



Faculty of Legal Sciences

School of International Studies

**IMPACT OF THE MULTIPARTY AGREEMENT  
BETWEEN THE EUROPEAN UNION AND  
ECUADOR ON VEHICLE IMPORTS: IMPACT  
ON THE ECUADORIAN AUTOMOTIVE  
INDUSTRY (2017-2023)**

**Project prior to obtaining a Bachelor's Degree in International  
Studies**

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I dedicate this work to my parents, fundamental pillars  
in my life, whose unconditional love and sacrifice made  
this achievement a reality.

To my brothers and nephews, companions in  
adventures and constant source of encouragement, and  
to all those close to me who, with their affection,  
illuminated this period of my career.

Without you none of this would have been possible.

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# **IMPACT OF THE MULTIPARTY AGREEMENT BETWEEN THE EUROPEAN UNION AND ECUADOR ON VEHICLE IMPORTS: IMPACT ON THE ECUADORIAN AUTOMOTIVE INDUSTRY (2017-2023)**

## **ABSTRACT**

This research evaluates the impact of the Multipart Trade Agreement between the European Union and Ecuador on vehicle imports during the period 2017–2023 a key topic within contemporary international trade relations. Using a qualitative and descriptive approach, the study analyzed tariff policies, technical import procedures, and the regulations established in the agreement, as well as their direct effects on the Ecuadorian automotive market. The results reveal that the progressive reduction of tariffs has facilitated the entry of European vehicles, particularly SUVs, due to their advanced technology, efficiency, and prestige. As a result, Ecuadorian dealerships now face stronger competition in a market where consumers display a clear preference for European brands. Additionally, the study identifies common errors in the import process that hinder the full utilization of the agreement's benefits. It also finds that purchasing a European SUV is driven not only by functional considerations but also by symbolic factors, such as status and lifestyle. In conclusion, the Multipart Agreement has positively transformed Ecuador's automotive supply by raising quality standards and shaping new consumer dynamics.

### **Keywords:**

International Agreement, Tariffs, International Trade, Importation, Transportation Industry.

# **IMPACTO DEL ACUERDO COMERCIAL MULTIPARTES ENTRE LA UNIÓN EUROPEA Y ECUADOR EN LA IMPORTACIÓN DE VEHÍCULOS: INCIDENCIA EN LA INDUSTRIA AUTOMOTRIZ ECUATORIANA (2017-2023)**

## **RESUMEN**

Esta investigación evalúa el impacto del Acuerdo Multipartes entre la Unión Europea y Ecuador en la importación de vehículos durante el periodo 2017-2023, un tema clave dentro de las relaciones comerciales internacionales contemporáneas. Desde un enfoque cualitativo y descriptivo, se analizaron las políticas arancelarias, los procedimientos técnicos de importación y las normas establecidas en el Acuerdo, así como su efecto directo sobre el mercado automotor ecuatoriano. Los resultados revelan que la reducción progresiva de aranceles ha favorecido la entrada de vehículos europeos, en especial SUV, gracias a su tecnología, eficiencia y prestigio. Las concesionarias ecuatorianas enfrentan ahora una competencia más fuerte, en un mercado donde los consumidores muestran una clara preferencia por marcas europeas. Además, se identificaron errores comunes en los procesos de importación que impiden aprovechar plenamente los beneficios del Tratado. La investigación también evidenció que adquirir un SUV europeo no solo responde a razones funcionales, sino también simbólicas de estatus y estilo de vida. Se concluye que el Acuerdo Multipartes ha transformado positivamente la oferta automotriz en Ecuador, elevando los estándares de calidad y generando nuevas dinámicas de consumo.

### **Palabras clave:**

Acuerdo Internacional, Aranceles, Comercio Internacional, Importación, Industria del transporte.

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# **IMPACT OF THE MULTIPARTY AGREEMENT BETWEEN THE EUROPEAN UNION AND ECUADOR ON VEHICLE IMPORTS: IMPACT ON THE ECUADORIAN AUTOMOTIVE INDUSTRY (2017-2023)**

## **CHAPTER 1: INTRODUCTION, THEORETICAL FRAMEWORK AND STATE OF THE ART**

### **1.1 Introduction**

In an increasingly interdependent world, international trade agreements have established themselves as strategic instruments to boost economies, strengthen competitiveness and facilitate access to higher quality goods and services. In this context, the Multiparty Agreement between the European Union and Ecuador, in force since 2017, has generated important transformations in various productive sectors of the country, with the automotive sector being one of the most impacted. This agreement not only contemplated the progressive elimination of tariff barriers, but also the implementation of technical standards, homologation procedures and origin requirements that have directly influenced trade dynamics between the two regions.

The objective of this research is to analyze the impact of this agreement on the import of European vehicles, with emphasis on SUV-type cars, during the period 2017-2023. To this end, three fundamental axes are addressed: first, the trade policies linked to the Agreement are examined, paying special attention to the legal aspects related to tariffs, technical standards and import procedures; second, the level of competitiveness faced by Ecuadorian automotive dealers in the face of the growing presence of European brands in the local market is identified; and third, the consumption trends of Ecuadorians in relation to this type of vehicle are evaluated, analyzing the factors that influence their purchasing decisions.

### **1.2 International Trade, and Economic Integration**

International trade improves trade relations between countries, their economy and helps their innovation and progress. In addition, it can be defined as the set of financial transactions of goods and services that operate in different countries (Descartes, 2022). The difference between international trade and foreign trade is that foreign trade focuses on trade relations between two countries, blocs, or economic regions. In contrast, international trade



takes a broader perspective, encompassing all commercial entities involved in the exchange of goods and services globally (Rodríguez, 2012) .

Foreign trade aims to satisfy the demand of buyers, using the competitive advantages of each country, which allows companies to obtain goods and services more economically, and in turn, offer a greater variety of products that are not produced in their own country, (Sánchez Torres et al., 2024). On the other hand, it is relevant to mention the World Trade Organization (WTO), created on January 1, 1995, which meant the greatest reform of international trade since the end of World War II (World Trade Organization, 2024) . While the General Agreement on Tariffs and Trade (GATT) limited its action to trade in goods, the WTO and its treaties also cover the exchange of services and intellectual property. In the same way, it established new ways of resolving conflicts (World Trade Organization, 2024). The Organization is also the only international institution responsible for regulating the rules of international trade. Its purpose is to harness trade to improve people's living standards, generate better job opportunities, and promote development that respects the environment (World Trade Organization, 2024).

In addition, there are several types of trade agreements: bilateral, the relationship between two countries, and multilateral, the relationship between two or more countries. Regional Trade Agreements, later RTAs, are of crucial importance in the context of trade between countries (World Trade Organization, 2024). Over time, RTAs have not only multiplied over the years, but they have also become broader and more complex. Members and the Secretariat work to gather information and promote dialogue on RTAs, with the aim of increasing transparency and understanding their impact on the multilateral trading system (World Trade Organization, 2024).

According to the WTO, an RTA refers to any mutual trade agreement, commercial exchange between two or more parties, which must not belong to the same region. As of June 2016, all its members had at least one RTA in place. On the other hand, Preferential Trade Arrangements (PTAs) differ in that they grant unilateral trade advantages, an example is the Generalized Systems of Preferences (GSP), i.e., developed countries grant trade benefits to developing countries without requiring reciprocity (World Trade Organization, 2024).

### **1.3 The Multiparty Agreement between the European Union and Ecuador.**

The Multiparty Trade Agreement between the European Union and Ecuador has been in force since 2017. Marianne Van Steen, former ambassador of the European Union to Ecuador (2017), mentions that the Treaty goes beyond increasing trade flows between the two countries. It also establishes a solid legal framework to attract investment, technology transfer and innovation, promote employment, and foster sustainable development. Its legal framework, being stable, transparent, and long-term provides greater confidence on the part of entrepreneurs. Likewise, the Trade Agreement means a tariff reduction for Ecuador and for the European Union

With the aim of promoting economic growth in developing nations, the United Nations Conference on Trade and Development (UNCTAD) promoted the implementation of the Generalized System of Preferences (GSP). Through the GSP, developed countries grant special tariff benefits to products originating in developing countries, which means that the taxes that apply to these imports are reduced or eliminated (Mesías, 2019).

In the 1990s, the trade relationship between the European Union and the Andean Community (CAN) was mainly based on the Generalized System of Preferences (GSP). The EU wanted to help Colombia, Ecuador, Peru, and Bolivia in their fight against drugs. For that reason, it offered them special treatment within the GSP, almost everything that these countries sold to Europe did not pay taxes, thus supporting their development (Central Bank of Ecuador, 2016).

For its part, the Treaty that established the European Union, which was agreed in Maastricht on 7 February 1992, entered into force on 1 November 1993. The Maastricht Treaty represented a remarkable advance in European integration by incorporating new policies and forms of cooperation. To this end, it established an institutional system with the Council, the European Parliament, the European Commission, the Court of Justice, as well as the Economic and Social Committee and the European Committee of the Regions. Similarly. It created the European System of Central Banks and the European Central Bank to manage monetary policies, together with the European Investment Bank and the European Investment Fund, thus consolidating a more integrated and efficient structure for decision-making in Europe (Maciejewski, 2024).

The EU is a political and economic community made up of twenty-seven countries, whose origins date back to the period after the Second World War, with the aim of guaranteeing peace in Europe. Its formation had a gradual process driven by different treaties. Since its inception with six countries in 1957, Germany, Belgium, France, Italy, Luxembourg, and the Netherlands. In addition to its founding countries, Austria, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, Greece, Hungary, Ireland, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, and Sweden (Alonso Moreda et al., s. f.) It has one of the largest economies in the world, with a Gross Domestic Product (GDP) of approximately 17 trillion euros. Germany is the country that contributes the most to this figure, followed by France and Italy (European Union, 2024a). European countries chose to strengthen economic cooperation, establishing a common market with shared rules (Pierre, 2021).

On the other hand, Ecuador, a developing nation, depends largely on its abundant natural and mineral resources. These resources power key sectors such as agriculture, fishing, and oil extraction that are the main engines of its economy (International Monetary Fund, 2001).

World trade grew rapidly thanks to technology and the reduction of barriers to trade. While some developing nations have taken advantage of these opportunities, however, others have not. Developed countries maintain trade barriers with greater emphasis on labor-intensive agriculture and manufacturing, sectors where developing countries have an advantage. In addition, in terms of the benefits of trade liberalization, it is argued that openness to global markets has been a crucial factor for the economic success of countries that managed to significantly reduce import tariffs, which allowed them to boost their economic growth (International Monetary Fund, 2001).

Similarly, in many developing countries, participation in the global economy has fostered the production of competitive goods and contributed to poverty reduction. Various studies support this idea by showing that countries that are open to international trade tend to experience faster economic growth. In addition, trade liberalization can generate significant benefits for the most vulnerable populations, as it stimulates economic growth and job creation. This, in turn, can translate into improvements in people's income and quality of life. As for the removal of remaining trade barriers, it is estimated that it could generate substantial gains, especially for developing countries. However, it is highlighted that in order to make the most of these opportunities, it is critical that countries liberalize

their own markets, particularly in sectors such as agriculture and manufacturing (International Monetary Fund, 2001).

## **1.4 Legal Framework of Foreign Trade in Ecuador**

### **1.4.1 Constitutional Foundations of Foreign Trade**

According to the Constitution of the Republic of Ecuador (2008), Article 304 establishes that trade policy will have the objective of establishing mechanisms and actions to optimize the country's participation in the global economy. In addition, it enshrines the objective of achieving economic development that combines the efficiency of economies of scale with the social justice of fair trade. International treaties ratified by the country must be compatible with its provisions, ensuring the primacy of the fundamental law.

### **1.4.2 The Organic Code of Production, Trade, and Investment (COPCI): Pillar of Regulation**

The Organic Code of Production, Trade, and Investment (COPCI) seeks to promote national productive activity at all levels, optimizing the use of production factors, encouraging productive transformation, and regulating trade and consumption, all under principles that promote international articulation and efficient foreign trade (Organic Code of Production, Trade and Investment, 2010).

This Code establishes a comprehensive regulatory framework for the production process, ranging from the creation of goods to their consumption, with the goal of achieving 'Good Living'. It seeks to promote an economy that prioritizes value-added production, efficiency, and transformation towards a more diversified and sustainable model. At the same time, it aims to generate quality employment and ensure balanced and environmentally friendly development, addressing negative externalities and directing investments towards activities that contribute to collective well-being (Organic Code of Production, Trade, and Investment, 2010).

## **1.5 The Harmonized System: Classification of Goods in Global Trade**

The Harmonized System (HS) is a standardized international system for classifying products in international trade. This system, which is regulated by the Convention on the Harmonized Commodity Description and Coding System, also known as the HS Nomenclature, was created by the World Customs Organization (WA) with the aim of

facilitating trade by establishing a common language to identify goods clearly and accurately (European Union, 2024).

The HS Nomenclature is based on a classification of goods according to a six-digit code system, with countries being able to establish their own additional sub-classifications (usually eight or ten digits in total) to give greater precision to certain goods for tariff, statistical, technical, and legal purposes. These national or regional openings of eight, ten, or more digits are called items. The importance of the Harmonized System lies in facilitating trade, as it is used globally by countries, regional and multilateral organizations. The Harmonized System is also composed of: (ALADI Index Card Series, 2020)

- Sections, Chapters, Headings and Subheadings.
- Section, Chapter and Subheading Notes (Legal Notes); and
- General Rules for the Interpretation of the HS.

In the HS, a criterion of progressivity is followed, from the simpler or simplest to the most complex or elaborate, and its structure allows new groups or subgroups of goods to be inserted without the need to alter the structure of the whole (Sections and Chapters) (ALADI Index Card Series, 2020).

To ensure the application of tariff and non-tariff measures, Article 83 of the COPCI (2010) provides that a nomenclature defined by the governing body in foreign trade shall be used, in accordance with the Convention on the Harmonized Commodity Description and Coding System (Harmonized System). Similarly, the customs governing body may create additional codes for products that do not fit neatly into existing classifications, thus ensuring the application of appropriate trade measures in a manner that facilitates the control of foreign trade.

## **1.6 Key Players in Ecuadorian Foreign Trade**

### **1.6.1 National Customs Service of Ecuador (SENAE): Control and Facilitation**

In Title IV of the Customs Administration, Book V of the COPCI (2010), Nature and Attributions, corresponding to Article 205 states that the customs service is a public power exercised by the State, through the National Customs Service of Ecuador. The main objective of the Customs is to facilitate foreign trade and control the entry and exit of goods, cargo units and means of transport at the country's borders and customs zones. In addition, it regulates those who participate in activities directly or indirectly related to foreign trade in

goods. It determines, calculates, and collects taxes caused by imports and exports of goods in accordance with the Tax Code.

Another important objective is the resolution of complaints, the prevention of illegal activities and, if they exist, the punishment of customs offences, and, in general, the powers of the Customs Administrations in the regulations adopted by Ecuador in international conventions (AEADE, n.d.).

### **1.6.2 Committee on Foreign Trade (COMEX): Trade Policy Formulation**

In 2023, the Foreign Trade Committee (Comex) established that the Vehicle Approval Certificate became a prior control requirement for the import of vehicles into the country. This action was implemented with the aim of strengthening the supervision of the entry of vehicles that do not comply with the established homologation standards. (Association of Automotive Companies of Ecuador, 2023).

### **1.6.3 Ministry of Production, Foreign Trade, Investments and Fisheries (MPCEIP)**

The objectives of the Ministry of Production, Foreign Trade, investment, and Fisheries (MPCEIP) are to increase the country's strategic economic and commercial insertion in the world. To increase the productivity and competitiveness of the aquaculture and fisheries sector, to increase national and foreign investment by encouraging an attractive business climate, technological and innovation transfer, and to increase productivity, related services, quality, linkages, etc. Additionally, the Ministry aims to promote associativity, public-private articulation, the development of productive poles and the territorialization of productive policy, in industry (Ministry of Production, Foreign Trade, Investments and Fisheries, n.d.).

### **1.6.4 Association of Automotive Companies of Ecuador**

Since 1946, it has been working in search of the sustainability of companies by supporting their efforts in favor of the development and improvement of the automotive sector. AEADE represents companies and organizations in the automotive sector, which generate more than 56,000 jobs, boost the national economy with an annual turnover of more than USD 11,000 million (sales) and contribute to the development of the country through the transfer of new technologies and mobility solutions (AEADE, n.d.)

## **1.7 Foreign Trade Instruments and Mechanisms**

### **1.7.1 Tariffs and Taxes on Foreign Trade: Import Regulation**

In accordance with Title II of Book IV of the COPCI, in Chapter I on Tariff Measures for Foreign Trade, (2010) tariffs may adopt various technical modalities, such as fixed tariffs or tariff quotas (Art. 77). In the case of fixed tariffs, they impose a single tariff for a subheading of the customs and foreign trade nomenclature. On the other hand, in tariff quotas, they establish a limit for a certain quantity or value of imported or exported goods, and a different rate for imports or exports that exceed that amount. In addition, other modalities that are contemplated in the international trade agreements ratified by Ecuador will be recognized. Although Ecuador must comply with the trade agreements it has signed, it is not ruled out that it can apply trade measures to protect its national industry if they are justified and do not contradict the agreements signed. However, the European Union-Ecuador Trade Agreement is characterized by a tariff reduction on certain products.

Referring to Article 108, Book V, COPCI (2010), the taxes on foreign trade are:

- a. Customs duties
- b. Taxes established in organic and ordinary laws, whose generating events are related to the entry or exit of goods
- c. Customs service fees

The National Customs Service of Ecuador has the authority to manage the fees associated with its services, including the ability to establish, modify and waive such fees, as well as to regulate their collection. However, a clear distinction is made by excluding from the category of taxes tariff surcharges and other trade defense measures, which therefore operate outside the framework of the principles of tax law (Organic Code of Production, Trade, and Investment, 2010).

During 2019, the Ecuadorian government implemented tariff and tax incentives for the import and marketing of electric vehicles. Specifically, through COMEX Resolution No. 016-2019, a tariff reduction was applied to these vehicles. Regarding the internal tax regime, the Organic Law of the Internal Tax Regime (LORTI) established a 0% VAT rate for electric vehicles for private use, public transport, and cargo. Likewise, the electric charging service for this type of vehicle is also taxed at 0% VAT. Additionally, the ICE was eliminated for electric vehicles with a price of more than USD 40,000. In the regulatory field, Ecuador offers various incentives for the adoption of electric vehicles, including exemption from

import tariffs, the elimination of ICE, VAT exemption for different types of electric vehicles and a 0% VAT rate for electric charging service, as well as exemption from the vehicle restriction "Hoy no circula" which seek to encourage the adoption of electric mobility in the country (Association of Automotive Companies of Ecuador, 2019).

Likewise, to encourage the acquisition of vehicles that comply with more demanding regulations in terms of emissions and safety, a 15% reduction in the ICE was promoted. This initiative was considered and approved in the National Assembly, specifically in the Economic and Tax Regime Commission. The legislation details that land vehicles whose base price is up to USD 40,000 and that have at least three of a specific list of safety elements: four or more airbags, pedestrian protection, daytime running lights, emergency brake assist, pole impact test and exceed Euro 3 emission standards, they will receive the 15% reduction in the value of the ICE (Association of Automotive Companies of Ecuador, 2019).

### **1.7.2 Excise Tax (ICE) and Foreign Exchange Exit Tax (ISD)**

The Special Consumption Tax (ICE) is a tax levied on certain goods (domestic or imported) and services, detailed in Article 82 of the Internal Tax Regime Law (Internal Revenue Service, n.d.).

The Foreign Exchange Exit Tax (ISD) is generated when transfers, remittances or transfers of money abroad are made through cash payments or through banks, except in cases of compensation. Its application is governed by two presumptions. The first indicates that any payment made from abroad by Ecuadorian individuals or companies is presumed to have been made with funds subject to ISD, even if the money comes from accounts outside the country. The second presumption applies to exports of goods or services generated in Ecuador. It establishes that, if the foreign currency corresponding to these operations does not enter the country, the tax is considered due six months after the merchandise arrives at its destination or, in the absence of this record, six months after the shipment date, as declared at customs. In addition, it is allowed to deduct the ISD paid in operations carried out abroad (Internal Revenue Service, n.d.).

### **1.7.3 Value Added Tax (VAT)**

The objective of studying the VAT is to evaluate the consequences of an increase in this tax on the annual budget and the Ecuadorian Gross Domestic Product (GDP). (Calle, 2017)



VAT corresponds to 15% on: Taxable Base + Ad Valorem + FODINFA + ECI (National Customs Service of Ecuador, 2025).

#### **1.7.4 Children's Development Fund (FODINFA)**

0.5% is applied to the taxable base of the import (National Customs Service of Ecuador, 2025).

#### **1.7.5 Rules of Origin and Verification: Guarantee of Provenance**

According to Book IV, Chapter III of the COPCI (2010), Article 84 establishes that rules of origin shall be understood as the parameters established for the purpose of determining the customs territory or region of origin of a product. Rules of origin play an essential role in international trade in determining the origin of products. In turn, these rules are fundamental for the implementation of preferential trade agreements and aim to promote trade between member countries.

In addition, within the same Book IV in Article 86 of the COPCI, reference is made to the verification of origin, certification of origin, and it is alluded to that the national customs authority will be responsible for monitoring and verifying compliance with the rules of origin of imported goods, in the case of products of foreign origin. regardless of the customs regime under which they are imported. To this end, it may make use of all the powers conferred on it by law and international conventions for the control of imported goods (2010).

#### **1.7.6 Trade Defense: Protection of National Production**

Similarly, Article 88 of Book IV of the COPCI, on Trade Defense, alludes to (2010) the fact that it seeks to ensure transparency and equal opportunities in international trade. To this end, Ecuador can implement measures to protect its national production against unfair practices such as dumping or subsidies, regulate imports that may cause harm to the local industry, and respond to unfair trade measures by other countries. Measures are also contemplated to guarantee the domestic supply of essential products and protect the balance of payments. These measures will be in accordance with international agreements and will be detailed in a regulation specifying the procedures, products subject to the measures and exceptions.

#### **1.7.7 Import Regimes: Modalities of Entry of Goods**

In Chapter VII Customs Regimes of Book V of the COPCI (2010), in section I, referring to Import Regimes, is Article 147. Importation for consumption as the process that

allows foreign products to enter the country definitively. To achieve this, the corresponding taxes and duties must be paid, in addition to complying with all customs requirements.

Similarly, the payment of taxes established in Article 170 of Book V of the COPCI, (2010) establishes that, when importing for consumption, taxes are calculated on the value of the product at Customs, using the tariffs and exchange rate in force at the time the import declaration is filed.

## **1.8 STATE OF THE ART**

### **1.8.1 International Trade**

International trade is based on bilateral and multilateral agreements that seek to facilitate the exchange of goods and services between countries. In turn, trade agreements can have significant impacts on specific sectors. According to a study by Sykes (2017), trade agreements can increase the competitiveness of export sectors, but they can also create challenges for local industries that are not prepared to compete with imported products. This is particularly relevant for the automotive sector in Ecuador, where tariff protection had been an important pillar prior to the Agreement. The Multiparty Agreement, signed in 2016 and in force since 2017, has facilitated Ecuador's access to a large market, allowing it to benefit from the reduction of tariffs on the import of vehicles from the EU.

According to Juan Carlos Cassinelli, former Minister of Foreign Trade of the Republic of Ecuador (2017), mentions that the Protocol of Accession to the Multiparty Agreement, guarantees access with 0% for 99.7% of agricultural products and 100% of industrial and fishery products from Ecuador. This Agreement will grant stability to agricultural exports, industrial and fishing exports.

### **1.8.2 Ecuadorian Automotive Sector**

As for the automotive sector, on which our analysis is focused, it is important to note that before the Trade Agreement came into force, light vehicles from Europe had a tariff of between 35% and 40%, which has been reduced since 2017, until reaching 0% in 2024 (Tapia, 2023).

Tipán (2024) mentions that tariff reduction follows a staggered structure, organized by categories and according to the type of product. In the first phase, immediate or short-term tariff liberalization is applied for certain goods. The second phase focuses on a gradual reduction in the long term, with a focus on reducing tariffs applied to cars of European origin,

which have a base tariff of between 35% and 40%. Vehicles will have a tariff reduction period of between 5 and 10 years with base tariffs of 5, 20, 30 and 40%.

Similarly, Tipán (2024) alludes to the fact that the elimination of tariffs on European vehicles has brought multiple benefits to Ecuador, because consumers have access to a greater variety of models at lower prices, which has boosted sales and competition in the market. This, in turn, has generated a growth in imports and has contributed to the dynamization of the Ecuadorian economy.

During 2021, 119,316 vehicles were sold in Ecuador, which was a growth of 39% compared to 2020, when the COVID-19 pandemic forced the closure of commercial establishments for almost three months and consumption suffered a sharp contraction (Gila, 2022).

On the other hand, in an analysis carried out by De La Cruz & Rosales (2020), it is shown that in 2015 when there was still no Trade Agreement, Ecuador imported 2,157 million dollars and exported 2,576 million dollars. On the other hand, in 2019 the figures were 2,376 and 3,792 million dollars. Between the years mentioned, there was a 10% increase in imports and a 47% increase in exports.

In the Ecuadorian market, during the period from 2000 to 2019, the automobile segment has led vehicle sales, with an average share of 43% of the total. It is followed by the SUV segments with 24%, pickup trucks with 21%, trucks with 8%, vans with 3% and buses with just 1%. However, since 2014, the *Sport Utility Vehicle* (SUV) segment has shown sustained growth, reaching in that subperiod from 2014 to 2019 (Quinde et al., 2021).

The Association of Automotive Companies of Ecuador (AEADE), since 1946, has been working in search of the sustainability of companies by supporting their efforts for the development and improvement of the automotive sector. AEADE represents companies and organizations in the automotive sector, which generate more than 56,000 jobs, boost the national economy with an annual turnover of more than USD 11,000 million (sales) and contribute to the development of the country through the transfer of new technologies and mobility solutions (Association of Automotive Companies of Ecuador, n.d.).

According to the Agreement's schedule, vehicle parts and accessories (code 8708.00.00), the second largest export group of goods from the EU to Ecuador, have tariffs between 5% and 40%, with phase-out periods of 5 to 10 years. However, certain products,

such as seat belts and shock absorbers, were exempt from tariffs as of January 1, 2017 (Delegation of the European Union to Ecuador, 2017).

As Sánchez & Maldonado state, the tax on the Exit of Foreign Currency (ISD), was implemented in 2007 as part of a tax reform. This tax applies to money transfers that are made outside the country, either in cash or through bank transactions such as transfers, checks, shipments, or payments. The ISD fee is 5% of the total amount of the transfer. Its main objective is to prevent the massive outflow of capital from the country (2024).

In accordance with Executive Decree No. 298, of December 22, 2021, in Art. 1, it was determined to progressively reduce the rate of the Tax on the Exit of Foreign Exchange by a quarter of a percentage point (0.25) per quarter during 2022, until reaching a rate of 4%. The first reduction was on January 1, 2022, the second reduction on April 1, 2022, the third reduction on July 1, 2022, and finally the fourth reduction on October 1, 2022 (2021).

In 2023 from January 1, 2023, the rate was 4%, on February 1 3.75%, and from July 1 of the same year a rate of 3.50%. On the other hand, from January 1, 2024, to March 31, the rate was 3.5%, and a rate of 5% from April 1, 2024, until the present (Internal Revenue Service, n.d.).

The growing preference for European SUVs in the Ecuadorian market is a direct result of the implementation of a favorable Trade Agreement and the distinctive characteristics of these vehicles, which make them highly attractive to consumers. According to the EU-Ecuador Multiparty Trade Agreement, import tariffs on European vehicles have decreased, making them more affordable for Ecuadorian consumers. This accessibility, coupled with the perception of high quality, advanced technology, and versatility of European SUVs, has boosted their popularity. According to the Association of Automotive Companies of Ecuador, SUVs accounted for about 40% of light vehicle sales, with European brands such as Renault, Peugeot and Volkswagen leading the segment (2023).

Subsequently, it is relevant to mention the Ecuadorian Technical Regulation RTE-034-4R (2018), which refers to the minimum safety elements in motor vehicles. This Technical Regulation establishes the minimum safety requirements that vehicles circulating in Ecuador must meet to protect the life and integrity of people, as well as to promote best practices among drivers, passengers, and pedestrians. As for the field of application, it is indicated that it applies to all vehicles that are going to enter the Ecuadorian vehicle fleet. This includes

vehicles that are imported, assembled, or manufactured in the country, which must contain the minimum mandatory safety elements.

## **CHAPTER 2: METHODOLOGY**

For this research, a mixed approach combining qualitative and quantitative methods was used to analyze the impact of the Multiparty Agreement on the Ecuadorian automotive sector. The mixed methodology, characterized by its integrative approach, enables the convergence of the QUANTI and QUALI perspectives throughout the research process (Bagur-Pons et al., 2021). First, a comprehensive literature review was conducted in key academic databases to contextualize the study and respond to specific objectives. In addition, the analysis was complemented with the study of the Organic Code of Production, Trade, and Investment (COPCI), the Constitution of Ecuador and the Protocol of Accession of Ecuador to the European Union since these legal frameworks and international agreements provide the necessary context to understand Ecuador's trade policies. Semi-structured interviews were applied to key players in the automotive sector, and to customers, which allowed obtaining detailed qualitative information on the perceptions and effects of the agreement. In parallel, a quantitative descriptive analysis was carried out using official data from the Association of Automotive Companies of Ecuador (AEADE), Central Bank of Ecuador, the World Trade Organization (WTO), the National Customs Service of Ecuador, to study trends in imports, tariffs, and brand participation between 2017 and 2023.

### **2.1 Participants**

According to the qualitative methodology, the participants of the research are the interviewees, who are key actors in the Ecuadorian automotive sector, representatives of dealerships, as well as customers of European vehicles to know their point of view. An analysis of secondary data from official sources, such as the Central Bank, the World Trade Organization, the National Customs Service of Ecuador, and the Association of Automotive Companies of Ecuador, was also used to support the study with quantitative information.

### **2.2 Instruments**

Legal documents such as the Organic Code of Production, Trade, and Investment (COPCI), the Constitution of Ecuador and the Protocol of Accession of Ecuador to the European Union Trade Agreement were reviewed to evaluate the legal framework governing imports of European vehicles. A quantitative descriptive analysis in which official data on vehicle imports, tariff reduction, and the share of European brands between 2017 and 2023 were used. In addition, tables were implemented to represent the information and facilitate

its interpretation. Regarding the qualitative methodology, semi-structured interviews were developed with experts in the automotive sector.

### **2.3 Procedure**

The literature review and semi-structured interviews have allowed us to comply with the qualitative method, which has been fundamental to obtain the necessary and relevant information. In the same way, quantitative data has been found, especially in the yearbooks found on the official AEADE website, which have been added to the analysis.

## **CHAPTER 3: TO ANALYSE THE TRADE POLICIES OF THE MULTIPARTY AGREEMENT BETWEEN THE EUROPEAN UNION AND ECUADOR, WITH EMPHASIS ON TARIFFS, TECHNICAL STANDARDS, AND IMPORT PROCEDURES**

### **3.1 Main trade provisions of the Agreement, origin and context of the Multiparty Agreement**

In 2009, the European Union, seeking to strengthen its trade ties with the Andean region, authorized the start of negotiations for a comprehensive and balanced trade agreement with the member countries of the Andean Community (CAN). This effort ended in 2012 with the signing of a Trade Agreement with Colombia and Peru, marking an important milestone in the relationship between the two regions. The Agreement, which entered into force provisionally in 2013, established a framework for the accession of other CAN countries, obtaining greater trade integration. In 2014, talks began with Ecuador for its possible incorporation into the Agreement. After intense negotiations, a consensus was reached, and an Accession Protocol was drawn up and approved in 2016. This Protocol allowed Ecuador to be included in the agreement, thus expanding the benefits of the agreement. This expansion of the Trade Agreement reflects the EU's commitment to the Andean region, seeking to strengthen economic ties and promote mutual development through a trade agreement beneficial to all parties involved (Official Journal of the European Union, 2016).

The Andean Community (CAN) made up of Bolivia, Colombia, Ecuador, and Peru, together with the European Union (EU), began negotiations to establish an Association Agreement, with the aim of strengthening their political, economic ties and cooperation. However, over time, negotiations began to focus mainly on issues related to investment and trade in goods and services. The situation became complicated when Bolivia decided to withdraw from the process, causing a split within the CAN. On the other hand, the EU proposed to the Andean countries to continue the negotiations individually, which gave rise to the so-called Multi-Peer Trade Agreement, highlighting that this Agreement has a similar structure to the Free Trade Agreements (FTAs) promoted by the United States (Jácome, 2017).



This theory of free trade refers to the fact that they receive a reciprocal benefit for the actors involved, imagining a scenario where FTAs help to make trade freer, as sought by the World Trade Organization (WTO). However, there is an asymmetry between developed countries, which sell machines and manufactured products, while developing countries mainly sell raw materials with little added value, which makes the agreements unfair. In addition, the influence of large international companies and the difficulties or restrictions on the mobility of people complicate the panorama, questioning whether FTAs benefit everyone equally in world trade (Falconí & Oleas, 2017).

According to Article 10 of the Official Register of the Trade Agreement, regarding regional integration, the Andean Community, including Ecuador and the European Union agree that their commitment to collaborate among their member countries is fundamental. The two groups believe that by strengthening their internal ties between their member countries it can create more opportunities for trade and have effective participation in the global economy (Ministry of Foreign Affairs and Human Mobility, 2016).

In the same way, the Agreement seeks a balance between social and environmental responsibility and economic growth, providing a legal framework which should be designed to incentivize commercial activities and that provides the security for long-term confidence and the reduction of uncertainty among economic actors. (Villagómez, n.d.)

At the beginning of 2024, Ecuador and the European Union celebrated eight years of a Trade Agreement. According to Eduardo Egas, executive president of the Export and Investment Promotion Corporation (CORPEI), the results that the Agreement has had so far are very positive for both parties. Exports have seen a significant increase. But beyond the numbers, what really stands out is the diversification of the exportable supply (CORPEI, 2024).

The Trade Agreement with the European Union brings great benefits that optimize the country's business environment, for example:

- The prohibition of trade restrictions and the elimination of discrimination between imported and domestic products are highlighted.
- In the area of trade defense and facilitation, the Agreement establishes a clear legal framework for both parties, characterized by transparent and simplified customs processes. It provides transparency and predictability, including regulations on technical obstacles and

establishing defined deadlines for the publication (90 days) and implementation (180 days) of any regulatory measure.

- It also promotes best practices in the protection of intellectual property rights, innovation, and creativity.
- It encourages foreign investment and liberalization of trade in services, and strengthens the protection of human, social and environmental rights.
- A timetable for tariff reduction is established.

The European Union is the main destination for Ecuadorian non-oil exports, with an increase of 566 exporting companies and the opening of 123 new tariff headings for agricultural products and 689 subheadings for the Ecuadorian industrial sector destined for this bloc after the implementation of the Agreement. The trade balance with the European Union presents a constant surplus, evidencing the complementarity of commercial exchange, where Ecuador exports mainly primary goods and the European Union provides industrial goods used by the Ecuadorian productive sector (Association of Automotive Companies of Ecuador, n.d.).

### **3.2 Tariffs in the Multiparty Agreement**

In addition, the Treaty guarantees that the products of one member country will receive "national treatment" in the other member countries in accordance with the principle of national treatment in Article III of the GATT 1994, the Treaty ensures that the same rules and principles apply to products. It affirms fair competition in the market by ensuring that there will be no discrimination against foreign products in favor of national ones (Official Journal of the European Union, 2012).

The Trade Agreement brings benefits to the automotive sector by phasing out tariffs on European vehicles, which could make them more accessible. It is also expected that non-tariff barriers, such as import quotas, will be reduced, facilitating trade. In turn, investment in the automotive industry can be boosted, generating a positive impact on the sector in general (Association of Automotive Companies of Ecuador, 2016) .

The Ecuadorian Standardization Service (INEN) reported that, thanks to the Trade Agreement between Ecuador and the European Union (EU), Ecuadorian importers can pay fewer tariffs when bringing products from the EU (Ecuadorian Standardization Service INEN, 2024).

According to the Official Journal of the European Union, (2012) it states in Article 22 that unless the Agreement establishes otherwise, each country will reduce or eliminate tariffs on goods from another country, following Annex I, tariff elimination schedules.

As for Annex IV, of Section D of the Official Journal of the European Union, it refers to Ecuador's Tariff Elimination Schedule for goods originating in the EU.

The categories of tariff reductions described below shall be implemented in accordance with Article 22 of Title III of this Agreement, which deals with the abolition of customs tariffs, except where the Tariff Elimination Schedule indicates otherwise or establishes different conditions (European Union, 2024).

1. Customs tariffs on goods from the EU, established within category 0, shall be exempt from tariffs from the date of entry into force of this Agreement.

2. The elimination of customs tariffs for category 3 goods will be carried out in four equal phases. The first phase will take place at the time of the entry into force of the Agreement, and the other phases will be carried out each year on January 1 until these products are exempt from tariffs.

3. The gradual reduction of customs tariffs for products that are within category 5 will be carried out in six equal parts. The first will start when the Agreement is in force and the other parts will follow until tariffs are fully eliminated.

4. The reduction of import taxes for products classified in category 7 will be carried out in eight equal phases. The first phase will take place at the time of the entry into force of the Agreement, and the remaining phases will be carried out every January 1 of the following years, until the products do not pay tariffs.

5. The elimination of import tariffs for products classified within category 10 will be implemented in eleven equal phases. Similarly, at the time of entry into force of the Agreement, the first phase begins, the remaining phases each year, on January 1, until they are eliminated.

6. The reduction of tariffs for products that are classified in category 15 will take place in sixteen equal phases, in the same way each year until the products do not have to pay tariffs.

In accordance with the progressive elimination of tariffs in Ecuador, the new access conditions were applied to all trademarks regardless of whether they were companies that

are not necessarily of European origin. In addition, the Agreement establishes that taxes will be gradually reduced over different periods of time, depending on the type of vehicle:

- Work vehicles such as tillers, tractors and buses, the tax relief will be immediate.
- Heavy trucks over 9.3 tons and over 20 tons will be deducted over a period of 5 years.
- Cars, SUVs, and family vans will be deducted over a period of 7 years.
- Finally, light trucks, medium trucks, and vans in a period of time of 10 years (Association of Automotive Companies of Ecuador, 2016).

**Table 1**  
*Evolution of tariff reduction*

Category	Example of Vehicles	EU Relief	Baseline Tariff (%)	Final Drawdown	Final Year
<b>Light Commercial Vehicles</b>	4.5T Light Truck (Diesel, Gasoline, Hybrid)	10 years	40%	0%	2027
<b>SUVs &amp; Pickups</b>	SUV 4x4 <1500 cc, SUV 4x2 >3000 cc, SUV Diesel	7 years	35%-40%	0%	2024
<b>Vanes y Minibuses</b>	From Diesel, From Gasolina	10 years	35%	0%	2027
<b>Special Vehicles</b>	Buses, Electric	7 years	35%	0%	2024
<b>Medium and Heavy Duty Trucks</b>	>5T Truck (Diesel, Gasoline)	10 years	40%	0%	2027
<b>Light Cargo Trucks</b>	3-9T Diesel Truck	5 years	10%	0%	2022

*Note:* Progressive reduction of tariffs for vehicles imported from the EU Source: Based on AEADE, (2016)

### 3.3 Tariff Measures for Foreign Trade

According to Chapter I on tariff measures for foreign trade of Organic Production Code (2010), in Article 76 of the Tariff Measures on Form of Expression, indicates that tariffs rates can be established in different ways, such as a percentage of the customs value of the merchandise, ad-Valorem, a fixed amount for a unit of measure, specific tariff, or as a combination of both being a mixed tariff. In the same way, other modalities agreed in the international trade treaties ratified by Ecuador may be applied.

In accordance with Article 77 Tariff Modalities of Title II of Organic Production Code (2010) the tariffs can be applied through different technical modalities such as fixed tariffs, which establish a single tariff for a subheading within the customs and foreign trade nomenclature. In the same way, tariff quotas set a tariff for a certain quantity or value of imported or exported goods.

### **3.4 Non-tariff measures on foreign trade**

In Chapter II of the Organic Production Code (2010), in Article 78 Non-tariff measures, it states that the Foreign Trade Committee may establish non-tariff regulatory measures. It is allowed to establish non-tariff regulations and restrictions on exports in specific situations, such as:

- To ensure compliance with the fundamental rights established in the Constitution.
- To comply with international agreements and treaties.
- To protect the health, safety, and life of people, as well as national security.
- To preserve the environment, biodiversity and animal and plant health.
- To apply measures to respond to unjustified restrictions on Ecuadorian exports by other countries, following international trade agreements.
- To temporarily correct imbalances in the balance of payments.
- To prevent drug trafficking.
- To ensure compliance with laws and regulations in areas such as customs controls, intellectual property, consumer rights, and product quality for international trade.

Article 80 of the Organic Production Code (2010), fees are referred to as the costs related to permits, registrations, authorizations, licenses, inspections, and other processes related to the import and export of products which must be proportional to the expense of the provision of such services, either at the local or national level.

### **3.5 Technical Standards**

Standardization is the process of creating technical specifications, known as norms or standards, that companies voluntarily use to ensure the quality and safety of their products and operations. It involves the development of guidelines and requirements that organizations can follow to ensure that their activities and products meet certain levels of quality and safety (National Institute for Occupational Safety and Health - INSST, 2024).

Technical standards establish levels of quality and safety that allow companies to improve their position in the market and are a valuable source of information for professionals in all sectors. In turn, they facilitate the transfer of knowledge, technology and innovation.

Technical standards offer benefits such as:

- **Security and trust:** Compliance with standards ensures security and builds trust among economic and social actors
- **Supporting policies and laws:** Governments often use standards as a reference to protect consumers and support their policies. Standards are central to the European Union's policy for the functioning of the Single Market.
- **Market acceptance:** Products or services are best received when their technical specifications are known.
- **Economies of scale:** Reduces costs for organizations
- **Monitoring and technology transfer:** Standards provide access to information on innovation results
- **Up-to-date knowledge:** Standards provide information on developments in various sectors (National Institute for Occupational Safety and Health - INSST, 2024).

According to current regulations, the Ministry of Production, Foreign Trade, Investment and Fisheries is responsible for approving proposals for standards and technical regulations, as well as conformity assessment procedures within its sphere of competence. In this sense, the voluntary technical standards issued by the Ecuadorian Institute for Standardization (INEN) are considered official and must be aligned with the Code of Good Practice of the World Trade Organization (WTO), for the preparation, adoption and application of standards related to the Agreement on Technical Barriers to Trade (TBT) (Organic Code of Production, 2010).

### **3.6 International Organization for Standardization (ISO)**

The International Organization for Standardization (*ISO*) is a global network that identifies the international standards needed for trade, governments, and society. It develops them in collaboration with the sectors that will use them, adopts them through transparent processes based on national contributions from stakeholders, and offers them for global use. ISO is also a non-governmental federation that brings together national standards bodies from around the world, representing developed, developing and transition countries, where

each member, being the main standards body in its country, proposes and participates in the development of new standards, providing support, together with the ISO General Secretariat, to the 3000 technical groups that currently develop these standards (International Organization for Standardization, 2010).

ISO standards improve the quality, safety, reliability, compatibility, and efficiency of products and services, providing consumers with the information they need to make informed purchasing decisions. Although initially designed to meet the needs of businesses and productive sectors, these standards have a significant impact on the public, who use the resulting products and services. Currently, ISO standards focus on sustainability, safety, accessibility, and quality of services, responding to the needs and expectations of the public. Through regulatory standards, quality management is sought to be improved to ensure that services meet customer expectations, products are certified to guarantee their safety and reliability, and total customer satisfaction is pursued, always offering the best possible service (Ecuadorian Accreditation Service, 2018).

Among the ISO standards is the ISO 9001:2015 standard, this international standard, recognized globally, has been updated to adapt to the challenges presented by the world economy, technology, and the social environment (Alzate-Ibañez, 2017).

On the other hand, the Ecuadorian Institute for Standardization (INEN) has the following main objectives:

- To strengthen quality infrastructure in standardization, technical regulation, and conformity assessment to promote productive and service development.
- To expand the coverage of metrological services to ensure the accuracy of measurements and improve institutional efficiency.
- To develop human talent within the organization.
- To optimize the efficient use of your budget (Ecuadorian Standardization Service, 2024).

According to amendment 4 of the Ecuadorian Technical Regulation INEN 034, which refers to "Minimum safety elements in motor vehicles" On page 3, Numeral 1.1 it is stated that the technical regulation defines the minimum safety requirements that must be met by motor vehicles operating in Ecuador, including those that are presented only as chassis of motor vehicles with their engine. Its purpose is to safeguard people's lives and integrity, as

well as promote safer practices for drivers, passengers, and pedestrians (Ecuadorian Standardization Service, 2018).

On the other hand, on page 3 of the Ecuadorian Technical Regulation INEN 034, in accordance with numeral 2.1, it says:

2.1 The Technical Regulations apply to all vehicles that are going to enter the Ecuadorian automotive sector, whether imported, assembled, or manufactured in the country, which must contain the minimum mandatory safety elements.

2.2 In addition, it refers to the exception of prototype vehicles used by assemblers or marketers for the development of new models, which cannot be sold during this phase.

2.3 On the other hand, the Ecuadorian Technical Regulation INEN 034 applies to motor vehicles classified according to the NTE INEN 2656 "Vehicle Classification" Standard, specifying the categories of vehicles in each requirement or related regulation.

2.4 This Ecuadorian Technical Regulation excludes from its application rail transport, construction and agricultural machinery, sports competition vehicles, as well as classic, historic and collector vehicles (Ecuadorian Standardization Service, 2018).

In addition, on page 10, numeral 4.10 mentions ventilation. It is required that all vehicles, except those of category L, such as motorcycles, tricycles, and quadrans have a ventilation system that eliminates fogging in the front and rear windshields, and in the front side windows, including vans. M2 and M3 vehicles only require a ventilation system for the front windscreen (Ecuadorian Standardization Service, 2018).

Also, on page 13, it says:

3.1 The NTE INEN 1155:2009 standard establishes the devices required in motor vehicles to preserve or improve visibility. This regulation was approved by Resolution No. 061-2009, on June 30, 2009, and published in Official Gazette No. 647, on August 3, 2009.

3.2 The NTE INEN 1669:2011 standard defines the requirements that must be met by safety glass used in automobiles. It was approved on August 4, 2011, and published in Official Gazette No. 530, on September 8, 2011.



3.3 The NTE INEN 2205:2010 standard establishes the requirements that urban buses in Ecuador must meet. It was approved by Resolution No. 122-2010 on November 30, 2010 and published in Official Gazette No. 347 on December 23, 2010.

3.4 The Ecuadorian Technical Regulation RTE INEN 011:2013 regulates the specifications of tires and their modifications. This regulation was approved through Resolution No. 13,341, on September 30, 2013, and published in the Official Gazette No. 151, on December 16, 2013.

3.5 The NTE INEN 2656:2016 standard establishes the classification of vehicles in Ecuador. It was approved by Resolution No. 16 326 on August 25, 2016 and published in the Official Gazette No. 84,6 on September 22, 2016.

In addition, within RTE 034, in terms of product requirements in paragraph 4.12 referring to Seat Belts, it is mentioned that: (2018)

4.12.1 All motor vehicles, except for motorcycles and passenger seats on city buses, must be equipped with seat belts in accordance with the following provisions:

4.12.1.1 In all vehicles, the front, front and rear side seats must be fitted with three-point seat belts. For vehicles in categories M1 and N1, it will be mandatory that all seats considered in the approval process are equipped with three-point belts, as well as the corresponding head restraints, in accordance with the technical standards established in this regulation. The central rear position is exempt from this requirement, provided that the model, in none of its versions worldwide, has a three-point belt in that location (Ecuadorian Standardization Service, 2018).

4.12.1.2 A two- or three-point seat belt shall be installed on side seats with a folding base for occasional use. In the case of rows of folding rear seats, three-point belts will be required, provided that these seats exist in a version of the model that has been approved in accordance with the standards

On the other hand, within the same RTE 034, with regard to paragraph 4.16 referring to AIR BAGS, the following is alluded to:

4.16.1 Vehicles shall be equipped with a minimum of two frontal airbags and shall comply with the provisions of UN Technical Regulation No. 94, entitled "Uniform Requirements for the Approval of Vehicles with Regard to the Protection of Occupants in

the Event of a Frontal Collision", as set out in Annex A (Ecuadorian Standardization Service, 2018).

4.16.2 The replacement of airbags shall comply with the provisions of UN Technical Regulation No. 114, entitled "Uniform Requirements Concerning the Approval of: I. An airbag module for a replacement airbag system; II. A spare steering wheel equipped with an airbag module of an approved type; III. A replacement airbag system other than the one installed on the steering wheel", applying its most up-to-date version. In addition, this compliance must be approved by the supplier of the corresponding auto parts (Ecuadorian Standardization Service, 2018).

4.17 The audible and light warning of the use of the seat belt must be the original of the vehicle and comply with the provisions of UN Technical Regulation No. 16, entitled "Uniform requirements for the approval of: I. Seat belts, restraint systems, child restraint systems and ISOFIX child restraint systems for occupants of motor vehicles; II. Vehicles equipped with seat belt reminders, restraint systems, and ISOFIX child restraint systems", applying the current version for which the model was approved in the laboratories accredited to certify said regulation. Similarly, in paragraph 4.17.1, it is mentioned that the horn or acoustic warning must be the factory one, that is, the one originally installed in the vehicle, and its modification, alteration, replacement or adaptation by another device that does not meet the established requirements is not allowed (Ecuadorian Standardization Service, 2018).

Regarding locks with an interior opening lock system, paragraph 4.18 of RTE 034 refers to the fact that any light motor vehicle that has rear (2018a) side doors must incorporate an interior opening lock system that is independent of the conventional security system, in order to prevent the doors from opening involuntarily. Likewise, in paragraph 4.19 regarding the hood, vehicles that have a hood need to have a double safety system for their opening. In addition to the mechanism that is activated from inside the vehicle, they must have an additional safety that is handled directly on the bonnet. This second safety has the function of preventing the hood from accidentally opening.

In turn, the National Agency for the Regulation and Control of Land Transport, Traffic and Road Safety (ANRCTTSV), as the entity responsible for regulating and controlling land transport at the national level, is the authority in charge of issuing the single certificate of vehicle approval. This certificate certifies compliance with these Regulations and must be

presented before importing motor vehicles subject to provisions. The ANRTTTSV will also oversee surveillance and control activities regarding the application of the regulation and, in coordination with SENAE, will supervise the entry of vehicles into the Ecuadorian market. Among the market surveillance authorities are the ANRCTTTSV, the Ministry of Production, Foreign Trade, Investment and Fisheries, SENAE and the institutions that are part of the National Quality System, which, in a coordinated manner, will carry out controls on the requirements established in this Technical Regulation, through the verification of documents and, if necessary, Physical and laboratory inspections on samples selected according to their procedures (Ecuadorian Standardization Service, 2018a).

The competent authority may, at any time and at its discretion, request that a test be carried out in an accredited or designated laboratory, at the expense of the manufacturer or importer, in the case of vehicles with particular characteristics or in situations that merit verification of conformity with production standards or regulations. Finally, market surveillance authorities must exercise their functions in an independent, impartial and objective manner, always acting within their competences and seeking to protect the interests of consumers or users in the country (Ecuadorian Standardization Service, 2018a).

Similarly, importers, manufacturers, assemblers, and national bodybuilders of motor vehicles who do not comply with the provisions of this Technical Regulation shall be subject to the penalties established in the Organic Law on Land Transport, Transit and Road Safety, as well as in Articles 53 and 56 of the Law on the Ecuadorian Quality System. in addition to other applicable applicable laws in force. Likewise, the control authorities must request the competent bodies to confiscate products that do not comply with the requirements provided for in this Regulation (Ecuadorian Standardization Service, 2018a) .

### **3.7 The European Committee for Standardization (CEN)**

It was founded in Brussels in 1961, as a non-profit European technical and scientific association.

At the European level, the European Committee for Standardization (CEN) and the European Committee for Electrotechnical Standardization (CENELEC) were created in 1961 and 1962 respectively, with headquarters in Brussels, with the aim of developing European standards that would promote the competitiveness of European trade and industry.

Since many countries were working in parallel on standardization efforts within international and European organizations, to join forces and lighten structures, a technical

cooperation agreement was signed between ISO and CEN with the main objective of speeding up the standardization processes. This Agreement was formally approved by the executive bodies of both organizations and was called the "Vienna Agreement", in honor of the city that saw the Agreement initialed. This Agreement replaces the previous Lisbon Agreement signed in 1989, which established the first rapprochement between the two organizations and whose main purpose was to ensure the exchange of information between ISO/CEN committees and working groups, in order to avoid duplication of work and ensure the transparency of their activities.

In view of the positive results in the implementation of the Agreement, both the ISO Council and the CEN General Assembly noted that real technical cooperation between the two organizations was possible and that this agreement is not limited to the simple exchange of information. It would lay the foundations for genuine technical cooperation in the development of joint standardization work. With the operation of the Vienna Agreement, the frontiers of European standardization begin to expand, since the possibility of it being international is opened, while the European Standardization Programs, which are often mandated by the European Commission, can be carried out in conjunction with ISO, so that standardization expands in terms of its possibility of implementation and globalization is a reality (National Institute for Occupational Safety and Health - INSST, 2024).

### **3.8 Import Procedures under the Multiparty Agreement**

#### **3.8.1 Pre-import steps**

According to the official website of SENAE (2025), among the steps prior to importation, the following were found:

- Obtaining the Digital Certificate for Electronic Signature (TOKEN)
- Ecuapass Installation
- Importer Registration in Customs Computer System
- Know restrictions on products to import
- Customs clearance procedures for goods

#### **3.8.2 Who can import?**

The capacity to import lies in any natural or legal person, whether of Ecuadorian or foreign nationality with legal residence in the national territory, who has satisfactorily completed the registration process as an importer in the ECUAPASS customs computer

system and has obtained the corresponding validation by SENA (National Customs Service of Ecuador, 2025c).

In addition, to obtain the Importer Registration in Ecuador, once the Single Taxpayer Registry (RUC) has been managed at the Internal Revenue Service, it is necessary to follow two main steps. First, a Digital Certificate must be acquired for electronic signature and authentication through the corresponding entities. Second, it is necessary to register on the ECUAPASS portal, where you can update the database, create a username and password, accept the usage policies, and register the electronic signature. Bulletin 73-2019 contains a detailed guide to the steps to complete the user registration on the ECUAPASS portal (National Customs Service of Ecuador, 2025).

In the same way, it is important to highlight how an imported merchandise is cleared. The customs clearance process of goods imported into Ecuador requires the participation of an importer or a Customs Broker duly accredited by SENA, the list of these authorized agents can be consulted on the website of the Customs of Ecuador. The transmission of the Customs Import Declaration (DAI) is carried out electronically through the system of the National Customs Service of Ecuador and must be carried out within a maximum period of fifteen calendar days after the arrival of the goods. Failure to comply with this deadline established by Article 142 of the COPCI may lead to the tacit abandonment of the assets, as established in Ecuadorian legislation. The Customs Import Declaration (DAI) must be presented with accompanying documents. These are defined as those of prior control that must be processed before shipment, in accordance with Article 72 of the Regulations to Book V of the COPCI, and supporting documents, which constitute the basis of the information of the DAI and must be kept in a physical or electronic file as it is established in Article 73 of the Regulations to Book V of the COPCI. The latter include the transport document, the commercial invoice (or the document that proves the transaction), the certificate of origin (if applicable) and any other document that SENA or the foreign trade regulatory body deems necessary.

Once the Customs Import Declaration (DAI) is digitally sent to the system of the National Customs Service of Ecuador (SENA), the platform automatically assigns a unique identification number to that declaration. Simultaneously, the system determines the type of customs review or inspection (gauging channel) that will be applied to that particular import (National Customs Service of Ecuador, 2025e).

For the customs clearance of goods subject to Customs Declaration, the National Customs Service of Ecuador (SENAE) establishes different modalities of capacity, including automatic, documentary, physical, and non-intrusive physical. The selection of the customs clearance channel is determined by a risk profile analysis system. It is important to note that perishable goods, live animals, and others designated by SENAE receive priority in physical examination, if necessary. When physical inspections are required to be carried out by other government entities, Customs seeks efficient coordination of other controls. Likewise, SENAE reserves the right to carry out inspections by X-ray scanning or other similar technologies, at any stage of the customs control process, regardless of the gauging channel originally assigned (Art. 78 of the Regulations to Book V of the COPCI) (National Customs Service of Ecuador, 2025).

On the other hand, in 2019 the National Customs Service established a new procedure for the import of exempt vehicles, reducing processing times from 3 months to 48 hours, thanks to the digital process of Ecuapass. The procedure can be carried out by the person with disabilities, their legal representative, and the legal persons in charge of the care of people with disabilities, by electronically accessing the form "Request for tax exemption for the import of goods and vehicles for people with disabilities". Resolution No. SENAE-SENAE-2018-0082-RE, contemplates the "General requirements for the importation of goods with tax exemption for the use of people with disabilities (Association of Automotive Companies of Ecuador, 2019).

In 2021, AEADE promoted reforms that reduced administrative costs and requirements, favoring business development and national growth. Among them is the simplification of procedures in the import of vehicles. Through Executive Decree 068, issued on June 9, 2021, former President Guillermo Lasso defined as a government priority the simplification of procedures, the promotion of competitiveness through better regulatory practices, and the increase of administrative efficiency and transparency. However, the importation of vehicles currently requires the participation of six government entities: Conformity Assessment Agency, Ministry of Transport and Public Works, National Transit Agency, National Standardization Service, Internal Revenue Service and National Customs Service of Ecuador (Association of Automotive Companies of Ecuador, n.d.).

## CHAPTER 4: IDENTIFY THE COMPETITION FACED BY ECUADORIAN AUTOMOTIVE DEALERS IN RELATION TO EUROPEAN VEHICLES

Genaro Baldeón (2017), executive president of AEADE, mentioned that the automotive sector in Ecuador has shown a positive performance in 2017 and 2018, surpassing the previous two years. This success is due to a combination of factors including the international economic recovery, credit expansion, pent-up demand and a new, more favorable trade regulatory framework. However, the new Ecuadorian government faces great challenges that it must face to maintain this growth and ensure the stability of the country.

As for the dealership Auto Líder Ecuador S.A., within the yearbook published by AEADE (2017), mentions that they are committed to environmental protection, safety and health through a regulation of the automotive sector. They promote a Plan on Clean Fuels and Vehicles, together with the United Nations initiative, which promotes the adoption of new vehicle emission standards, and the promotion of clean technologies.

The automotive industry requires a lot of knowledge and capital. It is essential for the development of a country, both socially and economically. Nowadays, the industry is growing more and more because countries manufacture cars and the companies that dominate the market are constantly changing. The importance of the automotive industry in the development of the current economy and how it is expected to grow in the future depends on how important car transportation is to the functioning of a country's economy (Association of Automotive Companies of Ecuador, 2018).

**Table 2**

*Summary of the Ecuadorian automotive industry in units 2017-2023*

Year	Export	Import	Production Sales	Vehicle Sales	Total Sales
			National	Import	
2017	640	71.897	40.201	64.876	105.077
2018	1.595	103.543	37.298	100.317	137.615
2019	1.777	107.861	25.315	106.893	132.208
2020	1.024	61.429	13.424	68.397	81.821
2021	231	97.492	17.021	98.710	115.731
2022	120	127.263	15.125	119.045	134.170
2023	40	124.544	18.789	113.599	132.388

**Note:** Total sales of the automotive industry

Source: Based on the AEADE Yearbook (2023)

Similarly, with the information that has been found on the official website of AEADE, according to the yearbooks from 2017 to 2023, the European brands that we highlight for our analysis are: BMW, Citroën, Mercedes Benz, Peugeot, Renault, and Volkswagen, which are fundamental for our analysis. It should be noted that for the analysis the brand of vehicles Renault is discarded since they are assembled by the company Renault-SOFASA (Sociedad de Fabricación de Automotores S.A.) which was established on July 2, 1969. Its first success was the Renault 4 vehicle, a model that reached 97,000 units until 1991. Throughout its history, the company has manufactured more than 1,600,000 vehicles, including 18 different models, among which are Renault 4, Renault 9, the Renault Twingo, Renault Clio and Renault Duster (Renault Colombia, 2023).

During 2019, the SOFASA plant reached a production of 44,837 units of the various models that Renault marketed at that time. Of this figure, 18,764 vehicles were destined for export, reaching 14 countries. The markets of Mexico and Ecuador stood out as the main destinations, absorbing more than 65% of total exports (Vélez, 2019).

**Table 3**  
Annual sales of European vehicle brands in Ecuador

<b>Brands</b>	2017	2018	2019	2020	2021	2022	2023
Volkswagen	1889	2626	2712	2125	3589	3491	3076
Mercedes-Benz	441	614	693	444	567	698	639
BMW	148	257	313	264	292	306	333
Peugeot	481	1348	1643	1119	1396	1251	1134
Citroën	685	957	1549	1150	1203	1021	674
<b>Total</b>	<b>3644</b>	<b>5802</b>	<b>6910</b>	<b>5102</b>	<b>7047</b>	<b>6767</b>	<b>5856</b>

*Note:* Sales in units of European vehicles

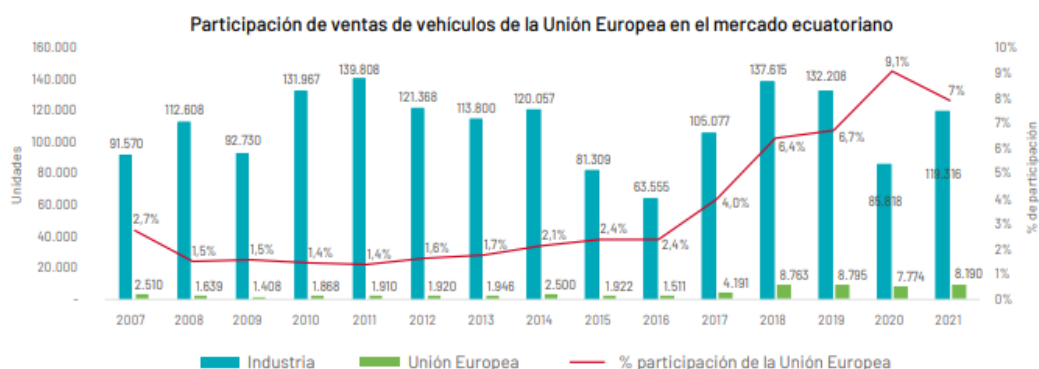
*Source:* Based on the AEADE Yearbook (2023)

Table 3 shows that the vehicles that have sold the most during the 7 years are Volkswagen brands, with 2023 being the year with the highest demand for these vehicles, however, it is observed that 2021 is the year in which the most sales were recorded in terms of European vehicles.



**Figure 1**

*Share of sales of vehicles from the European Union in the Ecuadorian market*



Note: Ecuadorian market share

Source: Adopted from AEADE yearbook, (2021)

In Figure 1, even though European car sales decreased by 7% compared to 2020, it is crucial to consider that the automotive market experienced a drastic drop that year due to the COVID-19 crisis. However, European vehicles managed to increase their market share.

The Ecuadorian automotive market experienced a notable expansion during 2018, with a 31% increase in sales compared to 2017, closing with 137,615 units, similar to that of 2011. This was driven by economic improvement, credit expansion, and the removal of restrictions that limited the sale of new vehicles in Ecuador. As a result, the structure of the national automotive market was modified. The elimination of restrictive quotas on the import of vehicles, regardless of their origin, encouraged companies to adapt their offer to the needs of the Ecuadorian consumer. It is relevant to note that vehicles of Chinese, Mexican, Colombian, and European origin were the ones that experienced the greatest increase in their market share between 2016 and 2018, which is the basis for the implementation of a policy of trade liberalization. Consequently, the recovery of the automotive sector was due to the release of a demand that had been contained for years (Association of Automotive Companies of Ecuador, 2018).

This problem was reinforced by favorable conditions in the domestic economy, a trade policy geared towards greater openness and credit support from financial institutions. The accumulation of this pent-up demand was a consequence of the establishment of import quotas and government safeguards, measures that ended the implementation of the Trade Agreement between Ecuador and the European Union. An important aspect of the obligations assumed in this negotiation process was Ecuador's commitment to comply with

its international guidelines within the scope of the WTO (Association of Automotive Companies of Ecuador, 2018).

The Treaty has had a direct impact on Ecuadorians' purchasing decisions regarding vehicles. In 2016, European cars were a minority option, accounting for just 2.4% of total sales. However, by 2020, there is a growing interest and preference for these vehicles, whose market share rose to 9.1%. This change suggests that the Agreement has facilitated access to a wider variety of European models, impacting the needs and tastes of an increasing number of buyers. In addition, it promoted a greater availability of vehicles of European origin in Ecuador since 2017 (Association of Automotive Companies of Ecuador, n.d.).

#### 4.1 Presence of U.S. vehicles in the Ecuadorian automotive sector

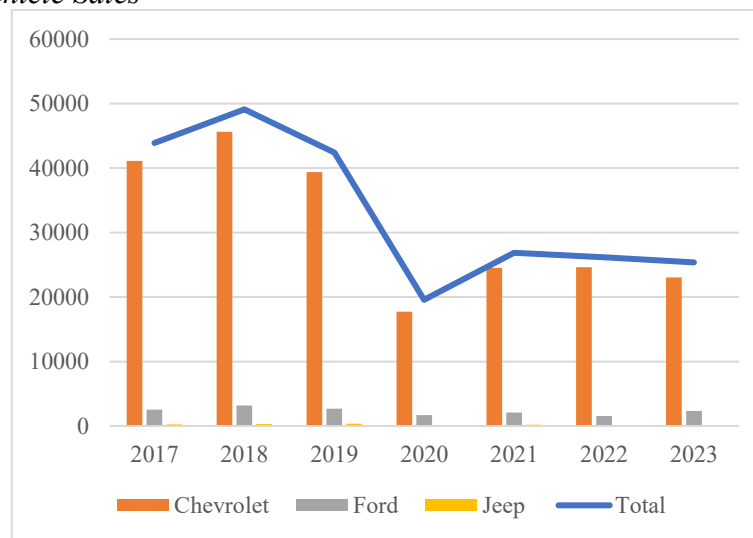
On the other hand, it is important to analyze the existing competition in the Ecuadorian automotive sector, due to the presence of different brands of American, Japanese, and Chinese origin.

**Table 4**  
*Annual U.S. Vehicle Sales in Ecuador*

Brands	2017	2018	2019	2020	2021	2022	2023
Chevrolet	41101	45605	39387	17730	24547	24607	23048
Ford	2541	3175	2688	1699	2110	1545	2345
Jeep	265	321	341	137	197	0	0
<b>Total</b>	43907	49101	42416	19566	26854	26152	25393

*Note:* Sales in units of U.S. vehicles Source: Adopted from the AEADE yearbook, (2023)

**Figure 2**  
*Annual U.S. Vehicle Sales*



*Note:* Annual sales by brand

*Source:* Based on AEADE, (2023)

Regarding the annual sales of the three American vehicle brands: Chevrolet, Ford and Jeep, it can be seen that the best-selling vehicle brand during the period 2017 – 2023 is the Chevrolet Vehicles brand, followed by the Ford brand that in 2019 obtained a higher sales level. As for annual sales, it can be deduced that the year in which the least sales were obtained was in 2020. However, the year with the highest sales was in 2018.

In late 2018, after a time when trade between Ecuador and the United States seemed to have paused, the situation improved when the Trade and Investment Council between the two countries became active again. This created optimism and opened up the possibility that they could reach a mutually beneficial trade agreement. The former president of Ecuador, Lenin Moreno and the current president of the United States, Donald Trump, met on February 12, 2020, where they agreed that it was important to hold another meeting, with the direct participation of the people of the United States Department of Commerce. It was hoped that from this meeting they could begin to formally negotiate (Association of Automotive Companies of Ecuador, 2019).

The Ecuadorian Chamber of the Automotive Industry (Cinae) expressed its opposition to the recent resolution of the Foreign Trade Committee (Comex) that approved the reduction of tariffs for a considerable number of vehicles imported from the United States. The Cinae argued that this measure directly harms the Ecuadorian automotive sector and was adopted unilaterally by Comex, without the necessary technical consultation with national producers or the support of a free trade agreement agreed between the two countries. In addition, he

warned that this reduction in tariffs, instead of strengthening the bilateral trade relationship with the United States, could end up favoring third countries, mainly China, which is a leading exporter in many of the categories of vehicles that will benefit from this tariff measure. On the other hand, David Molina, director of Cinae, explained that the Most Favored Nation (MFN) clause, a commitment of Ecuador with the World Trade Organization (WTO), could lead other trading partners to demand the same conditions, which would aggravate the negative impact for the national industry (EL COMERCIO, 2025).

## 4.2 Presence of Chinese vehicles in the Ecuadorian automotive sector

**Table 5**

*Annual sales of Chinese vehicle brands in Ecuador*

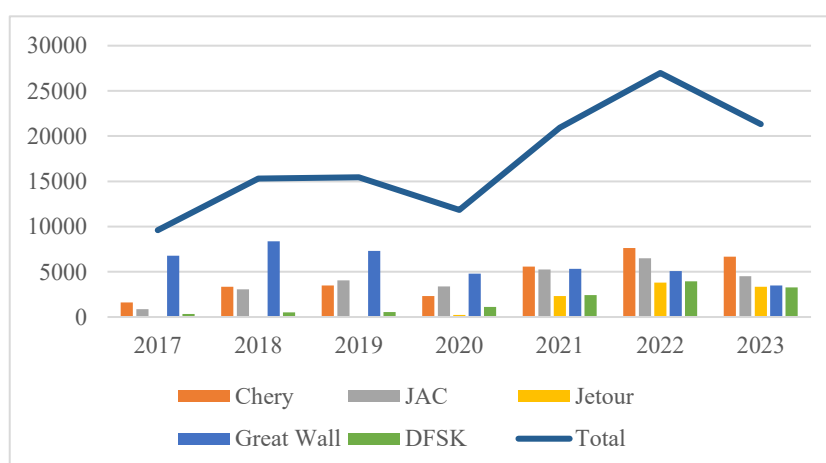
Brands	2017	2018	2019	2020	2021	2022	2023
Chery	1614	3330	3483	2332	5585	7614	6688
JAC	866	3075	4067	3386	5259	6512	4520
Jetour	0	0	40	234	2318	3816	3345
Great Wall	6792	8380	7305	4791	5344	5096	3494
DFSK	328	512	546	1098	2431	3945	3284
<b>Total</b>	<b>9600</b>	<b>15297</b>	<b>15441</b>	<b>11841</b>	<b>20937</b>	<b>26983</b>	<b>21331</b>

**Note:** Sales in units of Chinese vehicles

**Source:** Adopted from the AEADE yearbook, (2023)

**Figure 3**

*Annual sales of Chinese vehicles*



**Note:** Annual sales of Chinese brands Source: Adopted from AEADE yearbook, (2023)

As for Chinese brand vehicles, it can be noted that the Great Wall brand has been in great demand in the Ecuadorian market as well as the Chery brand, which over the years has been increasing its annual sales. The Jetour vehicle brand begins to have a share in 2019, progressively increasing its units sold in the next 4 years. In 2022, vehicles of Chinese origin managed to have a higher share compared to the other years analyzed.

May 1, 2024, marked a significant milestone in Ecuador's trade policy, with the entry into force of the Free Trade Agreement (FTA) signed with the People's Republic of China. This agreement positioned Ecuador as the fifth Latin American country to establish a trade framework of this nature with China, preceded by Nicaragua (also in 2024), Costa Rica (2011), Peru (2010) and Chile (2006). China, the second largest economy in the world, representing 16.9% of the world's Gross Domestic Product (GDP) and home to a population of 1,411 million inhabitants, is Ecuador's second largest trading partner and the main destination for its non-oil exports. Bilateral trade between the two nations reached a volume of USD 11.6 billion (Association of Automotive Companies of Ecuador, 2024a).

The core of this agreement lies in the facilitation of trade in goods, granting Ecuador certain strategic flexibilities. These include wider exclusion margins for certain products and extended deadlines for tariff reduction. In addition, the FTA incorporates cutting-edge disciplines in areas such as e-commerce and economic competition, and integrates chapters dedicated to economic cooperation and reciprocal investment (Association of Automotive Companies of Ecuador, 2024a).

About the automotive sector, 67% of Ecuadorian imports enjoy tariff preferences within the framework of this agreement, while 50% of imported vehicles originate in China. The tariff reduction schedule stipulated in the agreement is projected to drive up to an additional 8% growth in these imports, further consolidating the presence of the Chinese automotive market in Ecuador (Association of Automotive Companies of Ecuador, 2024).

### 4.3 Presence of Japanese vehicles in the Ecuadorian automotive sector

**Table 6**  
*Annual sales of Japanese vehicle brands in Ecuador*

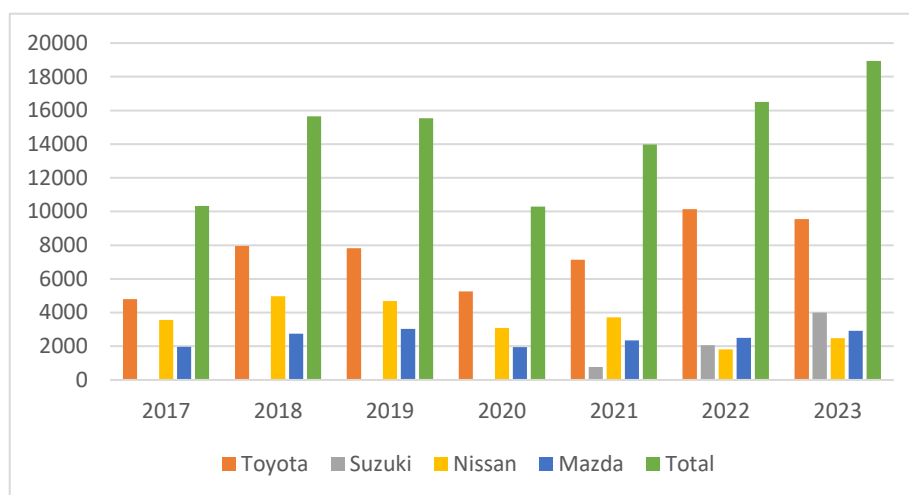
<b>Brands</b>	2017	2018	2019	2020	2021	2022	2023
Toyota	4804	7947	7821	5248	7131	10145	9548
Suzuki	0	0	0	2	772	2064	3993
Nissan	3568	4969	4682	3092	3719	1811	2475

Mazda	1959	2737	3026	1953	2348	2493	2914
<b>Total</b>	<b>10331</b>	<b>15653</b>	<b>15529</b>	<b>10295</b>	<b>13970</b>	<b>16513</b>	<b>18930</b>

**Note:** Sales in Japanese vehicle units

**Source:** Adopted from AEADE, (2023)

**Figure 4**  
*Annual sales of Japanese vehicles*



*Note:* Annual sales by brand Source: Based on AEADE, (2023)

As for the annual sales of Japanese vehicles, Toyota stands out, which has had an annual increase in sales, except for 2020 and 2023, a year in which its sales have decreased. Similarly, the Suzuki brand began to have a significant share in the Ecuadorian automotive sector in 2021, obtaining an increase in the following years.

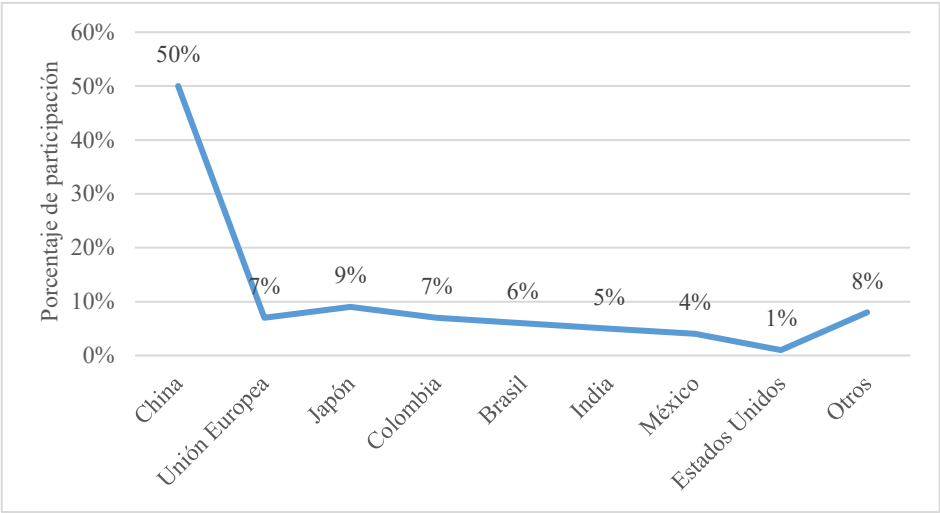
Vehicles of Japanese origin have marked a significant influence on the global automotive industry. Its reputation is not limited to reliability and efficiency but is also closely associated with the introduction of technological advancements. A distinctive attribute of these cars lies in their durability and the solidity of their manufacture, characteristics that are based on the implementation of high-tech production processes (Mazda Ecuador, 2023).

In 2016, Japan formalized its accession to a bilateral instrument aimed at preventing double taxation in income taxes and optimizing tax collection by deterring tax evasion. It is projected that the implementation of this agreement will establish a framework conducive to the start of interstate negotiations in the medium term, with the aim of promoting trade and

reciprocal investment between both parties (Association of Automotive Companies of Ecuador, 2019).

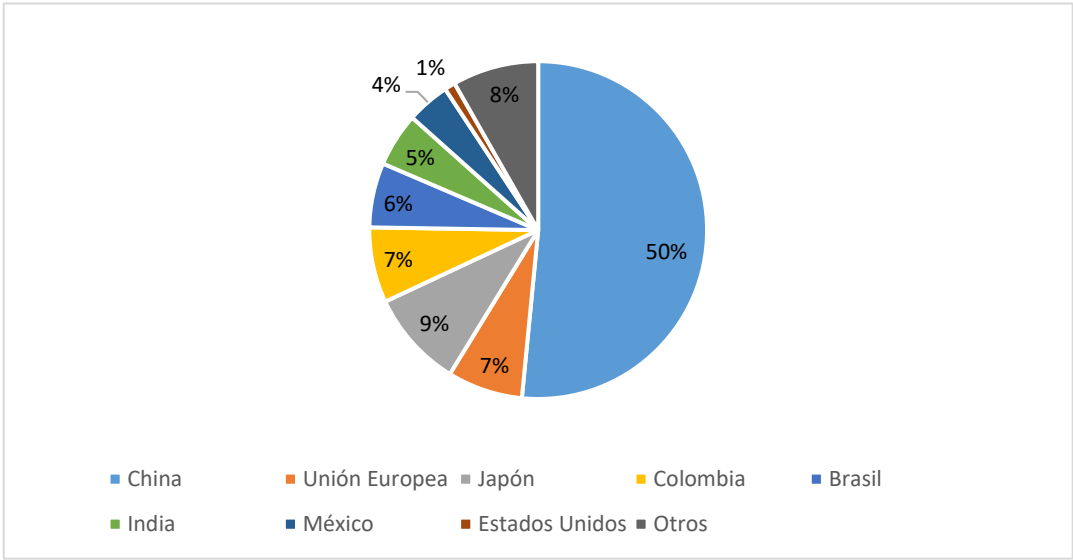
4.4 Percentage of brand share in the Ecuadorian market in 2024

Figure 5  
Share of Vehicle Imports 2024 by Brands



Note: Import of vehicles by brand Source: Adopted from AEADE, (2024)

Figure 6  
Vehicle imports 2024, percentage of participation

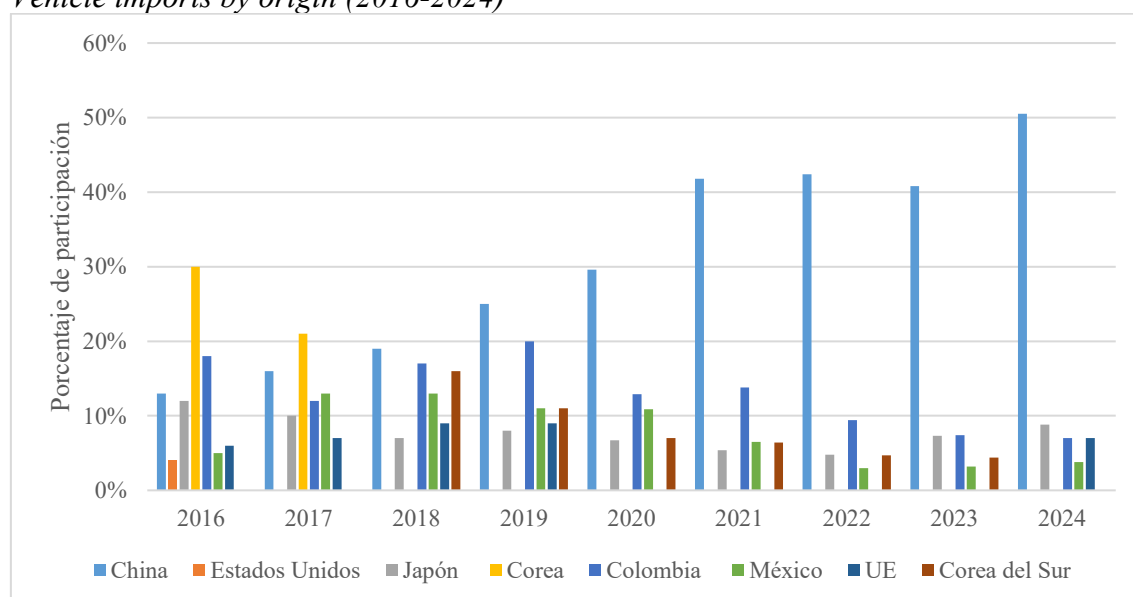


Note: Participation by brand Source: Adopted from AEADE, (2024)

As can be seen in the figure, vehicle imports in 2024 were led by vehicles from China, which account for 50% of imports. The share of Japanese vehicles is 9%, 2% of vehicles from the European Union and Colombia, which represent 7%.

As of January 2024, Ecuador eliminated tariffs for the import of cars and SUVs from Europe. This measure was finalized after seven years of the gradual implementation of the tax reduction established in the Agreement, before these vehicles paid up to 40% tariff, which made it difficult to sell them in the country. The recent elimination of this cost has been offset by the increase in other internal taxes, such as ISD (which rose from 3.5% to 5%) and VAT (which went from 12% to 15%). In addition, new taxes have been implemented for companies that import and sell these vehicles. Despite this new fiscal landscape, the presence of European cars in the Ecuadorian market has experienced steady growth, going from 1.5% of sales in 2008 (1,639 units) to 7.1% in 2024 (7,712 units). The possibility of importing European vehicles without tariffs generates new prospects for the sector and buyers, although taxes remain a key factor in final prices and competition within the market (Association of Automotive Companies of Ecuador, 2024).

**Figure 7**  
*Vehicle imports by origin (2016-2024)*



Note: Import of vehicles by origin

Source: Based on the AEADE Yearbook, (2024)

China's drastic increase in market share is observed, suggesting increasing competition from its vehicles in the Ecuadorian market. On the other hand, Mexico and the European Union show a more stable participation compared to other origins, although at low levels.



For most of the other origins: the United States, Japan, Korea, Colombia, Mexico, South Korea, there is no clear and sustained trend.

## **CHAPTER 5: ASSESSMENT OF CONSUMER TRENDS IN TERMS OF THE EUROPEAN SUV VEHICLE CLASS.**

### **5.1 General Preference for SUVs in Ecuador**

Today's landscape offers consumers a wider range of possibilities in mobility and connectivity. This manifests itself in the decisions they make when buying or renting a car, as well as determining the best way to get between different points (Association of Automotive Companies of Ecuador, 2018).

Versatility, striking design and cutting-edge technology have made European sport utility vehicles (SUVs) increasingly in demand in Ecuador. The SUV segment has achieved significant leadership within the Ecuadorian automotive market. During 2023, these vehicles accounted for 45% of total car sales in the country, ranking as the main preference of consumers. This increase in demand is based on the inherent versatility of SUVs, which allows them to function in urban and rural environments with different terrains. Additionally, the position of the seats and the interior spaciousness provide an increase in safety and the field of vision, key factors that make them the most attractive option for family transport customers, which drives the growth of the Ecuadorian automotive market (EMR, 2024).

### **5.2 Influence of Technology and Sustainability**

According to Fausto Baca, former chairman of the Board of Directors of AEADE, a key aspect when analyzing the automotive market in 2017 was the growing interest of consumers in technologies that not only optimize consumption, but also take care of the planet. In this context, Ecuador is positioned as a regional benchmark, showing an early adoption of innovations for more efficient mobility. Ecuadorians have shown great openness to integrating transportation options that are more environmentally friendly (Association of Automotive Companies of Ecuador, 2017).

In addition, manufacturers and suppliers who continue to focus solely on traditional car manufacturing and sales will find it difficult to adapt to the transformation of the automotive sector. In the EASCY era (a term that encompasses aspects such as electrification, autonomy, shared services, and connectivity), the business is no longer limited to the vehicle itself, but mobility services will play a crucial role in its operating model. This is the only way for companies to meet the expectations of their customers that are increasingly changing (Association of Automotive Companies of Ecuador, 2017).

Within the AEADE yearbook, it is highlighted that the future of the automotive sector looks technological and ecological since, since 2015, KPMG's annual study has established itself as a crucial reference to anticipate the future of the sector, generating expectation in the industry. Its recent analysis, based on responses from executives and 2,000 consumers globally, revealed significant trends such as the projection that most of the future vehicles acquired will be hybrids, and while most executives anticipate that connectivity and digitalization will define the trajectory of the sector. The study also pointed to the challenges in reconciling cutting-edge automotive technology and the availability of raw materials, as well as the need for collaboration along the value chain, as no single company will be able to dominate it individually (2018). The conclusion of the KPMG study emphasizes that executives in the automotive industry consider a transformation in the sector inevitable. This will necessarily involve the development of key competencies and the definition of new professional roles that go beyond traditional experience.

### **5.3 National and Policy Initiatives**

As for the most important milestones that marked this sector as strategic, one key factor is that Ecuador stands out in Latin America as the only country to continuously carry out Road Safety Week annually. This initiative reflected the national commitment to the objectives established by the UN, within the "Decade of Action for Road Safety 2011-2020". Similarly, an additional achievement was the obtaining of the European Union's Euroclima+ programmed, which provided non-reimbursable funding for the development of the National Urban Mobility Policy. This policy was conceived as a comprehensive national planning instrument to structure various sustainable transport initiatives. Because of this, AEADE's goals for 2019 are that continuity in the reduction of victims of traffic accidents was established as a priority. In addition, with the purpose of contributing to the preservation of the environment, the association announced the launch of the National Policy for Urban and Sustainable Mobility. This policy projected a series of actions aimed at optimizing the use of technologies in the transport of passengers, cargo, and private vehicles (Association of Automotive Companies of Ecuador, 2019).

On the other hand, improving fuel quality is a significant challenge for the automotive industry. The Euro VII standard, a set of standards designed to reduce polluting emissions from vehicles with fossil combustion engines, will come into force no later than 2027 and is part of the European Green Deal policy, which aims to achieve zero emissions by 2050. Current information on this regulation suggests that extremely low emission limits will be

proposed for nitrogen oxide (NO<sub>x</sub>) and carbon monoxide (CO) in diesel and petrol vehicles. The proposed levels are so demanding that many industry players believe they will be impossible to meet or that the cost of doing so would be prohibitive, which could mean the end of small and medium-sized vehicles that are not electric. Several manufacturers have even announced their decision not to intervene in new technologies for combustion vehicles, considering their plans to transition to electric mobility in the coming years (Association of Automotive Companies of Ecuador, 2022).

## **5.4 Growth of Sustainable Mobility in Ecuador**

The concept of sustainable mobility is rapidly gaining traction in Ecuador. The country's automotive sector is adapting to the global trend, incorporating technologies to improve energy efficiency and reduce the carbon footprint. This is evidenced by the increase in sales of electrified vehicles (hybrid and electric) in recent years, with annual growth of 230% in 2021, 67% in 2022 and 75% in 2023. At the end of 2023, 12,275 electrified units were sold, which constituted 9% of the total market, and places Ecuador as a regional leader in the expansion of these technologies. The good reception of environmentally friendly vehicles by Ecuadorian consumers is explained, to a large extent, by the current tax benefits: exemption from the ICE for hybrids and elimination of ICE, VAT, and tariffs, in addition to free circulation (without peak and plate in Quito) for electric vehicles (Association of Automotive Companies of Ecuador, 2023).

## **5.5 Evolution of Preference Between Vehicle Segments**

Historically, cars have led sales due to their affordability and suitability as family vehicles. However, in recent years, SUVs have seen a significant increase in market share. In 2019, SUVs accounted for 34.2% of the automotive market, a growth attributed to the expansion of their model offering and the reduction of their prices. In line with a global trend, Ecuadorian consumers show a growing inclination towards the acquisition of this type of vehicle. Therefore, pickup trucks, which traditionally represented an important segment of automotive consumption in Ecuador, have been progressively displaced by SUVs in recent years (Association of Automotive Companies of Ecuador, 2019).

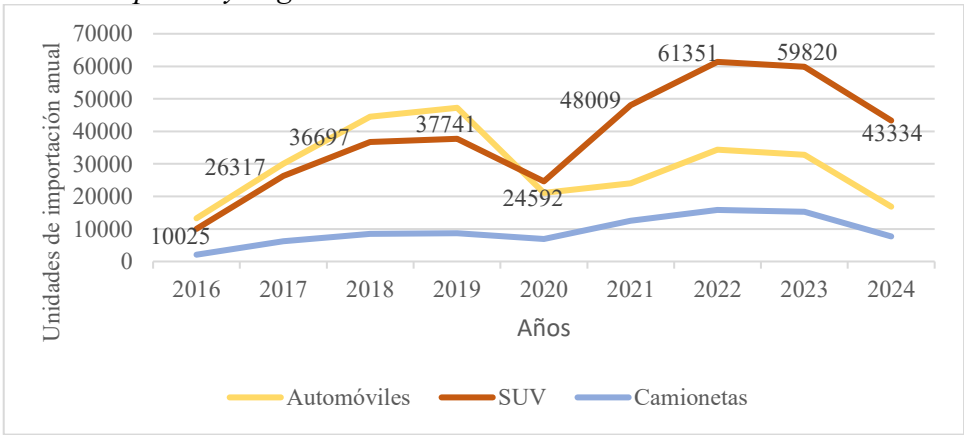
In 2020, the Ecuadorian automotive sector witnessed a redefinition of the most demanded segments. As was the case internationally, SUVs gained considerable ground to

lead consumer preferences with 38.2% of the market. In contrast, automobiles lost prominence, suffering a 7.7% drop in their market share and moving to second place in sales. Likewise, there was a significant contraction of 35.1% compared to the previous year, registering a total of 85,818 units sold. This decline occurred in a global context marked by the COVID-19 pandemic, whose adverse effects negatively impacted commercial activity during the last three quarters of the year (Association of Automotive Companies of Ecuador, 2020).

The COVID-19 pandemic generated a radical change in the sales strategies of the automotive sector. An example of this was the transition to a virtual format of the traditional fair of the Association of Automotive Companies of Ecuador (AEADE) in 2020, marking a milestone in its 28 years of existence. This online event was organized in six digital pavilions, ranging from personal vehicles to financial services and accessories. This initiative was added to the efforts to reactivate the national economy and trade, both impacted by the health crisis. AEADE developed the virtual platform "Tu coche en casa", a multi-brand digital sales channel that allows users to purchase vehicles online, including the possibility of taking virtual test drives and accessing financing options (Association of Automotive Companies of Ecuador, n.d.).

### 5.6 SUV Sales Figures in the Ecuadorian Market

**Figure 8**  
*Annual Vehicle Imports by Segment*



Note: Import by segment Source: Adapted from the AEADE yearbook, (2024b)

The figure indicates that, as of 2017, the SUV segment shows the highest volume of imports compared to cars and trucks. The highest value is observed in 2022. On the other hand, car imports show a general growth trend from 2016 to 2023, although fluctuations are

observed in the intervening years. The import of pickup trucks remains in a low range compared to the other two segments, showing less pronounced growth.

**Table 7**  
*Annual vehicle sales by segment*

Year	Cars	SUV	Vans
2016	27760	17057	11070
2017	45703	33739	15193
2018	58855	45139	19463
2019	54192	45266	18406
2020	26196	31871	13384
2021	32007	50536	20231
2022	30766	63263	24676
2023	30404	62290	24048
2024	20961	51292	21163
Total	326844	400453	167634

*Note:* Import by segment

Source: Adopted from the AEADE Yearbook, (2024)

In the same way, annual sales by segment in the Ecuadorian market were led by SUVs. As of 2020, it presented the highest annual sales volume, surpassing cars, and trucks. Before 2020, cars had a higher sales volume. Car sales show remarkable growth from 2016 to 2018, followed by a decline in 2019 and a large drop in 2020. However, a recovery is observed in 2021, followed by a downward trend until 2024. Truck sales show gradual growth through 2022, with some annual fluctuations. In 2023 and 2024 a slight decrease is observed, although they remain at a higher level at the beginning of the period.

The wide variety of SUV models available in the Ecuadorian market has been a constant in recent years, and 2023 was no exception. The SUV offer grew significantly, from 123 models in 2021 to 240 in 2022 and reaching 262 models in 2023. This increase was focused on the compact and medium categories, intensifying competition and improving accessibility for Ecuadorian consumers (Association of Automotive Companies of Ecuador, 2023).

Moreover, even though the market empowers the consumer to seek what they need, their choices also depend on factors that are unrelated to the market or costs (Escobedo & Jaramillo, 2019). The opinions and ratings of other users have become a crucial factor before buying a product. Knowing the experiences of others is a fundamental step, so a brand needs to have a good image to be considered by future customers (Cordero, 2017). Consumer behavior is a topic of great global relevance, especially since companies need to understand

the needs of a target market to implement effective promotional tools and get their offers chosen by that audience (Chuez, 2021).

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**Table 8**  
*European SUV Vehicle Models and Prices*

European Brand	Model Category SUV	Approximate Price
Volkswagen	Full truck Nivus	26490
	Volkswagen T - Cross	25490
	Volkswagen Teramont	92400
	Volkswagen Tiguan Allspace	52990
Mercedes Benz	GLA Class	97000
	GLA Class (250 4Matic/300 4Matic)	93000
	GLE Class	178000
BMW	BMW X1	90900
	BMW X2	34000
	BMW X3 M	75500
PEUGEOT	Peugeot 2008	28990
	Peugeot 3008	39990
	Peugeot 5008	47990
CITROEN	Citroën C3 Aircross	32000
	Citroën C5 Aircross	36000

*Note:* Import by Segment Source: Adopted from, (Autocosm, n.d.)

The table shows how some brands offer a wider price range than others. Volkswagen has prices ranging from \$25,490 to \$92,400, indicating a strategy to appeal to different budgets. In contrast, Citroën has a smaller price range, between \$32,000 and \$36,000 for the models listed. This suggests different approaches to market by brands.

## 5.7 Trade war in the automotive sector

The international trade landscape was significantly altered by the implementation of protectionist tariff policies during Donald Trump's administration in the United States.

Donald Trump's administration implemented a global tariff of 10% on all imports to the United States, affecting several Latin American countries, including Ecuador. Ecuadorian products such as bananas, shrimp, and cocoa, which were previously exempt from tariffs, must now pay 10%. In addition, specific tariffs were established for the European Union, reaching up to 20%. Trump argued that these measures would boost American production and create jobs, generating significant revenue for the country (Primicias, 2025).

According to the news given by El Mercurio, on April 10 of the same year, Ecuador implemented a 10% tariff on vehicles imported from the United States, a temporary measure that will be extended until December 31. This government action seeks to pressure the Donald Trump Regime to reduce the tariffs imposed on Ecuadorian exports. The tariff reduction, according to the Foreign Trade Committee (COMEX), applies only to vehicles manufactured in the U.S., which must be certified. On the other hand, in 2024, only 1% of vehicles sold in Ecuador (1,232 units) came from the United States, with 62% of these being hybrid or electric. The average tariff for U.S. vehicles in Ecuador is 25%, with variable rates: lower for hybrids (up to 20%) and higher for high-end vehicles (up to 40%). In contrast, most imports in 2024 came from China (25%), Colombia (16%), Japan (11%), South Korea (7%), and India (4%), while the U.S. accounted for only 1% (2025).

The most imported brands from the US in 2024 were Ford, RAM, BMW, Chevrolet, and Jeep. The tariff reduction will mainly benefit consumers of gasoline-powered vehicles, who previously paid up to 40% tariff, while the impact on hybrids, with tariffs close to 20%, will be lower. It is important to note that vehicles of the same brands may come from other countries with lower tariffs and prices. For example, Chevrolet imports mainly low-volume premium SUVs from the US (El Mercurio, 2025).

Despite the tariff reduction to 10%, imported U.S. vehicles will continue to be expensive due to the sum of the Currency Exit Tax (5%) and the Value Added Tax (15%), both of which were not modified. Precisely, the high tariff on U.S. vehicles, along with the ISD, was pointed out by the U.S. Trade Office (USTR) as a trade barrier imposed by Ecuador (El Mercurio, 2025).



In 2024, Ecuador positioned itself as the second country in the region with the highest adoption of electric and hybrid vehicles, reaching 13% of the local automotive market. Despite this progress, specialists indicate that the supporting infrastructure still needs development. Vehicle sales in Ecuador during 2024 met initial expectations (El Universo, 2025).

## RESULTS

As for the tariff reduction proposed in the Trade Agreement, this has been 5, 7 and 10 years, depending on the type of vehicle category. The year 2027 shows us that it is the year in which vehicles will arrive duty-free.

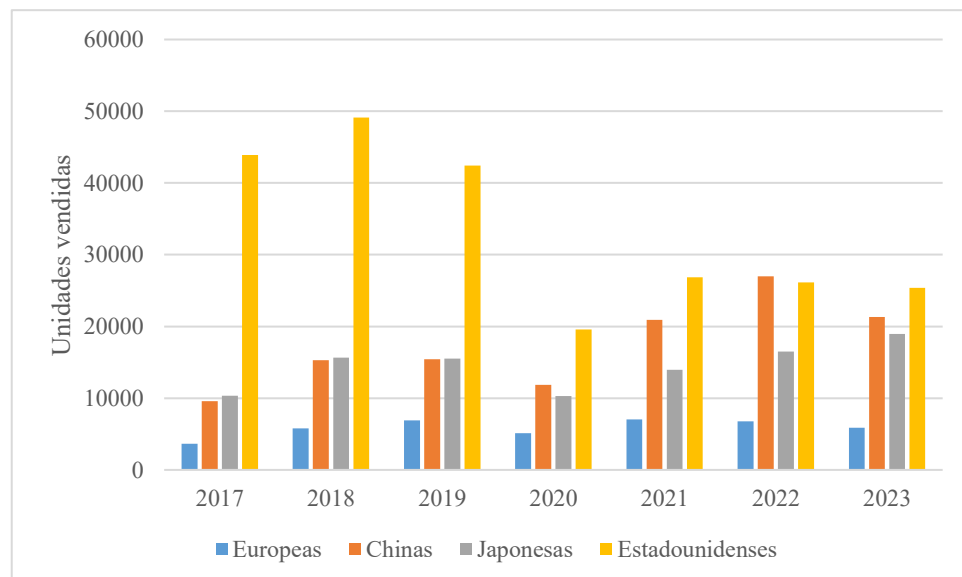
On the other hand, regarding the import procedure, it is highlighted that for people who wish to import from the European Union, the certificate of origin is essential to make use of tariff preferences. According to the interview conducted with Edgar Rolando Maza, Foreign Trade Operator Technician, he mentioned that the mistakes they make the most when importing are:

- Ignoring the nationalization process.
- Failing to obtain the Prior Control Document (PCD), which could lead to the reshipment of the goods.
- Lack of advice prior to the purchase of international goods.

In addition, as for the RTEs, they affect production times and costs, however, the importer must have in-depth knowledge of the regulations and the process of obtaining these so that they represent significantly or minimally.

**Figure 9**

*Comparative evolution of annual vehicle sales according to their region of origin in Ecuador (2017–2023)*



*Note:* Total sales vs European Union Source: Adopted from the AEADE Yearbook, (2020)

Throughout the period analyzed (2017-2023), vehicles of U.S. origin consistently recorded the highest annual sales volume in Ecuador, with notable figures in 2018 and 2022. This suggests a strong preference or demand for vehicles from this region in the Ecuadorian market. As for the growth of Chinese vehicles, a considerable increase in sales of vehicles of Chinese origin is observed from 2020. Although they started with lower volumes, their steady growth positions them as an increasingly relevant competitor in the Ecuadorian market.

European vehicles face significant competition from models coming from China, Japan and the United States. While the market share of European vehicles has increased, Chinese brands have grown exponentially, accounting for 50% of imports in 2024. This is due to factors such as more affordable costs, aggressive trade strategies and the signing of the Free Trade Agreement with China.

By comparison, importing U.S. vehicles remains expensive due to the absence of trade preferences agreements and the Currency Exit Tax (ISD), the Value Added Tax (VAT). Competition with China and the European Union has made it difficult for U.S. vehicles to participate in the Ecuadorian market. However, the tariff reduction applied to European vehicles has not been enough to offset other internal taxes, such as ISD and VAT, which continue to impact final costs. The Multiparty Agreement has generated commercial stability, promoted higher quality standards and improved the competitiveness of the Ecuadorian automotive sector.

This difference shows that a trade policy based on agreements between multiple nations, such as the one that Ecuador has with the European Union, benefits the growth of the automotive sector more than unilateral measures taken as a reaction, as has happened with the United States. The European case is presented as a successful economic integration strategy that boosts competitiveness, while the situation with the United States underscores the dangers of protectionism and the lack of up-to-date bilateral agreements.

**Table 9***Results of interviews conducted with European vehicle users*

Category	User Citroën C3 (2018)	User BMW 1 Series (2021)
<b>Purchase motivation</b>	Modern and youthful design, two-tone roof, efficiency (diesel), driving comfort (ideal for beginners).	Brand prestige, sporty and elegant design, technology, safety, better quality compared to Asian brands.
<b>Valued Features</b>	Comfortable suspension, easy manual driving, smooth pedals/steering wheel, attractive design, technological equipment.	Powerful engine, comfortable suspension, luxury interior, quality materials, advanced technology.
<b>Technology and security</b>	ABS brakes, airbags, cruise control, touchscreen, fault sensors, child locks.	Cruise control, sensors, display, high level of safety.
<b>Negative experiences</b>	Hard to find parts outside the dealership, expensive sensors, alternative parts fail in the long run.	Expensive maintenance and spare parts, delay in specific spare parts, specialized workshops.
<b>Comparison with other cars</b>	It has not had others, but considers the Citroën safe, comfortable, good front structure.	European brand surpasses in performance, durability, driving experience compared to others.
<b>Brand reputation</b>	Good reputation, although it is not well known as other brands.	Good reputation in Ecuador, associated with status and quality.
<b>Disadvantages</b>	Low availability of spare parts in the local market.	High cost of maintenance and spare parts.
<b>Deciding factor</b>	Direct financing for 4 years.	Prestige and brand quality.
<b>Recommendation</b>	Yes: for those who value comfort, design, and technology. No: for those looking for an economy in maintenance.	He does recommend the European vehicle, values quality, performance, and technology.

**Table 10***Result of interview with an expert in the automotive sector*

Topics	Key aspects
Advantages of European cars	Reliability, durability, advanced technology, and fuel efficiency.
Disadvantages	Expensive or hard-to-get parts.
Consumer preferences	High valuation of technology, security, modern design and connectivity.
Local Market Perception	European cars are seen as reliable and of quality.
Financing	Competitive direct credit (12.90% per annum, up to 72 months, prepayments without penalty).
Hybrid vs electric	Hybrids most accepted by range and price; electric vehicles will grow with better infrastructure.
Sustainability	Greater consumer education is needed; Sustainability is a key opportunity.
Differentiation	Durability, quality, warranty and brand trajectory.
Strategies to improve sales	Discounts, promotions, and campaigns aimed at the potential customer.
Expectations	Increase in sales of reliable cars; electric and hybrid vehicles will be market leaders.

## CONCLUSIONS

This research made it possible to comprehensively evaluate the impact of the Multiparty Agreement between the European Union and Ecuador on vehicle import trends,

during the period 2017-2023. Through the analysis of legal, commercial and consumer behavior variables, it was possible to identify multiple effects derived from the implementation of this agreement, both at the market level and in the perception and purchase decision of Ecuadorian consumers.

From a regulatory and commercial perspective, the analysis of the Agreement reveals that the gradual elimination of tariffs that went from 35-40% to 0% for vehicles such as European SUVs was not a simple liberalization, but a strategy that forced the country to insert itself into an environment of real, transparent, and demanding competition. Import procedures and technical standards became non-tariff control barriers that, in many cases, were not rigorously applied, generating frequent errors in vehicle approval and evidencing institutional failures that prevent the full enjoyment of the benefits of the Agreement.

When it comes to competitiveness, Ecuadorian concessionaires face increasingly challenging competition. Importing vehicles is no longer enough, innovation, added value and adaptation to a demand that has evolved is required. European brands not only entered with more competitive prices, but also with a superior offer in safety, technology, and efficiency, forcing local players to raise their standards in the market. This new dynamic has displaced traditional competitors from the United States, Japan, and China in several strategic segments.

The Ecuadorian consumer trend has clearly migrated towards the European SUV segment. This phenomenon is not explained solely by economic logic: the European SUV symbolizes status, modernity, and sustainable mobility. User interviews confirmed that the purchase decision responds to a combination of social aspiration, technological confidence, and the search for differentiation. The impact of the Multiparty Agreement goes beyond trade figures. Ecuador ceased to be a closed and reactive market, and became part of a dynamic, demanding, and competitive commercial environment.

## **RECOMMENDATIONS**

It is recommended that the State, in conjunction with the private sector, implement policies to promote the national production of vehicles or automotive parts, through tax incentives, access to technology and innovation, and strategic agreements with international manufacturers. This will allow the presence of European vehicles in the local market to be more competitively faced.

It is essential that importers and customs brokers receive continuous training on the correct application of rules and certificates of origin. This will ensure full use of the tariff benefits established in the Multiparty Agreement and avoid sanctions or loss of preferences.

The increase in European vehicles with clean technology should be used as an opportunity to encourage public policies that promote the renewal of the vehicle fleet with less polluting cars. This can also be accompanied by incentives to import electric or hybrid vehicles.

Given the growing interest in European SUVs as a symbol of status and functionality, it is suggested to implement consumer information campaigns on quality, energy efficiency and long-term benefits. This will allow for more informed and sustainable purchasing decisions.

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## APPENDICES

### Appendix 1

Results interview with Citroën vehicle user

#### 1. Which make and model of European vehicle do you currently own?

My vehicle is a Citroën c3 year 2018

#### 2. How long have you been using this vehicle?

I've been using it for about 7 years, well, now in November it seems to me that it's been 7 years since the date I acquired it

#### 3. What motivated you to choose a European vehicle over other brands?

The reason why I chose this vehicle is because a long time ago it was something very new, it was a new vehicle that was presented on the market, apart from its design that was quite modern it was youthful and I don't know if you have noticed that it has in that two-tone design the option that for example you bought and you could paint the roof the color you wanted, being like a type of vehicles like a kind of customized. So that was the reason I chose the vehicle, it was in terms of its design, its distinctive feature was also on the other hand the efficiency in fuel consumption because my vehicle is Diesel and also, comfort at the time you are driving, the pedals are very "soft", the steering wheel to shift the gears is also super soft is super comfortable and well I would recommend that vehicle also for people who are learning to drive.

**4. What are the main features that you value most about your European vehicle?**

The characteristics that I already really value, the one that has a super comfortable suspension unlike other vehicles, for example, which are cars, are like very low, on the other hand, this one, even though it is a car, does not have the suspension completely low and it is super comfortable, that gives you the chance that if for example you are on the road you fall into a pothole or something is not easily damaged. The shock absorbers are not going to burst easily, also as I had mentioned that the driving part is super, the manual is super smooth, it has good technological equipment and above all a super cozy design, attractive more than anything for the young now is our time.

**5. Have you had any negative experiences or problems with your vehicle?**

To see a negative experience, well, they are divided into two ranges, the medium range and the high range, that is, the full, in what I know, well, my case is that of the semi full, it does not have the sensors at all, but in this case of the full ones have some sensors, a that for example in terms of disagreement is that when it burns they are damaged or pass it with elevators and they have They tend to have high maintenance costs, that's let's say the only bad thing to explain, but in my case it hasn't happened to me that as I told you in my instrument, then they don't have all the states, they have the basic ones, yes, but not all the ones you have in the other, in the other version

**6. Compared to other vehicles you've owned, how would you rate the quality and performance of your European vehicle?**

Hmm well, the truth is that I haven't had any other vehicles besides the first one I own, but I would say it's a good car, offering a lot of comfort when driving. It has a good safety standard, especially in the front. For example, these vehicles come with a metal or steel bar designed to protect the car in case of a frontal collision. Unlike other cars, which may be destroyed in such an accident, this one has good reinforcement, so to speak. On the negative side, compared to other vehicles, I would say that the availability of spare parts is a bit complicated. You can't find them just anywhere because this is a new brand that has recently entered the market. So, unlike cars like Toyota, for example, which have parts available almost everywhere, this brand's parts are harder to find. You can usually get them at the dealership, but not in regular stores. Sometimes, they don't even offer alternatives; they give you parts from other brands that might be compatible, but in many cases, these end up causing problems in the long run.

**7. What do you think about your vehicle's technology and safety features?**

About the technology and safety features, as I mentioned, it has very good safety equipment. It includes ABS brakes, airbags, and driving assistance. My car's version is semi-full it's manual, not automatic but it still has cruise control. It also has a touch screen and a child lock on the back doors. In addition, it has several useful sensors, such as tire pressure sensors or alerts that notify you if there's an issue with the dashboard or any inconsistency in the car. These alerts appear on the screen or dashboard, which helps you detect and correct problems on time. Sometimes, we don't even realize something is wrong with the vehicle until it breaks down and leaves us stranded, so these warning systems are very helpful in preventing that by letting you know that something needs to be repaired or checked.

**8. Do you consider your vehicle's brand to have a good reputation in Ecuador? Why?**

I consider the brand of my vehicle if it has a good reputation I would say yes, it does have a good reputation. However, Citroën is not as popular in Ecuador compared to other Japanese brands that are obviously already introduced, they have a higher record here in Ecuador so yes, but it is quite appreciated for its design, for its comfort, as I told you I bought the car practically almost 7 years ago and despite all that time that has passed, it is not that the brand has disappeared, it is that it has gone to behind it's not that I've gone bankrupt, far from it, nor have I had to leave the country, or that the brand practically stop selling here. Rather they have started to bring the other models of vehicles in terms of trucks, VANs and I don't know what others are really more expensive, but I haven't gone but of those I've seen

circulating on the street, rather I've seen that the brand and the users buyers have continued, they have obviously continued to buy this brand because of its design, its comfort, the ease of driving, and also because of those who are abusers.

**9. What were the most important factors when buying your European vehicle? (Price, design, technology, fuel consumption, brand reputation, financing, etc.)**

In my case I told you that it is from diesel you do not spend for example to leave Guayaquil all right now do not spend more than about 8 dollars round trip that as for the question.

**10. Do you think the price you paid for your vehicle was fair in relation to its features and quality?**

Yes, the truth is that I consider it at a good price. I took it from the dealership, that is, I took 0 km vehicles out, I consider it quite good, although obviously when the years go by you have to maintain the car, you have to change the distribution kit, tires, pills, among other things, then you can only consider that the cost of maintenance can be an expense, but that does not make a difference because in the same way you have to do with any other car then that already goes in.

**11. How did the availability of financing or promotions influence your purchase decision?**

In terms of financing and promotions, if there were any, ehmm, the vehicle could be taken out in terms of 4 years and that obviously could have been a very key point for the purchase because the value in which I bought was I think it was 21000 dollars, so only at the moment I did not have all that amount to be able to summon pay and keep the vehicle, no, then it is so easy, a 4-year financing did help me a lot to pay it in full.

**12. How has your experience been with the after-sales service and maintenance of your European vehicle?**

European cars, well, as I told you, it can vary. Some of users might say, for them, maintenance has been a little more expensive, but everything is relative. As I said, it all depends on how you drive and take care of the vehicle. For example, if you didn't buy it from the dealership, you didn't take it for regular maintenance, or if you had the oil changed elsewhere and they used the wrong type of oil, or you skipped oil changes at the required

mileage, then obviously things can get more complicated and result in additional expenses. In my case, I have been quite responsible with the vehicle, so I haven't had any major expenses, despite how long I have owned it. The only issue, as I have mentioned, is that it's a bit complicated to get spare parts. You can't find them at just any auto parts store. Honestly, I have had to go directly to the dealership it's the only place where I have been able to find parts that fit.

**13. Do you consider the maintenance and spare parts costs of your European vehicle to be reasonable?**

For the quality of the brand, they are reasonable, but if we compare Asian brands they are a little higher, the maintenance costs are a little higher, but in line with other European vehicles. I would say that it was, that is, it is under the normal range, as question number two of you would recommend your make and model of vehicle to other buyers in Ecuador and that yes. The truth is that I do recommend them for those people who are looking for comfort, a different design, even though it is like a small vehicle, they have a lot of technology and but I would not recommend it for those people who are looking for economy in maintenance, that is, I don't know what, that is, maintenance is not entirely cheap, but you are not exaggeratedly expensive either, it is a normal level.

**14. Would you recommend your vehicle make and model to other buyers in Ecuador? Why?**

I do recommend it for people looking for comfort, a different design, despite being a small vehicle is very technological, but I would not recommend it for those people who are looking for economy in maintenance, since it is not entirely cheap.

**15. If you were to buy another vehicle in the future, would you consider choosing a European brand again? What factors would influence your decision?**

Actually, I would consider buying again, because in terms of maintenance costs, for what the vehicle leaves you, for what the vehicle offers you, the truth is that I don't see it as more expensive, there are many, many, many. How do I explain it to you, it is very good in technology, as I had mentioned to you a while ago, that plus they give you an alert that in case your vehicle is about to for some reason break down somewhere is damaged it allows you to avoid an accident. Then I would recommend it for those for that reason and for another reason in terms of fuel economy is very good.

## **Appendix 2**

Results interview with a Mercedes Benz vehicle user

**1. What make and model of European vehicle do you currently own?**

Mercedes-Benz GLC 300 (2021)

**2. How long have you been using this vehicle?**

Approximately 3 years.

**3. What motivated you to choose a European vehicle over other brands?**

The combination of luxury, comfort, safety and prestige that Mercedes-Benz represents.

**4. What are the main features that you value most about your European vehicle?**

The interior design, the smoothness of the ride, the driver assistance technology and the infotainment system.

**5. Have you had any negative experiences or problems with your vehicle?**

Only minor inconveniences with the electronic system that were resolved in the official technical service.

**6. Compared to other vehicles you've owned; how would you rate the quality and performance of your European vehicle?**

Excellent. It feels solid, refined and powerful, with a level of comfort that I haven't experienced in previous vehicles.

**7. What do you think about your vehicle's technology and safety features?**

They are top notch. It has advanced systems such as brake assist, lane keeping and adaptive cruise control.

**8. Do you consider your vehicle's brand to have a good reputation in Ecuador? Why?**

Yes. Mercedes-Benz is renowned for its prestige, reliability, and quality. It is an aspirational brand for many.

**9. What were the most important factors when buying your European vehicle? (Price, design, technology, fuel consumption, brand reputation, financing, etc.)**

Design, brand reputation, technology, safety, and comfort.

**10. Do you think the price you paid for your vehicle was fair in relation to its features and quality?**

Yes. Although it is expensive, it offers a driving experience and trim level commensurate with the price.

**11. How did the availability of financing or promotions influence your purchase decision?**

It was key. The concessionaire offered payment facilities with flexible entry and good rates.

**12. How has your experience been with the after-sales service and maintenance of your European vehicle?**

Very good. The dealership provides personalized attention and they have always resolved any problem quickly.

**13. Do you consider the maintenance and spare parts costs of your European vehicle to be reasonable?**

They are high, but they are within what is expected for a premium brand like Mercedes-Benz.

**14. Would you recommend your vehicle make and model to other buyers in Ecuador? Why?**

Yes. It is a reliable, safe and very comfortable vehicle. The driving experience is much higher than average.

**15. If you were to buy another vehicle in the future, would you consider choosing a European brand again? What factors would influence your decision?**

Yes. I would reconsider Mercedes-Benz or another European brand if they maintain their level of innovation, local backing, and quality.

### **Appendix 3**

*Result of the interview with the Operator Technician of the National Customs Service of Ecuador*

**1. What mistakes do new importers make most often?**

The mistakes that new importers frequently make are:

- Ignorance of the nationalization process.
- Omitting to obtain Prior Control Documents (PRDs), for some goods that could even lead to the reshipment of the goods.
- Lack of advice prior to the purchase of international goods.

**2. In practice, how long does it take to clear goods that meet all the requirements?**

In practice and considering that the clearance of goods begins from the presentation of the Customs Import Declaration until its closing and the merchandise complies with all the requirements and depending on the assigned gauging channel, the time can vary from 0 to 24 hours, and this can also vary based on the reality of each Customs District.

**3. How is the practical use of the ECUAPASS? Are there any common limitations or problems in its operation?**

It should be considered that we are talking about a Computer System that must be adapted to current regulations and that is susceptible to frequent changes, so in practice the ECUAPASS System does not present major limitations or problems other than those that must be rectified.

**4. In what specific cases is a certificate of origin required and how is its authenticity verified?**

The certificate of origin is required in the event that the importer wishes to benefit from tax exemption according to the different Free Trade Agreements and Treaties and its authenticity is verified in accordance with the mechanisms created in those agreements.

**5. How are claims or appeals handled when there are disagreements in customs valuation?**

It should be considered that administrative claims are processes that fall clearly in the legal area, and which have defined or established the times to be resolved, this in accordance with article 124 of the COPCI.

**6. Do you think that the RTEs significantly affect the times or costs of the import process?**



It is not a mystery that the RTEs affect production times and costs, but it depends a lot on the importer's knowledge of the regulations and the process of obtaining them so that they represent significantly or to a minimum.

#### **Appendix 4**

*Result of interview with an expert in the automotive sector*

**1. What are two advantages and two disadvantages that you perceive in importing European vehicles compared to other brands?**

**Reliability and Durability:** European vehicles are known for their high reliability and durability. European vehicles have built a strong reputation for making cars that last a long time with proper maintenance, making them a great choice for those looking for a vehicle with a long lifespan.

**Technology and Fuel Efficiency:** European cars are often equipped with advanced technology, especially in terms of fuel efficiency and hybrid options, this makes them an attractive option for those looking to reduce fuel costs and environmental footprint.

**Availability of Parts:** Although European cars are very popular, some models may have less accessible or more expensive parts in certain countries, especially if they are exclusive or older models that are not widely distributed in the local market. This can increase the cost and time of maintenance.

**2. What have been the two main logistical or administrative challenges you have faced in the last year? (You could also allude to the years of the pandemic)**

The global health crisis caused significant disruptions in international supply chains, directly affecting the automotive industry. The shortage of semiconductors and essential parts for vehicle manufacturing and maintenance has been one of the main challenges. This situation has led to delays in the production of new vehicles, making it so difficult to make cars available.

In the administrative field, one of the main challenges that the automotive sector in Ecuador has faced has been the increase in prices, which has resulted in a significant increase in the cost of vehicles. This phenomenon has been caused by several factors, including the increase in tariffs and other trade barriers imposed in the country. These measures have affected both the import and competitiveness of cars in the local market, which has created difficulties for dealers and consumers.

This increase in costs, added to restrictions and trade policies, has had a direct impact on the supply and demand of vehicles, and has led to a reconfiguration of prices in the national automotive market.

**3. What changes have you noticed in consumer preferences towards vehicles, especially SUVs, in recent years?**

Greater Valuation of Technology and Connectivity:

Consumers now place a higher value on technological features in their vehicles, such as touchscreens, smartphone connectivity, driver assistance systems and advanced navigation systems. SUVs have evolved to offer these advancements, which has caused consumers to lean even more towards these models, especially among younger generations.

**4. What are four of the attributes most valued by Ecuadorian consumers when choosing a vehicle, especially an SUV?**

Consumers, especially in younger markets, have shown greater interest in more modern and stylish designs.

**5. How do you think Ecuadorian consumers perceive the quality and reliability of vehicles?**

Increased Focus on Security:

Safety features have been a priority for consumers, and Japanese SUVs have responded with the integration of advanced active and passive safety systems. Models come equipped with features such as stability control, automatic emergency braking and lane keeping assist, which has been an important factor in the purchase decision.

In general, Ecuadorians perceive European vehicles as a reliable, good quality and cost-effective option.

**How does financing for the purchase of vehicles work, and what are the credit facilities available to buyers?**

Direct Credit with Favorable Conditions

In Ecuador's automotive sector, vehicle financing is handled through various entities, such as banks, savings and credit cooperatives, and the dealerships themselves. Currently, our dealership stands out for offering direct credit, one of the most competitive options in the market, which has allowed us to earn the preference of consumers.

We have an annual interest rate of 12.90%, which is considerably lower compared to the rates offered by banks. In addition, we offer a financing term of up to 72 months, which allows our customers to access more comfortable installments adapted to their needs.

One of the additional advantages of our financing is that customers can make advance payments to the principal, which not only reduces the amount of interest, but also speeds up the payment process, making the acquisition of the vehicle more accessible and flexible. These conditions are highly valued by our buyers, as they allow significant savings compared to bank loans, which usually have higher rates and less flexibility in terms of advance payments.

Thanks to these conditions, our dealership has positioned itself as one of the preferred by consumers looking for affordable and accessible financing, which has facilitated the sale of vehicles and has strengthened our competitiveness in the market.

**6. How has the perception and sales performance of hybrid vehicles been compared to electric vehicles in Ecuador? What factors have influenced its demand?**

Hybrid vehicles have performed much stronger in sales in Ecuador compared to electric vehicles, mainly due to their longer range, lack of charging infrastructure for electric vehicles, and more affordable prices. However, electric vehicles are starting to gain interest, especially among more environmentally conscious consumers and those looking to reduce their operating costs. Over time, as charging infrastructure improves and EV prices become more accessible, demand for these models is likely to increase.

**7. How has the consumer's perception of the sustainability and energy efficiency of vehicles affected their purchase decision?**

Personally, I think that people are afraid of change, for me it is the best opportunity to buy, that is what it is about, to continue advancing together with technology and its advantages, I think that people do not take this issue "familiar" because they do not know about some aspects, however, with good communication and information campaigns I am sure more openness will be achieved towards the decision-making of potential customers.

**8. What do you consider to be four differentiation strategies that the concessionaire uses to stand out from the competition?**

- Durability
- Quality
- Guarantee

- Track record in the market

**9. What are your expectations about the evolution of the European vehicle market in Ecuador in the next 5 years?**

My expectation is very high, I think that they will double sales, I dare say that they can even triple, for the following aspects:

1. The lifespan of Chinese cars will end, and this will prove to customers that "cheap is expensive"

2. We will already have 100% electric vehicles, this means that between hybrid and electric we will have a range of options, thus being the best on the market.

**10. What measures do you think could be improved within the dealership to improve supply and attract greater demand for vehicles?**

With how contracted the country is, what the customer is interested in is discounts, promotions, and gifts. This, directed with well-consolidated campaigns and reaching a potential customer, will be a strategy that will undoubtedly improve sales.

## **Appendix 5**

Results interview with a Mercedes Benz vehicle user

## **Appendix 6**

*Informed consent*

## CONSENTIMIENTO INFORMADO

### IMPACTO DEL ACUERDO MULTIPARTES ENTRE LA UNIÓN EUROPEA Y ECUADOR EN LA IMPORTACIÓN DE VEHÍCULOS: UN ANÁLISIS EN LA INDUSTRIA AUTOMOTRIZ ECUATORIANA (2017-2023)

Usted ha sido seleccionado como posible participante en el estudio titulado "Impacto del Acuerdo Multipartes entre la Unión Europea y Ecuador en la Importación de Vehículos: Un Análisis en la Industria Automotriz Ecuatoriana (2017-2023)" llevado a cabo por Ana Belén Ríos, estudiante de la carrera de Estudios Internacionales de la Universidad del Azuay. Con esta investigación se pretende recolectar información relevante y de calidad para el desarrollo del trabajo final de titulación de la estudiante.

Si accede participar se compromete a proporcionar toda la información solicitada de forma honesta. Si tienen dudas podrá hacer preguntas en cualquier momento de este proceso de investigación. Asimismo, si siente alguna incomodidad durante su participación, puede informarlo al investigador para recibir orientación o retirarse, sin que ello lo perjudique de ninguna forma.

La información recolectada durante esta investigación será ANÓNIMA y se usará solo con fines académicos e investigativos.

Para cualquier información adicional o incomodidad relacionada con su participación en la investigación, puede comunicarse con la investigadora responsable: Ana Belén Ríos, al correo electrónico [ana.rios@es.azuay.edu.ec](mailto:ana.rios@es.azuay.edu.ec).

Yo, Edgar Rolando Maza Londa, Técnico Operador de la Dirección de Despacho y Control Zona Primaria Distrito Cuenca del Servicio Nacional de Aduanas del Ecuador, luego de haber leído y entendido el contenido de este documento, acepto de manera voluntaria participar en la investigación.

Cuenca, 15 de abril del 2025.



Firma del participante

### CONSENTIMIENTO INFORMADO

#### IMPACTO DEL ACUERDO MULTIPARTES ENTRE LA UNIÓN EUROPEA Y ECUADOR EN LA IMPORTACIÓN DE VEHÍCULOS: UN ANÁLISIS EN LA INDUSTRIA AUTOMOTRIZ ECUATORIANA (2017-2023)

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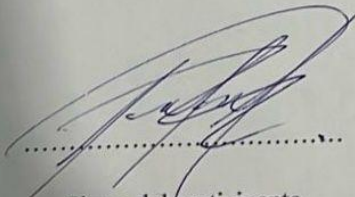
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Yo, Priscila Criollo Pezantez....., luego de haber leído y entendido el contenido de este documento, acepto de manera voluntaria participar en la investigación.

Cuenca, 18 de marzo del 2025.



Firma del participante



### CONSENTIMIENTO INFORMADO

#### IMPACTO DEL ACUERDO MULTIPARTES ENTRE LA UNIÓN EUROPEA Y ECUADOR EN LA IMPORTACIÓN DE VEHÍCULOS: UN ANÁLISIS EN LA INDUSTRIA AUTOMOTRIZ ECUATORIANA (2017-2023)

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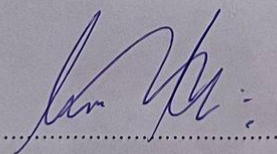
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Yo, Nelson Israel Avilés Tenesaca, luego de haber leído y entendido el contenido de este documento, acepto de manera voluntaria participar en la investigación.

Cuenca, 22 de marzo del 2025.



Firma del participante