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**ANALYSIS OF THE COMMERCIAL
BENEFITS THAT ECUADOR WILL HAVE
FROM THE AGREEMENT WITH EFTA**

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Abstract

In 2020 Ecuador signed the comprehensive economic partnership agreement with the EFTA trade block conformed by: Iceland, Liechtenstein, Norway, and Switzerland. The country has recently been seeking to be more open in commercial matters. The objective is to explain which benefits the agreement will bring to the country. Analyzing corresponding trade balances, an interview, with a quantitative and qualitative descriptive study. One of the main objectives that EFTA has with Ecuador is the facilitation of trade while being friendly to the environment. What has been achieved and will continue to improve the relationship between the states is conferences, dialogues, strengthening of customs, and identification of investment opportunities. Since the agreement is new, statistics and future trade balances will guide how it will continue to develop. Organic goods are of great interest to EFTA, Ecuador has opportunities in this field. The product exported the most from Ecuador to the block is Cavendish-type bananas. Of all EFTA members, Switzerland is historically the most traded partner. Currently, the benefits of the agreement are not crystal clear. Nevertheless, recent figures show a promising path for it.

Key Words

Foreign trade, EFTA, comprehensive economic partnership agreement (CEPA), Ecuador, commercial benefits.

Introduction

Trade agreements are fundamental in the international policies of countries; they define briefly their economies. They also show how states look from the outside through the products and services they trade. Important to also mention that trade agreements dictate the route of foreign trade, international relations, the world economy and even globalization. It is important to analyze the dynamics of Ecuador in its trade agreements. To distinguish to what extent these are beneficial in economic, social and cultural forms. Recently, the country signed the Comprehensive Economic Partnership Agreement with EFTA, a commercial block conformed by: Iceland, Liechtenstein, Norway and Switzerland. This organization is extremely relevant on a global scale and it is the second most important in this region after the European Union. The members of EFTA are not part of the EU, although they are part of the European free trade area (common market).

The current article has the objective of exposing the benefits that Ecuador can expect after consolidating the Comprehensive Economic Partnership Agreement with EFTA. Demonstrating why it is more practical to have signed it as it is instead of Free Trade Agreement, and explaining through the trade balances of the members of EFTA with Ecuador how their economic relationship has been in the latest years. Also to show what are the principal goods marketed between the parts.

1.1 Objectives

General Objective: Describe/Expose the commercial benefits that Ecuador will have after signing the Strategic Partnership Agreement with EFTA.

Specific Objectives

Specific Objective 1: Determine to what extent is better for Ecuador to have a Comprehensive Economic Partnership Agreement rather than a Free Trade Agreement.

Specific Objective 2: Identify the commercial factors, both economic, social, technic, and cultural that Ecuador will get benefited from.

Specific Objective 3: Understand the dynamic of the commercial balance between the involved countries, and how it can get favored via the agreement in: volume, goods, capital and the benefited industries.

Theoretical Frame

In the latest years, Ecuador has been making an effort to establish commercial relations with different countries. Having this in mind, negotiations between EFTA (European Free Trade Association) and Ecuador started, to establish an agreement. They started on July 22nd of 2015 in Schaan, Liechtenstein, through the Joint Declaration on Cooperation (JDC). It was signed by the prime ministers of the countries that are members of EFTA, and Ecuador. It compromised the parts to improve their bilateral economic relations, establishing guidelines on diversification, free trade, and investment. (Rosales et. al. 2021). It is fundamental to recognize the importance of EFTA. This is an intergovernmental organization and an economic block that promotes free trade and economic integration among its members: Iceland, Liechtenstein, Norway and Switzerland. The economies of these countries are competitive and have compromised on the progressive release of their commerce. Since the nineties, EFTA has been promoting new relations with different countries, whether they are European or not, (EFTA, 2022).

Countries similar to Ecuador, such as Colombia and Peru are in direct competition with this first country. To the extent that we commercialize similar goods, if not the same ones. This implies a disadvantage to Ecuador because Colombia and Peru already have an agreement with EFTA. Although it can be said that Ecuador arrives "late" to the agreement with EFTA, it does not mean that there won't be benefits for the country. This commercial block has been negotiating with the Latin American region for decades now, and the agreement with Ecuador is the sixth of the organization in the region. (EFTA, 2019).

Talking about the dynamics of Latin American countries in the international area, the case of Chile is a great example. Is one of the most open-minded on commerce and international politics, of its region, this, gracefully has made grow its economy. Chile owns an agreement with EFTA since 2003 and its current since 2004. Years after the agreement and adjustments, benefits have been shown. In the year 2012 exports to EFTA grew by 25%, and in 2014 they got expanded by another 14%. In 2016 both parties worked on modernizing the agreement to keep growing the bilateral benefits. (Subsecretaría de Relaciones

Económicas Internacionales, Gobierno de Chile, 2022). As we can see, different countries of the region have agreements with EFTA already, which keep having success, and how this can show how of big opportunity it is to Ecuador to have the agreement as well.

When we speak about a bilateral relation in commerce, we usually talk about a Free Trade Agreement (FTA), which implies non-gradual tariff reduction, they also have the characteristic of been perpetual. In this case if one of the parts needs to protect a specific product of their economy, they will put a guarantee of safeguard and antidumping politics. There are also other two types of bilateral treaties: Agreement of Economic Complementation (ACE). This one is used by the countries members of the Latin American Integration Association (ALADI). They open their markets according to the laws of the organization, that promotes maximum use of production factors, as well as equitable conditions of competition, development and more. And last, Comprehensive Economic Partnership Agreement (CEPA). It is the one of main importance in this article, because the agreement between Ecuador and EFTA has these characteristics. This agreement has an intermediate range, where there are tariff openings, cooperation and a council that treats politics, free trade and cooperation. CEPA's organize forums that that promote civil, political, educational and cultural dialogues between the parts.

The relation between Ecuador and the countries that conform EFTA before the agreement were not frequent, although they will be progressively more consistent. Historically, Switzerland has been the one with who Ecuador has negotiated the most. Ecuador exports to this country principally gold, cocoa and fresh bananas and imports medicine, blood for therapeutic use and watches. (Trade Map, 2022). Ecuadorian raw materials are fundamental on Swiss products that are well known internationally: Swiss chocolates (cocoa) and their watches (gold).

From Norway, Ecuador imports principally dangerous substances such as asbestos, oils used transformers and instruments used for geodesy and topography. It is exported: fruits, food made for animals and vegetables. (Trade Map, 2022).

Iceland imports as well from Ecuador fruits, accompanied with oils from vegetable and animal precedence and mechanical machines. And exports surgical furniture. (Trade Map, 2022). There were no imports from Iceland in recent years before the agreement.

Finally, Liechtenstein is the member with who Ecuador has commercialized the less, because there are no recent numbers on imports or exports to be found.

Being the CEPA Ecuador-EFTA a clear example of bilateral commerce, we can define it as the relation between two parts, Ecuador: country, and EFTA: economic block. In the bilateral commerce, both parts agree to accept terms and conditions of a binding contract that can explain different issues such as: goods, commerce, intellectual property, services, public purchases, environment, electronic commerce, labor clauses and others. The concept of international commerce is also important, which is defined as the transactions made by privates from different countries. At difference with intern commerce, where transactions are made inside of a homogeneous economic, monetary and legal space...international commerce is important because it contributes to the growth of countries through the production of goods and services that countries generate annually. (Huesca, 2019).

International markets tend to have variability on their competitive advantage and comparative advantage. Competitive advantage is the characteristics that difference goods/services of an enterprise/country/region, among others. Implies the various activities that a business develops, in design, production, marketing, delivery and support of their products; each of these activities is a basis for differentiation. (Romero, et. al. 2020). In the other hand, comparative advantage is about the product/service in which a country is capable of producing it better than other countries. This advantage is relative. Theories of commerce affirm that countries should specialize themselves in the good they own comparative advantage. (Martínez, 2016).

Through history, compared to its neighbors, Ecuador has been profiled as a protectionist country, in terms of international commerce. Its foreign trade policy has not prioritized searching for new markets. In the 2000s, different countries of Latin America consolidated successfully treaties with different countries which helped them to show themselves more internationally and receive foreign investment. Clear examples are the treaties between Peru and the U.S, Chile and China etcetera. Various countries have strategies of internationalization in which Ecuador because of current governments and different reasons has failed to obtain one. Treaties do not directly suppose success for a country, but they are a good start if well negotiated, there the importance of a proper trade policy for Ecuador. However, in the latest years Ecuador has been motivated to open itself more internationally opening itself to new markets, like the

Ecuador and European Union agreement, active since 2017. Within this new agreements of Ecuador, with both EU and EFTA, Ecuador has a potential on exporting natural sources and manufactures with low industrialization such as: bananas, shrimp, flowers, chocolate, handicrafts etcetera...and from the European market they export services and manufactures with a big percentage of industrialization, such as: medicines, industrial machinery, automobiles, etcetera. (Alvarado, 2018).

Although Ecuador has been mostly protectionist on its history, in recent years there has been changes for that situation to change. This new openness presents benefits and challenges. The country its known for exporting raw materials and goods with low industrialization, which implies and opportunity to develop the industrialization in new markets.

Ecuador has experience with different kinds of treaties, such as ATPDEA (Andean Trade Promotion and Drug Eradication Act) and GSP (Generalized System of Preferences) with the United States. In the time lapse 2010-2012, imports involving this agreement, grew on a 14%, which concluded on July 31st, of 2013. After that, the GSP evolved into NMF Tariff defined by the U.S. (MCE, 2019). Since this agreement has not been active nowadays, it has had negative effects depending in the industry. One example is the Ecuadorian flower industry. The exports started to fall off by the lack of the tariff preferences. In the years were the agreement was active, Ecuador was the third supplier of flowers of the U.S, with 0% tariff, currently, the tariffs are up to 6,4%.

Incoterms, are fundamental in international commerce. These are the determinations used by international business. They were created by the International Chamber of Commerce. Incoterms facilitate the operability of transactions, stablishes terms, conditions and rules that define rights and obligations of the seller and the buyer. Enterprises obtain security about the interpretation of the terms negotiated between seller and buyer, because international rules get delimited, making direct reference to the transport that is going to be used, where it is going to get delivered, bills, payments and others. (International Chamber of Commerce, n.d).

Incoterms are not international norms; their use is not obligated. They are a consolidated instrument recognized from both international organizations and governments, their use is a common agreement between the involved parts, through international contacts. Incoterms can be maritime or multimodal. The latest edition was made on 2020 and contains 11 clauses: EXW: Ex-Works, FCA: Free Carrier, FAS: Free Alongside ship, FOB: Free on board, CFR: Cost & freight, CIF: Cost, insurance and freight, CPT: Carriage paid to, CIP: Carriage & insurance paid to, DAP: Delivered at place, DPU: Delivered at place unloaded, DDP: Delivered duty paid.

In Ecuador, the most used Incoterms are FOB and CIF, they are included in the national law according to COPCI (Organic Code of Production, Trade and Investment) (Código Orgánico de la Producción, Comercio e Inversiones). 2.14.- In all provisions of the Internal Tax Regime Law in which it says: "FOB value" and "CIF value" it will be replaced with the phrase: "customs value". (COPCI, 2018).

Methodology

The type of investigation of the article is descriptive, because the commercial benefits of the Ecuador-EFTA agreement will bring to the country were classified and defined. While being a descriptive study, the collected data served to expose the advantages of the agreement. The approach is both qualitative and quantitative, since the information worked with describes qualities of the information but complemented with figures as well that show numbers.

Information was also collected from commercial, economic, social and international sources relevant to the involved parts: Ecuador and EFTA: Iceland, Liechtenstein, Norway and Switzerland. And also from reliable sites such as the Central Bank of Ecuador, the official website of EFTA, Pro Ecuador, Trade Map, and others. The periods of time used will also be the appropriate ones to analyze the state of being in force of the agreement and its future impact.

To collect qualitative information on the different benefits of the agreement, it was made an interview to Simon Wüthrich-Bovet, officer in the trade relations division, investment and services e-commerce, trade and sustainable development, Austria, Central America, Colombia, CPTPP, Ecuador, Hong Kong, Mexico, New Zealand, Pakistan, RCEP, USA.

Results

Why Comprehensive Economic Partnership Agreement rather than a Free Trade Agreement between Ecuador and EFTA

Ecuador signs principally three kinds of trade agreements: Free Trade Agreement (FTA), Comprehensive Economic Partnership Agreement (CEPA), and Economic Complementarity Agreement (ECA). A Free Trade Agreement is signed between strategic partners where the parties find benefits that will regulate public policies to fit into the treaty. Their main goal is to eliminate tariff and non-tariff restrictions, with no conditions and taxes are completely eliminated. This kind of agreement implicates pure free trade, it negotiates goods, services, investment, intellectual property, financial services, public purchases, e-commerce and labor and environmental clauses (such as exploitation, child labor). This is to prevent the products to be extremely cheap compared to the ones that would be imported from the treaty. And to not violate the statements of the World Trade Organization (WTO). Ecuador has free trade agreements with countries such as Colombia and Peru.

They are perpetual, which means they are indefinite permanent. In the final clauses of the treaty, it is usually detailed how the agreement can be cancelled through a renunciation clause. It implies that when a country wants to renounce to a treaty, it has an estimated time to finalize it, in which it is given a period of 10-15 years, depending on the case, for it to quit the treaty. The reason for a FTA to be long terms is because signing a treaty requires large amounts of time, effort, costs and also because of the level of engagement that the countries put on the agreement. In other words, in a free trade agreement, there can be no immediate exits, unless the opposite is negotiated.

Not every sector is benefitted in the same way in a FTA, some industries that have sensitive products must be protected with arrangements such as: safeguards and countervailing arrangements such as anti-dumping ones. In these cases, the governments must ensure the competitiveness of their industry: improve infrastructure, not impose high taxes, and encouraging the industries to be more competitive. If the FTA affects a specific industry, it must be transformed, changing the industry itself, mixing it with imports, among others, since it is not possible to negotiate preferences. Sensitive products are considered as such when the industry remains on the edge, compared to the ones imported. If the imported product is cheaper than the national, the latter loses sales, and utility and could fall in bankruptcy. In Ecuador some sensitive products are: electro domestics, ceramics, handicrafts, footwear, and wooden furniture. In the other hand, non-sensitive products are bananas, which are highly competitive due to their quality and exuberant qualities. FTAs are negotiated in conditions of equality. There is no differentiation or preference between the parts. In cases where it is negotiated between a developed country and a south global country, this last one tends to have disadvantages compared to the other part, because of the naturalness of negotiation in equal terms.

In the other hand, a Comprehensive Economic Partnership Agreement, the one of interest for this article, is a bilateral agreement with intermediate reach. It addresses trade issues such as reaching zero tariffs. But there is also cooperation in scientific, technological, social and educational matters. The tariff reduction is gradual, and the country with the economic disadvantages is not imposed to reach zero tariffs immediately. Instead, estimated times are established in order to prepare the national industries that could be affected. That way, the national industry obtains the opportunity to become more competitive, and in some way forces these industries to innovate and it avoids monopolies. There are examples such as Ecuador and European Union agreement, where a period of up to 15 years was given, so that the EU exports to Ecuador would progressively come with zero tariffs.

It includes a wide range of areas of collaboration, that forges bilateral ties. For example, the existence of the Association Council, that has the objective of supervising the application of the instrument and three commissions: political affairs (promotes good relationship between the parties), cooperation (social, educational, financial), free trade (taxes).

There are various cases of success of CEPAs, such as the case of Mexico-Chile. An innovative and important Joint Fund for Cooperation has been launched, which is conceived as permanent instance of reciprocal collaboration. With an annual contribution of one million dollars from each country, which allows deepening cooperation. (Ministry of Foreign Affairs, Government of Chile, n.d).

In contrast with an FTA, a CEPA is negotiated under conditions of differentiation. When negotiated between a developed country and one from the global south, the first one agrees to help its ally on its development. This cooperation can address strategic help, projects, infrastructure, machinery, student

scholarships, exchanges, financing, among others. CEPAs are more compensatory compared to a FTA. Mentioning also that this kind of agreement supposes great benefits for the country/block that has the economic, political advantages, which is having a great ally on international relations, And the strengthening of bilateral ties for both parties. The block that tend to sign CEPAs are the European Union, as in the cases: Ecuador-EU, Colombia-EU, Peru-EU. And also the economic block EFTA. In certain organizations such as the EU, they are also often referred to as Economic Partnership Agreements. (Support the development of trading partners from African, Caribbean and pacific countries. (Council of the European Union, 2022).

And third, the Economic Complementation Agreements. These kind of agreement are not a matter of relevance for the current article, however they are fundamental in the commercial policies of Ecuador and for this reason it is important to mention the briefly. This agreement, leads as one of the most signed by the country, in these, only goods are negotiated, and it is not necessary to reach zero tariffs. Only Latin American countries members of ALADI (Latin American Association of Integration) can participate in these agreements. An example of an economic complementation agreement is the one between Ecuador and Mercosur. These agreements also promote the maximum use of means of production (capital, land, labor), they also stimulate economic complementation (to improve the economy of the parties), equal conditions of competition, and promote a balanced development of the parties. In other words, it promotes being a complement and binding help between the parts. Although the World Trade Organization (WTO) promotes zero tariff principles and negotiation that involves more than goods, ALADI has the enabling clause active, which helps the members to be exempt from these principles of the WTO on this kind of agreement.

Therefore, having reviewed the main guidelines of each type of agreement, we return to the question of why it is more feasible for Ecuador to have signed a CEPA with EFTA instead of a FTA. The answer is simple, because of all the advantages that a country from the global south like Ecuador obtains, by not negotiating as if it has equal economic and political conditions with EFTA. Since the agreement promotes obtaining a necessary openness, it remains to protect the national industry. This necessary differentiation does not compromise Ecuador's economy. Ecuador has historically maintained a positive trade balance with EFTA. In 2019 alone, imports made by EFTA from Ecuador amounted to 350 million USD, which links more than 100 exporting companies with the export of up to 150 products. The EFTA countries are important buyers, ranking position 14th worldwide. Ecuador and EFTA are complementary economies; more than 65% of the Ecuadorian imports correspond to capital goods that are necessary for national production. (Ministry of Production, Foreign Trade, Investment and Fisheries, 2020).

In addition, it involves the feeling of cooperation, which is about the positive qualities that the partners can bring. If Ecuador has signed FTA with EFTA, instead of a CEPA, there would have been drastic and unnecessary liberation, in which the advantages would not have been significant and the national industry would have been compromised. Regarding the negotiation of non-agricultural goods (industrial and fishing), EFTA guaranteed Ecuador immediate access to the entry into force of the agreement with zero tariffs for all of these products to their territory. In return, Ecuador negotiated periods of tax relief from 0 to 17 years for sensitive products. Ecuador managed to protect itself with longer tax relief times than the ones achieved by Colombia and Peru. (Ministry of Production, Foreign Trade, Investment and Fisheries, 2020).

Statements that will guide Ecuador to get benefits from the Ecuador-EFTA agreement

Appreciation through an interview

Interview to Simon Wüthrich-Bovet, officer in the trade relations division, investment and services e-commerce, trade and sustainable development, Austria, Central America, Colombia, CPTPP, Ecuador, Hong Kong, Mexico, New Zealand, Pakistan, RCEP, USA.

According to the interviewed, some of the main benefits are about the reduction of tariffs on the export and import of goods. As well as reaching the commitment that facilitates trade through technologies that are eco-friendly. Just as chapter number 8 of the agreement points out, about trade and sustainable development. The parties recognize that economic, social and environmental protection are interdependent and reinforce each other as components of sustainable development. As well as the commitment to promote the development of international trade as a way to contribute to the objective of sustainable development, and ensure that it reflects in the commercial relationship of the parties. Also promoting dialogues and cooperation on labor and environmental issues related to trade as part of a global approach. (Comprehensive Partnership Agreement between the Republic of Ecuador and the EFTA states, 2018). Therefore, it is shown

that trade and sustainable management is a benefit of the agreement, for example, in the conservation of marine resources in activities such as fishing.

Regarding cultural exchange, it is directly linked to cooperation, as mentioned in chapter 9 of the agreement (cooperation to facilitate the fulfillment of objectives). Activities are planned to improve the relationship between the parties in different areas, such as technical assistance and workshops. A great example of this was the trade promotion webinar in November 2020, where representatives from both parties were able to exchange knowledge and experiences. Thus, the cultural exchange that the agreement provides is through the stimulation of business contacts, including companies for long-term relationships, training in the development of intellectual property, and awareness of these rights. As well as the identification of investment opportunities and reinforcement of the legal environment that leads to increased investment. Along with strengthening institutions such as customs, incentives for technological innovation, and facilitating trade in services through exchanges of information and standards.

Ecuadorian products of agricultural origin and flowers are the most striking ones to EFTA. Mainly bananas, tropical fruits, pineapple, mango, passion fruit, cacao, and its derivatives. It is also important to mention that the interviewed pointed out that quinoa, a product in which Ecuador is specialized, has a lot of potential. Specifically, in markets such as Switzerland, the EFTA member to which this product is exported the most.

About the strategies in which EFTA hopes to cooperate with Ecuador. The cooperation modalities are broad, such as technical assistance, promoting the creation of programs and events for the development and exchange of bilateral information. Where new elements are expected to be incorporated in the future as the agreement develops through time. As the previously mentioned chapter 9, the strategies of cooperation are linked to this chapter. There is talked that the parties agree to evaluate the progress made, and what the future needs may be. In addition, joint forums such as the one held on December 2021, in which social aspects were discussed. Essentially to the fact of countering child labor and promoting gender equality. In those dialogues, the questions are sent to Ecuador in advance so that they can be discussed later in the forums.

Regarding the expected progress for the agreement in the forthcoming years. As for the trading of goods, time will tell how the relationship will continue to develop based on statistics, and the emphasis on the great demand for ecological products. It is definitely an area where there is room for improvement and growth in business and goods. As well as it is definitely an area that should not be neglected, together with e-commerce. At the same time, discussions have begun with Ecuador on the improvement of commitments on trade facilitation and also the way in which services are regulated nationally. (Wüthrich-Bovet, 2022).

Principal goods exported and imported with EFTA and their trade balances

After having identified the aspects that will show benefits to Ecuador with the agreement with EFTA, it is essential to understand the dynamics of the trade balance of the EFTA members with Ecuador. Exhibiting the most traded products, investment, and the products with a potential of growing exports. Likewise, it is important to mention that since the agreement is relatively new, it is not possible yet to see figures that show drastic changes in the bilateral relationship of the parties. However, it provides an idea of the opportunity to come. The figures and products to be mentioned do not include petrol. The information taken into account in the following analysis includes both commercial sheets and technical sheets of the parts.

To begin, the Ecuador-Iceland dynamic.

Iceland

Description	2015	2016	2017	2018 January-May
Fats and oils of fish and their fractions, whether or not refined.	2,557	926	1,157	94
Fruit and other edible parts of	-	-	16	-

plants, prepared or preserved.				
Shawls, scarves, mufflers, mantillas, veils and similar articles.	-	1	0	-
Blankets and travelling rugs of synthetic fibers.	-	0	0	-
Cartons, boxes, cases, bags, and other packaging containers.	-	-	0	-

Source: Pro Ecuador, 2018

Exports to Iceland have been few in recent years. However, the product that has been sent the most to this country is fish fats and oils. These are generally extracted from marine mammals and are used medicinally or therapeutically. Also for the preparation of manufactures such as lubricants or soaps.

Table 2
Principal products Imported Ecuador-Iceland (THOUSAND USD)

Description	2015	2016	2017	2018
				January-May
Tapered roller bearings.	-	-	6	-
Weighing machinery having a maximum weigh capacity.	-	-	5	-
DC motors and DC generators of an output >750 W but <= 75KW	-	-	4	-
Thermometers and pyrometers, not combined with other instruments.	-	-	2	2
Instruments and apparatus for measuring or checking pressure of liquids or gases.	-	-	1	-

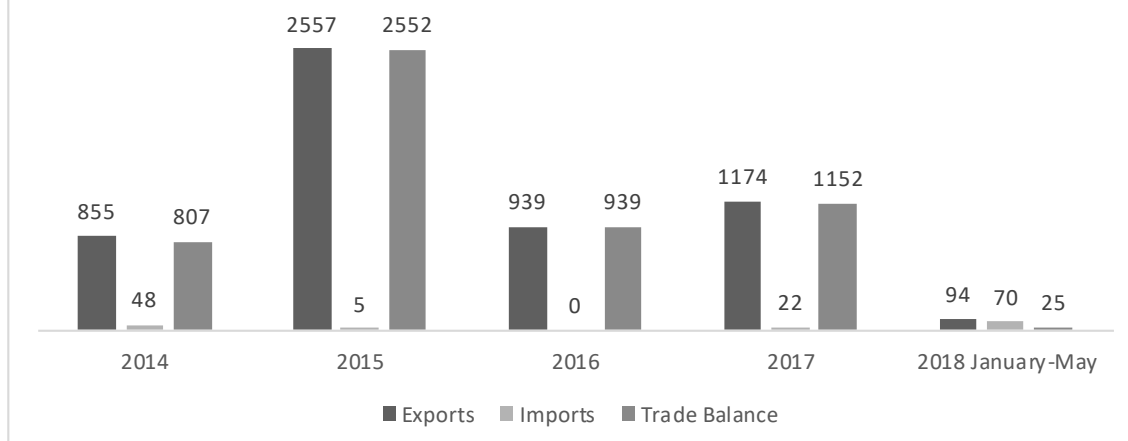
Source: Pro Ecuador, 2018

Similar to exports, imports do not present considerable figures of bilateral trade. The main products imported from Iceland are ball bearings, machinery, scales, thermometers.

Flow of FDI from Iceland to Ecuador by Industries (THOUSAND USD)

Currently, there are no figures of foreign direct investment from Iceland to Ecuador. The reason is, that before the agreement their bilateral relation was almost nonexistent. Nevertheless, it is expected that with the agreement these will grow as the years go by.

Figure 1
Trade Balance (Million USD)
Ecuador-Iceland



Source: Pro Ecuador, 2018

In the trade balance of the parties, it is shown in the selected years, that all the balances have been positive in favor of Ecuador. With an emphasis on the period 2014-2016, which are years where most exports were made.

Norway

Table 3
Principal products Exported Ecuador-Norway (THOUSAND USD FOB)

Description	2015	2016	2017	2018 January-May
Fresh or dried bananas (excluding plantains).	-	3,650	13,265	4,728
Organic certified, only of exportation fresh bananas box of (40.79 lb).	-	-	982	474
Fruits, nuts and other edible parts of plants, whether or not containing added sugar.	156	201	180	91
Fresh or chilled cauliflower and broccoli.	-	141	176	-
Vegetables, uncooked or cooked, by steaming or boiling in water, frozen.	-	-	124	152

Source: Pro Ecuador, 2018

In this case, the market is constituted principally by three products: Cavendish bananas, certified organic fresh bananas, and other fruits with or without added sugar, which make the 96.16% of the market. (Pro Ecuador, 2018). We can see that products such as fruits and vegetables are the main exports from Ecuador

to Norway. One reason for this is the fact that in Ecuador we are a country in which agriculture predominates throughout the different regions and the constant weather is perfect for cultivation all year long. It is also important to emphasize that in 2017 the export of Cavendish bananas increased by more than 200%, which is positive for the parties.

Table 4
Principal products Imported Ecuador-Norway (THOUSAND USD)

Description	2015	2016	2017	2018 January-May
Mineral or chemical potassic fertilizers.	7,738	743	2,195	961
Boards, panels, consoles, desks, cabinets and other bases.	35	-	892	-
Scintigraphic apparatus.	26	138	718	-
Preparations of a kind used in animal feeding.	172	799	605	106
Mineral or chemical fertilizers.	-	-	530	-

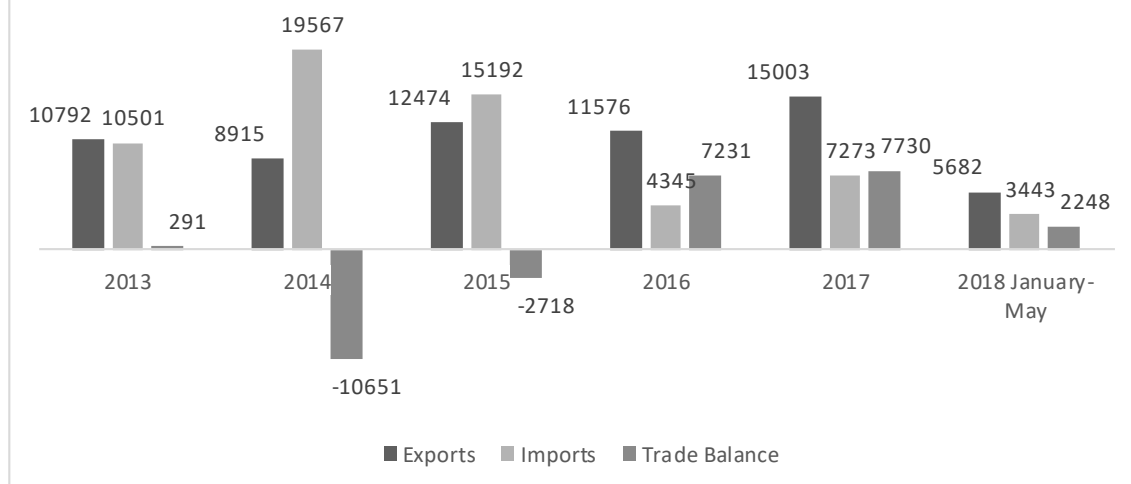
Source: Pro Ecuador, 2018

Ecuador's imports from Norway were not figures that represent large numbers in the period 2015-May 2018. In any case, the preferred product from Norway is mineral or chemical potassic fertilizers. Although, there are years where some goods do not even have numbers, such as: boards, panels, consoles, and cabinets, in the years 2016 and January-May 2018. Regarding mineral or chemical fertilizers, despite presenting import figures only in 2017, it remains as the fifth most imported product from Norway.

Flow of FDI from Norway to Ecuador by Industries (THOUSAND USD)

Regarding the flow of foreign direct investment between Ecuador and Norway, according to the Central Bank of Ecuador and Pro Ecuador, there are no figures since eight years ago in the industry of construction. And in since 2013 in trade and services provided to companies. As the figures are not sufficiently representative, no annexes have been placed representing them. In this way, it is evident that Ecuador must work on its attractiveness for countries like Norway to invest, especially with the new opportunities that the Ecuador-EFTA agreement represents.

Figure 2
Trade Balance (Thousand USD)
Ecuador-Norway



Source: Pro Ecuador, 2018

In the Ecuador-Norway trade balance, it can be seen that in the period 2017-January-May 2018, the balance remains fairly constant and balanced, with a similar number of exports and imports. However, in the years 2014 and 2015 respectively, it is significantly negative. In the after years, previous to the agreement, the trade balance changed positively.

Switzerland

Switzerland, of all the countries that conform the trade bloc, is the one that has been involved commercially the most with Ecuador. As for the most exported products to this country, they are the following presented on the table.

Table 5
Principal products Exported Ecuador-Switzerland (THOUSAND USD)

Description	2020	2021	Tariff
	January-September	January-September	
Gold.	64,912	186,676	0%
Fresh and cut roses and buds.	5,171	5,262	0%
Medicaments.	249	297	0%
Fresh and cut flowers and buds, of a kind suitable for bouquets.	464	258	25fr x 100 kg
Fresh and cut carnations and buds.	194	240	0%

Source: Pro Ecuador, 2021

Accordingly, the star product to be exported to Switzerland is gold, the reason for this is that the jewelry industry in this country is highly developed, especially the watch and jewelry industry. Therefore, Ecuador is one of its major suppliers of gold for these items. Although fine aroma cocoa is also one of the best known for export to this country, in recent years it has not been found in the main ones.

Table 6
Principal products Imported Ecuador-Switzerland (THOUSAND USD)

Description	2020	2021	Tariff 2021
	January-September	January-September	
Medicaments.	14,341	17,388	5%
Medicaments oncology or VIH.	8,513	10,394	0%
Medicaments oncology of HIV.	6,507	6,586	5%
Human blood for therapeutic use.	5,459	6,033	0%
Oxygen-function amino-compounds.	2,965	2,764	0%

Source: Pro Ecuador, 2021

Regarding imports, it can be seen that Ecuador acquires from Switzerland mainly medicines and articles related to this commercial branch. On the other hand, the beneficiary industries in terms of foreign direct investment (FDI), are various.

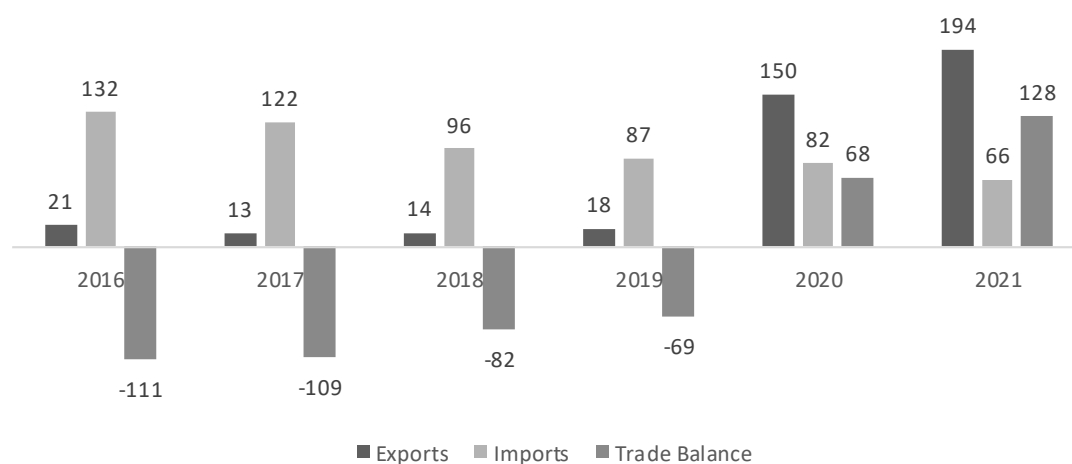
Table 7
Flow of FDI of Switzerland to Ecuador by Industries (THOUSAND USD)

Description	2017	2018	2019	2020	2021 II Trimester
Agriculture, forestry, hunting and fishing.	-558,50	7,688	1,809	8,590	7,275
Trade	1,016,20	5,154	2,424	5,306	3,288
Construction	-	1,769	2,357	1,077	1,779

Source: Pro Ecuador, 2021

The industries in which Switzerland has invested the most in Ecuador are, firstly, agriculture, forestry, hunting, and fishing. In the second place, commerce and in third place the construction sector. In recent years these have been the industries that have been seen as the most attractive to invest in.

Figure 3
Trade Balance (Million USD)
Ecuador-Switzerland



Source: Pro Ecuador, 2021

The following figure shows the Ecuador-Switzerland trade balance from 2016 to 2021. In the first year the figures are notoriously negative. That year the country made more imports from Switzerland, than exports to it. However, for 2020 this changes, and remains positive. It should be noted that in 2020 the Ecuador-EFTA agreement came into force, with good results in terms of a positive trade balance.

EFTA

After having assessed each country that conforms the EFTA bloc individually, an analysis of the organization as a whole will be made. In relation to products, volumes and beneficiary industries.

Table 8
Principal products Exported Ecuador-EFTA (THOUSAND USD)

Description	2019	2020
	January-March	January-March
Gold, inc, gold plated with platinum, for non-monetary purposes.	1,150	22,087
Fresh or dried bananas.	3,736	3,936
Fresh and cut roses and buds.	2,674	2,538
Cavendish bananas.	324	1,812
Fats and oils and their fractions of fish or marine mammals, whether or not refined.	723	303
Other products.	819	1,031

Source: Pro Ecuador, 2020

It can be seen that the products that are mostly exported to EFTA are gold as raw material, which in 2019 the figures were low. By 2020 these grew more than 200%, the year in which the agreement came into force. Behind this are Cavendish bananas, which by 2020 grew by only 200 thousand USD. Among the other products that are most mostly exported to the bloc are fresh roses, organic Cavendish bananas, and fish fats and oils.

Table 9
Principal products Imported Ecuador-EFTA (THOUSAND USD)

Description	2019	2020
	January-February	January-February
Wadding, gauze, bandages, and the like, e.g., dressings.	4,795	5,038
Immunological products, unmixed, not put in measured doses.	4,844	3,026
Medicaments.	281	2,737
Bakery machinery and machinery for industrial preparation.	-	2,023
Organic surface-active agents.	610	1,413
Other products	12,125	15,068

Source: Pro Ecuador, 2020

About the goods that are mostly imported from EFTA, as with Switzerland, they are mainly medical supplies. However, although they are the most imported, the figures are not exuberant. Another imported product is machines and apparatus for bakery, pastry or biscuits, which in 2019 there are no figures, but in 2020 they began to be purchased.

Table 10

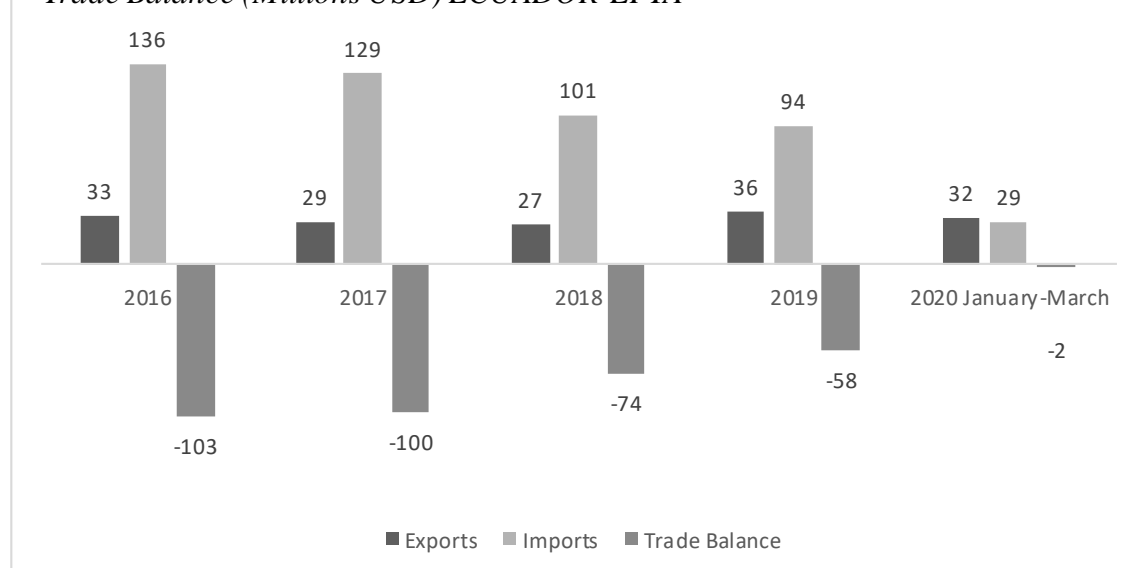
Flow of FDI of EFTA in Ecuador by Industries (THOUSAND USD)

Description	2017	2018	2019
Agriculture, forestry, hunting, and fishing.	-559	7,688	1,809
Trade	1,016	5,154	2,424
Construction	-3,000	1,769	2,357

Source: Pro Ecuador, 2020

With reference to foreign direct investment, it can be seen that the main investment sectors are the same as in Switzerland. It is important to note that in 2017 the agriculture, forestry, hunting, and fishing sector had negative figures with -559, which means that FDI with EFTA in this sector we are a debtor. For the following year it grew considerably, and in 2019 it was not negative but dropped again. In the commercial sector, 2018 was considerably the best year, and in the construction sector negative figures are also found in 2017 with -3,000. For the following two years it gradually grows positively.

Figure 4

Trade Balance (Millions USD) ECUADOR-EFTA

Source: Pro Ecuador, 2020

The trade balance between Ecuador-EFTA, in the period 2018-2019-2020, was negative. This means that Ecuador imported from the trade bloc more products, services, etc. than it exported to these countries. Which implied a disadvantage since more money left than arrived, with no profits in this period. It is expected that, in the coming years, and with the validity of the agreement, this can progressively become positive.

In the case of Liechtenstein, fourth member of the EFTA trade bloc, no individual data is found with this micro-state. Since its figures are included in those of Switzerland. This is because it is a territory with a small population, it uses the Swiss franc as its currency, and together they also form a customs union with Switzerland, in which they have common external tariffs, so their data is taken jointly.

It is also important to mention that in addition to the products that are currently most traded with the bloc, there are others with great potential for their exports to grow considerably in the coming years. Due to the

high purchasing power of the population of EFTA, the opportunities for Ecuadorian export products become very attractive. The country's exportable offer has high-quality standards that would allow it to have a good positioning and long-term relationships. Especially with products such as: tropical fruits such as passion fruit, pineapple, fresh, dehydrated or preserved mango. Canned vegetables such as hearts of palm, broccoli, asparagus, artichokes. Cocoa intermediate products and their derivatives, fish products such as preserves, fish fillets, fishmeal. Processed foods such as confectionery, panela, vegetable snacks, jams, condiments, cereals, among others. And toquilla straw hats and handicrafts. (Ministry of Production, Foreign Trade, Investments and Fisheries, 2020).

Table 11
Products/industries with potential for growing exportations to EFTA

Tropical fruits	Passion fruit	Pineapple	Fresh or dried mangoes		
Canned vegetables	Hearts of palm	Broccoli	Asparagus	Artichokes	
Cacao	Cocoa shells, husks, skins, and other cocoa waste	Derivatives			
Fishery products	Canned products	Fish fillets	Fish flour		
Processed food	Confectionery	Panela (brown sugar cane)	Vegetable snacks	Jams, condiments	Cereals
Handicrafts	Toquilla straw hats				

Source: Ministerio de Producción, Comercio Exterior, Inversiones y Pesca, 2020

Conclusions

In closing, for countries in the global south such as Ecuador, comprehensive partnership agreements, compared to a free trade agreement, are much easier to process and adapt to the current reality of the country, since it grants privileges because of the unequal conditions. This way, the economy does not suffer drastic changes that could be negative, and there are no radical disadvantages for the different industries that would be affected depending on the type of imports that arrive with a trade agreement. If in the future Ecuador signs free trade agreements with other blocs or countries, this does not mean that they are unfavorable per se, but that they must be rigorously negotiated, as in any agreement. And if there are industries with sensitive products, these must be protected with anti-dumping measures and safeguards, for a better adaptation to the economy. In recent years, the country has been committed to gradually open its economy abroad, which means in the future abroad it is expected for Ecuador to have new agreements with more countries and organizations. Therefore, internally, the growth of the national industry should be encouraged for its export, as well as the improvement of infrastructures. Not imposing high taxes on these potential industries because it would slow down the growth process, and above all, innovate. Innovation diversifies the portfolio of Ecuadorian products, as well as with the complementation of an improved technology, they help to accelerate the processes of industrialization and sophistication of it. Also, as the country mainly exports raw materials and products with little added value, innovation opens the possibilities for exporting products with high added value and industrialization, to the different world markets.

Trade facilitation through friendly technologies is a key objective of the Ecuador-EFTA agreement. The world is becoming increasingly aware of caring for the environment and one of the main purposes between the parties is trade, but in an environmentally friendly way. In this way contributes to long-term sustainable commercial growth. It was shown that a great example of this can be in fishing, with both parties with economies involved with fishing, the bilateral relationship is committed to taking care of marine resources.

Due to the characteristics of the agreement, it also provides a cultural exchange linked mainly to cooperation, through the current and future workshops, conferences and dialogues that are expected to motivate the exchange of knowledge between the parties. Along with training and the identification of investment and innovation opportunities. Including commitment to improve and strengthen customs for

trade facilitation. Quinoa is a new product for the EFTA market, and since it is typical of the Ecuadorian Andean region, it has great export potential as it is specialized in this product. Thanks to the agreement, discussions will be held frequently to assess progress, and compliance with commitments between the parties, as well as analyze future needs. Some dialogues already done are those of gender equality and child labor.

Statistics will guide how the agreements gets developed in the future. Ecological and organic products are in trend and are appreciated by markets such as EFTA. The way in which services are regulated in Ecuador is draws the attention of EFTA, and for the future it hopes to discuss new forms of e-commerce and the improvement in the commitments to trade facilitation.

Regarding exports to Iceland, the star products are fish fats and oils, frequently for medicinal use or for manufacturing. As well as the fruits. Imports from this country are few, however, Ecuador imports from there mostly make up tools for machinery, thermometers and electric motors. In 2015 was more commercialization between the parties. In the Ecuador-Iceland relationship, the trade balance has remained positive in recent years.

Cavendish-type bananas are Norway's favorites, as well as fruits and vegetables such as broccoli and its stems. In 2017, banana exports to Norway increased by up to 200%. As for imports, mineral and chemical fertilizers predominate, as well as different appliances for electrical use. The trade balance between the parties was negative in the 2014-2015 period, Ecuador made more imports from Norway. In the following years this changed to be positive until today.

Ecuador must work to make itself look attractive internationally to receive foreign investment, especially for the countries with whom it has trade agreements. Figures on foreign direct investment from Iceland and Norway into the country have not been found.

Switzerland is the member of the bloc with whom Ecuador trades the most, in exports predominates gold and flowers such as roses and gypsophilia. Although fine aroma cocoa is known to be largely exported to this State, in the last two years it has not been among the top five. Imports from Switzerland are mainly medicines and equipment of this branch. FDI from Switzerland goes primarily to the agriculture, forestry and fishing industry. As well as trade and the construction industry. The trade balance between the parties was negative from 2016 to 2019, however, when the agreement entered into force, it began to be significantly positive in the last two years, thus demonstrating the benefits of the agreement. As Liechtenstein is a microstate that forms a customs union with Switzerland, its statistics are included in those of Switzerland.

As for EFTA exports as a whole, gold predominates, which for the validity of the treaty in 2020 grew by 200%, cavendish-type bananas, roses, fats and fish oil. Taking into account the imports from Switzerland, and which in figures are the most notable in relation to the other members of EFTA, in the imports of the bloc, medicines predominate in the same way. In short, the most attractive sector for FDI to EFTA in Ecuador is the agriculture, forestry and fishing industry. The trade balance of the bloc and Ecuador changed positively in 2020, since in previous years it remained negative.

In addition to the products that predominate in exports to the bloc, there are others with great potential and attractiveness. These are: tropical fruits, canned vegetables, cocoa, which continues to be attractive, fishing products such as preserves and handicrafts, such as toquilla straw hats.

In essence, due to how different the regions between Ecuador and the EFTA members are, the most exported products are those that are endemic to our area, and that, due to the characteristics of the European climate, do not occur in their region. Likewise, products with these same characteristics are the ones that currently have the greatest potential for export to the area. Independent of Switzerland, Ecuador's relationship with the other members of EFTA has been low, but after the agreement came into force it has been growing progressively. It is expected that it will grow even more in the future. The matter of cooperation is an essential point within an agreement, because although the commercial aspect is essential, the social and political aspects create a space of responsibility that helps the good relationship between the parties. Even though explicit benefits of the Ecuador-EFTA agreement cannot be seen yet, since it is relatively new, it is important to know the key points of the agreement. Such as which products have growth potential, as well as the industries, where it should be improved, for trade facilitation and increase flow of FDI. Likewise, the good use of the agreement in order to achieve economic growth in the country, and its greater recognition worldwide.

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