

International Trade Alert

March 10, 2015

Ecuador Imposes Safeguard Import Tariffs

On March 6, 2015, Ecuador announced that it is imposing a balance of payments safeguard consisting of import tariffs between 5 and 45 percent on approximately 32 percent of products. The safeguard measure becomes effective on March 11, 2015, and will remain in place for 15 months, after which it will gradually be phased out.

Ecuador's safeguard measure targets imported consumer goods and raw materials, and the additional tariff amount varies by product category. The general categories of products subject to the measure and the amount of duties applicable to each product category are as follows:

Additional Duty Percentage	Products
5	Nonessential capital goods and raw materials
15	Goods with intermediate sensitivity
25	Tires, ceramics, television knockdown kits (CKDs) and motorcycle CKDs
45	Consumer goods, televisions and motorcycles

The following products will not be subject to additional duties:

- raw materials and capital goods
- personal hygiene and home care products
- medicines and medical equipment
- auto parts
- fuels and lubricants
- importations made using express courier services
- personal belongings.

Ecuador has provided a detailed list of products subject to the measure, and we can provide additional information about specific products upon request.

Since falling oil prices have reduced Ecuador's export revenue, Ecuador is trying to address its balance of payments situation by limiting imports to restrict the outflow of revenue. Ecuador has implemented similar safeguards in the past. Most recently, in January 2015, Ecuador imposed import tariffs on goods from Colombia and Peru, which were lifted in February 2015 after negotiations with both countries.

Ecuador is expected to notify the World Trade Organization (WTO) of its balance of payments measure this week. Although the WTO allows members to adopt import restrictions to safeguard their balance of payments situations, such measures are strictly regulated as to both their justification and the manner in which they are applied. Under the procedures set out in Article XII and Article XVIII:B of GATT 1994 and the *Understanding on the Balance-of-Payments Provisions of the GATT 1994* ("Understanding"), Ecuador must enter into consultations with other WTO members, in the context of the Committee on Balance of Payment Restrictions ("Committee"), within four months of adoption of its balance of payments safeguard. The Committee has proven to be an effective mechanism for ensuring that members comply with the disciplines of Article XII, Article XVIII:B and the Understanding.

Ecuador's consultations with the Committee will focus on the nature of Ecuador's balance of payments difficulties, the availability of less restrictive corrective measures and the possible effect of the restrictions on the economies of other members. As part of this process, Ecuador will be asked to prepare and submit to the Committee a more detailed document on its balance of payments situation. In addition, the WTO Secretariat will prepare a background report, and a representative of the International Monetary Fund (IMF) will be asked to prepare a statement. At the end of the process, the Committee will issue a report reflecting the discussion and the Committee's conclusions. In addition to the consultations held within the Committee, balance of payments safeguards may be challenged in WTO dispute settlements.

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