Ecuador as a Gateway to Trade

2018 Latin American Cities Conference
“Investing in Ecuador’s Future”
May 30, 2018
Country of Opportunities
Ecuador has it all!

- Hydrocarbons
- Mining
- Agriculture
- Aquaculture and Fishery
- 90% Renewable Energy
- Road Infrastructure (13,000 km of first-class roads)
- Weather
- Water
- Hardworking People
- Tourism
- Dollarized Economy
What was missing?

- Dialogue!
- Pragmatism
- Legal Security
- Predictability
- Tax Incentives
- Attraction of Investment as a State Policy
Objectives

More trade agreements

Opening markets

Export diversification

Attraction of investments
Economic boost and growth

Job creation

Dollarization sustainability
Opportunities in the Global Market

Around 7,500 million inhabitants

Potential Customers

Around 7,500 million inhabitants
Foreign Trade General Assessment
2017: A year seen in numbers

In 2017, the European Union consolidated itself as the main destination for Ecuador’s non-oil exports, with USD 3.173 million.

The United States was the second destination market, with USD 2,591 million exported (increase of 0.3% vs. 2016).

Top 5 Destinations for Non Oil Exports
(Million USD FOB) – 2017

- EU: 3,173 (12%)
- United States: 2,591 (0.3%)
- Vietnam: 1,458 (31%)
- Russia: 845 (10%)
- Colombia: 747 (-7%)

Source: Central Bank of Ecuador Database 2016 – 2017
**Foreign Trade**

**Non-Oil Exports to the World**

Million USD FOB

- 2007: 5,993
- 2008: 7,098
- 2009: 6,898
- 2010: 7,817
- 2011: 9,378
- 2012: 9,973
- 2013: 10,644
- 2014: 12,449
- 2015: 11,670
- 2016: 11,338
- 2017: 12,209

**Variation 2017-2018:** 8%

**Average:** 9.588

**Non-Oil Exports to the United States**

Million USD FOB

- 2007: 1,416
- 2008: 1,603
- 2009: 1,616
- 2010: 1,643
- 2011: 2,027
- 2012: 2,220
- 2013: 2,484
- 2014: 3,445
- 2015: 3,039
- 2016: 2,583
- 2017: 2,591

**Variation 2017-2018:** 0.3%

**Average:** 2.242

Fuente: Base de datos Banco Central del Ecuador
In 2017, China consolidated itself as the main provider for Ecuador’s non-oil imports with USD 3,471 million.

United States was the third provider with USD 1,982 million imported (increase of 11% vs. 2016).

Top 5 Origins of Non Oil Imports (Million USD FOB) – 2017

- **China**: 3,471 (19%)
- **EU**: 2,059 (25%)
- **United States**: 1,982 (11%)
- **Colombia**: 1,507 (21%)
- **Brazil**: 839 (29%)
Ecuador’s Trade Policy
Trade Agreements in Force

Cartagena Agreement – CAN (1969)
PSA R 29 – México (1987)
PSA EC 46 – Cuba (2000)
PSA EC 59 – Mercosur
PSA EC 65 – Chile (2010)
PSA A 25MT 42 - Guatemala (2013)
MTA – European Union (2016)
PSA A 25MT 45 – Nicaragua (2017)

PSA – Partial Scope Trade Agreement
R - Renegotiation
EC – Economic Complementation
MT – Montevideo Treaty
MTA – Multiparty Trade Agreement
Trade Negotiation Agenda

**Concluded Negotiations**
- EFTA

**Negotiations In Process**
- South Korea
- Turkey
  - Reactivating the negotiation process is being analyzed

**Negotiations to be Started**
- India (PSA)
- United Kingdom
- Dominican Rep.

**Negotiations that Require Previous Processes**
- United States
- Canada
- Japan
- Mexico
- UEE
- Costa Rica
- Pacific Alliance
Ecuador – United States Trade Relations
Ecuador – United States Trade Relations

During the last ten years (2008-2017)
The United States represented:

**Main Export Destination**
- Main destination market for total exports (2008-2017)
- Main destination market for non-oil exports in 2014 and 2015. Second destination market from 2007 to 2013, and in 2017, after the European Union
- 40%: of Total Exports
- 23%: of Non Oil Exports

**Main Supplier**
- Main provider of total imports (2008-2017)
- Main provider of non-oil imports between 2008 and 2010, and second provider between 2011 and 2017, after China
- 23%: of Total Imports
- 17%: of Non-Oil Imports

Source: Central Bank of Ecuador
**Total Trade with the United States**
(Million USD FOB)

**Non-Oil Trade with the United States**
(Million USD FOB)

Source: Central Bank of Ecuador: Years 2013-2017
## Main Non-Oil Products Exported to the United States
### 2017
(Million USD FOB)

<table>
<thead>
<tr>
<th>Product</th>
<th>Value (Million USD)</th>
<th>Variation % 2016–2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shrimp</td>
<td>574</td>
<td>5%</td>
</tr>
<tr>
<td>Banana</td>
<td>465</td>
<td>12%</td>
</tr>
<tr>
<td>Flowers</td>
<td>397</td>
<td>4%</td>
</tr>
<tr>
<td>Other forms of Gold</td>
<td>151</td>
<td>-39%</td>
</tr>
<tr>
<td>Canned Fish</td>
<td>130</td>
<td>18%</td>
</tr>
<tr>
<td>Cocoa Beans</td>
<td>116</td>
<td>-27%</td>
</tr>
<tr>
<td>Fish</td>
<td>91</td>
<td>18%</td>
</tr>
<tr>
<td>Other Metal Manufactures</td>
<td>66</td>
<td>46%</td>
</tr>
<tr>
<td>Banana Products</td>
<td>59</td>
<td>16%</td>
</tr>
<tr>
<td>Plantain</td>
<td>56</td>
<td>-1%</td>
</tr>
</tbody>
</table>

*Source: Central Bank of Ecuador Database 2017*
Main Non Oil Products Imported from the United States
2017
(Million USD FOB)

<table>
<thead>
<tr>
<th>Polymers</th>
<th>165</th>
<th>7%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Máquina ind. y sus partes</td>
<td>96</td>
<td>0.4%</td>
</tr>
<tr>
<td>Teléfonos y celulares</td>
<td>66</td>
<td>60%</td>
</tr>
<tr>
<td>Computadoras</td>
<td>62</td>
<td>43%</td>
</tr>
<tr>
<td>Trigo y mazorca</td>
<td>56</td>
<td>-7%</td>
</tr>
<tr>
<td>Aceites del aceite de soya</td>
<td>54</td>
<td>-61%</td>
</tr>
<tr>
<td>Otras mercancías</td>
<td>53</td>
<td>5%</td>
</tr>
<tr>
<td>Metales y desechos de metales</td>
<td>48</td>
<td>760%</td>
</tr>
<tr>
<td>Electrodomésticos</td>
<td>41</td>
<td>21%</td>
</tr>
<tr>
<td>Otros químicos</td>
<td>40</td>
<td>-1%</td>
</tr>
</tbody>
</table>

Variation % 2016 – 2017

Polymers | Industrial Machinery | Cellphones | Computers | Wheat and Meslin | Soy Oil Residues | Other Merchandise | Metal Waste and Scrap | Household Appliances | Other Chemicals
---|---|---|---|---|---|---|---|---|---

During the 2012-2017 period, the United States was the third most important investor in Ecuador, after The Netherlands and China.
Strengthening the Trade Relation with the United States

Technical Dialogue and Information Exchange

Special Treatment of Sensitive Topics

Reactivation of the Trade and Investment Council (TIC)

Trade Agreement Negotiation

Bilateral Investment Treaty (BIT) Negotiation
Why Invest in Ecuador?
Executive Decree No. 252

Declares Attraction of Investments as a State Policy

Creates the Strategic Committee for the Promotion and Attraction of Investments Promotion and Attraction
Declares Full Liberalization of Air Transport as a National Policy

Encourages the negotiation of Open Skies Agreements
Draft Organic Law for Production Promotion, Investment Attraction, Job Creation and Fiscal Sustainability

Public Policy Objectives

- Legal Security
- Predictability
- Tax Incentives
**Income Tax Exemption**
- Quito and Guayaquil: 8 years
- New industries: 10 years (other cities)
- Basic industries: 15 years
- Industrial investment: +5 years in bordering counties

**Income Tax Exemption for the Dividends of Real Estate Funds**
- COPCI includes (COPCI - Organic Code for Production, Trade and Investment)
  - Export services
  - Real Estate Developments for tourism
  - Other sectors

**10 point Income Tax reduction starting at the 11th year**
- ZEDE - Special Areas for Economic Development
- Tourism ZEDE - Special Areas for Economic Development for Tourism

**Law on Solidarity:**
Income Tax Exemption Extension for Manabí and Esmeraldas
- New Investments 10 years
- New Tourism Investments 15 years
**Foreign Exchange Outflow Tax Exemption**
- New investments
- Dividends payment
- To those who reinvest 50% of their profits

**VAT Refund**
- Social housing

**Creation of the Tourism ZEDE**
- Tax exemption for 10 years
Investment Incentives

- **Expansion of Promotion Points:**
  - Export services
  - Receptive tourism

- **Applicability of the PPP Model**
  - Strategic sectors

- **Law on Labor Defense**
  - **Removal of Art. 1:** (shareholders linkage)

- **Profits on Sale of Shares**
  - 8% flat rate
Investments in Ecuador

- **USD 5,499 Million**
- **43 Investment Projects**

**Sectors**
- **3 Industry** USD 421 Million
- **15 Tourism** USD 150 Million
- **12 Real Estate** USD 47 Million
- **15 Infrastructure** USD 4.539 Million
- **6 Logistics** USD 153 Million
- **6 Environment** USD 189 Million

**Management Models**
- **11 Public-Private Partnership**
- **6 International Cooperation**
- **30 Private Investment**
- **1 Social Responsibility**