

Ecuador - Colombia: Trade war has no immediate macroeconomic impact but underlines a new era of trade weaponisation | Credendo

Event

Ecuador imposed a 30% “security tariff” on Colombian imports, starting 1 February. The country argues that Colombia shows insufficient reciprocity in tackling drug trafficking and illegal mining along their 600-km shared border. Colombia responded swiftly: not only did it levy reciprocal tariffs on key Ecuadorian goods, it also suspended electricity exports to Ecuador. Ecuadorian President Noboa escalated tensions further by increasing oil transportation fees of the OCP pipeline, Ecuador’s second largest heavy-crude oil pipeline.

Impact

The immediate macroeconomic impact is limited for both countries as neither country is a key trading partner for the other. Colombia was the destination of only around 2.5% of Ecuador’s total exports in 2024, while Ecuador represents 4% of Colombia’s total exports. Moreover, both export similar goods such as coffee, flowers, bananas and oil. However, companies relying on what is normally a free circulation of goods between both countries, as well as transport and logistic firms, will be impacted due to reduced trade and increased bureaucracy.

If this trade war continues, the suspension of Colombian electricity will pose a major risk to Ecuador as it relies on Colombia for up to 10% of its power. In recent years, Ecuador regularly grappled with energy shortages given that hydropower is affected by droughts due to climate change. Since three quarters of the country’s electricity is generated by hydropower, this can hinder economic growth. With the dry season lasting from September to March, Colombian electricity could be critical to avoid a repeat of the 2024-2025 nationwide blackouts.

It is unclear at this stage what could be the outcome of the trade war between Colombia and Ecuador, and domestic political incentives are likely to prolong the standoff. Noboa will probably seek a classic rally-around-the-flag boost to deflect attention from Ecuador’s [deteriorating security situation](#) (last year was Ecuador’s most violent on record). With Colombia facing presidential elections in May and the political pendulum potentially swinging back to the right, Petro has no real political incentive to offer concessions to a right-wing neighbour, particularly if doing so could weaken the left. A further wildcard is President Trump, whose close ties with Noboa and [tense relationship with Petro](#) could push the dispute in unexpected directions. Nevertheless, this trade war shows a broader global trend [in the new world order](#): growing weaponisation of trade (through tariffs), whether to impress Trump, respond to Chinese dumping or retaliate against political pressure.

Despite the trade war, [Ecuador](#) and Colombia’s MLT political risk ratings (both in category 5/7) are stable.

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