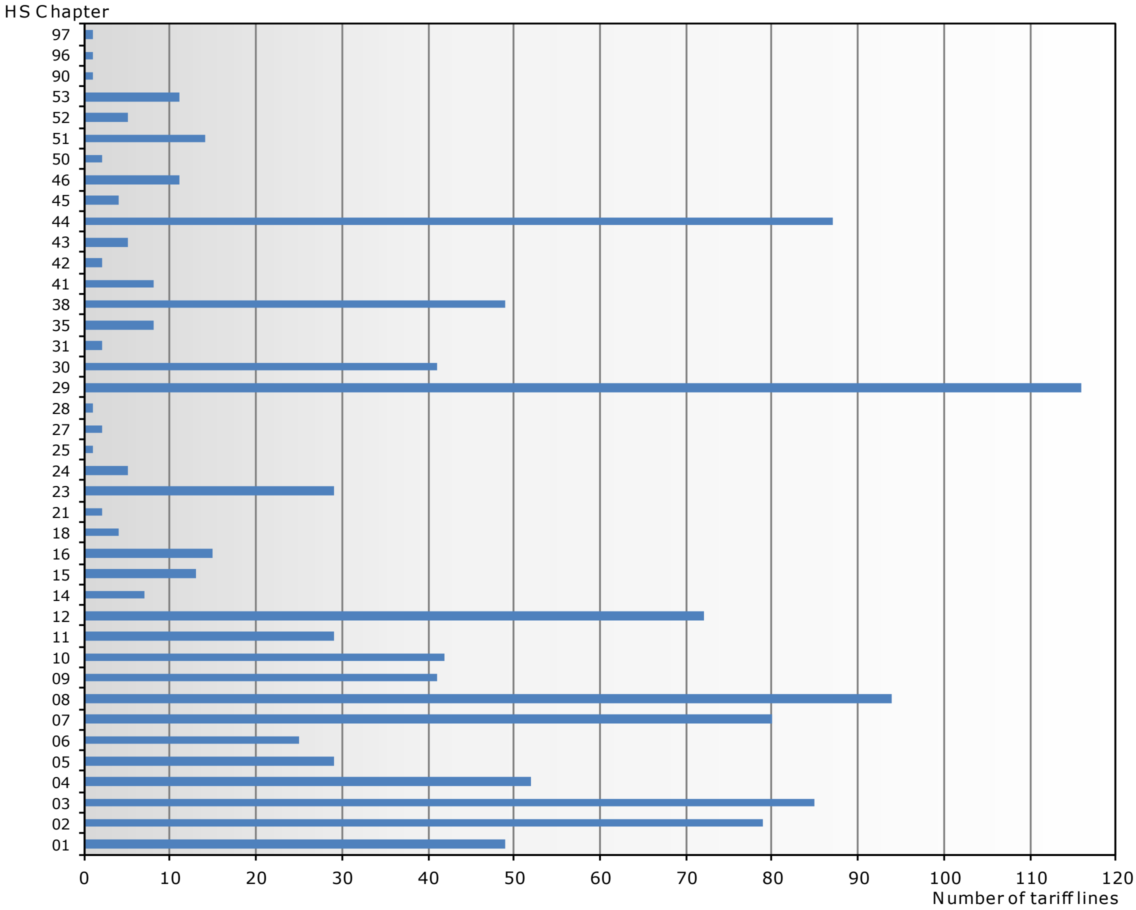
3.138. AGROCALIDAD is the designated agency for notifying sanitary and phytosanitary measures to the WTO Committee on Sanitary and Phytosanitary Measures. During the period 2012–2018 (July), Ecuador submitted some 120 notifications to the Committee (not counting addenda). Of these, 11 notifications concerned emergency measures (two relating to plant protection and the others to animal health). As for the remaining measures notified to the Committee, some were adopted in order to protect animal health and food safety, but most concerned the protection of plants and the territory against harm from pests. Generally speaking, the notified measures apply to regions or trade partners affected by the disease or pest against which the country is seeking to protect itself. Most of them are based on international standards; in only a few cases it is specified that there is no relevant international standard or that the measure is not in conformity with the international regulations. During the period 2012-2018 (July), Members did not question the phytosanitary and animal health measures notified by Ecuador.[150]

3.139. In 2018, 1,124 ten-digit tariff lines were subject to sanitary and phytosanitary measures. These concerned in particular fruit and vegetables (HS Chapters 08 and 07), wood, wood charcoal and articles of wood (HS Chapter 44) and meat and edible offal (HS Chapter 02) (Chart 3.9). These products require an animal health import permit as well as other customs control documents (such as a prior control document, a customs destination document or importer registration) as supporting documents for the import customs declaration.[151]

[150] Sanitary and Phytosanitary Information Management System. Online information: http://spsims.wto.org/es/SpecificTradeConcerns.

[151] Resolutions No. 019-2014, No. 028-2015 and No. 027-2016.

Chart 3.9 Imports subject to sanitary and phytosanitary measures, by HS Chapter, 2018



Source: WTO Secretariat estimates based on information provided by the authorities.

3.3.4 Competition policy and price controls

3.3.4.1 Competition policy

3.140. Competition policy in Ecuador since the previous review in 2012 continues to be governed by the Organic Law on the Regulation and Control of Market Power (LORCPM).[152] The purpose of this law is to prevent, correct, eliminate and sanction anti-competitive behaviour and unfair practices, for the benefit of markets and consumers.[153] The provisions of the LORCPM apply to all economic operators, whether natural or legal persons, public or private, national or foreign, profit-making or non-profit-making, that carry on economic activities in the national territory as well as outside the country insofar as their activities produce or may produce harmful effects on the domestic market.[154]

3.141. The Supervisory Authority for Control of Market Power (SCPM), set up in 2011, is the technical body responsible for promoting competition. The SCPM controls the proper workings of markets and sanctions abuse of market power, restrictive agreements and practices and unfair practices that have the effect or purpose of restricting, distorting, hindering or impeding competition in the market concerned or that have an adverse impact on the efficiency of the economy or on welfare.[155] The SCPM also examines, controls, authorizes and, as appropriate, denies or sanctions economic mergers, for which purpose it has a range of legal powers.[156] In addition, the Market Power

[152] Law No. 0 of 13 October 2011 and its Regulation (Executive Decree No. 1152 of 7 May 2012, latest amendment: 14 July 2017).
[153] LORCPM, Article 1.
[154] Ibid., Article 2.
[155] Article 9 of the LORCPM defines 23 types of conduct that constitute abuse of market power, and Article 11 defines the prohibited agreements and practices, of which there are 21 in all.
[156] Article 38 of the LORCPM lists all the powers (30) to be exercised by the SCPM.

Regulation Board (Regulation Board) is empowered to issue generally mandatory rules on matters within its sphere of competence. The head (or delegate) of the SCPM participates in Regulation Board meetings as an invitee with the right to speak but not to vote. The Regulation Board is comprised of the heads (or their delegates) of the ministries responsible for production, economic policy, strategic sectors and social development.[157]

3.142. The SCPM applies the law across all economic sectors, including the strategic sectors and those for which regulatory bodies exist. However, at the initiation or in the course of an investigation, the SCPM coordinates with other regulatory authorities. For example, in cases relating to entities of the national financial system, the SCPM involves the Banking Supervisory Authority and/or the Supervisory Authority for the popular and solidarity economy in order to be in possession of all relevant information for undertaking the appropriate analysis. It also coordinates with other regulatory authorities such as the Internal Revenue Service, the Supervisory Authority for Companies, Securities and Insurance, the Banking Supervisory Authority, the Supervisory Authority for the popular and solidarity economy, the ARCSA, ARCOTEL, ARCOM, ARCH, SENAE, the Comptroller-General and the Attorney-General.

3.143. The SCPM may launch an investigation *ex officio*, at the request of another body of the Public Administration, or in response to a complaint by any public or private person showing a legitimate interest. It may initiate an investigation *ex officio* when it considers that in a particular market anticompetitive practices may actually or potentially exist. However, without prejudice to *ex officio* investigation, any natural or legal, public or private, national or foreign person may lodge a complaint against such a practice. The complaint must be made in writing to the SCPM, giving a precise description of the behaviour or practices that are presumed to be anti-competitive of which it is aware, identifying those responsible and supplying all relevant evidence.

3.144. When the SCPM receives a complaint or carries out an investigation on its own initiative, and before taking decisions and determining possible penalties, it must collect information and analyse various aspects of the case. Although the same aspects are not analysed in all cases, the main matters to be investigated are: (a) definition of the relevant market; (b) volume of business; (c) market power actually possessed by the enterprise under investigation; (d) existence of the allegedly anticompetitive practice; and (e) actual or potential, positive or negative, effects of the anticompetitive practice for society.

3.145. In the period 2012–2018 (April), 231 cases of unfair practices and 219 cases of market power abuse and restrictive agreements and practices were investigated. In 2018 (April), 54 investigations were underway for unfair practices and another 54 for abuse of market power, collusion and restrictive practices.[158] These cases primarily concern the pharmaceutical industry, financial services, telecommunications and the distribution sector (supermarkets). As for the type of unfair practices investigated, the most common was fraud and violation of contractual rules, while in the case of investigations of abuse of market power and/or collusion and restrictive practices, the most common were unilateral practices and market-sharing arrangements. In some cases the investigations gave rise to corrective penalties and in others to the closing of the case for lack of evidence.

3.146. Economic mergers must be notified to the SCPM when: (a) the volume of business in Ecuador of the participants taken together exceeds, in the accounting period prior to the operation, the amount laid down by the Regulatory Board in terms of current Unified Minimum Wages (in 2018, equivalent to USD 318). The thresholds were last defined in 2015. These thresholds may be reviewed at any time at the request of the Chair of the Regulation Board or at least two of its members, or the SCPM[159], or (b) in the case of economic operators engaged in the same economic activity and who as a result of the merger will acquire or increase their share of the relevant market to 30% or more. However, the SCPM may request *ex officio,* or at the request of a party, that other economic mergers also be notified, but according to the authorities this has never occurred.

3.147. Between 2012 and 2018, 159 merger operations were investigated. The notification obligation does not apply in the case of acquisition of shares or any type of convertible security

[157] LORCPM, Article 35.
[158] Information provided by the authorities.
[159] Resolution No. 009 of 6 November 2015.

without voting rights, or the acquisition of liquidated enterprises or enterprises that have not recorded any activity in Ecuador over the last three years.

3.148. Within 60 calendar days, running from the submission of the request and respective documentation, the SCPM must: (a) authorize the operation; (b) authorize the operation under certain conditions; or (c) refuse the operation.[160] The decision is taken after analysing criteria such as the state of competition in the relevant market; the degree of market power of the economic operator and its main competitor; the need to develop and/or maintain free competition among economic operators in the market; the possible effect of concentration on the market and/or the possible contribution to the production system, the country's economic progress, competitiveness and consumer welfare.[161]

3.149. Where a merger takes place without prior notification or prior authorization, the SCPM may order measures to reduce concentration, or corrective measures or the cessation of the control by one economic operator over another or others, where the case so warrants, without prejudice to whatever penalties may be imposed according to the seriousness of the offence.[162] The economic operators under investigation or the subject of a complaint may submit proposals for a compromise under which they undertake to cease the practice and thus remedy, as appropriate, the damage and injury they may have caused to the relevant market and to consumers by their anticompetitive behaviour.[163]

3.3.4.2 Price controls

3.150. Generally speaking, in Ecuador prices are market-driven. However, the State has the obligation to regulate, control and intervene, when necessary, to define a price policy aimed at protecting domestic production.[164] The setting of predatory prices and unjustified price discrimination constitute abuse of market power and as such are prohibited. Likewise, the concerted setting or manipulation of prices, interest rates or tariffs falls within the scope of prohibited agreements and practices in Ecuador.[165] Speculation and the raising of prices above the official indices of inflation, producer prices or consumer prices, are also unlawful trade practices. Again, any other unfair practice that causes or is likely to cause an indiscriminate increase in the prices of goods and/or services is prohibited. Where there are indications of speculative processes, the police and other competent authorities may, at the request of any interested party or even *ex officio,* carry out the necessary controls in order to verify their existence.[166]

3.151. Ecuadorian legislation provides for the use of minimum sales prices, called "minimum support prices", in order to guarantee fair prices to producers. These prices are applied to cotton, rice, bananas and plantains, coffee, sugar cane, pork, maize, milk, quinoa, soya beans and wheat. MAGAP determines these prices taking into account production costs and a profit margin for the producer. In addition, since 2018 MAGAP has set a maximum price for maize and rice in order to avoid speculation[167] (Section 4.1).

3.152. Article 159 of the Organic Law on Health establishes that the national health authority must set, review and control the price of medicines for human use through the National Council for the Fixing and Reviewing the Prices of Medicines for Human Use, attached to the Ministry of Public Health, in order to ensure the availability of and access to high-quality medicines for the population and promote domestic production.[168] This Council is responsible for setting and reviewing prices on the basis of the Regulations on the setting of prices of medicines for human use and consumption, whether domestic or imported.[169]

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[160] LORCPM, Article 21.
[161] LORCPM (Law 0) of 13 October 2011, Article 22.
[162] The penalties are specified in Articles 78 and 79 of the LORCPM.
[163] LORCPM, Article 89.
[164] Constitution of the Republic, Article 335.
[165] LORCPM (Law 0) of 13 October 2011.
[166] Organic Law on Consumer Protection (Law No. 21) of 10 July 2000 (latest amendment: 16 January 2015).
[167] MAGAP Ministerial Decisions No. 046, No. 047 and No. 048 of 11 April 2018.
[168] Constitution of the Republic, Article 363.
[169] Decree No. 400 of 14 July 2014.

3.153. The enterprises that are responsible for the supply of household public services, either directly or under concession contracts, have the obligation to provide efficient, continuous and permanent services at fair prices.[170] Electricity and telephone tariffs are regulated (Section 4).

3.3.5 State trading, state-owned enterprises and privatization

3.154. State-owned enterprises are entrusted with a major role in the Ecuadorian economy: under the Constitution, the State reserves the right to administer, regulate, control and manage strategic sectors. These sectors under exclusive control of the State are those that have a decisive economic, social, political or environmental influence. The following are considered strategic sectors: energy in all forms, telecommunications, non-renewable natural resources, transport and refining of hydrocarbons, biodiversity and the genetic heritage, the radio spectrum, water and other sectors as determined by law. The State is also responsible for providing public services of drinking water and irrigation, sanitation, electricity, telecommunications, roads, port and airport infrastructures, and others as determined by law. Accordingly, state-owned enterprises have been set up to manage strategic sectors, provide public services, make sustainable use of natural resources or public goods and carry out other economic activities.[171] The public enterprises operating in strategic sectors are as follows: Empresa Pública Estratégica Corporación Eléctrica del Ecuador (CELEC EP) (Electricity Corporation of Ecuador), the Empresa Pública Estratégica Corporación Nacional de Electricidad (CNEL EP) (National Electricity Corporation), Empresa Nacional Minera (ENAMI EP) (National Mining Company), Empresa Pública Exploración y Explotación de Hidrocarburos (PETROAMAZONAS EP) (State Hydrocarbons Exploration and Exploitation Company), Empresa Pública Hidrocarburos del Ecuador (PETROECUADOR EP) (Ecuadorian State Oil Company), Empresa Pública Flota Petrolera Ecuadoriana (FLOPEC EP) (Ecuadorian State Oil Tanker Fleet Company), Empresa Pública del Agua (EPA EP) (Public Water Company) and Corporación Nacional de Telecomunicaciones (CNT) (National Telecommunications Corporation).

3.155. Ecuadorian state-owned enterprises may opt for any form of association they consider appropriate, such as consortia, strategic alliances, private-public partnerships, with Ecuadorian or foreign enterprises and/or subsidiaries, in order to attain their productivity and efficiency targets. When state-owned enterprises enter into partnership with foreign private or state-owned enterprises, the Ecuadorian State will always retain a majority shareholding in the case of partnerships that operate in strategic sectors. The state-owned enterprises of the Central Government have a Strategic Plan 2017-2021, whose targets, strategies and indicators are aligned with those of the National Development Plan 2017-2021 adopted by the National Planning and Development Secretariat (SENPLADES).

3.156. State-owned enterprises are governed by the Organic Law on Public Enterprises of 2009.[172] In March 2018, there were 324 public enterprises in Ecuador. These are classified as State-Owned Enterprises of the Central Government (or Coordinated State-Owned Enterprises) (22), Public Enterprises created by the Constitution or Law (33); Public Enterprises of the Provincial Autonomous Governments (32); and Public Enterprises of the Autonomous Municipal Governments (237) (Table 3.11).

Table 3.11 State-owned enterprises, 2018

Type of enterprise	Sector	Number
State-owned enterprises of the Central Government	Infrastructure and non-renewable natural resources	10
	Production	3
	Safety	2
	Social	2
	Habitat and environment	2
	Foreign policy and promotion	1
	Unclassified[a]	2
Public Enterprises created by the Constitution or Law	Education – universities	33

[170] Organic Law on Consumer Protection (Law No. 21) of 10 July 2000 (latest amendment: 16 January 2015).
[171] Constitution of the Republic, Articles 313-315.
[172] Organic Law on Public Enterprises (LOEP), Law 0 of 16 October 2009 (latest amendment: 19 May 2017).

Type of enterprise	Sector	Number
Public Enterprises of the Provincial Autonomous Governments	Roads and public works	13
	Other services[b]	9
	Tourism	6
	Agricultural services	2
	Electricity	2
Public Enterprises of the Municipal Autonomous Governments	Drinking water, irrigation and sanitation	75
	Roads and public works	40
	Other services[c]	31
	Rubbish collection	24
	Housing	23
	Slaughter houses	18
	Tourism	10
	Health	6
	Property register	4
	Agricultural services	4
	Electricity	2

a Ecuador Estratégico EP and EMCO EP.
b Including communication and information, production development and competitiveness, and telecommunications services, *inter alia*.
c Including communication and information, production development and competitiveness, and municipal services, logistics, parks, cemeteries and the like, leisure areas, and telecommunications services, *inter alia*.

Source: EMCO EP Planning Department.

3.157. The Coordinating Enterprise for State-Owned Companies (EMCO EP) was created in 2015 for the purpose of planning, coordinating and controlling the policies of operations of state-owned enterprises at central government level, as well as their subsidiaries, branches, agencies and business units. Its purpose is to achieve greater efficiency in the technical, administrative and financial management of the companies, as an alternative for financing the State budget. The enterprises under the EMCO EP are all those corresponding to the central government level, i.e. the Executive Branch of the State. Previously, these enterprises were each attached to the sectoral ministry in charge of their respective areas of activity, which led to a lack of cooperation among them across the various sectors. The creation of the EMCO EP has brought about better coordination among the enterprises placed under its authority.

3.158. In 2015 there were 23 central-government-owned enterprises (not counting the coordinating enterprise). One of these was subsequently abolished, namely, Empresa Pública de Fármacos ENFARMA EP (State Pharmaceuticals Company). In 2016, two public enterprises, El telégrafo EP and Televisión y Radio de Ecuador EP RTV Ecuador, merged to form the Empresa Pública de Medios Públicos de Ecuador – Medios Públicos EP (State Public Media Company), which left 21 enterprises (Table A3.5).[173]

3.159. The income of the state-owned enterprises coordinated by EMCO EP (provisional data) totalled about USD 14 billion in 2017, about the same level as in 2015. Transfers from the General State Budget amounted to some USD 383 million in 2017, less than in 2015 (USD 486 million). In 2017, nine public enterprises received transfers from the State for ongoing and non-recurrent expenses.

3.160. There are currently no government support programmes directly aimed at public enterprises. However, as public enterprises belong to the Ecuadorian public sector, they can tap funds from the Institutional Strengthening Programme financed by the Inter-American Development Bank (IADB), consisting of a refundable credit for financing restructuring projects as well as process, service and quality management improvement projects for government institutions. Public enterprises are exempt from income tax (25% of the tax base) and the advance payment of income tax, but are subject to VAT (12%). In addition, they must pay the municipal business tax and a levy to the Supervisory Authority for Companies. The public enterprise Santa Bárbara EP, which produces weapons and armour, is also subject to the ICE (300%).

3.161. State-owned enterprises do not enjoy any preferential procedure for importing or exporting. None of the coordinated public enterprises has an exclusive right to import or export any good or

[173] Executive Decree No. 1158 of 22 August 2016.

service. Among the central-government-owned public enterprises, the main exporter is PETROECUADOR, and the largest importers are PETROECUADOR and Empresa Pública Estratégica Corporación Eléctrica del Ecuador (CELEC) (Electricity Corporation of Ecuador), which account for 9.0% of total imports.[174]

3.162. With respect to government procurement, state-owned enterprises must apply all the procedures laid down in the Organic Law of the National Public Procurement System. Like all other economic operators they are also subject to the provisions of the law governing competition policy in Ecuador.[175]

3.163. In 2012 Ecuador notified the WTO that it did not maintain any State trading enterprises corresponding to the definitions in Article XVII:4(a) of the GATT 1994 and paragraph 1 of the Understanding on the Interpretation of Article XVII of the General Agreement on Tariffs and Trade 1994.[176]

3.164. In 2014 and 2018 Ecuador notified the WTO that it had a state trading enterprise falling within the definition of GATT Article XVII.[177] This is the National Storage Unit (UNA EP) which is chiefly responsible for the temporary storage and domestic marketing of agricultural surpluses, in particular yellow flint maize, rice and cereals, the management of strategic food reserves, and support for the marketing and distribution of inputs. It plays a significant part in low- and high-volume domestic marketing, but it does not import or export.

3.165. In 2013 the Empresa Pública Importadora EPI-EP was set up as the sole importer of mercury[178], and in 2014 it also became the sole importer of sodium cyanide and potassium cyanide.[179] However, it was liquidated in 2015 and the Ministry of the Environment was tasked with regulating imports of the substances previously imported by the now-defunct EPI.[180]

3.3.6 Government procurement

3.166. Ecuador is not a party to the WTO Agreement on Government Procurement and does not participate as an observer in the Committee on Government Procurement.

3.167. Through its National Public Procurement System, Ecuador seeks *inter alia* to ensure the quality and transparency of public expenditure and avoid discretionary action in government procurement, as well as to promote domestic production and the participation of craft workers and MSMEs.

3.168. Ecuador uses government procurement as a strategic element of public policy to achieve some of the objectives established in the National Plan for Good Living 2013-2017, such as, for example, changing the production matrix through public investment and procurement.[181] In order to achieve the objective of changing the production matrix, procurement policy promotes import substitution, reserves markets, in particular for micro, small and medium-sized enterprises (MSMEs) and the popular and solidarity economy (EPS), and rewards innovation and transfer of know-how and technology. Government procurement policy also seeks to promote public investment by reducing the imported component, imposing performance requirements and giving priority to local production chains.[182]

3.169. Government procurement in Ecuador is governed by the Organic Law on the National Public Procurement System (LOSNCP) of 2008 (as last amended in 2018); and the General Regulations

[174] Information provided by the authorities (EMCO EP Planning Department).
[175] Article 2 of the Organic Law on the Regulation and Control of Market Power.
[176] WTO document G/STR/N/14/ECU of 20 December 2012.
[177] WTO document G/STR/N/15/ECU of 6 October 2014, and G/STR/N/16/ECU of 6 July 2018.
[178] Executive Decree No. 92 of 21 August 2013.
[179] COMEX Resolutions 037-2014 and 017-2015.
[180] Decree No. 840 of 24 December 2015 and COMEX Resolution No. 005-2016.
[181] National Plan for Good Living 2013-2017. Online information: http://www.buenvivir.gob.ec/objetivos-nacionales-para-el-buen-vivir.
[182] Information provided by the authorities.

implementing the Organic Law on the National Public Procurement System (RLOSNP) of 2009 (last amended in 2016).

3.170. The National Public Procurement Service (SERCOP), set up in 2013, replaced the previous INCOP.[183] As the guiding entity of the National Public Procurement System (SNCP), SERCOP is responsible for ensuring that the objectives of the SNCP are fulfilled and for developing and administering the Official Public Procurement System (SOCE).[184]

3.171. The SOCE is an electronic tool for public procurement that began to be used in 2009 as a register of suppliers, and has since gradually been updated with the inclusion of various procurement methods. The authorities stated that since 2012 all ordinary public procurement is managed electronically through the SOCE. In 2015 the "facilitator" module was added, whose use is now mandatory and facilitates the preparation of the annual procurement plan, the special conditions of contracts, and bids. The use of this module has promoted the participation of a larger number of suppliers, and avoids disqualification owing to mistakes in the submission of bids. Thanks to its use, public procurement processes have become more transparent and greater control over them has been established. Suppliers must be registered in the Single Registry for Suppliers (RUP) as authorized suppliers to be able to participate in any type of procurement, with some exceptions.

3.172. Public procurement procedures in Ecuador fall under four regimes: ordinary regime, special regime, special procedures and other (Table 3.12). The special procedures are used for the contracts designated by the President of the Republic, such as purchases of medicines, procurement by the armed forces, and procurement between state entities and/or public enterprises; in the case of tendering by public enterprises, a "Specific Business" procedure (Giro Especifico del Negocio) is used.[185] In the case of special procedures the law does not establish thresholds (Article 2).

Table 3.12 Government procurement procedures, 2018

	Procedure		
Ordinary regime	• Minimal value	• Low value	• Direct purchase
	• Online purchase catalogue	• Bidding by invitation	• Shortlist
	• Reverse auction	• Tendering	• Public competition
Special regime	• Purchase of medicines	• Legal advice and sponsorship	• Internal or international mail transport
	• Internal and external security	• Artistic, literary or scientific works	• Contracts between public entities
	• Social communication	• Parts and accessories	• Financial and insurance institutions
	• Strategic sectors	• Unique goods and services on the market	• State trading enterprises and subsidiaries
Special procedures	• Leasing of property	• Comprehensive fixed-price contracts	• Emergencies
	• Acquisition of property	• Inclusion fairs	
Other	• Corporate procurement	• National capacity	• Verification of national production (VPN)
	• IDB contracting module – Ordinary regime	• Framework convention and inclusion fairs	

Source: Information provided by the SERCOP.

3.173. For "standardized" (i.e. homologated) goods and services, in general public procurement is carried out through the online purchase catalogue (Table 3.13). This catalogue is regularly updated through supplier selection processes for suppliers with whom framework agreements are made under which they offer standardized goods and services that the contracting public entities may acquire directly (Article 43). For the acquisition of standardized goods and services not included in the catalogue, the contracting entities must hold a reverse auction in which the suppliers of goods and services drive the offer price downwards either through a public auction or through the COMPRASPUBLICAS website (Article 47).

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[183] Organic Law amending the Organic Law of the National Public Procurement System (LOSNCP) of 14 October 2013.

[184] LOSNCP Articles 7 and 9.

[185] Internal Resolution No. RI-SERCOP-2015-000094 of 22 May 2015 (latest amendment: 24 January 2017).

3.174. For non-standardized goods, services and works, the various procedures of the ordinary regime are used according to the value of the contract. In the case of consultancies, the procurement procedure also depends on the value of the contract. The procedure may be direct contracting, shortlist or public competition.

3.175. Ecuador grants public procurement preferences for goods, works and services of Ecuadorian origin as well as for enterprises operating in the popular and solidarity economy (EPS) and for micro and small enterprises (MSEs). In all procurement procedures, preference is given to suppliers offering goods, works or services that incorporate the most local content or EPS enterprises and/or MSEs, through the application of mechanisms such as proportional preference margins over the bids of other suppliers, reserved market shares and/or preferential subcontracting. For the acquisition of goods, works or services not considered to be of Ecuadorian origin, a prior check must be made to ensure that there is no Ecuadorian supplier, using methods that do not delay the procurement (Articles 25.1 and 25.2)

3.176. The preferences granted vary according to the type and value of the contract (Table 3.13). In some cases there is a market reservation in favour of MSEs and EPS operators and therefore only those suppliers deemed to qualify as MSEs or belonging to the EPS are invited, as in the procurement of non-standardized goods and services in small quantities. For consultancies, there is no market reservation but the recruitment of Ecuadorian nationals is prioritized.

Table 3.13 Thresholds and preferences by government procurement procedure

	Procedure	2018 Threshold (USD)	Preferences
Standardized goods and services	Online purchase catalogue	No limit	n.a.
	Reverse auction	> 6,970.67	Market reserved for the best price bid that complies with Ecuadorian value added (VAE)
	Minimal value	≤ 6,970.67	n.a.
Non-standardized goods and services	Low value	< 69,706.74	Market reserved for local MSEs and the popular and solidarity economy (EPS)
	Bidding by invitation	Between 69,706.74 and 522,800.57	VAE: up to 5 points MSEs and EPS: VAE + 5 points Local MSEs and EPS: VAE + 5 points
	Tendering	> 522,800.57	VAE: up to 10 points
Works	Low value	< 243,973.60	Market reservation for MSEs and EPS
	Bidding by invitation	Between 243,973.60 and 1,045,601.15	MSEs and EPS: VAE + 5 points Local MSEs and EPS: VAE + 10 points
	Tendering	> 1,045,601.15	Subcontracting: VAE + 5 points Ecuadorian participation: VAE + 10 points
Consultancy	Direct contracting	≤ 69,706.74	Priority for recruitment of Ecuadorians
	Shortlist	> 69,706.74 and < 522,800.57	Priority for recruitment of Ecuadorians
	Public competition	≥ 522,800.57	Priority for recruitment of Ecuadorians

n.a. Not applicable.

Source: Information provided by the SERCOP.

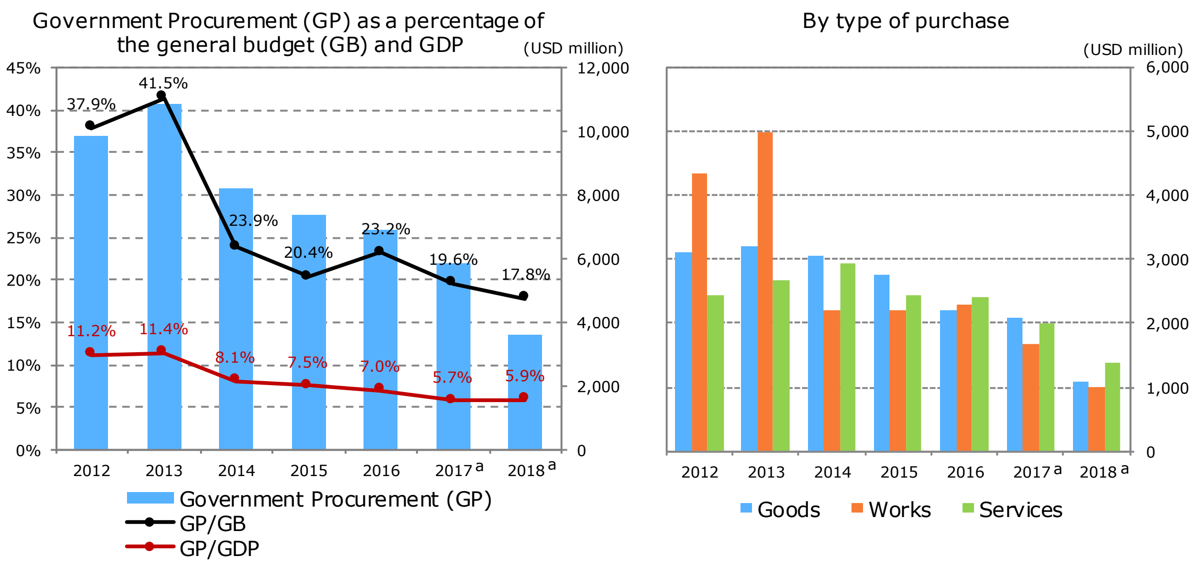
3.177. In other cases, the Ecuadorian value added (VAE) is used as the preference parameter. It is calculated at the end of the bidding or negotiation stage. The following criteria are used to award the preference: (a) if there are domestic bids (that meet the VAE threshold), the system only takes these into account and disqualifies those that do not meet the threshold, as they are considered foreign bids; (b) if the bidder is the manufacturer and fulfils the VAE threshold, its product is considered national; (c) if the bidder is the manufacturer but it does not meet the VAE threshold, the product is considered foreign; (d) if the bidder is not the manufacturer, it is automatically awarded a VAE of zero and its product is considered foreign. Other preferences give points for the declared VAE in the bid and points are also awarded if the participants are MSEs or part of the local EPS, in other words they belong to the canton in which the object of the contracting will be carried out.

3.178. In the case of bids for works, the preference awarded takes account of subcontracting and Ecuadorian participation, meaning the percentage of local content in the technology that will be used for the work. In the case of subcontracting, full points will be awarded to the bid that offers the highest percentage of subcontracting with MSEs or EPS enterprises of the locality where the work will be carried out, with a limit of up to 30% of the value of the bid. Other bids that offer a percentage of subcontracting of at least 10% of the value of their bid will be awarded points in direct proportion to the highest proposed percentage.

3.179. Under Ecuadorian law, a bidder may lodge an administrative appeal to challenge the award of a government procurement contract.

3.180. In 2012-2013, the level of public procurement remained at about 11% of GDP, a large part of which consisted of spending on public works. However, since then it has decreased in line with the slower growth of the economy and the cutbacks in non-priority spending (Chart 3.10).

Chart 3.10 Government procurement, 2012-2018 (July)



a Provisional data.

Source: National Public Procurement Service, Trends in Public Procurement – July 2018.

3.181. Government procurement totalled almost USD 3,610 million at July 2018; this represents 17.8% of the General State Budget (GSB) and 5.9% of GDP. At that date the Central Government accounted for 29.9% of the total value of government procurement, the decentralized autonomous governments for 33.3% and the central government public enterprises for 16.4%. Of the latter, PETROECUADOR was the largest in 2017 with a total procurement of USD 3,721 million, followed by the Electricity Corporation of Ecuador (CELEC EP), with USD 3,213 million. In 2018 (July), the National Electricity Corporation (CNEL EP) topped the list with total procurement of USD 148.9 million.

3.182. As a result of Ecuador's preference policy, MSMEs and EPS enterprises and associations have played an important part in government procurement. In the period between 2012 and 2018 (July), EPS participants were awarded contracts totalling USD 1,258 million, representing 2.4% of government procurement during this period, while MSMEs totalled USD 24,358 million, or 46.2% of public procurement during this period.

3.183. Since 2012, most procurement has been done through the ordinary regime. In general, public tendering has been the most frequently used method, followed by online reverse auction and in some years (2012 and 2013), one of the special regimes, i.e. special publication (Table 3.14).

Table 3.14 Government procurement indicators, 2012-2018

	2012	2013	2014	2015	2016	2017[a]	2018[a,b]
Contracts	138,077	141,634	110,941	91,577	95,605	119,089	68,386
				(USD million)			
Total government procurement	9,888	10,843	8,198	7,412	6,916	5,849	3,610.2
Ordinary regime							
Online purchase catalogue	307.6	373.1	407.2	370.0	622.7	1,121.8	708.8
Public competition	169.8	116.2	81.6	50.1	46.6	18.3	11.8
Direct contracting	123.4	112.3	136.3	122.5	60.7	54.2	32.7
Bidding by invitation	745.4	695.3	665.0	591.8	399.0	444.7	347.6
Inclusive fairs	-	-	57.2	60.5	30.1	11.5	32.8
Tendering[c]	2,620.8	2,200.6	1,244.9	1,074.2	972.9	565.0	510.9
Insurance tendering	20.8	45.4	33.6	29.4	27.0	31.0	18.2
Short list	117.3	113.2	113.9	118.5	69.5	60.0	33.3
Low value	666.7	642.5	470.6	451.7	272.2	323.8	218.6
Online reverse auction	1,664.0	1,653.2	1,777.8	1,866.3	1,313.5	1,073.8	745.3
Special regime							
Procurement between administrative units	-	506.9	888.3	526.0	605.8	682.6	395.3
Unique goods and services	-	181.9	459.0	313.0	232.1	244.2	170.4
Special publication	3,451.7	3,546.8	477.2	816.7	1,707.1	664.9	208.0
Social communication	-	152.1	238.5	191.0	121.9	124.7	55.7
Specific business of public enterprises	-	207.7	658.2	158.0	97.3	63.8	44.4
Replacement parts or accessories	-	94.6	130.9	112.1	62.0	85.6	32.0
Artistic, scientific or literary work	-	23.6	38.7	43.8	42.8	57.6	30.3
Procurement with international or public enterprises	-	92.0	212.9	475.5	187.1	177.1	6.2
Insurance procurement	-	71.6	87.6	28.2	32.8	34.8	5.5
Legal advice and services	-	12.6	17.0	11.5	8.9	7.7	1.8
Internal or international mail transport	-	0.3	0.4	0.6	1.5	0.6	0.5
Procurement of Government financial and insurance institutions	-	1.0	0.6	0.9	2.9	1.7	0.2

a Provisional data.
b January-July.
c The SERCOP does not possess this information in the case of international tendering.

Source: SERCOP – SOCE.

3.3.7 Intellectual property rights

3.3.7.1 General features

3.184. During the period under review, a number of changes were made in the legal framework governing intellectual property rights (IPRs). In 2016, the Organic Code of the Social Economy of Knowledge, Creativity and Innovation (Code of Knowledge) was promulgated, replacing the earlier Intellectual Property Law (LPI) of 1998.[186] The Code of Knowledge is the primary text regulating IPRs and has provisions governing both industrial property and copyright and related rights, as well as plant varieties and traditional knowledge. Its implementing Regulations were adopted in 2017.[187] However, they do not regulate all IPR matters. Those not governed by the Code of Knowledge Regulations continue to be governed on a transitional basis by the 1998 LPI Regulations (Table A3.6).

3.185. Ecuador is a member of the World Intellectual Property Organization (WIPO) and signatory to various treaties administered by WIPO. During the review period, Ecuador ratified the Marrakesh Treaty to facilitate access to published works for persons who are blind, visually impaired or otherwise print disabled.

[186] WTO documents IP/N/1/ECU/3-IP/N/1/ECU/C/8 of 25 January 2017.
[187] Executive Decree No. 1.435 (Regulations implementing the Organic Code of the Social Economy of Knowledge, Creativity and Innovation) of 23 May 2017.

3.186. Since 2017, the new government entity responsible for industrial property, copyright and related rights, plant varieties and traditional knowledge is the National Intellectual Rights Service (SENADI), under the authority of the recently created Secretariat of Higher Education, Science, Technology and Innovation (SENESCYT).[188] The SENADI replaced the Ecuadorian Intellectual Property Institute (IEPI).[189] It is primarily tasked with: (i) protecting and upholding IPRs recognized by Ecuadorian law; (ii) organizing and administering all registrations relating to IPR protection; (iii) undertaking the procedures and deciding on whether to grant registrations of rights for patents, utility models, industrial designs, trademarks, commercial slogans, trade names and geographical indications, *inter alia*; (iv) processing and deciding on challenges to registration applications; (v) setting the fees and charges for IPR registration applications; and (vi) implementing public policy on IPR protection as issued by the SENESCYT.[190]

3.187. Ecuadorian law grants national treatment to foreign IPR holders.[191] Priority rights are also recognized by virtue of the relevant international treaties ratified by Ecuador.[192]

3.188. The State reserves the right to access matters protected by IPRs without the owner's permission for reasons of public interest, when these goods guarantee constitutional rights or are part of the so-called "strategic sectors". Where this prerogative is used, the law provides for compensation to be made to the owner. This prerogative has not been used since the Code of Knowledge entered into force. If it is used, the right owner will receive compensation either in the form of a royalty or as one of the payments made for the concession or service contract in these sectors.

3.3.7.2 Industrial property

3.189. The Code of Knowledge governs patents, utility models, layout-designs of integrated circuits and industrial designs.

3.190. In order to obtain a patent, a patent registration must be obtained by means of an application to the SENADI.[193] Until the implementing regulations for the Code of Knowledge are issued, the time-frames and procedures will be determined on a transitional basis by the provisions of the Intellectual Property Law and other rules such as the IPL implementing regulations, and the CAN legislation establishing the Common Industrial Property Regime for the Andean Community will also apply.

3.191. Both national and foreign natural and legal persons may own patent rights.[194] A patent holder has the right to prevent unauthorized third parties to manufacture, sell or import a patented product or, in the case of a process, to implement or market the product obtained through the use of the patented process.[195]

3.192. As a general rule, rights deriving from an invention made in the performance of a contract whose subject matter is the inventive activity are vested in the employer, unless otherwise agreed by the parties to the contract.[196] If the invention is made in the course of a contract whose subject matter is not the inventive activity, but with the use of the employer's resources or confidential information, the latter is entitled to a free and non-exclusive licence for the patent.

3.193. A patent owner may grant licences for the exploitation of the patented invention or process through the corresponding registration. Various licences may be granted for the same patent to

[188] Code of Knowledge, Article 10, and Regulations implementing the Code of Knowledge, Article 2.
[189] Decree No. 356 of 3 April 2018.
[190] Code of Knowledge, Article 11.
[191] Ibid., Article 97.
[192] Ibid., Article 263
[193] Ibid., Article 279.
[194] Ibid., Article 275.
[195] Ibid., Article 293.
[196] Ibid., Article 277.

different interested parties, without any exclusivity requirement.[197] A licence holder may not in turn grant a licence without the patent owner's authorization.[198]

3.194. The SENADI is empowered to grant compulsory licences for a patent to third parties if at the time of the request the patent has not been exploited for at least a year, and after three years from its granting or four years from the application for registration of the patent. A patent owner may prevent the granting of a licence if they can prove that the patent could not be exploited owing to legal or regulatory restrictions or *force majeure*.[199] The Code of Knowledge also empowers the SENADI to arrange for the non-commercial public use of a patent or the grant of compulsory licences in some cases (Table 3.15). During the period 2012-2015, ten compulsory licences were issued in connection with pharmaceuticals on grounds of public interest by virtue of the right to public health established in the Constitution. Since then there have been no requests for compulsory licences.[200]

Table 3.15 Compulsory licences

Factors	Specific causes	Special conditions
Reasons of public interest (Article 314)	Public interest, emergency or national security.	Must be declared by executive decree or ministerial resolution. May be declared at any moment without prior negotiation with the patent holder. Maintained only as long as the reasons that gave rise to it obtain. The concession of a licence for public interest reasons does not limit the patent owner's right to exploit their patent.
Anticompetitive practices (Article 315)	Anticompetitive practices that are in breach of the competition regulations, in particular when consisting of abuse of dominant position by the holder.	*Ex officio* or upon request by a party. Requires a prior declaration by the competent national authority for competition, i.e., the Supervisory Authority for the Control of Market Power.
Dependency (Article 316)	Application by the owner of a patent whose exploitation necessarily requires the exploitation of a protected first patent for which they have been unable to obtain authorization.	The invention claimed in the second patent must involve a major technical step and considerable economic importance with respect to the invention claimed in the first patent. The holder of the first patent will be entitled to a cross-licence under reasonable conditions. The licence for the first patent may not be transferred without the transfer of the second patent.
Lack of agreement (Article 318)	Lack of agreement on profits and royalties from patented inventions made by various members of a team in the course of academic research or activities in higher education or research institutes (Article 276).	At the request of a party, not less than six months from the grant of the patent. The applicant must prove that they had requested a licence and that the request had been turned down owing to lack of agreement among the co-holders.
Exploitation by a plant variety breeder (Article 317)	When a plant variety breeder cannot exploit an obtainer's certificate without infringing a right deriving from a patent.	The patent holder is entitled to a compulsory reciprocal licence for the plant variety. The compulsory licence may only be transferred to third parties with the necessary patent or certificate for its proper exploitation.

Source: Code of Knowledge.

3.195. Ecuadorian patent law applies the regime of international exhaustion of rights.[201]

3.196. Utility models are protected through a patent. The procedure for registering a utility model is the same as for registering a patent, except with respect to the time-frames for the process, which are halved. However, as in the case of patents, until such time as the implementing regulations of the Code of Knowledge are issued, the time-frames and procedures will be determined on a transitional basis by the provisions of the Intellectual Property Law and other provisions such as its

[197] Ibid., Article 298.
[198] Idem.
[199] Ibid. Article 310.
[200] Information provided by the authorities.
[201] Code of Knowledge, Article 295.

implementing regulations, and the CAN legislation establishing the Common Industrial Property Regime for the Andean Community are applied.

3.197. The protection of layout-designs for integrated circuits also requires registration in the appropriate register. The rights are held by the designer and may be transferred. The application for registration must be made to the SENADI within two years of its first commercial exploitation.[202] Registration entitles the holder to prevent unauthorized third parties from reproducing, importing, selling or distributing the protected layout-design or an integrated circuit incorporating that design. The importation, sale or distribution of an article that incorporates a protected integrated circuit is prohibited if it contains an illegally reproduced layout-design.[203] Ecuadorian law applies the principle of the international exhaustion of rights for integrated circuit layout-designs.[204]

3.198. The protection of industrial designs is obtained through the corresponding registration. The rights are held by the designer and may be transferred. Registration gives the holder the right to prevent unauthorized third parties from the manufacturing, sale or importation for commercial purposes of products that incorporate or reproduce the protected design, or for products whose design presents only secondary differences or whose appearance is similar to that of the protected design. Rights deriving from an industrial design pursuant to a contract whose subject matter was the creation of such a design belong to the employer, unless otherwise agreed by the parties. If the subject matter of the contract is not the making of the design, but the latter is made using the employer's resources, the employer will have the right to a free and non-exclusive licence for the industrial design rights.[205] The provisions concerning industrial designs apply the international exhaustion of rights regime.[206]

3.199. The Ecuadorian IPR legislation does not contain provisions for protecting undisclosed information, which is protected by competition law in the context of unfair practices.[207]

3.3.7.3 Trademarks

3.200. Trademarks must be registered with the corresponding registry in order to be protected. Trademark registration gives the holder the right to prevent unauthorized third parties to do the following, *inter alia:* (i) to apply or affix the trademark or an identical or similar distinctive sign to products for which the mark has been registered, products linked with the services for which the trademark has been registered or on the packing or packaging of such products; (ii) to manufacture or market labels, packing or packaging or other materials that reproduce or contain the protected trademarks; (iii) to use in the course of trade a distinctive sign that is identical or similar to the trademark when such use could cause confusion or risk of association with the owner of the registered trademark or could cause the latter unfair economic or commercial injury on account of the dilution of the distinctive force or commercial value of the trademark; and (iv) use publicly a sign identical or similar to a well-known trademark, even for non-commercial purposes, when this could dilute the distinctive force or commercial or publicity value of the trademark or take unfair advantage of its prestige.[208]

3.201. Applications for the registration of a trademark are submitted to the SENADI. Until such time as the implementing regulations for the Code of Knowledge are issued, the requirements and time-frames for the examination of a registration application, its publication, the lodging of challenges and the granting or refusal of registration, shall be determined on a transitional basis by the provisions of the Intellectual Property Law and other rules such as the IPL Regulations; in addition, the CAN legislation establishing the Common Industrial Property Regime for the Andean Community applies.

3.202. The use of a trademark is not obligatory in order to obtain renewal of the registration.[209] However, the registration may be cancelled at the request of a third party when the trademark has

[202] Ibid., Article 330.
[203] Ibid., Article 334.
[204] Ibid., Article 337.
[205] Ibid., Article 350.
[206] Ibid., Article 355.
[207] Organic Law on the Regulation and Control of Market Power of 11 October 2011, Article 27.
[208] Code of Knowledge, Article 367.
[209] Ibid., Article 366.

not been used during the three years prior to such a request. The owner of the trademark may challenge the request for cancellation by proving that it does use the mark or by proving that the lack of use is due to reasons of *force majeure*, unforeseen circumstances, or official restrictions.[210] The implementing regulations for the Code of Knowledge will cover the definition of these limitations.

3.203. Rights in a registered trademark may be transferred. In addition, the holder may grant licences to one or more interested parties for the exploitation of the trademark. A licensee may not in turn grant licences without the trademark owner's authorization. Both the transfers and the licences must be registered with the corresponding registry.[211]

3.204. The Ecuadorian law on trademarks applies the regime of international exhaustion of rights.[212]

3.3.7.4 Geographical indications

3.205. Ecuadorian law establishes two types of geographical indication: denomination of origin (DO) and indication of provenance. A declaration issued by the SENADI is required for a geographical locality or area to be protected as a DO. The DO may be used by persons that extract, produce or manufacture products designated by a DO, are located in the protected area and have obtained an authorization of use from the SENADI. An indication of provenance is a sign used on products that have a specific geographical origin and possess qualities that are attributable to that origin. In Ecuador, identification of provenance is understood to mean a name, expression, image or sign that designates or evokes a specific country, region, locality or place. An indication of provenance cannot be used in trade relating to a product or service when its origin is false or misleading or when its use may result in the likelihood of confusion as to the origin, provenance, quality or any other characteristic of the product or service. The procedure for the processing of such applications is the same as for geographical indications, except if otherwise indicated in the corresponding regulations. Indications of provenance are not subject to a specific period of validity, but remain valid until the registration is cancelled.

3.3.7.5 Plant varieties

3.206. Plant varieties are protected by the Code of Knowledge. Protection is acquired through registration in the National Register of Protected Varieties. The plant breeder's rights are vested in the breeder and are transferable. The application for registration must be made to the SENADI. According to the transitional provisions of the Code of Knowledge, the requirements, time-frames and procedures for, *inter alia*, the examination of the application, its publication, the lodging of challenges and the granting of the registration continue to be governed by the provisions of the Intellectual Property Law and its implementing Regulations, as the Regulations to the Code of Knowledge do not contain such provisions.

3.207. The owner of a plant variety right is entitled to prevent unauthorized third parties from carrying out the following acts with respect to the protected variety: (i) production, reproduction, multiplication or propagation; (ii) preparation for purposes of reproduction, multiplication or propagation; and (iii) the offering, sale, importation, exportation or introduction of any kind into the market of the material for reproduction, propagation or multiplication.[213]

3.208. The right of priority for applying for the protection of a plant variety in Ecuador applies for 12 months in the case of applications submitted in a CAN member country, a member country of the International Union for the Protection of New Varieties of Plants (UPOV) or in any other country that grants reciprocal treatment to Ecuador.[214]

[210] Ibid., Articles 379 and 382.
[211] Ibid., Articles 374 and 375.
[212] Ibid., Article 371.
[213] Ibid., Article 487.
[214] Ibid., Article 483.

3.209. The rules on ownership of rights in a variety obtained in the framework of a labour relationship are the same as those applied in the case of patents.[215] Ecuadorian law applies the regime of international exhaustion of rights for plant varieties.[216]

3.3.7.6 Copyright and related rights

3.210. In Ecuador, copyright is protected by the mere fact of the creation of the work, and therefore neither registration nor fulfilment of any other prior requirement is necessary.[217] Computer programs are protected as literary works.[218] The rights are vested in the author of the work, who may only be a natural person. As a general rule, ownership of works created in a salaried employment relationship is vested in the author.

3.211. Copyright includes, *inter alia*, the following moral and economic rights: (i) to keep the work unpublished or to disclose it; (ii) to claim authorship of the work at any time; (iii) to oppose any deformation or modification contrary to the honour or reputation of the work or the author; (iv) to reproduce or communicate the work by any means or procedure; (v) to distribute publicly examples or copies of the work by means of sale or rent; and (vi) to prevent the import of copies of the protected work without the author's permission.[219]

3.212. The author may voluntarily register his or her work in the corresponding SENADI register. Registration is not proof of the author's ownership, but in the event of a dispute constitutes a *prima facie* case for ownership in favour of the person who made the registration.[220]

3.213. Ecuadorian law protects related rights, whereby performers have rights over their performances, producers of phonograms over their phonograms and broadcasting entities over their broadcasts. Related rights entitle their holders, *inter alia*, to prevent unauthorized third parties from carrying out the direct or indirect reproduction, distribution, rebroadcasting or unlawful importation of their works.[221]

3.214. The SENADI may, in exceptional cases, grant compulsory licences for literary, artistic, musical or audio-visual works protected by copyright.[222] These cases include the following: (i) where unfair competitive practices have been found to exist by the Supervisory Authority for the Control of Market Power; (ii) where a literary or artistic work has not been translated into Spanish or other official languages in the respective territories and a translation is not available on the domestic market; and (iii) where an audiovisual work, videogram or other audiovisual fixation is not available or accessible on the domestic market and a year has passed since its dissemination by any means or in any format.[223]

3.215. Ecuadorian law applies the regime of international exhaustion for the right of distribution of a work protected by copyright.[224]

3.3.7.7 Enforcement of IPRs

3.216. The Code of Knowledge provides for legal and administrative measures to ensure that IPRs are properly protected and non-compliance sanctioned. These include preventive measures and repressive measures.[225] In the event of infringement, an IPR owner may sue the infringer before the civil or criminal courts.

[215] Ibid., Articles 481 and 482.
[216] Ibid., Article 492.
[217] Ibid., Articles 101 and 102.
[218] Ibid., Article 131.
[219] Ibid., Articles 118, 120 and 126.
[220] Online information from the SENADI. Viewed at: https://www.propiedadintelectual.gob.ec/registro-de-obras-de-derecho-de-autor.
[221] Code of Knowledge, Articles 221 and following.
[222] Ibid., Article 217.
[223] Idem.
[224] Ibid., Article 125.
[225] Implementing Regulations to the Code of Knowledge, Articles 60 and 61.

3.217. When the administrative authority receives a complaint, it may order precautionary measures, including: (i) the immediate cessation of the acts constituting the alleged offence; (ii) withdrawal from sale of the products constituting the offence; (iii) suspension of the importation or exportation of the products, materials or means used to commit the offence; (iv) the temporary closure of the commercial establishment presumed to be committing the offence where necessary to avoid its continuation or recurrence.[226]

3.218. The owner of a registered trademark or copyright who has sufficient evidence to suppose that the importation or exportation of goods injures their rights may ask the SENADI to suspend the customs operation, for which purpose they must provide the necessary information. Once an application for border measures has been lodged, Customs must suspend the operation until the application has been decided on. The SENADI may also order *ex officio* the suspension of the Customs operation.[227]

3.219. The Code of Knowledge punishes infringements of IPRs with fines of between 5 and 142 times the unified minimum wage[228], depending on the nature of the offence and the criteria set out in the corresponding regulations.[229]

3.220. The SENADI maintains a register of seizures of goods that infringe intellectual property rights. The register records the quantity, registered trademark and year of the infringement.

[226] Code of Knowledge, Article 565.
[227] Ibid., Articles 575 and 577.
[228] In 2018, the unified minimum wage is the equivalent of USD 386.
[229] Code of Knowledge, Article 581.

4 TRADE POLICIES BY SECTOR

4.1 Agriculture

4.1. The agricultural sector is of considerable importance for Ecuador because of its contribution to GDP and employment, and as the second largest generator of foreign exchange after petroleum. In 2017, agricultural GDP accounted for 8.2% of total GDP, almost the same percentage as in 2011 (8.5%), and absorbed 70% of rural employment and 26% of total employment (Table 4.1).

Table 4.1 Principal indicators for the agricultural sector, 2011-2017

	2011	2012	2013	2014	2015	2016[a]	2017[a]
Share of GDP (%, at current prices)	8.5	7.5	7.6	8.0	8.5	8.4	8.2
Real growth rates (%, at 2007 prices)	7.5	-0.5	6.4	5.9	2.1	-0.2	4.4
Employment (%, end of period)							
Agriculture, livestock, hunting and forestry, and fishing	27.9	27.4	24.8	24.4	25.0	25.6	26.1
Agricultural sector, WTO definition							
Exports							
Value (USD million)	4,899	4,651	4,897	5,440	5,648	5,536	5,829
Share of total exports (%)	21.9	19.5	19.6	21.1	30.8	33.0	30.5
Growth rate (%)	..	-5.1	5.3	11.1	3.8	-2.0	5.3
Five most important products, by HS Chapter (% of total exports)							
08. Edible fruit and nuts	10.5	9.2	9.7	10.5	16.0	17.1	16.7
0803 – Bananas, including plantains	10.1	8.7	9.3	10.1	15.4	16.3	15.9
0804 – Dates, figs, pineapples, avocados, guava, mangoes and mangosteens	0.3	0.3	0.3	0.2	0.4	0.5	0.5
06. Live plants and cut flowers	3.1	3.3	3.4	3.6	4.5	4.8	4.7
0603 – Flowers and buds	3.0	3.2	3.4	3.6	4.5	4.8	4.6
18. Cocoa and cocoa preparations	2.6	1.9	2.1	2.8	4.4	4.5	3.6
1801 – Cocoa beans, whole or broken, raw or roasted	2.1	1.5	1.7	2.3	3.8	3.7	3.1
15. Animal or vegetable fats and oils and their cleavage products	1.7	1.5	1.1	1.1	1.6	1.7	1.4
20. Preparations of vegetables, fruit, nuts or other parts of plants	1.1	0.9	0.9	1.1	1.4	1.4	1.2
Imports							
Value (USD million)	1,932	1,877	1,975	2,103	1,872	1,709	2,031
Share of total imports (%)	8.0	7.4	7.3	7.6	8.8	10.6	10.2
Growth rate (%)	..	-2.9	5.2	6.5	-11.0	-8.7	18.9
Five most important products, by HS Chapter (% of total imports)							
23. Residues and wastes from the food industries	1.5	1.6	1.8	2.2	2.7	3.6	3.3
10. Cereals	1.8	1.4	1.1	1.3	1.5	1.8	1.8
21. Miscellaneous edible preparations	0.7	0.7	0.8	0.8	0.9	1.1	1.0
15. Animal or vegetable fats and oils and their cleavage products	0.8	0.7	0.7	0.6	0.7	0.8	0.7
08. Edible fruit and nuts	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Agricultural trade balance (USD million)	2,968	2,775	2,922	3,337	3,777	3,828	3,797

.. Not available.

a Preliminary data.

Source: Central Bank of Ecuador and Comtrade database.

4.2. Ecuador is a net exporter of agricultural products. During the review period, the agricultural trade surplus increased from USD 2,967 million in 2011 to USD 3,797 million in 2017. This made it possible partially to compensate for the decline in foreign exchange earnings due to the fall in the price of oil, the principal export product. The agricultural trade surplus could be maintained thanks to increased exports and a reduction, albeit limited, in imports. This reduction was more pronounced during 2015 and 2016, due to the effect of the balance-of-payments safeguard (Sections 1 and 3).

In 2017, exports of agricultural products amounted to USD 5,829 million, while imports of these products amounted to USD 2,031 million.[1]

4.3. In 2017, agricultural products accounted for around 30.5% of total exports and 10.2% of imports. The principal agricultural export products are bananas, which in 2017 accounted for 15.9% (USD 3,045 million) of total exports, flowers (4.6%), and cocoa (3.1%). Where agricultural imports are concerned, Ecuador imports mainly residues and wastes from the food industries, and cereals.

4.4. To a large extent, the growth of the agricultural sector during the review period was possible due to certain policies that facilitated greater access to agricultural inputs and technology and created favourable market conditions for the producer. Notable among the programmes implemented by the Ministry of Agriculture and Livestock (MAG) are the High-Yield Seeds Plan, the Ecuadorian Coffee-Growing Revitalization Programme and the Revitalization Programme for the Ecuadorian Cocoa-Producing Sector, which boosted agricultural productivity.

4.5. The principal legislation relating to the agricultural sector includes the Organic Law on the Food Sovereignty Regime of 2009; the Organic Law on Water Engineering Resources and the Use and Supply of Water of 2014; the Organic Law on Rural Lands and Ancestral Territories of 2016; and the Organic Law on Agro-Biodiversity, Seeds and the Promotion of Sustainable Agriculture of 2017. Ecuador also has legislation relating to products of economic importance, such as bananas and coffee. In this connection, the marketing of bananas is mainly governed by the Law for Promoting and Controlling the Production and Marketing of Bananas, Plantains (Barraganete) and Other Related Musaceae for Export, and its Regulations, which has been the subject of several amendments since 2012 (Table 4.2).

Table 4.2 Principal legal instruments governing the marketing of bananas

Legal instrument	Description	Date of publication
Codification 13	Law to Promote and Control the Production and Marketing of Bananas, Plantains and other Related Musaceae for Export	16 April 2004 Latest amendment: 29 December 2010
Executive Decree 818	Regulations to the Law for Promoting and Controlling the Production and Marketing of Bananas, Plantains and other Related Musaceae for Export	26 July 2011 Latest amendment: 23 April 2013
Ministerial Decision 316 of the MAGAP	Instruction for implementing the Regulations to the Law for Promoting and Controlling the Production and Marketing of Bananas	26 August 2014 Latest amendment: none
Resolution 137 of the SENAE	General framework for enabling the control of exports of bananas, plantains and other related musaceae authorized by the MAGAP	19 June 2012 Latest amendment: none
Ministerial Decision 227 of the MAGAP	Minimum support prices for the year 2018	12 October 2017 Latest amendment: none
Resolution NAC-DGERCGC17-00000618 of the SRI	Establishes the methodology of limit indexation applicable to the export prices of bananas as from fiscal year 2018	28 December 2017 Latest amendment: none

Source: WTO Secretariat, based on the Ecuadorian legislation.

4.6. Up until 2017, the public entity responsible for framing and implementing agricultural and fisheries policy in Ecuador was the Ministry of Agriculture, Livestock, Aquaculture and Fisheries (MAGAP). In 2017, the Ministry of Aquaculture and Fisheries was established and took over the responsibilities relating to aquaculture and fisheries previously held by MAGAP, which came to be called the Ministry of Agriculture and Livestock (MAG).

4.7. UNA EP (a state-owned company which reports to the MAG) is responsible, among other things, for the storage and marketing of agricultural products, the administration of the strategic reserve of these products, and the marketing and distribution of inputs.[2]

[1] The WTO definition of agriculture is used for the statistical calculations.
[2] Executive Decree No. 12 of 30 May 2013.

4.1.1 Border measures

4.8. Agricultural products (WTO definition) receive more tariff protection than non-agricultural products. In 2018, the average tariff applied to agricultural products was 18.5% (without including the *ad valorem* equivalents), whereas for non-agricultural products it was 9.7%. Of the various categories of products defined in the WTO, dairy products (34.9%), sugar and sugar confectionery (28.4%), animals and products of animal origin (26.8%), and coffee and tea (22.9%) recorded, on average, the highest tariffs. At a more specific level, the highest tariff protection is accorded to cuts and offal of chicken, turkey, goose and duck (HS 0207) (85.5%), rice (HS 1006) (67.5%), milk and cream (HS 0401 and HS 0402) (54%), cuts and offal of guinea fowl (HS 0207) (53.5%), pig meat (HS 0203) (45%), food preparations for dogs and cats (HS 0210) (45%), and unroasted malt (HS 1107) (36%).

4.9. Ecuador uses the Andean Price Band System (APBS) for certain agricultural products with a view to stabilizing their import price. The APBS affects 189 tariff lines at HS ten-digit level, of which 184 correspond to agricultural products, in accordance with the WTO definition (Table 4.3).[3] Several of the products subject to the APBS are also products with the highest tariffs such as, for example, chicken cuts (85.5%), rice (67.5%), milk (54%) and pig meat (45%).

4.10. During the review period, Ecuador suspended the application of the APBS for three products used as inputs; only in one case was the suspension permanent. In November 2014, Ecuador reduced the tariff from 15% to 0% and temporarily suspended the application of the APBS until 31 December 2019 for soya cake (HS 2304.00.00.00) used as animal feed (cattle, poultry and shrimp).[4] In March 2015, Ecuador suspended the application of the APBS until December 2016 for wheat and related products (HS 1001.19.00.00, HS 1001.99.10.00, HS 1101.00.00.00 and HS 1103.11.00.00).[5] The suspension was later extended to December 2019. Moreover, in June 2015, the application of the APBS was permanently suspended for balanced feeds for aquacultural use that do not contain maize (corn) (HS 2309.90.90.11 and HS 2309.90.90.13).[6]

Table 4.3 Andean Price Band System (APBS) for Ecuador

HS Chapter	Description	No. of lines	MFN 2018	MFN APBS (interval) (%)
02	Meat and edible meat offal	33		
		2	30% +/- VC	30.0 - 30.0
		22	45% +/- VC	41.3 - 85.5
		8	85.5% +/- VC	85.5 - 85.5
		1	30% y 45% y 85.5% +/- VC[a]	59.2 - 85.5
04	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included	28		
		1	20% +/- VC	33.3 - 33.3
		15	25% +/- VC	25.0 - 38.3
		5	30% +/- VC	30.0 - 30.0
		7	54% +/- VC	54.0 - 54.0
10	Cereals	16		
		4	0% +/- VC	2.4 - 2.5
		1	10% +/- VC	12.4 - 12.4
		7	15% +/- VC	17.3 - 38.4
		1	20% +/- VC	22.8 - 22.8
		1	25% +/- VC	27.3 - 27.3
		2	67.5% +/- VC	67.5 - 67.5

[3] The remaining five products are chemical products.
[4] Resolutions COMEX No. 040-2014 of 26 November 2014 and No. 039-2016 of 23 December 2016.
[5] Resolution COMEX No. 040-2016 of 23 December 2016.
[6] Resolutions COMEX No. 025-2015 of 5 June 2015 and No. 004-2018 of 24 May 2018.

HS Chapter	Description	No. of lines	MFN 2018	MFN APBS (interval) (%)
11	Products of the milling industry; malt; starches; inulin; wheat gluten	8		
		2	0% +/- VC	1.9 - 1.9
		4	20% +/- VC	21.8 - 45.0
		2	36% +/- VC	36.0 - 36.0
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder	13		
		6	0% +/- VC	11.8 - 11.8
		6	15% +/- VC	26.8 - 26.8
		1	20% +/- VC	25.0 - 25.0
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	43		
		8	0% +/- VC	10.9 - 14.3
		1	5% +/- VC	11.0 - 11.0
		2	15% +/- VC	15.0 - 29.3
		29	20% +/- VC	25.0 - 31.5
		3	31.5% +/- VC	31.5 - 31.5
16	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	6		
		6	30% +/- VC	26.3 - 30.0
17	Sugars and sugar confectionery	17		
		3	0% +/- VC	23.4 - 23.4
		1	10% +/- VC	45.0 - 45.0
		8	15% +/- VC	38.4 - 45.0
		4	20% +/- VC	45.0 - 45.0
		1	25% +/- VC	45.0 - 45.0
19	Preparations of cereals, flour, starch or milk	1		
		1	30% +/- VC	31.9 - 31.9
23	Residues and waste from the food industries; prepared animal fodder	19		
		4	0% +/- VC	11.8 - 23.4
		9	15% +/- VC	26.8 - 38.4
		4	20% +/- VC	43.4 - 43.4
		1	45% +/- VC	45.0 - 45.0
		1	0% and 45% +/- VC[b]	23.4 - 38.4
35	Albuminoidal substances; modified starches; glues; enzymes	2		
		1	0% +/- VC	20.0 - 20.0
		1	15% +/- VC	20.0 - 20.0
38	Miscellaneous chemical products	3		
		1	0% +/- VC	14.3 - 14.3
		2	15% +/- VC	29.3 - 29.3

a This tariff line is divided into three sub-lines.
b This tariff line is divided into two sub-lines.

Note: VC signifies variable component under the Andean Price Band System (APBS).

Source: WTO Secretariat calculations based on information provided by the authorities.

4.11. Ecuador maintains tariff quotas for 17 products, including chicken meat, glucose, maize (corn), and soya cake (Table 3.4). However, these quotas, which are administered by the MAG, are not being used.[7]

4.12. Ecuador also has preferential tariff quotas for agricultural imports under its trade agreements with Argentina, Brazil, Guatemala, the European Union (EU) and Uruguay (Section 3). Within the framework of the agreement with the EU – the most recent, in force since 2017 – 82 tariff lines (at HS ten-digit level) are subject to preferential quotas, including food preparations for animals, edible offal, dairy produce, vegetables, sweet corn, potatoes, meat of animal origin and products with a high sugar content.

4.13. In 2015, Ecuador introduced a balance-of-payments safeguard measure in accordance with paragraph 9 of the Understanding on the Balance-of-Payments Provisions of the General Agreement on Tariffs and Trade 1994. The safeguard, which took the form of tariff surcharges, was in force from March 2015 to June 2017, and began to be dismantled in 2016 in accordance with a timetable (Section 3).[8] The measure was imposed on 2,938 tariff lines at HS ten-digit level, of which some 16% (484 lines) corresponded to agricultural products. Agricultural products were subject to a tariff surcharge of 5%, 15%, 25% or 45%. The most frequent rate was 45%, which affected 80.8% of agricultural products (Table 4.4), including sugar, cocoa, meat, corn flour, fruit and cheese.

Table 4.4 Distribution of tariff surcharge rates

Tariff surcharge levels	Number of lines	% of total lines with surcharge
5%	34	7.0
15%	34	7.0
25%	25	5.2
45%	391	80.8
Total	484	100

Note: The lines HS 1208.90.00.00 (seed flour) and HS 3301.29.90.00 (essential oils) have two surcharges, 5% and 0%, and 15% and 0%, respectively.

Source: WTO Secretariat calculations based on information provided by the authorities.

4.14. In general, imports of agricultural products require a sanitary or phytosanitary import permit for the purpose of safeguarding human, animal or plant health. The importation of agricultural products may also require other prior-control documents, such as the importer's registration document, permits, prior-importation authorizations, the inspection or classification verification certificate issued at origin, the customs destination document, recognition certificates and automatic and non-automatic licences.

4.15. Since 2013, Ecuador has been applying non-automatic licences for importing certain agricultural goods, classified in 59 tariff lines at ten-digit level (Table 4.5). These licences are granted to permit importation in the event of shortages when it is necessary to supplement domestic production in order to be able to meet domestic demand and keep the country permanently supplied with food.[9] On the basis of a technical report issued by the MAG[10], the Under-Secretariat for Marketing annually allocates an import quota to importers registered with the Ministry. However, as stipulated by the MAG, "in periods when domestic goods are being produced, under no circumstances will non-automatic import licences be granted, to prevent them from harming domestic production".[11]

[7] WTO documents G/AG/N/ECU/30 of 16 November 2012; G/AG/N/ECU/38 of 19 February 2014; and G/AG/N/ECU/41 of 5 January 2016, and information provided by the authorities.
[8] Resolution COMEX No. 011-2015 of 6 March 2015.
[9] Resolutions COMEX No. 102-2013 of 1 March 2013 and No. 043-2015 of 6 November 2015.
[10] MAGAP Resolution No. 316 of 20 November 2015 (Instruction for Obtaining Non-Automatic Import Licences for Basic Foods, which replaced MAGAP Resolution 299-A of 14 June 2013).
[11] Article 9 of MAGAP Resolution No. 316 of 20 November 2015.

Table 4.5 Agricultural products subject to non-automatic licences

HS 2017 heading	Tariff lines (10 digits)	Description
0201	4	Meat of bovine animals, fresh or chilled.
0202	4	Meat of bovine animals, frozen.
0203	12	Meat of swine, fresh, chilled or frozen.
0206	5	Edible offal of bovine animals, swine, sheep, goats, horses, asses or mules, fresh, chilled or frozen.
0207	8	Meat and edible offal of chicken and turkey, fresh, chilled or frozen.
0209	3	Pig fat free of lean meat and poultry fat (not rendered), fresh, chilled, frozen, salted, in brine, dried or smoked.
0210	3	Meat of swine, salted, smoked or in brine.
0405	2	Butter and other fats and oils derived from milk; dairy spreads.
0406	2	Cheese and curd.
0504	1	Guts, bladders and stomachs of animals (other than fish), whole and pieces thereof, fresh, chilled, frozen, salted or in brine, dried or smoked.
0710	1	Vegetables, uncooked or cooked by steaming or boiling in water, frozen.
0713	9	Dried leguminous vegetables, shelled, whether or not skinned or split.
1005	2	Maize (corn).
1007	1	Grain sorghum.
2004	1	Potatoes, frozen.
2005	1	Potatoes, not frozen.

Source: Resolution COMEX No. 102-2013 of 1 March 2013 and Resolution COMEX No. 043-2015 of 6 November 2015.

4.16. As from 2018, to import green bean coffee (HS 0901.1190.10. HS 0901.1190.20, HS 0901.1190.90) it has been necessary to obtain automatic or non-automatic licences (as appropriate) in advance. The MAG will automatically authorize the importation of green bean coffee under special customs procedures, such as customs warehousing and temporary admission for inward processing, or exclusively for exportation by Ecuadorian companies duly registered with the Ministry of Industry and Productivity (MIPRO) and devoted to manufacturing processed coffee products. Non-automatic licences are used only for imports of coffee for domestic consumption. To ensure that the domestic coffee bean harvest is entirely absorbed, those who import coffee beans, whether for domestic consumption or under special procedures, must annually record local purchases of the product and this record will form the basis for the granting of the import authorization.[12]

4.17. During the review period, Ecuador used minimum reference prices for some of its principal export products, such as bananas and cocoa. In 2015 the minimum reference prices for coffee (HS 0901.11.90) were eliminated with the repeal of the Special Law on the Coffee Sector.

4.18. Where bananas are concerned, the MAG annually sets the minimum support price which the exporter must pay the producer, and a minimum benchmark price that the exporters must obtain. In 2018, the minimum support price per box (from 41.5 to 43 pounds) of bananas (type 22XU) was USD 6.20 and the minimum benchmark f.o.b. export price was USD 8.01.[13] These prices have increased marginally since Ecuador's last review, when the minimum support price of a box of bananas (type 22XU) and the minimum benchmark f.o.b. export price were USD 5.5 and USD 7.05, respectively.

4.19. In the case of cocoa, Ecuador uses minimum reference export prices for cocoa beans (HS 1801.00.19) and semi-manufactured cocoa products (of headings HS 1803, HS 1804 and HS 1805), for internal taxation purposes. These prices are set weekly on the basis of the prices on the New York Stock Exchange and serve as a reference for the marketing of these products on the domestic market.

[12] Inter-ministerial Decision No. 020 between the MIPRO and the MAG of 21 February 2018.
[13] MAGAP Ministerial Decision 227 of 27 October 2017.

4.20. In 2013, the banana export tax (0.7% on the f.o.b. price), used for financing the Banana Trade Association Fund, was suspended.[14] Moreover, in 2015 the export tax on roasted coffee beans and roasted ground coffee per 100 lb unit (2% on the f.o.b. price), used as part of the funds required to finance the National Coffee Board (COFENAC), was eliminated.[15]

4.21. Ecuador has notified the WTO that, during the period 2012-2016, it did not grant any export subsidies for agricultural products.[16]

4.22. From 2013 to 2016 Ecuador reactivated the granting of Tax Credit Certificates (CAT), as a measure for promoting exports.[17] The percentages vary according to the product and are calculated on the basis of the export value. In 2013, in the case of agricultural products, they varied between 0.1% for tapioca (HS 1903.00.00.00) and 21.3% for asparagus (HS 0709.20.00.00).[18] That year, in particular, products such as flowers (HS 06) benefited from the measure. In 2016, the agricultural products benefiting from CAT were almost the same as in 2013. The percentages for applying the CAT concession varied between 0.05% for pineapples (HS 0804.30.00.04) and 21.3% for asparagus (HS 0709.20.00.00).[19]

4.23. In 2015, a simplified drawback procedure, determining a fixed percentage of the export value for the refunding of foreign trade taxes, was introduced. In general, the refund percentage was 5%, which corresponds to Ecuador's weighted tariff from 2010 to 2014. However, for some products the refund is less, 3% or 2%. In some cases, as with Cavendish Valery type bananas (HS 0803.90.11.00), the bocadillo (Lady finger) banana (HS 0803.90.12.00) and other bananas (HS 0803.90.19.00), the refund varies with the market of destination[20]: 2% for the EU, 3% for the Russian Federation and 4% for China. The banana and flower exporters are among those that benefited the most from this mechanism in 2016, when they received 29.3% of the total incentive: the banana exporters received USD 10.2 million and the flower exporters USD 4.4 million.[21]

4.1.2 Domestic support measures

4.24. Ecuador has notified that, during the period 2011-2013, no type of domestic support was granted to its industry[22], except in 2011 when the state agricultural insurance programme AgroSeguro was implemented.[23] However, as part of its promotion policy for the agricultural sector, Ecuador has implemented programmes such as the Gran Minga Agropecuaria and AgroSeguro projects. Marketing policy for some agricultural products is primarily oriented towards supporting small and medium-sized producers.

4.25. The main objective of agricultural insurance is to protect the agricultural production of the small and medium-sized producers from adverse weather conditions, pests and diseases that may affect their crops. It ensures that the producer, who receives compensation for any loss, enjoys continuity in the exercise of his or her activity. The insurance is provided by the state-owned insurance company (Seguros Sucre). Under the AgroSeguro programme, the State pays Seguros Sucre 60% of the net premium for the insurance policy, with a limit of USD 700, except in the case of bananas, for the cultivation of which the maximum value of the policy is USD 1,500. The cost of the remaining 40% of the premium is assumed by the farmer. In 2017, the co-payment

[14] Ministerial Decision No. 406 of 11 September 2013.

[15] Special Coffee Sector Law (consolidated text) of 2004 of 17 March 2004, Law Amending the Law Establishing the National Agricultural Research Institute (INIAP) and Repealing the Special Coffee Sector Law, Official Register No. 446 of 26 February 2015.

[16] WTO documents G/AG/N/ECU/35 of 19 February 2014; G/AG/N/ECU/40 of 5 January 2016; and G/AG/N/ECU/44 of 22 May 2018.

[17] Resolution COMEX No. 030-2016.

[18] Resolution COMEX No. 105-2013.

[19] Resolution COMEX No. 030-2016.

[20] Resolution COMEX No. 013-2015.

[21] Ministry of Foreign Trade (2017), *Informe de Gestión 2016*. Viewed at: https://www.comercioexterior.gob.ec/wp-content/uploads/downloads/2017/05/Informe-de-Gestion-2016_-1.pdf.

[22] WTO documents G/AG/N/ECU/36 of 19 February 2014 and G/AG/N/ECU/42 of 13 January 2016.

[23] MAGAP Ministerial Decision No. 154 of 18 July 2011 and Ministerial Decision No. 100 of 27 April 2015 revoking Ministerial Decision No. 388 of 2012 and containing the Management Instructions for AgroSeguro of 27 August 2015.

amounted to USD 5.9 million. It is estimated that during the period 2011-2017 a total of USD 51.5 million was disbursed in subsidizing the insurance premium.[24]

4.26. In order to increase the productivity of small producers of cotton, rice, seed rice, kidney beans, flint corn, flint corn for silage, sweet corn and potato, 2017 saw the implementation of the Gran Minga Agropecuaria project, "an emblematic strategy" by means of which the producers of these products may, among other things, obtain certificated seeds, fertilizers, and other agricultural inputs ("agricultural kit") at subsidized prices. The assistance granted to purchase the "agricultural kit" varies according to the product (from USD 172 to USD 1,120) (Table 4.6). Moreover, to be able to purchase these kits, the farmers must be registered with the MAG and have the beneficial use of a maximum of 10 hectares (5 hectares in 2018). Each farmer may obtain a maximum of 5 kits. It is estimated that, for the sowing season of winter 2018, the MAG delivered 104,170 "agricultural kits". The Gran Minga Agropecuaria project also provides for access to lines of credit at preferential rates for agricultural use, with a maximum of USD 5,000 per loan, granted by the State bank BanEcuador.[25]

Table 4.6 Assistance by product for the agricultural kit, 2017

Product	Assistance per agricultural kit/ hectare/in USD	% of total area planted (ha) with assistance
Cotton	224	75
Rice	200	3
Seed rice	400	..
Kidney bean	220	0.2
Flint corn	180	27
Flint corn for silage	350	47
Sweet corn	172	0.2
Potato	1,220	0.4

.. Not available.

Source: MAG, information viewed in June 2018 at: https://www.agricultura.gob.ec/gobierno-nacional-apoya-a-pequenos-productores-entregando-paquetes-tecnologicos-y-seguro-agricola-subsidiados-a-traves-del-mag.

4.27. Ecuador intervenes in the marketing of certain agricultural products by establishing "minimum support prices" to ensure that the producer gets a "fair price". The MAG determines these prices, which, in addition to covering the production costs, provide a profit margin for the producer. In general, the support prices are fixed by advisory boards, in which the MAG, the producers and the agro-industrial sectors participate. During the review period, the products to which a "minimum support price" was applied were: rice, bananas and plantains, coffee, maize (corn), quinoa, soya, wheat, cotton, sugar cane and milk. For some of these products, specifically rice, maize, quinoa, soya, wheat and coffee, a domestic crop "absorption commitment" is also required. The purpose of this "commitment" is to ensure that the agro-industrial sector purchases all of the domestic production, to strengthen the production system and boost domestic output. Imports are conducted in accordance with a system for recording domestic supply and demand to ensure that the entirety of the local production of these products is "absorbed". In accordance with this analysis, import quotas are temporarily established (Table 4.7).

[24] MAG (2017), Agricultural Insurance Unit, *Proyecto AgroSeguro para pequeños y medianos productores y pescadores artesanales del Ecuador. Ficha Informativa de Proyecto 2017*. Viewed at: http://servicios.agricultura.gob.ec/transparencia/2017/Agosto2017/k/EJECUCION_Agosto/GPR%20AGROSEGURO%20-%20Agosto.pdf.

[25] Executive Decree No. 677 of 1 June 2015 (latest amendment of 27 October 2017) and Resolution No. 22 of 7 September 2016.

Table 4.7 Products for which "minimum support prices" and/or an "absorption commitment" are required

Product	Minimum support price	Absorption programme	Latest Resolutions/Ministerial Decisions
Cotton	Yes	No	MAGAP Ministerial Decision No. 211 of 2 May 2013 Resolution No. 141 of 22 May 2017
Rice	Yes	Yes	MAGAP Ministerial Decision No. 047 of 11 April 2018
Bananas and plantains	Yes	No	MAGAP Ministerial Decision No. 227 of 12 October 2017 MAG Ministerial Decision No. 048 of 11 October 2017
Coffee	Yes	Yes	MAGAP Resolution No. 032-2016 of 23 February 2016
Sugarcane	Yes	No	MAGAP Ministerial Decision No. 137 of 21 June 2016
Milk	Yes	No	MAGAP Ministerial Decision No. 36 of 27 March 2018
Maize	Yes	Yes	MAGAP Ministerial Decision No. 046 of 11 April 2018 MAGAP Ministerial Decision No. 134 of 26 March 2013 (Marketing Regulations for Yellow Flint Corn)
Quinoa	Yes	Yes	..
Soya	Yes	Yes	MAGAP Ministerial Decision No. 180 of 24 August 2016 MAG Ministerial Decision No. 220 of 25 September 2017
Wheat	Yes	Yes	MAGAP Ministerial Decision No. 460 of 16 October 2012

.. Not available.

Source: WTO Secretariat, based on the Ecuadorian legislation; MAGAP (2016) "Ecuadorian Agricultural Policy: Towards sustainable rural land development 2015-2025"; and online information. Viewed at: http://una.gob.ec/la-regulacion-de-precios-mejoro-las-condiciones-de-los-agricultores.

4.28. The National Storage Unit (UNA EP), an enterprise notified by Ecuador as being covered by the definition of a State trading enterprise in accordance with Article XVII of the GATT[26], participates in the process of domestic marketing of agricultural products, in small and large volumes. UNA EP's principal objective is the temporary storage and domestic marketing of agricultural products, especially yellow flint corn, rice and cereals; the administration of strategic food reserves; and support for the marketing and distribution of inputs. UNA EP acts as an intermediary between the agricultural producer and the agro-industrial sector. Under the crop absorption programme, UNA EP participates mainly in the absorption of products such as rice, yellow flint corn and soya, guaranteeing the farmer the "minimum support price" throughout the year. UNA EP buys preferentially from small and medium-sized producers whose crop complies with the technical quality parameters required by the INEN standard.[27]

4.2 Fisheries

4.29. The fisheries sector's contribution to GDP is modest (1.1% in 2017) and did not vary much during the period 2011-2017. However, the sector is considered fundamental for the economy as an important generator of foreign exchange. As with agricultural products, exports of fishery products increased during the period in question, rising from USD 2,496 million to USD 4,609 million, and accounting for 24.1% of total exports, so that Ecuador's trade balance in relation to seafood products was positive during 2011-2017. Shrimp is the fisheries sector's main export product and has become the largest generator of foreign exchange, excluding oil. During the review period, shrimp exports practically doubled, reaching USD 3,037 million in 2017, equivalent to 15.9% of total exports. This has led to shrimp exports exceeding exports of bananas, which have traditionally been Ecuador's main (non-oil) export product. Fish and tuna are also among the main export products, accounting for 1.3% of total exports (Table 4.8).

[26] WTO documents G/STR/N/15/ECU of 6 October 2014 and G/STR/N/16/ECU of 6 July 2018.
[27] UNA online information. Viewed at: http://una.gob.ec/programasservicios/industrializacion.

Table 4.8 Main indicators for the fisheries sector, 2011-2017

	2011	2012	2013	2014	2015	2016[a]	2017[a]
Share of GDP (% at current prices)							
Aquaculture and fisheries	1.1	1.2	1.2	1.1	1.0	1.1	1.1
Aquaculture and shrimp fishing	0.5	0.5	0.5	0.6	0.4	0.5	0.6
Fishing (except shrimp)	0.6	0.7	0.6	0.6	0.5	0.6	0.5
Real growth rates (%, at 2007 prices)							
Aquaculture and fisheries	10.9	9.3	8.4	18.2	7.7	6.3	11.0
Aquaculture and shrimp fishing	21.7	7.3	9.1	40.0	18.6	8.2	15.9
Fishing (except shrimp)	3.0	11.1	7.9	-0.1	-5.2	3.5	3.5
Fisheries sector (WTO definition)							
Exports							
Total fisheries (USD million)	2,496	2,882	3,620	4,222	3,654	3,939	4,609
Share in total exports	11.2	12.1	14.5	16.4	19.9	23.4	24.1
Growth rate (%)	..	15.4	25.6	16.6	-13.4	7.8	17.0
Leading export products, by HS Chapter (% of total exports)							
03. Fish and crustaceans, molluscs and other aquatic invertebrates	6.6	6.8	8.3	11.0	13.9	16.9	17.2
Shrimp[b]	5.3	5.4	7.2	9.8	12.4	15.4	15.9
Fish	0.0	0.0	0.7	0.8	0.9	0.9	0.9
Tuna	0.0	0.0	0.4	0.4	0.5	0.5	0.4
16. Preparations of meat, fish or crustaceans, molluscs or other aquatic invertebrates	3.9	4.7	5.4	4.9	5.2	5.4	6.1
23. Residues and wastes from the food industries; prepared animal fodder	0.5	0.5	0.6	0.4	0.7	0.9	0.6
15. Animal or vegetable fats and oils and their cleavage products	0.1	0.1	0.1	0.1	0.1	0.2	0.1
Imports							
Total fisheries (USD million)	303	208	141	158	124	112	124
Share in total imports (%)	1.2	0.8	0.5	0.6	0.6	0.7	0.6
Growth rate (%)	..	-31.3	-32.3	12.0	-21.8	-9.4	10.9

.. Not available.

a Preliminary figures.
b Includes some tariff lines from HS Chapter 16.

Source: Central Bank of Ecuador and Comtrade database.

4.30. The fisheries sector is regulated mainly by the Law on Fishing and Fisheries Development[28] and its implementing Regulations.[29] Although the law itself was not amended during the review period (it dates from 1974 and was last amended in 2005), the authorities reported that a replacement bill was currently under review, with a view to its possible adoption. In contrast, the implementing Regulations to the Law on Fishing and Fisheries Development has been amended twice since the last review, in 2014 and again in 2016. The changes made include abolition of the National Fisheries Development Council, with its responsibilities being transferred to the Ministry of Agriculture (MAG), and the introduction of sanctions for violation of the Law on Fishing and Fisheries Development.

4.31. During the period under review, several changes occurred in the institutions that regulate the fisheries sector. In 2017, the Ministry of Aquaculture and Fishing (MAP) was created, absorbing the Under-Secretariat for Fisheries, which had previously been attached to the Ministry of Agriculture, Livestock, Aquaculture and Fisheries (MAGAP). The MAP is currently tasked with formulating and implementing Ecuador's aquaculture and fisheries policy.[30]

[28] Law on Fishing and Fisheries Development, issued by Decree Law No. 178 of 19 February 1974, last amended on 11 May 2005.
[29] Regulations to the Fishing and Fisheries Development Law, Executive Decree No. 3198, 24 October 2002, as amended on 21 February 2014 and 19 February 2016.
[30] Executive Decree No. 6 of 24 May 2017.

4.32. In 2018, the National Fisheries Control Plan of Ecuador was published, setting out guidelines to make fishery products traceable, discourage and eradicate illegal fishing and supervise all agents involved in fishery activity, to make sure the country's hydrobiological resources are used sustainably.[31] The results of the Plan will be evaluated every two years.

4.33. The authorities stated that no specific incentive is used to promote the aquaculture and fisheries sector, apart from training programmes. Exports of marine products, like other exports, benefited from the simplified conditional tax rebate system that was applied between February and December 2015. This instrument benefited the fisheries sector, and the fish product processing industry in particular, despite the fact that exports of unprocessed shrimp and fish products were not eligible for the simplified system. Exporters of canned fish were the main beneficiaries of the tax rebate (a total of USD 16 million refunded), while tuna and fishmeal exporters received refunds totalling USD 1.7 million. These three products between them absorbed 35.3% of the total amount reimbursed.[32]

4.34. In 2016, negotiations were concluded with the European Union (EU) for a cumulation of origin arrangement with other countries from the region with which the EU has trade agreements, such as Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama and Peru.[33] The objective was to allow cumulation of origin until Ecuador’s November 2016 accession to the EU-Colombia/Peru trade agreement took effect in January 2017. The arrangement enabled Ecuador to continue exporting tuna to the EU, its main market, until then. In 2017, exports of preserved tuna (HS 1604.14) totalled USD 1.045 billion, of which 68% went to the EU.[34]

4.35. Foreign-flag fishing vessels may not engage in industrial fishing activities in Ecuadorian waters, unless they have the corresponding permits granted by the MAP and fulfil an establishment requirement; in other words they must operate on behalf of a firm established in Ecuador through a partnership or lease contract.[35] Until 2017, authorization for industrial fishing could be granted for a three-year period, renewable for two further years; but since then unlimited extension has been allowed.[36] Foreign-flag shrimp and lobster fishing vessels, and factory ships are prohibited[37]; and small-scale (artisanal) fishing is reserved for Ecuadorian nationals. A permit is also required to engage in the exportation or wholesale marketing of fish products, and also to engage in the processing of aquaculture and fishery products. The latter permit lasts for ten years, renewable for equal periods, and it also entitles its holder to sell in the domestic and international markets.[38]

4.3 Mining and energy

4.3.1 Mining

4.36. Ecuador’s mining sector generated roughly 1.5% of the country’s GDP in 2017.[39] This sector, traditionally consisting of artisanal and small-scale operations, was declared strategic in 2009, since when several regulatory and institutional reforms have been introduced to develop it. Ecuadorian mining mainly involves the extraction of gold, silver and copper, along with non-metallic products including limestone, clay and pumice.

[31] MAP Ministerial Decision No. 102 of 5 June 2018.

[32] Ministry of Foreign Trade (2017), *Informe de Gestión 2016*. Viewed at: https://www.comercioexterior.gob.ec/wp-content/uploads/downloads/2017/05/Report-de-Gestion-2016_-1.pdf.

[33] European Commission Implementing Regulation (EU) 2016/1380 of 16 August 2016 on a derogation from Article 55(2)(a) of Delegated Regulation (EU) 2015/2446 as regards the rules of origin applicable to regional cumulation for tuna originating in Ecuador.

[34] Comtrade database.

[35] Articles 24 and 28 of the Law on Fishing and Fisheries Development and Articles 1.1, 27, and 33 of the implementing Regulations to the Law on Fishing and Fisheries Development.

[36] Article 28 of the Law on Fishing and Fisheries Development and MAGAP Ministerial Decision No. 3 of 19 January 2017.

[37] Article 34 of the Law on Fishing and Fisheries Development.

[38] Article 40 of the Law on Fishing and Fisheries Development and Article 110.1 of the Regulations to the Law on Fishing and Fisheries Development.

[39] Figure provided by the authorities on the basis of data from the Central Bank of Ecuador.

4.3.1.1 Regulatory framework

4.37. The mining sector is governed mainly by the Mining Law and its General Regulations, along with several ministerial decisions (Table 4.9). During the period under review, the law itself and its Regulations were amended several times[40], *inter alia* to include new provisions on medium- and large-scale mining and on sanctions (including fines) (2013); to allow foreign investment in small-scale mining (2015); and to introduce more detailed provisions on royalties (2016 and 2018).

Table 4.9 Main legal instruments governing the mining sector

Legal instrument	Description	Date of publication in the Official Register	Most recent amendment
Law No. 45	Mining Law	29/1/2009	21/8/2018
Executive Decree No. 119	General Regulations to the Mining Law	16/11/2009	4/1/2017
Executive Decree No. 120	Regulations of the special small-scale mining regime	16/11/2009	-
Ministerial Decision No. 612	Instructions for granting mining concessions for non-metallic minerals	7/11/2014	-
Ministerial Decision No. 37 of the Ministry of the Environment	Environmental regulation of mining activities	27/3/2014	12/7/2016
Ministerial Decision No. 2	Instructions for granting mining concessions for metallic minerals	30/3/2016	11/7/2016
Ministerial Decision No. 19	Instructions for granting small-scale mining concessions for metallic minerals	28/7/2017	-

Source: WTO Secretariat.

4.38. The short-, medium- and long-term objectives of Ecuador's mining policy are defined in the second National Mining Sector Development Plan (2016-2020), which follows the guidelines of the National Plan for Good Living (2013-2017).[41] The Mining Development Plan contains policies for each type of mining regime: artisanal, small-, medium- and large-scale mining; and it defines three stages for the development of mining activity. In the first stage (2016-2020) the aims are to develop mining activities within the small-, medium- and large-scale regimes; attract national and foreign investment; promote geological studies and research; and amend the legal framework. For the second stage (2021-2025), the Plan requires the State to strengthen the national industry by fostering research and innovation. During the third stage (2026-2035), the Plan proposes to upgrade artisanal mining into small-scale mining; modernize small-scale mining; and identify new areas of interest.

4.3.1.2 Institutional framework

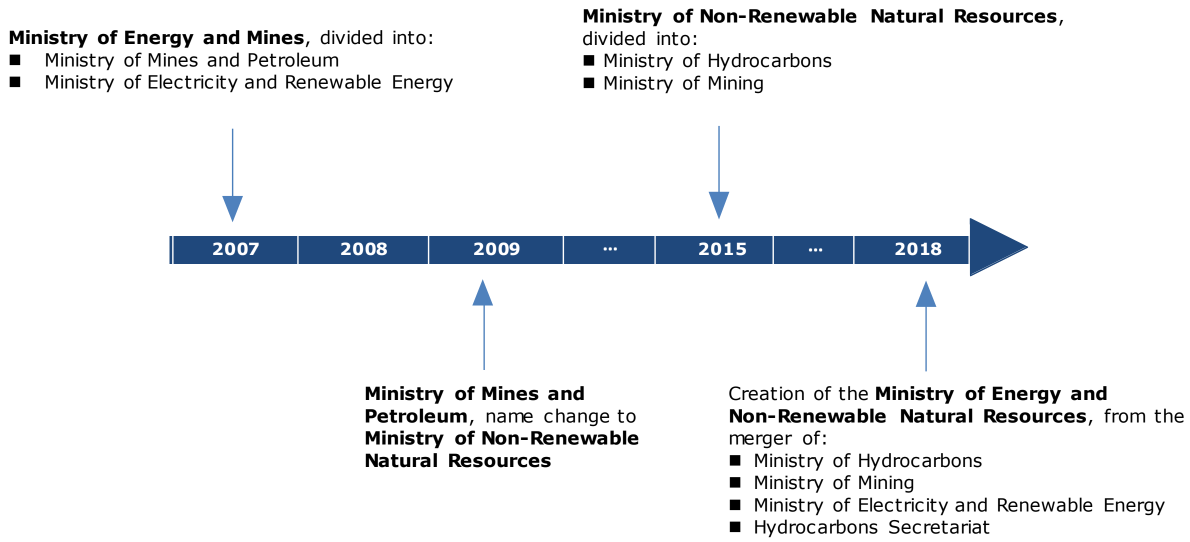
4.39. The name and structure of the sector ministry have changed several times.[42] Currently (2018), the authority in charge of the mining sector is the Ministry of Energy and Non-Renewable Natural Resources. Within this Ministry, the Vice Ministry of Mines has specific responsibility for the mining sector (Chart 4.1).

[40] Mining Law, Law No. 45 of 27 January 2009 (last amended on 21 August 2018), and General Regulations to the Mining Law, Executive Decree No. 119 of 11 November 2009 (as last amended on 4 January 2017).

[41] Ministry of Mining (2016), National Mining Sector Development Plan (Summary Version). Online information viewed at: http://extwprlegs1.fao.org/docs/pdf/ecu166602anx.pdf.

[42] Executive Decree No. 578 of 13 February 2015, and Executive Decree No. 399 of 15 May 2018.

Chart 4.1 Institutions responsible for the electricity, hydrocarbon and mining sectors



Source: WTO Secretariat.

4.40. The Mining Regulation and Control Agency (ARCOM) and the Geological and Energy Research Institute (IIGE) (formerly the National Institute for Geological, Mining and Metallurgical Research (INIGEMM)) are both attached to the sector ministry.[43] The first of these is the technical body responsible for monitoring, auditing and supervising mining right-holders in the different phases of mining activity. The IIGE is in charge of research, technological development and innovation. In addition, two State-owned firms operate in the sector: Empresa Nacional Minera (ENAMI EP) and Gran Nacional Minera Mariscal Sucre C.E.M., in which the Ecuadorian State has a 51% shareholding; ENAMI EP has a preferential right to be awarded mining concessions.[44]

4.3.1.3 Ecuador's mining regime

4.41. The Mining Law classifies mining activity in Ecuador in four regimes: artisanal, small, medium, and large-scale. To be able to engage in mining activities, the Law grants mining rights of specific types: permits for artisanal activity, concessions for mineral extraction, authorizations to set up processing plants, and mineral marketing licences (for both the domestic market and exports). Mining concession-holders do not need authorization to set up processing plants, or a marketing licence, because the concessions authorize them to extract, process, smelt, market and close the mine.[45] Nonetheless, the procedures for obtaining each type of mining right vary according to the activity to be undertaken and the mining regime in question (Table 4.10). Mining rights are issued by the sector ministry and are specific to the type of ore to be extracted (metallic or non-metallic).

Table 4.10 Mining regimes, 2018

	Artisanal miming	Small-scale mining	Medium-scale mining	Large-scale mining
Area	Up to 4 hectares of underground mining area and 6 hectares of open-cast mining area	1 to 500 hectares mining area	500 to 5,000 hectares mining area	Up to 5,000 hectares mining area
Type of mining right	Permit	Concession	Concession	Concession

[43] Executive Decree No. 399 of 15 May 2018.
[44] Article 24 of the Mining Law and Article 20 of the Regulations to the Mining Law.
[45] Article 49 of the Mining Law.

	Artisanal miming	**Small-scale mining**	**Medium-scale mining**	**Large-scale mining**
Issuing process	Direct	Petition (1 to 300 hectares mining area); Bid (301 to 500 hectares mining area)	Competitive tender (or public auction as appropriate)	Competitive tender (or public auction as appropriate)
Contract required	n.a.	n.a.	n.a.	Mining contract (and service contract if applicable)
Profit sharing	n.a.	10% for the worker and 5% for the State	5% for the worker and 10% for the State	3% for the worker and 12% for the State
Duration	10 years	25 years	25 years	25 years
Origin of investment	National	National and/or foreign (subject to domicile in Ecuador)	National and/or foreign (subject to domicile in Ecuador)	National and/or foreign (subject to domicile in Ecuador)
Royalties	n.a.	3%	3% to 8%	3% to 8%
Environmental requirements	Environmental certificate	Environmental licence	Environmental licence	Environmental licence

n.a. Not applicable.

Source: WTO Secretariat, based on the legislation and the National Mining Development Plan 2016-2020.

4.42. Mineral extraction under the artisanal mining regime requires a permit lasting up to ten years, renewable for equal periods. Right-holders under this regime do not have to pay royalties.

4.43. Small-scale mining requires a mining concession, which can be granted through a petition or a bid, depending on the size of the mining area (Table 4.10). A petition is submitted when the area to be mined is of between 1 and 300 hectares; and a bidding process is used for areas of 301 to 500 hectares. In the case of petitions, the concession is requested from the Ministry and published on its website. Concessions are granted if the requirements are met. In a bidding process, the Ministry posts a notice on its website, for five days, stating that an area is to be placed under concession. During this period, potential bidders can express interest. A committee evaluates all applications and recommends the best one.[46]

4.44. Mineral extraction under the medium- or large-scale mining regimes requires a concession that is granted through a public auction or competitive bidding process (Table 4.10). The mining right in this case lasts for up to 25 years and may be renewed for equal periods.[47] Nonetheless, before starting any auction or competitive bidding process, ENAMI EP must be consulted; and if it is interested in the area in question, the mining right is automatically granted to it. Foreign State-owned firms also do not have to participate in a public auction or competitive bidding process, whereas foreign private enterprises do have to. Accordingly, the Ecuadorian State can award a mining contract to a foreign State-owned firm directly.[48]

4.45. The auction or competitive bidding process can be held at the initiative of the Government or at the request of a private entity. To date (2018), the Government has not initiated any auction or bidding process; all have been triggered by the private sector (Box 4.1).

[46] Instructions for granting mining concessions for small-scale metallic minerals, published in the Official Register on 28 July 2017.
[47] Article 36 of the Mining Law.
[48] Article 29 of the Mining Law.

Box 4.1 Auction or public bidding process

If the auction or bidding process is carried out on government initiative, the Ministry will issue a public call for tenders in which interested parties can submit bids pursuant to the legally defined procedure (Article 29 of the Mining Law). The Ministry will award the mining concession for a specific territory to the best bid. If there is only one bidder, the Ministry will award the concession if the proposal fulfils all requirements, including economic and technical solvency. If there is no bidder, the process will be declared void and, after three months, a new process may be launched. If no bidder satisfies the requirements, the Ministry also reserves the right to declare the process void.
When the auction or bidding process is held at the initiative of a private-sector entity wishing to obtain a concession for a specific territory, the party in question must reserve the area through the (online) Mining Management System and ask the Ministry to launch the process. The latter publishes a call for tenders online to enable other potential bidders to participate. If a higher bid than the one proposed by the initial applicant is submitted during the qualification stage, the latter will have two days to improve its initial bid. The concession is awarded to the highest bid. This process is governed by the "Swiss challenge" method and provides a degree of advantage to the initial applicant.

Source: WTO Secretariat on the basis of information provided by the authorities.

4.46. In the case of large-scale mining, once the decision awarding the concession has been made, the right-holder will have six months to sign a mining contract with the State. This will specify the terms, conditions and deadlines for the stages of construction and assembly, extraction, transportation, and marketing of the minerals obtained within the boundaries of the mining concession.[49] Mining concession-holders under the small- and medium-scale mining regimes are not required to sign a mining contract.[50]

4.47. Mining activity in Ecuador is subject to the following taxes: income tax (IR), foreign exchange exit tax (ISD), value added tax (VAT); and the sovereign adjustment tax, which is levied on the extraction of non-renewable resources. The windfall tax, which was exclusive to mining activities, was eliminated in 2018.[51] The sovereign adjustment tax is based on Article 408 of the Constitution of the Republic which provides that: "the State shall share in the profits obtained from these resources, in an amount that is no less than the profits earned by the company producing them". This means that the Ecuadorian State must receive at least 50% of the profits obtained from non-renewable resource projects. Nonetheless, the firms only have to pay the sovereign adjustment tax if the present value of the firm’s cumulative profits exceeds the value of the Government's cumulative share. As mining is a capital-intensive industry, the sovereign adjustment tax is only applied at the end of the life of the mining project, if at all.

4.48. Mining activity also involves the payment of a labour profit share, as well as royalties, advance royalties and annual conservation licence fees. The labour profit share, which is established for each mining regime, varies from 3% to 10% for workers and from 5% to 12% for the State.[52] In the case of royalties, concession-holders must pay the State between 3% and 8% of the value of sales of the main and secondary minerals.[53] The advance royalty is negotiated on the basis of the projected value of the deposit, as specified in the mining contract; and it is paid once only when the concession contract is signed.[54] Maintenance fees must be paid each year for each concession and are based on the number of hectares under concession and the mining regime in question. Artisanal mining is exempt from the payment of the labour profit share, royalties, advance royalties and conservation licence fees.

4.49. Ecuador provides several tax incentives to attract investment. These include exemptions from advance IR payments for a five-year period and on ISD for certain payments made abroad[55], as well as accelerated depreciation and a VAT refund on mining exports (since 2018). Foreign investors can

[49] Article 41 of the Mining Law.
[50] Article 57 of the General Regulations to the Mining Law.
[51] Articles 36 and 43 of the Organic Law on the Promotion of Production, Attraction of Investment, Generation of Employment, and Fiscal Stability and Balance (Law No. 0) of 21 August 2018, as last amended on 6 September 2018.
[52] Article 67 of the Mining Law.
[53] Article 93 of the Mining Law.
[54] Article 4 of the Instructions for Mineral Exploration and Extraction and Articles 41, 92 and 93 of the Mining Law.
[55] Article 24 of the Organic Code on Production, Trade and Investments.

also enter into investment contracts with the State to secure greater stability and tax security (Section 2).

4.50. Foreign investment under the small- (since 2015), medium- and large-scale regimes is allowed for up to 100% of the capital involved. Nonetheless, foreign legal entities investing in the sector must be domiciled in Ecuador. Currently (2018), foreign investment is only prohibited in the artisanal mining regime.

4.3.2 Hydrocarbons

4.3.2.1 Characteristics of the sector

4.51. The hydrocarbon sector remains the pillar of the Ecuadorian economy; it is the chief contributor to the State budget and the largest foreign exchange earner. Ecuador produces crude oil and natural gas, and their derivatives, crude oil being the most important item and the leading export product. In 2017, Ecuador exported 135 million barrels of crude oil worth USD 6.190 billion, which represented around 32% of its total exports.[56] In the same year, oil activities generated 8.9% of Ecuador's GDP.[57] The sector was badly affected by the slump in oil prices that occurred between 2014 and 2016, which was a major shock to government income and the trade balance. This led to the implementation of various measures to restrict imports and promote exports and investments, in order to save and generate additional foreign exchange.

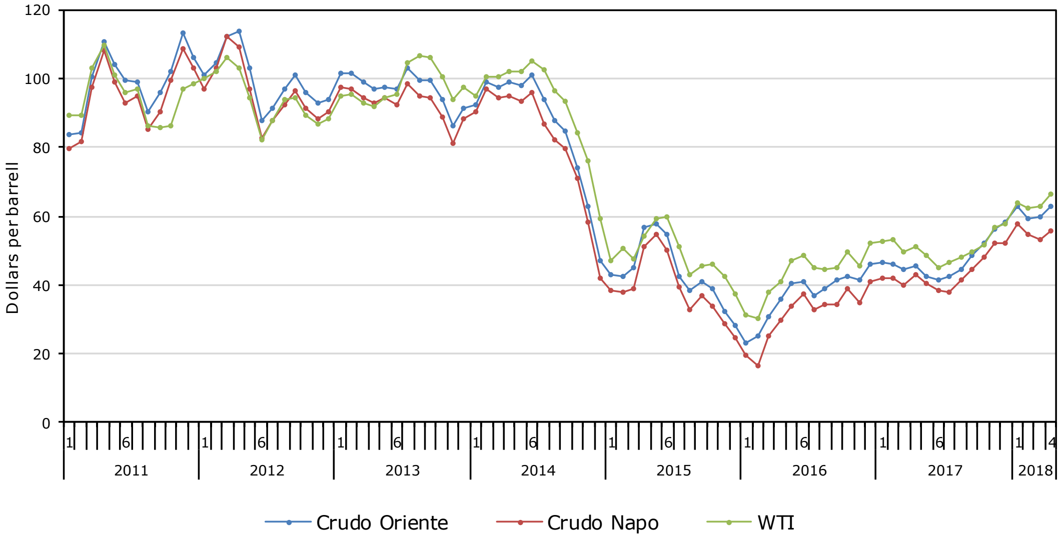
4.52. During the period under review, although a number of changes were made at the institutional level, the only significant regulatory amendment was the reintroduction of production-sharing contracts in 2018.

4.53. Foreign investment is generally allowed in the sector, albeit subject to establishment and labour requirements. Maritime transportation of hydrocarbons is the only activity reserved for the State.

4.54. The country relies heavily on the oil sector to finance its budget and generate foreign exchange inflows, which are essential in a dollarized economy such as Ecuador's. During the period under review, the effects of this dependency were felt throughout the economy when international oil prices per barrel fell in 2014 (Section 1). Between June and December of that year, the monthly average price of West Texas Intermediate (WTI) crude, which serves as a benchmark for setting the prices of the Oriente and Napo crude oil extracted in Ecuador, plummeted from USD 105.2 to USD 59.5 per barrel. In the ensuing months, the price of a barrel of WTI crude continued to fall, before reaching a low of USD 30.3 in February 2016. Since then, the per barrel price has recovered, but without regaining its 2011-2013 levels; in April 2018 it stood at USD 66.3 (Chart 4.2).

[56] Data from the Central Bank of Ecuador.
[57] Figure provided by the authorities.

Chart 4.2 Monthly price trend of Ecuadorian and WTI crude oil, 2011-2018



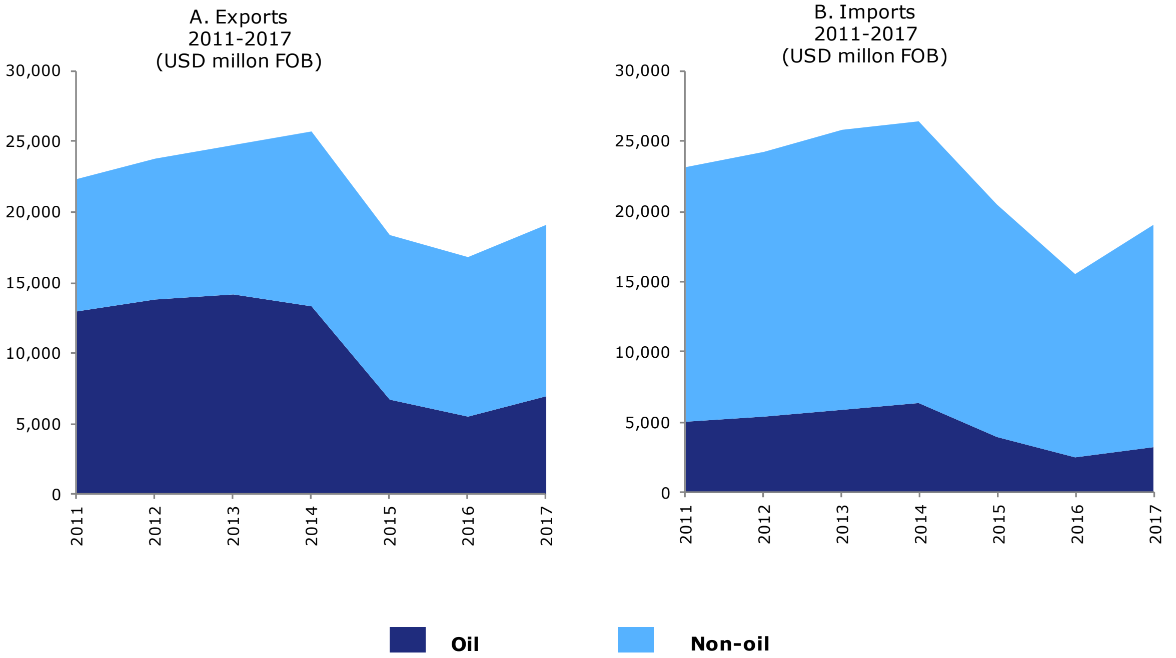
WTI West Texas Intermediate.

Source: Central Bank of Ecuador.

4.55. The fall in oil prices undermined the value of Ecuador's exports, and hence the country's foreign-exchange earnings, thus generating a balance-of-payments deficit. Between 2014 and 2016, oil exports slumped from USD 13,276 million to USD 5,459 million, before climbing back to USD 6,914 million in 2017. During those years, production remained relatively stable, easing slightly from 203 million barrels in 2014, to 201 million in 2016. To address this trade deficit, safeguard measures were adopted to restrict imports (Section 3). Other steps were also taken to promote non-oil exports, including the implementation of the "simplified drawback" regime, and measures to attract foreign investment, such as the opening up of the mining sector.

4.56. Although Ecuador has a large crude-oil surplus, it is a net importer of petroleum products. As its refining capacity remains limited, it needs to import fuels, mainly diesel, gasoline and liquefied petroleum gas, to satisfy domestic demand. On average between 2011 and 2017, petroleum products accounted for 20% of the country's total imports, reaching a level of USD 3.2 billion in 2017 (Chart 4.3).

Chart 4.3 Oil and non-oil exports and imports, 2011-2017



Note: Oil exports include both crude oil and its derivative products; but, as Ecuador does not import crude oil, its oil imports consist exclusively of oil derivatives.

Sources: Information provided by the authorities and data from the Central Bank of Ecuador.

4.3.2.2 Regulatory and institutional framework

4.57. The hydrocarbon sector is governed mainly by the Hydrocarbons Law and its implementing regulations (Table 4.11). During the review period, the Law itself was amended four times, in 2014, 2017 and again in 2018. The implementation of this Law and its amendments has entailed issuing several sets of regulations, including the Regulations for the amended version of 1993, issued in 1994 and last amended in July 2018; and the Regulations for the amended version of 2010, issued the same year and amended in 2012, 2017 and twice in 2018.[58] The changes introduced in 2018 include the following: the updating of provisions on production-sharing contracts for the exploration and extraction of hydrocarbons; and the issuance of regulations governing the exploration, extraction, transportation, storage, industrialization, refining and marketing of hydrocarbons (Table 4.11).

Table 4.11 Main legal instruments governing the hydrocarbons sector

Legal instrument	Description	Publication date	Most recent amendment
Supreme Decree No. 2967	Hydrocarbons Law	15/11/1978	21/8/2018
Executive Decree No. 1417	Regulations implementing the 1993 Law (No. 44) amending the Hydrocarbons Law	21/1/1994	12/7/2018
Executive Decree No. 546	Regulations implementing the 2010 Law amending the Hydrocarbons Law	29/11/2010	24/5/2018
Executive Decree No. 1036	Regulations to Law (No. 85) of 2007 amending Hydrocarbons Law	7/5/2008	n.a.
Executive Decree No. 1672	Regulations to replace the regulations implementing Law (No. 42) of 2006 amending the Hydrocarbons Law	13/7/2006	3/12/2008
Ministerial Decision No. 1	Regulations governing Hydrocarbon Operations	2/2/2018	n.a.

n.a. Not applicable.

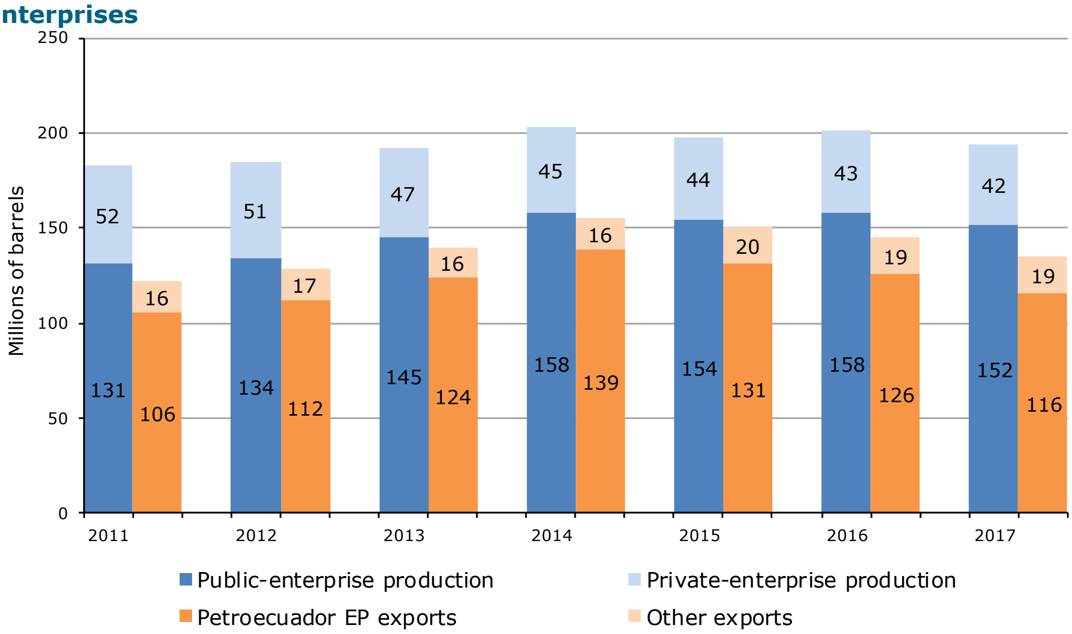
Source: WTO Secretariat.

[58] Regulations for the Reforms to the Hydrocarbons Law, 29 November 2010, as amended most recently on 24 May 2018.

4.58. The hydrocarbons sector is overseen by the Ministry of Energy and Non-Renewable Natural Resources, which is responsible for implementing the Government's hydrocarbons policy, as outlined in its 2017-2021 Strategic Plan. The Hydrocarbons Secretariat of Ecuador, which was merged with the Ministry, is responsible for administration of the country's oil resources, for which it oversees the respective contracts, bidding processes and all oil field operational activities. The Hydrocarbons Regulation and Control Agency (ARCH), attached to the Ministry of Energy and Non-Renewable Natural Resources, serves as the sector regulator.

4.59. Two publicly owned enterprises operate in the sector: Petroecuador EP and Petroamazonas EP. The former is responsible for transporting and marketing crude oil, and for producing, transporting and marketing petroleum derivative products. Until 2013, Petroecuador EP was also in charge of oil prospecting and extraction; but since then, those activities have been taken over by Petroamazonas EP, which is also responsible for gas prospecting and extraction.[59] These firms play a major role in the sector, as the country's main producers and exporters. In 2017, Ecuador produced 184 million barrels of crude oil and exported 135 million barrels, of which the two public-sector firms jointly accounted for 78% and 86%, respectively (Chart 4.4).

Chart 4.4 Production and exportation of crude oil by public- and private-sector enterprises



Note: Petroecuador EP contributed to oil production until 2012.

Source: Information provided by the authorities and the Central Bank.

4.60. The law allows domestic or foreign private firms, as well as foreign State-owned enterprises, to participate in hydrocarbon sector activities through partnership, production-sharing or service-provision contracts. These are awarded through a competitive bidding process and signed with the State. Contracts may also be awarded directly in the case of foreign public-sector companies or Ecuadorian mixed-ownership firms in which the State is the majority shareholder.[60]

4.61. Since 2010, and during most of the period under review, a government policy was implemented that resulted exclusively in the signing of service-provision contracts for hydrocarbon exploration and/or extraction.[61] In contracts of this type, the corresponding production is owned by the State; and the contractor undertakes to provide services, using its own resources, in return for a contractually stipulated fee per barrel of oil produced and delivered to the State. The fee is calculated on the basis of the contractor's investments, costs and expenses plus a reasonable profit

[59] Executive Decree No. 1351-A of 1 November 2012.
[60] Article 19 of the Hydrocarbons Law.
[61] Transitory Provisions of the Law Amending the Hydrocarbons Law and the Law on the Domestic Tax Regime of 27 July 2010.

margin that takes risks into account. Contracts can be granted for up to 20 years[62], and are not subject to royalty payments.[63]

4.62. In July 2018, a policy change reintroduced production-sharing to promote foreign investment.[64] These entitle the firms in question to receive part of the production.

4.63. Foreign persons can participate in tenders, provided they meet certain requirements. For example, foreign citizens who wish to participate in a tender with a view to signing a contract with the State need to be domiciled in the country, submit to the Ecuadorian courts and expressly waive any claim through diplomatic channels.[65] In addition, least 95% of the workers, 90% of the administrative staff and 75% of the technical personnel must be Ecuadorian nationals. These percentages must also rise progressively: five years after starting activities, 100% of the workers and administrative staff, and 95% of the technical personnel, must be Ecuadorian. The Hydrocarbons Law makes clear that knowledge transfer is the objective of phasing in this requirement.[66]

4.64. Nationality restrictions apply for the international maritime transportation of hydrocarbons, which is reserved for vessels owned by State firms. As a result, Empresa Pública Flota Petrolera Ecuatoriana (FLOPEC EP) is responsible for all maritime transportation of hydrocarbon exports and imports. Domestic private, State-owned or mixed-ownership companies in which the Ecuadorian State holds at least 51% of the share capital may provide hydrocarbon loading/unloading and storage services.

4.65. The prices of oil derivatives such as diesel, gasoline and liquefied petroleum gas (or domestic gas) for local consumption continue to be subsidized. By 2018, it is estimated that the expenditure on these subsidies will amount to USD 1.7 billion, equivalent to around 5% of the General State Budget for that year.[67]

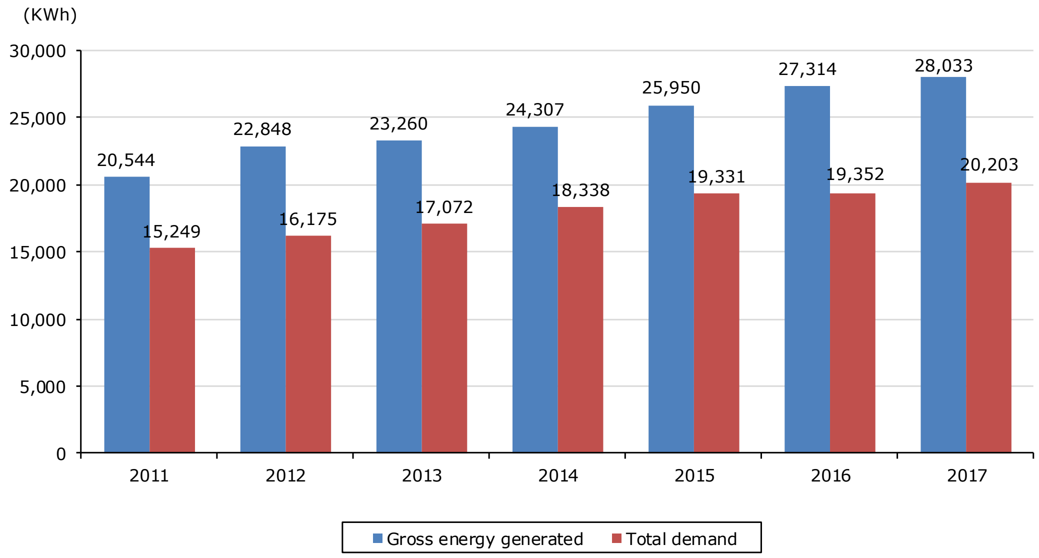
4.3.3 Electricity

4.3.3.1 Performance of the electricity sector during the period 2011-2017

4.66. During the period 2011-2017, Ecuador's installed electric power capacity grew from 5,181 MW to 8,036 MW, as a result of increased public investment which financed the construction of new hydroelectric plants. Given the additional capacity, electric power generation increased by 36% between 2011 and 2017, to reach 28,033 kWh in the latter year. Of this, 71.7% was hydroelectric, 26.3% thermoelectric and the rest was generated from unconventional renewable sources.[68] Demand in 2017 totalled 20,203 kWh, which corresponds to an estimated installed capacity (maximum demand) of 3,745 MW, so the existing facilities are currently considered to be underutilized (Chart 4.5).

[62] Article 23 of the Hydrocarbons Law.
[63] Article 16 of the Hydrocarbons Law.
[64] Executive Decree No. 449 of 12 July 2018.
[65] Articles 12 and 26 of the Hydrocarbons Law.
[66] Article 31 of the Hydrocarbons Law.
[67] Ministry of Economy and Finance (2018), *Proforma Presupuestaria 2018. Cifras del Presupuesto General del Estado 2018*. Viewed at: https://www.finanzas.gob.ec/wp-content/uploads/downloads/2017/11/Proforma_2018_para_Asamblea.pdf.
[68] Information provided by the authorities.

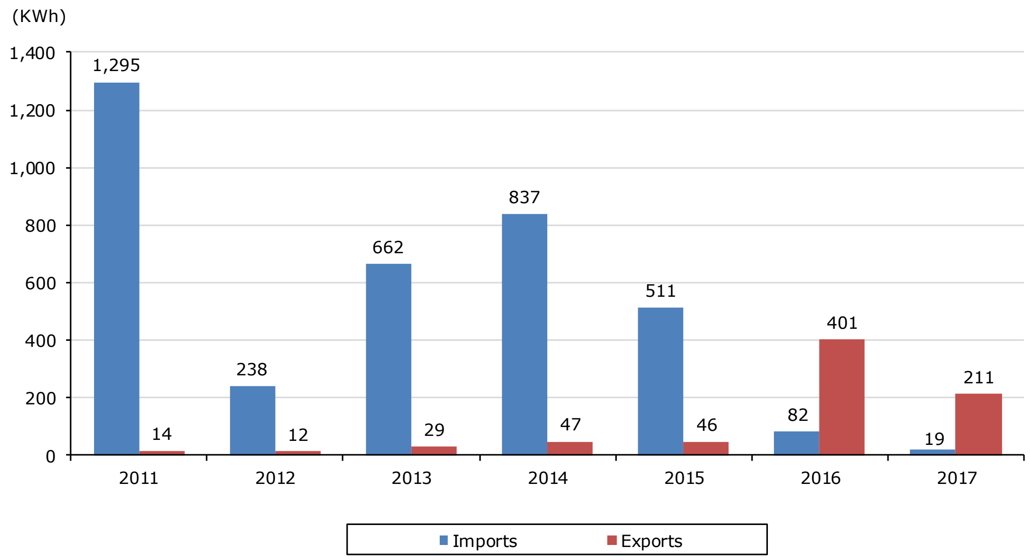
Chart 4.5 Gross production and demand for electricity 2011-2017



Source: WTO Secretariat, on the basis of the data published by ARCONEL.

4.67. Ecuador has historically been a net importer of electricity from Colombia and, sometimes, also from Peru. However, with the increase in domestic energy production, imports have been declining steadily since 2015 and exports have been increasing, such that in 2016 and 2017 the electricity trade account was in surplus (Chart 4.6). In 2017, Ecuador exported 194 GWh to Colombia and 17 GWh to Peru, while it imported 18 GWh exclusively from Colombia.

Chart 4.6 Electric energy trade balance 2011-2017



Note: Imports include purchases from Colombia and Peru, except in 2017 when no imports from Peru were recorded.

Source: WTO Secretariat, based on data published by ARCONEL and the sector ministry.

4.3.3.2 Regulatory and institutional framework

4.68. The electricity sector is regulated by the Organic Law on the Public Electricity Service (the Electric Energy Law) of 2015, which replaced the Law on the Electricity Sector Regime that had been in force since 1996, and also several sets of regulations (Table 4.12). Among other changes, the new Law introduces a flat tariff for the end-consumer, and calls for the preparation of plans such as the Electrification Master Plan (PME) and the National Energy Efficiency Plan (PLANEE). Until the implementing regulations to the Law on the Electric Energy can be issued, the Law will be implemented pursuant to the provisions of the Regulation to the Law on the Electricity Sector Regime, as far as possible and wherever applicable.

Table 4.12 Main legal instruments regulating the electricity sector

Legal instrument	Description	Publication date	Most recent amendment
Law No. 0	Organic Law on the Public Electricity Service	16/1/2015	21/5/2018
Executive Decree No. 2066	Regulations to the Law on the Electricity Sector Regime	21/11/2006	16/1/2015
Executive Decree No. 796	Regulations governing provision of the electricity service	22/11/2005	-
Executive Decree No. 1274	Regulations on concessions for electric power provision	3/4/1998	21/8/2009

Source: WTO Secretariat.

4.69. Until August 2018, the Ministry of Electricity and Renewable Energy was responsible for defining and implementing policies for the electricity sector. Thereafter, the functions in question were assumed by the new Ministry of Energy and Non-renewable Natural Resources, to which two other institutions were assigned: the National Electricity Operator (CENACE) and the Electricity Regulation and Control Agency (ARCONEL). These two institutions were created in 2015 through the Electric Energy Law, and replaced the National Energy Control Centre and the National Electricity Board (CONELEC).

4.70. ARCONEL regulates and oversees the public electricity and street lighting service, while CENACE operates the National Interconnected System (SNI), through which the public electricity service is provided. The SNI connects the generation and transmission centres, including international interconnection nodes, to the consumption centres. The SNI does not include the grid that distributes electric energy to the final consumer. CENACE is tasked with guaranteeing the safety and quality of SNI operations pursuant to the regulations issued by ARCONEL.

4.71. The main public firms operating in the sector are Corporación Eléctrica del Ecuador (CELEC EP), which undertakes generating and transmission activities, and Corporación Nacional de Electricidad (CNEL EP), which operates in the distribution and marketing segments.[69] In 2017, CELEC EP generated 87% of the country's total electricity, mostly using hydropower. CNEL EP distributes electricity and provides the street lighting service to 50% of national territory.[70] Another nine mixed-ownership companies, whose largest shareholder is the State, serve the rest of the country.

4.72. The Electricity Law reserves provision of the public electricity service (generation, transmission, distribution and domestic and international marketing), as well as street lighting, for public-sector companies or joint ventures in which the Ecuadorian State is the majority shareholder. However, on an exceptional basis and if necessary to protect the public interest, the State may outsource power generation to private firms (either national or foreign) through a competitive bidding process, or to foreign State-owned companies by direct award, except in the case of projects that use non-conventional renewable energies that are not included in the Electricity Master Plan.[71] Moreover, in some cases the State may authorize mixed-ownership or private companies to participate in building and operating transmission systems.[72] Foreign private firms must be domiciled in the country to be able to engage in activities in the sector.

4.73. To authorize operations in the sector, the Ministry grants two types of contract depending on the type of enterprise in question. Public and mixed-ownership companies receive an operating permit, while private-sector firms receive a concession contract, which may last for up to 50 years. Once the concession contract has expired, the company must transfer the assets and infrastructure

[69] Executive Decree No. 1459 of 13 March 2013.
[70] Online information from CNEL EP. Viewed at: https://www.cnelep.gob.ec/servicio-indicadores-gestion-pec-comercial-energia.
[71] Articles 7, 24 and 25 of the Organic Law on the Public Electricity Service.
[72] Articles 40-43 and 62 of the Organic Law on the Public Electricity Service.

used to provide the service, such as the power generation plant, to the State free of charge.[73] Disputes over a concession contract can only be heard by judges of the Ecuadorian judiciary or by a regional arbitration body.[74]

4.74. As of August 2018, there were 57 firms (13 public and 44 private) generating electricity, but most of the energy is generated by the public-sector companies. The transmission segment had just one public-sector firm operating, while the distribution and marketing sector had one public and nine mixed-ownership companies in which the State was the largest shareholder.[75]

4.75. The 2015 Electricity Law established a single tariff for the entire country, which may vary by type of consumer. Under the new system, in the first six months of each year, ARCONEL determines the costs of generation, transmission, distribution and marketing, and street lighting to be applied in the various market transactions; and these will serve as a basis for setting the single tariff for the end-consumer.[76] The latter has two rates: a rate for residential users and a general rate which applies to all other users and may vary according to the type of activity and time of use. In 2017, the average price of electricity was USD 0.097 per kWh.[77]

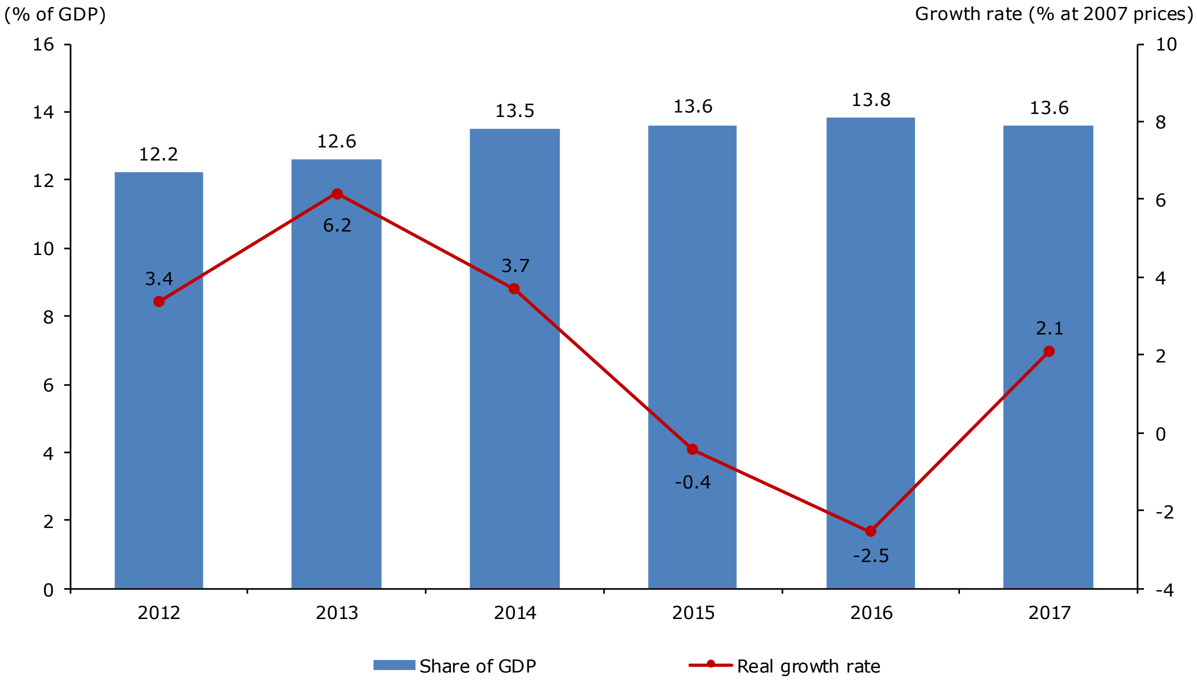
4.76. A subsidized rate, known as "*Tarifa Dignidad*" [Dignity Rate], is applied for residential users that consume up to a specified amount per month. The Dignity Rate consists of a 50% discount on the rate for residential users whose consumption is less than 110 kWh in the Sierra region or 130 kWh in the Costa/Oriente/Insular region. There is also a subsidy for elderly residential users and those with a disability.[78]

4.4 Manufactures

4.77. Since 2013, manufacturing-sector development and diversification has become a priority in the strategy to transform the production matrix.[79] Despite the efforts deployed, however, the manufacturing sector's contribution to the economy (excluding oil refining) performed erratically and only increased slightly during the period under review.[80] In 2017, the sector accounted for 13.6% of GDP, compared to 12.2% in 2011. During the period under review, the manufacturing sector posted positive growth rates of between 1.9% and 6.2% each year, except in 2015 and 2016 (Chart 4.7). In 2017, the sector (including oil refining) generated 11.3% of total employment and was second only to the agricultural sector as the main job creator.[81]

[73] Article 33 of the Organic Law on the Public Electricity Service.
[74] Article 37 of the Organic Law on the Public Electricity Service.
[75] Data provided by the authorities.
[76] Articles 54 and 55 of the Organic Law on the Public Electricity Service.
[77] Corporación Eléctrica del Ecuador (CELEC EP), *Plan Maestro de Electricidad 2016-2025*. Viewed at: https://www.celec.gob.ec/hidroagoyan/images/PME%202016-2025.pdf.
[78] Corporación Eléctrica del Ecuador (CELEC EP), *Plan Maestro de Electricidad 2016-2025*. Viewed at: https://www.celec.gob.ec/hidroagoyan/images/PME%202016-2025.pdf.
[79] SENPLADES (2012), *Transformación de la Matriz Productiva*, Information leaflet. Viewed at: http://www.planificacion.gob.ec/wp-content/uploads/downloads/2013/01/matriz_productiva_WEBtodo.pdf; and Office of the Vice-President of Ecuador (2013), *Estrategia Nacional para el Cambio de la Matriz Productiva*. Viewed at: https://www.vicepresidencia.gob.ec/wp-content/uploads/2013/10/ENCMPweb.pdf.
[80] Oil refining represented 0.8% of GDP in that year.
[81] Central Bank of Ecuador (2018), *Boletín - Presentación Coyuntural*, March 2018. Viewed at: https://www.bce.fin.ec.

Chart 4.7 Contribution of the manufacturing sector to GDP and the growth rate (%), 2012-2017

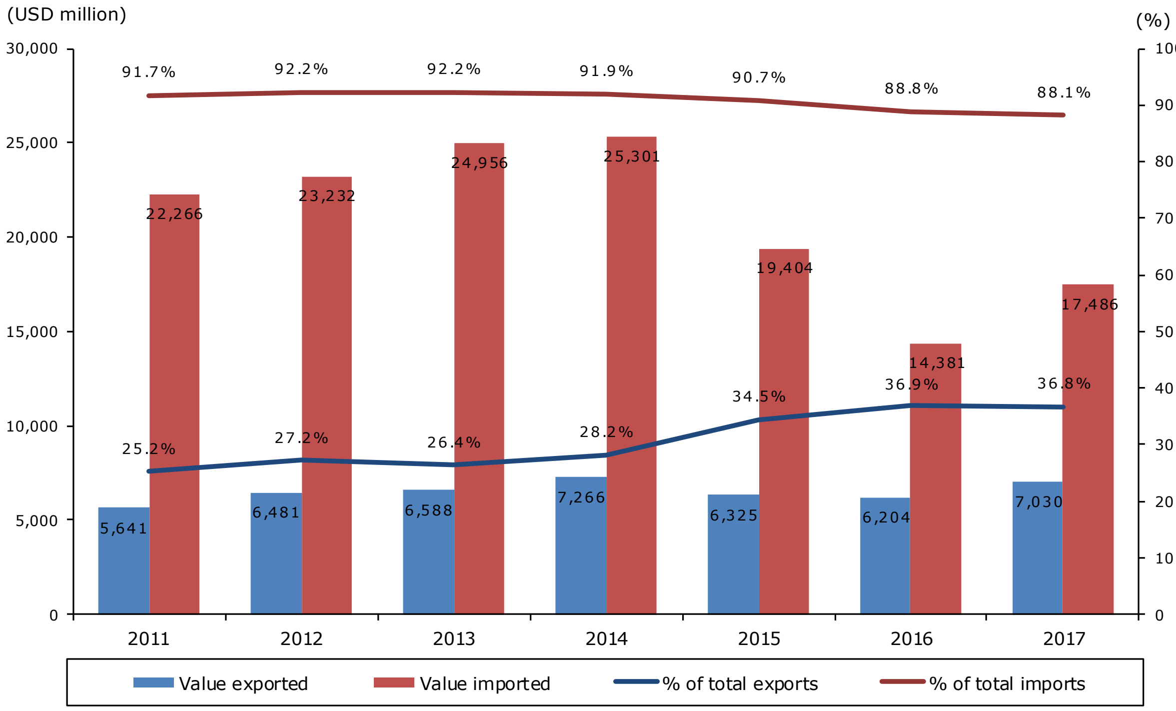


Source: Data provided by the authorities, on the basis of data from the Central Bank of Ecuador.

4.78. During the review period, Ecuador's manufacturing trade deficit (non-agricultural products, WTO definition) narrowed significantly, beginning in 2014 when imports decreased sharply, probably as a result of the various measures adopted by the Government in that period. Between 2014 and 2016, manufacturing sector imports shrank by 43%, from USD 25,301 million to USD 14,381 million, before climbing back to USD 17,486 million in 2017, representing 88.1% of Ecuador's total imports. In the same year, exports from the manufacturing sector reached a level of USD 7,030 million or 36.8% of total foreign sales (Chart 4.8). The main export products in 2017 were canned fish, metal manufactures and wood, while the leading imports were light motor vehicles, medicines, metal manufactures, and machinery and machine parts.[82]

[82] Ministry of Foreign Trade and Investment (2018), *Informe Mensual de Comercio Exterior*, January 2018. Viewed at: https://www.comercioexterior.gob.ec/wp-content/uploads/2018/04/Bolet%C3%ADn-Enero.pdf.

Chart 4.8 Exports and imports of non-agricultural products (excluding crude oil), 2011-2017



Source: Calculations made by the WTO Secretariat, on the basis of data from the Comtrade database.

4.79. The leading segments of the manufacturing sector include food, beverages and tobacco, which accounted for 42% of the sector's activities in 2017, followed by chemicals (9%), non-metallic products (9%), textiles and leather (7%), base metals and metal products (7%), and wood products (6%).[83]

4.4.1 Institutional framework

4.80. The Ministry of Industry and Productivity (MIPRO) is tasked with formulating and implementing Ecuador's industrial policy, the objectives of which include changing and diversifying the production matrix. This implies close interaction between industrial policy and trade policy, since the key instruments for achieving change in the production matrix are export promotion and selective import substitution to reduce the trade deficit and promote domestic production.[84] Ecuador's 2016-2025 Industrial Policy Plan, published in 2016, outlines the country's industrial policy, which involves coordination with other ministries such as the MAG and MAP, the National Public Procurement Service (SERCOP) and the Ministry of Foreign Trade and Investment.

4.81. The Plan's main objective, in terms of altering the production matrix[85], is to shift from an economy founded on the extraction of primary resources, particularly oil, to one based on manufacturing and higher value-added services. This would be achieved through a series of cross-cutting and sector-level policies. The former aim to improve the business climate, promote industrial competitiveness, strengthen human skills and make financing for industry more accessible. In contrast, the sector policies seek to promote and develop certain industries considered to be of

[83] Figures provided by the authorities.

[84] SENPLADES (2012), *Transformación de la Matriz Productiva*, Information leaflet. Viewed at: http://www.planificacion.gob.ec/wp-content/uploads/downloads/2013/01/matriz_productiva_WEBtodo.pdf, and Office of the Vice-President of Ecuador (2013), *Estrategia Nacional para el Cambio de la Matriz Productiva*. Viewed at: https://www.vicepresidencia.gob.ec/wp-content/uploads/2013/10/ENCMPweb.pdf.

[85] Office of the Vice-President of Ecuador (2013), *Estrategia Nacional para el Cambio de la Matriz Productiva*. Viewed at: https://www.vicepresidencia.gob.ec/wp-content/uploads/2013/10/ENCMPweb.pdf.

high export potential. These are grouped in three sectors: agribusiness, intermediate and final industries, and basic industries.[86]

4.82. In the agribusiness sector, the Plan seeks to strengthen the industries that make products from cocoa, coffee and fish, as well as palm oil, meat, fruits and vegetables and milk. In the intermediate and final goods sector, the Plan promotes the development of the production of textiles and leather, furniture and wood articles, pharmaceuticals and cosmetics, machinery and its components (metalworking), rubber and plastic articles, paper, glass, ceramics, and articles of concrete and stone. Among basic industries, the Plan prioritizes development of steel and metallurgy industries for flat steel manufacture, as well as copper and aluminium smelting and refining, the petrochemical industry, the production of pulp for paper and paperboard, and the development of shipyards for ship repair and construction. The Plan envisages the construction of a shipyard, a flat steel plant and a pulp mill, with operations starting in 2019, 2020 and 2025, respectively.

4.83. Among the instruments envisaged to implement the sector-level policies, the Plan proposes import substitution for some of the products identified in agribusiness and basic industries, such as dairy, meat and steel products. The Plan also proposes a reduction of tariffs on raw materials and machinery used in agribusiness, together with the use of mechanisms such as the simplified conditional drawback regime (Section 3). Another policy envisaged involves promoting "Fair Trade". Several of the trade measures implemented during the period under review follow these guidelines.

4.4.2 Border measures

4.84. The average most-favoured-nation (MFN) applied tariff for non-agricultural products (including oil, WTO definition) has risen since the previous review, from 8.2% in 2011 to 9.7% in 2018, excluding *ad valorem* equivalents (AVEs), or to 11.2% when these are taken into account (Table 3.1). The products with the highest tariffs in 2018, including AVEs, are the following: certain textile products (422.2%) and clothing (178.9%), mineral products and metals (60.5%) and transport equipment (40%). If AVEs are not taken into account, the highest tariff level is 40% on certain types of transport equipment.

4.85. Between 2015 and 2017, imports classified in 2,938 tariff lines (at the ten-digit level), most of which correspond to non-agricultural products (WTO definition), were subject to an *ad valorem* tariff surcharge imposed as a balance-of-payments safeguard, which varied between 5% and 45% depending on the product (Section 3.1.6.3). The most heavily targeted products, in terms of the number of tariff lines subject to the measure, were: textiles (591 lines), minerals and metals (370), non-electrical machinery (281), clothing (255) and electrical machinery (214).[87] Of these products, textiles and apparel have the highest average MFN applied tariffs if AVEs are taken into account.

4.86. Imports of certain manufactures are either prohibited or subject to automatic and non-automatic licensing (Section 3.1.5). The main products which cannot be imported are organic chemicals and other products of the chemical industry, as well as nuclear reactors. Import licences are required mainly for textiles and clothing (Chapters 52, 54, 55, 61 and 62 of the Harmonized System – HS) and for organic chemicals. Other products subject to licensing requirements are heavy vehicles, CKD vehicles, tyres, and iron and steel wire.

4.87. The importation of certain manufactured products covered by technical regulations requires the presentation of a certificate of recognition or Certificate of Conformity (form INEN-1)[88], which attests to compliance with the corresponding technical regulation, in addition to the certificate of conformity issued by accredited certification entities.[89] The products that require a certificate of recognition (or Certificate of Conformity (form INEN-1)) cover 292 (HS ten-digit) tariff lines, representing 25% of all tariff lines subject to technical regulations (1,152 lines). This certificate serves as a document supporting the customs declaration, and its validity depends on the type of

[86] Ministry of Industries and Productivity (MIPRO) (2016), *Política industrial del Ecuador 2016-2025 (más industrias, mayor desarrollo)*. Viewed at: https://www.industrias.gob.ec/wp-content/uploads/2017/01/politicaIndustrialweb-16-dic-16-baja.pdf.

[87] WTO document WT/BOP/S/18 of 27 May 2015.

[88] Information Management System on technical barriers to trade. Online WTO information viewed at: http://tbtims.wto.org/es/SpecificTradeConcerns.

[89] COMEX Resolutions No. 116 of 19 November 2013, No. 3 of 14 January 2014 and No. 8 of 3 July 2015.

product being imported. In some cases a new certificate is required every time the product is imported. This distinguishes it from the certificate of conformity issued by accredited certification bodies, which can be used to import the same product several times. The items subject to this measure are mainly food products (150 tariff lines), particularly dairy and coffee-based products, vegetable preparations, and plastics.

4.88. During the period under review, Ecuador adopted definitive safeguard measures for a three-year period on imports of windshields (since 2010) and of certain types of wood and bamboo (since 2015), as well as an exchange-rate safeguard within the Andean Community (CAN) framework, and other corrective measures covering imports of sugar and powder for the preparation of detergents (Section 3.1.6.2). In addition, Ecuador established temporary import quotas for conventional and electric vehicles and cellular telephones (Section 3.1.5); and between 2010 and 2016 it set export quotas on ferrous waste and scrap (previously prohibited) and non-ferrous, bronze, copper and aluminium waste and scrap.[90] MIPRO also sets benchmark prices for ferrous and non-ferrous scrap metal.

4.4.3 Domestic measures

4.89. Ecuador seeks to enhance the competitiveness of the manufacturing sector by running support programmes, some of which are temporary, such as a tariff drawback scheme for imported goods, a programme of Special Economic Development Zones, and preferential financing conditions.

4.90. In 2013-2016, the Tax Credit Certificates (CATs), issued by the National Customs Service (SENAE), were used as a credit note to settle any tax liability, except for fees for services provided, royalties and other contributions levied by the State in connection with mining and hydrocarbon activities.[91] This instrument was used when exporting certain products (220 HS ten-digit tariff lines), of which 67% were manufactures, particularly textiles and articles of apparel.

4.91. Exporters can affiliate to an ordinary conditional drawback scheme, under which the taxes are totally or partially refunded when importing inputs to be used in goods for export. The amount of the refund is based on the input-output matrix presented by the exporter; but it cannot exceed 5% of the transaction value of the exported goods (Section 3).[92] Between 2015 and 2016, Ecuador implemented a simplified conditional drawback scheme that was applicable to nearly all exported products and amounted in general to 5% of the export value. This scheme mainly benefited the fishery products industry (Section 4.2). To be eligible, the exporter could not also be affiliated to the ordinary conditional drawback scheme, or make use of the Tax Credit Certificate (CAT).

4.92. Temporary tariff "deferrals", generally to 0%, were also applied to imports of various products, such as wire rod, metal-working products, and CKD induction cookers (Section 3.1.3.4).

4.93. Since 2010, Ecuador has also been operating a programme of Special Economic Development Zones (ZEDEs)[93] which replaced the Free Zones programme. Tax incentives are available for the ZEDE operators and the firms established within the ZEDEs (Section 2). A total of five ZEDEs had been set up by 2018.

4.94. Manufacturing firms can obtain credit lines under preferential conditions from Corporación Financiera Nacional and BanEcuador (Sections 3.2.6 and 3.3.1).

4.5 Services

4.5.1 Financial services

4.95. Financial services accounted for around 3.4% of Ecuador's GDP in 2017. Although the banking and insurance sectors contain many financial institutions, each of these markets remains dominated by just a few companies. The securities market is also small and underdeveloped. During the review period, Ecuador made significant regulatory and institutional changes to strengthen the financial

[90] MIPRO Decision No. 10.646, 28 October 2010.
[91] Tax Credit Law, Supreme Decree No. 3605-B, 13 July 1979, and its amendments.
[92] Articles 170-174 of the Regulations to the Customs Facilitation Title of the Organic Code of Production, Trade and Investments of 19 May 2011, last amended on 27 March 2017.
[93] Executive Decree No. 757 of 6 May 2011.

system, increase lending to the production sector, promote microcredit and develop the securities market, among other aims.[94] The key changes were introduced in 2014 through the Organic Monetary and Financial Code (COMF), which repealed some 30 laws and consolidated regulations governing financial, insurance and securities activities in a single document.[95]

4.96. Foreign investment is generally allowed in these three segments, albeit subject to requirements mainly relating to setting up a business and its legal structure. Restrictions apply to cross-border trade in the insurance sector, except for the commitments made with the European Union and EFTA on maritime transport and aviation insurance.

4.5.1.1 Regulatory framework

4.97. The financial system is regulated by the COMF[96], which was implemented in 2014 to regulate the functioning of the financial system as a whole. The Code consolidates legislation governing the financial and monetary sector into a single document; and it repeals 30 laws, such as the Organic Law on the Monetary Regime and State Bank, the General Law on Financial Institutions, and the General Law on Insurance Companies, as well as other legal instruments (e.g. decrees and resolutions). The COMF is organized in three parts or books, each of which contains regulations for a different activity sector. Book I deals with financial and banking activities, Book II addresses insurance and Book III covers the securities market. Unlike Book I, the other two contain existing laws that were updated and added to the COMF. Book II contains the Securities Market Law of 2006, and Book III the General Law on Insurance also of 2006.[97] The COMF is supplemented by other instruments such as the Regulations implementing the General Law on Insurance (Table 4.13).

Table 4.13 Main legal instruments regulating the financial sector

Legal instrument	Description	Publication date	Most recent amendment
Codification No. 1	Organic Monetary and Financial Code - Book I	12/9/2014	21/8/2018
Codification No. 1	Organic Monetary and Financial Code - Book II - Securities Market Law	22/2/2006	18/4/2017
Codification No. 10	Organic Monetary and Financial Code - Book III - General Law on Insurance	23/11/2006	25/4/2018
Executive Decree No. 390	Regulations implementing the Securities Market Law	14/12/1998	-
Executive Decree No. 1510	Regulations implementing the General Law on Insurance	18/6/1998	15/8/2006
Law No. 0	Organic Law implementing the Popular and Solidarity Economy	10/5/2011	29/12/2017
Executive Decree No. 1061	Regulations implementing the Organic Law on the Popular and Solidarity Economy	27/2/2012	1/6/2018
Law No. 0	Organic Law to Strengthen and Optimize the Corporate and Stock Market Sector	20/5/2014	18/4/2017

Source: WTO Secretariat.

4.98. The COMF made substantial regulatory and institutional changes in each of the three segments of activity it deals with (see following sections). These include the creation of the Monetary and Financial Policy and Regulation Board (JPRMF), as well as changes to minimum capital requirements and alteration of the structure of mandatory investments for insurance and reinsurance companies; changes in the capital structure of stock exchanges; and consolidation of the regulations governing the national financial system, to mention just a few.

[94] Government of Ecuador (2017), National Development Plan 2017-2021. Viewed at: http://www.planificacion.gob.ec/wp-content/uploads/downloads/2017/10/PNBV-26-OCT-FINAL_0K.compressed1.pdf.

[95] Organic Monetary and Financial Code (Law No. 0) of 12 September 2014, as amended most recently on 21 August 2018.

[96] Organic Monetary and Financial Code (Law No. 0) of 12 September 2014, as amended most recently on 21 August 2018.

[97] The Securities Market Law and the General Law on Insurance were enacted in 1998, but only codified in 2006.

4.5.1.2 Institutional framework

4.99. In terms of institutions, six entities have functions in the Ecuadorian financial sector: (i) the JPRMF; (ii) the Central Bank of Ecuador; (iii) the Supervisory Authority for Banks; (iv) the Supervisory Authority for Companies, Securities and Insurance (SCVS); (v) the Supervisory Authority for the Popular and Solidarity Economy; and (vi) the Deposit Insurance, Liquidity Fund and Private Insurance Fund Corporation (COSEDE). The latter five institutions have non-voting representation on the JPRMF.

4.100. The Monetary and Financial Policy and Regulation Board, created in 2014 through the COMF, is the key sector institution. It replaced and absorbed the functions of the following entities: (i) the Banking Board; (ii) the Securities Market Regulation Board (which in May 2014 replaced the National Securities Council); (iii) the Board of Governors of the Central Bank; and (iv) the Board of the Supervisory Authority for the Popular and Solidarity Economy, all of which were abolished. The JPRMF forms part of the country's executive branch and is responsible for formulating monetary, credit, foreign exchange and financial policies, including insurance and securities activities; it also issues the respective implementing regulations. Its other functions include reaching agreement with the foreign trade regulator on the mandatory goals for net non-oil foreign exchange inflows in the goods and services trade account, and submitting a report on their fulfilment to the Government.[98] The JPRMF consists of a representative of the Executive Branch and three ministers (Economy and Finance, National State Planning, and Production). The Board does not have any private-sector representatives, as was the case with the National Securities Council, for example.

4.101. The Central Bank of Ecuador is responsible for executing the government's monetary, credit, foreign exchange and financial policies, using the instruments specified in the law.

4.102. The Supervisory Authority for Banks (until 2015 known as the Supervisory Authority for Banks and Insurance) is tasked with supervising and overseeing the activities of public and private financial entities. The Supervisory Authority for Companies, Securities and Insurance (until 2015 known as the Supervisory Authority for Companies and Securities) plays the same role in the securities and insurance market and with respect to non-financial companies (Box 4.2); and the Supervisory Authority for the Popular and Solidarity Economy regulates the popular and solidarity-based financial sector. As of May 2018, the Supervisory Authority for Banks was responsible for 28 financial entities (24 private and four public); the SCVS was supervising 33 insurance companies and one reinsurer, considering the insurance market alone; and the Supervisory Authority for the Popular and Solidarity Economy was overseeing 657 financial entities.

Box 4.2 Changes in the insurance oversight and supervision body

In addition to creating the JPRMF, another of the institutional changes introduced by the COMF concerned the insurance market supervision and oversight body. To demarcate banking and financial activities from those of insurance companies, the Code provided that the SCVS would also take on supervision and oversight functions for the entire private insurance system, which was previously the responsibility of the Supervisory Authority for Banks and Insurance. As the change had to be made within one year from its implementation, the transfer of functions was completed in September 2015; and these two supervisory authorities changed their names to Supervisory Authority for Companies, Securities and Insurance, and Supervisory Authority for Banks, respectively.

Source: Thirty-first transitional provision of the Organic Monetary and Financial Code.

4.103. Lastly, COSEDE, which administers deposit insurance, the liquidity fund and the private insurance fund, aims to enhance the stability of the financial and private insurance systems (Box 4.3).

[98] Article 142 of the Organic Monetary and Financial Code.

Box 4.3 Financial system funds and insurance

The Deposit Insurance, Liquidity Fund and Private Insurance Fund Corporation (COSEDE) administers Deposit Insurance and the Liquidity Fund, which are two of the financial system's security mechanisms. It also manages the Private Insurance Fund, which protects people who have a current policy in a private insurance company. Deposit Insurance allows for the restitution of deposits held in banks, saving and loan cooperatives and mutual associations, up to the amount specified in the law, in the event of involuntary liquidation ordered by the respective oversight body. The authorities reported that, as of August 2018, this mechanism has resulted in the return of all deposits to 98% of depositors in financial entities that are under liquidation. This deposit insurance is financed from contributions made by private financial entities and the popular and solidarity sector. The Liquidity Fund is also financed from the same sources, but acts as a lender of last resort when these entities encounter temporary liquidity problems. In such cases, the fund will grant liquidity loans to financial institutions that fulfil the solvency parameters defined in the law. The Private Insurance Fund was created in 2014 through the COMF to protect persons insured with private insurance companies in event of the latters' liquidation. This fund began operations in January 2016 and is financed by contributions made by the insurers.

Source: WTO Secretariat, on the basis of Ecuadorian legislation.

4.5.1.3 Banks and other entities of the financial system

4.104. The banking sector is regulated by Book I of the COMF, and is supervised and overseen by the Supervisory Authority for Banks. According to the COMF, the Ecuadorian financial system consists of public-sector entities (banks and corporations), private-sector entities (banks, financial service firms and auxiliary financial-system service providers), and entities of the popular and solidarity financial sector, such as savings and loans cooperatives, and mutual savings and loans associations for housing.[99] As of May 2018, there were 24 private banks operating in Ecuador, 145 savings and loans cooperatives, four mutual associations and four public entities (Table 4.14). Private banks dominated the market, accounting for 65.6% of total assets. In 2017, the national financial system extended credit totalling USD 27.3 billion, around 80% or USD 21.5 billion of which from private-sector lenders. Although the financial sector has a large number of players, its activities remain concentrated in just five banks: Banco Pichincha, Banco del Pacífico, Produbanco, Banco de Guayaquil and Banco Bolivariano. These five banks, all private, were responsible for about 72% of private-sector lending in 2017. The main type of lending was consumer credit (35% of total credit in 2017) and commercial credit (47.8%). In the same year, 9% of loans went to housing, 6% was channelled to microenterprise, and 2% to education.

Table 4.14 Structure of the national financial system (May 2018)[a]

System	Type of financial entity	No. of operational entities	Assets (USD million)	Share of assets
Private	Private banks	24	39,344.2	65.0%
Popular and solidarity	Savings and loans cooperatives (segment 1)	26	8,282.3	13.7%
Popular and solidarity	Savings and loans cooperatives (segment 2)	38	1,842.9	3.1%
Popular and solidarity	Savings and loans cooperatives (segment 3)	81	1,033.6	1.7%
Popular and solidarity	Savings and loans cooperatives (segment 4)	162	448.3	0.7%
Popular and solidarity	Savings and loans cooperatives (segment 5)	154	116.0	0.2%
Popular and solidarity	Mutual associations	4	936.0	1.6%
Public	Corporación Financiera Nacional	1	3,859.0	6.4%
Public	Banco de Desarrollo del Ecuador	1	2,343.5	3.9%
Public	BanEcuador	1	1,956.2	3.3%
Public	Corporación Nacional de Finanzas Populares	1	349.1	0.6%

[99] Articles 160-163 of the Organic Monetary and Financial Code.

System	Type of financial entity	No. of operational entities	Assets (USD million)	Share of assets
National financial system	**Total**	**593**	**60,511.1**	**100.0%**

a The Ecuadorian National Financial System comprises the public, private, and popular and solidary financial sectors.

Note: Segment 1 includes entities with assets of over USD 80 million; segment 2 consists of entities with assets of USD 20 million to USD 80 million; segment 3, those with assets of between USD 5 million and USD 20 million; segment 4 those with assets of USD 1 million to USD 5 million; and segment 5, those with assets of up to USD 1 million; and it also includes savings banks, local banks and local saving funds (*cajas comunales*).

Source: Information provided by the authorities.

4.105. Ecuadorian banks are well capitalized, reporting the following indicators in September 2018: an average solvency index of 12.9%, a gross arrears rate of 3.1%, operating return on assets (ROA) of 1.4% and a return on equity (ROE) 13.28%.

4.106. To be able to operate in Ecuador, private financial entities must be legally constituted in the country as joint-stock corporations (*sociedades anónimas*), and, in the case of banks, maintain minimum capital of USD 11 million. For other financial entities, the minimum capital will be determined by the JPRMF. Foreign financial entities must be domiciled in Ecuador and be registered as joint-stock corporations or established as branches or representation offices in the country.[100] In addition to requiring prior authorization from the Supervisory Authority for Banks, foreign financial institutions must show that they are not prevented from setting up branches or representation offices in Ecuador under the laws of their country of origin. They must also prove that their main domicile is not in a tax haven or a lower-tax jurisdiction than Ecuador; and they must expressly acknowledge that they will be subject exclusively to the jurisdiction, laws, courts and authorities of Ecuador.[101] Moreover, foreign financial institutions may not adopt names that belong to Ecuadorian financial entities or which could be misleading; and their names must unequivocally indicate their status as a foreign financial entity.[102]

4.107. Once the constitution of the joint-stock corporation, branch or representative office is approved, the service provider must obtain authorization to engage in financial activities and an operating permit from the Supervisory Authority for Banks. The permit may be obtained once the authorization is received and the other requirements have been met. The authorization will specify the activities that the financial institution can undertake.[103] Representation offices will serve exclusively as information centres for their customers and may only grant mortgage and secured loans, and make deposits in Ecuadorian or foreign financial entities.[104] No entity in the national financial system may engage in insurance and securities activities (either directly or indirectly).[105]

4.108. Restrictions apply to the lending and contingent operations that public or private financial institutions and those of segment 1 of the popular and solidarity financial sector can engage in. These entities may not engage in lending and contingent operations with the same natural or legal person for an amount that exceeds, in total, 10% of the technical capital of the entity in question. This limit will be raised to 20% if the amount in excess of 10% corresponds to bonds secured by guarantees from national or foreign banks of recognized solvency, or by guarantees deemed adequate under the terms specified by the JPRMF. In no circumstances may the total of the aforementioned operations exceed 200% of the borrower's capital, unless there are adequate guarantees that cover at least 120% of the amount in excess, pursuant to JPRMF regulations. These limits do not apply to lending and contingent operations with securities issued by the Ecuadorian State and the Central Bank of Ecuador. Moreover, the JPRMF is authorized to set lower percentages for financial entities that have a better risk profile than the most secure level of the system.

[100] Article 178 of the Organic Monetary and Financial Code.
[101] Article 181 of the Organic Monetary and Financial Code.
[102] Article 180 of the Organic Monetary and Financial Code.
[103] Articles 144, 389, 392, 396, 397 of the Organic Monetary and Financial Code.
[104] Articles 179 and 181 of the Organic Monetary and Financial Code.
[105] Article 196 of the Organic Monetary and Financial Code.

4.109. The creditors of the parent company of a foreign financial entity that has set up a branch in Ecuador will not be able to pursue its claims against the assets of the branch.[106] Accordingly, in the event of liquidation, the creditors of the Ecuadorian branches of a foreign financial institution will enjoy preferential rights over the assets that those branches hold in the country.

4.110. Auxiliary services must be provided by non-financial legal entities constituted as joint-stock corporations or limited companies.[107] The credit rating service must be provided by the Supervisory Authority for Banks and by legal entities authorized by it. The sources of financial system information must report to the Supervisory Authority for Banks, which will pass the information on to legal entities authorized to provide the credit rating service.[108]

4.111. Ecuadorian legislation maintains the essence of the objectives pursued by the Basel Committee and has adopted the changes needed to strengthen the prudential requirements that regulated financial entities have to meet. It also establishes the basis for such entities to strengthen their internal risk management processes. This has been accompanied by a process of internal strengthening of the Supervisory Authority for Bank's supervisory capacities. With regard to capital adequacy, the Ecuadorian standard is stricter than that of Basel, requiring banks to maintain technical capital of 9%, compared to the Basel recommendation of 8%. Although Ecuador has been strengthening bank supervision and resolution processes in recent years, a further effort is still required to consolidate the structure, tools and supervision processes and thus keep pace with the development of risk management. There is also a significant gap between the level of detail in the information disclosed to the market, as recommended by Basel, and that required by the current Ecuadorian regulation. The authorities state that, in general when adjusting the Ecuadorian standard to the reality of the domestic market, there are specific features, such as regulated interest rates, reserve requirements using government bonds, and dollarization, which may impede the application of some of the Basel recommendations.[109]

4.112. In the case of interest rates, the JPRMF sets the maximum lending and deposit rates to be offered by entities of the national financial sector; and, if necessary, it may also set maximum lending and deposit rates for the rest of the system in accordance with the COMF.[110] Currently, the JPRMF regulates lending rates for all types of credit in all financial institutions. As of July 2018, the benchmark lending rates were between 4.9% (on public-interest housing loans) and 28.5% (on retail microcredit). The benchmark rate on loans to the productive sector was 7.85% in the case of corporations and 9.8% for small and medium-sized enterprises (SMEs) (Chart 4.9).[111]

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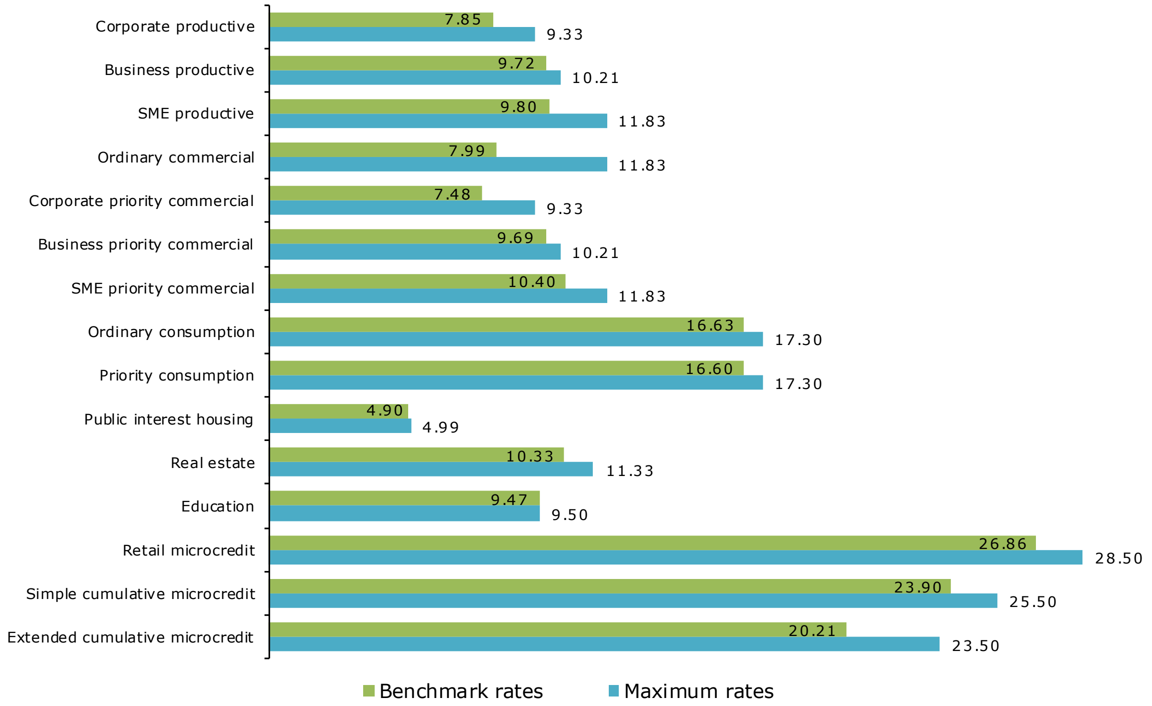
[106] Article 178 of the Organic Monetary and Financial Code.
[107] Article 434 of the Organic Monetary and Financial Code.
[108] Articles 357 and 359 of the Organic Law on Productive Development, Attraction of Investment, Generation of Employment, and Fiscal Stability and Balance, 21 August 2018.
[109] Supervisory Authority for Banks, Project: Diagnostic Assessment of the Gaps in Financial Regulation in Ecuador, relative to International Trends and the Basel I, II and III Recommendations.
[110] Articles 14, 79 and 130 of the Organic Monetary and Financial Code.
[111] Data from the Central Bank of Ecuador.

Chart 4.9 Benchmark and maximum rates (%) in force as of July 2018



Source: Central Bank of Ecuador.

4.113. Book I of the COMF contains a typology of violations and provides that sanctions for non-compliance with the law will be based on their seriousness. The applicable fine is related to the amount of assets held by the offending financial institution, subject to a limit for each case.[112]

4.114. All financial-sector entities are subject to a 5% foreign exchange exit tax (ISD), which is charged on the value of all operations and monetary transactions involving payments abroad.

4.115. Between February 2015 and March 2018, Ecuador implemented an electronic money system through which registered users could pay for goods or services, among other things, through cell phones. The system was administered by the Central Bank, based on a one-to-one parity with the US dollar. All electronic transactions were fully backed by the amount in physical currency; and electronic money could be exchanged at any time for US dollars. On 31 March 2018, the system ceased to operate, pursuant to the Economic Recovery Law passed in January of that year. The Central Bank programme involved a movement of USD 29.2 million during its lifetime.

4.5.1.4 Insurance

4.116. The private insurance system in Ecuador consists of insurance companies, reinsurance companies, reinsurance brokers, loss assessors and insurance advisors. Insurance companies can offer both general and life insurance, as well as other insurance services, while reinsurance companies provide cover to one or more insurance companies for the risks they have assumed. Reinsurance companies can also undertake retrocession operations. As of May 2018, there were 31 insurance companies and one reinsurance company operating in Ecuador. Although several firms participate in the insurance market, activities are concentrated in just six, which hold 55% of the sector's assets. These are Sucre, currently the largest company with a 15% market share, followed by Seguros Equinoccial (10%), Chubb Seguros (9%), Seguros del Pichincha (8%) and Seguros Colonial with 7%.

4.117. During the review period, the insurance sector underwent several regulatory and institutional changes, mainly stemming from adoption of the COMF in 2014. As noted above, insurance activities

[112] Articles 264 and 520 of the Organic Monetary and Financial Code.

are regulated by Book III of the COMF, which contains the General Law on Insurance of 2006[113], and by the respective implementing Regulations.[114] The law was amended when it was added to the COMF in order to strengthen the sector. At the institutional level, since 2014 the SCVS has fulfilled oversight and supervision functions in this sector (Section 4.5.1.2.). At the regulatory level, the changes made to the minimum required capital for insurance and reinsurance companies affected the market structure, generating a process of consolidation, mergers or liquidations, either voluntary or for prudential reasons; a private insurance fund was also created (see below). In addition, amendments were made to the composition of mandatory investments, including that relating to participation by insurance companies as institutional investors in the securities market. More streamlined administrative mechanisms were also put in place to settle disputes between insurance companies and their policy-holders.

4.118. Apart from these institutional changes, in September 2014, the COMF changed the minimum capital needed to set up an insurance/reinsurance company in Ecuador. As from that date, the minimum capital was set at USD 8 million for insurance companies, and USD 13 million for reinsurance companies, and for firms wishing to provide both services. Previously, the regulations of the Supervisory Authority for Banks and Insurance had set a minimum capital of USD 3,943,410 for insurance companies in the general and life insurance segments, and a minimum of USD 1,690,153.53 for firms that operate only in the general insurance sector; reinsurance companies needed minimum capital of USD 7,886,820. The firms in question were given 18 months to adapt to the new requirement. This measure resulted in the insurance market becoming more consolidated, as companies either closed down or merged with others. When the measure came into effect in September 2014, 35 insurers and two reinsurers were registered as currently operating; by January 2018, the numbers had dropped to 32 and one, respectively.[115]

4.119. Another change made to the General Law on Insurance when it was integrated into the COMF was the creation of the Private Insurance Fund. This is designed to protect public- and private-sector policy-holders in the event of the private insurance company's liquidation. The Fund has been operating since January 2016 and is financed through a contribution made by the private insurance companies equivalent to 1.5% of the value of their insurance premiums. This contribution is composed of a basic amount and another part based on the insurance company's risk rating.

4.120. During the period under review, a change was also made in the administration of Mandatory Traffic Accident Insurance (SOAT). In 2015, the name of this mechanism was changed to the Public Traffic Accident Payment System (SPPAT), and it was brought under government management.[116] The SPPAT provides the same protection as the SOAT and guarantees universal coverage for all persons circulating within the country. The SPPAT does not cover material damage to vehicles or property.[117] Previously, people purchased SOAT policies from private insurers established in Ecuador; now the payment is made to the State when a vehicle is registered. According to the authorities, the change was intended to improve the system by classifying it as a public service, and guaranteeing it as a right for all citizens.

4.121. To provide insurance or reinsurance services, national or foreign legal persons must be established in the country as joint stock corporations, or branches in the case of foreign companies. Unlike foreign financial institutions, foreign insurance or reinsurance companies cannot be established in the country through representation offices. Insurance companies must also be included in the commercial register.

4.122. To set up business as an insurance company, legal entities must submit an application to the SCVS for approval. In addition, and prior to the request, foreign insurance or reinsurance companies must obtain SCVS authorization and fulfil the requirements for that purpose.[118] Among other things, foreign insurance or reinsurance companies that are established as branches of

[113] General Law on Insurance of 23 November 2006, as last amended on 25 April 2018. During the review period, it was amended five times.

[114] Regulation implementing the General Law on Insurance, Executive Decree No. 1510 of 18 June 1998, last amended on 15 August 2006.

[115] Statistics of the Supervisory Authority for Companies, Securities and Insurance.

[116] Article 31 of the Organic Law Amending the Organic Law on Land Transport, Traffic and Road Safety of 31 December 2014, and Executive Decree No. 805 of 22 October 2015.

[117] Law Amending the Organic Law on Land Transportation, Traffic and Road Safety of 31 December 2014.

[118] Codification of JPRMF Resolutions. Book III.

insurance and reinsurance entities abroad must satisfy the minimum paid-in capital requirement and other prudential obligations. They must also permanently maintain at least one general representative, approved by the SCVS, and be included in the commercial register. The company must also state that the parent firm will be materially liable for all obligations that its general representative may contract.[119]

4.123. Once the establishment of the company has been approved, it will be included in the commercial register, and the SCVS will issue a certificate of authorization. The company must also obtain a specific certificate for the segment of activity from the same Supervisory Authority.[120] Companies in Ecuador's insurance sector can open branches or agencies either in Ecuador or abroad. In the latter case, prior authorization from the SCVS is required. Domicile requirements for the board members of insurance and reinsurance companies also apply.[121]

4.124. Insurance companies that are legally constituted or established in Ecuador must contract domestic or foreign reinsurance.[122] When contracting with foreign reinsurance companies, these must be constituted and operate in accordance with international parameters, and be subject to the rules of the SCVS.

4.125. With regard to policies and rates, the SCVS will specify the mandatory clauses to be included in the policies, as well as clauses that are prohibited. Premium rates will require prior authorization from the Supervisory Authority.[123]

4.126. Reinsurance brokers must be set up as commercial companies (joint-stock corporation or limited liability). Those domiciled abroad must satisfy the requirements specified for their registration in the SCVS[124], which state that they can maintain a permanent representation in the country after fulfilling the requirements indicated in the resolution, and they must also designate a representative in Ecuador for notification purposes. The sole activity of reinsurance brokers is to manage and place reinsurance and retrocessions for one or more insurance or reinsurance companies. To be able to operate in Ecuador non-resident insurance and reinsurance companies, brokers and auxiliary insurance service providers must register and renew their registration pursuant to the provisions of national legislation.

4.127. Ecuador applies a number of restrictions on cross-border trade in services, and in particular prohibits the contracting abroad of the following: (i) personal insurance, when the policy-holder is in Ecuadorian territory when the contract is signed; (ii) insurance against fire and additional risks on property located in national territory; (iii) hull insurance for ships or aircraft registered in Ecuador; (iv) transport insurance for goods imported into the country; and (v) insurance against other risks that may occur in Ecuadorian territory. If no insurance company authorized to operate in Ecuador can provide these services, the interested party may contract insurance on that risk abroad, subject to prior authorization from the SCVS.[125]

4.5.1.5 Securities market

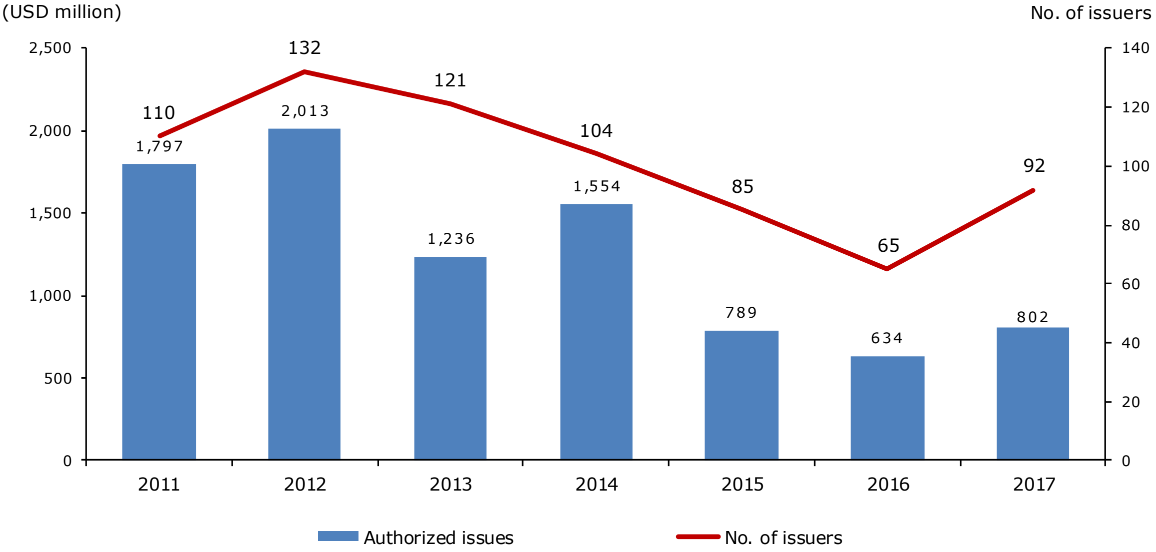
4.128. The securities market in Ecuador is small and less developed than the banking sector. Two stock exchanges operate in the country: one in Quito and another in Guayaquil. In 2017, securities totalling USD 802 million (including bonds, commercial paper, securitizations and shares) were issued on these bourses by 92 issuers (Chart 4.10). Of this amount, 54% were issues made through the Guayaquil Stock Exchange, and the remaining 46% was channelled through the

[119] Article 19 of the General Law on Insurance.
[120] Article 10 of the General Law on Insurance.
[121] Article 17 of the General Law on Insurance.
[122] Article 27 of the General Law on Insurance and Article 9 of the Codification of Monetary, Financial, Securities and Insurance Resolutions.
[123] Article 25 of the General Law on Insurance.
[124] Codification of JPRMF Resolutions Book III and SCVS-INS Resolution 2018-009.
[125] Article 66 of the General Law on Insurance.

Quito Exchange. In the same year, private banks lent a total of USD 11.197 billion to the productive sector[126], nearly 14 times more than the funding generated by stock market issues.

4.129. Securities market activities are regulated by Book II of the COMF, which contains the Securities Market Law of 2006[127], and by the respective Regulation.[128] The Law governs the activities of the securities market in its securities market segment (issuance and offer of securities) and over the-counter segment (brokerage and securities), including the activities of stock exchanges and their participants (broker-dealers, fund managers and trusts, risk-rating agencies, issuers, external auditors, etc.) The Law was amended five times during the review period, most notably in May and September 2014 when it was incorporated into the COMF. In September, the key changes were institutional, whereas in May they occurred at a regulatory level, with the aim of increasing participation in the securities market by the productive sector, particularly SMEs.

Chart 4.10 Total authorized securities issues, 2011-2017



Source: *Boletín Ejecutivo de 2017*, Supervisory Authority for Companies, Securities and Insurance.

4.130. In September 2014, the Securities Market Regulation Board (which in May 2014 had replaced the National Securities Council) was abolished, and its functions were transferred to the JPRMF. Oversight of the securities market was maintained by the SCVS.

4.131. In May 2014, the Organic Law on the Strengthening and Optimization of the Corporate and Stock Market Sector (LOFOSSB) was enacted, which made important regulatory amendments to the Securities Market Law.[129] These included significant changes to the corporate and capital structure of stock exchanges, and requirements governing participation in stock exchanges by securities brokers. The creation of a special register for SMEs and a single stock market system was also established, and the legal concept of investment banking was introduced.

4.132. The LOFOSSB provided that in order to operate, stock exchanges had to change their legal format from non-profit civil corporations to joint-stock companies. In addition, the requirement that only broker-dealer firms could be members of stock exchanges, for which they had to own shares in the stock exchange's capital, was revoked. In other words, previously, only broker-dealer firms could be the owners of stock exchanges, and, as such, only they could participate in the corresponding activities. Following the amendments, however, since May 2014, any person can be a shareholder

[126] Supervisory Authority for Companies, Securities and Insurance (2018), *Boletín Ejecutivo Estadístico del Mercado de Valores* (June 2018). Viewed at: https://portal.supercias.gob.ec/wps/portal/Inicio/Inicio/MercadoValores/Estadisticas/BoletinMensual.

[127] Securities Market Law of 22 February 2006, as last amended on 18 April 2017.

[128] General Regulation to the Securities Market Law, Executive Decree No. 390 of 14 December 1998. The Regulation has not been amended since then.

[129] Law No. 0 of 20 May 2014, as last amended on 18 April 2017.

and therefore participate in the stock exchange.[130] The LOFOSSB also provided that the shareholder of a stock exchange cannot directly or indirectly own more than 10% of issued and currently trading shares, except in specific cases where a shareholder may own up to 30% of the capital.[131]

4.133. The LOFOSSB creates the Special Securities Register (REB) for securities issued only by SMEs and popular and solidarity economy organizations that are traded on the stock market. The REB aims to increase the number of issuers, by making it easier for SMEs and organizations of the popular and solidarity economy to participate; and it also aims to promote stock market development. The securities assigned to the REB cannot be traded in other segments of the market. A single stock market system was also created with the aim of consolidating stock market operations and promoting competition between the different exchanges. The system provides a single computer platform for trading in securities and financial instruments registered in the Public Securities Market Registry and in stock exchanges, including those traded through the REB.[132]

4.134. The LOFOSSB introduces the legal concept of investment banking to refer to activities involving investment prospecting and financing through the stock market. The Law provides that only broker-dealer houses and Banco del Instituto Ecuatoriano de Seguridad Social may engage in the activities in question.[133]

4.135. Agents that issue securities of any kind, including subscription and placement, and provide related services, must be included in the Public Securities Market Register maintained by the SCVS. Prior to registration, a risk rating is required, except in the case of REB shares and other securities, for which rating is voluntary. Branches of foreign companies domiciled in Ecuador may issue bonds subject to certain requirements.[134]

4.136. Entities legally classified as branches are not permitted in securities market institutions. Broker-dealers, as well as fund managers and trustees, must be incorporated as joint-stock companies. Fund managers and trustees can represent foreign funds, and in fact are the only institutions authorized to manage or represent international funds. This means that funds which have been set up abroad and wish to raise financing from residents in Ecuador may do so only through a fund manager established in Ecuador, for which a representation agreement is required, assigning fiduciary responsibility and subject to SCVS information requirements.

4.137. Risk rating agencies must be incorporated as joint stock corporations or limited liability companies.[135]

4.5.2 Telecommunications

4.138. The telecommunications sector, which generated 2.1% of Ecuador's GDP in 2017, underwent several regulatory and institutional changes during the review period. These included publication of the new Organic Law on Telecommunications, which seeks to modernize the sector, and creation of the Telecommunications Regulation and Oversight Agency (ARCOTEL) in 2015. The new law promotes the provision of the universal telecommunications service, including Internet; and it contains provisions on authorizations for the supply of communication and audiovisual services, consumer rights, service fees, conditions of competition, and penalties. In addition to a number of private firms, two public companies operate in the sector: the National Telecommunications Corporation (CNT EP) and the public utilities company ETAPA EP.

4.139. The Ecuadorian telecommunications market basically encompasses four types of services: fixed-line telephony, advanced mobile phone service, fixed-line Internet, and subscriber television. CNT EP participates in all of these segments and competes with the other firms in providing the

[130] Through Resolution No. SCVS.IRQ.DRMV.2016.1745 and Resolution No. SCVS-INMV-DNAR-2016-0004237 of 20 July and 27 July 2016, respectively, the SCVS ordered the Quito and Guayaquil Stock Exchange to be turned from civil corporations into public limited companies. As such, the shareholders of a stock exchange, whether individuals or legal entities, exercise the corresponding shareholder rights. A brokerage house that is not a shareholder of a stock exchange can participate in the stock exchange trading.

[131] Articles 44-46 of Book II of the COMF.

[132] Article 51 of Book II of the COMF.

[133] Article 59 of Book II of the COMF.

[134] Articles 18, 160 and 164 of Book II of the COMF.

[135] Articles 77, 97 and 176 of Book II of the COMF.

services. CNT EP has a dominant market share in fixed-line telephony and Internet services with market shares of 85% and 51%, respectively, in June 2018. The advanced mobile service market is led by the foreign-owned América Móvil – Claro (53%) and Telefónica – Movistar (30%), while the domestic firm CNT EP had a 17% market share in June 2018. EP ETAPA provides fixed-line phone and Internet services locally. The television market is led by the foreign-owned AT&T - DIRECT TV (36%), while CNT EP has a 29% share.

4.140. Data provided by the authorities, based on international studies, forecast that Ecuador's telecommunications market will grow from USD 3.3 billion in 2017 to USD 3.7 billion in 2022. The advanced mobile service is expected to account for over half of this total, and the Ecuadorian fixed-line Internet market, which grew at an average annual rate of 9% between 2015 and 2017, will also continue to expand. According to the authorities, the leading operators in the Ecuadorian market indicated that they planned to invest over USD 600 million in 2018-2021, mainly mobile data and fixed-line Internet. CNT EP, for its part, announced an investment proposal of approximately USD 230 million per year until 2021.

4.141. The telecommunications sector is regulated by the Organic Law on Telecommunications (LOT)[136], enacted in February 2015, and its General Regulations[137] issued in the following year. The LOT repeals the Special Law on Telecommunications (and its amendments), along with the Law on Broadcasting and Television and its regulations, and all the provisions contained in other legal instruments that are contrary to it. The LOT regulates the establishment, installation and operation of networks, and the provision of telecom services, as well as audiovisual services, and the use and exploitation of the radio spectrum. The LOT does not cover content, however, which is regulated by the Organic Law on Communications[138] and its implementing regulations.[139]

4.142. In addition, two sets of regulations that complement the LOT were issued in 2016: the first[140] on granting authorizations to provide telecommunication services and radio spectrum frequencies; and the second[141] on the provision of subscription-based telecommunication and broadcasting services.

4.143. The key entities in the telecommunications sector are the Ministry of Telecommunications and the Information Society (MINTEL) and ARCOTEL.

4.144. MINTEL is responsible for formulating, directing and coordinating policies, guidelines and general plans for the telecommunications sector. During the review period, it issued several documents providing guidelines for the sector's development. In 2015, it published a document titled *Políticas Públicas del Sector de las Telecomunicaciones y de la Sociedad de la Información 2017-2021*, which describes public policies for telecommunications sector development, according to various criteria, such as accessibility, coverage and technological innovation. In 2016, it also published the National Plan for Telecommunications and Information Technologies of Ecuador 2016-2021, which contains planning and management guidelines for the sector, to expand digital inclusion and enhance the country's competitiveness. The aim is to position Ecuador as a regional reference in terms of connectivity, access and production of information technology and communication services by 2021.

4.145. ARCOTEL was created through the LOT in 2015, as a result of the merger of three public entities, with a view to simplifying administrative and regulatory processes. ARCOTEL brings together in a single institution the functions of administration, regulation and oversight of the provision of telecom and radio spectrum services that were formerly shared between the Supervisory Authority for Telecommunications (SUPERTEL), the National Telecommunications Secretariat (SENATEL) and the National Telecommunications Council (CONATEL). ARCOTEL issues regulations, technical standards and technical plans to ensure the proper functioning of the Law[142]; and, as a regulatory body, it also has responsibility for competition policy. ARCOTEL also issues resolutions

[136] Law No. 0 of 18 February 2015, as last amended on 7 July 2017.
[137] Executive Decree No. 864 of 25 January 2016.
[138] Law No. 0 of 25 June 2013, as last amended on 7 July 2017.
[139] Executive Decree No. 214 of 27 January 2014, as last amended on 13 June 2017.
[140] Resolution 4 of 17 May 2016, as last amended on 19 June 2018.
[141] Resolution 5 of 6 May 2016, as last amended on 19 June 2018.
[142] The two institutions, CONATEL, and SENATEL which is attached to CONATEL, were mandated to oversee, regulate and manage telecommunications and the radio spectrum, while the Supervisory Authority for Telecommunications was in charge of supervising the sector.

that seek to regulate every aspect of the sector, ranging from technical elements, prices, spectrum or terminal allocation, to cable trenching. The most highly regulated areas are advanced mobile service and pay-TV, which are considered luxury services.

4.146. Under Ecuadorian law, the State has responsibility for providing public telecom services, which it can either do through public companies, or else outsource the service to mixed enterprises (with a majority State shareholding) or private firms.[143] To provide these services, any type of firm, whether public, mixed-ownership (with a majority State shareholding) or private, must obtain authorization from ARCOTEL. There is also a requirement for inclusion in the services register for any type of company wishing to provide carrier, value-added, Internet access or radiocommunication services, or to perform submarine cabling or international transport operations, among others. In addition, permits apply to private, mixed-ownership and foreign State-owned firms wishing to provide audiovisual services on a subscription basis.

4.147. There are three types of authorization: simple authorizations, concessions and service records, which can be obtained either directly or through a public bidding process, depending on the type of activity or service that is to be undertaken and on the type of company involved. Except for certain activities in which a permit or service records are required, public companies require an authorization that is granted directly, while private, mixed-ownership and foreign state-owned firms must obtain a concession that can be awarded either directly or through public bidding. Licences are obtained upon request, after fulfilling the corresponding requirements, except when the applicant firm wishes to provide open-source audiovisual services or use and exploit the radio spectrum. The use and exploitation of the radio spectrum of public telecommunications networks is subject to public bidding, as also is the provision of open-signal audiovisual services (except in the case of public companies). Public companies that provide telecom services will have preferential rights for the use and exploitation of the radio spectrum.[144] Authorizations can last for 15 or 20 years, depending on the type of firm and the activity to be undertaken. Foreign private firms must establish legal domicile in Ecuador to obtain any type of authorization (Table 4.15).

Table 4.15 Licences for the provision of telecommunications and audiovisual services

	Basic telecommunications services	Other telecommunications services	Use and exploitation of the radio spectrum	Broadcasting services (audio and video) in open signal	Broadcasting services (audio and video) by subscription
Public enterprises	Authorization (20 years) (Direct award)	Registration of services (15 years) (Direct award)	Authorization (20 years) (Direct award or competitive bidding process)	Authorization (15 years) (Direct award)	Authorization (15 years) (Direct award)
Joint ventures with a majority shareholding of the State	Concessions (15 years) (Direct award)	Registration of services (15 years) (Direct award)	Concessions (20 years) (Direct award or competitive bidding process)	Concessions (15 years) (Direct award or competitive bidding process)	Registration (15 years) (Direct award)
Foreign State-owned firms	Concessions (15 years) (Direct award)	Registration of services (15 years) (Direct award)	Concessions (20 years) (Direct award or competitive bidding process)	Concessions (15 years) (Direct award or competitive bidding process)	Registration (15 years) (Direct award)

[143] Articles 14 and 15 of the Organic Law on Telecommunications.
[144] Article 55 of the Organic Law on Telecommunications.

	Basic telecommunications services	Other telecommunications services	Use and exploitation of the radio spectrum	Broadcasting services (audio and video) in open signal	Broadcasting services (audio and video) by subscription
Private firms	Concessions (15 years) (Direct award)	Registration of services (15 years) (Direct award)	Concessions (20 years) (Direct award or competitive bidding process)	Concessions (15 years) (Direct award or competitive bidding process)	Registration (15 years) (Direct award)

Note: The selected basic telecom services include fixed-line telephony, the advanced mobile service and the advanced mobile service through a virtual mobile operator. The "Other telecommunications services" category includes carrier services, submarine cable operators, international transportation, value-added services, Internet access, radio communication, spectrum for specific use in free bands, among others.

Sources: Organic Law on Telecommunications, Regulations on the Granting of Authorizations to Provide Telecommunication Services and Radio Spectrum Frequencies, and Regulations on Telecommunication and Frequency Authorizations, of 17 May 2016.

4.148. The Law also establishes a general authorization regime[145] under which service providers can add additional telecom services, including value-added services, to an existing licence through the respective annexes.

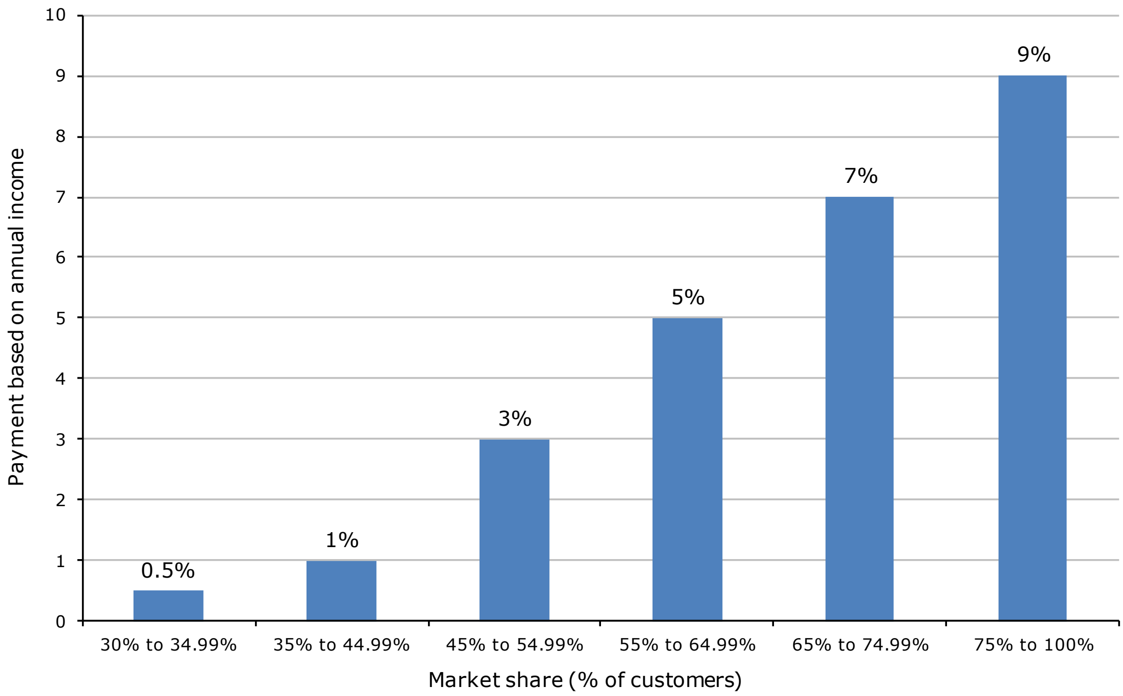
4.149. Providers of telecom services, except for broadcasting, are subject to a levy of 1% of the total revenue received, payable to ARCOTEL on a quarterly basis.[146]

4.150. In terms of competition, ARCOTEL is responsible for determining the relevant markets involved in telecom services or networks, in order to assess the level of competition in the sector and identify any providers with market power.[147] To promote competition, ARCOTEL requires private providers to pay a percentage of their annual income based on their market share, which is calculated in terms of the number of subscribers or registered customers. This contribution varies between 0.5% and 9% of the supplier's annual revenue (Chart 4.11). ARCOTEL is also responsible for the sanctioning procedures applicable to service providers.

4.151. Each company is free to set the prices it charges, but ARCOTEL defines maximum prices for a given service, which may vary across companies.[148] These maximum rates are contained in the ARCOTEL tariff schedule and are specified in each operator's concession contract. According to the authorities, on average the public companies EP CNT and EP ETAPA have the cheapest basic monthly plans[149] for fixed-line telephony, costing USD 6.3 and USD 4.3, respectively. The maximum per minute rates for local calls in the operator's network (On Net) set by ARCOTEL are currently USD 0.120 for EP CNT, EP ETAPA and Linkotel S.A; and USD 0.160 for TV Cable-Setel S.A., Claro Conecel S.A. and Level 3-Global Crossing Communications Ecuador S.A. For the mobile telephony service, the ceiling since 2012 has been USD 0.22 per minute for the three operators that provide this service. Nonetheless, the average per-minute cost in the prepaid mobile service dropped from USD 0.122 in 2013 to USD 0.099 in 2017.[150]

[145] The general authorization is not a licence as such, but a regulatory framework.
[146] Article 92 of the Organic Law on Telecommunications.
[147] Article 33 of the Organic Law on Telecommunications defines an operator with market power as one that has the capacity (individually or with others) to significantly influence prices in a given market, or in the connection or interconnection to its network.
[148] Article 63 of the Organic Law on Telecommunications.
[149] Price of a basic monthly plan: the fixed monthly amount that the company charges for the service and entitling the customer to consume a certain amount of a service.
[150] Information provided by the authorities.

Chart 4.11 Payment to the State in respect of market concentration



Source: Article 34 of the Organic Law on Telecommunications.

4.152. The Law prohibits the rounding of units of time when calculating billing, and it also bans the application of rates or tariff plans based on cross-subsidies.[151] However, preferential rates are allowed under the law and currently exist for fixed-line telephony services for the elderly or disabled. This is equivalent to a 50% reduction in the basic residential rate, as also exists for the electricity service[152], as well as for mobile telephony for socially disadvantaged (or vulnerable) groups.[153] The Law also guarantees network neutrality.

4.153. Interconnection between public telecommunication networks is mandatory for their operators.

4.154. In the event of infringement of the Law, ARCOTEL will apply the sanction provided for therein. Abuses of market power and/or the pursuit of anti-competitive practices are also considered a legal violation of the law.

4.155. In terms of market structure, in December 2017 the fixed-line phone service was being provided by six companies: (i) EP CNT; (ii) Claro-Conecel S.A.; (iii) TV Cable-Setel S.A.; (iv) EP ETAPA; (v) Linkotel S.A.; and (vi) Level 3-Global Crossing Comunicaciones Ecuador S.A. All of these are private companies, except EP CNT and EP ETAPA, and four have national coverage. CNT EP has the largest market share, with 84.9% of all fixed lines registered. In the case of mobile telephony, an estimated 87.3% of the population has access to the service, and the provider Claro – Conecel S.A. has the largest market share at 54.3%. The rest of the market is shared between two other companies, Movistar – Otecel S.A. (31%) and EP CNT (15%). It is also estimated that 10.6% of the population has a fixed-line Internet account, while 52.5% have a mobile one. There are at least six companies operating in the fixed-line Internet market, of which EP CNT has the largest share, at 53.5%, followed by Setel S.A., with 12.1%. The mobile Internet market has only three operators: Conecel (with a 55.6% market share), EP CNT (32.5%) and Otecel (11.8%).[154]

[151] Article 62 of the Regulations implementing the Organic Law on Telecommunications.
[152] Article 15 of the Law on the Elderly and Article 79 of the Organic Law on Disabilities.
[153] ARCOTEL Resolution No. 1286 of 28 December 2017.
[154] ARCOTEL Statistical Bulletin for 2017 QIV and ICT Observatory. Viewed at: https://observatoriotic.mintel.gob.ec/estadistica.

4.156. There are several trade and tax policy measures that affect the telecommunications sector. Cellular phones (tariff line 8517) are subject to an import duty of 15%; and other devices, such as tablets (tariff line 851762), pay a tariff of between 5% and 10%. In conjunction with the 5% foreign exchange exit tax (ISD), these duties significantly increase the costs of importing the products in question. Between 2012 and 2016, mobile phones were also subject to an import quota, which in 2016 amounted to USD 250 million per year (or 2.6 million units).[155] During this period, the importation of cell phones delivered to natural persons through the Correos del Ecuador courier service was also prohibited. In addition, since 2016, business consumption of fixed and mobile telephony services has borne a 15% special consumption tax (ICE).[156]

4.5.3 Transport

4.5.3.1 Air transport and airports

4.157. Ecuador has 21 airports: four international (Quito, Guayaquil, Latacunga and Manta), one cross-border airport (Esmeraldas) and 16 local ones (13 on the mainland and three in Galapagos). These facilities are used by a total of 14 passenger airlines, all private except for the national carrier (TAME EP). Three of these (Aerogal-Avianca, TAME EP and Latam) fly both domestic and international routes, while the rest only operate direct international routes to and from cities in Latin America, the United States and Europe. In 2017, international passenger traffic registered around 4 million departures and arrivals, while international cargo traffic totalled 45,081 metric tons entering Ecuador and 192,723 tonnes leaving. The airports of Quito and Guayaquil handled the largest flows of both passenger and cargo traffic.

4.158. Several regulatory and institutional changes occurred during the period under review. A policy to deregulate air traffic, except for cabotage, was adopted in 2018, along with more detailed and flexible provisions on charter flights. In the institutional sphere, in 2013 certain functions of the National Civil Aviation Council (CNAC) were transferred to the General Directorate of Civil Aviation (DGAC) and the Ministry of Transport and Public Works.

4.159. Air transport in Ecuador is chiefly regulated by the Civil Aviation Law and the Aeronautical Code, both published in 2007 and subsequently amended. During the review period, the main changes in the regulatory framework were the implementation in 2018 of the Regulations on Operating Permits to Provide Commercial Air Transportation Services, and Decree No. 256 through which the State undertakes to adopt a policy to liberalize air transport services, apart from cabotage (Table 4.16). This Decree provides for the negotiation of open-skies agreements with other countries, which must guarantee free competition and will cover only international airports on the mainland, thus excluding airports in the Galapagos Islands. In addition to improving the country's connectivity, this new policy is expected to enhance competitiveness, by reducing transport costs for producers and exporters of flowers, frozen fish and other highly perishable products.

4.160. The new Regulations on Operating Permits repeal the previous ones, and are intended to promote the new open-skies policy. Among other things, these regulations include more detailed and flexible provisions on non-scheduled services, especially charter flights (see next section).

Table 4.16 Main legal instruments that regulate the air transport sector

Legal instrument	Description	Publication date	Most recent amendment
Codification No. 16	Civil Aviation Law	11/1/2007	11/6/2018
Codification No. 15	Aeronautical Code	11/1/2007	22/5/2016
Civil Aviation Resolution No. 18	Regulations on Operating Permits for the Provision of Commercial Air Transportation Services	26/2/2018	-
Presidential Decree No. 256	Decree adopting a policy to deregulate air transportation services, except cabotage (December 27, 2017)	3/1/2018	-

[155] COMEX Resolutions No. 67 of 11 June 2012 and No. 49 of 29 December 2015.
[156] Organic Law to Balance Public Finances of 29 April 2016.

Legal instrument	Description	Publication date	Most recent amendment
Cartagena Agreement Decision No. 582	Decision on air transport within the Andean Community	9/11/2004	-

Source: WTO Secretariat, on the basis of information provided by the authorities.

4.161. The key institutions with responsibilities in the air transport sector are the Ministry of Transport and Public Works (MTOP), through its Under-Secretariat of Civil Air Transportation; the DGAC; and the CNAC. The MTOP is responsible for planning, formulating and coordinating air transport and airport system policies, while the DGAC, attached to the MTOP, is responsible for the regulation of national aeronautical activity and the technical oversight of aircraft. The CNAC grants concessions and operating permits. In 2013, the Council was reformed, and some of its functions were transferred to the DGAC and the MTOP.[157] The approval of air transport agreements became the responsibility of the DGAC, and the formulation and direction of aeronautical policy were assigned to the MTOP. The CNAC consists of the Minister of Transport and Public Works as the State representative, along with the Minister of Tourism and the Minister of Foreign Trade. The General Director of Civil Aviation serves as secretary to the Council, but does not have a vote.

4.162. The provision of air transport services, as well as the construction and operation of civil aerodromes, airports and heliports, along with their services, may be delegated to national or foreign companies by granting permits or concessions as appropriate.[158] Only domestic air transport services (regular or non-scheduled) (cabotage) are reserved for natural persons of Ecuadorian nationality or companies established in Ecuador.[159] Ecuador also maintains nationality requirements for personnel employed in the air transport sector.

4.163. To provide domestic or international air transport services for passengers, cargo or mail (whether scheduled or otherwise), airlines need to obtain an operating permit from the CNAC, as well as technical certification from the DGAC. To obtain these permits, foreign airlines must set up a branch in Ecuador and have a representative or agent resident in the country. Operating permits for foreign airlines are granted in accordance with existing agreements or conventions between Ecuador and the country to which the applicant airline belongs. If there is no agreement in force, the principle of reciprocity applies: the foreign airline then receives a permit with rights that are equivalent to those that Ecuadorian airlines receive from the country in question.[160] Exclusive operating permits cannot be granted to any company.[161] Operating permits to provide public air transport services will be issued to Ecuadorian airlines for a maximum period of five years, and to foreign airlines for up to three years, in both cases renewable for equal periods. The operating permits for aerial work services, private services and related activities will be granted for a maximum of two years, renewable.[162] There are no restrictions on the number of operators per route, or on the frequency of flights.

4.164. In order to start transport operations, in addition to an operating permit, airlines need to obtain an air operator certificate and comply with the operational specifications issued by the DGAC, to ensure that the company is equipped to carry out operations safely and efficiently in the specified area or routes.[163]

4.165. To provide aerial work services and related activities, an operating permit is also required, which will be granted by the DGAC.[164]

4.166. Air transport companies are free to set their prices, but must register them with the DGAC.[165]

[157] Executive Decree No. 156 of 20 November 2013.
[158] Article 7 of the Regulations on Operating Permits to Provide Commercial Air Transportation Services, and Articles 6, 33 and 415 of the Companies Law.
[159] Article 47 of the Civil Aviation Law and Article 117 of the Aeronautical Code.
[160] Articles 4 and 5 of the Regulations on Operating Permits to Provide Commercial Air Transportation Services.
[161] Article 121 of the Aeronautical Code.
[162] Articles 114 and 115 of the Aeronautical Code.
[163] Article 56 of the Regulations on Operating Permits to Provide Commercial Air Transportation Services.
[164] Articles 108 and 111-112 of the Aeronautical Code.
[165] Article 100 of the Aeronautical Code.

4.167. Ecuador generally maintains an open-skies policy. The member countries of the Andean Community are granted the free exercise of third, fourth and fifth freedom rights, in scheduled and non-scheduled flights carrying passengers, cargo and mail, which are carried out within the subregion, although certain conditions apply in the case of non-scheduled passenger transport flights.[166]

4.168. Charter flights are allowed subject to authorization, and the 2018 regulations include more detailed and flexible provisions than before in this regard, among other items. For example, they allow domestic charter flights (whether passenger, cargo or mail) to be operated by Ecuadorian or foreign airlines with a valid regular operating permit. Previously, only Ecuadorian airlines could operate under this modality, and there was a limit on the number of flights that could be made.[167] The 2018 regulations also provide that, on an exceptional basis, an international charter flight to Ecuador may operate in national airports on the Ecuadorian mainland, provided that it is carrying tourist groups. This regulation also makes clear that fees will be paid according to the number of flights each month, unlike the previous regulations which required a fixed annual payment irrespective of the number of flights.[168]

4.169. Ecuador maintains a number of nationality restrictions for aeronautical staff and requires that the services of pilots, on-board crew, technicians, professionals and administrative staff be provided by Ecuadorian citizens, unless personnel of this nationality do not exist or are not available. In this case, the DGAC can authorize the hiring of foreign staff for up to six months, when it is certified that there is no national personnel available; and only with this certification will it allow the hiring of foreign crew members. The authorization in question can be renewed for a similar period if necessary. Persons so hired will be required to give the necessary training to the Ecuadorian staff that will take their place within a period specified by the authorities.[169]

4.170. The construction and operation of new or existing airports in Ecuador can be outsourced to private enterprise through a concession awarded in a competitive bidding process. If not under concession, national airports are administered and operated by the DGAC or else directly by the municipalities. A concession to build and operate new or existing airports will be made in accordance with current legal regulations. Ecuador has 21 airports. The international airports are operated under concession (Quito, Guayaquil and Baltra), one has been delegated to the Municipality of Cuenca, while the rest are managed by the DGAC. Guayaquil and Quito airports handle the most international traffic in terms of both passengers and cargo. Quito airport handles the most cargo, while passenger traffic is divided almost equally between the two. In 2017, Quito airport was the departure and arrival point for around 55% of all passengers, while Guayaquil airport captured about 44% of departures and arrivals. Quito airport also dispatched and disembarked 88% and 75% of total cargo, respectively, while the corresponding figures for Guayaquil airport were 8% and 25%.

4.171. In terms of incentives, in November 2017, the Government extended the aircraft fuel discount to all providers of passenger and cargo transportation services, provided their routes included airports run by the DGAC or the municipalities (except for routes to the Galapagos Islands).[170] This discount amounts to 40% of the fuel selling price, and since 2011 its scope has been progressively extended (Box 4.4). In 2018 it was decided that the DGAC would also develop an incentives plan, customized to the needs of the airports it manages, to boost flight operations and make the most of the existing infrastructure.[171]

[166] Articles 1, 6 and 7 of Cartagena Agreement Decision 582 of 9 November 2004, which regulates air transportation within the Andean Community.
[167] National Civil Aviation Council Resolution No. 3 of 4 March 2015, revoked in 2018.
[168] Articles 16 and 33 of the Regulation on Operating Permits to Provide Commercial Air Transportation Services.
[169] Articles 45 and 46 of the Civil Aviation Law.
[170] Executive Decree No. 204 of 9 November 2017.
[171] MTOP Ministerial Decision No. 013 of 5 July 2018.

Box 4.4 Evolution of the aircraft fuel discount since 2011

Executive Decree No. 338 of 2005 issued the Regulations Governing the Prices of Petroleum Products. The regulation was amended by Executive Decree No. 799 of 2015, through which the State regulated the air transport incentive for airlines within Ecuador. The Decree establishes that only airlines operating on routes that include airports managed by the DGAC, except for the Galapagos airports, will receive a 40% fuel discount.

Executive Decree No. 799 also determines the prioritized routes, which constitute international routes of interest for Ecuador in passenger, cargo or combined operations. In principle, three routes were prioritized: São Paulo, Mexico City and Los Angeles. The airline that operates first in these destinations will receive a 40% discount on the value of the fuel in any airport in Ecuador for a period of three years. Of the three prioritized routes, two were operated: Sao Paulo by TAME EP and Mexico by AEROMEXICO; and a request has been received from LATAM to prioritize the route to Santiago, Chile.

Lastly, Executive Decree No. 204 of November 2017 amends Article 6 (4) of Decree No. 338, and provides that all airports run by the State or delegated to the municipality, as in the case of Cuenca, will receive a 40% fuel price discount.

Source: WTO Secretariat, based on Executive Decree No. 968 of 28 December 2011; Executive Decree No. 799 of 22 October 2015; and Executive Decree No. 204 of 9 November 2017.

4.172. As in the case with other public services, elderly persons or persons with a disability receive a 50% discount on all transport fares.[172]

4.5.3.2 Maritime transport and ports

4.173. Maritime activities and port services are regulated by a variety of national laws, regulations and standards, as well as by international conventions (Table 4.17). These instruments date in many cases from the 1970s, such as the Maritime and Inland Waterway Transportation Law (1972) and the General Ports Law (1976), which basically include institutional provisions, along with regulations on maritime and port activity. In 2016, regulations were enacted governing port services in Ecuador, to complement the provisions described in the General Regulation on Port Activity.

Table 4.17 Main legal instruments regulating the maritime transport sector

Legal instrument	Description	Publication date	Most recent amendment
Supreme Decree	Law on Maritime and Inland Waterway Transport	1/2/1972	26/8/2009
Supreme Decree No. 289	General Ports Law	15/4/1976	
Supreme Decree No. 290	Law on the National Port Administration Regime	15/4/1976	2/12/1997
Supreme Decree No. 1173	Law on the Oil Terminal Administration Regime	4/3/1974	
Executive Decree No. 168	Regulations on Maritime Activity	27/3/1997	30/12/2008
Executive Decree No. 467	General Regulation on Port Activity	13/6/2000	-
Merchant Shipping Resolution No. 532	Implementing Rules for the Regulations on Maritime Activity	27/5/1997	1/6/2010
Executive Decree No. 810	Regulations for the Outsourcing of Public Transport Services	19/7/2011	-
Resolution No. 60	Rules governing port services in Ecuador	13/4/2016	31/5/2016
Cartagena Agreement Decision No. 314	Reciprocity in Maritime Transportation of the Andean Group	19/3/1992	23/8/1996
Cartagena Agreement Decision No. 422	Regulations governing the Reciprocity Principle in Maritime Transport	29/10/1996	
International agreement	Viña del Mar Agreement	7/5/1997	

[172] Article 55 of the Civil Aviation Law.

Legal instrument	Description	Publication date	Most recent amendment
International agreement	United Nations Convention on the Law of the Sea	16/9/2010	

Source: Information provided by the authorities and the WTO Secretariat.

4.174. The Ministry of Transport and Public Works, acting through the Under-Secretariat for Ports and Maritime and Inland Waterways Transport (SPTMF), is responsible for formulating national maritime and inland waterway transport policy, and for regulating and overseeing the country's ports (whether maritime or inland waterway). These latter functions were transferred to the Under-Secretariat in 2014, when the National Merchant Shipping and Ports Council, which was the port authority until then, was eliminated.[173] Similarly, the National Directorate for Aquatic Spaces (DIRNEA), attached to the General Marine Command, is tasked with guaranteeing security in national waters and preventing unlawful acts, among other things. There are also two State-owned shipping companies: Empresa Pública de Transportes Navieros Ecuatorianos (TRANSNAVE) and Empresa Pública Flota Petrolera Ecuatoriana (EP FLOPEC). EP FLOPEC is the only company authorized for the international maritime transportation of hydrocarbons.

4.175. In general, foreign investment is allowed in the maritime transport and port sector, albeit subject to certain requirements. Certain activities are the exclusive responsibility of the State, such as the transportation of hydrocarbons; and others are reserved for Ecuadorian flag vessels, such as inland waterway transport for passengers and cargo and postal bags.[174] In exceptional cases only, the SPTMF can authorize foreign-flag vessels to provide these services.

4.176. Any person wishing to engage in a port, maritime or inland waterway profession or activity must be registered with the SPTMF and obtain the requisite authorizations. Shipping agents and shipping companies must also be registered in Ecuador. The traffic and operation of foreign shipping companies are governed by the reciprocity principle. The authorities indicated that in international waterborne transport, the principle of effective reciprocity applies, and Ecuador complies with the provisions of the waterborne transport conventions to which it is a party. Any vessel can operate in jurisdictional waters provided it meets the legal requirements.

4.177. Crew and officers working on Ecuadorian-flag vessels must be Ecuadorian nationals. The hiring of foreign personnel can only be authorized for technical or operational reasons. The captains must also be Ecuadorian nationals, except for those operating yachts or sporting or pleasure boats.[175]

4.178. Foreign nationals may participate in the management, operation and maintenance of State-owned commercial ports, under an authorization, permit or concession, as the case may be. A permit is also required to build and commercially operate ports or maritime or inland waterway facilities.[176] To obtain a permit, concession or authorization, foreign companies must be incorporated in Ecuador. In the case of natural persons, they must be domiciled in Ecuador and have the corresponding authorization. Only the management of terminals and the provision of certain port services (loading, unloading and storage) for the transport of hydrocarbons are reserved for State-owned firms, or those with a majority State shareholding.

4.179. The law requires every State-owned commercial port to be managed and maintained through a port institution. Currently, each of the four State-owned commercial ports (Esmeraldas, Manta, Puerto Bolivar and Guayaquil) is managed by its own port authority.

4.180. The port authorities can outsource port management and operation either wholly or partially to private companies, either through concessions or through a public-private partnership contract. Concessions can be awarded, either directly or through a public tender[177], for a period of more than five years on the condition that the concession-holder makes investments to modernize or expand

[173] Executive Decree No. 1087 of 23 March 2012, as last amended on 11 September 2014.
[174] Article 125 of the Regulations on Maritime Activity.
[175] Articles 102 and 103 of the Regulations on Maritime Activity.
[176] Merchant Marine Resolution No. 55 of 11 January 2008 (specifying procedures for obtaining the permit to establish private commercial ports), as last amended on 31 May 2016.
[177] A public bidding process can be held in response to private or government initiative.

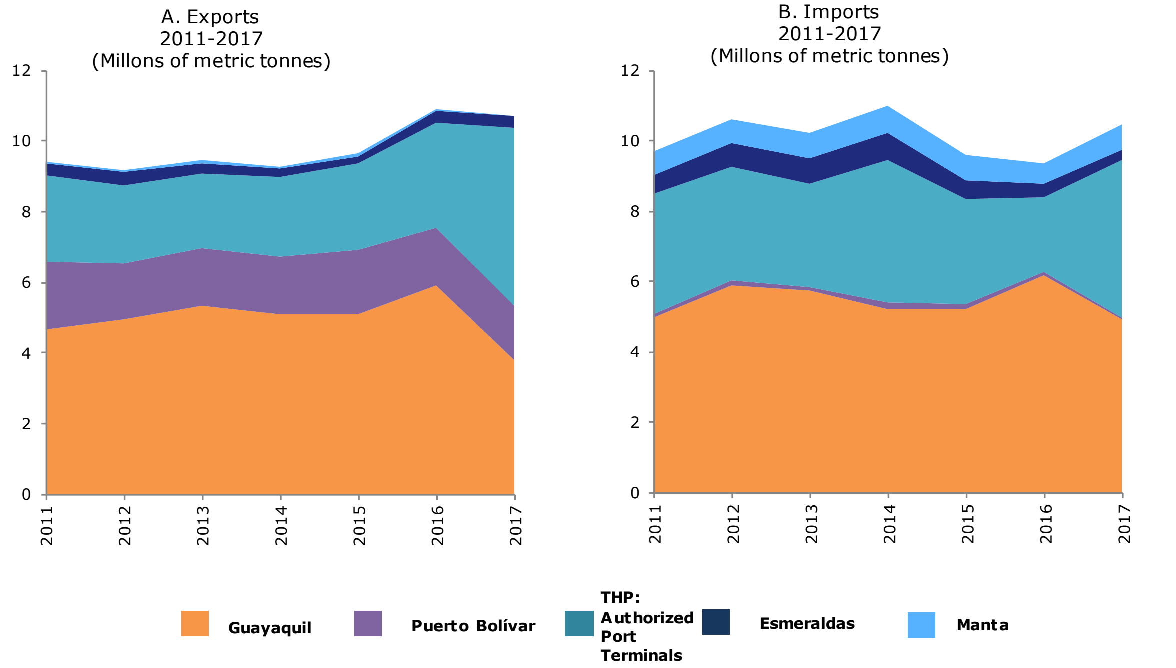
the facilities in question.[178] Concession holders also have the exclusive right to provide services.[179] Public-private partnership contracts are awarded directly and are granted for up to five years or for a term that depends on the amount of the investment.

4.181. In 2016, two of Ecuador's four publicly owned commercial ports (Puerto Bolívar and Manta) were placed under foreign management concessions, lasting 50 and 40 years respectively; and the construction of a new port terminal in Posorja, Province of Guayas, was awarded to DPW-POSORJA. The Guayaquil Port Authority also outsourced its port operations to two private companies. The outsourced terminals handle all types of non-oil cargo.

4.182. The State may also give authorization to build and operate private port facilities known as "authorized port terminals" (TPH), through a concession or a public-private partnership contract.[180] Thus, in addition to the four publicly owned commercial ports, there are 52 TPHs, three oil terminals (Balao, La Libertad and El Salitral) and a State-owned international waterway port.[181] In 2017, most of the cargo (non-oil) was handled in the TPHs: 66% of imports and 54% of exports (in metric tons) (Chart 4.12). The hydrocarbons trade, and in particular exports, is concentrated in the Balao oil terminal.

4.183. Port service fees are set freely by the port authorities according to the current Tariff Regulation issued by the sector ministry. In cases where port services have been outsourced to port operators, the latter will consider the tariffs set by the port authorities as maximum prices.[182]

Chart 4.12 Exports and imports of non-oil cargo in the national port system, 2011-2017



Source: Report on port and maritime transport statistics 2017, SPTMF.

[178] Articles 34-36 of the General Regulation on Port Activity.
[179] Article 2 of the General Regulation on Port Activity.
[180] Article 2 of the Rules Governing Port Services in Ecuador of 20 December 2016.
[181] Ministry of Transport and Public Works (2016), *Reporte de Estadísticas Portuarias y de Transporte Marítimo 2016.* The number of terminals does not include private terminals for cabotage or thermoelectric activities.
[182] Articles 7 and 8 of the General Regulations on Port Activity.

5 APPENDIX TABLES

Table A1. 1 Total merchandise exports by HS section, 2011-2017

(USD million and %)

Description	2011	2012	2013	2014	2015	2016	2017
	(USD million)						
Total exports	22,343	23,852	24,958	25,724	18,331	16,798	19,122
	(% of exports)						
1 - Live animals; animal products	6.7	6.9	8.4	11.1	14.0	17.0	17.3
03. Fish and crustaceans, molluscs and other aquatic invertebrates	6.6	6.8	8.3	11.0	13.9	16.9	17.2
2 - Vegetable products	14.8	13.4	13.9	14.7	21.5	23.1	22.4
08. Edible fruit and nuts; peel of citrus fruit or melons	10.5	9.2	9.7	10.5	16.0	17.1	16.7
06. Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	3.1	3.3	3.4	3.6	4.5	4.8	4.7
07. Edible vegetables and certain roots and tubers	0.5	0.5	0.4	0.4	0.7	0.8	0.8
09. Coffee, tea, maté and spices	0.5	0.3	0.1	0.1	0.2	0.2	0.2
3 - Animal or vegetable fats and oils	1.7	1.6	1.2	1.1	1.7	1.9	1.5
4 - Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes	9.7	9.6	10.6	10.5	13.4	14.5	13.3
16. Preparations of meat, of fish or of crustaceans	3.9	4.7	5.4	4.9	5.2	5.4	6.1
18. Cocoa and cocoa preparations	2.6	1.9	2.1	2.8	4.4	4.5	3.6
20. Preparations of vegetables, fruit, nuts or other parts of plants	1.1	0.9	0.9	1.1	1.4	1.4	1.2
23. Residues and waste from the food industries	0.7	0.6	0.8	0.6	0.9	1.2	1.0
5 - Mineral products	57.9	58.1	56.9	51.9	36.4	33.0	36.7
27. Mineral fuels, mineral oils and products of their distillation	57.8	57.8	56.5	51.6	36.3	32.7	36.2
26. Ores, slag and ash	0.1	0.2	0.3	0.2	0.0	0.2	0.5
6 - Products of the chemical or allied industries	0.9	1.0	0.7	0.5	0.9	0.8	0.6
30. Pharmaceutical products	0.1	0.1	0.1	0.2	0.4	0.3	0.2
34. Soap, organic surface-active agents, washing preparations, lubricating preparations	0.1	0.1	0.1	0.1	0.1	0.1	0.1
38. Miscellaneous chemical products	0.1	0.2	0.2	0.1	0.1	0.2	0.1
35. Albuminoidal substances; modified starches; glues; enzymes	0.1	0.1	0.1	0.1	0.1	0.1	0.1
7 - Plastics and articles thereof	0.9	0.9	1.0	0.9	1.0	1.0	0.8
39. Plastics and articles thereof	0.6	0.6	0.6	0.7	0.7	0.7	0.5
40. Rubber and articles thereof	0.3	0.3	0.3	0.2	0.3	0.3	0.3
8 - Raw hides and skins, leather, furskins and articles thereof; saddlery and harness	0.1	0.0	0.1	0.1	0.1	0.1	0.0
9 - Wood and articles of wood; wood charcoal	1.0	1.0	0.9	1.1	1.8	2.0	1.5
44. Wood and articles of wood; wood charcoal	1.0	1.0	0.9	1.1	1.7	2.0	1.5
10 - Pulp of wood or of other fibrous cellulosic material; paper and paperboard and articles thereof	0.3	0.3	0.3	0.3	0.3	0.3	0.3
48. Paper and paperboard; articles of paper pulp, of paper or of paperboard	0.3	0.3	0.2	0.2	0.2	0.2	0.2

Description	2011	2012	2013	2014	2015	2016	2017
11 - Textiles and textile articles	0.9	0.7	0.6	0.6	0.6	0.7	0.5
52. Cotton	0.1	0.1	0.2	0.1	0.1	0.2	0.2
12 - Footwear, headgear, umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof; prepared feathers and articles made therewith	0.3	0.2	0.2	0.2	0.2	0.3	0.2
13 - Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware	0.2	0.2	0.1	0.2	0.2	0.3	0.2
14 - Natural or cultured pearls, precious or semi-precious stones, precious metals	0.6	1.7	1.9	3.9	4.1	1.8	0.9
15 - Base metals and articles of base metal	1.1	1.3	1.3	1.2	1.6	1.4	1.7
73. Articles of iron or steel	0.5	0.7	0.6	0.6	0.7	0.7	0.8
78. Lead and articles thereof	0.1	0.1	0.1	0.1	0.2	0.2	0.3
76. Aluminium and articles thereof	0.1	0.1	0.2	0.2	0.2	0.2	0.3
16 - Machinery and mechanical appliances; electrical equipment; parts thereof	0.8	0.9	0.8	0.8	0.9	1.2	1.0
85. Electrical machinery and equipment and parts thereof; sound recorders and reproducers	0.3	0.2	0.3	0.3	0.4	0.6	0.6
84. Nuclear reactors, boilers, machinery and mechanical appliances	0.5	0.6	0.5	0.5	0.5	0.6	0.4
17 - Vehicles, aircraft, vessels and associated transport equipment	1.8	2.1	0.7	0.6	0.9	0.6	0.4
88. Aircraft, spacecraft, and parts thereof	0.0	0.0	0.2	0.1	0.4	0.4	0.3
87. Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	1.7	2.1	0.6	0.5	0.5	0.1	0.1
18 - Optical, photographic, cinematographic, measuring, checking or precision instruments and apparatus	0.1	0.1	0.1	0.1	0.2	0.1	0.1
19 - Arms and ammunition; parts and accessories thereof	0.0	0.0	0.0	0.0	0.0	0.0	0.0
20 - Miscellaneous manufactured articles	0.2	0.2	0.2	0.2	0.3	0.2	0.2
21 - Works of art, collectors' pieces and antiques	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.2	0.0	0.0	0.0	0.4

Source: WTO Secretariat estimates based on Comtrade data.

Table A1. 2 Total merchandise imports by HS section, 2011-2017

(USD million and %)

Description	2011	2012	2013	2014	2015	2016	2017
	(USD million)						
Total imports	24,286	25,197	27,064	27,518	21,387	16,189	19,845
	(% of imports)						
1 - Live animals; animal products	1.5	1.1	0.8	0.8	0.8	0.9	0.8
03. Fish and crustaceans, molluscs and other aquatic invertebrates	1.2	0.7	0.4	0.4	0.4	0.5	0.4
05. Products of animal origin, not elsewhere specified or included	0.1	0.1	0.1	0.1	0.1	0.1	0.1
01. Live animals	0.1	0.1	0.1	0.1	0.1	0.2	0.1
2 - Vegetable products	2.9	2.5	2.2	2.4	2.6	3.1	3.1
10. Cereals	1.8	1.4	1.1	1.3	1.5	1.8	1.8
08. Edible fruit and nuts; peel of citrus fruit or melons	0.5	0.5	0.5	0.5	0.5	0.5	0.5
07. Edible vegetables and certain roots and tubers	0.2	0.1	0.2	0.2	0.2	0.3	0.2
11. Products of the milling industry; malt; starches; inulin; wheat gluten	0.1	0.2	0.2	0.1	0.1	0.2	0.2
3 - Animal or vegetable fats and oils	0.8	0.7	0.7	0.6	0.7	0.8	0.7
4 - Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes	3.7	3.8	3.9	4.2	5.1	6.2	6.1
23. Residues and waste from the food industries	1.6	1.7	1.9	2.3	2.8	3.7	3.4
21. Miscellaneous edible preparations	0.7	0.7	0.8	0.8	0.9	1.1	1.0
19. Preparations of cereals, flour, starch or milk	0.4	0.4	0.5	0.4	0.5	0.5	0.5
17. Sugars and sugar confectionery	0.4	0.3	0.2	0.3	0.3	0.4	0.5
5 - Mineral products	22.7	22.8	23.8	24.8	19.9	16.6	17.3
27. Mineral fuels, mineral oils and products of their distillation	22.3	22.4	23.3	24.3	19.6	16.4	17.0
25. Salt; sulphur; earths and stone; plastering materials, lime and cement	0.4	0.4	0.5	0.5	0.3	0.2	0.2
6 - Products of the chemical or allied industries	11.8	12.1	11.7	11.9	14.3	16.6	14.1
30. Pharmaceutical products	3.9	3.9	3.8	3.9	5.1	5.8	4.6
38. Miscellaneous chemical products	1.7	1.9	1.9	2.0	2.3	2.8	2.2
29. Organic chemicals	1.6	1.6	1.5	1.5	1.7	2.3	1.8
31. Fertilizers	1.6	1.4	1.2	1.4	1.6	1.6	1.5
33. Essential oils and resinoids; perfumery, cosmetic or toilet preparations	1.1	1.2	1.2	1.1	1.3	1.4	1.4
28. Inorganic chemicals; organic or inorganic compounds of precious metals	0.6	0.6	0.6	0.6	0.7	0.8	0.8
32. Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other colouring matter	0.6	0.6	0.6	0.6	0.7	0.8	0.8
34. Soap, organic surface-active agents, washing preparations, lubricating preparations	0.4	0.5	0.5	0.5	0.6	0.6	0.6
7 - Plastics and articles thereof	6.0	5.9	5.7	5.7	6.2	6.8	6.4
39. Plastics and articles thereof	4.4	4.2	4.2	4.4	4.7	5.3	4.8
40. Rubber and articles thereof	1.7	1.8	1.5	1.4	1.5	1.4	1.6

Description	2011	2012	2013	2014	2015	2016	2017
8 - Raw hides and skins, leather, furskins and articles thereof; saddlery and harness	0.2	0.2	0.3	0.2	0.3	0.2	0.2
9 - Wood and articles of wood; wood charcoal	0.2	0.3	0.3	0.2	0.2	0.2	0.2
10 - Pulp of wood or of other fibrous cellulosic material; paper and paperboard and articles thereof	2.2	2.1	1.9	1.9	2.0	2.2	2.1
48. Paper and paperboard; articles of paper pulp, of paper or of paperboard	1.8	1.7	1.5	1.5	1.6	1.8	1.7
49. Printed books, newspapers, pictures and other products of the printing industry	0.3	0.3	0.3	0.2	0.2	0.3	0.2
11 - Textiles and textile articles	3.1	2.9	3.1	3.1	3.4	3.1	3.3
62. Articles of apparel and clothing accessories, not knitted or crocheted	0.4	0.5	0.6	0.6	0.7	0.6	0.6
52. Cotton	0.6	0.4	0.5	0.4	0.4	0.4	0.5
55. Man-made staple fibres	0.5	0.4	0.4	0.4	0.5	0.4	0.4
54. Man-made filaments; strip and the like of man-made textile materials	0.3	0.3	0.3	0.3	0.3	0.4	0.4
61. Articles of apparel and clothing accessories, knitted or crocheted	0.4	0.4	0.5	0.4	0.5	0.4	0.4
12 - Footwear, headgear, umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof; prepared feathers and articles made therewith	0.6	0.7	0.7	0.7	0.8	0.8	0.8
64. Footwear, gaiters and the like; parts of such articles	0.5	0.6	0.6	0.6	0.8	0.7	0.7
65. Headgear and parts thereof	0.0	0.0	0.1	0.1	0.0	0.1	0.1
13 - Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware	1.1	1.2	1.2	1.1	1.2	1.3	1.3
70. Glass and glassware	0.5	0.5	0.4	0.5	0.5	0.5	0.6
68. Articles of stone, plaster, cement, asbestos, mica or similar materials	0.2	0.3	0.3	0.3	0.3	0.4	0.4
69. Ceramic products	0.4	0.5	0.4	0.4	0.4	0.3	0.3
14 - Natural or cultured pearls, precious or semi-precious stones, precious metals	0.1	0.1	0.2	0.1	0.1	0.1	0.1
15 - Base metals and articles of base metal	8.4	7.8	8.1	7.8	7.4	7.0	7.5
72. Iron and steel	3.7	3.0	3.5	2.9	2.9	2.8	3.7
73. Articles of iron or steel	2.7	2.8	2.7	2.9	2.4	1.8	1.6
76. Aluminium and articles thereof	0.5	0.5	0.5	0.5	0.5	0.8	0.6
16 - Machinery and mechanical appliances; electrical equipment; parts thereof	20.9	22.3	22.6	21.6	22.3	22.2	20.6
84. Nuclear reactors, boilers, machinery and mechanical appliances	11.8	13.3	12.6	12.3	11.9	11.9	11.8
85. Electrical machinery and equipment and parts thereof; sound recorders and reproducers	9.1	9.0	10.0	9.3	10.4	10.2	8.7
17 - Vehicles, aircraft, vessels and associated transport equipment	9.7	9.3	8.5	8.6	7.8	7.5	9.5
87. Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	9.2	9.0	8.2	7.9	7.2	7.0	9.4

Description	2011	2012	2013	2014	2015	2016	2017
18 - Optical, photographic, cinematographic, measuring, checking or precision instruments and apparatus	2.1	2.2	2.2	2.3	2.7	2.4	2.6
19 - Arms and ammunition; parts and accessories thereof	0.0	0.0	0.0	0.0	0.0	0.0	0.0
20 - Miscellaneous manufactured articles	1.4	1.5	1.7	1.5	1.6	1.5	1.9
94. Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included	0.6	0.7	0.7	0.6	0.6	0.5	0.8
95. Toys, games and sports requisites; parts and accessories thereof	0.5	0.5	0.5	0.4	0.5	0.5	0.5
96. Miscellaneous manufactured articles	0.3	0.3	0.5	0.5	0.5	0.5	0.5
21 - Works of art, collectors' pieces and antiques	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.4	0.4	0.5	0.4	0.5	0.6	1.6

Source: WTO Secretariat estimates based on Comtrade data.

Table A1. 3 Total merchandise exports by trading partner, 2011-2017

(USD million and %)

Description	2011	2012	2013	2014	2015	2016	2017
	(USD million)						
Total exports	22,343	23,852	24,958	25,724	18,331	16,798	19,122
	(% of exports)						
America	79.1	78.4	74.3	74.1	64.2	60.1	59.0
USA	43.5	44.7	44.6	43.7	39.4	32.4	31.7
Other America	35.6	33.7	29.7	30.4	24.8	27.7	27.3
Peru	7.9	8.3	7.5	6.1	5.1	5.6	6.7
Chile	4.9	8.4	9.9	9.0	6.2	6.8	6.5
Panama	4.7	3.9	2.5	5.4	2.4	3.9	4.9
Colombia	4.6	4.4	3.7	3.7	4.3	4.8	4.0
Argentina	0.4	0.4	0.6	0.8	1.2	1.3	1.4
Mexico	0.4	0.4	0.5	0.6	0.9	1.0	0.7
Brazil	0.4	0.6	0.5	0.5	0.6	0.9	0.6
Canada	0.4	0.5	0.5	0.5	0.6	0.5	0.5
Guatemala	0.5	0.4	0.6	0.2	0.2	0.3	0.4
Dominican Republic	0.2	0.2	0.2	0.2	0.3	0.4	0.3
Venezuela, Bolivarian Republic of	6.6	4.2	1.9	2.2	1.8	0.9	0.3
Bolivia, Plurinational State of	0.1	0.1	0.1	0.1	0.2	0.2	0.2
Costa Rica	0.1	0.1	0.1	0.1	0.2	0.1	0.2
Nicaragua	0.1	0.1	0.1	0.1	0.4	0.4	0.2
Europe	13.2	11.5	13.6	12.9	17.0	17.9	17.5
EU(28)	12.0	10.3	12.2	11.6	15.1	16.9	16.6
Spain	2.1	1.9	3.1	2.0	2.6	3.3	3.1
Italy	2.6	2.1	1.7	1.7	1.8	2.7	3.1
Germany	2.2	1.6	1.7	2.0	3.0	3.2	2.6
Netherlands	1.6	1.4	1.7	2.0	2.5	2.5	2.5
France	0.9	1.0	1.3	1.2	1.5	1.7	1.5
EFTA	0.4	0.4	0.4	0.3	0.3	0.2	0.2
Norway	0.1	0.1	0.0	0.0	0.1	0.1	0.1
Switzerland	0.3	0.4	0.4	0.3	0.2	0.1	0.1
Other Europe	0.8	0.7	1.0	1.0	1.5	0.8	0.7
Turkey	0.4	0.4	0.9	0.7	1.2	0.7	0.6
Commonwealth of Independent States (CIS)	3.5	3.4	3.9	3.9	4.6	5.3	5.1
Russian Federation	3.1	3.0	3.3	3.2	3.9	4.6	4.4
Ukraine	0.2	0.3	0.4	0.4	0.3	0.4	0.4
Kazakhstan	0.0	0.0	0.1	0.0	0.1	0.1	0.1
Georgia	0.1	0.1	0.1	0.2	0.2	0.1	0.1
Africa	0.3	0.5	0.4	0.5	0.6	0.4	0.2
Morocco	0.0	0.0	0.0	0.0	0.0	0.1	0.1
South Africa	0.0	0.0	0.1	0.0	0.1	0.1	0.1
Middle East	0.2	0.2	0.2	0.4	0.8	1.3	1.7
Saudi Arabia, Kingdom of	0.1	0.1	0.1	0.1	0.3	0.5	0.5
Iran	0.0	0.0	0.0	0.0	0.0	0.1	0.3
Iraq	0.0	0.0	0.0	0.0	0.0	0.1	0.3
United Arab Emirates	0.0	0.0	0.0	0.0	0.1	0.2	0.2
Asia	3.4	6.0	7.1	8.2	12.7	15.0	16.5
China	0.9	1.6	2.3	1.9	3.9	3.9	4.0
Japan	1.6	2.7	2.3	1.3	1.8	1.9	2.0
Other Asia	0.9	1.6	2.6	5.0	7.0	9.2	10.5
Viet Nam	0.2	0.6	1.3	2.4	4.3	6.6	7.6
India	0.1	0.4	0.1	1.3	0.8	0.5	0.6
Korea, Republic of	0.1	0.2	0.2	0.2	0.9	0.5	0.6

Description	2011	2012	2013	2014	2015	2016	2017
Indonesia	0.0	0.0	0.1	0.1	0.1	0.3	0.5
Malaysia	0.0	0.2	0.1	0.1	0.4	0.4	0.5
New Zealand	0.1	0.1	0.1	0.1	0.2	0.2	0.2
Other	0.4	0.1	0.3	0.1	0.1	0.1	0.0

Source: WTO Secretariat estimates based on Comtrade data.

Table A1. 4 Total merchandise imports by trading partner, 2011-2017

(USD million and %)

Description	2011	2012	2013	2014	2015	2016	2017
	(USD million)						
Total imports	24,286	25,197	27,064	27,518	21,387	16,189	19,845
	(% of imports)						
America	60.1	62.6	56.9	57.0	52.3	54.1	53.2
USA	21.2	26.9	25.2	28.0	23.8	23.2	20.0
Other America	39.0	35.8	31.8	29.0	28.5	30.9	33.2
Colombia	8.7	8.7	8.0	7.5	7.5	8.1	8.1
Panama	6.1	6.6	4.8	3.5	3.2	3.1	4.5
Brazil	3.9	3.7	3.4	3.1	3.4	4.2	4.4
Peru	3.8	4.5	3.7	3.3	3.3	3.8	3.8
Mexico	4.4	3.5	4.3	4.1	3.3	3.2	3.7
Chile	2.2	2.5	2.1	1.9	2.3	2.6	2.5
Argentina	2.3	1.9	1.6	1.9	1.4	1.6	2.1
Canada	1.3	1.2	1.2	1.2	1.5	1.4	1.3
Bolivia, Plurinational State of	0.7	0.1	0.7	0.7	1.0	1.4	1.2
Paraguay	0.1	0.0	0.1	0.2	0.3	0.2	0.4
Uruguay	0.2	0.3	0.2	0.2	0.3	0.3	0.3
Costa Rica	0.2	0.2	0.3	0.3	0.2	0.3	0.2
Guatemala	0.1	0.1	0.1	0.1	0.2	0.2	0.2
Dominican Republic	0.0	0.1	0.0	0.1	0.1	0.1	0.1
Curaçao	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Venezuela, Bolivarian Republic of	4.0	0.9	0.3	0.1	0.1	0.1	0.1
Europe	10.8	12.5	12.2	12.3	12.7	12.6	14.0
EU(28)	9.8	11.5	11.2	11.3	11.8	11.6	13.1
Spain	1.3	2.4	2.6	2.2	1.8	2.0	3.0
Germany	2.7	2.3	2.5	2.4	2.6	2.7	2.7
Netherlands	0.8	0.8	0.8	1.4	1.4	1.1	2.2
Italy	1.4	1.1	1.3	1.4	1.8	1.8	1.5
France	0.9	0.6	0.8	0.9	1.2	1.1	0.8
United Kingdom	0.8	1.9	1.5	0.8	0.6	0.5	0.6
EFTA	0.7	0.7	0.6	0.6	0.7	0.7	0.6
Switzerland	0.6	0.6	0.5	0.5	0.5	0.7	0.6
Other Europe	0.3	0.2	0.4	0.4	0.3	0.3	0.3
Turkey	0.2	0.2	0.4	0.4	0.2	0.3	0.3
Commonwealth of Independent States (CIS)	0.9	0.7	0.6	0.5	0.9	1.2	0.9
Russian Federation	0.7	0.5	0.5	0.5	0.9	1.2	0.9
Africa	0.6	0.5	0.1	0.1	0.1	0.1	0.3
Nigeria	0.2	0.0	0.0	0.0	0.0	0.0	0.1
Middle East	0.4	0.4	0.4	1.0	1.1	0.3	0.3
Israel	0.1	0.1	0.2	0.2	0.1	0.1	0.1
Saudi Arabia, Kingdom of	0.1	0.1	0.1	0.7	0.9	0.1	0.1
United Arab Emirates	0.1	0.1	0.1	0.2	0.1	0.0	0.1
Asia	26.5	22.8	29.5	28.8	32.6	31.2	31.0
China	13.7	11.2	16.7	16.8	19.0	19.1	18.6
Japan	3.7	2.9	3.2	3.2	3.3	2.9	2.6
Other Asia	9.1	8.8	9.6	8.8	10.2	9.2	9.8
Korea, Republic of	3.9	3.1	3.9	3.4	3.9	3.4	3.3
India	1.1	1.8	2.2	1.4	2.4	1.4	1.8
Thailand	1.1	1.2	0.9	0.9	0.7	0.7	1.3
Chinese Taipei	1.0	0.8	0.9	0.9	1.0	0.9	0.8
Viet Nam	0.2	0.1	0.3	0.3	0.6	0.9	0.8
Indonesia	0.4	0.3	0.3	0.5	0.4	0.5	0.5

Description	2011	2012	2013	2014	2015	2016	2017
Singapore	0.5	0.2	0.2	0.2	0.2	0.3	0.3
Malaysia	0.5	0.1	0.4	0.4	0.4	0.3	0.3
Other	0.7	0.5	0.4	0.3	0.2	0.4	0.3

Source: WTO Secretariat estimates based on Comtrade data.

Table A2. 1 Notifications submitted to the WTO as at 31 July 2018

Agreement and Article	Description	Frequency	Document (most recent if submitted regularly)	Date
Agreement on Agriculture				
Article 18.2 (ES:1 and ES:2)	Export subsidies	Annual	G/AG/N/ECU/44	22.5.2018
			G/AG/N/ECU/40	5.1.2016
			G/AG/N/ECU/35	19.2.2014
			G/AG/N/ECU/32	16.11.2012
			G/AG/N/ECU/28	27.5.2012
Article 18.2 (DS:1)	Domestic support	Annual	G/AG/N/ECU/49	25.7.2018
			G/AG/N/ECU/48	25.7.2018
			G/AG/N/ECU/47	25.7.2018
			G/AG/N/ECU/42	13.1.2016
			G/AG/N/ECU/36	19.2.2014
			G/AG/N/ECU/34	16.11.2012
			G/AG/N/ECU/29	27.5.2011
Article 18.3 (DS:2)	Domestic support	Annual	G/AG/N/ECU/45	24.7.2018
			G/AG/N/ECU/33	16.11.2012
Articles 5.7 and 18.2 (MA:5)	Special safeguard	Annual	G/AG/N/ECU/43	22.5.2018
			G/AG/N/ECU/39	5.1.2016
			G/AG/N/ECU/37	19.2.2014
			G/AG/N/ECU/31	16.11.2012
			G/AG/N/ECU/27	27.5.2011
Agreement on Rules of Origin				
Article 5 and Annex II, paragraph 4	Modifications to preferential rules of origin; new preferential rules of origin	*Ad hoc*	G/RO/N/157	21.7.2017
Agreement on Import Licensing Procedures				
Article 7.3	Replies to the questionnaire on import licensing procedures	Annual	G/LIC/N/...	Notification pending
Articles 1.4(a) and 8.2(b)	Changes in laws, regulations and administrative procedures	Once only/ *Ad hoc*	G/LIC/N/3	26.10.2012
			G/LIC/N/6	23.9.2016
Quantitative restrictions				
G/L/59/Rev.1	List of restrictions	Biennial	G/MA/QR/N/	Notification pending
Agreement on Preshipment Inspection				
Article 5	Changes in laws and regulations	*Ad hoc*	G/PSI/N/1/Rev.1	11.10.2012
Agreement on Implementation of Article VI of the GATT 1994 (Anti-Dumping Agreement)				
Article 16.4	Anti-dumping actions (preliminary and final)	*Ad hoc*	G/ADP/N/228	8.5.2012
			G/ADP/N/227	4.5.2012
Article 16.4	Anti-dumping actions (taken within the preceding six months)	Semi-annual	G/ADP/N/230/ECU	9.8.2012
			G/ADP/N/223/ECU	16.1.2012
			G/ADP/N/216/ECU	31.8.2011
			G/ADP/N/209/ECU	4.3.2011
Article 18.5	Legislation	Once only/ *Ad hoc*	G/ADP/N/1/ECU/3/Suppl. 1	13.5.2016
			G/ADP/N/1/ECU/3; G/SCM/N/1/ECU/3; G/SG/N/1/ECU/5	24.5.2011
Agreement on Subsidies and Countervailing Measures				
Article 25.11	Countervailing duty actions (taken in the preceding six months)	Semi-annual	G/SCM/N/328 - G/SCM/N/219	15.12.2017- 5.1.2011
Article 25.1	Subsidy programmes	Annual	G/SCM/N/315/ECU	26.2.2018
			G/SCM/N/284/ECU	14.7.2015

Agreement and Article	Description	Frequency	Document (most recent if submitted regularly)	Date
			G/SCM/N/253/ECU	17.7.2013
			G/SCM/N/220/ECU	16.6.2011
Article 32.6	Legislation	*Ad hoc*	G/ADP/N/1/ECU/3/Suppl.1	13.5.2016
			G/ADP/N/1/ECU/3; G/SCM/N/1/ECU/3; G/SG/N/1/ECU/5	24.5.2011
Agreement on Safeguards				
Article 12.6	Legislation	*Ad hoc*	G/SG/N/1/ECU/6	11.5.2012
			G/ADP/N/1/ECU/3; G/SCM/N/1/ECU/3; G/SG/N/1/ECU/5	24.5.2011
Article 12.1(a)	Safeguards (initiation of an investigation)	*Ad hoc*	G/SG/N/6/ECU/9	2.9.2014
Article 12.1(b)	Finding of serious injury or threat thereof	*Ad hoc*	G/SG/N/8/ECU/4	24.4.2015
Article 12.4	Adoption of a provisional safeguard measure	*Ad hoc*	G/SG/N/7/ECU/3/Suppl.1	7.11.2014
			G/SG/N/7/ECU/3	23.10.2014
Understanding on the Balance-of-Payments Provisions of the GATT 1994 Balance-of-payments restrictions				
Paragraph 9	Balance-of-payments restrictions	Article XII:4 of the GATT *Ad hoc*	WT/BOP/N/84	20.6.2017
			WT/BOP/N/83	13.10.2016
			WT/BOP/N/82	10.5.2016
			WT/BOP/N/81	26.1.2016
			WT/BOP/N/79	7.4.2015
Agreement on the Application of Sanitary and Phytosanitary Measures				
Article 7, Annex B	Sanitary/ phytosanitary regulations	*Ad hoc*	G/SPS/N/ECU/89	19.12.2011
			G/SPS/N/ECU/210	13.7.2018
Agreement on Technical Barriers to Trade				
Article 2.9	Technical regulations	*Ad hoc*	G/TBT/N/ECU/12/Rev.1	4.4.2018
			G/TBT/N/ECU/66	17.1.2011
Article 2.10	Technical regulations (urgent)	*Ad hoc*	G/TBT/N/ECU/249 - G/TBT/N/ECU/44	12.5.2014- 16.4.2009
Article 5.6	Technical regulations	*Ad hoc*	G/TBT/N/ECU/73 - G/TBT/N/ECU/48	31.5.2011 1.10.2009
GATT 1994				
Article XVII:4(a)	Activities of State trading enterprises	Annual (on a three-year basis for complete notifications and annual in the case of changes)	G/STR/N/16/ECU	6.7.2018
			G/STR/N/15/ECU	6.10.2014
			G/STR/N/14/ECU	20.12.2012
Article XXVIII:5	Modification of schedules (reservation of the right to modify schedules during a three-year period)	On a three-year basis	G/MA/338	5.9.2017
			G/MA/290	5.8.2014
			G/MA/246	15.9.2011
Article VII	Valuation for customs purposes Domestic legislation	*Ad hoc*	G/VAL/N/1/ECU/3	19.2.2013
Article VII Decision A.3	Notification on treatment of interest charges	*Ad hoc*	G/VAL/N/3/ECU/1	16.8.2013

Agreement and Article	Description	Frequency	Document (most recent if submitted regularly)	Date
Article VII Decision on the checklist of issues (G/VAL/5, B.3)	Checklist of issues	*Ad hoc*	G/VAL/N/2/ECU/1	1.11.2011
General Agreement on Trade in Services				
Article V:7(a)	Economic integration agreement	*Ad hoc*	WT/REG380/N/1 S/C/N/876	3.3.2017
Article VII:4	Recognition agreements	*Ad hoc*	S/C/N/619	2.3.2012
Agreement on Trade-Related Aspects of Intellectual Property Rights				
Article 63.2	Legislation	Once only/ *Ad hoc*	IP/N/1/ECU/13/Rev.1; IP/N/1/ECU/O/3/Rev.1	18.4.2017
			IP/N/1/ECU/3; IP/N/1/ECU/C/8	25.1.2017
			IP/N/1/ECU/4; IP/N/1/ECU/C/9	25.1.2017
			IP/N/1/ ECU/5; IP/N/1/ ECU/C/10	25.1.2017
			IP/N/1/ ECU/6-7; IP/N/1/ ECU/I/5-6	25.1.2017
			IP/N/1/ ECU/8-10; IP/N/1/ ECU/P/3-5	25.1.2017
			IP/N/1/ ECU/11-17; IP/N/1/ ECU/O/1-7	25.1.2017
Agreement on Trade Facilitation				
Article 15	Commitments designated under Category A	Once only	WT/PCTF/N/ECU/1	7.8.2014

Source: WTO Secretariat.

Table A3. 1 Summary analysis of the MFN tariff (excluding AVEs), 2018

Product description	MFN				Bound tariff (range)[a] (%)
	Number of lines	Average (%)	Range (%)	Coefficient of variation (CV)	
Total	**7,997**	**10.9**	**0 – 85.5**	**1.1**	**5 – 85.5**
HS 01-24	1,407	21.5	0 – 85.5	0.6	5 – 85.5
HS 25-97	6,590	8.6	0 - 40	1.1	5 - 40
By WTO category					
Agricultural products	1,096	18.5	0 – 85.5	0.8	5 – 85.5
- Animals and animal products	139	26.8	0 – 85.5	0.8	5 – 85.5
- Dairy products	36	34.9	5 - 54	0.3	20 - 72
- Fruit, vegetables and garden produce	313	19.6	0 - 30	0.5	5 - 30
- Coffee and tea	35	22.9	10 - 30	0.3	20 - 30
- Cereals and cereal preparations	141	19.1	0 – 67.5	0.7	5 – 67.5
- Oil seeds, fats and oils and their products	123	16.0	0 – 31.5	0.7	15 – 38.7
- Sugar and confectionery	29	28.4	0 - 45	0.6	5 - 45
- Beverages, alcohol and tobacco	79	19.6	1 - 30	0.6	20 - 30
- Cotton	8	4.4	0 - 10	0.7	10 - 20
- Other agricultural products n.e.s.	193	7.0	0 - 45	1.6	5 - 45
Non-agricultural products (including petroleum)	6,901	9.7	0 - 40	1.1	5 - 40
- Non-agricultural products (excluding petroleum)	6,852	9.7	0 - 40	1.1	5 - 40
- - Fish and fish products	401	25.6	0 - 30	0.4	15 - 36
- - Mineral products and metals	1,123	7.9	0 - 30	1.3	5 - 30
- - Chemicals and photographic products	1,653	2.5	0 - 20	2.2	5 - 20
- - Wood, wood pulp, paper and furniture	378	13.2	0 - 30	0.7	5 - 30
- - Textiles	699	16.1	0 - 30	0.5	15 - 30
- - Clothing	255	10.0	10 - 10	0.0	30 - 30
- - Leather, rubber, footwear and travel articles	215	10.2	0 - 30	1.0	10 - 30
- - Non-electrical machinery	799	6.4	0 - 30	1.2	10 - 30
- - Electrical machinery	428	10.0	0 - 30	1.0	10 - 30
- - Transport equipment	323	11.1	0 - 40	1.0	10 - 40
- - Non-agricultural products n.e.s.	578	16.2	0 - 30	0.8	10 - 30
- Petroleum	49	2.5	0 - 10	1.6	5 - 25
By ISIC sector[b]					
Agriculture and fishing	569	15.4	0 - 54	0.8	5 – 67.5
Mining	108	0.5	0 - 10	3.3	10 - 25
Manufacturing	7,319	10.7	0 – 85.5	1.1	5 – 85.5
By HS section					
01 Live animals; animal products	532	24.7	0 – 85.5	0.6	5 – 85.5
02 Vegetable products	441	15.7	0 – 67.5	0.7	5 – 67.5
03 Fats and oils	67	19.0	0 – 31.5	0.6	15 – 31.5
04 Prepared foodstuffs, etc.	367	24.2	0 - 45	0.4	5 - 45
05 Mineral products	214	1.5	0 - 10	2.1	5 - 25
06 Products of the chemical or allied industries	1,548	1.8	0 – 29.3	2.5	5 – 31.5
07 Plastics and rubber	328	8.4	0 - 30	1.1	10 - 30
08 Raw hides and skins, leather	78	14.7	0 - 30	0.8	15 - 30
09 Wood and articles of wood	148	14.0	0 - 30	0.6	10 - 30
10 Pulp of wood, paper, etc.	199	10.9	0 - 30	1.0	5 - 30
11 Textiles and textile articles	941	13.9	0 - 30	0.5	10 - 30
12 Footwear and headgear	59	17.4	0 - 30	0.5	25 - 30
13 Articles of stone	175	11.7	0 - 30	0.9	15 - 30
14 Precious stones, etc.	59	7.0	0 - 30	1.7	10 - 30
15 Base metals and articles of base metal	717	9.3	0 - 30	1.1	10 - 30
16 Machinery and mechanical appliances	1,248	7.8	0 - 30	1.1	10 - 30
17 Vehicles, aircraft, vessels and associated transport equipment	335	11.0	0 - 40	1.0	10 - 40

Product description	MFN				Bound tariff (range)[a] (%)
	Number of lines	Average (%)	Range (%)	Coefficient of variation (CV)	
18 Precision instruments	287	8.2	0 - 30	1.2	10 - 30
19 Arms and ammunition	69	27.2	15 - 30	0.1	20 - 30
20 Miscellaneous manufactured articles	178	25.3	0 - 30	0.3	15 - 30
21 Works of art, etc.	7	30.0	30 - 30	0.0	30 - 30
By stage of processing					
First stage of processing	1,053	12.0	0 – 67.5	1.1	5 – 67.5
Semi-processed products	2,578	6.7	0 - 45	1.4	5 - 45
Fully processed products	4,366	13.1	0 – 85.5	0.9	5 – 85.5

a The HS 2007 classification has been used for the bindings, and the HS 2017 classification for the applied rates; as a result, there may be differences between the number of lines included in the analysis.

b ISIC (Rev.2), excluding electricity (one line).

Source: WTO Secretariat estimates based on data provided by the authorities.

Table A3. 2 Summary analysis of the MFN tariff (including AVEs), 2018

Product description	MFN				Bound tariff (range)[a] (%)
	Number of lines	Average (%)	Range (%)	Coefficient of variation (CV)	
Total	**7,997**	**12.2**	**0 – 422.2**	**1.2**	**5 – 85.5**
HS 01-24	1,407	21.5	0 – 85.5	0.6	5 – 85.5
HS 25-97	6,590	10.2	0 – 422.2	1.4	5 - 40
By WTO category					
Agricultural products	1,096	18.5	0 – 85.5	0.8	5 – 85.5
- Animals and animal products	139	26.8	0 – 85.5	0.8	5 – 85.5
- Dairy products	36	34.9	5 - 54	0.3	20 - 72
- Fruit, vegetables and garden produce	313	19.6	0 - 30	0.5	5 - 30
- Coffee and tea	35	22.9	10 - 30	0.3	20 - 30
- Cereals and cereal preparations	141	19.1	0 – 67.5	0.7	5 – 67.5
- Oilseeds, fats and oils and their products	123	16.0	0 – 31.5	0.7	15 – 38.7
- Sugar and confectionary	29	28.4	0 - 45	0.6	5 - 45
- Beverages, alcohol and tobacco	79	19.6	1 - 30	0.6	20 - 30
- Cotton	8	4.4	0 - 10	0.7	10 - 20
- Other agricultural products n.e.s.	193	7.0	0 - 45	1.6	5 - 45
Non-agricultural products (including petroleum)	6,901	11.2	0 – 422.2	1.3	5 - 40
- Non-agricultural products (excluding petroleum)	6,852	11.2	0 – 422.2	1.3	5 - 40
- - Fish and fish products	401	25.6	0 - 30	0.4	15 - 36
- - Mineral products and metals	1,123	8.3	0 – 60.5	1.3	5 - 30
- - Chemicals and photographic products	1,653	2.5	0 - 20	2.2	5 - 20
- - Wood, wood pulp, paper and furniture	378	13.2	0 - 30	0.7	5 - 30
- - Textiles	699	21.5	0 – 422.2	1.2	15 - 30
- - Clothing	255	33.4	10 – 178.9	0.6	30 - 30
- - Leather, rubber, footwear and travel articles	215	10.6	0 - 30	0.9	10 - 30
- - Non-electrical machinery	799	6.4	0 - 30	1.2	10 - 30
- - Electrical machinery	428	10.0	0 - 30	1.0	10 - 30
- - Transport equipment	323	11.1	0 - 40	1.0	10 - 40
- - Non-agricultural products n.e.s.	578	16.2	0 - 30	0.8	10 - 30
- Petroleum	49	2.5	0 - 10	1.6	5 - 25
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Agriculture and fishing	569	15.4	0 - 54	0.8	5 – 67.5
Mining	108	0.5	0 - 10	3.3	10 - 25
Manufacturing	7,319	12.1	0 – 422.2	1.3	5 – 85.5
By HS section					
01 Live animals; animal products	532	24.7	0 – 85.5	0.6	5 – 85.5
02 Vegetable products	441	15.7	0 – 67.5	0.7	5 – 67.5
03 Fats and oils	67	19.0	0 – 31.5	0.6	15 – 31.5
04 Prepared foodstuffs, etc.	367	24.2	0 - 45	0.4	5 - 45
05 Mineral products	214	1.5	0 - 10	2.1	5 - 25
06 Products of the chemical or allied industries	1,548	1.8	0 – 29.3	2.5	5 – 31.5
07 Plastics and rubber	328	8.6	0 - 30	1.0	10 - 30
08 Raw hides and skins, leather	78	14.7	0 - 30	0.8	15 - 30
09 Wood and articles of wood	148	14.0	0 - 30	0.6	10 - 30
10 Pulp of wood, paper, etc.	199	10.9	0 - 30	1.0	5 - 30
11 Textiles and textile articles	941	24.2	0 – 422.2	1.1	10 - 30
12 Footwear and headgear	59	17.4	0 - 30	0.5	25 - 30
13 Articles of stone	175	13.0	0 – 60.5	0.9	15 - 30
14 Precious stones, etc.	59	7.0	0 - 30	1.7	10 - 30
15 Base metals and articles of base metal	717	9.5	0 – 40.7	1.1	10 - 30
16 Machinery and mechanical appliances	1,248	7.8	0 - 30	1.1	10 - 30
17 Vehicles, aircraft, vessels and associated transport equipment	335	11.0	0 - 40	1.0	10 - 40
18 Precision instruments	287	8.2	0 - 30	1.2	10 - 30

Product description	MFN				Bound tariff (range)[a] (%)
	Number of lines	Average (%)	Range (%)	Coefficient of variation (CV)	
19 Arms and ammunition	69	27.2	15 - 30	0.1	20 - 30
20 Miscellaneous manufactured articles	178	25.3	0 - 30	0.3	15 - 30
21 Works of art, etc.	7	30.0	30 - 30	0.0	30 - 30
By stage of processing					
First stage of processing	1,053	12.1	0 - 121	1.1	5 – 67.5
Semi-processed products	2,578	6.8	0 - 45	1.4	5 - 45
Fully processed products	4,366	15.4	0 – 422.2	1.1	5 – 85.5

a	The HS 2007 classification has been used for the bindings, and the HS 2017 classification for the applied rates; as a result, there may be differences between the number of lines included in the analysis.

b	ISIC (Rev.2), excluding electricity (one line).

Source:	WTO Secretariat estimates based on data provided by the authorities.

Table A3. 3 Preferential quotas, 2018

Preferential agreement	HS Chapter	Number of lines per chapter	Tariff range (%)		Volume (tonnes)	Volume used (tonnes)
			In-quota	Out-of-quota		
Argentina	02. Meat and edible meat offal	11	0	17 - 30	50	0
	04. Dairy produce	34	0	5 - 54	175	0
	16. Preparations of meat, of fish or of crustaceans	3	0	30	10	0
Brazil	02. Meat and edible meat offal	11	0	17 - 30	50	0
	04. Dairy produce	34	0	5 - 54	175	0
	16. Preparations of meat, of fish or of crustaceans	3	0	25.5 - 30	10	0
European Union	02. Meat and edible meat offal	2	0	15 - 39.3	824	51
	16. Preparations of meat, of fish or of crustaceans	3	0	26.2 - 30		
	04. Dairy produce	27	0	17.7 - 54	2,625	151
	05. Products of animal origin, not elsewhere specified or included	3	0	10 - 20	515	0
	07. Edible vegetables and certain roots and tubers	3	0	15 - 25	957.5	70
	20. Preparations of vegetables, fruit	1	0	20		
	18. Cocoa and cocoa preparations	2	0	16.4	750	0
	20. Preparations of vegetables, fruit	15	0	20		
	21. Miscellaneous edible preparations	16	0	0 - 20		
	23. Residues and waste from the food industries	7	0	0 - 45	1,639	16
Guatemala	17. Sugars and sugar confectionery	2	0	15	21,000	3,869
Paraguay	02. Meat and edible meat offal	11	0 - 19.5	15 - 27	50	0
	04. Dairy produce	34	0	20 - 30	175	0
	16. Preparations of meat, of fish or of crustaceans	3	12.8 - 19.5	22.5 - 27	10	0
Uruguay	02. Meat and edible meat offal	11	10 - 15	17 - 30	50	0
	04. Dairy produce	34	0 - 30	5 - 54	175	0
	16. Preparations of meat, of fish or of crustaceans	3	15	25.5 - 30	10	0

Note: These estimates are based on the files entitled "*Contingentes preferenciales OMC*", "*Líneas arancelarias UE*" and "*Liberaciones*", which were sent by the authorities in May and June 2018.

Source: WTO Secretariat estimates based on data provided by the authorities.

Table A3. 4 Financial instruments of the National Finance Corporation (CFN), 2018

	Beneficiary	Intended use	Minimum amount (USD)	Maximum amount (USD)	Maximum financing period	Maximum percentage of financing
Working capital						
Direct credit						
Local direct credit	Natural or legal persons	Purchase of raw materials, local inputs, technical assistance and other items	50,000	25-50 million	5 years	New projects and construction projects for sale: 70%; ongoing projects: 100%
"CFN Construye"	Any type of enterprise	Construction of public-interest housing and social-interest housing; 51% of the housing must have a selling price that does not exceed USD 70,000	n/a	25-50 million	5 years	80%
"CFN Construye Casa para Todos"	Any type of enterprise	Construction of public-interest housing and social-interest housing	n/a	25 million	5 years	80%
"CFN Construye iYa!"	Construction sector SMEs	Purchase of inputs and materials	n/a	2 million	5 years	80%
Electronic factoring	Anchor enterprises with annual sales > USD 1 million	Advance payment for invoices	50,000 (50 per invoice)	In accordance with limits set by the CFN	3 years	100%
Contingencies						
Local bank guarantee	Natural or legal persons	Suppliers, customers or other institutions related to the type of activity	50,000	25-50 million	According to terms of negotiation	100%
Fixed assets						
Direct credit – fixed assets	Natural or legal persons	Purchase of fixed assets	50,000	25-50 million	15 years	New projects, ongoing forestry projects, and electricity-generation projects: 70%; ongoing projects: 100%
"Progresar - Cambio de la Matriz Productiva"	Natural or legal persons	Production chains defined as priority chains by the Inter-Institutional Committee for Changing the Production Matrix, and products selected by the Ministry of Economic Policy Coordination according to strategic priorities (export promotion, import substitution, generation of value added and innovation)	50,000	25-50 million	15 years	New projects: 70% of amount invested Ongoing projects: 90% of amount invested
Forestry financing	Any type of forestry sector enterprise or natural persons	Financing of forestry transformation activities and activities relating to the use of non-timber by-products	50,000	10 million (financing for forest plantations); 2 million (per operation)	20 years	New projects: 70% of amount invested Ongoing projects: 100% of amount invested

	Beneficiary	Intended use	Minimum amount (USD)	Maximum amount (USD)	Maximum financing period	Maximum percentage of financing
Special programmes – Public policy support						
CFN financing and refinancing "Apoyo Solidario"	Natural and legal persons that have received CFN financing, or new clients that require financing for investment in the provinces of Carchi, Sucumbíos, Manabí and Esmeraldas. Natural or legal persons that require resources to invest in areas declared to be in a state of exception or emergency	Working capital: up to 5 years. Fixed assets: up to 15 years, depending on the analysis of the project's cash flow	50,000 (new clients); 20,000 (CFN clients)	n/a	15 years (fixed assets); 5 years (working capital)	CFN clients: up to 100% of the amount invested in rehabilitation or reconstruction. New clients: up to 90% of the amount invested in new projects and up to 100% of the amount invested in expansion projects.
Production and financial support	Natural or legal persons	Financing of liabilities with domestic suppliers	50,000	25-50 million	15 years	100%
Second-tier financing						
Production financing	Natural or legal persons	Purchase of fixed assets, working capital and technical assistance	n/a	20,000	2 years (technical assistance); 3 years (working capital); 10 years (fixed assets)	100%
"Progresar" programme						
National Guarantee Fund	MSMEs at the national level ("Garantía Tradicional"; "Garantía Emprende"); MSMEs in provinces (Manabí, Los Ríos, Esmeraldas, Guayas, Santo Domingo and Santa Elena) affected by the 2016 earthquake ("Garantía Apoyo Solidario")	Purchase of fixed assets and working capital	2,000 ("Garantía Tradicional"); no minimum amount ("Garantía Apoyo Solidario"; "Garantía Emprende")	500,000 ("Garantía Tradicional", "Garantía Apoyo Solidario"); 240,000 ("Garantía Emprende")	10 years	"Garantía Tradicional": 50%; "Garantía Apoyo Solidario": 70%; "Garantía Emprende": 80%
Venture Capital Fund	Qualified legal persons through capital financing process	Investment in share package of growth-stage innovative enterprises	n/a	500,000	12 years	40%

	Beneficiary	Intended use	Minimum amount (USD)	Maximum amount (USD)	Maximum financing period	Maximum percentage of financing
Foreign trade						
Importation	Natural or legal persons	Importation of raw, semi-processed or finished materials that are not produced, or that are produced in insufficient quantities, in Ecuador	50,000	25-50 million	5 years	100%
Exportation	Natural or legal persons	Purchase of working capital that promotes the export of products made in Ecuador	50,000	25-50 million	5 years	100%
International factoring	Any type of enterprise with annual sales > USD 100,000 that does not operate in the oil sector	Advance payment for invoices	n/a	n/a	1 year	80% of the value of the export invoice (due date of at least 30 days)
Import letters of credit	Any type of enterprise with annual sales > USD 100,000	Payments to exporters	50,000	n/a	180 days	..
Export letters of credit	Any type of enterprise with annual sales > USD 100,000 that does not operate in the oil sector	Payments to importers	50,000	n/a	180 days	..
Stand-by letters of credit	Any type of enterprise with annual sales > USD 100,000	Payments to foreign beneficiaries	50,000	n/a	As negotiated	..

n/a Not applicable.

.. Not available.

Source: CFN information available online at: https://www.cfn.fin.ec/category/programas-y-servicios.

Table A3. 5 State enterprises under the EMCO EP, 2018

Sector	Activity	Employees	Production	Exports	Imports	Marketing / distribution	Executive Decree
			(USD million)				
Agriculture							
Empresa Pública Unidad Nacional de Almacenamiento (UNA)	Agricultural services (cleaning and drying) for the production of rice, maize, soya, quinoa and by-products. Provision of inputs: fertilizers, agrochemicals and seeds. Food production: powdered milk and processed foods.						No. 12 of 17 June 2013
Mining							
Empresa Nacional Minera (ENAMI) (EP)	Mining exploration	86	n/a	n/a	n/a	n/a	No. 203 of 14 January 2010
Hydrocarbons							
Empresa Pública de Exploración y Explotación de Hidrocarburos PETROAMAZONAS	Hydrocarbon exploration and exploitation	7,386	n/a	n/a	10.1	n/a	No. 314 of 14 April 2010
Empresa Pública de Hidrocarburos del Ecuador PETROECUADOR	Transportation and marketing of crude oil Production, transportation and marketing of derivatives	4,418	n/a	1,779.6	842.9	971.8	No. 740 of 6 May 2011
Electricity							
Empresa Pública Estratégica Corporación Eléctrica del Ecuador (CELEC)	Electricity production Electricity transmission	4,825	68.9	0.6	556.5	4,537.8	No. 220 of 11 February 2010
Empresa Pública Estratégica Corporación Nacional de Electricidad (CNEL)	Distribution and marketing of electricity	6,949	n/a	n/a	8.5	5,369.0	No. 1459 of 28 March 2013
Manufacturing							
Empresa Pública Cementera del Ecuador (EPCE)	Distribution and marketing of cement Technical expertise	20	0.2	0.3	0.6	3.2	No. 207 of 22 January 2010
Empresa Pública Fabricamos Ecuador (FABREC)	Production of textiles and footwear	443	0.2	n/a	n/a	21.2	No. 1134 of 9 May 2012
Empresa de Municiones Santa Bárbara	Production of weapons, ammunition and armour-plating Construction of light and heavy metal structures	114	0.3	n/a	4.3	18.1	No. 1121 of 6 March 2015

Sector	Activity	Employees	Production	Exports	Imports	Marketing / distribution	Executive Decree
			(USD million)				
Empresa Astilleros Navales Ecuatorianos (ASTINAVE)	Shipbuilding Fitting out ships with information and communication technologies Offshore activities	623	2.1	7.9	26.9	135.8	No. 1116 of 11 April 2012
Construction							
Empresa Pública Casa para Todos	Division of land into plots Housing construction	58	n/a	n/a	n/a	n/a	No. 622 of 7 April 2015
Empresa Ecuador Estratégico	Implementation of public infrastructure projects Construction and reconstruction in areas affected by natural disasters at the national level Implementation of the "Casa para Todos" programme at the national level	280	n/a	n/a	n/a	n/a	No. 870 of 11 September 2011
Sewage and drinking water services							
Empresa Pública del Agua (EPA)	Commercial management (invoicing, collection, etc.) Technical and commercial assistance Operation and maintenance of infrastructure Project management	435	1.0	n/a	n/a	1.6	No. 310 of 30 April 2014
Telecommunications							
Corporación Nacional de Telecomunicaciones (CNT)	Mobile; Internet; telephony; TV; Cloud/Data Centre Services	8,699	75.9	n/a	n/a	918.0	No. 218 of 3 February 2010
Empresa Pública de Medios Públicos	Written communication Audiovisual communication Printing Digital media	1,052	n/a	n/a	44.2	20.1	No. 1158 of 22 August 2016
Postal services							
Empresa Pública Correos del Ecuador	Traditional postal services Integrated logistics (issuing of bill at time when reading taken)	1,357	n/a	0.6	28.0	n/a	No. 324 of 3 May 2010
Land transport							
Empresa Pública Ferrocarriles del Ecuador	Tren Crucero (luxury train) Train tours for tourists	433	0.4	n/a	n/a	19.5	No. 313 of 26 April 2010
Air transport							
Empresa TAME (EP)	Domestic and international passenger air transport	1,375	13.2	n/a	54.5	n/a	No. 740 of 6 May 2011

Sector	Activity	Employees	Production	Exports	Imports	Marketing / distribution	Executive Decree
			(USD million)				
Maritime transport							
Empresa Pública Flota Petrolera Ecuatoriana (FLOPEC EP)	Administration of agreements Rental of vessels Coastal shipping Maritime services (for vessels in ports) Maritime transport of clean products (oil derivatives) Maritime transport of dirty products (crude oil)	507	33.9	n/a	n/a	n/a	No. 1117 of 12 April 2012
Tourism							
Empresa Pública Centros de Entrenamiento para el Alto Rendimiento (CEAR)	Sports accommodation/tourism Food Sporting, non-sporting and recreational facilities Medical and sports science research services	87	0.1	n/a	n/a	0.3	No. 439 of 15 September 2014
Special Economic Development Zone (ZEDE)							
YACHAY EP	Advisory and consultancy services Data-processing products and services Academic events	618	0.189	n/a	n/a	n/a	No. 1457 of 28 March 2013

Source: Information provided by the Ecuadorian authorities.

Table A3. 6 Overview of intellectual property rights, 2018

Legal framework	Subject matter/scope	Duration	Comments, exclusions and limitations
Patents			
Article 266 et seq., Code of Knowledge.	"Any invention, whether of a product or a process, in all areas of technology, provided that it is new, involves an inventive step and is susceptible of industrial application".	Twenty years from the date of application.	Inventions that cannot be patented include: (i) inventions the prevention of the commercial exploitation of which is necessary to protect public order or morality or to avoid serious prejudice to the environment or ecosystem; (ii) diagnostic, therapeutic and surgical methods for the treatment of humans or animals; and (iii) plants and animals and essentially biological processes for the production thereof. The protection afforded by a patent does not confer the right to prevent the following acts: acts performed in a private circle for non-profit-making purposes; acts performed for experimental purposes on the subject matter of the patented invention; acts performed solely for the purposes of teaching or scientific or academic research; acts referred to in Article 5 of the Paris Convention for Industrial Property; or acts carried out on patented biological material that is capable of being reproduced and used as the basis for obtaining viable new material (except in the case of repeated use of the patented material).
Industrial designs			
Article 345 et seq., Code of Knowledge.	Industrial design: "The particular appearance of a product that results from any arrangement of lines or combination of colours, or any two-dimensional or three-dimensional external shape, line, outline, form, texture or material, without the intended use or purpose of the said product thereby being changed". To obtain protection, an industrial design must be new.	Ten years from the date of application for registration.	An industrial design is not deemed to be new by virtue of the mere fact that it embodies secondary differences in relation to earlier creations, or if it has become available to the public prior to the application for registration. Protection does not cover the elements or characteristics of the design dictated essentially by considerations of a technical nature that do not incorporate any arbitrary contribution by the designer.
Utility models			
Article 321 et seq., Code of Knowledge.	"Any new shape, configuration or arrangement of components of any device, tool, implement, mechanism or other object, or any other part thereof, that makes for improved or different operation, use or manufacture of the object incorporating it, or which endows it with any usefulness, advantage or technical effect that it did not previously have."	Ten years from the patent application.	The following are excluded from patentability: procedures; materials excluded from patent protection for inventions; sculptures, architectural works, paintings, engravings, prints or any other object of an aesthetic nature.

Legal framework	Subject matter/scope	Duration	Comments, exclusions and limitations
Layout-designs (topographies) of integrated circuits			
Article 326 et seq., Code of Knowledge.	Any original layout-design, i.e. one that is the result of the creator's own intellectual effort and not commonplace among creators of layout-designs and manufacturers of integrated circuits at the time of its creation.	Ten years from the earliest of the following dates: date when the layout-design was first commercially exploited; or date of application for registration.	A layout-design consisting of a combination of elements or interconnections that are commonplace can only be protected if the combination as a whole meets the originality requirement. The protection of a layout-design does not confer the right to prevent the following acts: those performed in a private circle for non-profit-making purposes; those performed for the purposes of evaluation, analysis or experimentation; those performed solely for the purposes of teaching or scientific or academic research; or those referred to in Article 5 of the Paris Convention for Industrial Property.
Trademarks			
Article 359 et seq., Code of Knowledge.	Any sign that is capable of distinguishing goods and services on the market and that is capable of graphic representation. The following may constitute trademarks: words or word combinations; images, figures, symbols, graphics, logotypes, monograms, portraits, labels, emblems and shields; sounds, smells and tastes; letters and numbers; a colour within an outline, or a colour combination; the shape of the goods, their containers or their packaging; reliefs or textures perceptible to the touch; animations, gestures and sequences of movements; holograms; or any combination of these signs and elements.	Ten years from the grant date, renewable for successive ten-year periods.	Signs not eligible for registration as trademarks include: those lacking distinctiveness; those consisting of the usual shape of a product or its container, or of shapes and characteristics resulting from the nature or function of the product or service concerned; those consisting solely of a sign or statement that is the generic or technical name of the product or service concerned; those consisting solely of, or which have become, the common or usual designation for the product or service concerned in the everyday language or usage of the country; those consisting of a colour considered in isolation that is not outlined to give it a specific shape; and those that may mislead business circles or the public in particular as to the geographical source, nature, method of manufacture, characteristics, qualities or suitability for use of the products or services concerned.
Geographical indications			
Article 428 et seq., Code of Knowledge.	Appellation of origin (AO): a geographical indication consisting of the name of a country, region, locality or specific geographical area, used to designate a product originating therein, when the quality, reputation or other characteristics of the product are exclusively or essentially due to the geographical environment in which it is produced, mined or processed, including natural and human factors.	Ten years, renewable indefinitely for successive ten-year periods.	The following indications may not be declared appellations of origin: those that are contrary to law, morality, public policy or proper practice; those liable to mislead the public as to the geographical source, nature, means of manufacture, or quality, reputation, or other characteristics of the products concerned; those constituting common or generic terms for the product concerned; those for which a trademark application was made in good faith before the appellation was protected in the country of origin; or those constituting the customary name of a grape variety that existed in Ecuadorian territory until 1995.

Legal framework	Subject matter/scope	Duration	Comments, exclusions and limitations
	Indication of origin (IO): a name, expression, image or sign that indicates or evokes a particular country, region, locality or place.		
New plant varieties			
Article 471 et seq., Code of Knowledge.	New, distinct, homogenous and stable varieties of any plant genus or species.	Eighteen years for varieties of vines, forest trees, fruit trees, and ornamental trees; 15 years from the granting of the certificate for other varieties.	No protection is granted to varieties the growing, possession or use of which is prohibited for reasons of human, animal or plant health, food sovereignty or environmental safety. The following are excluded from protection: wild or native species in their natural state; those resulting from a mere discovery (except for mutations); those in which there exists or which involve a plant improvement process deriving from a simple long-term symbiotic relationship between the species and human beings.
Copyright and related rights			
Article 100 et seq., Code of Knowledge.	All original literary, artistic and scientific works that may be reproduced or disclosed by any known or future means, such as: works expressed in books, brochures, leaflets, articles, novels, essays, and other works of a similar nature; musical compositions and other audiovisual works; projects and designs for architectural and engineering works; graphics, maps and designs relating to geography, topography and science in general; and computer programmes (software).	The author's lifetime and up to 70 years after his death.	Fair use that does not conflict with normal exploitation of the work or prejudice the legitimate interests of the owner does not constitute violation of copyright. Acts such as the following do not require authorization to make use of a protected work: the inclusion of short extracts of another person's work in one's own work, where this is done for the purposes of illustration or analysis, commentary or criticism; the display, performance or public communication of a work at official events organized by State institutions; and the reproduction, adaptation, distribution or public communication of a work for scientific or educational purposes.

Source: Code of Knowledge.