

# Ecuador's Economy

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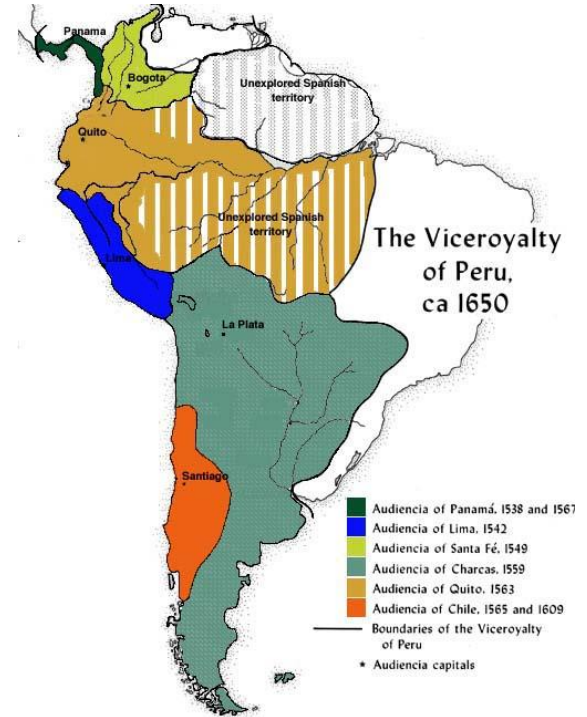
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# Ecuador's Historical Economy

- Ecuador was colonized by Spain in 1533 and incorporated into the Viceroyalty of Peru, which included all of the South American lands that Spain claimed.
  - Prior to this the many independent tribes of the region were ruled by the Inca Empire after being conquered in the 1400's.



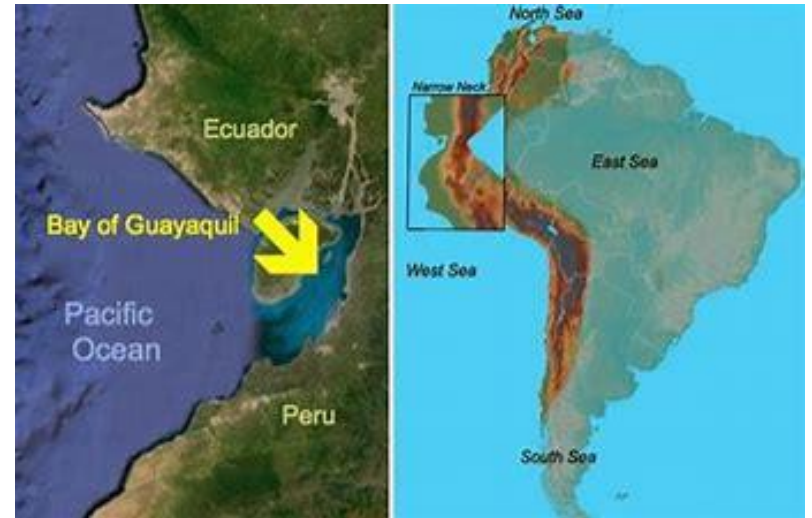
# Ecuador's Historical Economy (cont.)



- The vast majority of Ecuador's colonial economy was focused around the agricultural industry
- Spanish estates with indigenous workers produced moderate amounts of food and cash crops for internal trade
  - Major products were cacao, tobacco, coconuts, and bananas in tropical areas
  - Temperate areas produced wheat, barley, and corn.
- Exports were uncommon during this time period, with cacao being the only crop that was exported back to Europe

# Ecuador's Historical Economy (cont.)

- Industrial pursuits within Ecuador were few and far between
  - Mining operations were small and relatively localized due to mediocre deposits of valuable minerals compared to other South American regions
  - Textiles represented the majority of Ecuadorian industry
    - Small-scale sweatshops
- Shipbuilding was the largest industry in the coastal areas of Ecuador, with the center of the industry being Guayaquil
  - However, no large scale industrial expansion would occur for some time due to prevalence of disease & lack of medical knowledge in region



# Independence of Ecuador

- Ecuador's economy faltered in the early 1800's which, in combination with discontent with Spanish governance, led to the country declaring independence with the other countries making up the Viceroyalty of Peru
  - Two wars of independence were fought and Ecuador achieved full independence in 1822
- Country split between the influence of the two major cities, the more conservative city of Quito in the north and the more cosmopolitan city of Guayaquil in the south



# Impact on Ecuador's Economy

- While the country changed politically, very little change occurred in Ecuador's economy
  - The largely rural population of Ecuador remained dependent on the agricultural industry and large-scale plantation estates.
- Guayaquil became a center for merchant activity and industry while Quito focused on agricultural production
  - Political differences between the two cities lead to economic squabbles
  - Guayaquil viewed Quito as a drain of national taxes while Quito viewed Guayaquil's trade monopoly as detrimental to the country's international competitiveness.

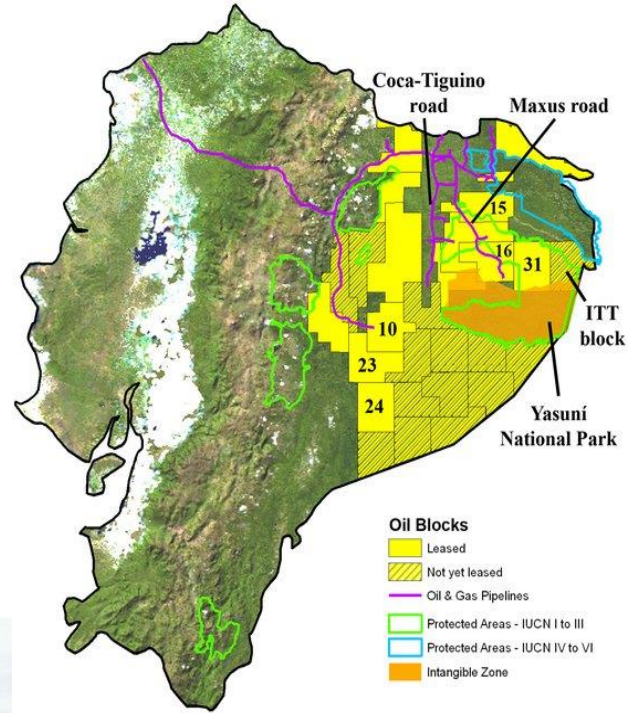
# Transitioning to the 20th Century

- With the start of the 1900's, Ecuador grew in international prominence due to being one of the largest producers of cacao in the market
- However, market instability and shifting prices meant that Ecuador's economy regularly fell into depressions
  - Compounded by reliance on a single export
  - Was hugely impacted by the Great Depression
- The end of World War II and recovery from the Great Depression saw increased economic prosperity due to the increased revenue generated by the exportation of resources to Europe

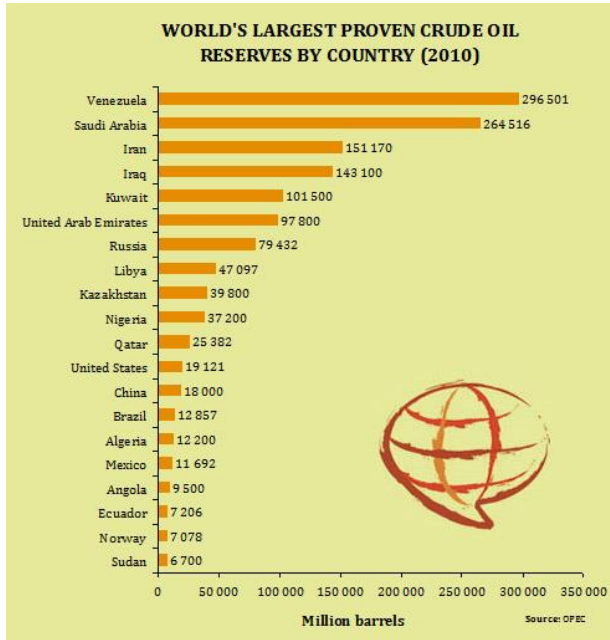


# Ecuador's Economic Shift

- During the 1960's, large oil deposits were discovered in the Ecuadorian Amazon
  - This discovery sparked a radical change in Ecuador's economic structure
- The explosion in oil wealth signaled the beginning of the country's reliance on oil exports to fuel its economic expansion instead of cash crops like cacao.
  - Initial extraction efforts were handled through partnerships with foreign oil companies like Chevron



# Ecuador in the Modern Day



- Ecuador is the 69th largest export economy in the world and the 102nd most complex economy according to the Economic Complexity Index (ECI).
- Ecuador has the third largest oil reserves in South America
- The economy has been built on the country's natural resources
  - Leading source of revenue: petroleum extraction
  - More than half of export earnings
  - Over half a million barrels daily

# The Natural Resource Curse

- Highly affected by the “resource curse”
- Abundant, marketable natural resources often indicate low levels of economic growth

## No Resources



Citizens pay taxes.



Taxes



The government uses these funds for public expenditures.



Expenditures



Citizens are more likely to scrutinize the spending.

## Resource-Rich



Extractive industries pay taxes.



Taxes



The government uses these funds for public expenditures.



Expenditures



Citizens are less prone to monitor government spending.

# The Natural Resource Curse



[https://www.youtube.com/watch?v=6Pu5XiYKIAQ&feature=emb\\_title](https://www.youtube.com/watch?v=6Pu5XiYKIAQ&feature=emb_title)

# Ecuador's Exports

- Leading exports today:
  - Crude Petroleum (\$5.63B)
  - Bananas (\$3.38B)
  - Crustaceans (\$3.06B)
  - Processed Fish (\$1.18B)
  - Cut flowers (\$846M)
- Other exports include:
  - Cocoa beans (\$626M)
  - Palm oil (\$206M)
  - Gold (\$167M)
  - Other fruits and nuts (\$162M)
  - Coffee and tea extracts (\$127M)



# Crude Petroleum

- Also known as oil, diesel, gasoline, fuel
- Exports to:
  - The United States 63%
  - Chile 19%
  - China 6.2%
  - Janan 5.0%
  - Panama 5.0%
  - India 1.5%
  - Malaysia 0.45%

# Crude Petroleum Effects & Environmental Degradation

- Deforestation in 1990-2000 was 1.5% per year
- This number rose to 1.7% from 2000-2005
- Rates in 1980-90 were estimated at 0.4%
- Logging and oil exploration have been the greatest contributors
- Beginning in the 70's, Ecuador's economy was very largely dependent on petroleum revenues

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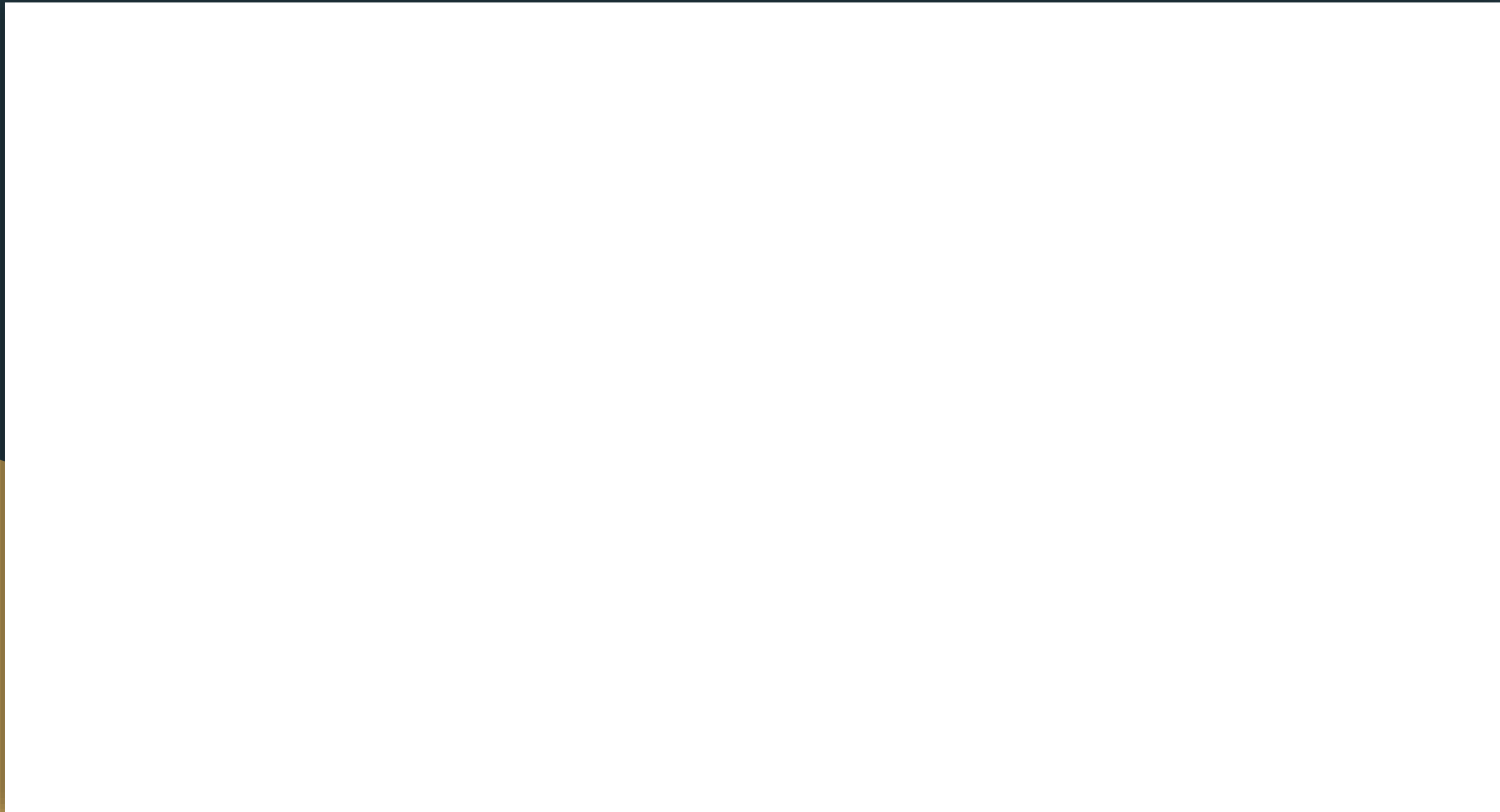


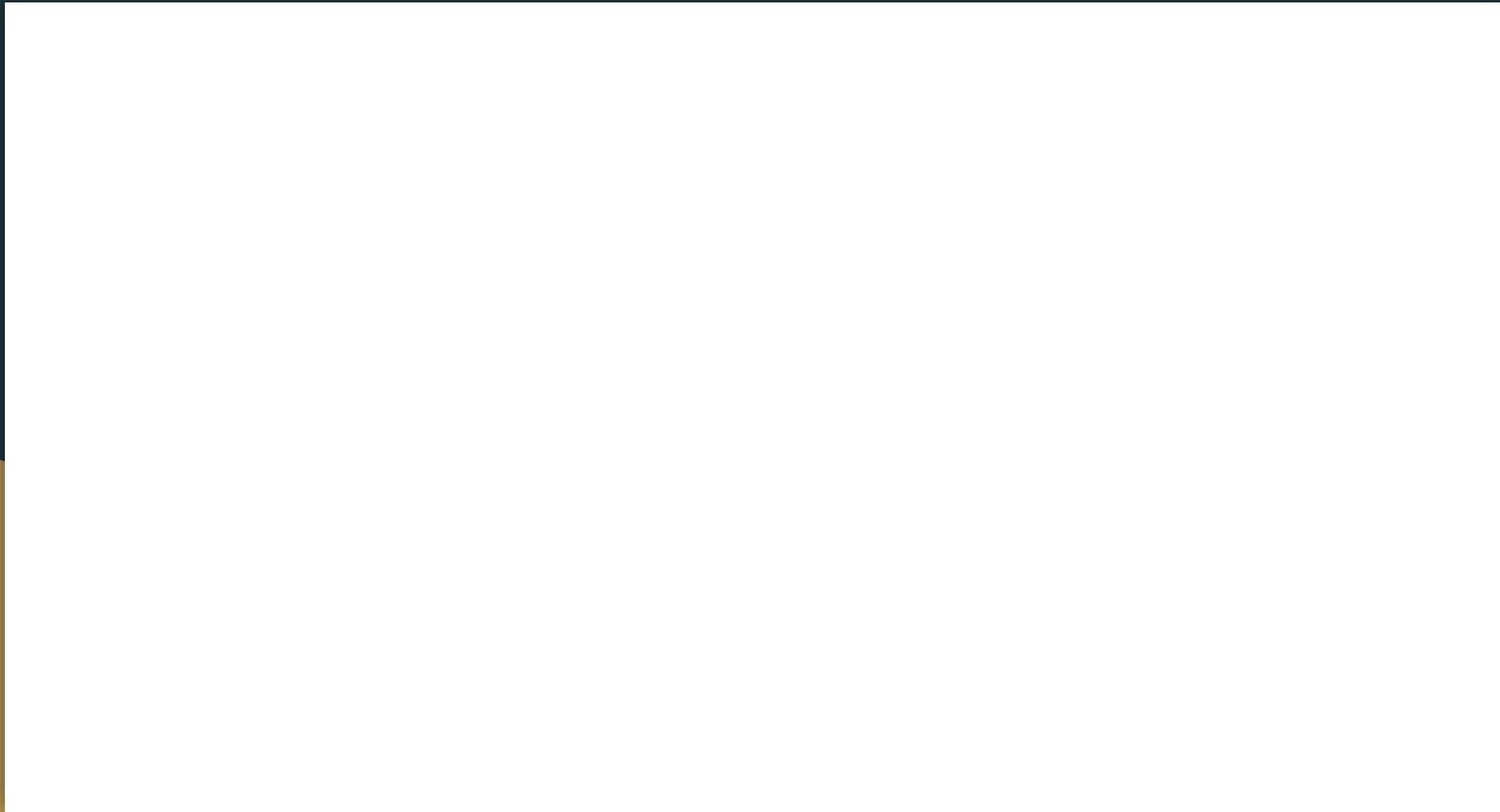


# Ecuador's Imports

- Leading imports today:
  - Refined Petroleum (\$1.7B)
  - Coal Tar Oil (\$1.1B)
  - Cars (\$921M)
  - Packaged Medications (\$653M)
  - Broadcasting Equipment (\$390M)















# Ecuador's Major Trade Partners

- In 2004, Ecuador imported approximately US \$7.56 billion of services and goods from the United States
- The United States purchased approximately US \$4.20 billion of Ecuadorian exports
- USA is the leading trade partner
- Ecuador's top export destinations:
  - USA (\$6.06B)
  - Vietnam (\$1.46B)
  - Chile (\$1.33B)
  - Panama (\$932M)
  - Russia (\$912M)
- Ecuador's top import origins:
  - USA (\$3.72B)
  - China (\$3.62B)
  - Colombia (\$1.51B)
  - Brazil (\$865M)
  - Panama (\$848M)

# Ecuador's Economy in the Future

- Ecuador has developed a new economic plan designed to put the country's debt on a downward path
- Goals:
  - Create jobs
  - Protect the poor and most vulnerable; indigenous
  - Continue to fight against corruption

Ecuador - Gross public debt, percent of GDP



Source : IMF  
Date : 2015  
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# Ecuador's New Economic Plan

- The plan, supported by a US\$4.2B Extended Fund Facility from the IMF, along with additional financial support from the international community, will give Ecuador the boost needed to restore sustainable growth that benefits all Ecuadorians

# Ecuador's New Economic Plan



<https://www.youtube.com/channel/UCIYhr3JsLYfKkCM7-W5B6DA>

# Ecuador's Economy in the Future (cont.)



- Ecuador's economy has been among the most stable in Latin America
- The current government of Ecuador decided to proactively come to the IMF for support to tackle:
  - underlying economic vulnerabilities,
  - restore growth,
  - and improve social outcomes.

# Growing Industries: Renewable Energy Investment

- Beginning with the new presidential administration in 2008, Ecuador has dedicated itself towards expanding its energy sector and promoting the development of renewable energy sources.
- Current plans allow for an annual budget of 7 billion dollars to be spent towards meeting over 90% of all electrical demand with new hydroelectric installations and additional solar/wind farms
- By 2022, the country is expected to create 25 new hydroelectric plants and large variety of less conventional energy sources.

# Growing Industries: Sustainable Tourism

- In an effort to generate more sustainable sources of income, Ecuador has begun to invest heavily in its sustainable tourism industries.
- The government is working with locals to train a growing workforce and developing strategies to preserve the natural beauty of the country that is vital to its tourism appeal.
- The Ministry of Tourism has investments millions of dollars in boosting the amount of foreign advertisements in order to draw in short-term tourists with higher disposable incomes.

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