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Chapter 1: Doing Business in Ecuador

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Market Overview

Ecuador is a small- to medium-sized market for U.S. exports. In 2011, U.S. exports to Ecuador increased almost 12 percent to $6.06 billion. The Central Bank’s forecast for GDP growth in 2012 is 5.35 percent, for a total GDP of $71.6 billion by year-end 2012.

Ecuador’s trade policy has been unpredictable recently, with the government of this dollarized, petroleum-based economy searching for ways to improve its trade balance. Following the imposition of safeguards in January 2009 (which were removed in July 2010), the government sought to decrease imports and promote exports through a new Production Code that includes a variety of measures such as import substitution, enforcement of standards and sanitary and phytosanitary requirements, and investment incentives. Historically, Ecuador has faced a number of challenges, including political instability (although the current president has served five years), corruption, and unpredictability of government policies affecting trade and investment. U.S. companies should also be aware that the business cultures can vary greatly between the highlands (centered in Quito, the political capital) and the coast (centered in Guayaquil, traditionally the business capital).

Despite these cautionary notes, Ecuador remains a market with significant potential for U.S. firms. Following Ecuador’s economic crisis in the late 1990s, it adopted the U.S. dollar as legal tender in 2000. Ecuadorian consumers are favorably disposed to the quality of U.S. products, with nearly a quarter of imports deriving from the U.S., Ecuador’s largest trade partner.

When Ecuador joined the WTO in January 1996, the country bound most of its tariff rates at 30 percent or less. Ecuador’s average applied tariff rate in January 2011 was approximately 12 percent. In addition to import duties, all imports are subject to a 12 percent value-added tax (IVA) and 0.5 percent children’s development fund tax. Ecuador’s pre-shipment customs inspection regime was repealed in 2008, eliminating import inspections by international verification companies.

A wide range of products require compliance with Ecuadorian standards, including vehicles, white goods, automotive parts, construction materials, apparel, footwear, and others. A complete list is published by the Ecuadorian Standards Institute (INEN), which also provides the standards certificate, INEN-1, required to clear Ecuadorian Customs for such products.
The Ecuadorian economy has rebounded from the global financial crisis, largely on high export oil prices and sustained robust levels of government expenditures. Petroleum represented 57 percent of total exports in 2011. The government is publicly committed to maintaining the U.S. dollar as legal tender.

Ecuador is a challenging place in which to do business, with the government’s attitude toward foreign investment unclear. U.S. companies have invested in a range of sectors. Most investment disputes are in regulated sectors such as petroleum and electricity. Ecuador’s withdrawal from the International Center for the Settlement of Investment Disputes (ICSID) became effective January 7, 2010. In September 2009, the government announced its intention to terminate 13 bilateral investment treaties (BIT), including its BIT with the U.S.

Ecuador’s Constitutional Court ruled that provisions within the BIT with the U.S. were unconstitutional. The government has not yet taken final steps to terminate the treaty.

Ecuador’s 2008 constitution includes a number of provisions that require the passage of new laws that could impact businesses including laws on land and water rights, as well as regulation of the communications sector.

A 0.5 percent capital outflow tax established in early 2008 has since increased tenfold, most recently increasing from 2 to 5 percent in November 2011; this tax currently applies to all capital transfers over $1,000. Through September 2011, Ecuador received net foreign direct investment (FDI) inflows of $385 million, a fraction of the FDI received by Ecuador’s neighbors.

Ecuador’s labor market is rigid compared to other Latin American countries. Local labor law does not allow outsourcing, intermediation, and per-hour contracts. Annual consumer price inflation was 5.5 percent by the end of 2011.

The Export-Import (Ex-Im) Bank of the United States is closed for private sector operations in Ecuador. Ex-Im is open in Ecuador only to the public sector for short term (usually up to one year) and medium term (up to five years, or seven years in the case of medical, environmental, or airplane equipment) for loans up to $8 million.

Fundamental weaknesses in Ecuador’s judicial system and the rule of law are major challenges in doing business in Ecuador. Processing delays and unpredictable judgments in civil and commercial cases are common in Ecuador’s judicial system. Issues include frequent challenges to contractual commitments, a judiciary that appears susceptible to external influences, a frequently-changing regulatory environment, and challenges collecting fees on time and in the amounts previously agreed.

The U.S. Embassy encourages U.S. companies interested in government contracts or in business activities requiring government licensing or approvals to consult with the Embassy early in the procurement process. (Please see Chapters 6 and 7 for more complete treatment of the challenges faced by foreign investors and those wishing to sell to the government.).
## Market Opportunities

Following is a list of market opportunities in Ecuador, with more information found in Chapter 4, Leading Sectors for U.S. Export and Investment.

### Commercial Sectors
- Plastics Machinery
- Automotive Parts
- Water Resources Equipment
- Orthopedic Equipment
- Telecommunications Equipment
- Travel and Tourism

### Agricultural Sectors
- Wheat
- Corn

The Ecuadorian government is also promoting the development of local manufacturing capacity and investing in infrastructure projects. Ecuador is home to world-class copper and silver reserves. The mining industry, while nascent, is preparing to move from exploration to extraction in the coming years. This will create opportunities for U.S. firms to supply machinery, services, or technologies as these projects are planned and built.

## Market Entry Strategy

The traditional entry strategy in Ecuador is to first appoint an agent or stocking distributor and, when sales have grown sufficiently, to enter the market with a direct presence. Few U.S. companies have taken the second step due to Ecuador’s relatively small economy. Frequently, sales in Ecuador are handled regionally. Ecuador has trade agreements with Peru and Colombia and is a member of the Andean Community (CAN). Some U.S. companies have capitalized on this and entered the Ecuadorian market as a low-cost entry point for the CAN markets.

When negotiating an agent or distributor agreement with an Ecuadorian party, the Commercial Service recommends that both parties agree beforehand on quantities, delivery timing, price, shared marketing expenses or training, the selection of financial intermediaries, and credit.
Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please go to the U.S. Department of State’s Background Notes web site.
Using an Agent or Distributor

When appointing a local distributor, U.S. firms should seek counsel from an Ecuadorian law firm to ensure that their distribution agreements provide appropriate protection. It is advisable to appoint non-exclusive representatives for a limited period of time, and to include an international arbitration clause as a means of resolving any disputes that may arise.

U.S. firms have many options, including local lawyers, consultants, and banks, when searching for a suitable local agent or distributor.

Establishing an Office

The procedure for establishing an office is usually entrusted to local lawyers. Costs vary depending on the size of the company's capital share. Foreigners may own an Ecuadorian enterprise in most industry sectors.

Foreign investors starting up a business in Ecuador most frequently establish local corporations, or local branches of offshore entities. Alternatives include limited liability companies, partnerships, and mixed economy companies (when including government participation). Corporations, branches, limited liability companies, and mixed economy companies are registered with and controlled by the Superintendency of Companies and governed by the Companies Law. The legal representative may be an Ecuadorian citizen or a foreign national with an Ecuadorian resident or commercial visa.

Foreign companies may only be shareholders of Ecuadorian companies if their capital is represented by shares or stocks issued in the name of their partners or shareholders.
Corporations
The corporation is the most flexible form of legal entity, allowing a mixture of foreign and local capital. Private limited liability companies are useful as closed companies, but have disadvantages regarding the sale and transfer of capital, and are usually not advantageous to the foreign investor. The corporation offers the same major advantages to investors as does the corporate form in other countries, including (1) the limitation of shareholders' liability to the amount of the issued capital; (2) shareholders are free to negotiate their stock without restrictions; (3) corporations are represented by managers who may be discharged at any time; and (4) continuity of the business as an ongoing concern is assured, regardless of changes in management or ownership.

Formation of a Corporation
The formation of corporations and their operations are governed by the Companies Law. The documents that must accompany the deed of incorporation include the company's by-laws, a certificate of the name of the company granted by the Superintendency of Companies, a certificate granted by the bank where the company has opened its capital account, and documents identifying the shareholders. Protection of a trade name is contingent on registration with the Ecuadorian Intellectual Property Institute (IEPI), and the Superintendency of Companies usually does not allow establishing new companies with names similar to existing companies. The Companies Law provides for the following: (a) a certificate of good standing issued by the competent authority of the domicile of the foreign shareholder, and a list of the stockholders of the foreign shareholders must accompany the deed of incorporation; (b) the foreign shareholder must appoint an attorney-in-fact to represent it within Ecuador; (c) foreign corporations whose by-laws contemplate the possibility of issuing bearer shares cannot participate as shareholders of Ecuadorian entities (corporations and limited liability companies). The certificate will be issued by the corresponding authority in the country of origin and the list must be signed and certified at a public notary by the secretary, administrator, or attorney legally authorized. The certificate and list must be notarized by an Ecuadorian consulate.

Capital of a Corporation
A corporation's capital must be specified in the by-laws, with total value resulting from the multiplication of the number of shares by their par value. Capital may consist of (1) authorized capital, that is, as stated in the by-laws; (2) subscribed capital which the stockholders are required to pay in; or (3) paid-in capital. The minimum capital required for incorporation is $800, and at least 25 percent of the capital must be paid-in at the time of incorporation, and the balance within two years. Companies must file an annual return with the Superintendency of Companies containing financial statements and other relevant information, as well as reports from the legal representative, the corporate controller, and external auditors. Financial institutions and insurance companies regulated by the Superintendency of Banks are obliged to publish their June and December financial statements in a local newspaper.

Branches
To establish a branch in Ecuador, a foreign company must provide (1) proof that the company has been legally established in its country of origin; (2) proof that according to the laws of its country of origin, the company may establish branches and has the right to negotiate abroad; (3) a permanent legal representative in Ecuador; and (4) assigned capital of no less than $2,000.
This documentation should be presented to the Superintendency of Companies, along with a certificate issued by the Ecuadorian consulate nearest the foreign company's headquarters certifying the establishment and legality of the company in its country of origin and that it is authorized to do business abroad.

**Limited Liability Companies**
This type of corporate form closely resembles a limited partnership and is suitable for that type of operation. A limited liability company is characterized by (1) having two or more members, not to exceed 15; (2) the members have limited liability for company obligations up to the amount of their individual contribution; (3) foreign corporations are excluded from membership; (4) capital cannot be less than $400, and at least 50 percent of the capital must be paid-in at the time of formation and the remainder within one year; and (5) a legal reserve must be funded by the transfer of 5 percent of annual profits until the reserve equals 20 percent of capital.

Each year in January, the legal representative of a limited liability company is responsible for presenting to the Superintendency of Companies a list of the foreign companies that are its partners or shareholders including the name, nationality, and domicile, along with notarized photocopies of the certificate referred to above.

**Mixed Economy Company**
Finally, a "mixed economy" company is one with both private and public capital. Public sector funds may come from the central, municipal, or provincial governments, or from legal representatives of either public or parastatal entities.

**Single-Person Company**
The Companies Law allows the establishment of single-person companies which must be constituted by one individual. Corporations and limited liability companies may convert to a single person company when these are left with only one partner or shareholder.

**Franchising**
The use of franchising has increased in Ecuador over the past decade. There are no specific laws that regulate franchising, except for some legal specifications established under Decision 291 of the Cartagena Agreement. The Commercial Code, the Civil Code, the Companies Law, the Tax Law, and the Intellectual Property Law govern franchising. Franchising is considered to be a private negotiation wherein a franchisor licenses trademarks and shares proven methods of doing business to a franchisee in exchange for a recurring payment, and usually a percentage of net sales as well as annual fees. The Commercial Code indicates that the commissioned merchant or agent is obligated directly and personally for his/her own franchise as if the business were entirely theirs. The principal and the agent are totally independent even with respect to legal action, except for the rights and obligations indicated by their mutual commission contract and the Civil and Commercial Codes.

Further information may be found at the web page of the Ecuadorian Franchising Association.

**Direct Marketing**
Direct marketing is still limited. Consumer goods, electrical appliances, and physical fitness products are often advertised on local and cable television, with local sales and telephone contact points provided. A local company stocks products and fills orders, which are often delivered to the home. Cosmetics, department stores, telecommunications, vehicles, and pharmaceuticals are increasingly marketed direct to the consumer. Local television stations are active in direct marketing.

Joint Ventures/Licensing

Joint Ventures
Two or more parties may enter into a contract to carry out a particular business activity. No obligation exists to record this contract in the Mercantile Register. According to the Companies Law, a joint venture may be considered as an association or a participation agreement.

Under the Companies Law, a business entity may give others (associates) the right to participate in its business, but these rights are limited to obtaining information on the funds contributed, the profits made, or losses incurred. Associates are not liable to third parties. If the business enters bankruptcy, the associates are liable only for their share of the investment. All other matters are regulated by the terms of the contract of association.

In Ecuador this type of joint venture occurs primarily when foreign corporations are contracted as associates to carry out specific projects with government entities. It is normal for foreign corporations entering into this type of agreement to establish a local branch.

Licenses
In Ecuador, the Intellectual Property Rights Law governs licenses, patents, and trademarks. Decision 486 of the Andean Community and the Patents, Trademarks, and Licenses Law also govern licenses. Contracts for license of trademarks, patents, patterns of usage, industrial designs, and commercial names and logos must be registered at the Ecuadorian Intellectual Property Institute (IEPI). Contracts for the transfer of technology must be registered at the same Institute, but when they are considered to be a foreign investment they must also be registered at the Central Bank (BCE). Licenses are usually granted within six months of their request. To register the use of specific brands, a notarized contract permitting brand use and a request signed by a lawyer must be presented to IEPI at their offices.

Selling to the Government

Ecuador is not a signatory to the WTO Agreement on Government Procurement. Ecuador’s 2008 Public Contracting Law regulates most areas of public contracting, except for contracts for exploration and exploitation of hydrocarbon resources and purchases of strategic goods necessary for national defense. However, non-strategic defense contracting/purchases are subject to the 2008 Public Contracting Law. The law also establishes a system of “Catalog Purchases” and an Inverse Bid System through which any contractor can lower its offer to provide a specific product to a public institution.
The National Institute for Public Contracting (INCOP) is the entity in charge of the overall supervision of public contracting processes, though every process is independently managed by the contracting institution with its own budget and referral terms.

Bidding for government contracts can be cumbersome, and competitors from other countries do not operate under the restrictions of the U.S. Foreign Corrupt Practices Act. There is no formal discrimination against U.S. suppliers, but the Public Contracting Law establishes the criteria for minimum participation by local suppliers.

To sell to the government, suppliers must be registered in the Unique Registry for Suppliers (RUP). This electronic procedure is mandatory and is the only means to participate in the public contracting process. Offers must be in Spanish, using the format specified by the inviting agency, and delivered to the contracting agency as called for in the “pliegos” (specification sheets).

For a company (even an Ecuadorian branch of a foreign company) to qualify as a State supplier or competent bidder, it must submit a list of shareholders, stakeholders, and affiliates. If any of the shareholders, stakeholders, or affiliates is a corporate entity domiciled in a “tax haven,” the bidder or supplier is disqualified from the bidding process. Branches must present a list of their headquarters’ shareholders.

Contracts are not usually done in public deed, but in private document and registered at a public notary. Guarantees for the contracts are 5 percent of the total amount. Contracts are signed by the contracting public institution after the revision and award, and do not require further approval by any other authority. Specific clauses involving arbitration in any contract must be duly authorized by the Attorney General.

The U.S. Embassy encourages U.S. companies interested in government contracts, or in business activities requiring government licensing or approvals, to consult with us early in the process.

Distribution and Sales Channels

For sales to the government, a local agent or representative is legally required, and is often a practical requirement when first entering the Ecuadorian market. Until local sales and brand recognition are sufficiently established to support a direct presence, most companies minimize risk and capital by selling to or through an Ecuadorian representative. U.S. exporters with a few local customers often sell directly from the U.S. or through orders taken by a local or regional representative.

Ecuadorian buyers prefer to purchase directly from the manufacturer to remove intermediaries and lower product cost. For sales of machinery and equipment, the provision of parts and after-sales service is a key competitive factor.

Quito and Guayaquil are the major distribution centers for imported products, while Manta, Cuenca, and Santo Domingo de los Colorados serve as secondary national distribution centers. Virtually all distributors cover the entire country with their own sales force, and most have branches and warehouses in each major city. Options for distribution in Ecuador include:
**Distributors** are commonly medium- to large-sized firms that purchase and import relatively large quantities from foreign companies, then distribute wholesale within the country. Distributors typically maintain local inventories and set local prices independently of foreign manufacturers. Distributors on occasion place orders with foreign manufacturers for direct delivery to in-country customers.

**Commissioned agents** are usually specialized firms or individuals that take orders in Ecuador for foreign goods by means of a well-trained and experienced sales force. Agents are paid a commission by the U.S. company filling these orders. Occasionally, agents may import goods with their own funds for resale in the local market.

**Direct importers** are generally large manufacturing companies and government agencies purchasing equipment or materials for their own use, or large retail chains with national distribution outlets. Purchases are normally made directly from the manufacturer.

**Selling Factors/Techniques**

Most U.S. products do not require any changes in order to be readily acceptable. Price competitiveness is an important sales factor. For practical rather than legal reasons, U.S. firms selling high-tech products must provide training and maintenance support to their distributors and agents. Local distributors frequently expect their foreign suppliers to underwrite marketing and promotion costs, as well as sales support and training. Sales materials should be in Spanish.

Under the current invoicing system mandated by Ecuador's Internal Revenue Service (SRI), a sales invoice must be submitted for every transaction regardless of the amount – even when carrying out a free transfer of title. This obligation applies equally to the provision of professional services of any nature and transactions where the 12 percent value-added tax (VAT/IVA) rate applies. The SRI also requires foreign suppliers to provide a federal tax number (RUC).

**Trade Promotion and Advertising**

**Advertising**

The advertising market and the media in Ecuador are centered in Quito, Guayaquil, and Cuenca. The principal means of advertising in Ecuador is through television. There are eight national TV networks: Ecuavisa, Teleamazonas, Telerama, RTS, Canal Uno, TC Television, GamaTV, and ECTV, the latter three owned by the government; four cable/satellite television networks showing Latin, U.S., and European programming: DirecTV, Univisa, TVCable, and Cablevision; and a number of local stations in the larger cities. There are an estimated 3.07 million TV sets and 8 million viewers, nationwide.

The major international advertising firms, a majority of whom originate in the U.S., operate in Ecuador through representation agreements. Most have their offices in Quito and Guayaquil. The largest advertising agencies in Ecuador are: The Grey Group; McCann Erickson; Norlo Thompson; Publicitas/Sache & Sache; and Young & Rubicam.
Newspapers are the second-most important advertising medium. Six newspapers offer nationwide circulation: **El Universo** (140,000 from Monday to Friday; weekends 240,000); **El Comercio** (65,000 Monday to Friday; Saturday 90,000; Sunday 161,000); **Hoy** (50,000 Monday to Friday; Saturday 55,000; Sunday 70,000); **El Telégrafo** (35,000 - owned by the government); **La Hora** (105,000 from Monday to Sunday), and **Expreso** (36,500, of which 31,000 is in Guayaquil). **El Universo** is the largest circulation newspaper in Ecuador, while **El Comercio** is the dominant paper in Quito.

For radio advertising, there are approximately 350 radio stations broadcasting to approximately 8 million daily listeners. Radio is particularly important when target markets include suburban and rural areas.

**Trade Promotion**
Local trade shows are organized by the Centro de Exposiciones Quito, Cemexpo, and Ferias.

**Pricing**

Electric power and petroleum products like diesel, gasoline, and natural gas are subject to government price controls, as are telephone tariffs, fertilizers, agrochemicals, and pharmaceutical products. There is a minimum support price for milk, bread, and other agricultural products. Prices for other imported products are defined by supply and demand and for the most part have not been subject to official price controls.

Ecuadorian markets are more concentrated than is typical of larger, more competitive markets. In other words, relatively few players dominate most market sectors. This conveys considerable pricing power to distribution companies and creates the opportunity for collusive pricing practices. In the case of packaged consumer products, retail chains are few in number and well positioned. Vertical integration, where the manufacturer controls its own distribution, is common. Ecuador recently passed its first anti-trust law which is now pending the publication of implementing regulations. Public sector companies are excluded from this law.

Services, business and commercial transactions, and imports are subject to a 12 percent value-added tax (IVA). Luxury items are subject to a tax (ICE). A list of products exempt from paying IVA can be viewed at Ecuador’s Internal Revenue Service (SRI) web page.

**Sales Service/Customer Support**

The Consumer Protection Law calls for suppliers of goods and services to provide appropriate warranties for products sold. The availability of trained and competent service technicians and spare parts are often key to purchasing decisions for equipment, machinery, and technically-sophisticated products. U.S. companies exporting products that require maintenance and spare parts should ensure that their Ecuadorian distributor provides both.

**Protecting Your Intellectual Property**

Several general principles are important for effective management of intellectual property (IP) rights in Ecuador. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in Ecuador than in the U.S. Third, rights must be registered and enforced in Ecuador, under local laws. A U.S. trademark or patent registration does not provide protection in Ecuador. There is no such thing as an “international copyright” that will automatically protect an author’s writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so those seeking IP protection should consider applying for trademark and patent protection even before selling products or services in the Ecuadorian market. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government generally cannot enforce rights for private individuals in Ecuador. It is the responsibility of the right holder to register, protect, and enforce that right where relevant, retaining their own counsel and advisors. Companies may seek advice from local attorneys or IP consultants. The U.S. Embassy provides a list of local lawyers.

While the U.S. government stands ready to assist, there is little we can do if the rights holder has not taken these fundamental steps necessary to securing and enforcing their IP rights in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppels, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on partners. Negotiate from the position of your partner, and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Ecuador require constant attention. Work with legal counsel familiar with Ecuadorian laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small- and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP rights and stop counterfeiting. There are a number of these organizations, both in Ecuador and the U.S. These include:

- The U.S. Chamber of Commerce and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
• International Anti-Counterfeiting Coalition (IACC)
• Pharmaceutical Research and Manufacturers of America (PhRMA)
• Biotechnology Industry Organization (BIO)
• The Ecuadorian Intellectual Property Institute (IEPI)

IP Resources
A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues – including enforcement issues in the U.S. and other countries – call the STOP! Hotline: 1-866-999-HALT, or register at www.StopFakes.gov.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: 1-800-786-9199.
- For more information about registering for copyright protection in the U.S., contact the U.S. Copyright Office at: 1-202-707-5959.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.
- For U.S. small and medium-size companies, the Department of Commerce offers an "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and Ecuador. For details and to register, click here.
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov. This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist Customs in blocking imports of IP-infringing products), and allows you to register for webinars on protecting IP.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can contact the IP attaché who covers Ecuador at: Dorian.Mazurkevich@trade.gov.

IPR Climate in Ecuador
Law 83 and its regulations govern intellectual and industrial property protection. In addition, industrial property protection is also regulated by the following Andean Community Agreements: Decision 345 (Common Regime for the Protection of Rights of Vegetable Varieties Holders), Decision 351 (Common Regime Regarding Author Royalties and Related Rights), and Decision 486 (Common Regime Regarding Industrial Property). Ecuador’s laws theoretically provide substantial legal protection for intellectual property. However, enforcement of the legal protection is often inadequate. Video, music, and software piracy is rampant. The GOE has established procedures and regulations for issuing compulsory licenses for patented pharmaceutical products and agrochemicals. For further information on IPR protection, see Chapter VI.
Due Diligence

In performing due diligence, U.S. companies should seek the services of a reputable local lawyer.

Corporate Taxes

Ecuadorian and foreign companies with local branches in Ecuador are subject to Ecuadorian income tax. This levy is applied to the company's profits (after 15 percent of profits have been distributed to employees as required by law). The current corporate tax rate is 23 percent. For those companies acquiring new equipment and/or machinery, the rate is lowered to 15 percent. The Production Code includes a provision for cutting the corporate tax rate by another percentage point in 2013 for a final rate of 22 percent, and establishes tax exemptions and deductions for investments in productive assets, as well as a five-year income tax exemption for new investments in any of the GOE's priority economic sectors (fresh and processed foods, forestry, agro-forestry, metalworking, petrochemicals, pharmaceuticals, tourism, renewable energies, logistics services, biotechnology, and applied software) only if the new investments are based outside of Quito and Guayaquil. It also contains provisions for further incentives to increase productivity and the use of green technologies, as well as to create jobs and increase salaries.

Cross border money operations and transactions pay a 5 percent tax of the amount remitted abroad (Currency Outflow Tax). Ecuadorian and foreign travelers leaving the country with an amount up to $9,720 are exempt from the 5 percent tax. Local financial institutions and special economic development zones (ZEDE's) are exempt from the currency outflow tax. Tax related issues are not subject to arbitration. Other remittances sent abroad (i.e., foreign transfers, payments, royalties) that constitute income to the beneficiaries are subject to the regular corporate income tax rate. Ecuador has bilateral tax treaties with 16 countries, but not the U.S.

In addition to the corporate income tax, the value-added tax (VAT, or IVA in Spanish) of 12 percent is applied to sales transactions of goods and services, i.e., transfers of ownership and imports. There are, however, sales transactions and transfers exempt from IVA, as per the Organic Law for the Internal Tax Regime (LORTI).

The special consumption/"luxury" tax (ICE, in Spanish) is applied to local and imported cigarettes, beer, beverages, liquor, and luxury items. Please see Chapter 5, Trade Barriers, for more information.

There is also a tax of 70 percent levied on extraordinary income. This is an annual tax applied to the income earned by companies that have signed contracts with the government for the exploration and exploitation of non-renewable resources. The tax is considered a deductible expense for income tax purposes.

The Code of Territorial Organization, Autonomy, and Decentralization includes provisions regulating property matters. It contains a capital gains tax for property. There is also a tax on rural properties over 25 hectares.
Web Resources

For additional information, please visit the following websites:

Advertising:
Demaruri/Grey; McCann Erickson; Norlop Thompson; Publicitas/Sache & Sache; and Young & Rubicam

Central Bank of Ecuador

DirecTV

Ecuadorian Franchising Association

Ecuadorian Intellectual Property Institute (IEPI)

Internal Revenue Service (SRI)

Ministry of Industries and Productivity

Newspapers:
El Comercio; Expreso; La Hora; Hoy; El Telegrafo; El Universo

Public Contracting Institute (INCOP)

Superintendent of Banks

Superintendent of Companies

Tariff Schedule

Trade Shows:
Cemexpo; Centro de Exposiciones Quito; Ferias

TV Channels:
Canal Uno; ECTV; Ecuavisa; GamaTV; TC-TV; Teleamazonas; RTS; Univisa

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Chapter 4: Leading Sectors for U.S. Export and Investment

Commercial Sectors

- Plastics Machinery
- Automotive Parts
- Water Resources Equipment
- Orthopedic Equipment
- Telecommunication Equipment
- Travel and Tourism

Agricultural Sectors

- Wheat
- Corn

Plastics Machinery

Overview

The Ecuadorian plastics machinery industry has grown considerably in the last four years. The market has increased 52 percent since 2007. Total imports in 2010 were $82 million. Almost all plastic processing machinery is imported. Most of the products manufactured by the plastics industry are used in the agricultural, fishing, and floriculture sectors or in food packaging.

Total Import Market (in USD):

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<td>10,457,617</td>
<td>15,593,448</td>
<td>15,344,526</td>
</tr>
<tr>
<td>Total</td>
<td>54,400,324</td>
<td>49,097,664</td>
<td>57,902,101</td>
<td>82,705,023</td>
</tr>
</tbody>
</table>

Import Market - U.S. share (in USD):

<table>
<thead>
<tr>
<th>HS Codes 8477</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3,150,022</td>
<td>5,130,796</td>
<td>5,090,472</td>
<td>4,672,003</td>
</tr>
<tr>
<td>HS Codes 8480</td>
<td>1,538,258</td>
<td>774,308</td>
<td>2,454,266</td>
<td>681,690</td>
</tr>
<tr>
<td>Total</td>
<td>4,688,28</td>
<td>5,905,104</td>
<td>7,544,738</td>
<td>5,353,693</td>
</tr>
</tbody>
</table>

Market Share % (vs. Total) 8.61% 12.03% 13.03% 6.47%
Import Market by Country (Plastics Machinery, HS codes 8477+8480, in USD):

<table>
<thead>
<tr>
<th>Country</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>6,011,264</td>
<td>7,780,003</td>
<td>26,201,807</td>
</tr>
<tr>
<td>Italy</td>
<td>5,519,703</td>
<td>11,445,588</td>
<td>13,032,239</td>
</tr>
<tr>
<td>China</td>
<td>9,094,950</td>
<td>8,690,449</td>
<td>11,514,234</td>
</tr>
<tr>
<td>U.S.</td>
<td>5,905,104</td>
<td>7,544,738</td>
<td>5,353,693</td>
</tr>
<tr>
<td>Taiwan</td>
<td>5,606,691</td>
<td>3,197,883</td>
<td>4,986,618</td>
</tr>
</tbody>
</table>

Best Prospects - Opportunities

There are a number of sectors where plastics are in demand for packaging products. Ecuador is one of the most important producers and exporters of banana and cacao. Most of the largest banana exporters have their own facilities to manufacture plastic bags used in growing and cardboard boxes used in shipping. Similar plastics production is seen in the floriculture and fishing sectors. Flowers, mostly roses, are packaged in plastic bags for protection. In the fishing industry, including shrimp and tuna, plastics machinery is also used for special product packaging to preserve freshness and flavor.

Also, large supermarket chains manufacture plastic bags and food trays for most their perishable products.

Resources

Central Bank of Ecuador (Statistics)

Automotive Parts

Overview

The automotive sector in Ecuador presents good opportunities for U.S. suppliers of automotive parts and accessories. 2009 saw the first decline in vehicle sales since 2003 and was caused by import restrictions imposed by the government of Ecuador. In 2010, automobile sales once again reached a new record with over 130,350 vehicles sold. During 2011, the government implemented import licenses for vehicles, which according to experts have affected sales as well. Unfortunately, 2011 vehicle sales figures are not available yet.

Vehicle sales (units per year):

<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Sales</td>
<td>55,456</td>
<td>59,151</td>
<td>80,410</td>
<td>84,505</td>
<td>91,778</td>
<td>112,684</td>
<td>92,764</td>
<td>130,350</td>
</tr>
</tbody>
</table>

Total Import Market – Automotive Parts

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto Parts</td>
<td>$156,263,934</td>
<td>$150,032,840</td>
<td>$180,163,338</td>
<td>$174,834,930</td>
<td>$205,322,589</td>
</tr>
</tbody>
</table>
The United States has been the major source of automotive parts and accessories for the last four years, followed by Colombia, China, and Japan.

**Best Prospects - Opportunities**

There is a good market opportunity for auto parts that require frequent maintenance and replacement. Also, "collision" parts, commonly replaced after car accidents, present good opportunities. Best prospects include: suspension parts, shock absorbers, brake parts, brake fluid, transmission belts, rubber pneumatic tires, engine blocks and piston heads, piston rods, carburetors and valves, spark plugs, fuel injection pumps, clutch kits, air conditioner compressors, and ball bearings.

Additionally, an increase in the special consumption tax ("luxury tax," or ICE) for vehicles priced above $20,000 is expected to result in Ecuadorian car owners keeping their vehicles longer, creating additional opportunities for the replacement parts industry as well as for accessory and appearance products.

**Resources**

- Ecuadorian Automotive Association (Asociación de Empresas Automotrices)
- Central Bank of Ecuador (Statistics)

**Water Resources Equipment**

**Overview**

The need for potable water and sewage services is far greater than the existing infrastructure, thus creating a demand for water supply and distribution equipment. There is local manufacture of PVC pipes and valves. The U.S. is an important supplier. Principal competitors are: Brazil, China, Italy, Sweden, Argentina, and Colombia. The institutions responsible for providing water and sewage services are the municipalities which are the largest end users.

**Data Table (millions of $ - FOB):**

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Market Size</td>
<td>99</td>
<td>103</td>
<td>106</td>
</tr>
<tr>
<td>Total Local Production</td>
<td>58</td>
<td>60</td>
<td>60</td>
</tr>
<tr>
<td>Total Exports</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total Imports</td>
<td>41</td>
<td>43</td>
<td>46</td>
</tr>
<tr>
<td>Imports from the U.S.</td>
<td>7.2</td>
<td>7.6</td>
<td>8</td>
</tr>
</tbody>
</table>

Source: Central Bank

**Best Prospects/Services**

Best prospects are valves, pumps and water meters.
**Opportunities**

The Ministry of Housing and Urban Development (MIDUVI) is the regulating agency and has a nationwide plan and schedule for water projects which are usually financed by the State Bank.

**Resources**

Ministry of Housing and Urban Development

State Bank

Association of Ecuadorian Municipalities

**Orthopedic Equipment**

**Overview**

The total market for orthopaedic equipment in Ecuador is estimated at $20 million for 2011. The market for prostheses is totally served by imports, while orthotics and soft products are served by imports and local production. The U.S. is the main supplier. Main competitors are Colombia, Brazil, Switzerland, Germany, France, Pakistan, and Turkey.

The main buyer for orthopedic products is the government, specifically the Vice President's office.

Prior authorization from the Ministry of Health is required to import prostheses.

<table>
<thead>
<tr>
<th>Market Composition (millions of $):</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Market Size</td>
<td>17.5</td>
<td>18.5</td>
<td>20.5</td>
</tr>
<tr>
<td>Total Local Production</td>
<td>.5</td>
<td>.5</td>
<td>.5</td>
</tr>
<tr>
<td>Total Exports</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total Imports</td>
<td>17</td>
<td>18</td>
<td>20</td>
</tr>
<tr>
<td>Imports from the U.S.</td>
<td>10</td>
<td>11</td>
<td>12</td>
</tr>
</tbody>
</table>

Figures are unofficial estimates, CIF value.

**Best Prospects/Services**

Best prospects include prostheses for hip and knee replacement; orthotics for arms, legs, hands, and feet; cervical collars, splints, braces, abdominal supports, and traction accessories. A large niche market is for wheel chairs and walking canes.
Opportunities

The demand for orthopedic equipment will continue to grow in response to the government’s program to protect the long-neglected disabled population. The Ecuadorian Social Security Institute plans to build a rehabilitation center for elderly citizens in Cuenca. There are an estimated 800,000 disabled people that are unprotected. Statistics show there were 16,000 car accidents in Ecuador during 2010. This extremely high number of accidents will generate a demand for orthotics.

Resources

Mision Solidaria Manuela Espejo

Ministry of Public Health National Hygiene Institute “Leopoldo Izquieta Perez”

Telecommunications Equipment

Overview

The telecommunications sector in Ecuador has experienced continued growth over the last few years. There is an increasing demand for telecom products and services such as: multi service access nodes, ADSL modems, 2G, 3G, and 3.5G cell phones, mobile platforms, mobile networks, optic fiber, digital TV, internet, broadband, and set top boxes.

<table>
<thead>
<tr>
<th>Products</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2008 vs 2010</th>
<th>2009 vs 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>CIF</td>
<td>162,885,472</td>
<td>306,350,742</td>
<td>1,582,461,209</td>
<td>871.52%</td>
<td>516%</td>
</tr>
</tbody>
</table>

Source: Asetel (Ecuadorian Telecommunications Association)

According to experts, the principal supplier countries for this industry are: the U.S., China, France, Finland, Japan, and Taiwan. Companies with the largest market presence are: Cisco, ZTE, Alcatel, NEC, Ericsson, Nokia, Siemens, and Samsung.

Best Prospects - Opportunities

Ecuador represents several market opportunities for the telecom industry. CNT, the state telecom company, has several large projects with an aggressive implementation
schedule. These projects involve upgrading the current network and providing better service to meet increasing demand from customers in the fixed and mobile sectors.

The government is investing in the construction of a new fiber optic submarine cable. The existing cable is of low capacity for relatively high costs. The project could benefit other South American countries in the region, as well.

CNT also has plans to expand into satellite TV and to upgrade the network of the state mobile phone provider (Alegro), which CNT absorbed.

Senatel (the National Telecommunications Secretariat) is leading the switch to digital TV, which will be implemented over the next five years. Consequently the demand for set top boxes converting from analog to digital is going to increase rapidly during the next five years.

### Resources

- **Ecuadorian Central Bank (Statistics)**
- **CNT (National Corporation of Telecommunications)**
- **Senatel (National Secretary of Telecommunications)**
- **Asetel (Ecuadorian Telecommunications Association)**

### Travel and Tourism

#### Overview

The United States continues to be the preferred destination for Ecuadorian travelers, with Miami attracting 59 percent of total visitors. In 2009, 168,432 Ecuadorians visited the U.S. In 2010, the number of visitors from January to October was 161,092, an increase of 17 percent from the same period in 2009.

Ecuador is 31st in the top 50 markets for international visitors to the U.S., making it a larger market than Peru, Russia, Chile, Turkey, and South Africa. The average stay is eight days, with an approximate daily expenditure of $150.

#### International Visitors to the U.S.: Country of Residence

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country of Residence</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010 Jan - Oct</th>
</tr>
</thead>
<tbody>
<tr>
<td>31</td>
<td>Ecuador</td>
<td>147,173</td>
<td>155,328</td>
<td>152,112</td>
<td>168,432</td>
<td>161,092</td>
</tr>
<tr>
<td>33</td>
<td>Peru</td>
<td>133,398</td>
<td>148,967</td>
<td>162,883</td>
<td>160,474</td>
<td>144,062</td>
</tr>
</tbody>
</table>

Source: ITA Office of Travel and Tourism Industries
Ecuador has approximately 20 to 25 travel wholesalers, 300 to 400 tour operators, and approximately 1,000 to 1,300 retail travel agencies. American, Continental/United, Delta, AeroGal, and LAN operate direct flights between Ecuador (Quito and Guayaquil) and Miami, Houston, Atlanta, New York, and Miami/New York, respectively.

**Best Prospects**

Approximately 37 percent of Ecuadorian travelers visit the U.S. for business, 30 percent for tourism and shopping, 28 percent for visiting relatives/friends, and the remaining 5 percent are students/professionals and in training. The U.S. is Ecuador's main trading partner, producing outstanding growth potential in the business travel market. Proximity to the U.S., family ties, and a shared currency enhance the attraction of the U.S. Students also prefer the U.S. when traveling abroad for their exchange programs. Florida is the most popular destination for vacation and tourism travelers.

Business travel is higher to Miami, Texas, Los Angeles, and New York and has increased given the entrance of new competitors in the Ecuadorian market and a consequent reduction in airfares.

**Opportunities**

The increasing number of Ecuadorian passengers to the U.S. is a positive sign for continued growth potential in this market, considering the geographical proximity to Miami which makes fares affordable to more Ecuadorians to travel to the U.S. for business, training, seminars, and leisure.

**Resources**

U.S. Department of Commerce, Office of Travel and Tourism Industries

Ministry of Tourism Ecuador

ARLAE – Ecuadorian Airline Representatives Association
arlae@interactive.net.ec

ASECUT – Ecuadorian Association of Travel Agencies
asecut@pi.pro.ec
BEST AGRICULTURAL PROSPECTS FOR U.S. EXPORTERS TO ECUADOR

Wheat

PS&D Code: 0411000

<table>
<thead>
<tr>
<th></th>
<th>2009 (r)</th>
<th>2010 (r)</th>
<th>2011 (e)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Market Size *</td>
<td>523</td>
<td>530</td>
<td>550</td>
</tr>
<tr>
<td>Total Local Production</td>
<td>8</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Total Exports</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Total Imports</td>
<td>489</td>
<td>611</td>
<td>617</td>
</tr>
<tr>
<td>Total Imports from U.S.</td>
<td>113</td>
<td>152</td>
<td>122</td>
</tr>
</tbody>
</table>

(r)= revised  
(e)= estimated  
* = includes stocks from previous year

Ecuador is a net importer of wheat. Local production is estimated to be 9,000 MT on 11,000 hectares. Total imports from the U.S. in 2011 experienced a decrease of 30,000 MT over 2010 levels. Imports of hard wheat are, on average, higher than those of soft wheat by as much as a 3.85 to 1 ratio (in 2011).

The U.S. decreased its market share of Ecuadorian imports from 25 percent in 2010 to 20 percent in 2011. On average, Canada exports more wheat to Ecuador than the U.S. Canada exported 443,000 MT in 2011, up 25,000 MT from 2010 (almost 72 percent of total Ecuadorian imports). Canadian wheat is priced lower and has lower transportation costs. According to buyers, even though hard Canadian wheat has certain advantages, they appear willing to switch to U.S. wheat if the price is right. Canada generally ships wheat with higher protein and gluten content.

Ecuador’s wheat imports are expected to remain high at above 550,000 MT in 2012. Increased imports are explained by stable local demand due to an improvement in Ecuador’s macroeconomic condition.

The suspension of the United States Department of Agriculture’s (USDA) GSM-102 Credit Guarantee Program in 1998 has most likely contributed to the reduction in U.S. market share for this commodity in Ecuador.
Corn

PS&D Code: 0440000

<table>
<thead>
<tr>
<th></th>
<th>2009 (r)</th>
<th>2010 (r)</th>
<th>2011 (e)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Market Size *</td>
<td>1,480</td>
<td>1,500</td>
<td>1,525</td>
</tr>
<tr>
<td>Total Local Production</td>
<td>900</td>
<td>950</td>
<td>850</td>
</tr>
<tr>
<td>Total Exports</td>
<td>18</td>
<td>19</td>
<td>22</td>
</tr>
<tr>
<td>Total Imports</td>
<td>359</td>
<td>485</td>
<td>500</td>
</tr>
<tr>
<td>Total Imports from U.S.</td>
<td>299</td>
<td>104</td>
<td>255</td>
</tr>
</tbody>
</table>

(r)= revised
(e)= estimated
* = includes stocks from previous year

Corn consumption depends on local demand for animal feed, basically by poultry growers, and on the availability of lower-price corn substitutes. Consumption of poultry products has experienced annual average growth of 10 to 12 percent per year. Exports also affect domestic consumption. Ecuador exports corn to Colombia for human consumption and increasingly for animal feed.

In 2011, total corn imports were about 500,000 MT, up from 485,000 MT in 2010. Fifty-one percent of these imports came from the United States. Ecuador’s feed industry usually prefers U.S. corn to that of others because of its lower foreign material content, faster delivery to Ecuadorian ports, and lower transportation costs. Total imports of corn, including from the United States, for 2012 are expected to decrease as a good domestic harvest is anticipated.

Corn imports represent a high percentage of Ecuador’s total consumption. Ecuador is obliged to import large quantities of this product for two reasons: the local product is more expensive than its imported substitute, and Ecuador’s production does not meet demand.

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Chapter 5: Trade Regulations and Standards

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- U.S. Export Controls
- Temporary Entry
- Labeling and Marking Requirements
- Prohibited and Restricted Imports
- Customs Regulations and Contact Information
- Standards
- Trade Agreements
- Web Resources

Import Tariffs

As a member of the WTO, Ecuador limits most of its tariff rates to 30 percent or less. As of January 2011 the average applied tariff rate was 12 percent. As a member of the Andean Community of Nations (CAN), Ecuador grants and receives exemptions from tariffs (i.e., reduced ad valorem tariffs and no application of the Andean Price Band System [APBS]) for products from the other CAN countries (Bolivia, Colombia, and Peru). Currently, these countries have an Andean Free Trade Zone and apply common external tariffs (CET), as stated in CAN Decision 370.

Ecuador maintains the APBS on 153 agricultural products (13 “marker” and 140 “linked” products) imported from outside the CAN. The 13 “marker” products are wheat, rice, sugar, barley, white and yellow corn, soybean, soybean meal, African palm oil, soy oil, chicken meat, pork meat, and powdered milk. The APBS works as an internal price stabilization mechanism whereby the basic (ad-valorem) tariff is adjusted (increased or decreased) using a variable levy. The amount of the variable levy results from the relation between bi-weekly reference prices and floor and ceiling prices established by the CAN for each marker product. The price band works to maintain protection for domestic industry by keeping tariffs high when world prices fall, and drops tariffs when world prices rise.

As part of its WTO accession, Ecuador committed to phase out its price band system, starting in January 1996, with a total phase out by December 2001. No steps have been taken to comply with this commitment. Ecuador argues that retaining the APBS is WTO-consistent and does not constitute a violation of its agreements since Ecuador bound its final tariffs for agricultural commodities between 31.5 percent and 85.5 percent (the same bindings as the APBS).
In addition to duties, all imports are subject to a 12 percent value-added tax and an additional 0.5 percent tax for the Children’s Development Fund (FODINFA) applied to the CIF value of the merchandise.

**Trade Barriers**

Ecuador requires prior authorization from various government agencies, such as the Ministry of Agriculture (MAGAP)'s Agrocalidad, MAGAP’s Livestock Undersecretariat, and MAGAP’s Commercialization Undersecretariat for imports of 80 agricultural items. Also the Ministry of Health must grant prior authorization (sanitary registration) for imports of processed foods, food ingredients, and beverages, as well as cosmetics, pharmaceutical products, reagents, natural products, and pesticides.

There are a number of products that are required to obtain a standards certification. For more information on standards please review the standards section below.

Agricultural imports are still subject to decisions of “Consultative Committees” over import authorizations (usually related to crop absorption programs), although Ecuador committed, under the WTO, to phase out these absorption programs in 1996. The committees, mainly composed of local producers, often advise MAGAP against granting import authorizations of products such as corn, soybean meal, dairy, and meats. In addition, the Consultative Committees determine the price (usually higher than international prices) at which local production will be absorbed by local industry and require full absorption before imports are allowed.

Ecuador maintains import restrictions on U.S. beef and live cattle based on Bovine Spongiform Encephalopathy (BSE) concerns.

Ecuador maintains bans on the import of used motor vehicles, tires, and clothing. Used special-purpose vehicles such as ambulances, mobile clinics, street sweepers, and fire trucks are permitted as donations.

Ecuador applies a special consumption tax (ICE) to certain “luxury” products including distilled spirits, beer, cigarettes, and soft drinks. The ICE is divided into four groups, and rates as of January 2011 are summarized in the following tables:

<table>
<thead>
<tr>
<th>Group 1</th>
<th>ICE Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tobacco products (excluding cigarettes)</td>
<td>150%</td>
</tr>
<tr>
<td>Soft drinks</td>
<td>10%</td>
</tr>
<tr>
<td>Perfumes and eau de cologne</td>
<td>20%</td>
</tr>
<tr>
<td>Video games</td>
<td>35%</td>
</tr>
<tr>
<td>Firearms, guns used in sports, munitions</td>
<td>300%</td>
</tr>
<tr>
<td>Incandescent light bulbs</td>
<td>100%</td>
</tr>
</tbody>
</table>
## Group 2

### Type I (Vehicles up to 3.5 tons)

<table>
<thead>
<tr>
<th>Description</th>
<th>ICE Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hybrid vehicles up to $35,000</td>
<td>0%</td>
</tr>
<tr>
<td>Hybrid vehicles priced up to $20,000</td>
<td>5%</td>
</tr>
<tr>
<td>Hybrid vehicles priced between $35,000 &amp; $40,000</td>
<td>8%</td>
</tr>
<tr>
<td>Hybrid vehicles priced between $40,000 &amp; $50,000</td>
<td>14%</td>
</tr>
<tr>
<td>Hybrid vehicles priced between $50,000 &amp; $60,000</td>
<td>20%</td>
</tr>
<tr>
<td>Hybrid vehicles priced between $60,000 &amp; $70,000</td>
<td>26%</td>
</tr>
<tr>
<td>Hybrid vehicles priced more than $70,000</td>
<td>32%</td>
</tr>
<tr>
<td>Pick-ups and vans priced up to $30,000</td>
<td>5%</td>
</tr>
<tr>
<td>Vehicles priced up to $20,000</td>
<td>5%</td>
</tr>
<tr>
<td>Vehicles priced between $20,000 &amp; $30,000</td>
<td>15%</td>
</tr>
<tr>
<td>Vehicles priced between $30,000 &amp; $40,000</td>
<td>25%</td>
</tr>
<tr>
<td>Vehicles priced more than $40,000</td>
<td>35%</td>
</tr>
</tbody>
</table>

### Type II

<table>
<thead>
<tr>
<th>Description</th>
<th>ICE Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jet aircraft, propeller aircraft, helicopters (except for commercial passenger, cargo, and services aircraft); motorcycles, quads (all terrain vehicles, ATVs), yachts, and luxury boats</td>
<td>15%</td>
</tr>
</tbody>
</table>

## Group 3

### Product

<table>
<thead>
<tr>
<th>Product</th>
<th>ICE Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cable TV (prepaid TV)</td>
<td>15%</td>
</tr>
<tr>
<td>Casino services, gaming rooms (i.e. bingo), and other gambling activities</td>
<td>35%</td>
</tr>
</tbody>
</table>

## Group 4

### Product

<table>
<thead>
<tr>
<th>Product</th>
<th>ICE Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social club memberships/shares above $1,500 per year.</td>
<td>35%</td>
</tr>
</tbody>
</table>

## Group 5

<table>
<thead>
<tr>
<th>Product</th>
<th>ICE Tax (percent)</th>
<th>ICE Tax (specific)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cigarettes</td>
<td>N/A</td>
<td>$0.08 per unit</td>
</tr>
<tr>
<td>Distilled spirits (including beer)</td>
<td>75%</td>
<td>$6.20 per litre (pure alcohol)</td>
</tr>
</tbody>
</table>
New regulations issued in November 2011, changed the way the tax is applied to cigarettes and alcohol adding an additional specific tax per unit (in the case of cigarettes) or liter (in the case of alcohol).

Article 401 of the 2008 Constitution declares Ecuador free of transgenic crops and seeds. However, the same article grants the president the exclusive authority to allow imports of agricultural crops and seeds that may have been produced using genetic modification. In February 2009, Ecuador’s legislative body approved a Food Sovereignty Law that regulates the use of biotechnology. This law is abstract in its approach, and additional implementing legislation remains to be developed. In the interim, imports have continued normally. Interested private sector industries have worked with Ecuadorian authorities to develop implementing regulations that would not impede trade in products derived from biotechnology.

Imports of psychotropic medicines and certain precursor chemicals used in narcotics processing require prior authorization from the National Drug Council (CONSEP). Imports of weapons, munitions, explosives, armored vehicles, ships, and other related equipment require prior authorization from the Ministry of National Defense.

Foreign professionals are subject to national licensing legislation. Foreign insurance companies may present offers on government tenders. However, if they are awarded a contract, they must obtain authorization from the Superintendency of Banks to operate in Ecuador. Maritime transport services are generally open, subject to reciprocity with other countries. Since January 2002 telecommunications services have been open to free competition. A new telecommunications law is being drafted and is planned to be approved on the first half of 2012, considerably increasing central government control in the sector and hindering new foreign investment.

Ecuador’s complicated legal and regulatory regime may impose additional non-tariff barriers, increasing the difficulty and cost of doing business in the country. The Foreign Trade Council (COMEX) is in charge of foreign trade policy and regulations.

Import Requirements and Documentation

As of 2008, the government uses a risk analysis system run by the National Customs Service of Ecuador (SENAE), replacing a pre-shipment inspection (PSI) regime. Importers with good track records and identified as low-risk rarely have their cargoes inspected and they are released with minimum delays upon arrival in Ecuador. The new Production Code implemented new Customs regulations aiming to further simplify procedures, reduce corruption, and stiffen penalties.

All importers must register with SENA as well as obtain a company tax number (RUC) issued by the Ecuadorian Internal Revenue Service (SRI).

The following documentation is required to import products into Ecuador: the commercial invoice, original or copy of the bill of lading or airway bill, insurance policy in accordance with the Insurance Law, the income tax registry number (RUC), a certificate of origin when applicable (to qualify for tariff preferences when available), and the INEN-1 certificate (standards compliance) when applicable. In addition to the aforementioned documents, shipments must include detailed weight information, including individual gross and net weight of each of the products.
Upon arrival of the merchandise, SENAE authorizes the payment of duties and the release of the goods. This process should take two working days; however, delays are possible, particularly due to frequent changes within SENAE. In order to expedite the process, the use of a specialized customs agent is highly recommended.

**U.S. Export Controls**

U.S. companies must obtain an export license from the U.S. Government when exporting defense technology, goods, and services to Ecuador, i.e., arms and ammunition. For information on export license application procedures, please contact the Bureau of Industry and Security.

**Temporary Entry**

Ecuador allows temporary entry for up to 15 days of items used for demonstration or trade fairs, and up to 180 days for duty free zones (ZEDES) and special projects. In the case of special projects, the time period may be extended once for up to six months by presenting an extension request to the Customs District Administrator. During this period, the obligation to pay taxes and duties is suspended, with the condition that the commodities be re-exported. Commodities may also be nationalized after paying the required taxes and fees.

Although import duties are waived, a bank guarantee or insurance for 100 to 120 percent of the import duties should be presented to SENAE. This bond will be returned once the merchandise is repatriated. An additional customs control tax must also be paid based on the CIF value of the merchandise.

For maquila operations, the equipment needed for assembly operations can also be imported free of duties, although a bond has to be deposited. No import permits are required. Special labor regulations apply to companies operating under this system.

According to Ecuadorian import regulations, when merchandise is temporarily exported for repair, applicable import duties are only charged on the aggregate value, i.e., new or reconditioned replacement parts, added to the original merchandise. Merchandise temporarily leaving the country will be marked by SENAE in order to identify it upon its return.

**Labeling and Marking Requirements**

The Ecuadorian Standards Institute (INEN) sets all labeling requirements. Labeling must be in Spanish and should include the name of the company, address, phone number, tax registration number (RUC), country of origin, unit, net weight, and sanitary registration number, if required. Also, food products have their own labeling requirements.

To determine current regulations, exporters should also contact their Ecuadorian importers and representatives. The U.S. Embassy recommends verifying up-to-date labeling requirements with INEN prior to shipping.
Prohibited and Restricted Imports

Prohibited imports include used clothing, used tires, used shoes, used vehicles, certain pesticides, certain epoxies and esters, reptile hides, worked ivory, and ivory articles.

Used special-purpose vehicles such as ambulances, mobile clinics, street sweepers, and fire trucks are permitted as donations.

For details visit the Foreign Trade Council web site.

Customs Regulations and Contact Information

Ecuadorian Customs (SENAE) procedures can be difficult, but in general they are not used to discriminate against U.S. products.

Because the U.S. dollar is the legal tender in Ecuador, currency exchange calculations are unnecessary. This has simplified international trade procedures, including Customs.

Standards

National standards are set by the Ecuadorian Standards Institute (INEN) and generally follow international practice. The Ecuadorian Quality Council (CONCAL) is responsible for defining what products are subject to obligatory standards compliance. Products on the list of products subject to standards must obtain the INEN-1 certificate in order to clear Customs. It is highly recommended that U.S. firms visit INEN’s website for an up-to-date list of products.

The Ecuadorian Accreditation Organization (OAE) certifies and approves certificates of compliance. To obtain the INEN-1 certificate, all compliance certificates must be submitted to the OAE for approval before presenting the documentation to INEN.

Ecuador’s Agriculture Quality Assurance Agency, AGROCALIDAD, an agency of the Ministry of Agriculture, MAGAP, is responsible for administering Ecuador’s sanitary and phytosanitary (SPS) controls. AGROCALIDAD replaced SESA in December 2008. As a member country of the WTO, Ecuador must comply with the WTO Agreement on the Application of Sanitary and Phytosanitary Measures. In most cases, the SPS certificate may be obtained quickly and access is granted hassle-free so long as the proper documentation is submitted. However, denials of SPS certification have been used in a
discriminatory fashion to block the import of U.S. products that could compete with Ecuadorian production (i.e., beef, poultry, and dairy products). The ability to import some products, such as rice, corn, soybeans, and soybean meal is at the discretion of the MAGAP. As there are government programs aimed at supporting local agricultural production, for example, the government has established import quotas based on domestic consumption patterns using a methodology difficult to understand.

AGROCALIDAD follows the “Andean Sanitary Standards” established under the Andean Community of Nations (CAN). Some standards applied to third countries are different from those applied to CAN members. Although CAN is working to harmonize its regulations with those of the WTO, there are cases when specific regulations apply to imports from third countries, some of which do not comply with WTO standards. There are, for example, differences in the requirements for CAN and third countries for the importation of live animals, animal products, plants, and plant by-products. AGROCALIDAD also requires certifications for each product stating that the product complies with risk analysis and that the country of origin or the area of production is free from certain exotic plant or animal diseases. According to the guidelines of the International Plant Protection Council (IPPC), importing countries are free to develop a pest risk assessment (PRA) and implement mitigation measures to reduce the risk of introduction of exotic diseases or pests. However, AGROCALIDAD staff lack training on the application of IPPC and WTO regulations. There have been instances when it has appeared that PRAs and mitigation measures have been used as trade barriers to protect domestic producers.

Sanitary registrations are required for imported as well as domestic processed food, natural products, cosmetics, pesticides, pharmaceuticals, reagents, and medical disposable supplies, as well as some other consumer goods. Ecuador accepts the U.S. Certificate of Free Sale authorized by the U.S. Food and Drug Administration. Application regulations require that the government issue sanitary permits within 15 days of the receipt of the request.

For details, contact the Ministry of Public Health and the Instituto Izquieta Perez: e-mail: dimainh@telconet.net or lipmt@telconet.net

 Standards Organizations

The Ecuadorian Standards Institute (INEN) is the official government organization in charge of standards. INEN is a member of the International Standards Organization (ISO), the Panamerican Technical Standards Commission (COPANT), the Interamerican Metrology System (SIM), the Organisation Internationale de Metrologie Legale (OIML), and is the point of contact for the Codex Alimentarius Commission.

NIST’s “Notify U.S.” Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other member countries. Notify U.S. is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online with NIST.
Conformity Assessment

INEN is also in charge of conformity assessment with support from the OAE (Ecuadorian Accreditation Organization). All products subject to standards compliance must obtain the certificate of conformity (INEN-1) prior to shipping the products to Ecuador and must present it at the port of entry to clear Customs.

INEN has approved three laboratories for conformity assessment testing for certain products including: refrigerators, ranges, and light bulbs. INEN has released three “conformity assessment procedures” (PECs) for the products that are subject to local testing in these labs. Also, a new PEC targeting tires was released at the end of January 2011.

Product Certification

INEN requires the following products to have special certification:

- Vehicles
- Refrigerators
- Stoves and ranges
- Tires
- Electric generators
- Labels for textiles, apparel, footwear, and accessories
- Some construction materials such as Portland cement, steel bars, tubing, piping
- Some automotive components such as security glass, spark plugs, and brake pads
- Automotive brake fluids and lubricants
- Ceramic tableware and kitchenware
- Contraceptives

Accreditation

The Ecuadorian Accreditation Organization (OAE) is the official accreditation body in Ecuador. The OAE certifies and recognizes accredited laboratories and accredited standards organizations. Certificates of conformity submitted to INEN must be validated and approved by the OAE.

Publication of Technical Regulations

INEN is in charge of informing the public of new and revised technical regulations and standards. These regulations are published in Ecuador’s Official Gazette.

Labeling and Marking

INEN establishes the requirements for labeling and marking. Although labeling requirements vary slightly for different products, all labeling must be in Spanish and include the following information:

- Name of the company
- Address and telephone number
- Tax registration number (RUC)
INEN follows U.S. Food and Drug Administration standards and requirements for labeling and marking.

**Trade Agreements**

Ecuador is a member of the Andean Community (CAN), Latin American Integration Association (ALADI), and the WTO. As a member of the CAN, Ecuador is party to commercial agreements with Mercosur (Brazil, Argentina, Paraguay, and Uruguay). Ecuador is also party to a bilateral trade agreement with Chile as well as a partial trade agreement with Guatemala. Ecuador also has a commercial cooperation agreement with Venezuela.

**Web Resources**

For additional information visit the following websites:

- Agriculture Quality Assurance Agency (AGROCALIDAD)
- Central Bank of Ecuador
- National Customs Service of Ecuador (SENAE)
- Ecuadorian Standards Institute (INEN)
- Foreign Trade Council (COMEX)
- Internal Revenue Service (SRI)
- Ministry of Agriculture, Livestock and Fishing
- Ministry of Environment
- Ministry of Foreign Affairs
- Ministry of Health
- Ministry of Industries and Productivity
- Ministry of National Defense
- National Drug Council
- U.S. Food and Drug Administration
Chapter 6: Investment Climate

- Openness to Foreign Investment
- Economic and Business Measures Ranking
- Conversion and Transfer Policies
- Expropriation and Compensation
- Dispute Settlement
- Performance Requirements and Incentives
- Right to Private Ownership and Establishment
- Protection of Property Rights
- Transparency of Regulatory System
- Efficient Capital Markets and Portfolio Investment
- Competition from State Owned Enterprises
- Corporate Social Responsibility
- Political Violence
- Corruption
- Bilateral Investment Agreements
- OPIC and Other Investment Insurance Programs
- Labor
- Foreign-Trade Zones/Free Ports
- Foreign Direct Investment Statistics
- Web Resources

Openness to Foreign Investment

Ecuador is relatively open to foreign investment in most sectors, including general manufacturing, retail and services. However, its overall investment climate remains uncertain as its economic, commercial and investment policies continue to evolve. While some laws and regulations have been enacted to spur increased domestic and foreign private investment, other legal changes have reduced private sector participation in “so-called” strategic sectors, most notably extractive industries, and negatively affected banking and media sectors. Frequent changes in Ecuador’s tax code have complicated business planning. Ecuador, and the long-term status of a number of bilateral investment treaties, including with the United States, remains uncertain.

In general, the legal complexity resulting from the inconsistent application and interpretation of its existing investment laws complicates enforcement of contracts and increases the risks and costs of doing business in Ecuador. Government officials and private Ecuadorian businesses have used regulatory schemes and questionable legal maneuvers to affect foreign company operations in the country. Companies have sometimes been confronted with requirements of additional payments not negotiated in original agreements. Receiving full and timely payments due can be another recurring problem. Business disputes with U.S. companies can become politicized, especially in
sensitive areas such as the energy sector. Several commercial disputes involving U.S. companies, mostly linked to the energy sector, are currently under international arbitration. The central government and a number of provincial governments are exploring ways to provide investment attraction services to support current investment, facilitate the entry of new investment, and alleviate the bureaucratic and other hurdles mentioned above.

Foreign investment with up to 100 percent foreign equity is currently allowed without prior authorization or screening in most sectors of the Ecuadorian economy currently open to domestic private investment. There is no legal discrimination against foreign investors at the time their investments are made. Foreign investors may participate in government-financed research programs. Foreign investors must register their investments with the Central Bank for statistical purposes. Ecuadorian law requires private companies to distribute 15 percent of pre-tax profits to their employees each year.

Ecuador does not have a law in place specifically governing franchises. For license and franchise transactions, no limits exist on the amount of royalties that may be remitted, but the tax on capital outflows was increased from two percent to five percent on November 24, 2011. All license and franchise agreements must be registered with the Ecuadorian Intellectual Property Institute (IEPI).

Articles 313 through 315 of the 2008 Constitution establish that the State is responsible for management of “strategic sectors” through state-owned or controlled companies. Strategic sectors identified include: energy in all its forms, telecommunications, non-renewable natural resources (includes petroleum, natural gas, and mining), transportation, hydrocarbon refining, media, water, and biodiversity and genetic patrimony. Within the last few years, new state companies have been formed in mining, pharmaceuticals, and the banana sector.

Selected Strategic Sectors:

Petroleum
Private investment in Ecuador’s petroleum sector has declined in recent years, in part because of unfavorable economic terms, legal uncertainties, government tax policies, environmental liability concerns, and a lack of a consistent energy policy. High profile legal cases brought by and against foreign oil companies, often stemming from tax disputes, have dampened foreign investor interest in the sector. All subsurface resources belong to the state. Ecuador permits investment by foreign oil companies, but has changed the terms for private sector participation in the sector over the last few years. Until recently, foreign oil companies were engaged in exploration and development activities under production-sharing contracts with the state oil company Petroecuador, which gave private investors the right to share in finds. Beginning in 2007, the government sought to change these contracts to a fee-for-service model.

Reforms to Ecuador’s Hydrocarbons Law that came into effect on July 27, 2010, provided the legal framework and deadlines for the Ecuadorian government to negotiate new contracts with foreign oil companies operating in the country. Negotiations with the major foreign oil operators were concluded on November 23, 2010, resulting in new service contracts for seven concessions with five operators. Negotiations were not successful with three other companies, which negotiated the turnover of their operations to the state and left the country. Separately, a U.S. company sold its gas operations to
the government in 2011. Marginal oil-field operators concluded new service contract negotiations with the government. Some general features of the new service contract are that the State receives an initial payment of 25 percent of gross revenues as a “sovereign margin;” companies receive a negotiated per barrel tariff for oil produced; and while international arbitration is not available for tax or contract non-compliance issues, other cases may be heard under UNCITRAL rules by the Arbitration and Mediation Center of Santiago (Chile).

Petroecuador is exploring the negotiation of contracts with oil service companies for enhancing production within some of its extensive, mature oil fields. The Ecuadorian government announced in April 2011 its plans to make available new oil concessions in the southwestern portion of the country, but these concessions have not yet been offered. New service contracts should be announced for seven marginal fields in the first quarter of 2012 as well.

Only the state is authorized to participate in domestic fuel distribution, refining and transport activities. Fuel prices are controlled by the central government. Ecuador has insufficient refining capacity to meet domestic demand for refined products and must import many oil derivatives.

**Mining**

The mining sector is open to foreign investment. Foreigners have the same access to large-scale mining concessions as domestic investors, but are prohibited from investing in small-scale mining operations. Ecuador’s mining potential is concentrated in gold, copper, and silver. Foreign investors must receive permission from the President and the approval of the Ministry of Defense to obtain mining rights in zones adjacent to international boundaries. Although rising commodity prices have led to an increase in interest in mining investment in Ecuador in recent years, problems with local communities opposed to mining operations have caused periodic shutdowns. A politically controversial new law on water usage that would likely have regulatory consequences for many industries, including mining, is still pending in the National Assembly.

Investment in mining continues to be modest by Andean standards, but is expected to increase over the next several years. In April 2008, Ecuador’s National Assembly revoked the majority of existing mining concessions, suspending large-scale mining activity for over a year. A new mining law was approved in January 2009. Its implementing regulations, which were published the following November, provided the necessary legal framework for companies to resume exploration activities, pending the update of their mining and environmental permits. Several major international mining companies restarted exploration activities in February 2010, and four of them began contract negotiations with the government in December 2010 for the production phase of their concessions. Although uncertainty about the regulatory framework has delayed the signing of final agreements, at least one company is in the advanced stages of negotiating its contract for a major gold project. Ecuador’s new mining law requires all mining concessionaires to pay a minimum 5 percent royalty on the sale of all primary and secondary minerals; an additional 25 percent income tax; a 12 percent tax on profits; a 70 percent windfall tax on extraordinary profits; and a 12 percent value-added tax.
In January 2010, the Ecuadorian government established a new National Mining Company (ENAMI) to engage in joint ventures with state and private companies and increase government investment in the sector. Per the new mining law, ENAMI has a preemptive right to establish mining operations in areas considered “of interest” by the government and where no previous concession exists.

**Electricity**

In 2007 the Ecuadorian government created a new Ministry of Electricity and Renewable Energy to focus more attention on the sector. A new electricity mandate issued in July 2008 established a single electricity tariff for distributors, and consolidated the 19 state distributors into one. The mandate was implemented with the creation of the National Electricity Company (CNEL) in late 2008 and the National Electric Company (CELEC EP) in early 2009. CNEL’s mandate is to manage the electricity distribution companies. CELEC EP was created to centralize management of most of the generation companies and the transmission company. The Ecuadorian government is discussing the creation of a new organization that would monitor and manage the entire electricity system and bring the generation, transmission, and distribution companies back under the control of one umbrella organization. Ecuador’s 2008 Constitution declares the electrical sector as a public service and strategic sector. While some private electricity generation companies exist, all future investment is expected to be in the form of public investment. Only one U.S. firm still operates an electricity power generation plant in Ecuador. Another U.S. company sold its gas-fired electricity power plant to the Ecuadorian government in May 2011 after the government declared the company to be in breach of contract regarding its associated gas operations. The Production Code of December 2010 opened several opportunities in the area of renewable energies.

The Ecuadorian government is currently undertaking a large-scale program to expand the country’s generation capacity by over 60 percent, building 10 large wind and hydroelectric projects. However, to date all construction and equipment contracts have been awarded to Chinese and Russian state-owned companies in a non-competitive bidding process linked to Chinese and Russian-provided credits.

**Telecommunications**

Basic telecommunications had traditionally been reserved for the state, but a 2002 law liberalized the sector. Two private groups with foreign participation were granted concessions in 1993 to develop cellular telephone systems. A third state-owned company was granted a cellular concession in 2003, and was recently absorbed by the landline state company Corporación Nacional de Telecomunicaciones (CNT). In 2004, U.S. company BellSouth sold its assets in Ecuador to the Spanish company Telefonica, the mobile operator with the second largest market share of the two foreign-owned cellular providers. Claro, formerly Porta, the dominant cellular provider, is owned by a Mexican investor. New telecommunications legislation, which might increase centralization and government control of the sector, which was expected to be introduced in mid-2011, has been delayed. Satellite and internet services are provided by private companies. In July 2011 the government sold its remaining 35 percent equity in TV Cable, a provider of cable and internet services, to a private holding firm.

In 1998, Emetel, the former state telephone monopoly, was split into two corporations (Andinatel in the highlands and Pacifictel in the coastal region). Pacifictel faced severe management challenges and was the focus of several scandals. Andinatel and Pacifictel received approval to merge in 2008 and formed the CNT, which was converted into a fully-public company in January 2010. A new Ministry of Telecommunications was
created in August 2009, modifying the role of the sector’s key players. Detailed regulatory processes and delayed state company payments to the private sector continue to hinder foreign investors. A new telecommunications law is being discussed which would centralize power back with the state.

**Media**
Foreign companies are prohibited from owning more than 25 percent equity in broadcast stations. Foreigners are not permitted to obtain broadcast concessions. In addition, the Organic Law for Regulation and Control of Market Power, enacted in October 2011, prohibits anyone possessing more than a six percent interest in a media company from investing in any other business sector.

**Fishing**
Foreign investment in domestic fishing operations is subject to approval by the National Fishery Development Council, based on a favorable report from the National Fishing Institute. Extractive fishing by foreign companies is permitted provided that the catch is processed in Ecuador. The local sea cucumber population has been nearly eliminated, but shrimp, tuna and other fish products are harvested by national and foreign flag vessels and are major exports for Ecuador.

Other "strategic enterprises" are reserved for the state, including national security industries, in which the military often acts as a joint venture partner with private industry.

**Economic and Business Measures/Rankings**

<table>
<thead>
<tr>
<th>Measure</th>
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<th>Index/Ranking</th>
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<tr>
<td>TI Corruption Perceptions</td>
<td>2011</td>
<td>120 out of 182</td>
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<tr>
<td>Heritage Economic Freedom</td>
<td>2011</td>
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<td>World Bank Doing Business</td>
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**Conversion and Transfer Policies**

In 2000, following a severe financial crisis, Ecuador adopted the U.S. dollar as its official currency. After Ecuador adopted the dollar, inflation rates declined from a high of near 100 percent in 2000 to single digits since 2003. According to the Ecuadoran Central Bank, in 2011 the annual rate of inflation was 5.5 percent.
Foreign investors may remit 100 percent of net profits and capital, subject to a 5 percent tax. Investors may also repatriate the proceeds from liquidation of their investments. There are no current limitations on outflows of funds for debt service, capital gains, returns on intellectual property, or imported inputs. There is also no significant delay for remitting investment returns such as dividends, return on capital, interest and principal on private foreign debt, lease payments, royalties and management fees through normal legal channels.

Ecuadorians may also export capital, and there are substantial Ecuadorian financial holdings in the United States and other offshore banking centers. However, on November 24, 2011, the Ecuadorian government increased the tax on all capital outflows from 2 percent to 5 percent.

Expropriation and Compensation

Expropriation is provided for in Ecuadorian law with appropriate compensation. In cases of expropriation, the affected party has the right to petition a judge to establish an appropriate price for expropriated holdings. The Agrarian Development Law restricts the grounds for expropriation of agricultural land and makes land cases subject to regular courts. It can be difficult to enforce property and concession rights, particularly in the agriculture, mining, energy, and commercial and residential real estate sectors. In some cases, Ecuador’s judicial system has failed to provide adequate protection from unlawful expropriations or provide investors and lenders with prompt, adequate, and effective compensation for expropriated property.

Property, whether land or mobile assets, jointly owned by several persons or companies, can be seized by Ecuadorian courts through judgments or seizure orders. Resolution and compensation typically require many years and significant legal costs.

Under Ecuador’s existing bilateral investment treaty (BIT) with the United States, expropriation can only be carried out for a public purpose, in a nondiscriminatory manner, and upon payment of prompt, adequate and effective compensation.

There are a number of expropriation disputes related to the oil sector that are still pending in international arbitration proceedings.

The 2008 Constitution establishes that the State would manage land use and access to lands, while recognizing and guaranteeing the right to private property, “which should fulfill social and environmental functions.” Implementing laws to clarify this provision have not been issued. The Constitution provides for the redistribution of land if the land is not in productive use for more than two years. The definition of “productive use” is complicated, particularly for pastures and unexploited land. Access to land for the landless is a major theme of the government’s agricultural policy, but to date, there have not been any public seizures of private assets under the current administration. The Organic Code for Commercial Production and Investment, approved in 2010, contemplates expropriation to improve the distribution of production factors and enhance the opportunities of the rural population. New land reform legislation, originally expected in 2011, has been delayed.
Some local and foreign mining companies have had their concessions occupied by informal miners, who have subsequently sought a share of the concessions or have carried out mining activities without repercussions.

Systemic weakness in the judicial system and its susceptibility to political or economic pressures constitute important problems faced by U.S. companies investing in or trading with Ecuador. The Ecuadorian judicial system is hampered by processing delays, unpredictable judgments in civil and commercial cases, inconsistent rulings, and limited access to the courts. Criminal complaints and arrest warrants against foreign company officials have been used to pressure companies involved in commercial disputes. There have been cases in which foreign company officials have been prevented by the courts from leaving Ecuador due to pending claims against the company. Ecuadorians involved in business disputes can sometimes arrange for their opponents, including foreigners, to be jailed pending resolution of the dispute. Concerns have been raised in the media and by the private sector that Ecuadorian courts may be susceptible to outside pressure and are perceived as corrupt, ineffective, and protective of those in power. Neither legislative oversight nor internal judicial branch mechanisms have shown a consistent capacity to investigate effectively and discipline allegedly corrupt judges.

The resource-starved judiciary continues to operate slowly and inefficiently. After a public referendum held in May 2011, the judiciary is operating under an emergency decree while it undergoes a restructuring. There are over 55,000 laws and regulations in force. Many of these are conflicting, which contributes to unpredictable and sometimes contradictory judicial decisions. Enforcement of contract rights, equal treatment under the law, IPR protection, and unpredictable regulatory regimes are major concerns for foreign investors.

The existing U.S.-Ecuador BIT provides for binding international arbitration of disputes between the government and investor in a venue of the investor's choosing, including the World Bank’s International Center for Settlement of Investment Disputes between States and Nationals of Other States (the ICSID Convention). Ecuador withdrew from the ICSID Convention effective January 2010. Alternative arbitration venues available to U.S. investors include: ICSID’s Additional Facility; ad hoc arbitration under UNCITRAL rules; and arbitration administered by any other arbitral institution to which the parties agree. Should the Ecuadorian government terminate the U.S.-Ecuador BIT, the BIT’s provisions would be fully in effect for one year from the date of termination notice, and for an additional 10 years for investments existing on the one-year anniversary of the termination notice (see the section on “Bilateral Investment Agreements” for more details).

Ecuador’s new Production Code contains a provision which allows the state to negotiate the inclusion of an international arbitration clause within contracts with private investors. A number of U.S. companies operating in Ecuador, notably in regulated sectors such as petroleum and electricity, have filed for international arbitration resulting from investment disputes. Investors in more lightly regulated sectors have had fewer disputes.
There are no formal performance requirements associated with foreign investment in Ecuador. The country’s new Production Code establishes tax incentives to attract both domestic and foreign investment in certain priority sectors: fresh and processed food, forestry, agro-forestry, metalworking, petrochemical products, pharmaceuticals, tourism, renewable energies, logistical services, biotechnology, applied software, and those determined by Ecuador’s President to be “strategic import substitution” sectors. These incentives, which may take the form of tax exemptions, income tax deductions, as well as a five-year tax holiday, are only available for investments made outside of Quito and Guayaquil. To qualify for the tax incentives, an investment proposal must be approved by a yet-to-be formed Technical Secretary of the Sectoral Council for Production. Implementing regulations for the Production Code were published in April 2011.

The Production Code also contains measures to promote establishment and growth of small and medium enterprises (SMEs). The measures are designed to improve access for SMEs to public bank financing and the stock market, and to develop credit guarantee institutions and a special guarantee system for SME financing.

Under the Andean Community Common Automotive Policy, Ecuador and Colombia impose local content requirements on automobiles assembled in country in order to qualify for reduced duties on imports. The WTO Agreement on Trade-Related Investment Measures (TRIMS) prohibits such requirements. Although under the TRIMS Agreement Ecuador was obliged to eliminate local content requirements by 2000, the local content requirement is still in place; in 2011 the requirement was 24.3 percent.

Ecuador is a beneficiary of the Andean Trade Promotion and Drug Eradication Act (ATPDEA), which renewed and expanded the original Andean Trade Preference Act (ATPA). The primary goal of this program is to promote export diversification and provide sustainable economic alternatives to drug-related activities in the Andean region. The current program provides Ecuador with duty-free access to the U.S. market for over 6,000 products, and has helped promote growth in Ecuador's cut-flower, pouch tuna, textile and apparel, wood, and fruit and vegetable exports. In October 2011, the U.S. Congress approved the extension of the ATPDEA program through July 2013, with retroactive benefit, following the program’s lapse in February 2011. Ecuador is also a beneficiary of the Generalized System of Preferences trade program, which was also renewed through July 2013. Through its InvestEcuador program, the Government of Ecuador promotes and facilitates local and foreign investment, particularly in areas of special interest for development, by establishing incentives and working through existing bureaucratic hurdles. In May 2011, the MFA launched the Institute for the Promotion of Exports and Investments (PRO ECUADOR), which to date has focused more strongly on export promotion. A number of Ecuador’s provinces are also working to attract investment, often as public-private collaborations between provincial governments and private commercial associations and universities. In addition to conducting international road shows to attract FDI, the provincial investment promotion agencies seek to assist both current and prospective investors to open new facilities, increase existing investments, and overcome bureaucratic hurdles. Some provinces, with financial assistance from the Central Government, are actively implementing large-scale
infrastructure improvement projects to make their regions more attractive to local and foreign investors. Visa and residence requirements do not inhibit foreign investment.

**Right to Private Ownership and Establishment**

Foreign and domestic private entities can own business enterprises and engage in almost all forms of business activity. Private entities can compete freely with the public sector in most areas, although in some cases the government has clearly favored state-owned enterprises in awarding its business. In August 2008, Ecuador’s Constituent Assembly passed a new public contracting law, which grants priority to locally produced products and services in public purchases, although foreign suppliers can compete for the contracts. The National Institute for Public Contracting (INCOP) has regulated the process for evaluating proposals. Local origin content is not the only factor evaluated in awarding a contract; other factors such as price and quality are also assessed. The law eliminates the former requirement to obtain approval from the Attorney General and the Controller prior to being awarded a government contract, and charges INCOP with ensuring transparency and timeliness of the contracting process.

**Protection of Property Rights**

There have been numerous instances where the judicial system has not adequately protected property owners’ rights. U.S. investors in real estate should exercise caution when considering a land purchase in Ecuador.

Ecuador's intellectual property regime is governed by the "Law on Intellectual Property" adopted in 1998. The law purports to provide criminal and administrative relief to right holders. Ecuador has ratified the Berne Convention for the protection of literary and artistic works, the Geneva Phonogram Convention, and the Patent Cooperation Treaty. Ecuador is also bound by Andean Community Decisions 345, 351, and 486. Decision 486 improves intellectual property protection by expanding the definition of patentability and strengthening data exclusivity provisions. Ecuador is not a party to the Madrid Protocol on trademarks.

The Ecuadorian Intellectual Property Institute (IEPI) was established in January 1999 to handle patent, trademark and copyright registrations. Ecuador has been on the Special 301 Watch List of the Office of the United States Trade Representative since 2003. Enforcement against intellectual property infringement remains a serious problem in Ecuador. The national police and the customs authority are responsible for carrying out IPR enforcement orders, but it has sometimes been difficult to have court orders enforced. There is a widespread local trade in pirated audio and video recordings, computer software, and counterfeit activity regarding brand name apparel. On the other hand, local registration of unauthorized copies of well-known trademarks has been reduced.

*Patents*

Ecuador’s IPR law extends patent protection for 20 years from the date of filing. In infringement cases, the burden of proof lies with the alleged infringer. Although Andean Community Decision 486, issued in late 2000, represents a significant improvement over Decision 344, it still does not provide adequate protection for "second use" patents. In 2010, Ecuador established compulsory license regimes for pharmaceutical and
agrochemical products. However, as of January 2012, just one compulsory license had been issued, for a pharmaceutical product, while none had been issued for an agrochemical product.

Ecuadorian government health authorities continue to approve the commercialization of new drugs that are the bioequivalent of patented drugs, thereby denying the originator companies effective patent protection for innovative drugs. A modification to Ecuador's health code in late 2006 permits the granting of sanitary registrations without regard to whether a medication is patented.

The "Law on Generic Drugs," which was passed in 2000, established drugstore gross profit margins on branded medicines at 20 percent, while maintaining the margins for generic drugs at 25 percent. Although the October 2011 Law on Regulation and Control of Market Power (Anti-Monopoly Law) abolished the "Law on Generic Drugs," in practice the profit margins described above will apply until the implementing regulations for the Anti-Monopoly Law are issued in January 2012. A new formula is expected to set a maximum price for pharmaceuticals under three different regimes, i.e. regulated (firms request price approval), monitored (only non-strategic products), and direct (price set by the regulating entity). Presidential Decree 181, issued on December 21, 2009, established a National Pharmaceutical Company (ENFARMA) which has been selling imported generics from Cuba. It is now conducting feasibility studies to build a production plant in Quito.

Copyrights
Printed and recorded works are in theory protected under the IPR law for the life of the author plus 70 years. Computer programs and software are also protected. However, pirated CDs and DVDs are readily available on many streets and even in shopping malls. One of Ecuador’s largest outdoor markets (La Bahia) is listed on the United States Trade Representative’s “Notorious Markets” watchlist. Weak copyright enforcement remains a significant problem, especially concerning sound recordings, computer software and motion pictures. The government has not taken action to clarify that Article 78 of the 1999 Law on Higher Education does not permit software copyright infringement by educational institutions. Ecuador mandates the use of open source software for all government agencies. Software company representatives are critical of the measure, saying it has the unintended consequence of encouraging the acquisition of pirated commercial software.

Trademark registration is permitted for renewable 10-year periods, but registration may be canceled if the trademark is not used in the Andean region for a period of three years. The IPR law provides protections for well-known trademarks. A trademark registration cannot be cancelled without the consent of the trademark owner.

Other Protection
The IPR law covers protection for industrial designs and extends protection to industrial secrets and geographical indicators. Semiconductor chip layouts are protected. Plant varieties and other biotechnology products are also, in theory, protected.

Registrations and Enforcement
The Ecuadorian National Police and Customs service are responsible for carrying out IPR enforcement, but do not always enforce court orders. IEPI can take enforcement actions through an administrative process that can result in sanctions and/or interception
of counterfeit goods by Ecuadorian Customs. In early 2011, IEPI initiated an enforcement initiative aimed at stores selling pirated DVDs and CDs. This initiative was not sustained, however, and sales of pirated goods resumed.

**Transparency of Regulatory System**

The Organic Law for Regulation and Control of Market Power, otherwise known as the “Anti-Monopoly Law,” was enacted in October 2011. The law establishes a regulatory body with the authority to investigate complaints and assess penalties for anti-competitive behavior. Sanctions for companies found to be in violation of the law can range from a formal warning up to a fine of 12 percent of previous year’s gross revenues. Industry groups have criticized the law’s terminology in defining market power abuses as overly vague. Implementing regulations have not yet been published.

The Superintendent of Banks and Insurance (SBI) regulates financial and insurance institutions. The 2008 Constitution calls for the creation of separate regulatory agencies for the public, private, and informal financial sectors. The Constitution also mandates that each financial institution have an ombudsman office. The regulatory authorities must now be appointed by the Council for Citizens Involvement and Social Control from a short-list of candidates submitted by the Executive. The law for the Creation of a Financial Safety Net, which was approved by the National Assembly in December 2008, improved coordination of the financial regulatory agencies by having both the Central Bank and the SBI as members of the new corporations that will manage a new liquidity fund, deposit insurance agency, and resolution system. In October 2009, the National Assembly passed a law reforming the Central Bank Charter, eliminating its autonomy and redefining the composition of its Board. The new Charter gives the Executive total control over Central Bank policies and operations. Reportedly, the purpose of this law was to align the Central Bank Charter with Articles 302 and 303 of the 2008 Constitution.

The National Secretary of Telecommunications (SENATEL) establishes the regulatory framework for fixed-line and wireless communications services. The Superintendent of Telecommunications (SUPERTEL) controls and establishes sanctions to fixed-line and wireless communications services. The National Council of Radio Broadcasting and Television (CONARTEL), which previously regulated broadcasters, became part of SENATEL after the creation of the new Ministry of Telecommunications in August 2009. The Superintendent of Companies regulates all other firms and, via the National Securities Council, the Quito, Guayaquil, and Over-the-Counter stock exchanges.

Policies, regulations and standards, particularly in regards to agricultural trade, often are not based on scientific principles and discriminate between local and imported products. Political appointees in the Ministries of Agriculture and Health control imports of agricultural goods, and customs procedures are cumbersome. Ecuadorian regulators currently provide little or no opportunity for public comment on newly proposed laws and regulations, particularly those related to food safety, sanitary and phytosanitary and other trade-related matters. Ecuador does not always comply fully with the WTO notification requirement.

In addition, ministries, parastatals, and regional and municipal governments all impose their own requirements and regulations on commercial activity. In the World Economic
Forum’s 2011-2012 Competitiveness Index, Ecuador ranked 101 out of 142 countries surveyed.

Efficient Capital Markets and Portfolio Investment

The 1993 Capital Markets Law set up a modern regulatory structure, opened stock market trading to banks and other firms, and encouraged the development of mutual funds. However, Ecuadorian capital markets remain underdeveloped. Most large industrial groups are privately held and are financed largely through debt or retained earnings. The bulk of activity on the country’s two small stock exchanges currently involves trading in short-term commercial paper, bank obligations, and government debt. Regional rivalries complicate efforts to develop a truly efficient capital market in Ecuador’s small market.

Most stock trades involve shares in a handful of banks and companies. Bank credit on market terms is available and improving; lending and deposit rates have been decreasing. The private sector has access primarily to short-term bank credit, approximately 59 percent of the loan portfolio has a maturity of less than one year and approximately 65 percent of the resources are demand deposits. Most of Ecuador’s blue-chip firms maintain external credit lines or other forms of foreign financing.

The banking sector is undergoing reorganization due to new ownership limits. The Anti-Monopoly Law restricts corporate ownership across banking and other financial interests and requires bank managers and shareholders with more than 6 percent equity in the financial sector to disinvest entirely from any interest in all other non-financial companies by July 13, 2012. The Central Bank regulates and caps interest rates. Starting in 2011, banks were also required to maintain as liquid reserves at least 1 percent of their deposits in securities issued by the non-financial public sector, in addition to maintaining at least 45 percent of their liquid reserves in Ecuador.

The financial sector showed minimal growth in 2009, but recovered significantly in 2010 and 2011. According to the Superintendent of Banks, deposits increased by 17.4 percent between June 2010 and June 2011. Consumer credit has risen sharply, increasing by 43 percent between August 2010 and August 2011. Commercial lending was up by more than 17 percent over the same period.

State owned enterprises (SOEs) are regulated under the Law of Public Enterprises (Ley de Empresas Públicas), enacted in 2009. SOEs are most active in sectors designated as strategic under the 2008 Constitution, especially: non-renewable natural resources, telecommunications, and transportation. In addition, SOEs are highly active in the banking sector.

In general, regulations allow SOEs greater flexibility in the use of public resources. The Law of Public Enterprises requires SOEs to follow generally accepted accounting principles, however SOEs are not required to specifically follow the same accounting practices as the central government, nor do they have to participate in the electronic financial management system used in most of the public sector for budget, treasury, and accounting management. Ecuador does not have a sovereign wealth fund, and its asset
management bureau is responsible for fixed assets only. SOEs are eligible for government guarantees, and face a lower tax burden than private companies. SOEs are also exempt from the anti-monopoly law.

The Production Code softened some of the restrictions on the private sector introduced in the Constitution and in the Law of Public Enterprises by providing tax credits for new investments and by opening the possibility of investing in strategic sectors. However, the Production Code is secondary relative to the relevant sector laws of the strategic sectors.

Corporate Social Responsibility

There is substantial awareness of corporate social responsibility (CSR) among the large businesses operating in Ecuador. Many multinational and large domestic companies maintain corporate social responsibility strategies, following generally accepted CSR principles and covering areas such as sustainability, clean environmental practices, or promoting education. Consumer awareness of corporate social responsibility is less pronounced than producer awareness. Some local governments have held awards ceremonies recognizing good CSR practices. Ecuador's investment promotion body, InvestEcuador, emphasizes on its website that opportunities are available for investors who maintain an ethical commitment with their workers, nature, the State, and the community.

Political Violence

Ecuador does not have a tradition of substantial guerrilla activity, nor of frequent violence as a result of demonstrations or political instability. Crime is a serious and growing concern, especially in the larger cities.

Student, labor union, and indigenous protests against government policies are a regular feature of political life in Ecuador. While disruptive, especially to transportation, violence is usually limited and localized. Protesters often block city streets and rural highways, and public transportation tends to be disrupted during these incidents. Protestors also occasionally burn tires, throw Molotov cocktails, engage in destruction of property, and detonate small improvised explosive devices during demonstrations, but fatalities as a result of protests have been rare. Pamphlet bombs are sometimes used to disseminate political literature. Six such bombs exploded in November and December 2011, all without serious injury to person or property (although one had the potential to be lethal) and none aimed at businesses or business interests. Popular protests in 1997, 2000, and 2005 contributed to the removal of three elected presidents before the end of their terms. Some communities have successfully used protests and strikes to obtain promises of increased government spending on social benefits and infrastructure. Some indigenous communities opposed to development have protested to block access by petroleum and mining companies. In September 2009, one individual was killed near the city of Macas during protests by indigenous communities demonstrating against the government's proposed mining and water laws. The government increasingly filed legal charges or opened investigations against protesters who blocked roads or impeded public services. The government charged demonstrators with “terrorism and sabotage,” or similar charges that effectively criminalized protest, for obstructing roads and public
services. It is against the law for foreigners to engage in political activity that starts or promotes civil wars or international conflicts.

The political violence present in neighboring Colombia has a spillover effect in northern Ecuador. Security on the northern border with Colombia, where the majority of Ecuador's oil deposits are located, is particularly tenuous. The area is used as a transshipment point for precursor chemicals used in illegal drug production as well as arms and supplies for Colombian insurgent groups and narco-traffickers. Businesses in the area continue to report being extorted for protection money. Kidnappings have occurred and foreigners have been targeted. The U.S. Embassy in Quito advises against travel to the northern border of Ecuador – to include the provinces of Sucumbios, Orellana, Carchi and parts of Esmeraldas. The Ecuadorian military and government agencies are increasing efforts to promote development and provide security in this area. Kidnappings are more often economically rather than politically motivated. Since 1998, at least 11 U.S. citizens have been kidnapped in Ecuador. In October 2009, an American citizen was kidnapped in the northern city of Tulcan and held for ransom. After 21 days, the victim was rescued after an intensive investigation involving Ecuadorian, Colombian, and U.S. law enforcement.

Violent crime has significantly increased over the last few years, with American citizens being victims of crimes, to include, but not limited to, homicides, armed assaults, robberies, sexual assaults, and home invasions. The Ecuadorian government increasingly used the military to bolster police patrols in 2011.

Corruption

Corruption is a serious problem in Ecuador. Transparency International consistently ranks Ecuador near the bottom among countries it surveys in the region. Ecuador ranked 120 out of 182 countries surveyed for Transparency International's Corruption Perceptions Index 2011 and received a score of 2.7 out of 10 (10-very clean, 0-highly corrupt). In comparison with other countries in the Western Hemisphere, Ecuador ranks better than Nicaragua, Honduras, Haiti, Paraguay, and Venezuela, but worse than its closest neighbors, Peru and Colombia.

Ecuador has laws and regulations to combat official corruption, but they appear to be inadequately enforced. Illicit payments for official favors and theft of public funds reportedly take place frequently. Dispute settlement procedures are complicated by the lack of transparency and inefficiency in the judicial system. In addition, there are frequent allegations by the private sector that local authorities demand "gratuities" to issue necessary permits.

Offering or accepting bribes is illegal and punishable by imprisonment for up to five years. The Controller General is responsible for the oversight of public funds and there are frequent investigations and occasional prosecutions for irregularities. These investigations can be politically motivated. Autonomous agencies are subject to little effective oversight. Government officials and candidates for office often make an issue of corruption, but there is little follow-through once in office. Politically motivated corruption scandals are a feature of Ecuadorian political life, but even high-profile cases often become stalled after they are remanded to lengthy and often inconclusive judicial proceedings.
Ecuador is not a signatory to the OECD Convention on Combating Bribery, nor has Ecuador complied with the main requirements of the OAS Inter-American Convention Against Corruption. The 2008 Constitution created the Transparency and Social Control branch of government, tasked with preventing and combating corruption, among other things. In December 2008, President Correa issued a decree that created the National Secretary for Transparency to investigate and denounce acts of corruption in the public sector. Both entities can conduct investigations into alleged acts of corruption but responsibility for prosecution remains with the Office of the Prosecutor General (the Fiscalía).

The most recent Latin American Public Opinion Project (LAPOP), conducted in 2010, found that Ecuadorians ranked 8th in Latin America in the frequency with which they were victimized by corruption, and 16th in their perception of the prevalence of corruption.

**Bilateral Investment Agreements**

The existing U.S.-Ecuadorian Bilateral Investment Treaty (BIT) provides for national treatment, unrestricted remittances and transfers, prompt, adequate and effective compensation for expropriation, and binding international arbitration of disputes. However, in September 2009, the Ecuadorian government requested approval by Ecuador’s National Assembly to terminate the U.S.-Ecuador Bilateral Investment Treaty, along with the BITs of 12 other nations, claiming the treaties’ international arbitration provisions for resolution of investor-state disputes conflicted with the country’s 2008 Constitution. Article 422 of the 2008 Constitution states that “Ecuador will not enter into international agreements or instruments under which the Ecuadorian State would have to cede sovereign jurisdiction to international arbitral tribunals in contractual or commercial matters between the State and individuals or corporations.” The National Assembly has approved termination of five of the BITs, but did not approve termination of another four; it has not yet voted on the U.S. BIT. Only one BIT has been formally terminated.

Should the Ecuadorian government to terminate its BIT with the United States, the treaty would remain fully in effect for one year from the date of a formal notice to terminate, and would apply for an additional ten years for investments made prior to the one-year anniversary of the termination notice. Given Ecuador’s withdrawal from the ICSID Convention, alternative arbitration venues identified in the U.S. BIT include ICSID’s Additional Facility; ad hoc arbitration under UNCITRAL rules; and arbitration administered by any other arbitral institution to which the parties agree.

**OPIC and Other Investment Insurance Programs**

Ecuador has had an Investment Guarantee Agreement with the Overseas Private Investment Corporation (OPIC) since 1986. Ecuador has signed and ratified the Multilateral Investment Guarantee Agreement (MIGA).
Ecuador's population is about 15 million. Semi-skilled workers are relatively abundant at low wages, although widespread emigration over the past few years has led to shortages of skilled workers in some parts of the country.

Minimum compensation levels for private sector employees are set annually by the National Compensation Council and Ministry of Labor. The minimum basic salary for 2012 is $292 per month, but mandatory bonuses and other contributions push total compensation to over $300 per month. Ecuador’s Production Law, enacted in December 2010, requires that workers be paid a “dignified wage,” defined as an amount that would enable a family of four with 1.6 wage earners to be able to afford a basic basket of necessities. The cost of the basic necessities basket is determined periodically by Ecuador’s Statistics Institute (INEC). At the beginning of 2012, the basic needs basket was valued at $572.35, requiring a “dignified wage” of $349.74 per month. Should the average monthly compensation for the year not reach the dignified wage, companies are required to pay the difference in the form of bonuses, before claiming any profits. By the end of 2011, Ecuador’s urban unemployment rate was estimated at 5.1 percent, with underemployment of 44.2 percent.

Ecuador's periodic economic difficulties during recent decades have contributed to high levels of emigration in recent years. According to the latest U.S. census, almost 600,000 people of Ecuadorian ancestry live in the United States. Approximately 610,000 people, or 18 percent of Ecuador's labor force, emigrated between 2002 and 2009, principally to Spain and the United States.

The public education system is tuition-free and attendance is mandatory from ages six to 15. The current government has dramatically reduced the illegal practice of schools requiring parents to pay for education-related expenses and transportation costs. Many children drop out before age 15 and in rural areas only about one-third complete sixth grade. The government is striving to create better programs for the rural and urban poor, especially in technical and occupational training. However, government funding for such training has not kept up with demand. In recent years, the government also has been successful in reducing illiteracy. The 2008 Constitution requires the central government to increase the funding allocation for primary and secondary education within the budget by at least 0.5 percent of gross domestic product (GDP) annually until reaching 6 percent of GDP. Since 2008, expenditures on education have grown in absolute terms, but short of the mandated growth rate. Public universities have an open admissions policy. In recent years, however, large increases in the student population, budget difficulties, and politicization of parts of the university system have put a strain on maintaining academic standards.

A weak public university system produces a surplus of semi-qualified graduates in some professions. Trained financial professionals and engineers can be difficult to attract and many graduates require additional training to reach international standards. There are relatively few R&D and high technology investments in Ecuador, limited mostly to agricultural research, with a small amount of government activity as well as that of some foreign firms. Little post-graduate education exists in Ecuador, and scientists and
medical professionals are nearly all foreign-trained. At this point, none of the Ecuadorian universities offers doctorate programs beyond limited offerings in social sciences at two institutions. Masters-level degrees are widely offered, but relatively few are competitive with international quality levels. Upper-level Ecuadorian business managers have frequently been educated abroad, most often in the United States. With the new Higher Education Law, which went into effect on October 3, 2010, the Executive will regulate and oversee higher education and may demand that all institutions adhere to the National Development Plan in their program offerings. It also calls for the professionalization of the faculty by requiring a PhD or equivalent degree for full time positions, although there are not enough persons with doctorate degrees to fulfill this requirement.

Cumbersome labor regulations apply equally to both foreign and domestic firms and tend to inhibit investment and foster evasion. In 2006, the Labor Ministry worked with an ILO representative to draft a revised Labor Code to better comply with ILO standards. The Labor Code provides for a 40-hour work week, 15 calendar days of annual paid vacation, restrictions and sanctions for those who employ child labor, general protection of worker health and safety, minimum wages and bonuses, maternity leave, and employer-provided benefits. By law, companies must distribute 15 percent of pre-tax profits to their employees.

There is special legislation regulating labor in export processing zones. Most workers in export processing zones are hired on temporary contracts, and, while technically covered by the labor code, enforcement of the code is weak.

The 2008 Constitution bans child labor, requires hiring workers with disabilities, and reduces allowed strikes in the public sector. Provisions that virtually eliminate hourly labor contracts and labor contracts through third parties are aimed at employers who avoid benefits for full-time employees, but the provisions also reduce flexibility in the labor market.

Most workers in the private and parastatal sectors have the constitutional right to form trade unions and local law allows for unionization of any company with more than 30 employees. However, less than 2 percent of the work force, mostly skilled workers in medium- to large-sized enterprises or state industries, is officially organized. Private employers are required to engage in collective bargaining with recognized unions. The Labor Code provides for resolution of conflicts through a tripartite arbitration and conciliation board process. The Code also prohibits discrimination against union members and requires that employers provide space for union activities.

The International Labor Organization and prominent NGOs believe international labor standards are not respected in Ecuador. Workers fired for organizing a labor union are entitled to limited financial indemnification, but the law does not mandate reinstatement. The Public Service Law enacted in October 2010 prohibits the vast majority of public sector workers from joining unions, exercising collective bargaining rights, or paralyzing public services in general. The Constitution lists health; environmental sanitation; education; justice; fire brigade; social security; electrical energy; drinking water and sewerage; hydrocarbon production; processing, transport, and distribution of fuel; public transport; and post and telecommunications as strategic sectors. Some of the sectors defined as strategic exceeded the ILO standard for essential services. The few public
workers who are not under the Public Service Law may join a union and bargain collectively since they are governed by the provisions under the Labor Code. Although trade union political influence has declined in recent years, the Unified Workers Front (FUT), the teachers’ union (UNE), and other labor groups occasionally attempt to stage national strikes to protest economic reform measures.

With assistance from the ILO, Ecuador has been taking steps to eliminate child labor, which is still common in a few industries. Economic realities leave families more than ready to send their children out to work, even if it means pulling them out of school and placing them in fields, mines or factories where they are exposed to hazardous conditions for little or no pay. Labor advocates in Ecuador assert that only a significant increase in wages will keep families from sending their children to work in the fields.

Foreign-Trade Zones/Free Ports

Provisions within the new Production Code, approved at the end of 2010, superseded Ecuador’s 1991 free trade zone law. The Production Code authorizes the creation of Special Zones of Economic Development (ZEDEs). ZEDEs are subject to special trade, tax and financial rules; imported goods entering these zones are exempted from tariffs. ZEDEs are not intended to operate solely for the manufacture of exports. In granting ZEDE status to a project, the government will consider the extent to which the project promotes technology transfer, innovation, industrial diversification, and development of multimodal services. Existing free trade zones may continue to operate according to their original authorization, but administrators and users will have to adjust to new administrative procedures defined for ZEDEs. A maquila (in-bond processing) law has been in effect since 1990. The majority of maquila operations in Ecuador are in the textile and fish-processing sectors. The effect the Production Code may have on maquila operations will not be clear until implementing regulations are issued.

Foreign Direct Investment Statistics

Traditionally, FDI has been focused primarily in the oil sector. Construction of the Trans-Andean Heavy Oil Pipeline (OCP) by a consortium of five foreign oil producers, completed in October 2003, resulted in inward investment of $3.5 billion, including direct project investment of $1.4 billion. Major foreign oil companies invested billions over the last decade for exploration and production of concessions. However, since 2006, a number of major oil and gas companies have departed Ecuador. With the negotiation in November 2010 of new service oil contracts, participating companies have committed to invest $1.2 billion in production and exploration, but spread out over four to five years. As mining companies move from the exploratory phase into production over the next several years, foreign investment in that sector is expected to increase significantly. Foreign investment in the communications, commerce, services and agricultural sectors has become more prominent as FDI in the oil sector has declined.

Although some sizeable one-time investments have been made in recent years, foreign direct investment (FDI) in general remains modest. In 2010, there was a net inflow of FDI into Ecuador totaling approximately $157 million (0.3 percent of GDP), down from a high of $1.0 billion in 2008. In 2010, Panama, Canada, and China were the major sources of foreign investment in Ecuador. The oil manufacturing, commercial, and services sectors accounted for the majority of the investment inflow. In 2010, there was
a $286.3 million outflow of Mexican FDI from the Transport, Storage and Communications sector.

Petroleum companies engaged in exploration and production are, as a group, still the largest foreign investors in Ecuador. The major investors include: Andes Petroleum and Petroriental (Chinese); AGIP (Italy); and Ivanhoe (Canada). U.S. oil service companies Baker Hughes, Halliburton, Weatherford and Hartbert are also present. U.S. firm Duke Energy is active in the electric sector. Exxon Mobil (U.S.) and Shell (Holland/UK) distribute fuels at service stations across the country.

U.S. firms active in the manufacturing sector include: General Motors, which holds an interest in two automotive assembly plants; Philip Morris (cigarettes); Mead Johnson (baby formula); Avon (cosmetics and lingerie); The Coca-Cola Co. (beverages); Sherwin Williams (paint); Kellogg’s (cereal); Colgate-Palmolive, The Clorox Co., Johnsonwax, and Kimberly Clark (toiletries and cleaning products); and Johnson & Johnson, Eveready, and 3M (consumer goods).

Other U.S. companies operating in Ecuador include: Merck Sharp & Dohme; Abbott; Janssen Pharmaceutical; Eli Lilly; and Pfizer. Baxter owns four renal units and has 10 joint-ventures with private and public hospitals and clinics in the country. Also present: Proctor & Gamble (personal care products), Kraft (processed food), E.G. Hills Flowers, Transmar Commodity Group (cocoa products), Muehlstein International Ltd. (plastic products), Pioneer (agriculture), Monsanto (agriculture), Payless Shoes (footwear), Barnett Corporation (paper), and UPS and FedEx (courier services). Seaboard Flour has a strong presence in the Ecuadorian milling market. Continental, along with several other U.S. firms, is a major investor in shrimp farming. U.S. firms Dole, Chiquita Banana, and Del Monte are involved in the banana industry from production to marketing and shipping. Several U.S. franchises now operate in Ecuador, including Yum! Brands (Pizza Hut/Kentucky Fried Chicken/Taco Bell), Burger King, McDonald’s, Tony Roma’s, Johnny Rockets, TGI Fridays, Chili’s, Papa John’s, Domino’s Pizza, Carl’s Jr., Subway, Quizno’s, Hooters, Martinizing, Heel Quick, Swisher, Gymboree, Fast Track Kids, Sign-a-Rama, and New Horizons. Citibank has commercial banking operations, while Helm Bank has a representation office in Ecuador. U.S. airlines Delta, United/Continental, and American, as well as IBM, Xerox, Microsoft (hardware and software), DirecTV, ACE, Pan-American Life, BMI, AIG, Aon (insurance), and McCann Erickson (advertising) are also active. U.S. citizens have also invested in the textile and agricultural sectors (flowers, fruit, and vegetables).

Among third-country investors, General Tire (Germany) manufactures tires; Holderbank (Switzerland) produces cement; Akzo Nobel (The Netherlands) makes paints, fibers, and textiles; Borden (The Netherlands) manufactures chemicals; and Eternit (Switzerland) fabricates construction materials. British SAB Miller and Belgian Anheuser-Busch InBev own major breweries, and Nestlé (Switzerland) manufactures consumer goods. Kinross-Aurelian (Canada) has a gold mine concession and Ecuacorriente (China) has a copper mine concession. Lloyd’s (U.K.) commercial banking operations were sold to local Banco Pichincha in 2010.
## Net Flows of Foreign Direct Investment

Investment Statistics Table (millions of dollars)

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By Sector Destination:

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1 All figures are listed in millions of dollars unless otherwise noted. Data is from the Central Bank of Ecuador. The Central Bank only publishes FDI calculated as net flows. Source: Central Bank of Ecuador

### Web Resources

- Ministry of Foreign Trade – Foreign Trade & Investment Council
- Central Bank of Ecuador
- Superintendency of Companies
- InvestEcuador
- ProEcuador
Chapter 7: Trade and Project Financing

• How Do I Get Paid (Methods of Payment)
• How Does the Banking System Operate
• Foreign-Exchange Controls
• U.S. Banks and Local Correspondent Banks
• Project Financing
• Web Resources

How Do I Get Paid (Methods of Payment)

Traditionally, private sector imports into Ecuador have been managed with confirmed letters of credit (documentary letter of credit or stand-by letter of credit) issued by an Ecuadorian commercial bank or an international bank operating in Ecuador. Those letters of credit are confirmed by correspondent banks abroad. Payments are made upon presentation of documents as per letter of credit terms and conditions.

The process of obtaining letters of credit can be a bit difficult and burdensome at first, but usually as a company establishes a good relationship with a bank and a good credit history, issuance of letters of credit is simplified. Banks charge an average of 3 percent (per year) on letters of credit based on risk and credit record.

Financing is a key ingredient in selling to both the government and the private sector. Local banks offer financing. However, corporate and commercial credit interest rates are usually higher than those in the U.S. In January 2012, the average corporate/commercial interest rate in Ecuador was 8.17 percent annually (the Ecuadorian Central Bank sets a cap, currently at 9.33 percent). As a result, U.S. exporters with the capacity to provide direct credit facilities will have a significant competitive advantage. However, U.S. companies would be well advised to exercise judgment before extending credit to Ecuadorian companies. Usually U.S. suppliers willing to offer an open account generally do so only after developing a long-standing relationship with the buyer.

It is advisable to include mediation/arbitration clauses when signing contracts with Ecuadorian companies.

When negotiating an agent or distributor agreement with an Ecuadorian party, the U.S. Embassy recommends that both parties agree beforehand on quantities, delivery timing, price, shared marketing expenses or training, the selection of financial intermediaries, and credit.
The U.S. Embassy encourages U.S. companies interested in government contracts, or in business activities requiring government licensing or approvals, to consult with us early in the process for advice.

Due to a financial crisis in the 1990s, many trade credits were not honored, resulting either in non-payment or delayed payment at deep discounts. The U.S. Export-Import Bank (Ex-Im) is owed millions of dollars and suspended most forms of export assistance to Ecuador. Ex-Im is only open for short- and medium-term financing for the public sector.

**How Does the Banking System Operate**

Ecuador’s financial system has operated under the supervision of the **Superintendency of Banks and Insurance Companies (Superintendencia de Bancos y Seguros)** since 1927.

The financial system is comprised of many highly-sophisticated institutions with state-of-the-art technology, including: three large banks (Pichincha, Guayaquil, and Pacifico), three medium-sized banks (Produbanco, Bolivariano, Banco Internacional), 18 small banks, and one international bank (Citibank). (Note: size is measured according to the bank’s assets).

The **Deposit Insurance Corporation (COSEDE)** provides deposit insurance and guarantees the safety of deposits in Ecuadorian banks, currently up to $27,000 per depositor per bank.

**Foreign Exchange Controls**

Ecuador uses the U.S. dollar as the country’s official currency. The dollar replaced the sucre in 2000. There are no foreign exchange or capital remittance controls as of January 2012. Nevertheless, Ecuador charges a 5 percent fee on all capital remitted out of the country. Ecuadorian companies importing capital goods or raw materials for production can request a tax drawback from the Ecuadorian Internal Revenue Service (SRI).

**U.S. Banks and Local Correspondent Banks**

Citibank operates full-fledged offices in Ecuador with clients valuing their relationships with international financial institutions. Helm Bank and Wells Fargo/Wachovia are also active in the market. Most Ecuadorian banks maintain correspondent relationships with U.S. banks. Produbanco, Banco del Pichincha, Banco del Pacifico, Banco de Guayaquil, Internacional, and Bolivariano are among the major Ecuadorian banks engaging in international business. Several Ecuadorian banks, including Pacifico and Pichincha, have subsidiaries or agencies in the U.S. For a complete list of banks in Ecuador, please contact the **Ecuadorian Association of Private Banks**.

**Project Financing**

The **Overseas Private Investment Corporation (OPIC)** offers investment risk insurance and limited financing for projects with at least 25 percent U.S. equity. OPIC financing is
available for small and large projects through both direct loans and loan guarantees (which are typically used for larger projects). Financing ranges in size from $100,000 to $250 million, but in certain instances can be as high as $350 million.

The U.S. Trade and Development Agency (TDA) provides grants to both private and public sector entities supporting contracts with U.S. firms to conduct studies that determine the technical, economic, and financial feasibility of proposed major projects.

The U.S. Export-Import Bank (Ex-Im) offers loan guarantees and export credit insurance for U.S. exports. At present, coverage for Ecuador is available only for the public sector and for loan guarantees up to $8 million for up to seven years (medium term).

The Andean Development Corporation (CAF) is actively involved in providing technical assistance and financing infrastructure development projects in Ecuador.

The Inter-American Development Bank (IDB) provides support for the development of productive infrastructure (oil, energy, and transportation), access to financing, and economic and social inclusion projects.

The World Bank has also provided some limited financing for infrastructure development, health, and education projects.

**Web Resources**

**U.S. Government**
- OPIC
- SBA's Office of International Trade
- U.S. Agency for International Development
- USDA Commodity Credit Corporation
- U.S. Export-Import Bank
- Country Limitation Schedule
- U.S. Trade and Development Agency

**Other**
- Andean Development Corporation (CAF)
- Deposit Insurance Corporation
- Ecuadorian Private Banking Association
- Inter-American Development Bank (IDB)
- Superintendency of Banks
- World Bank

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Business Customs

Business customs in Ecuador are similar to those in other Latin American countries. Ecuadorians are formal in their business relations, with suits and ties the norm in the highlands and more casual attire common on the warmer coast. Business meetings are conducted in offices or restaurants, the latter often used in order to become better acquainted with a potential business partner. While meetings normally start somewhat after the appointed time, Americans are expected to be punctual. Whatever the venue of a business meeting, small talk usually precedes business discussions.

With regard to social courtesies, Ecuadorians are polite and well mannered. Superiors are treated in a friendly but respectful way, and the use of a title (such as doctor, economist, or engineer) before the name is common. Business is conducted in Spanish, and efforts by Americans to speak Spanish are appreciated. Interpreters are available for Americans who do not speak Spanish. When invited to an Ecuadorian home, a gift such as flowers or wine is appreciated.

Travel Advisory

The U.S. Embassy in Quito advises against travel to the northern border of Ecuador, including the provinces of Sucumbios, Orellana, Carchi, and northern Esmeraldas. U.S. Government personnel are restricted from traveling to these areas due to the spread of organized crime, drug trafficking, small arms trafficking, and incursions by designated Colombian terrorist organizations. Since 1998, at least 10 U.S. citizens have been kidnapped near Ecuador's border with Colombia. One U.S. citizen was murdered in January 2001 by kidnappers holding him for ransom. Violent crime has significantly increased in past years, with American citizens being victims of crimes, to include homicides, armed assaults, robberies, sexual assaults, and home invasions.
U.S. citizens are required to carry identification at all times, including proof of U.S. citizenship. (Due to frequent pick-pocketing/mugging, a photocopy of the passport is recommended in lieu of the actual passport.)

For more detailed security information related to Ecuador, Americans should visit the State Department’s Country Specific Information – Ecuador website.

Up-to-date information on safety and security can also be obtained by calling 1-888-407-4747 toll free in the U.S. For callers outside the U.S. and Canada, a regular toll-line can be called at 1-202-501-4444. These numbers are available from 8:00 a.m. to 9:00 p.m. Eastern time, Monday through Friday (except U.S. federal holidays).

The Department of State urges U.S. citizens to take responsibility for their own personal safety while traveling overseas.

Please use the links for local information in Quito and Guayaquil’s consular districts.

**Visa Requirements**

A U.S. passport with remaining validity of at least six months is required to enter Ecuador. A valid U.S. passport is required to depart Ecuador. Tourists must also provide evidence of return or onward travel. U.S. citizens do not need a visa for a stay of 90 days or less. Those planning a longer visit must obtain a visa in advance. Travelers who stay in Ecuador beyond the allowed entry time are barred from re-entering Ecuador for one year from the date of departure. U.S. citizens whose passports are lost or stolen in Ecuador must obtain a new passport at the U.S. Embassy in Quito or the U.S. Consulate General in Guayaquil and present it, together with a police report of the loss or theft, to the main immigration offices in those cities to obtain permission to depart. For further information regarding entry, exit, and Customs requirements, travelers should contact the Ecuadorian Embassy at 2535 15th Street, NW, Washington, DC 20009; telephone (202) 234-7166; or the Ecuadorian consulate in Chicago (312) 329-0266, Houston (713) 622-1787, Jersey City (201) 985-1700, Los Angeles (323) 658-6020, Miami (305) 539-8214, New Orleans (504) 523-3229, New York (212) 808-0170, or San Francisco (415) 957-5921.

In an effort to prevent international abduction of minors, many governments, including Ecuador's, have initiated procedures at entry/exit points. These often include requiring documentary evidence of relationship and permission for the child's travel from the parent(s) or legal guardian not present. Having such documentation on hand, even if not required, may facilitate entry or departure.

There are additional requirements for Ecuadorian-Americans and minors not traveling with both parents. These travelers should consult the Country Specific Information Sheet.

To work temporarily in Ecuador for more than 60 days, U.S. citizens are required to obtain specific types of visas. For further information regarding visas and the visa application process, travelers should contact the Ecuadorian Embassy at 2535 15th Street, NW, Washington, DC 20009; telephone (202) 234-7166; or one of the Ecuadorian consulates listed above.
U.S. companies that require travel of foreign businesspersons to the U.S. should be advised that visas are required for Ecuadorian nationals for all travel to the U.S. Visa applicants should go to the following links.

State Department Visa Website  
U.S. Embassy in Ecuador

**Telecommunications**

Ecuador’s telephone network covers almost the entire nation, including the Galápagos Islands. Large cities and towns have relatively reliable telephone service.

Fixed-line telephony is provided by CNT (Corporación Nacional de Telecomunicaciones) covering the coastal areas and the highlands and ETAPA in the city of Cuenca.

There is effective cellular coverage throughout almost all the country, provided by three competing providers. All three, Claro, Movistar, and CNT- Alegro, sell debit cards that can be used in local telephone kiosks around the country.

In the major cities and principal tourist locations, Internet access is readily available at larger hotels and Internet cafes. The latter typically also offer email, VOIP, telephone, and fax services.

**Transportation**

There are a number of U.S. and international airlines servicing routes from the U.S. to Ecuador. Delta, United, American Airlines, LAN, TACA, Copa, Avianca, and Aerogal offer a total of over 100 flights arriving in Ecuador from the U.S. each week.

Two main international airports serve Ecuador, one located in Quito and the other in Guayaquil. Both airports are also used for domestic flights. A new international airport is scheduled to open in Quito in 2013, replacing Quito’s existing Mariscal Sucre International Airport. Local airlines TAME, LAN, Icaro, Aerogal, Saereo, and VIP offer regular service between the principal cities of Ecuador.

Taxis are plentiful and fares are reasonable and are generally the most effective way of moving around within cities. For security reasons, the U.S. Embassy recommends that travelers use radio taxis, rather than hailing taxis on the street.

Car rental is available throughout the country, although it is expensive compared to U.S. rental costs. Travelers should be aware that Ecuador has a high rate of auto accidents, and driving is not recommended for travelers making short visits.

The following is a list of important transportation contacts along with their local telephone numbers and web addresses.

**International Airline Companies**

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<tr>
<th>Company</th>
<th>Phone Numbers</th>
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<tr>
<td><strong>American Airlines</strong></td>
<td>Tel: (593-2) 299-5050, (593-2) 299-5027</td>
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<td><strong>Avianca</strong></td>
<td>Tel: (593-2) 397-8000, 1-800-003434</td>
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Continental/United Airlines
Tel: (593-2) 225-0905, 1-800-222333

Copa Airlines
Tel: (593-2) 227-3584, (593-2) 227-3686

Delta Air Lines
Tel: (593-2) 333-1691, 1-800-101060

Santa Barbara Airlines
Tel: (593-2) 227-9650, (593-2) 227-9655

LAN
Tel: (593-2) 299-2300, 1-800-526328

Taca
Tel: (593-2) 397-8200, 1-800-008222

Domestic Airline Companies
Aerogal
Tel: (593-2) 396-0600, 1-800-AEROGAL

LAN
Tel: (593-2) 299-2300, 1-800-526328

Tame
Tel: (593-2) 396-6300, 1-800-500800

VIP
Tel: (593-2) 330-4621, (593-2) 330-4623

Taxi Companies
American Taxi
Tel: (593-2) 222-2333

J.J. Taxis
Tel: (593-2) 263-9639

Fast Line
Tel: (593-2) 222-2222

Language
Ecuador’s official language is Spanish, but Quichua, the lingua franca of the Inca Empire, is spoken by many of the indigenous peoples. Nine additional indigenous languages are also spoken in Ecuador. English is spoken in major visitor centers.

Health
Travelers to Quito may require some time to adjust to the altitude (close to 10,000 feet), which can adversely affect blood pressure, digestion, and energy level. Travelers are encouraged to consult with their personal health care providers before undertaking high-altitude travel and may wish to purchase travelers’ insurance. In particular, travelers with heart or lung problems and persons with sickle cell trait may develop serious health complications at high altitudes.

Scuba diving in the Galápagos Islands can be hazardous, and it is not recommended for beginners. A privately-owned decompression chamber opened in 2001 on Santa Cruz Island. The Ecuadorian Navy operates a second decompression chamber at the San Eduardo Naval Base in Guayaquil. Due to the high cost of these services and associated emergency transportation, divers are advised to obtain adequate medical evacuation and divers’ insurance.

Those being treated for or who are at risk of heart disease are advised that no acute cardiac care is available on the Galápagos Islands.

Information on vaccinations and other health precautions, such as safe food and water precautions and insect bite protection, may be obtained from the Centers for Disease
Control and Prevention's hotline for international travelers at 1-877-FYI-TRIP (1-877-394-8747); fax 1-888-CDC-FAXX (1-888-232-3299), or via the CDC's Internet site. For information about outbreaks of infectious diseases abroad, please consult the World Health Organization's website. Also, please find additional information on health, safety, and security at the Bureau of Consular Affairs – Country Specific Information website. Further health information for travelers is also available here.

**Local Time, Business Hours, and Holidays**

The Ecuadorian mainland is five hours behind Greenwich Mean Time (GMT-5); the Galápagos Islands are six hours behind Greenwich Mean Time (GMT-6). Ecuador does not utilize Daylight Savings Time.

Normal office hours are 9:00 a.m. to 6:00 p.m.

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<td>February 21</td>
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<td>Good Friday</td>
<td>April 6</td>
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<td>Labor Day</td>
<td>May 1</td>
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<td>Pichincha Battle Day</td>
<td>May 25</td>
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<td>Ecuador’s Independence Day</td>
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<td>Columbus Day</td>
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<td>All Souls Day</td>
<td>November 2</td>
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<td>Founding of Quito</td>
<td>December 6</td>
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<tr>
<td>Christmas Day</td>
<td>December 25</td>
</tr>
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</table>

**Temporary Entry of Materials and Personal Belongings**

When entering Ecuador, items brought for personal use are not subject to import duties. This includes clothing, toiletries, toys, sporting equipment, printed material, medicines, and orthopedic equipment. Other items, also exempt from duties (up to two units each) include cameras, recording equipment, typewriters, personal computers, radios, cassettes, and CD players. For more information please click here. For additional information on the temporary entry of machinery please refer to Chapter 5.

**Web Resources**

Ecuadorian Government  
Civil Aviation Authority (DAC)  
Ecuadorian Customs  
Ministry of Tourism

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Chapter 9: Contacts, Market Research, and Trade Events

Contacts
Market Research
Trade Events

Country Official Contacts

Ministry of Agriculture, Livestock, and Fishing (MAGAP)
Ministry for the Coordination of Economic Policy
Ministry for the Coordination of the National Patrimony
Ministry for the Coordination of Politics
Ministry for the Coordination of Production, Jobs, and Competitiveness
Ministry for the Coordination of Policy and Autonomous Decentralized Governments
Ministry for the Coordination of Security
Ministry for the Coordination of Social Development
Ministry for the Coordination of Strategic Sectors
Ministry of Culture
Ministry of Education
Ministry of Electricity and Renewable Energy (MEER)
Ministry of the Environment
Ministry of the Interior
Ministry of Finance
Ministry of Foreign Affairs, Commerce, and Integration
Ministry of Housing and Urban Development
Ministry of Industries and Productivity (MIPRO)
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<td><strong>Ambato</strong></td>
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<td>Ecuadorian-American Chamber of Commerce (AmCham)</td>
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<td><strong>Cuenca</strong></td>
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<tr>
<td>Chamber of Commerce of Cuenca</td>
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<tr>
<td>Chamber of Small Industries of Azuay</td>
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<tr>
<td>Ecuadorian-American Chamber of Commerce (AmCham)</td>
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<tr>
<td><strong>Guayaquil</strong></td>
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<td>Chamber of Commerce of Guayaquil</td>
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<tr>
<td>Chamber of Small Industries of Guayas</td>
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<tr>
<td>Ecuadorian-American Chamber of Commerce (AmCham)</td>
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<tr>
<td><strong>Manta</strong></td>
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<td>Manta Chamber of Commerce</td>
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</table>
Ecuadorian-American Chamber of Commerce (AmCham)

Machala

Machala Chamber of Commerce

Quito

Chamber of Commerce of Quito

Chamber of Industries and Production

Chamber of Small Industries of Pichincha

Ecuadorian-American Chamber of Commerce (AmCham)

Country Trade and Industry Associations

Association of Ecuadorian Distributors, Importers, and Exporters of Medical Products (ASEDIM)

Association of Investigative Pharmaceutical Companies (IFI)

Association of Textile Industrialists (AITE)

Automotive Association (AEADE)

Chamber of Agriculture

Chamber of Construction of Guayaquil

Consulting Companies Association (ACCE)

Ecuadorian Association of Hydrocarbon Companies (AIHE)

Ecuadorian Franchising Association (AEFRAN)

Ecuadorian Franchisors' Association

Graphics Industry Association (AIG)

Hotel Association of Ecuador

Mining Chamber of Ecuador

National Association of Entrepreneurs (ANDE)

Ecuadorian Plastics Association

Private Banks Association

Quito Chamber of Construction
Tuna Association (ATUNEC)

Wood Industry Association (AIMA)

**Key Agricultural Business Contacts**

Ranchers' Association of the Sierra and Oriente

Cattlemen Association of the Coast and Galapagos

Wheat Importers Association

National Association of Feed Meal Compounders, Coarse Grain, and Soybean Meal Importers (AFABA)

**U.S.-Based Country Contacts**

Ecuadorian Embassy (Washington)  
Ecuadorian Consulates General

Export-Import Corporation of Ecuador (CORPEI)

**U.S.-Based Multipliers Relevant for Ecuador**

Ecuadorian-American Chamber of Commerce of Georgia

Ecuadorian-American Chamber of Commerce of California

Ecuadorian-American Chamber of Commerce of Greater Miami

Ecuadorian-American Chamber of Commerce of Houston

**Market Research**

To view market research reports produced by the U.S. Commercial Service please click here and then go to Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration is required, but free of charge.

**Trade Events**

Please click for information on upcoming trade events.

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Chapter 10: Guide to Our Services

The President’s National Export Initiative aims to double exports over five years by marshaling Federal agencies to prepare U.S. companies to export successfully, connect them with trade opportunities, and support them once they do have exporting opportunities.

As of March 26, 2012, the Economic Section of the U.S. Embassy in Ecuador will assume responsibility from the U.S. Department of Commerce’s Foreign Commercial Service for promoting the export of U.S. goods and services to Ecuador, as well as promoting the U.S. as an ideal investment destination.

To learn more about the Federal Government’s trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the U.S. Department of Commerce’s Trade Information Center at (800) USA-TRAD(E).

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, The Department of Commerce does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. The Department of Commerce can assist companies in these endeavors.