ECUADOR AND THE ANDEAN COMMUNITY
A SURVEY TO GAIN INSIGHTS FROM THE PRIVATE SECTOR

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Bangkok, December 14, 2017
Private Sector Involvement

- Cooperation between government and private sector needed to achieve 2030 Sustainable Development Goals and particular indicators

- Information about productive linkages and value chains at the macro level from ECLAC’s Regional Input-Output Table

- Information at the micro level from the private sector to complement industrial and trade policies
  - Experience with non-tariff measures/barriers to trade
  - Importance of Latin American and the Caribbean SMEs in trade
Survey on Trade Facilitation - Background

- Source: Japan External Trade Organization (JETRO)
- Focus: Business situation of the Japanese firms in Latin America (fiscal year 2015)
- Results from February 2016
- Sample:
  - 400 firms
  - 7 countries (Argentina, Brazil, Chile, Colombia, Mexico, Peru, Venezuela)
  - Manufacturing and no manufacturing
  - Large, medium and small enterprises
Main Problems:
1. Paperwork and Time Spent at Customs (48% each)
2. High Import Tariffs (33%)
3. Lack of Information regarding Norms (29%)

Firms in the Southern Common Market (MERCOSUR) have indicated more problems with respect to foreign trade activities compared to the Pacific Alliance countries.

→ One explanation is that Argentina and Brazil had not yet concluded such agreements outside of the region and with developed countries that benefit the firms in these countries with reduced paperwork and low import tariffs.
## Survey on Trade Facilitation - Background

<table>
<thead>
<tr>
<th>Region</th>
<th>No particular problem</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chile</td>
<td>56.8%</td>
</tr>
<tr>
<td>Peru</td>
<td>48.0%</td>
</tr>
<tr>
<td>Colombia</td>
<td>47.6%</td>
</tr>
<tr>
<td>Ø Latin America (7 countries)</td>
<td>22.3%</td>
</tr>
<tr>
<td>Mexico</td>
<td>19.3%</td>
</tr>
<tr>
<td>Venezuela</td>
<td>13.3%</td>
</tr>
<tr>
<td>Brazil</td>
<td>11.0%</td>
</tr>
<tr>
<td>Argentina</td>
<td>9.7%</td>
</tr>
</tbody>
</table>

*Source: JETRO (2016)*
ECLAC’s Survey – Ecuador

Main Objective:

- The Regional Integration Unit of the International trade and Integration Division of ECLAC is conducting a study to evaluate the trade flows within the Andean Community.
- Trade facilitation, trade barriers, and benefits from intraregional trade
- Collect opinions of the private sector to evaluate the strengths and weaknesses of the relation between Ecuador and the Andean Community from their point of view.
- Gaining results at the sectoral level can help to focus on improving the problem solving.
ECLAC’s Survey - Ecuador

- 5 questions:

1) Economic Sector

2) Trade Partners by Region

3) Barriers to Trade within the Andean Community

4) Benefits from Trade within the Andean Community

5) Open Comments
1) Economic Sector

“Please indicate the main sector of your economic activity.”

- Agriculture; Hunting; Fishing
- Crude Oil, Oil Derivatives and Mining
- Oils and Fats; Dairy Products, Processed Food, Beverages, Tobacco
- Wood; Wood Manufacturing; Paper and Cardboard
- Textiles and Apparel; Leather and Footwear
- Chemicals and Pharmacies; Plastics; Non-Metallic Minerals
- Metals and related products; Machinery; Automotive and Pieces and Parts
- Other Manufacturing; Other Activities
ECLAC’s Survey - Ecuador

2) Trade Partners by Region

“The trade relations of your firm do cover which regions?”
  ➢ 8 regions

Export Destinations / Import Origins
3) Trade Barriers in the Andean Community

“Please indicate all of the following options that provide barriers to trade to your firm or the Andean Market. Then, please rank the main barriers, starting with the most important one.”

- 15 barriers
- Option “other”

Separately for exports/imports
Importance rating (most important, 2, 3, …)
4) Benefits of Trade in the Andean Community

“With respect to the Andean Market, please indicate all of the following options that correspond to your company/industry.

Then, please rank the main benefits, starting with the most important one.”

- 23 benefits
- Option “other”

Selection

Importance rating (most important, 2, 3, …)
5) Open Comments

Do you have further comments with respect to trade and the productive linkages of your firm in the Andean Community?
Thank you for your participation!

Appendix Question 1: list of all considered economic sectors

- Agriculture; Hunting; Fishing
- Crude Oil, Oil Derivatives and Mining
- Oils and Fats; Dairy Products, Processed Food, Beverages, Tobacco
- Wood; Wood Manufacturing; Paper and Cardboard
- Textiles and Apparel; Leather and Footwear
- Chemicals and Pharmacies; Plastics; Non-Metallic Minerals
- Metals and related products; Machinery; Automotive and Pieces and Parts
- Other Manufacturing; Other Activities
Export Barriers, Ecuador – Andean Community (in %)

- Increased International Transport Prices
- Logistical Difficulties in Local Customs
- Increased Transport Cost between Firm and Customs
- Market Inspections
- Increase in Prices of Intermediate Inputs incorporated in Exports
- Sanitary and Phytosanitary Barriers
- Difficulties in Customs Clearing in Destination
- Difficulties in Access to Financing
- Insufficient Export Promotion
- Delay in Ground Transport
- Lack of Technical Capacity to Export
- Quality Certificates hard to comply with
- Increased Insurance Cost
- Import Licenses
- Quantitative Restrictions

Source: own elaboration, based on 157 responses
ECLAC’s Survey - Ecuador

Import Barriers, Ecuador – Andean Community (in %)

- Logistical Difficulties in Local Customs: 26.8%
- Increase in Prices of Intermediate Inputs incorporated in Exports: 33.1%
- Difficulties in Customs Clearing in Destination: 34.4%
- Market Inspections: 34.4%
- Delay in Ground Transport: 26.8%
- Increased Transport Cost between Firm and Customs: 28.0%
- Import Licenses: 33.1%
- Increased Insurance Cost: 12.1%
- Quantitative Restrictions: 20.4%
- Increased International Transport Prices: 12.1%

Source: own elaboration, based on 157 responses
ECLAC’s Survey - Ecuador

Frequent and important barriers

- Difficulties in Access to Financing: 29%; Ø 1.1
- Quality Certificates hard to comply with: 27%; Ø 1.0
- Increased International Transport Prices: 20%; Ø 1.5
- Sanitary and Phytosanitary Barriers: 16%; Ø 1.1

Source: own elaboration, based on 157 responses
ECLAC’s Survey - Ecuador

- Further export barriers
  - “Competition from China”
  - “Suppliers do not comply with desired certificates”
  - “Problems at ports to retain empty containers”
  - “Bureaucracy (time to grant certificates)”

- Further import barriers
  - “High/excessive tariffs”
  - “Safeguards (span. ‘Salvaguardias’)”

Source: own elaboration, based on 157 responses
Benefits, Ecuador – Andean Community (in %)

Source of Business Opportunities – 79.6
Potential Market for new Products – 63.7
Natural Destination for Products with higher Value-Added – 59.7
Main Destination of Exports – 59.9
Knowledge of Best Practices – 59.9
Learning Market for Exports – 58.0
Place of Promoting R&D – 56.1
Employment Impulses for the Sector – 55.4
Development of Product Design – 54.1
Has facilitated Growth of Firm – 53.5
Allowed to Position Products in the Regional Markets – 52.2
Origin of Entrepreneurial Opportunities in the Sector – 51.0
Origin of Technical Cooperation – 50.3
Cooperation to solve common Problems in third Markets – 50.3
Has incentivized Investments in the Sector – 49.0
Favors Export Learning – 48.4
Source of FDI – 47.8
Export Complimentarity in third Markets – 47.1
Place of the Coordination of Standards Harmonization – 47.1
Place of Productive Complementarity – 46.5
Has allowed Diversification of Firm – 46.5
Origin of Main Intermediate Inputs – 45.9
Origin of Capital Goods – 37.6
Origins of Technical Cooperation – 33.1

Source: own elaboration, based on 157 responses
ECLAC’s Survey - Ecuador

Frequent and important benefits (with Ø rank)

- **Main Destination of Exports** (Ø 1.7)
- **Source of Business Opportunities** (Ø 2.5)
- **Place of the Coordination of Standards Harmonization** (Ø 2.7)
- **Learning Market for Exports** (Ø 2.7)
- **Potential Market for new Products** (Ø 3.1)
- **Employment Impulses for the Sector** (Ø 3.1)

*Source: own elaboration, based on 157 responses*
ECLAC’s Survey - Ecuador

- Open comments

- “Strengthen the Andean Community, eliminate barriers (taxes, capital flow)”

- “Reduce tariffs between Ecuador and the Andean Community; promoting the integration of the Andean Community”

- “Devaluation in Peru and Colombia has affected trade through prices”

- “The Dollar makes my products more expensive; few economies of scale”

Source: own elaboration, based on 157 responses
Conclusion and Outlook

- Private sectors welcomes getting noticed during negotiations in trade agreements

- Using surveys (and customs data) helps to collect information at the micro level to complement information at the macro level
  - Ecuador - EU: logistics cost calculated from import data in FOB

→ Consideration of non-tariff barriers to trade is as important as reducing tariffs (trade facilitation)

→ Focus on trade in services is increasingly important
  - Costa Rica: Public-Private-Academic Committee, strengthening Human Capital
  - Argentina and Chile: governmental targets for university training to qualify employees
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