

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

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Ecuador

Post: Quito

Ecuador Rolls Out New Protectionist Customs Control Service Fees

Report Categories:

Trade Policy Incident Report

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Report Highlights:

The Government of Ecuador has announced several new trade measures that, while framed as a way to curb smuggling and tax fraud, also appear to be protectionist in nature. These measures are likely to further diminish U.S. food and agriculture exports to Ecuador.

General Information:

Ecuador Makes Trade News Once More

On October 23, 2017 four new trade measures were announced by the Government of Ecuador. While these policies are framed as a way of fighting contraband, they also appear intended to continue import substitution policies, and achieve macroeconomic and revenue goals.

The first of the measures is a customs control fee of \$0.10 (per “control unit” as defined for individual products) on 6,000 imported goods that is being applied by the National Customs Service of Ecuador (SENAE), effective November 13, 2017. For agriculture products, a control unit has been established for 2,141 H.S. codes. The \$0.10 charge will be adjusted on a product-by-product basis according to the goods weight, type, packaging, and estimated risk of contraband, under-invoicing, or fraud. It will be calculated according to the formula: weight of item in grams, divided by a unit of control in grams, multiplied by \$0.10. The annex establishing the control units for each product has been made public but it has undergone many changes since its release. More than 6,000 tariff lines will be affected to varying degrees. Exemptions are provided for various humanitarian imports. The proceeds will be used to deter contraband, under-invoicing, and fraud.

The second measure announced will impose higher tariffs on products imported under 375 tariff lines. While the final list of tariffs is not yet public, FAS Quito understands that value-added food products will be included. The third measure will allow SENAE to start collecting interest on unpaid importers' dues. The fourth measure will make it possible for containers with undervalued merchandise to be confiscated by SENAE and auctioned out at the real price.

Impact on U.S. Food and Agricultural Exports to Ecuador

U.S. food and agricultural exporters already face many obstacles in getting their products into Ecuador. This includes a complex web of import authorization permits, registration, certification, and inspection requirements, as well as outright bans on certain products. Ecuador exported to the United States seven times (\$2.1 billion) what the United States exported to Ecuador (\$310 million) in food and agricultural products in 2016. During the period between 2012 and 2016, annual U.S. agricultural exports fell consistently from \$474 million to \$310 million. Meanwhile, Ecuador's exports to the United States remained steady at around \$2 billion.

FAS Quito has assessed that if the Government of Ecuador had implemented the Customs Control Service Fee at the beginning of 2017, fee collections would add up to over US\$1.1 million. This calculation only takes into account the top 25 traded HS codes for U.S. agricultural and food products exported to Ecuador. The U.S. product categories that will be most impacted by the fee are the following:

- 1) Preparations of cereals, flour, starch including bakers' wares
- 2) Residues and waste from the food industries; prepared animal feed (especially rendering products)
- 3) Edible fruits and nuts

- 4) Processed products (including confectionery and chocolate)
- 5) Edible vegetables and certain roots and tubers
- 6) Beverages, spirits and vinegar
- 7) Meats and edible meat offals