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*Evolution of the Ecuadorian exportable supply of traditional products to the  
European Union within the framework of the Multiparty Trade Agreement,  
2015-2020*

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## **DEDICATION**

I want to dedicate this degree work to my parents, Azucena and Juan Patricio, who are the fundamental pillar of my life and to whom I owe everything for what I am today and to my sister Doménica for her support and always be present.

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## **RESUMEN**

Los acuerdos comerciales han sido creados con el fin de beneficiar a las partes intervinientes. El Acuerdo Comercial Multipartes (ACM) entre Ecuador y la Unión Europea fue y es una oportunidad para el país de incrementar su entorno comercial, especialmente la oferta exportable, ya que permite la apertura de ambos mercados paulatinamente. Representando para el Ecuador una probable ventaja ya que en 2016 finalizaba el sistema de preferencias arancelarias otorgadas por la UE al país, lo que significaba que tendría que pagar valores altos para ingresar sus productos tradicionales al mercado europeo. Por ello se pretende analizar la evolución de las exportaciones de productos tradicionales antes y después del acuerdo, es decir del 2015 hasta el 2020, con el fin de determinar si ha resultado beneficioso y se ha dado un incremento de la exportación de estos productos ecuatorianos dirigidos hacia la UE.

**Palabras clave:** Acuerdo Comercial Multipartes, Productos tradicionales, Exportaciones, Beneficios

## **ABSTRACT**

Trade agreements have been created in order to benefit the parties involved. The Multiparty Trade Agreement (MTA) between Ecuador and the European Union is and was an opportunity for the country to increase its commercial environment, especially the exportable offer, since it allows the opening of both markets gradually. Representing for Ecuador a probable advantage since in 2016, the system of tariff preferences granted by the EU to the country, ended. This meant that Ecuador would have to pay high tariffs to enter its traditional products to the European market. Therefore, in this investigation the intention is to analyze the development of exports of traditional products before and after the agreement from 2015 to 2020, in order to determine whether it has been beneficial and there has been an increase in the export of these Ecuadorian products to the EU.

**Keywords:** Multiparty Trade Agreement, Traditional Products, Exports, Profits



## **INTRODUCTION**

International trade between countries has enabled each State to supply a wide variety of goods and services to its people and to benefit from products that are difficult for it to produce for various reasons. This exchange has made it possible to strengthen relations between countries. In order to get security, benefits and facilities, the representatives of each party have entered into trade agreements in which all the objectives and interests of the parties are reflected and agreed in the previous negotiations. As a result, a number of trade agreements of different types have been created and, over time, regional integration blocs such as the EU and the CAN have emerged.

Similarly, for several years now, efforts have been made to strengthen relations between regional blocs, as stakeholders have become aware of the importance of initiating joint processes to strengthen trade (D. Rosales & De la Cruz, 2019, p. 44). This is the case of Europe that began to strengthen the integration processes, one of them which was between the CAN and the EU. The European bloc had granted a Generalized System of Preferences (GSP) to the CAN, giving a series of preferences to the member countries, but this system ended in 2016. This encouraged to initiate conversations to establish an Association Agreement between blocs, the EU and the CAN.

Achieving an agreement with such an important bloc as the European Union represents a series of advantages for the states that get it. This region represents the largest economy in the world, it is the first exporter and importer of the planet, while the Andean countries including Ecuador have been mainly agricultural producers' due to the lack of development and the excellent climatic conditions they possess. Ecuador became known for this and over time it obtained a special advantage and eventually became one of the largest exporters of agricultural products in Latin America and the world. Until today, the export of these products represents a large percentage of the country's economic growth.

Both the EU and the CAN started talks several years ago to achieve this association agreement. However, the disparities in trade policy of the governments of the 4 Andean countries members of the CAN concluded by dividing a negotiation that started as a bloc.

It ended with a Multiparty Trade Agreement between the EU and each country respectively, in different dates for Colombia, Peru and Ecuador (D. Rosales & De la Cruz, 2019, p. 44).

In the case of Ecuador, after an interrupted process of negotiations in four rounds of negotiation, the Multiparty Trade Agreement with the EU was signed, which was valid on January 1, 2017 (D. Rosales & De la Cruz, 2019, p. 44). Therefore, this research has as a priority to know and analyze the evolution of the Ecuadorian exportable offer of traditional products preceding the Multiparty Trade Agreement between the European Union and Ecuador from 2015 to 2016 and after entry from 2017 to 2020. To do this, it will start with the collection and analysis of bibliographic material to determine whether the Trade Agreement with the EU has brought benefits for these Ecuadorian products.

The following work is divided into three chapters, which present the findings of the research based on the proposed objectives; it is organized as follows: the first chapter sets out specifically what trade agreements are and the concepts that this subject entails, followed by the trade agreements of the European Union and the trade agreements of Ecuador. The second chapter establishes the relationship between Ecuador and the European Union, starting with the background of the relations of both, following the entire process prior to the Multiparty Trade Agreement between the EU and the country, concluding with the current trade relations between the EU and Ecuador.

The third chapter contains the analysis of the research, starting with general information on traditional products from Ecuador, then requirements, tariff preferences and exports of these products are presented before the Trade Agreement 2015-2016. In the following section, the results of the same topics mentioned after the Multiparty Trade Agreement in the period 2017-2020 are presented. Consequently, a comparison is made with the data obtained, presenting the analysis of the evolution of the exportable offer of traditional products under the Multiparty Trade Agreement between Ecuador and the EU, 2015-2020. Finally, the conclusions drawn from the investigation are set out.

## CHAPTER 1

### Trade Agreements

#### 1.1 Origin of Trade Agreements

No country can produce everything it needs, which is why, faced with the impossibility of self-sufficiency, the need arises to exchange products with the rest of the world, giving rise to foreign trade between nations around the world where all parties benefit. This exchange is very old, since the times of Aristotle (384-322 B.C.) already existed this practice. "He described the profit and reason of trade as the exchange of what everyone had left to achieve what everyone lacked" (Schwartz, 2001, p.8). The civilizations of that time exchanged surplus products, commonly food, which they had left. Over time the civilizations progressively increased the types, quantities of products and communities that traded with each other, hand in hand with the development of means of transport, communications and the way in which States negotiated among themselves. All of these actions resulted in the initiation of international trade and the emergence of specific places to control the entry and exit of products in order to collect the products being marketed, currently called customs.

Thus, on the basis of this exchange, the representatives of those States began to strengthen their relations with each other through different arrangements in order to obtain security, mutual benefits, ease and not paying an excessive amount of taxes from the respective exchanges. Leading in the creation of different types of trade agreements that are a means for developing peaceful cooperation between nations, "A trade agreement is a negotiation between two or more countries with the aim of harmonizing trade interests and increasing trade between the signatory parties" (Martín, 2008, p. 14).

However, for most of modern history, trade agreements have been more or less limited in their geographical scope, generally taking the form of colonial spheres of influence associated with empires, or bilateral trade agreements, mainly between European powers (Organización Mundial del Comercio, 2013, p. 49).

Several years ago, the trade agreements did not have the same purpose as they have today, at first the objective was not to open new markets nor to include more countries in these

exchanges, much less liberalize trade. Instead, it was to achieve similar treatment for their traders with respect to the traders themselves in those states, with emphasis on reaching arrangements with similar laws for traders, especially with European countries. However, "it was only with the creation of GATT in 1947 that the idea of a broader multilateral agreement came to the forefront of international trade relations (Organización Mundial del Comercio, 2013, p. 49).

This special treatment did not favor all parties, because seeking an agreement with the countries of Europe, caused that the relations with the rest of the world, especially the countries of Latin America, were unequal. Causing a great disadvantage for these countries, since these countries did not have a development like the big nations, so they only exchanged raw materials while receiving in exchange finished products at high prices. Despite this practice lasting a long time, it changed with the evolution of the GATT in the WTO, since it was created to control these activities among countries in order not to harm any State, later creating the principle of the most-favored nation.

As a result of an increase in the number of trade agreements concluded between different countries, some 302 agreements and 481 notifications of such agreements were established by the end of the twentieth century, obtaining a remarkable participation at a global level causing the year 2009 to be the most active (Organización Mundial del Comercio, 2021). Although at present the agreements are not the same as those of previous years, mainly as regards of the topics and the involvement of the parties. They usually dealt with a specific topic in which a few stakeholders were involved and established criteria; unlike today they are a little more complex. "There is a greater participation of countries within the same agreement and, in some cases, these actors are heterogeneous in terms of political, social and economic systems with the incorporation of more issues and points of interest" (Ruiz & Ubieta, 2019, p. 25).

## **1.2 How Trade Agreements work**

### **1.2.1 Purpose of Trade Agreements**

Trade agreements are aimed at improving trade relations between the parties involved either by reducing or eliminating licenses, quotas, permits, in particular tariffs. In order to acquire the free passage of goods and services, creating fair conditions for competition

among the intervening countries. Likewise, the effects sought by the trade agreements are the opening of new markets, the improving and increasing the production of services and products to sell more to others; the searching for more foreign investment that enriches the country's economy. Other goals such as the diversification of exports through tariff advantages arising from such agreements; the improvement of technology transfer to upgrade the competitiveness of domestic enterprises; the strengthening and growth of small and medium-sized enterprises in these countries and, above all, the facilitation of trade in goods through simplification and reduction of requirements (Kueneman et al., 2012, p. 16).

### **1.2.2 Types of Trade Agreements**

- **Preferential trade arrangements:**

They are a set of instruments, which government representatives use with the intention of partially or totally reducing restrictions on trade in goods, services and factors transacted by the economy. These arrangements are defined as unilateral and non-discriminatory when the instruments are established independently of the arrangements implemented by the rest of the countries and they are not necessarily reciprocal. While they are considered regional when two or more countries "agree" to use a series of instruments that, on the one hand, reduce all or part of the barriers to trade in goods, services and factors traded between the countries that make up the agreement. Also, at the same time, to discriminate, meaning to raise or maintain barriers to trade (of goods, services and factors) with non-members of the agreement (Tello, 2009, p. 181). This means that the countries that maintain this agreement benefit each other, while those that are not parties are harmed, since they will not be treated equally with respect to their competence.

- **Regional trade agreements**

These types of agreements consist of establishing reciprocal trade privileges between the parties involved that do not necessarily have to belong to the same region. Two or more countries that are part to the agreement will benefit each other, without the need for geographical proximity and without creating barriers to trade with the rest of the world; they do not directly or indirectly harm third parties. Usually its objective is tariff and quantitative reduction, as well as the incorporation of issues related to trade facilitation,

investment, services, e-commerce, environments and cooperation (Ruiz & Ubieta, 2019, p. 26).

- **Mega regional trade agreements:**

They are agreements made up of a large number of countries that come to represent an important part of world trade, meaning the of world economic activity. Its aim is to create economic spaces of a wide scope both Asian, transatlantic and transpacific. "Mega-regional negotiations involve economies that represent significant proportions of global output, population, trade and foreign direct investment" (O. Rosales et al., 2013, p. 5). In addition, these agreements, due to their magnitude, contain more rules given the breadth and complexity of their thematic agenda. They also cover various areas not addressed by the WTO agreements or by other previous agreements such as: intellectual property, renewable energies, public procurement and electronic commerce, among others (Ruiz & Ubieta, 2019, p. 26).

- **Multilateral agreements:**

Several parties participate in these agreements, each of them is ready to comply with what has been agreed and negotiated, and all of them voluntarily join. Everything agreed in these agreements is binding on the parties, unless the agreement allows it and is expressed in the text of it, the exemption one of the parties to continue complying (Ruiz & Ubieta, 2019, p. 27). It allows all signatories to be on an equal footing, which means that no country can grant better or worse conditions to one country than to another. These types of agreements are usually beneficial for the countries involved, as they increase trade, standardize trade regulations, establish low tariffs and have more positives effects.

- **Plurilateral agreements:**

Unlike multilateral agreements, these agreements only affect the states members of the agreement. In the case of the WTO, it is widely known that most members subscribe to all such agreements. However, a smaller specific group of these WTO members negotiated specific issues and after the Uruguay Round there were four Agreements, which were originally negotiated in the Tokyo Round, and which are called "plurilateral agreements". These are the Agreement on Government Procurement, the Agreement on

Trade in Civil Aircraft, the Agreement on Dairy Products and the Agreement on Beef and Veal (Organización Mundial del Comercio, 2021). On the other hand, these agreements that are outside the WTO are those that "involve two trading blocs, where what is granted by one bloc to the other is binding for all the countries that make up it" (Ruiz & Ubieta, 2019, p. 27).

### **1.2.3 Negotiation of agreements**

Prior to the negotiation process, the States consult and analyze the sectors and products to be covered by the agreement in order to establish key points and strategies to be addressed in the negotiations for the benefit of the parties concerned. The start of negotiations is usually negotiated by representatives of the government of the country, as public officials working in the area of foreign trade along with other government officials who know and work in the sectors and areas of issues to be negotiated. Also, in order to avoid any inconvenience during the negotiation process, the parties usually act under certain principles with the aim of ensuring that the whole process is carried out correctly. These include the principle of non-discrimination, national treatment, transparency and timeliness in communicating rules, trade facilitation and equivalence in implementing measures (Kueneman et al., 2012, p. 13).

After the start of the negotiations, the parties involved hold meetings that are known as "negotiation rounds" where the topics that will be covered in the text of the agreement with the clauses accepted and agreed by the parties are addressed. Once the negotiations are concluded, a legal review is carried out and after that, "Countries sign the treaty document and must follow existing internal procedures to approve, ratify and, in general, publish the agreement, letting the agreement come into force to start generating effects" (Kueneman et al., 2012, p. 14). Once this process has been completed, the agreement takes effect and the parties must begin to comply with it and to apply it correctly, since non-compliance entails consequences.

### **1.3 Characteristics of trade agreements**

In terms of their characteristics, trade agreements can in turn be classified according to the level of economic cooperation, its configuration, its geography and its partners.

### 1.3.1 Level of economic cooperation

Depending on their level of economic cooperation, they can be divided into free trade area, customs union, common market, union and economic community.

- **Free Trade Area:** According to the World Trade Organization, this is defined as " Trade within the group is duty free but members set their own tariffs on imports from non-members " (2021, para. 1). This means that a group of countries sign a free trade agreement in which it is established that trade barriers or tariff preferences are reduced or eliminated to let goods circulate freely among the countries that make up the free zone trade, However, each country may impose different barriers on other countries that are not party to the treaty.
- **Customs Union:** These agreements consist of the members applying a common external tariff among themselves and eliminating tariffs (Organización Mundial del Comercio, 2021). In other words, the Member States establish a common policy for those states which are not party to the agreement, for example the European Union, in this case, member countries have access to a wide range of products without having to pay tariffs while producers can expand their market to manage their goods.
- **Common Market:** This type of agreement allows member countries to exchange goods, services, factors of production and a free movement of capital and people. In which economic policies are established to stimulate growth as a whole. One example is the Common Market of the South (Mercosur), where its members have agreed a free trade area for their goods and also the free movement of people and capital, meaning that citizens can move freely across the borders of the member countries. Also, this free movement of capital is encouraged, in particular transfers, investments or loans (Tamayo, 2019, p. 35).
- **Economic Union:** This type of agreement is a "more advanced process which envisages the harmonization of economic and social policies on the part of the members of the common market, with the aim of making full and comprehensive use of the economic zone" (Aguirre et al., 2015, p. 7). In other words, the



participating countries have a common market and common economic policies on the regulation of their products, free movement of services. At the same time, they have a common external trade policy for the non-member countries.

- **Economic Community:** This means that the parties involved remove their trade restrictions, have a common tariff policy, a free mobility of factors of production, economic, social, monetary and fiscal policies between the members. Thus, supranational bodies are formed to establish rules to guide the smooth functioning of the community as a whole. In addition, several of the decisions are focused on the interests of all members and may become binding for all (Aguirre et al., 2015, p. 8).

### 1.3.2 Composition

On the other hand, according to their configuration, the agreements are based according to how many members are party to the signing of the agreements. These can be bilateral, which are two countries that establish an agreement between them and it can be plurilateral where three or more countries are members of the agreement (Ruiz & Ubieta, 2019, p. 29).

### 1.3.3 For its geographical scope

Although this category is established in relation to geographical proximity, in other words, trade agreements signed between countries belonging to the same region, which was very common several years ago. However, it should be mentioned that today this is not a determining factor for not establishing agreements, since today countries can freely establish relations with countries that are very distant, transcending borders, Thus, there is a transition from intra-regional to inter-regional agreements (Ruiz & Ubieta, 2019, p. 29).

- **Intra-regional**

Intra-regional agreements understood as those that are formalized between neighboring countries that share borders and have the same political-economic stability. Which allows them to have common interests, a clear example is the Mercosur that is conformed with South American States whose main objective is, "to

promote a common space that generates commercial and investment opportunities through the competitive integration of national economies to the international market" (Mercosur, 2021, para. 3).

- **Inter-regional**

On the other hand, inter-regional agreements do not need either to be made up of neighboring countries. Since geographical proximity is not a determining condition for the conclusion of an agreement, rather it emphasizes the interests of the parties who wish to participate and may succeed at continental level. For example, the Free Trade Agreement (FTA) between Canada and Peru or at intercontinental level such as the FTA between the European Union (EU) and Japan or multi-continental as the Comprehensive and Progressive Trans-Pacific Partnership Treaty (TPP) (Ruiz & Ubieta, 2019, p. 30).

#### **1.3.4 Partners**

Finally, the agreements established on the basis of its partners, those that are in function of the development of the States involved, since on this depend the interests, the negotiation processes, scope and the opening of each party that becomes part. These can be divided first according to their geopolitical location, in North and South and second according to their level of development, in developed, developing and underdeveloped countries (Ruiz & Ubieta, 2019, p. 31).

#### **1.3.5 Geopolitical location**

- **North-South Division**

##### **North**

Countries named in this way not because of their geographical location, but in relation to historical, cultural, economic and power issues. The countries of the North referred to as the "developed States" related to their economies with high per capita income indices and more industrialized. But they are not only considered this way by their economic levels, but they are mainly identified as those States which during the Cold War represented and supported capitalist thought with a common cultural legacy, a penchant for democracy and a free market; commonly belonging to the first world as countries of the West and the United States (del Prado, 1998, p. 24).

## **South**

On the other hand, the countries of the South referred to as the "developing States" characterized by high rates of poverty, low levels of industrialization and high per capita income. Although they accounted for more than three quarters of the world's population, they produced only one fifth of the world's goods and services. Moreover, considered as the non-aligned or third world states during the Cold War with little decision-making capacity, democracies fragile and unable to work together (del Prado, 1998, p. 25).

At present, however, this condition does not preclude the conclusion of trade agreements between States considered to be of the North or of the South, thanks to the development in all areas and the interdependence of all States. Although historical aspects have been neglected in establishing relations between countries emphasizing the interests of the parties; this historical fact has allowed certain countries to have better and more lasting bonds of friendship among themselves that have endured over time facilitating the relations and agreements that have come to fruition.

Today, there is a trend towards greater cooperation after the end of the Cold War and greater interdependence with the globalization of the planet. However, there is also a greater polarization in the distribution of wealth and power, all of which affects in one way or another the future of North-South relations (del Prado, 1998, p. 25).

### **1.3.6 Level of development**

Another subclassification is according to their level of development, leaving behind historical and cultural aspects, categorizing them into developed, developing and underdeveloped States based on various criteria. Despite this, today there is no complete acceptance of the terminology used to designate certain countries. According to the WTO, states have the ability to define themselves as they want, whether as "developed" or "developing", so there is no definition for both terms. Except of least developed countries that are considered in this way on the basis of per capita income criteria, human capital and economic vulnerability defined in 2016 at the United Nations Conference on Trade and Development (UNCTAD) (Ruiz & Ubieta, 2019, p. 33).

For the WTO, it is important to determine which countries belong to each group, because when they make these lists of countries, it allowed them to know which States can be granted special exceptions. So, the other countries can create regulations and agreements, whose purpose is to provide special and differential treatment to countries that are economically fragile, economically underdeveloped and recently vulnerable to the effects of climate change. As an example, these regulations allow developed countries to grant developing countries special market access conditions such as the Generalized System of Preferences and the elimination of the principle of reciprocity. Therefore, no similar treatment is expected in compensation (Ruiz & Ubieta, 2019, p. 33).

#### **1.4 Advantages of trade agreements**

The positive aspects of the trade agreements are several and they become significant for the parties involved since they generate great opportunities for the companies of each country, resulting in an economic growth of it. Thus, trade opening is one of the main factors of economic growth, since, through this exchange, countries can specialize in those products that are capable of producing them, and at the same time acquire abroad those that would be costly to produce (Sánchez et al., 2003, p. 1). Causing consumers to be advantaged as they have the possibility to purchase a wide variety of products from different parts of the world and at affordable prices.

In this sense, production costs will be reduced, domestic production will increase, prices will fall, the competitiveness of export products will improve thanks to the reduction of import prices of raw materials and capital goods. Likewise, this will cause the rate of inflation to decrease, which would improve the competitiveness of the national economy and increase the purchasing capacity of households (Giraldo, 2006, p. 107). It is therefore a way of helping these countries to compete on an equal footing with others who have already signed some trade agreements and can gain an advantage over countries that have not.

Furthermore, the agreements give companies "an opportunity to enter new markets with greater purchasing power, in order to offer their products at more competitive prices, and also the possibility of obtaining better products at lower costs" (Ruffner, 2015, p. 113), letting them to purchase raw materials and machinery at lower costs. In addition, it grants

the ability to producers and entrepreneurs to enter their products into a foreign market through a "tariff preference" consisting in the elimination or reduction of taxes on imports granted by one country to the other established in the agreement. Otherwise without an inter-country trade agreement, access to foreign markets would be complicated because countries must comply with "tariff barriers" and "non-tariff" (Kueneman et al., 2012, p. 18).

Tariff barriers are taxes that are paid when an imported good enters a country's market, and may be percentage or specific. Non-tariff barriers refer to elements that impede market access, such as quotas, licenses, import surcharges or any other mechanism that establishes the country's trade regime (Villagómez, 2011, p. 17).

Also, another positive aspect of the trade agreements is that it allows the increase of foreign investment. since at the time of reducing taxes, foreign companies focus on those countries. And usually. this investment occurs through the construction of new plants or expansion of these, generating a number of benefits for these. Such as boosting economic growth, as it contributes to the improvement of infrastructure in the host country and creates employment opportunities for its citizens. Furthermore, it increases the productivity and efficiency of the economy through technology transfer, which in turn encourages greater competition, business development and human capital.

Also, the government that receives the foreign investment will be able to obtain tax revenues from the multinationals, whose money can be used for the country's further development and growth. To development an increase in technological since these investments bring with them new technological knowledge from their countries and transmit it to the population of the host country; allowing the country to improve its knowledge and leading to its population to acquire new skills and perfect existing ones (Moreno, 2015, p. 1).

By creating new job opportunities improves the quality of life of these people, thus reducing poverty in these countries. Trade openness reduces inequality and at the same time poverty between countries. The poor countries that have reduced their trade barriers and have participated more in international trade after the last years have had positive results with an evident accelerated economic growth. As is the case of India, China,

Thailand, Vietnam and among others, while those who have not participated in these trends and have not fully opened up to trade with the rest of the world are still lagging behind (Dollar & Kraay, 2001, p. 12).

### **1.5 Disadvantages of Trade Agreements**

On the other hand, there are the negative aspects of the trade agreements, although the advantages are more, there could be some disadvantages for the parties in the implementation and enforcement of the trade agreements. One of these disadvantages that may arise, is the substitution of domestic products by imported products. Which means that the population of that country begins to buy more foreign products for various reasons either their quality, originality, price or not found in the domestic market. Being the main motivation to buy them their price, since consumers can get the same products at lower costs which is attractive to them. This could significantly harm the national production that will decrease their sales and in turn the income of these producers. However, there are protectionist measures that the government of that country can take to counteract this situation, these measures are called as safeguards:

Safeguard measures are defined as "urgent" measures related to the increase of imports of certain products where such imports have caused or threaten to cause serious injury to the domestic industry of the importing Member (Organización Mundial del Comercio, 2019, para. 1)

These measures may consist of quantitative restrictions (quotas) on imports. In other words, the exporting country will no longer be able to enter the country harmed with the same quantity of products or what could happen is that duties may be increased above bound rates. However, these measures should be progressively released and may not last for more than 4 years unless they are extended for up to 8 years provided that it is determined that they are still necessary and that there is evidence that the domestic production is recovering. Similarly, the importing country should provide compensation to the States that will be affected by the safeguards since they will also be disadvantaged by those measures. In this case the exporting country or countries shall obtain compensation for their losses through an agreement with the other party. If this is not achieved, the exporting State or exporting States may institute retaliatory measures,

which means that they can increase tariffs on exports to the country that adopted the safeguard measure (Organización Mundial del Comercio, 2015, p. 48).

Another negative aspect that may occur is that the exporting State introduces its products into the market of the other State at lower prices than normal, this is defined as "dumping". The WTO defines it as "export of products at a price below their normal value, that means, at a price lower than that sold in the domestic market or in third countries, or at the cost of production" (2022).

There are several kinds of dumping, one of them is persistent dumping from the monopoly seeking to maximize profits by segmentation of both domestic and foreign markets. Predatory dumping is a temporary price discrimination in which domestic producers sell to foreign countries at lower prices to eliminate competitors, gain market share and power. The sporadic dumping that occurs when domestic producers have an overproduction that their domestic market cannot handle, therefore, domestic producers sell these surpluses on external markets at lower prices than domestic ones. The cyclical dumping in which a company can recover marginal variable costs by selling even below cost as it has been affected by reduced demand. Finally, the strategic dumping that happens with companies operating in large markets and that are not harmed by foreign competition and can benefit from huge economies of scale (Reissner, 2015, p. 18).

Although initially the buyers of the importing country are advantaged by consuming products at such low prices, in the long run not everything is positive. Since once the foreign company manages to eliminate its competition and becomes a monopoly, it raises prices. In addition, the importing country may lose an industry, which provided a source of employment, development and economy for the country (García, 2007, p. 18). Therefore, more than one probable loss of the domestic industry of the country that manufactured the same products, the rest of similar industries will also be affected since consumers will choose these products from abroad over domestic ones. Generating substantial losses for producers in the importing country, even in the long term may lead to the closure of more companies.

However, there are ways in which dumping does not happen or in the event that it occurs, is sanctioned and counteracts the effects caused by it, these are called "anti-dumping

measures" provided for in the WTO Anti-Dumping Agreement. Where the government of the country concerned is allowed to take action against dumping. Nonetheless, it has to provide that dumping exists, its reach and it has to demonstrate that it is causing or threatens to cause injury. If the conditions are fulfilled, the anti-dumping measure entails the imposition of an additional import duty to the exporting country on a given product. This measure is to try to bring the value of the product closer to the normal value or to repair the damage caused to the affected domestic production area of the country importer (Organización Mundial del Comercio, 2015, p. 44).

In addition, another negative aspect that may come to present is inequality for the parties involved. One party could obtain more commercial benefits than the other, which is why it is said that trade opening generates winners and losers. Several years ago, this was entirely right because the most advanced countries, based on their technology, economy and above all power, made unfair deals with countries that did not have that development. These countries benefit from the large number of natural resources that developing countries possessed, obtaining raw materials for their products at very low costs while shipping their finished products to them at higher prices.

Over the years, however, this is no longer very common, as with globalization and increased technology, more and more countries are now able to produce their own products and exchange those that would be costly for them to manufacture. Even so, there is another type of inequality that is presented in the agreements and have to do with tariff preferences. What happens is that the powers when signing agreements with other countries can get to obtain more profits by establishing very good tariff preferences to certain products coming from the exporting country while these do not give the same to the products that export to that country.

For example, Colombia grants great preferences to the countries contained in the Caribbean community and only receives in exchange tariff reductions from the most developed countries, while tariff preferences must be fully exploited, so that all countries improve (David, 2016, p. 61).

Even if this could happen, it is ideal for Member States to reach a consensus during the negotiations where tariff preferences are clearly established for all parties involved. In



this way, the representatives of each party will have to look after the interests of their countries in order to take full advantage of the agreement for the benefit of all members. It is for this reason that the negotiation process is of vital importance to clarify all the topics and rules that will be agreed. It is also the best time for representatives to participate and make known what their countries are looking for from these trade relations with others.

## **1.6 The European Union and its Trade Agreements**

### **1.6.1 Brief history and evolution of the European Union**

The European Union (EU) is a geopolitical entity composed of a large part of the European continent. This regional association is made up of 27 countries and it is an economic, political and social entity being the only one of this type in the world to date. The EU's main objective is to promote development, peace and the well-being of Europe's inhabitants; this regional association has its own currency, anthem, flag and day. The countries to join this entity must and had to comply with the so-called "Copenhagen Criteria" (Gastaldi & Vassallo, 2014, p. 50).

The origin of the European Union came after the Second World War, dating back to the year 1950 when the French Foreign Minister of that time published a declaration destined for Germany; in which he proposed to work together the French German coal and steel production under a common authority. At the same time, an open organization was created in which other European countries could participate. Also, this declaration was a sign of peace from France towards Germany, since France publicly proposed to leave behind the differences with Germany to create a common basis for economic development (European Documentation Centre & Europe Direct of the Community of Madrid, 2018, p. 3).

Thus, the European Coal and Steel Community (ECSC) was born, and its founding treaty "the Treaty of Paris" was signed in 1951, entering into force the following year for the six signatory countries: Germany, France, Italy, the Netherlands, Belgium and Luxembourg. But this did not stop there, because the intention of these countries to continue advancing together, allowed later to sign the Treaties of Rome in 1957. This treaty constituted the European Economic Community (EEC) and the European Atomic

Energy Community (EAEC) (Centro de Documentación Europea & Europe Direct de la Comunidad de Madrid., 2018, p. 3).

Following a series of subsequent treaties and conventions, in 1992 the 15 EEC Member States signed the most important treaty, the Treaty of the European Union (TEU); known as the Maastricht Treaty. With the Maastricht Treaty, a new phase of European integration began, although the original economic objective of the Community was the completion of a common market, a political integration was largely overcome and even clearly expressed. The Treaty aimed in particular at: strengthening the democratic legitimacy of the institutions and improving their effectiveness; establishing economic and monetary union; developing the social dimension of the community and establishing of a common foreign and security policy (Gastaldi & Vassallo, 2014, p. 59).

Over time, the EU developed and grew more and more, so in order to carry out all the functions and work that it must performed, it needed more institutions. That is why it create them and currently it has a number of institutions, agencies and bodies that perform specific functions, among the most important: the European Council, the European Parliament, the Council of the European Union and the European Commission (Gastaldi & Vassallo, 2014, p. 64).

In 1974 the European Council was set up as a forum for informal discussions, but with the entry into force of the Treaty of Lisbon in 2009, it became an EU institution. This institution is responsible for the overall political direction of the EU, but cannot exercise legislative functions. It is made up of a president and the president of the European Commission plus the Heads of States of the member countries who meet every 6 months for 2 or 3 days (Gastaldi & Vassallo, 2014, p. 64).

Another institution is the European Parliament, whose origins date back to the 1950s with the Founding Treaties. This institution is made up of 785 deputies elected by the citizens, the election is made by them since the function of the Parliament is to represent the interests of the population of the 27 member countries. It has four main functions, including the adoption of European legislation in conjunction with the Council of the EU in various settings; the approval or refusal of Commissioners and the right to order the resignation of the Commission as a whole; democratic control of all EU institutions, mainly the Commission and joint decision-making with the EU Council on the EU's

annual budget and the management of the EU (Gastaldi & Vassallo, 2014, p. 65).

The Council of the EU, like the Parliament, was created in the 1950s with the Founding Treaties, representing the EU's Member States. Its main tasks are to adopt laws, coordinate the general economic policies of the Member States, define jointly with Parliament the EU budget, establish and implement the common foreign and security policy. The presidency of this institution is held by each Member State for 6 months and a minister from each of the national governments of the EU participates in the meetings on the basis of the theme to be addressed at this meeting (Gastaldi & Vassallo, 2014, p. 65).

The European Commission was set up in 1967 by the three European Communities at the time. Unlike the other institutions which represents the interests of the Member States or their citizens, this institution represents the general interest of the EU independently of the countries that make up it. It is made up of 26 Commissioners and a President, who undertake to act by putting the interests of the EU as a whole first on the instructions of their national governments. In addition, with the aim of promoting the internal social and economic cohesion of the EU, the commission has structural funds, the most important are the European Social Fund (ESF) and the European Regional Development Fund (ERDF) (Gastaldi & Vassallo, 2014, p. 65).

Although for several years, the integration was mainly based on the economic aspect, since the idea was to gradually increase economic interdependence among neighboring countries in order to reduce the potential for conflict between them. As a result, countries eventually give national competences related to justice, economy, external security and, among others, centralized EU institutions. However, after a series of treaties and agreements, especially with the cooperation and initiative of the Member States, what began as a trade agreement evolved into a regional entity active in various fields (Gastaldi & Vassallo, 2014, p. 50).

Although the high level of EU integration was not an easy or fast process, the EU is currently the most important and advanced integration bloc in the world. Today this bloc represents the world's largest economy, as its territory contains at least 7 per cent of the world's population and produces more than a quarter of the world's wealth in terms of gross domestic product and is the world's largest exporter and importer. Therefore, most

countries seek to relate to this block for profit. This is why a trade agreement with the EU not only stimulates trade between the two parties by reducing and removing trade barriers for goods and services. It also encourages the creation of new enterprises which will be more competitive and it will increase employment, promote investment among participating countries and fundamentally it will strengthen macroeconomic stability and legal certainty by facilitating international trade (Rosales & De la Cruz, 2019, p. 47).

### **1.6.2 EU Trade Agreements**

Over the years the European Union has maintained an open trade policy with the world, which means that since its early years it has sought to manage and establish relations with different countries in the world. Its main objective at the beginning was to obtain all possible benefits for this block. It is for this reason that several years ago the agreements that the EU established with the rest of countries, benefited more the European countries than the other party; especially the Latin American countries that during that time did not have a great development as now. Therefore, for these countries there was a rejection to establish agreements with the EU because of this reason and for the colonial past that was not yet overcome. However, with the development and creation of various organizations such as the WTO this situation changed, and these bodies were destined to control the existence of relations and fair trade between the parties.

Currently, the EU regulates its trade relations with third countries through trade agreements, these agreements aim to improve trade opportunities, overcoming obstacles and, above all, facilitating international trade between the parties involved. EU trade policy is also used as a means to promote European principles and values, from democracy and human rights to the protection of the environment and social rights that can be promoted in the signing of agreements of various kinds (Consejo de la Unión Europea & Consejo Europeo, 2019).

According to the European Commission, EU trade agreements differ according to their content and are classified into:

- **Customs unions:** Their main objective is to eliminate customs duties on trade in goods and services on a bilateral basis and to institute a common customs tariff for foreign importers.

- **Free Trade Agreements (FTAs):** They provide mutual market opening with developed and emerging countries by granting preferential market access.
- **Association, Cooperation and Stabilization Agreement:** It allows and encourages the creation of a general framework for economic relations between the two parties, but it leaves customs tariffs unchanged.
  - **Association Agreements (AA):** These agreements strengthen political agreements characterized by being of great magnitude.
  - **Economic Partnership Agreements (EPAs):** These agreements aim to promote and approve the development of trading partners in African, Pacific and Caribbean countries.
  - **Free Trade Agreement:** Its main objective is to eliminate or lower customs tariffs on goods and services in bilateral trade for both parties.
- **Multiparty Trade Agreement:** Type of agreement that started as an Association Agreement between blocs, but changed its name to Multiparty to be destined to the Andean countries (Consejo de la Unión Europea & Consejo Europeo, 2019; European Commission, 2021).

The institution which plays a key role in establishing and shaping a new trade agreement is the Council. In the first stages, the Council, through a negotiation mandate, is in charge of approving and instructing the European Commission to negotiate a new trade agreement on behalf of the EU. The Council in turn provides guidance on the negotiation process and timing, the objectives and scope of the agreement (Consejo de la Unión Europea & Consejo Europeo, 2019).

Therefore, the Commission with the support of the Council and the European Parliament represents the EU in the negotiations with the partner country. After having reached agreement on the text with the partners, formal proposals for adoption by the Commission are submitted to the Council. Following the discussions, the Council signs the agreement on behalf of the EU and sends this agreement to Parliament for approval; following its approval, the Council takes the decision to conclude the agreement (Consejo de la Unión Europea & Consejo Europeo, 2019).

Today, the EU maintains a number of agreements and treaties with several countries belonging to various regions of the world. For example, existing economic partnership

agreements with: Antigua and Barbuda, Bahamas, Barbados, Belize, Botswana, Ivory Coast, Dominica, Dominican Republic, Grenada, Guyana, Jamaica, Lesotho, Madagascar, Samoa, South Africa, Suriname and others. Association Agreements in force with: Algeria, Chile, Costa Rica, Egypt, Georgia, Ghana, Guatemala, El Salvador, Israel, Jordan, Lebanon, Moldova, Morocco, Tunisia. On the other hand, trade agreements with: Colombia, Ecuador, Peru. And in turn it has several agreements that have not been ratified or signed with countries such as Argentina, Brazil, Guinea, Haiti, Nigeria, Paraguay, Senegal, Rwanda, Uruguay, among others (European Commission, 2021).

In addition, the EU has trade agreements that it is negotiating with certain countries in order to update them, some of them are with Australia, Indonesia, China, the Philippines and New Zealand. Pending agreements that due to some circumstances the negotiations have been suspended and they have not been resumed with countries such as the United States, Thailand, Sudan, Somalia, Malaysia, India, Ethiopia, Congo, Kuwait, Qatar, Saudi Arabia, United Arab Emirates and other countries (European Commission, 2021).

## **1.7 Ecuador and trade agreements**

### **1.7.1 Brief history and evolution of the Republic of Ecuador**

Ecuador, whose official name is the Republic of Ecuador, is a "State, constitutional of rights and justice, social, democratic, sovereign, independent, unitary, intercultural, plurinational and secular. It is organized in the form of a republic and governed in a decentralized manner" (Asamblea Constitucional del Ecuador, 2008, p. 8). This country is located on the equator with borders to the north by Colombia and to the south and east by Peru, to the west by the Pacific Ocean. Its territory covers about 256,370 km<sup>2</sup> and is divided into 4 regions comprising 24 provinces (Programa de las Naciones Unidas para el Desarrollo, 2021). This country has been characterized by its tourist attraction because its Amazon region is home to thousands of species of flora and fauna, but its main tourist attraction is its archipelago "The Galapagos Islands".

Its origins date back to 1809, the first cry of independence was given on August 10 of that year. While the battle of independence called "Battle of the Pichincha" was on May

24, 1822, where the confrontation took place between the army of Marshal Antonio José de Sucre and the army of General Melchor Aymerich. This confrontation resulted in the victory of Marshal Sucre and it was the end of the process of independence of the Republic of Ecuador. However, the country was not completely independent because the same year it joined the project of the Gran Colombia. The Gran Colombia became a republic formed by Colombia, Venezuela, Ecuador and Panama until May 13, 1830 where Ecuador separated from it (Ayala, 2008, p. 16).

In 1830 Ecuador was officially an independent republic. However, the early years of Ecuador were characterized by periods of instability, since several features of colonial society prevailed as racial discrimination, the exclusion of women and the majority of the population from political life. Only nobles had the right to participate in congresses, government bodies and elections. Society was structured on the basis of religious thought, due to religion was very important during that period. Later, the country and the Ecuadorian economy were able to expand thanks to the boom in the export of two products, bananas and cocoa. These products made the country known abroad, more than that, they made it possible to boost international trade, open new agricultural frontiers and improve sectors linked to the production and marketing of these products (Ayala, 2008, p. 19).

Nonetheless, it was not all positive since after the boom of these products also came the crises that brought with them a series of consequences for the country. In 2000 the country suffered an economic crisis followed by the exchange of currency. Although the adoption of the dollar brought several problems for the Ecuadorian population, eventually turned out to be positive for the country and its economy. Similarly, the country for many years was governed by corrupt leaders who did not promote the development of the country and increased the indebtedness of the country. However, some relations were established with different countries to improve the country situation. Subsequently, with the last governments the country has become more known in the outside world, coming to sign some treaties and agreements that brought and bring benefits to the country and its citizens.

Although Ecuador still needs to improve certain aspects and face several challenges such as improving the efficiency of its public policies that protect its most vulnerable citizens

and addressing long-standing challenges such as high rates of child malnutrition, promoting higher quality public services, improving the efficiency and progressivity of spending on health, education and social protection, and closing the gaps affecting rural populations (Grupo Banco Mundial, 2021). Today Ecuador has made significant progress in other areas and it has become the first exporter of cocoa beans in the Americas and it is ranked 4th worldwide among all types of this product, reaching an increase of 168% in the last decade (Ministerio de Agricultura y Ganadería, 2017). In addition, it is leader in the exports of bananas, tuna, shrimp, cocoa and natural flowers that are sent to various parts of the world. It has also increased its exports of products such as avocado and pineapple; making known internationally the excellent quality of their products.

### **1.7.2 Trade Agreements of Ecuador**

Although Ecuador's trade policy has not been fully open to the world for several years, for some years Ecuador had several approaches with various countries. In order to improve its relations and achieve certain treaties and agreements in different areas that benefit the country. Ecuador managed to strengthen some bilateral relations and it got a great commercial rapprochement with countries such as Yemen, Libya, Algeria, Lebanon, Montenegro, Bosnia-Herzegovina, Belarus, Bahamas and Iran. However, these countries do not represent large markets such as the United States and the European Union. This why the WTO suggested the country negotiate agreements with both to increase access to these markets since most Ecuadorian exports have as their final destination these powers (Alvarado, 2019, p. 12).

Similarly, in terms of pluri-lateral processes, Ecuador does not belong to any pluri-lateral WTO agreement. It has not participated in these processes, demonstrating some resistance to total trade opening. That is why, since the previous governments, some attempts have been made to change this situation. The trade policy has sought to increase non-oil exports with added value, attract foreign direct investment through incentives, decentralize the economy, improve and develop specific areas for economic development, replace imports with quality domestic products, promote and facilitate foreign trade (Alvarado, 2019, p. 11).



On the other hand, in the area of trade agreements, Ecuador aims to liberalize tariff and non-tariff measures with greater impartiality for the economies of the member states of these agreements in order to reduce existing asymmetries. In terms of complementarity, Ecuadorian negotiations aim to facilitate bilateral trade over time, to create and sustain global value chains in sectors where the parties can be complementary and not complementary; consequently all parties benefit fully and mutually (Alvarado, 2019, p. 12).

Nowadays, Ecuador's trade policy has been consolidated in a more pragmatic than idealistic way, since in this way the commercial and investment opportunities offered by commercial agreements are better exploited. Thus, the Multiparty Trade Agreement between Ecuador and the European Union is noteworthy because it corresponds to the trade agreement that Ecuador seeks to achieve. In which cooperation and differentiation between strengths and opportunities was developed, becoming a platform for Ecuadorian products to be more competitive in international markets, and at the same time letting protect products with greater sensitivity to the increase in imports (Alvarado, 2019, p. 13).

Therefore, Ecuador currently maintains and is part of some trade agreements; for example, free trade agreements with the European Free Trade Association (EFTA) and the European Union. Preferential trade agreements with Guatemala, Chile, Colombia, Ecuador, Venezuela - MERCOSUR. The country has only one customs union with the Andean Community (CAN), an economic complementarity agreement with Cuba, an inclusive economic partnership agreement with the EFTA states (Liechtenstein, Norway, Iceland, Switzerland). It has two partial scope agreements, one with Nicaragua and the other one with El Salvador. Additionally a free trade agreement signed, but not yet in force with the United Kingdom (Ministerio de Producción, Comercio Exterior, 2020; SICE, 2018).

## **CHAPTER 2**

### **Trade Relations between Ecuador and the European Union**

#### **2.1 Background**

The European Union has, over the years and up to now, been one of the most important economic blocs, representing the world's largest economy. As mentioned above, it is the world's first exporter and importer that generates more than a quarter of the world's wealth in terms of gross domestic product. That is why establishing relations with this bloc is extremely advantageous for other countries since the parties involved come to have great advantages for their countries.

Consequently, for a long time, both Latin American countries and European countries have wanted to establish mutual relations in order to obtain benefits. Since the 1990s, the member countries of the Andean Community have sought to improve their relations with the EU. In 1994 the EU began the process of signing association agreements with Chile and Mexico and negotiations with MERCOSUR. As a result, the Central American and Andean countries remain at a disadvantage compared to the rest, losing a number of opportunities for their development. The main reason why these countries have not been taken into account is because they were considered for not having a sufficient level of integration and development. So, they would not be able to sign an Association Agreement between regions according to the European Commission. Despite this, in 2006, at the 4th Latin America - Caribbean - European Union (EU-LAC) Summit, a mandate was approved to begin the process of negotiations with these countries (Villagómez, 2011, p. 12).

#### **IV Summit Latin America- Caribbean- European Union (LAC-EU)**

Relations between Latin America, the European Union and the Caribbean have been consolidated through bi-regional summits where political dialogue reaches its highest level. Since the first Latin America - Caribbean - European Union (EU-LAC) Summit, a strengthening of Euro-Latin American relations has been achieved and adapted to the new

international reality. In spite of the European Commission's perspective on the Andean and Central American countries, the fourth EU-FTA, held on 12 May 2006 in Vienna, succeeded in initiating the process of negotiations between the Andean and Central American countries with the EU. At this summit, a mandate was approved to allow taking the first step to the negotiations with the optimism to create a new opportunity to strengthen the euro Latin American ties (Sotillo, 2009, p. 555).

The agenda of the IV Latin America - Caribbean - European Union (EU-LAC) Summit included several topics to be addressed: the bi-regional strategic partnership, democracy, human rights, the multilateral approach to promote peace, stability and respect for international law, the fight against terrorism, the fight against drugs and organized crime, the environment, energy, association agreements, regional integration, trade, connectivity, growth, employment and more. All these were particularly important for the achievement of real results in the reinforcement of Euro-Latin American relations (Sotillo, 2009, p. 555).

In the section of partnership agreements, regional integration, trade, and connectivity (investment, infrastructure and the information society) was the commitment made by the parties. In which they committed themselves to fulfill the agenda and prioritize bi-regional relations. Thanks to the Guadalajara Declaration and the successful outcome of regional economic integration with Central America, the parties reached a consensus, "we welcome the decision taken by the European Union and Central America to open negotiations on an association agreement, including the creation of a free trade area"(Parlamento Europeo, 2006, p. 14). In addition, in order to finalize a global association agreement, the parties came together to achieve it and hoped that the negotiations would progress rapidly so that it would be implemented correctly.

Similarly, both the EU and the CAN had the idea during 2006 to start the negotiation process in order to reach an association agreement, including a trade agreement, a political dialogue and cooperation programs. Therefore, they undertook to hold the necessary meetings under the principles of solidarity and cooperation to determine and clarify the bases of the negotiation. All of this with the objective of an advantageous participation for all parties. They also encouraged financial institutions in Latin America, the Caribbean and Europe to support this integration and development through the

interconnection and creation of networked infrastructures, especially in the fields of energy, transport, telecommunications and research (Parlamento Europeo, 2006, p. 14).

Subsequently, both blocs supported Latin American and Caribbean countries in achieving their regional integration processes. They considered that regional integration is fundamental to stability, economic growth and investment, consequently for the consolidation of both regions at a global level (Parlamento Europeo, 2006, p. 15). Thus, at the beginning of April 2007, the EU and the CAN formed by Colombia, Peru, Bolivia and Ecuador began the process for an agreement between blocs, "At the XXI Ministerial Meeting of the Andean Community and the European Union, the ministers expressed their intention to start negotiations for an Association Agreement with three pillars: Political Dialogue, Cooperation and Trade" (Villagómez, 2011, p. 12).

#### **2.1.1.1 Andean Community and the European Union**

The relationship between the European Union and the Andean Community in recent years has been very significant for the development of both parties. However, the beginning of these relations is not recent since the EU and the CAN have been strengthening their relations since the 1990s. The EU represents a fundamental market for the Andean countries, since their products are placed at very attractive prices in this market. When some Latin American countries joined the WTO caused that these Andean countries be interested in starting their trade opening under a multilateral trade legal framework that would allow them to negotiate trade agreements on favorable terms to diversify their markets (Brown del Rivero & Torres, 2012, p. 81).

This made it possible to consolidate internally in the CAN a free trade area, in which the exchange of goods between its members was reinforced. Also, community standards were prioritized that facilitated trade such as customs procedures, sanitary and phytosanitary measures, technical standards and mechanisms for solving trade problems within the CAN (Brown del Rivero & Torres, 2012, p. 81). After this internal strengthening, the CAN focused on relations with the EU, achieving a Framework Cooperation Agreement in 1993 and in 1996 formally constituted a mechanism for political dialogue with the Rome Declaration where formal meetings were established on matters of common interest to the parties. Subsequently, in 2002, negotiations were initiated with the EU-Latin America and the Caribbean Summit for a new Political Dialogue and Cooperation

Agreement, which included a free trade area, replacing the existing Framework Cooperation Agreement. After four years, both parties decided to speed up the ratification of this agreement and to negotiate a larger association agreement. This new agreement was supposed to include political dialogue, cooperation programs and a trade agreement. In other words, it was sought to specify schemes of greater relevance and economic content (SICE, 2017).

The Guadalajara Declaration in 2004, allowed the EU and the CAN to evaluate the economic integration of the CAN. Also, it allowed them to know if the CAN had the conditions to facilitate negotiations for a free trade agreement with the EU. In order to do that they established a joint assessment mechanism, where they set up an ad hoc working group to deal with all aspects of the process in the different areas covered. Therefore, in 2007, ministers expressed their intention to initiate an association agreement at the 21st Ministerial Meeting between the Andean Community and the European Union. They agreed that the negotiation of this should take into account the different levels of economic development between the blocs (SICE, 2017).

This step that both blocs were taking was very important and the first round of negotiations took place in 2007 in the city of Bogota. In this meeting, the objectives of the negotiation, thematic indices, the method to be used for the topics in the following rounds were determined. They also agreed to exchange important information for the subsequent negotiations. In addition, in this round it was possible to define common objectives between the two blocs such as working together in the liberalization of trade, eliminating tariff and non-tariff barriers and recognizing the differences in favor of the CAN and the interior of its member countries (Ministerio de Comercio Industria y Turismo República de Colombia, 2007).

The second round of negotiations was in Brussels at the end of the same year, during this round, information was documented with additional oral presentations, comments, explanatory discussions and seminars in some cases. This resulted in reciprocal information that was the basis for negotiating commitments and texts. It was also agreed that, throughout the negotiation process, information was exchanged through the media to maximize the effectiveness of each round of meetings. Furthermore, it was achieved the explanation of doubts about the initial point of relief, the definition of methods and

modalities that allowed the creation of offers before the third round and among other points that were finalized for the subsequent negotiations (Ministerio de Comercio Industria y Turismo República de Colombia, 2007, p. 2).

The third round of negotiations was in Quito in 2008, where the parties pledged to continue advancing the text on market access. They clarified general rules on the exchange of non-agricultural goods, discussed possible offers and requests from each of the parties. Also, they developed trade group meetings for the next agenda which included various activities such as work plans, schedules, general comments, cooperation strategies, technical assistance, guidelines and guidelines for further work and others related to various topics (Ministerio de Comercio Industria y Turismo República de Colombia, 2008, p. 1).

On the other hand, at the 5th EU-Latin America and Caribbean Summit in May 2008, the CAN and the EU agreed on a flexible agreement in which they highlighted 3 main aspects: commercial, political and cooperation. This flexible agreement consists in each member of the CAN (Bolivia, Colombia, Peru and Ecuador) according to their possibilities, risks and deadlines is free to choose if it joins each of the aspects of the mentioned agreement (SICE, 2017). This was a great opportunity for all CAN members to come together and negotiate a trade agreement that benefits all parties, looking after the interests of all. However, this was not what happened since there were different visions of development, and the internal division of the CAN had greater weight.

The productive structures of the Andean region are a constraint in the integration process, due to the lack of productive complementarity and the interests of member countries overlap with the purpose of deepening Andean trade integration (Brown del Rivero & Torres, 2012, p. 81).

This division is due to the fact that each country has different interests and perspectives on what they want for themselves and in the case of Latin America at the time this weight more than the integration of the region itself "The reality in Latin America is that there are different approaches to trade and development reflected in its integration and cooperation efforts" (Álvarez, 2016, p. 14). In addition, another reason for this internal division was the fact that there was still a resentment for the past conflicts between some

countries in the region. These resentments hampered the total integration, since the problems between Ecuador and Peru, Colombia and Venezuela or the military coup in Chile obstructed the integration process of the region (Brown del Rivero & Torres, 2012, p. 55). Although several countries have now put aside these past disputes, there are still great differences that do not allow them to advance together and this was the case of the Andean Community of Countries with the EU.

While it is true that some of the objectives of the CAN countries are the same, such as combating drug trafficking, reducing poverty and insecurity, these were not sufficient reasons for its members to negotiate adequate and proportional regional integration; since the development situation and the interests of all were different. For example, on the one hand, Colombia and Peru have had a more open orientation towards international trade; on the other hand, Ecuador and Bolivia have maintained a position inspired by economic nationalism, aimed at strengthening their sovereignty and independence. That is why, this added to the complicated political processes did not allow the achievement of a common commercial policy among all members, and neither the progress of the negotiations as a whole (Andrade & Meza, 2017, p. 26).

However, in 2009 in Brussels, the CAN member countries, with the exception of Bolivia, met again with the EU to try to make progress in the negotiations of this trade agreement. The first 7 rounds were held in different cities during the same year, the next two rounds were held in 2010. At the VI Summit of Heads of State and Government of the European Union, Latin America and the Caribbean concluded the EU's FTA negotiations with Peru and Colombia, with the exception of Ecuador. Ecuador suspended the negotiations in 2009. Despite the fact that Ecuador together with Peru and Colombia started the process of negotiations with the EU together, in 2012 only Peru and Colombia bilaterally signed this Trade Agreement with the European Union. Although Ecuador withdrew from the negotiations, this was not the end point for relations between Ecuador and the EU, since in 2013 the country formally returned to continue negotiating for the agreement with the EU. In 2016 it officially joined the Association Agreement, that changed its name to Multiparts Trade Agreement between the European Union, Colombia, Peru and Ecuador (SICE, 2017).

### **2.1.2 Banana dispute in the World Trade Organization**

Ecuador has always been one of the main banana exporters in the world, as it produces high quality bananas that have achieved international standards of environmental protection and other recognitions. In addition, one of its biggest importers is the European Union market, which represents around 40% of Ecuadorian banana exports. This is very important for the country, since banana trade is Ecuador's second largest source of economic income after oil and it has therefore contributed significantly to its development. Although the European Union is one of the main buyers of Ecuadorian bananas, its past policies have tended to disadvantage Ecuador and other Latin American countries. Since 1993 European subsidies have outperformed former colonies such as Africa, the Caribbean and the Pacific (ACP) which produce bananas at a higher cost than Latin American countries (Vásquez, 2017, p. 167).

These actions taken by the EU were considered illegal because they negatively impacted the economy of Ecuador and other banana-producing countries. If the EU had continued to maintain its policy of high tariffs, Ecuador would have lost around \$12 million in bananas annually, affecting more than 3,000 households living at that time from the production of this. While ACP countries could export bananas with a zero tariff to the EU; Ecuador, Costa Rica, Guatemala, Nicaragua, Panama, Colombia and Bolivia had to pay a high tariff to introduce their bananas to that market (Vásquez, 2017, p. 167). Due to this unfair treatment, Ecuador and the other countries opposed this tariff imposed by the EU on banana imports, but because of the opposition of the EU to change this, Ecuador had no choice but to initiate legal actions before the WTO.

When the negotiations of the CAN with the EU for the Association Agreement started, Ecuador in 2009 decided to suspend these as the banana conflict prevailed. For a better understanding of the European regime, it is important to mention a little of the history of bananas between the EU and Ecuador, starting with two important historical points that influenced. The first was about the changes that took place between 1993 and 1999 in the World Trade Organization, which declared the European banana import regime illegal and because of this, the regime underwent slight modifications. The second period was from the WTO declaration in 1999 to 2001; resulting in both resolutions insisting that the EU should change its policy (Vásquez, 2017, p. 176).



In 1999, the WTO confirmed that the European market was unfairly discriminating against several Latin American importing and trading companies under Article 1 of the GATT. Consequently, the EU had to adopt a number of import policies, granting tariffs and quotas to Ecuador, Costa Rica, Colombia and Panama; however, these quotas remained unfair to Ecuador. Thus, the country supported by the United States (US) took the decision to file legal actions against the European policy at the WTO. Unlike the previous lawsuits, this case turned out in favor of Ecuador and the US. "The resolution set an important precedent within the WTO in view of the fact that it was for the first time that a developing country was authorized to implement economic sanctions against the developed bloc" (Vásquez, 2017, p. 117).

While the objective of the WTO was that Latin American suppliers have the same access to the European market with a tariff that ensures this, in the following years this did not happen. In 2000 the EU continued its policy on import licenses on a historical basis which benefited the ACP countries and disadvantaged the banana-producing Latin American countries, so the conflicts still prevailed. Nonetheless, in 2005 after several EU negotiations with the ACP countries, which they believed would eliminate competition from Latin American bananas, reached a consensus to establish a tariff of 230 euros per ton on imports from non-preferential suppliers, in that time the Latin American countries. Being this tariff still too high for Latin American countries, Ecuador and a group of countries resorted to arbitration at the WTO, which claimed that the proposed tariff did not allow Latin American banana suppliers to have the same access to the European market as they had previously enjoyed (Vásquez, 2017, p. 178).

Consequently, the EU proposed a tariff of EUR 187 per ton, but this still did not satisfy the other parties, and the WTO insisted that this tariff remained unfair. The EU again fixed a tariff of EUR 176 per ton for Latin American countries and, even so, not content with the tariff, Ecuador argued again that it was not a fair system for Latin American countries. Since it caused a difficulty for the competitiveness of Ecuadorian bananas in European countries, then lashed out against the European import regime. Although Ecuador requested a Dispute Settlement Mechanism to resolve this, no agreement was reached in negotiations between EU members and Ecuador (Vásquez, 2017, p. 178).

Therefore, in November 2008, the WTO Dispute Settlement Mechanism ruled in favour of Ecuador and against the EU. Its aim was to end one of the longest disputes in the history of the WTO, but the EU still maintained the tariff of EUR 176 per tonne. Until the following year (2009) Ecuador, which was already participating in the CAN negotiations with the EU for an Association Agreement, withdrew from these negotiations to end the banana situation. Ecuador supported by its negotiating team, the Ecuadorian diplomacy, the European and Latin American group achieved a historic victor. Concluding after 13-year a dispute over banana tariffs with an agreement that will allow the opening of European markets to more Ecuadorian imports and other countries (Vásquez, 2017, p. 179).

This agreement could be created thanks to the fact that Ecuador and the Latin American countries accepted the offer of the EU to reduce gradually from 176 to 114 euros the ton until 2017. This would consist in that, in the first stage of 3 years, tariffs would be reduced from 176 to 136 per ton; then the following two years it would remain the same without cuts and in recent years it would be reduced from 136 to 114 reaching the proposed target. However, Latin American countries in return pledged not to ask for further reductions in the tariff and to withdraw pending lawsuits against the EU in the WTO (Terán, 2012, p. 87).

### **2.1.3 Generalized System of Preferences**

The Generalized System of Preferences (GSP) is a mechanism that grants special treatment to developing countries by granting them trade preferences, allowing these countries to generate income through this integration of international trade with the EU (Comunidad Andina, 2008, p. 1). Despite, the GSP was multilaterally approved, each developed country has a unilateral mechanism for applying preferential treatment. This means that the aspects of the regime of each beneficiary country vary. Also, a system was established that includes different tariff preferences for several products and each country in order to better target the tariff preferences (Rivera, 2014, p. 15).

The EU's common trade policy is based on strengthening development policies, in particular the eradication of poverty and the promotion of sustainable development in

developing countries; through closer trade between the EU and developing countries. In order to help increase export earnings, stimulate industrialization, support diversification of economies and accelerate economic growth through tariff preferences; all of these to contribute to the increase of the competitiveness of these countries in international markets. As a result, the main objectives of the Generalized System of Preferences were to increase the export earnings of developing countries, to promote their industrialization and to accelerate the pace of their economic growth (Rivera, 2014, p. 23).

The main criteria for achieving these objectives were: granting the GSP to the countries most in need, maintaining a broader tariff offer, improving rules of origin, strengthening temporary withdrawal mechanisms, establishing safeguard and anti-fraud measures, proposing a new incentive to support sustainable development and governance, obtaining a more transparent graduation, focused on real beneficiaries and propose a simpler GSP with easy access (Rivera, 2014, p. 23).

Therefore, by applying all these criteria in order to achieve these objectives, the EU has become the world's largest provider of trade preferences in favor of developing and least developed countries. Especially as the EU is the largest importer of agricultural products, more than other developed countries; it is very important to other countries to maintain and take advantage of the benefits of preferential tariff agreements with this block. The Andean countries achieved it and for several years, the trade relationship between the European Union and the member countries of the Andean Community has been through this Generalized System of Preferences (GSP). It has allowed to maintain trade relations with this bloc and it has allowed Andean economies to develop better in a large European market.

This regime was approved for the Andean countries in 1990 by the European Council and it consists in the reduction or elimination of tariffs that the EU imposed on most industrial products and a few primary products. Among these benefited products were textiles, but, seafood, vegetables and fruits were not part of this benefit. In addition, since 1991 the Andean countries have benefited from one of the special regimes within the GSP, the GSP Drugs. Its objective was to help fight drugs, benefit trade with these countries, encourage poverty reduction, promote governance and sustainable development of beneficiaries. Thus, thanks to the Most Favored Nation (MFN + 50%) clause and the

GSP, about 80% of Andean exports entered the EU market duty-free (Brown del Rivero & Torres, 2012, p. 83).

This regime had a positive effect on some European exports during 1993-1996, these exports increased and it created new jobs, "it increased by US\$983 million and generated a higher gross production value of US\$1.877 billion, for 119,000 new jobs, direct and indirect, and an investment of almost US\$300 million" (Comunida Andina, 2001, para. 6). Also, the following years were characterized by positive effects of the GSP, since this favored preferential exports of US\$1,275 million for a production of US\$2,532 million, which created some 160,000 direct and indirect jobs by the beginning of 2000 (Comunida Andina, 2001).

However, during the same year the initial positive impact of the GSP Drugs was partially mitigated, mainly due to the progress of the liberalization of international trade. Furthermore, due to the EU alliances and free trade agreements with other countries such as South Africa, Israel, Mexico and Chile. The enlargement of the EU to Eastern Europe and the Cotonou Agreement that improved the preferences given to ACP countries by the EU were factors that also contributed to this (Brown del Rivero & Torres, 2012, p. 83).

### **2.1.3.1 Generalized System of Preferences Plus**

After a few years the GSP was modified in order to improve it and was renamed GSP Plus, whose new regulation came into force in 2005, but its period of application was from 2006 to 2015. This allowed the Andean countries to have advantages granted through the Special Incentive Regime for Sustainable Development and Governance, which added 2 eligibility criteria: ratification and implementation of a range of international instruments on human rights, labor rights, environment, drugs and corruption; and eligibility for fragile economies (Terán, 2012, p. 81). This new regime implemented for the CAN, hence, for Ecuador too was not based on a drug regime, but as mentioned it included new processes for beneficiary countries to meet multiple international standards (Rivera, 2014, p. 11)

In addition, this new regime allowed the sale of more than 7,200 Andean products to the EU countries since 90% of these were free of customs duties; hence, their inhabitants had to pay no tariffs. Even Ecuadorian products entered the European market in large

quantities, 93% were not oil products and most were primary products. Likewise, the preferences granted to the Andean countries were established according to their characteristics: illegal drug trafficking, environmental problems, low or middle income, and low levels of democratic institutions (Rivera, 2014, p. 11).

Although the EU imported mostly raw materials such as agricultural, mining and agro-industrial products, which benefited the products of several Andean countries such as Ecuador. Some of the Latin American countries, especially the members of the CAN, claimed that GSP Plus had limited effects, since it did not consider all agricultural products, mainly those of great importance and sensitivity for the region such as bananas. Similarly, another criticism of the GSP by these countries is that it did not allow them full access to the European market, as they felt that more benefits were obtained by the developed countries. Since through this system these countries could import raw materials at low costs and thus improve their competitiveness. The main reason for this is that the GSP does not tax the import of processed products, as these products are not part of it, this complicated the Latin American exports of these products to the European market (Brown del Rivero & Torres, 2012, p. 55).

On the other hand, while the Andean countries benefit from this regime, at the same time some of them were negotiating a trade agreement in order to achieve better tariff preferences. This was the case of Colombia and Peru that during long negotiations managed to sign a Trade Agreement with the European Union. They obtained more significant advantages than the GSP; while countries such as Ecuador and Bolivia continued with the GSP until it ended, which would harm both countries.

The Ministry of Foreign Trade of Ecuador (2014) in an explanatory publication on the Trade Agreement with the European Union notes that the absence of a trade agreement would directly affect domestic production, exports, direct and indirect employment and foreign exchange generation. The impacts would extend to various social sectors and to large and medium-sized enterprises, as well as the Actors of the Popular and Solidarity Economy (Andrade & Meza, 2017, p. 1).

The application of the GSP ended in 2016 leaving these countries without benefit, which is why Ecuador was initially present in the negotiations with its neighbors for this

agreement with the EU. It was urgent for Ecuador to adhere to it so as not to be at a disadvantage with other countries. Also, to be able to continue developing its industry, to continue growing economically and thus improving the living conditions of its inhabitants.

## **2.2 The European Union Multiparty Trade Agreement with the Andean countries**

### **2.2.1 The European Union and Colombia**

#### **2.2.1.1 Background**

At regional level, Colombia for several years has been viewed with concern by its national situation, whether it is due to cross-border military confrontations, immigration from Colombians, trafficking in the region, drug trafficking and its expansion. These situations directly or indirectly threatened and threat regional and continental security. This is the reason why in the 2000s, security has been the main objective of the Colombian government's internal policy, focusing on strengthening military, economic and cooperative alliances with the United States. This determined the direction of Colombia's foreign policy and at the same time distanced approaches with the regional and global environment (Friedrich Ebert Stiftung en Colombia, 2004, p. 3).

As a result, the government of the Colombian President Uribe made cooperation agreements on security issues rather than commercial ones, mainly with the US. But he signed one in Brussels with EUROPOL to exchange intelligence and combat terrorism, the white slave trade, money laundering and illegal immigration (Friedrich Ebert Stiftung en Colombia, 2004, p. 5). This was significant because it was an important factor for opening up relations and cooperation with the EU, even though it was for security issues.

In addition, Colombia had not reached several trade agreements that were very important for its economy; it only had deep trade agreements with CAN member countries, Mexico and Venezuela under the G3. However, from 2004 its internationalization policy grew and several treaties were negotiated such as the CAN-Mercosur agreement, a Free Trade Agreement (FTA) with Chile, the US and the Central American Northern Triangle (Guatemala, Honduras and El Salvador) (Duarte, 2007, p. 1).

### **2.2.1.2 Multiparty Trade Agreement**

Colombia's relations with the EU were through the CAN and everything that was achieved between both blocs favored its member countries, therefore, Colombia too. Colombia as the rest of the Andean countries benefited from the GSP Drugs and Plus. Nonetheless, given the impossibility of advancing and encouraging the Association Agreement with the CAN that includes free trade; the Colombian President Uribe requested a 10-year extension of the GSP (Friedrich Ebert Stiftung en Colombia, 2004, p. 5). However, the following year the negotiations for the Association Agreement between the CAN and the EU began. The agreement was based on 3 important pillars: political dialogue, cooperation and trade (Duarte, 2007, p. 2).

The Political Dialogue pillar was focused on strengthening Andean integration and integration relations between the two blocs through instruments that were established by means of topics of interest. The second pillar, the cooperation pillar, it was set up with the aim of increasing the development of the parties and increasing the cooperation of areas of mutual interest with programs that help reduce existing asymmetries. Finally, the third pillar, the commercial pillar, aims to achieve true free trade, diversifying the flow of trade of Andean products with tariff preferences that recognize the asymmetries of the parties. Generating a special and differential treatment between the CAN and the EU, taking into account the interests of the CAN member countries (Duarte, 2007, p. 6). These pillars were the basis for negotiations and a strategic for Colombia to open up to international trade in order to be recognized for its products in the European market and to grow economically.

Furthermore, with this Agreement, Colombia sought to ensure the competitiveness of its exports against competitors that also direct their products towards the European market. Also, it wanted to obtain a reduction in import costs of capital goods and raw materials from the EU, allowing the updating of equipment and thus improving the competitiveness of Colombian export products. This would improve access for Colombian service providers in the global market. Likewise, Colombia aspired with this Agreement to significantly increase its exports since before this, from 2002 to 2006 its exports grew and for 2006 reached a value of \$ 3,340 million (Duarte, 2007, p. 21).

From this, the negotiations began and the first round took place in Bogotá in 2007. In the round were present Colombia, Ecuador and Peru. The second round was in Brussels in December of the same year and the third in Quito in 2008. In 2009, Bolivia was no longer present in Brussels, so the Andean countries met again with the EU to advance the negotiations of the trade agreement. The first 7 rounds of negotiations for the Multiparty Agreement were held in different cities during the same year, but as previously mentioned Ecuador withdrew from these. The last 2 rounds happened in January and February 2010 only with Colombia and Peru (SICE, 2017).

The Multiparty Trade Agreement between Colombia, Peru and the European Union was signed on 26 June 2012 in Brussels, Belgium. The European Parliament ratified the agreement on 11 December 2012. Subsequently it notified on 27 February 2013 that it had completed its internal procedures for the provisional application of the agreement. As for Colombia, the internal procedure for the approval of it by the Congress of the Republic began from November 2012 to June 2013 and on August 1, 2013 the agreement already entered into force (SICE, 2017).

On the one hand, since the entry into force of the Agreement, 99 % of Colombia's exports of industrial goods, including fisheries, were granted duty-free access to the European market. Similarly, in terms of agricultural goods, key products in the export basket, such as flowers, tobacco, coffee and processed products, biofuels, palm oil and most fruits and vegetables, also had duty-free access. Sensitive products such as bananas despite not having free access, Colombia, Ecuador and Peru achieved a reduction of the tariff to 75 euros a ton getting an advantage over other partners (Ministerio de Comercio Industria y Turismo República de Colombia, 2012, p. 3). Among other products that also obtained either elimination or reduction of tariffs immediately or gradually since the entry into force of the agreement.

On the other hand, with this agreement, Colombia also aspired to obtain indirect advantages for its population such as: generation of new jobs, creation of new and great market opportunities, attraction of more customers and investors; achieving new commercial and productive alliances, and obtaining more options and better prices for consumers.



## **2.2.2 The Union European and Peru**

### **2.2.2.1 Background**

Relations between the European Union and Peru, as well as Latin American relations with this bloc, for several years have not been of great importance for various reasons. For example, in the 70's Peru did not have a parliamentary regime for the military dictatorship that the country was living at that time and thanks to the CAN is that it managed to have certain approaches to the EU. But the main reason was that Peru and the other Andean countries had the US as their main partner; leaving aside the interest to interact with the EU. Thus, the Peruvian governments have directed their policies towards this partner, redirecting any rapprochement with Europe and Europe had almost no participation in the region due to the role of the US within the Latin American region (Maurtua de Romaña, 2017).

However, at the end of the 20th century, this changed since Peru regained its democracy and also Europe set its sights on Latin America, especially in the Andean countries. So, Peru prioritized relations with this important bloc in its agenda (Maurtua de Romaña, 2017). Although, during the first presidency of Alan García, Peru was going through a strong political and economic crisis as a result of his mismanagement and the rise of terrorism; this was not a sufficient excuse to end the relations they had just begun. Rather, the European Economic Community (EEC) significantly helped Peru in this difficult stage, and it was reached a financing agreement called "Program to support agro-pastoral micro projects (PAMPA) - Puno" in which Europe gave a large amount of money to improve the living conditions of the country's rural populations through increased agricultural production (Novak & Namihas, 2016, p. 73).

Consequently, several agreements were signed with the EEC, such as an agreement on trade in textile products, whit this Peru obtained an increase in its exports of textiles to the European market, surpassing the United States as its main buyer. Later with the Fujimori's presidency, his government focused on promoting cooperation with the EEC, whose objective was that the new reforms proposed by this new mandate should be accompanied by appropriate international cooperation to mitigate their impact on the poorest Peruvian population, reduce public resistance to these reforms and accelerate tangible gains for the population (Novak & Namihas, 2016, p. 38).

As for the trade relationship with Europe during the Fujimori government, this was characterized by the system of tariff preferences, in favor of the Andean countries. In the first instance was the GSP Drugs and after some years the GSP Plus. As with the other Andean countries, its objective was to increase the levels of foreign trade of these countries. With the application of this regime, Peruvian exports increased in great magnitude year after year.

For 1990, the level of exports was \$205 million, from 1991 to 1992 it was \$316 million, in 1993 it rose to \$389 million. In 1994 it rose to \$552 million, which represented a 169% increase in exports under the Andean GSP between 1990 and 1994 (Novak & Namihas, 2016, p. 49).

Later with the implementation of GSP Plus, Peru continued to make profits and demonstrate high rates of economic growth which caused it to be recognized as an important emerging country. It stood out over its neighboring countries and it drew more the attention from the European bloc. Thus, this period was important for the country because its trade grew evenly with positive results in the balance. Looking to the future, efforts were made to strengthen Peruvian export capacity through bilateral cooperation (Novak & Namihas, 2016, p. 73).

#### **2.2.2.2 Multiparty Trade Agreement**

The negotiations started for an Association Agreement between blocs, on the one hand the CAN and on the other the EU. This agreement, which became known as the Multiparty Commercial Agreement with the European bloc, was of great importance for Peru. The EU was and is an important trading partner that receives most of the exports of Peruvian raw materials and during that period the largest investor in this country. For 2009 the European Union represented about 15.7% of Peru's exports and was the main investor of this country, receiving more than 50% of foreign direct investment and being the main cooperator with 132 million euros in the period 2007-2013 So they started negotiations for an Association Agreement between blocs, on the one hand the CAN and on the other the EU. This agreement, which became known as the Multiparty Commercial Agreement with the European bloc, was of great importance for Peru because it was and

is an important trading partner that receives most of the exports of Peruvian raw materials during that period the largest investor in this country. Since for 2009 the European Union represented about 15.7% of Peru's exports and was the main investor of this country, receiving more than 50% of foreign direct investment and being the main cooperator with 132 million euros in the period 2007-2013 (Valdez & Docarmo, 2010, p. 14).

The objective of this agreement was to get benefits for both parties, in particular the Andean countries, by reducing barriers to improve market access. Also, the use of common rules to facilitate trade and investment between the two blocs. Peru with this agreement intended to increase its exports even more than it had already achieved with the GSP Plus. From the application of this new agreement, Peru favored the immediate relief of 99.3% of its exports to the EU. In addition, another benefit was that the EU would provide duty-free access through tariff quotas to exports of certain products such as sugar, cocoa products, chocolates and among others (Valdez & Docarmo, 2010, p. 15). Furthermore, in addition to the reduction and elimination of tariff barriers, it also granted preferences for certain sensitive Peruvian products, eliminated or reduced non-tariff barriers and achieved technical objectives, health, safety in order to facilitate trade, without creating unnecessary obstacles for the parties involved (Bonney, 2013).

After several rounds of negotiations concluded in 2010, as mentioned above, only Peru and Colombia managed to sign the trade agreement with this important bloc. After the legal review of the agreement in 2011, both Peru and the EU signed the agreement to begin the approval process by the national congresses for the entry into force of this, which was on March 1, 2013 for Peru (Novak & Namihas, 2016).

### **2.2.3 The European Union and Ecuador**

#### **2.2.3.1 Background**

As previously mentioned, for several years the European Union had no interest in Latin American countries and like the rest of the Andean countries its agenda was focused on its first trading partner, the US. However, Ecuador had already been exporting certain products to this European market, such as bananas. But the EU decided unilaterally in 1993 to change the banana import regime active at that time and to harm the Latin American countries that export this product. This led Ecuador and the EU to negotiate

and reach an agreement on this issue. After a long process of challenges of Ecuador at the WTO, the banana dispute was resolved by the Dispute Settlement Body that gave reason to Ecuador (Proaño, 2002, p. 566).

In addition, from in the 20<sup>th</sup> century, Ecuadorian citizens began to emigrate to this region, especially to Spain and Italy, in order to improve their standard of living and obtain greater opportunities. In the middle of this century there was a high number of Ecuadorians who left the country to settle in Europe, that is why this situation brought concern for the European bloc. The entry of foreign nationals in large quantities is not beneficial and it is a matter of security that each country must take care of. This caused Ecuador and Spain to negotiate an agreement for the regulation of migratory flows.

The cause of this accelerated migration was that Ecuador was going through a difficult situation during the government of President Mahuad. His government had high unemployment rates due to a large fiscal deficit that led to an economic and financial crisis resulting from the reduction in the price of oil in 1997-1998. Also the devaluation of the sucre led the government to adopt the dollar as its currency; causing a number of consequences such as the bankruptcy of several companies that continued to increase the unemployment of the country (Proaño, 2002, p. 569).

Consequently, Ecuador included the issue of migration in its agenda with the international community; with the objective of building a foreign policy to the protection of its citizens abroad; improving relations with this important bloc. Therefore, the meetings between Ecuador and the EU were increased to deal with different topics of mutual interest. For example, in 1999 the Foreign Minister of the United Kingdom visited the country in order to promote economic, political and cooperation relations with Ecuador. The following year, the Minister of Foreign Affairs of Ecuador went to Spain to discuss various important issues for the country such as cooperation with certain provinces of Ecuador, the reactivation of the financial program, the renegotiation of payments for the debt with Spain and among other issues (Proaño, 2002, p. 554). Similarly, there were a number of additional meetings between the parties to discuss matters of importance to both parties:

Matters relating to the promotion of political relations, political and economic stability and the social situation in Ecuador. Others as the respect for democracy and human rights; external debt; promotion and trade; Plan Colombia and the fight against drugs; migration problems of Ecuadorians in Europe; technical and development cooperation; environmental care; and cultural exchange (Proaño, 2002, p. 557).

Although Latin American countries were not yet the priority of this bloc, since the 1990s Ecuador and the rest of the Andean countries had been seeking to strengthen their relations with the EU. Ecuador had known for several years the importance of establishing relations with this important bloc. It recognized that obtaining conventions or agreements with the EU meant a lot, not only for the country but also for the Latin American region.

As for the trade relationship between the EU and the country, the European market was Ecuador's second trading partner, which mainly bought raw materials. That is why, like the rest of the Andean countries, Ecuador enjoyed the GSP and after several years the GSP Plus, whose tariff preferences granted favored Ecuadorian exports and made the country a more competitive bidder. However, this ended in 2016, which meant that the Andean countries would no longer receive this benefit, therefore, without any preference their economies would be harmed.

### **2.2.3.2 Multiparty Trade Agreement**

In 1994, following the signing of EU Association Agreements with Mexico and Chile and the start of negotiations with Mercosur, the Central American and Andean countries did not want to be left behind as these agreements would be a disadvantage for them. So in 2006 the idea was born to start negotiations for an Association Agreement between these two blocs (Villagómez, 2011, p. 12). The purpose of this Agreement, which later became known as the Multiparty Trade Agreement, as mentioned above was to facilitate trade between these blocs by establishing a series of measures that favor and take into account the level of development of all parties involved.

The implementation of this agreement immediately granted access to 0% tariff for 100% of Ecuadorian industrial and fishery products and 0% tariff for 99.7% of agricultural products. In addition, it provided better conditions for some products compared to GSP

Plus; projecting approximately \$1.5 billion in agricultural exports and \$1.2 billion in industrial and fisheries exports. As for the European products that enter the country, these would gradually reduce their tariffs favoring the country since they could obtain inputs, raw materials and capital goods of high quality at more competitive prices. This could facilitate changes in the production matrix (Delegación de la Unión Europea en Ecuador, 2017a, p. 3).

Besides continuing the tariff preferences already established by the GSP Plus, the agreement increased the number of products that will have these preferences and improved market access conditions, with better and greater legal certainty. This included other issues such as sanitary, phytosanitary measures, technical barriers to trade, sustainable development, trade in services and geographical indications. Furthermore, with this agreement, Ecuador wanted to increase its exports since the export of products from the country to the European market had increased by 72.4% between 2005 and 2016, with a positive trade balance in the last 10 years (Delegación de la Unión Europea en Ecuador, 2017a, p. 9). In this manner, with the increase of these preferences and the other measures of the agreement, the country would benefit in different areas.

#### **2.2.3.2.1 Negotiation processes**

As previously mentioned, the mandate of the Fourth Latin America-Caribbean-European Union (LAC-EU) Summit, held in Vienna in 2006, approved the first steps to start negotiations between the Andean and Central American countries. Consequently, since April 2007, the Andean Community of Nations, comprising Colombia, Peru, Bolivia and Ecuador, began negotiations with the European Union on an Association Agreement between blocs (Andrade & Meza, 2017, p. 26). As a result, as mentioned above, the first round of negotiations between the Andean countries and the EU took place in 2007 in the city of Bogota; the second in Brussels at the end of the same year; the third in Quito in 2008 and the fourth in 2009 in Brussels. All the Andean countries except Bolivia met to continue the negotiation process.

Later there were 9 more rounds, in which only Colombia and Peru continued, while Ecuador withdrew in 2009 to resolve the banana dispute, whose dispute was resolved at the end of the same year. It is worth mentioning that, this was not the end of the

negotiations to achieve the Multiparty Agreement between the EU and Ecuador. Ecuador formally resumed negotiations in 2013 and the first round of negotiations between Ecuador and the EU for the Multiparty Agreement took place at the beginning of 2014. After 4 rounds of negotiations, the parties involved decided that the country should accede to the Trade Agreement signed by Colombia and Peru with the EU. As a result, in September 2014 Ecuador and the EU publish the text of the trade agreement (SICE, 2017).

The legal revision of the text of the agreement was given during 2014 and later was presented by the Government and the Assembly of Ecuador to the European Parliament. In addition, this text had to be translated into the 24 official languages of the block (Morla, 2015, p. 29). During this process Ecuador requested that the GSP Plus be extended, the reason for this was that the GSP Plus expired in 2016 and still the trade agreement did not enter into force. Hence, Ecuador without any agreement or regime such as the GSP would have been at a disadvantage.

#### **2.2.3.2.2 Signature and entry into force of the agreement**

On November 11, 2016, at the headquarters of the Council of the European Union in Brussels, the Protocol of Accession of Ecuador to the Multiparty Trade Agreement with the European Union was signed. This was signed by Jorge Glas who at that time was the vice president of the Republic. The agreement was also signed by European Ministers and plenipotentiaries elected by both Peru and Colombia. Following signature, the Council sent the Protocol to the European Parliament for ratification (Vicepresidencia de la República del Ecuador, 2016).

Even before the ceremony, Vice President Glass in two interviews mentioned that the Agreement besides strengthening Ecuadorian production and the entry of its products to new markets, allows this sector to benefit from capital goods and services entering the country with zero tariff. Above all, it emerged the idea of establishing regional production chains with Peru and Colombia that also have a trade agreement with the EU (Vicepresidencia de la República del Ecuador, 2016).

Finally, on January 1, 2017, the Trade Agreement between Ecuador and the European Union entered into force. The entry into force of this agreement represented a historical landmark in the bilateral relations between the European Union and Ecuador. It opened the door to increased trade flows between both parties and created a stable legal framework to attract more investment and more transfer of technology. Therefore, transfer of innovation, to promote employment and promote sustainable development, but also it made the parties equal partners (Delegación de la Unión Europea en Ecuador, 2017, p. 2). Thus, prior to the initiation of its implementation, the positive aspects of this Agreement began to emerge, since the projections made by the Economic Commission for Latin America (ECLAC) were positive.

According to projections made, the entry into force of the Trade Agreement will represent for Ecuador an annual increase of 0.10% of GDP, 0.15% in consumption and 0.13% in investment. In addition to a positive effect on employment generation and better income for the population (Vicepresidencia de la República del Ecuador, 2016, para. 4).

## **2.2.4 Current Trade Relations with the European Union**

### **2.2.4.1 High Level Political Dialogue**

In order to strengthen the level of their relations in the context of foreign policy and to address aspects that would not be covered by trade agreements or those related to cooperation; the European Union created a mechanism called political dialogue implemented in the agreements signed with Latin America at the regional, sub regional and bilateral levels. This mechanism is considered a differentiating and effective element compared to the usual system of handling bilateral relations (Coral, 2007, p. 483).

The political dialogue between the two regions, Europe and Latin America, took place under different bodies and channels, such as: inter-parliamentary dialogue; group-to-group regional dialogues (EU-Rio Group) and sub regional dialogues (Central America, Mercosur and the Andean Community). Interregional at the summits of heads of state and government; and bilaterally with countries that have signed fourth-generation association



agreements (Mexico, Chile). In general its content has been related to issues related to regional integration, political stability, human rights, the consolidation of the rule of law, the fight against drugs, related crimes and trafficking in people, arms among others (Coral, 2007, p. 484).

Once signed, the Multiparty Trade Agreement between Ecuador and the European Union, one of the 3 fundamental pillars on which the Agreement was based, was the political dialogue. That is the reason why, since its entry into force, Ecuador and the EU through their authorities hold a High Level Political Dialogue once a year. The aim of this is for an exchange of ideas and information between the parties to strengthen their bilateral relations, as well as to develop the political and cooperation agenda.

On December 4, 2020, the sixth meeting of this mechanism took place between Ecuador and the EU. It was carried out through videoconference due to the pandemic of COVID-19. The dialogue focused on a variety of topics, including political and trade relations, development cooperation, security cooperation, human rights and governance, environmental management, climate change, regional and multilateral issues. Similarly, starting this year, both parties established a human rights dialogue, the first meeting was in July of the same year (Delegación de la Unión Europea en Ecuador, 2017).

Another issue that came to be discussed during this meeting was the environmental and labor issues. The EU believes and is convinced that the development and growth of trade must go hand in hand with the establishment of international conventions containing these issues. Therefore, Ecuador and the EU have been working on this aspect of work, so over time they have been able to develop an Advisory Committee, which is made up of representatives of civil society, business and trade unions. These people are responsible of carrying out an annual evaluation and monitoring of compliance with international obligations. As a result, responsible business conduct is being strengthened and promoted through improved labor inspections to protect and guarantee workers' rights (Delegación de la Unión Europea en Ecuador, 2017).

On the other hand, in the field of the environment, the EU is supporting the country to improve its processes to eliminate important issues of great concern such as illegal, unreported and unregulated (IUU) fishing. So the EU is providing information and

knowledge to Ecuador to correct these practices in order to ensure that illegal fishing does not enter the European market (Delegación de la Unión Europea en Ecuador, 2017). These kinds of activities that are being supported by this important block have allowed issues such as labor, environmental, commercial and others to be taken more into account, representing the importance they have for development, country's growth and the sustainability of the planet.

During this meeting, it was mentioned that the Multiparty Trade Agreement not only marked a before and after in the bilateral relations between Ecuador and the EU, but it became an instrument for improving trade opportunities and removing a number of obstacles. It has become a powerful engine for sustainable economic growth and job creation. Therefore, during the meeting of the political dialogue, the parties committed themselves to continue implementing the provisions of the agreement in order to achieve its consolidation.

## CHAPTER 3

### **Result of the Multiparty Trade Agreement in the Ecuadorian exportable offer of traditional products**

#### **3.1 Traditional products of Ecuador**

##### **3.1.1 Banana, cocoa and its products, coffee and its products, shrimp, tuna and fish**

Unlike the Western countries, Ecuador was a developing country in its beginnings and even to this day, has not had the infrastructure, development and capital necessary to use it in technology and investment, in order to produce finished products. That is the reason why Ecuador was dedicated only to agricultural production. It has excellent conditions to create these products and during a certain time in the past it had low production costs. This allowed the country to gain a special advantage and eventually became one of the largest exporters of agricultural products in Latin America and the world (Vélez, 2017, p. 30). For several years and until now, the export of these products has come to represent a large percentage of the economic growth of the country, the main reason for its importance.

Thus, agricultural products have historically been consolidated as the pillar of Ecuador's non-oil exports. A clear example is the boom in cocoa between 1900 and 1920, during that time the sales abroad accounted for 70% of total exports. According to the Central Bank of Ecuador, since 2000, exports of agricultural products and their derivatives have accounted on average for 50 per cent of total exports. The Commercial Balance of Ecuador is divided into oil trade balance, which is composed of the sales of oil and its derivatives; and in the non-oil trade balance, which is divided into the export of traditional and non-traditional products (Verdugo & Andrade, 2018, p. 2).

Non-oil exports are divided into two groups: traditional and non-traditional products. Traditional products are considered to be those that Ecuador has been producing since its beginning, which means that it historically has been producing these products and these are bananas, cocoa, coffee, tuna and fish. While non-traditional products are products that the country has incorporated into international markets in recent times such as tropical

fruits, flowers, wood, canned fish and among others (Verdugo & Andrade, 2018, p. 2). However, today the exports of traditional products also include products derived from these, for example products made from coffee and cocoa. Tuna and fish also include full tuna, tuna fillets, other fillets, preparations and preserves of tuna.

As previously mentioned, traditional products have a higher participation in non-oil exports, hence a higher annual growth rate. It is due to the level of development of these products in the country, because the country has devoted greater efforts to the progress of these products, such as an increase in the areas of cultivation for these and other efforts. They are important because they currently have a definite demand in the international market and have been able to position themselves in it (Verdugo & Andrade, 2018, p. 2).

#### **3.1.1.1 Bananas**

One of the traditional products of star exportation of the country is the banana and its export dates back to approximately 1910, being at that time its main destination USA, Peru and Chile. Over the years, the export of this product has had high and low stages due to various reasons, but mostly positive periods that allowed the Ecuadorian banana to position itself internationally as a quality product. In 2009 according to APROBANC Ecuador owned 40% of the world's banana exports (Vélez, 2017, p. 33). In addition, the country is considered one of the first banana exporters in the world, for several years its sales volume was higher than those of countries that also offer this product such as Costa Rica, Guatemala, Colombia, Honduras and the Philippines (Villegas, 2014).

According to databases and statistics, "they indicate that three out of ten bananas consumed in the world are of Ecuadorian production. Production does not stop at any time of the year and represents 12% of the sources of employment in Ecuador" (Villegas, 2014, p. 8). Among the varieties of bananas that the country offers are: Grand Cavendish, Grand Naine, Valery and Lacatán. The main markets that import Ecuadorian bananas are: USA, Belgium, Germany, Russia, Japan, UK, Italy and France; being the European block the main consumer of this Ecuadorian product (Villegas, 2014, p. 8).

#### **3.1.1.2 Cocoa and its products**

Cocoa became one of the first products of Ecuador to be internationalized and exported abroad. Ecuador exported about 4500 metric tons in the 18th and 19th centuries, becoming the largest exporter of this product during this period. However, production was seriously affected by two pests the "monilla" and "witch's broom", so like other products Ecuadorian cocoa also had its high and low periods (Vélez, 2017, p. 32). Today the country is part of the top 10 cocoa producers in the world characterized by being a leader in producing cocoa of fine quality and aroma (Villegas, 2014).

Our country is considered the largest producer of fine aroma cocoa and additionally 100% of the total production of cocoa only 5% is considered fine aroma cocoa and of this 5%, 60% Ecuador produces it (Vélez, 2017, p. 32).

The main importing market for cocoa in the world is the European Union, followed by the US and Malaysia which now have a large share in the consumption of this product from Ecuador. As the EU is the main consumer of cocoa, it is the first destination of Ecuadorian cocoa exports followed by the US and Japan (Verdugo & Andrade, 2018; Villegas, 2014).

### **3.1.1.3 Shrimp**

Shrimp, unlike cocoa and bananas, was not one of the first products to become internationally known. The first signs of its production, date back to the late 1970s when mangrove conditions began to be exploited to produce shrimp; resulting in Ecuador becoming the first Latin American country to export shrimp in 1980. Although, the production of this was affected by the plague "white spot" in 1990; this did not stop the production of shrimp. Over the years the Ecuadorian shrimp has recorded records in sales, managing to position itself internationally as one of the best shrimps in the world (Vélez, 2017, p. 33).

Although the country competes with several Asian countries in the cultivation and production of shrimp worldwide, Ecuador continues to be the first shrimp producer in America. It has been considered as the best shrimp in comparison with other bidding countries, because the Ecuadorian shrimp is desired for its flavor and refined presentation. The most important species is the *Litopenaus Vanamei*, which is a white shrimp of

excellence. This product is exported frozen to more than 30 countries around the world, the USA is the first consumer, followed by the EU, Japan, Chile and Canada (Villegas, 2014).

#### **3.1.1.4 Coffe and its products**

Although Ecuadorian coffee was not recognized as the star product of the internationalization of Ecuadorian products; since 1860 the first crops of this product are recorded. The first crops grown in the lands of Jipijapa in Manabí, whose coffee production was the first to be exported. Another place in Ecuador that is distinguished by coffee production is Loja. Since 1990, Ecuador exported large quantities of coffee, approximately 2 million bags of this product went from the port of Manta to Europe. But like other products, Ecuadorian coffee had a decrease in prices during the 90's due to the growth of Vietnam as a coffee producer. It exceeded the amount of coffee produced by Central America and even Colombia, the biggest competitor of Ecuadorian coffee (Vélez, 2017, p. 38).

However, this did not allow Ecuadorian coffee to decline because at present this product in particular the coffee from Loja is widely recognized worldwide. Its quality, taste and aroma have allowed it to be desired by several countries of the world and it has won some recognitions. Among the main varieties of coffee produced by Ecuador are: washed Arabic, natural Arabic and Robusta and in other presentations such as atomized coffee and freeze-dried coffee (Villegas, 2014).

The main importing block of coffee worldwide is the European Union, followed by Russia, which has increased its share of coffee imports in recent years. While the main consumer countries of Ecuadorian coffee are EEU, Germany, Poland, England, Belgium, Netherlands, among others; being again the European block an important buyer for the country (Verdugo & Andrade, 2018; Villegas, 2014).

#### **3.1.1.5 Tuna and Fish**

Ecuador's fishing industry initially focused on covering domestic demand in the local market, but in the middle of the 20th century it shifted its focus to international trade. Over time, Ecuadorian tuna and fish increased their exports, they entered to new international markets, acquiring new potential consumers. Consequently, Ecuador ranked as the second exporting country of these products in the world, preceded by Thailand, but above its main competitors Philippines, Spain and China (Ministerio de Comercio Exterior, 2017a; Villegas, 2014).

Also, one of the main sources of income for the country is the tuna industry that thanks to activities that include capture and processing have generated 24,000 direct jobs and around 120,000 indirect jobs across the value chain of the tuna. Other important aspects are that at least 53% of the employees in the plants are women and the country is the only one that is part of the Regional Fisheries Organization (RFMO) of the 6 main countries in the world that catch tuna resources (Ministerio de Comercio Exterior, 2017a, p. 4).

The main species of tuna caught by Ecuador are: yellowfin tuna, big eye tuna, tuna kite and skipjack tuna that are mostly processed into canned and loins for later export. On the other hand, the EU represents the main consumer market for tuna and fish followed by the US, UK, Chile and among others (Ministerio de Comercio Exterior, 2017a; Villegas, 2014).

### **3.2 Requirements for these products before and after the Multiparty Trade Agreement**

The requirements that had to be met before the Multi-Party Trade Agreement with the EU have not changed and are the same after it, what stands out is that with the agreement the requirements requested by the EU are stricter. Among these are the general requirements that are procedures that must always be met such as customs declarations, commercial invoices, insurance of the transport of goods; records such as the economic operator. There are also specific requirements, which depend on the products to be exported, in this case are agricultural products so they are needed sanitary and phytosanitary measures. Other requirements such as marketing standards, technical standards, food safety and human safety standards, labelling, packaging and other standards (Scheidl, n.d, p. 8).

As these traditional products are mostly agricultural, for their export to the EU, they needed import licenses for agricultural products. These allow the authorities of the European bloc to regulate trade flows and to process tariff quotas and safeguard measures. In this case, these licenses are granted by the competent authorities of the importing country of the European Union and those importing them must apply. With regard to food safety, some of the requirements that the EU is requesting are general principles of food law, general rules on the hygiene of foodstuffs and products of animal origin, rules on pesticides, residues, contaminants in and from food, special rules for certain categories of food or food intended for specific populations (Montaño, 2021).

As regards health requirements, the EU is asking for health certificates, which certify that products manufactured in the Republic of Ecuador for human use and consumption are intended exclusively for export and that they are manufactured in a place that guarantees the quality, safety, efficiency and safety of the product. In the country, the body responsible for issuing this certificate is the National Agency for Health Regulation, Control and Surveillance (ARCOSA) and in the European Union the European Food Safety Authority (EFSA) is the one that guarantees food safety. Among the general requirements that the EU commonly requests are to be part of the list of countries authorised to export the category of products to the EU, health certificate signed by the competent authority of the exporting country and health checks at the border inspection post of the EU country (Montaño, 2021).

On the other hand, phytosanitary requirements are measures to prevent or control any pest of animal or plant origin during the production, transport, storage, distribution and manufacture of agricultural products and their derivatives. Among the general requirements that the EU requests are: phytosanitary certificate issued by the competent authorities of the exporting country, the registration of the importer in the official register of an EU Dais, the notification to customs before arrival at the point of entry and the passage of the products through customs inspections at the point of entry of the EU (Montaño, 2021).

Packaging and labelling are also closely monitored by the EU prior to its entry into the European block. These must comply with environmental and health requirements such as



general rules on packaging and waste, packaging size, special regulations and provisions on materials and articles intended for contact with food. In addition, packaging made of wood and other plant products may be subject to phytosanitary measures. Products sold in the EU must comply with the labelling requirements of the Food Labelling Regulations active since December 13, 2014. Specific product cards are available for: coffee, rum, juice, shrimp, cotton T-shirts. The EU Ecolabel or "floral label" can be awarded to products that help protect the environment and inform consumers about its environmental impact (Montaño, 2021).

In addition, another aspect that changes with the application of the Commercial Agreement is the applicability of the Form to Export to Europe, called "Form of Certificate of Movement of Goods EUR 1". The use of this form is for exports of Ecuadorian products destined to EU member countries. The requirements for applying for this form remained the same as those for obtaining the GSP certificate, which had the same purpose prior to the agreement. The competent authorities for the issuance of the Form to Export to Europe are: The Ministry of Foreign Trade (MCE), the Ministry of Industries and Productivity (MIPRO), the Ministry of Agriculture, Livestock, Aquaculture and Fisheries (MAGAP) (Cámara Nacional de Pesquería, 2016).

### **3.3 Traditional Ecuadorian products before the entry into force of the trade agreement with the EU, 2015-2017**

#### **3.3.1 Tariffs that these products had to pay to enter the European market 2015-2017**

##### **3.3.1.1 Banana**

The Ecuadorian banana sector before the Multiparty Agreement with the European Union did not benefit from the Generalized System of Preferences, since this system did not grant any preferences to sensitive products like this. However, bananas were regulated by the Geneva Agreement on Trade in Bananas (GATB). The agreement was concluded in 2009 in Geneva after the end of the banana situation between the EU and Latin American countries when they agreed to leave behind all legal actions brought before the WTO

against the EU. This agreement provided for a progressive reduction of European tariffs for Latin American countries, representing a total reduction of 35% of tariffs on bananas (Parlamento Europeo, 2011).

This agreement between the EU and Latin American countries (Brazil, Colombia, Costa Rica, Ecuador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Peru and Venezuela) consisted of the progressive reduction of tariffs in 8 annual stages from 2010 to 2017, each year a percentage of tariffs has to be reduced (Diario Oficial de la Unión Europea, 2010).

*Table 1 Tariffs under the Geneva Agreement on Trade in Bananas*

<b>Year</b>	<b>GATB Tariffs</b>
2015	122 EUR/tm
2016	117 EUR/tm
2017	114 EUR/tm

*Note:* This table shows the tariffs set for bananas to enter the EU from 2015 to 2017 with the GATB EUR/tm=euros per metric ton. Source: Diario Oficial de la Unión Europea, 2010. Made by: Sofia Cardenas.

According to Table 1, the period analyzed before the agreement is from 2015-2017, the reduction of tariffs can be observed each year. By 2015 the tariffs to be paid by these countries including Ecuador to enter the EU were 122 euros per metric ton; for 2016 a tariff of 112 euros per metric ton was applied and finally for the following year the country would have had to pay 114 euros per metric ton. However, at the end of 2017 the agreement with the EU came into force and a new tariff was established for Ecuadorian bananas.

### **3.3.1.2 Cocoa and its products**

Unlike bananas, Ecuadorian cocoa was contained in the GSP Plus granted by the EU to the Andean countries, which is why cocoa from Ecuador and the other CAN countries were regulated by this system. This product benefited, since in most of its export presentations it entered the European block without having to pay any tax.

*Table 2 Cocoa and its products tariffs before the MTA*

<b>Generalized System of Preferences Plus</b>		
<b>Year</b>	<b>Cocoa and its products</b>	<b>Cocoa powder with added sugar</b>
2015	0%	8.20%
2016	0%	8.20%
<b>Without any tariff preference</b>		
2017	8%	43%

*Note:* This table shows the tariffs on cocoa and its products and sugar-added cocoa to enter the EU from 2015 to 2016 with the GSP Plus and for 2017 with no preferences. Source: Diario Oficial de la Unión Europea, 2010. Made by: Sofia Cardenas.

Table 2 shows the tariff applied to Ecuadorian cocoa in the period 2015 to 2016 before the signing of the agreement with the EU. Ecuadorian cocoa and its processed products, including: cocoa beans, cocoa butter, cocoa paste not shelled, cocoa powder not containing added sugar, other chocolates, defatted cocoa paste, blocks, tablets and bars, blocks, tablets and bars not filled, other preparations and cocoa residues; entered the European market at a tariff of 0%, except for cocoa powder with added sugar entering with a tariff of 8.20%. By 2017, without any preference, Ecuadorian exporters of cocoa and its processed products would have paid a tariff of 8% and the tariff of cocoa powder with added sugar that would have remained subject to a tariff of 43%.

### **3.3.1.3 Shrimp**

Ecuadorian shrimp was another product benefiting from the EU's Generalized System of Preferences Plus towards the Andean countries; the export of this product was governed by this system. Although Ecuadorian shrimp exporters had to pay the corresponding tariff to enter their product into the European market, this tariff was not high compared to what they would have had to pay without any preference, whose value was 12% (Rivera, 2014).

*Table 3 Shrimp tariff before the MTA*

<b>Generalized System of Preferences Plus</b>	
<b>Year</b>	<b>Tariff</b>
2015	3,6%
2016	3,6%
<b>Without any tariff preference</b>	
2017	12%

*Note:* This table shows the tariffs set for Ecuadorian shrimp to enter the EU from 2015 to 2016 with the GSP Plus and for 2017 without any preference. Source: Delegación de la Unión Europea en Ecuador, 2017. Made by Sofia Cardenas.

As can be seen in Table 3, the tariff for shrimp from Ecuador to enter the EU during the period studied prior to the entry into force of the Multiparty Trade Agreement with the EU, in 2015 and 2016, is 3.6%. This tariff was imposed by the GSP Plus regime from its application until the end of the same, the tariff does not vary year after year as this system did not provide for tariff graduation during the period of validity. However, for 2017 this tariff without any preference would have been 12%.

### **3.3.1.4 Coffe and its products**

Ecuadorian coffee was also part of the GSP Drugs initially and after the GSP Plus granted by the EU to the Andean countries, in this case this product entered the EU without paying any tariff.

*Table 4 Coffee and its products tariffs before the MTA*

<b>Generalized System of Preferences Plus</b>	
<b>Year</b>	<b>Tariff</b>
2015	0%
2016	0%
<b>Without any tariff preference</b>	
2017	9%

*Note:* This table shows the tariffs set for Ecuadorian coffee and its products to enter the EU from 2015 to 2016 with the GSP Plus and to 2017 without any preference Source: Delegación de la Unión Europea en Ecuador 2017 & Rivas, F,2010. Made by Sofia Cardenas

According to Table 4 it can be evidenced that, during 2015 and 2016 preceding the entry into force of the agreement with the EU. Coffee and its products such as roasted coffee, unroasted, decaffeinated and without decaffeination, for sowing, Arabica coffee, Robusta coffee, in grain, coffee grounds, coffee husks and skins, coffee extracts and concentrates, coffee substitutes containing coffee in any proportion and other (Ministerio de Comercio Exterior, 2017b, p. 46) entered the European market at a tariff of 0% . This thanks to GSP Plus tariff preferences. For the following year, without GSP Plus the tariff would have been 9%.

### 3.3.1.5 Tuna and Fish

Ecuadorian tuna and fish were also part of the products benefiting from the GSP. The tariff preferences for these products were significant, since the tuna preparations and preserves together with the fish preparations and preserves were free of duty. On the other hand, tuna and fish from countries without any preference have a tariff of 24% (Delegación de la Unión Europea en Ecuador, 2017a).

*Table 5 Tariff of Tuna and Fish Preparations and Preserves before the MTA*

<b>Generalized System of Preferences Plus</b>	
<b>Year</b>	<b>Tariff</b>
2015	0%
2016	0%
<b>Without any tariff preference</b>	
2017	24%

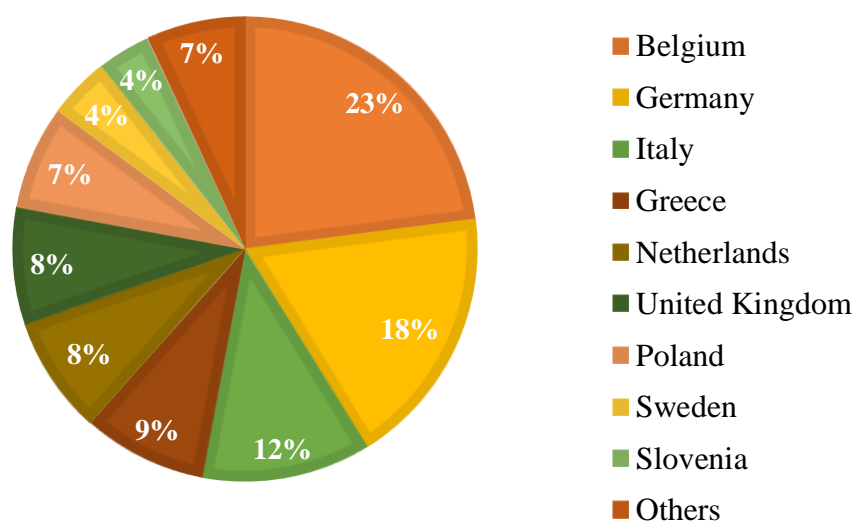
*Note:* This table shows the tariffs set for Ecuadorian tuna and fish to enter the EU from 2015 to 2016 with the GSP Plus and to 2017 without any tariff preference. Source: Lozano,T, 2017 & Rivas, F,2017. Made by Sofia Cardenas

Table 5 shows the tariff of tuna and fish preparations and preserves under the GSP Plus; which was 0% from 2015 to 2016 before the signing of the Trade Agreement with the EU. This means that Ecuadorian exporters of canned fish and tuna preparations did not have to pay any tariff for the entry of their products into the European market. However, without the GSP Plus for 2017, the tariff of these products would have been 24%.

### 3.3.2 Main European destinations for traditional products before the Multiparty Trade Agreement with the EU

#### 3.3.2.1 Banana

Figure 1 Main Destinations of Ecuadorian Bananas to the EU 2015-2016

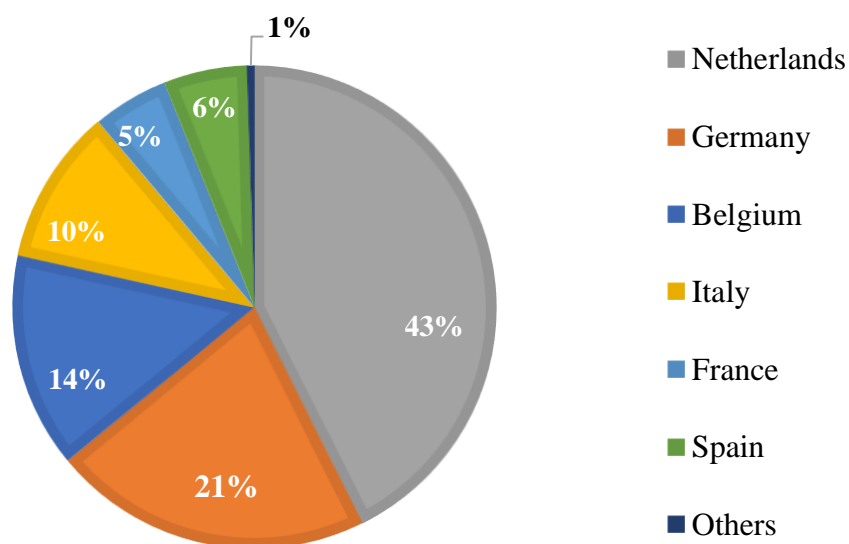


Note: Main EU countries that imported Ecuadorian bananas in the period 2015-2016. Source: Trade Helpdesk, 2022. Made by Sofia Cardenas

According to Figure 1, it can be seen the main EU countries that imported Ecuadorian bananas during the period 2015-2016. First, Belgium ranked with 23% of European imports of this product, followed by Germany with 18% and Italy with 12%. Then there is Greece with a lower percentage, representing 9% followed by the United Kingdom and the Netherlands with 8%, with 7% Poland, Sweden with 4% and Slovenia with 4%. While the rest of countries such as Austria, Latvia, Cyprus, Denmark, France, Portugal, Ireland, Spain and other more countries of the EU together came to represent 7%, being the smallest consumers of Ecuadorian bananas during this period.

### 3.3.2.2 Cocoa and its products

Figure 2 Main Destinations of Ecuadorian Cocoa and its Products to the EU 2015-2016

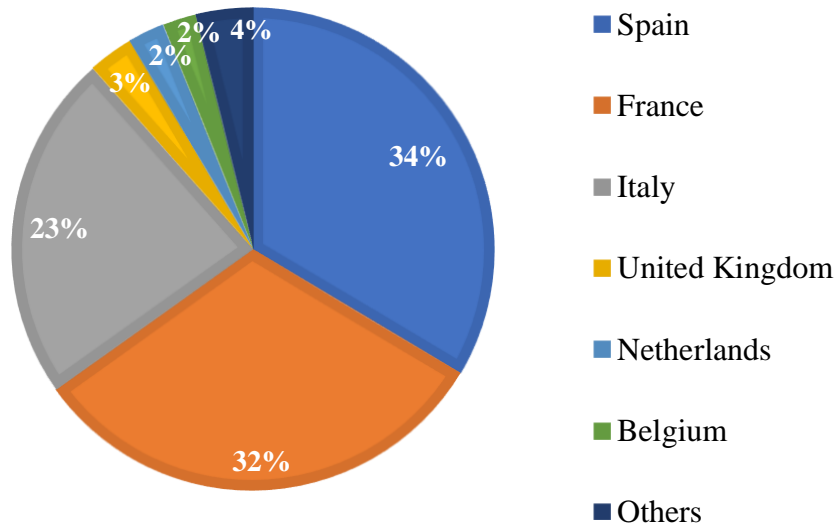


Note: Main EU countries that imported cocoa and its Ecuadorian processed products in the period 2015-2016. Source: Trade Helpdesk, 2022. Made by Sofia Cardenas

Figure 2 shows that the Netherlands was the European Union country that consumed the most Ecuadorian cocoa during the period 2015-2016, accounting for 43% of its imports. It was followed by Germany with 21% and Belgium with 14%, which were the main importers of this product. With lower percentages are Italy with 10%, Spain with 6% and France with 5% and the rest of countries together as the United Kingdom, Slovakia, Hungary, Bulgaria, Sweden, Finland and among others, barely reached 1%. These were the countries that least consumed and imported cocoa and processed from Ecuador.

### 3.3.2.3 Shrimp

Figure 3 Main Destinations of Ecuadorian Shrimp to the EU 2015-2016



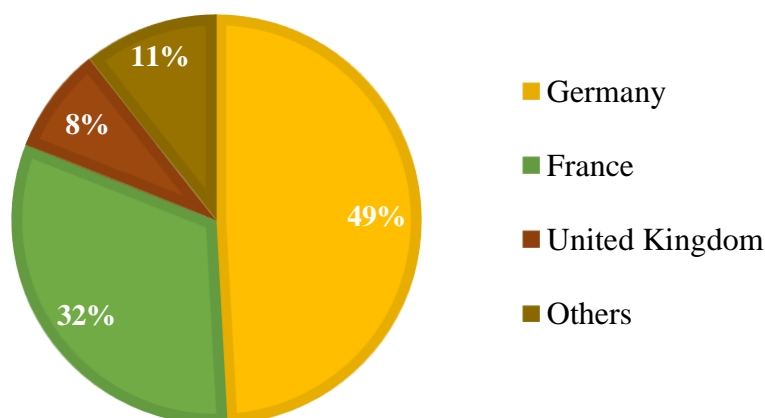
Note: Main EU countries that imported Ecuadorian shrimp in the period 2015-2016. Source: Trade Helpdesk, 2022. Made by Sofia Cardenas

As illustrated in Figure 3, for the years 2015 and 2016 only three EU countries: Spain, France and Italy came to represent 89% of Ecuadorian shrimp imports to this block. Spain with 34% was the main consumer of this product. Followed by France with 32% and Italy with 23%. The rest of countries such as the United Kingdom 3%, the Netherlands and Belgium imported 2% of shrimp each of them. Others such as Poland, Cyprus, Denmark, Portugal, Bulgaria and among others together accounted for 4%, being the European bloc states that had a lower share in the import and consumption of shrimp from Ecuador.

### 3.3.2.4 Coffee and its products



Figure 4 Main Destinations of Ecuadorian Coffee and its Products to the EU 2015-2016



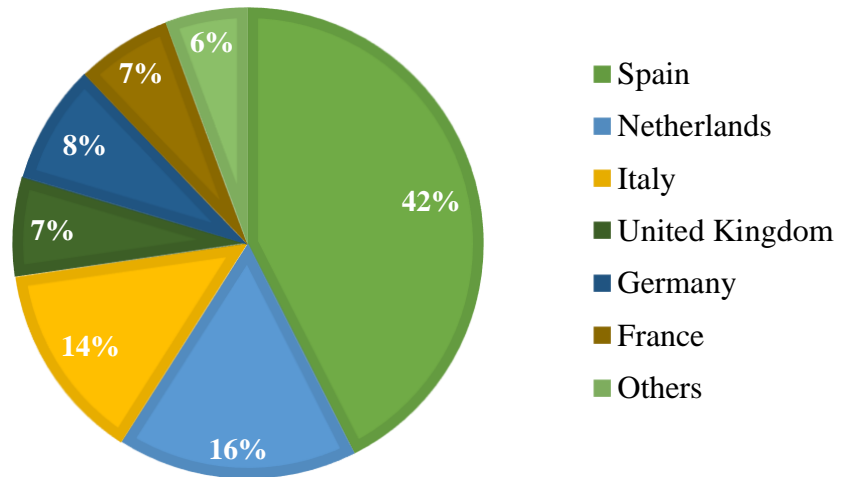
Note: Main EU countries that imported Ecuadorian coffee in the period 2015-2016. Source: Trade Helpdesk, 2022. Made by Sofia Cardenas

According to Figure 4, it can be seen that for the period studied from 2015 to 2016 prior to the entry into force of the trade agreement with the EU, Germany, France and the United Kingdom were the main buyers of Ecuadorian coffee. They accounted for 81% of EU imports to Ecuador; Germany was first with 49%, followed by France with 32% and the United Kingdom with 8% while the rest of countries such as, Belgium, Sweden, Italy, Denmark and among others represented a total of 11% together.

### 3.3.2.5 Tuna and Fish

#### Tuna

Figure 5 Main Destinations of Preparations and Canned Ecuadorian Tuna to the EU 2015-2016

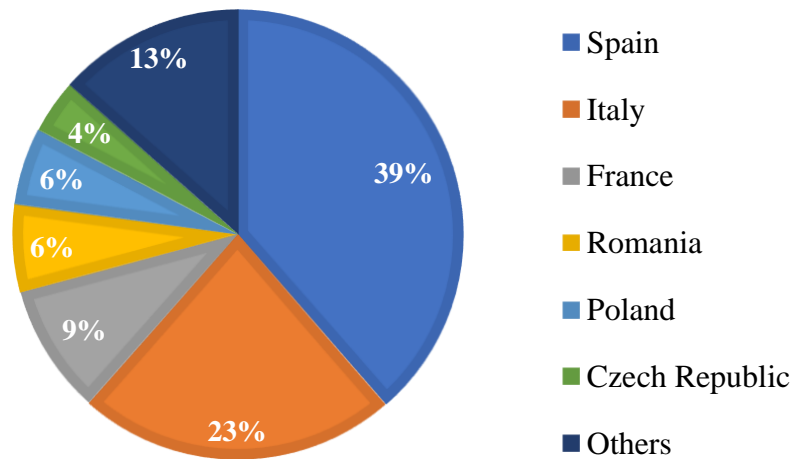


Note: Main EU countries that imported preparations and canned Ecuadorian tuna in the period 2015-2016. Source: Trade Helpdesk, 2022. Made by Sofia Cardenas

Figure 5 shows that Spain with 42% was the main European consumer of canned and prepared Ecuadorian tuna. Its imports in the 2 years accounted for almost 50% of all EU imports with 42%. The Netherlands with 16% and Italy with 14% and other countries such as Germany with 8%, the United Kingdom with a share of imports to Ecuador of 7% and France also with 7%. On the other hand, other countries such as Portugal, Belgium, Poland, Romania, Greece and others together accounted for 6%, being the least consuming countries of Ecuadorian tuna.

## Fish

Figure 6 Main Destinations of Preparations and Preserves of Ecuadorian Fish to the EU 2015-2016



*Note:* Main EU countries that imported preparations and preserves of Ecuadorian fish in the period 2015-2016. Source: Trade Helpdesk, 2022. Made by Sofia Cardenas

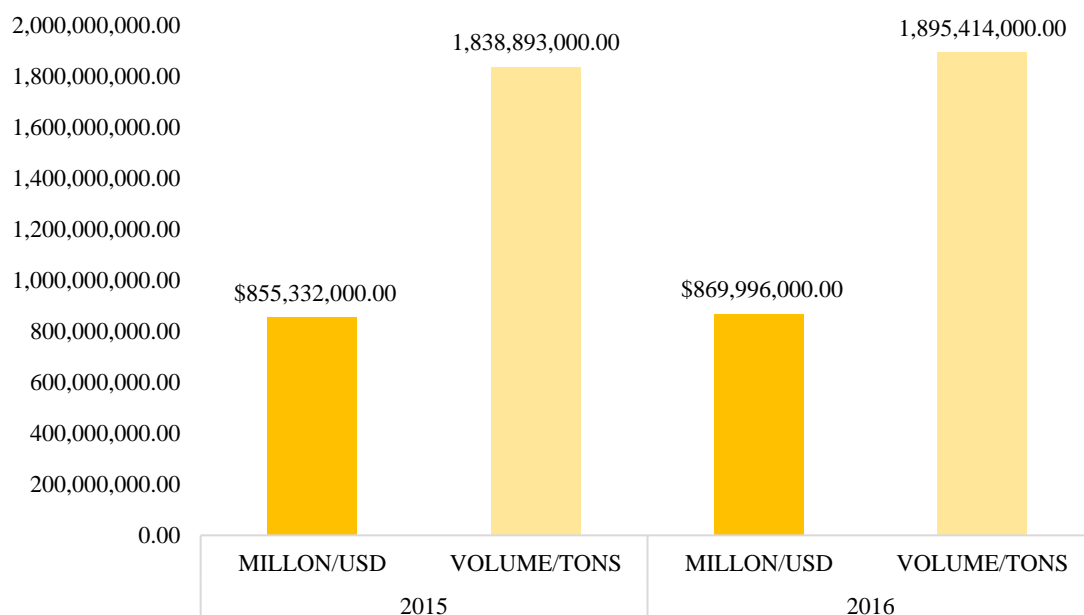
According to Figure 6, during the period 2015-2017 Spain was the main destination of preparations and preserves of Ecuadorian fish, accounting for 39% of EU imports of this product. Followed by Italy with 23%, France with 9% and Romania and Poland with a participation of 6% each and the Czech Republic with 6%. Representing 13% together were the Netherlands, Belgium, Germany, Slovakia, United Kingdom, Croatia, Hungary, Sweden, Estonia, Portugal and Greece, these countries being the least in consuming these products.

### 3.3.3 Exports of these products to the European Union. 2015-2016

#### 3.3.3.1 Banana

One of the main destinations of Ecuadorian bananas since it began to be produced in the country was the European market. European consumers over the years have preferred bananas from Ecuador to those from the competition and this is due to the quality and flavor of Ecuadorian bananas.

Figure 7 Ecuadorian Banana Exports to the European Union 2015-2016

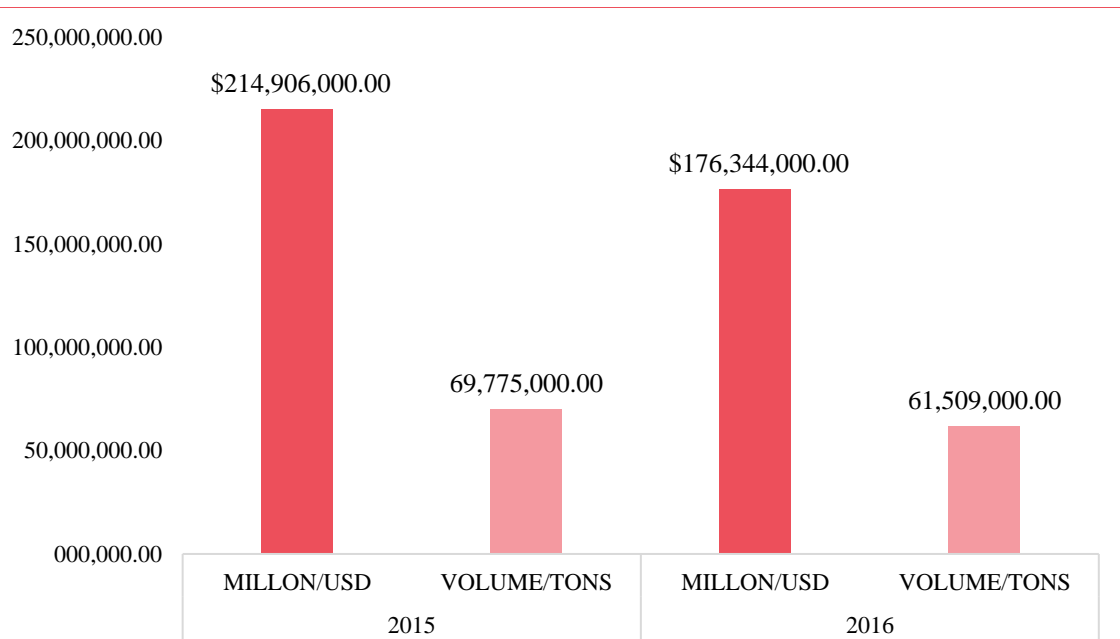


*Note:* Ecuadorian banana exports to the EU in the period 2015-2016. Source: Trade Map, 2022. Made by Sofia Cardenas.

As it is shown in Figure 7, banana exports from Ecuador during the period studied have remained almost the same. Since by 2015 Ecuador exported around \$855,332,000.00 dollars to the EU equivalent to 1,838,893,000.00 tons of bananas. After 2016 with the reduction of the tariff, exports increased and it exported around \$869,996,000.00 dollars equivalent to 1,895,414,000.00 tons of bananas that were destined to the European block. During the 2 years prior to the entry into force of the Multiparty Trade Agreement with the European Union, the country exported 3,734,307,000 tons of bananas equivalent to \$1,725,328,000 dollars that entered the country.

### 3.3.3.2 Cocoa and its products

Figure 8 Export of Ecuadorian Cocoa and its Products to the EU 2015-2016

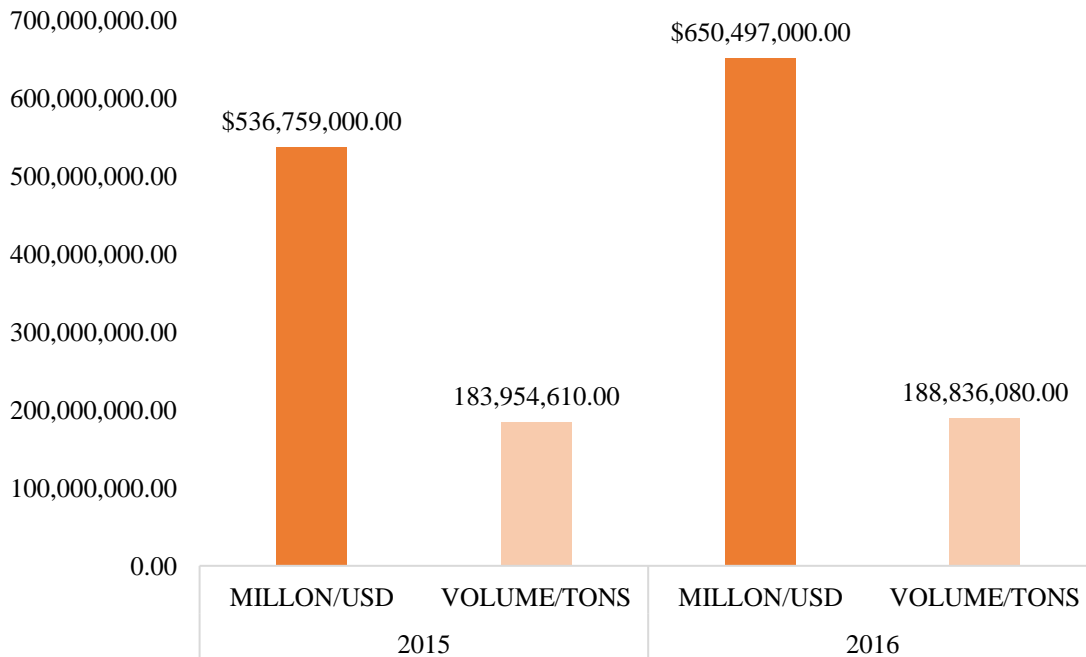


*Note:* Exports of Ecuadorian cocoa and its products to the EU in the period 2015-2016. Source: Trade Map, 2022. Made by Sofia Cardenas

As it can be seen in Figure 8, during the period analyzed cocoa exports and its products from Ecuador to the EU from 2015 to 2016 decreased. By 2015 the country exported 69,775,000,00 tons of cocoa and its processed products that represented about \$214,906,000.00 dollars. While for 2016 the amount decreased to 61,509,000.00 tons and \$176,344,000.00 dollars. This means that from 2015 to the following year, prior to the entry into force of the trade agreement with the EU, exports of Ecuadorian cocoa and its processed products to the EU were 131,284.00,00 tons whose value came to represent \$391,250,000.00 dollars.

### 3.3.3.3 Shrimp

Figure 9 Ecuadorian Shrimp Exports to the EU 2015-2016



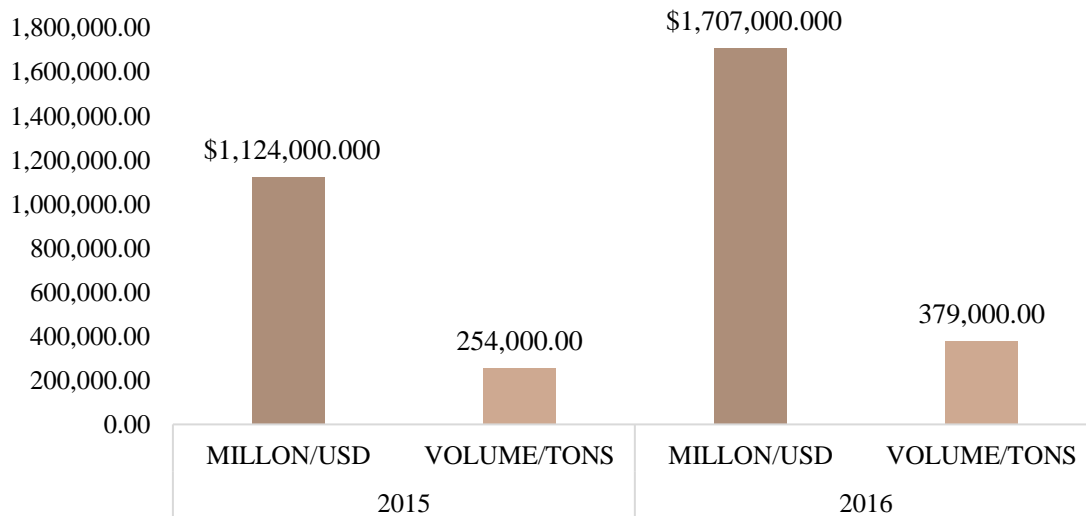
Note: Ecuadorian shrimp exports to the EU in the period 2015-2016. Source: Trade Map & Trade Helpdesk 2022. Made by Sofia Cardenas

According to figure 9, exports of Ecuadorian shrimp to the European block from 2015 to 2016 increased. For 2015 the country exported 183,955,610.00 tons of shrimp to the European Union equivalent to \$536,759,000,00 dollars. The following year Ecuador exported 188,836,080.00 tons of shrimp that represented \$650,497,000.00 dollars that entered the country, about 100,000,000.00 dollars more than the previous year. While, in totality during the period studied before the entry into force of the trade agreement with the EU, the exports of the Ecuadorian shrimp were 372,790,690.00 tons. Around \$1,187,256,000,00 dollar entered the country for the export of this product in the European market.

### 3.3.3.4 Coffee and its products

Coffee produced in Ecuador is another of the traditional products that has become known over time. Despite the fact that Colombia is the country best known for its coffee and main producer; the production and export of Ecuadorian coffee has been increasing and therefore its participation in international markets, especially in Europe.

Figure 10 Exports of Ecuadorian Coffee and its Products to the EU 2015-2017



Note: Exports of Ecuadorian coffee and its products to the EU in the period 2015-2016. Source: Trade Map, 2022. Made by Sofia Cardenas

As illustrated in figure 10, during the period studied from 2015 to 2016, exports of Ecuadorian coffee and its processed products have been increasing. For 2015 Ecuador exported 254,000.00 tons of coffee and processed coffee representing a value of \$1. 124,000,00 dollars. Then in 2016 the country increased its export to this block, it exported about 379,000,00 tons of coffee and its products, equivalent to \$1. \$707,000.00. As can be seen in these 2 years there was an increase in the export of this product and its products prior to the trade agreement with the EU. The country exported to the European market 633,000,00 tons of coffee and its processed products whose value in dollars was \$2,831,000.00 dollars.

### 3.3.3.5 Tuna and Fish

#### Tuna

Figure 11 Exports of Ecuadorian Tuna to the EU 2015-2016



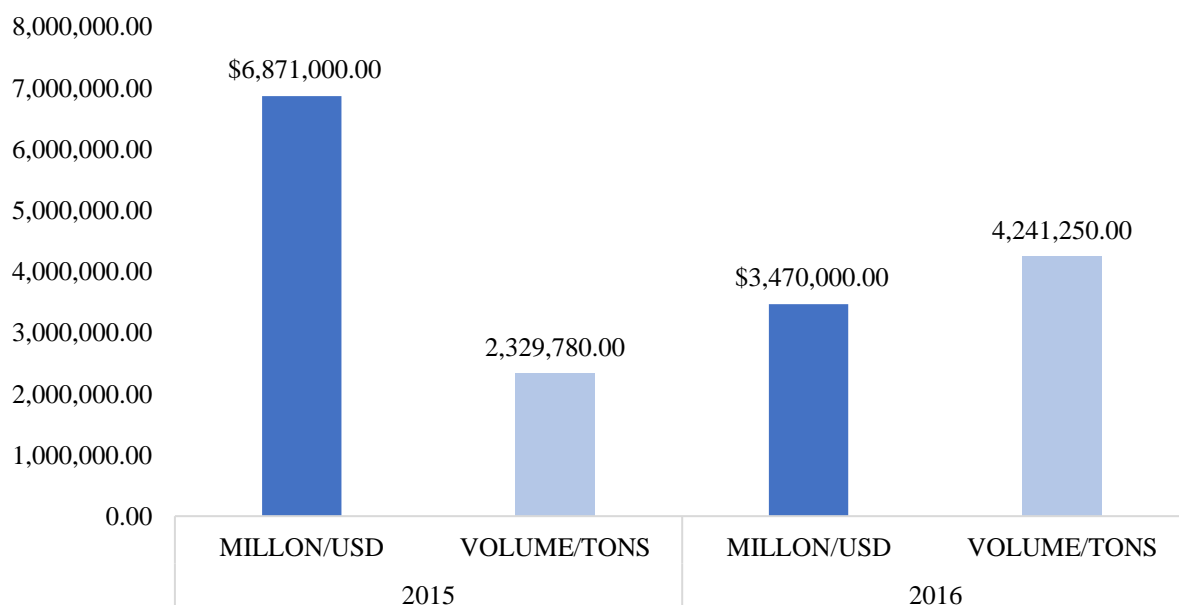
Note: Exports of canned and prepared Ecuadorian tuna to the EU for the period 2015-2016. Source: Trade Map & Trade Helpdesk, 2022. Made by Sofia Cardenas

According to Figure 11, it can be observed that Ecuadorian exports of prepared and preserved tuna to the European region from 2015 to 2016 have increased significantly from year to year. For 2015, Ecuador exported 110,302,310.00 tons of this product equivalent to \$398,385,000.00 dollars. For 2016, 113,517,180.00 tons of tuna with a value of \$401,846,000.00 dollars were exported. In totality during the period analyzed prior to the implementation of the trade agreement with the EU, the country exported to this market 223,819,490.00 tons of canned tuna and tuna preparations equivalent to \$800,231,000.00 dollars.

## Fish



Figure 12 Exports of Ecuadorian Fish Preparations and Preserves to the EU 2015-2016



*Note:* Exports of canned and prepared Ecuadorian fish to the EU in the period 2015-2016.  
 Source: Trade Map & Trade Helpdesk, 2022. Made by Sofia Cardenas

As it can be seen in Figure 12, Ecuadorian exports of fish preparations and preserves to the EU from 2015 to 2016 were decreasing. For the year 2015 Ecuador exported 2,329,780.00 tons of fish whose value represents \$6,871,000,00 dollars. For the next year the country exported 4,241,250.00 tons of these products valued at \$3,470,000.00 dollars, although the amount increased, the money that entered the country did not. And the country received \$3,401,000,00 less than the previous year. In totality, the country exported 6,571.03.00 tons of canned fish and fish preparations to the European region, whose value in money was \$ 103,410,000.00 that entered the country prior to the entry into force of the trade agreement with the EU.

### **3.4 Ecuadorian traditional products after the entry into force of the agreement, 2017-2020**

#### **3.4.1 Tariff benefits for these products arising from the signing of the trade agreement**

##### **3.4.1.1 Banana**

The Multi-Party Trade Agreement with the EU established that the banana tariff should be gradually reduced year after year, starting with a tariff of EUR 97 per tonne. While, the tariff of the Geneva Agreement on Trade in Bananas to which the country was subject would maintain its value from 2017 onwards without any reduction. Therefore, without an agreement the banana exporters like other exporters of this product from countries without any trade agreement with the EU were subject to a tariff of EUR 122 per tonne of banana for 2017 (Delegación de la Unión Europea en Ecuador, 2017a).

*Table 6 Banana tariffs under the Multiparty Trade Agreement with the EU*

<b>Year</b>	<b>Tariffs</b>
2017	97 EUR/tm
2018	90 EUR/tm
2019	83 EUR/tm
2020	75 EUR/tm

*Note:* This table shows the tariffs set for bananas to enter the EU from 2017 to 2020 with the MTA, EUR/tm=euros per metric ton. Source: Diario Oficial de la Unión Europea, 2010. Made by Sofia Cardenas

As can be seen in table 6, for 2017 with the entry into force of the agreement, the tariff that Ecuadorian banana exporters had to pay to enter this market was 97 euros per metric ton. A year after the entry into force, this tariff was reduced to EUR 90 per tonne, for the following year this tariff was reduced to 83 euros per metric ton. Finally, by 2020 tariff reduced to 75 euros per metric ton to match that of its neighboring countries which are part of the Multiparty Trade Agreement with the EU, both Peru and Colombia.

### 3.4.1.2 Cocoa and its products

Table 7 Cocoa and its products tariffs under the Multiparty Agreement with the EU

Year	Cocoa and its products		Cocoa powder with added sugar
		Others	Containing 80 % or more by weight of sucrose or isoglucose, including invert sugar expressed as sucrose
2017	0%	0%	41.90 EUR / 100 kg Preferential tariff quota of 0%
2018	0%	0%	41.90 EUR / 100 kg Preferential tariff quota of 0%
2019	0%	0%	41.90 EUR / 100 kg Preferential tariff quota of 0%
2020	0%	0%	41.90 EUR / 100 kg Preferential tariff quota of 0%

*Note:* This table shows the tariffs on cocoa, its products and sugar-added cocoa powder for entry into the EU from 2017 to 2020 with the MTA. Source: Delegación de la Unión Europea en el Ecuador, 2017 & Comisión Europea 2022. Made by Sofia Cardenas

Table 7 shows the tariffs on cocoa and its products from the entry into force of the trade agreement with the EU. From 2017 to 2020, Ecuadorian exporters of cocoa and its products had free access to the European market with a tariff of 0%. Also, the cocoa powder with added sugar had 0%. Except the cocoa with a content of sucrose or isoglucose greater than or equal to 80% by weight, including invert sugar calculated on sucrose that had a tariff preference of EUR 41.90 / 100 kg. However, a tariff quota of 0% was granted. In other words, the country must export a certain amount in order to be able to freely enter the European market.

### 3.4.1.3 Shrimp

Table 8 Shrimp tariffs under the Multiparty Agreement with the EU

Year	Tariffs
2017	0%
2018	0%

2019	0%
2020	0%

*Note:* This table shows the tariffs set for shrimp to enter the EU from 2017 to 2020 with the MTA. Source: Delegación de la Unión Europea en el Ecuador, 2017. Made by Sofia Cardenas

As it can be seen in Table 8, since the entry into force of the agreement with the EU, during the period studied from 2017 to 2020, Ecuadorian shrimp exporters should not have paid any tariff for entering this product into the European market. Unlike countries that do not have any such agreement with the EU that must pay a tariff of 12% for the shrimp.

#### **3.4.1.4 Coffee and its products**

*Table 9 Coffee and its products tariffs under the Multiparty Agreement with the EU*

<b>Year</b>	<b>Tariffs</b>
2017	0%
2018	0%
2019	0%
2020	0%

*Note:* This table shows the tariffs set for coffee and its products to enter the EU from 2017 to 2020 with the MTA. Source: Delegación de la Unión Europea en el Ecuador, 2017. Made by Sofia Cardenas

According to Table 9 it can be evidenced that, after the entry into force of the agreement with the EU during 2017, 2018, 2019 and 2020 coffee and its processed coffee. Which include roasted coffee, unroasted, decaffeinated and without decaffeination, for sowing, Arabian coffee, Robusta coffee, in grain, ground, coffee husk and husk, coffee extracts and concentrates, coffee substitutes containing coffee in any proportion and others (Ministerio de Comercio Exterior, 2017) entered the European market with a tariff of 0%, while third countries with no agreement with this block must pay a tariff of 8%.

#### **3.4.1.5 Tuna and Fish**

Table 10 *Preparations and preserves of tuna and fish Tariffs with the Multiparty Agreement with the EU*

<b>Year</b>	<b>Tariffs</b>
2017	0%
2018	0%
2019	0%
2020	0%

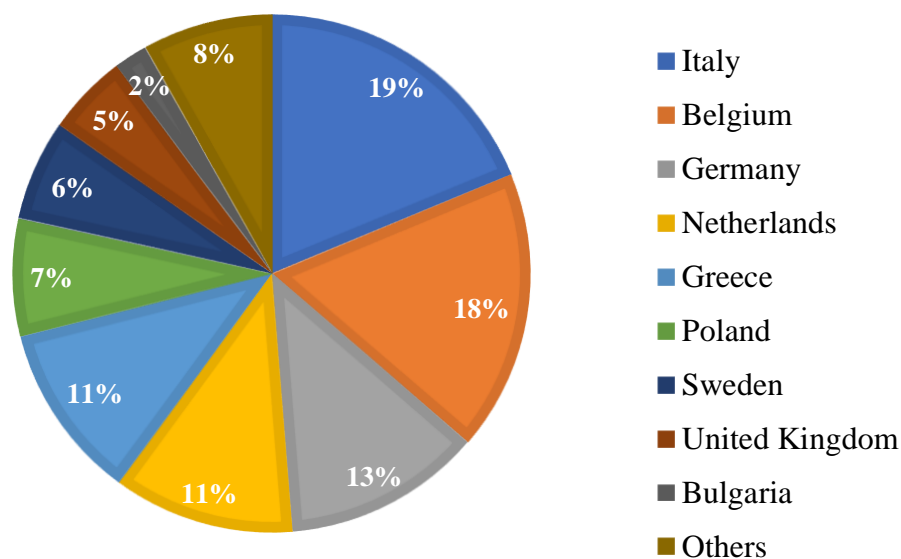
*Note:* This table shows the tariffs set for canned tuna and fish preparations to enter the EU from 2017 to 2020 with the MTA. Source: Delegación de la Unión Europea en el Ecuador, 2017. Made by Sofia Cardenas

According to Table 10, it can be evidenced that after the entry into force of the trade agreement with the EU, from 2017 to 2020, the exporters of canned and prepared tuna and fish had free access to the European market. So, they do not have to pay any fees to bring their products into Europe. On the other hand, the other countries which do not have any agreements with the EU but are under the MFN (most-favoured-nation) are subject to a tariff of 24% for canned tuna and tuna preparations and preserved fish are subject to a tariff of 25% (Delegación de la Unión Europea en Ecuador, 2017a).

### **3.4.2 Main European countries destinations of these products after the Multiparty Trade Agreement**

#### **3.4.2.1 Banana**

*Figure 13 Main Destinations of Ecuadorian Bananas to the EU 2017-2020*

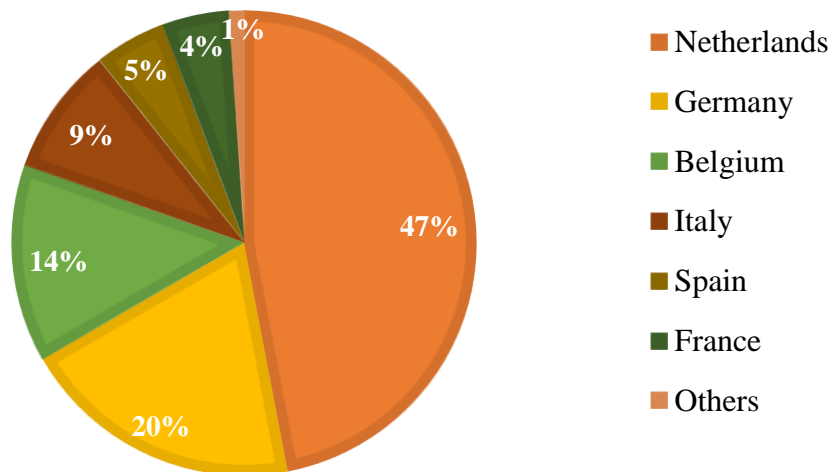


*Note:* Main European countries that imported Ecuadorian bananas in the period 2017-2020.  
 Source: Trade Helpdesk, 2022. Made by Sofia Cardenas

Figure 13 shows that once the trade agreement with the EU came into force in January 2017, from 2017 to 2020 the main destinations of Ecuadorian bananas were first Italy with a large participation, with 19% of European imports of this product. Second Belgium with 18%, third Germany with 13% and fourth both the Netherlands and Greece with 11% each, followed by Poland with 7%, Sweden with 6%. The United Kingdom with 5% until January 31, 2020, since in this date this state separated from the EU. Therefore, the rest of the year it did not have a share in European imports Bulgaria. with 2% and finally the rest of European countries such as Lithuania, Spain, Croatia, Portugal, Finland, France, Romania, Austria and, among others, over the last four years accounted for only 8% of imports of this product to Ecuador.

### 3.4.2.2 Cocoa and its Products

*Figure 14 Main Destinations of Ecuadorian Cocoa and its Products to the EU 2017-2020*

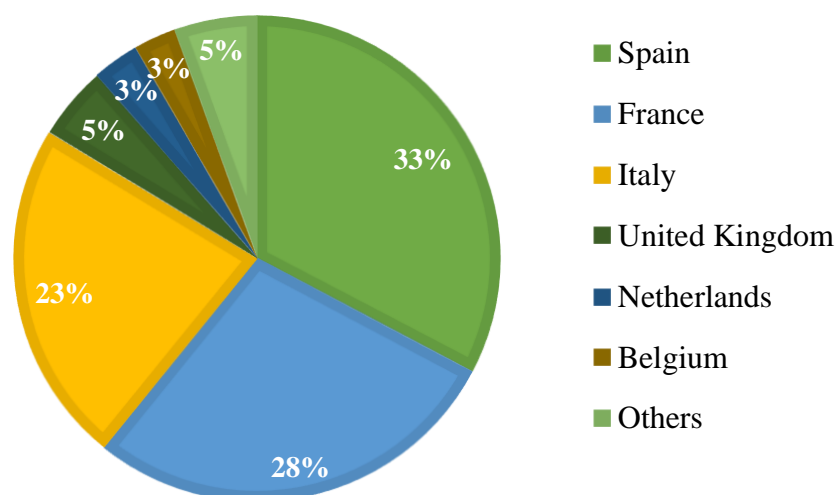


*Note:* Main European countries importing Ecuadorian cocoa and its processed products in the period 2017-2020. Source: Trade Helpdesk, 2022. Made by Sofia Cardenas

According to Figure 14, it can be observed that when Ecuador acceded to the Multiparty Trade Agreement with the EU from 2017 to 2020, the main European countries importing Ecuadorian cocoa and its products were the Netherlands. It had a participation of 47%, the largest European consumer of Ecuadorian cocoa, followed by Germany with 20%, Belgium with 14%, Italy with 5% and France with 4%. Finally, the rest of European countries such as Poland, Estonia, Bulgaria, Switzerland, the Czech Republic and among others including the United Kingdom until the beginning of January 2020 together obtained a share of 1% of European imports of this product and its derivatives, being the least consumer markets for Ecuadorian cocoa.

### 3.4.2.3 Shrimp

Figure 15 *Main Destinations of Ecuadorian Shrimp to the EU 2017-2020*



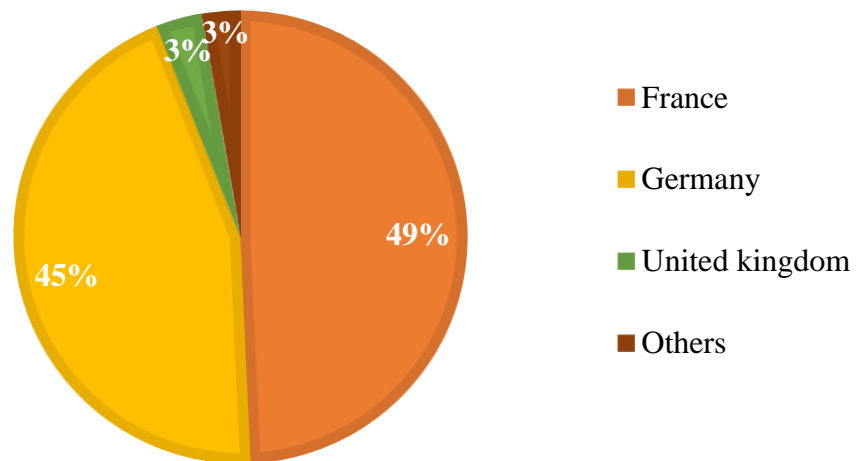
*Note:* Main European countries importing Ecuadorian shrimp in the period 2017-2020. Source: Trade Helpdesk, 2022. Made by Sofia Cardenas

As illustrated in figure 15, with the entry into force of the trade agreement with the EU, from 2017 to 2020 the main European destinations for Ecuadorian shrimp were 3 mainly. Spain with 33%, France with 28% and Italy with 23% of European imports of Ecuadorian shrimp. Then there were countries such as the United Kingdom, which despite its exit from the EU during these 3 years and beginning of 2020 obtained a participation of 5%; the Netherlands and Belgium with 3% both. Finally, the rest of European countries such as Greece, Portugal, Germany, Denmark, Switzerland, Bulgaria, Malta and among others during the 4 years after the entry into force of the agreement together had a 5%, being the markets less consumers of the Ecuadorian shrimp.

#### 3.4.2.4 Cocoa and its Products

Figure 16 *Main Destinations of Ecuadorian Coffee and its Products to the EU 2017-2020*





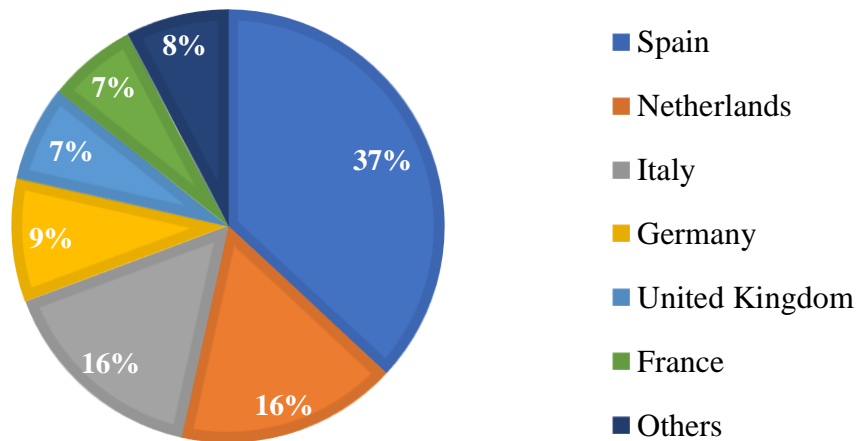
*Note:* Major European countries that imported Ecuadorian coffee and its processed products in the period 2017-2020. Source: Trade Helpdesk, 2022. Made by Sofia Cardenas

Figure 16 shows the main European countries that consumed the most the Ecuadorian coffee and its processed products after the entry into force of the trade agreement with the EU from 2017 to 2020. During this period analyzed only 2 countries were the main buyers of Ecuadorian coffee, France and Germany. Each of them almost reached during these 4 years 50% of European imports of this product. France with 49% and Germany with 45%, then was the United Kingdom, although at the beginning of 2020 officially left the EU, it still had a share of 3% of Ecuadorian coffee imports to the European Union. There were other European countries such as Spain, Netherlands, Denmark, Belgium, Luxembourg, Czech Republic, Poland and among others that during the 4 years together had a share of 3% each and they had very little or no consumption of this product.

### 3.4.2.5 Tuns and Fish

#### Tuna

*Figure 17 Main Destinations of Canned and Prepared Ecuadorian Tuna to the EU 2017-2020*

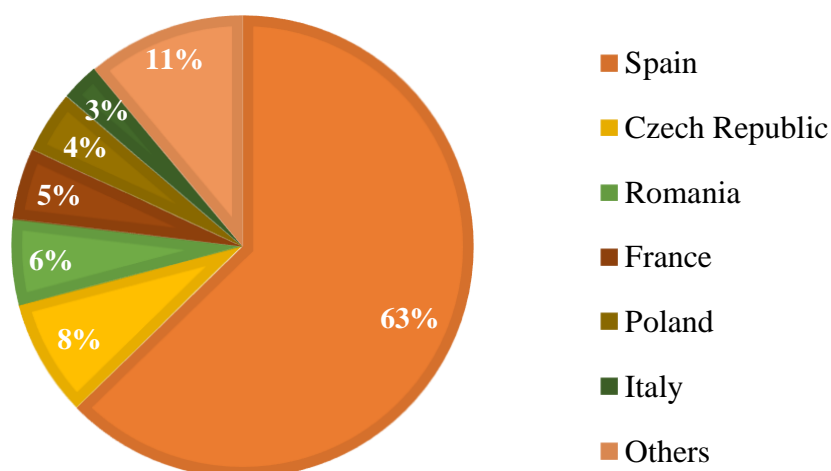


*Note:* Main European countries importing preparations and canned Ecuadorian tuna in the period 2017-2020. Source: Trade Helpdesk, 2022. Made by Sofia Cardenas

According to figure 17, the main European buyers of Ecuadorian tuna can be seen, from the entry into force of the trade agreement with the EU in 2017 until 2020, the main destination of canned and prepared Ecuadorian tuna has been Spain with 37%, followed by the Netherlands and Italy with 16% each. Then Germany with 9%, UK and France with 7% each of them. Finally, the rest of European countries such as Portugal, Malta, Greece, Denmark, Belgium, Estonia, Cyprus and, among others, during these four years together only had an 8% share in European imports of these products to Ecuador.

## **Fish**

Figure 18 Main Destinations of Canned and Prepared Ecuadorian Fish to the EU 2017-2020



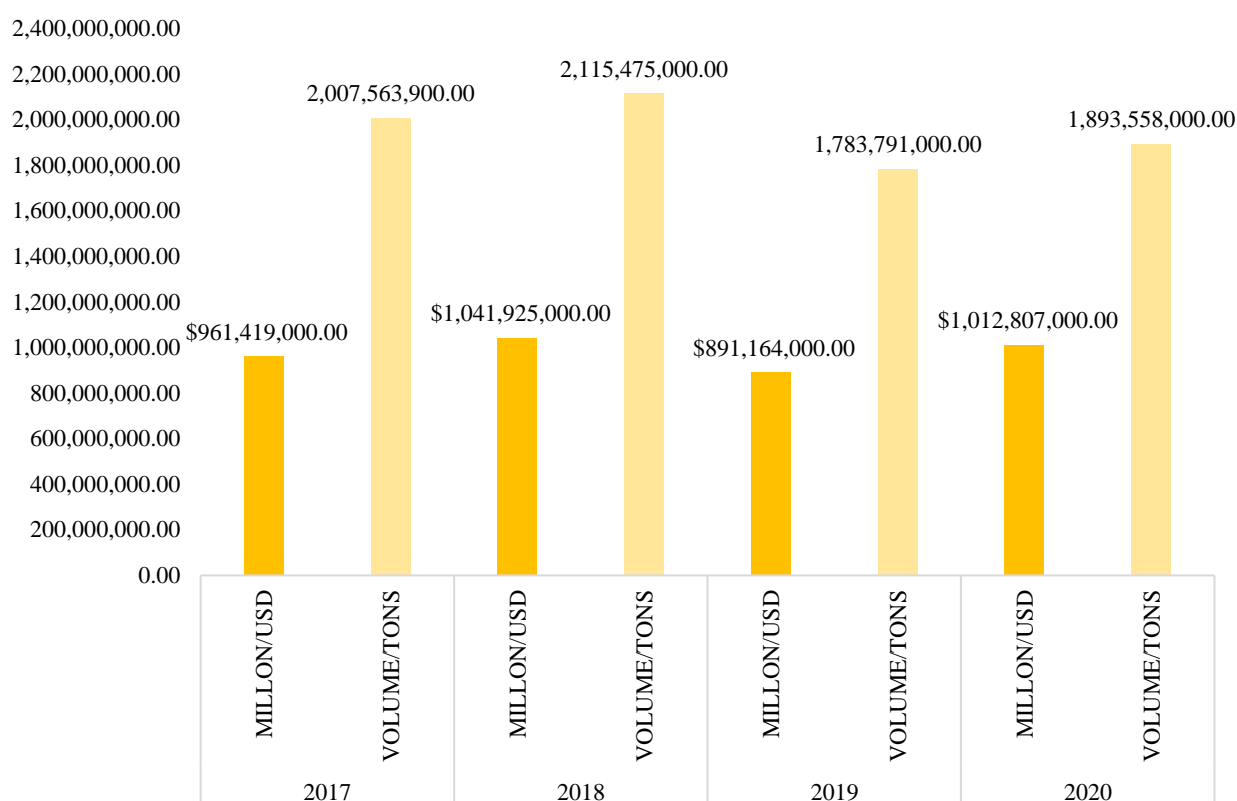
Note: Main European countries importing preparations and preserves of Ecuadorian fish in the period 2017-2020. Source: Trade Helpdesk, 2022. Made by Sofia Cardenas

As illustrated in Figure 18, from the entry into force of the trade agreement with the EU in 2017 until 2020, period analyzed, the main European market importing a significant amount of these products to the country was Spain which had a share of 63% of European imports. It was followed by the Czech Republic with 8%, Romania with 6%, France with 5%, Poland with 4% and Italy with 3%. Finally, during these 4 years the rest of EU countries such as Belgium, Croatia, Estonia, Portugal, Greece, Germany, Bulgaria, Denmark and among others together had a participation of 11%, representing the countries that consumed the least these products of the Ecuador.

### 3.4.3 Exports of these products to the European Union, 2017-2020

### 3.4.3.1 Banana

Figure 19 Ecuadorian Banana Exports to the EU 2017-2020



Note: Ecuadorian banana exports to the EU in the period 2017-2020. Source: Trade Map, 2022. Made by Sofia Cardenas

As can be seen in Figure 19, when the trade agreement with the European Union came into force in 2017, from 2017 to 2020 there have been changes in Ecuadorian banana exports to the European market. For 2017 there was a little insecurity due to the delay in the entry into force of the trade agreement with the EU. However, with the reduction of the tariff there was a recovery in the export of this product since the country came to export \$ 961,419,000,00 with an amount of 2,007,563,9000.00 tons. For the following year exports increased and 2,115,475,000.00 tons of bananas were exported to the EU, whose value represents \$1. \$041,925,000. For 2019, exports decreased and the country exported 1,783,791,000.00 tons of bananas to the EU with a monetary value of \$ 891,164,000.00 dollars. It exported 331,684,000,00 tons less and \$ 150,761,000,00 dollars less. And by 2020 there was a recovery and 1,893,558,000.00 tons of bananas

were exported with a value of \$1,012,807,000.00 dollars. Finally, in totality, during the 4 years after the entry into force of the agreement, 7,837,908,000.00 tons of bananas were exported to the European market with a value of \$ 3,907,315,000.00 dollars.

### 3.4.3.2 Cocoa and its Products

Figure 20 Exports of Ecuadorian Cocoa and its Products to the EU 2017-2020



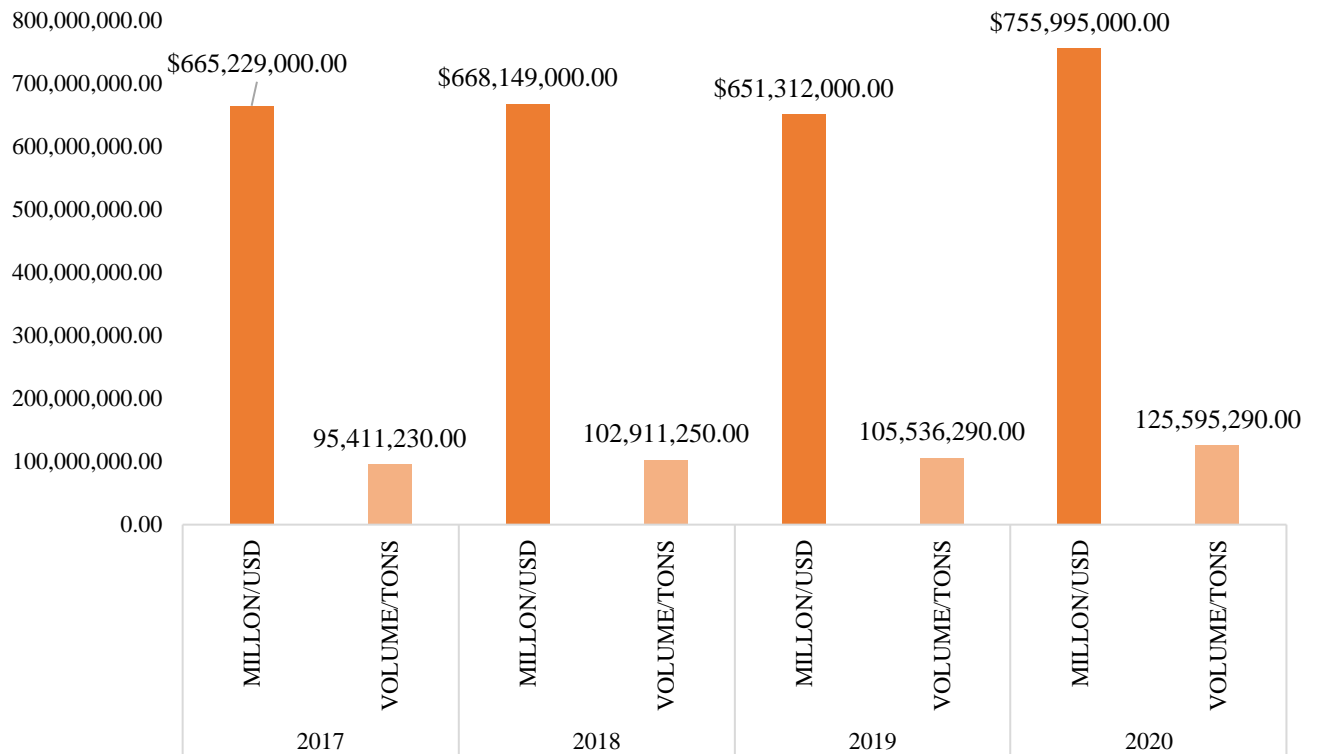
Note: Exports of Ecuadorian cocoa and its processed products to the EU in the period 2017-2020. Source: Trade Map, 2022. Made by Sofia Cardenas

According to figure 20, it can be observed that since 2017 with the entry into force of the trade agreement with the EU until 2020 there has been an increase in exports of Ecuadorian cocoa to the EU. In 2017 the country exported 83,984,000,00 tons of cocoa and its products to the European market, around \$ 170,957,000.00 dollars. For the following year, 2018, the export of this product increased, despite the decrease in the amount of cocoa exported, as 77,848,000.00 tons were exported with a value of \$ 180,689,000.00 dollars. For 2019, exports also increased, but this year this increase was both in quantity and money, as the country exported to the EU 79,416,000.00 tons of cocoa with a value of \$ 196,438,000.00 dollars. By 2020, Ecuador increased its cocoa exports to this market and exported \$201,572,000.00, but the quantity exported decreased

to 77,405,000.00 tons. This was the best year of the 4. In totality during the 4 years the country exported 318,653,000.00 tons of cocoa with a value of \$749,656,000.00 dollars.

### 3.4.3.3 Shrimp

Figure 21 Ecuadorian Shrimp Exports to the EU 2017-2020



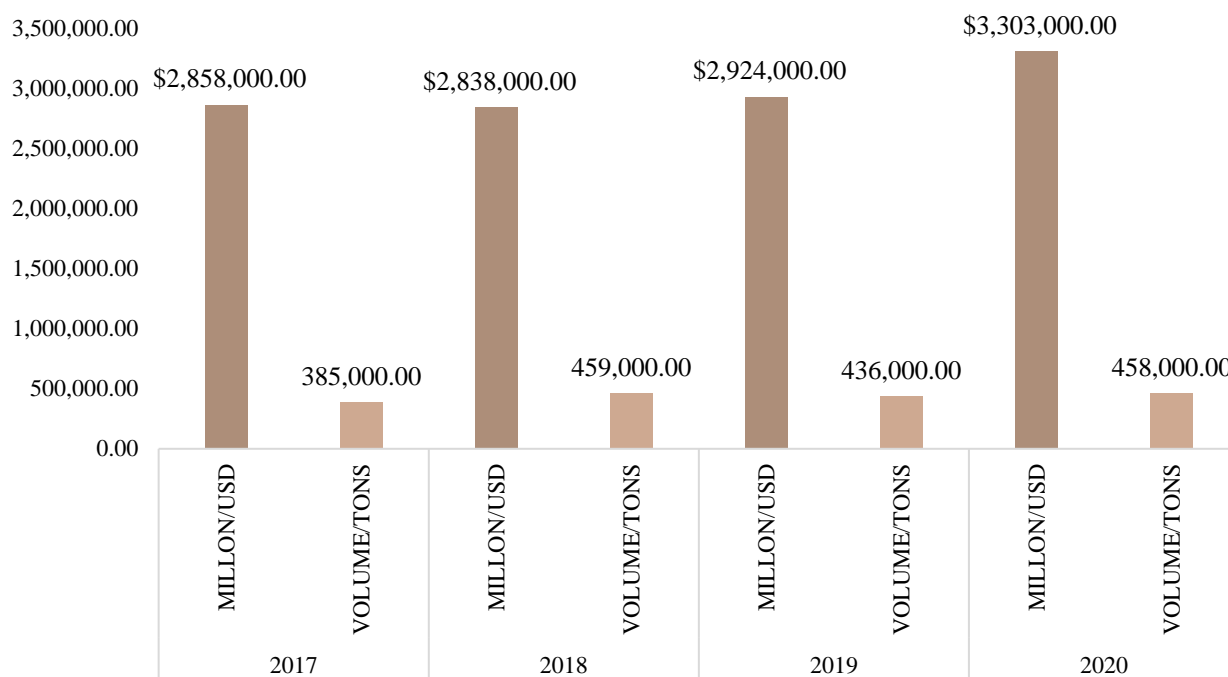
Note: Ecuadorian shrimp exports to the EU in the period 2017-2020. Source: Trade Map, 2022. Made by Sofia Cardenas

According to figure 21, it can be observed that, since the entry into force of the trade agreement with the EU in 2017, Ecuadorian shrimp exports to the EU have had few changes during the following years. In 2017 the country exported 95,411,230.00 tons of shrimp to the European region, equivalent to \$665,229,000.00 dollars. The following year, there was an increase and Ecuador exported 102,911,250,00 tons of shrimp to the EU, equivalent to \$668,149,000,00 dollars; there was not so much difference with the previous year. For 2019, it exported 105,536,290.00 tons of Ecuadorian shrimp equivalent to \$651,312,000.00 dollars, in this year there was a reduction in the export of this product. However, by 2020, the country exported 125,595,290.00 tons of shrimp to this market, equivalent to \$755,995,000.00 dollars, this year of the 4 years was the best with a significant increase of the exports of this product. These 4 years after the entry into

force of the trade agreement with the EU, the country exported a total of 429,454,060.00 tons of shrimp to the European block, equivalent to \$2,740,685,000.00 dollars.

### 3.4.3.4 Coffee and its Products

Figure 22 Exports of Ecuadorian Coffee and its Products to the EU 2017-2020



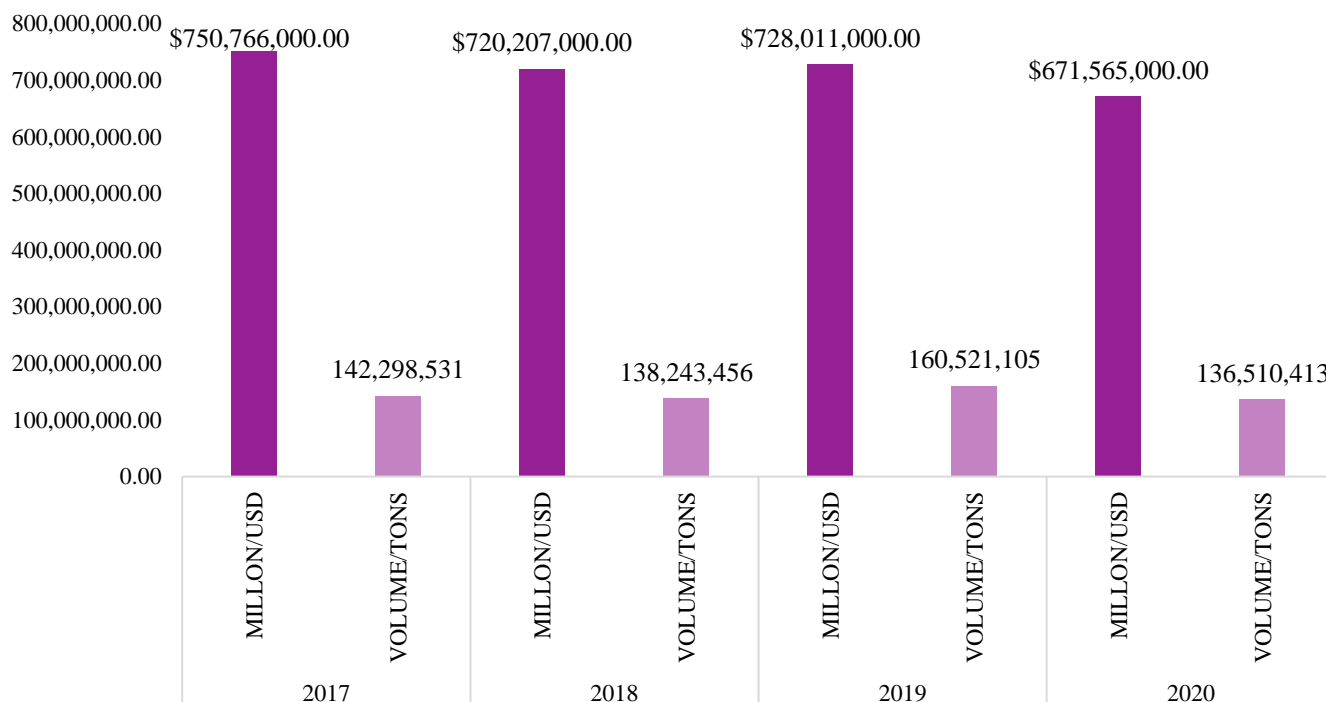
Note: Exports of Ecuadorian coffee and its processed products to the EU in the period 2017-2020. Source: Trade Map, 2022. Made by Sofia Cardenas

According to Figure 22, Ecuadorian exports of coffee and its processed products to the European market can be seen. Since 2017 with the beginning of the application of the trade agreement with the EU until 2020, exports of these products increased. In 2017 Ecuador exported 385,000.00 tons to the EU with a value of \$ 2,843,600.00 dollars. For 2018 exports increased and the country exported 459,000,00 tons of coffee and its products to the European region with a value of \$ 2,838,000.00 dollars. In 2019 the country also increased its export of these products to the European block and exported 436,000.00 tons with a value of \$ 2,924,000.00 dollars. By 2020 exports increased more, 458,000.00 tons of coffee and its products were exported to this market with a value of \$ 3,303,000.00 dollars, this was the best year for exports of the Ecuadorian coffee and its processed products. Finally, in totality during these 4 years after the trade agreement with the EU, the country exported 1,738,000.00 tons of these products to the European market with a value of \$ 11,908,600.00 dollars that entered the country.

### 3.4.3.5 Tuna and Fish

#### Tuna

Figure 23 Exports of Canned and Prepared Ecuadorian Tuna to the EU 2017-2020



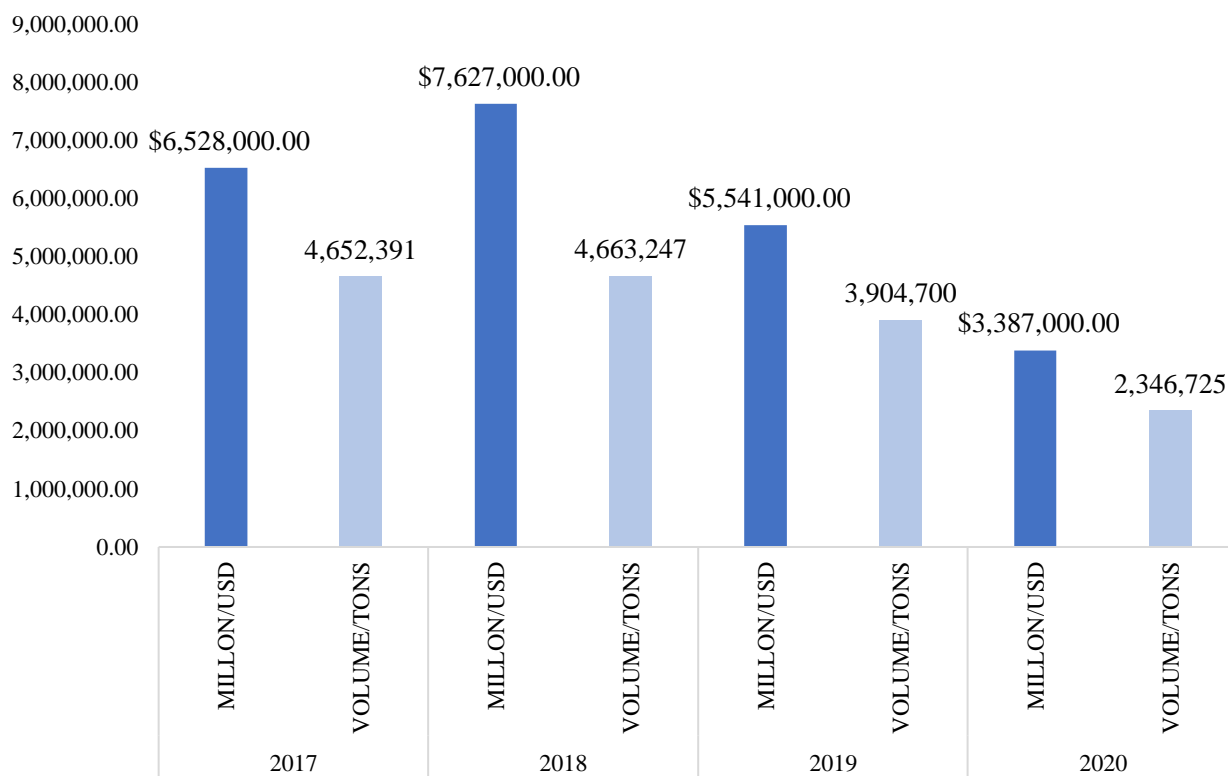
Note: Exports of canned and prepared Ecuadorian tuna to the EU for the period 2017-2020.  
Source: Trade Map, 2022. Made by Sofia Cardenas

As illustrated in Figure 23, exports of canned and prepared Ecuadorian tuna to the EU have remained almost constant since the entry into force of the trade agreement with the EU until 2020. In 2017, the country exported 142,298,531 tons of these products to the European market, this amount was equivalent to \$750,766,000.00 dollars. For 2018, there was a decrease in exports and Ecuador exported 138,243,456 tons equivalent to \$720,207,000.00 dollars. Then, in 2019, exports of these products to the EU increased and it exported 160,521,105 tons, equivalent to \$728,011,000.00 dollars, this was the best year of the 4. However, in 2020 again there was a reduction in exports and the country exported 136,510,413 tons of preparations and canned tuna equivalent to \$671,565,000.00. In totality during these 4 years, the country exported 577,573,505 tons of these tuna products to the EU with a value of \$ 2,870,549,000 that entered the country.

#### Fish



Figure 24 Exports of Canned and Prepared Ecuadorian Fish to the EU 2017-2020



Note: Exports of canned and prepared Ecuadorian fish to the EU in the period 2017-2020.  
Source: Trade Map, 2022. Made by Sofia Cardenas

According to figure 23, in 2017 with the entry into force of the trade agreement with the EU, Ecuadorian exports of canned fish and preparations of fish from 2017 to 2020 have had various changes. As in 2017 the country exported 4,652,391 tons of these products to the European market, equivalent to \$6,528,000.00 dollars. By 2018, exports of these fish products increased and the country exported 4,663,247 tons with a value of \$7,627,000.00. However, for 2019 there was a reduction of these and it exported 3,904,700 tons with a value of \$ 5,541,000.00 dollars. Nonetheless, in 2020 exports of these products decreased even more and the country exported 2,346,725 tons with a value of \$ 3,387,000.00 dollars. During the 4 years after the entry into force of the trade agreement with the EU, the country exported 15,567,063 tons of canned fish and fish preparations to the European block, an amount equivalent to \$23,083,000.00 dollars that entered the country.

### 3.5 Analysis of the evolution of Ecuadorian exports of traditional products to the European market during the period 2015-2020

#### 3.5.1 Tariffs on traditional products before and after the Multiparty Trade Agreement with the EU

##### 3.5.1.1 Banana

Table 11 Ecuadorian Banana Tariffs to enter the EU 2015-2020

Year	GATB Tariffs	Year	MTA Tariffs
2015	122 EUR/mt	2017	97 EUR/mt
2016	117 EUR/mt	2018	90 EUR/mt
2017	114 EUR/mt	2019	83 EUR/mt
		2020	75 EUR/mt

*Note:* This table shows the tariffs set for bananas to enter the EU from 2015 to 2020 before and after the MTA. EUR/Tm = Euro per metric tonne. Source: Diario Oficial de la Unión Europea, 2010. Made by Sofia Cardenas

In the Table 11, can be seen the tariffs for the Ecuadorian banana to enter the EU in the analyzed period 2015-2020. Before the trade agreement with the EU, Ecuador and other Latin American countries had an agreement with the EU for the export of bananas from each country. This agreement was the Geneva Agreement on Trade in Bananas, which provided for a gradual reduction of the tariff on this product, as mentioned above this agreement was born with the purpose of ending disputes over banana tariffs between Latin American countries and the European bloc.

In 2015 the tariff of the Ecuadorian banana established by this agreement was 122 euros per metric ton, for the following year the tariff was reduced to 117 euros per metric ton, 5 euros less than the previous year. If the Multiparty Trade Agreement with the EU had not entered into force by 2017, the tariff would have been 114 euros per metric ton. However, the trade agreement with the EU came into force at the beginning of 2017 and therefore began its application. This agreement also established a gradual reduction of the tariff on this product. For 2017 the initial tariff for Ecuadorian bananas was 97 euros per metric ton, for the following year, 2018, this was reduced to 90 euros per metric ton, For

2019 the reduction was 17 euros and the banana was subject for that year to a tariff of 83 euros per metric ton. Finally, by 2020 the tariff decreased to 75 euros per metric ton, equaling the tariff of its neighboring countries.

Although the previous agreement between the EU, Ecuador and other Latin American countries provided for a gradual reduction in banana tariffs for these countries, the value of the tariff was still high. With the Multiparty Trade Agreement beyond the gradual reduction of the tariff, the initial tariff with which it was started was significantly lower than the tariff in the Geneva agreement. That is why it is proven that with the Multiparty Trade Agreement with the EU, Ecuadorian exporters have benefited because they no longer have to pay a tariff as high as they did with the Geneva Agreement. This has resulted in a reduction in export costs and allowed them to increase in its exports.

### 3.5.1.2 Cocoa and its products

*Table 12 Cocoa and its Products tariffs to enter the EU 2015-2020*

GSP PLUS			MTA		
Cocoa and its products			Cocoa and its products		
Year	Others	Cocoa powder with added sugar	Year	Others	Cocoa powder with added sugar
					<b>Containing 80 % or more by weight of sucrose or isoglucose, including invert sugar expressed as sucrose</b>
2015	0%	8.20%	2017	0%	0% 41.90 EUR / 100 kg Preferential tariff quota of 0%
2016	0%	8.20%	2018	0%	0% 41.90 EUR / 100 kg Preferential tariff quota of 0%
<b>Without tariff preferences</b>			2019	0%	0% 41.90 EUR / 100 kg Preferential tariff quota of 0%
2017	8%	43%	2020	0%	0% 41.90 EUR / 100 kg Preferential tariff quota of 0%

*Note:* This table shows the tariffs on cocoa and its processed products and sugar-added cocoa powder to enter the EU from 2015 to 2020 before and after the MTA. Source: Delegación de la Unión Europea en el Ecuador, 2017 & Comisión Europea 2022. Made by Sofia Cardenas

According to Table 12, the Ecuadorian cocoa tariffs and its processed products to enter the EU during the period 2015-2020 have not had several modifications over the years. This because before the signing of the Multiparty Trade Agreement with the EU, Ecuadorian cocoa tariffs were established and regulated by the Generalized System of Preferences Plus granted by the EU to Ecuador. With this system in 2015 and 2016 cocoa and its processed products enjoyed free access to the EU market. This meant that Ecuadorian exporters of cocoa should not pay any tariff except for cocoa powder with added sugar which was subject to a tariff of 8.20%. If the trade agreement with the EU had not entered into force in 2017, the tariff for cocoa without a tariff preference would have been 8% and the sugar addition tariff 43%.

However, with the entry into force of the trade agreement with the EU, from 2017 onwards until 2020, Ecuadorian cocoa and its products had free access to the EU market. Whereas cocoa powder with the addition of sugar in almost all its forms also enjoyed free access with the exception of cocoa powder with the addition of sugar containing 80 % or more by weight of sucrose or isoglucose, including invert sugar calculated as sucrose which was subject to a tariff preference of EUR 41.90 per 100 kilograms. Although it did not have a free entry, it was subject to a preferential tariff quota of 0%, which means that a minimum quantity had to be exported in order to enter the EU freely.

As a result, cocoa and its products since the period studied prior to the trade agreement with the EU enjoyed free access with the exception of sugar-added cocoa powder. With the Multiparty Trade Agreement, from its application until 2020 cocoa and its processed products also had free access. Nonetheless, in this case all presentations of cocoa powder with added sugar also had free access; with the exception of a special type of sugar-added cocoa powder under which the agreement is subject to a preferential tariff quota of 0%.

Therefore, the agreement brought tariff benefits to cocoa and its processed products. Furthermore, the GSP Plus ended in 2016, so the country was left without any preference. If Ecuador did not sign the trade agreement with the EU, would have faced a major disadvantage and the new cocoa tariffs would have been very high, discouraging

Ecuadorian cocoa exporters. In contrast with the MTA, the Ecuadorian exporters of cocoa continued with free access in all the presentations of the well-known Ecuadorian cocoa.

### 3.5.1.3 Shrimp

*Table 13 Ecuadorian Shrimp Tariffs to enter the EU 2015-2020*

<b>Year</b>	<b>GSP PLUS tariffs</b>	<b>Year</b>	<b>MTA Tariffs</b>
2015	3.6%	2017	0%
2016	3.6%	2018	0%
<b>Without any tariff preference</b>		2019	0%
2017	12%	2020	0%

*Note:* This table shows the tariffs set for Ecuadorian cocoa and its processed products to enter the EU from 2015 to 2020 before and after the MTA. Source: Diario Oficial de la Unión Europea, 2010 & Delegación de la Unión Europea, 2017. Made by Sofia Cardenas

As illustrated in Table 13, Ecuadorian shrimp tariffs to enter the European Union market during the period analyzed before and after the Multiparty Trade Agreement have changed. Prior to the entry into force of the agreement, the Ecuadorian shrimp was one of the products that benefited from the Generalized System of Preferences Plus, which established a tariff of 3.6% for the Ecuadorian shrimp. This meant that in 2016 and 2017 Ecuadorian shrimp exporters had to pay 3.6% tariff to enter this product into the EU, for the following year the tariff would have been 12% by the end of the GSP Plus.

With the entry into force of the Multiparty Trade Agreement, the tariff of the Ecuadorian shrimp was reduced to 0%. Therefore, this traditional Ecuadorian product from 2017 to 2020 had free access to the European market. In this case, the tariff benefit that this product obtained with the trade agreement with the EU is evident, since it went from 3.6% with the GSP Plus to 0% with the MTA. In addition, the GSP Plus ended in 2016, therefore, the country without any agreement to enter this market would have had to assume the tariff paid by the rest of countries that did not have an agreement with the EU.

### 3.5.1.4 Coffee and its Products

*Table 14 Ecuadorian Coffee and its products Tariffs to enter the UE 2015-2020*

<b>Year</b>	<b>GSP PLUS Tariffs</b>	<b>Year</b>	<b>MTA Tariffs</b>
2015	0%	2017	0%
2016	0%	2018	0%
<b>Without any tariff preference</b>		2019	0%
2017	8%	2020	0%

*Note:* This table shows the tariffs set for Ecuadorian coffee and its processed products to enter the EU from 2015 to 2020 before and after the MTA. Fuente: Delegación de la Unión Europea, 2010. Made by Sofia Cardenas

As it can be seen in Table 14, the tariffs for Ecuadorian coffee and its processed products to enter the EU in the analyzed period 2015-2020 had no modification. As previously mentioned, Ecuador had been granted a system of preferences prior to the Multiparty Agreement. The GSP Plus reduced or eliminated tariffs on certain products, Ecuadorian coffee and its processed products were part of this group, in 2015 and 2016 coffee and its derivatives from Ecuador had free access to the European market. However, in 2017 this would not have been the same since with the end of the GSP Plus, the tariff of coffee would have been 8%.

However, with the entry into force of the Multiparty Trade Agreement with the EU, from its application in 2017 onwards until 2020, Ecuadorian coffee also had free access to the European region. Although the tariff from 2015 to 2020 has not changed for Ecuadorian coffee; with the ending of the GSP Plus, the country would have been without any preference. Therefore, the new tariff for this product would have been 8% correspondent to the EU tariff applied to this product to countries that does not have an agreement or tariff preference. As a result, the ACM does benefit the country, re-establishing free access for Ecuadorian coffee and its processed products to the EU.

### 3.5.1.5 Tuna and Fish

*Table 15 Ecuadorian Tuna and Fish Preparation and Canning Tariffs to enter UE 2015-2020*

<b>Year</b>	<b>GSP PLUS Tariffs</b>	<b>Year</b>	<b>MTA Tariffs</b>
2015	0%	2017	0%
2016	0%	2018	0%
<b>Without any tariff preference</b>		2019	0%
2017	24%	2020	0%

*Note:* This table shows the tariffs set for tuna and Ecuadorian fish preparations and preserves to enter the EU from 2015 to 2020 before and after the MTA. Source: Delegación de la Unión Europea, 2010. Made by Sofia Cardenas

According to Table 15, the tariffs for the preparations and preserves of Ecuadorian tuna and fish to enter the EU 2015-2020 have not changed prior to the trade agreement with the EU and after the application of the same. The country enjoyed the GSP Plus granted by the EU and another of the products that also benefited from free access were fish and tuna. Both in 2015 and 2016 were subject to a tariff of 0%, for 2017 the tariff would have changed as the GSP Plus ended in 2016. Therefore, the tariff of these products would have been 24%, a high tariff for Ecuadorian tuna and fish. After having free access to move to a tariff of 24%, it would harm at that time the Ecuadorian exporters of canned and prepared tuna and fish.

With the Multiparty Trade Agreement with the EU, from 2017 to 2020 Ecuadorian tuna and fish once again enjoyed free access to the European market. Although the tariffs were not modified under the MTA, the tariff preference was not modified and Ecuadorian tuna and fish did not have to be determined to a tariff of 24%. So, the free access of these products to this market is maintained; conserving the existing advantage.

### 3.5.2 Main European Destinations for Traditional Products before and after the Multiparty Trade Agreement with the EU

### 3.5.2.1 Banana

Table 16 Main European destinations of the Ecuadorian Banana 2015-2020

Before the MTA 2015-2016			After the MTA 2017-2020	
	EU Countries	Participation	EU Countries	Participación
1	Belgium	23%	Italy	19%
2	Germany	18%	Belgium	18%
3	Italy	12%	Germany	12%
4	Greece	9%	Netherlands	11%
5	Netherlands	8%	Greece	11%
6	United Kingdom	8%	Poland	7%
7	Poland	7%	Sweden	6%
8	Sweden	4%	United Kingdom	5%
9	Slovenia	4%	Bulgaria	2%
10	Others	7%	Others	8%

*Note:* This table shows the main destinations of Ecuadorian bananas to enter the EU from 2015 to 2020 before and after the MTA. Source: Trade Helpdesk, 2022. Made by Sofia Cardenas

Table 16 shows the main European destinations of Ecuadorian bananas during the period analyzed from 2015 to 2020, before and after the trade agreement with the EU. Prior to the trade agreement with the EU in 2015-2016 the main consumer countries of Ecuadorian bananas were Belgium, ranking first with a 23% share in European imports of this product. In second place was Germany with 18%, then Italy with 12%, Greece with 9%, the Netherlands and the UK with 8% each. Poland with 7%, Sweden and Slovenia with 4% each. Finally, the rest of European countries together accounted for only 7% of imports of the Ecuadorian banana.

On the other hand, with the entry into force of the Multiparty Trade Agreement with the EU, from 2017 to 2020, the main European destinations of Ecuadorian bananas had certain changes. First, Italy accounted for 19% of European imports, followed by Belgium with 18%, Germany with 12%, the Netherlands and Greece with 11% each. Then Poland



with 6%, Sweden with 65%, the United Kingdom with 5%, and Bulgaria with 2%. Finally, other European countries during these 4 years together had 8% in the share of European imports of bananas from Ecuador.

According to the data presented, from 2015 to 2020 it can be observed that the 5 main destinations of Ecuadorian bananas were Belgium, Germany, Italy, the Netherlands and Greece. Although before and after the trade agreement with the EU, these countries did not have the same percentage of participation, their participation did not vary much over the years. Before the agreement, the order of the main European destinations of Ecuadorian bananas was: Belgium, Germany, Italy, Greece, the Netherlands, the United Kingdom, Poland, Sweden, Slovenia and others. While after the agreement the order of these was Italy, Belgium, Germany, the Netherlands, Greece, Poland, Sweden, the United Kingdom, Bulgaria and other European countries.

The first five during these years had high percentages, meaning that these countries were the ones who most bought this product. Those who had some changes in their share were the others, for example the UK decreased their consumption and the main reason for this is their exit from the EU. Poland remained, Sweden increased their consumption and Slovenia was no longer part of the main consumers of Ecuadorian banana. However, Bulgaria increased its consumption and positioned itself as another of the countries that consume the most Ecuadorian bananas. Another point to note is that after the implementation of the agreement, most of the above-mentioned countries increased their consumption, hence its imports from Ecuador. It is for this reason that their percentages of participation in the European imports increased and these were not as distant from each other as before the agreement.

### 3.5.2.2 Cocoa and its Products

*Table 17 Main European Destinations of Ecuadorian Cocoa and its products 2015-2020*

<b>Before the MTA 2015-2016</b>			<b>After the MTA 2017-2020</b>	
	<b>EU Countries</b>	<b>Participation</b>	<b>EU Countries</b>	<b>Participation</b>
1	Netherlands	43%	Netherlands	47%
2	Germany	21%	Germany	20%
3	Belgium	14%	Belgium	14%
4	Italy	10%	Italy	9%
5	France	5%	France	5%
6	Spain	6%	Spain	5%

7	Others	0%	Others	1%
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*Note:* This table shows the main destinations of Ecuadorian cocoa and its processed products to enter the EU from 2015 to 2020 before and after the MTA. Source: Trade Helpdesk, 2022. Made by Sofia Cardenas

According to Table 17, the main European destinations of cocoa and its processed products from 2015 to 2017, did not change. Two years before the trade agreement with the EU in 2015 and 2016 the main buyer of Ecuadorian cocoa and its products was the Netherlands with 43%, almost 50% of European imports of Ecuadorian cocoa, Germany ranked second with 21% in the share of European imports of these Ecuadorian products; followed by Belgium with 14%, Italy with 10%, Spain with 6%. France with 5% and the rest of European countries with 0%. Which means that during these two years they had a null participation in European imports of Ecuadorian cocoa.

From 2017 onwards until 2020 with the implementation of the trade agreement with the EU, the main destinations of Ecuadorian cocoa were the same as before, except for France and Spain which during these 4 years had the same share. What did change was the degree of participation in EU imports of these products from Ecuador. For example, the Netherlands had 47%, Germany 20%, Belgium 14%, Italy 95, France and Spain 5% each and finally the rest of European countries together 1%.

With the new agreement, most of these States increased their consumption of Ecuadorian cocoa; in the case of the Netherlands rose from 43% to 47%, Germany went from 20% to 21%, Belgium remained with 14%, Italy went from 10% to 9%, Spain went from 6% to 5%. France remained at 5% and the rest of European countries rose from 0% to 1%. This meant that if these countries did not previously import cocoa from Ecuador after the agreement began to do so. Although some percentages decreased, this meant that each country increased its purchase and therefore its participation. As well its data were not so distant from each other except the Netherlands. As a result, the MTA allowed more Ecuadorian cocoa and its derivatives to be bought and consumed during these 4 years.

### 3.5.2.3 Shrimp

*Table 18 Main European Destinations of Ecuadorian Shrimp 2015-2020*

Before the MTA 2015-2016			After the MTA 2017-2020	
	EU Countries	Participation	EU Countries	Participation
1	Spain	34%	Spain	33%
2	France	32%	France	28%
3	Italy	23%	Italy	23%
4	United Kingdom	3%	United Kingdom	5%
5	Netherlands	2%	Netherlands	3%
6	Belgium	2%	Belgium	3%
7	Others	4%	Others	5%

*Note:* This table shows the main destinations of Ecuadorian shrimp to enter the EU from 2015 to 2020 before and after the MTA. Source: TradeHelpdesk, 2022. Made by Sofia Cardenas

According to table 17, the main European countries of the Ecuadorian shrimp from 2015 to 2020 were Spain, France, Italy, the United Kingdom, the Netherlands and Belgium. Prior to the trade agreement with the EU, in 2015 and 2016, Spain had a large share of European imports of Ecuadorian shrimp, as its imports were 34% of the total EU imports to Ecuador. France had 32%, Italy 23%, the United Kingdom 3%, the Netherlands and Belgium 2% each and other European countries had 4% together during the two years before the agreement.

After Ecuador joined the Multiparty Trade Agreement, from 2017 to 2020, the main European destinations for Ecuadorian shrimp were the same, only their participation was the one that changed. In this case during the 4 years Spain had a 33% share of total European imports of this product, followed by France with 28%, Italy with 23%, United Kingdom with 5%, The Netherlands and Belgium with 3% each and finally the rest of the EU countries together with 5%.

Therefore, before and after the ACM, the main consumer countries of the Ecuadorian shrimp were the same, what changed with the application of the MTA were their levels of participation. Spain went from 34% to 33%, France from 32% to 28%, Italy remained with 23%, the United Kingdom from 3% to 5%, the Netherlands and Belgium from 2% to 3% each and other European countries from 4% to 5%. Therefore, with the ACM, there

have been changes in the participation of these countries. The imports of this product have increased and for this reason the percentages of these have varied, demonstrating the increase in consumption of Ecuadorian shrimp.

### 3.5.2.4 Coffee and its Products

*Table 19 Main European Destinations of Ecuadorian Coffee and its Products 2015-2020*

Before the MTA 2015-2016			After the MTA 2017-2020	
	EU Countries	Participation	EU Countries	Participation
1	Germany	49%	France	49%
2	France	32%	Germany	45%
3	United Kingdom	8%	United Kingdom	3%
4	Others	11%	Others	3%

*Note:* This table shows the main destinations of Ecuadorian coffee and its processed products to enter the EU from 2015 to 2020 before and after the MTA. Source: TradeHelpdesk,2022. Made by Sofia Cardenas

Table 18 shows the main European destinations for Ecuadorian coffee and its products in the period analyzed before and after the trade agreement with the EU. From 2015 to 2016 the main consumers of Ecuadorian coffee were Germany with a large share of 49% of European imports of Ecuadorian coffee. Then was France with 32%, UK with a share of less than 8% and other European countries together had a total of 11%. In this case, two states, specifically Germany and France, were the largest consumers of Ecuadorian coffee. After the implementation of the trade agreement with the EU, from 2017 to 2020, France ranked first with a 49% share of European imports of Ecuadorian coffee, Germany was second with 45%, in third United Kingdom with 3% and finally the rest of European countries together had a share of 3%.

Unlike the other traditional products, after the MTA, in this case there was an increase in the consumption of Ecuadorian coffee and its processed products. However, this increase was only in the European countries that mostly imported this product. With the MTA France took first place from 32% to 49%, Germany from 49% to 45%, the UK down from 8% to 3% and the others from 11% to 3%. Consumption increased, but only in France and Germany while for the rest it decreased.

### 3.5.2.5 Tuna and Fish

#### Tuna

#### Main European destinations of Canned and Prepared Ecuadorian Tuna 2015-2020

Table 20 Main European destinations of Canned and Preparations of Ecuadorian Tuna 2015-2020

Before the MTA 2015-2016			After the MTA 2017-2020	
	EU Countries	Participation	EU Countries	Participation
1	Spain	43%	Spain	37%
2	Netherlands	16%	Netherlands	17%
3	Italy	14%	Italy	16%
4	Germany	8%	Germany	9%
5	United Kingdom	7%	United Kingdom	7%
6	France	7%	France	7%
7	Others	6%	Others	8%

*Note:* This table shows the main destinations of preparations and canned Ecuadorian tuna to enter the EU from 2015 to 2020 before and after the MTA. Source: TradeHelpdesk,2022. Made by Sofia Cardenas

As illustrated in Table 19, the main European destinations for canned and prepared Ecuadorian tuna before and after the MTA were Spain, the Netherlands, Italy, the United Kingdom, Germany and France. Prior to the agreement from 2015 to 2016, Spain was the main buyer of Ecuadorian tuna with a 43% share of European imports of canned and prepared Ecuadorian tuna. Then the rest of the EU countries were found with lower percentages, such as the Netherlands with 16%, Italy 14%, Germany 8%, the United Kingdom and France 7% each and other European countries in their totality with 6%.

While with the entry into force of the Multiparty Trade Agreement with the EU, from 2017 to 2020, the European countries largest consumers of Ecuadorian tuna were the same, but with a different participation. Spain went from 43% to 37%, the Netherlands from 16% to 17%, Italy from 14% to 16%, the United Kingdom and France remained with 7% and other European countries together went from 6% to 8%. This means that with the ACM after 4 years Ecuadorian imports of processed Ecuadorian tuna from these states increased. There was an increase in consumption of these Ecuadorian products in

the rest of the European countries, evidenced in the percentages of participation that increased except for Spain and the Netherlands that although they did not decrease their consumption, their participation was reduced by the new participation of the rest.

## **Fish**

*Table 21 Main European destinations for canned and prepared Ecuadorian Fish 2015-2020*

<b>Before the MTA 2015-2016</b>			<b>After the MTA 2017-2020</b>	
	<b>EU Countries</b>	<b>Participation</b>	<b>EU Countries</b>	<b>Participation</b>
1	Spain	39%	Spain	63%
2	Italy	23%	Czech Republic	8%
3	France	9%	Romania	6%
4	Romania	6%	France	5%
5	Poland	6%	Poland	4%
6	Czech Republic	4%	Italy	3%
7	Others	13%	Others	11%

*Note:* This table shows the main destinations of preparations and preserves of Ecuadorian fish to enter the EU from 2015 to 2020 before and after the MTA. Source: TradeHelpdesk,2022. Made by Sofia Cardenas

In Table 20, the main European countries consuming canned and prepared Ecuadorian fish prior to the trade agreement with the EU in 2015 and 2016 were Spain in first place with 39%, Italy with 23%, France with a lower percentage with 9%, Romania and Poland with 6% each, the Czech Republic with 4% and the rest of European countries together with 13%.

With the implementation of the MTA from 2017 to 2020 the main EU destinations for processed Ecuadorian fish were Spain with 63%, Czech Republic with 8%, Romania 6%, France 5%, Poland 4%, Italy 3% and other European states together during the 4 years with 11%.

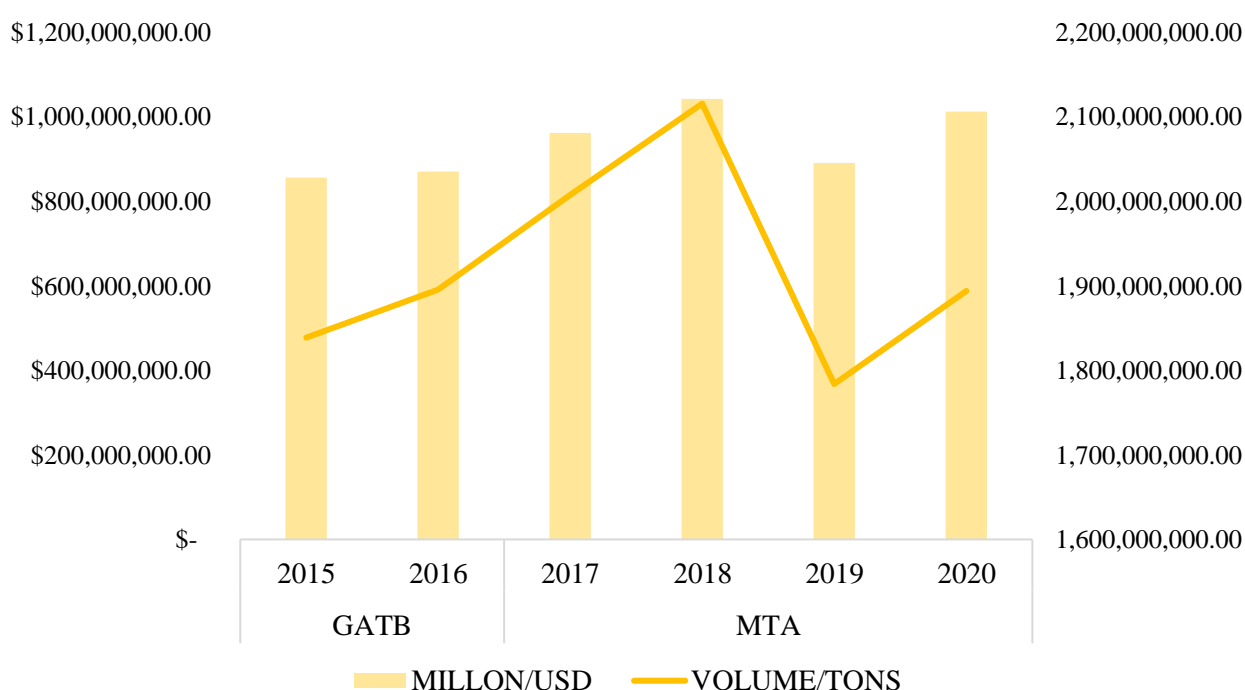
As a result, following the implementation of the trade agreement with the EU, consumption in certain countries increased and decreased slightly in other countries. For example, Spain maintained its position and continued to be the main buyer of fish products to Ecuador, Czech Republic and Romania increased their consumption. Although France, Italy, Poland had lower percentages of participation did not mean that

they decreased their consumption less but that the consumption of the other countries was much higher during these 4 years.

### 3.5.3 Exports of traditional products to the European Union before and after the Multiparty Trade Agreement

#### 3.5.3.1 Banana

Figure 25 Ecuadorian Banana Exports to the EU 2015-2020



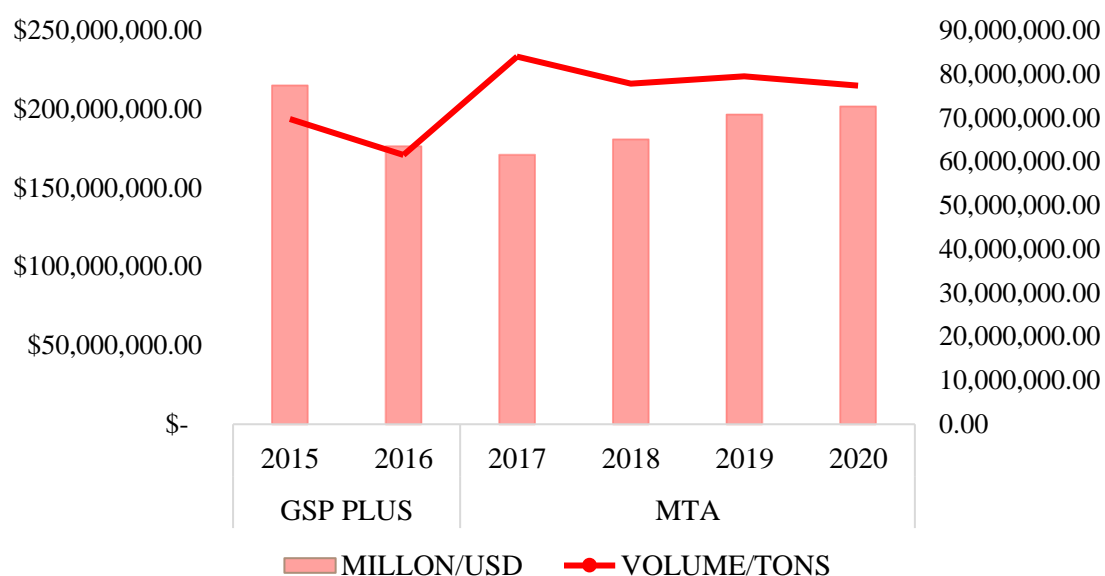
Note: Ecuadorian banana exports to the EU in the period 2015-2020, before and after the MTA. Source: Trade Map, 2022. Made by Sofia Cardenas

According to figure 24, Ecuadorian banana exports to the European Union can be seen from 2015 to 2020. From 2015 to 2016, bananas from Ecuador were subject to GATB tariffs and during these years exports of this product to the EU were 3,734,307,000.00 tons equivalent to \$1,725,328,000.00 dollars. For the following year with the entry into force of the MTA the tariff was reduced and exports after 4 years were 7,800,387,900.00 metric tons equivalent to \$3,907,315,000.00 dollars, which entered the country for the export of bananas.

During the period analyzed, it can be seen that there has been an increase in exports of Ecuadorian bananas to the EU market. This increase has not been so differentiated after the MTA, since Ecuadorian exports were for both years prior to the agreement over \$8,000,000.00 dollars. Since 2017, these increased and were around \$9,000,000,00 and \$1,000,000,000,00 of dollars except for the year 2019 that these decreased. On the other hand, what did have a differentiated change was the quantity exported, from 2015 prior to the MTA to 2018 with the application of the MTA the quantity exported increased year after year. However, in 2019 the number of bananas exported decreased and by 2020 there was an increase again, but this was not like that of years ago. This did not mean that less money was received but the opposite since less was exported, but more money was received.

### 3.5.3.2 Cocoa and its products

Figure 26 Exports of Ecuadorian Cocoa and its Products to EU 2015-2020



Note: Exports of Ecuadorian cocoa and its processed products to the EU in the period 2015-2020, before and after the MTA. Source: Trade Map, 2022. Made by Sofia Cardenas

According to figure 25, exports of Ecuadorian cocoa and its processed products to the EU from 2015 to 2020 had certain changes year after year. In 2015 and 2016 the tariff of Ecuadorian cocoa was fixed by the GSP Plus. So, in these years before the ACM exports were in their totality 131,284,000.00 tons of these products, whose value was equivalent

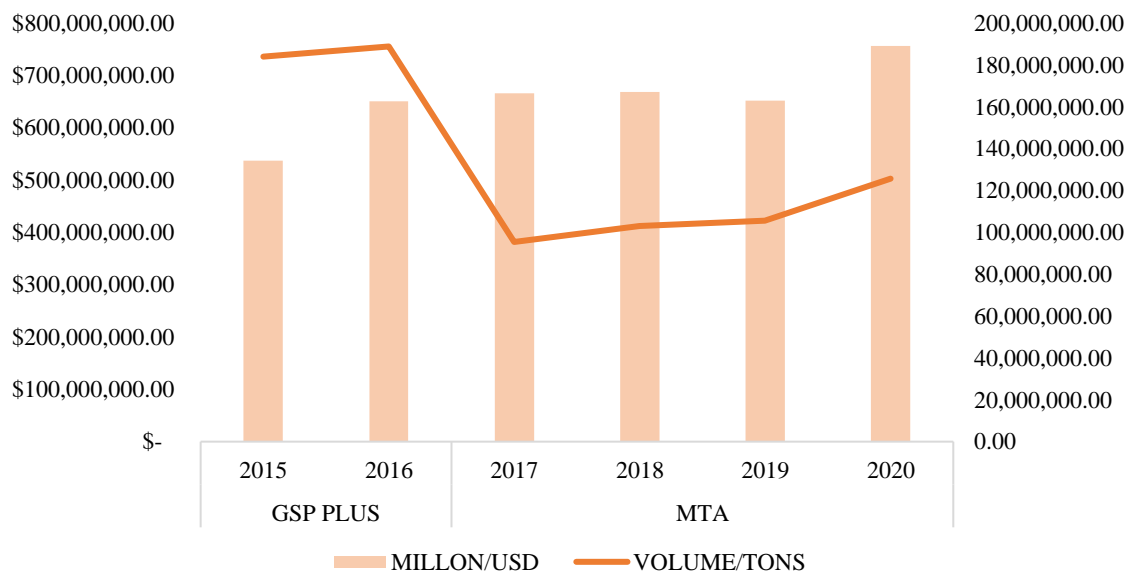


to \$ 391,250,000.00 dollars. From 2017 to 2020 exports were 318,653,000.00 tons of cocoa and its products equivalent to \$749,656,000.00 dollars.

In this case, the MTA failed to surpass the exports of 2015 before the trade agreement with the EU that were \$ 214,906,000.00 dollars and after the agreement the best year was 2020 that was exported \$ 201,572,000.00 dollars. However, with the MTA from 2017 onwards there was an increase in Ecuadorian exports of cocoa to the EU in such a way that these remained constant for the 4 years. While the amount exported from 2015 to 2017 has increased, but from 2017 to 2020 it has decreased; which has not necessarily meant that the money received has been less.

### 3.5.3.3 Shrimp

Figure 27 Ecuadorian Shrimp Exports to the EU 2015-2020



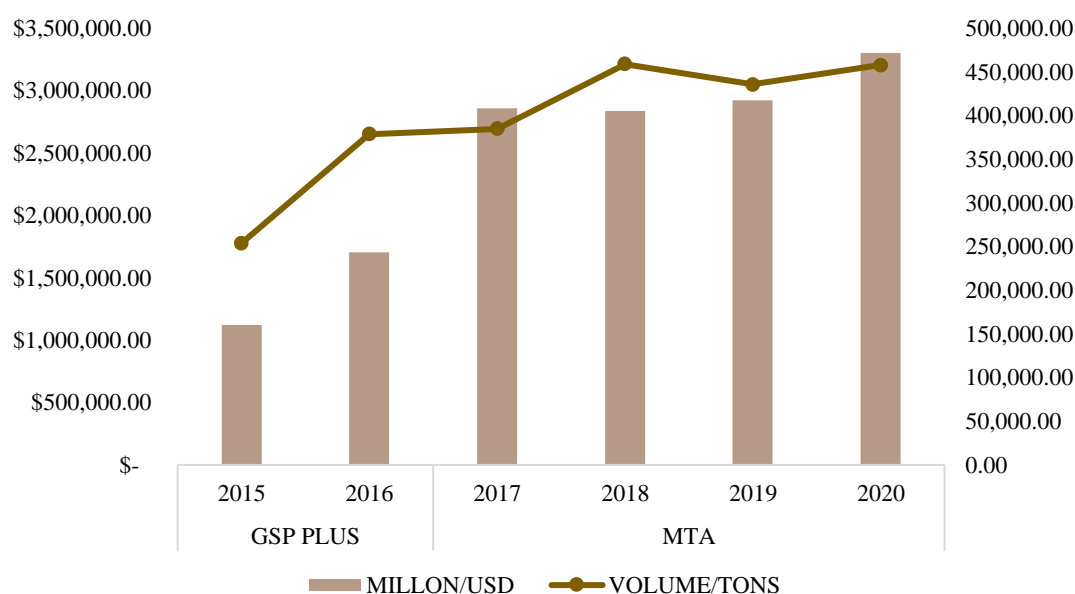
Note: Ecuadorian shrimp exports to the EU in the period 2015-2020, before and after the MTA. Source:Trade Map, 2022. Made by Sofia Cardenas

According to figure 26, Ecuadorian shrimp exports to the EU market before and after the MTA have had some growth. Prior to the entry into force of the trade agreement with the EU in 2015 and 2016, Ecuadorian shrimp exports under the GSP Plus were 372,790,690.00 tons, equivalent to \$1,187,256,000.00 dollars. With the implementation of the GSP Plus in 2017 until 2020 exports of this product to the European block were 429,454,060.00 tons equivalent to \$2,740,685,000.00 dollars.

Shrimp exports to the EU have not changed significantly after the MTA, because in 2015 and 2016 they passed the \$500,000.00. But there has been an increase in these, being the best year in 2020 with a value of \$755,995,000.00 dollars. On the other hand, the quantities exported have varied from 2015 to 2017 and these have decreased. From 2017 to 2020 exportations have had a slight growth, again demonstrating that this decrease is not a disadvantage because the less quantity is exported and the more money is received, the more beneficial it is. Therefore, after the MTA it is demonstrated that there has been an increase in exports of Ecuadorian shrimp to the EU.

### 3.5.3.4 Coffee and its products

Figure 28 Exports of Ecuadorian Coffee and its Products to the EU 2015-202



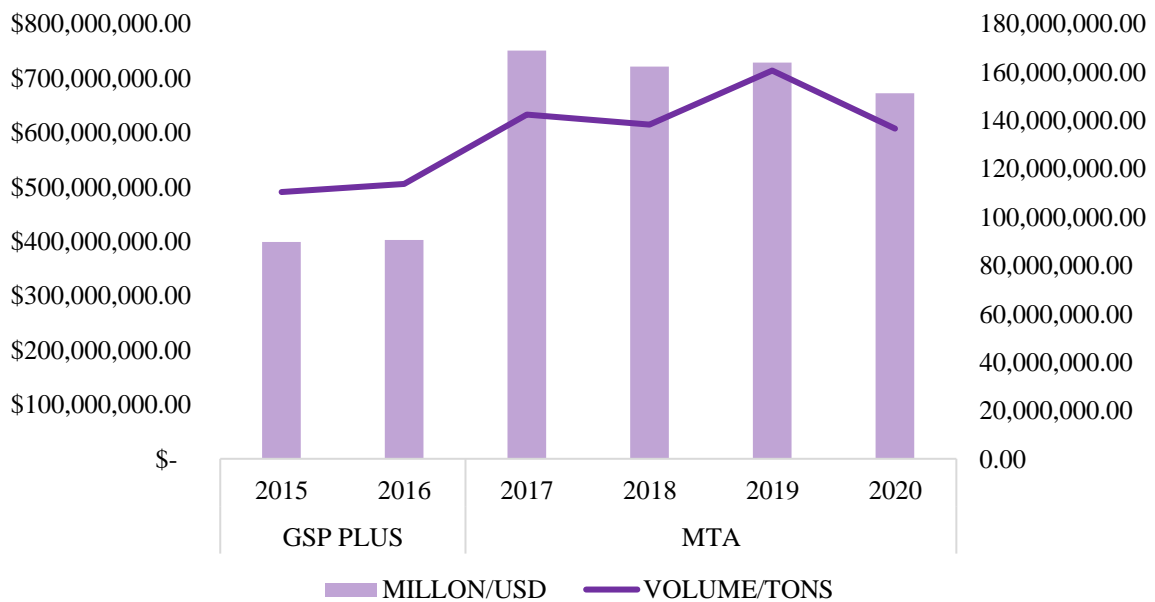
Note: Exports of Ecuadorian coffee and its processed products to the EU in the period 2015-2020, before and after the MTA. Source: Trade Map, 2022. Made by Sofia Cardenas

Figure 25 shows Ecuadorian exports of coffee and its processed products to the EU from 2015 to 2020. Under the GSP Plus, exports of Ecuadorian coffee were not so high and the country exported 633,000.00 tons of coffee and its derivatives to the EU, equivalent to \$2,831,000.00 dollars during these two years. With the trade agreement with the EU, the country exported in total, from 2017 to 2020, 1,738,000.00 tons of coffee, equivalent to \$11,923,000.00 dollars

In this case, the increase in Ecuadorian exports of coffee to this region with the MTA was evident because before the agreement the year 2016 was the most favorable and the country exported \$ 1,707,000.00 coffee. While after the MTA the best year was 2020 and it exported \$ 3,303,000,00 dollars of Ecuadorian coffee. Exports have also increased over the years with the MTA. Therefore, unlike the previous traditional products analyzed in this case there was an increase in both quantity and monetary exports of Ecuadorian coffee and its processed products to the European market.

### 3.5.3.5 Tuna

Figure 29 Exports of canned and prepared Ecuadorian Tuna to the EU 2015-2020



Note: Exports of a preparations and preserves of Ecuadorian tuna to the EU for the period 2015-2020, before and after the MTA. Source: Trade Map, 2022. Made by Sofia Cardenas

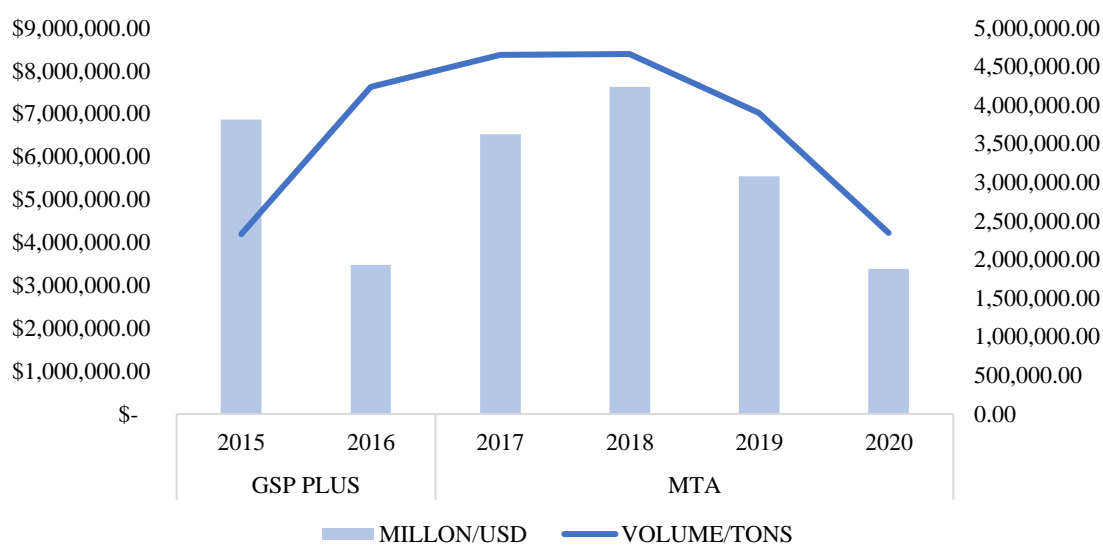
In Figure 26, exports of canned and prepared Ecuadorian tuna to the EU during the period analyzed from 2015 to 2020 have had certain changes. In 2015 and 2016 with the GSP Plus exports did not vary much from year to year and were in total 223,819,490.00 tons, equivalent to \$800,231,000.00 dollars. With the MTA, from 2017 to 2020, exports were 577,573,505.00 tons, whose value represents \$223,819,490.00 dollars.

Exports of canned and prepared Ecuadorian tuna after the entry into force of the MTA increased significantly compared to the GSP Plus. With the GSP Plus the best year was 2016 with \$401,846,000.00 dollars of tuna exported to the EU while with the MTA, the

best year was 2017 with \$750,766,000.00 dollars of tuna exported. Also, from 2017 to 2020 exports have remained constant and with similar values exported, demonstrating that the MTA has benefited Ecuadorian exporters of canned and prepared tuna. Similarly, there have been increases and small reductions in the quantities exported, which have not affected the growth of total exports of Ecuadorian tuna to the EU.

### 3.5.3.6 Fish

Figure 30 Exports of Canned and Prepared Ecuadorian Fish to the EU 2015-2020



Note: Exports of preparations and preserves of Ecuadorian fish to the EU in the period 2015-2020, before and after the MTA. Source: Trade Map, 2022. Made by Sofia Cardenas

According to Figure 17, exports of canned and prepared Ecuadorian fish to the EU from 2015 to 2020 have had certain changes year after year. In 2015 and 2016 with the GSP Plus total exports of fish to the EU were 6,571,030.00 tons of canned and prepared fish, whose value was equivalent to \$10,341,000,00 dollars. While with the application of the MTA from 2017 to 2020 exports were 15,567,063.00 tons, equivalent to \$23,083,000.00 dollars that entered the country.

In this case, exports have not increased year after year with the MTA. Although, before the MTA the best year was 2015 with \$6,871,000,00 dollars exported for the following year these exports decreased significantly and for 2017 with the entry into force of the agreement increased until 2018 and then for 2019 and 2020 have been reduced. On the other hand, the exported quantities have increased from GSP plus in 2015 and 2016 to

MTA 2017 and 2018; but they have decreased **during** the last two years analyzed. Despite the increase has not been progressive if there has been an increase in exports of canned fish and fish preparations with the MTA and the same happens with the exported quantities.

### **3.6 Interview**

Based on the information obtained in the interview with Luis Salcedo, Especialista Zonal /Origen y Servicios al Exportador de la Dirección Zonal 6 MPCEIP, important information was obtained, which allowed to confirm that the MTA has brought several advantages to the country. Luis Salcedo confirmed that the entry into force of the agreement let the exports of the country to the European market grow since more than 90% of the products with added value have been able to enter with tariff 0%. In addition, this agreement is not only focused on tariff reduction and liberalization, but also includes areas of cooperation, intellectual property, public procurement, among other important aspects for the parties, especially for Ecuador.

Likewise, the MTA has generated a dynamic effect in the country's productive sector, since Ecuadorian exporters have implemented strategies to introduce their products into the EU. It is causing the Ecuadorian productive sector to be more efficient, adapted to the requested standards and needs of international demand. In addition, it was learned that the products with the highest growth since the MTA were those belonging to aquaculture and fisheries, forming part of the traditional products of Ecuador. Simultaneously with this increase in demand for Ecuadorian products in the EU, there has been an increase in the generation of job opportunities for the Ecuadorian population.

That is why the MTA has facilitated Ecuadorian exporters of both traditional and non-traditional products to introduce their products to the European market, evidenced in the data obtained, demonstrating a growing trend in Ecuadorian exports, especially of traditional products. This has had positive repercussions for the country, but as Luis Salcedo said, if we want to continue with these positive results, we must continue to generate strategies that reach European consumers, meeting all quality requirements, achieving more international recognition and supporting innovation.

## **CONCLUSION**

In conclusion, it is quite clear that foreign trade favors States that decide to open their markets in order to exchange products in which they are competitively more efficient and to receive those in which their production disadvantages them. Consequently, these exchanges generate foreign exchange which could be used for the accumulation of physical capital and human and technological innovation which are very important for the economic growth of a country. Therefore, this could improve the living conditions of its population. Also, trade agreements have facilitated and increased the incentive for different countries to trade with each other.

It has also been demonstrated that, for several years, trade has encouraged the integration of regional blocs where improvements and benefits can be obtained for both parties. In the case of the EU with the CAN despite the fact that talks for an Association Agreement began a long time ago, it was not possible to conclude as expected since individual countries completed the negotiations on their own and obtained a trade agreement. Unfortunately, this happened because of the different trade policies that each Andean country had and its level of development, because this did not allow the negotiations to progress together, and even to this day there is no complete integration.

On the other hand, Ecuador and the EU had maintained trade relations long before the signing of the trade agreement and these relations were reinforced when the European bloc granted the GSP to the Andean countries, Ecuador being one of the countries that also benefited since it was granted a series of tariff preferences for several Ecuadorian products, allowing an easy entry of these to the EU market. However, this system of preferences ended in 2016, even though the country's condition no longer allowed it to continue with a system of preferences. Therefore, Ecuadorian exporters would have been the most affected, they would have had to pay the corresponding tariffs to enter their products, causing an economic decrease for the country.

That is why a trade agreement with the EU meant a lot to Ecuador since a large part of Ecuadorian products, especially agricultural ones, would obtain great advantages. This is

positive for the country, since traditional Ecuadorian products such as bananas, cocoa and its processed products, coffee and its processed products, tuna and fish have been the mainstay of Ecuadorian exports generating economic growth for the country over the years. With the information obtained, it was possible to determine the effects generated in the Ecuadorian exportable supply of traditional products.

When analyzing the behavior of Ecuadorian exports of traditional products to the European Union, during the period 2015-2020, it is observed that the requirements that traditional products must and should meet before and after the entry into force are the same. However, what changes is the rigor with which these must be complied, as the EU strictly requests compliance with them. Although this aspect seems negative, it means the opposite because a demand in the requirements causes the productive sector to comply as it should with quality regulations and encourage an improvement in them. This also causes Ecuadorian products to be internationally recognized for their excellent quality, which allows them to open up to new markets.

On the other hand, in terms of tariff benefits the majority of products have benefited from the agreement, such is the case of bananas that their tariff has decreased significantly. Cocoa and its processed products despite the fact that under the GSP most of its derivatives entered freely, with the agreement those who had added sugar favored free access and a preferential tariff quota. As for other products such as shrimp, this was also favored with a tariff release to enter the EU market. Coffee and its processed products on the other hand did not obtain significant changes with the MTA because before with the previous system this product and its derivatives had a tariff-free entry to the EU and later with the agreement this was maintained similar to tuna and fish which also enjoyed free access. However, it should be mentioned that Ecuador, since it is no longer considered for a system of preferences and with the ending of it, and without any agreement with the European Union, Ecuadorian products would have been subject to very high tariffs, damaging the economy of the country.

Concerning the main destinations of traditional Ecuadorian products before and after the Multiparty Trade Agreement with the EU, it can be seen from the data obtained from Trade Helpdesk that the main European destinations for most traditional products

remained the same before and after the MTA. In some cases, the order of them changed and the percentages of participation decreased due to the increased participation of the same and other countries that increased their consumption and became part of the main ones, such as bananas, fish preparations and preserves. The main European countries of other traditional products such as canned and prepared tuna, coffee and its products, shrimp, cocoa and its products from Ecuador remained in the same positions, only changing their degree of participation by the increase of the others. This showed that the MTA encourages the consumption of traditional products, as the countries of the European block increased their consumption, including countries that previously did not consume in large quantities, with the MTA now they do.

In addition, it was possible to determine that exports of traditional products to the European Union before and after the Multiparty Trade Agreement did have significant changes after the MTA entry came into force. Data obtained from TradeMap showed that exports of these products to the EU before the MTA in the period analyzed were \$4,117,237,000, while with the entry into force of the agreement these exports were \$10,303,211,000,00, demonstrating once again that the agreement has favored exporters of these products and also the economy of the country. Despite the reduction of exports to this market in 2019, the significant increase in exports has been in 5 of the 6 traditional products, each with a growing trend since the entry into force of the agreement until 2020.

Finally, it is necessary to affirm that, after carrying out this investigation, it is evidently clear that the Multiparty Trade Agreement between Ecuador and the EU has been a tool that has helped the growth of Ecuadorian exports of traditional products, generating income that has stimulated the economic growth of the country and its inhabitants leading to an improvement in the living conditions of the population. However, as mentioned in the interview, if we want to continue with these positive effects, we must continue to implement strategies that lead to an improvement and greater recognition of Ecuadorian products worldwide.



## **RECOMENDATIONS**

- Conduct an in-depth analysis on the reduction of exports during the year 2019 and establish the main repercussions of this.
- To analyse the demand for canned fish and fish preparations on the European market in order to obtain results that demonstrate the real potential of these products. Then, lead to the implementation of new strategies to increase exports of these fish products towards the European bloc.
- Promote an export mentality, based mainly on compliance with the quality standards of Ecuadorian products with the aim of obtaining great international recognition and reaching more and other markets.
- Conduct a comparative study of the impact before and after MTA on non-traditional products in Ecuador, focused on obtaining results that demonstrate the effects of MTA in these types of products.
- To encourage Ecuadorian exporters to introduce their products to new European markets through market analysis, consultancies, dissemination of information and international fairs supported and led by institutions such as PRO ECUADOR and Ministerio de Producción, Comercio Exterior, Inversiones y Pesca.
- Evaluate the effects of MTA in other areas negotiated in the trade agreement such as international cooperation, intellectual property or investments that have a longer period of analysis.

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## ANNEXES

### Interview

**Name:** Luis Salcedo

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Good morning, as part of the research work prior to obtaining the degree of Bachelor of International Studies Bilingual mention in Foreign Trade, of the University of Azuay. I need to obtain information by conducting an interview with an expert on foreign trade issues, related to the trade agreement signed between Ecuador and the European Union and traditional products. Therefore, I appreciate your cooperation in answering the following questions.

#### Questions:

- 1. What do you think have been the trade relations between Ecuador and the European Union over the years?**

From my area of competence which is the promotion of exports, following the entry into force of the MTA, Ecuadorian exports to the European Union allowed to have a growing trend in that market. Since the agreement allowed more than 90% of value-added products to enter at a tariff of 0% from the entry into force of the agreement and other products to qualify for relief baskets, which has allowed Ecuadorian products to be more competitive in the European market.

- 2. Do you think that, if the country had continued with the Generalized System of Preferences granted by the EU, the Ecuadorian trade towards this bloc would have grown?**



The system of preferences granted by the EU could not be maintained as Ecuador did not meet the requirements for access to such preferences as indicators of economic development. Let us remember that such trade schemes are one way, that is, developed countries offer tariff preferences to products from less developed countries. The MTA not only contemplates tariff liberalization for products of the subscribed parties, but also includes areas of cooperation, intellectual property, public procurement, among other aspects.

### **3. Why a trade agreement with the EU?**

By ceasing to be beneficiaries of the system of preferences granted to Ecuador by the EU, Ecuadorian products were subject to the payment of tariffs, which reduced competitiveness in a market that represented an opportunity for traditional and non-traditional Ecuadorian products.

### **4. From the entry into force of the Agreement in 2017, the effects began to be evident immediately?**

The agreement not only allowed Ecuador's exportable offer to be more competitive by partial or full tariff liberalization, through cooperation mechanisms. To cite one example, preparation programmes were carried out to enable Ecuadorian SMEs to compete in European markets, generating new opportunities for the Ecuadorian productive sector.

### **5. How do you think this agreement has benefited Ecuadorian exporters?**

From my personal point of view the MTA has generated a dynamic effect in the productive sector of our country. Exporters have implemented strategies to introduce their exportable offer in the EU, understanding the characteristics of this market; a market that seeks products that meet its quality standards focused on the welfare of its consumers; a market with opportunities in different specific market niches such as organic and fair trade, this has allowed our productive sector to seek to be more efficient and adapt to the requirements and needs of international demand.

**6. Could you say that there has been an increase in Ecuador's exports to the European market? And has this increase occurred more in traditional or non-traditional products of Ecuador?**

According to statistics of the BCE, the official entity for the publication of statistical data on exports, there is an increase in exports except for the year 2019 in which there is a decrease in total exports of traditional products. On the other hand, non-traditional products have a growing trend since 2017, including in 2020, when the world was affected by the measures adapted by the pandemic of SARS COV 2.

**7. What do you think is the main reason for this increase in these products?**

The opportunities that the European market represents for the Ecuadorian productive and export sector and that by having a tool like the trade agreement allows access to a market of about 500 million consumers.

**8. What do you think is the traditional product that has grown the most from MTA?**

According to data from the BCE, in the analysis period cited at the beginning of this document, items of products from traditional sectors such as aquaculture and fisheries are the ones with the highest increase in FOB value of exports and between Growth Rates.

**9. What do you think is the traditional product that has had the least growth since the agreement and what you suggest to encourage the increase in exports of this?**

According to statistics of the BCE, there are several products that record decrease in their exports to the EU market. It must be analyzed why the decrease in exports may be; due to lack of demand, classification of the product in another heading or other reasons. In my opinion the demand is the one that commands the consumption of the product so it is essential that the export sector can know the preferences of its consumer or potential consumer and thus analyze the real potential of its product.

**10. Have the new tariff benefits for traditional products under the Agreement remained the same or have they improved compared to the previous system of preferences?**

I do not have this information to be able to make a comparison.

**11. Following the Multiparty Trade Agreement, do you consider that there has been a greater participation of European countries in the importation of traditional Ecuadorian products?**

Based on statistics, there is a growing trend of imports by the EU for traditional products with the exception of 2019.

**12. From 2017 to 2020, do you think that the Agreement has brought more advantages and has facilitated Ecuadorian exports of traditional products to the EU and that for the following years this trend will continue?**

I believe that the MTA was beneficial for Ecuador not only in terms of exports, in terms of cooperation as mentioned. But it definitely allowed our traditional and non-traditional exportable offer to be more competitive in the European market considering also that neighboring countries like Colombia and Peru, already had signed an agreement.

**13. Do you consider that the agreement has not only generated greater economic growth but also more growth opportunities for the Ecuadorian population?**

If there is greater demand for Ecuadorian product in international markets, it implies improvement in production at the national level and generation of employment, which is beneficial. I do not have data on the impact on growth or social benefits generated as a result of the signing of the MTA. However, from the experience in my area of competence, I have seen how companies have specialized in the European market in both production and commercial matters.

**14. From a prospective perspective, 5 or 10 years from now, what do you think could be the main repercussions on exports of these traditional products to the EU with this Trade Agreement?**

The MTA is a tool that allows us to improve the competitiveness of our traditional and non-traditional exportable supply for entry into the EU market. But, it is up to us to continue having positive results, understand the demand, trends and consumer culture that is changing and generating new opportunities. It is up to us also to comply with quality regulations, obtain international certifications, be innovative and adaptable to change. These are factors that will allow maintaining positive results derived from the signing of the signed commercial agreement.