“Manual of Procedures to obtain Imports Licenses of products controlled by the Ministry of Industries and Productivity in Ecuador”

Graduation work prior to obtain Bachelor’s Degree in International Studies with Bilingual Distinction in Foreign Trade

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DEDICATED TO

I dedicate this work to my parents because of their endless love. To my beloved brothers, my sisters-in-law and my niece for their unconditional affection. To my friends for their support in every moment. To Richard for the strength and encouragement to conclude with this work.
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ABSTRACT

According to the resolutions No. 17 and 24 from the Foreign Trade Committee of Ecuador, it was established that importers should get an import license as a previous requirement to the entry of certain goods into the country, commissioning the control of this measure to the Ministry of Industries and Productivity. In the current work a Procedures Manual was developed that allows importers and people in general to know what imports licenses are and why they are used, the products regulated for this measure through the Ministry of Industries and Productivity and finally, the process that must be followed to obtain this license.
GLOSSARY

BCE: Central Bank of Ecuador (Banco Central del Ecuador)

COMEX: Committee of Foreign Trade (Comité de Comercio Exterior)

COPCI: Code of Production, Trade and Investment (Código Orgánico de la Producción, Comercio e Inversiones)

DAES: Department of Economic and Social Affairs (Departamento De Asuntos Económicos y Sociales)

INEN: Ecuadorian Standardization Institute (Instituto Ecuatoriano de Normalización)

MAGAP: Ministry of Agriculture, Livestock and Fisheries (Ministerio de Agricultura, Ganadería, Acuacultura y Pesca)

MIPRO: Ministry of Industries and Productivity (Ministerio de Industrias y Productividad)

OMC: World Trade Organization (Organización Mundial del Comercio)

ONU: United Nations (Organización de Naciones Unidas)

PRO ECUADOR: Institute for Promotion of Exports and Investments (Instituto de Promoción de Exportaciones e Inversiones)

SENAE: National Customs Service of Ecuador (Servicio Nacional de Aduana del Ecuador)

SRI: Internal Revenue Service (Servicio de Rentas Internas)

VUE: Ecuadorian One-stop System (Ventanilla Única Ecuatoriana)
INTRODUCTION

In its commercial dynamics, throughout its history, Ecuador has been characterized by importing more than it exports, causing a problem in its trade balance. Recognizing this reality, the government has proposed in recent years to adopt different strategies to regulate imports and encourage domestic industry. In this context, in 2011, the Committee of Foreign Trade (COMEX), issued resolutions No. 17 and 24 that detail a series of products that must obtain an import license as a prerequisite for entry into the country.

Daily, importing companies and individuals are making imports either as intermediate or final consumers, for which they must know the scope of the provisions set out in resolutions 17 and 24 and the process that they must follow for processing so as to avoid problems in importing their goods.

The present work has the main objective of detailing the process to be followed to obtain import licenses in the case of products controlled by the Ministry of Industry and Productivity, where the requirements are specified, the institutions involved, the computer system used, etc., based on national and international legal standards, contained in both the Organic Code of Production, Trade and Investment, its regulation and the resolutions of institutions such as the Committee of Foreign Trade.

This paper is organized into three chapters. The first chapter briefly describes the current situation of trade in Ecuador and policies that have been adopted in commercial matters. There is a brief description of the various tools used today to regulate the trade to finally specify what import licenses involve, making a brief analysis of the products subject to this measure.

In the second chapter there is a reference to national and international regulations that regulate import licenses focusing primarily on the provisions of the Code of Production, Trade and Investment and the resolutions issued by the Committee of Foreign Trade, mentioning institutions involved in processing the import license.
Finally, in the third chapter there is a Procedures Manual that allows the user to know the process for managing import licenses through the option of “Ventanilla única” (One-stop system) found in the electronic portal Ecuapass.

This work helps importers in their activity, as it details the procedure to be followed in the import of goods subject to control by the Ministry of Industry and Productivity; the simplicity of this Manual facilitates understanding and allows users to obtain the import license quickly avoiding mishaps with the National Customs Service of Ecuador.
CHAPTER 1

IMPORT LICENCES AS REGULATORY MEASURE OF COMMERCE

Currently, the countries of the world follow an economic model based on free trade of goods and services among themselves. The development of technology in recent decades has allowed the creation of advanced media that facilitate contact between people and countries; in the same way, the current means of transport have reduced the barriers of distance. These factors have contributed to the improvement of trade among countries, so they can access to the products offered on the world market in an agile way, meeting the needs of consumers. Once the purchasing process has been performed, transfer of foreign goods into a country either to consume or commercialize them can proceed (Hill, 2007).

The commercial dynamics of Ecuador throughout its history shows a tendency of the primacy of imports over exports. Since its inception, the country has pursued a form of agricultural exports, focusing its economic activity based on the use of primary products such as bananas, coffee, cocoa, shrimp, and currently oil, being this the major export product and main source of revenues for the country. (Acosta, 2006). Moreover, the country has often resorted to importing manufactured goods, causing as a result a negative trade balance, the expenditures being higher than the incomes in the national economy, because the price of manufactured goods is much greater than the price of raw material.

In its current management model, Ecuador seeks to promote the development of industry in the country. The government through projects, institutions’ support and special considerations in the tax regime seeks to encourage people to create local companies that produce value-added goods, promoting domestic consumption and to fix the existing imbalances in Ecuador’s trade balance. Moreover, the control of the entry of foreign goods into the country has become stronger, which must meet all the requirements
needed for entry, import licenses being one of the major requirements for certain products nowadays.

1.1. International Trade

International trade has been defined as "The exchange of economic goods that takes place between the inhabitants of two or more nations, so that it starts outputs of goods from one country (exports) and income of goods (imports) from other countries " (Peña, 2009, p. 5).

Since ancient times, humans have exchanged goods and services in order to satisfy their needs by using the diversity of products, comparing prices, analyzing the existing supply in the market. Over time, these trade relations have become more complex; due to advancement in technology, media has been developed and more efficient transportation; thanks to the internet, the interaction among distant countries has been simplified, and through the development of facilities for the transportation of merchandise, negotiation has been streamlined and trade which come together in an atmosphere of interdependence; national markets, which were distant and were different, joined in a single global market. (Hill, 2007).

Of the various theories presented in terms of international trade, there are diverse criteria regarding regularization of trade; on the one hand, it is suggested that in fact trade should be controlled with the state as regulator; on the other hand if trade should be liberalized as possible, avoiding any kind of obstacles in the exchange of goods. (Hill, 2007). At this point, it is important to set a difference between these two notions, laying out their basic guidelines.

For free commerce or free trade, it is understood the reduction of barriers that hinder trade of goods among countries must be done (Gómez, 2003, p.104); in other words, the government does not restrict what people can buy in another country nor what they can sell abroad. Adam Smith, was the forerunner of this concept, and he argued that the
government should seek the elimination of trade barriers to ensure that the market can operate without restrictions of any kind.

The trend towards trade liberalization took place in late 1939, after the Great Depression of the 1930s, where international trade experienced a severe fall, intensified by the protectionist climate of the time. This is dealt with the Hawley-Smoot Act established in 1930 by the United States, where a unilateral increase in tariffs was instituted of more than twenty percent, especially on agricultural products, affecting its partners, who did not hesitate to retaliate against these measures by imposing such high admission fees to its products, thus causing a large decrease in trade. (Encyclopedia Britannica, 2014)

Because of the damage observed as a result of protectionist policies, nations decided to seek the gradual reduction of trade barriers in order to ensure greater fluidity in trade and therefore that their products find market abroad.

In this context, the General Agreement on Tariffs and Trade in 1948, better known as GATT originate. This treaty, named for its acronym in English, General Agreement on Tariffs and Trade, was a multilateral agreement established in 1948 with the aim of liberalizing trade among countries through a set of tariff concessions, which have been conducted in several rounds of bargaining over time, he most recently the Uruguay Round. (Hill, 2007).

The reduction of trade restrictions, was performed gradually, through different rounds of negotiations, in which different countries pledged to increasingly reduce the impediments to free trade, requiring a reciprocal treatment by other states. Although the General Agreement on Tariffs and Trade did not have an organ or coercive apparatus to enforce the agreed rules pressure was used as the mean to achieve the effectiveness of this agreement. Thus, if a country violated the commitments adopted, it was pressured by the other member countries to change their policies, with the warning that if not, trade barriers would be taken against them, and even the expulsion of this country. The last of this rounds of negotiation were held in Uruguay and lasted nine years approximately, from 1986-1995, where the World Trade Organization was created. The
WTO came into force on January 1, 1995, as a result of the agreements reached in the Uruguay Round.

This organization currently has 159 members, of which Ecuador has been part of since January 21, 1996. Loyal to its institutional principles, the WTO established an agreement to regulate the processing of import licenses in order to ensure that they can be implemented in a transparent and predictable manner, avoiding hampering international trade (OMC, 2014). Ecuador, as a state party to this institution, is forced to respect the resolutions adopted, so it is important to describe the international agreement that rules the aforesaid process.

The World Trade Organization came into force in 1995; in this year it started to exercise new roles. The policy of free trade was reinforced with the emergence of this organization, to the extent that it also acquired power to enforce standards among its members. Thus, the WTO is in charge of monitoring that states abide the rules of trade agreements signed by its members, promoting the reduction of barriers to free trade. In recent decades, both the General Agreement on Tariffs and Trade (GATT) and its successor, the World Trade Organization, have been in charge of achieving the reduction of barriers to free trade in goods and services, allowing it to intensify the volume of international trade, and that the domestic markets come together into a global market. (Hill, 2007).

1.1.1 Protectionism

Protectionism is a doctrine in which the protection of local industries is promoted through the application of measures that restrict the entry of foreign products into a country and at the same time, methods that favor the development of domestic industries are promoted (Hill, 2007, p. 202). This theory emerges as a part of a confrontation to the traditional theories about free trade, which is considered as insufficient to explain the true dynamism of trade since they are based on assumptions that do not conform exactly to reality. Authors like List consider that not all nations have the same level of
development and therefore trade cannot be regulated solely by the market because it does not take into account the different social considerations that are generated by the unequal relations in exchange (*List in Gómez*, 2009, p. 8).

A fundamental theory raised about the unfair distribution of wealth is the center-periphery theory proposed by economist Raúl Prebisch. He argues that the industrialized nations, that have hegemony over others, are in the center, while developing nations are on the periphery. Thus, the products made by countries in the periphery such as toys, footwear, textiles are becoming cheaper on the world market, while technologies, sophisticated equipment, and machinery, exported by countries at the center are increasingly expensive on the world market (*Prebisch in Palomino*, 2009, p. 7). Thus an unfair exchange model is created where it increasingly widens the gap between center countries and periphery countries.

Moreover, authors such as Murray Gibbs (2007) indicate that the massive importation of goods and services harms local producers, whose industries are threatened with generating losses (p. 9). The argument of protecting local industry is the most widely used by governments of different countries to restrict the import of products, as discussed below.

For these reasons, the advocates of protectionism consider it necessary to take the actions needed to protect the economy of the countries that have not yet reached the level of development of industrialized countries (*Palomino*, 2009, p. 6). These measures include mainly tariffs, although there are other forms of protection such as safeguards, fees, administrative barriers, among others. Some authors believe that while trade is not conducted on equal terms, namely, between countries with the same level of development, the best is restricted trade, but always with a tendency to strengthen the productive forces (*Gômez*, 2003, p. 109).
1.2 Overview of trade in Ecuador

According to the Institute for Promotion of Exports and Investments of Ecuador, under the Ministry of Foreign Affairs, trade represents about 19.5% of GDP (Gross Domestic Product) of the country and employs about 11% of the population (Pro Ecuador, 2013, p. 51). Traditionally, Ecuador has become known in the international framework of trade as an exporter of raw materials which include products such as cocoa, bananas, shrimp, tuna, flowers, and fruits (Acosta, 2006), although the product which has caused greater impact on the local economy is oil; over the past two decades, oil has represented between 30% and 60% of total exports (Doryan and López, 2001, p.486).

Historically there has been little industrial activity; the level of industry is located mainly around the processing of primary products, but far from the production of goods that involve advanced technology (Pro Ecuador, 2013). This situation has caused the country to rely on imports to get all the goods that are not produced locally, creating a problem in the trade balance.

The Code of Production, Trade and Investment in Art. 147 defines imports for consumption as "the customs procedure by which goods imported from abroad or from a special economic development zone can move freely within the customs territory to remain there definitively, after payment of duties and import taxes, surcharges and penalties where there is cause for them, and compliance with the formalities and customs duties ", the entry of goods can be carried out both by natural persons and legal entities whether they are nationals or foreigners who are residing in the country.

Imports may be: consumer goods, raw materials, capital goods and even services. Raw material is defined as products that have been extracted from nature and are sold well without any kind of transformation. Consumer goods are goods that are produced or imported to satisfy a necessity like food, drinks, services, clothing, ornaments, or any other consumer need. Capital goods are defined as those that are not intended for use, but are used to produce other goods, following the production process, such as
machinery, equipment, among others. In the field of imports can be found services such as communication, construction, financial services, information, business, personal and government (Banco Mundial, 2014).

The country's imports in an overview have an increasing trend since 1998, a situation that has accentuated in 2000 after dollarization, when the monetary policy of Ecuador was completely altered, so there is no way to use the variation in domestic exchange rate, a measure commonly used to correct imbalances in the trade balance, which allows domestic products to become more expensive than imported ones. (Velástegui and Campos, 2004).

The dynamics of the Ecuador's imports indicates that imports come from raw materials, next capital goods and fuels and finally from consumer goods corresponding to the type of purchases that needs to be reduced today.

**Chart 1.**
**Ecuadorian imports composition 2011-2013**

![Chart 1](image)

Source: Central Bank of Ecuador
Elaboration: Líderes Magazine

The country's imports were 17,737,000 dollars in 2008, after experiencing a decline in 2009, explained by the global crisis of that year, subsequently recovering in 2010 and continuing an upward trend.
Ecuador imports its products primarily from the Americas, which represents the origin of nearly 63% of their purchases. Asia is the second continent Ecuadorian imports come from accounting for 23%, China being an important trading partner; Europe figures with 13%, Africa the 0.52%, and Oceania with 0.11% (Pro Ecuador, 2013, p. 25).

The trade balance is a part of the current account of the balance of payments that reflects the difference between exports and imports. The trade balance is favorable or active when exports in a given period exceed imports; when there are deficits, there is an adverse or passive trade balance (Eco-Finance, 2013). Prices of non-value added products fluctuate too much and they are vulnerable to negative impacts (Velástegui and Campos, 2004). The fact that national exports are concentrated in a few products, in particular oil, bananas, seafood and fresh flowers, further intensifies this dependence.

Analyzing Ecuador's trade balance, exports have maintained an increasing rate; however, imports have even greater growth. The annual average growth of Ecuadorian exports in the last five years has been 11.74%; however, the average annual imports growth is even higher and corresponds to 15.50% (Pro Ecuador, 2013, p. 18). If these figures remain constant, the deficit in the trade balance will remain a persistent problem in the economy. For these reasons, it is essential to persevere in the diversification of

Source: Writer’s elaboration with Central Bank of Ecuador’s data
Ecuadorian exports and promote greater trade flows between Ecuador and the rest of the world (Ramirez in Ponce, 2005) for which trade policy tools should be used.

With the above background about the management of exports and imports in Ecuador, it is then justifiable why the government has sought the establishment of certain measures to refrain consumption of imported goods because it involves cash outflow of the local economy and moreover it seeks to strengthen the domestic industry, promoting small and medium producers for production, diversification of export supply, and, in general, a change in the productive matrix of the country.

1.3 Ecuador’s trade policy

Trade policy is defined as the set of instruments that a State uses for the management of the trade relations of a country with the rest of the world (Solórzano, 2007, p.1). Thus, each State through relevant agencies, has the prerogative to design policies that suit it best. In Ecuador, the Committee of Foreign Trade is the body responsible for approving national policies in trade, which agree with the guidelines established by the Sectoral Production Council, an agency under the Ministry Coordinator of Production, Employment and Competitiveness. This body follows a productive development standard, strategic import substitution and export promotion (Coordinating Ministry of Production, 2013).

Today, trade policy besides being used to regulate the trade balance, also seeks other goals, not only economic but also social. The Department of Economic and Social Affairs (UNDESA) attached to the United Nations, advises countries to use trade policy to achieve the elimination of poverty and the Millennium Development Goals. It mentions that it is essential that governments take into account these objectives before acquiring international commitments, so that there is an agreement among the stronger trading partners to support the measures that back these objectives. In this way it will ensure that the gains from trade can be distributed more equally and that trade does not affect the livelihoods of people (Gibbs, 2007).
Ecuador's trade policy finds its basis in the Constitution, maximum law of a State, which sets out the guidelines to be followed for its administration. The Constitution drafted in Montecristi, in force since October 2008, declares Ecuador as a constitutional State of rights and justice, which must look after the respect for and observance of individuals’ rights, including that of Good Living (Buen Vivir). Economic welfare being a cornerstone for meeting the needs of people, in Ecuador has sought to implement strategies that let ensure this right

1.3.1 Objectives of trade policy

The State has the duty to ensure the welfare of citizens in all areas; regarding the economic area currently Ecuador has chosen to implement a social and solidarity economy, which seeks to encourage the production of a material basis that ensures in a social way the livelihoods of all citizens (Coraggio, 2011, p. 339) in order to achieve the Good Living (Buen Vivir) that is the framework on which the country operates. This new economic model poses a difference from the one of 1998, where the market, although formally regulated by the state, was the central process of the economic system (Grijalva, 2012, p. 40).

The social and solidarity based-economy, does not fail to recognize the importance of the market, but priority is given to domestic production, where it requires state intervention and policy development for its reinforcement, thus, now, power is given to the State to intervene in the economy to prevent all forms of damage to economic rights. In this model, a special consideration to small and medium producers is done through policies to promote exports and pricing policies that protect domestic producers from foreign competition (Grijalva, 2012, p. 27). It is also clearly indicated that it will discourage imports that affect domestic production, population and nature, fostering the necessary ones to development objectives.
Since dollarization adopted by the country in 2000, Ecuador has no own currency which prevents it using the exchange rate as a policy tool, therefore, the State has had to intervene in segments of trade policy to equilibrate the balance of payments, because otherwise every citizen could literally import a great deal of goods payable in dollars which offsets the dollars introduced by exports, in this framework, the state becomes a subsidiary agent which acts primarily against market failure.

As is clear from these objectives, it is logical that imports for consumption of goods produced abroad are limited nowadays because with these transactions it cannot be possible to achieve any of the national objectives of Good Living (Buen Vivir), but rather it goes against the flow of dollars into the economy, creating an uncertain economic environment for the population.

Ecuador currently seeks, the development of domestic markets to strengthen the productive apparatus, to promote fair trade, exports promotion of small and medium producers, of the artisanal sector and the environmentally responsible (Constitution of Ecuador, Art. 304 y 306) these being the main objectives that need to be obtained through the application of trade policy. The main point of trade policy is the development of the local market, allowing the integration of national actors in the economic system, so that the resources generated can be used to benefit the population, and, in this way, achieving an adequate income distribution that allows the reduction of inequality, avoiding monopolies and oligopolies. Respect for the environment is emphasized seeking trade that is in line with responsible safekeeping practices.

The Organic Code of Production, Trade and Investment, in terms of trade policy has a clear main goal to achieve a change in the productive matrix of the country, in other words, to change the traditional production of goods with little added value to generate value-added goods to ensure economies of scale and fair trade. This processing also involves the development of an economy of services based on knowledge; the current government promotes the generation of wealth not only for the exploitation of natural
resources but also from human talent having as basis, the skills and knowledge of the population (SENPLADES, 2012).

It is also provided that the State will promote equal opportunities in international markets for which it has the power, according to the Organic Code of Production, Trade and Investment, to take measures to prevent or remedy the injury or threat of injury to the domestic industry, restricting imports or exports of products for economic or social needs, local supply, domestic price stability or protection to domestic production and domestic consumers, protecting the balance of payments, always in attention to international conventions ratified by Ecuador. (COPCI, Arts. 5, 88).

For the economic transformation of the country it is necessary to continue with the implementation of all necessary measures to promote diversification and innovation of a national productive matrix, for which it is vital, first to protect local industry. In its early beginnings, this protection is very important, without which, competition with established industries would be undoubtedly unsustainable.

To implement any measure of trade policy, the Committee of Foreign Trade is the agency that is responsible for approving such measures through issuing resolutions, always based on technical studies and reports. The law gives this institution the prerogative to approve import quotas or restrictive measures to operations of foreign trade, when trading conditions, troubles on local industry, or economic circumstances require so (COPCI, Art. 71 and 72). With all the unfavorable conditions of trade balance described above, any action of this body is appropriate to take measures to help promote equilibrium in trade balance

1.3.2 Trade policy instruments

The instruments of trade policy are those measures that a country uses to manage its foreign exchanges either input or output of products. (Solórzano, 2007). The foreign trade policy of Ecuador has been debated in recent years between, opening, on the one
hand, seeking diversification of markets for Ecuadorian products and protection, on the other hand, preserving industries or vulnerable sectors to international competition. Considering that Ecuador has among its neighbors, a competition in production which makes it especially sensitive, several instruments for reducing imports are applied, which are regulated through tariff and non-tariff measures.

1.3.2.1 Tariffs

As a result of trade policy, the tariff is the most common protective mechanism, it is the tax that the government requires for foreign products in order to raise the selling price in the domestic market, and thus protect domestic products to avoid them suffering competition from cheaper goods ("Tariff", 2012). Tariffs are of two kinds: Specific tariffs, which are those that are collected as a fixed charge for each unit of imported goods, and ad valorem tariffs, which are determined as in proportion to the value of the imported article; tariff combined results from the joint application of the two. (Hill, p. 203). In most cases, these measures are used to protect domestic producers from foreign competition by increasing the price of imported goods, moreover, are also used to generate revenue for the government. According to article 305 of the current Constitution, the Executive Branch is responsible for creating and fixing tariff levels and it must respect the commitments of Ecuador in duly ratified international treaties.

1.3.2.2 Non-tariff Measures

Non-tariff Measures (NTMs) are those which without being tariffs alter the volume and composition of international trade of the country that adopts them. According to Article 82 of the Code of Production, Trade and Investment, within these measures are "(...)
on tariff quotas, import licensing system, sanitary and phytosanitary measures, technical regulations and any other mechanism which is recognized in international treaties duly ratified by Ecuador (...)"). This type of measures can be sub classified into: quantitative regulation mechanisms, mechanisms of administrative control, and various other mechanisms.
1.3.2.2.1 Quantitative regulation mechanisms

They are administrative measures directed to set a certain volume of imports administratively, either in physical or monetary units. This measure acts by limiting the supply of products. Among these are import quotas and voluntary export restraint (Hill, 2007).

- **Import quotas**

Hill (2007) describes the import quotas as follows: "It is a direct restriction to the amount of a good that can be imported into a country. Usually, the restriction operates through issuing import licenses to particular groups or companies." (p. 205). Generally, this measure is adopted in order to protect domestic production of certain goods; quotas affect both the level and composition of imports of the country that adopts it.

- **Voluntary limitation of exports**

The voluntary export restraint is a variant of the import quota. It consists of a share to trade imposed by the exporting country itself, usually, attending the request of the government of the importing country. (Hill, 2007, p. 206). Producers accept this limitation to the threat that importer adopts reprisals through the establishment of tariffs or quotas on imports, which are more harmful. Moreover, domestic producers are benefited because through this measure import competition is restricted, although it affects consumers as it raises the price of imported goods.

1.3.2.2.2 Administrative control mechanisms

These mechanisms do not affect directly the cost of imported goods and domestic supply of goods but these are measures that are applied simultaneously with other non-tariff barriers, whose purpose is relatively expensive imported goods. Authors like Orlando Peña (2009), show that administrative barriers are very diverse, ranging from complex
customs formalities, to health and quality standards (p. 6). Among the most important instruments of this type are found, filing import applications or obtaining the prior consent of the governing body of foreign trade before starting the importation process. In practice, these requests or import previous are very useful to determine the future behavior of the trade balance. Among these measures, we found the import licensing system.

1.3.2.2.2.1 Technical quality standards

This instrument consists in the specification of criteria that must be met by certain products, services or production processes, to protect consumers and ensure them the access to quality products (Hill, 2007, p. 206). These criteria are regulated by the government and they are administered by an institution that is responsible for ensuring compliance with the standards specified in the regulations or standards.

Currently, under resolution 116 issued by the Committee of Foreign Trade, which is the authority responsible for approving foreign trade measures, a list of 293 products that are subject to prior to admission control previous they entered the importer country was submitted. These goods require a certificate of recognition known as INEN-1 as a supporting document to the customs declaration to allow their entrance into the country. All the products on the list set by this resolution should therefore ensure that they meet the quality standards set by the INEN (Ecuadorian Standardization Institute). In the words of the current Coordinating Minister of Production, Employment and Competitiveness, with the application of this resolution, it is expected to reduce $ 800 million in imports (TodoComercioExterior 2014), which would further encourage local production, meeting the economic goals set by the central government.

For the issuance of these certificates of recognition, the Ecuadorian Standardization Institute must verify that imported goods comply with the Technical Regulations RTE INEN and the Ecuadorian Technical Standards NTE INEN also importers may attend to recognized certification bodies in the country to obtain this certificate. The document
INEN-1 will be required in all the cases in which an importation exceeding two thousand dollars consumption takes place, however, an exception in the case of textiles, apparel and footwear, which are not subjected to this limitation in value is foreseen (National Customs Service of Ecuador, 2014).

It is estimated that the benefits of the implementation of this resolution are great for local businesses, which have the opportunity to increase their production capacity to supply the local market, as is the case of packaging or ceramics producers, further certificates of conformity are ensuring the population the access to quality goods, so that it would be safeguard the rights of Ecuadorian consumers. This resolution has been analyzed in the framework of the Andean Community, for considering it harmful to its trade partners because of the obstacles involved in the trade exchange, although currently, the Ecuadorian Standardization Institute says that it is working to make the process digitally to facilitate obtaining this certificate.

1.3.2.2.2.2. Rules of origin

According to article 84 of the Code of Production, Trade and Investment, rules of origin are the technical parameters established for the purpose of determining the customs territory or region of origin of a product; the origin of the goods may be national considering a single country or regional, if considered more than one country. According to Charles Hill, this measure is usually applied in developing countries that seek to move from being mere assemblers of components manufactured elsewhere, to manufacture them locally. Also, they are used by developed countries to protect their jobs and industries from foreign competition because they limit foreign supply (2007, p. 207). In general, this requirement is expressed in physical terms, usually in percentages. According to the Code of Production, Trade and Investment, it is important to determine the origin of a product in order to that they can be benefited of preferential tariffs, quotas, special customs regimes and specific trade measures because without the presentation of a certificate of origin, these products can not apply to the agreed benefits between members of organizations such as the Andean Community of Nations and the
Latin American Integration Association. Furthermore, rules of origin enable compliance with several objectives: the application of anti-dumping and safeguard measures are allowed; it contributes to the production of statistics on trade, clearly establishing the goods produced in one location. According to the Andean Community of Nations, establishing the origin of a product can also prevent trade deflection which consists when an international purchase is made by a country whose final destination is another country, acting the first as a mediator, this in order to prevent a third country acceding to commercial benefits that do not belong to it. For determining the origin of a product in Ecuador certain criteria are followed:

- "Goods which are wholly obtained or produced entirely in the territory of the countries participating in a trade agreement;
- Goods that are produced exclusively from materials originating in the territory of the participating countries of the trade agreement; and
- Goods whose production materials come from non-participating countries of the trade agreement, as long as they are the result of a process of substantial transformation "(Comunidad Andina, 2007).

Currently you can get the certificate of origin by accessing the Ecuadorian One-stop system both for Ecuadorian exporters wishing to certify that a particular good is of domestic origin according to the criteria specified above, or for importers that have international agreements with Ecuador to ensure mutual benefits to goods from Member States like members of the Andean Community, Bolivia, Colombia, Peru, and Latin American Integration Association, where besides those mentioned are Argentina, Brazil, Chile, Venezuela, Mexico, Paraguay, Uruguay.

1.3.2.2.3 Sanitary and Phytosanitary Measures

The Organic Code of Production, Trade and Investment detailed sanitary and phytosanitary measures as mandatory requirements for certain products that have been issued in order to protect life, health, safety of persons, national security, preservation of
the environment, biodiversity and animal and plant health ... (Art. 84). It also states that technical regulations and sanitary and phytosanitary measures in foreign trade will be approved by the Committee of Foreign Trade, except in those cases where law establish other competent authority for the control of these measures. (COPCI, Art. 84).

1.4 Analysis of Import Licensing

1.4.1 Definition and origin

Import licenses are non-tariff measures of an administrative nature that restrict imports. According to the Regulation to Book IV of the Code of Production, Trade and Investment, import licenses are understood as: "The administrative procedure for implementing the import arrangements as a precondition to carry out importation or exportation of goods into the customs territory of Ecuador" (Art. 23).

According to the results of a study published by Looi Kee, H., Nicita, A. and Olarreaga, M. (2009), less developed countries tend to have higher trade restrictive character on both tariff and non-tariff policies. Ecuador is located in a process oriented to leave their traditional agricultural export model and this is why it has the need to use certain tools to restrict international purchases, justifying the assertions made by the authors.

One of the main lines of action of the current government to correct the negative trade balance is to reduce imports through the use of its tariff policy and also through the implementation of trade policy tools such as the application of import licensing. The administration of imports of consumption is one of the five strategies in the short and medium term that has the current government to reduce the deficit in trade balance, which until November 2010 reached 1,460 million (Gplogistics Management, 2011) .com.

In Ecuador, the processing of import licenses and other documents of prior control are run by institutions such as the Ministry of Agriculture, Livestock and Fisheries, the
Ecuadorian Institute for Standardization and the Ministry of Industries and Productivity. With the issuance of the Resolution No. 17 of the Committee of Foreign Trade, subsequently amended with resolution No. 24, on August 31 of that year, the Ministry of Industries and Productivity is established as the agency responsible for verifying the requirements for granting the license in the case of products which are related to the policies of industrialization of the country; with these measures, the central government expects a decrease in the value of imports in the sectors in which it was applied.

Looi, Nicita, and Olarreaga show that the degree of restriction of non-tariff measures such as import licensing is larger than the restrictive tariffs. According to reports from the Central Bank of Ecuador, it has achieved a reduction in income of controlled products, which is discussed in section 1.6 of this chapter; therefore the study of these authors is valid in the case of Ecuador because by establishing restrictive administrative the objective proposed was achieved.

1.4.2 Types of import licenses

The Agreement on Import Licensing Procedures (1979), issued by the World Trade Organization, provides two kinds of import licenses: automatic and non-automatic. They differ in their processing and conditions for issue.

1.4.2.1 Automatic licenses

Automatic licensing is understood as a system of import licenses automatic nature, in other words, they are approved in all cases, without reservation, as long as they meet the necessary conditions, mainly, that the procedures of automatic licensing are not carried out in a way that could have restrictive effects on imports subject to automatic licensing. To get them, it is important to present the information required, which once met provides that the processing should be completed within ten working days. (*Agreement on Import Licensing Procedures, 1979*)
1.4.2.2 Non-automatic licenses

Import license is considered a prior import requirement, so that it is necessary to be obtained prior to shipment of goods abroad, and each shipment also has to obtain one. According to article 27 of the Regulation to Book IV of the Code of Production, Trade and Investment, for the implementation of this system, it shall not be used unnecessary administrative burdens that have restrictive or distorting effects on imports or exports, in addition to the ones caused by the process. For ease of implementing these measures, importers must first be enrolled in the Register of Importers, controlled by the Ministry of Industry and Productivity, the body responsible for import licensing. (MIPRO, 2013).

1.4.2.2.1 Objectives

The main purpose of the application of import licenses is to become a mechanism under control of the State to monitor the activities of foreign trade, and how they are managed, all to protect the domestic industry. Also, undoubtedly this measure is also important to monitor the trade balance, in order to act against its problems, allowing it to adopt appropriate strategies. (TodoComercioExterior, 2011)

1.4.2.2.2 Products that are applied

The products to which import licenses are addressed have been determined in different resolutions issued by the Committee of Foreign Trade, body empowered to adopt policies and strategies considered as appropriate to regulate commercial activity. Resolutions 17 and 24 include the products to which this measure is addressed. Here we found vehicles, tires, cell phones, refrigerators, televisions, among other. (See Annex 1).
1.4.2.2.3 Who is exempt

According to the resolution of the Committee of Foreign Trade, both natural and legal people are exempt from applying for these requirements as long as the importation does not exceed five units and their value does not exceed three thousand US dollars and are for personal, noncommercial use, allowed once per year maximum. Importers, who are participating in the program to renew Vehicle Park called “Plan de Renovación Vehicular” are also considered exempt. This is a program implemented by the Government to modernize the fleet through the marketing of vehicles that provide public transport. This program announces that: "These vehicles shall undergo the process of scrapping, which receives a financial incentive that allows people to access a new vehicle produced domestically under a preference price or tariff exemption for imported vehicles." (“Plan de Renovación Vehicular”, 2012). This plan provides that, for each new unit that enters the public transport fleet, another must be scrapped.

1.5 Analysis of permissions from other sectors

Nationally, there are various types of regulation or control as to the import of certain products by different institutions, which also administer a licensing system to allow entering the Ecuadorian territory; it is important to describe what these regulatory institutions are and the type of license or permit that they issue in order to differentiate them from the activity pursued by the Ministry of Industry and Productivity.

1.5.1 Agrocalidad

AGROCALIDAD (The Ecuadorian Agency for Agro Quality Assurance), is attached to the Ministry of Agriculture, Livestock and Fisheries, which is responsible for sanitary control at an agricultural level, in other words, this entity monitors that the inputs used in this activity are of quality and that the products obtained are in suitable condition for consumption, thus ensuring a steady improvement of the agricultural area and protection to consumers and the environment. (Agrocalidad, 2012).
The type of certificates issued by this institution for products from abroad would have more to do with sanitary and phytosanitary measures discussed previously, whose main purpose lies in verifying quality conditions in both plants and animals, so that far from being a barrier to trade in this case, it becomes a necessary tool for quality control in animal and plant origin products (Agrocalidad, 2012). In this context, it has established agreements within the Andean Community of Nations to regulate the entry of animal and vegetable products and it has given special attention to the control of agricultural pesticides, and additionally it can be protected people’s health. For these reasons, the process for importing such products is complex. First, they must have certificates that ensure its quality from the country from which they come; they must meet the previously mentioned requirements for entry into the country, then, once it reaches Ecuadorian territory, it must go through an inspection in port. (Agrocalidad, 2012). At the end of this process, if the inspection is favorable, a document is issued so that goods can be dispatched.

1.5.2 Ministry of Agriculture, Livestock and Fisheries (MAGAP)

The Ministry of Agriculture, Livestock and Fisheries is the state agency that regulates everything related to the aquaculture crop, livestock, and fisheries in the country through the establishment of policies that contribute to achieving the goals set at national level for the development of these sectors, especially to protect food sovereignty (Ministry of Agriculture, Livestock and Fisheries, 2013). Food sovereignty is defined as: "... that people, communities, peoples and nations become self-reliant healthy and culturally appropriate food permanently" (Constitution 2008, Article 281.). Thus, as part of its prerogatives, this institution monitors everything related to the marketing of food to the population of the country, which obviously includes imports.

As part of this policy, the National Marketing System for Food Sovereignty was established, within which the Under secretariat of Marketing was created as an agency of the Ministry of Agriculture, Livestock and Fisheries, the agency responsible for issuing regulations for the income of food to Ecuador. Thus, in the exercise of their
functions, it has the power to issue the necessary instructions for those products that require import licenses in the food sector (Ministry of Agriculture, Livestock and Fisheries, 2013).

This type of license, issued by the agency, meets the objective of ensuring the right of citizens to have access to safe, adequate food, with the aim of protecting their health. It should be emphasized that, once this permit has been granted, it is valid for 90 days and that all imported products are subject to inspections by technical control agencies to verify the conditions under which they are and if they have the proper quality to be suitable for consumption. (Ministry of Agriculture, Livestock and Fisheries, 2013).

1.5.3 Ministry of Public Health

In Ecuador, the State guarantees the right to health through the Ministry of Public Health. This entity is responsible for "exercise stewardship, regulation, planning, coordination, control and management of the Ecuadorian public health through governance and surveillance and disease control" (Ministry of Health, 2013). Thus, to this ministry are attributed the competences to regulate the movement of certain products within the country, by granting an authorization to demonstrate that they are fit for human consumption and will not cause harm to the population. This authorization is known as a health record; the Article 137 of the Organic Health Law clearly states what products require this document, so we have:

“Natural processed foods, food additives, drugs in general, nutraceuticals, biological products, processed natural products for medicinal use, homeopathic medicines and dental products; medical devices, biochemical and diagnostic reagents, hygienic products, pesticides for domestic and industrial use, manufactured in the country or abroad, for import, export, sale, supply and distribution, including those received in donation ... "
This certification is issued once the products have met the requirements specified in the law, for example: "a favorable technical report issued by a laboratory duly accredited by the Ecuadorian System of Metrology, Standardization, Accreditation and Certification" (*Rules of Registration and Sanitary Control*, Art. 4). When these products come from abroad, this certificate must be obtained before importation without which their income would be forbidden (*Rules of Registration and Sanitary Control*, Art. 53).

Through the implementation of Ecuapass and Ecuadorian One-stop system, interconnection was eased among the entities related in the import process, where we found the Ministry of Health; through this portal it can be obtained documents such as certificates of good manufacturing practices of food products, cosmetics, samples without commercial value, domestic hygiene products, medicines, etc. (*Ministry of Health*, 2013).

**1.5.4 Ecuadorian Institute of Standardization**

The Ecuadorian Institute of Standardization is a public entity that was created in 1970 and which now it is the center of the National Quality System. This institution aims to ensure compliance with the rights of consumers by performing processes such as standardization, technical regulation, verification of assets, so as to enable people to access quality products (*INEN*, 2013). Following the commercial policy of the Ecuadorian State, it is empowered to adopt the measures it deems appropriate to protect the life, health and safety of its inhabitants. Thus, article 52 of the Constitution states "People have the right to dispose of goods and services of the highest quality and to choose them freely, and also to accurate and not misleading information about its content and features."

Moreover, the Organic Law on Consumer Protection, in article 64 provides that "... the Ecuadorian Institute of Standardization is responsible for determining the list of goods and services, domestic and imported, which must be submitted to quality control and compliance with technical standards ... and also that it will draw up a list of products..."
considered dangerous for industrial or agricultural use and consumption." Thus, prior to performing an import, it must be obtained a certificate of conformity issued by the Ecuadorian Institute of Standardization for all the products that are intended to enter the country so that they could do so. This document is required along with the customs declaration for all goods that require this permission under the resolution 116 submitted by the Committee of Foreign Trade of Ecuador taking 293 tariff lines in total, having as main products, dairy products, meat products, spices, cereal products, vegetables, toys, perfumes, clothing, footwear (Comex, Resolution 116).

1.6 Effect of import licenses issued by the Ministry of Industries and Productivity in imports.

Since implementation in 2011, import licenses administered by the Ministry of Industry and Productivity have played a key role for decreased imports in the majority of areas where they were applied. In the present study, tire and automotive sectors are attended because of being those where more impact on imports is appreciated. In the tire industry, imports ranged from an average of 47,070.78 tons in 2010, while for 2013, they were 39,862.07 tons, thus a reduction of approximately 8000 tons is verified.
Graphic 2.
Tires Imports 2010-2013 (tons)

Source: Writer’s elaboration with Central Bank of Ecuador’s data

Graphic 3.
Tires imports 2010-2013 (thousands of dollars)

Source: Writer’s elaboration with Central Bank of Ecuador’s data

It should be mentioned that the Ministry of Industry and Productivity seeks to replace the import of tires, especially those intended for use by buses and trucks, by applying the "Reúsa Llanta" program, which consists in promoting the retreading of tires especially for buses and trucks (MIPRO, 2013). Currently there are 13 companies engaged in this activity although they are facing several challenges, mainly the lack of expertise of retreading and recycling that exists in the country, where due to lack of technical regulations and tire maintenance, original tires cannot be used for submission to this process.
To promote retreading, it has banned the import of tires with low quality where it is impossible to carry out this practice, and through licenses imposed in this sector it is intended that imports decline and retreading can be instituted, being consistent with the policy to encourage domestic industry. "Reúsa Llanta" plan focuses on tires for heavy transport, involving 40% of the country totals (Buró de análisis, 2011); therefore, it is an important segment that domestic market intends to include.

According to ERCO, with retreading, it avoided importing $ 57 million with respect to new truck tires in 2011 ("Saving through retreading", 2011), which continued declining until last year; with this, we can conclude that in fact there has been a drop in tire imports in recent years as a result of the barriers established through import licensing systems. As for the automotive sector, cars and transportation in general, nearly 1066 million USD were imported in 2010, which by 2013 were reduced to 768.626,41 million.

**Graphic 4. Variations in vehicles imports (tons)**

<table>
<thead>
<tr>
<th>Tons 2010</th>
<th>Tons 2011</th>
<th>Tons 2012</th>
<th>Tons 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>CARS AN OTHER AUTOMOBILES</td>
<td>118.367,43</td>
<td>102.714,84</td>
<td>85.054,65</td>
</tr>
</tbody>
</table>

Source: Writer’s elaboration with Central Bank of Ecuador’s data
Graphic 5.
Variation in vehicles imports (thousands of dollars)

Source: Writer’s elaboration with Central Bank of Ecuador’s data

For motor vehicles for the transport of ten or more persons, from 2010 to 2013, a reduction of about 30 per cent was experienced. For heading 8704 regarding freight vehicles, it has shown a clear decline in imports, from 51,633.48 tons in 2010 to 21,125.15, it means that in this sector, they fell more than half.

Graphic 6.
Imports of vehicles for goods transport 2010-2013 (tons)

Source: Writer’s elaboration with Central Bank of Ecuador’s data
Today, we seek to include major national components within the assembly of a vehicle so that it can reach 20 percent, for which imports are controlled in CKD (Complete Knock Down), which means to import car parts for assembly. As for iron products, such as equipment or parts to complement equipment manufacturing, this sector has experienced a drastic reduction in imports, from 12,000 tons to 2000; therefore, the measure has been helpful to curb imports and to monitor revenues and expenditures of money flow into the country.

Import licenses of Ministry of Industries and Productivity have also been used in the areas of cell phones, steel products, refrigerators and freezers, which have also been influential for its reduction. The variation data obtained in both volume and value regarding imports can be viewed in the part of Annexes.

1.7 Effect of import licenses at enterprise level

The decline in imports because of import licenses favors achieving the objectives of the State, however, it is also necessary to note the appreciations of importers regarding the measures taken; for this reason, an interview was done with Engineer Eduardo.
Altamirano, Administrative Supervisor of Hi Performance Automotive Company, an enterprise whose main activity is tire importation, a product that showed a reduction in imports as was discussed in the previous section. Mr. Altamirano believes that the measures implemented through import licenses and quotas have been a major constraint in the normal performance of his business activity. To illustrate the impact that his business suffered, he points out that imports have gradually declined in recent years up to a total reduction of 40%, especially in 2013, because of the changes in the certificates issued by the Ecuadorian Standardization Institute.

Regarding the costs for obtaining import licenses, he states that they have increased by 1% due to the paperwork and bureaucracy; especially due to licensing administered by Ecuadorian Standardization Institute, which currently, must now be obtained for each import, and have an estimated processing time of 15 days, causing a slowing down in its activity. Mr. Eduardo Altamirano also notes that because of import quotas, competition increased, since the number of products he imported was clearly limited, a situation in which other importers took advantage to enter the market. In this situation, the stock of its products and its position were affected.

Regarding the electronic One-stop system of Ecuapass, he states that it has been useful and easy to handle; data is entered and then documents are printed; he clarifies that the way in which licenses are obtained is not a problem, but implementing the process again and again for each import is what slows the importing process, which generates difficulties in delivery times, stock of materials etc.

According to the importer, the limitation of imports does not necessarily encourage the consumption of domestic products; in the case of the tire industry, he indicates that our domestic industry does not supply the demand of the Ecuadorian market, so we need to continue importing; in addition there are requirements of quality and branded products required by consumers. Moreover, companies engaged in the marketing of tires are interested in distributing domestic products, but prefer to continue with the sale of tire
brands and continue with their normal stock to keep their regular customers and introduce new products at the time that their import quotas are exhausted.

1.8. Conclusion

In the current global trading system, it is necessary to find a balance in the relationship between the state and the market, so that population benefits more. While the forces of supply and demand allow a variety of products to exist, it is important to seek a complementary relationship in which the state acts always so that shortcomings of this system do not affect the population like economic inequality, labor exploitation, environmental damages, economic instability. As a result of the negative trade balance of Ecuador, government intervention is justified to correct these imbalances and ensure the country’s good economy.

Currently, Ecuador uses a series of restrictive measures on international trade both tariff and non-tariff barriers, which combined with industry’ development policies seek to reduce imports and promote exports and consumption of local goods. Import licenses under the control of the Ministry of Industries and Productivity have been effective; the analysis of data from the Central Bank of Ecuador shows that imports actually have declined in the majority of the sectors where this measure is applied such as vehicles, iron products, tires. The government has played an important role in promoting supplementary action plans in different sectors to contribute to the consumption of Ecuadorian products, such as the “Plan Renova” to replace freezers or old refrigerators promoting the reduction of energy demand and the acquisition of articles produced in Ecuador, and the “Reúsa Llanta” plan to promote retreading of tires; it is necessary that in favor of the development and productive change of the country, protective measures unfold along with the development of industry.

Moreover, it is important to emphasize that these measures have affected local importers who do not have enough stock to meet their customer demand, which reduces their competitiveness. Both import licenses granted by the Ministry of Industries and
Productivity such as those given by other entities such as the Ecuadorian Standardization Institute added to the import quotas are effective in reducing the amount of imports, but cause instability to the business sector, who believe that lowering imports does not necessarily imply a change in consumption patterns of the population which keep looking for imported goods.
CHAPTER 2

LEGAL REGIME OF IMPORT LICENSES

Import licenses, as regulatory mechanisms of trade, must abide by relevant laws, both nationally and internationally. By joining the World Trade Organization, the country is subjected to the rules and principles thereof, where what is sought is to regulate commerce in order to ease free trade among the states, without being detrimental to member countries; therefore, in order to ensure transparency and timely implementation of the process of import licensing, relevant legal mechanisms are provided.

Moreover, import licenses in Ecuador are set by resolutions adopted by the Committee of Foreign Trade, the agency responsible for approval of national public policies in trade. These decisions are based on the guidelines of certain state higher standards such as the Constitution, the Organic Code of Production, Trade and Investment and its regulations. For these reasons, it is essential to study these rules to understand and support the legal foundations of import licensing procedures, rules set out below.

2.1 International regime of imports licenses

The World Trade Organization (WTO) is the governing body of international trade, which seeks to regulate the exchange between different States through a series of norms and standards accepted by their members, so that interventions or restrictions are avoided. In the main functions of this organization we found administering the trade agreements adopted, providing a forum for negotiating new agreements, resolving disputes between members and looking after trade policies of the Member States countries.
2.1.1 Agreement on import licensing procedures

This agreement entered into force on January 1, 1980, under the World Trade Organizations’ Round negotiations in Tokyo that took place within the GATT and that was revised in 1995, where it was established that it would be binding on all WTO members. It was issued in order to regulate the procedure for import licenses in member countries to make it as simple as possible and not involve unnecessary barriers to trade, so this process avoids having negative effects on imports like restriction or distortion (WTO, 2014).

It was issued in order to regulate the procedure for import licenses in member countries to make it as simple as possible and avoiding the involvement of unnecessary barriers to trade, preventing that this process itself effects restriction or distortion of imports (WTO, 2014).

The first article of this agreement fully covers general provisions on import licensing and its procedure. Numeral 1 is defined as follows: "... import licensing is the administrative procedure used for the application of import licensing regimes that require the submission of an application or other documentation (different from the customs purposes) to the relevant administrative body as a prior condition to carry out an importation into the customs territory of the importing Member ".

This agreement implies the application of several principles contained in paragraph 3 of Article 1. These principles are those of neutrality, justice and equity. In the framework of the World Trade Organization what is sought is to avoid discrimination, therefore, in trade all countries are considered as equals; consequently, the agreements adopted under this organism entail effects for all; Member States must respect the agreed rules and against any breach, they have the right to appear before this body and claim for timely action.
As part of the transparency, that is the main theme of this process, all information concerning the conditions that must be met for applications is determined, the authority which should address these and the list of products subject to licensing requirements must be clearly stated, which will be published by the Committee of import licenses 21 days before the date where requirement was made effective.

It also states that requests should be as simple as possible, both in their form and processing, so that they are clear and easy for members to apply. It is clarified that no request was not refused for minor errors or default document or steps in the procedure as long as it was made with fraudulent intent; neither will be considered slight variations in value, quantity or weight, since they are consistent with normal commercial practice.

As mentioned above, import licenses may be automatic and non-automatic. In Article 2 of this agreement, it refers in a specific way about the process of automatic import licensing and its content; it is considered as a system whereby applications are approved in all cases and where the importing Member considers in its internal law that the application may be submitted on any working day, it means where there are not more requirements or formalities. In this case, it is also considered that they are susceptible to instant approval, as soon as they are received, within ten working days maximum.

By contrast, Article 3 develops, the non-automatic import licensing procedure and the various provisions applied to the Member States. Such licenses are those that are currently in our country under the responsibility of management by the Ministry of Industry and Productivity. Under the World Trade Organization, this procedure is defined as a system of import licenses used to administer trade restrictions such as quantitative restrictions (WTO, 2014). It is noteworthy that although this institution mainly seeks liberalization of trade, it does accept the application of customs duties and, in limited circumstances, other forms of protection but always in pursuit of establishing a system that favors an open, fair and undistorted competition, so that they can provide a stable environment for negotiation.
In paragraph 2 of Article 3 of this rule, it is considered that the duration and scope of the procedure of non-automatic licensing is always in relation to the application for which it is intended, and also there will be no more administrative burdens than the necessary ones. This is important in this case, because when applying for a license for certain products some restriction is exercised for entrance into a country, so it is requested formally and clearly to member countries to not hamper the process with an excess of requirements which can become real trade barriers.

In the event that precepts about licensing for other purposes are generated besides the application of quantitative restrictions, member states will publish information for knowledge of the allocation bases, thus complying with the transparency principle. Moreover, it is added that when one member states the possibility to request exceptions or derogations about the compliance of a norm, it must communicate it and publish the circumstances that will be taken into account for this effect.

As to paragraph 5 of this article a special mention is made to member States so they provide all the information requested regarding the administration of licenses, as many of them were granted in a period, the distribution of licenses between supplying countries, including, if necessary, import statistics by product. Thus, it provides that members, who administer import quotas through import licenses, always publish the information concerning the total volume thereof, and the dates of opening and closing and that any other modification must be notified 21 days before, at least. Also, according to the principle of non-discrimination, all persons are entitled to file a license application and they have the right of being taken into account; in case their requests are denied, they can demand the institution to set the reasons for the refusal and also they can request a petition for review under domestic law of each member.

The agreement also clearly states that the duration of the licenses must be reasonable; it means that they must be consistent with the distance from which such imports come. In this way, the imports that come from distant places will not be affected unless they are necessary to face urgent needs. Members should take into account previous imports
within a reasonable period of time, also who requested the license and verify if the licenses issued were used in their entirety, and moreover, it will take into account the equitable distribution of licenses among new importers and that they are conducted for products that represent economic interest. If imports exceed the level of previous licenses, compensatory adjustments can be made.

Article 4 of the Agreement on import licensing procedures establishes the fundamental institution in this area, which is the Committee of Import Licenses. This committee will be composed of representatives from each member country, and it will have a president and vice president in charge. It adds that this committee will meet in appropriate cases to solve the queries made by any member country.

Regarding the report, it is determined in Article 5 of this agreement that if the procedure of import license for one member has a modification, it will have to disclose to the other countries within a period of sixty days. This notice will have to contain the following information:

1. The list of products subject to licensing.
2. The service where the conditions for licensing can be reported.
3. The body to which the license should be presented.
4. The date and name of publication where the license application process is registered.
5. Indication of whether the process is for an automatic license or not.
6. The duration of the procedure if it is possible to establish, and if not, the reasons that prevent its determination.

Under the agreement, it is necessary that this information will be presented to the committee with the data needed. In the event that a member considers that changes in the process were not notified promptly or they were not released at all, it will admonish the member who made the change to do it immediately; otherwise, it has the prerogative to do it with the information available. Finally, it is declared in this agreement, the
commitment of all Member States to respect its provisions in their entirety, preventing the formulation of reservations for acceptance.

2.2 National regime of import licenses

Ecuador, belonging to international organizations such as the WTO, or as a member of the Andean Community of Nations and the Latin American Integration Association, has to adapt its policies in a way that respect the general provisions established; a rule or resolution never may be against the provisions made at supranational levels for which all regulations applicable to trade should be published in the forums of these bodies to be known to all. The country's trade policy is under the responsibility of the Executive power, and it is regulated in the Organic Code of Production, Trade and Investment, in force since 2010; additionally there are regulations for the different books that make up the Organic Code of Production, Trade and Investment; in this chapter Regulation to Book IV will be used, where trade defense measures are detailed, and where it is discussed import licenses. Also, different resolutions issued by the Committee of Foreign Trade, related to the products subjected to previous control before its entry into the country are also discussed.

2.2.1 Constitutional provisions

The Constitution is the basic framework for the establishment of other legal norms. The current Constitution of the Republic of Ecuador, 2008, prepared in Montecristi, determines a system of rights based on the Good Living (Buen Vivir), a system that encompasses every activity of people, thus, it is also linked to trade because of the trade of goods is one of the main activities of Ecuadorians in their economy.

In terms of entry barriers to trade, Article 335 in its first paragraph notes that the State may intervene when necessary, in trade and economic transactions and punish any activity detrimental to economic rights and to public or collective goods ". Making an analysis of this article, it is important to point out the interventionist nature of the state in
the economy; when allowing intervention "when necessary" is being left to the discretion of the highest authority determining the scenario in which it must act, therefore, there is always a tendency to make use of different markets’ protective tools, creating a climate of instability for trade partners and also creating future investors a fear who think that trade law are subject to change anytime.

Despite the problems caused to importers related to trade barriers on imported goods, the production of value-added goods in the country's export supply is encouraged, acting the state within its legal limits and those set by international treaties, so they can compete with foreign goods, for which the development of the necessary infrastructure and conditions that enable the development of domestic industry is promoted.

2.2.2 Organic Code of Production, Trade and Investment

Code of Production, Trade and Investment is a legal body that regulates all kinds of production in Ecuador, the mechanisms of foreign trade and the provisions on domestic investment. In its book IV, it specifically deals with foreign trade, its supervisory bodies and instruments, where we found the tariff and non-tariff measures that regulate trade.

2.2.2.1 Tariffs in foreign trade

Organic Code of Production, Trade and Investment in its Article 76 specifies three mechanisms in which tariffs to foreign trade can be expressed:

1. Percentage terms of customs value of goods (ad valorem).
2. Monetary terms per unit of measure (specific).
3. A combination of both (mixed).

This classification of mechanisms is not strict, because law allows recognizing other modalities of tariffs that are located in international trade treaties ratified in Ecuador.
2.2.2.2 Non-tariff barriers to foreign trade

According to Article 78 of Organic Code of Production, Trade and Investment (COPCI), the Committee of Foreign Trade is the competent body to set non-tariff measures on imports of goods. In law, a number of cases that can make use of this prerogative are determined:

a. Where necessary to ensure the exercise of a fundamental right recognized by the Ecuador’s Constitution;
b. To comply with the provisions of international treaties or conventions where Ecuador is a State party;
c. To protect life, health, safety of people and national security;
d. To ensure the preservation of the environment, biodiversity and animal and plant health;
e. When it is required to set measures in response to unilateral and unjustified restrictions imposed on Ecuadorian exports, applied by other countries in accordance with the rules and procedures under the relevant international trade agreements and provisions established by the governing body on foreign trade;
f. When required temporary implementation of measures to correct disparities in the balance of payments
  g. To prevent illicit trafficking in narcotic drugs and psychotropic substances; and,
h. To secure compliance with laws and regulations consistent with international commitments in areas such as customs controls, intellectual property rights, consumers’ protection rights, quality control, or marketing of goods intended for international trade, among others.

From the points mentioned above, it is especially important to emphasize the literal f) which was devised as an instrument for government so that it can balance or counteract negative results in country’s balance of trade. In this context, Ecuador in 2011 decided to implement restrictions on imports of certain goods such as vehicles, refrigerators, tires, etc. This measure had an immediate effect on trade balance where it can be
appreciated that for 2011 the deficit in trade balance is reduced from 1978.73 billion in 2010 to 829.50 million. (BCE, 2014).

**Graphic 8.**

**Ecuador’s Trade Balance Evolution 2008 – 2013 (millions of dollars)**

![Graph showing Ecuador's trade balance from 2008 to 2013](image)

Source: Writer’s elaboration with Central Bank of Ecuador’s data

According to the Central Bank, the trade balance of the last five years reflects an increasing trend in both exports and imports, therefore it remains negative for the country, however, there was a decrease in international purchases from the majority of headings controlled by the Ministry of Industries and Productivity, information proved with import data collected in Chapter 1, so that it can be concluded that these measures were effective in reducing imports in the majority of products for which licenses were applied.

This standard seeks to foster a proper environment to strengthen domestic industry; it is also necessary to consider the dangers that can arise in this scenario such as creation of monopolies, which in a given case could be harmful to consumers. Moreover, domestic producers are benefit, who, at the decrease of imported goods, have the opportunity to emerge, as an example companies like Continental, an industry specialized in the
production of tires; although traditional importers of these sectors are injured, who obviously have a problem in supplying their customers.

As for the fees required for licensing, it is determined that in this and other procedures what those that are different from the regular customs service, the rates must be determined in proportion to the cost of services actually rendered, besides it is demanded to fulfill formalities and conditions applicable in the procedures developed in a specific rule once it is approved by the governing body on foreign trade, in this case the Committee of Foreign Trade.

2.2.3 Regulation to Book IV of the Code of Production, Trade and Investment

Within this regulation, different regulatory non-tariff trade measures are determined in detail, and import license, particularly import licenses. To give a proper legal basis, it is important to cite the Article 15 of the Regulation to Book IV which states: "In tariff and non-tariff matters, any measure or regulation on foreign trade, including trade defense, will be subjected to international treaties duly ratified by Ecuador ". It must be emphasized that these international treaties on international trade are those adopted within the World Trade Organization as the "Agreement on import licensing procedures" discussed above.

Non-tariff measures in foreign trade include various mechanisms detailed in Article 19 of the regulation, where import licensing is included, tariff quotas, sanitary and phytosanitary measures, technical regulations and conformity assessment, customs requirements, minimum prices, and others that have to be in accordance with international treaties and conventions ratified by Ecuador.

Article 23 of the Regulation to Book IV of COPCI gives us the concept of import licenses, and says: "It is understood by import or export licenses, the administrative procedure used for the application of importing regimes or goods exports, that requires submission of an application or other documentation, different from the necessary one,
to the relevant administrative body because of customs purposes, as a prior condition for import or export into the customs territory of Ecuador ". Moreover, Article 24 of the same Act declares licenses as control documents referring to: "Control documents prior to import includes the records, permits, authorizations, mandatory notices, certificates and likely documents, required by a Committee of Foreign Trade resolution", since this license must be obtained compulsorily before shipment of goods. Import licenses will be processed through an electronic system implemented for this purpose, which is the ECUAPASS.

2.2.3.1 Non-automatic import licenses

Article 27 of the Act mentioned considers that the procedure of non-automatic import licenses belongs to a system of licenses whose scope and lasting are related to the measure to their application is intended. According to this article, the issuance of such licenses must be made no later than 48 hours after the application was filed; also mentions that this procedure does not involve more administratively burdensome than absolutely necessary, thus subjecting to the Agreement on import licensing procedures of the World Trade Organization.

As a very important legal principle, it is important to inform any provision adopted in this agreement, so that users can avoid problems when importing. For this reason, the Committee of Foreign Trade and other institutions authorized to apply the licenses must publish all information about the basis of licenses allocation.

In this regulation, Article 30 provides that the Committee of Foreign Trade can make exceptions regarding the fulfilling of a foreign trade rule, whereupon the natural or legal person concerned must submit a reasoned request, explaining the reasons for its request. For this reason, conditions associated with government programs related to technological innovation or social advancement regarding licenses expiration are considered. It is also stated that such exceptions do not come when they are related to
measures to protect the life, health, safety, morals, national security, preservation of the environment, biodiversity and animal and plant health.

Finally, articles 31 and 32 of this Act, indicate the rules, procedures, and conditions that must be met for processing import licenses. The institutions in charge of the lists of products subjected to import licensing system will be notified in the Official Gazette, which is the means of laws publication in Ecuador, and ensures that the rector ministry of trade policy, the Committee of Foreign Trade, be the one that notifies the provisions associated with the import licenses to the competent bodies of international treaties, which in this case would be the Committee of Import Licenses of the WTO.

2.2.4 Resolutions issued by the Committee of Foreign Trade

The Committee of Foreign Trade is the agency responsible for approving public policies in trade. This organization came into force since 2010, with the enactment of Code of Production, Trade and Investment, since then, it has adopted strategies through resolutions for the management of foreign trade activity in the country consistent with the objectives of reducing imports and promoting exports.

2.2.4.1 Resolutions No. 17 and 24 on import licenses for products controlled by the Ministry of Industries and Productivity

It is known as a resolution, an act of public authority that is subjected to the general formalities for the substantive law, it means, it has to be written, issued by the appropriate authority, of general, mandatory and coercive nature, and applied within their competence. Generally, this resolution is the product of the consideration of all the factors of a social or legal problem to arrange a complementary and necessary order ("Resolución", 2008). In foreign trade, the Committee of Foreign Trade is responsible for of Ecuador’s trade policy, therefore, the one who can make these decisions.
Regarding import licenses, the Committee of Foreign Trade issued in August 2011 some resolutions responsible for its regulation, being these Resolutions No. 17 and Resolution No. 24, where the products to which it applies are set, which are detailed in Annex 1 and the requirements that they must meet to achieve it. Resolution No. 17 in its Article 2 appoints the authority responsible for administering and enforcing import licensing system which is the Ministry of Industry and Productivity, therefore this application should be directed to this entity.

In Resolution No.17, Article 6, it is stated that the import license is a prerequisite and an accompanying document to customs declaration, for which, it will have to be obtained prior to the shipment of goods abroad; it is recorded that the omission of this requirement shall be considered as customs misdemeanor whose sanction is established in Article 191 of Code of Production, Trade, and Investment, which consists in a penalty of ten percent of the customs value of the goods.

In the case of new importers it is also determined in the regulation, with no importer record, for subheadings subjected to import licenses contained in the resolutions of the Committee of Foreign Trade, it must be submitted to the Ministry of Industry and Productivity a technical justification with the application.

Furthermore, it is envisaged in Resolution No. 17, in order to safeguard the rights of consumers, that in the event that an importer wants to import more than two units for products that require this license, for commercial purposes, and does not have the representation mark, they must request an inspection of its facilities, which must be suitable for these purposes; for example, in the case of cell phones, to ensure that they have adequate spare parts and that they can maintain marketed products. Similarly, it is determined that the Ministry of Industry and Productivity may, at any time, verify compliance with technical requirements and compliance with internal regulations.

These decisions also determine the cases when certain importers, whether natural or legal persons, are exempt from import license request; that is, in the case of less than
five items that are for personal use and its value does not exceed three thousand dollars; importers who are participating in the “Renovación de Parque Automotor” program, and finally, migrants with disabilities and those who are protected by the law of immunities, privileges and diplomatic allowances are exempt from obtaining import licenses both for income goods to the country, and the case of ownership transfer to other subjects who do not have this exemption.

2.2.4.2 Resolutions 11 282 and 11 334 on procedure for obtaining non-automatic import license

All import licenses are subject to the Ministry of Industry and Productivity which verifies they comply with the conditions of the requirements of Resolutions 17 and 24 issued by the Committee of Foreign Trade. These licenses have a validity period of one hundred twenty calendar days, meaning, lasting four months, and they must be used during the same year; if they are not used, they will be lost and the process of obtaining should be performed again. In the event that several licensing procedures are completed in a year, only the presentation of the accompanying documents the first time is required.

In the case of new importers, when applying for import licenses, they also must submit a technical and economic justification to substantiate the request, so the Ministry of Industry allocated an annual quota of 5% of the total value of imports for its heading, which will be distributed in proportion and divided until the fifteenth of each month; unspent balances quotas are cumulative monthly. (Resolution 11 282, Art. 5)

These resolutions stated that after receiving the request for import licenses, the Ministry of Industries and Productivity must verify the validity of it and then contact the National Customs Service of Ecuador. This process is currently done virtually, thanks to the implementation of One-stop system of foreign trade; it requires no physical documents, since the procedure is done through the electronic system and the time spent in the
process of obtaining licenses is minimized thanks to the interconnection of the institutions responsible for issuing this requirement.

2.3 Institutions

Below a brief overview of the institutions in charge of administration, execution and control of import licenses.

2.3.1 National Customs Service of Ecuador

The National Customs Service of Ecuador states in Article 212 of the Code of Production, Trade and Investment as follows: A legal person of public law, of indefinite duration, with technical, administrative, financial and budgetary autonomy, headquarter in the city of Guayaquil with control throughout the country. It is a body which is credited, under this Code, technical and administrative competences, which are needed to carry out the planning and implementation of the customs policy, and to exercise, as formal powers, tax powers of determination, resolution, and regulatory sanctions matters in customs, in accordance with this Code and its regulations. This institution, which was previously called Customs of Ecuador, entered into force on 29 December 2010 and its highest authority is the Managing Director.

To this agency are assigned the necessary competences to carry out the planning and implementation of the customs policy of the country. So its mission states: "Promoting Good Living (Buen Vivir) in Ecuadorian society, through efficient control of foreign trade which promotes fair competition in economic sectors; having as a strong foundation an honest and productive human resources, appropriate technology and a focus on continuous improvement of our services" (National Customs Service of Ecuador, 2010). For the exercise of its powers and authority, it has been established different territorial areas, which are known as district offices.
It is clearly declared that the National Customs Service of Ecuador is the institution in charge of controlling the entry of goods into the country. Article 218 of the Code of Production, Trade and Investment in literal b) states the following, "The server in charge of the district offices has the following powers ... verification, acceptance and observance of customs declarations, authorization of customs operations and control of goods that enter or leave the country." Thus, the action of this body is justified in controlling imports, to verify that the above requirements are met, such as import licenses.

2.3.2 Ministry of Industries and Productivity

This is a public institution responsible for promoting the development of industrial and handicraft production sector, through the formulation and implementation of public policies that encourage investment and technological innovation in order to promote the production of quality goods and services with high added value, allowing insertion of the country in domestic and foreign markets (MIPRO, 2012).

This ministry has evolved and undergone several transformations over the years. It began in 1973, named Ministry of Industry, Trade and Integration; for some years, it was linked to bilateral and multilateral negotiations of international trade, technology and direct investment; internal productive activities such as fishing, and even tourism, which currently are under the control of other ministries of state. Since March 20, 2009, pursuant to Executive Order No. 1633, it was renamed the Ministry of Industry and Productivity, having their current expertise and allocations. One of its main objectives is to increase domestic production for import substitution in strategic priority sectors. By Resolution No. 17 of the Committee of Foreign Trade, this Ministry is responsible for the implementation of import licenses system.

2.4 Conclusion

Regulatory variants introduced into the law intend, among other situations to regulate the daily activities of the population. Economic and productive activities are very
important in the development of human being so they require updated normative regulations, effective and timely. Consequently, import activities and its various procedures seek to ensure transparency and timely implementation of the procedure of import licenses for which it have been provided the appropriate legal mechanisms.

Commercial activities are essentially dynamic either from the internal or external market. In a digital age where trade negotiations and relationships develop with such speed and agility, it is desirable to have legislation that promotes agility in business relationships, even if it is to expand and improve trade relations with other countries. Therefore, the Agreement on Import Licenses Procedures in order to regulate this procedure within member countries to make it as simple as possible, preventing this process has itself restrictive effects or distort imports.

In addition, the mentioned Agreement on Import Licensing Procedures develops principles such as neutrality, justice and equity. The framework of the World Trade Organization seeks to avoid discrimination, therefore, trade is considered in all countries as equals; consequently, the agreements formed in this organism entail effects for all. For issuing rules, in this context, it is important to take into consideration the national legislation established, whether through regulatory Acts like the Code of Production, Trade and Investment and its regulations as well as the resolutions issued by relevant bodies, it is established the legal bases that will govern imports which must comply with the principles instituted in international headquarters as well as with state objectives of monitoring imports.
CHAPTER 3

MANUAL OF PROCEDURES FOR IMPORT LICENCES CONTROLLED BY
THE MINISTRY OF INDUSTRIES AND PRODUCTIVITY

In the content of the resolutions No. 17 and No. 24 issued by the Ministry of Industry and Productivity in August of 2011, a list of products that required an import license as a prerequisite for admission into the country were incorporated, such as certain types of tires, cell phones, vehicles in CKD (Complete Knocked down), some appliances, etc.

These licenses, which are being processed by the Ministry of Industry and Productivity, currently, are handled through the One-stop system, in which various state institutions related to foreign trade are interconnected including the Ministry of Industries and Productivity that is also is subjected to this system and hence to the corresponding electronic procedure.

While this system has been implemented with the aim of reducing the maximum time in carrying out any foreign trade activity, often unknowingness creates problems in its handling. That is why this chapter will display, in a practical and comprehensible way, the procedure to be followed in obtaining import licenses under the Ecuapass system implemented by the National Customs Service of Ecuador.
3.1 Presentation

As part of the current state policy of Ecuador of promoting import substitution, administrative mechanisms were established to control imports related to such government objectives for which they were assigned competences to the Ministry of Industries and Productivity, including the power to issue control documents prior the entry of goods into the country. Since October 15, 2012, the Ecuapass system entered into force; it is an electronic portal of the National Customs Service of Ecuador through which the interconnection among different public institutions are allowed to expedite the process of foreign trade through the transmission of data by this route.

With the issuance of resolutions 17 and 24 of the Committee of Foreign Trade, the items regulated for this requirement which importers must meet before the admission of their goods into the country were established. This manual helps to be fully aware of the process to be followed to obtain the import license granted by the Ministry of Industry and Productivity, avoiding possible problems that arise from breach of this essential requirement in the import process.

3.2 Beneficiaries

This manual is aimed of importers, both natural and legal persons, who seek to enter goods regulated by the Ministry of Industries and Productivity into the country, which were described in the Resolutions No. 17 and No. 24 issued by the Committee of Foreign Trade. Citizens exempted of requesting import license are natural and legal persons who import up to 5 items of subheadings as long as their value does not exceed $ 3,000; in the case of cell it is necessary that importers are previously registered and obtain a quota for the entry of goods into the country. Migrant citizens are also exempt from obtaining this license as well as disabled people and people protected under the Act of Diplomatic and Franchises Privileges.
3.3 One-stop Option of Ecuapass

Since 15 October 2012, the ECUAPASS system officially came into force, which is the Ecuadorian customs system for all customs operations of import and export (TodoComercioExterior, 2012), which, through the implementation of the one-stop system of foreign trade, seeks to simplify formalities in trade through the integration and interconnection of the institutions involved in this process. Within this system, the One-stop system tool was established, which allows any user of customs services to present the requirements and make any necessary procedures for export and import (Comercio Exterior, 2012).

To access this tool, people must be registered in Ecuapass and have their electronic signature. Among the benefits that this instrument presents, there is a reduction in time and cost in the procedure development due to the integration and cooperation of public institutions, because thanks to this system, they have immediate availability of records information.

3.4 Procedure

3.4.1 Obtaining digital electronic signature certificate

In 2008, the use of electronic portals to perform procedures which previously were done manually spread nationally. Since then, it has promoted the use of electronic signatures in Ecuador to validate the identity of a person or entity when conducting such procedures (Hoy Newspaper, 2009). Entities that currently offer their services in processing electronic signature are the Central Bank of Ecuador and the private enterprise, Security Data.
3.4.1.1 Requirements for electronic signature

Here are the requirements for obtaining digital signature for both natural and legal persons, who are going to make an import.

3.4.1.1.1 Natural person

Both Central Bank and Data Security require a color copy of the identity card or passport, copy of updated ballot certificate copy of the last electricity, water or telephone services bills. In addition to these requirements, Data Security Company requires the original one or a copy of the RUC (Single taxpayer registration), the RUP (Register of Providers), if it has one, and be punctual in the compliance of their employer obligations (Central Bank of Ecuador, 2013).

3.4.1.1.2 Legal person

For legal entities, the issuer companies demand the registration of the companies in the system, the RUC (Single taxpayer registration), a copy of the legal representative designation or an employment certificate and an authorization signed by him. Security Data also requires the RUP (Register of Providers) in case that the organization has it, and a certificate of compliance obligations issued by the Superintendency of Companies and the original or certified copy of the incorporation of the company (Security Data, 2013).

3.4.1.2 Procedure

The application form to get a digital certificate (see Annex 3) and the required documents are sent electronically through the website of the respective entities. Once the application is approved, the applicant should approaches the entities on the designated date, usually within 15 days, to present the original documents or notarized copies sent, and immediately he receives his token, that according to the website of Todo Comercio
Exterior, it is "an electronic device that is given to an authorized user of a computing service to facilitate him its authentication process" (TodoComercioExterior, 2012), which he must uses all the times when he requires authentication to enter the system.

3.4.2. Register on the website Ecuapass

The Ecuapass electronic portal is currently managed by the National Customs Service of Ecuador, in which all institutions involved into the procedures related to foreign trade are integrated. It is important that before any activity, importers and other commercial operators log in on this website with their user’s information, for which they must perform the appropriate procedure:

1. Go to the web page www.ecuapass.aduana.gob.ec

![Picture 1. Ecuapass website](Image)

Source: National Customs Service of Ecuador
Authenticate with the electronic device that certifies the identity of the user inserting the token on the computer and proceeding to click on the option “Solicitud de uso” (use application).

Picture 2.
User authentication

Source: National Customs Service of Ecuador

3. Users can apply to use the portal in different ways: as a company, where user can accredit himself as a representative or employee; as a public entity, such as an international organization, or as a general user. In this case, it was selected the option “Solicitud de uso general” (utility application) and then, it was proceeded to fill in the form.

Picture 3.
User’s Application for the use of Ecuapass systems

Source: National Customs Service of Ecuador
In the case of legal persons, information about the company like number of *RUC* (single taxpayer registration), business name, address and telephone number of the company and personal data of the employee or representative is requested.

After completing this form, an ID (identification) or username and a password to access the services offered by the system are assigned, which are enabled within 24 hours following; after this time, it can be used the services of the portal normally.

### 3.4.3. Development of import license application

In Ecuapass portal, users enter option “Ventanilla única” (one-stop option) located at the bottom of the website.

![Picture 4. “Ventanilla única”](image)

Source: National Customs Service of Ecuador

Within the option “Ventanilla única” (one-stop option), click on the option “Documentos de acompañamiento” (accompanying documents), from which are derived the options of “elaboración de solicitud” (application elaboration), “proceso de solicitud” (application process) and “soporte al usuario” (user support) as it is shown below.
Within these options, the option “elaboración de solicitud” (application elaboration) is selected, from which derives an accompanying document list which includes the following options: “institución” (institution), “documentos” (documents), “subpartida arancelaria” (subheading), among others.
In the box where the word “institucion” (institution) appears it is possible to find the name of the entity that is going to make the corresponding procedure to obtain the previous control document, in this case, choose the Ministry of Industries and Productivity.

![List of accompanying documents](image)

Source: National Customs Service of Ecuador

The box where the word "documento" (document) appears, refers to the type of instrument being requested, in this case, an import license which is a control requirement previous the entry of goods into the country. Then, we have to indicate the subheading of the product that is imported. For this example, the subheading 4011010000 was used, which corresponds to radial tires, one of products controlled by the Ministry of Industry and Productivity.
Then the user has to return to the tab “documentos de acompañamiento” (accompanying documents) and then choose the option that says “administración de DCP” (Previous Control Documents management).

Next, a screen appears where the following information related to the product is requested: subheading of the product, the product brand and the FOB (Free on Board) and CIF (Cost, Insurance and Freight) price of goods, including the number of units that these values allow to ship, in consideration to the regulations of each one of the headings, country of origin, country of shipment of goods and port, destination country and port goods port. We proceed to load the application in the system, which can be
changed or modified; when developing the application, it is possible to do it for various products for which the function of loading Excel files is enabled.

In addition to the application, the support of certain documents from the importer is required, which comprises of: a copy of the certificate of citizenship and voting certificate, certificate of compliance with tax obligations issued by the Internal Revenue Service certificate of compliance of employer obligations, notarized copy of the designation of the legal representative and his identity card and voting certificate, certificate of compliance obligations issued by the Superintendency of Companies, certificate of trademarks to import (Resolution No. 17 Comex). Below, there is an example of how to register this data.

Picture 10.
Managing of Attached Documents by Form

Source: National Customs Service of Ecuador

Once the application has been made, it can be saved temporarily before its registering (VUE for OCE's Manual, 2013), which can be displayed in a list. If the application conforms to the user, the next step is to register it in the One-stop system. Within Ecuapass, importers have the ability to access the information they have provided, and the status of processing of the application; in this way, a user can control when the request was sent, when it was received, and finally, if it has been approved by the entity
in charge. This information will be verified by the Ministry of Industry and Productivity, which will review that the application meets the necessary requirements. If it does, it is approved and issued the certification electronically, which is loaded into the system Ecuapass. In the event that the certification has erroneous data, users can ask a correction from the institution in charge, which can also be done by electronic means.

3.4.4. Problems in case of default

If the import license is not obtained prior to shipment of goods, the importer would be committing a customs violation, same as is described in Article 190 literal i) of the Code of Production, Trade and Investments as follows:

Customs violations are the following: ... i) Failure to submit accompanying documents together with the customs declaration, if it conforms to the method of release assigned in the customs declaration for the owner, consignor or consignee; except in cases in which documents are likely to be supported by a guarantee.

Penalty for customs offenses set out in this Act, which is a fine equal to ten percent (10%) of the customs value of the goods (Art. 191); to avoid losses, it is important to follow the procedure described above so that importers fulfill their obligations and have no penalties.

In the cases of license applications from new brands, it means, a brand or marketing firm not registered by the importer previously, should first submit to the Ministry of Industries and Productivity a letter addressed to Secretary of Commerce and Services, enclosing the brand certification properly apostilled abroad by the Ministry of Foreign Affairs of the correspondent country, and then make the application through the One-stop system.
3.4.5. Considerations on the import of products subject to import licensing control.

Products treated in this manual, are part of the government plan to reduce imports and promote domestic industry. Within this manual, it should be noted other requirements of these type of goods that have been implemented to regulate its activity.

It should be noted that in addition to the objectives of promoting local industry, it has also been sought by these measures to ensure that domestic consumers have access to quality products which have the certifications issued by the supervisory bodies within which is the Ecuadorian Standardization Institute. Products such as tires, freezers, cell phones, vehicles require a certification issued by this entity for its admission can be approved by the National Customs Service of Ecuador (SENAE); without the certificate of Ecuadorian Standardization Institute, it is even possible to make the shipment of the goods.

With regard to vehicles, according to Resolution No. 66 issued by the Committee of Foreign Trade on 11 June 2012, import quotas for vehicles were established, which will run until December 31 of this year. So the subheadings 8703900091, 8704311090, 8704211090, 8703210090, 8703329090, 8703221090, 8703321090, 8703331090, 8703231090, 8703339090, 8703319090, 8703900099, 8703229090, 8703249090, 8703241090 and 8703239090, shall comply with the aforementioned quotas, so that the application performing should be adjusted according to the maximum permitted by this resolution.

The allocated quotas will be registered in the system, thus SENAЕ may check compliance of the rules explained; in case of default, the process is to transship the goods. Note that fees, according to Article 4 of this resolution are not transferable to third parties; only the importer may make use of this transfer in the case of subheadings which it might acquire space available. With resolution 101, it is provided that import quota that had been allocated in resolution 66 is established again, both in value and
units according to each importer as General Motors, Almacenes Juan Eljuri, Automotores y Anexos, Record Motors, among others.

As for cell phones, on 9 August 2013, the Committee of Foreign Trade through Resolution No. 104 provides that goods that belong to subheadings 8517120022, 8517120032 and 8517120092 are subject to import licensing. Moreover, the handsets are also subject to import quotas established in resolution No. 64 of Committee of Foreign Trade, which must be met, since otherwise it will be disposed the transshipment of goods. The same resolution provides that the Ministry of Industry and Productivity must be the institution that monitors the sales prices of the phones and should regularly inform the Committee of Foreign Trade about this situation.

With regard to the tire sector during 2013, the government of Ecuador promoted the retreading of used tires through the Ministry of Industry and Productivity and implementation of “Reúsa Llanta” program, which is an initiative of the Ministry of Industry and Productivity to encourage import substitution through technical tire retreading process. By applying this process, a tire can be used up to three times, where the tread is removed and replaced with a new one (Ministry of Industries and Productivity, 2012). Through this program, environmental awareness is also promoted to avoid a lot of wasted tires and contaminating nature. This Ministry says that since entering into force of "Reúsa Llanta" plan has achieved the implementation of three INEN standards (2581, 2582 and 2616) and technical regulation INEN 067, ensuring the quality of retreaded tires.

According to this Ministry, in 2013 savings of 122 million dollars in foreign exchange outflow with the implementation of these policies was achieved (Ecuador Inmediato, March 30, 2013). Moreover, it has also promoted the inclusion of national workforce in finished products, and the implementation of programs for renewal of freezers and refrigerators, managed by the Ministry of Industry and Productivity.
In the interview with Engineer Eduardo Altamirano, Administrative Supervisor Company Hi Performance Automotive Cia., it shows that the barriers to imports that involve import licenses or quotas have hurt their business subtracting sector competitiveness because its offer was limited with these import control measures, so he does not have enough products to meet consumer demand. Despite these difficulties, he considers that the import licensing procedure through the electronic portal Ecuapass is much quicker to perform rather than do it personally at the institutions offices as previously. Within its activity, Engineer Altamirano considers that of the different requirements to be met for tires import, the certificate of the INEN is the one that has caused more difficulty since it implies greater restrictions on trade because it requires a greater amount of requirements and also because he must get a new one for each import. For example, prior to the application of INEN certificate, the importer must submit a technical report of the product, it means, all product specifications such as their country of origin, factory characteristics, product applications, data to be verified by the certification body prior inspection. Import licenses do not constitute obstacles to trade by themselves, but when converge with other measures implemented by the State to reduce and control the flow of imports in the country, or the scenario where traditional importers feel concerned and clearly perceive these measures as an obstacle to the normal development of its activities.

3.5. Conclusion

The current Ecuapass portal is reliable and has been implemented based on international customs management models such as UNI-PASS program implemented by South Korea and recognized worldwide for its efficiency. The Software development as the implementation of this process at all stages counted with South Korean technicians, making the operational and technical support guaranteed.

Currently, with the application of the Ecuapass program, customs procedures have been simplified because of the interconnection of state institutions related to trade. Thanks to this electronic portal, there is a crossing information reliably and timely between
institutions, reducing the likelihood of errors in any transaction, in addition with electronic documents any losses, delays and misinformation are avoided.

The operation of the system allows importers and exporters to be involved directly in the customs process. The user has the advantage of applying for an import license from any computer because the software program downloads quickly and is compatible with every operating system. The importer has no need to go personally to the entity, which will mean a saving of time and resources; the system is user friendly, and it can be handled by anyone, so the same importer can do it without any problem. Being more linked to the process, users can take timely action to solve any eventuality that arises, make changes if needed, attach documents electronically, and know by first-hand the state in which the procedure is.

The time and process of the system responds to the guidelines and criteria of supranational entities and it guarantees transparency, so that the institution responsible, in this case, the Ministry of Industry and Productivity cannot alter the process established, ensuring a climate of stability to importers since any change will have to adhere to the criteria established by bodies such as the WTO, which shall act in the event of any disagreement or damage to trade.

Although there is dissatisfaction with the application of restrictive import measures that affect business in the import sector, importers agree that the electronic process has been more simple and effective than a physical process. The trainings are conducted to allow importers to adapt more quickly to electronic process so they can develop their business in the quickest way possible. With full knowledge of all the prerequisites for entry of goods into the country, especially the process of obtaining import licenses, importers will avoid penalties for non-compliance.
CONCLUSIONS

Faced with an unfavorable trade balance, a country should increase its exports and / or reduce imports. Ecuador having a foreign currency cannot use monetary policy as an instrument to influence trade; in this context, the country seeks to achieve a trade balance between its exports and imports of goods and services through the implementation of trade policy tools such as restrictions on the entry of products. These restrictions, in the Ecuadorian case, seek the following objectives: 1. Protect Ecuadorian industry from products income with more competitive prices than national, 2. Regulate and / or improve the quality of the products that enter the country, 3. Restrict the volume of imports of certain products. To this end, the state plays an interventionist role in the national economy by trying to correct the unfavorable economic relationship marked by the traditional export model where agricultural commodities without added value always have a lower price relative to value added products.

In this context, the ideology of the current government is particularly aimed at pursuing the development of local industry based on import substitution of those goods with value added that the country is able to generate. Through entry barriers to trade is sought protection of the nascent industry so that it can consolidate and meet local demand. With import licensing the intention is to restrict the access of foreign products so that domestic products reach a sufficient level of competitiveness, or new industries develop.

In this work it was found that import licenses implemented by Ecuador have shown positive results in favor of the domestic industry. The data show that some sectors have allowed local production increases such as tires and the inclusion of national components for vehicle assembly although these benefits are also the result of government support through strategic programs, therefore, it has to continue working with these initiatives because the country's progress depends on them.

In the implementation of import licenses, the country was governed by compliance with both national and international laws. In this measure, criteria about legal mechanisms
such as the Agreement on Import Licensing Procedures issued by the World Trade Organization, constitutional provisions, laws and the Organic Code of Production, Trade and Investment and its regulations are adopted so that people can trust in the legitimacy of the resolutions by which these measures are established, ensuring importers that the resolutions that establish import licenses are protected by a stable legal framework, therefore, that national entities that manage them cannot act arbitrarily in their application, providing the assurance that if this were the case, importers may use the mechanisms established under the laws to claim any violation of the rules.

Through a simulation conducted for this work in the electronic portal implemented by customs, Ecuapass, we found that it is an efficient means for customs management. Using a password, importers have access to use all options offered by the program, among which are the consultation of procedures, processing of applications, document generation, payments, and many others relating to the process of customs clearance goods. This program can be installed on any computer, so it that allows importers to do so directly, and can monitor the status of their transactions in real time.
RECOMENDATIONS

As mentioned in this paper, the Ecuadorian government is currently promoting the so-called change of the productive matrix. Given the importance of this issue, government or academia through specialized institutions, should promote and make deeper studies and research to learn more about which strategies have already been applied by industrialized countries when they had the same level of development that Ecuador has to promote and strengthen its domestic industry. These studies, adjusted and compared with the country's reality, would help to choose and provide legitimacy to those protectionist measures or economic policies that are best for the country and also they would contribute to evaluate the path followed.

It is important constantly monitor of the impact that products subject to import licenses, controlled by the Ministry of Industry and Productivity, have had, and publish reports to determine if they are contributing to the achievement of the objectives proposed published by the central government. Through these activities, plans and projects that encourage the inclusion of domestic production in areas that require it can develop.

Lack of knowledge can be a major inconvenience to users of an electronic system which also involves the dependence of small importers on qualified personnel who know how to use the program. For this reason, it is necessary that the entities involved in foreign trade make permanent training on handling Ecuapass portal and minimize the amount of paperwork. In the case of importers, the whole process to be followed for managing documents of previous control required by customs, in this case, import licenses and thus avoid any problems when using this program must be clearly explained.

It is necessary to control and regulate the activity of local industries to prevent the formation of monopolies, which while, on the one hand, prevent the entry of foreign goods and thus the outflow of foreign exchange, could be harmful for end consumers of goods, since in a monopoly the risk of increasing retail price exists, or a decrease of their quality and innovation, which usually is neutralized as a result of competition.
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ANNEXES

Annex 1
List of headings of products subject to the requirement of import licenses by the Ministry of Industries and Productivity

<table>
<thead>
<tr>
<th>HEADING</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>4011101000</td>
<td>Radial</td>
</tr>
<tr>
<td>4011109000</td>
<td>Others</td>
</tr>
<tr>
<td>4011201000</td>
<td>Radial</td>
</tr>
<tr>
<td>4011209000</td>
<td>Others</td>
</tr>
<tr>
<td>7207120000</td>
<td>Others from rectangular cross section</td>
</tr>
<tr>
<td>7207190000</td>
<td>Others</td>
</tr>
<tr>
<td>8418102000</td>
<td>Greater than or equal to 184 I but less than 269 I volume</td>
</tr>
<tr>
<td>8418103000</td>
<td>Greater than or equal to 269 I but less than 382 I volume</td>
</tr>
<tr>
<td>8418109000</td>
<td>Others</td>
</tr>
<tr>
<td>8418211000</td>
<td>Volume lower than 184 I</td>
</tr>
<tr>
<td>8418212000</td>
<td>Greater than or equal to 184 I but less than 269 I volume</td>
</tr>
<tr>
<td>8418300000</td>
<td>Freezers of type arcon (chest) capacity exceeding 800 I</td>
</tr>
</tbody>
</table>
| 8418500000        | Other furniture, cabinets, (chests), cabinets, countertops and similars for the preservation and exhibition of products incorporating refrigerating or
<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>8418699300</td>
<td>Chambers or tunnels or collapsible panels, with equipment for the production of cold</td>
</tr>
<tr>
<td>8418699900</td>
<td>Others</td>
</tr>
<tr>
<td>8418992000</td>
<td>Condensing units</td>
</tr>
<tr>
<td>8418999000</td>
<td>Others</td>
</tr>
<tr>
<td>8517120000</td>
<td>Mobile phones (cell phones) and other of those wireless networks</td>
</tr>
<tr>
<td>8517120010</td>
<td>In CKD</td>
</tr>
<tr>
<td>8517120090</td>
<td>Others</td>
</tr>
<tr>
<td>8528720010</td>
<td>In CKD</td>
</tr>
<tr>
<td>8528720090</td>
<td>Others</td>
</tr>
<tr>
<td>8702109080</td>
<td>In CKD</td>
</tr>
<tr>
<td>8703210090</td>
<td>Others</td>
</tr>
<tr>
<td>8703221090</td>
<td>Others</td>
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<tr>
<td>8703229080</td>
<td>In CKD</td>
</tr>
<tr>
<td>8703229090</td>
<td>Others</td>
</tr>
<tr>
<td>8703231080</td>
<td>In CKD</td>
</tr>
<tr>
<td>8703231090</td>
<td>Others</td>
</tr>
<tr>
<td>8703239080</td>
<td>In CKD</td>
</tr>
<tr>
<td>8703239090</td>
<td>Others</td>
</tr>
<tr>
<td>Code</td>
<td>Description</td>
</tr>
<tr>
<td>---------------</td>
<td>---------------------</td>
</tr>
<tr>
<td>8703241090</td>
<td>Others</td>
</tr>
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<td>Others</td>
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<td>8703319090</td>
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<td>8703321090</td>
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<tr>
<td>8703339090</td>
<td>Others</td>
</tr>
<tr>
<td>8703900091</td>
<td>Hybrid vehicles</td>
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<tr>
<td>8703900099</td>
<td>Others</td>
</tr>
<tr>
<td>8704211080</td>
<td>In CKD</td>
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<tr>
<td>8704211090</td>
<td>Others</td>
</tr>
<tr>
<td>8704311080</td>
<td>In CKD</td>
</tr>
<tr>
<td>8704311090</td>
<td>Others</td>
</tr>
</tbody>
</table>
Annex 2

Graphics of imports variation in products subject to import licenses ruled by the Ministry of Industries and Productivity

Imports of vehicles for ten or more people (tons)

Source: Writer’s elaboration with Central Bank of Ecuador’s data

Imports of vehicles for ten or more people (CIF millions of dollars)

Source: Writer’s elaboration with Central Bank of Ecuador’s data
Imports of mobile telephony equipments (tons)

Source: Writer’s elaboration with Central Bank of Ecuador’s data

Imports of mobile telephony equipments (CIF millions of dollars)

Source: Writer’s elaboration with Central Bank of Ecuador’s data
Imports in iron products (tons)

Source: Writer’s elaboration with Central Bank of Ecuador’s data

Imports in iron products (CIF millions of dollars)

Source: Writer’s elaboration with Central Bank of Ecuador’s data
Imports of television receivers (tons)

Source: Writer’s elaboration with Central Bank of Ecuador’s data

Imports of television receivers (CIF millions of dollars)

Source: Writer’s elaboration with Central Bank of Ecuador’s data
Imports of freezers or refrigerators (tons)

Source: Writer’s elaboration with Central Bank of Ecuador’s data

Imports of freezers or refrigerators (CIF millions of dollars)

Source: Writer’s elaboration with Central Bank of Ecuador’s data
Annex 3
Application form to get an electronic signature of Security Data
ACLARACIONES

OBLIGACIONES DEL SUSCRIPTOR
- Proteger y conservar con el mayor de los cuidados el Dispositivo, información y/o claves que se entregara o emitan en relación con el certificado de Firma Electrónica
- Respondere por el uso del Certificado de Firma Electrónica y de las consecuencias que se deriven de su utilizació

RECOMENDACIONES - Por seguridad El Suscriptor debe tener en cuenta estas recomendaciones:
- El Certificado de firma electrónica es personal e intransferible;
- No debe permitir el uso del certificado a ningún tercero;
- Debe memorizar el PASSWORD o Clave;
- No debe permitir que otras personas conozcan el PASSWORD o Clave;
- Si olvida o pierde el control de su PASSWORD o Clave, solicite INMEDIATAMENTE a SECURITY DATA SEGURIDAD EN DATOS Y FIRMA DIGITAL S. A. la revocación del certificado.
- IMPORTANTE: NO OLVIDE SU PASSWORD o Clave, SECURITY DATA SEGURIDAD EN DATOS Y FIRMA DIGITAL S. A. no almacená ni asigna el PASSWORD o Clave, por tanto su olvido implica la revocación del certificado de firma electrónica asociado y la emisión de un nuevo certificado de firma electrónica cuyos cargos serán de cuenta de El Suscriptor.

DATOS DEL FORMULARIO
- Razón Social: Es el nombre y firma por los cuales es conocida una compañía de forma colectiva, comanditaria o anónima.
- Institución Pública: Es el conjunto de organizaciones públicas que realizan la función administrativa y de gestión del Estado y de otros entes públicos con personalidad jurídica, ya sean de ámbito regional o local.
- Tipos de Certificados de Firma electrónica:
  - Certificados Persona Natural: Son certificados reconocidos en persona física que identifican al suscriptor como una persona natural pudiendo ser usado este certificados para temas tributarios, legales y personales.
  - Certificados Membre de Empresa: Son certificados reconocidos en persona física que identifican al suscriptor como Corporación y al firmante como vinculado a esa corporación, ya sea como empleado, asociado, colaborador, cliente o proveedor.
  - Certificados Funcionario Representante Legal: Son certificados reconocidos de persona física que identifican al suscriptor como una corporación y al firmante como representante legal de dicha corporación.
- Tiempo de validez del certificado: Por defecto son 2 años, se puede solicitar certificados con mayor validez siempre y cuando los documentos tengan validez por el tiempo solicitado. Aplicando otros costos.
- Modelos de tokens soportados
  - Egnos 3005, Bioxpress 3000
  - Safenet/Key 2032, JKey4000
- FAVOR LLEVAR TODOS LOS CAMPOS CON ASTERISCO (*), CASO CONTRARIO NO SE ACEPTARÁ LA SOLICITUD

NO SE ACEPTARÁN SOLICITUDES CON TACHONES, REMIENDOS, FIRMAS COPIADAS EN COMPUTADOR, SIN FECHA O CUALQUIER OTRO ERROR

Powered by telconet
Annex 4
Interview

**Enterprise Name:** Hi Performance Automotriz Cía. Ltda.

**Activity:** Tires importer

**Name and position that the interviewee has in the Enterprise:** Eduardo Altamirano, Administrative supervisor

1. Have you made imports of products subject to import licenses granted by the Ministry of Industries and Productivity?
   Yes

2. Do you consider that the requirement of import licenses have been a limiting factor in the performance of the activity of your company?
   High. The implementations of import licenses and quotas have been a fairly high constraint for the company

3. Have imports declined in recent years as a result of this measure? Could you quantify how much they have decreased?
   Our imports have decreased about 40%.

4. In the case of imports reduction, a decrease was observed in the first year or it was progressively?
   For our company, reduction was progressive. But over the past year restrictions increased for us. The introduction of import quotas affects us significantly from the previous year.

5. Costs of imports have increased since the implementation of import licenses? If so, you could mention how much have increased?
   Before, it was not necessary to obtain certificates repeatedly. The costs itself, one could say that they have not increased by more than 1%, but there is more bureaucracy and paperwork.

6. ¿Have the time it takes to perform imports increased? If so, how much?
Before the INEN certificate served for several imports, for example, it was valid for 3-6 months for us. Now, getting this certificate is required for each importation. For instance, we must have a person dedicated to collect documents, make copies and constantly review the new requirements. Currently, getting this certificate lasts about 15 days.

7. Have you ever had any problems in licenses processing? There have not existed problems, but it represents more bureaucracy for us. For example, when we have to get a certificate, they ask the invoice number for it. Moreover, overseas they tell us that it is not possible to send the invoice until the process have started; that is the reason why they delay us because we have to solve those problems. The license is not the problem, but it is to be obtaining the certificate for each import.

8. Have the measured affected the stock and products diversity?
When the government introduced this methodology, in our case, competition increased. It means that people, who did not import, asked for licenses and began importing causing our Stock was reduced. Regarding the diversity of our products, there were no variations, but there were problems in competition. Before, we were exclusive distributors, then only we imported, but because of quotas, we could not import the same amount, so many people took advantage of that and also began to apply for quotas and licenses and began to import on their own.

9. Does the One-stop portal of Ecuapass has been beneficial for processing licenses?
En ese aspecto sí, el programa si está bien. Uno ingresa los datos e imprime los documentos. Uno primeramente se registra en el Ministerio y solicita la licencia, con esa licencia ya se procede a ingresar los datos a Ecuapass In that point, the program it is okay. I enter the data and print documents. I first register in the Ministry and request the license, with that license I am enabled to proceed to enter Ecuapass.

10. Could you evaluate from your importer perspective, if the limitation of imports has encouraged the consumption of the domestic product?
Not really according my point of perspective. The problem is that the domestic industry does not supply the consumer market tires. Possibly it intended to stimulate, but we have to continue importing. Indeed, as I mentioned, not only we import, but many have
already begun to pursue that. It is also important that the tires that we import are of better quality.

The company has not raised the possibility of selling national tires; we try to maintain exclusivity and our image, we also are distributors of branded products; by lowering the quality, and selling a domestic product we could support the domestic market, but instead our customers look for quality products. We aim to exclusivity. As prices concerned, I am not aware of the national product, and I have not made comparisons with our product in that sense, because we handle a quality and unique product.

11. Has been negatively affected your business with the introduction of this measure; and in that case, what measures have you taken to counteract them?

Yes, our turnover was reduced by 40%. We have nothing planned yet, suddenly what we are thinking is to open new brands into other products. Look for new types of products. Currently, we depleted our entire allocated quota in tires, before this what we would have to do is import another product.