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Final thesis prior to obtaining the degree of Bachelor in
International Studies, Bilingual mention in Foreign Trade

**Comparative analysis of the benefits and risks of the FTAs
signed by China with Ecuador and Peru.**

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Cuenca - Ecuador

2025

DEDICATION

To my mother María Teresa for her infinite love, unconditional support and always believing in me. This thesis reflects the effort she has always put in to help me achieve my dreams, without you mom none of this would be possible.

To my siblings David and Jhoana, nephews Jasson and Kimberly for brightening my days and pushing me forward, you are my source of inspiration.

To Francisco for listening to me and being my unconditional support in this process, for being my support in my days of uncertainty.

ACKNOWLEDGEMENTS

This work would not have been possible without the support and guidance of many people throughout my career.

I am deeply grateful to my thesis director Mgt. Matías Abad who gave me his time, knowledge and experience to guide me throughout this process.

To my professors at my beloved Universidad del Azuay for giving me the necessary knowledge to achieve this objective, especially to Ma. Inés Acosta who has given me her unconditional support and guidance.

To all the friends and professionals who participated in this research, thank you for your time and support.

To my siblings Jhoana and David for their words of inspiration, support and for always believing that I can achieve everything I set my mind to.

My most special thanks to my mother, who always believed in me, gave me strength to continue in times of doubt, thank you for teaching me that despite adversity we can achieve great things.

To Francisco for his unconditional love and support, for listening to every idea to achieve this project, for being my support in the days of uncertainty, for his words of encouragement that pushed me to continue, thank you for accompanying me in this great adventure.

To my father Lauro who pushed me to find my own strength, to look for opportunities in the midst of adversity even when the road seemed uncertain. This thesis reflects that lesson of perseverance and resilience that, although not expressed in words, became part of my life. Thank you because in your absence you showed me the courage not to give up.

Finally, to the Ecuadorian government for the scholarship.

RESUMEN

Los Tratados de Libre Comercio (TLC) son acuerdos que permiten el intercambio comercial entre dos economías, siendo una herramienta que los países usan para la inserción en los mercados, con beneficios y oportunidades como el acceso preferencial, automatización de procesos y obtención de permisos. Sobre el impacto de los acuerdos, se han realizado investigaciones que han atribuido aspectos negativos y positivos a los países firmantes. La presente investigación tiene un enfoque cualitativo que, a partir de la recopilación de información y entrevistas semiestructuradas, lleva a cabo un análisis del impacto que el TLC con China tiene en Perú y las posibles implicaciones para Ecuador. Entre los principales hallazgos de los riesgos obtenidos se encuentran los siguientes: la relación asimétrica entre los países firmantes, lo que podría generar dependencia económica y comercial; competencia en el mercado local debido al bajo costo de los productos chinos; pérdida del control de los recursos naturales; y la soberanía, que podría resultar limitada por mantener el acuerdo con China. Así mismo, se evidenciaron beneficios como el acceso preferencial a un mercado grande y creciente, en el que los productos ecuatorianos gozan de alta demanda y prestigio; atracción de IED para proyectos que impulsen el desarrollo del país; y transferencia tecnológica que impulse la matriz productiva interna.

Palabras clave: Tratado libre comercio, Importaciones, Exportaciones, Intercambio comercial, Inversión extranjera directa, Comercio exterior.

ABSTRACT

Free Trade Agreements (FTA) are agreements that allow commercial exchange between two economies, being a tool that countries use for market insertion, with benefits and opportunities such as preferential access, process automation and obtaining permits. On the impact of the agreements, research has been carried out that has attributed negative and positive aspects to the signatory countries. The present research has a qualitative approach that, based on the collection of information and semi-structured interviews, carries out an analysis of the impact of the FTA with China on Peru and the possible implications for Ecuador. Among the main findings of the risks obtained are the following: the asymmetric relationship between the signatory countries, which could generate economic and commercial dependence; competition in the local market due to the low cost of Chinese products; loss of control of natural resources; and sovereignty, which could be limited by maintaining the agreement with China. Benefits were also noted, such as preferential access to a large and growing market in which Ecuadorian products enjoy high demand and prestige; attraction of FDI for projects that promote the country's development; and technology transfer to boost the domestic production matrix.

Key words: Free trade agreement, Imports, Exports, Trade exchange, Foreign Direct Investment, Foreign trade.

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I. INTRODUCTION

In recent years, Latin American countries have opted to sign trade agreements that allow trade and economic development of the countries. Thus, in the seminar organized by ECLAC in August 2024, the senior official José Manuel Salazar highlighted the importance of relations with the Asian country with Latin America, highlighting the contribution they make in terms of trade, FDI flows, infrastructure, and financing, as well as the rapid growth of trade relations, since trade between the region and China grew 35 times its value in the last two decades.

The purpose of this paper is to analyze the FTA that Ecuador signed with China using as a reference the existing agreement with Peru in order to know the positive-negative impact it has generated in that country and what the prospects would be for Ecuador. The research is based on a qualitative method since information is collected from secondary sources and applies semi-structured interviews with professionals in the area of foreign trade who, based on their knowledge and experience, give their opinion on the subject.

The study takes on relevance in the current context since, through the analysis of the effects of the FTA in Peru, the rules of the game for Ecuador are clarified, allowing it to take the necessary measures and create public policies to safeguard the domestic industry, strengthen the productive matrix, and obtain the greatest possible benefits for the country.

1.1 Problem statement

In recent years, China has become an important player in international trade. In 2000, the Asian country began the process of insertion in South America, becoming the region's main trading partner. As part of the process of trade development, market opening, and obtaining the maximum benefit from foreign trade, in 2006 China began the process of negotiating a Free Trade Agreement with Chile. Over the years this negotiation modality was expanded to Peru (2010), Costa Rica (2011), and currently Ecuador (2024).

For Ecuador, the signing of the Free Trade Agreement was fundamental, since this instrument allows them to strengthen ties with the largest consumer market in the world, this being one of the most influential factors for the signing of the agreement. Facing this decision, the comparative analysis of the benefits and risks is fundamental, because through research it is intended to reflect the benefit obtained by the country, and with the data analysis will conclude whether the agreement will influence three important factors: the increase of the exportable basket, the impact on domestic industry, and the development of economic relations.

In this regard, a comparison with the China-Peru FTA is relevant, since it has been in force for about thirteen years, a period that is ideal for reflecting the positive or negative impacts in the different areas of both parties and could provide us with a guideline for improving the implementation of the agreement.

1.2 Research problem

FTAs represent an important opportunity for developing countries, since these instruments represent important commercial opportunities such as improving the competitiveness of companies, facilitating foreign investment, allowing them to compete on equal terms with other countries, and even obtaining advantages over countries that do not have an agreement. However, in the case of FTAs signed with South American countries, they entail risks such as the impact on sensitive sectors, since they are not ready to compete with foreign products that enter with tariff preferences or that are cheaper, implicit loss of sovereignty, reduction in tax collection, and economic dependence.

1.3 Objectives

1.3.1 General Objective

To comparatively analyze the benefits and risks of the Free Trade Agreements (FTA) signed by China with Ecuador and Peru, evaluating the differences and similarities in their economic, social and commercial impact.

1.3.2 Specific objectives

- Describe the motivation of Ecuador and Peru to sign the FTA with China.
- Conduct a literature review to understand the main benefits and risks of Free Trade Agreements.
- Identify the main benefits and risks to which Peru and Ecuador have been exposed by signing an FTA with China.

1.4 Theoretical Framework

1.4.1 Concept and objectives of Free Trade Agreements (FTAs)

The social, cultural, and economic environment of a society is continually changing, as is international life. These changes bring with them modifications at the legal level in terms of the international order, and in the search for adaptability to change, the need to associate between countries has become an essential requirement to remain visible in the new world order.

For the conceptualization of international treaties, Cardenas and Hernandez (2018) mention that "FTAs allow establishing market rules; based on the exclusion of tariffs and preferences, they are of vital importance for the economy, development, and growth of a country, and the same must be negotiated and signed with full knowledge" (p. 82).

Barberi (1982) indicates that "international treaties are rules of valid law that are created by the common will of two or more subjects of the law of nations with sufficient capacity, tending to establish a rule of law in a legal system and which is directly governed by international law" (p. 28).

In the same way, Cuevas (2019) mentions that "it is a synonym of commercial liberation of markets in which foreign trade plays a fundamental role" (p. 378).

Article 2 of the 1969 Vienna Convention on the Law of Treaties states that

Treaty" means an international agreement concluded in writing between states and governed by international law, whether embodied in a single instrument or in two or more related instruments and whatever its designation.

From the analysis of the different concepts raised by the doctrine, we could indicate that a Free Trade Agreement (FTA) is an instrument that allows two or more nations to enter into an agreement in order to exchange benefits, in which both parties negotiate and agree on the rules under which the treaty will be executed; these parameters must be equitable, which allows the parties to benefit.

Therefore, to identify the characteristics of Free Trade Agreements (FTA), two fundamental aspects must be considered: the type of negotiation and its purpose. Rubio (1994) points out that all treaties are binding for both parties, the treaty must contain reciprocal advantages, and the most relevant characteristic of a trade agreement is the reduction or elimination of tariffs (p. 477).

In the same way, the objectives of FTAs are delimited. According to Van der Berge (2014), FTAs have essential objectives such as establishing a legal and commercial framework under which negotiations and investments take place, allowing the expansion of options within a country with respect to what they offer, promoting comprehensive economic development to reduce poverty, and strengthening and promoting relations with other countries to achieve economic integration (p. 4).

Similarly, Choy (2010) points out that the most important objectives of FTAs are the preferential access of a country's products to another country, which allows it to be more competitive, increase exports, and raise the productivity of companies (p. 130).

Tariff liberalization can increase welfare in terms of trade exchange, since advantages are obtained over non-members, which allows them to be more competitive; however, an agreement also becomes a double-edged sword, because, with the reduction of tariff barriers, the collection of tariffs will be significantly reduced (Calvo-Pardo, Freund, and Ornelas, 2009).

There are pairs of countries that tend to form FTAs which meet some of the following characteristics: first, the closer two countries are; second, the more distant a pair of continental trading partners is from the rest of the world; third, the larger and more similar in economic size two trading partners are; fourth, the greater the difference between the capital-labor ratios between two partners; and fifth, the smaller the difference

between the capital-labor ratios of the members with respect to the capital-labor ratio (Baier and Bergstrand, 2004).

1.4.2 Benefits and Risks of FTAs

FTAs do not only refer to the liberation of tariff barriers and exchange of goods, but these agreements also go much further because within the negotiation rounds, they deal with issues focused on the following: attraction of foreign investment, employment generation, opening of business opportunities, intellectual property, etc.

Therefore, FTAs are double-edged weapons, because if they are negotiated, interpreted, and used correctly, they become a development tool for a country; otherwise, they become the strongest competition tool for the domestic production of the most vulnerable country in the negotiation, generating negative impacts such as the closure of companies, which leads to unemployment, overexploitation, and loss of biodiversity (Arbeláez, 2007, p. 105).

Trade liberalization induces companies to improve their technology and increase the degree of qualification of their workforce. This is driven by the standards that must be met to enter new markets, benefiting the country in important aspects such as industrial, technological, and knowledge development. The latter indirectly allows the academic development of society, since companies will be forced to hire prepared people, and in turn society will be prepared to obtain these vacancies (World Trade Organization, International Labour Office, 2018).

The signing of FTAs eliminates tariffs for the signatory parties, which is why (2005) indicates that this drives an increase in imports of goods, generating a variety of products to be inserted into the domestic market at affordable prices, which in turn increases domestic consumption. In this sense, the approach of a tariff generates a loss in the economy, which produces a distortion in the economic incentives of producers and consumers; therefore, a change towards free trade eliminates these distortions, generating national welfare (Krugman, Obstfeld, and Melitz, 2012). Additional advantages are obtained, such as lower import prices for raw materials and machinery, which would represent a change in the productive matrix; lower prices for final goods, which would

improve the competitiveness of the domestic economy; and expanded import opportunities.

In the same way, the FTA promotes the increase of foreign direct investment among the member countries, since it becomes an attractive market for investors, thus promoting technological progress, trade liberalization, employment generation, and the economic development of the parties (Aragonés, 2002). For Ponce (2006), Latin American countries have managed to attract greater flows of foreign direct investment with the implementation of free trade agreements as part of a plan of economic reforms that Latin American countries began to follow since the mid-eighties, obtaining as a result that the countries that signed free trade agreements with the largest economies in the world increased their effectiveness in attracting foreign direct investment flows (p. 21).

At the other end of the scale, Isaza (2006) indicates that one of the risks associated with FTAs is the inability of local industry to face strong external competition, as imported products with tariff liberalization enter at lower costs, generating a decrease in domestic demand for domestic production and an increase in demand for foreign products, which results in a decrease in domestic production and therefore a decrease in employment.

In the same approach, foreign direct investment (FDI) is one of the most attractive "benefits" of FTAs and at the same time the most risky, because in the case of developing countries, FDI generates dependence, giving power to the economically strong country to impose the rules of the game, forcing states to relax their policies and regulations in order to be attractive to investment, which results in the loss of bargaining power and even leads to the loss of sovereignty (Acosta and Falconí, 2005).

The above-mentioned is supported by the publication entitled "China Regional Snapshot: South America" in the Committee Foreign Affairs (2022), which indicates that, within the framework of the signing of the China-Peru FTA, the Asian country has shown its interest in Peru's mining sector, becoming the largest investor in this sector. Currently, Chinese companies control the seven largest mines in Peru, 100% of the iron production, and 25% of its copper production.

II. LITERATURE REVIEW

2.1. History of bilateral trade relations

Treaties are as old as human existence; according to history, there are findings of treaties since 2500 B.C. Trade agreements in the region date back to pre-Columbian times, in which people joined forces and celebrated alliances, reaching a high political, economic, and cultural level, having as one of the benefits the commercial exchange, allowing the first steps towards formal trade agreements as we know them today (Ramirez and Vazquez, 2020, p. 5).

To continue, according to Becerra and Avalos (2020), the first known treaty is the Treaty of Qadesh, which is a bilateral agreement between Egypt and the kingdom of the Hittites in 1259 BC; within it there are peace agreements with religious connotations. Between the 5th and 7th centuries, Roman law and canon law were developed, and the *Ius Commune* was created, which became the basis for all treaties to be entered into and included the concept of treaties of good faith.

The twentieth century becomes the stage in which international agreements take on greater importance in the world order and reaches its peak, giving rise to conventions that become the legal framework of international treaties, first the Vienna Convention on the Law of Treaties concluded only by states signed in 1969 and entered into force in 1980, second the Vienna Convention on Succession of States in respect of Treaties signed in 1978 and entered into force in 1996 and finally the Vienna Convention on the Law of Treaties concluded between States and International Organizations signed in 1986, these three conventions being the legal basis under which treaties are concluded, giving them the relevant formality (Becerra and Avalo, 2020, p. 8)

After the legal process and the transcendence that led to the formality and importance that treaties have today at the commercial level, there were also stages within the commercial sphere that complemented each other to give greater scope to the agreements. According to the World Trade Organization (s/f), the creation of the General Agreement on Tariffs and Trade (GATT) in 1948 and the birth of the World Trade Organization in 1995 are the agents that gave way to the Doha Round, whose objective

was to reduce trade barriers and review trade rules in order to give way to a reform, thus seeking to improve the trade prospects of developing countries, allowing trade exchange to become more dynamic.

Finally, according to the documentation on the official OAS website, one of the first bilateral agreements in Latin America was signed in 1986, when the Federative Republic of Brazil and the Republic of Uruguay signed an economic complementation agreement to open their markets and boost their economies. According to the Central Bank of Ecuador (2019), Ecuador signed its first bilateral trade agreement with Mexico, which came into force on August 6, 1987. This was a Partial Scope Renegotiation Agreement No. 29, which aimed to maintain tariff preferences and reciprocal market opening. As for its first multilateral agreement, this was signed in 1969, the date on which the Cartagena Agreement was signed. Currently, Ecuador has signed thirteen trade agreements.

- Specific benefits of FTAs in Latin America

FTAs have become the commercial *boom* of recent times because they allow access to international markets. According to the authors (Rengifo and Castañeda, 2016), FTAs are convenient because they allow the entry of products from abroad under better conditions. The domestic market alone is not enough to boost the growth of a country; however, it is an important tool to achieve the objective of development.

In this sense, FTAs have important benefits for the signatory countries since they allow the development of more secure export projects that provide legal certainty by granting clear and permanent rules on FDI promote the competitiveness of companies, allow specialization, foster innovation, and promote the creation industries and provide competitive advantages over countries that have not signed agreements, as well as support for research development, and the specialization of human capital (Subsecretaría de Relaciones Económicas Internacionales, 2021, p.6).

2.2. Increase in international trade

According to Osorio (1995), international trade is "the set of financial and commercial movements and all operations of any nature that are carried out between states; this is a universal phenomenon in which human communities participate" (p. 48).

The increase in international trade is one of the most expected benefits of nations that sign trade agreements. In this section we will review some of the FTAs signed by Latin American countries and their commercial impact.

To begin with, on January 1, 1994, the Free Trade Agreement between Mexico, the United States, and Canada (NAFTA) was signed, representing the most important agreement for Mexico; in 2018, it was updated and renamed T-MEC. According to Arana (2023), the agreement has generated a considerable increase in foreign trade in the region, since the increase in the diversity of consumer goods has been fulfilled. Prior to the signing of the treaty, the ratio of foreign trade to GDP (exports plus imports between GDP) was just under 30%. In recent years, this trade openness indicator has exceeded 85%.

Second, in the case of the FTA between Colombia and the United States, commercial exchange during the years the agreement has been in force has been dynamic. The North American country plays an important role in the Colombian export market due to its large market size, which creates opportunities for the diversification of its exports and the strengthening of its productive base. The result of the increase in trade is that, prior to the signing of the agreement, Colombia exported 1,154 subheadings, and by 2023, the number of subheadings increased to 1,517, with a growth of 35.8%. As for imports, the United States remains Colombia's main supplier (Alarcon, 2024).

Third, in 2005 Chile became the first Latin American country to sign a free trade agreement with China; currently the Asian giant is the country's most important trading partner. The Asian power buys 39.4% of the country's total exports; the most sold products are in the mining and copper sectors. Within the framework of imports, a deficit balance is managed; why Chile in 2022 bought more than it sold to the Asian market (Guevara, 2023).

On the other hand, the Free Trade Agreement between Peru and China is the most important for the Peruvian country because China is its main trading partner. The increase in trade is reflected as follows: in the first year of the FTA, 95.7% of exports were traditional while 4.9% were non-traditional; by the ninth year of the agreement, the percentage of traditional exports was 96.2%, and non-traditional exports represented 3.8%. The structure of Peruvian exports to China is based on raw materials and traditional products with low value added (Chan, 2019).

In the case of the FTA between China and Ecuador, it has generated great expectations since it entered into force this year, so there is no data on growth, however, in previous years China has positioned itself as the second destination for Ecuador's non-traditional exports, a factor that has driven the signing of the FTA since China represents an important market for Ecuadorian exports (Central Bank of Ecuador, 2024).

By way of summary, the above examples show the trade exchange of Latin American countries with developed economies such as the United States and China, effectively reflecting an increase in exports, but it should also be taken into account that they are exporting in all cases the products that increased their exports are the traditional sector, such as oil, copper, and minerals, while the non-traditional products of each country have a slow growth.

2.3 Stimulus to foreign direct investment (FDI)

One of the most attractive factors for the signing of a free trade agreement is not only market dynamism but also transforming the country into an attractive sector for investment. The FTA provides legal, tax, and tariff security to foreign investors since it allows them to produce at competitive costs and export to open markets with the certainty of winning.

Ponce (2006) indicates that free trade agreements can create expectations for potential foreign investors under the assumption that economies of scale for the export sector allow access to larger markets, which creates an incentive to invest and then export to markets with which there are agreements (p. 147).

The signing of trade agreements also allows the expansion of economic markets in which companies make decisions on the location and organization of production. Among the profiles of potential FDI companies are companies that aim to exploit resources, companies that aim to participate in the domestic market, and companies that aim to export products (Mercado, 2019).

One of the most important attractions for FDI is the certainty or low risk that exists, because free trade agreements are designed to last indefinitely, which reduces the risk of increases in tariff rates or expropriation of companies, since, within the agreements, provisions that influence FDI flows are included; among them are the harmonization of standards, customs cooperation, competition policies, and the resolution of disagreements. The agreements provide legal protection of properties based on international law (Ponce, 2006). By signing these agreements, investors can easily access the market to export their products and import raw materials, intermediate goods, and capital goods under better conditions than other countries that do not have agreements.

In the framework of the signing of the FTA between the United States and Colombia, the Colombian-American Chamber of Commerce (2023) issued a statement indicating that the North American country has consolidated itself as the main historical investor in Colombia because in 2022, 29.2% of the total capital injection that arrived in the country corresponded to the United States. This percentage can be justified because there are around 650 US companies established in Colombia.

In the case of Peru, one of the most visible examples of foreign direct investment is the construction of the first mega port in Latin America, whose name is Chancay. According to Pajuelo (2021), the investment for this structure is three billion dollars, without counting the creation of jobs, the dynamism of trade, and the strategic location, since it connects the Asia-Pacific route. In the same way, this mega port is built by the Chinese company Cosco Shipping Ports; it is expected that this port not only represents the structural investment but also reflects the investment in job creation, market dynamism, and serves as a source of internationalization.

2.4 Economic development and growth

Among the range of benefits of signing free trade agreements is economic development and growth, which has become not only the main objective of FTAs but also their letter of introduction, since this factor is part of the agreements, because it specifically mentions "promoting the economic and social development of the parties" (China-Ecuador FTA, 2023).

According to Córdova and Vidal (2022), trade liberalization generates a win-win situation for all actors because it allows countries to specialize in areas where they have a certain comparative advantage. This stimulates the development and specialization of industries, allowing them to expand; at the domestic level, it allows the development of jobs, the domestic market and the dynamism of the domestic economy.

2.5 FTA Risks

2.5.1 Loss of sovereignty

For the author Tabasura (2005), one of the most damaging risks of the signing of the FTA is the loss of national sovereignty, the destruction and plundering of natural resources and the impoverishment of the areas. This risk generates concern within the different sectors, since it should be taken into account that in 2017 a Chinese fishing boat was detained crossing the marine reserve of the Galapagos Islands; inside the boat they were carrying, shark fins, sharks and different species of fish (Carrere, 2021). This leads us to question ourselves about the risk that the FTA represents, since, without having an agreement, the Chinese companies disrespected the borders.

Free trade agreements are becoming a contractual legal format at the international level because once these agreements are signed, domestic legislation must be adapted according to the free trade agreements. In this sense, in the WTO negotiations, it is assumed that states must use their political sovereignty to provide legal certainty to private investors (Davalos, 2008).

2.5.2 Economic Inequalities

One of the most worrisome factors in the signing of an FTA is the inequality that exists between the signatory countries, in the case of China, which is slowly becoming one of the most important economies in the world; however, the signing of an agreement with a developing country such as Ecuador raises questions about competitiveness, although it is true that the Chinese market is opened, but the most that can be offered are agricultural resources and raw materials, opening the doors to the Asian country towards exploitation under the consent of the State.

According to Romero and Vera (2007), the invasion of goods from manufacturing countries hits the most vulnerable sectors such as agriculture, textiles and services, because, although there is tax relief and protection for this industry, industrialized countries, due to their massive manufacturing pattern, will wipe out the domestic market.

Inequality could be linked to the trade openness of countries, since, as a country integrates economically, intra-regional income inequality tends to increase. The regions that receive investment from trade liberalization will benefit more than those regions that do not receive foreign direct investment and do not export any products (Osorio and Saucedo, 2020). While it is true that Ecuador is rich in minerals, not all regions know how to take advantage of these materials. With the FTA, the companies that do know how to take advantage of these minerals will be the most favored, generating a wide gap of internal inequality.

2.5.3 Environmental and social impact

The environmental impact is one of the issues that has generated the most debate in the societies that sign trade agreements, since it is a factor that influences not only the signatory countries but the world in general. With the signing of these treaties, it is expected that trade will increase, generating an increase in maritime traffic. According to a study by Collin (2022), maritime transport is responsible for 3% of emissions, being part of the most polluting factors in the world.

On the other hand, domestically, one of the markets that generates the most waste is the textile sector, which has raised the alarm among environmentalists. Currently,

34.7% of textiles are imported from China (El Comercio, 2024). The fashion industry accounts for 10% of gas emissions in the world, three points above the emissions of maritime transport (WWF Ecuador, 2022).

The increase in the textile industry will represent the increase in waste in the homes of families, since, at present, fashion is transitory and changing, driving consumerism. This generates concern in the environmental sectors, since in Ecuador, the existing garbage dumps are pollutants in the open air and are insufficient for the level of garbage that is generated. Therefore, when there is an agreement, not only at the textile level but at a general level, Chinese products flood the country, and these are not always of the best quality and are discarded immediately. As well as increasing trade, this will also increase the garbage generated in homes.

On the other hand, China has awakened worldwide alerts due to its fishing fleet, which crosses borders without fear or permission, extracting all kinds of marine species, some of them endangered, causing irreparable damage to ecosystems. Between January and September 2023, 70 illegal Chinese vessels were captured in Peruvian ports, which did not have the satellite device required by law (Carrere, 2023).

Peru, until 2020, was the center of mechanical arrangements for illegal fleets, since many of them arrived at Peruvian ports under the excuse of forced arrivals. Despite the government's efforts to control these fleets, this has become unsustainable, since the Chinese government itself finances these vessels. By the year 2021, a law was enacted stating that only vessels with satellite devices could arrive at its ports (Pelcastre, 2024).

As for the Ecuadorian activist sectors, the aforementioned causes them concern and are one of the main factors why they did not support the FTA. As Carrere (2021) reports, the largest case of illegal fishing in the Galapagos was captured. The vessel contained 7,600 species of sharks and fish; 28% of the cargo contained vulnerable and young species that probably had not reproduced. That is, there is no next generation, which affects the conservation of the populations.

Finally, analyzing the scenarios described above leads us to question whether the signing of the agreement represents an equal benefit for both nations, since, at the

commercial level, China is superior to Latin American countries. This clearly demonstrates its only interest: the exploitation of minerals and the exploitation of maritime life. Both factors ultimately benefit only the nation with greater economic power, which is clearly the Asian giant.

2.6 Brief history and background of the FTAs between China, Ecuador and Peru

In Latin American governments, development opportunities have become the main attraction, generating interest in forming alliances to improve commercial interaction between nations. China has become one of the main commercial partners of Latin American countries.

Adachi (2023) mentions that, in 2000, exports from Latin American countries to China represented only 2%; however, the trade rate has experienced significant growth, with an average of 31%. In this scenario, China has managed to establish trade relations through the signing of FTAs with Chile, Peru, Costa Rica, and Ecuador. Its treaties are based on fostering collaboration and investments in various industries.

2.6.1 FTA between China and Peru

The trade agreement between Peru and China entered into force in March 2010; however, the Peruvian government's interest in negotiating a trade agreement with China dates back to 2005. In the platform of the Embassy of the Republic of China in Venezuela, there is a conversation held between Hu Jintao and Alejandro Toledo in the Great Palace of the People in China on June 2, 2005. In this conversation, the former Peruvian president recognizes China as a market economy and stresses the interest in negotiating a trade agreement that benefits both parties.

For the Peruvian government, the signing of the agreement was of priority interest because the Chinese market represented an important commercial opportunity for Peruvian exports with added value, considering its high growth worldwide and that it is the largest market in the world. This would be the opportunity for Peruvian products to obtain better access to a market with a greater demand for consumer goods, intermediate goods, capital goods, and raw materials. It would also allow the integration of productive

chains, investment, and customs cooperation (Ministerio de Comercio Exterior y Turismo, n.d.).

Subsequently, the Asia-Pacific Economic Cooperation (APEC) Economic Leaders' Meeting, held in November 2006, was an opportunity for the Peruvian government to formally propose to the Chinese government the negotiation of a trade agreement. China was not indifferent to this proposal, and in February 2007, the governments agreed to initiate a feasibility study as a preliminary step to negotiating a free trade agreement. The formal announcement of the negotiations was not long in coming. In November 2007, officials from both countries met in Beijing, China, to address general issues related to the trade negotiations.

In this regard, six rounds of negotiations were held between January and October 2008, during which the following points were discussed: market access, rules of origin, trade defense, services, investment, sanitary and phytosanitary measures, technical barriers to trade, dispute settlement, customs procedures, institutional matters, intellectual property, and cooperation (Ministry of Foreign Trade and Tourism, n.d.).

As a result of the negotiation, the FTA between China and Peru includes 17 chapters, each of which reflects the hard work of the delegates of each country to achieve a fair deal that benefits both parties and achieves the common goal. Due to its content, which includes aspects focused on goods, services, and investments, it was categorized as a second-generation free trade agreement (Chan, 2019). On April 28, 2009, Peru and China signed the FTA, which entered into force on March 1, 2010.

2.6.2 FTA between China and Ecuador

With a view to trade development, Ecuador has sought to expand its relations with different countries; such is the case of bilateral relations with China, a country with which it negotiated and signed a free trade agreement, the first agreement that Ecuador has signed with an Asian country.

To structure the FTA, several technical meetings were held, and four rounds of negotiations were held between April and December 2022. When the negotiation rounds ended, Ecuador began its internal process of sending the agreement to the National

Assembly for approval. This filter was carried out in February 2004, after a broad debate; the FTA between China and Ecuador was ratified by the National Assembly with 76 affirmative votes (González, 2024).

On the other hand, China also had to carry out its internal process to ratify the FTA. On April 29, 2024, the Chinese Ministry of Commerce announced that the agreement would enter into force on May 1, 2024, making Ecuador the fourth Latin American country to have a trade agreement with the Asian giant. The agreement includes 17 important disciplines for Ecuador, considered by several analysts as a modern agreement, since it contains a section for electronic commerce (Ministry of Production, Foreign Trade, Investment, and Fishing, 2024).

To understand Ecuador's decision to sign this treaty, it is important to know the previous trade relationship between the two countries, since, as stated in Article 1 of the FTA between China and Ecuador, the main objective is based on promoting the expansion and diversification of trade between the two countries and promoting the sustainable development of the economy.

According to a report issued by the Central Bank of Ecuador (2024), between the period 2019 and 2021, China was the second most important destination country for the country's non-oil exports; in first place was the United States, a country that historically has been the number one destination for exports not only of Ecuador but of Latin America in general; however, as of 2022, the Asian country positioned itself in the first place of this ranking. Based on the above-mentioned, the Ecuadorian government justifies the importance of the Chinese market for Ecuador's exportable supply.

Among the main non-oil products that Ecuador exports to China are seafood. The Asian country in 2023 was the destination of 54% of total exports of shrimp; something similar happened with mining products; 71% of exports were destined to the Chinese market (BCE, 2024). As prospects, the Ecuadorian government expects to expand its export basket of non-traditional products to minimize dependence on oil.

III. METHODOLOGY

Qualitative documentary research is also called bibliographic; it is based on the collection and selection of data from documents such as magazines, books, recordings, newspapers, research articles, recordings, etc. All this information collected serves to understand and generate a panoramic view of the object of study (Davila, 2015).

In this sense, this study is qualitative in approach, based on a documentary methodology that takes as a basis the analysis of the Free Trade Agreement (FTA) signed between China and Peru and Ecuador, previous research conducted by experts on the subject, and government sources. This allows the secondary sources to intertwine with the primary sources through interviews in which experts in the area, from their experience and knowledge, offer their point of view on the agreement. Likewise, the press media contribute extensively to the research since they provide first-hand information issued by the public officials in charge of the negotiation.

Within the research, a comparison of trade conditions is made between Peru, which already has an FTA, and Ecuador, which, despite not having an agreement, has an active trade exchange, to know what the possible impact in terms of trade development for Ecuador would be. To perform this analysis, FDI that the Asian giant has inserted in Peru, the trade balance of Peru with China, and within the framework of the comparison, variables such as trade exchange of specific tariff chapters that share the products that both countries have exported to China in the period 2010-2023 are considered.

3.1 Methods

3.1.1 Bibliographic analysis

The bibliographic analysis within a study is fundamental, as it allows a review of what the authors have mentioned in past research and what currently indicates about the phenomenon under study. The bibliographic review facilitates the creation of a guide to address the research topic by providing access to information from primary authors, an overview of the topic, key concepts, and relevant experiences. Through this compilation, published material on the topic is organized and presented with a particular focus (Coral, 2016).

3.1.2 Data sources

The data sources make up the backbone of this document, since this has made it possible to obtain a panoramic view of the subject to be dealt with. In the same way, the authors Soberon and Acosta (2009) mention that "the sources of information are those from which the information is obtained and comes from; these satisfy the needs of knowledge of the situation or problem that is being worked on and will be used to achieve the expected objectives" (p. 2).

For the development of the research, official documents focused on the FTA will be considered; the documents containing the original and complete treaties will be extracted from portals such as the Ministry of Foreign Trade and Tourism to obtain information from Peru and from the portal of the Ministry of Foreign Trade, Investment, and Fisheries in the case of Ecuador. Likewise, monthly and annual reports provided by the Central Bank of Ecuador, WTO, and MINCETUR will be used.

For the bibliographic analysis, digital repositories such as Redalyc, Dialnet, and Scielo are used as platforms from which articles and research related to the topic of study are obtained. The analysis of the general perspectives on the benefits and risks of treaties will be complemented with information from the media, such as news, interviews, and reports.

3.2 Data collection

- Documentary analysis of agreements and related texts

Dulzaines and Molina(2004) state that documentary analysis is a form of technical research and a management tool that allows us to extract information that allows us to develop the objectives of the subject of study. Based on, a compilation of the most transcendental aspects of the FTA that China signed with Peru in 2010 and with Ecuador in 2023 is presented.

3.3 Data analysis

- Comparative analysis

Comparative analysis allows us to raise an analysis between one context and another, allowing us to understand how different phenomena influence the point of study, this approach allows us to carry out a systematic comparison of the objects of study and generally allows us to reach empirical generalizations and hypothesis testing (Nohlen, 2020) . In this sense, the research contains two approaches: first, a structural analysis of the treaty, i.e., the similarities and differences between the China-Peru and China-Ecuador FTA documents; and second, a historical review of the risks and benefits of the FTA signed between China-Peru in the period 2010-2023 and the prospects for Ecuador.

3.4 Tools and techniques used

- Semi-structured interviews

According to Bravo et al.(2013) the questions are fixed in advance, in a certain order and are applied rigidly to all subjects. The advantage of this type of interview is its systematization, which facilitates the classification and analysis of the information, making it highly objective and reliable. In this approach, the research uses an interview guide that allows us to demonstrate the perceptions of the experts regarding the signing of the FTA between China and Ecuador.

- Population and sample

The population universe considered for this research is made up of experts who know the impact of free trade agreements in the country, providing an analysis of the risks to which the country is exposed and the benefits that could be acquired by signing the FTA with China. To determine the number of experts to interview, Salgado(2012) indicates that, in qualitative research, saturation is the point at which a certain diversity of ideas has already been heard and with each additional interview or observation no additional elements appear. In this sense, Guest et al.(2006) states that in qualitative research a sample of six interviews is sufficient to allow the development of significant themes and useful interpretations, avoiding information saturation.

The participants were selected by means of purposive probability sampling, because the analysis requires people who are developing in the field of foreign trade in

order to obtain a professional and relevant vision on the research topic, for which reason the selected people who decided to contribute to the research were contacted directly.

IV. CHINA-PERU FTAA OUTLOOK FOR ECUADOR

4.1 China's economic and commercial context

In recent decades, China has become a clear example of economic revolution, being a historical reference of how a country with good administration and an expansionist vision achieved significant changes in such a short term in terms of its material living conditions. Fanjul (2011) mentions that Chinese growth has been based on the specialization of exports and investments worldwide, leading it to become one of the most important investors in the world.

As for the economic situation, according to the Santander Trade portal (2024), the Asian country is the most important exporter in the world, and the economy is dominated by the manufacturing sectors. China is currently considered the world leader in the production of minerals such as tin, iron, gold, phosphorus, zinc, and titanium. It also has significant coal reserves. The Chinese economy is divided by sector, with agriculture accounting for 24.4%, industry for 28.2%, and services for 47.4%.

Therefore, Li Guoxing (2018) mentions that China's foreign policy is based on five fundamental principles: first, respect for state sovereignty; second, non-aggression; third, non-intervention in the internal affairs of other countries; fourth, equality and reciprocal benefit; and fifth, peaceful coexistence.

4.2 Benefits of FTAs in China

Forty-four years ago, Deng Xiaoping opened the doors to capitalism and established the ideology "it doesn't matter if the cat is black or white, as long as it catches mice," referring to the fact that China should open up to the world. With this vision, he managed to boost the industry by encouraging the creation of toy factories, artificial games, and clothing. Many of these industries generated a surplus, which was sold abroad (Donadio, Semana, 2022). The insertion in foreign markets became the great challenge, for which China established commercial alliances that allowed it to make its way in the market, leading to a worldwide expansion.

Currently, China is the world's leading exporter and the second-largest economy in the world since 2010. China's most important trading partner is the European Union. The Asian country has signed 29 free trade agreements worldwide, four of them with Latin American countries (Panchana, 2024).

Regardless of the existence of an agreement, China has achieved a high level of penetration in the Latin American economy, which has allowed it to obtain a large market share in the region, becoming the number one supplier. This provides direct benefits to the nation in terms of capital injection. According to Arevalo and Marzaban (2019), China has adopted an inter-industrial trade model based mainly on traditional comparative advantages, which is one of the main interests when signing an FTA and one of the greatest benefits.

According to the report "Resource Efficiency: Economics and Outlook for China" issued by the United Nations Environment Program (2013), China is the main consumer of raw materials, metallic minerals, fossil fuels, and biomass. The aforementioned materials are concentrated in Latin America, which is one of the regions of greatest interest to China. In this sense, China understands the importance of signing free trade agreements with South America, as this is its main supplier of raw materials and minerals that will be transformed in the Asian country and will return to South American countries in the form of products such as machinery, clothing, furniture, plastics, toiletries, etc. (Dueñas, 2023).

China obtains a double benefit from the Free Trade Agreements because, on the one hand, it has a wide range of suppliers of materials required by the manufacturing industry, and on the other hand, it has a wide market niche that will become the consumer of those products obtained with the material that was initially imported. In the same way, they obtain economic benefits since the goods leave the countries with tariff preferences and, in the same way, they enter with tariff preferences.

4.2.1 Increase of foreign trade

- **Imports**

Trade relations between China and Latin America began to intensify in 2002 with China's entry into the World Trade Organization. From this stage, the Asian country began the process of insertion in Latin America, managing to generate lasting trade relations (Afonso, Bastos, and Perobelli, 2021). Based on the conformation of these relations, the opening to the signing of the Free Trade Agreement with Peru took place.

Next, it is important to know the variation of imports and exports between China and Peru as a consequence of the signing of the Free Trade Agreement. The main objective of Peru with the signing of this agreement is to expand the exportable supply in non-traditional products. In this approach, Table 1 shows the fluctuation of imports from China during the period of validity of the FTA signed with Peru.

Table 1

Flow of imports from China - Peru (2010-2023)

Year	Traditional US\$ Millions	Non- traditional US\$ Millions	Total, annual imports US\$ Millions
2010	\$ 5.308,4	\$ 270,90	\$ 5.579,3
2011	\$ 6.983,8	\$ 337,40	\$ 7.321,2
2012	\$ 7.127,9	\$ 355,6	\$ 7.483,5
2013	\$ 7.461,7	\$ 396,5	\$ 7.858,2
2014	\$ 6.186,1	\$ 465,9	\$ 6.652,0
2015	\$ 7.106,0	\$ 303,5	\$ 7.409,5
2016	\$ 9.172,7	\$ 271,8	\$ 9.444,5
2017	\$ 11.052,9	\$ 399,7	\$ 11.452,6
2018	\$ 13.130,6	\$ 513,2	\$ 13.643,8
2019	\$ 12.584,9	\$ 579,9	\$ 13.164,8
2020	\$ 13.546,5	\$ 465,5	\$ 14.012,0
2021	\$ 20.746,9	\$ 696,0	\$ 21.442,9

2022	\$ 19.915,7	\$ 758,4	\$ 20.674,1
Total,	\$ 140.324,1	\$ 5.814,3	\$ 146.138,4
Global			

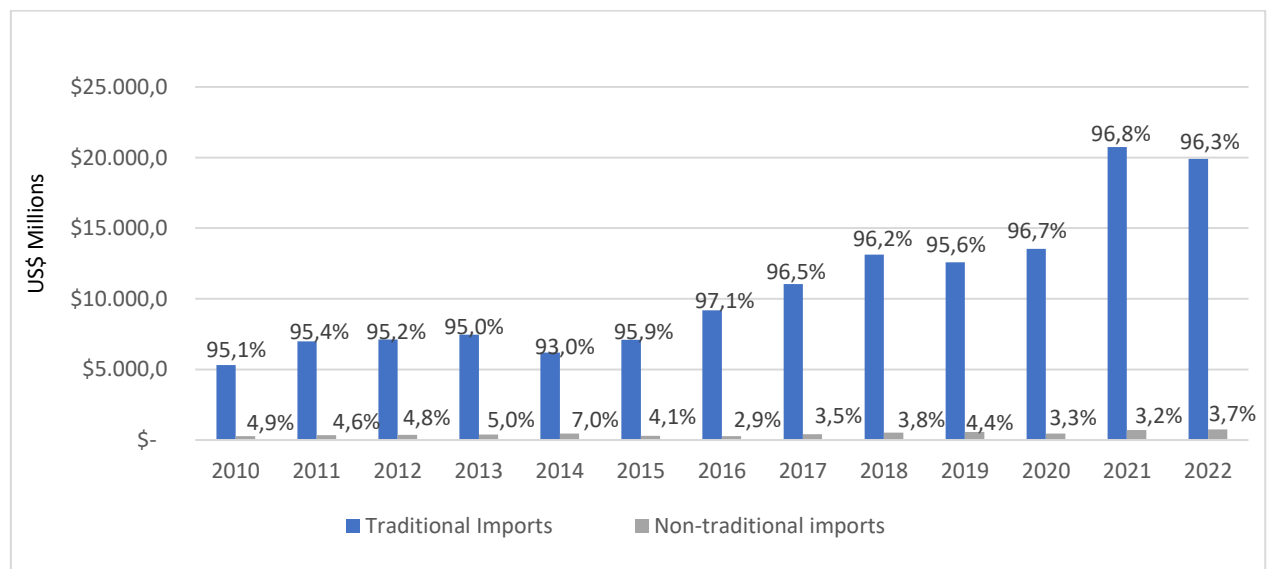
Note: the table contains the values of imports for the period from 2010 to 2022 under the China-Peru FTA.

Source: Own elaboration, based on Ministry of Foreign Trade and Tourism (2023).

After thirteen years of the FTA between China and Peru, there is evidence of growth in Chinese imports of Peruvian products, with the highest percentage share being found in traditional products from the mining, fishing, oil and agricultural sectors. In the thirteen years of the FTA, imports of these products have represented 96% of total Chinese imports, as shown in. Non-traditional imports show a more variable fluctuation; however, the Ministry of Foreign Trade and Tourism (2023) reports that 83 non-traditional products entered the country in the thirteenth year of the treaty's validity. Figure 1 below shows the data shown in Table 1, which shows the fluctuation of Chinese imports of Peruvian products and the percentage share of each sector (traditional and non-traditional) during the thirteen years of the FTA.

Figure 1

Fluctuation of Peru-China imports



Note: the graph shows the percentage variation of Peru-China imports.

Source: Own elaboration, based on data from the Ministry of Production, Foreign Trade, Investments and Fisheries (2023).

- Exports

During the period of the FTA between China and Peru, exports have grown significantly, this being the sector that has benefited the most from the Asian country. China's exports to Peru had an average annual growth rate of 11.6%, with consumer goods products being the most exported, including food and beverages, clothing, household appliances, personal hygiene products, cleaning products, furniture, toys and electronic products. In this sense, around 71.9% of imports of consumer goods could have entered Peru with tariff preferences (Ministry of Foreign Trade and Tourism, 2023) . Table 2 shows the growth in millions of dollars of exports from China to Peru from 2010 to 2022.

Table2

Flow of exports from China - Peru (2010-2022)

Year	Consumer goods US\$ Millions	Raw materials and intermediate products US\$ millions	Capital goods and construction materials US\$ millions	Miscellaneous US\$ Millions	Total, exports US\$ Millions
2010	\$ 1.375,80	\$ 1.272,70	\$ 2.225,80		\$ 4.874,30
2011	\$ 1.884,60	\$ 1.512,00	\$ 2.826,20	\$ 0,70	\$ 6.223,50
2012	\$ 2.150,80	\$ 1.857,60	\$ 3.402,40	\$ 0,20	\$ 7.411,00
2013	\$ 2.446,50	\$ 1.888,30	\$ 3.679,00	\$ 0,40	\$ 8.014,20
2014	\$ 2.404,10	\$ 2.199,20	\$ 3.965,50	\$ 1,00	\$ 8.569,80
2015	\$ 2.360,20	\$ 2.036,70	\$ 3.739,90	\$ 0,60	\$ 8.137,40
2016	\$ 2.198,00	\$ 2.027,20	\$ 3.578,40	\$ 0,30	\$ 7.803,90
2017	\$ 2.530,50	\$ 2.333,30	\$ 3.796,00	\$ 0,20	\$ 8.660,00
2018	\$ 2.834,80	\$ 2.746,20	\$ 4.173,70	\$ 0,10	\$ 9.754,80
2019	\$ 2.942,30	\$ 2.688,10	\$ 4.138,70	\$ 0,10	\$ 9.769,20
2020	\$ 2.954,30	\$ 2.728,50	\$ 4.313,60	\$ 0,10	\$ 9.996,50
2021	\$ 3.527,50	\$ 4.048,80	\$ 5.732,30	\$ 0,10	\$ 13.308,70
2022	\$ 3.745,10	\$ 4.328,70	\$ 5.262,80	\$ 0,10	\$ 13.336,70
Total	\$33.354,50	\$31.667,30	\$50.834,30	\$ 3,90	\$115.860,00

Note: The figure shows the evolution in cash terms of China's exports to Peru.

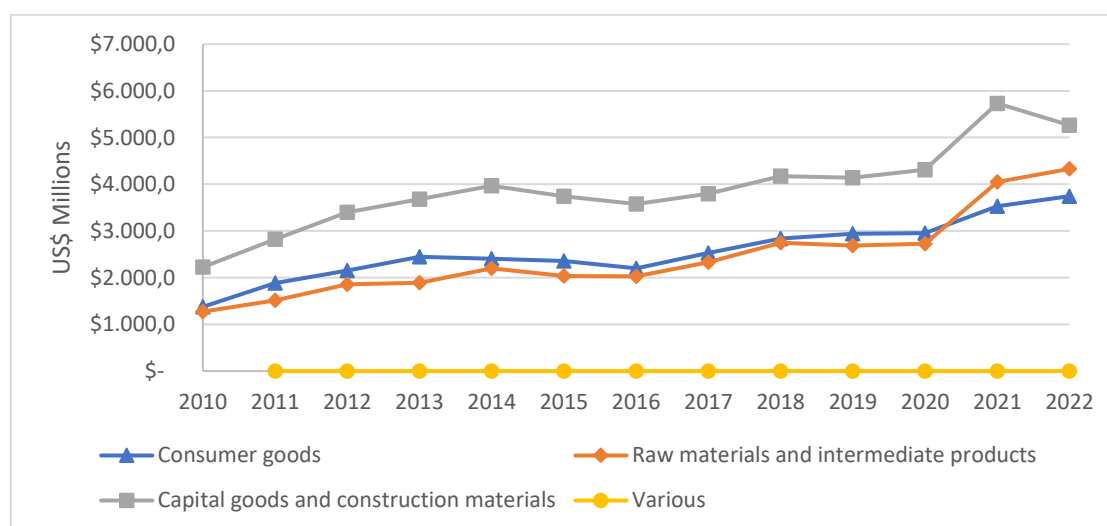
Source: Own elaboration, based on data from the Ministry of Production, Foreign Trade, Investment and Fisheries (2023).

With the FTA, China's exports to Peru have increased significantly, with the highest growth in exports of capital goods and construction materials, which allows us to understand that Peru is taking advantage of the FTA to import inputs such as machinery, tools and construction materials to boost its internal productive matrix promoting the adoption of external technology that will allow them to be more efficient in production.

In the same approach, Figure 2 shows the growth of Chinese exports in the period 2010-2022. Exports of consumer goods have maintained stable growth, driven by the demand for technological products, in year thirteen this sector accounted for 28.8% of total exports. In addition, raw materials and intermediate products have experienced significant growth, reaching 27.3% of total exports during the thirteen years. On the other hand, capital goods and construction materials became the fastest growing sector in the period analyzed, representing 43.9% of total exports from China to Peru.

Figure 2

Variation of China-Peru exports in the period 2010-2022



Note: the group "miscellaneous" includes samples with no commercial value and suitcases.

Source: Own elaboration, based on data from the Ministry of Production, Foreign Trade, Investment and Fisheries (2023).

Likewise, Figure 2 reflects those exports have remained stable and despite the pandemic trade exchange between 2019 and 2020 remained stable and in the year 2021 capital goods and raw materials had a growth, the decline that existed in trade exchange in terms of capital goods is attributed to the pandemic, which affected international trade disrupting supply chains, altering the pattern of consumption, as the population focused their investments in the health sector. Since the outbreak started in China, the country was forced to go into confinement, which caused an economic contraction, however, the speed of the reactivation of the country's economy has been highlighted, reflecting a remarkable growth from 2021 to 2022.

4.2.2 Market opening

The Latin American market is one of the most important for China. In this region, the Asian country has strengthened trade ties through agreements, loans and good benefits. In recent decades, China has experienced significant growth in the region, from exporting US\$18 billion in 2002 to US\$450 billion in 2022 (Ellis, 2024) .

As shown in Table 2, China has increased its exports to Peru under the Free Trade Agreement from US\$4.874 billion in 2010 to US\$13.336 billion in 2023. This indicates that Peru has opened its doors to a variety of Chinese products, services and technologies, strengthening China's presence in the Latin American market.

Similarly, Jaramillo(2024) performs an analysis of trade between South American countries that signed an agreement with China and indicates that by signing the FTA with Chile their exports increased significantly from 1.8 billion in 2003 to 23 billion in 2022, i.e. an increase of 12.6 times more. The data reflect the growth of trade and market openness achieved by China when signing trade agreements. By analyzing the foreign trade values, they could encourage more countries to decide to sign preferential agreements to obtain similar benefits.

4.3 Peru's economic and commercial context

Data issued by the Peruvian Ministry of Labor and Employment Promotion (2022) show that Peruvian GDP is segmented by branches of economic activity. Taking into

account the order of import in that year, production was divided as follows: other services (23.6%), manufacturing (13.0%), mining (11.1%), commerce (10.5%), construction (6.7%), agriculture (5.6%), public administration and defense (5.5%), telecommunications (5.1%), transportation (4.8%), accommodation and restaurants (2.3%), electricity (1.9%), fishing (0.4%), and import duties and taxes (9.40%).

In this same approach, Peruvian foreign trade has had significant growth as a result of trade agreements that have facilitated the opening of markets and obtaining advantages over other countries. A report called Annual Report 2023, issued by Comex Peru, presents the results of the flow of Peruvian exports in that year. The traditional products sector (mining, agriculture, and fisheries) represents 71%, while the non-traditional sector (agriculture, metalworking, iron and steel, wood and paper) accounted for 29% of total exports.

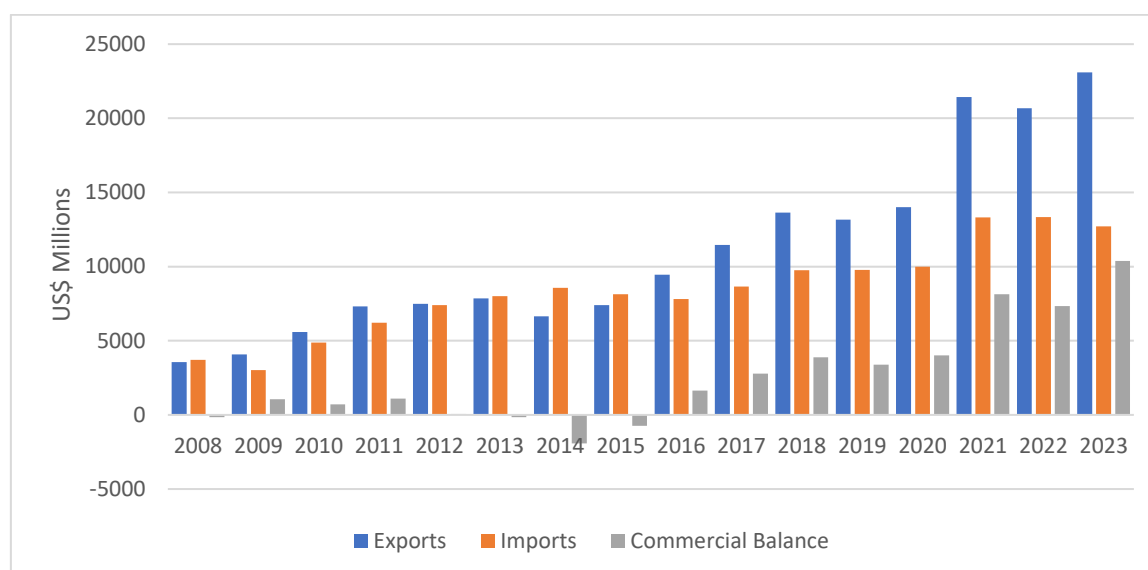
By 2023, the main destination markets for the country's exports are: China, which has become Peru's main trading partner and the main buyer for more than a decade, representing 36% of the country's total exports. Within this ranking are also the United States, Canada, India, South Korea, Japan, Chile, Spain, Netherlands, and Brazil (SUNAT, 2023).

4.4 Benefits of FTAs in Peru

In order to measure the benefits of the FTA in Peru, we took as a reference the trade balance from 2008, years prior to the signing of the agreement until 2023, since this is an important economic indicator that allows us to have a panoramic view of the difference between exports and imports, facilitating the identification of the factors that influenced the trade variation, so Figure 3 reflects the fluctuation of trade in the years prior to and during the FTA.

Figure 3

Evolution of the Peru-China trade balance 2008-2023



Note: The figure shows the behavior of the China-Peru trade balance for the period 2008-2010.

Source: Own elaboration, based on data from Trade Map, 2024.

The trade balance between Peru and China under the FTA reflects a remarkable growth, the exchange of products has strengthened the trade relationship, in 2008 prior to the signing of the agreement the trade balance was in deficit, however in subsequent years between 2010 and 2012 the balance was positive for Peru as they exported more than they imported generating sustained growth, however between the period 2013-2015 the balance was in deficit because of the fall in mineral prices internationally affecting the volume and income of exports, mineral exports in Peru is key because it represents 59.9% of total sales (Ministry of Energy and Mines, 2019) .

From 2016 to 2023, growth was constant, and the trade balance was positively inclined as the price of copper and minerals stabilized; additionally, during this period the agro-industrial sector products were established in the Asian market. During this period at the end of 2019 and beginning of 2020 the pandemic occurred, however, Peru managed to maintain its level of exports while imports were reduced due to the restrictions that

were implemented to prevent the spread of the virus, from 2021 onwards the trade relationship stabilized due to the rapid recovery of the Asian country (Prasad, 2023) .

In the period analyzed the growth of trade exchange reflects the consolidation of Peru as a primary exporting country, according to Figure 3, exports from Peru to China between 2010 and 2023 totaled \$169.231 million dollars, with an annual growth rate of 12.2%, allowing China to position itself as the country's most important trading partner. However, the trade has been questioned by Cardenal (2024) indicating that the values obtained do not guarantee a healthy trade relationship between the countries, since 95% of Peru's total exports to China correspond to traditional products such as minerals, hydrocarbons and fishmeal.

4.4.1 Economic growth and development

Since the implementation of the China-Peru FTA, there have been notable changes in trade dynamics, allowing Peruvian products to achieve a significant share in the Chinese market. From a commercial point of view, Peruvian exports have grown significantly. During the 2010-2013 period, exports to China grew by 325.9% and, on average, had a growth rate of 13.2% per year (Comexperu, 2024).

Foreign Direct Investment (FDI) is another sector that has contributed to Peru's economic growth and development. In the last decade, Chinese FDI in Peru has experienced significant growth. The research entitled *Chinese Companies in the Peruvian Economy: Presence and Evolution* conducted by the Center for China and Asia-Pacific Studies(2024) shows that Chinese companies have significantly increased their presence in key sectors such as mining, energy and infrastructure. As a result, they obtained that in 2001 Chinese investment was 1% and by 2023 it reached 22%, this investment has diversified as it has concentrated in specific sectors, investment in the mining sector represents 47%, followed by the energy distribution and generation sector with 33%. The remaining percentage is destroyed in the oil and gas sector 10%, infrastructure 4% and finance and insurance 2%.

Likewise, the country's development is not only driven by the insertion of foreign companies and investment, but also by the way in which sectors are taking advantage of

the benefits of tariff liberalization. As shown in Table 2, Peruvian industry is taking advantage of these benefits by increasing imports of capital goods and construction materials such as machinery, technology that strengthens its internal productive matrix, allowing them to be more efficient in the production of their comparative advantages.

4.4.2 Challenges and opportunities

The FTA with China offers Peru a panorama of opportunities for economic development, market expansion, export diversification and investment attraction. However, an agreement of this magnitude also brings important challenges such as economic dependence, unequal conditions and environmental impact.

The opportunities of the trade agreement between China and Peru have been marked by steady economic growth through trade, in which Peru has made efforts to reduce dependence on the traditional sector in exports by boosting non-traditional sector products such as shrimp, grapes, avocados, and shrimp. The FTA has been an important opportunity for the entry of FDI, which in turn has fostered the development of jobs and the attraction of technology (Chocano, 2023).

The challenges that Peru is experiencing after thirteen years of the FTA with China are significant because, as shown in Table 2, it has not managed to diversify its exports or reduce its dependence on traditional products. Exports are centered on mining, oil and natural gas, which could harm the country's economy because the prices of these products depend on the fluctuation of international prices (Sanchez, 2019).

Peru's comparative advantages are concentrated in the mining and agricultural sectors; however, these advantages are in the hands of Chinese companies, and they are the main beneficiaries of the profits from the exploited material. In other words, the Peruvian government has no power over the management of this material in the country. Although it is true that it contributes to the dynamism of foreign trade, the sector is monopolized, since Chinese companies in Peru export to companies in China, which in turn produce for resale to the world.

4.5 Economic and commercial context of Ecuador

It is a dollarized economy highly dependent on oil revenues, which makes it vulnerable to external shocks. An example of this is the economic slowdown that began in 2008, which mainly affected oil prices and export volumes.

In terms of national production, the sectors with the highest participation are: manufacturing, commerce, professional activities, oil and mining, agriculture, livestock, and forestry (Central Bank of Ecuador, 2023).

Ecuador's foreign trade is divided into three sectors: traditional non-oil exports (fish, cocoa, bananas, shrimp), non-traditional non-oil exports (canned fish, lead concentrate, flowers, mining products, manufactured goods, and metals), and oil exports (petroleum and petroleum products). Likewise, by 2023, the main destination of Ecuadorian exports was China, which represented 22.9% of total exports; followed by the United States with 21.3%; the European Union with 21.2%; Canada with 6.3%; Russia with 6.3%; Chile with 2%; Malaysia with 1.72%; the United Kingdom with 1.50%; Argentina with 1.4%; Japan with 1.2%; and the rest of the countries make up 15.6% of total exports (Ministerio de Producción, Comercio Exterior, Inversiones y Pesca, 2024).

4.6 Benefits of FTAs in Ecuador

The trade agreement between China and Ecuador not only facilitates trade but also promotes economic development, since it allows diversifying Ecuadorian exports to reduce dependence on products from the traditional sector (oil, mining), attract foreign investment that will generate new jobs, attract technology and optimize production processes and level the playing field with neighboring countries (Ministry of Production, Foreign Trade, Investment and Fisheries, 2023).

4.6.1 Access to markets

The FTA signed between China and Ecuador supports market access for the parties, this is an important opportunity for Ecuadorian products since the agreement establishes the routes to follow for the export of products obtaining not only tariff benefits

but also documentary benefits, since one of the objectives of the agreement is to streamline the procedures for exports of Ecuadorian products to the Chinese market.

Access to the Chinese market will improve for Ecuador, since it has preferential access to 99.6% of the exportable basket of products such as shrimp, cocoa, bananas, flowers, etc. (Banco Central del Ecuador, 2024). On the other hand, Legarda (2024) refers that the procedures for obtaining sanitary and phytosanitary permits required for Ecuadorian products already have a legal framework in which the optimization of response times for obtaining approvals to export Ecuadorian products has been negotiated.

4.6.2 Impact on specific sectors

It is expected that the FTA will have a positive impact on the agro-industrial sector, as it could open opportunities to export products such as quinoa, nuts, and processed products. Similarly, the fisheries sector could boost exports of species such as shrimp and tuna, which are already exported and are highly valued in the Chinese market (Remberi, 2023).

4.7 Risks associated with FTAs between China, Ecuador and Peru

4.7.1 Loss of economic autonomy

As mentioned in previous paragraphs, FTAs represent benefits in the regions, however, they also represent risks, since the export basket of Ecuador and Peru depends on natural resources and largely on primary resources such as copper in Peru and oil in Ecuador. The UN Trade and Development portal (2023) issued a report indicating that dependence on raw materials affects developing countries, as it leaves the economy highly exposed to price fluctuations in international markets, making economies vulnerable to crises. This fall in commodity prices mainly affects families that depend on agricultural products, which could generate negative indices affecting the profitability of companies.

In the case of Peru, the star export product is copper, which represents 35.2% of total Peruvian exports, reflecting a high dependence on this mineral, the Peruvian

Ministry of Energy and Mines (2023) reports that China is the main buyer of this material, accounting for 72.9% of the total copper exports that this country exports to the world, In this sense, this dependence increases the vulnerability of the Peruvian economy, since most of the exports of traditional and non-traditional products are focused on the Chinese market, so they are the ones who propose the rules and prices of raw materials.

4.7.2 Impact on vulnerable sectors

There are several sectors that have been affected by the entry into force of the FTA and have expressed their concern about the internal governmental measures that will be taken to protect the local industry. The textile sector is the one that has shown more concern since there are studies that demonstrate the inclination of consumption towards Chinese textiles, this without the FTA in force, in this sense the researchers Gonzales et al (2021) in their research entitled "China vs. Ecuador: which textile industry satisfies the Guayaquil consumer?" took a population sample of 494 people to question them about their consumption and obtained as a result that the sector studied preferred to consume clothing from the Chinese textile industry, since they refer to reliability when acquiring this garment, a feeling that they do not experience with the garments of the Ecuadorian textile industry.

In the same way, Posada (2017) conducted an investigation entitled "Chinese Dumping continues to relegate the Peruvian textile sector" in which he evidences that, imports of the Chinese textile industry between the years 2009 and 2011 had a significant growth, increasing its imports by 56.5%. After investigating this unusual increase, INDECOPI (Commission on Dumping, Subsidies and Elimination of Non-Tariff Trade Barriers) concluded that, in that period, Chinese textile imports entered with a price difference between 37.1% and 38.4%. Once the investigations were verified and concluded, a resolution was issued indicating the application of *anti-dumping* measures to guarantee fair competition. However, barely a year and a half later, the Specialized Antitrust Court issued a resolution indicating the withdrawal of the antidumping duties imposed. As expected, the following year Chinese textile imports again soared by 55%, seriously affecting the local industry (p. 15).

Based on the above cases, we can indicate that the outlook for the Ecuadorian textile sector is not encouraging because China is the leading exporter of textiles worldwide being the largest producer of these items, it is common knowledge the ridiculous prices at which you can get to import clothes from and even without being a wholesale buyer, the clear example of this is the boom are online stores like TEMU or SHEIN in which anyone can buy at low prices and unlimited quantity not only clothing, but also shoes, accessories, household items and even technology. With this competition, the Ecuadorian textile sector has the option to continue competing for quality and added value.

The automotive sector is another of the affected areas. On September 6, 2024, the country's largest assembly plant, General Motors, announced the closure of its doors after 39 years of operation, leaving more than 360 people without work. Tapia (2024) indicates that the argument for the closure is increased automotive competition in Ecuador, driven by Chinese brands that have been gaining strength. Landázuri, General Motors' manufacturing director, mentioned that there are more than 100 car brands competing in the country, 70 of which are of Chinese origin, which makes it unsustainable to maintain a plant to produce only one model, as this would not take advantage of one hundred percent of its capacity.

4.7.3 Intellectual Property

Ecuador signed an agreement that does not contemplate disciplines such as intellectual property, for which signatory countries must abide by the WTO Agreement on Aspects of Intellectual Property Rights (TRIPS); however, Chinese companies have been denounced on multiple occasions for the counterfeit manufacture of highly recognized brands worldwide. According to the researcher Longo (2019), the trade of counterfeit products represents 3.3% of world trade; likewise, in the United States 90% of the merchandise seized for counterfeiting is of Chinese origin.

Taking into account the strictness of the fines and penalties of the U.S. legislation, it is reflected that they have not been an obstacle for the Chinese industry to continue with the mass production of counterfeit products, this leads us to question how safe is the Ecuadorian intellectual property, this type of infringements generate serious problems for

the Ecuadorian industry, Companies import recognized brands but Chinese replicas are found at lower values in the market so they choose to purchase these products or on the contrary the boom of counterfeit merchandise has been so high that it has managed to mix with original merchandise so that stores can sell fake merchandise at original prices.

4.8 Expert perceptions of the benefits and risks of the China-Ecuador FTA

As a tool to enrich the analysis of the benefits and risks incurred by Ecuador in signing the FTA with China, interviews were conducted with various experts in foreign trade who, from their perspective, provide information on the possible implications and opportunities of the agreement. Table 3 below shows the profiles of the interviewed population.

Table 3

Profile of professionals in the study population

Participant	Training	Institution where you work	Activity performed	Experience
1	Master's in foreign trade	DP World Logistics	Key Account Advisor	14 years
2	Economics and Finance	Ecuadorian Federation of Exports.	Foreign Trade Analyst	24 months
3	International Studies	Immarvic Cia. Ltda	Import Analyst	24 months
4	Master's degree in international trade with mention in international logistics	Unión Cementera Nacional UCEM SA	Import agent	12 months
5	Master's in international business	University of Azuay	Teacher - Advisor on internationalization of companies	5 years
6	Master's in supply chain and logistics management	SCM Forwarder	Commercial Manager	8 years

The participants make up a solid group of foreign trade professionals who are working in this profession daily, which provides them with expertise and the development of a perception of the economic and commercial dynamics at a global level. The exposed profiles come from working contexts of different foreign trade areas such as loading and unloading ports, private companies, educational institutions, cargo agents and foreign trade consultants, which reflects the broad knowledge on the impact of free trade agreements in the country.

The perspectives of professionals provide different points of view on the implementation of free trade agreements and market insertion. In this sense, the following is a breakdown of the results on the perspectives of professionals regarding Ecuador's decision to ratify the China-Ecuador FTA.

In response to the questioning focused on China's insertion in Latin America, professionals agreed that the Asian giant is a key trading partner for the region, since the relationship allows commercial exchange, however, they also indicated that there is insertion in the energy, infrastructure and mining sectors, which could be counterproductive due to the influence on the internal politics of the countries, because, it should be taken into account that the insertion of the Asian country has been given with the objective of minimizing the historical dependence on the United States and reduce its interference in the political issues of the countries, aspect that has been highlighted of China, a country that for the moment has shown commercial and economic interest in the region but not political.

The contribution of FTAs in the framework of the country's development is positive, since the increase in exports forces companies to improve their competitiveness, generating new jobs and forcing these people to be more prepared. In this sense, the official of the Ecuadorian Federation of Exporters provides an important fact: the country's export activity represents 1.5 million direct jobs. In addition, since the economy is dollarized, foreign currency from imports represents an important source of income to maintain the liquidity of the national financial system. On the other hand, the importance of negotiating agreements goes hand in hand with the importance of creating policies that contribute to the protection and development of the domestic industry.

Regarding their perception of the signing of the China-Ecuador FTA, they agreed that the decision was the right one, since the agreement will contribute to trade development and diversification, but they highlight the risk assumed by the country in terms of trade and economic asymmetries, for which they warn that there could be negative repercussions on sensitive sectors if protectionist measures are not taken.

The opening of the market is important for the commercial development of the country, however, this can bring benefits and risks, as positive aspects highlight the increase of commercial exchange, the diversification of Ecuadorian exports, the opportunity for the Ecuadorian industry in terms of technological development and the obtaining of machinery at better prices generating more job opportunities. As for the negative aspects, the experts agree on the risk of imports being greater than exports and above all the development of unequal competition for local industry.

The FTA is mostly seen as a benefit that contributes not only to the commercial and economic sector but also to the industrial sector that can import technology and improve its productivity level. The opening of opportunities is also an important factor because it will allow us to access the greatest number of benefits from the agreements, it is important to improve government policies and the constant analysis of the trade balance to ensure a win-win situation between the signatory countries.

The sensitive sectors were concerned about the asymmetric competition that the entry of Chinese products would generate; however, the agreement not only excluded sensitive products, but also included a chapter six focused on trade defense, which indicates the possibility of reestablishing the tariff if there is damage to national production. It is considered that the exclusion of products was an important step, however, the current measures are not sufficient, so they agree that the government did its part in the negotiation and should also do its part in strengthening the domestic market, one of the most important factors is that the local industry takes advantage of the agreement to obtain technology and adapt to this new form of market.

Regarding the protection of the local industry, tax exemptions ranging from five to twenty years have been negotiated. Within this framework, experts consider that this is a prudent time in which the domestic industry can strengthen itself, adopt new

technologies and adapt to the market. This adaptability factor will depend a lot on the companies and their vision for the future.

4.9 Comparative approach

About the signing of the trade agreement between China and Ecuador, it is important to make a comparison with the agreement with Peru in terms of both documentation and trade, highlighting the similarities and differences between the agreements. In the same way, the fluctuation of foreign trade in both countries is reflected in the tariff chapters that Ecuador and Peru export to the Asian country, identifying the increase in exports of Peruvian products and the behavior of Ecuadorian exports.

4.9.2 Comparative documentary China-Peru FTA: China-Ecuador

The FTAs represent China's efforts to strengthen trade relations with Latin America. In this sense, the FTA with Peru covers more areas such as services, intellectual property and dispute settlement, while Ecuador negotiates an FTA focused on the exchange of goods and does not contemplate services. Table 4 below shows a breakdown of the main similarities between the agreements.

Table 4

Peru and Ecuador FTA similarities with China

Peru	Ecuador
Initial provisions:	
To encourage and diversify trade, create employment opportunities, promote fair competition, and provide a forum for dispute resolution.	
National treatment and market access for goods:	
Peru in its FTA allowed the immediate release of 62.7% of total shipments	Ecuador released 56.94% of the items; however, both countries excluded sensitive products for domestic industries such as textiles, footwear, metalworking and rice.
Rules of origin and application procedures	

<p>1. The goods must be wholly produced or obtained in one of the parties.</p> <p>2. The goods may be produced in one of the parties with materials originating in one or both of the parties.</p> <p>The good that is produced in the territory of one or both parties from non-originating materials that meet the change in tariff classification, regional value content and processing requirements.</p>	<p>1. The goods must be wholly produced or obtained in one of the parties.</p> <p>2. The goods may be produced in one of the parties with materials originating in one or both of the parties.</p> <p>3. The goods are produced in a party, using non-originating materials, that comply with a regional value content of not less than 40%.</p>
Customs procedures and trade facilitation	
Both parties are committed to clear and accessible processes to ensure dynamic and barrier-free trade, including customs cooperation by promoting the correct application of customs legislation on both sides.	
Commercial defense	
If any of the tariff reductions affect a domestically produced product, the parties may suspend further tariff reduction or increase the tariff on the product that is affecting domestic production, but the tariff increase may not exceed the most favored nation.	
Sanitary and phytosanitary measures	
The main objective is to facilitate trade in animals and animal products, plants and plants, protecting public health, animal and plant health, improvement. It also promotes the improvement of communication mechanisms to ensure transparent procedures without delays.	
Technical Barriers to Trade	
Objective: to comply with standards, technical regulations and evaluation procedures to avoid creating unnecessary obstacles to trade.	
Investment cooperation	
Cooperation in which the signatory parties undertake to exchange investment and generate greater benefits for their societies.	

Prepared by the authors based on the China-Peru and China-Ecuador FTAs (2024).

Likewise, the Ecuadorian agreement differs from the Peruvian agreement in that each agreement includes new and current issues such as e-commerce in Ecuador and intellectual property in Peru, as shown in Table 5.

Table 5

Differences FTA of Peru and Ecuador with China

Peru	Ecuador
E-Commerce: Ensuring the security of user data, facilitating access to SMEs, innovation and digitization.	Intellectual Property: commitments established by the Intellectual Property Agreement (TRIPS), which seeks to facilitate the trade of knowledge and creative content; likewise, this agreement constitutes a legal recognition of the importance of the links between intellectual property and trade.
Exclusions: There are no specific product exclusions.	Exclusions: 820 subheadings were excluded to protect the domestic industry.

Prepared by the authors based on the China-Peru and China-Ecuador FTAs (2024).

4.9.1 Ecuador and Peru's trade with China

To understand the impact that the agreement could have on specific sectors, it is important to analyze the main tariff chapters that Peru has exported to China in the period 2009-2023, generating a comparison with respect to Ecuadorian exports in the same period and under the same tariff chapters. For this purpose, three tariff chapters of the traditional sector and four of the non-traditional sectors were considered; in order to make a historical overview of the fluctuation and the possible effect that it will have on Ecuador. Table 6 below shows the first three tariff chapters of the traditional sector.

Table 6*Peru-Ecuador exports tariff chapters 26, 74 and 27 (2009-2023)*

Year	Metalliferous minerals and ashes (Chapter 26)		Copper and articles thereof (Chapter 74)		Mineral fuels, mineral oils and products of their distillation; bituminous substances (Chapter 27)	
	Peru	Ecuador	Peru	Ecuador	Peru	Ecuador
2009	\$ 2.639.192	\$ 27	\$ 344.615	\$ 17.041	\$ 185.991	\$ 79.176
2010	\$ 3.474.750	-	\$ 658.561	\$ 27.783	\$ 98.308	\$ 230.986
2011	\$ 4.601.234	\$ 338	\$ 739.646	\$ 38.094	\$ 99.072	-
2012	\$ 5.545.992	\$ 11.407	\$ 955.257	\$ 44.571	-	\$ 180.101
2013	\$ 4.847.770	\$ 26.389	\$ 1.094.005	\$ 42.733	\$ 58.100	\$ 305.671
2014	\$ 4.854.243	\$ 49.043	\$ 955.906	\$ 33.388	\$ 58.000	\$ 58.421
2015	\$ 5.128.883	\$ 1.541	\$ 827.094	\$ 22.175	\$ 58.620	\$ 159.009
2016	\$ 6.584.126	\$ 28.112	\$ 771.211	\$ 13.045	\$ 88.187	\$ 231.964
2017	\$ 8.782.297	\$ 77.662	\$ 1.096.332	\$ 23.002	\$ 54.467	\$ 341.960
2018	\$ 10.077.569	\$ 82.055	\$ 1.182.283	\$ 37.444	\$ 93.712	\$ 482.200
2019	\$ 10.294.531	\$ 80.283	\$ 967.510	\$ 728	\$ 121.059	\$ 261.624
2020	\$ 8.216.200	\$ 209.554	\$ 1.222.704	\$ 24.675	\$ 113.252	\$ 373.105
2021	\$ 14.325.682	\$ 516.335	\$ 1.402.270	\$ 56.050	\$ 50.386	\$ 451.450
2022	\$ 17.017.966	\$ 1.416.672	\$ 1.457.987	\$ 74.562	\$ 255.269	\$ 104.080
2023	\$ 19.797.890	\$ 1.365.487	\$ 1.178.978	\$ 44.196	\$ 258.806	\$ 3.486

Note: The table shows values in thousands of dollars.

Source: Own elaboration, based on available data Trade Map (2024).

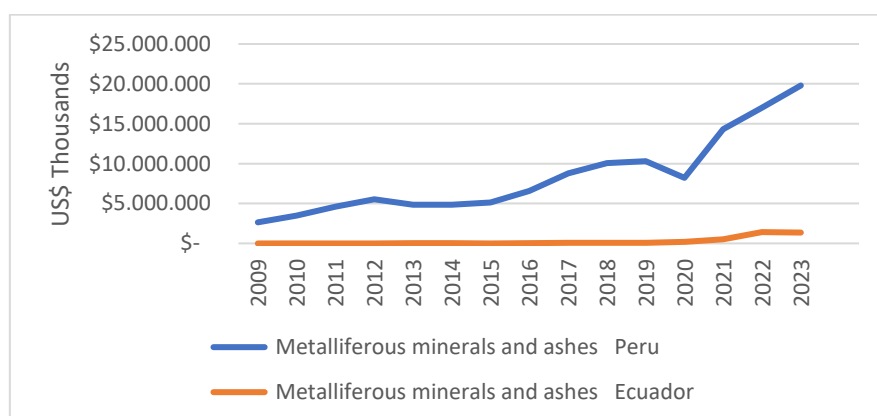
The first quadrant of Table 6 shows the fluctuation of exports of tariff chapter 26, which refers to metalliferous minerals and ashes. Within this chapter are all the minerals of nickel, cobalt, aluminum, lead, zinc, tin, chromium, titanium, niobium, etc. These minerals are the raw material for the manufacture of batteries, plates, stainless steel, galvanized steel and alloys that serve to improve resistance and are essential for the Chinese technology and construction industries.

In the framework of the commercial exchange of this tariff chapter between Peru-China it can be reflected that only in the first year (2008-2009) there was a growth of 31.7% of exports, in subsequent years (2010-2023) the growth was constant going from exporting \$ 3,474.750 in 2010 to \$19,79,7890 in 2023 with a constant growth, throughout the 10 years the greatest positive variation is in 2021 in which there is a growth of 74% over the previous year from this year exports of minerals grew rapidly.

On the other hand, Ecuador in this tariff segment has had less impact since exports begin with low values with respect to Peruvian exports, however, it is important to highlight the steady growth that is occurring in the trade exchange of these materials, the most notable growth is reflected in the year 2021 in which \$ 516,335 is exported.

Figure 4

Exports of tariff chapter 26 period 2009-2023.



Source: Own elaboration, based on available data Trade Map (2024).

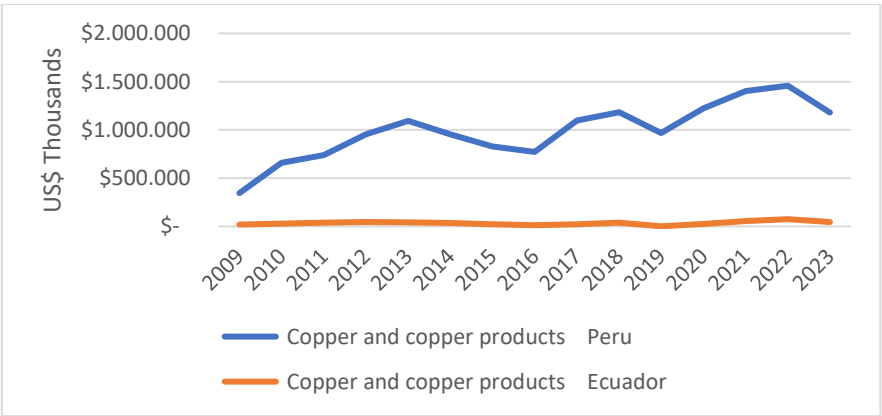
In the second quadrant is located the comparative of tariff chapter 74 focused on copper and its manufactures, which is one of the most important minerals for the Chinese market, since the production of the technology industry depends on this *commodity*, in the data table shows the significant growth in exports, since it went from exporting \$ 344615 in 2009 to \$ 1178978 in 2023.

The difference between the year prior to the signing of the FTA and 2010 was a growth of 91% and in subsequent years this growth was maintained until 2014, when there was a steady decline until 2016 due to the fall in oil prices. According to Stocker

and Vorisek (2018) the oil price fall was driven by a growing oversupply and low demand generating that the world economy experienced one of the three largest falls ever recorded since World War II. In 2017 exports recovered experiencing a 42% growth compared to the previous year, an important aspect to highlight is that despite the fall in oil prices China was the main buyer of Peru.

Regarding the ratio of Ecuadorian exports to China, there is evidence of a constant growth in the period of time analyzed, clearly Peru surpasses Ecuador by far with in exports of copper and its manufactures, since the commercial exchange between Ecuador and China is focused on the non-traditional sector and Peru is dominant in terms of copper production in Latin America, to better illustrate this comparison, Figure 5 shows the ratio of exports of copper and its manufactures that Peru and Ecuador have made to China in the period 2009-2023.

Figure 5
Exports of tariff chapter period 2009-2023



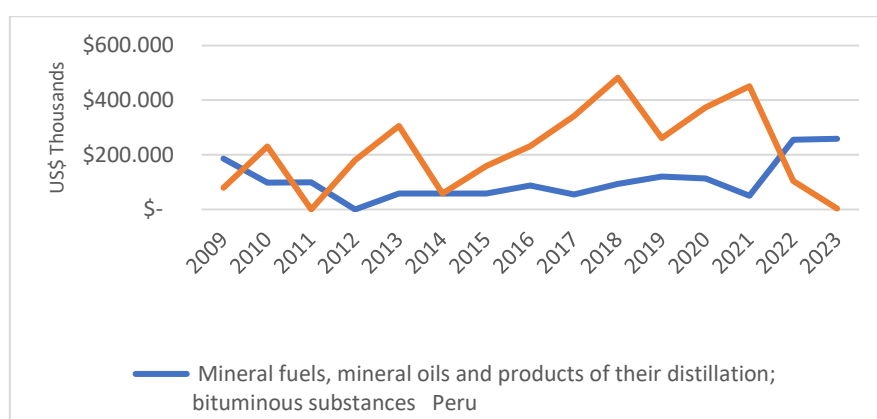
Source: Own elaboration, based on available data Trade Map (2024).

To culminate with the comparative analysis of exports of the traditional sector's tariff chapters, the third section of Table 6 includes tariff chapter 27, which refers to mineral fuels, mineral oils and products of their distillation; bituminous materials; mineral waxes. Within this chapter are solid fuels, coal gases, water and poor, crude petroleum oils, petroleum oil, petroleum gas, petroleum coke.

As shown in Figure 6, the fluctuation of exports is more dynamic and variable. Ecuador, despite not having an agreement with China, dominated 11 of the 14 years analyzed. In this context, Ecuadorian exports have surpassed those of Peru both in economic terms and in volume, which generates high expectations with the entry into force of the China-Ecuador FTA.

Figure 6

Exports of tariff chapter 27 period 2009-2023



Source: Own elaboration, based on available data Trade Map (2024).

In the previous sections, we analyzed the three traditional sector tariff chapters that have experienced the greatest growth with the implementation of the China-Peru FTA. Table 7 below shows the fluctuation in exports of four non-traditional sector tariff chapters, which have had the greatest impact on trade between China and Peru. These chapters include key products such as fruits, cocoa and seafood, sectors in which Ecuador expects to achieve greater growth.

Table 7

Exports of Peru-Ecuador-China tariff chapters 03, 18, 09 and 08 (2009-2023)

Year	Fish and crustaceans, mollusks and other aquatic invertebrates (Chapter 03)	Cocoa and its preparations (Chapter 18)	Coffee, tea, yerba mate and spices (Chapter 09)	Edible fruit and nuts; peel of citrus fruit or melons (Chapter 08)
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	Peru	Ecuador	Peru	Ecuador	Peru	Ecuador	Peru	Ecuador
2009	\$ 15.794	\$ 3.373	\$ 68	\$ 56	\$ 93	\$ -	\$ 6.293	\$ 686
2010	\$ 20.086	\$ 10.049	\$ -	\$ 93	\$ 291	\$ 3	\$ 8.005	\$ 1.464
2011	\$ 29.629	\$ 40.879	\$ 232	\$ 5.685	\$ 138	\$ -	\$ 20.748	\$ 4.177
2012	\$ 57.059	\$ 48.651	\$ 63	\$15.971	\$ 9	\$ 17	\$ 32.900	\$ 18.634
2013	\$ 57.059	\$ 75.904	\$ -	\$ 8.215	\$ -	\$ 3	\$ 48.298	\$ 15.027
2014	\$ 33.458	\$ 129.003	\$ -	\$ 7.402	\$ -	\$ 5	\$ 87.802	\$ 119.182
2015	\$ 24.857	\$ 190.072	\$ 198	\$18.512	\$ 12	\$ 43	\$ 88.265	\$ 127.149
2016	\$ 22.497	\$ 7.911	\$ 1	\$18.614	\$ 89	\$ -	\$ 60.996	\$ 85.257
2017	\$ 33.737	\$ 116.774	\$ -	\$ 9.548	\$ 136	\$ 4	\$ 89.124	\$ 67.980
2018	\$ 52.404	\$ 607.502	\$ 63	\$33.876	\$ 505	\$ 326	\$ 114.559	\$ 129.963
2019	\$ 196.950	\$ 2.133.243	\$ 29	\$13.891	\$ 420	\$ 177	\$ 147.141	\$ 220.466
2020	\$ 82.904	\$ 1.920.250	\$ 34	\$10.659	\$11.240	\$ 53	\$ 149.591	\$ 157.346
2021	\$ 221.753	\$ 2.302.147	\$ 73	\$ 3.352	\$ 961	\$ 27	\$ 146.837	\$ 96.928
2022	\$ 187.627	\$ 4.320.348	\$ 69	\$16.501	\$ 3.987	\$ 479	\$ 248.644	\$ 101.828
2023	\$ 336.988	\$ 3.880.007	\$ 9	\$15.246	\$ 2.412	\$ 506	\$ 282.373	\$ 155.520

Note: The table shows values in thousands of dollars.

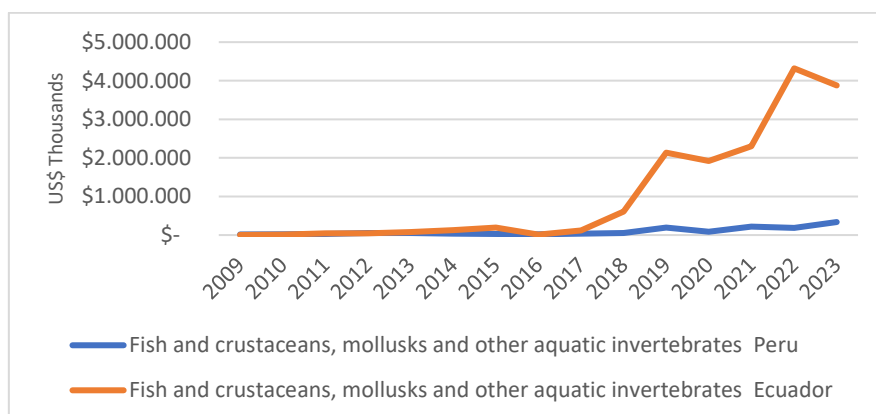
Source: Own elaboration, based on available data Trade Map (2024).

The report entitled "Estudio de Aprovechamiento del TLC Perú-China", released in May 2023 by the Ministry of Foreign Trade and Tourism, states that during the 13 years of the Free Trade Agreement (FTA), the exports grew at an average annual rate of 12.7%, highlighting an increase of 11.1% in exports of non-traditional products.

In this regard, it is essential to analyze the growth of non-traditional sector products and compare them with exports from Ecuador, a country which, during this period, did not have a similar agreement. Figure 7 below shows the evolution of exports of fish and crustaceans, mollusks and other aquatic invertebrates in Peru and Ecuador.

Figure 7

Exports of tariff chapter 03 period 2009-2023



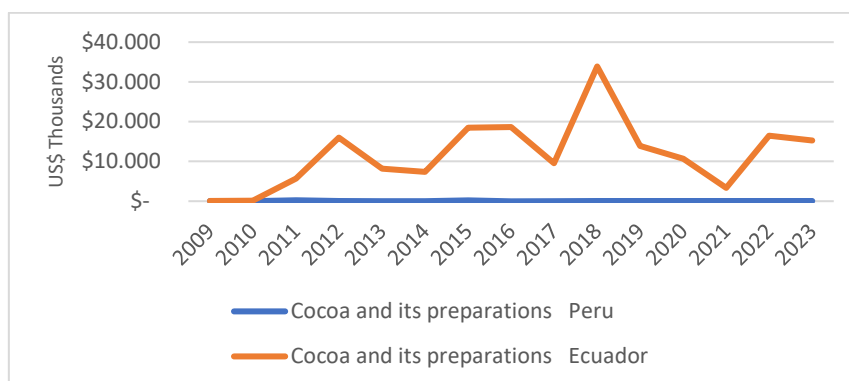
Source: Own elaboration, based on available data Trade Map (2024).

The sectors with greater acceptance in the Chinese market are fish and crustaceans, as shown the Figure 7 between 2009 and 2017 the values between exports from Ecuador and Peru are similar, however for 2017 Ecuador takes the lead. In this sense, it is important to highlight that Ecuadorian product had a significant growth in this period and in comparison, with Peru, which had the agreement, Ecuador has been superior in exports.

On the other hand, cocoa exports under tariff chapter 18 include cocoa beans, shells, paste, butter, powder and chocolate. According to the Figure 8, Peruvian exports have had a continuous behavior and even in the years 2010, 2013 and 2014 there are no export records, which reflects that cocoa, and its derivatives are not the main export products. On the contrary, in the Ecuadorian case, it reflects the constant growth of exports of this product.

Figure 8

Exports of tariff chapter 18 period 2009-2023.

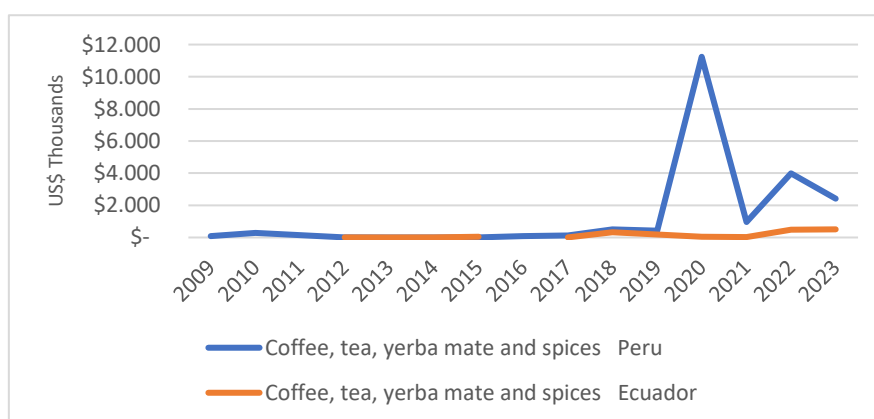


Source: Own elaboration, based on available data Trade Map (2024).

Figure 8 reflects the superiority of its exports compared to those of Peru, which, within the framework of the FTA, has maintained constant exports to the Asian country. Only in the period from 2009 to 2010, Peru exported more than Ecuador; however, in the year 2023, Ecuador exported up to 200 times more than Peru. The superiority of Ecuadorian exports is since the country is considered the main exporter of cocoa in Latin America, and, despite not having specific agreements, Ecuadorian cocoa is highly demanded in the world market.

Figure 9

Exports of tariff chapter 09 period 2009-2023.

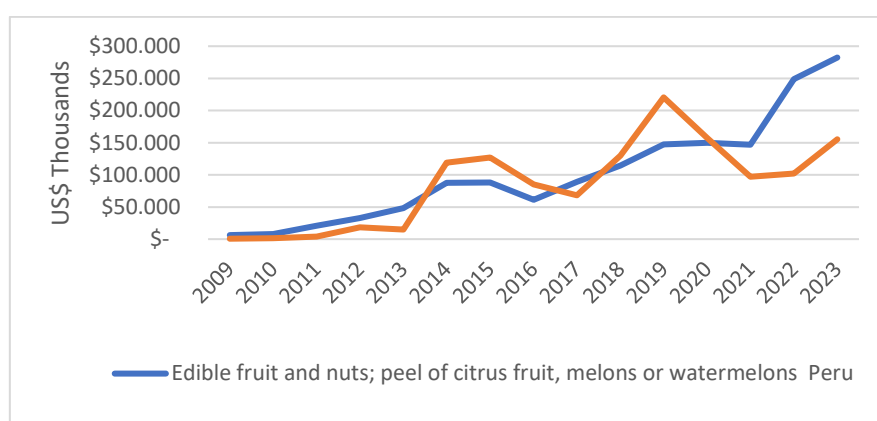


Source: Own elaboration, based on available data Trade Map (2024).

Export diversification was one of Peru's most important objectives, which is why an agreement was signed with China. One of the products that has been most successful in terms of its insertion in the Chinese market is coffee, whose exports have increased notably, with an annual growth of 85.7% between 2018 and 2022 (CIEN, 2023). Figure 9 illustrates this remarkable growth, far surpassing Ecuadorian exports. However, it is important to note that, despite the thirteen years of the agreement, in some years no export data were recorded, while Ecuador shows a more stable trend, even though there was no trade agreement in this period.

Figure 10

Exports tariff chapter 08 period 2009-2023.



Source: Own elaboration, based on available data Trade Map (2024).

Tariff chapter number 08 covers all products of the vegetable kingdom, such as fruits, nuts, cooked, steamed, frozen and soft drinks. During the period analyzed, Peru, within the framework of the FTA that came into force in 2010, has experienced a notable increase in its exports, with a constant, stable and pronounced growth. Thus, exports went from \$6,293 million in 2009 to \$282,373 million in 2023, which means that until this last year they exported up to 44 times more than what they exported before the trade agreement. In comparison with Ecuador, Peruvian exports were higher; however, it is important to note that the growth of Ecuadorian exports has also been constant.

In the Ecuadorian case the non-oil sector in the Chinese market has been valued being shrimp the star export product that in 2019 was exported 2083 million to 2023 grew

3868 million having a percentage growth of 85.69%. In general terms, non-oil exports have had a percentage growth of 115% from 2019 to 2023.

The Chinese market's interest in Ecuador's non-oil products reflects an encouraging outlook, since exports are not based on oil or minerals, with China being the main destination for Ecuador's non-oil exports. This is the differentiating factor of the FTA signed between China and Peru. Peruvian exports are based on traditional products (mining, fishing, oil) and during the FTA period, Ecuador has not been able to diversify its exports. Ecuador, on the contrary, already has a significant trade relationship based on the export of non-traditional products (Jaramillo F. , 2024) .

In another scenario, the FTA is of concern to the Ecuadorian small industry sectors, since they will face unequal competition, taking into account that Chinese production is on a larger scale than national ones, which lowers the cost of products even after covering taxes, this would have an impact on local production, since, unable to compete with Chinese products, industries would prefer to import products, which would have a significant impact on employment (Samaniego, 2024).

Despite the concern of the sectors that feel affected, Parra (2024) mentions that, among the most important aspects of the agreement is the protection of sensitive sectors of both economies; to achieve this specific exclusions and extended tariff relief periods were implemented, this measure is taken with the objective of maintaining economic stability and safeguarding employment in our country.

V. CONCLUSIONS

This research paper presents a comprehensive analysis of the risks and benefits arising from the Free Trade Agreement (FTA) between China and Peru, and explores its prospects for Ecuador. Adopting a qualitative approach, the study draws on a comparative analysis of exports, expert interviews in foreign trade, and an extensive documentary review. The objective is to identify the arguments supporting the signing of the agreement and examine the growth of Peruvian exports due to preferential access. Simultaneously, it offers a comparative framework to evaluate the potential impact of the agreement on Ecuador particularly in the agricultural and manufacturing sectors while highlighting the associated risks, beyond the widely publicized benefits.

First, it is important to recognize that China is the world's largest consumer market. According to the literature review, this was the primary argument motivating the analyzed countries to enter into the FTA. They believed that the agreement would enable them to increase exports, diversify their export baskets, and strengthen domestic industries through the importation of technology and machinery.

The benefits Peru obtained from signing the FTA with China were evident, marked by a significant increase in exports, especially in the traditional sector, which accounted for 96% of total exports during 2010–2022. The most substantial growth occurred in the mining sector, with exports rising from \$2,639,192 in 2010 to \$19,797,890 in 2022, with an average annual growth rate of 14.1%. Copper and its derivatives experienced the highest growth, with exports increasing from \$344,615 to \$1,365,487 million—a 296.9% rise—making China the main buyer of these products.

Meanwhile, non-traditional exports represented 4% of trade over the thirteen-year period, with fish, mollusks, and crustaceans standing out due to an approximate 2000% growth. The increase in exports across sectors contributed to a steady inflow of foreign currency, positively impacting the trade balance, which remained favorable in eleven of the fourteen years between 2010 and 2023.

Additionally, the desk research revealed that Chinese Foreign Direct Investment (FDI) grew from 1% in 2010 to 22% in 2023. This investment was critical, as it targeted

strategic sectors such as energy, infrastructure, and mining. A notable example is the construction of the Chancay Megaport, with a projected cost exceeding three billion dollars, further reinforcing Peru's economic position.

The most important lesson Ecuador can take from the Peruvian experience is the importance of leveraging the evident benefits. However, the risks associated with an FTA are equally significant. The main risk is economic dependency; for over a decade, China has been Peru's primary trading partner, which is precarious, as shifting economic conditions or declining demand for key products can leave the domestic economy exposed—as occurred from 2013 to 2015, when falling mineral prices led to a trade balance deficit.

Despite export growth, Peru has not succeeded in diversifying its exports. In fact, the country's reliance on traditional-sector products increased by nearly 1%, while non-traditional exports declined by the same percentage, showing that its export structure remains dependent on natural resources, just as it was before the agreement. This perpetuates an asymmetric trade relationship where exports are tied to commodity prices.

Furthermore, competition under unequal conditions is a major concern for small producers, who struggle to compete with inexpensive Chinese products, especially those easily accessed through online platforms and often entering the country without meeting quality or tariff standards. In Ecuador, for instance, more than 34% of textiles are imported from China, displacing domestic production and contributing to deindustrialization and job loss. Multinational companies have similarly opted to close production lines to operate solely as distributors, negatively affecting the economy.

Conversely, the opportunities for Ecuador were evident in the comparative analysis of tariff chapters in both traditional and non-traditional sectors. The outlook is encouraging, as Ecuador outperformed Peru in three of the seven chapters analyzed. In the chapter on fish, crustaceans, mollusks, and other aquatic invertebrates, Ecuador exported 11 times more. In cocoa and cocoa preparations, Ecuador's exports were 200 times higher. In the traditional sector, Ecuador also doubled Peru's exports in the chapter on mineral fuels, oils, and distillation products.

These results, achieved without a trade agreement, suggest that Ecuadorian products already hold strong labor potential in the Chinese market, and their value is expected to grow with preferential access. If Ecuador continues enhancing its non-traditional export offerings, future dependency on traditional exports could be minimized, thus avoiding the overreliance currently seen in Peru.

The interviewed experts agreed that signing the agreement was the right decision, as it will allow Ecuador to diversify exports and import technology, machinery, and construction inputs—critical for advancing the productive matrix and boosting the domestic industry.

From another angle, the issue of sovereignty has sparked debate around the FTA with China. In the long term, China's increasing economic influence in countries with such agreements could affect Ecuador's political and economic autonomy. Sovereignty concerns are also evident in cases such as illegal fishing by Chinese vessels in the Galapagos Islands' protected area, which began even before the FTA and continues to be problematic.

Concerns also arise from high consumption of Chinese textiles, plastics, and disposable products. Despite their affordability, these items are often low quality, contributing to waste and landfill overflow—an unsustainable situation driven by population growth and consumerism. This not only harms the environment but also undermines the local textile industry, which cannot compete on price.

Experts emphasized that, although a gradual reduction in tariffs exists, public policies are needed to support the domestic industry. Presently, conditions are not favorable for small producers to compete effectively. Importing companies, on the other hand, should capitalize on tariff relief by incorporating new technologies into production processes, improving efficiency, costs, and overall competitiveness—while also opening new export opportunities for Ecuadorian value-added goods.

In conclusion, while the benefits of the agreement are immediate and evident, the long-term risks demand thorough analysis and targeted actions, such as strategies to

diversify exports and strengthen domestic competitiveness to prevent Chinese industry from adversely impacting local producers.

Nevertheless, the research presents certain limitations. Given the agreement's recent implementation, available trade data, feasibility studies, and sectoral reports are limited, hindering a full assessment of long-term effects. Furthermore, since trade agreements evolve over time, these findings may lose relevance amid future political, economic, or social shifts. Therefore, continuous monitoring of the agreement's development is essential to inform policy adjustments aimed at minimizing risks and maximizing benefits.

Within the framework of the treaty, multiple research paths have emerged, focusing on the impact on sensitive sectors, specific industrial benefits, social and environmental implications, and the integration of technological development.

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Annex 1

Semi-structured interview guide



Subject: Comparative analysis of the benefits and risks of the FTAs signed by China with Peru and Ecuador.

Objective: To identify the perception of experts regarding the benefits and risks that Ecuador is exposed to when signing the FTA with China.

1. Sociodemographic data

Academic background

Company where you work

Position held

Time in office

Knowledge and experience in foreign trade issues

Looking back in history, since 2002 trade relations between Latin American countries and China have intensified and China has become the region's most important trading partner. To strengthen its trade relations with the region, the Asian giant has opted to sign trade agreements. In 2009 it signed the FTA with Peru and in 2023 with Ecuador, which came into force in May of this year. Please answer the following questions in this regard

What is your perception of China's insertion in Latin America?

Do you consider that the signing of the China-Ecuador FTA was the right decision? Why?

In your opinion, what will be the future results of the signing of the FTA between China and Ecuador? Mention negative and positive aspects.

Do you consider that the protection of sensitive sectors (textiles, apparel, footwear, metalworking, rice, sugar and milk, tuna, among others) is sufficient to ensure that these sectors are not affected in the future?

Do you believe that the FTA represents a risk or benefit for Ecuador? Why?

Do you consider that free trade agreements contribute to the country's development?

During the negotiation rounds, it was established that 2,755 tariff items (fish, eels, canned products, jams, microwaves, hygiene articles, cars, plastic articles, toys, among others) would be gradually phased out. Do you consider that this period is sufficient to strengthen the local industry?

Annex 2

Experts' perceptions of the signing of the Ecuador-China FTA

Nº	China's insertion in Latin America	Perception of China-Ecuador FTA	Positive and negative impact of NAFTA	Sensitive sectors	Competition	Country development	Impact on local industry
1	China is a key trading partner for Latin America, being one of the main exporters to the region and handles approximately 10% to 15% of LATAM imports.	Yes, I believe it was a wise decision that benefits the export products sector, gaining preferential access to the Chinese market. However, it is a challenge for small local companies that must compete against products imported from China at a lower price, and our labor force is not as competitive.	Positives: Increase in exports to China. New products will be able to compete in this new market. Negatives: In case of political situations, we will be affected, and this would directly affect the country's economy. Also, our local products would lose competitiveness with the entry of Chinese products with cheaper prices.	It is relative, as it depends on how companies in these industries organize themselves and become more competitive.	In my way I see it as something positive for our country, achieving that our products can be commercialized in new traffics, it opens new opportunities for us, and this would lead us to be an example to achieve new treaties with countries of the European region, which would also be beneficial.	I agree, they do contribute to the development of the country.	It depends on the size of the local company, its organization, its desire to be more innovative and competitive against other imported products. The time frame given is prudent, only time will tell how efficient the strategies adopted by local producers will be.

2	It opens up greater opportunities for Latin American countries to diversify their exports, as well as allowing China to export to new destinations with lower tariffs.	Yes, I believe that the China-Ecuador FTA was a wise decision because the main objective of the trade agreement is to deepen the access of goods between both countries, in that sense, it is important to highlight how the agreement supports greater trade.	An additional \$1 billion in exports is expected in the first years of the agreement's entry into force.	In addition to the exemption in the national defense chapter of the Ecuador-China FTA, the possibility of reestablishing tariffs was introduced if there is a possibility of damage to national production because of the agreement.	I do believe that the FTA represents a great opportunity for Ecuador's exports. Countries in the region that have signed a trade agreement with China have registered a significant growth in their non-oil, non-mining exports to this destination.	FTAs allow the export sector to strengthen, in the sense that it improves our competitiveness, which leads to more companies exporting goods and services, which in turn generates more jobs. Dollarization makes Ecuador highly dependent on foreign currency from exports, and this foreign currency is essential to maintain the liquidity of the financial system and guarantee the functioning of the economy.	The aim was to protect sensitive sectors, which is why more than 800 products with China were excluded. On the other hand, for the other sensitive sectors or products, a tax holiday of a longer period gives the sectors time to become more competitive.
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3	<p>I believe that Chinese investment in infrastructure, energy and mining has generated jobs and economic growth, however, we cannot ignore China's influence in Latin America and its impact in various aspects, taking advantage of the need to expand politically and economically.</p>	<p>Although the FTA is expected to significantly increase trade between the two countries, the decision was not a wise one, as it leads to a dependence on imports and affects local production and employment in some important sectors of the country.</p>	<p>As negative aspects we have: Displacement of domestic products, Negative environmental impact with some investment projects. Positive aspects: direct foreign investment in sectors such as energy and infrastructure, access to advanced technology and know-how. Access to new markets for Ecuadorian products.</p>	<p>I consider that it was an important step to guarantee their survival in the market, however, the current measures are not enough since the manufacturing industry is exposed to unfair competition in which products of Chinese origin are much cheaper considering that the Chinese government subsidizes a large part of its country's exports. Therefore, I believe that it is necessary that the government and the industries continue to work to ensure the protection of the country's sensitive sectors.</p>	<p>I consider that it is a benefit if risks are adequately managed, protection policies are implemented for sensitive sectors and sustainable development must be promoted, avoiding compromising the sovereignty and welfare of the Ecuadorian population.</p>	<p>Yes, it contributes to the country if it is properly managed, generating negotiations that maximize benefits. In addition, it allows the opening of markets and the insertion of products. However, it must always be considered that there are interests involved.</p>	<p>could be considered a reasonable time if policies are implemented to strengthen Ecuadorian industry and strategies are generated to develop the productive capacity of local companies. Companies must also do their job by investing in technology to improve their production.</p>
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4	<p>I believe that the influence of the Asian giant in Latin American markets is an interesting balance for traditional trade dynamics in the region. In this sense, it would be important to analyze the affinity and tendency of the governments in power to foresee whether China's rapprochement has potential and at what scale.</p>	<p>Free trade agreements are a natural measure in the international market to favor and facilitate economic transactions. To know if it is a wise decision, the analysis should focus on understanding the maturity of the two markets to avoid cannibalizing emerging industries.</p>	<p>When protections for sensitive items are terminated, it will be difficult for Ecuadorian industry to compete with the level of production and prices of the Asian countries. Even more so if we consider the factors that hinder the growth of small and medium industries such as low access to low-interest credit, low investment, lack of social and legal security, as well as a delicate energy matrix to ensure the production processes in the country.</p>	<p>This consideration should be analyzed by specific sectors, since the level of exposure to Chinese products will depend on the degree of maturity of these industries. At this point, it is important to recognize that there are exogenous factors that affect the strengthening of the private sector within the country, and this is precisely the greatest weakness of our industries.</p>	<p>This instrument, by its very nature, can represent multiple benefits if it is used to strengthen both markets with products and inputs that are complementary. However, it is necessary to understand what is being exchanged and how it affects each country's trade balance to be considered a win-win.</p>	<p>Yes, if they are adapted to the internal conditions of the country.</p>	<p>I believe that in a VUCA environment such as the Ecuadorian one, this period may not be enough to strengthen the competitive advantages of the local industry.</p>
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5	China has inserted itself in Latin America, but, for the moment it has not inserted itself in politics, purely commercial relations. More beneficial with respect to the U.S. to move from one partner to another and achieve a development, depend on someone, looking for their common good, China is managed with guarantees we put at risk natural resources.	The FTA allows us to import more inputs, more restrictions, liberalization of input restrictions, negative import of products that we already have and there is no way to compete, advantages over any other country, competitive prices.	Negative: shock of not being able to compete with Chinese products, local consumers with foreign preferences, complication of domestic production. Positive: more inputs, technology, pressure for the development of domestic industry.	It is an aid mechanism, but they are sufficient if they do not come with other policies to boost national production, to improve people's knowledge, to equip the country with technology and infrastructure.	Benefits to certain sectors that benefit from the sectors, detrimental to small business sectors, depends on how domestic policy is handled, strengthen against foreign products, good domestic policies risks.	Yes, if they are accompanied by internal production policies, the country must be prepared to compete with other countries; if the local level is not strengthened, it will not be beneficial.	If we take the time, I consider that it is not enough time given the conditions of the country, the policies are focused on the energy emergency, we must see the factors of the country, reaching 20 years should be enough to compete with foreign products.
6	Beneficial and supportive of country development	Absolutely right, as it is our main trading partner for both imports and exports.	A more dynamic and competitive trade environment. Undoubtedly, it brings benefits in the medium and long term and the negative aspects such as	Yes, I think it is a way to protect those industries in the present and future.	Benefit. Ecuador is still very dependent on imported products because domestic production is very weak and having a	Yes, they help to boost a country's economic environment.	Yes, it is enough, and it can also help these industries to become stronger.

			discouraging domestic production are more perceptible in the short term.		TCL with China helps to strengthen us.		
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