



UNIVERSITY OF AZUAY

FACULTY OF LAW

SCHOOL OF INTERNATIONAL STUDIES

**ANALYSIS OF THE PERMANENCE OF ECUADOR
AS A MEMBER OF THE WORLD TRADE ORGANIZATION:
ADVANTAGES AND DISADVANTAGES.**

Graduate Thesis prior to obtaining the Bachelor degree in International Studies,
minor in bilingual Foreign Trade.

Author: Maria Roxana Guerrero Vallejo

Director: Economist Luis Tonon

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DEDICATION

*Dedicated to the Great Architect of the Universe: **God***

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ABSTRACT

The Republic of Ecuador and its latest scenario leads us to several questions on the new foreign policy strategy, not just the diplomatic relations which determine its course but also influence their economic vision resulting in new trends, new relationships and especially with new business partners to discuss arrangements. The objective of this work is the analysis of the permanence of Ecuador as a member of the World Trade Organization on the basis of statistical data and an economic profile case known as DS335: anti-dumping measures by the United States for the Ecuadorian shrimp industry. This analysis shows that Ecuador should remain as an active member of the WTO clear agreements in order to obtain greater concessions from its trading partners.

INTRODUCTION

“Always remember that your own resolution to succeed is more important than anyother thing”

Abraham Lincoln.

Two years ago my life as a college student ended. During the first year outside the classroom I looked for a thesis topic that would allow me to show who I am after 5 years of college. The result was not what I expected, my college life was not finished yet so I moved on, looking for the ideal subject to demonstrate what I am, what I've become, the effort which took me to be the student that I am: the person who learns and who has not yet surrendered to difficulties. In my search for justice and truth, to carry the analysis beyond a common statistic fact I found the reality of my country Ecuador, within the World Trade Organization, its agreements, diplomacy, economy and the mixture in which countries seek to be partners in this global scenario.

The World Trade Organization started as such in the two years following World War II. These are the foundations of the modern multilateral trading system. The winners of the war: The United States, Great Britain and France project an image of superpowers, which is why they were looking for an economic recovery based on cooperation in international trade. Although the war had ended, uncertainty still remained in the new world economic order, so in 1944 during the Bretton Woods Conference was resolved to create three new international economic organizations which would have as a main objective the control, monitoring and cooperation in the new economical order. These organizations were:

- The International Monetary Fund in order to control the stability of the exchange rate.
- The International Bank for Reconstruction and Development, which provided capital to rebuild the countries devastated by war
- And the International Organization of Commerce in charge of the regulations in which global trade is governed as well as in open multilateral trading.

The IMF and the World Bank worked properly but after, the World Bank was weakened by the United States, who thought that the principle of sovereignty would be affected. Thus the GATT was formed. The General Agreement on Tariffs and Trade, which was negotiated among 23 countries and which in 1947, would be the basis of a multilateral system of trade expansion until the creation of the World Trade Organization in 1995.

WTO currently has 157 members, comprising the two opposite poles of the world economy: the developed and developing countries. Its main objective is the regulation of world trade, it is a forum for trade negotiations for its members, conflict resolution, etc.¹ Ecuador has been a member since 1996 being part of their agreements, rounds, and even disputes.

The central hypothesis of this paper is to analyze the permanence of Ecuador as a member of the WTO based on the changing nature it has had in its foreign policy, as to making new agreements and their tendency to seek different partners. In each chapter we define the following objectives:

- Identify the principal facts of the World Trade Organization.
- Establish the position of the Republic of Ecuador regarding the measures applied by the WTO.
- Analyze statistical data and policy to establish the cost-benefit which Ecuador has obtained by being a member of WTO.

Finally, we will obtain conclusions from the analysis which is based on secondary sources and bibliographical material but most of all it is focused on the following question: Is the WTO a multilateral forum to define imperialism or the curtain for economic domain?

¹ORGANIZACIÓN MUNDIAL DEL COMERCIO.

http://www.wto.org/spanish/res_s/booksp_s/anrep_s/wtr11-2b_s.pdf Consulted on January 7th 2012. 13h34.

1. CHAPTER 1 GENERAL INFORMATION ON THE WORLD TRADE ORGANIZATION

1.1 Background and History

The impact left by World War II was even worse than the first, which is why there was a general consensus not to repeat those mistakes, implying a radical change in the international monetary system.

The Bretton Woods Conference held in New Hampshire United States was the beginning of the new international economic system. Within the conference, with representatives from 45 countries, there were two positions upon which the two factions thought the new world economic system should be based on. British John M. Keynes believed that the new international monetary system must abandon the gold standard and be based on a non-convertible currency called the *bancor* issued by the International Clearing Union. According to Keynes, this coin would be a tool to ensure full employment and to provide support for governments that would be part of this new format. The American, H. D. White, proposed a plan that made the new system based on the U.S. dollar and on gold entirely as the U.S. controlled the gold reserves and had become a victorious power. White felt that his plan should be adopted. (Delgado, Gloria.2010).

From this plan, each country would restore convertibility of national currencies with government intervention in the exchange rate, the balance of which would be maintained in its balance of payments.

Based on all the international monetary system reforms, the International Monetary Fund was established as a new instrument of international cooperation. It was in charge of providing all its members, especially to those with deficits in their balance of payments, the necessary resources to meet its own obligations. Also, the International Bank for Reconstruction and Development was established giving countries access to long-term resources to finance large investment programs. However, the whole plan proposed by White was impossible to carry out under

postwar conditions, which led to the United States making a massive transfer of dollars due to the Marshall Plan.

Since trade between countries was entering a new era, in December 1945 James Brynes, Secretary of State of the United States proposed the creation of a first entity to the monetary system, which would be part of the Bretton Woods institutions, the International Trade Organization, which would be responsible for removing impediments to trade and reduce tariffs. The ITO agreement was established, not only for world trade disciplines, but employment standards, commodity agreements, etc. The United Nations Conference on Trade and Employment held in Havana from late November 1947 until February 1948, by 25 countries which represented 80% of world trade in that time, would be the final chapter in the process of creating the ITO. During the conference, there were two different positions, those countries that were in favor of the Organization only dealing with free trade and those who wished that it would cover both trade and ensuring full employment.

After several discussions, the ITO could not be supported, which resulted in the General Agreement on Tariffs and Trade GATT, which was signed as an interim agreement on 30 June 1948 by 23 founding members.

The GATT was based on the principles of non-discrimination between nations, reciprocity, and consolidation. The principle of non-discrimination clause is its most famous, the "most favoured nation clause"; according to this principle any trade concession granted to any of its members, must be extended to all, demonstrating their equality.

For nearly half a century the beginning of the initial GATT remained, however, thanks to a series of multilateral negotiations known as rounds, major progress was made. In the 1960s multilateral agreements were reached and continuing efforts to reduce tariffs. Consequently, the main instruments of the GATT were the trade rounds.

It held eight negotiation rounds; the first five rounds were focused on eliminating tariffs, the Kennedy Round gave as a result antidumping agreements and a section on development. The Tokyo Round held in 1970 was the first to address impediments to

trade unrelated to tariffs and the last one, known as the Uruguay Round gave birth to the World Trade Organization.

1. TABLE1.1: GATT TRADE ROUNDS

Year	Place/name	Subjects covered	Countries
1947	Geneva	Tariffs	23
1949	Annecy	Tariffs	13
1951	Torquay	Tariffs	38
1956	Geneva	Tariffs	26
1960-1961	Geneva Dillon Round	Tariffs	26
1964-1967	Geneva Kennedy Round	Tariffs and anti-dumping measures	62
1973-1979	Geneva Tokyo Round	Tariffs, non-tariff measures, “framework” agreements	102
1986-1994	Geneva Uruguay Round	Tariffs, non-tariff measures, rules, services, intellectual property, dispute settlement, textiles, agriculture, creation of WTO, etc	123

Source: "Understanding the WTO" WTO.

The GATT as an accord was an agreement that met the needs of the majority of its members; however the trade problem was far more complex and evolved toward economic globalization, trade in services and other issues that were not covered in full within this. The boom in world merchandise trade and the increases, especially in the agricultural and textile sectors, made the shortcomings of the GATT on trade liberalization, institutional and dispute settlement systems, a challenge to their members.

These multiple failures prompted the empowerment and extension of the multilateral

system defined in the Uruguay Round, the Marrakesh Declaration, and the subsequent creation of the World Trade Organization.

The World Trade Organization itself, born on January 1, 1995, included the GATT as the rules for the system as part of their plan to expand its services of the trade agreement as well as TRIPSTrade-Related Aspects of Intellectual Property Protection; the dispute resolution system, creating a legal organization with which States would be able to negotiate new trade agreements on the basis of equality; freedom; competitiveness; etc.

1.2 Concept

The World Trade Organization was established in the Uruguay Round as a forum for the negotiation of trade agreements, and is the only body that governs the rules of world trade.

One of its greatest achievements is the dispute settlement system in which countries with trade disputes can settle their differences. "At its heart are the WTO agreements and legal norms that oblige governments to maintain trade policies within agreed limits." (WTO, 2005:9) The purpose of the agreements signed by governments is to benefit the exporters and importers of goods and services, to encourage the development of its activities and introduce their products in the global market. It is responsible for liberalizing trade with the use of different instruments, however in certain circumstances it supports the maintenance of barriers or obstacles in order to protect consumers and prevent the spread of disease, stop unfair trade, etc. The lesser known function of the WTO is training on various subjects and technical assistance to developing countries. Currently, the WTO is the forum for negotiations under the "Doha Development," launched in 2001.

The official languages of the Organization are English, French and Spanish but the most used is English.

Its headquarters are in Geneva, Switzerland, it has 157 members and a budget of \$208,422,480. Dollars; their decisions are made by consensus of its members

totalitarian, whether these are represented by Ministers, Ambassadors or their delegates. It works by a Secretariat composed of 640 people, including experts in different areas who are responsible for coordinating activities among its members and to observe and ensure that during negotiations the rules of international trade are correctly applied, producing satisfactory results at each meeting. The Secretariat has no political orientation and should be limited to technical aspects.

The Director General of the Organization is the French Pascal Lamy but the highest body is the Ministerial Conference, which meets every two years, immediately followed by the General Council that meets several times a year as advisor or as the Trade Policy Review Body and as the Dispute Settlement Body. The real political management lies with the General Council composed by the permanent representatives of the member countries. Within their functions is to create groups and committees specialized in different topics which later will become negotiations. They also formed the WTO Council for Trade in Goods, the Council for Trade in Services and the Council for Trade-Related Aspects of Intellectual Property Rights, who run their own reports and are linked to the General Council. Finally, there are the different specialized committees in several areas such as development, the environment, agreements, accession of new members, etc. Their functions are summarized as:

- To be a forum for trade negotiations of all kinds.
- Ensure compliance with existing trade agreements and their subsequent negotiations for improvement.
- Liberalize trade and meet their exceptions.
- Monitoring and implementation of trade policies of its member countries. Settling disputes among its members.
- Provide technical training to developing countries.
- Increase cooperation and to improve knowledge of their activities

The fundamental principles of the organization are based on the core purposes of the multilateral trading system, the majority of which are not only to promote the free flow of trade, but to ensure that participants in world trade know the standards, giving the assurance that trade policies have no sudden changes which is why these rules must be transparent and predictable.

Its basic principles are non-discrimination, lower trade barriers, competitiveness predictability and technical advantage for developing countries. However, in practice these principles still cause more problems for sympathy on the part of the developed countries with developing countries.

1.3 Rounds of negotiations from GATT to the WTO

Since World War I Europe had implemented protectionist policies while the United States enacted free trade. At the end of World War II, trade policies between Europe and the United States needed a reform and the new institutions created at the Bretton Woods Conference sought one that would regulate international trade.

In 1946 the Economic and Social Council of the United Nations convened the Conference on Trade and Employment held in Havana in 1947, resulting in the Havana Charter for the creation of the International Trade Organization that same which consists of 106 articles and 16 addenda. The purpose of this new body would be the rules for international trade, full employment, economic development of its member countries etc. However, the ratification by the U.S. Congress of the Treaty of the International Trade Organization was impossible. Several countries also decided against it so it never became an organization constituted as such.

Consequently in 1947 another change took place with negotiation involving 23 countries who represented the majority of international trade. The objective of these negotiations was the reduction of tariffs and this was considered at the first round.

Geneva Round (1947)

In this round 23 countries were involved and during the negotiations the most important point reached was the creation of rules that govern international trade, and thus the General Agreement on Tariffs and Trade GATT was born. It was signed by the participating countries on October 30, 1947 and taking effect on January 1, 1948 and since regarded as *the* instrument of global trade regulation. GATT is based in Geneva and is formed by its founding members consisting of 38 articles and four parts, encompassing the same principles of free trade, tariff reduction and the application of the clause of the most favoured nation status for all its members. Although the GATT was still considered an agreement their duties amounted to an organization, which is why it consisted of a Council of Representatives, the Secretary, and a Director General. The budget for this “organization” is the combined contribution of each of its members based on their participation in international trade. The purposes of GATT were non-discrimination, tariff reduction negotiations between members and trade development. (Annex 1)

Annecy Round (1949)

This was the first round under the command of the GATT. It took place in Annecy France in April 1949 between 13 members; during their negotiations they reached important agreements comprising about 5,000 tariff concessions during the first period.

The round lasted from April to August and during its third term approved the accession of 11 countries as new members of the GATT.

Torquay Round (1950-1951)

This round was held in Torquay England and attended by 38 member countries. During this round of negotiations 8,700 tariff concessions were reached, these represented a 25% tariff reduction from the validity of the GATT. In addition, the United States decided to completely abandon the idea of ratification of the Charter of the failed ITO.

For accessions, Germany is allowed as a member of GATT.

Geneva Round, (1956)

This was the fourth round held in May. During this round of negotiations 2,500 million dollars tariff reductions were reached. It involved 26 countries and for the first time the training of developing countries was used.

Dillon Round (1960-1962)

This round was held in Geneva, Switzerland and attended by 26 countries. The objective of these negotiations was the establishment of a common external tariff with the European Economic Community. For the first time in history this group of countries was negotiating on behalf of all of them.

The round took the name "Dillon" from U.S. Undersecretary of State Douglas Dillon, who raised simultaneous tariff negotiations the plan being a percentage tariff reduction on all products. Negotiations concluded in July 1962 with 4,400 tariff concessions, worth 4,900 million.

Kennedy Round (1964-1967)

Held in Geneva with 62 countries, it was the sixth round of negotiations with the issue of tariff reduction and named after its main sponsor U.S. President John F. Kennedy. The main objective of the forum was to reach an agreement between the United States and the European Economic Community with the participation of all its members.

It sought a tariff reduction of 50% in agricultural products traded between the EEC and the United States following a linear form of negotiation, which would result in a general tariff reduction.

During this round 40% tariff concessions valued at 40,000 million dollars were achieved and an agreement was reached to supply wheat to poor countries and food aid, but the most significant result was the signing of an agreement that established ADA rules against export goods at unfair prices and a section on development.

Tokyo Round (1973-1979)

The seventh round of GATT negotiations was held in Tokyo, Japan in September 1973 with the participation of 102 countries. They continued to negotiate tariff concessions and achieve a one-third reduction in customs duties in nine major industrial markets worldwide.

Although the aim was to negotiate safeguards issues, because of problems related to agricultural trade, a consensus on the issue could not be reached which is why agreements are called codes. Some of them were:

- Subsidies and Countervailing Measures.
- Import Licensing.
- Procurement
- Standards Code relating to technical barriers to trade.
- Customs valuation.
- Antidumping Code.
- Civil Aircraft.
- Agreements on Beef and Dairy.

As a result of this round the MFA came into force on January 1, 1974, which replaced the 1961 agreement on trade in cotton textiles, to promote the liberalization of textiles.

One of the most important goals accomplished during this round were concessions made to developing countries, such as non-reciprocal acceptance and implementation of special arrangements between other non-tariff measures.

Uruguay Round (1986-1994)

The history of this round goes back to 1982 at the Ministerial Meeting in which agricultural issues were addressed, though without reaching any agreement.

In September 1986, in Punta del Este, Uruguay, the largest trade negotiation in history was held; this covered "from toothbrushes to pleasure boats, from banking to telecommunications, from the genes of wild rice to AIDS treatments." (OMC.2005: 18) These negotiations covered the full review of the 38 articles of the GATT, trade

in services, and achieved an agreement on agricultural products; it took four years to conduct these negotiations.

In December 1988, the next trading took place in Montreal, Canada to evaluate the results produced so far. They achieved an agreement to help the developing countries with regard to access for tropical product markets, a dispute resolution system, and transparency of trade policies of member countries of GATT.

In April 1989, the ministers met again in Geneva to define the results as this was what the term had been raised to do. The results were still stuck on agricultural products and at the finale of the meeting in December 1990 in Belgium it ended without positive results.

Since the results that had been raised could not be completed and the deadline for doing so was not long enough, GATT officials met with the then director general of GATT, Arthur Dunkel, where negotiations at the technical level flowed. Without containing the names of participating countries, all results obtained were summarized in the Final Act.

Thanks to the efforts of the GATT in their technical area, the basis was the Final Act and the members returned to their negotiations. There were continuing issues that caused difficulty including agricultural products and one of the most ambitious was the creation of a new institution as such. Trading in agricultural issues, market access, tariffs between the United States, European Union, Japan, and Canada came to an end on December 15, 1993 and new agreements were signed on intellectual property rights and trade-related investment.

On April 15, 1994 the majority of the 123 members of the participating governments signed the Act of Marrakech, the same as Article 2 contained in the creation of the World Trade Organization, which would replace the GATT itself but would be based on this as agreement.

The World Trade Organization would be the regulator accepted by its members with legal capacity to enforce agreements, resolve disputes, review trade policies, etc.

1.4 Operation (members, rounds, meetings)

The Marrakesh Agreement states in Article 2 that the signatories assert the establishment of the WTO, thus becoming the regulator of international trade, has three core activities that shape their concept as such:

It's a negotiating forum for member countries who negotiate agreements on any activity of trade, tariff concessions or other measure to help meet the principles of the Organization. It is a standard for both the negotiation of agreements and to implement them, contains procedures to help all participants in international trade. One of his greatest achievements is the dispute resolution system, and that although the rules are clear many times their application may require interpretation, this system also aims to resolve conflicts that may arise between members.

The objectives of the WTO are:

- Full employment.
- Progressive liberalization of trade.
- Promoting fair competition and transparency.
- Sustainable Development.

The Organization, unlike many others, is directed by the member countries through its various boards and committees. The sanction provisions are made by its members with agreed procedures and totalitarian authorizations; this means that they will reach an agreement on how they will impose sanctions, if any. It consists of the following:

- Secretariat: It is not considered part of the organizational structure of the WTO, however is a technical area directed by Pascal Lamy and about 650 employees who provide technical support for the various councils and committees to provide training to developing countries to provide information to the public perform trade analysis and trends, as well as organizing the ministerial conferences. Among its most important purposes is to provide assistance in dispute settlement procedures as well as to lead new joining members. Since only members can make decisions the Secretary lacks this feature.

- Ministerial Conference: This is the most important organ, consisting of member countries and it is the head of the organization which can make decisions on any agreement. It meets every two years.

The conferences which have had this body are:

1. Singapore (December 1996)
2. Geneva (May 1998)
3. Seattle (November-December 1999)
4. Doha (November 2001)
5. Cancun (September 2003)
6. Hong Kong (December 2005)
7. Geneva (December 2009)
8. Geneva (December 2011)

- General Council: It is the second largest within the organization and it is made up by all member countries as ambassadors or representatives of equivalent rank. Many represent the Ministerial Conference, as opposed to this the council meets in smaller time intervals. The Council may meet as:
 - Dispute Settlement Body.
 - Appellate Settlement Panel Body.
 - Trade Policy Review Body.

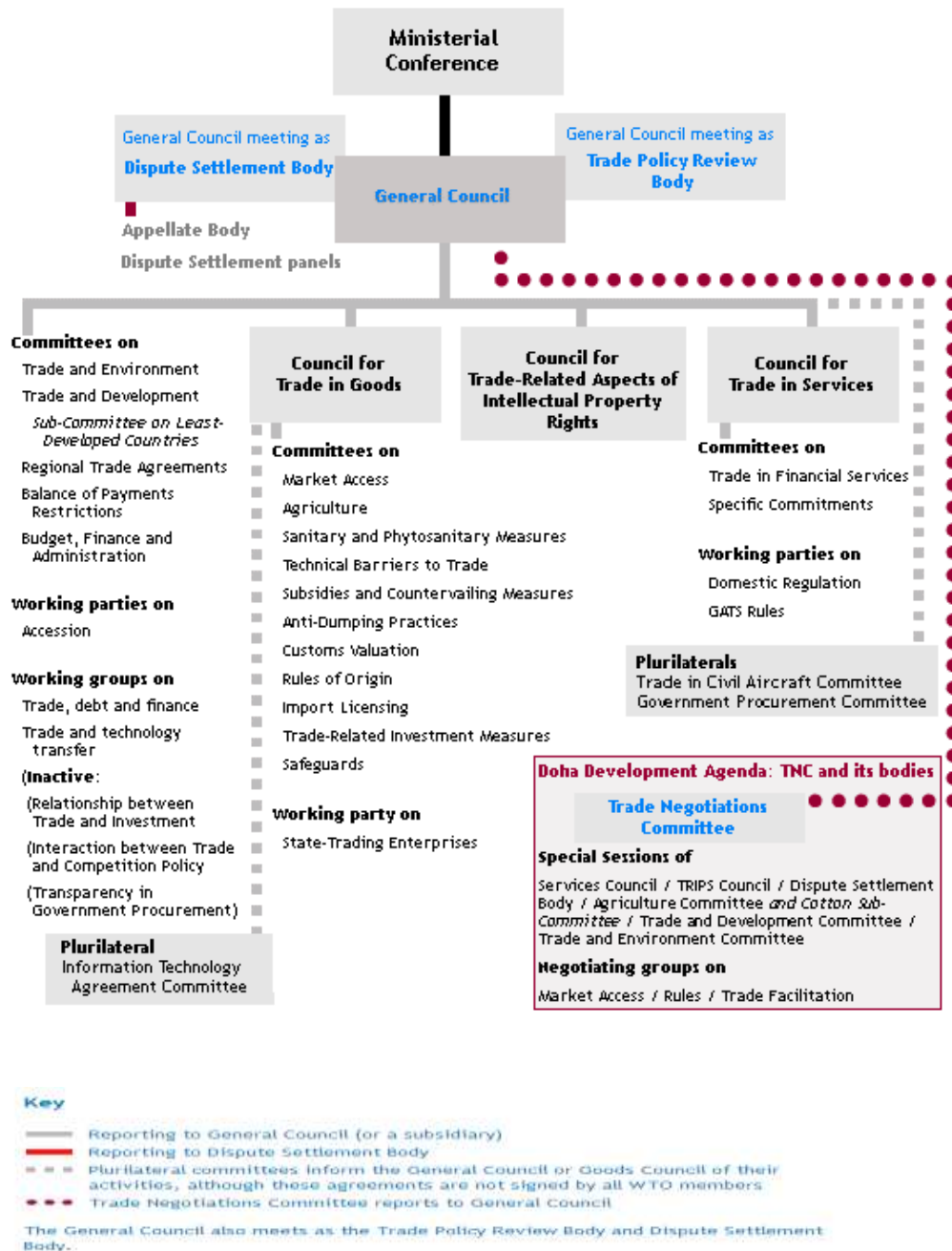
In fulfilling the functions for which the Body is meeting, however it must submit a report to the Ministerial Conference.

- Councils: There are three different councils that make up the next level of organization of the WTO, composed of all its members. The Council for Trade in Goods, the Council for Trade in Services, and the Council for Trade-Related Aspects of Intellectual Property, its main function is to ensure the Organization agreements in each of their areas.

In turn, each board consists of several committees who create working groups on various issues. The Council for Trade in Goods has 11 committees dealing with issues such as agriculture, market access, anti-dumping, Textiles Monitoring, import licenses, among others.

The Council for Trade in Services has about 10 committees that discuss these topics related to financial services, regulations, public procurement. The TRIPS Council serves to address issues related to Intellectual Property Trade which is also formed by members of the Organization. All meetings held by the various bodies that make up the WTO are formal and involve the completion of a report for the top level yet. Since there are issues that hinder large group discussions, informal negotiations are held but they lead to transparency as much as any other. Although informal meetings produce good results there should be a consensus among all members. These informal meetings are necessary to establish a multilateral set of commitments which can only be achieved by groups of 10 to 20 countries who, once they achieve a result, bring it to the formal meetings to inform all members and allow a vote.

CHART 1.1: ORGANIZATION OF THE WTO



Source: WTO. 2012

Although the WTO has members, advocacy groups also exist as the European Union, the Association of Southeast Asian Nations, MERCOSUR, NAFTA, etc. The organization also takes into account the views of private companies, farmers, consumers and others.

Since the organization is made up of members they must go through the process of accession and acquire obligations, accept the rules, commitments and enjoy the privileges of previous members. The process has four parts:

- Application for membership by the country led to the working party assigned which should report its trade policy with regard to the WTO agreements.
- The second part consists of bilateral meetings with each of the members and the country that seeks to adhere. They will talk about issues related to market access, tariff concessions and other obligations that the new member can offer.
- The working group prepares a draft membership treaty which includes conditions and commitments to acquire. The new member will acquire it along with countries which are already part of it.
- Finally, the Ministerial Conference or the General Council discusses the accession protocol and if the vote is in favor by two thirds of the members, the newest member proceeds to sign and ratify the protocol, which concludes its accession.

The member can decide whether to enter the category of developed or developing. The new member must remember to invoke the provisions of each group and must also meet the conditions of accession which are different for each of its members. Since the inception of the organization to date, there are 157 countries as members but on the other hand it also has observer members, with the exception of the Holy See that must become permanent a country member over a period of five years. (Annex2)

Besides observers, there are organizations like the World Bank, IMF, OECD among others from different areas who are on boards and committees.

1.5 Basic Principles

The principles of the WTO are based on the multilateral trading system itself therefore they are:

- Fair Trade: This is reflected in clause of the most favored nation, known as MFN. Its name means that all WTO members should be favored, for example if a member makes a concession on products or goods or services, or takes other appropriate action, it should be open to all members of the organization, which cannot discriminate anyone, whether it is a developed or developing country.

However, there are certain exceptions that occur which are strictly monitored and determined to be necessary by the Organization, that is that "countries can establish a free trade agreement that applies only to products traded within the group and to discriminate with respect to products from third countries." (WTO, 2005:11)

This is considered one of the most important principles, being represented in the first article of the GATT, and in almost all agreements signed by member countries.

- Agreements: Based on the various negotiations, the main objective is to have freer trade, in which markets are open to all producers of goods and services and various forms of trading; this can be based on concession based tariff agreements that allow member countries to have progressive liberalization. Its main instruments are the negotiations and results from these agreements.
- Predictability: When negotiating agreements, these allow you to have a clear vision of what will happen in certain products and market segments; this is how all participants in the trading system have the vision of what will happen predictably when having trade. On the other hand, there are the trade policies of each country which are considered by the WTO and that should be clear to

the other members; all of these instruments make governing a class of system stability.

- Promotes fair and free competition: The regulations and rules arising from the different agreements that are reached through negotiations allow that the commitments are fulfilled gradually and transparently through policy reviews. All rules, regulations, tariff concessions and imposed trade barriers are necessary to establish fair competition between its participants including public entities which use public procurement rules of the WTO agreements regarding this activity.
- Encouraging development and economic transformation: The main objective of the WTO is to promote trade based on their agreements and arrangements which are applied by all its members according to their ability. Developed countries apply lesser time commitments, especially those relating to market access for products from developing countries, thereby enabling a process of growth and economic transformation for these.

The Doha Development is the clearest example of the Organization to improve the economic prospects of developing countries.

1.6 Restrictions on Imports

For decades, two trends have been discussed in the world market-free trade and protectionism. The first has always been in favor of "laissez faire, laissez passer" allowing market participants elements of ebb and flow without any control or restriction, the second has the firm intention that the state must intervene before a threat of imbalance in the market so we can have a balance. In the form of state control are the restrictions on imports, such as a control to reduce purchases of goods abroad. It is a limitation of the free entry of foreign products in a country by applying:

- Tariffs.
- Safeguards.

- Fees.
- Non-tariff barriers.

Tariffs are taxes levied on products traded between the two countries. The import tariff is a tax that the importer has to pay in relation to the nature or price of the goods in question and these tariffs are divided into three groups:

- **Ad Valorem Tariff:** This is a percentage applied to the value of the imported product.
- **Fixed or Specific Tariff:** A predetermined amount of money, volume, weight, or physical unit imported surface.
- **Joint Tariff:** The tariff combination of ad valorem and specific tariff, levied on some parallel importation.

The purpose of the imposition of any of these types of tariff is to contain the volume of imports and domestic demand to divert national product, thus protecting the domestic market on a particular good.

Safeguards

Safeguards are considered temporary restrictions on imports of a specific product. Within the WTO, a member can apply this measure only under special circumstances as defined in Article 19 of the GATT, these include:

- a) That the importation of a product is causing injury to domestic producers.
- b) The amount of imported products is growing and becoming a threat to the national market.

Implementation of these measures is transient, which means establishing a maximum duration not to exceed four years to eight years in special situations and must have progressive liberalization, so there cannot be a repetitive measure of the same product. The use of this measure is more consistent in developing countries, as it attempts to balance a gap in the balance of payments.

The Committee on Safeguards of the WTO is to oversee the proper implementation of this measure.

Quotas

The establishment of a quota is to limit the physical volume of imports on a good, better known as global quota, and to specify the amount per year but not the source of the goods or who is authorized to import.

In the 30s the trend of shares took the name of "contingency," which referred to the establishment of a quantity called contingent, which was a unit of measurement of the imported products.

Non-Tariff Barriers

These are obstacles imposed indirectly to imports which are represented in the same complex customs procedures, sanitary quality standards or extremely strict administrative regulations etc.

Import licenses are the documents required as a precondition for the import of certain goods. According to the WTO, the procedures for obtaining a license should be clear and simple, always notifying all members of the establishment of new processes for their preparation. However, sometimes these documents are considered as an indirect barrier to free trade which becomes a way of discriminating against foreign products and benefitting domestic products.

1.7 Unfair Trade and Subsidies

"The foreign competition when given in loyal terms and non abusive, is welcome, as it contributes to a better and more efficient allocation of productive resources." (Alvarez and Lizana.1995:7) Although competition encourages the development of new forms and new industries, often both countries as well as companies seek a quicker achievement of its objectives based on practices that are considered unfair and illegal.

It is considered unfair trade all business operations that do not respect the rules, laws, regulations established by agreement or custom. Accordingly such acts become a deception for market participants.

There are different practices regarded as unfair such as dumping and subsidies.

Dumping

Dumping is when a product is sold at a lower price than it costs in its home market hurting producers in the receiving market because the low price cannot be competed with. Many companies look to this practice for a wide dissemination of its products in foreign markets and it may be used temporarily until the products in their home market have a fixed price and are affirmed.

The effects of this practice are diverse for the economy for if developed for decreasing costs, it enables the reduction of cost of goods in the domestic market but if developed in an opposite manner in which the cost of goods rises the effect instead becomes a contrast of benefits between consumers and producers. The WTO allows countries to take action against this practice, but for this the government must prove that it has caused undeniable harm to the domestic industry or that the introduction of this product will cause damage in the form of a cost threat and calculate the magnitude of this bias by comparing the export price with the domestic price of the good.

Compensatory measures may manifest themselves as antidumping duties, so it must be equal to the difference between the export price and the market price at which it is introduced. These measures must be temporary and must expire five years from their application except if the termination leads to deterioration of the economy in which they find themselves.

The Antidumping Agreement provides that member countries must make a report to the Committee on Antidumping containing all investigations, tests, results, and measures taken by the countries involved.

Subsidies

It is regarded as a government measure, characterized by the government being exempt from certain taxes or providing a financial contribution for encouraging domestic production or exports: thanks to subsidies domestic producers can export at low competitive prices.

The WTO Agreement on Subsidies establishes the procedure for the use of subsidies and measures to counter these. It specifies that such action may cause harm to a specific sector of the market, hurting exporters in third markets and competitors in their home markets.

There are three categories:

- Prohibited Subsidies: Its purpose is to give a preference to domestic products over imported and are issued mostly for export. They take the name of prohibited trade because they hurt other countries and if the WTO confirms that they are prohibited subsidies they should withdraw it immediately, otherwise other countries may take compensatory measures.
- Actionable Subsidies: Also known as targeted subsidies, these are applied to a particular market sector, the same which have an effect on exports. For a country to take action against these subsidies they must appeal to the Dispute Settlement Body with appropriate tests and, if it is determined that this grant is producing adverse effects it should be discontinued immediately.
- Non-actionable subsidies: Those that apply generally without directly affecting trade. Each member with appropriate tests may appeal to the Dispute Settlement Body; however no compensatory measures may be applied.

1.8 Types of Measures

Since the creation of the World Trade Organization, during different rounds there have been given agreements between its members, which concern themselves with different areas of intellectual property such as trade, agriculture, services, sanitary, textiles and others totaling more 60 agreements and decisions without tariff concessions.

These agreements are also provisions of the GATT, as well as special provisions for developing countries, but many countries have programs to encourage autonomous

trade liberalization, while there are others who need definitive guidelines for applying the same.

All measures taken during rounds and tariff concessions must be applied according to the negotiated agreement in which the time and how to apply its obligations is established. However, there are three related forms for application:

1. Based on laws and procedures established during the negotiation of the agreement.
2. In reference to tariff concessions, the phasing of these to meet the maximum period stipulated in the agreement.
3. Elimination of trade measures, non-tariff barriers in the period of time stipulated in the agreement.

This means that we can classify these two types of measures:

- Mandatory Measures: The laws and regulations that a member must apply inevitably.
- Non-Mandatory Measures: corresponding to the application as appropriate, such as subsidies, safeguards, countervailing duties.

Therefore, the agreement will define the appropriate sanctions how for the lack of its application will be.

1.9 Laws, regulations and institutions.

The WTO is a rules-based system. Its main object is the GATT rules followed by different negotiated agreements in different rounds. These agreements have evolved over all rounds of negotiation and are referring to issues such as tariffs, goods and, services, which include:

- The commitments made by the various members.
- The elimination of various tariff and nontariff barriers.
- Special procedures for developing countries.
- Transparency and examinations in the trade policies of each member.
- Procedures for dispute settlement.

These agreements are divided into three parts:

General Principles: Composed of the GATT, the General Agreement on Trade in Services and Trade-Related Aspects of Intellectual Property Rights better known as TRIPS

Agreements and Annexes: These apply in particular industries or circumstances, within those we can name from the first time in the 1994 Marrakesh Declaration followed by the various annexes that are:

- Agreement on Trade in Civil Aircraft.
- GPA.
- International Agreement Dairy.
- International Agreement Beef.
- Sanitary and Phytosanitary measures.
- ADA.
- Agreement on Textiles and Clothing.
- Agreement on Subsidies and Countervailing Measures.

Finally there are the commitments that each country agrees to and sets, which are mostly opening markets and tariff concessions. Although trade policy reviews are not within the classification, they are paramount, and based on these the WTO may issue reports and verify that the agreements and other commitments are being met. Within the WTO there are other bodies who serve as observers such as:

- World Bank.
- International Trade Centre (ITC).
- United Nations Conference on Trade and Development (UNCTAD).
- International Monetary Fund (IMF).
- Organization of Economic Cooperation and Development (OECD).
- United Nations (UN).
- Organization of the United Nations Food and Agriculture Organization (FAO).

- World Intellectual Property Organization (WIPO).
- International Civil Aviation Organization (ICAO).
- World Health Organization (WHO).
- World Tourism Organization (UNWTO).

1.10 Antidumping Policies

Antidumping policies are measures that can be applied to a member country if this activity is happening. For the implementation of these measures is based on two agreements: the GATT and the ADA.

Article six of the GATT defines dumping consideration and indicates that it is assumed that a country is making dumping if the price of exported goods is less than the country causing damage to its economy, including numeral two which indicates that " In order to offset or prevent dumping, a contracting party may levy on any dumped product an anti-dumping duty not exceeding the margin of dumping in respect of such product."

But the ADA extends the way in which the anti-dumping duty will be applied, article one mentions that the basic principle that a member cannot apply this measure if there hasn't been conducted a research which proves that the imported product is causing harm to a sector of the national economy. For this investigation is outlined in article five requirements for initiating it such as a written application made by the sector concerned or by a representative of this. As research continues to this application must have the support needed. The application must contain evidence of the damage and to continue the research must have a minimum margin of imports for establishing numerical margins, otherwise it terminates the process. All of this research should have a maximum length of 18 months.

The GATT also notes that the parties involved will have opportunities to present their case to the authorities and then go and check the damage of the dumping case, designate authorities to reach a compromise with the parties and to put an end to the situation. Article nine of the agreement, is defined as the implementation of

antidumping and it says that a country cannot exceed the dumping margin calculated in the investigation.

Article eleven stipulates the duration of the rights and periodic review to verify the need to maintain them.

Finally, the authorities develop a report with all the progress of the case which should not contain confidential information. In addition, article sixteen obliges all members to notify the parties involved before preliminary and final actions are taken. The ADA requires all members to formulate laws that are in conformity thereto and notify all members about these.

Antidumping policies are instruments that governments use to eliminate unfair competition and protect domestic industry.

1.11 Elimination of Restrictions

The World Trade Organization has a very clear position on the imposition of quantitative and qualitative restrictions. The declaration of 1957 defines that a member may take this kind of action to maintain equilibrium in the balance of payments and to protect its financial position facing the world market, Article Twelve is used by developed countries to implement the measures in Article eighteen and states that developing countries can implement these measures as a consequence of gaps in its economy. Both developing countries and developed countries must justify the use of these measures and determine the time that they will be in effect. While the organization allows the use of these measures in certain cases, one of its objectives is the phasing out of tariff and non-tariff barriers that impede free trade, developing countries being the most affected by the barriers and the unfulfilled commitments of developed countries.

The main obstacles to trade in developing countries are:

- The export of primary products which are value-added and discount minimum.

- The continued rise in tariffs.
- Limited access to markets for issues of shares, non-tariff barriers, etc.

According to the World Bank in 2003 it indicated that in an alleged case of developed countries to reduce their tariffs input and farm subsidies, developing countries would gain an estimated at \$ 250.000 million, which is four times more than they receive in foreign aid. (Goldin and Reinert.2006: 107)

Moreover, the most important step for the proper functioning of international trade is not only aimed at reducing tariffs but the combination of market access to export training, i.e. the WTO among its objectives, must train their members on market information, infrastructure and other essentials because the competition at present are subject to the Doha Development Agreement which recognizes the need for the capacity of the building of trade.

Despite the initiatives and programs of the WTO for developing countries, to ensure that trade flows in a fair and free manner, the reality suggests that training and tariff reductions will only be possible when the Organization commitments are met. Although the WTO has principles and duties outlined in their agreement, it cannot be said to function because there are several criticisms that the organization has become obsolete and needs to be modernized over the years.Plus it's fanciful notion that it can predict market behavior based on filings is illogical, in my opinion, as the market has trends that are determined by the countries themselves but also by free supply and demand.

2. CHAPTER 2: GENERAL DATA OF THE REPUBLIC OF ECUADOR

2.1 Basic Information

The Republic of Ecuador is named by the passage of the equator through its territory and is situated in the northwest of South America and borders Colombia to the north, south and east with Peru and to the west with the Pacific Ocean. Its capital is the Metropolitan District of Quito.

Its currency is the U.S. dollar and its official language is Castilian but Kichwa, Shuar and other ancestral languages are in official use by indigenous people.

Territory

It has an area of 256,370 km ², comprised by continental space, marine, offshore islands, the Galapagos Archipelago, soil and subsoil, the continental shelf and other areas as defined by the Treaties. It is divided into 24 provinces in 4 regions.

(Annex 3)

GRAPHIC 2.1 MAP OF THE REPUBLIC OF ECUADOR



Source: INEC 2011.

History

There were two stages to the independence of Ecuador and subsequent formation of the Republic.

During times of conquest, Ecuador belonged to the Viceroyalty of Peru, however, from 1739 it belonged to the Viceroyalty of New Granada, and was comprised of four regions. It was however, Quito which gave birth to the idea of independence. It is said that on August 9, 1809 was the first attempt of liberation in which a group of patriots gathered to form a government of their own, but their attempts were in vain, they did not achieve independence and all those behind the idea were killed or banished.

After the first attempt of independence, on August 2, 1810 the patriots came back to fight with the purpose of achieving independence and so formed an army led by Carlos Montufar who went towards the territories for battle, just as Congress declared Spain and the release of its first constitution. However, the Spanish colony did not allow their attacks and managed to regain control of Quito in 1812; this was the first stage known as the Revolution of Quito. Later in 1822, the second stage occurred with victory at the Battle of Pichincha where General Sucre of Quito achieved entry to Great Colombia. This was not enough for the independence from the Spanish colony. In 1830 was thus formed an independent state, governed by the Venezuelan president Juan José Flores. In Riobamba during the same year he created the first constitution in which the democratic form of government was determined and stated that this will have three powers: the legislative, executive and judicial.

Since its establishment as a republic, mandates are becoming shorter and it has been characterized by political instability.

Its present form of government is still democratic, and its head of state is economist Rafael Correa.

Population

It has a population of 14,483,499 inhabitants mostly mestizos, however, different ethnicities comprising other indigenous groups such as Otavalo, Saraguros, Shuar and others, also exist. The annual growth rate is 2.1% and there are 55.8 people per square kilometer, the average age is 28 years and its population is only 0.21% worldwide and 2.4% in Latin America (INEC. 2011)

The fertility rate is 3.28 children per woman and life expectancy is up to 75 years. Most of the population is located in urban areas and 39% live in the countryside. Three of the largest cities are Guayaquil, which is characterized as the main port of the country, Quito with nearly two million people, and finally Cuenca with of 410,000 inhabitants.

Form of Government

According to its constitution in force from October 20, 2008 the Constitutional Republic of Ecuador is a decentralized management, with election of President and Vice President by popular vote every four years and re-election once. The functions are divided into 5:

- Executive Function: This shapes the president and vice president with the different national secretariats and ministries.
- Legislative Function: Its legislature is the National Assembly comprising fifteen national assembly divisions, two from each province and one for every 150,000 inhabitants elected by popular vote.
- Judiciary: The judiciary is composed of the Constitutional Court, the National Court of Justice and Provincial Courts and tribunals.
- Role of Transparency and Social Control: This features the participation of citizens in the political arena by the Council of Social Participation and Citizen Control; on the other hand there is the Ombudsman, Comptroller General and the Superintendents.
- Function of Ecuador Elections: The form the National Electoral Council and the Electoral Tribunal.

Resources and Economics

Its location makes Ecuador a country suitable for telecommunications and the conservation of biodiversity as it enjoys 12 hours of solar energy, so flowers have become one of its main exports.

The Panama Canal is the most important route for trade between different countries and Ecuador, but there is a disadvantage for the cost of freight as this is calculated according to the volume of cargo and not the distances, resulting in a high cost for freight.

The arable agricultural land is scarce in proportions but fertile river systems provide water for the production of the land, therefore it can produce a variety of vegetables. Several deposits of oil, gas, and gold exist but there are materials like iron in representative quantities.

On the one hand, one of its most important products being exported is cocoa not only in its primary form but also in products like chocolate bars and powder, motivating several companies with the help of various foundations to develop different types of chocolates that are attractive in world markets. But their most attractive product is the banana. This product is characterized by lower market costs affecting different producers and has been the subject of intense negotiations with the European Union. Thanks to its border with the Pacific Ocean, Ecuador has several sea ports for cargo, which are characterized by containing various fish species. Among the most traded are tuna, sardines, and shrimp. Ecuador is considered the third largest producer of white shrimp *Penaeus Vannamei* worldwide, and its industry is concentrated in over 70 processing companies, laboratories, etc. (Luna, Luis.2010:225)

One of the main problems is the destruction of mangrove forests in the Amazon region due to the indiscriminate felling of trees.

Among the different provinces of Ecuador that contribute to the economic development of the country are:

First, the province of Pichincha which is home to the textile, graphics, and pharmaceutical industries in addition to its International Airport which offers an extensive mobilization of tourists.

Second, Guayas, since it is the most important port recording 75% of international cargo movement, and is the most populous city in Ecuador; its main agricultural products are corn, sugar cane, coffee, fruits, oil palm, and rice. Third, is Azuay with industrial exports, ceramics, jewelry, tires, etc. As a colonial city it is also a major tourist attraction and has become a retirement town for Americans. Also, there are other provinces with economic potential such as Manabí with the port of Manta with a central location and deep water, farms, and fisheries. It is of great importance for the country. Sucumbíos, Napo, and Pastaza provinces have more oil reserves for export.

Furthermore, the border provinces Esmeraldas and Carchi have had trade with the neighboring country Colombia. However, much of this trading is considered illegal such as trading in arms and ammunition to the FARC; therefore there are questionable exchanges in these sectors.

International Organizations

Ecuador is part of several international organizations, here are some of them:

- Organization of the United Nations.
- Organization of American States.
- UNICEF United Nations Fund for Children.
- World Health Organization.
- World Trade Organization.
- Andean Community.
- OPEC Organization of Petroleum Exporting Countries.
- UNCTAD United Nations Conference on Trade and Development.

2.2 Trade Policy

Ecuador's trade policy is based on the goal of equitable and sustainable social development, with the diversification of goods, and forging of business partnerships. Its policies are governed by the Code of Production, Trade, and Investment (COPCI), and Article 71 states the creation of the Foreign Trade Council COMEX. This Council will approve "national public policies in trade policy" (COMEX.2010)

The COMEX Foreign Trade Council is comprised of the:

- Ministry of Coordination of Production, Employment and Competitiveness.
- Ministry of Industry and Productivity (Vice President).
- Ministry of Agricultural Policy rector.
- Ministry in charge of Finance.
- National Planning Agency.
- Ministry in charge of coordinating the strategic sectors.
- Internal Revenue Service.
- National Customs Authority.

According to Article 72 of COPCI, its main functions are to:

- Establish and approve general policies and sectoral foreign trade and export promotion.
- Speak prior opinion, strategies, and guidelines for international negotiations on trade and economic integration.
- Change, set, clear tariffs.
- Regulate, restrict, and facilitate exports and imports and transit of goods in cases provided and identified by the Organic Code of Production, Trade and Investment.

The various instruments of trade policy implementation in Ecuador are reflected in foreign trade taxes, which are classified into three types:

1. Duties.
2. Taxes imposed by organic and ordinary laws.
3. The fees for customs services.

Customs duties

The National Tariff is considered a tool to encourage the development of the various productive activities; this tariff shall be in accordance with the commitment made by Ecuador in international treaties, but may apply safeguard measures and trade protection in the cases mentioned in the Acts. The tax base for these rights is the

customs value of imported goods, which expresses itself in the transaction value of the same, plus the cost of shipping and insurance.

These measures are recognized by COPCI, Article 76. This can be expressed in the following ways:

- Ad Valorem Tariff.
- Specific tariff.
- Joint Tariff.
- Other duties specified and recognized by international treaties ratified by Ecuador.

Tariff measures can be implemented using a fixed tariff, which sets a fee for a certain sub-heading of the customs or tariff quotas, which are themselves a tariff level as a unit of measurement. If the goods exceed the value or amount they must have a different rate.

Goods exempt from customs duties, except for customs fees, are the following imports for consumption:

- Personal traveler items.
- Household goods.
- Work equipment.
- Different goods sent for disaster or emergency to public entities, relief organizations or charities.
- Imports from the State, public or autonomous governments.
- Imports by the Guayaquil Charity Group.
- Those made by the Society against Cancer SOLCA.
- Donations for both public institutions and private, or non-profit to cover health services, food, medical care, education, research, etc.
- Coffins containing human remains.
- All goods and various products that are listed in the Law on Immunities, Diplomatic Privileges, and Franchises.

- All tools, equipment, appliances, vehicles, provided by law for disabled persons or legal persons who care for them.
- Objects belonging to the State Cultural Heritage imported or repatriated by the institutions authorized to do so.
- Tissues, organs, body fluids for medical procedures.

Common External Tariff

Ecuador applies the "common external tariff" within the framework of the Cartagena Agreement with member countries of the Andean Community of Nations in four levels-5%, 10%, 15%, and 20%. There are some additional duties to the ACE, these are applied in two situations respectively, when the reference prices in the international market are below certain levels and when they are above certain levels, the products to which this rule applies are meat, pork, whole milk, wheat, rice, white sugar, among others.

Taxes established.

Foreign trade taxes for governing imports in Ecuador are:

- Ad Valorem: The percentage varies according to the type of goods and applied to the customs value of the goods.
- IVA: The Valued Added Tax which corresponds to 12% of the tax base over the ad valorem.
- ICE: Special Consumption Tax for imports of luxury goods such as alcoholic beverages, games, perfumes among others (SENAE. 2011)
- FDI: It has been managed by INFA but nowadays is controlled by MIES.

There are also several items that have mixed tariffs adopted by the Government, such as:

- New Clothing which have 10% ad valorem tariff and \$ 5.50 for each kilogram net.
- Footwear (new) 10% ad valorem and \$ 6.00 for every two units.

Each of the tariffs is applied per product heading.

Non-Tariff Measures

These measures may be established in the following cases:

- To meet the commitments made in international treaties ratified by Ecuador.
- For the protection of health, life and national security.
- For the preservation of the environment and biodiversity.
- To correct imbalances in the balance of payments.
- To prevent the illegal trafficking of narcotics and psychotropic substances.
- Avoid shortages of foodstuffs or essential products.

Customs Procedures

According to the Code of Production, Trade and Investment, customs procedures are classified as follows:

1. Import Regimes.

- a) Imports for consumption: This scheme applies to goods imported from abroad or from a Special Economic Development Zone to move freely after having complied with the requirements of law.
- b) Temporary admission for re-export in the same state: Allows entry of certain goods imported into the customs territory to be used for a certain period of time and then re-export without modification. Tax payments for these goods can be total or partial.
- c) Temporary admission for inward: allows the entry of the goods into the customs territory for processing, modification or repair before being re-exported. Within this regime the payment of taxes is suspended.
- d) Replenishment of goods duty free: Lets you import goods free of import duties, similar in kind, quality and technical characteristics, same that were used to obtain the goods exported as final advance.
- e) Processing under customs control: Allows the import of goods to the customs territory to be transformed by operations that change their status

or their gender to later import the products obtained from these modifications.

- f) Customs Warehouse: A system that suspends the payment of taxes, where the goods remain in places approved by Customs for a period of time.
- g) Re-importation in the same state: Allows importing for consumption, provided that they have not had any kind of transformation and that all customs duties and taxes at the time of export have been paid.

2. Export Regimes

Under Section II export arrangements are:

- a) Final Export: Allows the final output of goods from the customs territory under the terms of COPCI.
- b) Temporary export for re-importation in the same state: Allows temporary removal of goods from the customs territory, with purpose and specific time after which it must be re-imported without modification.
- c) Temporary export for outward processing: Allows the temporary export of goods for processing operations, repair after which they must be re-imported.

3. Other Customs Procedures

According to Section III, from articles 157 to 163 note that there are the following procedures:

- a) Conditional Return: Allows the return of taxes paid on the importation of goods, in the cases mentioned by the above code which are managed for a transformation process, those incorporated in goods and containers or fittings.
- b) Free Storage: Allows the storage and sale of goods in domestic or foreign, in airports and ports to passengers entering or leaving the country.
- c) Special Storage: Allows use of stores intended for provisioning, repair, and maintenance of aircraft, cargo units, which subsequently enter without taxing.

- d) International Trade: Allows entry of goods without payment of tax, for a certain time for display, tasting, promotion, and decoration.
- e) Customs Transit: For this system the goods are transported by the customs authority from the district office to their destination abroad.
- f) Reloading: This scheme applies to the transshipment of goods that are awaiting allocation scheme. This can be applied because the goods must be re-imported to get previous control documents, and also applies to goods that are prohibited for import if they contain perishables, clothing or educational materials will be donated to the Secretary United National.
- g) Transshipment: Under this scheme the goods arriving in a means of transport to the customs territory will be removed from this, and charged to the medium used to leave the territory under the control of the customs authority.

Commerce Rules: This is another instrument of trade policy of Ecuador. These standards include measures to be taken in case dumping exists. The COMEX is clear in this area and to comply with the procedures of the World Trade Organization, establishes a document to denounce this unfair trade activity by the concerned sector. There is a form that must be completed in full which will be studied and researched by the COMEX before reporting to the WTO.

Import Licensing: They are applied to agricultural products for SPS controls among others.

Although there are tariffs, schemes, among other ways, there are some that are prohibited imports, which are considered dangerous to the health of its consumers.

2.3 Accession to WTO

The process of the accession of Ecuador to the World Trade Organization started September 17, 1992, and is recorded as the second fastest in the history of the WTO, with duration of two years and eight months.

Since negotiations began in the year 1992, the WTO as such did not exist, so Ecuador expressed its decision to join the GATT, which is why it was registered according to the procedure in Article XII of the Marrakesh Agreement for accessions of new members. The Minister of Foreign Affairs, Ambassador Diego Paredes applied for membership of Ecuador to the Directorate General of GATT, whose representative was then Arthur Dunkel. Therefore, this new application was included in the agenda of the meeting of the Council of Representatives of September 29, 1992 where it was supported by countries such as Argentina, Australia, Bolivia, and Brazil, among others.

Ecuador became a member as an observer, while the Council of Representatives at its last meeting in October of that year happened to make a resolution to include the following points:

- Establish the working group ad-hoc for the study of the application of policies and Member memoranda considered.
- The working group would be made up of the following members:
 - Australia.
 - Canada.
 - The United States.
 - Europe Economic Community.
 - Japan.
 - New Zealand.
- Examine the request made by the Government of Ecuador and make recommendations to the protocol of accession.

Then the government of Ecuador drafted a memorandum containing the main features of trade policy, economy, and foreign trade regime with statistical data on all countries of the working group. This report had to be in one of three official languages: Spanish, French, or English. During this installment and after it, members were trained to ask questions about the different policies of Ecuador and its relation to the commitments acquired as a member of the organization.

The members of the working group review foreign trade policies and they conducted bilateral negotiations on market access, tariff concessions, etc. The Working Group, made a report that contains all commitments and other agreements that are reached during the various negotiations, the commitments of Ecuador were recorded in paragraph 81 of the report.

Finally, with the different changes in the last Uruguay Round, the process of accession of Ecuador refers to it becoming a member of the new World Trade Organization. Consequently, on August 16, 1995 the Protocol of Accession to the Republic of Ecuador consisted of the following:

- From the first day on when the Protocol entered into force, Ecuador became a member of the WTO.
- This agreement is the one that the working group delimited, which includes the commitments which Ecuador met. These are part of the report of the Working Group.
- Ecuador must implement agreements and other obligations from the application of this protocol.
- The protocol shall be open to ratification by the Congress of Ecuador until December 31, 1995.
- The accession protocol by Ecuadorian law was studied by Congress and then ratified in the Official Gazette 853 of January 2, 1996, thus on 21 January 1996 the Republic of Ecuador became an official member of the World Trade Organization.

2.4 Ecuador as a member of the World Trade Organization

The Republic of Ecuador has been a member of the World Trade Organization since January 21, 1996 although each country belongs and acquires individual commitments reflected in its Accession Protocol, many of them form groups and negotiate with the help of a leader, concessions and other commitments that affect them all. Although Ecuador is considered a developing country it belongs to the most active groups in the negotiations within the organization, these are:

- Newest Members: The members of this group are those that joined the WTO after its establishment as such. All acquired a gradual liberalization of their markets, products and other minor commitments. The European Union is not part of this group.
- Tropical Products Group: Members of this group are Bolivia, Colombia, Costa Rica, Guatemala, Nicaragua, Panama, and Peru. Its main objective is to increase access for tropical products to different markets.
- G20: It consists of Argentina, Bolivia, Brazil, Chile, China, Cuba, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Peru, South Africa, Thailand, Tanzania, Uruguay, Venezuela, and Zimbabwe. Their main goal is to seek agricultural reforms in developed countries with a degree of flexibility for developing countries.
- Group of countries friendly to fish: They are considered an informal group that aims to reduce fishing subsidies: Ecuador Argentina, Australia, Chile, Colombia, United States, Iceland, Norway, New Zealand, Pakistan and Peru.
- Group members W52 sponsors Document: 109 countries are members of different geographic locations, they support the TN/C/W52 document dealing with the characteristics of geographical indications and disclosure of components of product registrations, which are rules of intellectual property.
- Group members' sponsorship of the Joint Proposal: It is composed of 20 countries that support them to create a voluntary database related to Intellectual Property. (OMC.2012)

Besides being an active member of the various negotiations, Ecuador also has been a plaintiff in three cases, a defendant in three cases and third in 16 cases related to trade disputes resolved by the Dispute Settlement Body. It is also one of the members who work closely with the WTO, creating centers and organizations like COMEX that handles receipt of dumping situations as well as economic tools to use according to its commitments to all member countries of the Organization.

The topics are showing greater interest related to TRIPS, agriculture, balance of payments, rules of origin, import licensing, safeguards, etc.

2.5 Statistical Data

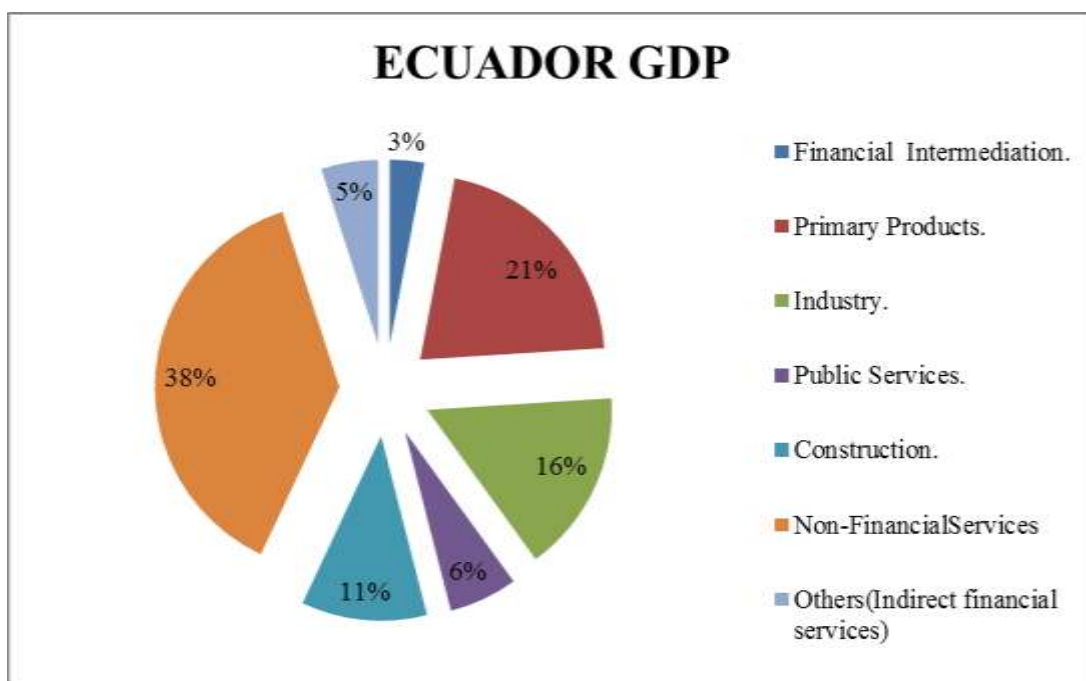
According to these statistics we can define the economic profile of 2011 of the Republic of Ecuador:

CHART 2.1: ECUADOR GROSS DOMESTIC PRODUCT 2011

ECUADOR GDP	
MillionDollars	\$ 26.928,19
COMPONENTS	
Financial Intermediation.	3%
Primary Products.	21%
Industry.	16%
Public Services.	6%
Construction.	11%
Non-FinancialServices	38%
Others(Indirect financial services)	5%

Source: Banco Central del Ecuador 2012.

GRAPHIC2.2: ECUADOR GDP 2011



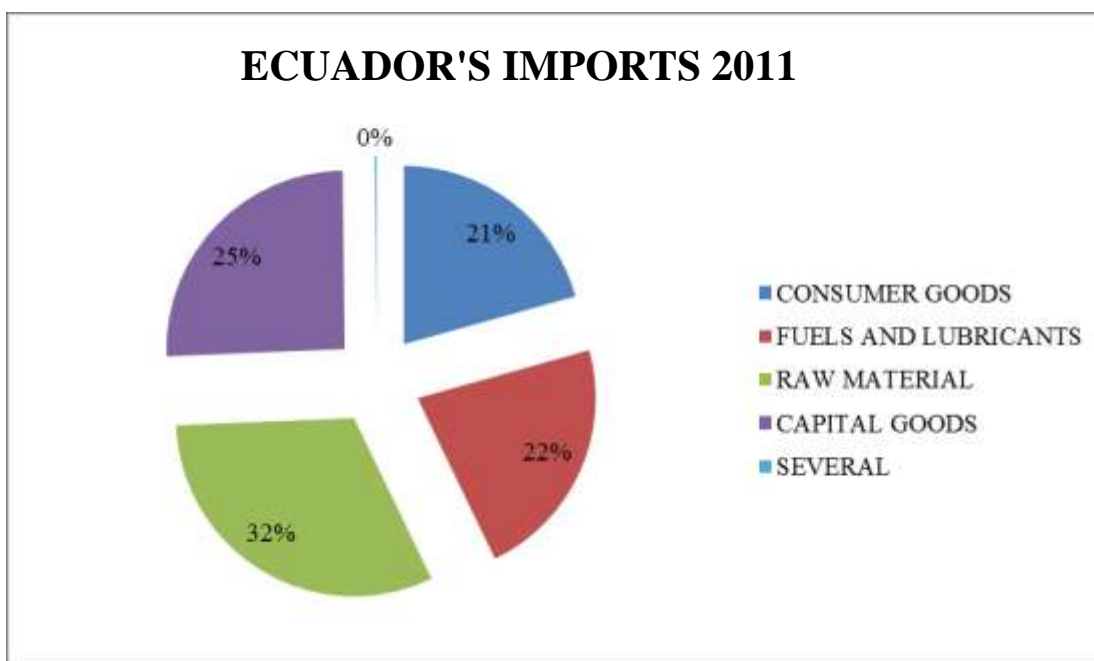
Source: Banco Central del Ecuador 2012.

- ECUADOR'S IMPORTS BY PRODUCT GROUPS**

CHART 2.2: ECUADOR'S IMPORTS 2011

IMPORTS BY PRODUCT GROUPS	
TOTAL IMPORTS (Million Dollars)	23.009,55
CONSUMER GOODS	4,742,920
FUELS AND LUBRICANTS	5,086,539
RAW MATERIAL	7,231,015
CAPITAL GOODS	5,844,619
SEVERAL	40,713

GRAPHIC 2.3: IMPORTS BY PRODUCT GROUPS 2011



KEY PARTNERS

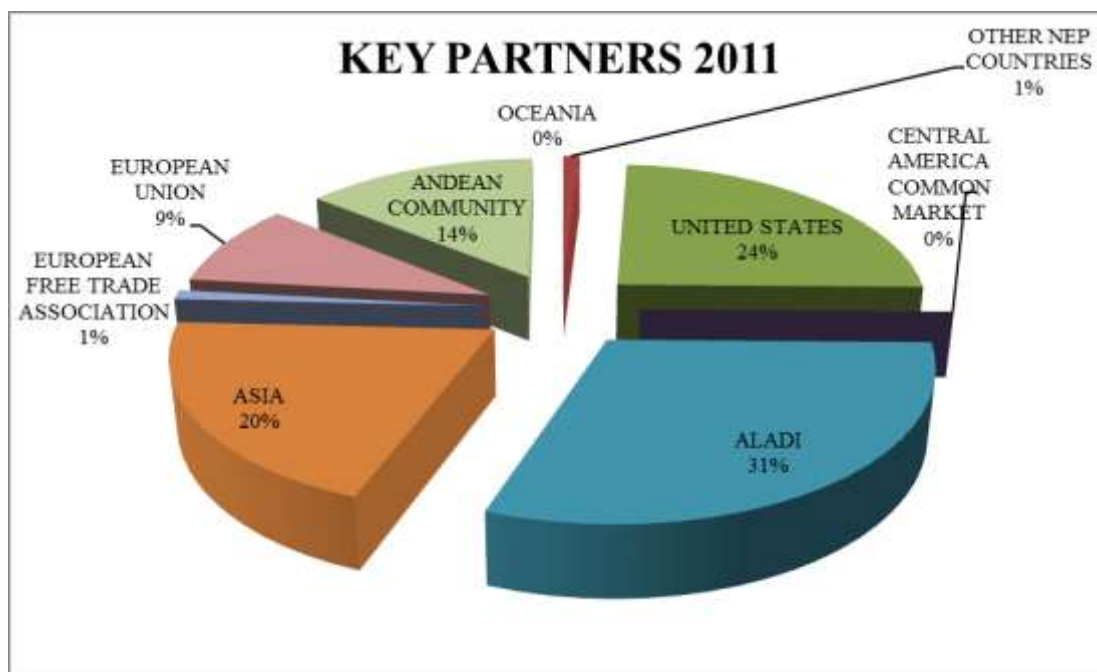
Ecuador's imports during the period between January and November 2011 were up by 19% compared to 2010, its main partner countries being members of the Latin American Integration Association. Among its 14 members, they contributed 30% to Ecuadorian import demand.

Another of its partners is the U.S., destination of which has imported 26% of its demand, an increase of 8% over the previous year.

On the other hand, we have the Asian continent with Taiwan, Japan, People's Republic of China, and South Korea topping the list of countries that satisfy the demands of Ecuador with 20%.

The most imported products are consumer goods, followed by fuels and lubricants, i.e. processed products are the main demand.

GRAPHIC 2.4: KEY PARTNERS 2011



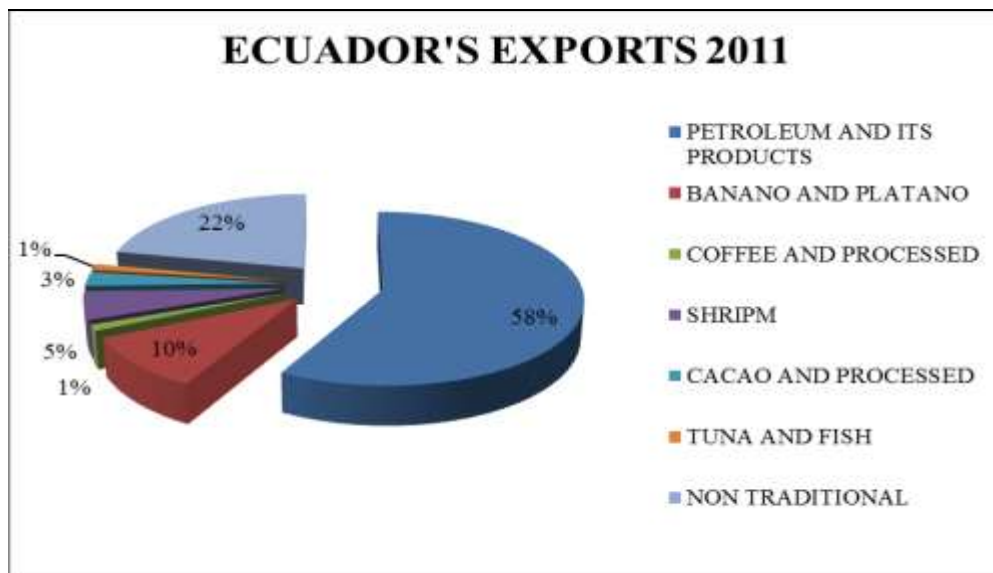
Source: Banco Central del Ecuador 2012.

- **ECUADOR'S EXPORTS BY PRODUCT GROUPS**

CHART 2.3: ECUADOR'S EXPORTS 2011

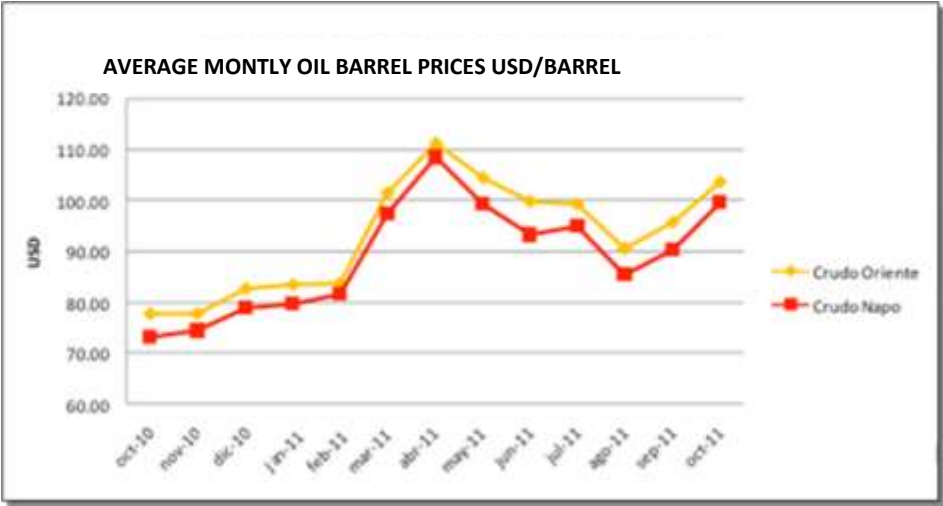
EXPORTS BY PRODUCT GROUPS	
MILLION DOLLARS	22,322,353
PETROLEUM AND ITS PRODUCTS	12,944,868
BANANO AND PLATANO	2,246,465
COFFEE AND PROCESSED	260,177
SHRIMP	1,178,389
CACAO AND PROCESSED	586,520
TUNA AND FISH	257,380
NON TRADITIONAL	4,848,554

GRAPHIC 2.5: ECUADOR'S EXPORTS 2011



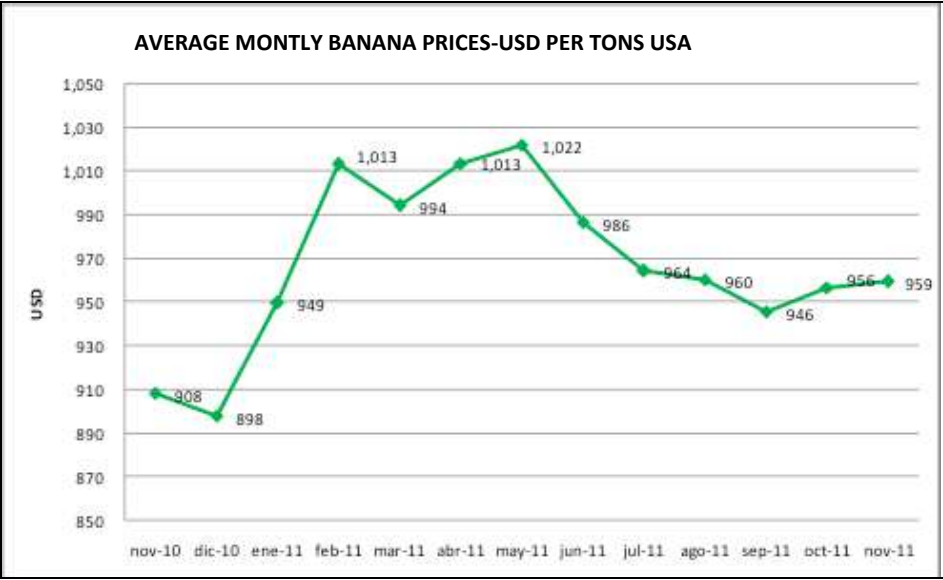
Source: Banco Central del Ecuador 2012.

GRAPHIC 2.6: OIL PRICES CHANGES 2011



Source: Banco Central del Ecuador.

GRAPHIC 2.7: BANANA PRICES CHANGE 2011

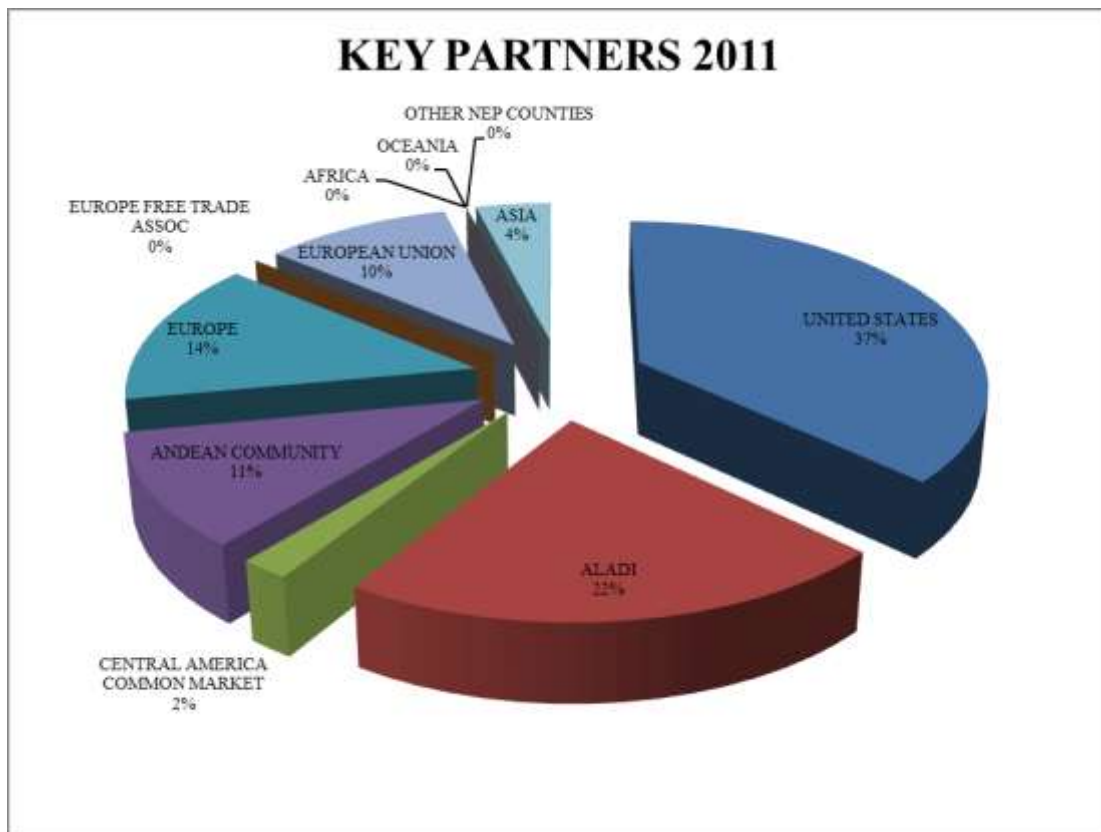


Source: Instituto de Promoción de Exportaciones e Inversiones. 2011

KEY PARTNERS

During the period of 2011 the highest number was recorded with a 27% growth in exports within the last 5 years. Oil remains its main export however the primary products were up 20%, with bananas and platano as the main export products followed by shrimp and canned fish in third place. (Instituto de Promoción de Exportaciones e Inversiones. 2012:8)

GRAPHIC 2.8: KEY PARTNERS ON EXPORTS 2011



Source: Banco Central del Ecuador 2012.

TRADE BALANCE

On one hand, oil exports in 2011 fell by 14.6% due to the low cost of a barrel that went from \$103.3 to \$ 93.5 while non-oil exports remained the same within the three

main products. Furthermore, during the second and third quarter imports grew by 4.5% of consumer goods and raw materials at the top. (Banco Central del Ecuador.2012)

Due to the growth of imports, the balance of payments recorded a deficit of - \$ 687.19 however this results in an improvement over the previous year, the same having been - \$ 1,978.73.

CHART2.4: ECUADOR'S TRADE BALANCE 2011

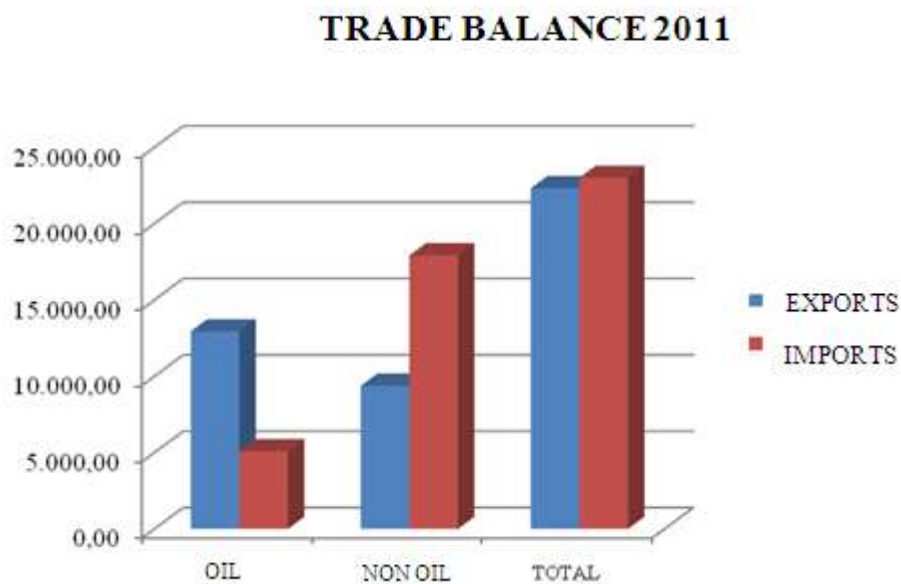
EXPORTS		
OIL EXPORTS	NON OIL EXPORTS	TOTAL
12.944,87	9.377,49	22.322,35

IMPORTS		
OIL IMPORTS	NON OIL IMPORTS	TOTAL
5.086,54	17.923,01	23.009,55

Source: Banco Central del Ecuador 2012.

BALANCE OUTCOME: DEFICIT	
TOTAL	-687,19

GRAPHIC 2.9: TRADE BALANCE 2011



Source: Banco Central del Ecuador 2012.

REMITTANCE FLOWS 2011

An important factor in the economy of Ecuador is the remittances of migrants; in 2011 the annual net rate was -21.21% migrants, this indicates that the economically active population was reduced resulting in a decrease of 100% of population. The remittance inflow was \$ 2.6724 billion in 2011, which was higher by 3.1% compared to last year. The first country in reception of money is the U.S. with \$1181 million, then Spain with \$1.062 billion and Italy third with 201 million. From the world comes an approximate value of \$ 7.9 million. The cities benefited from remittance flows are:

CITY	%
Guayaquil	36%
Quito	22%
Cuenca	21%
Ambato	5%
Azogues	4%
Loja	4%
Machala	3%
Cañar	2%
Gualaceo	2%
Manta	1%

Source: Banco Central del Ecuador 2012.

2.6 Bound Tariffs

Access to the markets of different products is characterized by a series of tariffs which can be included in lists that define each country's commitments. These lists contain the indicated types of each tariff, the minimum and maximum value which represents the country's commitment not to raise tariffs more than they should. Although tariffs are bound, a country can waive compliance thereof but with several problems ranging from negotiation with affected countries to compensation for the loss of trade.

After the creation of the WTO, both the developed and the developing countries set time periods for tariff reduction and to reduce the products that are on these lists. Ecuador agreed to bind their tariffs at a level similar to the levels of the Common External Tariff of Cartagena, adopted by Decision 370 of November 26, 1994 and published in the official registration with No. 166. While stating the consolidated tariffs, there are several exceptions like milk powder which also has safeguards provisions.

Ecuador has the following list of their bound tariffs according to the subheadings of the Harmonized System 6-digit:

CHART 2.5: BOUND TARIFFS

DESCRIPTION	AVERAGE OF AV DUTIES
MAMMALS (LIVE ANIMALS, HORSES).	15-20
BIRDS (HENS, DUCKS, GEESE).	15-20
MEAT AND MEAT PRODUCTS (WHOLE OR IN PIECES, LEGS).	20-85
FISH AND FISH PRODUCTS (TUNA, SHRIMP).	20-30
DAIRY (MILK, CREAM, BUTTER).	54-72
EGGS.	20-30
HAIR PRODUCTS (FUR, FEATHER, HUMAN HAIR).	15-25
VEGETABLES AND LEGUMINOUS (POTATOES, TOMATOES).	15-30
PLANTS AND SEEDS (FLOWERS, LIVE PLANTS).	15-25
DRIED NUTS (ALMONDS, HAZELNUTS, NUTS).	15-25
FRUIT (KIWIFRUIT, RASPBERRY, PINEAPPLE)	25-30
NON-ALCOHOLIC BEVERAGES (JUICE, WATER).	20-30
ALCOHOLIC BEVERAGES (WINE, BEER).	20-30
ETHYL ALCOHOL AND ITS DIFFERENT PRESENTATIONS.	25-30

FLOUR AND ITS DIFFERENT PRODUCTS (WHEAT, BREAD).	25-45
TOBACCO AND TOBACCO PRODUCTS.	20-30
MATERIALS AND MINERALS (IRON, SOIL, CONCRETE).	15-20
FUEL AND OIL (GAS, PETROLEUM).	15-20
ELECTRIC ENERGY.	20
METALS Y NON METALES (CHLORINE, FLUORINE, IODINE).	5-10
CHEMICALS (DIOXIDE, ACID).	5-10
MEDICINES (VITAMINS, HORMONES).	10
HUMAN BLOOD.	5
DYES AND PAINT.	15-10
PERSONAL HYGIENE (SOAP, SHAMPOO, TOOTHPASTE).	15-20
EXPLOSIVES, FIREWORKS, MATCHES, ETC.	15-20
PHOTOGRAPHIC MATERIALS.	10
HERBICIDE AND FUNGICIDE.	10
CONSTRUCTION MATERIALS (TUBES, PIPES, PLASTIC, RUBBER, LATEX).	15-20
TIRES.	25
CLOTHING AND FOOTWEAR.	25
STATIONERY PRODUCTS (PAPER, ERASERS).	15-30
DIFERENTS TYPES OF WOOD.	10-25
FABRICS, WOOL IN ITS DIFFERENT PRESENTATIONS.	15-30
CRYSTALS (GLASS).	20-30
PRECIOUS AND SEMI-PRECIOUS STONES.	20-25
GOLDSMITHS' PRODUCTS AND ITS PARTS.	30
HOUSEHOLD APPLIANCES.	30
MACHINERY PARTS AND COMPONENTS.	15-20

VEHICLES AND TRUCKS.	20-40
DIFFERENT TYPES OF WEAPONS.	30

Source: Organización Mundial del Comercio. 2012.

2.7 MFN tariffs

As discussed in the previous chapter the clause of the "most favoured nation" states that no member of the WTO may apply preferential tariffs and differentiate among its members.

According to this clause, MFN tariffs in Ecuador according to sub-8-digit tariff lines of the Harmonized System are:

CHART 2.6: MOST-FAVOURED NATION APPLIED TARIFFS

DESCRIPTION	AVERAGE OF AV DUTIES %
SALT IN ITS DIFFERENT PRESENTATION (SODIUM CHLORIDE, TABLE SALT).	15
SEA WATER.	15
STONES AND MINERALS.	15
SOIL AND OTHER NATURAL MATERIALS.	15
MINERAL OIL AND FUEL.	5-20
ELECTRIC ENERGY.	20
DIFFERENT TYPES OF GAS.	5
SEMICONDUCTOR MATERIALS (ARSENIC, SELENIUM)	5
DIFFERENT TYPES OF ACID.	10
DIFFERENT CHEMICALS.	10

MEDICINES (VITAMINS, COMPOUNDS)	10
SERUM, VACCINE AND PLASMA	5
COTTON, BANDAGES, GAUZE.	15
REAGENTS.	5
DENTAL APPLIANCES.	15
MINERAL AND ANIMAL FERTILIZER.	5
DYES.	10
COLOUR PIGMENTS, INK, PAINT.	15
BEAUTY AND PERSONAL HYGINE ITEMS.	20
PHOTOGRAPHIC MATERIALS.	10
CONSTRUCTION MATERIALS.	20
LATEX, RUBBER, TIRES.	20-25
FUR.	15-20
DIFFERENT TYPES OF WOOD.	15-20
STATIONERY PRODUCTS (PAPER, ENVELOPES).	25-30
FABRIC AND YARNS.	25-30
CLOTHING AND ACCESSORIES.	30
DIFFERENT TYPES OF GOODS MADE OF GLASS (BOTTLES)	25
PRECIOUS AND SEMI-PRECIOUS STONES.	20
GOLDSMITHS' PRODUCTS AND ITS PARTS.	30
IRON AND STEEL IN ITS DIFFERENT PRESENTATIONS.	20-25
MACHINERY PARTS AND COMPONENTS.	10-20
VEHICLES COMPONENTS.	25
TV AND DIFFERENT VIDEO PLAYERS.	20-30
VEHICLES (LIGHT AND HEAVY)	20-45

MAMMALS.	5-20
BIRDS.	10-20
ZOO ANIMALS.	20
MEAT AND MEAT PRODUCTS.	20-45
FISH AND FISH PRODUCTS.	15-30
EGGS (ALL KINDS AND PARTS).	15-30
HAIR PRODUCTS.	20-30
ANIMAL PRODUCTS (BONES, STOMACH)	15-20
VEGETABLES AND GRAINS.	15-25
PLANTS AND SEEDS.	15-20
DRIED FRUITS.	15-25
FRESH FRUITS.	25
COFFEE AND TE.	20-25
FLOUR AND STARCH.	30-40
JUICE.	25
OIL AND GREASE.	25-31
ALL KINDS OF ALCOHOL.	25-31
CONSERVES AND CANNED PRODUCTS.	30
SUGAR IN ITS DIFFERENT PRESENTATIONS.	45
CACAO IN ITS DIFFERENT PRESENTATIONS.	20-30
ALL KINDS OF WATER.	20-30
ALCOHOLIC BEVERAGES.	20-30

2.8 Trade policy reviews in Ecuador

The trade policy reviews are within the WTO agreements and they are made in different periods of time depending on the size of the country and aims to examine

the policies of each country so that they are consistent with the objectives of the Organization in addition to their commitments in the various agreements met. All members are subject to examination.

Besides, these tests also report and track events that may impact the global trading system.

The Republic of Ecuador has had two reviews of their policies, most recently conducted during the 14 and 16 of November 2011, the same which produced the following results based on the information made as conclusions:

- Members understand the evolution of policies, business practices and challenges facing the Ecuadorian economy.
- The economy is still largely dependent on oil which is sensitive to external changes.
- Although Ecuador faced the global crisis, its growth has not declined and this country has declined to adopt protectionist trade tools except for the measures taken in 2009 to balance the balance of payments.
- Ecuador has made progress in areas of human development, equality of income and unemployment.
- Ecuador is making major reforms and constitutional changes that include increased participation and state control of strategic sectors to increase domestic production and product diversification.
- Ecuador recognizes that technical assistance and trade rules of the WTO will provide a kind of security and the use of procedures such as dispute settlement have been helpful to the economy.
- To recognize the improvements of the IDB regime however express unease about the termination of bilateral investment protection and question whether national laws can override these treaties.
- Ecuador is working on tools to improve productivity and international competitiveness, however the use of trade policies of selective import substitution are a concern within its economy.

- It recognizes Ecuador's active participation in the Doha Round and its recent improvements in transparency issues yet encourage system improvements from WTO notifications.
- Several members agreed with the average reduction of MFN tariffs also recognize the achievements of Ecuador in the facilitation of trade and its different areas such as public procurement, investment, etc.
- According to the review it should provide more information on the following topics:
 - Import licenses.
 - Standards and sanitary and phytosanitary measures.
 - Export Measures.
 - Grants of energy products.
 - Impact of IVA and ICE on imports of certain products.
 - Implementation and Enforcement of Intellectual Property Rights.
- WTO members encourage Ecuador to take action in the following areas:
 - More open trade policies.
 - Diversification of exports.
 - New markets.
 - To create a safe investment environment.
 - Enforcement of bound tariff levels.
 - Increased national standards based on international standards.

It is concluded that Ecuador should adhere more to the WTO standards but it is improving its trade regime so the organization will continue to support the needs of the country with technical assistance and expert advice. (OMC.2012)

3. CHAPTER 3: ANALYSIS OF THE PERMANENCE OF ECUADOR AS A MEMBER OF THE WORLD TRADE ORGANIZATION.

3.1 General Advantages of World Trade Organization

According to World Trade Organization being a member has major advantages, which are:

- Promotes Peacekeeping: The trade in freedom and fluidity of the legislation established by the Organization prevents economic conflicts from occurring. It maintains the peaceful settlement of difficulties due to its dispute settlement body and the various agreements by the imposition of protectionist measures which are regulated, avoiding conflicts between partners.
- Standards for equitable negotiation: Both the developed and the developing countries can trade in the same way according to the rules. The advantages for developing countries is that they have the opportunity to develop partnerships and be part of joint marketing agreements, while developed countries have the opportunity to negotiate with all or most of its trading partners. If this Forum didn't exist, developed countries could take advantage of the developing countries.
- Reduced trade barriers: Except for some particular cases, the WTO seeks to reduce the imposition of protectionist measures because its application produces high costs on different goods. This reductions benefit consumers and its principle of non-discrimination benefit all of its members.
- Product Diversification: Due to importations, local producers can compete and make different goods. Besides, consumers worldwide are

able to choose what they really want to buy and from where they want to buy it. With this form of trade, we can buy not only products but different trading partners can buy products from other countries and contribute to trade.

- Increased Trade: Thanks to the various agreements relating to tariff reductions and market access, the economy has grown for 8 rounds of negotiations and it is expected that further tariff reductions with the global economy will have a relatively large momentum. That is why different agreements negotiated in the Organization are to provide gradual and predictable increase trade.
- Economic Growth and Employment: The employment situation depends on each country and its policies, but when there is an increase in trade they need more people working in jobs related to this area, thereby promoting employment status.
- Effective trading rules: Simplification of processes and tariffs has predictability to a certain level of world trade so that countries can import products based on simplified rules and the principle of non-discrimination.
- Tools for social pressure groups: There are sectors of the economy that put pressure on governments to impose protectionist measures yet the WTO provides the tools to regulate and balance the shortcomings between sectors.
- Promotes good government practices: Due to WTO regulations those governments seeking to implement measures that could harm world trade require transparency in operations, policies and trade measures, in order to help combat corruption.

3.2 Issues and Implications: Disadvantages and adverse effects for Developing Countries.

The World Trade Organization operates using two main tools, the first of which consists of all multilateral agreements to develop specific rules themselves in various economic areas. Based on these rules which are linked to the principles of the Agency, we have the negotiations for the accession of developing countries. According to Briefing paper No. 79, Oxfam International, "to date, the negotiation process to become a member of the World Trade Organization has been to ensure maximum concessions to applicants." During the negotiations for the accession of the countries known as Lesser Developed Country (LDCs), we have the case of Vanuatu.

The Republic of Vanuatu is an archipelago of over 80 islands located in the South Pacific Ocean, bordered on the northwest by the Solomon Islands, east to Fiji and New Caledonia to the southwest. Its economy is based mainly on agriculture, it gives work to two-thirds of the population; plus fishing and tourism are other income sources. The accession process began on July 7, 1995 thereafter the working group was formed on July 11 of that year. The economic level for accession is similar to its neighboring country of Solomon Islands, which became a member of the Organization in 1996, acquiring relatively low accession commitments and becoming a legitimate member on July 26, 1996, whereby Vanuatu's accession should have been considered in similar conditions. From the date of application to joining as a member and for the past 17 years, four working group meetings received the concessions sought which were largely measures for their economy and which are the following:

- In the case of services under the General Agreement on Trade of Services, liberalization in areas such as education, hospitals, environment and telecommunications is required. The same conditions have not been

applied even to the most influential countries or the creation of a regulatory regime for all these services.

- In the case of Aspects of Intellectual Property Rights and Trade-Related Rights, Vanuatu is required to comply with all obligations within two years of its accession, and will create a registry of Intellectual Property and train employees on the Agreement. Also they were not part of the extension of time on pharmaceuticals which was granted to LDCs.
- In reference to agricultural tariffs the requirement is that there is an average bound tariff of 43% and a maximum rate of 75% even though other members are considered LDCs and average bound tariffs of 79% and a maximum of 130% relatively. (Lenon.4: 2005)

If Vanuatu is accepted under these commitments, the risk that private companies hoard their mediocre service network is extremely high, and they would be forced to redistribute their income, which would be minimal after tariff concessions to cover affected areas and fee of maintenance for the counsel to represent it in the WTO.

All the concessions sought are morally unjust, so if we take into account that a country refuses to meet one of these obligations under the principle of being "All asone," this means that if one part of the agreement is not accepted then the agreement is not accepted in its entirety. All this requires that the countries known as LDCs accept conditions of accession which are extremely unfair and hypocritical and that violate the principle of non-discrimination.

Not adhering to this organization for a Less Developed Country LDC results in falling behind economic agreements and the worst of all is not being able to participate in the development of new agreements and economic backwardness. The result of the accession is that the Republic of Vanuatu was welcomed as the 157th member of the World Trade Organization on the 24th August, 2012. In addition to the shortcomings in its accession process, over 75% of the member countries of the World Trade Organization are developing countries, for which trade is the main tool for development. Although most developing countries enjoy several

benefits within the organization, they also have difficulties in accessing markets, balance of payments just depicted in the following points:

- The implementation of the WTO agreements in several cases causes difficulties for developing countries in the adoption of policies to redress the balance of payment as the limitation of quantitative import restrictions introduced is forced from the domestic to the international market.
- Since subsidies are considered a form of protectionist measure, the industries of the developing countries do not have the tools to compete with developed industries that enjoy various benefits provided by the government, so industries of developing countries are in a position of inequality.
- The agricultural products of the developing countries lack the momentum to compete in the international market as a result of direct or indirect subsidies, such as those offered by relatively large industrialized countries in this sector.
- The tariff reduction as the main tool of the WTO also plays an important role in the disadvantage of the developed countries. Many are part of structural adjustment agreements so they are encouraged to consolidate duties so tariffs increasing accordingly in the future will be difficult and almost impossible.

The main areas affected by blocking part of the developed countries are in the sectors of textiles and agricultural products.

AGRICULTURAL PRODUCTS

Since the GATT in 1994, the agricultural sector was considered an exception and was not subject to tariff liberalization. This was considered a sector distorted by the WTO but in settlement negotiations undertaken in the Uruguay Round an Agreement was reached in Agriculture. The implementation of this agreement should have been applied since 1995 in six years by the industrialized countries and in 10 years by developing countries, the main points of this agreement are to be:

- **Market access:** Commitments against trade restrictions on imports.

- **Grants:** Using real policies that affect the economy less, and in the use of this tool developing countries are not required to reduce subsidies and tariffs as much as developed countries and will have more time to meet its commitments.
- **Tariffs:** Tariffs are the only way to access international markets and they are reflected in the following chart:

CHART 3.1 LEVELS OF TARIFF REDUCTION

	Developed Countries 6 years: 1995-2000	Developing Countries 10 years: 1995-2004
Tariffs		
Average reduction for all agricultural products.	-36%	-24%
Minimum reduction per product.	-15%	-10%
Internal Assistance		
Reductions of overall aid in the sector. (1986-88)	-20%	-13%
Exports		
Value of the subsidies.	-36%	-24%
Subsidized quantities (1986-90)	-21%	-14%

Source: OMC 2012.

All tariffs are set on a tariff quota which means that they are fixed tariff rates of quantities exceeding the quota.

But before this agreement developed countries had become major exporters of agricultural products with the U.S. topping the list followed by France, Canada, the Netherlands, and Germany with a share of 5% of the world market. They continue to

avoid the export of developing countries, using barriers such as requiring a higher degree of processing, thus the struggle to break through on different markets. Although establishing a tariff protection for agricultural products, developed countries have set higher rates that, although the reduction was 36%, effective protection remained the same as before.

At issue is the real implementation of the Agreement on Agriculture. The commitment of 36% reduction applies only to average products. Others, which are highly sensitive to fluctuations such as wheat, sugar, meat, corn and barley, are only reduced up to 15% therefore developed countries only can apply the last one. For all these cuts or "dummy tariffs," there was a unequal reduction thereof creating extremely high tariffs on sensitive products such as 56.5% for wheat, beef 87.8% and 86.1% for corn. According to the United Nations Conference on Trade and Development in 1999 it found the EU has high tariffs in 1,273 agricultural products (Windfuhr, 2002).

The Agreement also contains a special protection clause, which signals when a product falls below a certain value and this clause can be applied. 38 countries found that 6072 agricultural products are those requiring this protection, 539 of which were claimed to be so by the European Union.

Another problem for countries that want to overcome the primary agricultural imports is the escalating tariffs. The more developed the product the higher the tariff, so that raw cacao has 0% while the cocoa butter has 9%, raw coffee beans 4% while the brewed coffee has 11% for the European Union, while in Japan the cocoa beans produced 20%. Consequently, total exports of agricultural products from developing countries have declined.

Barriers to agricultural products are not only within tariff measures but also manifest in non-tariff barriers. Although within the WTO there is the Phytosanitary Measures Agreement, questions as to whether they are necessary or are used as a tool to reduce exports by developing countries and raise the standards creates difficulties and confusion on the part of developing countries to adapt their products to said standards.

It also questions the General System of Preferences. These trade agreements are preferences that allow market access by developing countries though in many cases very few countries can take advantage of these preferences, so that only 12 countries use 80% of the EU preferences, while, for three more imported products such as bananas, sugar and rice these preferences do not apply. Because all products are outside the GSP list, too many non-tariff barriers, and the lack of negotiation on the part of developing countries make the progress of this system not to have the expected impact.

TEXTILES

The restriction of textile products from developed countries is a fact that was present long before the Agreement on Textiles and Clothing entry into force. Since 1995, the industrialized countries like the United States, the European Union, and Canada liberalized several products representing 16% of those restricted. The following phases of liberalization led to 162 items of 1271, which had been restricted, to be liberalized.

However, since the Agreement on Textiles and Clothing is governed by lists of products to be liberalized and such lists are made by developed countries themselves, who decide which products are the ones that will go into these lists. Usually they choose those which are not vital for developing countries. Consequently, the percentage of liberalization is achieved without problem within the provisions of the agreement. "This clever way around liberalization in textiles indicates the unwillingness of major industrialized countries to address the problem" (Lal Das. 89:2004)

Not only does making false lists impede this agreement from benefiting the developing countries but it impulses the U.S. to prompt a convenient provisional clause for safeguard measures on 4 occasions, which violates the term that indicates that this clause should be used as little as possible. Thus, a consultation process began and during the three occasions the WTO ruled that there was no reason to set this clause, so on the last occasion, the country withdrew. Harmed because the Agreement

took effect, industrialized countries found different methods, invisible to the eyes of the WTO, and the rules of origin.

Consequently, the WTO has not been aimed at the liberalization of barriers to trade, "but rather holding them to a set of agreed standards for economic coexistence ..." (Díaz.29: 2008). This Organism continues turning a blind eye to its most powerful members and continuous to unattended agreements, which demonstrates that the principle of non-discrimination and transparency are nothing more than a statement on paper.

3.3 Ecuadorian Approach: Analytical Statistics.

Ecuador currently is an active member of the World Trade Organization with its commitments made during the accession process and with a view to economic growth without affecting other sectors. As part of the Agency it has three times been a plaintiff in the Dispute Settlement Body. The first, with case No.DS27, referred to licensing for banana imports with the defendant being the European Union, the second case, DS237 on permits for the importation of nuts to Turkey and finally the anti-dumping measures case-DS335 with United States for the importation of shrimp. (OMC.2012)

To analyze the main point of this paper, we compare case DS335 as it was resolved within the WTO and how it would have been resolved had Ecuador not been a member of this organization, and we will do so using its growth figures in addition to their commitments.

CASE DS335 ANTI-DUMPING MEASURES APPLIED BY THE UNITED STATES OF AMERICA TO ECUADORIAN SHRIMP.

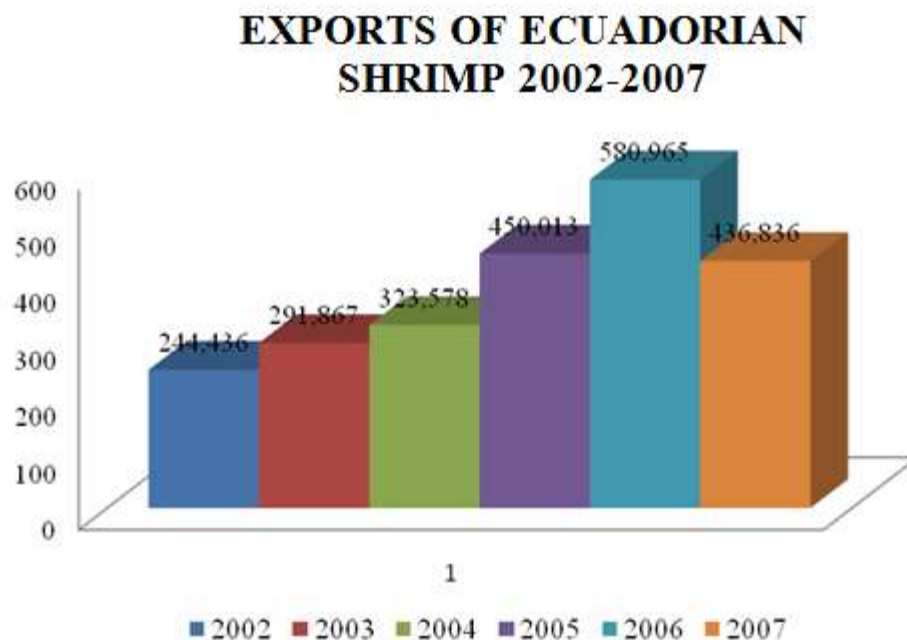
From 2002 to 2008 shrimp was one of the main export products of Ecuador, representing approximately 10% of non-oil exports. Also, during the same time period there was a 17% growing trend of shrimp exports.

CHART 3.1 EXPORTS OF ECUADORIAN SHRIMP 2002-2007

EXPORTS OF ECUADORIAN SHRIMP	
YEAR	VALUE (THOUSAND DOLLARS)
2002	244.436
2003	291.867
2004	323.578
2005	450.013
2006	580.965
2007	436.836

Source: Banco Central del Ecuador 2012.

GRAPHIC 3.1EXPORTS OF ECUADORIAN SHRIMP 2002-2007



Source: Banco Central del Ecuador 2012.

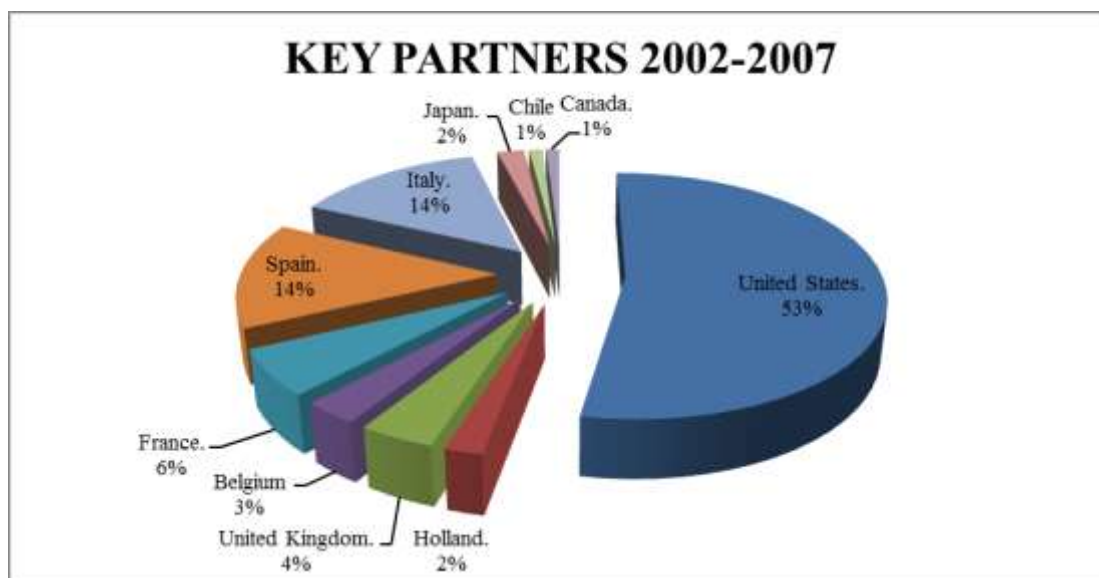
The main trading partners are the United States with 53% of exports followed by the EU with 43%. Next are Japan, Chile and Canada with 4%.

CHART 3.2. KEY PARTNERS 2002-2007

KEY PARTNERS 2002-2007	
COUNTRIES	PERCENTAGE
United States.	53%
Holland.	2%
United Kingdom.	4%
Belgium	3%
France.	6%
Spain.	14%
Italy.	14%
Japan.	2%
Chile	1%
Canada.	1%

Source: Banco Central del Ecuador 2012.

GRAPHIC 3.2 KEY PARTNERS 2002-2007



Source: Banco Central del Ecuador 2012.

BACKGROUND

Shrimp exports were stable and prone to growth; however in 2004 the shrimpers in the United States represented by the Southern Shrimp Alliance filed a petition to the Department of Commerce to impose an anti-dumping measure accusing the top five producers of shrimp dumping in their markets. U.S. producers claimed that the sector had fallen due to unfair imports and the value of U.S. shrimp had been greatly reduced from 1250 to 560 million.

Commerce began on January 27, 2004 doing research on the major shrimp producers Thailand, Ecuador, China, Indonesia, and India affirming on December 23, 2004 the completion of the first published dumping and tariff margins. The same was later modified on February 1, 2005 as being 2.48%, 4.42%, and 3.58%. To calculate these tariffs the USDOC used the method of "zeroing" or assigning a zero value "to cases in which the export price exceeds the price in the domestic market" (OMC.2012). Accordingly, on November 17, 2005, Ecuador requested consultations based on the ADA, which states in article two, paragraph 4.2 that "the existence of margins of dumping during the investigation phase shall normally be established on the basis of a comparison of a weighted average normal value with a weighted average of prices of all comparable export transactions or by a comparison between normal value and export prices-transaction "under Article 17 and paragraph 17.1 of said agreement provides that "Except as otherwise provided in this Article, this shall apply to consultations and the settlement of disputes under this Agreement Dispute Settlement Understanding." From this date the illegal dumping measures established by the United States to the shrimp from Ecuador began.

According to the process outlined above, the background began June 8, 2006 when Ecuador asked the Dispute Settlement Body for the formation of a panel.

PROCESS

The measure at issue is that the determination and calculation of tariffs and anti-dumping measures imposed violate paragraph 4.2 of Article 2 of the ADA. On October 12, 2006 Ecuador and the United States agreed on the proposed timetable for

the completion of a report by the Panel, which analyzed that if Ecuador did not submit to the Group's way The United States would implement the recommendations. The findings and recommendations were:

- Ecuador: Requests the recognition that the United States acted in breach of the Article mentioned above when they used "zeroing" in the calculation of anti-dumping measures.
- United States: Recognizes the use by the Department of Commerce of "zeroing" and accepts the allegations of Ecuador.

The panel provides an interim report which is sent to the parties who review and make changes and deliver it again. The Panel determines that as countries they have been unable to reach a mutually agreed solution and say it is their duty to make recommendations and provide solutions to resolve this dispute.

According to reports submitted by each of the parties with no rebuttal by the United States to Ecuador's claims, the Panel makes the following conclusions and recommendations:

- The Department of Commerce of the United States applied forms of calculation that violate paragraph 4.2 of Article 2 with respect to various types of frozen warm water shrimp from Ecuador.
- In accordance with the Dispute Settlement Understanding in paragraph 8 of Article 3 it states that if an agreement is not reached then it results in the nullity and therefore recommends that the Dispute Settlement Body request the United States to adjust measures according to what corresponds in the ADA.

On March 26, 2007 Ecuador and the United States agreed that the deadline for the latter to implement the recommendations of the Authority would be 6 months ending on August 20 of that year. At the next meeting of the DSB on August 31, the United States reported that the recommendations were applied on the case. (OMC.2012)

OTHER ORGANIZATIONS

Since the case is under a WTO agreement and both the complainant and the respondent are members of the Anti-dumping Agreement, the following analysis will

take an alleged agreement signed between the two parties, in good faith. Consequently, Ecuador would have had two options in the case of anti-dumping measures by the United States for shrimp.

ORGANIZATION OF AMERICAN STATES

This organization is made up of countries in North, Central, and South America including the Caribbean: their main goal is to be a forum to resolve disputes and meet objectives of all of its members. It promotes policy dialogue among member countries, helping them to resolve their differences within the General Assembly and in turn each of their councils.

Referring to the case of anti-dumping measures by the United States, Ecuador was able to call an emergency meeting of Consultation of Ministers of Foreign Affairs. According to the Inter-American Treaty of Reciprocal Assistance the decision of the meeting is required by an absolute majority of Member States, the issue has been fixed as the violation of the agreement signed by the two countries for the application of anti-dumping measures by the United States. Then the Minister of Ecuador in the Assembly would request assignment of the case to the Inter-American Council for Integral Development.

The Inter-American Council for Integral Development will maintain a session in which the representatives of Ecuador and the United States would keep a dialogue on actions taken. Based on non refutation of the charges made by Ecuador, the United States could accept the illegality and therefore recalculate the tariffs imposed on shrimp, leaving those calculated under the method proposed in the Agreement. Consequently, the case could end up in a new tariff and anti-dumping measure.

Direct Dialogue

On the other hand, the last option Ecuador has would be direct dialogue between representatives of state. When you could call a meeting the time could vary depending on the pressure of those economically affected and trends in government

policies.

Ecuador, due to its leftist political tendency, could end in a clash and subsequent rupture of relations. But if the United States accepts the illegality of the measures that were imposed, it could negotiate in order to withdraw these measures and use the ones based on the legal calculation. Despite the acceptance policy and recalculation, without a body to monitor and suggest measures, this could result in a vague response from the United States and the non-application of any legal action but the same method of "zeroing."

CHART 3.3 COMPARATIVE TABLE.

ECUADOR-UNITED STATES SHRIMP DISPUTE		
WTO	OAS	DIRECT DIALOGUE
Signed Agreement.	They wouldn't have the agreement.	They wouldn't have the agreement.
Dispute Settlement Body.	American Council for Integral Development.	Presidents.
Conclusions and Recommendations.		
This is an Organization focused on Economical Issues.	Dialogue and Cooperation.	

According to the above stated, we could conclude that if within the WTO Ecuador did not find a solution through dialogue in which both parties agreed, or without the help of the Dispute Settlement Body, it is possible that without the recommendation of the same it would not have been settled and could have ended with a recalculation of tariffs.

DATA AND CONSIDERATIONS

During the process of accession of Ecuador several rounds of conversations with different members who had specific issues were held. Japan focused on manufactured goods and tariff concessions that should be taken for cars. New Zealand stressed the need for dairy tariff binding and accepted the level proffered by Ecuador; finally the United States and the European Union were the more difficult partners as the list of products for which tariff conditions were demanded was too long; even then there were problems with the banana.

The commitments made during these rounds of negotiations, were the first step to achieve an orderly economic growth and openness to the world market, based on the consolidation of tariff levels described on a list of products. On the other hand, this led to the application of the principle of transparency, agreeing that all the efforts in trade policy should be reported to the Organization and based on policies creating new customs law, which regulated and streamlined the import and export process. The membership reflects in Ecuador, "a degree of certainty in commercial relations could not be obtained as a small country outside the multilateral framework" (ESPINOZA.1995)

Also, its establishment as permanent member allows Ecuador to:

- Use of non-discrimination clause, which translates as Ecuadorian products targeted at any country.
- Be a part of the negotiation rounds for access to domestic goods and services to global markets.
- Request technical assistance and advice standards, services, implementation of commitments, etc.

Additionally, by being supported in the WTO membership allows a way to counter the failure of a Free Trade Agreement because Ecuador has not had the same urge as other countries to conduct programs that will attract foreign investment neither has appeared as multilateral enterprise market.

MAIN ECONOMIC GROWTH DATA IN ECUADOR

In its economic growth, it has been shown that 42% of exports are manufactured goods and 58% for primary products, the most important are categorized as follows:

- Bananas in 2007 reached \$ 1,251 million, showing a growth trend.
- Shrimp record \$ 441 in 2007 posing as a leading producer in the world market.
- Tuna with growth of 17% in value and 9% in volume from 2005 to 2009.
- Flowers with 6% between 2003 and 2007.
- Canned fish with 10% in value and 4% in tons.
- Cacao beans 70% and 30% as derivatives.

CHART 3.4.AGREEMENTS SIGNED IN ECUADOR

The first agreement constitutes the entry of Ecuador into the multilateral trading system to become a member, from this we have several regional agreements which help to establish free trade zones for its various products.

Nombre del Acuerdo	Carácter	Ambito de cobertura	Objetivo
Organización Mundial del Comercio	Multilateral	Bienes, Servicios, Propiedad Intelectual	Establecimiento del Sistema multilateral
Acuerdo de Cartagena – Comunidad Andina de Naciones (CAN)	Plurilateral / Esquema de Integración Regional	Bienes, Servicios, Propiedad Intelectual	Construcción de un Mercado Común – Actualmente una Unión Aduanera Incompleta
Asociación Latinoamericana de Integración (ALADI)	Acuerdo de Integración Plurilateral	Bienes	Esquema que se implementa por varios acuerdos de complementación económica bilaterales y plurilaterales
Acuerdo de Complementación Económica con Chile	Bilateral	Bienes	Establecimiento de una zona de libre comercio (efectiva)
Acuerdo de Complementación Económica con MERCOSUR	Plurilateral	Bienes	Establecimiento de una zona de libre comercio (en proceso de establecimiento)
Acuerdo de Complementación Económica con México	Bilateral	Bienes	Acuerdo de preferencias arancelarias para lista limitada de productos
Acuerdo de Complementación Económica con Cuba	Bilateral	Bienes	Acuerdo de preferencias arancelarias para lista limitada de productos

Source: Informe Nacional del Ecuador 2009.

OTHER SCENARIOS

Different Ecuadorian products have tariff preferences in international markets, these tariffs are based on three main agreements which are:

- GSP Generalized System of Preferences.
- ATPA Andean Trade Preference Act.
- MFN Most Favoured Nation.

Because ATPA negotiations between Ecuador and the United States are still being defined, the country could face the non-renewal of this system, forcing Ecuador to rely on internal commitments adopted within the WTO. We will review the scenario presented.

In 2010 according to the U.S. Commission for International Trade, total Ecuadorian exports under the ATPA preference were 5,865 million, of which 5,510 million were for oil exports. If Ecuador wouldn't have the ATPA the potential tariff cost that it could have paid ranged from 5.25 cents to 10.50 per barrel as the tariff heading.

CHART 3.5 OIL IMPORTS INTO THE U.S. UNDER ATPA 2010

HTS-8	Descripción	Valor de Aduana USD miles	Arancel Potencial	Total Arancel Potencial USD miles	Programa de Preferencias	
27090010	Aceite crudo de petróleo de menos de 25 grados A.P.I.	5.403.529	5,25 centavos por barril	3.827,4 ^a	ATPDEA	SGP: A+
27101905	Destilados y combustible residual (incluidas las mezclas) derivados de petróleo o de minerales bituminosos	51.769	5,25 centavos por barril	36,9	ATPDEA	SGP: A+
27101145	Aceites livianos mezcla de hidrocarburos y petroquímica	44.835	10,5 centavos por barril	57,8	ATPDEA	SGP: A+
27090020	Aceite crudo de petróleo de más de 25 grados A.P.I.	9.897	10,5 centavos por barril	19,3	ATPDEA	SGP: A+
TOTAL USD		5.510.030,28		3.941,51		

Source: Ministry of Economic Policy Coordination 2011.

Consequently, if it had not been renewed, the ATPA cost that should have been paid in fees would have been about \$ 4 million plus, since the importer assumed these costs, Ecuadorian oil would have become less competitive with other exporters that didn't have the preference.

However, while this system of preferences is necessary in oil products and non-oil products from Ecuador they enter the market with zero tariffs thanks to the most favored nation clause. As a result, in 2010, 358 were admitted with zero tariff duty without belonging to any system of preferences.

CHART 3.6 U.S. IMPORTS OF ECUADORIAN PRODUCTS 2010 UNDER THE “MOST FAVOURED NATION” CLAUSE.

HTS-8	Descripción	Valor de Aduana - Miles USD	Volumen - Toneladas M
03061300	Camarones y langostinos , cocidos con cáscara o sin cocer, secos, salados o en salmuera, congelados	401.877	64.190
08030020	Bananas, frescas o secas	387.307	982.557
18010000	Cacao en grano, entero o partido, crudo o tostado	93.545	29.075
03042960	Filetes congelados de pescado de agua dulce, peces planos, etc.	52.093	7.926
03041900	Bacalao, congrio, merluza, abadejo, perca del océano Atlántico, merluza, otros pescados en filetes o picado, frescos o refrigerados	50.718	7.991
08030030	Plátanos frescos	48.256	107.911
44072200	Okoume, Obeche, Sapelli y otras maderas tropicales, aserrada o desbastada longitudinalmente, cortada o desenrollada, de más de 6 mm de espesor.	37.834	59
03026950	Funde, congrio, merluza, filetes, hígados y huevos de pescado, frescos o refrigerados, no a escala, o escala en envases inmediatos de más de 6,8 kg	20.790	3.962
27131100	Carbón de coque, petróleo sin calcinar	19.616	38
20054000	Guisantes, no preparadas o conservadas en vinagre o ácido acético, congeladas	12.375	10.056
09011100	Café sin tostar, sin descafeinar	12.013	3.075
	Total importaciones en la tabla	1.136.424	
	Total importaciones con 0% Arancel NMF	1.378.928	

Source: Comisión de Estados Unidos para el Comercio Internacional 2011.

In the various negotiations which address the situation of the non-renewal of the Andean Trade Preference Act, it has been argued that plan B of Ecuador requires its participation to negotiate a preferential tariff product within the WTO and within the same, the entry of agricultural and agro-industrial items within tariffs of Most Favoured Nation Clause. (MINISTERIO DE COORDINACIÓN DE LA POLÍTICA ECONÓMICA: 2011).

Because Ecuador sells 1263 items to the United States, of which 333 are under the GSP and 437 under the ATPA, the system of the Most Favoured Nation could be its only preferential trade tool against the possibility of losing these systems since it handles 358 items by this clause, which represents a substantial part of its global trade.

On the other hand, facing the expiration of the preferential system Ecuador needs the MFN clause to negotiate items that could be affected by this situation.

3.4 Criticism of the WTO: An inappropriate role.

"The WTO cannot guarantee commercial success" (Díaz.34: 2008) There are several criticisms of the role of this organization especially in recent decades and some point to its role in the alleged fanciful trade liberalization. Many claim that liberalization attributed to the WTO only contributed to increase inequality and increase poverty worldwide.

Some of the harshest criticismsto this Organism are:

The drafting of the General Agreement on Tariffs was written by the victors of World War II who lacked sympathy for the developing countries. This already shows that there are power relations in which not all members are equally important.

- No doors were opened, they demanded liberalization to countries that were not yet ready which contributes to financial instability. This is because countries must integrate a number of concessions many of which end in increasing deficits between exports and imports.

- The exchanges of agricultural products from developing countries are affected because of subsidies that developed countries provide for the main exports.
- The multilateral trade rules are directed mostly to protect multinational corporations and so, limited to developing countries to protect their small and medium enterprises
- Democracy is a relative concept within the institution since the decision-making process begins with a group of members who pass a decision which then goes to another working group which also adopted a decision and which, in the end, all are bound to approve.
- There is a fair procedure during rounds, many times delivering last-minute drafts for approval but giving less time for developing countries to read and make a decision.
- There is the so-called "Green Room" in which a small group of countries negotiate agreements in which views and needs of developing countries are not reflected.
- The accession process is extremely unfair since many compromises and concessions result in the inability of a country to allocate resources to other areas of development.

In my opinion, economic institutions always maintain a good image and try to dispel the criticism. However, the WTO can no longer justify being run by the developed countries or that these same countries need primary products produced by developing countries at low prices to sell them at higher cost.

No member nation will accept the accession of another unless that means a profit for its own economy, the key question is: Is a bad deal better than no deal at all?

CONCLUSIONS

According to the analysis the following conclusions are obtained:

- The World Trade Organization has basic principles that make all the agreements, but it would be better to correct the fallacy that its system of transparency will take control over the market.
- The WTO, more than any other organization should require that its policy reviews on economic growth must go hand in hand with social growth which is completely linked to the Goals of Millennium Development, especially poverty reduction.
- The adhesion commitments for developing countries should be negotiated without the principle of "All in one". There are concessions that are morally unjust which cause harm to domestic industry and do not allow for the diversification of products, goods and services.
- Regardless of whether imperialism remains hidden behind this organization, Ecuador must remain as a member because this will ensure credibility with the world market. It must meet the Organism's policies so that their business partners are satisfied that bound tariffs will not change and that if so they will be notified.
- Ecuador has had an orderly economic growth with its membership, which has allowed it to conclude a new streamlined customs processes and a national organization to control and identify policies needed for world trade.
- Ecuador should request technical assistance on how to diversify its portfolio and participate more actively in the negotiation rounds.
- More active participation is the key to success for Ecuador to become a necessary business partner.

- Being a member of the WTO has allowed the elimination of anti-dumping measures imposed by the United States on Ecuadorian shrimp, and determined that the calculation used violated Article 2 of the ADA.

RECOMMENDATIONS

- I recommend that the Republic of Ecuador must remain as a member of the World Trade Organization because of the legal support and the guarantees which are given by this Institution and to continue with negotiations in the rounds.

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ANNEXES

ANNEXE 1: GENERAL AGREEMENT ON TARIFFS AND TRADE(GATT 1947).

El Acuerdo sobre la OMC incluye el "Acuerdo General sobre Aranceles Aduaneros y Comercio de 1994". Este instrumento, denominado "GATT de 1994", se basa en el texto del Acuerdo General sobre Aranceles Aduaneros y Comercio original, denominado "GATT de 1947". En esta sección se incluye, para referencia, el texto del "GATT de 1947", con las enmiendas posteriores decididas por las PARTES CONTRACTANTES del GATT.

ACUERDO GENERAL SOBRE ARANCELES ADUANEROS Y COMERCIO (GATT de 1947)

El apéndice que figura a continuación es la versión íntegra del Acuerdo General sobre Aranceles Aduaneros y Comercio con todas las modificaciones

Available in: http://www.wto.org/spanish/docs_s/legal_s/gatt47.pdf

ANNEXE 2: MEMBERS OF THE WORLD TRADE ORGANIZATION.

Antigua and Barbuda	Cambodia	United Arab Emirates
Kingdom of Saudi Arabia	Cameroon	Slovenia
Argentina	Canada	Spain
Armenia	Chad	United States of America
Australia	Chile	Estonia
Austria	China	The Former Yugoslav Republic of Macedonia
Kingdom of Bahrain.	Cyprus	Russian Federation
Bangladesh	Colombia	Fiji
Barbados	Congo	Philippines
Belgium	Republic of Korea	Finland
Belize	Costa Rica	France
Benin	Côte d'Ivoire	Gabon
Plurinational State of Bolivia	Croatia	The Gambia
Botswana	Cuba	Georgia
Brazil	Denmark	Ghana
Brunei Darussalam	Djibouti	Grenada
Bulgaria	Dominica	Greece
Guatemala	Kenya	Republic of Moldova
Guinea	State of Kuwait	Mongolia
Guinea-Bissau	Lesotho	Montenegro
Guyana	Latvia	Mozambique
Haiti	Liechtenstein	Myanmar
Honduras	Lithuania	Namibia

Hong Kong, China	Luxembuourg	Nepal
Hungary	Madagascar	Nicaragua
India	Macao, China	Nigeria
Indonesia	Malaysia	Niger
Ireland	Malawi	Norway
Iceland	Maldives	New Zealand
Solomon Islands	Mali	Oman
Israel	Malta	Netherlands
Italy	Morocco	Pakistan
Jamaica	Mauritius	Panama
Japan	Mauritania	Papua New Guinea
Jordan	Mexico	Paraguay
Peru	Thailand	
Poland	Chinese Taipei	
Portugal	Tanzania	
Qatar	Togo	
United Kingdom	Tonga	
Central African Republic	Trinidad and Tobago	
Czech Republic	Tunisia	
Democratic Republic of Congo	Turkey	
Dominican Republic	Ukraine	
Slovak Republic	Uganda	
Kyrgyz Republic	European Union	
Romania	Uruguay	
Rwanda	Vanuatu	

Saint Kitts y Nevis	Bolivarian Republic of Venezuela
Samoa	VietNam
Saint Lucia	Zambia
Saint Vincent and The Grenadines	Zimbabwe
Senegal	
Sierra Leone	
Singapore	
Sri Lanka	
South Africa	
Sweden	
Switzerland	
Suriname	
Swaziland	

OBSERVER GOVERNMENTS

Afghanistan	Libya
Andorra	Syrian Arab Republic
Argela	Lao People's Democratic Republic
Azerbaijan	Republic of Liberia
Bahamas	Lebanese Republic
Belarus	The Holy See
Bhutan	Sao Tomé and Principe

Bosnia and Herzegovina	Serbia
Comoros	Seychelles
Ethiopia	Sudan
Equatorial Guinea	Tajikistan
Iran	Uzbekistan
Iraq	Yemen
Kazakhstan	

ANNEXE 3: POLITICAL-ADMINISTRATIVE DIVISION

- **Región Sierra:**
 - Carchi
 - Imbabura
 - Pichincha
 - Cotopaxi
 - Tungurahua
 - Bolívar
 - Chimborazo
 - Cañar
 - Azuay
 - Loja

- **Región Costa:**
 - Esmeraldas
 - Santo Domingo de los Tsáchilas
 - Manabí
 - Los Ríos
 - Santa Elena
 - Guayas
 - El Oro

- **Región Amazónica:**
 - Sucumbíos
 - Napo
 - Francisco de Orellana
 - Pastaza
 - Morona Santiago
 - Zamora Chinchipe

- **Región Insular:**
 - Galápagos