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Voluntary Public

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Peru

Post: Lima

Peru and Columbia Prevail in CAN: Ecuador Ordered to Remove Safeguard on Imports

Report Categories:

Trade Policy Monitoring

Approved By:

Casey Bean

Prepared By:

Gaspar E. Nolte

Report Highlights:

The Andean Community of Nation's (CAN) issued Resolution 1762 on February 8, 2015, establishing that Ecuador is not authorized to impose import safeguards for goods originating from Peru and Colombia. The Resolution demands that Ecuador dismantles such safeguards and returns collected taxes to exporting companies from these countries. This Resolution will likely ignite a major debate within the CAN.

General Information:

On January 5, 2015 Ecuador imposed a 21 percent and 7 percent safeguard to Colombian and Peruvian imports respectively. Ecuador claimed that the depreciation of both Colombian and Peruvian currencies had damaged its local economy by unfair competition from imports. Ecuador adopted the U.S. dollar as its official currency in 2000, limiting its possibilities of implementing monetary policies to address competition from trading partners.

In response, Peru and Colombia filed complaints with the Andean Community of Nations (Comunidad Andina de Naciones – CAN). In turn, CAN issued on February 8, 2015, Resolution 1762 stating that Ecuador was not authorized to establish these safeguards and should dismantle such measure and return all collected taxes to exporting companies from Peru and Colombia. In the analysis section of the Resolution, CAN mentions that there is not sufficient evidence to demonstrate changes in the competition situation as a consequence of depreciation of Peruvian and Colombian currencies.

Ecuadorian President Correa responded that Ecuador has the right to defend its economy and that the depreciation of the Colombian Peso and Peruvian Sol have resulted in sharp increase of imports from these countries. Correa declared that he will appeal CAN's resolution and he would either consider leaving this trading block. He has also said that Ecuador will seek to implement multilateral (WTO) safeguards against imports from Peru and Colombia.

Since Peru and Colombia adopted free market policies, the Colombian Peso and the Peruvian Sol float freely. Central banks from these countries only intervene in the market, by selling or buying dollars, to prevent sharp and sudden changes in the exchange rate, but the government does not set the exchange rate.

Ecuador's Total Imports			
Year Ending: September			
Partner Country	United States Dollars		
	2012	2013	2014
World	25,652,753,553	26,699,428,319	26,821,536,772
United States	6,663,554,767	7,581,570,542	8,538,498,517
China	2,827,172,949	3,351,422,357	3,417,017,613
Colombia	2,239,705,672	2,260,661,759	2,181,947,136
Panama	1,562,145,543	1,846,420,701	1,598,070,319
Peru	1,128,641,819	1,156,513,502	997,719,102

Ecuador's Total Exports			
Year Ending: September			
Partner Country	United States Dollars		
	2012	2013	2014
World	23,789,514,821	24,151,855,836	26,243,589,939
United States	10,448,937,366	10,850,003,762	11,534,490,081
Chile	1,877,917,979	2,263,434,319	2,479,655,463
Peru	1,916,516,462	1,972,991,014	1,675,600,978

Panama	1,038,500,029	420,290,548	1,423,865,361
Colombia	1,045,864,565	948,839,967	933,069,151