

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Ecuador European Union Agriculture Trade 1 Year into Trade Agreement

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Report Highlights:

On January 1, 2017 Ecuador's entry into the European Union's Andean Multiparty Trade Agreement took effect. One year into implementation, Ecuador maintains a large surplus of \$2.6 billion over the European Union's agricultural exports. At the same time, the competitive advantage granted to the European Union is becoming evident as it begins to capture more of the market. The European Union's agricultural exports grew about 22 percent in 2017 to an estimated \$146 million.

Executive Summary:

The European Union began implementation of a comprehensive trade agreement with Colombia and Peru in 2013. Negotiations for Ecuador's accession to the Andean Multiparty Trade Agreement concluded in 2014. Starting on January 1, 2017 Ecuador and the European Union started applying the Andean Multiparty Trade Agreement. With a record \$3.1 billion in agricultural exports, Ecuador maintained a significant surplus (\$2.6 billion) in its bilateral agricultural trade balance with the European Union. However, preferences given to the European Union have provided it with a competitive advantage that is enabling it to increase its share in the market. As a result, the European Union's agricultural exports increased by 22 percent in 2017 reaching an estimated record \$146 million in agricultural exports to Ecuador. The European Union's agricultural exports have increased significantly in the case of feeds and fodders, dairy and cheese products, fresh fruit, wine, and beer. In the case of dairy and cheese, the European Union's products appear to be enjoying a privileged market position since it is almost impossible for Ecuadorian importers to obtain an import authorization for products from the United States. Preferential tariffs negotiated for wine and beer are also giving the European Union a competitive edge over the United States. The European Union also exports feeds and fodders, fresh fruit, and planting seeds that directly compete with U.S. exports of these products. Preferential tariffs and eased import authorization procedures for these products are expected to increase the European Union's market share in Ecuador.

The European Union determined that Ecuador would no longer be a beneficiary of European Union Generalized System of Preferences (GSP) as of December 31, 2016. By joining the Andean Multiparty Trade Agreement, Ecuador was able to maintain and expand preferential market access to the European Union. Ecuador mainly exports food and agricultural products to the European Union.

Background:

On January 1, 2017, Ecuador and European Union began implementing the Andean Multiparty Trade Agreement. Colombia and Peru are also party to this trade agreement, which originally entered into force in 2013. Negotiations for Ecuador's accession to the Andean Multiparty Trade Agreement concluded in 2014. Ecuador was a member of the initial trade negotiations for the agreement that began 2007, but it left them in 2009 for political reasons. At this time, Ecuador did not foresee negative trade consequences since it was a beneficiary of the European Union GSP. However, the European Union determined that Ecuador would no longer be a beneficiary of European Union GSP as of December 31, 2016. By joining the Andean Multiparty Trade Agreement, Ecuador was able to maintain and expand preferential market access to the European Union.

Ecuador Grants Market Access to Sensitive Products from the European Union:

Beef, poultry, chilled and frozen pork, and eggs were mutually excluded from the trade negotiations. However, as part of the Multiparty Trade Agreement, Ecuador has granted the European Union market access for several sensitive products in specific categories. Ecuador granted market access to processed meats such as Parma and Ibérico ham through a TRQ of 800 MT and will phase out tariffs in a period of 7 to 15 years. Ecuador granted full market access to animal fats, bacon and offals from the European Union. There is an additional 800 MT TRQ for processed meat products (cooked, grilled or baked) that will increase by 24 MT per year and for which tariffs will be eliminated in 15 years. Other Andean

countries in the Multiparty Trade Agreement negotiated market access to sensitive EU products separately.

Ecuador and the European Union excluded milk from their negotiations meaning that import tariffs will remain in place. Nevertheless, Ecuador granted minimum access through a TRQ for fluid and powder milk (400 MT increasing by 20 MT each year) and evaporated and condensed milk (600 MT with an annual increase of 30 MT). It also agreed to tariff phase outs for a few products. Tariffs on whey imports, for example, will be phased out in 5 years. Tariffs on cheese, ranging from 20 to 25 percent, will be phased out in 3 to 4 years. Ecuador also granted a TRQ of 500 MT per year with an annual increase of 25 MT up to 925 MT for cheeses for which tariffs will be phased out in 3 years. For cheeses with tariffs phasing out in 4 years, there is an additional TRQ of 1000 MT, which will grow by 50 MT per year up to 1,850 MT. These tariffs are specified by HS code. The full text of the EU-Ecuador Multiparty Trade Agreement can be found here <http://eur-lex.europa.eu/legal-content/ES/TXT/PDF/?uri=OJ:L:2016:356:FULL&from=EN>

Ecuador also opened a TRQ of 500 MT for animal feed and a TRQ of 800 MT for pet food that will increase by 24MT each year. Under the Multiparty Trade Agreement, Ecuador committed to eliminating the ad-valorem tariff for soybean meal over a 10-year period, although the variable tariff part of the Andean Price Band System will remain in place.

Ecuador-EU Bilateral Agricultural Trade on the Rise:

With a record \$3.1 billion in agricultural exports, Ecuador maintained a significant surplus (\$2.6 billion) in its bilateral agricultural trade balance with the European Union. However, the European Union’s agricultural exports to Ecuador increased by 22 percent over the previous year in 2017 reaching an estimated record \$146 million in agricultural exports to Ecuador. Trade figures including FAS Quito estimates for the year 2017 are included below.

EU 25 – Ecuador Agricultural Trade (Thousands of Dollars)*

	2012	2013	2014	2015	2016	2017e	2016-2017 % change
EU Ag Exports to Ecuador	89,106	120,307	120,009	114,368	119,716	145,588	21.61
	2,372,04	2,667,54	2,847,22	2,666,59	2,733,69	3,085,82	
Ecuador Ag Exports to EU	4	7	9	4	5	9	12.88
Trade Balance in Ecuador's favor	2,282,93	2,547,24	2,727,22	2,552,22	2,613,97	2,624,50	0.40
	8	0	0	6	9	0	

e FAS Quito estimates

In 2017, the European Union saw increased trade in categories where it received improved market access. Several of these product categories compete directly with agricultural exports from the United States. Products that saw upticks in imports from the European Union include wheat and wheat flour (\$5 million, first significant trade); feeds & fodders (\$20 million, up 80 percent); planting seeds (\$4.8 million up 27 percent); snack foods (\$6 million, up .2 percent); dairy products & cheese (\$2.1 million , up 38 percent); fresh fruit (\$5.5 million, up 330 percent); processed fruit & vegetables (11.4 million, up 39 percent); wine & beer (\$5.2 million, up 266 percent); nursery products & cut flowers (\$8.7 million, up 5 percent); and pet food (\$1.8 million, up 45 percent). A summary of Ecuador’s imports and exports of key commodities is summarized in the Annex.

Ecuador's major agricultural exports to the European Union included bananas, shrimp, tuna, cacao, coffee, flowers, palm oil and processed vegetables. The Multiparty Trade Agreement granted permanent beneficial treatment to these products including bananas, for which tariffs will be fully phased out by 2020. Without the extension of the European Union GSP system and the signing of the Multiparty Trade Agreement, Ecuador's tuna exports would have been levied a 24 percent tariff. Tariffs on other relevant products for Ecuador including roses, coffees, and broccoli also went to zero as of January 2017.

Geographic Indicators:

Following the signature of the Andean Multiparty Trade Agreement, Ecuadorian authorities began encouraging domestic producers to adhere to norms regulating the uses of about 100 Geographic Indicators (GIs) including *scotch*, *feta* cheese, *camembert de Normandie* cheese, *Roquefort* cheese, and *champagne*. Ecuador included two GIs as part of the Multiparty Trade Agreement; these are the *Montecristi* straw hat and cacao *arriba*.

Annex I: Trade Data

ECUADOR EXPORTS OF AGRICULTURAL, FISH & FORESTRY PRODUCTS TO EUROPEAN UNION-25 *								
CY 2012 - 2016 AND YEAR-TO-DATE COMPARISON (IN THOUSANDS OF DOLLARS)								
EXPORTS MARKET: EUROPEAN UNION-25								
PRODUCT	CALENDAR YEARS (JAN-DEC)					January - December		
	2012	2013	2014	2015	2016	COMPARISONS		%
	2016	2017**	CHANGE					
BULK AGRICULTURAL TO TAL	130,039	165,544	194,003	244,190	202,175	202,175	204,449	1.12
COARSE GRAINS	918	1,196	2,178	3,145	1,207	1,207	1,395	15.60
RICE	35	23	26	20	26	26	17	-32.87
SOYBEANS	0	2	8	8	0	0	0	n/a
OTHER OILSEEDS	344	358	1,218	78	180	180	76	-57.58
TOBACCO	14,376	14,655	14,525	14,347	11,203	11,203	3,300	-70.54
RUBBER & ALLIED GUMS	263	50	481	85	1	1	0	-100.00
RAW COFFEE	3,099	1,942	1,100	947	1,653	1,653	2,543	53.84
COCOA BEANS	101,224	138,303	166,806	214,905	176,334	176,334	186,842	5.96
TEA (INCL. HERB TEA)	74	23	15	71	49	49	96	95.92
RAW BEET & CANE SUGARS	1,251	1,112	1,494	1,868	1,947	1,947	2,122	8.98
PULSES	60	23	43	21	31	31	13	-57.77
PEANUTS	24	31	51	2,125	25	25	92	266.55
OTHER BULK COMMODITIES	8,370	7,826	6,056	6,571	9,520	9,520	7,954	-16.45
INTERMEDIATE AGRICULTURAL TO TAL	81,906	59,676	62,621	33,624	61,472	61,472	64,151	4.36
WHEAT FLOUR	0	23	0	0	0	0	0	n/a
VEGETABLE OILS EXC SOYBEAN OIL	56,794	42,128	37,822	8,227	25,946	25,946	37,944	46.24
FEEDS & FODDERS (EXC PET FOOD)	76	164	85	39	45	45	29	-34.55
LIVE ANIMALS	0	1	0	0	0	0	0	n/a
PLANTING SEEDS	43	15	32	171	35	35	11	-68.83
SUGAR/SWEETENER/BEVERAGE BASES	39	59	38	60	24	24	64	168.18
ESSENTIAL OILS	135	129	216	198	101	101	475	369.85
OTHER INTERMEDIATE PRODUCTS	24,819	17,159	24,428	24,930	35,322	35,322	25,628	-27.45
CONSUMER-ORIENTED AGRICULTURAL TO TAL	1,101,402	1,071,183	1,213,153	1,271,656	1,227,687	1,227,687	1,320,091	7.53
SNACK FOODS (EXCL. NUTS)	3,029	3,109	4,025	6,355	4,910	4,910	3,515	-28.41
BREAKFAST CEREALS/PANCAKE MIX	0	1	4	0	2	2	14	609.09
DAIRY PRODUCTS (EXCL. CHEESE)	0	9	0	0	0	0	0	n/a
FRESH FRUIT	711,743	664,136	789,628	845,084	864,479	864,479	951,451	10.06
FRESH VEGETABLES	8,571	6,573	6,743	1,037	762	762	896	17.54
PROCESSED FRUIT & VEGETABLES	83,440	86,355	87,711	95,016	86,783	86,783	89,596	3.24
FRUIT & VEGETABLE JUICES	15,949	27,452	63,076	51,135	39,648	39,648	35,318	-10.92
TREE NUTS	21	7	0	44	28	28	59	110.39
WINE & BEER	1	0	9	0	15	15	21	38.18
NURSERY PRODUCTS & CUT FLOWERS	147,109	145,303	149,320	170,833	157,431	157,431	170,197	8.11
PET FOODS (DOG & CAT FOOD)	462	0	0	119	138	138	17	-87.35
OTHER CONSUMER ORIENTED PRODUCT	131,077	138,238	112,639	102,032	73,493	73,493	69,005	-6.11
FOREST PRODUCTS AGRICULTURAL TO TAL	27,450	26,242	29,517	36,793	40,948	40,948	36,981	-9.69
LOGS & CHIPS	49	79	0	6	42	42	27	-35.06
HARDWOOD LUMBER	23,873	25,655	29,225	36,721	32,624	32,624	27,783	-14.84
PANEL PRODUCTS (INC. PLYWOOD)	2,644	256	80	0	32	32	238	643.18
OTHER VALUE-ADDED WOOD PRODUCT	884	251	212	66	8,250	8,250	8,932	8.27
FISH AND SEAFOOD PRODUCTS AGRICULTURAL TO TAL	1,031,247	1,344,902	1,347,935	1,080,330	1,201,413	1,201,413	1,460,158	21.54
CRUSTACEANS	492,043	622,257	775,059	587,715	702,230	702,230	721,500	2.74
GROUND FISH & FLAT FISH	1,851	2,710	2,469	1,149	645	645	975	51.21
MOLLUSCS	0	0	0	117	842	842	1,249	48.35
OTHER FISHERY PRODUCTS	537,353	719,934	570,242	490,895	496,935	496,935	736,433	48.20
AGRICULTURAL PRODUCT TOTAL	1,313,347	1,296,403	1,469,942	1,549,926	1,492,095	1,492,095	1,588,691	6.47
AGRICULTURAL, FISH & FORESTRY TO TAL	2,372,044	2,667,547	2,847,229	2,666,594	2,733,695	2,733,695	3,085,829	12.88

* Excludes Bulgaria, Romania and Croatia.

** FAS Quito estimate

ECUADOR IMPORTS OF AGRICULTURAL, FISH & FORESTRY PRODUCTS FROM EUROPEAN UNION-25 *								
CY 2012 - 2016 AND YEAR-TO-DATE COMPARISON (IN THOUSANDS OF DOLLARS)								
IMPORTS MARKET: EUROPEAN UNION-25								
PRODUCT	CALENDAR YEARS (JAN-DEC)					January - December		
	2012	2013	2014	2015	2016	2016	2017 **	% E
BULK AGRICULTURAL TOTAL	410	4,877	542	288	1,387	1,387	5,500	296.57
WHEAT	0	0	0	0	0	0	5,037	n/a
COARSE GRAINS	0	4,308	103	0	1,144	1,144	0	-100.00
RICE	57	83	31	50	52	52	74	42.66
OTHER OILSEEDS	16	21	1	5	5	5	49	881.82
TOBACCO	97	48	0	0	2	2	0	-100.00
RUBBER & ALLIED GUMS	79	123	147	59	71	71	88	24.46
TEA (INCL. HERB TEA)	58	95	55	65	17	17	62	265.78
RAW BEET & CANE SUGARS	0	21	0	0	0	0	0	n/a
PULSES	36	86	120	51	45	45	135	200.61
OTHER BULK COMMODITIES	67	25	84	58	51	51	56	9.09
INTERMEDIATE AGRICULTURAL TOTAL	21,566	24,972	28,031	32,625	33,780	33,780	48,945	44.89
WHEAT FLOUR	39	1	0	0	193	193	0	-100.00
SOYBEAN OIL	3	3	3	1	2	2	1	-45.45
VEGETABLE OILS EXC SOYBEAN OIL	4,538	6,380	5,907	7,167	5,576	5,576	8,585	53.97
FEEDS & FODDERS (EXC PET FOOD)	7,082	6,517	10,792	9,315	11,790	11,790	20,185	71.21
LIVE ANIMALS	156	718	240	569	141	141	121	-14.12
PLANTING SEEDS	3,611	3,776	4,709	3,685	4,369	4,369	4,836	10.69
SUGAR/SWEETENER/BEVERAGE BASES	955	461	700	1,006	446	446	574	28.66
ESSENTIAL OILS	898	1,040	1,617	1,294	1,419	1,419	1,403	-1.13
OTHER INTERMEDIATE PRODUCTS	4,285	6,075	4,063	9,588	9,843	9,843	13,239	34.50
CONSUMER-ORIENTED AGRICULTURAL TOTAL	56,804	74,279	81,343	73,844	73,235	73,235	83,941	14.62
SNACK FOODS (EXCL. NUTS)	5,688	8,287	7,719	7,741	5,985	5,985	6,014	0.49
BREAKFAST CEREALS/PANCAKE MIX	70	118	114	76	134	134	286	113.30
RED MEATS, FRESH/CHILLED/FROZEN	40	76	0	0	0	0	0	n/a
RED MEATS, PREPARED/PRESERVED	568	717	728	531	452	452	703	55.43
DAIRY PRODUCTS (EXCL. CHEESE)	1,799	1,778	1,520	1,252	1,239	1,239	1,649	33.13
CHEESE	352	573	259	213	265	265	454	71.25
EGGS & PRODUCTS	0	0	15	18	27	27	0	-100.00
FRESH FRUIT	3,730	3,331	4,232	2,257	2,019	2,019	5,507	172.75
FRESH VEGETABLES	0	0	0	0	13	13	31	134.97
PROCESSED FRUIT & VEGETABLES	7,359	9,406	10,127	10,429	8,475	8,475	11,372	34.18
FRUIT & VEGETABLE JUICES	63	53	173	29	0	0	21	n/a
TREE NUTS	211	9	255	0	198	198	0	-100.00
WINE & BEER	2,193	2,143	1,921	1,297	1,423	1,423	5,196	265.14
NURSERY PRODUCTS & CUT FLOWERS	5,963	7,809	7,626	7,118	7,996	7,996	8,689	8.67
PET FOODS (DOG & CAT FOOD)	231	73	411	964	1,236	1,236	1,783	44.22
OTHER CONSUMER ORIENTED PRODUCT	28,537	39,906	46,243	41,919	43,773	43,773	42,239	-3.50
FOREST PRODUCTS AGRICULTURAL TOTAL	6,307	11,434	7,717	7,084	9,881	9,881	5,630	-43.02
LOGS & CHIPS	3	3	1	0	0	0	2	n/a
HARDWOOD LUMBER	31	54	7	22	0	0	0	n/a
SOFTWOOD AND TREATED LUMBER	2	22	0	0	0	0	0	n/a
PANEL PRODUCTS (INC. PLYWOOD)	4,823	9,015	5,510	4,558	3,990	3,990	3,584	-10.18
OTHER VALUE-ADDED WOOD PRODUCT	1,449	2,340	2,199	2,503	5,891	5,891	2,044	-65.30
FISH AND SEAFOOD PRODUCTS AGRICULTURAL TO	4,019	4,745	2,377	526	1,433	1,433	1,571	9.62
SALMON	0	0	0	0	0	0	2	n/a
CRUSTACEANS	1,130	1,197	1,145	2	4	4	41	936.36
GROUND FISH & FLAT FISH	0	0	192	34	0	0	41	n/a
OTHER FISHERY PRODUCTS	2,889	3,548	1,040	490	1,429	1,429	1,486	3.98
AGRICULTURAL PRODUCT TOTAL	78,780	104,128	109,915	106,758	108,402	108,402	138,386	27.66
AGRICULTURAL, FISH & FORESTRY TOTAL	89,106	120,307	120,009	114,368	119,716	119,716	145,588	21.61

* Excludes Bulgaria, Romania and Croatia.

** FAS Quito estimates