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Analysis of Ecuador's Unilateral Trade Policy, 2011-
2019

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DEDICATION

At first, I would like to dedicate my research to God, for providing me with a blessed environment in which I reside and for granting me the ability to complete this stage.

To my beloved mother, Isabel Silva, who with her unconditional love and unwavering support, ensured that I continued this phase with determination and dedication. Her commitment to making me both a great professional and a great person has borne fruit, and today more than ever, I dedicate this to her wholeheartedly.

Also, to my sisters, Natalia and María José, for believing in me and placing their complete trust in me.

Finally, to my grandparents, thanks to their spirit of greatness and prosperity that has been passed down through time, it has been possible to achieve this significant personal goal.

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Analysis of Ecuador's Unilateral Trade Policy, 2011-2019

ABSTRACT

Trade policies play a key role in stimulating exports, managing imports and achieving economic growth through international trade. Ecuador adopts various strategies with the aim of strengthening its presence in international markets and ensuring the growth and strengthening of its domestic market. In this context, this article seeks to analyse the evolution and perception of foreign trade policies in Ecuador during the period 2011-2019, through a qualitative methodology that combines literature analysis and structured interviews with experts in trade policy and economics. As part of the findings, the relevance of the Organic Code of Production, Trade and Investment (COPCI) in the promotion of exports and diversification of the economy was determined, while the Trade Policy Review reflects the volatility of exports influenced by the price of oil and the global perception highlights the importance of balancing local incentives with global competitiveness through partnerships, technology and market diversification.

Keywords: trade policies, exports, imports, economic growth, international trade

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1. INTRODUCTION

According to Poveda et al. (2018) Trade policies refer to the instruments or actions implemented by the state with the aim of promoting exports, regulating imports, and achieving the country's growth through international trade. According to Gallardo and Vallejo,(2019), in this type of policies, aspects such as tariffs, negotiations, special regimes, measures against unfair trade, and other standards of safety and quality are specified.

Guayasamín has said et al. (2019) trade in international markets requires a legal framework conceived by international organizations with the aim of promoting free trade of goods/services and establishing control mechanisms. In other words, trade policies are measures implemented by governments to strengthen commercial activities based on market conditions.

For Lapeña & Czulaba (2018) Ecuador relies on the export of unprocessed agricultural and livestock products, with trading partners such as the United States, which provided financial aid to the country in exchange for indirect interference in decision-making in foreign policy. This arrangement persisted until 2007 when the government of Rafael Correa sought to restore national sovereignty by making decisions that would disentangle Ecuador from the United States. Subsequently, bilateral relations were promoted with countries such as China, Russia, Venezuela, and Nicaragua to favor internal development. However, this led to economic dependence on China, where Ecuador had to prioritize this trading partner for the delivery of projects in exchange for financing, accepting unfavorable conditions for the country.

In Alvarado's opinion, (2019) while the country made progress with free trade agreements, export growth was limited due to prevailing state protectionism. Under such conditions, there is legal uncertainty that creates a business environment unattractive to foreign investors. According to Montaña (2009), in Latin America, Ecuador is not considered a benchmark in trade policy because state structures operate in isolation and without the implementation of technical studies. Additionally, there is a lack of political will in promoting external relations, hindering the ability to capitalize on opportunities and resulting in a depletion of resources.

In the case of Ecuador, some changes in trade policies are identified during the analysis period of 2011-2019. Regarding the legal framework of trade policy, until before 2011, it was scattered across various legal bodies, according to the National Secretariat of Planning and Development. (2017) in order of The Organic Law of Internal Tax Regime, The Reform Law for Tax Equity, The Industrial Parks Law & The Law for Tax and Credit Promotion.

The Organic Customs Law (LOA), which came into effect on November 26, 2003, and was repealed in December 2010, regulated customs operations and processes in the international movement of goods. This law underwent reforms in 2007, focusing on clearance times and improvements in tax collection. However, these reforms proved insufficient to meet international standards, highlighting the lack of new administrative structures in favor of foreign trade. (Jacho, 2011).

So, by 2011, according to data from the World Trade Organization, (OMC, 2011) the country adopted a new approach to trade policy following the incorporation of the Organic Code of Production, Trade, and Investments (COPCI), which came into effect in 2010. This code designates the Committee on Foreign Trade (COMEX) as the governing body responsible for trade policy.

Unlike the previous legislation, COPCI aims to boost the national production process, adapting the previous laws to constitutional principles approved in the constituent assembly of 2008. It seeks to consolidate the economic system to achieve development throughout the national territory. (Secretaría Nacional de Planificación y Desarrollo, 2017).

One of the focal points of analysis is the governing body, COMEX, which, since 2011, is tasked with approving public policies in the field of trade policy, with the involvement of ministerial portfolios related to the productive matrix, such as trade, productivity, agriculture, energy, foreign affairs, planning, and development. (Ministerio de Producción, Comercio Exterior, Inversiones y Pesca, 2021).

On the other hand, addressing employment needs and poverty conditions, the National Planning Secretariat (2017) promotes the democratization of the means of production. For this reason, trade policies are part of the National Development Plan (PND) with the purpose of complying with the Constitution of the Republic of Ecuador (2008) which in Article 284 establishes objectives for economic policy, including encouraging national

production, productivity, and competitiveness. Therefore, incumbent governments have the obligation to adhere to the formalities established for trade policies.

According to the above, the research focuses on two government periods, the first corresponding to Rafael Correa (2007-2016) and then the regime of Lenin Moreno (2017-2019). In this context, Poveda et al. (2018) argue that the COPCI establishes various trade policies to control and manage international trade. Among its competencies, tariff policies, international business, the establishment of export promotion plans, measures to mitigate unfair trade, and the implementation of special regimes are distinguished.

Without prejudice to the aforementioned, it is important to refer to the COPCI, given that it has been in force during both study periods in the administrations of Correa and Moreno. In this regulatory instrument, importance is given to 14 productive sectors, with a special emphasis on micro, small, and medium-sized enterprises to increase non-oil exports. Furthermore, measures are introduced to incentivize Foreign Direct Investment through the exemption from Income Tax (IR) and the Exit Tax on Foreign Exchange (ISD). (Alvarado, 2019).

On the other hand, regarding trade practices, there are evident changes in the process and requirements, with a key milestone being the implementation of the ECUAPASS Customs System in 2012. This system requires natural or legal persons intending to import to register, and they can conduct the procedure electronically, streamlining the process and reducing the time involved.

In the case of tariff policies, in 2015, Resolution No. 011-2015 was identified (2015), which was effective from 2015 to 2017. Its purpose was to impose a temporary tariff surcharge on imports to safeguard the balance of payments. This tariff was in addition to those agreed upon in bilateral and regional trade agreements, such as agreements with members of the Andean Community (CAN), European Union (EU), and MERCOSUR. It was applied to various products with different tariff levels, ranging from 5% for capital goods and raw materials to 45% for final consumer goods, including televisions and motorcycles.

With regard to tariff surcharges, the Ministry of Production, Foreign Trade, Investments, and Fisheries (2020) classifies them as an extreme measure adopted by the country to safeguard dollarization and potential negative side effects caused by the decrease in oil prices, which, from \$97 USD per barrel in 2015, dropped to \$51 in 2016 due to the global

market recession (Cedeño et al., 2022) and the depreciation of the dollar that created pressure on the balance of payments. While, according to Izaguirre (2019) This tariff surcharge, according to Izaguirre, achieved the goal of reducing imports by 1%. However, it had the collateral consequence of a 0.38% decrease in suitable employment as a response to the trade restrictions. The explanation for the increase in unemployment arises from changes in consumption patterns, where reducing imports leads to decreased consumption and, consequently, reduced production. In the absence of economic growth, the availability of job opportunities in the private sector is limited.

On the other hand, international agreements facilitate foreign trade. In Ecuador, these agreements serve as instruments that strengthen international relations and originate from international trade policies. Hence, the importance of promoting policies that align with the trade objectives driven by the state. (Banco Central del Ecuador, 2019).

For Cevallos et al. (2018) The signing of agreements and treaties increases trade opportunities in various sectors through international standards, where domestic production has the potential to reach markets abroad. Consequently, these efforts result in positive effects for generating higher incomes for the population.

With regard to international negotiations in 2013, Ecuador's unilateral decision to eliminate tariff exemptions for certain Ecuadorian products when entering the United States was identified. This decision followed the signing of the Andean Trade Preference and Drug Eradication Act (ATPDEA), which, at the time, had increased exports to the United States. (Domínguez, 2016), creating opportunities to develop internationally-oriented products, thereby strengthening the Ecuadorian economy. (Palomino et al., 2018).

However, the unilateral decision to withdraw from ATPDEA is defined as a mechanism to defend national sovereignty by the General Secretariat of Communication of the Presidency (2013). It was argued that the external pressure exerted by the United States on geopolitical matters was a condition for maintaining tariff preferences. An example of this pressure is the interference in Ecuador's decision to grant asylum to Julian Assange, the founder of WikiLeaks, which was considered as commercial blackmail.

According to Vera & Llanos (2016), after the withdrawal from ATPDEA in 2013, no opportunities were created between Ecuador and the United States to restore good relations. This could have been an opportunity to diversify the international market,

considering that new trade partners were sought to avoid economic dependence. Consequently, trade relations were expanded with Turkey, the top importing country in the Economic Cooperation Organization, Belarus, which is part of the Russian Federation with industrialized economic structures, and Thailand, a market specialized in agricultural products. (Moreno et al., 2017).

In contrast, Ruso (2018) argues that several Ecuadorian products lost competitiveness when entering the North American market due to high prices compared to competitors benefiting from tariff exemptions. The main affected products were canned tuna, flowers, and broccoli.

On the other hand, Ecuador maintained trade relations with the European Union (EU), which, from 2000, propelled the development of trade relations. However, in 2009, tension between the EU and Ecuador surfaced due to entry barriers Ecuador faced in marketing bananas in the European market (Preusser, 2022). For this reason, Ecuador decided to withdraw from the Multiparty Trade Agreement (ACM) it had with the EU, Peru, and Colombia. (SICE, 2022).

However, in 2014, negotiations began to rejoin the MTA. After four official meetings in 2017, an agreement was reached between the parties, establishing terms favorable to Ecuador in terms of generalized tariff preferences. (Preusser, 2022).

In this sense, the agreement between the EU and Ecuador was reinstated starting from January 1, 2017. It stipulates zero tariffs for 99.7% of agricultural products and stability at a value of \$1.2 billion in the industrial-fishery sector. It is estimated that Ecuadorian exporters will have an annual savings of 248 million euros. (Van y Saurenbach, 2017).

1.1. OBJECTIVES

GENERAL OBJECTIVE:

Analyze the perception about the evolution and results of Ecuador's foreign trade policies during the period 2011-2019.

SPECIFIC OBJECTIVES:

- Conduct a theoretical and bibliographic review on unilateral trade policy in Ecuador during the period 2011-2019.

- Analyze the Trade Policy Review (TPR) - WTO Ecuador period 2011-2019
- Conduct a perception analysis of the country's unilateral trade policy during the period 2011-2019 based on the opinions of experts in the field.

2. METHODOLOGY

2.1. TYPE OF RESEARCH

The study will be qualitative, based on the application of semi-structured interviews with experts in the field. These interviews aim to elicit reflections and triangulate the information gathered in the analysis of the evolution and results of Ecuador's trade policy during the years 2011-2019.

2.2. METHODS

For the analysis of the information, the following methods are applied:

- **Bibliographic analysis**

According to Codina (2020), this method allows for the identification and selection of documents from different reliable sources on a specific topic or to build the reference or theoretical framework of an investigation. In the research, it is used to counterbalance the aspects that will help define the perspective of experts on trade policy decisions in the country. Therefore, inclusion criteria consider documents accessible through digital search engines such as Scielo, Dialnet, and Redalyc, as well as articles addressing Ecuador's economic policies in the years 2011-2019.

Within the bibliographic analysis, official documents on Ecuador's foreign trade policy are considered. In this case, information bulletins provided by the Central Bank of Ecuador and by the WTO through the *Trade Policy Review* (TPR) will be consulted. The selection of trade policy reports and publications considers those providing data for the years 2011-2019. Regarding the *Trade Policy Review* (TPR) reports for Ecuador, three reports from 2005, 2011, and 2019 were used, analyzing only those that reference the study period.

- **Structured interviews**

According to Hernández et al. (2014), before conducting this type of interview, the researcher creates a guide, which becomes an information collection tool, as it is applied in accordance with the order and questions outlined in the instrument. In this regard, a

interview guide (See Annex 1) was used in the research to highlight the perceptions that experts have regarding the external trade policies being discussed.

2.3. POPULATION AND SAMPLE

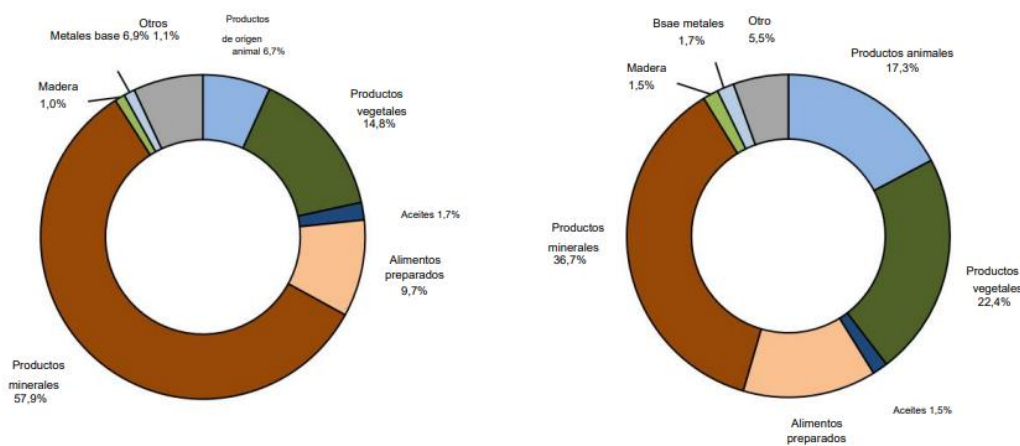
The study's universe consists of experts knowledgeable about Ecuador's trade policies who analyze the consequences on the country's economy from an economic perspective. Regarding the number of experts to be interviewed, Díaz et al. (2015) mention that it is determined by the saturation point, which involves identifying the number of participants that no longer provide new data to collect, assuming data collection is complete. In this regard, Hernández et al. (2014) state that a phenomenological qualitative instrument, which applies exploration, description, and understanding of an individual's experience with a specific phenomenon, should ideally involve a maximum of 10 cases to avoid information saturation.

3. RESULTS

3.1. TRADE POLICY REVIEW (TPR) - WTO ECUADOR PERIOD 2011-2019.

In 2019, a report was issued by the secretary of the World Trade Organization, detailing the main results of the examination of trade policies. Regarding international trade, it analyzes the trends and patterns it exhibits, showing that in 2017, merchandise exports decreased by 14.4% compared to 2011, attributed to the decrease in the selling price of oil in the international market. (World Trade Organization, 2019). The composition of exports is detailed:

Figure 1
Comparison of the composition of Ecuador's exports 2011-2017



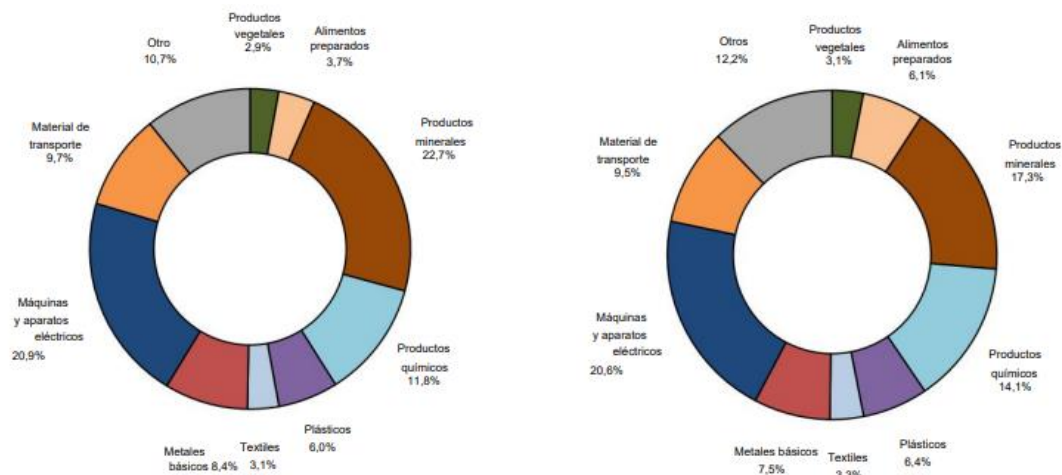
In Figure 1, it is observed that the majority of exports in 2011 were mineral products (57.9%). Similarly, in 2017, it was recorded that 36.7% of exports came from mineral products (World Trade Organization, 2019). Regarding the export of prepared foods, it increased in 2017, accounting for 13.3% of total exports, compared to 9.7% recorded in 2011. The same trend is seen with vegetable products, which accounted for 22.4% in 2017, compared to 14.8% in 2011 (World Trade Organization, 2019).

Upon investigating the figures, in 2011, exports amounted to 24.286 million dollars, in contrast to 2017 when they reached 19.122 million, implying a decrease in exports by 14.4% compared to 2011. (World Trade Organization, 2019).

Respect to the destination of exports, it is identified that most of the trading partners are in the Americas. Among the main partners are The United States, Peru, Chile, Panama, and Colombia. It is worth mentioning that when comparing the year 2011 with the year 2017, the United States goes from representing 43.5% to 31.7%, indicating that the trade rupture did have an impact on exports. On the contrary, with the European Union, an increase in relations from 12% to 16% is identified, making it the second most important trading partner. (World Trade Organization, 2019).

On the other hand, it is important to mention that merchandise imports decreased by 18.3% in 2017 compared to 2011 (World Trade Organization, 2019). Regarding the decline in imports, it is explained by the decrease in domestic demand, as a result of the imposition of safeguards through Resolution No. 011-2015 (2015), which involved an additional payment to the tariffs imposed on certain products. The composition of imports in 2011 and 2019 is presented below.

Figure 2
Comparison of the composition of Ecuador's imports 2011-2019



Source: World Trade Organization (2019)

In Figure 2, it can be observed that for 2017, imports of machinery and electronic devices decreased by a small percentage (0.3%). Similarly, textiles, mineral products, transportation materials, and basic metals also saw a decrease. (World Trade Organization, 2019).

On the contrary, there is evidence of an increase in the import of prepared foods in 2017, accounting for 6.1% of the total, while in 2011, it represented only 3.7%. This indicates changes in domestic consumption patterns in the country. (World Trade Organization, 2019).

Regarding the countries of origin of imports, there are no substantial changes, as the United States remains the main supplier, followed by Europe. However, an increase in sales from China is identified. In 2011, they accounted for 13.7% of total imports, rising to 18.6% in 2017. (World Trade Organization, 2019).

An important aspect to consider is Foreign Direct Investment (FDI), which shows a downward trend. The main reason for increasing FDI was the price of a barrel of oil. Therefore, FDI decreases as the price of oil decreases. Starting from 105.2 dollars, it substantially reduced to 30.3 dollars in 2016. This decline affected the industrial and trade sectors significantly. (World Trade Organization, 2019).

Despite this situation, it is imperative to identify the origin of investors, which in the period 2011-2019 included Argentina, Canada, Chile, China, Colombia, Peru, the United States, Uruguay, Venezuela, as well as some countries in the European Union such as France, Italy, the Netherlands, and Spain. (World Trade Organization, 2019).

In relation to the formulation and objectives of trade policy, according to the World Trade Organization (2019), they are based on the Constitution of the Republic of Ecuador, which did not undergo modifications in the years 2011-2019. Therefore, the objectives of trade policies continue to be established in Article 304 of the Constitution, which states:

- Seek the development, strengthening, and dynamism of domestic markets.
- Implement measures that contribute to the country's strategic integration into the international economy.
- Promote domestic production and improve the production base.
- Ensure sovereignty in food.
- Encourage the development of economies of scale.
- Regulate the market to prevent monopolies and oligopolies. (World Trade Organization, 2019).

Considering that trade policies are outlined in the National Development Plan, proposed by each government in power, various changes were implemented during the period 2011-2019. Among these changes, the creation of new ministries and organizations stands out, while others were merged or eliminated. For instance, in 2013, the Ministry of Foreign Trade and Investments (MCEI) was established, replacing the Vice Ministry of Foreign Trade and Economic Integration. The primary role of the MCEI is the formulation of foreign trade policies. Additionally, other ministries and secretariats were established to be involved in this function:

- **Ministry of Foreign Trade and Investment:** This ministry establishes trade agreements, aims to promote economic integration, exports, and foreign direct investment. It implements policies that regulate exports and imports.
- **Ministry of Foreign Affairs and Human Mobility:** Establishes import strategies and ensures access for industrial products to markets.
- **Ministry of Agriculture and Livestock:** Promotes international cooperation for the development of the agricultural sector and seeks access to markets for fishery and aquaculture products.

On the other hand, regarding the trade agreements and arrangements that Ecuador has during the study period, regional and preferential trade agreements are identified, with a focus on ensuring the integration of Andean countries, among which stands out:

- **Andean Community:** Ecuador has been a part of this agreement since 1969, known in current times as the Andean Community (CAN). This involves a free trade zone regarding goods produced by member countries, with the existence of rules and regulations specific to the agreement, including tariff values, quality, and intellectual property. As for tariffs, a common tariff was established. Additionally, member countries can act individually or as a collective regime.
- **ALADI:** During the 2011-2019 period, Ecuador signed three agreements within ALADI: Partial Scope Agreements with Guatemala, Nicaragua, and El Salvador.
- **Trade Agreement with The European Union:** In 2017, the tariff preference agreement between Ecuador and the European Union came into effect. This agreement, valid for 17 years, allows for the tariff elimination on approximately 95% of tariff lines.
- **Other Agreements:** Ecuador is part of the Generalized System of Preferences, benefiting from preferences granted by certain countries in relation to exports.

3.2. PERCEPTIONS ABOUT TRADE POLICY DURING THE PERIOD 2011-2019

In the context of the analysis of Ecuador's export composition during the period 2011-2019, interviews were conducted with a diverse group of experts in Foreign Trade. Below, their profiles are detailed, and to maintain confidentiality, they are identified through alphanumeric codes:

Chart 1
Profile of Experts Related to Ecuador's Exports 2011-2019

Experts	Education	Workplace	Position	Years of work	Experience in trade policies
E1	Bachelor in International Studies with Bilingual Emphasis	Prefecture of Azuay	International Cooperation	4 years	-
E2	Master in Supply Chain	Ernst & Young	Supply Chain Manager	3 months	High
E3	Comercial Engineer	U. Cuenca	Teacher	10 years	Medium
E4	Third level (university)	Graiman	Purchasing department	9 years	External
E5	University student	SCM Forwarder	Operations	2 years	Medium
E6	MBA & Logistics	IndianMotos	Import manager	9 months	Medium
E7	Bachelor in International Studies with Bilingual Emphasis	VW O'clock	CEO	2 years	Advanced
E8	Máster in Law & Business	Ecuador Customs Authority	General Advisor	18 months	Medium
E9	Master	Consultant	Advisor	32 Months	33 years
E10	Master	Navire	CEO	8 months	+10 years

E11	Economics and Finance	U. Azuay	Economics School Coordinator	16 Months	International Economics
E12	Bachelor in International Studies with Bilingual Emphasis	U. Azuay	Teacher	7 years – 1 year	Medium

The interviewees comprising the group of experts in Foreign Trade exhibit a solid background in relevant disciplines, such as international studies, *Supply Chain Management*, engineering, and economics, providing support to their knowledge and experience in the commercial and policy-related domain.

Thus, diversity is a notable characteristic in terms of experience, as they come from a wide range of work contexts, including private sector companies, educational institutions, and government entities. Therefore, the interviewees possess a high level of understanding in decision-making and the implementation of trade policies.

Undoubtedly, the selection of interviewees contributes diverse perspectives to the discussion on the dynamics of Ecuadorian exports. Consequently, the results of the interviewees' perceptions regarding the evolution and outcomes of Ecuador's foreign trade policies are presented.

The perceptions of the interviewees (see Annex 2) regarding the management of foreign trade after the creation of the Organic Code for Production, Trade, and Investments (COPCI) are varied. On one hand, it is recognized that incentives are established for the export of non-traditional products, and there is progress in the application of regulations and trade policies through PROECUADOR. However, there is still a focus on traditional products such as oil, bananas, and shrimp. The importance of involving small producers and improving associativity, training, innovation, and marketing channels is emphasized to achieve greater diversification of the exportable offer.

It is also noted that the COPCI favors imports but poses challenges for exports. In fact, some interviewees believe that there is a debate about flexibility and the need to improve adaptation to international standards. Furthermore, the creation of the COPCI both simplifies and complicates customs regulations, highlighting efforts to reduce physical customs inspections and promote automatic inspections.

Certainly, the implementation of ECUAPASS had a significant impact on foreign trade processes in Ecuador. Overall, it is acknowledged that this platform improved the visibility and traceability of customs procedures, enabling early detection of irregularities. It is highlighted for its efficiency and effectiveness in customs procedures management, streamlining operations throughout the country. Furthermore, the transparency and access to information provided by ECUAPASS have reduced costs and times in import and export processes.

Despite the described benefits, some interviewees point out challenges associated with the implementation of ECUAPASS, mainly the high cost involved. Although there are advances in modernization, some consider this cost to be a disadvantage compared to previous systems. It is also mentioned that the system did not address all the needs of the country, especially regarding special regimes, which impacted the productive activity of large companies. There is even a perception that the process of obtaining export permits remains bureaucratic.

Regarding the perception of the implementation of safeguards on 2800 tariff lines, several interviewees highlight that the application of safeguards can have a positive impact on the balance of payments by reducing imports of the affected products. Therefore, by reducing the outflow of foreign exchange, it promotes domestic production and reduces dependence on foreign products, achieving a balance in the balance of payments.

On the other hand, there are critical opinions about safeguards, emphasizing that the domestic industry in some tariff lines is still not competitive compared to foreign production. Interviewees believe that national production becomes more expensive as it is not yet ready to compete effectively with imported products, which could lead to a loss of competitiveness and impact small and medium-sized industries. Additionally, it is noted that the implementation of safeguards does not necessarily contribute to the growth of domestic production, as it requires dynamic and unobstructed flows in foreign trade.

Other opinions suggest that safeguards could have a mixed impact. While there may be a decrease in imports and a reduction in inflation due to decreased demand, it is also warned that the measures lead to unemployment and negatively affect businesses that depend on imported spare parts or raw materials.

Regarding the agreement with the European Union (EU), for most experts, it was a good decision; the interviewees agree that the agreement brings benefits to Ecuador, such as market diversification and the strengthening of trade relations with other countries outside traditional markets. It is emphasized that the agreement provides preferential access to the European market, stimulating exports from Ecuador to Europe and facilitating foreign investment.

In this context, the agreement with the European Union presents itself as an opportunity for Ecuadorian products, providing them access to a broad and attractive market. This is due to the elimination of tariff barriers that act as a stimulus for exports, as well as the push for national products to conquer the European market with competitive prices and outstanding quality.

In contrast, it is mentioned that, although the signing of the agreement was positive overall, it is important to consider the implications for the domestic industry. Some interviewees point out that competition with European products poses challenges for local production, with emphasis on sensitive sectors. Even if there are benefits, EU countries do not represent a significant percentage of Ecuadorian exports compared to other markets.

To conclude the information provided by the experts, a series of strategies are presented to diversify markets and promote domestic production. The signing of trade agreements with new strategic partners, such as South Korea, and the expansion of existing ones with countries like Canada, China, the United States, Japan, and India, could open

opportunities for Ecuadorian exports and attract foreign investment. The customs union within the Andean Community becomes relevant in this context, leading to strong and cohesive economic and political union.

Another key focus would be the enhancement of Economic Development Zones (ZEDE) through public-private partnerships that create platforms to streamline foreign trade activities. This facilitates import and export processes, attracts investment, and provides legal security for companies operating in these zones.

It is necessary to review the tariff structure and restrictions at the level of pre-control documents for specific products to identify opportunities for tariff elimination in those products vital for the country's development. Also, the tax benefits need to be reassessed and redirected towards essential goods for economic growth, eliminating those that do not contribute significantly.

Ultimately, it is emphasized the need to improve the competitiveness of Ecuadorian products through quality and access to new markets. Therefore, it is essential to take measures to incentivize innovation, investment in technology, and the formation of strategic alliances that enable domestic products to compete on equal terms in international markets. In this regard, investment in research and development, as well as the promotion of local production in sensitive sectors such as the dairy industry, could be crucial steps for sustainable and equitable development in the commercial sphere.

4. DISCUSSION

Ecuador implemented tariff surcharges in 2015 to protect the balance of payments due to the fall in oil prices. Although successful in reducing imports, they were also associated with a decrease in suitable employment due to changes in consumption and production. In this regard, Fruceri et al. (2019) argue that, in theory, tariff increases could lead to a reduction in imports influencing the trade balance. However, the effects of tariffs on the trade balance tend to be small, so it is not significant on its own.

According to Izaguirre et al (2019), there is a direct relationship between the percentage change in imports and the percentage change in full employment. If tariff surcharges were increased, it is possible that the growth of imports could be limited, negatively impacting job creation. Industries dependent on imports might reduce production due to higher costs, leading them to reduce the number of employees.

From a practical perspective, Obstfeld (2016) considers that imposing tariffs may lead trading partners to respond by imposing tariffs on their products. This can lead to trade wars and further impact international trade relationships. In other words, without proper analysis prior to implementing surcharges, the negative effects on international trade relationships would likely prevail.

Another aspect worth discussing is the decrease in merchandise exports from 2011 to 2017, suggesting Ecuador's high dependence on oil exports and its vulnerability to fluctuations in oil prices. In a similar vein, Guevara and Carranza (2022), when investigating the impact of trade policies in Mexico, acknowledge that oil resources are crucial for generating state income and strengthening its position in international markets. However, the reliance on a single resource in the Mexican economy leads to volatility in international oil prices, affecting stability and the ability to sustain consistent growth.

Moreover, Echeverri (2020) suggests that in times of economic recession, countries like Colombia, Peru, and Chile, with a significant dependence on oil exports, may face challenges in implementing effective counter-cyclical policies. This is because government revenues can be reduced due to falling oil prices, leading to imbalances in the trade balance, as exports may decrease during periods of low oil prices.

In light of the contributions mentioned, it is important to highlight that the Ecuadorian economy is exposed to uncertainties in the global oil market. Therefore, the importance of seeking alternatives and policies to reduce this vulnerability and promote a more sustainable economic development is emphasized.

When referring to the *Trade Policy Review* (TPR), significant changes in the composition of exports were identified. In 2011, mineral products represented 57.9% of exports, but by 2017, this figure had decreased to 36.7%. Despite diversification in exports, the country still heavily depends on mineral products. In this regard, Jones et al. (2021), analyzing the mining industry in the Andean region, suggest that the described changes are due to the global decrease in demand for minerals such as copper and lithium, with negative impacts on exports due to global economic factors such as economic slowdown or recession in major consumer markets.

In this sense, the reduction in exports of mineral products could necessitate economic adjustments and policy changes to address the resulting economic challenges, resulting in a complex and challenging process. Therefore, the value of government intervention

through public investments and policy reforms to promote economic diversification is emphasized. It also highlights the close relationship between economic diversification and structural transformation that allows the displacement of production factors within and between sectors to increase productivity. (Grupo del Banco Mundial, 2020).

Another finding reveals changes in Ecuador's trade partners, with a decrease in the participation of the United States as an export destination. This is linked to the strained relations between the two countries. In 2011, there were tensions with the United States due to an anti-American stance by the regime in power, which was further limited by the imposition of high taxes on profits, reducing investment interest in Ecuador. (Wordliczek, 2016).

On the contrary, Urgilés (2018) argues that the decrease in the participation of the United States is primarily related to the global economic crisis in oil, which affected Ecuador's import capacity, along with other economic factors that influenced the demand for imported products.

Certainly, the trade policy of a country can play a significant role in its relationship with trading partners and in determining trade flows (Fairlie et al., 2021). Therefore, government decisions such as tax imposition, trade regulations, and political tensions influence the dynamics of trade relations and overall economic performance.

Finally, experts hold different opinions on Ecuador's handling of foreign trade. There is recognition of progress in diversifying exports, but there persists a focus on traditional products such as oil, bananas, and shrimp. In a similar vein, Quiñonez et al. (2021) acknowledge that diversifying the exportable offering in an economy has a positive impact on its Gross Domestic Product (GDP) and long-term economic growth. However, dependence on oil and primary products exposes the economy to risks due to the volatility of oil prices.

Meanwhile, perceptions regarding the implementation of safeguards and ECUAPASS acknowledge progress in agility, efficiency, and transparency. However, concerns are raised about costs, intermittency, and the need for ongoing modernization to continue improving digital trade processes and strengthen competitiveness internationally. The World Trade Organization (2019) notes that despite the implementation of the ECUAPASS system and measures to streamline customs processes, the persistence of multiple pre-import control documents still creates complications and unnecessary costs

for businesses. At this point, the variability of documents and requirements depending on the product hinders commercial activities.

In this context, it is evident that, while improvements have been made, there is still work to be done to optimize the ECUAPASS system and address the raised concerns. Thus, modernization is essential to continue enhancing digital trade processes and increase competitiveness internationally (Comisión Económica para América Latina y el Caribe, 2021). Additionally, the timely management of trade policies is highlighted as crucial to drive sustainable and equitable development in the country within the commercial sphere.

5. CONCLUSION

Regarding the review of existing literature related to Ecuador's unilateral trade policy during the period 2011-2019, it is concluded that trade policies are conceived as tools used by the State to promote exports, regulate imports, and achieve economic growth through foreign trade. With the incorporation of the Organic Code of Production, Trade, and Investments (COPCI), the aim was to strengthen the country's economic and productive system by boosting specific sectors, especially micro, small, and medium-sized enterprises, to increase non-oil exports and attract Foreign Direct Investment with the purpose of consolidating a system that promotes development throughout the national territory.

Regarding the second objective, which corresponds to the analysis of the World Trade Organization's (WTO) Trade Policy Review (TPR) on Ecuador during the study period, it was determined that Ecuador experienced fluctuations in its merchandise exports, largely influenced by variability in international oil prices. Specifically, the decline in oil prices in 2017 led to a significant reduction in export revenues, negatively impacting the trade balance. Simultaneously, a gradual diversification of Ecuador's exports was identified, although dependence on non-renewable resources persists. The fluctuations in export revenues and the decrease in Foreign Direct Investment (FDI) underscore the need for a sustainable trade policy adapted to global economic dynamics.

Regarding the third objective involving expert perceptions, it is concluded that the implementation of the Organic Code of Production, Commerce, and Investments (COPCI) and the ECUAPASS platform had both positive and negative impacts on Ecuador's foreign trade. While there are recognized advances in export diversification and efficiency in customs procedures, challenges such as implementation costs and the

need to improve local competitiveness are also noted. Additionally, the importance of balancing incentives for domestic production and global competitiveness through market diversification, investment in technology, and the formation of strategic alliances is highlighted.

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ANNEX

Annex 1 Expert Interview Guide



Theme: Analysis of Ecuador's Unilateral Trade Policy during the period 2011-2019

Objective: Identify the experts' perception regarding the evolution and outcomes of Ecuador's foreign trade policies.

1. Sociodemographic Data

Academic Background:

Company of Employment:

Position Held:

Time in the Position:

Knowledge and Experience in Trade Policy Matters:

2. Perception of Economic Policies.

Making a historical retrospective on the trade policies adopted in Ecuador from 2011 to 2019, the implementation of the Organic Code of Production, Trade, and Investments (COPCI) in 2010, the introduction of ECUAPASS in 2012, the removal of the preferential system with the United States in 2013, the implementation of safeguards from 2015 to 2017, and the agreement with the European Union in 2017 are identified. Please answer the following questions regarding this.

What is your perception of the management of foreign trade after the creation of the COPCI?

What is your perception of the management of foreign trade after the implementation of ECUAPASS?

In your opinion, what were the results of the elimination of the preferential system with the United States in Ecuador? (Positive and Negative)

Do you consider that the implementation of safeguards on 2800 tariff lines (vehicles, televisions, cell phones, clothing, footwear, computers, printers, processed foods, liquors, fruits, washing machines, air conditioners, among others), as it happened in 2015, contributes to balancing the balance of payments and the growth of domestic production?

Do you consider it was a good decision to sign the agreement with the European Union? Why?

What alternative trade policies could have been or can be adopted to contribute to the country's development?

Annex 2

Chart 2

Perception of experts regarding the results of Ecuador's trade policies.

	E1	E2	E3	E4	E5	E6
Perception of Foreign Trade Management	Ecuador focuses exports on traditional products despite incentives for diversification. PROECUADOR has advanced in policies, but small producers are not participating. COPCI provisions require conditions for non-traditional products and emphasize the importance of Economic Zones with incentives.	The creation of the organic code makes sense, but its rigidity in trade policies is a problem. The protectionist focus of the Ecuadorian economic scheme limits foreign competition and internal innovation.	It has favored imports but hindered exports.	The creation of COPCI can be seen as an effort to centralize and coordinate trade and industrial policies in the country. Under this framework, measures have been taken to improve efficiency in handling foreign trade, thereby strengthening competitiveness.	More clarity and consistency in terms of policies, regulations, etc.	There is a lack of awareness of the application of COPCI, and it is done out of habit in the corporate sector.
Implementation of Safeguard Measures and Their Impact	The implementation of ECUAPASS streamlines customs procedures, increases efficiency and transparency, and reduces costs and time by operating electronically from any location in the country.	ECUAPASS, an expensive tool that has gradually improved over time.	The process of obtaining the export permit has become bureaucratic.	Ecuapass benefits trade by streamlining import and export procedures, providing visibility and early detection of issues, thereby reducing costs and time. Its value lies in simplifying customs procedures.	Comprehensive tool that consolidates essential information for various foreign trade processes.	Ecuapass stands out as an excellent tool compared to SICE. However, for its optimal long-term operation, it is essential to allocate a larger state budget for its maintenance.
Agreement with the European Union	A significant negative impact is the elimination of tariff preferences for Ecuadorian products in the U.S., reducing competitiveness by removing tariff exemptions and facing increased competition from products of other nations.	I don't see benefits; as a developing country, we need support to fight against corruption and crime, withdrawing advantages with the U.S. during Rafael Correa's time could have favored interests of drug trafficking.	Negatives	The elimination of benefits affected U.S.-Ecuador bilateral trade by increasing tariffs and trade barriers for Ecuadorian products in the U.S. market, harming commercial exchange.	Positive: It protects the economy by limiting the outflow of money from the country due to the lack of its own currency. Negative: It impacts importers by raising the costs of raw materials and products.	At present, the timeframe for analyzing long-term impacts is short; a longer period must be awaited for a more comprehensive assessment.
Impact of Safeguards on 2800 Tariff Lines	Protect local production but impact consumers in electronics. Private import businesses have emerged in response.	Tariffs do not benefit Ecuador due to its focus on agriculture and livestock, without technological or white goods production.	It is a social policy that, at the same time, increases the cost of imported products as well as domestic ones.	Safeguards reduce imports, improve the balance of payments, and promote local production, reducing dependence on foreign products.	Yes, but this impact is observed in the long term. The local industry in those tariff categories still needs improvement	They are not the only way to limit import trade and protect the local industry; the question is focused in a specific way.

					to compete with the foreign industry.	
Evaluation of the Agreement with the European Union	Yes, Ecuador should expand trade with the U.S. and South America, strengthen domestic sectors, and enhance cooperation with the EU.	Alliances with countries promote foreign investment and economic stability.	Good because it diversifies the market.	The agreement benefits exports and attracts investment, but imports challenge the local industry.	Yes, it was a good idea. Europe is a strong market with many opportunities for exporters and importers.	Positive for exporters and foreign investors, but challenges for importers and local sectors, depending on the particular viewpoint.
Alternatives for Development through Trade Policies	Diversify agreements with South Korea, ZEDE with public-private partnerships for foreign trade.	Establish trade agreements with Canada.	Tariff liberation on products with poor national production, free trade agreements.	Promote investment, expand exports, bilateral agreements, fair and sustainable trade.	Zero tariffs on key products for local production.	Identify good practices in similar countries and previous agreements with large economies to guide trade strategies.
	E7	E8	E9	E10	E11	E12
Perception of Foreign Trade Management	The creation of COPCI has been a great advantage in establishing standards, regulations, and encouraging domestic production.	The regulations were updated following international standards (CKR). There is a debate about unifying issues in COPCI, suggesting separating customs issues as in the old Organic Customs Code. Dispute resolution methods were rescued in COPCI after the 2021 customs reform. Previously, more than 50% of declarations were physically inspected; COPCI prioritized automatic inspection, reducing imports subject to physical inspection.	COPCI establishes organic customs regulations but lacks a previous Organic Customs Law. It creates a Foreign Trade Council but inadequately addresses investment issues, which are also involved in its regulations.	The creation of COPCI sought to leverage factors of production, facilitate foreign trade, and establish transparent policies. Although there have been advancements in the efficiency of foreign trade, there is always room for improvement in customs and electronic processes. We emphasize the state's importance in foreign trade as an economic driver.	It was a necessary legislative change to modernize processes in production, trade, and investment. Although it may have caused some inconvenience, in my opinion, it turned out to be positive.	I believe that every law or regulation is necessary, so the COPCI, during its years, helped regulate and standardize foreign trade processes in the country.
Implementation of Safeguard Measures and their Impact	ECUAPASS streamlines foreign trade processes for agents and companies. It requires better maintenance, but overall, it has been favorable.	The internal and external perception is positive. There are more transactions and agility in customs with ECUAPASS. Less paperwork thanks to the Ecuadorian Single Window. Technological traceability	ECUAPASS is expensive, it was a milestone, but I question its cost. Previous systems were not as expensive.	ECUAPASS improved upon SICE. Electronic signatures and online processes streamlined procedures and reduced paperwork. Investment in technology is essential, focusing on strengthening the system and dividing	The system modernized and streamlined foreign trade processes.	ECUAPASS needs modernization to streamline digital commerce and reduce import/export processing times.

		improves transparency and security.		access to optimize efficiency and costs. Intermittency affects times and costs for importers and exporters.		
Agreement with the European Union	I don't have knowledge about this system of benefits.	I don't see positive results. Negative impacts: Less competitiveness in the U.S., increased public spending on export subsidies, a paternalistic state approach.	Negative: It highlights the need for a trade agreement with the U.S., potential bankruptcies. Positive: Stimulus for efficiency in production, diversification of markets.	Negative: Abandonment of negotiations with the main trading partner, limiting investment and exports. Negative: Competitiveness of Peru and Colombia due to the agreement with the U.S., raises tariffs on our products. Negative: Questioning for seeking to recover previously rejected tariff benefits.	Negative: Broccoli affected by tariffs to the U.S., estimated loss \$70M. Positive: Diversification of export destinations.	SGP: Annual agreement, 0% tariff on key non-oil exports. New U.S.-Ecuador agreement (2022) seeks long-term 0% tariff.
Impact of Safeguards on 2800 Tariff Lines	Yes, but review affected Sensitive Products affected by safeguards. Prioritize competitive and quality local production.	It helped balance the balance of payments by reducing imports but decreased exports. It did not boost local production due to trade barriers and increased costs for goods not produced locally, affecting employment.	Import restrictions increase the cost of foreign goods, reduce demand and supply, lowering inflation. It does not stimulate the economy and creates a temporary industry. National production does not grow sustainably.	Urgent measures against imports that affect local production, aiming to balance the balance of payments and promote growth, but impacting small and medium-sized industries. An increase of up to 45% caused losses as it couldn't be passed on to customers. The more expensive products reduced competitiveness and affected companies with foreign spare parts or raw materials, disrupting operations.	Extreme but necessary measure due to high outflow of foreign exchange in imports, avoiding deficits and risks to dollarization. It did not aim to protect the local industry; many items without local production had safeguards.	Salvanguardia stabilized the balance of payments without its own currency, approved by the WTO, even extended after the 2016 earthquake.
Evaluation of the Agreement	Yes, it facilitates trade between parties and helps	Yes, a good choice. The EU market is attractive for	Yes, it facilitated the entry of Ecuadorian	Ecuador's accession to the agreement with the	Imported products are more affordable,	Yes, trade agreements are valuable but

<p>with the European Union</p>	<p>Ecuadorian products reach the large EU market.</p>	<p>Ecuadorian exports. Diversifying destinations helps achieve a positive balance, as seen since 2017.</p>	<p>products into the European Union market, reducing costs for consumers and promoting exports by eliminating tariff barriers.</p>	<p>European Union was positive, allowing access to a potential market. A positive trade balance of over 1000 million dollars has been observed since its entry into force until 2020. Additionally, this agreement generated benefits, investments, diversification, and integration.</p>	<p>but competition arises for domestic production. Although an increase in exports to that market was expected, only certain economic sectors benefit.</p>	<p>should be approached with caution regarding delicate Ecuadorian products. The delayed entry into the agreement with the EU left the issue of mobility in Ecuador pending.</p>
<p>Alternatives for Development through Trade Policies</p>	<p>Well-defined FTAs with China, the U.S., Japan, and India.</p>	<p>Expand trade agreements, strengthen the customs union in the Andean Community, adjust tariffs and tax benefits, and adopt global practices such as Free Trade Zones and Dry Ports.</p>	<p>Strengthen ZEDES, clarify 0% VAT rate, improve risk profiles, and have better-controlled borders.</p>	<p>Promote free trade zones with more clarity on tax benefits for import/export. Strengthen the logistics cluster to improve the supply chain and competitiveness.</p>	<p>The quality of Ecuadorian products must be improved, and their access to new markets should be expanded to enhance competitiveness.</p>	<p>Having trade experts and representatives in each country to promote the dissemination and opening of markets for Ecuadorian products.</p>