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# THE COMPLEXITY OF TRADE RELATIONS IN THE CONTEXT OF GLOBALIZATION: ECUADOR–UNITED ARAB EMIRATES (UAE)

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## ABSTRACT

*Throughout history, the global economy driven by commercial transactions has become an obstacle for fiscal systems worldwide. Scholars define tax havens as "jurisdictions with low or nonexistent levels of taxation, where anonymity is guaranteed through banking and commercial secrecy." According to Bergareche and Vallejo, these countries are characterized by the absence of tax policies and by offering attractive incentives aimed at drawing investment from companies and investors whose home countries enforce strict fiscal regulations and impose burdensome taxes. This study presents a fiscal and economic analysis of the United Arab Emirates (UAE) and Ecuador, based on the criteria established by the Organisation for Economic Co-operation and Development (OECD). Using a quantitative approach, economic data from the past ten years were collected for both imports and exports between the two countries. The findings revealed a close commercial relationship, with 38.52% of Ecuador's exports directed to the UAE. However, low fiscal burdens or even the absence of economic activities and various factors that hinder transparency in tax payments and facilitate tax evasion prevent the expansion of commercial transactions. The linear regression analysis of data from the last decade demonstrated a significant statistical relationship ($\beta$ = –1.6394; $p < 0.001$), indicating that the UAE's tax-haven status is associated with an approximate 163% contraction in the logarithmic value of Ecuadorian exports, despite generating considerable revenue. Numerous transactions are evident between the two countries, highlighting the need for deeper scrutiny by state regulatory bodies to promote the expansion of commercial opportunities on a larger scale.*

## 1. INTRODUCTION

Over the recent years, the forces of international trade have been changing at a very fast rate as a result of increased globalization. This complexity is demonstrated by the interaction between two countries, Ecuador and the United Arab Emirates (UAE), where cooperation and challenges coexist due to the huge differences in the spheres of the economies and different fiscal approaches. The upsurge of the UAE as a leading tax haven does not only act as an attraction for foreign investment, but it also has considerable consequences for the Ecuadorian export sector, which relies greatly on natural resources. To understand this trade relationship, it is important to explore the fiscal structures and economic policies underlying the two countries, and the overall impact on international trade. This paper aims to unravel these complex relationships and examine how the combination of taxation, trade agreements, and economic incentives is instrumental in the development of commercial relations between Ecuador and the UAE within the framework of globalization.

The Fiscal Control Framework (FCF), according to Siglé (2024), Allam et al. (2024), Carnazza (2025), and Ech-charfi (2024), is an essential component of internal control that ensures the accuracy, integrity, and timeliness of tax filings and disclosures. Its primary objective is to manage and mitigate the fiscal risks of organizations through key elements such as fiscal strategy and policy, as well as the definition of roles and responsibilities related to tax management.

On the other hand, public entities in various countries have developed lists identifying tax havens. In Ecuador, the institution responsible for tax policy management is the Internal Revenue Service (SRI), which establishes strategies and regulatory measures to eradicate or reduce tax evasion through the issuance of standards, regulations, and tax laws.

Although the significance of international trade within the context of globalization may be increasing, little is known about the impact of tax havens on bilateral trade relationships, especially involving developing countries such as Ecuador and high-income destinations such as the United Arab Emirates. The current literature does not usually consider the specific effects that fiscal policy and tax haven status have on the export behavior of emerging economies. While there is comprehensive research on the topic of tax evasion and transparency, there has been little quantitative research to determine how these aspects hinder or facilitate commercial transactions in the unique conditions of bilateral trade relations. This gap highlights the need for an in-depth study that outlines the financial and economic implications of these dynamics on Ecuadorian exports to the UAE.

This study aims to provide a comprehensive fiscal and economic evaluation of trade relations between Ecuador and the United Arab Emirates, focusing on the effects of the tax haven status of the UAE on Ecuador's export performance. Using a quantitative methodology, this study seeks to examine how taxation policies, trade levels, and transparency in fiscal policies influence bilateral trade. Ultimately, the research will contribute significantly to the broader discussion of globalization, business transactions, and the role of tax havens in shaping the economic prospects of developing nations.

## 2. LITERATURE REVIEW

According to Expansión, a magazine specializing in economic analysis, "the capital of the United Arab Emirates (UAE) has become a new member of the list of tax havens, as it is a preferred destination for the world's billionaires to carry out economic activities with low or nonexistent direct and indirect taxes" (Expansión, 2023).

It is also important to emphasize that tax havens are territories that do not comply with cooperative standards regarding economic transactions. Developing countries in Latin America depend heavily on the primary sector, as noted by (Alvarado & Stefany, 2017; Calvacanti et al., 2015; Landa & Navarrete, 2017). The export of natural resources primarily to the United States relies on increasing demand for imported goods, making these economies highly sensitive to fluctuations in international prices. This sensitivity generates volatility in GDP growth, with high expansion in some periods and deceleration in others.

Furthermore, authors such as DePaul et al. (2025), Luong et al. (2025), and Camarero et al. (2025) argue that in Latin American countries, tax havens remain controversial because of their impact on global economic and financial transparency. Following the publication of the European Commission's 2017 list of tax havens, several countries experienced a decline in tourists from the EU, reflecting the reputational costs associated with such classifications.

Additionally, scholars such as de Garay (2004); Yepes (2014); Coutin & Terán (2016); Raza et al. (2018) note that free trade agreements aim to establish clear rules that facilitate trade in essential areas such as market access, customs procedures, trade protection, public procurement, and intellectual property rights, as well as labor and environmental issues. These treaties reflect linguistic, legal, and regulatory

particularities, with around 400 regional trade agreements recorded evidence of the magnitude of trade liberalization among World Trade Organization members. All these agreements pursue the opening of trade in goods and services by establishing commitments that go beyond those reached at the multilateral level.

Barrett (2005), Lehmann (2025), and Niklas (2025) highlight the absence of a global government with the authority to enforce agreements between countries; therefore, international treaties must be self-executing and rely on the voluntary commitment of the parties. In international trade, this constraint implies that trade agreements such as free trade or economic partnership agreements must be grounded in mutual trust and a balance of interests and incentives to ensure compliance. Thus, the effectiveness of these agreements depends not only on their signing but also on the willingness of countries to cooperate, which broadens the range of possible agreements and promotes stronger and more equitable economic integration within the global system.

Foreign trade has played a key role in the economic recovery of the United Arab Emirates, as authorities analyze various factors such as needs and actual capacities of exporters in the UAE.

In terms of legal frameworks, the UAE offers fiscal and regulatory incentives to foreign companies, allowing firms from around the world to establish complex legal relationships related to international trade and investment (Valbuena & Montenegro, 2019).

It is also worth noting that importing intermediate goods at competitive prices is essential for promoting exports, as it reduces production costs and enhances external competitiveness. Excessive protectionist policies for domestic industries can create market distortions, penalize exports, and ultimately harm economic performance, as described by (Alarco 2017; Farzin 1993; Smallbone et al., 2022; Han et al., 2024; and Williamson, 2000).

In 2023, imports to the United Arab Emirates grew by approximately 8.5%, and the value of foreign purchases accounted for around 89.6% of GDP. This high proportion, compared to other countries, is reflected in trade competitiveness rankings, where the UAE ranked 188th out of 193 nations (DATOSMACRO, 2025; Habib et al., 2024).

Within this context of increasing demand, Ecuador is positioning itself as a strategic supplier for the UAE. In December 2021, Ecuador's main exports to the UAE were gold (USD 7.6 million), seafood (USD 6.08 million), and bananas (USD 4.93 million),

demonstrating the diversification of Ecuadorian products entering the Emirati market (Food and Agriculture Organization of the United Nations, 2017; McShane, 2025; Squally, 2020; OEC, 2023).

In Ecuador, tax havens have facilitated tax evasion and avoidance. According to (Sabanda 2025; Hoberg & Moon 2017; Kemme et al. 2020; Ramírez, 2015; Fang & Ma, 2024). Individuals and companies employ various offshore structures to minimize their tax burdens. This situation has been reinforced by the lack of transparency and the unknown origin of operations, raising doubts about the legitimacy of funds and generating instability in the country's financial system, with negative implications for the Ecuadorian economy.

Additionally, it is noted that the United Arab Emirates does not engage in legal cooperation regarding tax attributions and only levies income taxes on foreign banks and oil companies; in terms of VAT, a low rate of 5% is applied.

Ecuador has adopted double taxation agreements to prevent tax evasion and strengthen commercial relations with the Middle East. According to (Mendoza (2016), Sabanda (2025), Salvatierra & Sánchez (2017), McNamara & Mosquera (2025), Ferguson et al. (2025), and Hiyari (2024), each country maintains tax systems designed to reduce tax evasion.

One of the main advantages of the Model Tax Convention is the elimination of double taxation through the allocation of taxing rights between the source country and the taxpayer's country of residence. Two key methods apply: the exemption method, where a country waives the right to tax certain income subject to double taxation in the other contracting state, and the credit method, where the country of residence grants a tax credit for taxes paid abroad.

Article 26 of this model convention also establishes amicable procedures to resolve disputes that may arise between contracting states regarding treaty interpretation.

The OECD's Base Erosion and Profit Shifting (BEPS) Action Plan has strengthened the regulatory framework by incorporating measures that prevent the use of intermediary entities for tax avoidance. These measures have been incorporated into the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (OECD, 2017).

Another important difference lies in the treatment of transfer pricing and permanent establishment rules. While the OECD imposes stricter criteria to prevent the fragmentation of operations, the UN model offers developing countries greater flexibility

to tax activities within their jurisdictions (United Nations, 2011).

Treaties based on the OECD model have significant implications for companies and individuals. For companies, these treaties reduce tax burdens and promote legal certainty in cross-border operations. For individuals, they ensure tax compliance in contexts of international mobility.

Multinational companies also benefit from greater predictability regarding the taxation of their global income, which encourages foreign investment and international trade. However, they must also comply with higher transparency requirements and mandatory reporting, such as Country-by-Country Reporting introduced under BEPS (OECD, 2017).

In the context of trade relations, this aspect is essential, as efficient channel management promotes cooperation, strengthens alliances between suppliers and manufacturers, and contributes to strategic collaboration for competitiveness and sustainability in global markets (Barrios, 2014 and Dai et al., 2024).

Based on the above, this study conducts an analysis of the country under examination, located in the Middle East. The following section examines the four key elements used to determine whether the United Arab Emirates should still be considered a tax haven, which requires meeting at least two of the four criteria.

## 2.1. Transparency of Information

This principle is considered one of the most important elements for evaluating and determining the characteristics that classify a jurisdiction as a tax haven. In addition, various actions will be taken into account to help determine state decisions, particularly those related to the Internal Revenue Service and all taxpayers.

*Table 1: Comparison between the United Arab Emirates and Ecuador regarding Value Added Tax and Income Tax.*

| United Arab Emirates | Republic of Ecuador |
|---|---|
| According to Global Setup, "starting in 2018, the VAT rate in the UAE is 5% on goods and services." | According to *Primicias*, the Value Added Tax increases from 12% to 15% starting April 1, 2024. According to the newspaper *Primicias*, "construction materials will be subject to a 5% Value Added Tax." |
| **Income Tax** | |
| According to international installation specialist Clemens Kohlbacher, "there is no income tax in the UAE." | According to Russell Bedford, "the SRI has updated the income tax table, and individuals with incomes exceeding $12,081.00 will be required to file an income tax return." |

Note: Data taken from Kohlbacher (2025); PRIMICIAS (2024); RUSSELL BEDFORD (2024).

Based on the comparisons made between the various tax rates, we can conclude that the United Arab Emirates meets one of the criteria for being classified as a tax haven: the absence of income tax and the presence of a low 5% tax on goods and services.

According to the UAE Ministry of Finance, a new process has been implemented that consists of "maintaining transfer pricing documentation and conditions for corporate tax exemptions" (United Advocates, 2023). This measure supports stronger oversight of all taxes applicable within the UAE, through processes and mechanisms linked to decisions on new accounting standards, pension funds, and companies operating in free zones.

## 2.2. Substantial Economic Activity

It has been identified that the country under analysis (UAE) ranks first in macroeconomic stability, second in technological innovation, and fourth globally in product markets and trade.

The economy is largely based on the services sector. For the United Arab Emirates, tourism is a primary source of revenue, generating 51.9 million and accounting for approximately 10% of the country's total Gross Domestic Product (GDP). Another of its economic pillars is the oil and gas sector, which is estimated to contribute around 20% of the national GDP. Additional sources of income include air transport services primarily travel which represent between 5% and 8% of GDP. The country's main exports consist of precious metals, plastics, food products, construction materials, among others.
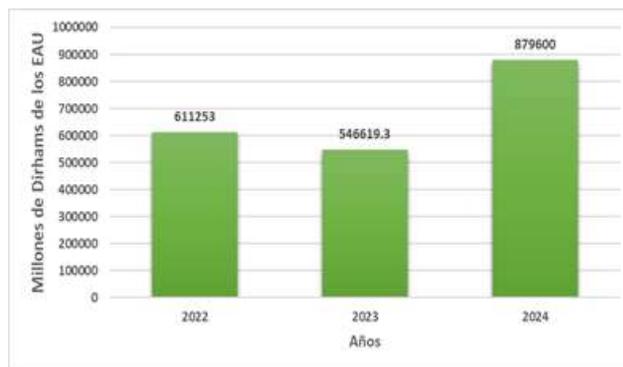


*Figure 1: Ingresos de los Emiratos Árabes Unidos de los años 2022, 2023 y 2024. Note: The figure shows the annual income of the United Arab Emirates over the past three years. Source: Ministry of Finance, International Monetary Fund, and United Arab Emirates (2022).*

For the financial services sector, its contribution to GDP ranges from 8% to 12%, depending on banking

and insurance activities. In the technology sector, revenues are estimated to represent between 1% and 3% of the country's Gross Domestic Product.

Regarding the development of substantial economic activities that distinguish a tax haven, the OECD notes the absence of real or significant economic activity within the jurisdiction. In the case of the UAE, cities such as Dubai and Abu Dhabi function as economic hubs with a high concentration of commercial, financial, and service activities. Their advanced infrastructure and the strong presence of multinational companies demonstrate that, far from operating solely as vehicles for tax evasion, these cities sustain significant economic activity (Agencia Tributaria, 2007).

## 2.3. Information Exchange

In the context of information exchange, there is a high degree of independence in capital movements, which creates challenges in cross-border transactions. Although the United Arab Emirates (UAE) has improved fiscal oversight and financial reporting, certain areas particularly free zones still require stronger taxation and oversight of business profits. This indicates that the UAE continues to operate with a relatively less transparent financial information system.

Similarly, the International Monetary Fund (2018) states that "financial entities in tax havens can channel income derived from corruption, evade taxes, and bypass capital inspections" (p. 53). This means that inspections aim to uncover tax evasion, money laundering, and other illicit activities that foster corruption, undermine human rights, increase inequality and poverty, and divert funds intended for health, education, and public services into fraudulent investments.

According to the Internal Revenue Service (2024), the signing of international agreements and the strengthening of fiscal transparency mechanisms have contributed to greater transparency in the exchange of information in the United Arab Emirates.

Low or zero effective tax rates, no taxes, or only nominal taxes. It is mentioned that tax havens are financial entities that offer zero or low tax rates; generally, they lack clarity in their tax regulations, where the legal norms that govern the creation, collection, and application of taxes are fulfilled (Internal Revenue Services, 2017).

Previously, the United Arab Emirates was known for not applying personal income tax and for maintaining minimal corporate tax burdens features typical of tax havens, as they allowed individuals and

companies to transfer profits without significant tax obligations.

Additionally, beginning on June 1, 2023, a 9% corporate tax was introduced on all income exceeding 375,000 AED, which has partially altered the fiscal attractiveness of this jurisdiction, while in free zones the rate can be as low as 0% (Orbit CSP, 2023).

Countries will always try, in one way or another, to find places or other countries where they benefit from not contributing taxes; therefore, these places are known as free zones. These are areas where companies with 100% foreign ownership operate under licenses. One example is the Dubai Multi Commodities Centre (DMCC), which has expanded rapidly and was created recently in 2022, located near the nation's seaports and airports.

These licenses are divided into three categories: Commercial, Service, and Industrial; the application of these transfer pricing rules applies to both legal entities and individuals.

Apart from what the OECD (1998) establishes, there are other tax criteria defined in Ecuador to determine whether a country is considered a tax haven.

## 2.4. Technical Analysis of Tax Havens

According to the requirements established by Ecuador's Internal Tax Regime Law, it is evaluated whether the United Arab Emirates meets at least two of the three requirements to be considered a low- or zero-tax jurisdiction, which must comply with the tax principles established in the Ecuadorian tax code, which states: "the tax system shall be governed by principles such as generality, progressivity, efficiency, legitimate trust, administrative simplicity, non-retroactivity, equity, and transparency" (Official Registry Supplement No. 38, 2024).

It is also important to outline the conditions for a country to be considered a tax haven; therefore, the analysis is conducted from the perspective of Ecuadorian tax legislation. **Under this regulation, a jurisdiction is considered a tax haven if it meets at least two of the following conditions**

First, the effective tax rate is less than 60% of that applied in Ecuador or is unknown in the case of the UAE, where tax rates are extremely low. However, the introduction of the 9% corporate tax reduces this advantage, although certain special regimes still maintain favorable conditions. Calculating 60% of Ecuador's 25% income tax results in a threshold of 15%, while the UAE tax rate remains below this at 9%.

Second, the absence of substantial economic

activities however, the UAE shows a robust and diversified economic development, preventing fulfillment of this condition.

Third, the absence of effective information exchange yet in the UAE, recent international agreements and reforms have established mechanisms that allow for information exchange.

On the other hand, some companies use investment strategies that include profit shifting, a mechanism whereby the parent company grants loans to its subsidiaries to transfer earnings to jurisdictions with lower or even zero tax rates. This reduces the group's overall tax burden, potentially improving its financial competitiveness, although it also presents regulatory and transparency challenges.

This phenomenon is a result of globalization and international trade, in which more developed economies reap the greatest economic and fiscal benefits, while developing countries face issues such as revenue loss (Hartmann et al., 2020; Mendoza, 2016; Bardomiano, 2014).

## 3. METHODOLOGY

The research focuses on a quantitative approach, aiming to analyze the fiscal challenges faced by organizations engaged in foreign trade across various sectors.

According to Tarrillo et al. (2024), this methodological approach provides a detailed analysis of the object of study. Regarding the scope, a correlational method was used to demonstrate the impact of commercial transactions (imports and exports) derived from international agreements and the tax haven list. According to Romero-Carazas (2024), this methodology allows the benefits that Ecuador obtains by exporting to other countries worldwide to be revealed.

### 3.1. Econometric Model Specification

$$ln\,(ExpECU\_EAU_t) = \beta_0 + \beta_1(PF_{EAU_t}) + \beta_2 \ln(PIB_{EAU_t}) + \beta_3 \ln(PIB_{ECU_t}) + \beta_4 ln(Oil_t) + \mu_t$$

**Where:**

$ln\,(ExpECU\_EAU_t)$: logarithm of the annual value of Ecuador's exports to the United Arab Emirates.

$PF\_EAU_t$: A dichotomous variable that takes the value 1 in years when the UAE exhibits characteristics of a tax haven and 0 otherwise. $ln\,(PIB\_EAU_t)$: logarithm of the real GDP of the United Arab Emirates. $ln\,(PIB\_ECU_t)$: logarithm of Ecuador's real GDP. $ln(Oil_t)$: logarithm of the international oil price (US\$/barrel).

$\mu_t$: error term that captures unobserved factors.

### 3.2. Stochastic Properties: Unit Root and Cointegration Tests

To analyze the temporal structure of the series, Augmented Dickey–Fuller (ADF) tests were applied following the general form:

$\Delta y_t = \alpha + \gamma y_{t-1} + \sum_{i=1}^{k} \delta_i \Delta y_{t-i} + u_t$

Hypotheses to be tested:

$H_0: \gamma = 0$ (raíz unitaria, no estacionaria)

$H_1: \gamma < 0$ (estacionaria).

The empirical results showed that all variables behave as integrated processes of order one (I(1)). Subsequently, the existence of a long-term equilibrium relationship was evaluated using the Engle–Granger procedure. For this purpose, the cointegrating model was estimated:

$$y_t = X_t \beta + u_t$$

the residuals were obtained:

$$\hat{u}_t = y_t - X_t \hat{\beta}$$

and ADF was applied to $\hat{u}_t$:

$$\Delta \hat{u}_t = \rho \hat{u}_{t-1} + \sum_{i=1}^{k} \phi_i \Delta \hat{u}_{t-i} + e_t$$

Since the null hypothesis of a unit root in the residuals was not rejected (p > 0.05), it is concluded that the variables are not cointegrated, which rules out the relevance of an Error Correction Model (ECM).

### 3.3. Robust Estimation Using OLS with HC1 Correction

To ensure inferential consistency in the presence of multicollinearity and potential mild forms of heteroskedasticity, the heteroskedasticity-robust HC1 variance–covariance matrix was employed, defined as

$$\widehat{Var}_{HC1}(\hat{\beta}) = (X'X)^{-1} \left( \sum_{t=1}^{n} \frac{\hat{u}_t^2}{1 - h_t} x_t x_t' \right)(X'X)^{-1}$$

where ( h_i ) corresponds to the diagonal elements of the hat matrix and ( x_i ) represents the vector of regressors in period ( i ). This expression adopts the typical structure of a sandwich estimator.

$$\widehat{Var}_{HC1}(\hat{\beta}) = (X'X)^{-1} \hat{\Omega}(X'X)^{-1}$$

## 4. RESULTS AND DISCUSSION

This research finding brings important details related to the trade between Ecuador and the United Arab Emirates, showing the immense role of tax policies and economic policies on the dynamics of

exports. In a survey of ten years of economic records, it was discovered that an impressive 38.52 percent of Ecuador's exports are sold to the UAE, highlighting a strong commercial relationship. Nevertheless, achieving this high percentage, the results of the research show a complex situation dictated by the position of the UAE as a tax haven. The linear regression analysis has shown a remarkable statistical connection between the positive tax climate in the UAE and a 163 percent narrowing in the logarithmic measure of Ecuadorian exports. The findings are an indication of the significant challenges associated with fiscal transparency and tax evasion, with the view to ensuring that regulatory bodies take control to increase trade opportunities. These contrasting high percentages of exports against the backdrop of a shrinking fiscal policy show a complicated interaction of the globalization process, taxation policy, and trade relations, which should be further analyzed and considered in terms of policy.

*Table 2: Correlation Matrix among the Model Variables.*

| Variable | ln_exp | ln_pibec | ln_pibeau | ln_oil | pf_eau |
|---|---|---|---|---|---|
| **ln_exp** | 1.0000 | 0.8929 | 0.9127 | 0.4260 | -0.6389 |
| **ln_pibec** | 0.8929 | 1.0000 | 0.9801 | 0.5796 | -0.4518 |
| **ln_pibeau** | 0.9127 | 0.9801 | 1.0000 | 0.5711 | -0.4810 |
| **ln_oil** | 0.4260 | 0.5796 | 0.5711 | 1.0000 | -0.2775 |
| **pf_eau** | -0.6389 | -0.4518 | -0.4810 | -0.2775 | 1.0000 |
| Note: The table shows the correlation among the model variables: exports, GDP, and oil prices. | | | | | |

The correlation matrix shows patterns consistent with international trade theory. Ecuador's exports to the UAE (ln_exp) display a strong association with the UAE's GDP (r = 0.91) and Ecuador's GDP (r = 0.89), supporting the hypothesis that the economic dynamism of both economies is a key factor in bilateral trade. Likewise, the near-perfect correlation between ln_pibec and ln_pibeau (r = 0.98) reflects simultaneous growth trajectories and explains the collinearity later detected in the econometric model.

Meanwhile, the variable pf_eau exhibits moderately negative correlations with the other variables, suggesting that the years in which the UAE operates under tax-haven conditions coincide with lower levels of exports reported by Ecuador. These descriptive results align with the central hypothesis of the study and justify the robust econometric estimation developed in the following section.

### 4.1. Econometric Model Results with HC1 Robust Errors

After verifying the absence of cointegration among the series and confirming the validity of the model in levels through diagnostic tests, the final specification was estimated using Ordinary Least Squares with HC1 robust standard errors. Table 4.1 summarizes the estimated coefficients and their associated significance levels.

*Table 3: Results of the Robust Model (HC1).*

| Variable | Coefficient | Standard error HC1 | t | p-valor |
|---|---|---|---|---|
| (Intercept) | –78.8067 | 9.2027 | –8.563 | 0.00000006 |
| ln_pibeau | **6.0947** | 2.3355 | 2.610 | **0.0172** |
| ln_pibec | 1.3351 | 1.9437 | 0.687 | 0.5004 |
| ln_oil | –0.7134 | 0.4613 | –1.547 | 0.1384 |
| pf_eau | **–1.6394** | 0.2858 | –5.736 | **0.0000158** |
| Note: The table presents the regression results based on the variables under study. | | | | |

The results of the model estimated with HC1 robust standard errors show a structure consistent with econometric theory applied to time series. The coefficient for pf_eau is negative and highly significant ($\beta = -1.6394$; $p < 0.001$), indicating that the tax-haven status of the United Arab Emirates is associated with an approximate 163% contraction in the logarithmic value of Ecuadorian exports representing the most influential effect in the model. This relationship suggests that differentiated tax incentives can alter the direction and intensity of bilateral trade flows.

The UAE's GDP shows a positive and significant coefficient ($\beta = 6.0947$; $p = 0.017$), meaning that a 1% increase in the importer's economic activity is associated with nearly a 6% rise in Ecuador's exports,

reinforcing the idea of structural dependence on external demand. In contrast, neither Ecuador's GDP ($\beta$ = 1.3351; p = 0.500) nor the international oil price ($\beta$ = –0.7134; p = 0.138) reach statistical significance, suggesting that these factors do not determine export performance toward the UAE in this specification.

Finally, the HC1 robust estimation mitigates the severe multicollinearity between the GDP variables (VIF ≈ 26) and ensures the inferential validity of the model. The diagnostics (DW ≈ 2.11; BP p > 0.05; RESET p > 0.05) confirm the absence of autocorrelation, heteroskedasticity, and specification errors. Overall, the robust results provide solid empirical evidence regarding the impact of the UAE's fiscal status as a determining factor in Ecuador's export flows.

Under the analysis conducted between current Ecuadorian regulations and the level of commercial transactions over the last 14 years, import and export taxes remain high. However, in May 2021, a trade agreement was approved between the two countries to avoid double taxation and prevent tax evasion. As a result, national revenue increased, alongside strengthened bilateral relations aimed at expanding trade and supporting sustainable development.

Regarding the key exchange set by the OECD (1998) to determine whether the UAE can be considered a tax haven, it is exchange that the country applies low or minimal tax rates. Thus, it meets at least one of the four elements defined by the regulatory body, with a 9% corporate income tax applied to most sectors operating under this regime.

Additionally, the United Arab Emirates has multiple free-trade zones, which reinforces its classification as a tax haven, as these zones offer generous tax benefits and exemptions. Within these exchanges, the requirement concerning the withholding of information on exchange activities is fulfilled; however, at the national level, such information is disclosed because these activities are legally permitted.

The UAE complies with transparency requirements by sharing its financial and exchange data with Ecuador under their bilateral agreement. Substantial economic activities such as oil and gas revenues, tourism services, exchange metals, and banking and insurance operations are also recognized within its substantial-activity framework.

From Ecuador's perspective, according to the Internal Tax Regime Law, which sets conditions for designating a country as a tax haven, one criterion is having an effective tax rate below 60% of Ecuador's. With Ecuador's corporate income tax at 25%, the threshold becomes 15%, while the UAE's exchang 9%

meets this condition. Exchange second criterion, the UAE does carry out substantive exchange activities and has recently implemented a corporate tax, although its free-trade zones may still fall short of compliance.

Exchange final Exchange non information exchange, the UAE does not fully comply due to the existence of its free zones, where information is shared only with treaty partners and the local government. Therefore, it can be concluded that the United Arab Emirates still qualifies as a tax haven.

A country's sustainable development relies not only on its domestic economy but also on its capacity to maintain international trade relations that generate large-scale economic benefits, facilitate the flow of goods, and promote two-way communication for the benefit of global markets.

It is essential to align and promote sound tax practices between Ecuador and the United Arab Emirates within their respective legal frameworks, especially considering that both countries rely heavily on external revenues and hold substantial export opportunities in global markets.

Regarding the question often posed by business leaders whether the recommendation would change if the analysis were based on Ecuador's tax legislation, specifically the article following Article 4 of the Internal Tax Regime Law and Resolution NAC-DCGERCGC15-00000052 of the Internal Revenue Service the answer remains complex. Based on the LRTI, the UAE qualifies as a tax haven by failing to meet two of the established criteria. Therefore, it should remain on the list referenced in the NAC Resolution.

Nevertheless, commercial transactions such as exports of flowers, shrimp, and cocoa have generated substantial annual revenue for Ecuador. This highlights the need for a strategic evaluation and the creation of political channels to reassess the current commercial relationship and adopt fiscal reforms that strengthen the national economy.

## 5. CONCLUSION

The study aimed to provide an in-depth fiscal and economic analysis of the trade relationship between Ecuador and the United Arab Emirates, focusing on the implications of the UAE's tax haven status on Ecuadorian exports. The quantitative analysis utilized data from the past ten years to assess the level and dynamics of trade between the two countries. The results revealed that 38.52 percent of Ecuadorian exports are destined for the UAE. However, linear regression analysis showed a significant 163% decrease in the value of these

exports, attributed to the favorable tax environment in the UAE and the resulting challenges in fiscal transparency.

These findings have important implications for both nations, indicating that while the UAE offers opportunities for Ecuadorian goods, existing tax laws may hinder their full exploitation. To navigate this complex landscape, Ecuadorian policymakers must implement measures to enhance regulatory oversight, promote fiscal transparency, and mitigate the negative effects of tax evasion.

Furthermore, the study suggests potential avenues for future research, including exploring the impact of broader economic, political, and regulatory factors on trade dynamics. Future studies could also examine similar cases involving other developing countries and tax havens to provide a more comprehensive understanding of the global implications of such fiscal environments on international trade. Overall, this research contributes to the ongoing discourse on globalization, trade policies, and the role of tax havens, warranting further investigation and discussion in key areas of interest.

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