UNIVERSITY OF AZUAY

Faculty of Law

International Studies School

Authors:

Pangol Galarza Katherine Victoria

Valdivieso Crespo Paulina Andrea

THEME:

Comparative study of the models applied by Norway and South Korea in the change of the productive matrix and its applications to the Ecuadorian Case.

THESIS PRIOR TO THE OBTAINMENT OF THE LICENSEE TITLE IN INTERNATIONAL STUDIES WITH MENTION IN FOREIGN TRADE.

Thesis Director:

Eco. Luis Pinos

Cuenca- Ecuador

2017

DEDICATION

First I want to thank God for giving me strength and courage to fulfill one of my dreams. To my parents Juan Fernando and Andrea, for their trust, support and help to be able to study all these years and fulfill my dream of being licensed. To my grandfather Fernando, although he is not physically with me anymore, I know he is happy and proud to know that this stage of my life is over. To my husband Diego who gave me his unconditional support to achieve this dream. To my brothers Sebastián and Micaela, who gave me their support in this stage. To all my family and friends who were with me on this path and have seen me achieve great things.

Paulina

To God for giving me the wisdom and allowing me to reach this point. To my parents, Marcelo and Eulalia, who gave me the necessary support for my training and the fulfillment of my objectives. To my sister Marcela for her unconditional support and being with me at all times.

Katherine

ACKNOWLEDGEMENT

To God for giving us the opportunity to finish our university career.

To the Economist Luis Pinos Luzuriaga, for being our thesis director, for his valuable help and willingness to collaborate with us.

Finally, to all who form part of the University of Azuay, especially our teachers for sharing their knowledge and training us as professionals.

Katherine & Paulina

ABSTRACT

Ecuador's trade balance shows a deficit in its non-oil balance, because its economy depends on oil exports, as a result of the lack of development of other sectors, this dependence causes indebtedness, public spending and inflation, symptoms of "Dutch Disease", which affects countries that exploit their natural resources.

Therefore, this project pursues to establish possible alternatives based on the economic model of South Korea and Norway using the theory of competitive advantage of Michael Porter, in order to draw conclusions that could be useful for Ecuador, to promote Non-traditional products to eliminate dependence on oil revenues.

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1. CHAPTER 1: GENERALITIES

Due to the importance and dependence of oil on the Ecuadorian economy, this project is aimed at establishing recommendations that reduce dependence on raw materials and encourage exports of finished products. This is why in this chapter will develop topics such as the problem of oil dependency, the objectives set and the theoretical framework that will reveal the economic concepts that will be used throughout this project.

1.1. PROBLEMATIC

In Ecuador, since the oil boom of the 1970s and with emphasis in 1972, oil represented the largest and most important income for the Ecuadorian economy, since it also financed production and consumption imports. (Florencia and Nivelo, Escuela Superior Politécnica del Litoral)

For decades, Ecuador has been exposed to fluctuations in the price of oil, that is, there are periods in which the price of oil soars, increasing the Nominal GDP of the economy and therefore boosting economic activity. On the other hand, when the price drops, it causes instability and indebtedness, in 2011 we experienced an increase to $ 107.46 per barrel. (Acosta, Brief Economic History of Ecuador) However, in 2015 the price dropped to $ 49.49 and in April of 2016 it fell further to $ 37.86 (Organization of Petroleum Exporting Countries)., thus seeing a very strong correlation between Consumption, Investment, public expenditure and Oil price.

During the 1980s and 1990s, the decline in the price of oil had a negative impact on the balance of payments and trade problems. In spite of this, in 2000, the Ecuadorian

export market was not developed and expanded, on the contrary, non-oil imports increased. "The result was reflected in the balance of trade from years 2001-2012, which showed a growth in the negative balance of non-oil operations, reaching over 10% of GDP between 2008 and 2012" (Florencia and Nivelo, Escuela Superior Politécnica del Litoral)

One of the causes of the deficit is the increase in public spending. Between 2003 and 2005 the value of crude oil ranged from $ 25.66 to $ 41.01, while public spending during the same years represented 20 to 26 percent of GDP, but in 2011 increased the price of a barrel of oil at $ 97.68, as well as the public spending accounted for 42.70%. The evidence points out that if the price of oil rises it encourages excess public spending and creates an air of excessive dependence on public and fiscal policy. (Florencia and Nivelo, Escuela Superior Politécnica del Litoral)

The "Dutch Disease" is palpable in the imbalances of the balance of payments and the economic consequences resulting from the exploitation of natural resources. That is why Ecuador should diversify its production. (Ocampo)

Ecuador generates income from the balance of its trade balance, capital flows and transfers from abroad, the non-oil balance should be the engine of the economy, that is why, it is interesting to investigate for this project the way to manage investment, it adds value in terms of the creation of a future flow of goods and services, but foremost to reorient investment, there must first be investment, and this occurs when a country saves or borrows to increase the Capital stock of the economy and therefore its production. This way to eliminate mono-dependence, because, when the price of oil

falls, the country loses an important source of income, as President Rafael Correa pointed out, in the face of falling oil prices, which for every dollar Which is reduced per barrel of crude, the national economy loses about 70 million dollars, creating problems, as the engine of the economy that was being driven by an expansionary fiscal policy, and which in turn was being financed by oil revenues, it no longer works.

1.2. RESEARCH QUESTIONS

Would the comparative analysis of the economic model of South Korea and Norway make it possible to obtain alternatives for Ecuador to boost its non-oil revenues by exporting non-traditional goods, in order to exceed oil exports?

1.3. SUMMARY

Ecuador's trade balance shows a deficit in its non-oil balance, because its economy depends on oil exports, as a result of the lack of development of other sectors, this dependence causes indebtedness, public spending and inflation, symptoms of "Dutch Disease, which afflicts countries that exploit their natural resources. Therefore, this project seeks to establish possible alternatives based on the economic model of South Korea and Norway using the theory of competitive advantage by Michael Porter, in order to draw conclusions that could be useful for Ecuador, to promote non-traditional products and eliminate dependence on oil revenues.

1.4. GENERAL OBJECTIVE

To establish alternatives that could help Ecuador to boost the export of non-traditional products with added value and eliminate dependence on oil, in order to give

Ecuador a competitive advantage, basing the study on the experience of South Korea and Norway.

1.5. SPECIFIC OBJECTIVES

- To study of keywords related to the proposed topic.
- To analyze and know the historical evolution, the models of change of productive matrix with the diversification strategies implemented respectively and the macroeconomic factors of South Korea, Norway and Ecuador.
- To establish conclusions that could be used by Ecuador in its economy, based on the alternatives applied in the productive matrix of South Korea and Norway.

1.6. THEORETICAL FRAMEWORK

Usually underdeveloped economies experience booms when natural resources reserves are discovered and/or when its price increases in international markets, leading to increased foreign exchange in the economy, these types of economies are characterized by the export of natural resources, developing primary-export models that avoid the creation of products with added value and diversification, this scenario turns these countries into mono-dependent, causing their economy to revolve around the export of raw materials and international market conditions.

Adam Smith, in his book "The Wealth of Nations," he notes the contribution of natural resources to economic growth, and explains that resource-based projects are a

"disadvantageous lottery", because instead of "replacing the capital employed in them, they commonly absorb both capital and profits," that is why countries that apply this economic model of exploitation experience slow growth, which is contradictory, since it will be thought that countries rich in resources should develop an strong economic structure and high levels of investment. (Villalba, Alternativas para Diversificar Actividades Económicas y Reducir la Dependencia del Extractivismo en Ecuador: Un Análisis Internacional)

In Ecuador, the economic prosperity caused by the oil boom in the 1970s generated large economic revenues, it facilitated access to foreign financing, which led to an increase in foreign debt, and what Acosta mentions as "the curse of abundance", which means, "a primary export-exporting economy, subject to sudden fluctuations in terms of the availability of financial resources and that it did not have the capacity to take advantage of surpluses from oil exports." (Acosta, Breve Historia Económica del Ecuador)

Throughout history, Ecuador has been characterized as a primary exporting country, its economy has been boosted by the boom of cacao, banana and the oil boom that contributed to increase income, as well as indebtedness and dependence. In 1971 the highest amount of foreign investment were recorded with a peak of 162.1 million, Ecuador became part of the international market, on the other hand there will always be external factors that change the price of oil such as international conflicts and international economic and financial conditions, as the case of the fourth Arab-Israeli war in 1973, which increased the price of a barrel of oil and caused a high income for

Ecuador, this indicates that the oil economic boom could be due to the cost of oil but not to the quantity exported. (Acosta, Breve Historia Económica del Ecuador)

The Dutch Disease, "deals with the consequences of possessing an unexpected wealth resulting from the exploitation of a natural resource. When the source is finished, there are macroeconomic imbalances in the balance of payments, increase of external debt, undesirable mobilization of factors, imbalances in fiscal accounts, among the most important effects." (Ocampo)

Due to the "Dutch disease", unexpected foreign exchange earnings can be received through remittances or subsidized exports, as this is known, this phenomenon creates difficulties when formulating policies, because of the damages caused to other sectors because of the boom of the sector with greater exports. (Departamento de Cooperación Técnica)

The Dutch disease developed in Ecuador due to "inappropriate management of resources generated by oil, through policies of expansion of public spending that ended with global deficits, increased trade deficit financed through external debt, an increase in the inflation (which would not be re-located in units of a single digit until the current years of dollarization)." (Ocampo)

In this thesis project will be carried out the comparative analysis of the economies of South Korea and Norway, since both countries, despite possessing natural resources on which to depend, agriculture and oil respectively, they have managed to reorient their economy, such as South Korea, whose economy was devastated at the end

of the Korean War in 1953. The country was develop in a protectionist environment dependent on agriculture, which represented 48%, while the industrial sector 5.9% of GNP, later the country received economic aid from international organizations, which allowed the economy to reorient the industry and promote the sector, which in 1987 represented 38.2%, while agriculture 10.9% of the GNP. (Brañas) The growth of industries is due to the "model of an export-oriented economy, dominated by large conglomerates, or chaebol, which, with the support of the military regime after the Korean War, brought the country out of poverty." (Vidal)

In the case of Norway, despite the fact that oil still represents a significant contribution to its economy, it has reduced dependence on this resource and has used the wealth from it to invest it in human capital and to turn primary exports into sophisticated goods, adding to this the elaboration and application of a series of policies that control the management of natural resources in the economy. Comparing the economic model of these two countries will allow conclusions to be drawn which could help Ecuador to boost the export of non-traditional goods. (Villalba)

In order to eradicate the Dutch disease in Ecuador and to arrive to conclusions that contribute to the increase of international commercialization of non-traditional products, the alternatives applied by South Korea and Norway in their respective productive matrices will be taken into account. In order to do this, the following concepts should be known and analyzed: GDP, inflation, unemployment, trade balance, trade, monetary and fiscal policy, productive matrix, competitiveness, gini index and human development index.

1.7. ECONOMIC CONCEPTS

Gross Domestic Product (GDP): the total value of goods and services produced in the territory of a country in a given period, free of duplication. It can be obtained from the difference between the gross value of production and the goods and services consumed during the production process itself, at buyer prices (intermediate consumption). This variable can also be obtained in net terms by deducing from GDP the value added and consumption of fixed capital of the capital goods used in production. (Ministerio de la Hacienda)

According to Francisco Mochón, in his book "Principles of Macroeconomics", states that transactions between different economic agents are recorded in the national accounts. It defines and relates the economic aggregates and measures the value of them. National accounting measures the activity of an economy over a period, usually one year. Recording the transactions carried out between the different agents that are part of an economy. When GDP is measured, not all goods and services produced in the country are counted, but only those sold to end users. (Mochón, PIB)

Inflation: it consists of a general increase of the level of prices that obeys to the loss of the monetary value. The concrete and immediate causes of inflation are diverse, but in essence, inflation occurs when the money supply grows higher than the supply of goods and services. When this occurs, there is a greater amount of money available to the public for a set of goods and services that has not grown in the same proportion. This makes the money relatively more abundant and, as in the case of any other commodity whose supply expands, tends to reduce its value relatively, making it necessary to deliver more monetary units to obtain the same quantity of goods. (Toro)

In the words of Mochón, inflation is the rate of percentage change that this index experiences in the considered period of time. One way to measure inflation is through the Consumer Price Index (CPI). The CPI represents the cost of a basket of goods and services consumed by a representative domestic economy. The CPI is adequate to know the evolution of the prices of goods and services that are generally acquired by consumers. It reflects the cost of life, indicating the money needed to maintain the same standard of living. (Mochón, Inflación)

Unemployment: Persons aged 15 and over, who during the reference period, were unemployed and had certain characteristics at the same time (i) were unemployed last week but they are available for work and (ii) they are looking for a job (or not) or have taken concrete steps to get a job or to start a business in the previous four weeks. (Minesterio Coordinador de Desarrollo Social)

Unemployment is also understood as the percentage of the working population that is unemployed. The active population consists of all the employed and unemployed people who are looking for a job. (Mochón, Desempleo)

Trade Balance: An account that systematically records a country's trade transactions; it measures the difference between the balance of the value of exports and imports of goods in a given period, usually one year. If exports are greater than imports, we are talking about a surplus; otherwise, a trade deficit. The rate of coverage of exports is an associated concept; it is an index that reveals the extent to which foreign sales finance imports. (Acosta, Balanza Comercial)

These operations constitute the so-called trade balance. When a country exports any good, it can be said that the other countries are compensating for the productive factors resident in the country in question, increasing their available gross national income. On the contrary, when a good is imported from another country, the country's productive factors are being compensated and the gross national income of the importing country is reduced. (Mochón, Balanza Comercial)

The oil trade balance makes it possible to know the net balance of exports and imports of oil and its derivatives to the world market. On the other hand, the non-oil trade balance "measures the net balance of exports of goods, other than oil, produce by a country to the rest of the world, minus their imports of goods, other than those derived from petroleum, from the rest of the world, for a certain period"," to calculate the result of the trade balance it is measured in millions of dollars FOB, for imports as well as exports.

The term FOB ("free on board") is the value of goods put on board at boarding." (Florencia & Nivelo, 2014)

Trade Policy: Through this it is possible to develop foreign trade and it allows bilateral, multilateral and regional entry into markets, based on free trade agreements or treaties. (Veletanga)

Trade policy seeks to stimulate net exports through tariffs, quotas and other mechanisms. In international financial management a key variable is the exchange rate. (Mochón, Otras Políticas Macroeconómicas)

Monetary Policy: is the process by which the government, the central bank or the monetary authority of a country controls: the money supply, which is an amount of money in circulation. Interest rates or cost of money. (Enciclopedia Financiera)

According to Mochón, they usually use a monetary policy to stabilize economic activity. Through this it is possible to control the evolution of the amount of money, credit, and in general the functioning of the financial system. By controlling the amount of money the Central Bank can influence interest rates, investment, the general price level, exchange rates, stock prices and housing. It affects the spending in sectors of the economy that are sensitive to interest rates such as business investment, consumption and net exports. (Mochón, Otras Políticas Macroeconómicas)

Fiscal Policy: is understood as the use of the budget, both income and expenses, to influence the functioning of the economy. (Acosta, Fiscal Policy)

This refers to government decisions on the level of public expenditure and taxes to help determine the distribution of resources between private and collective assets. It affects income and consumption of individuals and offers incentives for investment and other economic decisions. Public spending includes two types of spending: state purchases and state transfers and taxes. (Mochón, Política Fiscal)

Productive Matrix: The productive matrix is how a community or society is organized to produce certain goods, products or services at a given time and price, this is not only limited to strictly technical or economic processes, but also it has the obligation to take care of these processes and to make interactions among the different

actors: social, political, economic, cultural, among others, who use the resources available to them to carry out activities of a productive nature. (Maldonado)

Competitiveness: Competitiveness is the ability of a company or country to obtain profitability in the market in relation to its competitors. Competitiveness depends on the relationship between the value and quantity of the product offered and the inputs needed to obtain it (productivity), and the productivity of the other suppliers in the market (economic zone). (Mochón, Principios de Macroeconomía)

Comparative Advantage: explains the benefits that all those involved in international trade obtain. It is also called comparative cost theory. It states that, under given technical conditions, the total product obtained from specialization and change, rather than autarky and economic isolation, will be maximized if each country or region specializes in the production of those goods or services in which the comparative cost is relatively minor. Although Ricardo formulated such a principle only for international trade, he also emphasized that it is clearly applicable to all forms of specialization or division of labor and exchange, whether among individuals, companies or nations. (Sabino, Ventaja Comparativa)

In order to develop competitive domestic products abroad it is necessary to take into account the comparative advantage proposed by David Ricardo, it is the capacity of a country to produce goods in which they are more efficient at a relatively lower cost than the rest of the world, and import the goods in which they are most ineffective, taking into account the importance of relative costs. The relevance of this theory is to

recognize the activity or industry where there is greater specialization to exploit it and develop products of higher quality than the competition. (Bonifaz)

Competitive Advantage: This is often referred to as comparative advantages that do not come from the specific endowment of natural resources of a country or other similar factors, but from the skills and technology that are incorporated into the productive processes. The term serves to highlight, in particular, the difference between traditional exports of raw materials and low-processed products with respect to exports that incorporate more technology and a more efficient type of management. (Sabino, Diccionario de Economía y Finanzas)

The competitive advantage proposed by Porter describes the growth or development of a company or country because of the value that a company or country is capable of generating. It "takes offensive or defensive actions to create a defensible position in an industry, in order to successfully cope with competitive forces and generate a return on investment. According to Michael Porter: 'the basis of average performance within an industry is sustainable competitive advantage.' " (Porter)

Gini index: is an index that measures the inequality in the distribution of income among individuals within the same region during a certain time. This is measured in a rate from 0 to 1, where 0 represents the equitable distribution of wealth, while 1 indicates that the majority of income is concentrated in an individual. It is necessary to emphasize that this indicator does not measure the welfare of a society. (Universidad ICESI)

Human Development Index: it is an indicator that measures human growth in different dimensions, such as longevity and health, decent standard of living and knowledge. The HDI is the geometric mean of these three dimensions. (Programa de Desarrollo de las Naciones Unidas)

In conclusion, Ecuador is sensitive to changes in the oil price, causing changes in the trade balance and in public spending, with which it has a close relationship. The importance of promoting exports and stimulating domestic production is vital to the healthy and stable growth of Ecuador, which is why Norway and South Korea have been chosen as examples of economic models, in order to establish recommendations, since both of them changed their productive matrix through strategies that allowed them to reduce their dependence on natural resources and open their way to the international market, respectively. For this, it is vital to carry out an analysis of the macroeconomic factors studied in this chapter, as a support to understand the economic history and changes implemented by Norway and South Korea.

2. CHAPTER 2: ANALYSIS AND STUDY OF THE ECONOMIES OF SOUTH KOREA, NORWAY AND ECUADOR.

In the present chapter, the economic history of South Korea, Norway and Ecuador, respectively, will be presented, deepening the strategies that these countries have implemented to improve their economies, as well as the macroeconomic factors such as GDP, inflation, commercial, monetary and fiscal policies, and other factors in order to obtain a clearer picture of the panorama of these countries.

It should be emphasized that South Korea and Norway have been chosen as the object of study, since their origins may be said to have some relation with Ecuador, where the economy of the first one was based on protectionism and dependence on agriculture; while the second one experienced a high degree of development not only economically but also technologically based on the exploitation of oil, but both countries have implemented different strategies that have enabled them to evolve internally and excel in the international arena.

2.1. COREA DEL SUR

2.1.1 Brief Economic History

The economic miracle of East Asia is South Korea, they call it that because since 1953 when the war ended this country was devastated and plunged even more into poverty, even under worse conditions than the nations of Latin America. However, as a

strategy to overcome the crisis, they decided to exploit the human resource through the intensification and improvement of education. For this reason, the State of South Korea focused on creating engineers and industrial workers for the country to have wealth, they went from poverty to abundance in a very short period of time. It is believed that his secret to success was investing in education. (BBC)

When the war ended, families began to create their own businesses called "chaebol," which are conglomerates of companies that carry out unrelated businesses, such enterprises are heritable, and therefore the successor will be a member of the family. An example is Samsung a company created in 1938 that sells all kinds of technology around the world, this company generates 20% of the total GDP of South Korea. (BBC)

During the 1960s and 1970s, the country focused its trade strategy on protectionism and raising production and exports. However, by the 1980s, the government promoted liberalization through the innovation of processes and products in its industry sectors. (Licona y Rangel)

The promotion of exports between the years 1962-1971 were aimed at supporting large industry and promoting economic planning, but with little internal demand, the country subsidized key industries in order to expand the border of production. The planning involved the intervention of the State in the activities of companies, establishing production standards in exchange for granting them funds and resources. (Amésquita)

South Korea has carried out a series of economic and political strategies to be successful, among them is the technological investment, in which they invest in all the available technologies that led to economic and market growth, they also manage the public expenditure prudently and avoid excessive inflation. On the other hand it is presumed that the influence of the political institutions that belonged to the authoritarian government of 1960 was one of the keys to the success, because during that year the South Korean economy intensified, in addition that the president of that time, Park Chung "He used his power to demand the rich people to invest in the industrial sector, and political systems are effective, as they help and protect key sectors of the economy on the condition that these companies have efficient results and social responsibility. (BBC)

From the decade of the 60s until the present time, the country has invested in education, private education is accessible since it is regulated by the Government. "The policy of stimulating education would become a constant, to the point that studies that measure the productivity of the total factor and the accumulation of human capital in particular, realize that an average GDP growth rate of 6.7 % For the years 1980 to 2004, human capital added on average 1.3% of that growth." (Amésquita)

The economic model that South Korea uses is based on technology. The model is focused on technological production, technology development, education, efficiency in government, a change in the productive matrix, and above all the replacement of the agricultural model by technological production, in addition companies go hand in hand with the State. That is why its production has risen since technology promotes large-scale production. (BBC)

It is important to mention that Ecuador has studied the technological model of South Korea and thinks that it would be a good tool to be guided by it and even more knowing that Ecuador has the raw materials that Korea needs, but the lack of technology is a challenge.

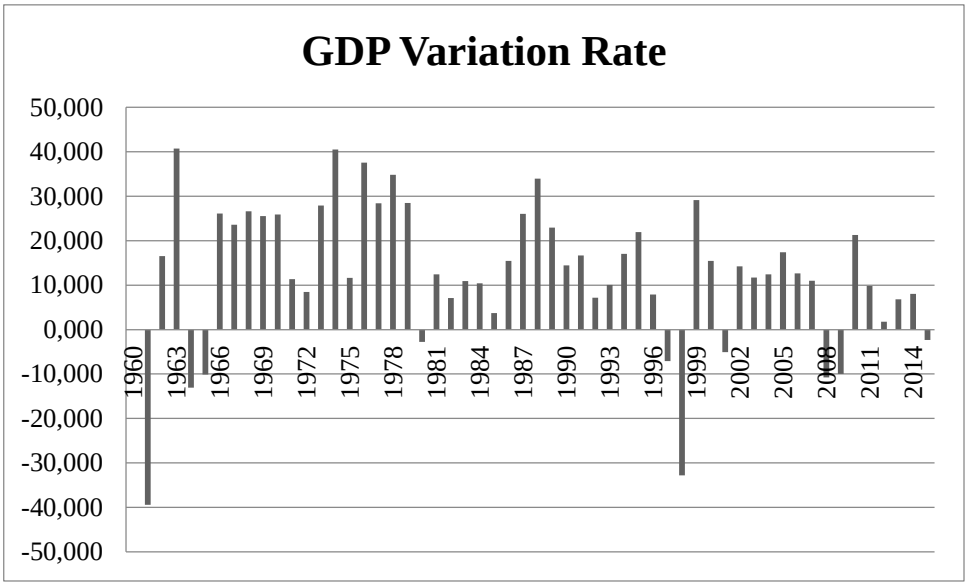
2.1.1. Economic Data

GDP

Graphic 1 South Korea GDP

Reference: (Banco Mundial)

By: Pangol Katherine, Valdivieso Paulina



Graphic 2 GDP Variation Rate

Reference: Banco Mundial

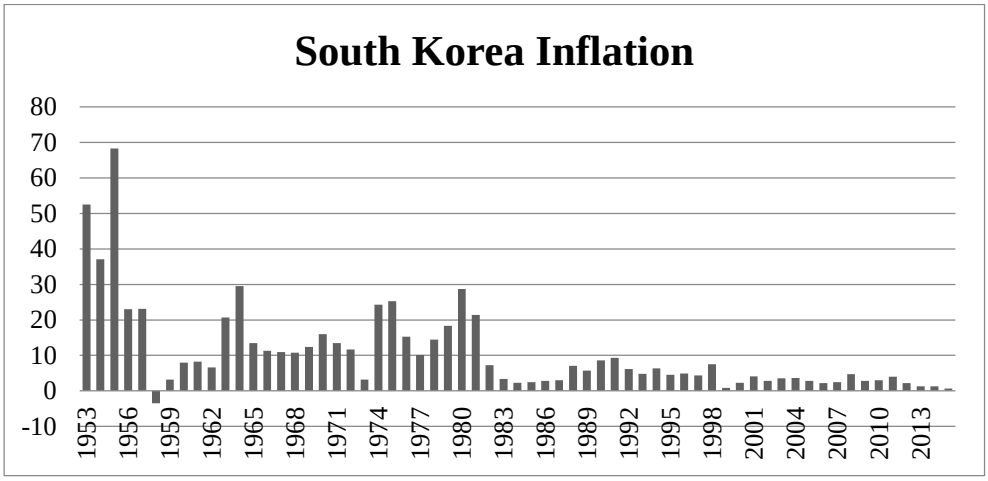
By: Pangol Katherine, Valdivieso Paulina

During the 1960s, GDP remained at low levels, but growth began to be noticeable since 1974, and in 1980 this indicator began to rise, peaking in 1996, followed by a decline in the following years.

Between 1997 and 1998 the GDP fell by 32%, due to the Asian financial crisis as a result of the Thai currency devaluation, which affected the South Korean economy and its currency; however, in 1999 GDP recovered, increasing by 29%.

Since 2001 GDP has been increasing, and in 2007 reach a peak of $ 1.123 trillion, followed by a fall of 10.77% in 2008, in 2009 falls by 9.98%, due to the global financial crisis that caused the fall of the won, and in 2015 it has a GDP decrease of 2.3%.

Inflation



Graphic 3 South Korea Inflation

Reference: (Economic Statistic System)

By: Pangol Katherine, Valdivieso Paulina

The inflation rate is higher in the 1950s, reaching 195.3% in 1955, in 1958 it has a negative rate of -3.5%.

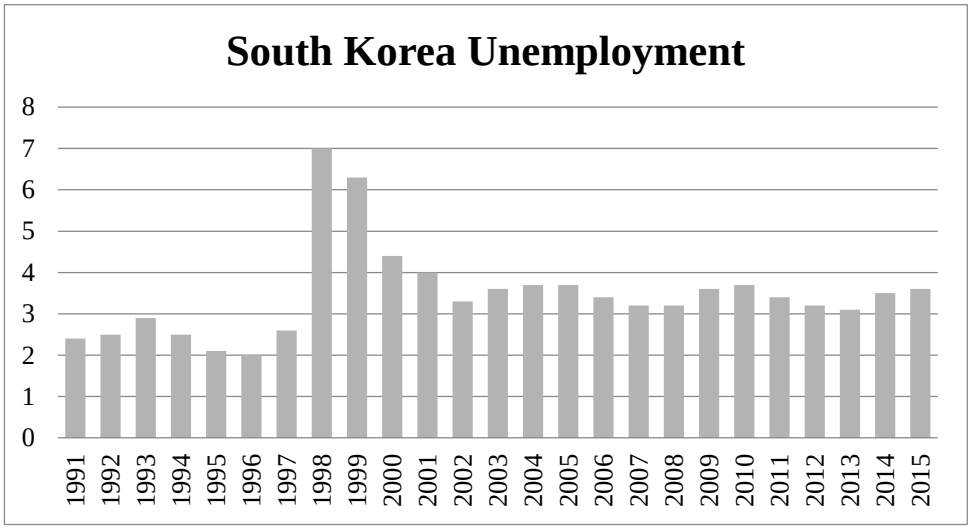
In the 1960s, inflation remained at low levels, but increased in 1963 from 6.6% to 20.7%, showing a growth of 213%, and by 1964 inflation increased at a growth rate of 42.51%, to fall in 1965 from 29.5% to 13.5%, which shows a decrease of 54.2%.
It can be said that in 1964 inflation is triggered as the Government establishes the "look out" strategy, which promotes exports by devaluating the won to encourage the sector.

In 1970 the inflation rate grew by 28.56% compared to the previous year, in 1973 inflation fell by 72.49% and drastically increases the following year by 656.69% and in 1980 increases from the previous year to 57.17%. Between 1998 and 1999 the growth rate fell by 89%.

The maximum rate of inflation is 28.7% in 1980, its growth rate from 1979 to 1980 is 57%, while the minimum rate was in 2015 with 0.71%, whose growth rate between 2014-2015 fell in 44%.

Inflation remains at less than 10% since 1982 and 5% since 1999.

Unemployment



Graphic 4 South Korea Unemployment

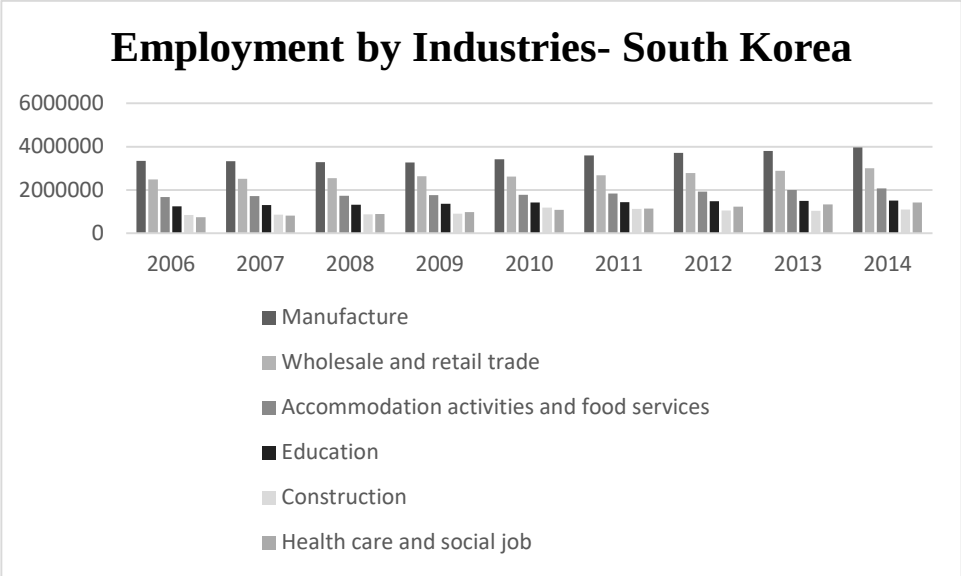
Reference: (Banco Mundial)

By: Pangol Katherine, Valdivieso Paulina

South Korea has the highest unemployment rate in 1998 at 7%. This may be due to the

Asian financial crisis, where its rate grew from 1997 to 1998 by a 129.23%, its lowest rate of unemployment is in 1996 with 2%.

Since 2002 its rate has remained at less than 4%.



Graphic 5 Employment by Industries - South Korea

Reference: (Economic Statistics System)

By: Pangol Katherine, Valdivieso Paulina

The industries mentioned in the present graph are the ones that offer the highest employment, the most representative sector is the manufacturing and services sector, specifically the wholesale and retail trade, which have an upward trend. However, the construction has highs and lows, decreasing since 2012.

Trade Balance

Graphic 6 Trade Balance of Goods and Services as % of GDP - South Korea

Reference: (Banco Mundial)

By: Pangol Katherine, Valdivieso Paulina

The trade balance is deficient until 1984, showing the same tendency from the beginning of the 90 to the 97, in the 98 the balance shoots with a surplus of 11.80%. Nevertheless in 1999 it descends in 48.13% it does not create a deficit, down to 2003, in 2004 the balance is recovering and in 2008 it presents a deficit of 0.011%, since 2011 the balance begins to rise until 2015.

Commercial Policy

For South Korea to get out of the crisis it was in, it combined its strategy of import promotion and import substitution. Homemade products have a high level of protection, otherwise the raw materials, they are used only for the manufacture of products.

Another important aspect is the creation of the leading companies, which are the "chaebol" or conglomerates, this caused the rise of South Korea economy. With the passage of time the country gave great importance to the technology and diminished the importance in the agricultural sector and ranching industry, without affecting GDP. (ICBC Fundación)

The direction of the economy varied considerably in the 1990s. The government reduced its participation and the automotive sector consolidated as key in the development of the country. The investment in education allowed the growth of the electronics industry that today represents about 25% of the country's exports. Mobile phones, memory chips and digital TVs are some of the bestselling products. Also, the chemical industry and shipbuilding, are two other strong areas of the economy, moreover the last one has the largest shipyards of the world in Ulsan. In terms of imports, South Korea purchases raw materials, mainly oil and fuel. In addition, the country purchases electronic components for its export products, as well as mechanical and steel machinery (the primary sector for the production of automobiles and boats). (ICBC Fundación)

According to the WTO in its 2003-2007 report on trade policy reviews in South Korea, it points to the political protection system as dual, where the reduction of protection to the manufacturing industry contrasts with the high protection of the agricultural sector.

The latter sector does not provide significant income to GDP, the most important product is rice that has managed to increase agricultural imports.

The protection of the Most-favored-nation tariff (MFN) is applied on average to agricultural products, and it is still more than eight times higher than the average applied tariff on other products, with tariff peaks of up to 887.4% (For cassava). Tariff quotas are used, administered and allocated by state trading entities or by industry associations. Measures have been taken to compensate farmers affected by the liberalization commitments made under free trade agreements through a fund to strengthen competitiveness. Although quantitative restrictions on rice imports (by increasing quotas) will remain in force until 2014. (Organización Mundial del Comercio)

Since 2005, some industries have obtained licenses to import gas directly for their own consumption, rather than buying it from the state monopoly, which now regularly adjusts the price of the product to the costs. The national production of coal, destined mainly to the power stations, receives aid by means of direct subsidies to the production. The state-owned electricity exchange establishes energy generation prices to manage the electricity supply; cross-subsidies between different users distort prices, being the agricultural and industrial users the main beneficiaries. (Organización Mundial del Comercio)

The share of manufacturing in GDP and employment declined slightly as the importance of services in the economy increased. The sector is heavily foreign-oriented and continues to be a global player in information and communication technology, as well as shipbuilding and automobiles, which are dominated by large chaebols. Border protection, consisting almost entirely

of tariffs and adjustment duties, has remained virtually unchanged. Taxes and other incentives support to the research and development of small and medium-sized enterprises. Manufacturers affected by the liberalization derived from free trade agreements can request compensation. (Organización Mundial del Comercio)

Export subsidies have the need to help nascent industries; to compensate for foreign protectionism; to overcome problems of capital markets for small-country firms; to promote employment and to achieve positive trade balances. The subsidies range from simple ad valorem payments to companies based on the value of their exports, to complex systems of tax credits, loans, insurance policies and support prices. (La Nación)

The World Bank and the IMF accept export subsidies as a substitute for true trade liberalization, which always increases welfare. Reducing taxes using income from foreign sources, it also favors companies doing business in countries with high taxes. (La Nación)

Export subsidies tend to be regressive because they transfer money from broad-based tax revenues to the shareholders of large corporations. FSCs are particularly harmful, as they influence the collection of taxes on individuals and companies. Companies that support FSCs are usually the richest. The program adds a regressive element to the corporate tax for all. Whether commercial subsidies are as complex as FSC or as simple as ad valorem payments, they benefited, both in terms of their size and survival. (La Nación)

Speaking of quotas, cars can be mention, in 2011 went from having 8% of tariffs to 3.2% and now American cars have 4%. These reductions have encouraged trade in Asia, Europe and America. (Costas)

Monetary Policy

The Bank of Korea´s monetary policy has the objective to maintain price stability by setting an inflation target. Under Section 3 of the Bank of Korea Act, the Bank of Korea's monetary and credit policies will be formulated with neutrality and will be implemented with autonomy, while respecting the independence of the Bank of Korea. (Organización Mundial del Comercio)

According to the Bank of Korea Law, the Bank of Korea sets the medium-term inflation target for 2016 onwards, it has been set at 2%, as measured by the year-on-year change in the Consumer Price Index (CPI). The Bank of Korea is pursuing a monetary policy to keep the annual CPI inflation rate close to the target over a medium-term horizon. (The Bank of Korea)

In addition, the Bank of Korea lowered the base rate from 5.25% to 2% in 2008 and 2009; while the interest rate decreased from 3.5% to 1.25%. The justification for this important reduction was the contraction of the real economy when the financial and currency markets were experiencing instability since September 2008. (The Bank of Korea)

Fiscal Policy

Fiscal policy is the alteration by the monetary authorities of the country of the variables of public expenditure and taxes to achieve the macroeconomic objectives previously imposed. There are two types of fiscal policies, the expansionary (increased expenditure and / or tax reduction) that produces an increase in income or the restrictive one that reduces the country's income. (Bandeira)

In the case of South Korea, the fiscal policy adopted by the government has always been very prudent, with surpluses in all budgets since 2001. However, the exact calculation of public expenditure is complicated by the complex budget structure that owns the country. (Bandeira)

During 2009 a reduction in tax rates was carried out in addition to numerous incentives to stimulate the growth of the economy after the great world crisis. GDP as has been said previously has continued to grow, so the collection has been higher than expected, with surpluses in public accounts during 2010 and 2011. (Bandeira)

The Government has significant contingent liabilities such as extra budgetary expenditures attributable to construction projects, transfer and leasing, and public guarantees for loans to SMEs. The Government guarantees 18 per cent of loans to small and medium-sized enterprises, which accounts for 5.3 per cent of GDP. (Organización Mundial del Comercio)

According to the South Korean policy review provided by the WTO during the period 2003-2007, the National Fiscal Administration Plan aims to increase the fiscal surplus to 1.8 percent of GDP by 2010, in order to Reduce spending to 6.4%. (Organización Mundial del Comercio)

The source of tax revenue comes from several sectors:

- The 10% tax on personal income
- Tax of 10%, 20%, 22% on companies
- Tax of 10% on retained earnings applicable to companies with own capital of KRW 50 billion or more
- Imposition of capital gains, "in the case of resident companies, capital gains are treated as ordinary business income and taxed at the standard corporate tax rates. In the case of non-resident companies, capital gains of Korean origin are taxed at 11% of turnover or 22% of profits, from the lower value." (Santander Trade)
- Privatization: State intervention in key sectors of the economy such as financial, telecommunications and transportation, including gas and electricity. (Organización Mundial del Comercio)

Productive Matrix

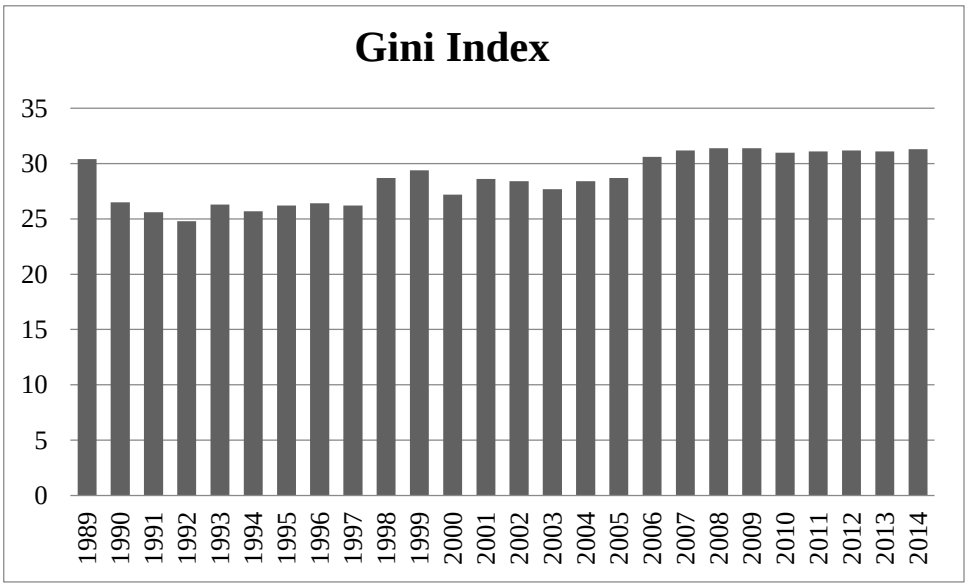
Strategy based on economic opening, innovating processes and products. (Licona y Rangel)

Competitiveness

Comparative Advantage: in the technological sector are telecommunications, computers, software, machinery, as well as the high development of human capital. (Gomez y Piñeiro)

Competitive advantage: cost of materials and cheap labor.

Gini Index



Graphic 7 Gini Index - South Korea

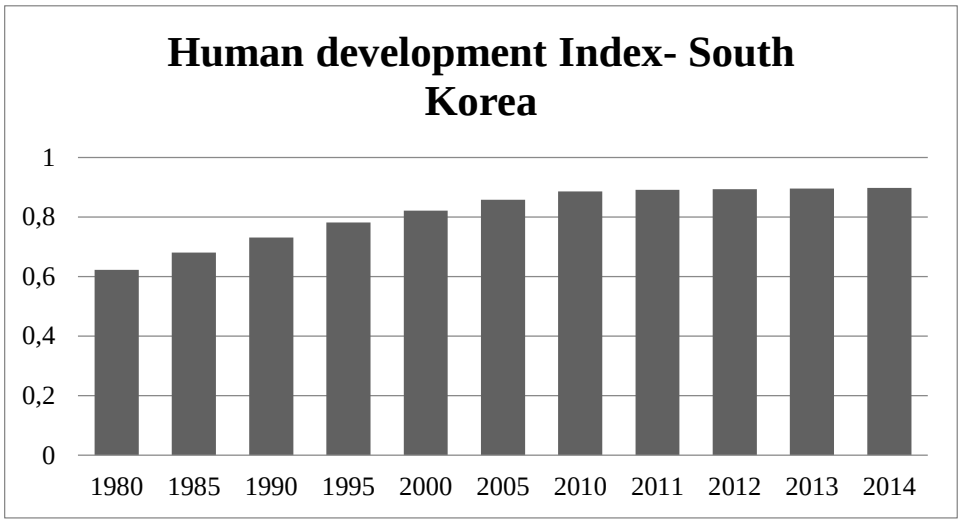
Reference: (Oficina Económica y Comercial de España en Seul)

By: Pangol Katherine, Valdivieso Paulina

The Asian crisis from 1998 to 1999 and the global financial crisis in 2008 are visible in the Gini index, which increases these two years by 9.54%, it can be said that the distribution of income was better in the years before 1997 as a result, according to the economic report, of rising unemployment and wage adjustments. (Oficina Económica y Comercial de España en Seul)

Between 1999-2003, the index began to decline as a sign of improvement, but in the following years it increased, holding back distribution, according to the report, due to "factors such as the growth of temporary employment, worse paid than employment indefinite and the self-employment growth, mainly in the service sector, with low productivity and low levels of remuneration, accompanied by the growth of the retired population." (Oficina Económica y Comercial de España en Seul)

Human Development Index



Graphic 8 Human development Index- South Korea

Reference: (Programa de las Naciones Unidas para el Desarrollo)

By: Pangol Katherine, Valdivieso Paulina

Human development in South Korea is on the rise, in 2014 it reached 8,898 points, with 1 being the maximum, it can be said that its population enjoys a decent standard of living.

2.2. NORWAY

2.2.1. Brief Economic History

It could be said that the only similar factor between Ecuador and Norway is the importance that has generated the income of oil exploitation in its trade balances, however the latter country has developed an economic model that has reduced dependence on this natural resource through the elaboration of policies that control the management of natural resources, diversification of the economy, investment in human capital, in order to transform exports products into sophisticated goods.

The reasons why Norway carried out such measures was to reduce dependence on oil, the expansion of production was carried out in order to diversify the economy and reduce the risks of the external market, the traditional Norwegian market is focused to supply the internal demand was based on the exploitation of local raw materials, however since the discovery of oil deposits in the 70s the structure of industry changed, it allowed a turn around to the Norwegian market, through cooperation agreements, merger of companies, development of research programs and technological innovation, which allowed the development of the energy and textile industry, food processors and shipbuilding. (Departamento de Estudios Económicos)

Oil shifted the future of Norway, which in 1900 was plunged into poverty, the fishing industry was an important industry of exportation but it represented a low income, even though with the discovery of oil fields in 1969, and an excellent management of resources the country achieved economy stability, this event stimulated the increase of production and expansion of the Norwegian market, giving way to open up the textile sector, shipbuilding, development of the fishing sector, also the

exploitation of the hydraulic sector, which is the basis of the electrochemical, electro-electric and electrical engineering sectors, the advance of the mining sector contributed to increase GDP, which in 1968 was 24.1% to 26.1% in 1974; also the exploitation of oil and gas stimulated economic growth avoiding imbalances in Norway trade balance. (Villalba, Alternativas para Diversificar Actividades Económicas y Reducir la Dependencia del Extractivismo en Ecuador: Un Análisis Internacional)

Foreign investment has been registered in Norway since 1950, countries such as the United Kingdom, the United States, and Sweden, in order of importance, have contributed with more than two billion dollars in mining, trade and industry sectors; in the Postwar period the country experienced high levels of foreign investment that led to economic growth, in 1970-1974 investments represented 30% of gross investment share, especially for the maritime, manufacturing, electrical and oil sector. (Villalba, Alternativas para Diversificar Actividades Económicas y Reducir la Dependencia del Extractivismo en Ecuador: Un Análisis Internacional)

In 2014 foreign investments represented 17 billion euros and fell to 4,012 million euros in 2015, the Netherlands and the United Kingdom always have been investors of Norway, in 2011 the Netherlands contributed with 6,000 million euros, followed by the US, Sweden And the United Kingdom, most part of the investments are directed to the oil and energy sector. (Ministerio de Asuntos Exteriores y de Cooperación)

Taking into account that the discovery of oil was in the year 1968, years after that, the GDP represented a considerably lower figure, in 1960 the GDP was $ 5,163

billion, ten years later the figure doubled to $ 12,814 billion. In the following years the GDP rises up, in 2014 it reached $ 500.519 billion, however in 2015 this drops to $ 388,315, which shows the contribution that oil represents in the Norwegian economy.

The employment rate began to rise in 1975 with 43.34%, since then it has been continuously increasing, but it declined in the years of 1984, 1993 and 2004. In order to build an important labor force, the strategy implemented by the Norwegian Government was the investment in human capital, in 2004, university degrees reached 20% of the population, compared to 1950 with 8%, access to higher education made it possible to increase the labor force, especially in the public sector where female participation is predominant. (Villalba, Alternativas para Diversificar Actividades Económicas y Reducir la Dependencia del Extractivismo en Ecuador: Un Análisis Internacional)

Norway's strategy to reduce dependence on natural resources, especially oil, was the following:

1. Institutionalism
2. Investment in research and development
3. Investment in education and human capital
4. Property rights reform
5. Productive linkage between the natural resources sector and other sectors of the economy
6. Stabilization Fund
7. Social Contract

Institutionalism: This has allowed Norway habitants to improve their level of income and quality of life. It is important to know that this country already had a high level of development and a consolidated democracy, before the discovery of oil deposits in the 1970s. Thus, in 1866 country already had the Geological Survey of Norway (NGU) that regulates the study of mining and oil fields. The first federations of workers emerged in 1930 to create a general agreement for equal distribution of income, public ownership of natural resources and control of wages. In 1972 Statoil Oil was created, it not only controls the state oil production but also links it with the manufacturing sector, turning into an important actor for the diversification of the market. (Villalba, Alternativas para Diversificar Actividades Económicas y Reducir la Dependencia del Extractivismo en Ecuador: Un Análisis Internacional)

Table 1 Norway Public Policies

Policies	Functioning
Factor Mobility policy	Through a centralized system, which allows to controls the increase in wages, in order to moderate the effect of oil on the sector of non-tradable goods. The Alternative Solidarity program is responsible for avoiding the factor mobility effect in the Norwegian economy.
Spend policy	It exercises fiscal discipline. By paying debts and creating the Petroleum Fund, that protects the economy from excessive demand and real appreciation.
Spillover-loss policy	It encourages the accumulation of national experts in oil extraction rather than hiring foreign experts. It also generates knowledge in technological centers, educates

	experts, invests in research and maintains a diversified productive matrix.
Education, research and development policy	It channels resources towards education, research and development. It offers scholarships abroad for Norwegian students, and establishes centers of academic excellence.
Anti-cyclic policy	It uses part of the revenue from the exploitation of oil to cope with recessions. It analyzes the feasibility of using the Oil Fund's income or other financing alternatives for government projects.
Labor market policies	It maintains a centralized system of negotiation of the salaries in the economy. It encourages employees and employers to negotiate wages based on aggregate effects on the economy and not just on the basis of personal interests. Thanks to a neutral agency, it calculates increases in productivity in the manufacturing sector and institutionalizes them as the ceiling for the level of wages in the economy. It stimulates the participation of women in the labor market.
Industrial policy	It is responsible for accumulating know-how in industrial activities. It maintains the diversification of exports. It emphasizes the production of knowledge, technological progress and human capital.

Reference: (Villalba, Alternativas para Diversificar Actividades Económicas y Reducir la Dependencia del Extractivismo en Ecuador: Un Análisis Internacional)

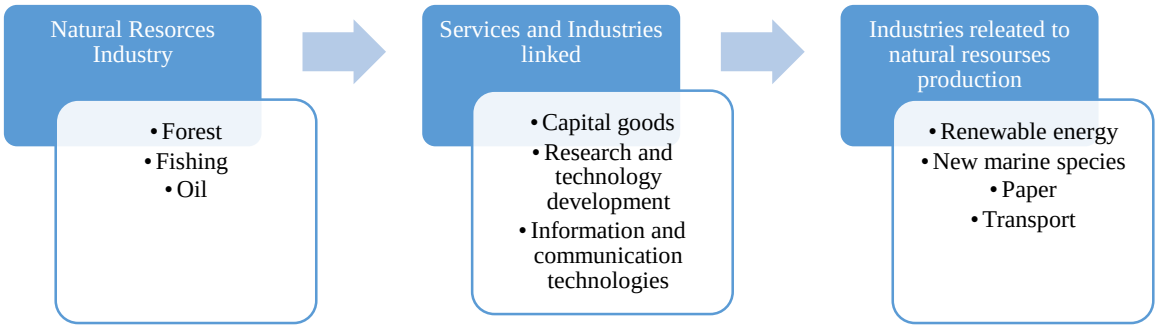
By: Pangol Katherine, Valdivieso Paulina

Investment in research and technology development: This is a factor to be highlighted, as countries that have opted for this strategy, including Norway, have the advantage of reducing their dependence and creating a long-term comparative advantage through the development of technology and research. The search for oil in the North Sea led to the creation of new technology, oceanography not only contributed to find new deposits, but also to grow the fishing industry, on the other hand due to the close relationship between the raw material sector and the scientific institutions, agreements have been made for national and foreign oil companies to collaborate with Norwegian universities and scientific institutions in order to generate knowledge. (Villalba, Alternativas para Diversificar Actividades Económicas y Reducir la Dependencia del Extractivismo en Ecuador: Un Análisis Internacional)

Investment in human capital: It is a determinant for economies suffering from the ravages of Dutch disease to reduce the dependency of the extractive sectors through the diversification and innovation that this strategy provides. In Norway "during the 1950s approximately 8% of its population had university degrees, in 2004 the number increased to 20%". The transfer of technology by foreign companies, as a strategy promoted by the Norwegian government, has allowed universities to develop their knowledge and education in areas relevant to the oil sector. (Villalba, Alternativas para Diversificar Actividades Económicas y Reducir la Dependencia del Extractivismo en Ecuador: Un Análisis Internacional)

Reforms in property rights and royalties of natural resources: Norway established in 1906 and 1917 the Concession Law, in order to link and foster the interaction between the extractivist sector and the sectors that generate knowledge, for the national interest protection and control resources. The law forced foreign oil companies to work with scientific communities and local industries in exchange for concessions to exploit North Sea oil. As a result, relations were established between international and Norwegian companies and research organizations. (Villalba, Alternativas para Diversificar Actividades Económicas y Reducir la Dependencia del Extractivismo en Ecuador: Un Análisis Internacional)

Production chain between the natural resources sector and other sectors of the economy: it was related to the manufacture of capital goods with natural resources industries of the country, the production of these goods were linked with its analogous industry, through the research and information and communication technology, allowing the birth of new industries.



Graphic 9 Norwegian model of diversification through productive chains around natural resources

Reference: (Villalba, Alternativas para Diversificar Actividades Económicas y Reducir la Dependencia del Extractivismo en Ecuador: Un Análisis Internacional)

Stabilization funds: In Norway the State Petroleum Fund was created in 1990 (now Government Pension Fund Norway) with two essential purposes: to distribute national wealth with intergenerational equity and to protect the economy from the cost effect (Parreño, 2010). All oil revenues (taxes, royalties, revenue from the activity of state companies) must be transferred to the Oil Fund. The institution invests this money only in low risk foreign financial assets.

Only returns on assets, which are around 4% of the value of the fund, are transferred to the government budget annually. The idea of creating this rule is to contribute to industrial stability in the long term, when the tradable goods sector faces more stable market conditions. In addition, with a population that is getting older year by year, the fund can finance part of the government's programs in the future.

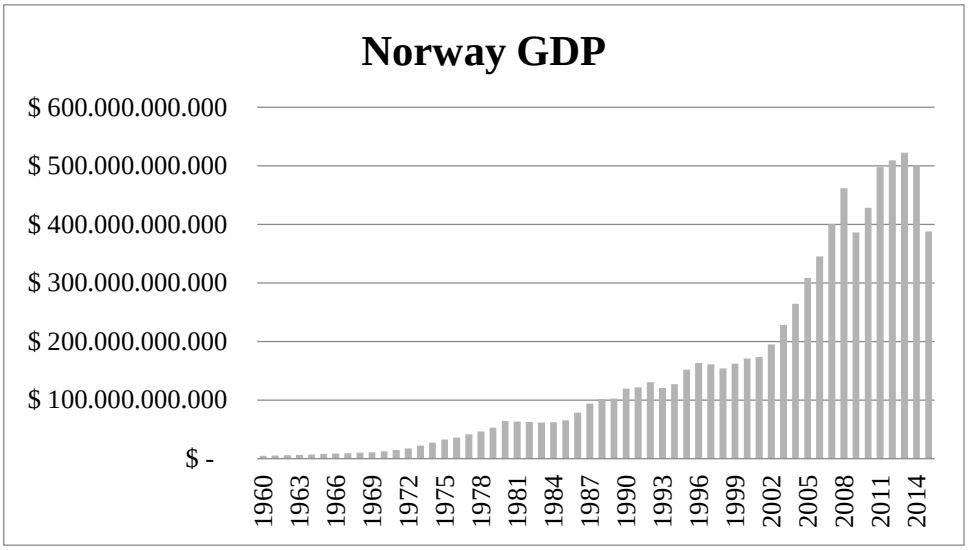
Social Contract: Norway established rules to avoid the "voracity effect", which control the management of income from the exploitation of natural resources in order to avoid poor distribution of wealth and inefficiency of income expenditure. In this context, institutions impose sanctions, contributing to establish and promoting equity and effort as key factors for social and economic success. The regulations ensure compliance by means of a sound public school system, public health system and fiscal public information. Generating in this way a social contract where the population is satisfied with the organization of society, in addition the population seeks the collective benefit

not individual, since they have the perception that the income of the resources are used in investments and technological and educational advances.

Although the change of industrial, institutional and economic structure have contributed to better manage the economic development of Norway; however, it has not been possible to completely eliminate dependence on natural resources since its contribution in the trade balance is important. This is why Norway is vulnerable to the price of oil, the same that fell in 2014 and caused a fall in income and profits, which shows the sensitivity of the Norwegian model, one of its defects is bureaucratization because most of the economic sector is controlled by the state, it owns around 40% of the stock market, the Government controls the areas considered strategic for the country, however Norway has a sovereign fund of about $ 870 billion, compared to other developed countries, its public debt is the lowest with 26.4% of GDP. (El Economista)

2.2.2. Macroeconomic Data

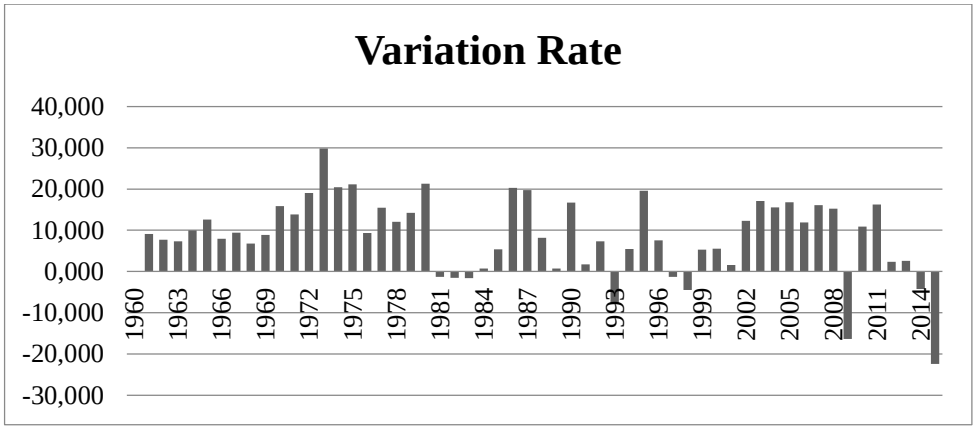
GDP



Graphic 10 Norway GDP

Reference: (Banco Mundial)

By: Pangol Katherine, Valdivieso Paulina



Graphic 11 Variation Rate

By: Pangol Katherine, Valdivieso Paulina

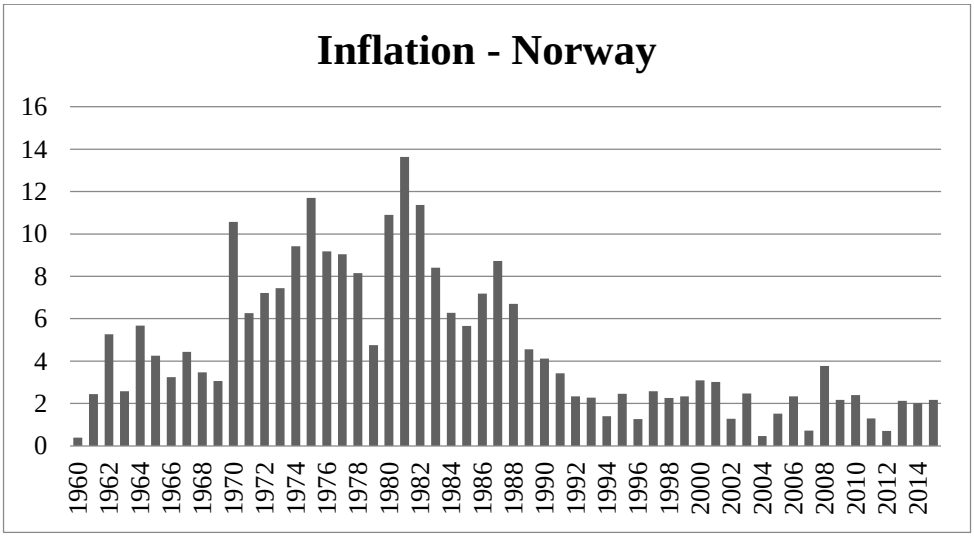
Norway's GDP growth is due to its industrialization process, in addition to developing the traditional raw materials industry, such as iron ore, wood and fishery products, diversified its economy by focusing on the development of the textile industry, processing Food and shipbuilding, hydroelectric sector. GDP growth since

1969 due to the participation of mining and manufacturing and energy sector, this increases with respect to last year with 8.88%.

Between 1960 and 1970, Norway's GDP grew by 148.18%, which shows the impact of the appearance of oil on the economy, and it increase, in 1980 presenting its first rise which represents a growth of 21.28%, however GDP presents minimal declines until 1983, and in the following years presents ups and downs.

In 2000 GDP began to stabilize and to rise, in 2002 it grows by 12.3%, GDP increases until 2008, then it decreases by 3.61%, however the following years it recovers but declines by 4.25% in 2014 and in the following year it descends a 22.41%.

Inflation



Graphic 12 Inflation- Norway

Reference: (Banco de la Reserva Federal de San Luis)

By: Pangol Katherine, Valdivieso Paulina

In 1960 inflation was minimal, just 0.393, however in 1970 inflation increased by 244.31%.

Norway had the highest inflation in 1981 with a growth of 25.15%, in two years the price of the products increased, from 1979 to 1981, it grows by 186.49%, in the following years the inflation rate descends.

In 1987 inflation increased by 21.41%, followed by a drop for the following year of 23.24% and continued to decline in subsequent years, the lowest rate of inflation was in 2012 with 0.709%.

Between 2004 and 2007 inflation remained low, thanks in part to declining import prices, increased domestic competition, and excess foreign labor. (Organización Mundial del Comercio)

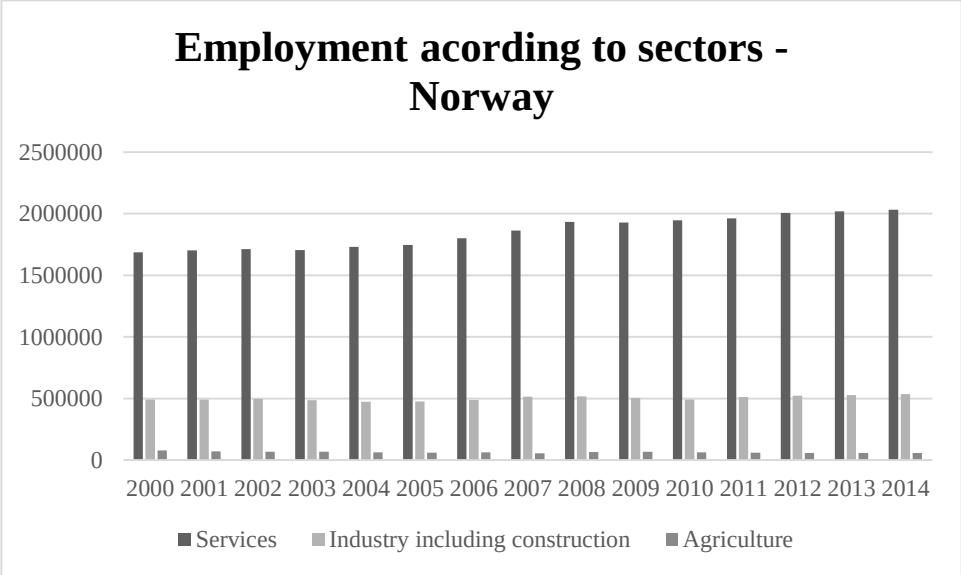
Unemployment

Graphic 13 Unemployment- Norway

Reference: (Banco Mundial)

By: Pangol Katherine, Valdivieso Paulina

Norway had the highest unemployment rate at the beginning of the 1990s, it increased from 9.25% in 1991 to 1992, it increased by 1.69% in 1993, but in the following years these figures declined, with an unemployment rate of 3.2% , In the following years the rate of unemployment was increasing, in 2003 it presents a growth of 12.82% and in 2006 it registers a decrease of 26.08%, also in 2007 it descends still more in a 26.47%, in 2010 the unemployment increases a 12.5 % And remains low in the following years.



Graphic 14 Emploiment acording to sectors – Norway

Reference: (Banco de la Federal de San Luis)

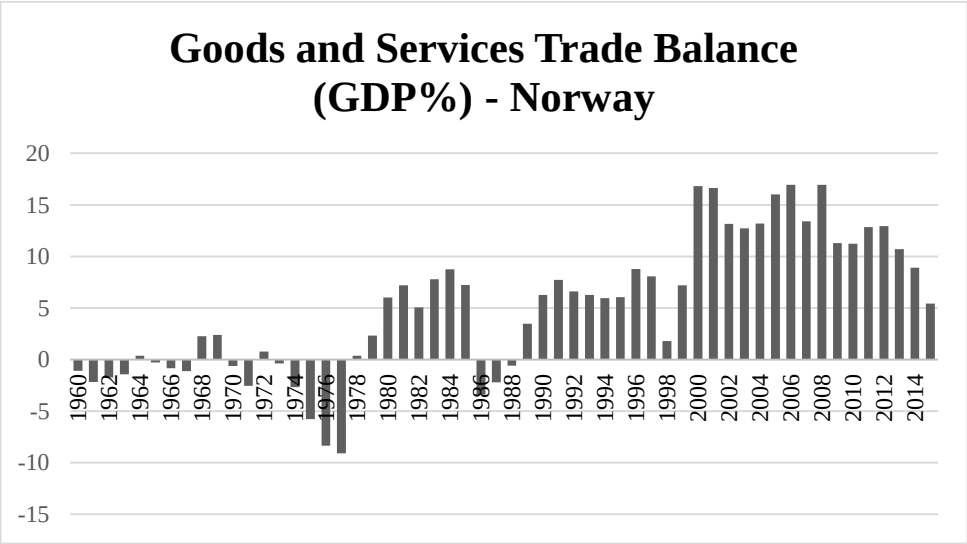
By: Pangol Katherine, Valdivieso Paulina

The climatic factor makes impossible the export of crops, in Norway there is not enough labor for agriculture, it only represents the 4%.

The industry sector is in second place with 22% of workers, this includes the construction, equipment and infrastructure for hydrocarbon exploitation and transformation, and shipbuilding, which have lost strength due to high labor costs and the strength of the currency, among other industries is chemistry and food. The most outstanding industry is the metal-mechanic and activities related to the sector of hydrocarbons and hydroelectric power production.

The service sector accounts for 74% of the labor force, with the merchant fleet accounting for 10% of the total tonnage, which is used to transport chemicals, gas, passengers and cruise ships; on the other hand, the tertiary sector comprises a large number of financial and insurance companies, the travel sector concerns abroad and domestic tourism, because the Norwegians travel frequently encouraged the creation of travel agencies, airlines or travel insurance companies. (Oficina Económica y Comercial de España en Oslo)

Trade Balance



Graphic 15 Goods and Services Trade Balance – Norway

Reference: (Banco Mundial)

By: Pangol Katherine, Valdivieso Paulina

The trade balance has remained deficient for most of the years from 1960 to 1997, between 1968 and 1969 it presents a surplus. The balance increases in 1979 by 543.64% and for the following year it increases by 158.58%, however in 1986 the trade balance is negative with -3.385%.

Since 1989 the balance is a surplus, the growth rate in 1990 is 79.67%, but in 1998 this fell to 77.73%, in 2000 the trade balance soared with a growth rate of 133.38%, this falls in 2002 it is 21.02%, in the following years it is maintained with highs and lows, but it starts to decrease from 2013 by 17.32% and in 2015 it decreases further by 39.05%.

Commercial Policy

Norway's trade policy focuses mainly on the multilateral trading system embodied in the WTO. The other elements of its trade policy, whether at the regional level through the European Economic Area (EEA) and the European Free Trade Association (EFTA) or bilaterally, are based on the fundamental principles of the multilateral trading system and they should be seen as complementary to Norway's commitments to the WTO. (Organización Mundial del Comercio)

The Agreement on the European Economic Area (EEA) extends the internal market of the 27 EU Member States to Norway, Iceland and Liechtenstein. This

Agreement provides for the four freedoms, the free movement of goods, persons, capital and services, as well as the application of non-discrimination and competition rules on an equal footing throughout the European Economic Area. (Organización Mundial del Comercio)

Norway finances exports, the state-owned Eksportkreditt Norge AS (Norwegian export credits) was established on 12 July 2012 to manage the Norwegian State-funded export credit program to promote a program Solid and competitive export financing. (Organización Mundial del Comercio)

The company offers two types of financing, the first at the state-subsidized reference commercial interest rate, these are granted to borrowers adhering to the Organization for Economic Cooperation and Development (OECD) Agreement; while the latter are lent to the benchmark commercial interest rate under market conditions in accordance with the EEA Agreement. (Organización Mundial del Comercio)

The European Economic Area (EEA)

The EEA Agreement does not include agricultural and fisheries products, but seeks to increase the degree of liberalization in bilateral trade in agricultural products. "In this context, the EU and Norway signed a new Agriculture Agreement in 2012, which meant the additional liberalization of 20% of EU agricultural exports to this country. A new cycle of bilateral agricultural negotiations was launched in February 2015 to increase the degree of liberalization." (Secretaria de Estado de Comercio)

The EEA does not constitute a customs union, but a free trade area without a common customs tariff.

Free Trade Agreements

Norway and its EFTA partners established a series of free trade agreements covering trade in industrial products, fish and processed agricultural products, as well as developing bilateral agricultural protocols and protection of the environment and employees.

In the Agreements between EFTA and developing countries, these ones apply a free trade regime from the date of entry into force, while the associated countries go through a transitional period to dismantle tariffs in order to adapt to its economy to the free trade changes.

Commercial Policy by Sector

Norway provides significant economic aid to the agricultural sector despite the scarcity of its products. "The direct payments made under the blue box are significant, the rates of utilization of tariff quotas are low and some products benefit from export subsidies." In fisheries, specifically in natural fishing, foreign participation is not allowed the mechanisms to manage the fishing industry has developed. On the other hand, the manufacturing sector is oriented to the production of technology for the extraction or transformation of the natural resources. The oil and gas sector contribute greatly to Norway's

economy, so it has a large state participation, mostly in the electric power sector, and energy-producing companies receive reductions in consumption taxes of electricity. (Organización Mundial del Comercio)

Norway has been compromised by the GATS services sector, which contains a number of governmental rules and multilateral commitments affecting that sector of the economy, from which Norway allows the incursion of foreign financial entities into the national scenario, however, it limits non-EEA countries cross-border trade by banks and insurance companies. Most of the ports and commercial airports belong to the State. (Organización Mundial del Comercio)

Agriculture

According to the WTO report, agriculture accounts for a small percentage of GDP and employment. Tariff protection for products that are not produced in the country is low, contrary to domestic production, which consists of tariffs and state support. (Organización Mundial del Comercio)

Tariff looks after the agricultural sector, "The average tariff applied to agricultural products in Norway is 38.5 percent (according to the WTO definition) (25.6 according to the ISIC definition) and the applied tariffs range between duty-free and 555%, "in certain cases when world market prices are more competitive, Norway temporarily reduces tariffs. In addition, the country manages tariff quotas for 24 tariff lines, these are allocated through tenders, and frequently the utilization rates are low.

There are products such as cheese, which enjoy export subsidies, in most cases are financed by producers. (Organización Mundial del Comercio)

Fisheries and Aquaculture

Licenses are granted for vessels engaged in fishing, and Norway applies a quota system to increase the revenues of vessels by reducing their number. The Government supports the fisheries sector through "subsidies of interest rates for fishing vessels destined for the domestic market, subsidies for the withdrawal of vessels, transport aid and fisheries research" (Organización Mundial del Comercio)

Oil & Gas

The Government established new licensing and taxation policies in order to attract private investment. "The electricity market is open to foreign investment, but most of the generation and transmission capacity belongs to the state, and the prospects for new hydroelectric projects are limited." (Organización Mundial del Comercio)

The State is the owner of activities such as oil, gas, pipelines and land facilities through the State Direct Financial Participation (SDFI) managed by state-owned company Petoro AS. Since 1985. The State as one of the owners of said deposits and infrastructures, pays its proportional part of the investments and costs, and receives the corresponding part of the income derived from the license. Likewise, the State may freely determine its level of direct participation, through the SDFI, in any license. (Organización Mundial del Comercio)

The Petroleum Law, No. 72, of November 29, 1996, as amended, authorizes the granting of permits and licenses for the exploration, production and transportation of oil. (Organización Mundial del Comercio)

Oil companies are subject to the ordinary corporate income tax rate of 28%; they also levy a special additional tax on oil of 50%, which is levied on taxable income. Norway also imposes taxes on emissions of carbon dioxide and nitrogen oxides. (Organización Mundial del Comercio)

The Oil Law provides for licenses for production and prospecting of oil and gas, companies submit applications to access the licenses, either individually or in group, licenses. There are no restrictions on the import and export of oil. (Organización Mundial del Comercio)

Electric sector

The legislation establishes that private companies that commercialize electricity or provide electric services in conditions of monopoly must obtain a commercialization license. (Organización Mundial del Comercio)

Manufacturing sector

The processed products are subject to low duty-free tariffs, unlike the processed agricultural products. (Organización Mundial del Comercio)

Services

Norway in 2005 offers a number of commitments related to the services sector, "on market access and national treatment in distribution, environmental and financial services. Other inclusions, in the form of a new set of commitments, are also offered in maritime transport and energy trading services." (Organización Mundial del Comercio)

Monetary Policy

Norway manages national currency, the Norwegian krone, the same that equals kr 8.34 NOK for $ 1 USD, Norges Bank is in charge of establishing monetary and exchange rate policy.

Since 1986 the key interest rate for the Norges Bank was the loan rate, however in 1993 the deposit interest rate was used as the key interest rate, "The interest rate of deposits of banks with Norges Bank (Up to a certain share), also known as demand deposit rate, is the dominant policy type in Norway today. Norges Bank uses the key policy rate to signal policy to money market participants." (Banco de Noruega)

The interest rate changed in 1986 when the liquidity of the banking system went from loans to deposits in the Central Bank. (Banco de Noruega)

Norges Bank is responsible for leading monetary policy, which follows a "flexible inflation targeting regime" in order to achieve low and stable inflation while stabilizing production and employment. (Organización Mundial del Comercio)

Every four months, Norges Bank publishes a report assessing the economic outlook and adopts a monetary policy strategy for the period up to the next report. Its

most important monetary policy instrument is the fixing of interest rates on bank deposits at Norges Bank. Norges Bank provides deposit and loan services on a daily basis to ensure that the official reference rate actually influences short-term money market rates.

The objective

Monetary policy will be focused on achieving 2.5% annual consumer price inflation, in addition to stabilizing production and employment. "In general, the direct effects on consumer prices resulting from changes in prices will not be taken into account. Interest rates, taxes, excise duties and extraordinary temporary disturbances." (Banco de Noruega)

According to the WTO, in its report on Norway's economic environment, it states that by setting the objective of the inflation regime, it is possible to maintain the rate of inflation within the limit. It also indicates that Norway is sensitive to changes in import prices, therefore the decline in those prices, accentuated by an upward trend, helped to keep inflation low. The credibility of the regime also seems high, as surveys indicate that medium-term inflation expectations remain firmly entrenched in the policy objective of 2.5 percent. (Organización Mundial del Comercio)

Implementation

The Bank of Norway sets inflation targets, taking into account the variability of inflation, as well as production and employment. Therefore, it sets the interest rate to

stabilize inflation close to the target in the medium term. All this will depend on the factors that affect the economy. (Banco de Noruega)

State Oil Fund

The Fund is intended as a reserve for future expenditures and is not intended for any particular purpose. It helps Norway cope with periods of fluctuation in the oil subsector, control public spending, and limit the flow of money to the economy. (Organización Mundial del Comercio)

The Fund as an account of the Central Bank has two objectives:

1. It acts as a buffer in government finances, that is, the government's budget surplus is transferred and in cases of deficits, the Government uses the Fund.
2. It manages financial needs because of the increase of payments in pensions and reduction of oil revenues. (Organización Mundial del Comercio)

Fiscal policy

Norway's fiscal policy is still characterized by the generation of large surpluses, and the public administration has fiscal surpluses above 15 percent of GDP. The Ministry of Finance is responsible for preparing the annual budget and defining the strategy of the Government Pension Fund, where the surplus of the Central Government accounts is invested. (Organización Mundial del Comercio)

General structure

According to the EEA agreement signed with the EU in its tax law, Norway establishes its regulations in line with European regulations, "with a progressive income tax, a corporation tax and a value added tax, as the main tax authorities. There are also specific taxes on fuels, alcohol and tobacco and other taxes." (Oficina Económica y Comercial de España en Oslo)

The Government's policy guidelines for economic policy 2001 state that fiscal policy is geared towards a gradual and sustainable increase in the use of oil revenues, which depends on the projected actual yield of the Global Pension Fund, which is estimated at 4%, in order to stabilize the economy during the economic cycle. (Organización Mundial del Comercio)

In 2007, Parliament agreed to a reform of the pension system that came into force in 2010. The objectives are to ensure the sustainability of the system and reduce the budgetary effects of an aging population in the future. The reform provides for the moderation of benefits on the basis of income earned over a lifetime instead of the best 20 years, and incentives for workers to spend more time in the labor market. (Organización Mundial del Comercio)

However, by the end of 2015 the Norwegian Government presented a tax reform aimed at financing collective benefits, ensuring social mobility, achieving a more efficient use of resources and ensuring better conditions for trade and industry through the use of the direct and indirect tax system. It also

focuses on reducing these taxes in order to increase production. (Secretaría General Técnica)

The reform recognizes that Norway must undergo a readjustment due to the strong growth of the oil industry, and should contribute to pension, health and dependency expenses. (Secretaría General Técnica)

While the 1992 tax reform has helped to stabilize the tax system by providing broad tax bases, relatively low rates and a high degree of equality of different investments, forms of financing and organization, which has allowed Norway to continue to govern over the years under the principles of equal treatment, broad tax bases and low tax rates. However, the tax system must adjust to the new changes. (Secretaría General Técnica)

Tax System (State, Regional and Local)

The General Tax Law of 1911 governs the main rules of the tax system, corporate tax law and an agreement between Spain and Norway to avoid tax evasion since 2001. The main indirect tax is 25% on VAT, in addition to taxes on investment, donations and transfers of assets and contributions to social security. (Oficina Económica y Comercial de España en Oslo)

Individuals resident in Norway are subject to the municipal income tax, the municipalities receive 0.7% of taxable income in excess of SEK 700,000 (EUR 92,000). The central government claims that ultimately Norwegians will

be able to pay up to 1.1% by estate tax." (Oficina Económica y Comercial de España en Oslo)

Taxes

The companies will pay 27% of total distributed and undistributed revenues. Norwegian companies will tax revenues from any country, otherwise these companies will tax income generated within the country. However with the reform of 2015 they will pay 20%. (Oficina Económica y Comercial de España en Oslo)

"The Commission proposes that most of the loss of revenue should be recovered by introducing a new progressive personal income tax to replace the current surtax. In order to avoid making it more profitable to transform labor income into dividends (by displacing revenues), the Commission proposes an increase in the tax on dividends for personal shareholders. The Commission also proposes other changes in corporate and personal taxes and value added tax." (Secretaría General Técnica)

"The oil companies are subject to a 50% levy on revenues derived from the extraction, processing and transporting of crude oil." (Oficina Económica y Comercial de España en Oslo)

"Capital gains are taxed at 28%." (Oficina Económica y Comercial de España en Oslo)

"Income taxes for individuals vary by income level. The deductions of 36% with a minimum of 4,000 crowns (525 euros) and a maximum of 72,800

crowns (9,575 euros). Taxes are 28% on ordinary income (gross salary minus deductions). The resulting amount must be added to 7.8% of gross income for social security. In addition, 9% of the revenue will be paid in excess of 456,400 crowns annually (60,000 euros) and an extra 12% on the income of 741,700 crowns annually (about 97600 euros). In addition there are other deductions in the northern regions of the country, Finnmark and Nord-Troms" (Oficina Económica y Comercial de España en Oslo)

Consumer Taxes

The basic percentage of VAT is 25%, however this varies according to the good or service, such is the case of food with 15%, tourism and communications services and tickets to sporting events, museums and cinemas with 8%. "The export of goods, supplies related to ships and aircraft, books, magazines, newspapers and construction services related to public roads are taxed at 0%. Certain goods and services are exempt: health services and social services, education, financial services, etc. There are some exceptions to the tax rate of 25%, as in the case of the advisory activity that is exempt from the payment of this fee."

There are regions of the country where VAT 0% applies as in Svalbard in all types of products, and in Finnmark and Nord-Troms no electricity tax is paid for households. (Oficina Económica y Comercial de España en Oslo)

Foreign companies and local companies are subject to the same tax regulations. (Oficina Económica y Comercial de España en Oslo)

Other Taxes and Fees

Environmental taxes.- Hydrogen cars do not pay the registration fee and annual taxes, in addition the Government benefits the companies that participate in the trade of CO2 emissions and applies taxes on carbon dioxide emissions and nitrogen oxides. . (Oficina Económica y Comercial de España en Oslo)

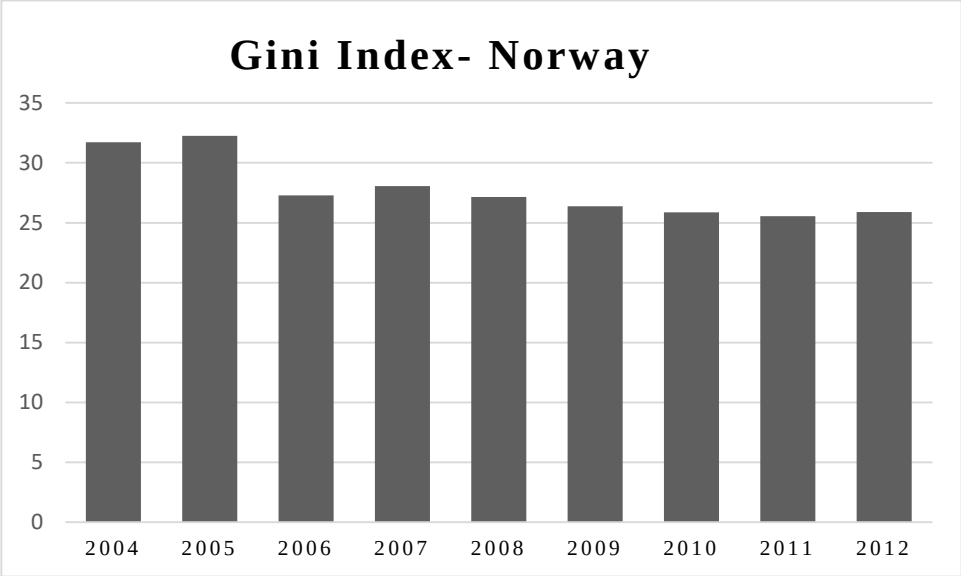
Rates.- High rates apply for goods such as automobiles, gasoline and personal property. (Oficina Económica y Comercial de España en Oslo)

Legal aspects for foreign companies.- Foreign companies operating in Norway are required to submit accounts under the Accounting Law, the same information must remain in Norway for 10 years. . (Oficina Económica y Comercial de España en Oslo)

Productive Matrix

Focused on the promotion of exports and creation of sources of employment.

Gini Index



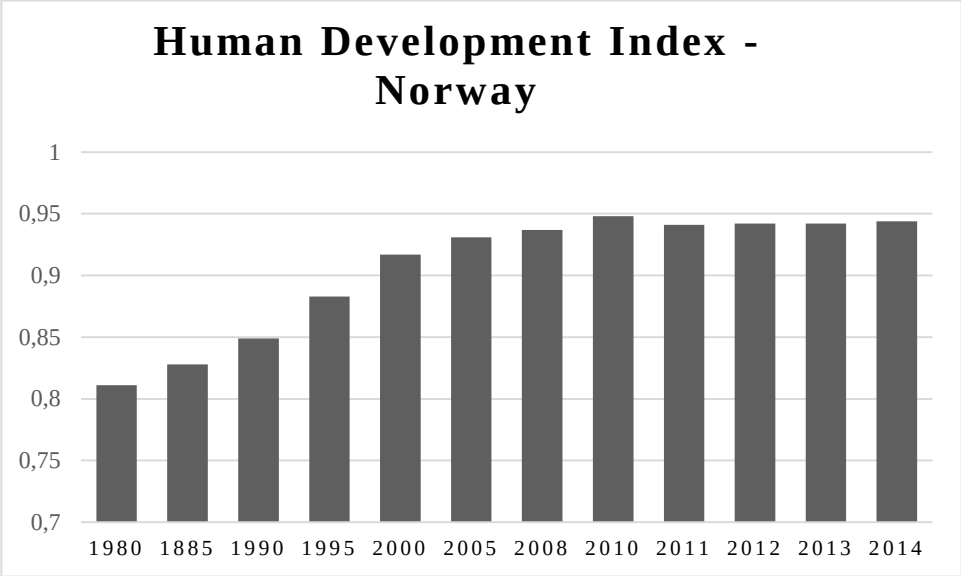
Graphic 16 Gini Index – Norway

Reference: (Banco Mundial)

By: Pangol Katherine, Valdivieso Paulina

According to this indicator the distribution of wealth in Norway is equitable, it reaches a peak in 2005 with 32.27.

Human Development Index



Graphic 17 Human Development Index – Norway

Reference: (Programa de las Naciones Unidas para el Desarrollo)

By: Pangol Katherine, Valdivieso Paulina

The HDI of Norway shows a high growth and development of its population, nevertheless this descends from 2010, nevertheless this low is not significant.

2.3. ECUADOR

2.3.1. Bief Economic History

Throughout its history, Ecuador has shown that it is a country full of natural resources, the same ones that have been exploited because of the economic benefits they have generated, such as cocoa, bananas and oil, whose booms and success in the international market has provided the country with large income and economic wealth, thus becoming an economy dependent on them, however in the long term this wealth was transformed into debt, giving way to what is called the Dutch disease.

Ecuadorian economic history has been marked by the booms that have generated the exploitation of bananas, cacao and oil, marking a before and after in its history, this economic phenomenon that although it has represented substantial income for the country, has caused imbalances in the economy, it could be said that due to the poor management of the use of natural resources and the administration of the wealth derived from them, in addition the economic structure became dependent on the extractivist activity, the same that could not be surpassed by attempts at import substitution and industrialization..

Cocoa Boom

The cocoa boom occurred between 1880-1920, which helped to exceed the amount of five million dollars of exports in the trade balance of 1866. However, in 1873 there is a decrease in this account, due to problems in the foreign market, on the other hand, the increase in the purchasing power of Europe and the US increased the demand for cocoa, which could be covered by cheap labor and favorable climatic conditions, although the high production of cocoa due to soil conditions and cheap labor was an advantage. On the other hand, this did not allow the development of industrialization processes that would have added value to the raw material and allowed to offer a final product instead of primary products. Cheap labor facilitated the creation of considerable income for the owners of the producing companies, who accumulated wealth causing a poor distribution and a differential income that avoided the dynamism and modernization of the economy. (Acosta)

Among other flaw, Ecuador, still now, imports to elite's chocolate products made with Ecuadorian cacao at a higher price than its chocolate exported products. Ecuadorian companies did not take advantage of the natural resources wealth and the accumulation of income in order to develop technology and improve production processes; as well as the lack of investment in human capital, dependence on the price and demand of the product from the external market, and ecological damage from overexploitation.

Banana Boom

Since the insertion of Ecuadorian bananas into the world market, can be recognized four stages of development of the role of bananas in the economy:

1. First banana boom (1948-65)
2. Crisis and internal readjustment (1965-76)
3. Differentiation and modernization of the sector (1976-85)
4. Second Banana boom (1985-91) (Maiguashca)

First boom banana (1948-65): characterized by an incipient migration of the Sierra to the Coast and high amount of labor. What prompted Ecuador to the world stage was the destruction of Central American plantations by the Panama´s disease during the 1950s, but for the next decade the transnationals developed technical advances to counteract the plague, among other innovations, it was the substitution of The Gross Michell variety for Cavendish type bananas. The whole Ecuador became involved in the banana bonanza without even thinking the problems that this would

bring focusing only in one product, for that reason the productivity and the quality of the fruit went down, becoming an exporter of fruit of second category. (Maiguashca)

Foreign companies had presence in Ecuador, including the Standard Fruit Co. and the United Fruit Co. moreover to the important participation of the Noboa Group, the largest national exporter of bananas that represented an advance on external dependence. (Maiguashca)

Crisis and internal readjustment (1965-76): In the second five-year period of the 1960s, the banana bonanza was affected by Panama's disease, as well as monoculture, and Central American plantations were ready to offer Cavendish bananas variety and the application of technical improvements in productivity, packaging and transportation were late, which led to the creation of a banana boom in Honduras, Costa Rica and Panama. During this period the foreign companies demanded the maximum quality of the fruit, which caused the fall of the demand. (Maiguashca)

As a result, the area planted for bananas declined, not only because of the transfer to other agricultural products but also because of the lower land use. However, exportable productivity improved, because of the production diversification, bananas were produced in suitable lands and productive chain was developed. Ecuadorian exports were displaced from the US and Western European markets, thanks to the opening of new markets remained stationary, as was the case in Japan. (Maiguashca)
The Noboa Banana Company (EBN) represented the national alternative for banana marketing, it competed with foreign transnationals in 1965, while some of the transnational companies lost their presence in Ecuador. (Maiguashca)

Differentiation and modernization of the sector (1976-85): This period is characterized by the participation of Standard Fruit in the technification of this sector, this company strengthen ties with producer, offering them credits to invest in the productive unit, in return the producer delivered his production to the transnational and allowed free access to Standard Fruit´s technicians to carry a technical and managerial control of the property and to be responsible for the labor management. (Maiguashca)

This brought four consequences:

1. According to FAO figures, increasing the quality of the fruit has become more competitive in the external market, exports to the US increased from 29% in 1973 to 35% in 1977, 46% in 1981, 52% in 1982 And 61% in 1984.
2. Farms that were not associated with the Standard Fruit invested in improvements to increase the quality and productive capacity, technical improvements were inserted in the process of production of the fruit. FAO records that the technical area in 1982 was 25.93%, semi-technical area 16.67% and surface non-technical 57.41%.
3. It exceeded 20 MT / Ha, increased exportable productivity, but is lower than the countries of Central America.
4. Standard Fruit saw the need to supply not only its partners but independent producers, these purchases were selective, which forced the farms that were not up to withdraw from the activity. (Maiguashca)

Second Banana Boom (1986-1991): This period is characterized by the introduction of technological advances, machinery, development of better relations between national

and transnational producers and marketers, and better production processes, contrary to what happened in the early 50's Where over-supply was the main protagonist. (Maiguashca)

In 1971, the National Banana Program (NBP) was formed in order to expand the range of national traders in banana exports, supervise crops, quality control of the fruit and phytosanitary work of the crop. They have focused on courses, seminars and talks for farmers and agricultural workers. The NBP also "grouped the producers and renewed the varieties of plantations, reducing them and moving them to the South, near the ports." (Maiguashca)

The country had two comparative disadvantages in terms of its geographical location and lack of technology, the first because Ecuador is way too far from the main markets and ships must cross the Panama Canal; the technological delay included the inefficiency of crop care, internal transportation and shipping compared to that of transnational corporations.

Oil Boom

Exploitation of oil gave Ecuador the title of "new rich" because total exports grew in 1970 from 190 million to 2.5 billion in 1981, Ecuador entered the world market as never before, due to the income that the exploitation of hydrocarbons provided but not for a qualitative change in their raw materials. (Acosta, De Pobretón Bananero a Nuevo Rico Petrolero)

Ecuador was tied to the constant changes of oil prices, as was the case in the Arab-Israeli war where oil prices rose sharply as crude oil prices rose, 4 dollars in 1973 to 13.40 the following year. Likewise, dependence on oil in the Ecuadorian economy is visible, "GDP has fluctuated between 11 and 17%, exports have done so with a range that is around 50% and tax revenues are in the range of 35 to 50% ", In certain cases there are lower values caused by the rupture of the pipeline, the earthquake of 1987 or changes in the international prices of crude oil. (Acosta, De Pobretón Bananero a Nuevo Rico Petrolero)

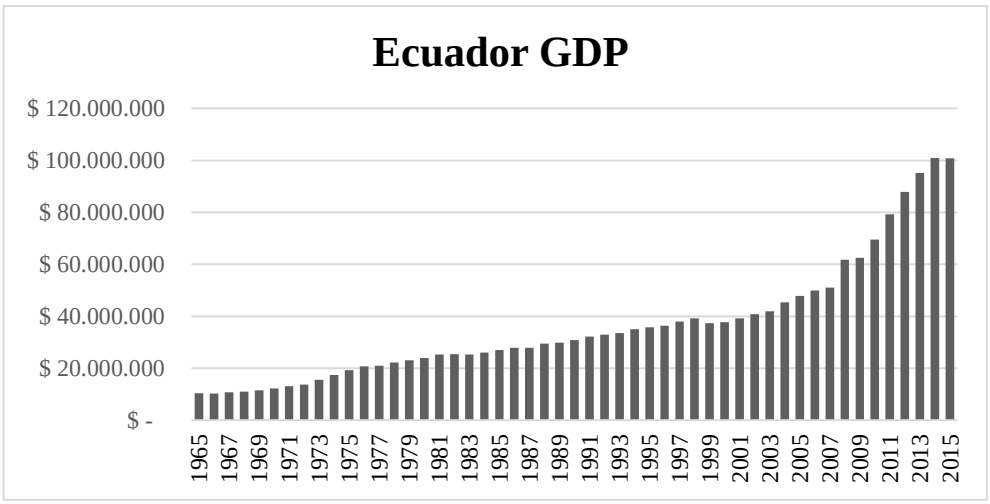
Due to Ecuador's growing income from oil exploitation, and becoming a safer market than the Middle East, financial institutions began to provide credit since 1972, which did not happen during the cocoa and banana boom. However, this led to massive external indebtedness, which external debt increased from 260.8 million in 1971 to 5,868.2 million in 1981, it represented 16% of GDP in 1971, while in 1981 for 42 per cent of GDP, the external debt service increased from 1971 to 15 per 100 dollars, in 1981 it committed 71 per 100 dollars. (Acosta, De Pobretón Bananero a Nuevo Rico Petrolero)

In the oil boom as in the cocoa and banana prosperity, certain factors lead those periods, due to the anchorage of 25 sucres of the dollar, allowed consumption to increase through the importation of luxury goods, Guayaquil and Quito accumulated much of the wealth, becoming two attractive poles for emigration, which led to poor distribution of income as indigenous and peasant populations did not perceive oil profits, these factors of consumerism and accumulation were repeated earlier, as well as the absence of reinvestment in technology and resource Human, thus forming a vicious

circle that condemned the country to depend on extractivism and in the case of the oil period to over-indebtedness.

2.3.2. Macroeconomic Data

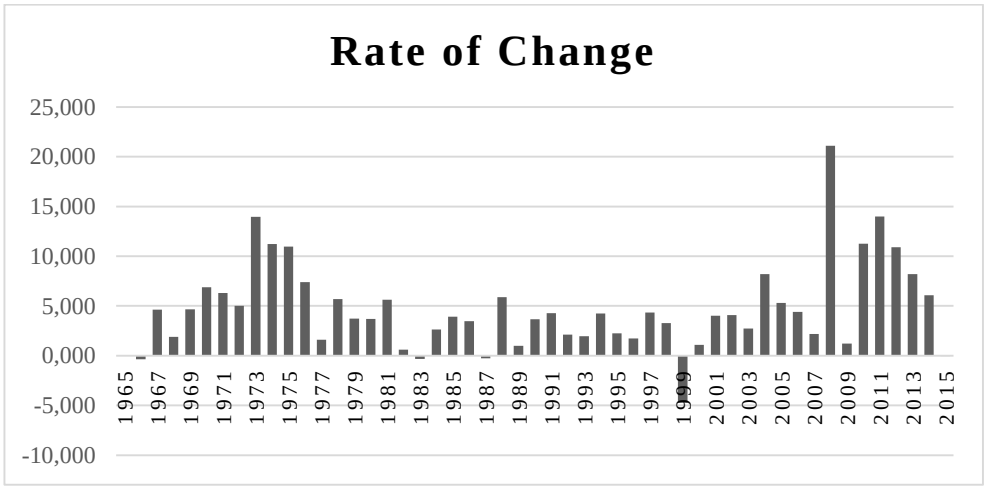
GDP



Graphic 18 Ecuador GDP

Reference: (Banco Central del Ecuador)

By: Pangol Katherine, Valdivieso Paulina



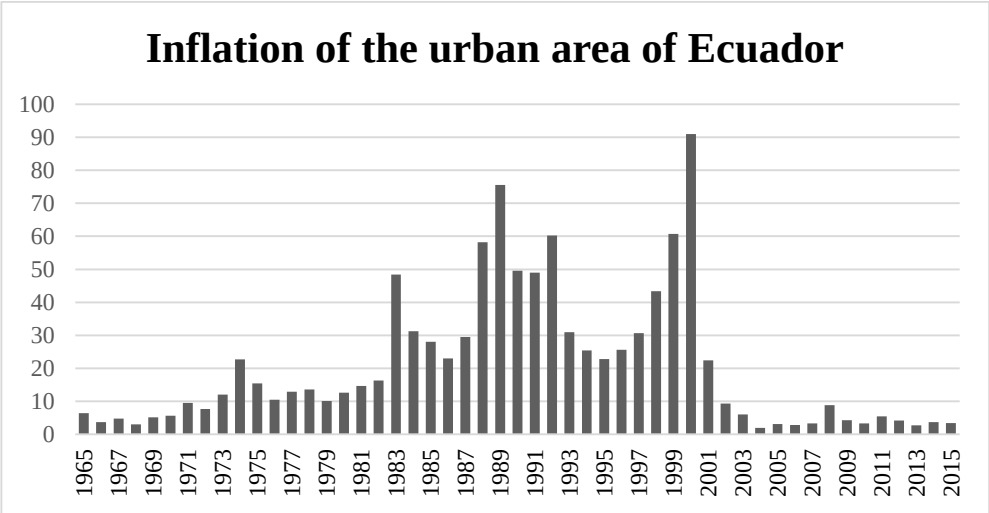
Graphic 19 GDP´s Rate of Change

By: Pangol Katherine, Valdivieso Paulina

The GDP of Ecuador shows growth until 1998, despite a decrease in 2000, due to dollarization, this continues to grow, since 2008 GDP has greater relevance, however in 2015 it declines.

From 1970 to 1980 the GDP grew by 94.79%, in 1999 it presents a decrease of 4.73%, however from 2000 it recovers and in 2008 it grows more strongly at a rate of 21.08%, in 2010 the GDP went from approximately 70 million to 87 million in 2012.

Inflation



Graphic 20 Inflation of the Urban Area of Ecuador

Reference: (Banco Central del Ecuador, 2016) (Global Rates, s.f.)

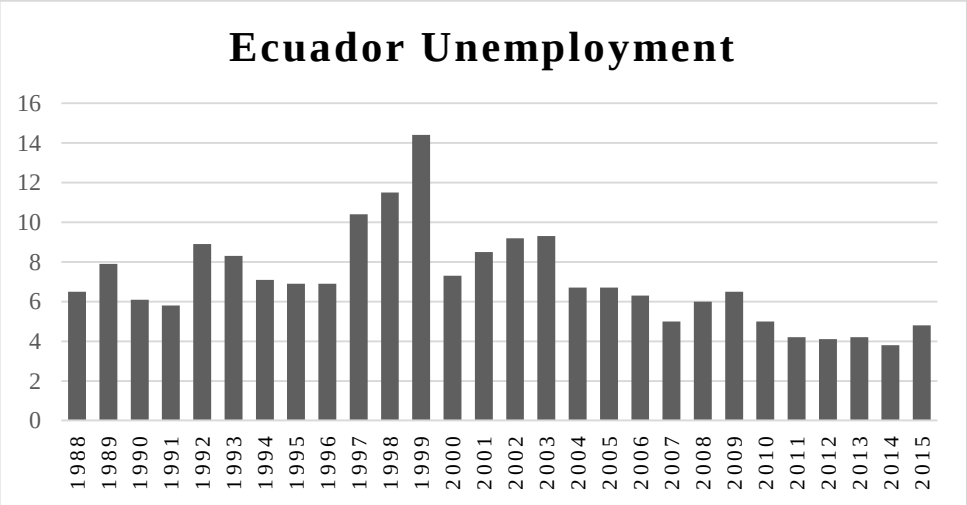
By: Pangol Katherine, Valdivieso Paulina

Before the dollarization, in the year 2000, there are high percentages of inflation, the highest in 1989, increased 29.8%, for the following year it has a decrease of 34.49%, in 1992 this indicator goes back to shoot in 22.94%.

In 2000, dollarization has a great impact on inflation, which is up 49.89%, showing a dramatic fall in the following year of 75.34%, in the following years inflation remains at lower percentages.

Since 2000, the minimum inflation rate is 1.95% in 2004 and the maximum in 2008 of 8.83%.

Unemployment



Graphic 21Ecuador´s unemployment

Reference: (Sistema de Indicadores Sociales, s.f.)

By: Pangol Katherine, Valdivieso Paulina

The highest unemployment rate was registered in 1999 with a rate of 14.4%, with a growth of 25.21% compared to the previous year, the following years the unemployment rate remained relatively low, the year with the minimum unemployment was 2012 with a 4.1%, however in 2015 this indicator increases by 26.31%.

Table 2 Employment Composition according to activities

Activity	dic-07	dic-08	dic-09	dic-10	dic-11	dic-12	dic-13	dic-14	mar-15	jun-15	sep-15	doc-15	mar-16
Agriculture, livestock, hunting and forestry and fishing	28.5%	28.0%	28.5%	27.6%	27.9%	27.4%	24.8%	24.5%	28.1%	26.6%	25.1%	25.0%	28.1%
Commerce	19.9%	19.2%	19.5%	19.6%	20.4%	19.9%	18.3%	18.9%	17.5%	18.4%	18.8%	18.9%	17.8%
manufacturing (including oil refining)	10.9%	11.3%	10.7%	11.1%	10.5%	10.6%	11.4%	11.3%	11.2%	11.2%	11.0%	10.6%	10.3%
Construction	6.7%	6.7%	6.9%	6.5%	6.1%	6.3%	7.6%	7.4%	7.1%	7.5%	7.6%	7.3%	6.3%
Education, social and health services	7.3%	7.6%	7.5%	8.3%	7.9%	8.0%	7.6%	6.8%	6.8%	6.9%	7.2%	7.2%	6.9%
Accommodation and food services	4.7%	4.7%	4.5%	4.4%	4.9%	5.1%	5.3%	5.5%	5.7%	5.6%	5.7%	6.1%	6.6%
Transport	4.9%	4.7%	4.7%	5.1%	5.6%	5.6%	5.5%	5.9%	6.0%	5.5%	5.9%	6.2%	5.8%
Professional, technical and administrative activities	3.4%	3.5%	3.6%	3.7%	4.0%	4.4%	4.6%	4.3%	4.3%	4.3%	4.2%	4.5%	4.4%
Public administration, defense, mandatory social security plans	3.2%	3.6%	3.1%	3.5%	3.8%	3.7%	4.0%	4.4%	3.9%	4.1%	4.7%	4.4%	4.2%
Other services	3.9%	4.1%	4.1%	4.2%	3.5%	3.5%	4.1%	3.8%	3.6%	3.7%	4.0%	3.9%	4.2%
Domestic service	3.3%	3.5%	3.4%	2.9%	2.3%	2.5%	3.1%	3.3%	2.7%	2.7%	2.5%	2.7%	2.5%
Mail and communication	1.3%	1.3%	1.5%	1.3%	1.1%	1.2%	1.2%	1.2%	0.9%	1.2%	1.1%	1.2%	1.1%
Finantial services activities	0.9%	0.9%	0.8%	0.8%	1.1%	0.9%	1.1%	1.0%	0.9%	0.9%	1.0%	0.8%	0.7%
Oil and mines	0.6%	0.5%	0.1%	0.6%	0.5%	0.5%	0.7%	0.8%	0.7%	0.7%	0.6%	0.7%	0.6%
Electricity and water supply	0.6%	0.5%	0.7%	0.6%	0.5%	0.5%	0.8%	1.0%	0.5%	0.6%	0.6%	0.7%	0.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Reference: INEC (Instituto Nacional de Estadísticas y Censos)

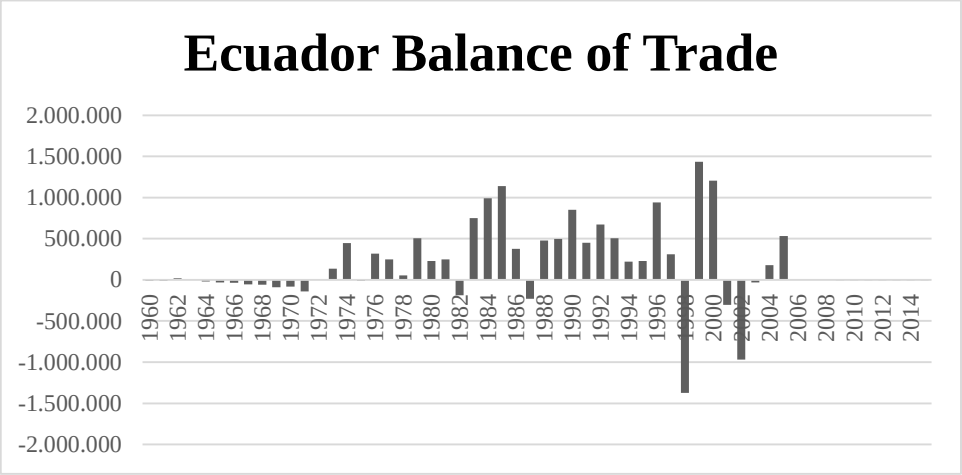
By: Pangol Katherine, Valdivieso Paulina

The sector that provides more employment is agriculture followed by trade and manufacturing. Within the period covered by this image, agriculture is the predominant, this presents highs and lows, in December 2014 it fell by 24.5% from 27.9% in 2011. However, in March 2016, it recovered with 28.1%.

The performance of trade represents 19.9% in 2007. However, this decreases until 2011, which increases by 0.04%, afterwards it decreases.

The manufacturing remains in a range between 10 to 12% approximately.

Balance of Trade



Graphic 22 Ecuador´s Balance of Trade

Reference: (Banco Central del Ecuador, s.f.), (Acosta, Balanza Comercial, Tasa de Cobertura y Tasa de Apertura 1852-2010, 2012)

By: Pangol Katherine, Valdivieso Paulina

The trade balance is negative from 1960 to 1972, except for the year 1962-1963, in 1974 the balance increased from 134,766 million to 445,346 million generating a growth of 230%.

Since 1974 the balance is surplus with few deficits, in 1998 there is a deficit maximum of 1,372,685 million and in 1999 there is a maximum surplus of 1,433,831 million, in 2006 and 2007 the surplus is insignificant, from 2009 to 2015 presents deficit balances.

Commercial Policy

According to the trade policy review report issued by the Ecuadorian Government to the WTO during the period 2005-2011, the country made a series of changes in its policies in order to control strategic sectors, such as oil, electric power, telecommunications and transport, which represent 50% of GDP. However, the report points out that these changes did not promote productivity and competitiveness in an important way. (Organización Mundial del Comercio)

Since 2008, the Government has tried to refinance the external debt and diversify the economy, for which purpose, in 2009, Ecuador tried to limit imports through the imposition of safeguards, which were suppressed in July 2010; to reduce imports and boost exports, the Government created the Organic Code of Production, Trade and Investment (COPCI) focused "on the promotion of the selective substitution of imports, investment and the production of higher value-added goods, particularly by small and medium-sized companies located in regions outside the main business centers (Organización Mundial del Comercio)

During the review period, the agriculture sector is protected by a series of tariff protections and a reduction to the manufacturing sector, agricultural products are subject to tariffs and tariff quotas, no special safeguard measures are applied. "Minimum reference prices or support that buyers pay to producers of bananas, coffee, cocoa, shrimp and fishery products are maintained" (Organización Mundial del Comercio)

Contracts changed in the mining and hydrocarbons sector, which led to renegotiation. The public companies Petroecuador and Petroamazonas, the latter removed from the hands of private companies the production and exploration of oil. The prices of refined oil are subsidized. The mining sector is controlled by the State, which created a national mining company, in 2009 the quotas were reduced to Ecuadorian workers. (Organización Mundial del Comercio)

For the service sector, foreign investment and restrictions on telecommunications are limited, hydrocarbon transport is reserved for a public company and aircraft registered in Ecuador benefit from preferential kerosene prices.

However, in 2015 to 2016 a series of changes in trade policy for different sectors began, in March 2015 Ecuador introduced a tariff surcharge (5%, 15%, 25%, 45%) of a temporary and non-discriminatory nature, especially for raw materials and capital goods, in order to regulate the level of imports and problems in the balance of payments, which has a duration of 15 months; Once the measure was carried out, the recovery of the balance of payments was observed, so that in September 2016 the mitigation of the safeguard measure was approved, reducing the level from 40% to 35% and from 25% to 15%. A temporary surcharge of 15% and 35% is projected for 2017. (Comite de Comercio Exterior).

The country changes its policies on foreign trade due to the trade agreement with the European Union, eliminating tariffs on the import of products such as liquors, raw materials, capital goods, among others, as well as applied to the export of flowers,

broccoli, bananas , among others; and the elimination of the quota for imports of cars or the dismantling of safeguards in June 2017. (Diario El Comercio)

Monetary Policy

Ecuador has a dollarized economy, by using the United States dollar it can not issue monetary and exchange policies to manage the economy, however the Executive Function has the power to formulate the monetary, exchange, credit and financial policy, in addition The Central Bank of Ecuador (ECB) jointly with other public institutions is in charge of the application of such policies. Due to the lack of monetary policy, the ECB, since September 2009, allowed the Executive Funtion to control policies and activities. (Organización Mundial del Comercio)

Fiscal Policy

Fiscal policy represents an instrument of macroeconomic adjustment for Ecuador as being tied to the US dollar. The reforms by the Organic Law of Fiscal Responsibility, Stabilization and Transparency, of 2002, "already established limits to the fiscal deficit, the annual growth of the primary expenditure of the central Government should not exceed 3.5 percent in real terms. (excluding capital expenditure), the fiscal deficit as a percentage of GDP (excluding income derived from oil exports) should decrease by 0.2 percent each year and public debt should not exceed 40 percent of GDP.” (Organización Mundial del Comercio)

Measures have been chosen for the collection of taxes, a tax of 70% was introduced in 2007 on the extraordinary income of companies that have signed contracts with the Government for the exploration and exploitation of non-renewable resources. "Under the Mining Law of 2009, all mine concessionaires pay a minimum royalty of 5 percent on sales of all primary and secondary minerals." (Organización Mundial del Comercio)

In December 2009, a modification of the Internal Tax Regime Law allowed private companies to choose the way to pay their taxes and modified the tax on dividends, introducing a "staggered" tax rate. On December 2010 COPCI introduced a provision by which the rate of corporate tax is reduced by one percentage point per year until reaching 22 percent in 2013, and three types of tax incentives designed to encourage investment with different objectives , including the selective substitution of imports. The Internal Revenue Service (SRI) successfully modernized most of its activities and continued its campaign to increase the collection of the value added tax and to sanction the evaders. (Organización Mundial del Comercio)

In April 2016, due to the damages caused by the earthquake in the province of Manabí, the Government, in order to cover the expenses caused by this catastrophe, increased the value added tax (VAT) two more points, that is, it went up by 12% to 14%. Said measure will run until June 2017. (Diario El Comercio)

Public revenues are made up of: tax and non-tax revenues, income from social security and oil revenues.

Tax Revenues

- Income tax: The corporate income tax rate for the fiscal year 2016 is 22% according to Law No. 0
- Value added tax: which is expected to be reduced by two percentage points, ie from 14% to 12%.
- Imports tariffs.
- Tax on special consumption.
- At the exit of currencies.
- Other taxes, such as vehicle registration, vehicular pollution, credit operations, foreign assets, etc. (Subsecretaría de Presupuesto)

Public expenditure includes: spending on personnel, consumer goods and services, financial expenses, transfers and donations, public works, financial investments, etc. (Subsecretaría de Presupuesto)

Productive Matrix

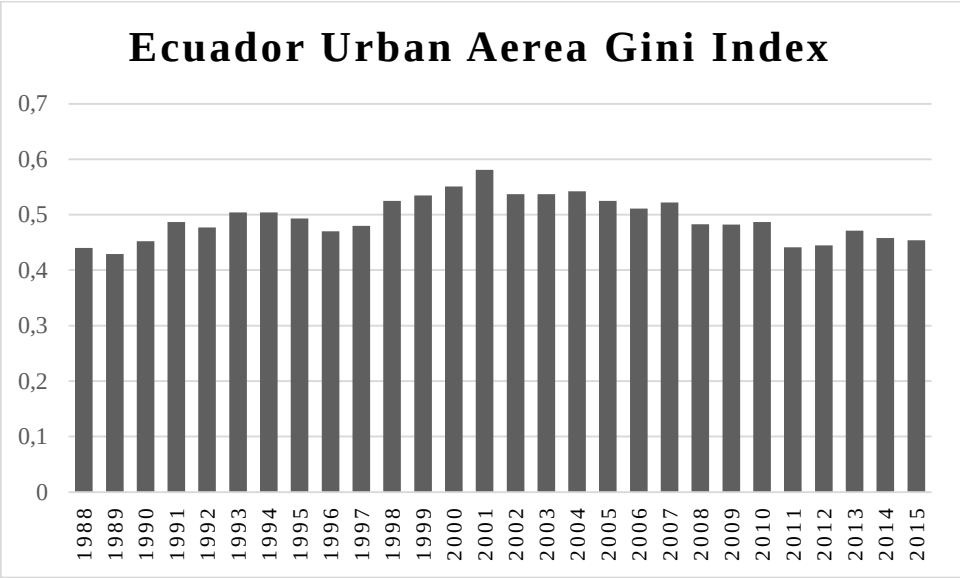
Its productive matrix is based on the increase of national production and tariff barriers to imports. (Jaramillo, 2014)

Competitiveness

Comparative Advantage: the climatic factor has a direct impact on the development of agricultural products and fertile soils.

Competitive Advantage: cheap workforce.

Gini Index



Graphic 23Ecuador´s Gini Index

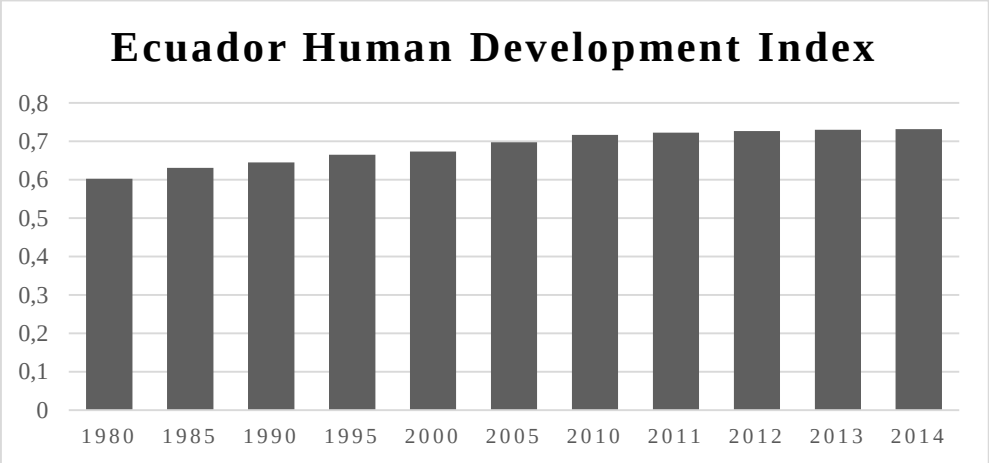
Reference: (Sistema de Indicadores Sociales)

By: Pangol Katherine, Valdivieso Paulina

According to this indicator, the distribution of wealth in Ecuador is deficient, since most of the results of this indicator approach 0.5 or surpass this value, which shows the concentration of wealth in certain sectors of society.

The year with the highest accumulation of wealth is 2001 with an index of 0.581, the year with the lowest index is 1989 with 0.429.

Human Development Index



Graphic 24Ecuador´s Human Development Index

Reference: (Programa de las Naciones Unidas para el Desarrollo)

By: Pangol Katherine, Valdivieso Paulina

According to UNDP human development in Ecuador is on the rise, from 0.603 in 1980 to 0.732 in 2014.

To conclude this chapter, we must take into consideration that the three countries compared are different in many aspects. The one is in Latin America, the other in Asia and the other in Europe, this has repercussions since Ecuador has different points in favor and against each one.

It can be said that both South Korea and Norway have implemented a series of strategies that promote the growth of their economies, the first besides focusing on investment in human capital, oriented investment towards industry accompanied by the support of the State to the private companies, although over time this decreased, and also the investment in technology did.

It is important to emphasize that the impetus of the South Korean economy was based on openness, this focused on the manufacturing sector, but not on agriculture.

On the other hand, Norway already had well-established institutions on the management of natural resources, which served as the basis and support to better manage and take advantage of the oil boom, investment in human capital and in research and development was a key, since that made it possible to deepen and expand knowledge about the oil sector. On the other hand, the Government does not focus all its attention on this sector, but also to produce goods made from raw materials that abound in the country, ie diversification, as in the textile industry, wood, fishing, food processing and naval construction.

In South Korea it is known that their performance has always been in technology. They work with a wide range of technologies that are positioned in the market.

In Norway, because of the climate that does not favor the development of the agriculture sector, they focused on oil as a source of income, but in order not to depend on it, they developed strategies such as creating high-level professionals, educating all its citizens and thus have specialized people and take the country forward; merge companies that work together with strategic sectors. Norway is an example of overcoming in the field of education, I think

that Ecuador should focus more on their people since they have always been and will be the future.

South Korea and Norway handle a wide fiscal and monetary policy since they have their own currency, these two countries establish limits on their respective inflation rates, in South Korea it presents significant contingent liabilities as extra budgetary expenses in construction, transfer and lease projects and in guarantees for loans to SMEs. In terms of trade policy, both protect the agriculture sector, even though it does not generate large revenues. On the other hand, Norway has concentrated its fiscal policy in generating incentives for workers to continue in their work activities due to the aging of the population; the fiscal reform of 2015 focuses on financing collective benefits and improving the management of resources and conditions for trade. It should be noted that the country manages the State Petroleum Fund as a reserve fund for future expenses, which allows the country to finance the debt and manage financial needs.

Ecuador throughout history has had high volume of natural resources that exploded generating high income, as in the case of cocoa, bananas and oil boom. However, the surplus from the same have not been exploited or managed to improve production and invest internally. Acosta says that countries that are rough in natural resources and whose economies depend on them, are characterized by suffering from the curse of abundance, since the management of natural resources is not regulated and the income that comes from these are used abroad and not reinvested in the country. However, in the

banana boom there was reinvestment in the productive processes that improved, to a certain extent, the quality of the fruit, it was not enough although, it remained as a fruit for the second hand market. Also in the oil boom the flight of capital from surplus oil and over-indebtedness marked the end of this stage. All the booms were marked by the poor distribution of wealth, which was concentrated in small groups.

Ecuador's trade policy has been marked by the imposition of safeguards and import barriers in order to boost exports and preference for domestic products, plus the mining and hydrocarbons sector is under government hands. Due to the fact that Ecuador does not manage its own currency, it has not been able to develop its monetary policy; however, the Executive Function can formulate monetary, exchange, credit and financial policy, while fiscal policy represents an instrument of macroeconomic adjustment.

Ecuador is a primary exporting country, meaning that it only imports the raw material because it does not have the adequate knowledge and technology to produce final goods and export them. Ecuador should take into account some strategies that Norway and South Korea had and thus be able to develop as a country and move forward and not be left behind. Ecuador has a great wealth not only on land, but in people and we must learn to exploit them and use them in the right way to be able to get ahead.

3. CHAPTER 3: RECOMMENDATIONS FOR ECUADOR AND CONCLUSIONS

Since this project is aimed at establishing recommendations for Ecuador to be more competitive in the international commercial scenario, this chapter will propose solutions aimed at increasing productivity, innovation capacity and economic development in the country.

A conceptual and graphic model will be established that will explain how to enhance the attributes that generate competitive advantages in certain sectors and their implications for companies and governments.

Before proposing the theoretical model, it should be noted that in the case of Norway and South Korea, it was proposed to develop competitive strategies in specific sectors.

According to Porter the analysis of competitiveness should start from the individual sectors to the economy as a whole, since in a particular sector it is where the competitive advantage is gained or lost and therefore, the nation where these advantages lie the fact of the nation's ability to progress.

The success of a nation is due to two aspects: International Trade and Foreign Direct Investment.

The goal of every nation is to produce more and better to increase the quality of life of its habitants, but in order to increase production, it is necessary to increase productivity of the resources owned by the Nation: (Capital, Labor, Earth) and this will depend The costs of production and therefore the sales prices.

With this precedent the success consists in exporting goods with high productivity with capacity to sustain a level of remuneration required to capital, labor and land and to import those goods in which the companies or sectors are less productive.

The success of foreign direct investment is the creation of subsidiaries abroad, this will have two effects: they will serve as support for the penetration in foreign markets and reinvestment of profits in national territory.

Following the case of Norway and Korea, the key task for domestic firms is to be able to compete with foreign firms in certain sectors or segments. The fact of competing internationally is reflected in two aspects: exports and the transfer of the operations of domestic companies abroad through foreign direct investment, all this will require high technology and highly qualified human resources.

Next, it is proposed to improve competitiveness within the micro and macro economic environment of Ecuador, together with political institutions and factors that affect the prosperity of a country. To do this, an analysis of 12 pillars will be carried out:

The pillars to be analyzed are:

- Institutions
- Infraestructure
- Macroeconomic stability
- Health and primary education
- Higher education and training
- Efficiency of the goods market
- Efficiency in the labor market
- Sophistication of the financial market
- Technological preparation Tamaño de mercado
- Market Size
- Business sophistication
- Innovation

Likewise, the recommendations that will be proposed in this chapter are aimed at Ecuador reducing its dependence on the raw material, based on the experience and strategies of the economic model of Norway and South Korea.

3.1. I PILAR: INSTITUTIONS

The role of institutions plays an important tool in the generation of wealth, this established the behavior that individuals, companies and governments must take to that end, through develop policies, norms that control the distribution of benefits within societies, assume costs of strategies, their actions affect investment decisions, as well as controls and manages income from extractive activities. The institutional framework encompasses not only the legal framework of the public sector but also the performance and regulation of the private sector.

In the case of Ecuador, institutionality has been marked by attempts to industrialize the economy, from 1997 to 2006 with the open market approach, the Corporation for the Promotion of Exports and Investments (CORPEI) was created within this framework. In 2003 until 2010 was carried out the National Plan for Export Promotion, in order to promote international economic and trade integration through investment and exports. Also in 2003 the National Competitiveness Council was created in order to increase international competitiveness due to dollarization. According to Freire within this period did not have an explicit industrialization policy, since it was conceived of as a result of economic openness.

In the period between 2007-2011, the institutionality related to productive diversification is based on the Constitution of 2008, the National Plan for Good Living (PNBV) and the Productive Transformation Agenda (ATP). According to Villalba, this model has been made in order to provide citizens with tools for productive development, through access to technology, financing, knowledge, infrastructure and land. To this end, it has generated policies aimed at the development of education, health, infrastructure, human capital formation, basic services and connectivity, as well

as the generation of tax incentives, subsidies, tariff financing, public procurement, technology transfer, special economic spaces, export promotion, among others, taking into account that its implementation should include the actors of the popular economy and micro, small and medium enterprises.

Tabla 1 Instituciones Relacionadas con el Cambio de la Matriz Productiva en el Ecuador

Areas of intervention	Institution responsible
Innovation	National Secretariat for Higher Education, Science, Technology and Innovation
Articulation of companies	Ministry of Industry and Productivity
Society of Information	Ministry of Telecommunications and Information Society
Attraction foreign direct investment	Ministry of Foreign Affairs, Trade and Integration
Financing	Ministry of Security
Infraestructure	Various ministries
Capacity building	Ministry of Labor Relations

Fuente: SENPLADES

It can be seen that in the last years there has been consolidation of the different institutions of the Government to carry out the change of the productive matrix. However, it should be emphasized that Ecuador throughout its history has not had institutions with solid bases but these are changing according to the government in turn.

In this case it should be noted that Norway, for years before the start of oil exploration, already had a lot of institutions that knew how to manage the use of natural resources and the income derived from it.

According to the World Economic Forum (WEF), Ecuador ranks 105th out of 144 countries in institutions, between the scale of 1-7, the country has only 3.4, which shows that the level of this pillar is lower to promote economic development.

Legal security: Ecuador lacks this factor, because there is no trust in investors, there is no clear and permanent legal framework that offers a legal order on which to regulate and protect.

Legal framework

Municipal patent tax: the companies that are constituted must pay a tax depending on the patrimony or capital with which the society was formed.

Law of Promotion of the Andean Trade and Eradication of the Drugs (Atpdea): this one was in force since 1991, the same one allowed the passage without tariff of the products towards the USA, nevertheless in 2013 this law was repealed, which meant increase of tariffs for products such as broccoli, flowers, tuna, among others, are making it less competitive by increasing prices in the foreign country.

Recommendations:

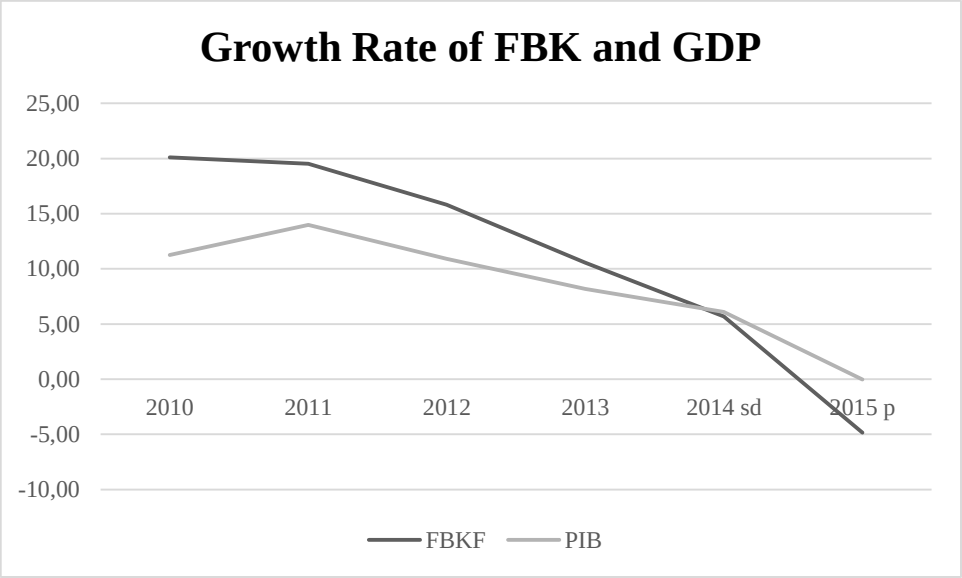
1. Be part of Atpdea and the General System of Preferences.
2. Give way to US tariff benefits.
3. Legal security, in order to generate confidence in investors.
4. Access of quotas of products like shrimp and bananas to China and Brazil without a tariff.
5. In times of economic recession promote the elimination of VAT on products necessary for production.
6. Exemption of the tax on patents, especially for new and low-income companies in order to give them a time span, can be between 3 and 4 years to recover their investment and once they are economically stable, proceed to pay the Tax but not high, since at present this can reach up to $ 25,000, depending on the capital of the company.
7. Elimination of tariffs for machinery, such as 5% on machines for re-guiding tires and for rolling fabrics or tractors.
8. Consolidation of national companies with foreign companies, in the realization and financing of projects.
9. Attract investors or partners who support strategic areas jointly with the private sector.
10. To allocate a percentage of GDP to the research, science and technology sector and to finance it with the profits of the mining and oil sector, in addition to support from the private sector. Establishing public policies that do not decline due to political or budgetary causes or conflicts. To this end, a team dedicated to formulating public policies to promote the country in this area, this could be done through an agreement with the University of Sussex

Scientific Policy Research Unit, in addition to facilitating access to masters and Scholarships for the formation of policies within this area.

11. That the investment fund managed by the state not only cover public spending but also be said to finance strategic economic sectors, such as Norway that its investments were focused on the development of naval, textile, electrochemical, among others.
12. Elimination or reduction of tariffs for products mainly exported to the US, such as tuna, shrimp, flowers and bananas, which are the products most exported to the country.
13. To grant to the companies the importation of machinery free of taxes, and during the first three years of operation of the same, these will give to the State 3% of profits, like aid to allow the entrance of the machines without complications.

3.2. II PILAR: INFRAESTRUCTURE

This is an important factor in the competitiveness of countries, improving production and transportation of goods. This increases national integration, reducing the distance between regions and countries. Likewise the infrastructure has a factory that develops its products to be first in order for the product development process to be optimal and efficient. Infrastructure also embraces social issues, reducing inequality by connecting rural populations with economic activities and education through communication infrastructure.

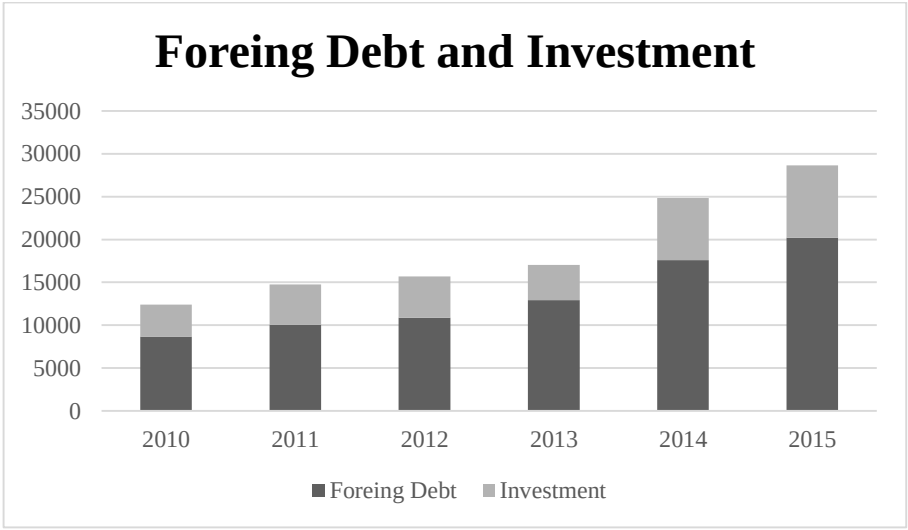


Graphic 25 Growth Rate of FBK and GDP in Ecuador

Reference: BCE

By: Pangol Katherine, Valdivieso Paulina

Because national savings promote investments, as shown in the graph, investment in FBKF can be said to fall due to the country's lack of savings and lack of legal guarantees. Therefore, to finance investments, the Government uses the debt.



Graphic 26 Foreing Debt and Investment in Ecuador

Reference: Ministerio de Finanzas

By: Pangol Katherine, Valdivieso Paulina

The meaning of the graph one can say that while the investment increases, so does the debt, with the exception of 2013.

To reduce the debt, which is increasing, the recommendation would be to encourage foreign direct investment, which would generate income, production and employment. Ecuador can attract it by:

1. Ecuador should open its way to free trade. This could allow the passage to foreign inputs with lower tariff, greater ease for the Ecuadorian product to penetrate abroad, access to foreign inputs and the exit of domestic product could activate the economy as it would occur in greater volume, so the market would be more competitive. On the other hand, the contumer has to win as he would have products at low prices and higher quality. Foreign investments could increase due to the legal certainty that an FTA represents.

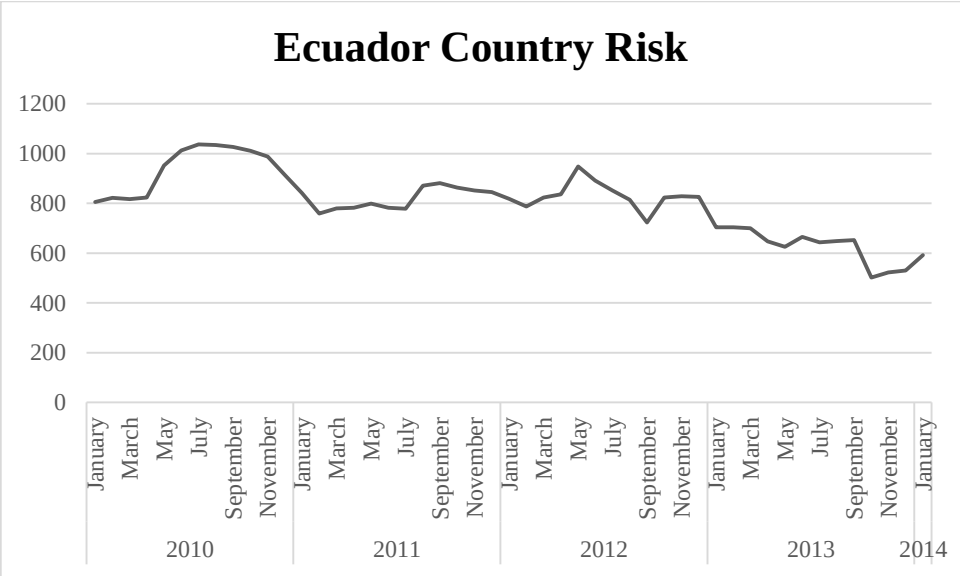
The impact of a FTA can be very large, especially in the political aspect, there could be uprisings by popular groups such as CONAIE, which could be said to pursue interests of their own and not collectives, so it would be fair to call a popular consultation.

2. Reduction of tariff barriers to import inputs from abroad and the entry of new technology, which would benefit not only foreign companies.

This would allow companies to have greater access to new and better machinery, a raw material that does not exist in the country, thereby increasing production and improving processes. Access to new technology would allow the development of new methods for the production of products, which could be more efficient, the technology

that allows the production of products in a shorter time and in greater quantity. On the other hand new software that offers more efficient services.

3. An important factor to remember is that investors expect to generate profitability that benefits them, this goes hand in hand with country risk.



Graphic 27 Ecuador Country Risk

Reference: Revista Perspectiva (Universidad de los Hemisferios)

By: Pangol Katherine, Valdivieso Paulina

Country risk, as an index that serves as a guide for investors, directly affects the country's ability to pay its debts, in this case Ecuador presents a high country risk, between 2000 and 2003, in 2002 they fell in a range between 600 to 800, nevertheless in September of 2008 it increases to numbers greater than 3000, reaching December of that year in 4731 points, at the end of 2009 it descends to a figure 775, since 2011 remains in a range between 500 to 1000.

To reduce this index reforms must be made, such as:

1. Generate confidence in the current government, as it could be said that in recent years there has been much political unsteadiness. It can be said that political conflicts begin with economic unsteadiness, since it does not matter what ideology belongs to the current government as long as the economy is well managed, therefore reforms should be directed to the economic aspect.
2. Promote foreign investment not only to increase productivity, new knowledge and technology, new ways of running businesses. The way to attract foreign direct investment is to establish clear rules, legal guarantees and projects with a return higher than the cost of capital of said investors.

3. Develop profitable projects with good returns to attract foreign investment.

4. Reduce rigidity in import barriers. Taxes on technology and machines. In Ecuador there are a few technologies. It should be accessed at a lower cost or subsidies in order to produce value-added products. With easy access to machinery, it would be easier to create more products, increase sales and so companies would have a fund to invest in technology and / or machines.

5. Loans to external entities could be reduced, as the country's lack of liquidity to support excessive debt is demonstrated, it would be advisable to establish a law that limits access to loans in an excessive way and instead generates alternative routes of income that promote productivity. Clusters should be implemented, so there would be different investments and not one individual, but several.

It is important to emphasize the investment of Chinese companies in Ecuador, especially since 2015 where several contracts were made with these, however these more than to finance the short term contracts and to establish as guarantee the oil, they demand that the Chinese companies are the same that execute the works. That is to say, there is no foreign direct investment, but rather, indebtedness.

The recommendations would be:

1. In order to avoid that the foreign company charges a high cost for the execution of works, Ecuador should allow different companies to participate in order for competition to exist and the cost to fall, this law is in force in Ecuador, but unfortunately it is not fulfilled.
2. That the contracts are carried out between a national company and a foreign company, without the first having the status of subcontractor. The consolidation of both sides would allow the exchange of knowledge, in addition to an increase in internal employment.
3. The private sector should invest in research and development, in order to increase its competitiveness and positioning. For this to happen, each company should invest 5% of its annual profits and thus open up a field for research and development and be competitive in the market.

3.3. III PILAR: MACROECONOMIC STABILITY

This factor has an effect on the performance of companies and the competitiveness of the country. In other words, if the macroeconomic environment is unstable, it would affect the economy. A government could not afford services if it had high debts and

interests. Therefore, macroeconomic stability assures the country and the companies have grown and developed.

Ecuador manages a strong public expenditure, according to the Leaders magazine in one of its articles, indicates that the country uses the great amount of resources to impose economic policies, that is to say to apply taxes as means that finance the budgetary fund, nevertheless to these are insufficient the Government seeks financing for annual budgets through foreign loans that increase foreign debt (China) and domestic debt (bond issue) in addition to imposing laws that affect the development of the private sector. (Leaders magazine). This can be said that the country has adopted as a base of development the increase in public spending, which makes the economy more susceptible to shocks that have an effect on taxes and products. Public spending therefore has no backing when public revenues go down, including the price of oil, which is a strong pillar that sustains spending.

Ecuador, when adopting the US dollar as the national currency, does not have a monetary policy, this helps to maintain the level of prices stable, according to the Central Bank of Ecuador (ECB) the country's inflation rate converges with E.E.U.U, traying to be similar but not equal. However, one point is against the fact that the exchange rate can not be controlled, since it avoids the depreciation that in times of reduction of the price of a barrel of oil would have represented an advantage that would have allowed it to gain competitiveness in the country.

According to White, the depreciation of the currency would allow the country to reduce the level of wages and the cost of inputs, since there would be a reduction in the

demand for labor, considering as a scenario the fall in oil prices, therefore, non-oil exporting companies may have broader margins to expand production and sales.

Ecuador is susceptible to external shocks because of the appreciation of the US dollar that are related to the imposition of fees, quotas, tariffs, among others. As proof of this, Ecuador set tariffs on imports in 2011 as a measure to prevent the country's leakage of foreign exchange.

An important point to note is electronic money, which the ECB has been putting forward since 2011. This is an electronic means of payment backed by physical money, in order to carry out transactions from the cellular phone and allow the inclusion in the financial system with costs cheaper than the banking system. However, failing to present a clear regulation of the management of this project opens the way to speculation.

Mauricio Pozo points out that this government alternative to provide economic stability and protect the foreign exchange system is affecting foreign investment, as it is not known if there is sufficient liquidity to support this digital currency, adding "the suspension that the Code Monetary Fund made with the 4 systems of balance sheets of the Central Bank, the same ones that showed the support of reserves for the different liabilities of the former Emisor Institute ", on the other hand Pozo ensures that the tax system does not offer normative stability since this is in Continuous change.. (Pozo, No hay politica económica)

Diario El Comercio copied some doubts that remain about electronic money: Will it be issued without backing in dollars? Will it be a tool to issue virtual money with the option to make it real? Will it serve to pay state suppliers and public servants? In which of the accounts of the Central Bank will these transactions be recorded? In addition to these can be asked questions such as "What will be the way to pay foreign investors who do not live in Ecuador? According to the Journal, the ECB, when qualifying as a private issuer of electronic money opens the possibility that the person in charge of issuing Electronic money is said institution or private banking, it is not clear yet whether there is the possibility that at some point can be converted as real to electronic money. (Diario El Comercio) If the ECB is the entity in which the money is concentrated it would speak of a monopoly, it would concentrate the money and could use it to finance the fiscal deficit.

The support that should have the country in addition to the dollars that the ECB owns should have the international reserve that according to Diario el Universo does not cover all bank reserves, in addition to "reserves of deposits of institutions that collect money of people, including the public sector, such as the National Development Bank " (Diario El Universo)

There is no assurance of whether it will be issued with dollar backing, as it is not specified in detail in the policy document. In addition according to the Journal as it is established in the document that the State can pay through this means and the creditors have the obligation to receive it.

Because the rules are not clear the hypothesis could be established as the exit of the dollar of the country, since according to analysts this may be the first step to abandon dollarization, although the Government says that wants to keep both currencies in parallel could say as a strategy to maintain the confidence of the population in the current financial system. In the case of getting out of dollarization. Who sets the rate or will depend on supply and demand? (BBC)

One of the effects that the use of electronic money in the country can have is that would create money and finance spending, according to Lam, an economist at the University of Waterloo, a dollarized economy, a lack of money. Force the Government to finance it through virtual currency that they can control. (BBC)

If the government starts issuing electronic money, they can create inflation since it would have the authority to "print" this type of currency, according to analyst Reinelt, "a digital currency, without transparency in how it is created or if it will be completely protected by a currency Fiduciary, has the potential to affect economic stability if it is not regulated by an impartial body, and the Central Bank of Ecuador doesnt have an economic stability" (BBC). This increases instability in the country as the dollar keeps inflation at low levels and provides financial security and fiscal discipline.

In the event that the ECB monopolizes the financial market, banks and cooperatives would no longer exist, in which case it is unclear how loans or advances would be accessed.

The role of companies in this new scenario would be risky, since companies that have foreign investment to develop their activities would not know how they investment will return to their backers, to their investors and worse, how to pay their debts, there could be the possibility That your lenders prefer to receive real money instead of digital. This is a point that can reduce the attractiveness of the country as a source of investment.

Electronic money does not provide stability to the country, around this issue an environment of speculation is handled by not establishing clear rules of the game, which does not provide financial security or support for its use, in addition the probable exit of the dollar increases the risk of inflation and the uncertainty of issuing unsupported electronic money.

Recommendations

1. Measures for the country to grow sustainably without increasing public spending may include:
    a. The country should present clear public accounts in order not to create uncertainty about the true economic state, in this way transparency can generate confidence in the investments.
    b. Encourage private investment through legal certainty and regulatory stability.
    c. Establish agreements with the main partner countries for two purposes: to enable and facilitate the marketing of non-oil exports and to promote foreign investment.

2. In order to reduce the impact of external shocks, export promotion can take place, with support from both the private and public sectors. Here we can follow the example of South Korea, where the Government in order to support industries subsidized key sectors to expand the border of production, as well as the State intervened in the activities of the companies, granting them funds and resources in exchange for production standards.
3. In order to control public spending, it would be possible to reduce this item and restrict credit obtained abroad, the country should have a law that limits access to excessive credit and promotes alternative sources of financing, such as the promotion of exports and exemption from tariffs for inputs that support production.
4. Another measure implemented by South Korea in the 1960s and 1970s encouraged exports through a system of trade-offs, that is, the company that most exported received more subsidized credit, and who did not, was doomed to closure. This measure can be adopted in the country through government assistance with the exemption of tariffs on inputs for the production and elimination of rules that restrict the private sector, so that companies could increase their production and be able to participate in this measure.
5. Increased private investment, also South Korea through policy promoted the high-income population to invest in the industrial sector. In Ecuador, the Government could determine income ranges in the population to establish the group in economic capacity to invest in strategic sectors, agreeing on a percentage of investment.

6. The government should develop rules with clear rules before making the country aware of a new project, otherwise it creates a speculative environment and increases uncertainty and concern for investors.
7. To carry out projects such as electronic money, the government should call citizens to popular consultation, once the country has been well informed about the project, this should be everyone's decision to have a large impact on the economy.
8. The ECB should not monopolize the financial market, but private institutions as a means to decentralize and control the management of electronic money.
9. Regulations should be issued to ensure the support of electronic money, including the country's international reserves to avoid inflation, and should not be considered abandoning the dollar.

3.4. IV PILAR: HEALTH AND PRIMARY EDUCATION

Health and education are factors that promote the competence and efficiency of a company and a country. Therefore, having high levels of health would reduce absences due to illness and increase efficiency, and at the same time save money because you would not have to look for replacements. Primary education is important, it would facilitate the training process for new production techniques for workers. Low standards of health and education would not allow companies to grow and improve their value-added production.

According to a report by the Pan American Health Organization, Ecuador has improved its anti-malaria system through national control programs. The best known is

dengue, which has a seasonal character and mainly affects the region of the coast, especially in winter, rainy season and temperatures above 28 ° C. Cutaneous leishmaniasis affects the rural regions of the Coast, the Sierra and the Amazon, the disease of the chagas affects the provinces of Loja, El Oro, Manabí, Guayas, Orellana and Sucumbíos. On the other hand, it says that yellow fever is controlled in the country, since no cases have been reported since 2010, except in 2012

Tabla 2Number of Cases Registered by the Ministry of Health for Vector-Borne Diseases in Ecuador

Cases in Ecuador	2010	2011	2012	2013	2014	2015
Malaria	1.888	1.232	558	264	248	558
Not serious dengue	17.823	7.659	17.116	12.084	13.816	
Severe dengue	307	307	294	70	67	
Chagas	167	110	76	35	-	-
Leishmaniosis	1.629	1.403	935	767	1.161	1.401
Oncocercosis	0	0	0	0	0	0
Fiebre amarilla	0	0	2	0	0	0

Reference: (SNEM), INEC

By: Pangol Katherine, Valdivieso Paulina

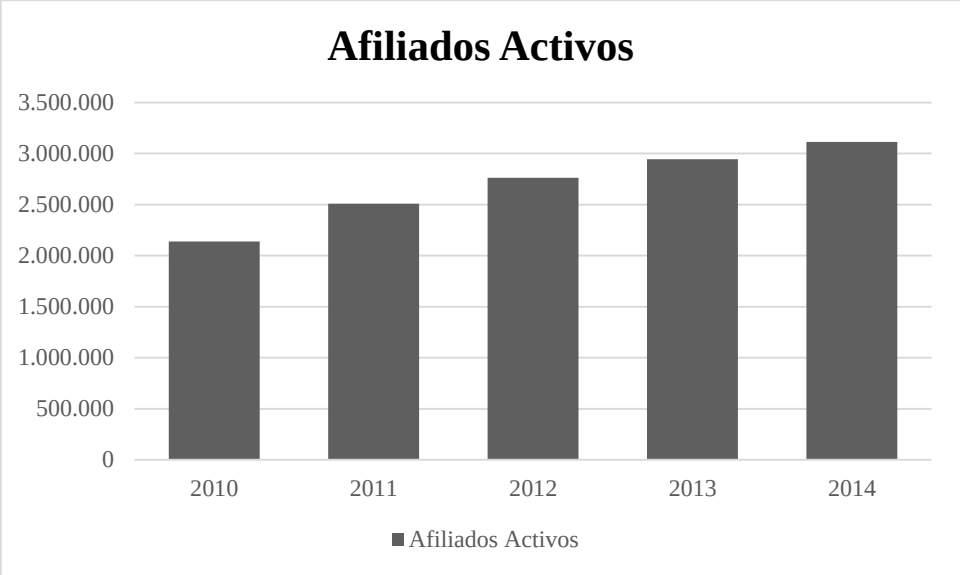
Cases of vector-borne diseases have been reduced, except for non-severe dengue. Thanks to the Program for the Elimination of Onchocerciasis in the Americas, this could be eliminated in 2010.

Throughout history Ecuador has suffered from the presence of diseases that have affected a large part of the population, factors that are due to climatic phenomena, population displacements, socioeconomic crises, expansion of the agricultural frontier, weakening of health services. In order to provide better health services and eliminate diseases, since 2000, the country has been able to access international consultancies and projects such as the Amazonian Surveillance Network for Antimalarial Resistance (RAVREDA), and the Control of Malaria in the Border Areas of the Andean Region: A Community Approach (PAMAFRO). The first consolidated international institutions and local organizations, the funds for its realization come from contributions from USAID and the Ministry of Health of Ecuador. (Organización Panamericana de la Salud)

The Expanded Program on Immunization was one of the strategies that helped the country to reduce cases of vector-borne disease. This program allows access to vaccination through a legal framework that establishes it as a public good. According to the newspaper La Hora, for 2011 diseases such as measles, whooping cough and diphtheria were eliminated from the country thanks to the program. (Diario La Hora)

The Ecuadorian Institute of Social Security (IESS) provides compulsory social insurance to Ecuadorians, all workers employed in either the public or private sector must be affiliated to this service, and it is the employer's obligation to provide workers with this insurance . The member must give a contribution of 9.45% to the IESS of his salary, while the employer 11.45% of the salary of the worker. (Instituto de Ecuatoriano de Seguridad Social)

The IESS data source provides information up to 2014, which is why figure 30 shows data up to that year.



Graphic 28Active Affiliates in Ecuador

Reference: IESS (Instituto Ecuatoriano de Seguridad Social)

By: Pangol Katherine, Valdivieso Paulina

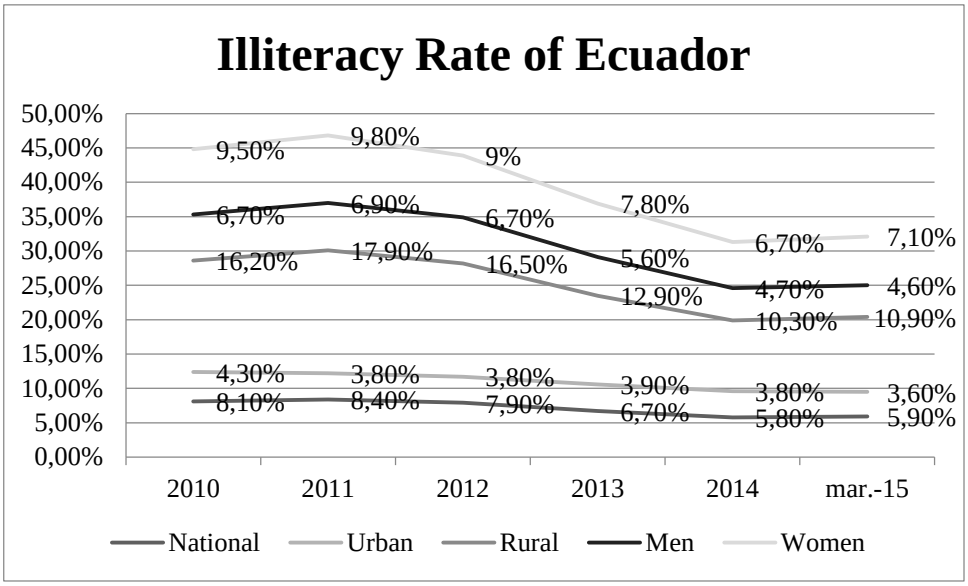
Affiliations within the period 2010-2014 are on the increase, it may be due to the affiliation is mandatory, otherwise a fine and punishment with imprisonment of three to five years.

Health service has improved, both in disease control and in the affiliation of citizens.

In education, the Government has made great strides in this area with the implementation of the Millennium Schools and the National Leveling and Admissions System (SNNA), which has increased student enrollment, university creation and increased access for people with low Resources to education, among others. (Andes Agencia Pública de Noticias del Ecuador y Suramérica)

Some of the modifications and projects in favor of education have helped the development of the same, such as elimination of the "voluntary contribution" that had a value of USD 25 which allowed more students to access the education system, School feeding service, easy access to school texts and creation of the "Hilando el desarrollo" program that provides free school uniforms, teacher training through the "Yes Profe" program, now called "It's always time to learn"

Also the construction of the Millennium School Units that are about 26 establishments, in addition to 200 pre-fabricated schools under construction by 2017, which have complete equipment including library, laboratories, dining room, meeting room and civic plaza.. (Diario El Comercio)

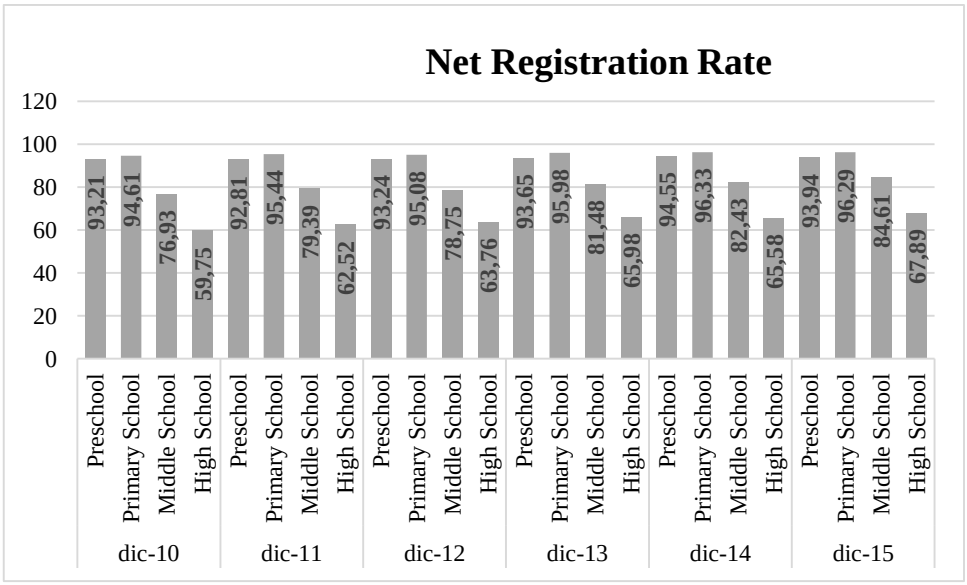


Graphic 29Illiteracy Rate of Ecuador

Reference: INEC

By: Pangol Katherine, Valdivieso Paulina

Illiteracy is mostly found in women than in men, there is a greater presence in the rural area and within the national range since 2010 that had an 8.1 of illiterates decreased to 2015 by 5.8%.

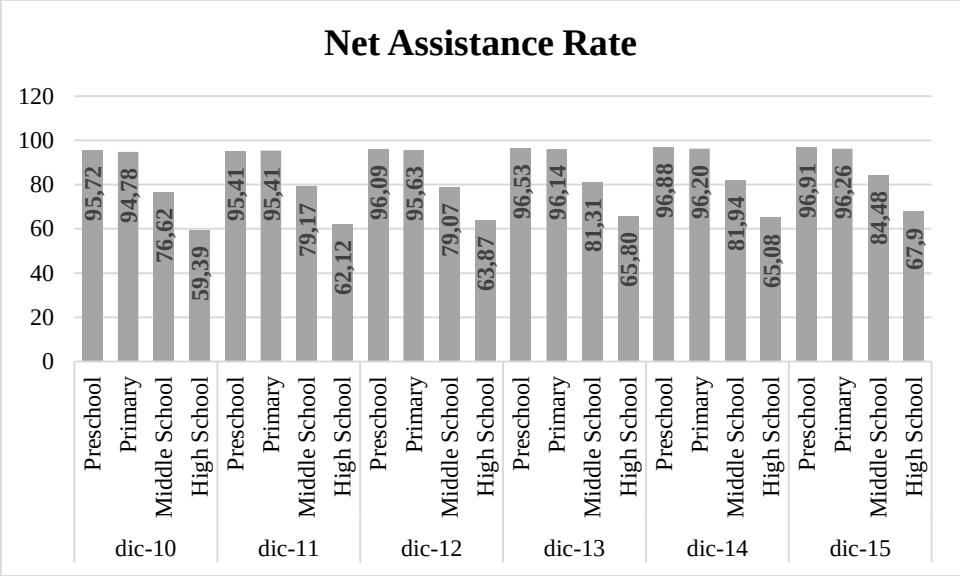


Graphic 30 Net Registration Rate

Reference: (Ministerio de Educación)

By: Pangol Katherine, Valdivieso Paulina

The primary enrollment rate is increasing since 2010, except in 2015, which declined by 0.61%, enrollment at the basic level shows a decrease of 0.36% in the same year, however this one recovers in the following year With a 0.9% and decrease slightly in 2015. The percentage of students enrolled in the secondary falls in 2012 by 0.64%, the rate of enrollment in high school is 59.75%, however increases in 2015 with a rate of 67.89%.

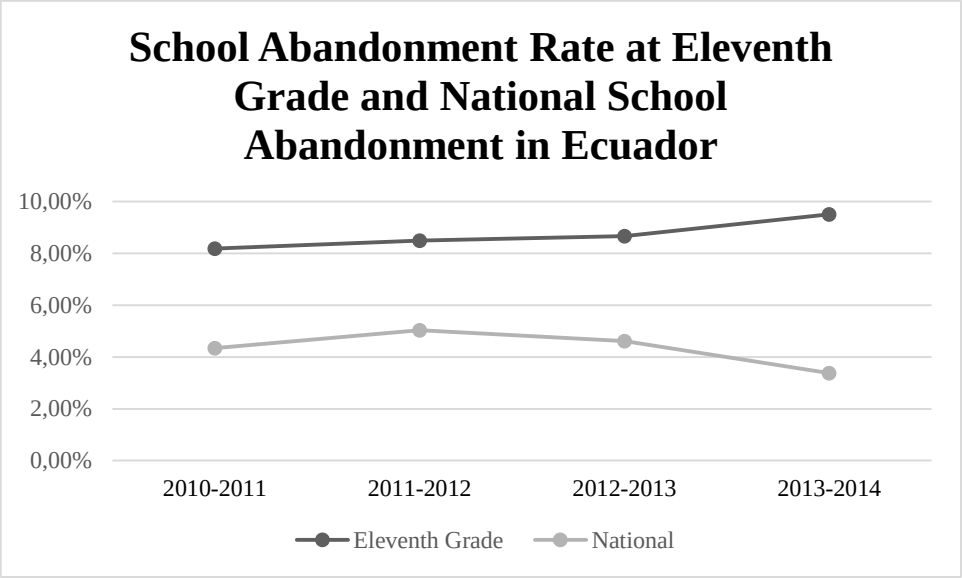


Graphic 31Net Assistance Rate of Ecuador 2010-2015

Reference: (Ministerio de Educación)

By: Pangol Katherine, Valdivieso Paulina

The attendance rate is similar to the enrollment rate, it could be said that all students enrolled attended classes.



Graphic 32 School Abandonment Rate at Eleventh Grade and National School Abandonment in Ecuador

Reference: (Ministerio de Educación)

By: Pangol Katherine, Valdivieso Paulina

The figures established by the Ministry of Education indicate that the national drop rate decreased from the period 2010-2011, however the dropout of students in the first year of high school rose considerably in the last period, according to estimates the Ministry are about 27 Thousand students who did not continue their studies.

Although the Government makes investment in the area of education, this should be used by students, although the dropout at the national level has reduced the fact that a large percentage of students dropped out of the first year of high school, that is to say 27 thousand students can not be professionals. According to Méndez, an educational sociologist, he says that the main reasons for abandonment are family problems, adolescent pregnancies and economic needs. (Diario La Hora)

Recommendations for:

Education

1. In the field of education, students in schools, colleges and high schools should be encouraged to continue their studies through awareness-raising campaigns.
2. Perhaps there are students who do not continue high school because they think that they will not be able to access the university, so it is necessary that they know about the promotion of scholarships in universities.
3. Private companies that provide work for baccalaureate students who need it, who last the school year and who do it between 3 to 4 hours a day.

Investment in Education

Because the government invests in education, returns on education are seen over the long term, which is why it should opt for a source of long-term funding other than through debt generation as seen in the first pillar.

1. Apply the Norwegian model of financing for education, where the government subsidizes public and private education, the latter depending on the approval of the program of study. On the other hand, they could also apply the model of South Korea, where the government controls the cost of private education, which is not high. This ensures that it is accessible to all.

This would result in the following way, if the government controlled the private school tuition, each person would be able to choose where to study, since it would cost the same in either of the two schools and would have the same privileges. For this to be feasible, each school must give its program of studies to the government and it must

authorize if it seems to the program well to be able to subsidize it. Another point would be that there is a law that imposes the limit that each student must pay in each private school so that the prices of education are not high.

Literacy

Ecuador has a minimum illiteracy rate of 5.9%. For this percentage to be zero we should do the following. We propose:

1. Raise awareness of the 5% of people through books, opportunities in working life, make them understand that they need to fend for themselves.
2. Have links with schools to help with this task of teaching people who do not have the necessary resources.
3. Work with important people who draw the attention of illiterate people.
4. Create programs that help people get ahead when they are studying or when they have completed their studies.

This program would be called the "overdraft", would be subsidized by the government and would have agreements with large companies in which the alphabets have the opportunity to work and learn business. And it would be a requirement that companies have to hire them in any area, their goal is to take them forward so that in the future they can become professionals and source themselves.

3.5. V PILAR: HIGHER EDUCATION AND TRAINING

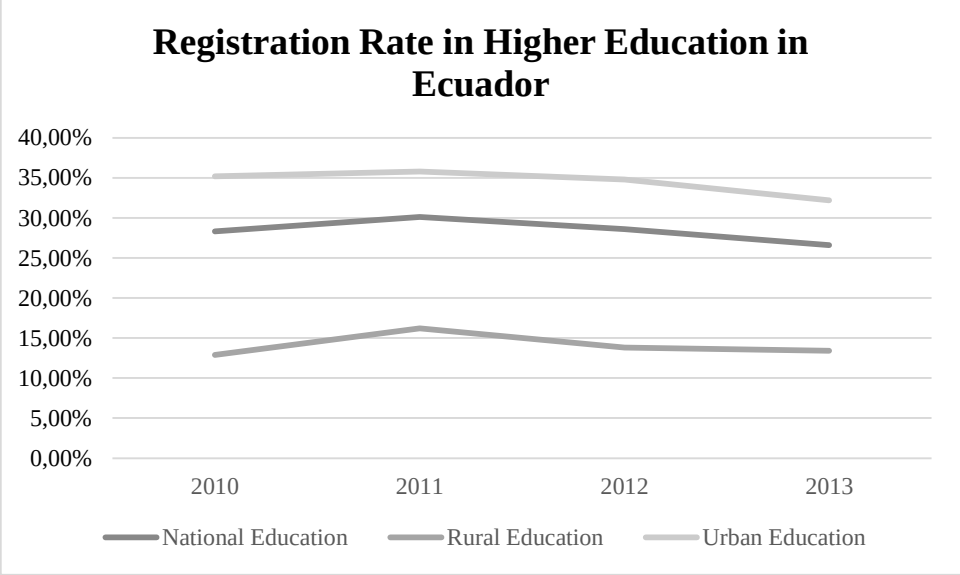
Skilled labor is an advantage in every company and country, it is a factor that helps to advance and develop the value chain. Qualified and trained personalwill be a key factor in adapting new technical and administrative changes in a company, because they will have the knowledge and skills necessary to face any economic scenario.

Within higher education, the country has invested in various programs and projects to improve the quality of this service, such as scholarships to study in the best universities, ensured that education is the first through a project that qualified universities by granting them categories according to the capacity of equipment of laboratories, teachers, infrastructure, generation of knowledge, student environment, etc. What caused the closure of universities "ghost" or academic scam, this process was aimed at generating research and knowledge in students and control the absence of them to form part of the productive apparatus of the country.

Ecuador has emblematic universities such as, Yachay, Ikiam, University of the Arts, National University of Education, as a result of projects for higher education, these research institutions are based in the first place on academic excellence for the formation of Human talent in the country.

The country has the National Leveling and Admissions System (SNNA) which guarantees students free access to public universities in the country, through the National Exam for Higher Education (ENES), in case students reach a grade of excellence, they are given the opportunity to study in universities abroad. However,

depending on the qualification of the exam that is over 1000, the student is allowed to choose any career within the range of the qualification he has obtained, implying that he must study the assigned career and not the one he would like. On the other hand, the students are prepared in institutes specialized in the examination of the ENES, they have a cost, therefore it could be said that students who do not have economic support cannot afford such service, reason why they would be less likely to obtain a qualification high.



Graphic 33 Enrollment Rate in Higher Education in Ecuador

Reference: INEC

By: Pangol Katherine, Valdivieso Paulina

The national enrollment rate in 2011 is 30.1%, however, it falls by 1.5% in 2012, the year in which ENES was launched, in 2013 it drops by 2.6%.

It should be emphasized that the enrollment rate of higher education is not in the statistical compendium of the INEC of the years 2014 and 2015, because since 2012 the data is not comparable due to the introduction of SENESCYT.

The following are proposals that promote the development of human capital.

Higher education

1. Eliminate the ENES exam as a means to be accepted in universities, since every university has entrance exams, so it becomes unnecessary.
2. These SENESCYT knowledge requirements have led to the establishment of institutes that level the students to give the exam, these institutes should be subsidized by the Government and should not have the character of private, since it is the Government that promotes this new System of higher education.
3. Allowing students to choose the career they want, there is no better motivation than researching and studying the career preferred by the student.

Training

1. The example of Norway, which in order to generate knowledge in the area of oil, the Government issued a Concession Law, within which foreign companies contributed knowledge through the joint work of Norwegian scientific communities and local industries to Change to obtain concessions to exploit oil.
2. Ecuador could apply this measure in strategic areas with partner countries, allowing the entry of technology and knowledge to improve the processes in

exchange for the entry into Ecuador of imports without tariffs on products that are not similar or equal that affect the Local competition.

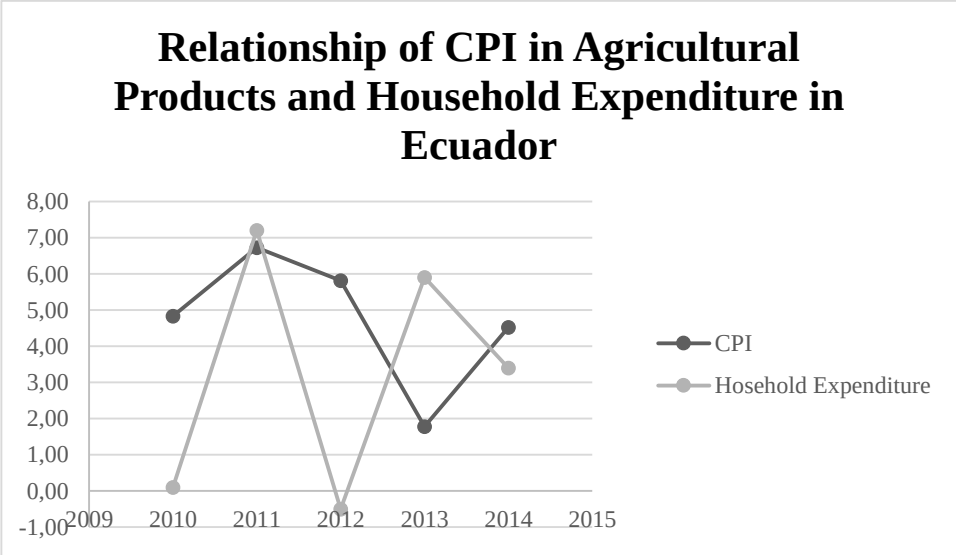
In the case of having a company it would be advisable to invest capital, to generate people who know about the business and the appropriate technology, because it is believed that in the future the investment would be recovered. Providing staff with training, incentives, courses and opportunities to work with broad knowledge and motivation to get the company forward.

3. Conduct competitions within the company and the two most competent employees to send them abroad, so they specialize in the products and activities concerning the company, in order to improve performance. For this would use 6% of the annual profits to help the work team so that they can increase their studies, knowing that in the long term would obtain results.
4. Companies should promote training, investing 6% of their profits in projects that improve, develop and train management as workers in the importance of customer management processes, sales, production, finance, capacity development creative in the workplace.
5. Modernize the productive machines, the processes and the management, through the updating of knowledge to the personal, since it can be assumed that the employees have knowledge to handle technology or the way to carry out projects.
6. One way to improve productivity could be to invest time in making employees aware of new technology, as well as new and better ways to manage or develop activities that optimize time.

7. Organize or coordinate activities between departments of the company to optimize time, establishing workflows, develop a list of tares for each area with a schedule and time limit for follow up.
8. The company should make use of the tools offered by the web, such as the cloud or drop box, which allows users to work from anywhere through a computer or Smartphone, which allows the worker to have a flexible schedule and work in multiple employees in the same file at a time, which would increase productivity.
9. It is important to generate a student-company relationship, that is to say that the company conducts competitions where the students present their projects, let them know their skills.

3.1. VI PILAR: EFFICIENCY OF THE MARKET OF GOODS

For a correct commercialization of goods and services, it is essential that countries produce efficient products and services in conditions of optimal supply and demand. Here, too, is fair competition that allows markets to function in an efficient and transparent manner. The efficiency of the market is related to the level of taxes, consumer demands and preferences.



Graphic 34 Relationship of CPI in Agricultural Products and Household Expenditure in Ecuador

Reference: BCE

by: Pangol Katherine, Valdivieso Paulina

This chart took into account the CPI annual variation rates of agricultural products and household expenditure on food and non-alcoholic beverages, generally if the price index increases spending decreases, however this did not occur in 2011, where the CPI increased by 6.7% and spending by 7.2%

To increase demand, we recommend:

We could apply the strategy that South Korea used to increase domestic demand; the state could subsidize strategic sectors to return demand production standards. With the subsidy the products would have a lower cost and this would make the company more competitive; with the percentage that companies save, they can finance innovation, access to new and better machines that could accelerate the production in the company.

1. The strategy used by South Korea to increase domestic demand could be applied, the State could subsidize strategic sectors and in turn demand production standards. With the subsidy the products would have a lower cost and would be more competitive, and with the percentage that the companies save can finance the innovation, access to new and better machines that could accelerate the production and to produce in scale.
2. For companies to be more competitive in foreign markets, it is necessary to obtain tariff benefits such as Atpdea and SGP, for products such as flowers, fruits, broccoli, textiles, tuna, others.

One strategy that drove production in South Korea was the tax reduction granted by the Government to companies that promote industrialization and economic growth.

This measure could be implemented by Ecuador, the government should establish parameters to recognize companies that stimulate economic growth, and give them tax incentives to invest in new projects and in this way would also generate employment.

Recognition of the Country Brand

1. Develop strategies for product diversification, not only export raw material as such, but processed products, either through subsidies or through the consolidation of domestic and / or foreign private companies.

2. There are internationally known foreign products that are made with Ecuadorian raw material, such as the brand of Hershey's and Mars chocolates, which shows that the quality of our raw material is good and therefore it is necessary to boost the Country Brand.
3. To carry out marketing so that the foreign consumer knows that the product that is consumed has Ecuadorian content, through agreements between the national marketer and the foreign company to include in the labels of the products made with Ecuadorian raw material a seal indicating that part of the product Is Ecuadorian.
4. Coordination of the public and private sector for the expansion and recognition of the national brand abroad, through advertising spots and marketing campaigns.

3.2. VII PILAR: EFFICIENCY IN THE LABOR MARKET

An efficient labor market must allow the workers access to new sources of employment, is to say that it is flexible for the worker to change from one sector to another without this entailing high costs. As well, respect the rights of the worker recognizing their efforts and incentives in order to motivate their work performance.

When one hears the term labor market, the supply of labor is given by workers, while demand for labor firms. For a company to exist all these elements are needed by trained people who can perform a specific task. In years after 2007 it was normal to see minors working, since their labor was cheap, however this figure was reduced by laws created by the current administration. New standards were implemented where

companies have to hire a certain number of employees depending on how big the company is. And among these there had to be a percentage of people with a physical disability. This is very good but every day that passes the rigidity that companies have when hiring someone is very strong.

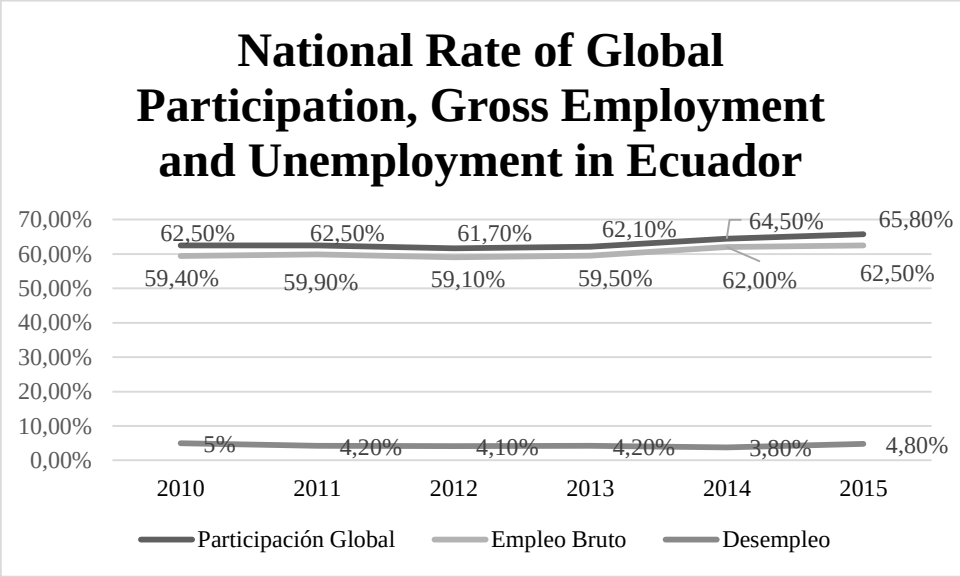
The rigidity of the labor market makes it impossible to hire employees, for example the elimination of the fixed contract reduced the volume of hiring, the employer will not risk hiring an employee indefinitely, another is the labor reform that prevents reducing the remuneration of the equipment work, otherwise compensation would be made, in addition when a person is hired, this person should be provided with health insurance. In addition, it is necessary that all clauses of the contract are clear, has to state the remuneration, and has to comply with health standards, if the employee is sick the company must finance the cost of the medicine, and give him vacation after one year of having worked in the company. In short, the employer has everything to win.

It is difficult to reduce wages, since these are established in the Constitution, in addition if the company sells less they will be forced to lay off their employees, retaining the necessary amount, and can reduce working hours.

The job offer is reduced by the rigidity of the system, the employer has to support the insurance, and comply with the settlement if you are fired. These laws cause companies not to contract and people are left without economic support. The system should be more flexible, it would not seek to eliminate benefits such as the thirteenth

floor or the payment of overtime, but to implement rules that support the employer and the worker.

These laws limit the undertakings, since they involve risks and high costs, if the worker at some point decides to become independent would affect their progress because of these rules, therefore would stagnate, and would affect the ventures.

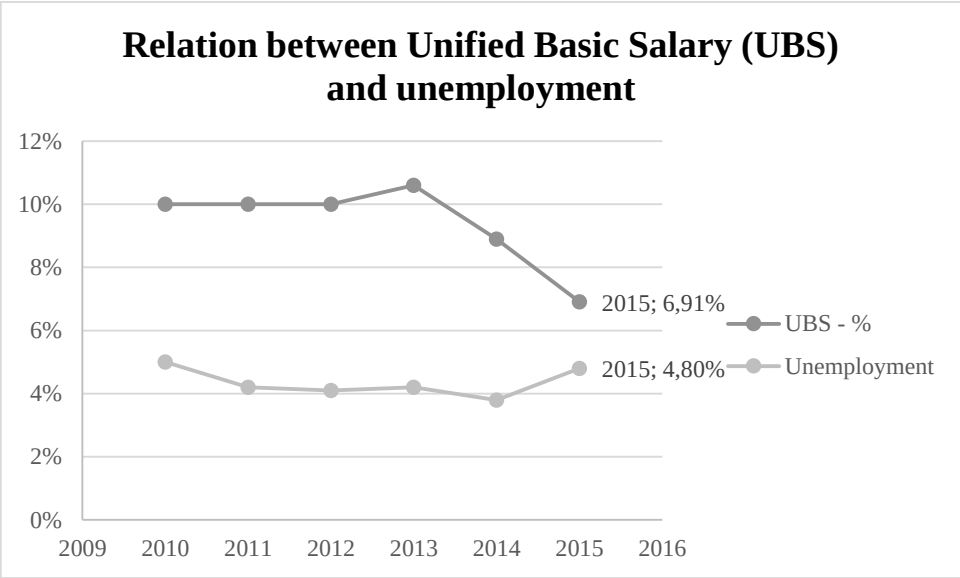


Graphic 35 National Rate of Global Participation, Gross Employment and Unemployment in Ecuador

Reference: INEC

By: Pangol Katherine, Valdivieso Paulina

The unemployment rate is maintained in smaller percentages, however in the year 2015 this increase in 1%, on the other hand, more population is employed, it also decreased in 2015 by 0.5%.



Graphic 36 Relation of the Unified Basic Salary (UBS) and unemployment

Reference: INEC

By: Pangol Katherine, Valdivieso Paulina

The relationship between these two variables is that as the SBU increases, so does the unemployment, although in the graph the wage apparently decreases, not because it simply increases but at a slower rate of growth than the years since in 2013 the salary was at USD 318 and in 2015 increased to USD 354, which is why unemployment rises in the last year.

When we talk about competition, this issue is related to attract more public, as companies struggle to attract and retain their customers. And thus get better prices on products and higher quality. But when talking about unfair competition, the government will enforce the rules of equal opportunities and punish those who have inadequate strategies to participate in the market.

Over time the consumer has been having several demands when buying a product, that is why you should know all or most of the requirements and try to meet them. The consumer looks for a wide range of products, that in the future will be sold easily and are number 1 in the market. It requires direct and continuous contact with the customer. The company should define good technological tools, so you can know who your most loyal customer is, what your segmentation is, also look for a good price, make it affordable for your pocket, have access to information that requires new products and services a future can benefit you. These are some requirements that the consumer seeks to buy a product and that in Ecuador have been developed to win the consumer and position in the market, providing the best product at the best price.

Taxes, tariffs, and safeguards greatly affect imported products. For example the fruits that came from Chile have safeguards, so this raises the price of the product and causes the consumer to buy less because the price is more lacking. While the selling company benefits because although it does not sell the same amount is selling even in a higher price.

Recommendations for the labor market:

Employees should have certain requirements such as:

1. Have a basic and higher education and know the area that will work in the company.

Obligations of the company:

2. The company should help with health insurance, but only an amount, depending on the seriousness of the matter.
3. They should pay overtime to employees. Either private or public company only if the boss asks for it, otherwise nothing will be paid.
4. Generate incentives that make people work more enthusiastically.
5. Create a competition in terms of efficiency throughout the company and the winner give you a trip with everything paid.

The rigidity of the labor market makes it impossible to hire employees, so there are modifications that should be made in this topic, including:

1. Elimination of the fixed contract, since the employer will not risk hiring an employee indefinitely.
2. Elimination of the labor reform that prevents the reduction of salary, otherwise the company sell less will be forced to reduce staff and the number of hours of work.
3. Reduce the rigidity of the system, however, do not affect benefits for employees such as the thirteenth salary or overtime pay, but implement rules that support the employer and worker.

3.3. VIII PILAR: SOPHISTICATION OF THE FINANCIAL MARKET

It is important the efficiency in the financial sector, this orients the resources saved of the citizens and the external ones towards profitable projects, the investment is a basic aspect in this area by the productivity that can generate. It is therefore crucial that a country has a transparent and stable financial system

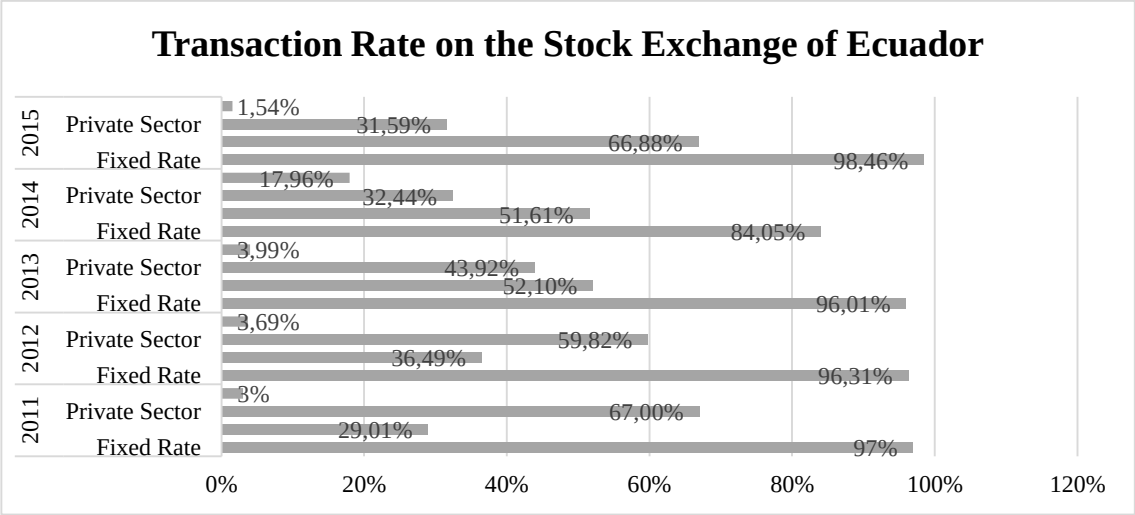
that provides capital to the private and banking sector, as it would serve as a means to contribute to the creation of products and services.

One way to obtain financing can be both private banking and financial markets, the latter being the best sources for financing companies. Because at the time of accessing a loan the first offer a high interest rate, these are around 15% to 16% interest. (Diario El Telégrafo) Which means that the cost of money is high.

However, in the financial markets, companies have the option of issuing fixed income and variable income securities, through which they can be financed; through the former the company´s issue securities for which the investor pays their value and they return an interest from time to time, it is a win-win process. Equity is characterized by the issuance of shares, however a percentage of the companies that exist in Ecuador are familiar and have some distrust to open in the market.

It would be more beneficial for companies to be financed from the financial market. An example of this is the success of the Pronobis Corporation in Ecuador, which financed its projects from the issuance of securities, including the Wyndham Hotel project, which cost USD 24 million and each title was issued by USD 5,000 payable in 30 months, annual profitability fluctuated between 8% and 13%. (Diario El Comercio)

According to Pozo, if the economy is in depression or recession, deposits may fall, credit will fall, and financing in the economy will fall. Companies, as they lack liquidity and access to credit, would be affected by their investments. This source of funding is risky and expensive. (Pozo, No hay política económica)



Graphic 37 Transaction Rate on the Stock Exchange of Ecuador

Referencie: Superintendencia de Compañías

By: Katherine Pangol, Valdivieso Paulina

We can observed that the largest number of documents traded are fixed income, the public sector had a smaller share until 2012, otherwise the private sector, which since 2013 has a share of less than 44%, the issue of shares in the market does not exceed 4%.

Recommendations:

1. South Korea made its way to the stock market, privatizing the banks, which led the companies to be financed in the stock market, but it helped certain companies that showed difficulties in the management of their portfolio.
2. This measure as such can not be copied for Ecuador since the banking is privatized and even so the participation of the companies is smaller. What is recommended in this case is to carry out information campaigns where employers and citizens are made known as the stock exchange works, perhaps because of ignorance they do not participate.
3. Encourage citizens and companies to participate in the Stock Exchange, transmitting through the media the operation and management of the same, thereby reducing misinformation or fear of investing.
4. Motivate the entrepreneur to issue shares not only securities, with the help of the Chamber of Commerce, through meetings where foreign companies that have succeeded in the actions are presented, giving them know the risks as well as the opportunities and strategies.
5. Motivate both old and new investors, likewise with the help of the Chamber of Commerce, to develop talks where experts and businessmen on the Stock Exchange provide advice, strategies, decision-making and valuation of their investment to manage their money in the investments, this way they will be able to feel the confidence to invest generating dialogue.

3.4. IX PILAR: TECHNOLOGICAL PREPARATION

The access of a country to the technology is key to boost the productivity and competitiveness of the industries, as well as the capacity, knowledge and management ability of the same.

According to a study on the "incidence of ICT in the business sector of Ecuador" by the Ministry of Telecommunications in 2014 applied 7,750 establishments about the use of technology in different activities such as commerce, service, manufacturing and information / communication in different MYPIMES reached the following conclusions: 68% have computers, 82% have access to the internet and 99% access to broadband, internet use is done with receive and send mails (99.1%) and obtain Information on goods and services (80.6%). Likewise, the use of the web for the provision of services is 53.1% in the microenterprise, 43.8% in the small enterprise and 35.2% in the medium enterprise. (Orozco & Quiroz, 2015)

However, the use of technology in the productive processes of the industries is scarce, the development of technology compared to other countries is minimal, which reduces competitiveness and increases dependence towards countries where technology abounds while keeping us in extractivism . According to the Secretariat of Higher Education, Science, Technology and Innovation, notes that Ecuador invests 0.47% of GDP is in technology.

The lack of technological use aggravates the Ecuadorian commercial scenario, despite the country's abundance of natural resources, the lack of technology reduces the capacity to produce in scale. According to Xavier Cárdenas, manager of Agrosoft, he says that the studies he has done reveal that the country needs 0.8 men per hectare of bananas, while Costa Rica reaches 0.5 men, due to the use of technology. This company designs intelligent georeferenced maps, which measure indicators such as weight, soil

quality, pest risk, etc. However, these types of businesses are not driven due the lack of investment and support.

Enrique Peláez, Director of the Information Technology Center (CIT), points out that technological development is not limited to a government decree, but to implement changes in research culture and access to modern publications. He indicates that the strategies of the Good Living plan in this area covers social issues, biotechnology, environment and energy, but in the CIT have developed six areas such as research in environment, biotechnology, nanotechnology, renewable energy, software design and Marine research. However, its projects are financed by foreign countries, since the country does not provide funds for research. (El Comercio, 2013)

As the country does not have the technology and knowledge to develop machines for the manufacture of products, it is necessary to import. However, safeguards increase prices, making it even more difficult to access these types of goods that have a higher acquisition cost, which would be equivalent to increasing the price of the finished goods.

Recommendations:

Both Norway and South Korea are an example in the generation of technology and all this thanks to the strategies that have developed in its beginnings to obtain the same. Norway was involved in merging companies, and both countries focused on

receiving technical assistance through cooperation with foreign countries. These measures can be adapted to the reality of Ecuador as follows.

Tanto Noruega como Corea del Sur son un ejemplo en la generación de tecnología y todo ello gracias a las estrategias que desarrollaron en sus comienzos para obtener la misma. Noruega se dedicó a fusionar empresas y ambos países se enfocaron a recibir ayuda técnica a través de cooperaciones con el extranjero. Estas medidas se pueden adaptar de la siguiente forma a la realidad del Ecuador.

1. If companies alone can not finance themselves to access technology, they can merge several companies of the same branch, thus have more capital to obtain new and better technology.
2. The Government could sign cooperation agreements with partner countries to develop research and technological innovation programs, thus generating knowledge transfer.
3. The private sector should develop an investment fund in science and technology, in order to increase employment, promote trade, boost human talent and access technology, companies would attract foreign investment based on projects that have high returns .

3.5. X PILAR: MARKET SIZE

The size of the market could be related to the level of productivity of a country, since large countries have greater capacity to generate economies of scale, however small countries have a great advantage when opening to the international market, this way exports opens them to continue in the market and not stagnate in the local market.

The demographic data of Ecuador of the last census of 2010 are the following:

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OR GRANDES GRUPOS DE EDAD

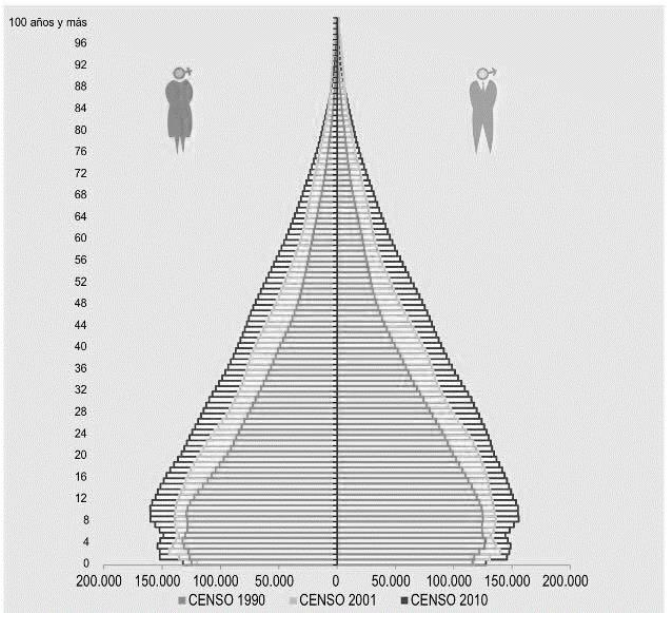
Año Censal	Mujeres		Hombres		Total
	Número	%	Número	%	
1990	**4.851.777**	**50,3%**	4.796.412	**49,7%**	**9.648.189**
0 a 14 años	1.833.735	49,0%	1.905.489	51,0%	3.739.224
15 a 64 años	2.800.669	51,0%	2.690.113	49,0%	5.490.782
65 años y más	217.373	52,0%	200.810	48,0%	418.183
2001	**6.138.255**	**50,5%**	**6.018.353**	**49,5%**	**12.156.608**
0 a 14 años	1.993.050	49,3%	2.046.970	50,7%	4.040.020
15 a 64 años	3.720.270	50,9%	3.582.694	49,1%	7.302.964
65 años y más	424.935	52,2%	388.689	47,8%	813.624
2010	**7.305.816**	**50,4%**	**7.177.683**	**49,6%**	**14.483.499**
0 a 14 años	2.227.253	55,1%	2.301.172	57,0%	4.040.020
15 a 64 años	4.583.512	62,8%	4.430.657	60,7%	7.302.964
65 años y más	495.051	60,8%	445.854	54,8%	813.624

Fuente: INEC - Censo de Población y Vivienda 1990, 2001, 2010

Figure 1 Clasiffication by Age Groups and Gender

Reference: INEC

According to INEC projections, the population of Ecuador would grow at a rate of 1.6%.



%.

Figure 2 Population Pyramid

Reference: INEC

In the previous chart we can see how many men and women live in Ecuador, according to the ages. And we see that there are more children between 8-16 years.

POBLACIÓN Y HOGARES

POBLACIÓN POR ÁREA GEOGRÁFICA

Año	Mujeres		Hombres		Índice de feminidad
	Número	%	Número	%	
1950	**1.607.954**	**50,2%**	**1.594.803**	**49,8%**	**100,8%**
Urbana	479.462	52,5%	434.470	47,5%	110,4%
Rural	1.128.492	49,3%	1.160.333	50,7%	97,3%
1962	**2.239.521**	**50,0%**	**2.236.476**	**50,0%**	**100,1%**
Urbana	840.862	52,2%	771.484	47,8%	109,0%
Rural	1.398.659	48,8%	1.464.992	51,2%	95,5%
1974	**3.263.297**	**50,0%**	**3.258.413**	**50,0%**	**100,1%**
Urbana	1.403.341	52,0%	1.295.381	48,0%	108,3%
Rural	1.859.956	48,7%	1.963.032	51,3%	94,7%
1982	**4.039.678**	**50,1%**	**4.021.034**	**49,9%**	**100,5%**
Urbana	2.039.912	51,4%	1.928.450	48,6%	105,8%
Rural	1.999.766	48,9%	2.092.584	51,1%	95,6%
1990	**4.851.777**	**50,3%**	**4.796.412**	**49,7%**	**101,2%**
Urbana	2.748.751	51,4%	2.597.107	48,6%	105,8%
Rural	2.103.026	48,9%	2.199.305	51,1%	95,6%
2001	**6.138.255**	**50,5%**	**6.018.353**	**49,5%**	**102,0%**
Urbana	3.805.393	51,2%	3.625.962	48,8%	104,9%
Rural	2.332.862	49,4%	2.392.391	50,6%	97,5%
2010	**7.305.816**	**50,4%**	**7.177.683**	**49,6%**	**101,8%**
Urbana	4.639.352	51,0%	4.451.434	49,0%	104,2%
Rural	2.666.464	49,4%	2.726.249	50,6%	97,8%

Fuente: INEC - Censo de Población y Vivienda 2010

Figure 3 Population by Geographic Area

In Ecuador there have always been more women than men.

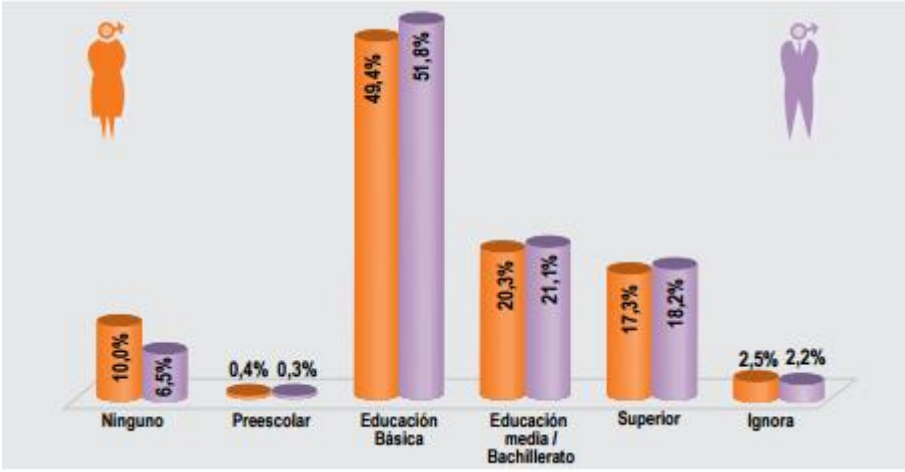


Figure 4 Homes by Level of Instruction

Reference: INEC

In 2010 most heads of households had complete basic education and only 17.3% of women and 18.2% of men had completed higher education. However, the rate of high

school education is higher , which means that not all high school graduates continue their studies.

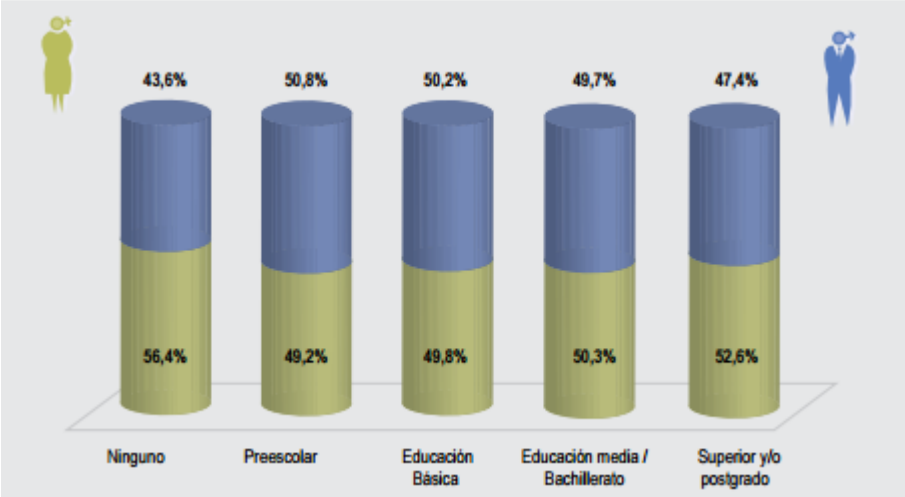


Figure 5Population by Level of Instruction

In 2010 men have greater access to education

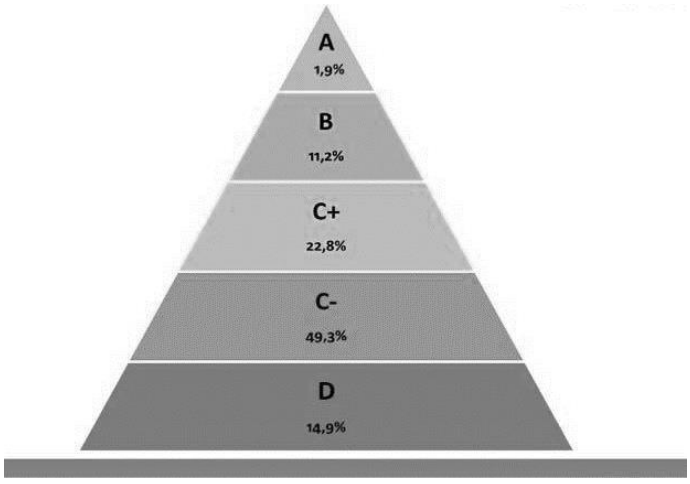


Figure 6 Social stratum

In 2010, 1.9% of the population had a high social status, that is, they enjoyed certain comforts at home, such as better construction material in homes, telephone service, refrigerator, oven, washing machine, more than 80 % have

two vehicles, buy their clothing in shopping malls and have access to the internet. 95% of households are affiliated to the IESS and 79% to private health insurance. The heads of the household hold professional positions like scientists, intellectuals, members of the executive power, etc.

The 11.2% of the population belongs to stratum B, the difference with the previous stratum, the average of the households has a vehicle, the same way they have access to internet, 92% is insured to the IESS and 47% to private health insurance.

The C + stratum, this stratum has no vehicle, only 39% have internet service, the head of the household has a full secondary level of education, and they work as service workers, traders, and machine operators. 77% are affiliated to the IESS and 42% to private insurance.

The C- stratum, 14% purchase clothes in shopping malls, 43% use the internet, the head of household has a full primary level of education, perform the same activities as the C + stratum, however some are unemployed, 48% are affiliated to the IESS and 6% has private insurance.

Stratum D represents 14.9%, 12% have a telephone, 43% have a refrigerator and a kitchen with an oven, have a cell phone per household, the head of household has the same level of education as the previous stratum and their performance activities are the same.

Recommendations:

1. Ecuador should continue with family planning programs, since the growth rate is 1.6%. This means that people are already aware of planning their families, and Ecuador is doing its job well.
2. As the highest percentage of children between 8 years and 12 years, Ecuador implemented more schools so they can have a better education.
3. Ecuador should educate adults to study higher education, since most of them only study primary and secondary education.
4. You should be aware that no matter whether you are male or female, everyone has the same ability to work.
5. Create more jobs as the highest percentage is of the lower middle class. This means that we still need to generate more sources of work.

3.6. XI PILAR: BUSINESS SOPHISTICATION

The more sophisticated the business environment, the greater the likelihood of efficiency and competitiveness that a country may have. It is important to take into account both the quantity and quality of local businesses and their interaction. Clustering demonstrates the ability of companies to interact with one another, increase and improve their production processes.

The presence of clusters in Ecuador are not well known. But there are a few examples, companies do not seek to unite with each other to carry out product or services, but they are keeping family businesses. Support is needed from small and medium-sized enterprises characterized by long-term

agreements, collective action and dialogue. This allows this group of companies to increase their productive factors and produce higher levels.

"The economic sector prioritized was Textil-artesanal; so the bulk of the planned activities were concentrated on this axis. It was proposed: the creation of networks, through support for social skills, the elaboration and execution of training programs in creativity, innovation and design, development and implementation of the "City Brand" Project, development of textile fairs, drafting and approval of the curriculum (Textiles, clothing and handicrafts), as well as training and improving the processes in textiles and clothing, through the training center and technical advice to entrepreneurs and workers. This proposal began to be implemented within the framework of the active support of the municipal government to these initiatives, which has stimulated the textile activity in Atuntaqui." (Paredes)

The import substitution managed to establish a cluster in the automotive area, in the company Ciauto, who jointly with artisans assemble Ambato cars. In order to do this, they invited national craftsmen and industrial entrepreneurs to provide them with auto parts such as carpets, wheels, tires, seats, audio systems, etc. In order for the cluster to bear fruit, training was initiated for the artisans, materials were implemented with international standards and they contributed with economic investments in their workshops. In addition, the company had to improve its plants to be accepted according to international standards. (América Economía)

Recommendations

1. Carry out campaigns that promote the formation of clusters and their advantages.
2. Hold meetings with small and medium-sized companies so that they know each other and enter into relationships in order to form future consolidations.
3. For Ecuador to have a cluster, both public and private initiative must have access to foreign companies that know the subject to guide the country's business sector.
4. The Government should implement a company that is in charge of seeing similar businesses so that they come together and can create a large company and that is constituted of several small.
5. Norway created clusters based on the union of natural resource industries with similar industries, this example could be followed for the formation of clusters in the country.

Cluster Proposal

1. For the health sector, a clinic that connects patients with different institutions such as private physiotherapy clinics, an agreement with banking institutions that offer medical financing for patients who do not have insurance or liquidity, insurers, companies that offer medical supplies. To this end, it is necessary to call on artisans and entrepreneurs who can provide the necessary inputs such as carpet, wheels, tires, seats, audio systems, guard systems and design and technology proposals.

Subsequent to this, training for artisans is indispensable, making them invest in their businesses to improve the quality of inputs to meet international standards and improve staff skills, skills and abilities.

On the other hand, the company must invest to improve the production of inputs such as leather and foam, in case of not having financing can be passed to foreign investment, if the company to which the concessionaire belongs is Chinese or German, allows that it invests to improve the processes.

2. Cluster of jewelry and imitation jewelry, made up of craftsmanship of jewelry and accessories, designers of jewelry and costume jewelry, industrial manufacturers and craft workshops, small retailers, specialized stores and retailers in jewelry and costume jewelry chains. This initiative can be realized through the Chamber of Commerce, and that it summons artisan jewelers, designers of jewelry and jewelry, companies jewelry.

   The different actors of this cluster should import in their businesses to improve the product and techniques, bank financing so that they have access to machinery.

NEGOTIATION POWER

This is an important factor in the conduct of fair trade, normally the exporting country should be the one that has the power in the negotiation, but when it is a

producer of raw material and developing, this power is diminished by the buyer country whose economy is strong.

There are certain rules for negotiating a product. Of course depending on the product the price is set.

Here are some rules for negotiating it:

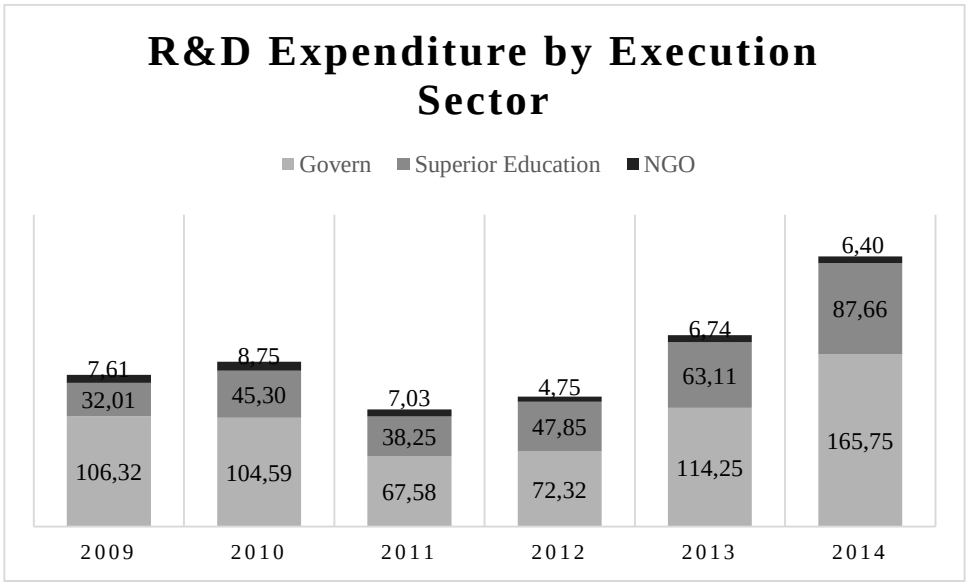
1. You should know the product more than our competition knows.
2. Know the competition and know what to offer and what not to.
3. To be able to sell the product at the price agreed by the exporting company, do not let the company imports and put a price.
4. If the competition sells the same product, it would have to reach the consumer with our ideas and make him understand why the product costs more.
5. In order to prevent the importing country of choosing the price of the product, such as the case of a German supermarket chain, which, when importing in high volumes of bananas, ends up establishing the value of the product box. Diversify the market, improving the quality of the fruit.

3.7. XII PILAR: INNOVATION

Innovation is important to maintain a sustained growth of the economy. It is necessary to implement areas dedicated to research and development, together with the consolidation of universities and industries that results in innovative goods or services.

Cases of innovation, in 2014 El Telégrafo notes some innovations being carried out in Ecuador, such as nanotechnology with robots, deposit of checks in a virtual way through the cellular, sophisticated systems to store information used by public companies, blackberries that are created without seed, etc.

The government in charge has been committed in the field of education in order to implement research and development, scientific research, granting 8,000 scholarships and educational credit, as well as the creation of Yachay University which aims to be a source to promote technological innovation and knowledge.

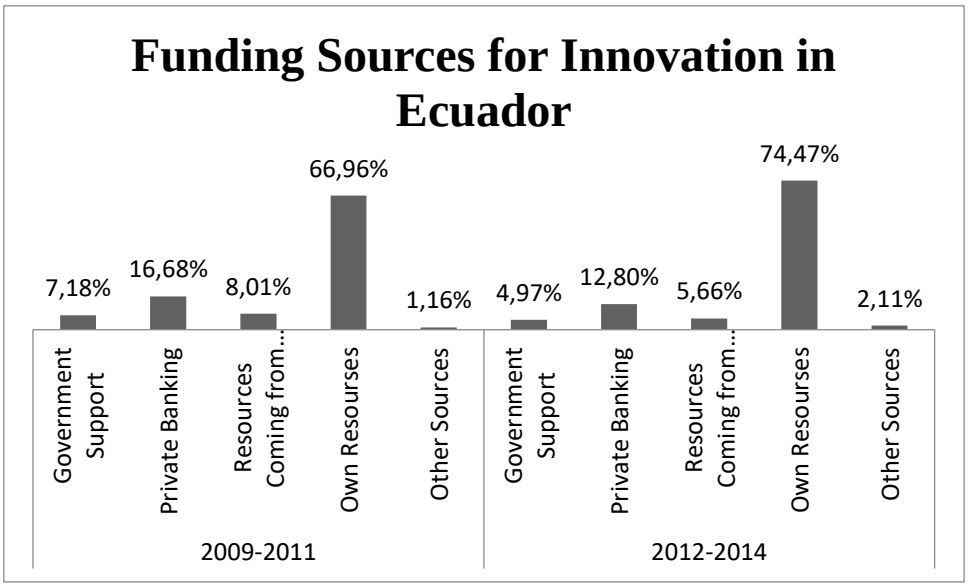


Graphic 38 R & D Expenditure by Execution Sector

Reference: INEC

By: Pangol Katherine, Valdivieso Paulina

According to the data provided by the INEC from 2009 to 2014, the Government contributes most to R & D expenditure.

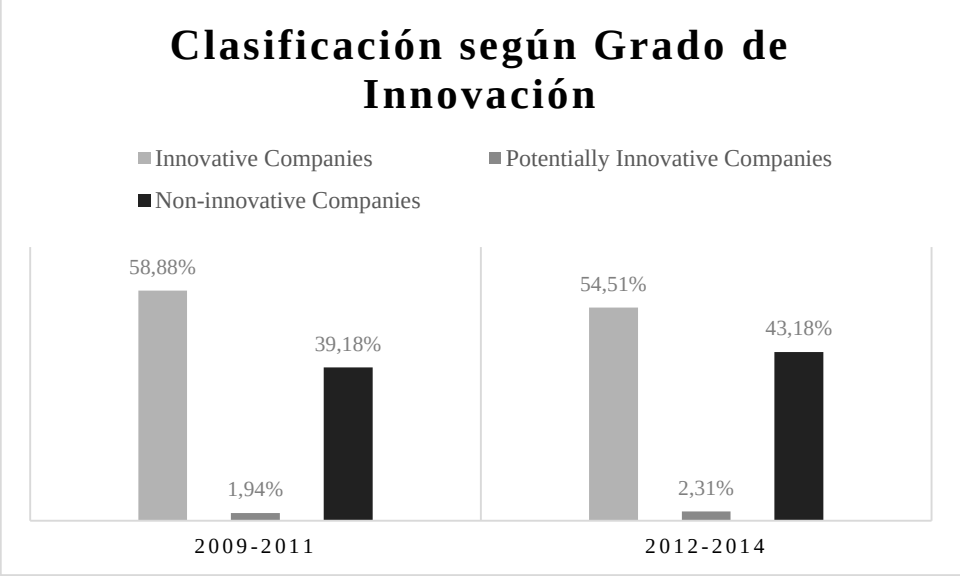


Graphic 39Funding Sources for Innovation in Ecuador

Reference: INEC

By: Pangol Katherine, Valdivieso Paulina

Both periods have similar behaviors, the innovations are carried out by own financing, the same ones that increased, the contribution of the private bank decreased for the last period, as well as the financing of the exterior, also the governmental support has been reduced.

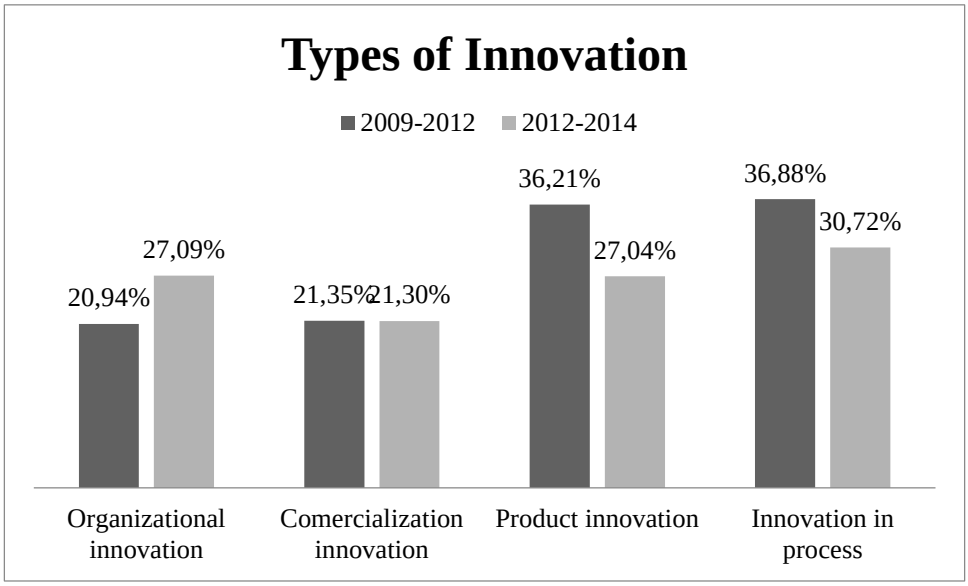


Graphic 40 Classification according to Degree of Innovation

Reference: INEC

By: Pangol Katherine, Valdivieso Paulina

According to the INEC survey, more than a half are innovative companies, however, these have declined in the last period and non-innovative companies have increased.

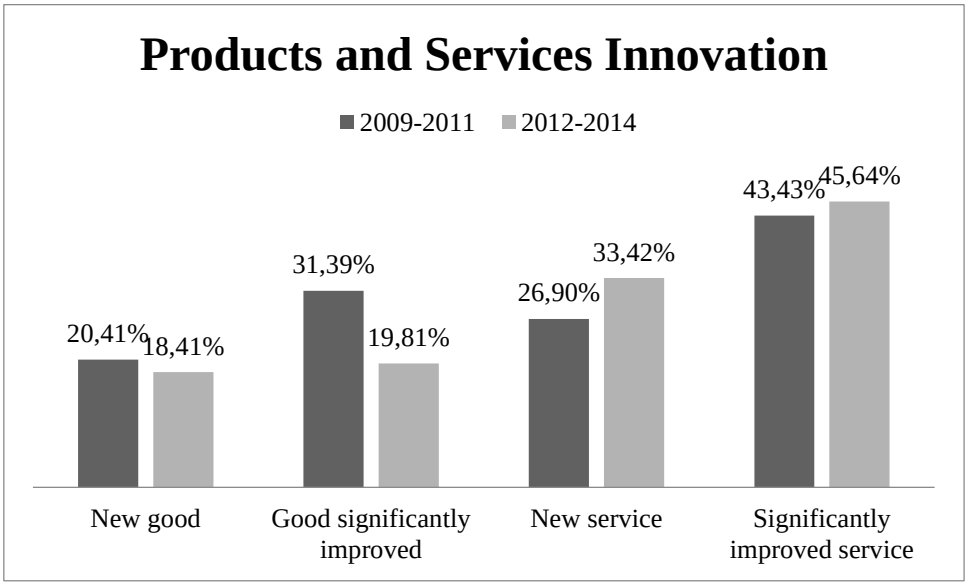


Graphic 41 Types of Innovation

Reference: INEC

By: Pangol Katherine, Valdivieso Paulina

In the last period companies have invested in organizational innovation to improve the management of their activities, but other types of innovation have been reduced. The private sector has reduced product and process innovation.



Graphic 42 Products and Services Innovation

Fuente: INEC

By: Pangol Katherine, Valdivieso Paulina

By making a comparison between the two periods, new goods declined as did innovations in existing products. The companies focused on creating and improving their services.

Table 3 Activities for the Introduction of Product Innovations and / or Processes

Innovation Activities	2009-2011	2012-2014
Acquisition of machinery and equipment	31,22%	25,47%
Training	20,18%	20,21%
Software	14,36%	17,60%
Internal R&D	15,03%	16,69%
Hardware	14,31%	15,47%
Consulting and Technical Assistance	11,20%	11,67%
External R&D	4,56%	5,89%
Market Studies	6,39%	4,34%
Engineering adn Industrial Desing	3,82%	3,33%
Disembodies Technology	3,22%	3,04%

Reference: INEC

Elaborado por: Pangol Katherine, Valdivieso Paulina

Of the group of companies investigated by the INEC, there is a decrease of 5.75% for the period according to the acquisition of machinery and equipment, also it presents a minimum increase in training. Companies have a higher percentage of implementation in areas such as software, internal R & D and hardware

Table 4Cooperation with Companies for Product Innovation and / or Process Activities

Organizations	2009-2011	2012-2014
Costumers and Consumers	64.87%	61.71%
Suppliers	59.23%	53,41%
Consultants	21.70%	26.06%
Competitors	25.30%	21.53%
Other Related Companies	13.15%	14.32%
Other Related Companies or Matrix House	5.28%	10,09%
Laboratories / companies of R&D	6.38%	8.56%
Universities	7.04%	6.35%
Public Bodies Science and Technology	2.62%	6.04%
Intellectual Property Office	2.55%	3.01%

Fuente: INEC

Elaborado por: Pangol Katherine, Valdivieso Paulina

According to INEC data, more than half of companies are advising customers and consumers to introduce innovations, while R & D companies and universities have a lower percentage of participation in innovation.

The results of the survey show that the largest source of R & D funding is from the Government. On the other hand, in both periods the financing of private sector innovation runs on own resources, increasing this by 7.51% in the second period; the participation of the bank decreased in a 3.88% also the governmental support. It could be said that this decrease could have had an effect on the non-innovative companies that increased for the second period, as also in that most of the companies diminished the innovations in products and processes and increased the innovation in the organizational area. This reduction

of innovation led to a decrease in new and improved goods, in contrast to services, so companies did not increase their investment in acquisition of machinery and businesses, but rather in software, hardware and internal R & D. More than half of the companies surveyed advise consumers and sellers and suppliers to innovate their products and / or processes, while in a very small percentage in universities and R & D companies.

In addition, in the EMF report on the Global Competitiveness Index, Ecuador ranks 89th out of 120 countries in this pillar, obtaining a score of 3.2 out of 7.

In order to increase process innovations, one could take the example of South Korea, where in the early 1970s the Government imposed taxes on similar import products and acquired licenses to adopt foreign technology and technical assistance which helped them to venture into process innovation. This country put taxes on the foreign product to protect the national industry, nevertheless gave facilities to obtain foreign technology to perfect its products.

On the other hand, Ecuador has implemented 5 new industries to improve the development of Ecuador, which are refinery, steel, petrochemical (fertilizers), copper and shipyards, these are considered as strategic sectors that should be promoted and innovated as they would allow a country to diversify its production, generate added value and reduce imports.

Before we begin, we must have in mind that these sectors affect health and the ecosystem, which is why the State should be concerned with developing processes so as not to compromise and risk those factors.

Refinery: This process is very delicate, that is why the State takes care of it. It is a segment of the branch in which oil works. It is known that the refinery is a very toxic process and it requires more presence of the State with medical controls to help its workers so that they do not suffer the consequences. To be competitive in the refinery sector, the state should have monopolies, that is, a group of State companies, private companies and foreign companies, that are dedicated to transform oil and its administration. Their sales should be based on the differentiation, that is to produce a petroleum of better quality, improving the processes, that allows to protect the environment and the people

Steelworks: It is a sector that is responsible for transforming a mineral in to iron. This process is very complex and it needs the help of the State or large companies to make a difference. Since it has several processes to reach an end product. Much care is required for its development.

Petrochemical: It is a segment, is the extraction of oil and natural gas. Just as in the refinery people work by extracting from oil what they need, so it is a very complex process that needs state supervision. So that it can be carried out in the best way. Extraction is not a complicated process, so you do not need a lot of budget in it. Just as you must have a good medical intervention from time to time to know that everything is going the right way.

Copper: In the copper segment you should know that it is a transformation material, it is also used as a conductor of electricity. An advantage of it is that it can be recycled several times and does not lose its chemical properties. This segment can reduce costs because it is reusable.

Shipyards: This is a sector where ships are built and repaired. They have already been implemented many years ago, but they were discontinued. Ecuador has an excellent location and this industry would allow to diversify the market. It should compete for differentiation as there is a lot of competition. You can achieve a great advantage if you build it in Engabao. Since it is on the shore and is a place accessible to all and does not require much time. In the beginning, the costs may be high but in the long run it could have good results. Ecuador has excellent ideas to get its country forward, but it has to be taken into account that these sectors are risky and require a high knowledge to develop. It would be very good for the country to break through these areas, other fields and sources of employment would open to citizens. Although Ecuador can not compete at the same level as its foreign rivals, Ecuador isn't a developed country and does not count with technological means and an economy at a scale that allows it to compete, it is for that reason that the private companies like state should count on foreign investment, that would help not only the entrance of capital but also to the transfer of knowledge, which would help to innovate faster but not at the same level as the competition. With a new and better knowledge, better ideas, processes and human capital could be developed to generate better strategies than those that already existed to compete in certain sectors. In order to develop

the five strategic sectors, it is necessary the intervention of other countries, since they have greater knowledge in the areas that Ecuador wants to improve. This was the case in Norway, which, through the Concession Law, gave foreign companies concessions to exploit the oil and in return they give guidelines for moving forward. This law established the establishment of relations between international and Norwegian companies and research organizations. Likewise, other industries with foreign knowledge should be developed since Ecuador does not have much experience in this sector, it would also be advisable to promote these new industries to teach to students and universities to implement related careers.

Recommendations:

1. Private companies should use a percentage of their profits to strengthen and promote research and development within their companies.
2. Initiative of the private sector and Chambers of Commerce to carry out trainings, congresses, conventions that boost and increase the knowledge of employees.
3. If the capital of a company is insufficient to carry out a project or improve a product or service, it is recommended that related companies join and support financially to carry out the project.
4. With the help of the state, tax exemptions or licensing should be allowed to the entry of technology, machinery and equipment for process innovation, so the final product has a more competitive cost.

5. Establish relationships between companies and universities, through competitions for students to share ideas to improve or create products and / or services.
6. The country should sign agreements on knowledge sharing, so that professionals or students of science and technology develop new software, applications or programs that speed up or improve services.

3.8. CONCLUSIONS

Ecuador is showing progress in the area of education and health, fundamental pillars for development. However, to despite these efforts there is still a population that leaves school for different causes, the main one being economic sustenance. It has also grown in infrastructure, improving the road construction, facilities for the public sector, schools and universities. Nevertheless, it finances the public expenditure with debt and does not develop strategies that allow a long term financing to promote its exports, but uses the establishment of taxes that makes the market less competitive and punishes the private sector. The institutions do not have a solid base since they are not applying standards that are not clear and in a constantly change what does not provide legal security and regulatory stability, this affects the investment decisions of both nationals and foreigner's sectors.

On the other hand, the financial market is not very well known in the country and not all the companies give way for this, since the majority are familiar, although the bank offers higher interest rates, and the financial market would be the most convenient as a means of business financing.

While Norway and South Korea are an example of countries that through strategies have managed to get their countries ahead and to be stronger players in the international market, Ecuador could copy these strategies; the realities are different. However, they can rescue different points that can be adapted in the development of the country, the most important strategies are:

1. Allow the transfer of technology and knowledge through concession agreements.
2. Encourage companies by exempting taxes, as long as they have participated actively in the economic growth of the country.
3. Reduce or exonerate taxes on imports of inputs or products that do not affect domestic production, ie do not generate competition in the demand for domestic product.
4. Participation of companies in the stock exchange.

3.9. RECOMENDATIONS


Ministries
Legal
Framework
Legal Security
Public Spending
Investment
Debt
Country Risk
Exchange
rate
Inflation
Monetary
policy
Diseases
Health
insurane
Access to
education
Illiteracy
Education
proyects
Education
access
Trainings
IPC
Supply
Demand
Country
brand
I Pillar: Instituciality
II Pillar: Infraestructure
III Pillar: Macroeconomy
IV Pillar: Health and education
V Pillar: Superior education - Training
VI Pillar: Efficiency of the godos market
GLOBAL COMPETITIVENESS INDEX
VII Pillar: Labor market efficiency
VIII Pillar: Sofistication of the finantial market
IX Pillar: Technological preparation
X Pillar: Size of the market
XI Pillar: Business
XII Pillar: Innovation
Rigidity of the system
Permanent Contract
SBU/
unemployment
Private Banking
Stock Exchange
Interest Rate
TIC's
Technology
Access
Production
Population
Gender
Income
Clusters
Negotation power
Government participation/
Private sector
I+D negotiation power
BID FACTORS
CONDITIONDS OF THE DEMAND
STRATEGY, STRUCTURE AND RIVALRY
RELATED INDUSTRIES AND SUPPORT

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APPENDIX 1

GDP of North Korea

Year	Billions	Variation Rate
1960	$ 3.892.000.000	
1961	$ 2.357.000.000	-39,440
1962	$ 2.746.000.000	16,504
1963	$ 3.864.000.000	40,714
1964	$ 3.358.000.000	-13,095
1965	$ 3.018.000.000	-10,125
1966	$ 3.806.000.000	26,110
1967	$ 4.703.000.000	23,568
1968	$ 5.955.000.000	26,621
1969	$ 7.476.000.000	25,542
1970	$ 9.410.000.000	25,869
1971	$ 10.481.000.000	11,382
1972	$ 11.368.000.000	8,463
1973	$ 14.538.000.000	27,885
1974	$ 20.426.000.000	40,501
1975	$ 22.798.000.000	11,613
1976	$ 31.355.000.000	37,534
1977	$ 40.256.000.000	28,388
1978	$ 54.274.000.000	34,822
1979	$ 69.732.000.000	28,481
1980	$ 67.802.000.000	-2,768
1981	$ 76.241.000.000	12,447
1982	$ 81.639.000.000	7,080
1983	$ 90.524.000.000	10,883
1984	$ 99.983.000.000	10,449
1985	$ 103.730.000.000	3,748
1986	$ 119.774.000.000	15,467

1987	$ 150.987.000.000	26,060
1988	$ 202.308.000.000	33,990
1989	$ 248.769.000.000	22,965
1990	$ 284.757.000.000	14,466
1991	$ 332.325.000.000	16,705
1992	$ 356.118.000.000	7,160
1993	$ 391.963.000.000	10,065
1994	$ 458.704.000.000	17,027
1995	$ 559.330.000.000	21,937
1996	$ 603.413.000.000	7,881
1997	$ 560.485.000.000	-7,114
1998	$ 376.482.000.000	-32,829
1999	$ 486.315.000.000	29,174
2000	$ 561.633.000.000	15,487
2001	$ 533.052.000.000	-5,089
2002	$ 609.020.000.000	14,252
2003	$ 680.521.000.000	11,740
2004	$ 764.881.000.000	12,396
2005	$ 898.137.000.000	17,422
2006	$ 1.012.000.000.000	12,678
2007	$ 1.123.000.000.000	10,968
2008	$ 1.002.000.000.000	-10,775
2009	$ 901.935.000.000	-9,987
2010	$ 1.094.000.000.000	21,295
2011	$ 1.202.000.000.000	9,872
2012	$ 1.223.000.000.000	1,747
2013	$ 1.306.000.000.000	6,787
2014	$ 1.411.000.000.000	8,040
2015	$ 1.378.000.000.000	-2,339

Reference: (Banco Mundial)

By: Pangol Katherine, Valdivieso Paulina

APPENDIX 2

South Korea Inflation

Year	%
1953	52,5
1954	37,1
1955	68,3
1956	23
1957	23,1
1958	-3,5
1959	3,2
1960	8
1961	8,2
1962	6,6
1963	20,7
1964	29,5
1965	13,5
1966	11,3
1967	10,9
1968	10,8
1969	12,4
1970	16
1971	13,5
1972	11,7
1973	3,2
1974	24,3
1975	25,3
1976	15,3
1977	10,1
1978	14,5
1979	18,3
1980	28,7

1981	21,4
1982	7,2
1983	3,4
1984	2,3
1985	2,5
1986	2,8
1987	3
1988	7,1
1989	5,7
1990	8,6
1991	9,3
1992	6,2
1993	4,8
1994	6,3
1995	4,5
1996	4,9
1997	4,4
1998	7,5
1999	0,8
2000	2,3
2001	4,1
2002	2,8
2003	3,5
2004	3,6
2005	2,8
2006	2,2
2007	2,5
2008	4,7
2009	2,8
2010	3
2011	4

2012	2,2
2013	1,3
2014	1,3
2015	0,7

Reference: (Economic Statistic System)

By: Pangol Katherine, Valdivieso Paulina

APPENDIX 3

South Korea Unemployment

Year	%
1991	2,4
1992	2,5
1993	2,9
1994	2,5
1995	2,1
1996	2
1997	2,6
1998	7
1999	6,3
2000	4,4
2001	4
2002	3,3
2003	3,6
2004	3,7
2005	3,7
2006	3,4
2007	3,2
2008	3,2
2009	3,6
2010	3,7
2011	3,4
2012	3,2
2013	3,1
2014	3,5
2015	3,6

Reference: (Banco Mundial)

By: Pangol Katherine, Valdivieso Paulina

APPENDIX 4

Commercial Balance of the South Korean GDP Percentage

Año	Porcentaje
1960	-9,442
1961	-9,661
1962	-11,613
1963	-11,071
1964	-7,676
1965	-7,616
1966	-10,108
1967	-10,895
1968	-13,022
1969	-12,214
1970	-9,64
1971	-10,031
1972	-4,539
1973	-2,979
1974	-10,507
1975	-8,024
1976	-1,883
1977	-0,794
1978	-3,521
1979	-6,636
1980	-7,438
1981	-5,062
1982	-2,359
1983	-1,029
1984	-0,257
1985	0,551
1986	4,706
1987	6,557

1988	6,618
1989	1,908
1990	-0,996
1991	-2,463
1992	-1,073
1993	0,361
1994	-0,685
1995	-1,01
1996	-3,211
1997	-0,556
1998	11,808
1999	6,124
2000	2,071
2001	1,554
2002	1,5
2003	2,011
2004	3,829
2005	2,435
2006	0,781
2007	1,126
2008	-0,011
2009	4,687
2010	3,185
2011	1,495
2012	2,794
2013	4,979
2014	5,254
2015	6,959

Reference: (Banco Mundial)

By: Pangol Katherine, Valdivieso Paulina

APPENDIX 5

South Korea Gini Index

Year	Points
1989	30,4
1990	26,5
1991	25,6
1992	24,8
1993	26,3
1994	25,7
1995	26,2
1996	26,4
1997	26,2
1998	28,7
1999	29,4
2000	27,2
2001	28,6
2002	28,4
2003	27,7
2004	28,4
2005	28,7
2006	30,6
2007	31,2
2008	31,4
2009	31,4
2010	31
2011	31,1
2012	31,2
2013	31,1
2014	31,3

Reference: (Oficina Económica y Comercial de España en Seul)

By: Pangol Katherine, Valdivieso Paulina

APPENDIX 6

South Korea Human Development Index

Year	Points
1980	0,622
1985	0,68
1990	0,731
1995	0,781
2000	0,821
2005	0,858
2010	0,886
2011	0,891
2012	0,893
2013	0,895
2014	0,898

Reference: (Programa de las Naciones Unidas para el Desarrollo)

By: Pangol Katherine, Valdivieso Paulina

APPENDIX 7

Norway GDP

Year	Billions	Variation Rate
1960	$ 5.163.000.000	
1961	$ 5.632.000.000	9,084
1962	$ 6.067.000.000	7,724
1963	$ 6.510.000.000	7,302
1964	$ 7.159.000.000	9,969
1965	$ 8.059.000.000	12,572
1966	$ 8.696.000.000	7,904
1967	$ 9.514.000.000	9,407
1968	$ 10.160.000.000	6,790
1969	$ 11.063.000.000	8,888
1970	$ 12.814.000.000	15,828
1971	$ 14.583.000.000	13,805
1972	$ 17.359.000.000	19,036
1973	$ 22.534.000.000	29,812
1974	$ 27.146.000.000	20,467
1975	$ 32.878.000.000	21,115
1976	$ 35.942.000.000	9,319
1977	$ 41.508.000.000	15,486
1978	$ 46.523.000.000	12,082
1979	$ 53.132.000.000	14,206
1980	$ 64.439.000.000	21,281
1981	$ 63.597.000.000	-1,307
1982	$ 62.647.000.000	-1,494
1983	$ 61.627.000.000	-1,628
1984	$ 62.058.000.000	0,699
1985	$ 65.417.000.000	5,413
1986	$ 78.693.000.000	20,294
1987	$ 94.230.000.000	19,744

1988	$	101.900.000.000	8,140
1989	$	102.634.000.000	0,720
1990	$	119.792.000.000	16,718
1991	$	121.872.000.000	1,736
1992	$	130.838.000.000	7,357
1993	$	120.579.000.000	-7,841
1994	$	127.131.000.000	5,434
1995	$	152.027.000.000	19,583
1996	$	163.518.000.000	7,559
1997	$	161.354.000.000	-1,323
1998	$	154.165.000.000	-4,455
1999	$	162.286.000.000	5,268
2000	$	171.316.000.000	5,564
2001	$	174.003.000.000	1,568
2002	$	195.418.000.000	12,307
2003	$	228.752.000.000	17,058
2004	$	264.357.000.000	15,565
2005	$	308.722.000.000	16,782
2006	$	345.425.000.000	11,889
2007	$	400.884.000.000	16,055
2008	$	461.947.000.000	15,232
2009	$	386.384.000.000	-16,358
2010	$	428.525.000.000	10,907
2011	$	498.157.000.000	16,249
2012	$	509.705.000.000	2,318
2013	$	522.746.000.000	2,559
2014	$	500.519.000.000	-4,252
2015	$	388.315.000.000	-22,418

Reference: (Banco Mundial)

By: Pangol Katherine, Valdivieso Paulina

APPENDIX 8

Norway Inflation

Year	%
1960	0,393
1961	2,451
1962	5,269
1963	2,587
1964	5,68
1965	4,26
1966	3,251
1967	4,433
1968	3,472
1969	3,067
1970	10,56
1971	6,258
1972	7,22
1973	7,442
1974	9,415
1975	11,707
1976	9,176
1977	9,043
1978	8,152
1979	4,76
1980	10,896
1981	13,637
1982	11,372
1983	8,411
1984	6,279
1985	5,666
1986	7,187
1987	8,726

1988	6,698
1989	4,555
1990	4,113
1991	3,421
1992	2,342
1993	2,271
1994	1,399
1995	2,456
1996	1,259
1997	2,581
1998	2,256
1999	2,333
2000	3,086
2001	3,017
2002	1,288
2003	2,475
2004	0,465
2005	1,522
2006	2,332
2007	0,729
2008	3,766
2009	2,167
2010	2,399
2011	1,301
2012	0,709
2013	2,132
2014	2,025
2015	2,174

Reference: (Banco Mundial)

By: Pangol Katherine, Valdivieso Paulina

APPENDIX 9

Norway Unemployment

Year	%
1991	5,4
1992	5,9
1993	6
1994	5,3
1995	4,9
1996	4,8
1997	3,9
1998	3,2
1999	3,2
2000	3,4
2001	3,4
2002	3,9
2003	4,4
2004	4,4
2005	4,6
2006	3,4
2007	2,5
2008	2,6
2009	3,2
2010	3,6
2011	3,3
2012	3,2
2013	3,5
2014	3,4

Reference: (Banco Mundial)

By: Pangol Katherine, Valdivieso Paulina

APPENDIX 10

Norway's Trade Balance of Goods and Services (% of GDP)

Year	%
1960	-1,092
1961	-2,181
1962	-1,74
1963	-1,444
1964	0,354
1965	-0,3
1966	-0,839
1967	-1,114
1968	2,246
1969	2,378
1970	-0,623
1971	-2,54
1972	0,756
1973	-0,384
1974	-2,682
1975	-5,783
1976	-8,358
1977	-9,101
1978	0,362
1979	2,33
1980	6,025
1981	7,203
1982	5,057
1983	7,785
1984	8,744
1985	7,22
1986	-3,385
1987	-2,209

1988	-0,584
1989	3,478
1990	6,249
1991	7,73
1992	6,606
1993	6,267
1994	5,946
1995	6,04
1996	8,764
1997	8,052
1998	1,793
1999	7,201
2000	16,806
2001	16,642
2002	13,143
2003	12,713
2004	13,181
2005	16
2006	16,941
2007	13,414
2008	16,955
2009	11,301
2010	11,23
2011	12,842
2012	12,927
2013	10,687
2014	8,903
2015	5,426

Reference: (Banco Mundial)

By: Pangol Katherine, Valdivieso Paulina

APPENDIX 11

Índice de Gini de Noruega

Year	%
2004	31,72
2005	32,27
2006	27,29
2007	28,07
2008	27,14
2009	26,39
2010	25,86
2011	25,54
2012	25,9

Reference: (Banco Mundial)

By: Pangol Katherine, Valdivieso Paulina

APPENDIX 12

Norway Human Development Index

Year	Points
1980	0,811
1885	0,828
1990	0,849
1995	0,883
2000	0,917
2005	0,931
2008	0,937
2010	0,948
2011	0,941
2012	0,942
2013	0,942
2014	0,944

Reference: (Programa de las Naciones Unidas para el Desarrollo)

By: Pangol Katherine, Valdivieso Paulina

APPENDIX 13

Ecuador GDP

Year	Billions	Variation Rate
1965	$ 10.315.274	
1966	$ 10.280.251	-0,340
1967	$ 10.755.309	4,621
1968	$ 10.960.675	1,909
1969	$ 11.472.455	4,669
1970	$ 12.260.834	6,872
1971	$ 13.032.360	6,293
1972	$ 13.686.277	5,018
1973	$ 15.595.606	13,951
1974	$ 17.343.641	11,209
1975	$ 19.246.612	10,972
1976	$ 20.670.320	7,397
1977	$ 21.002.046	1,605
1978	$ 22.200.596	5,707
1979	$ 23.029.577	3,734
1980	$ 23.883.671	3,709
1981	$ 25.224.229	5,613
1982	$ 25.379.319	0,615
1983	$ 25.293.824	-0,337
1984	$ 25.957.856	2,625
1985	$ 26.979.298	3,935
1986	$ 27.914.072	3,465
1987	$ 27.841.747	-0,259
1988	$ 29.481.756	5,890
1989	$ 29.778.277	1,006
1990	$ 30.874.092	3,680
1991	$ 32.199.005	4,291

1992	$ 32.879.792	2,114
1993	$ 33.528.582	1,973
1994	$ 34.956.313	4,258
1995	$ 35.743.721	2,253
1996	$ 36.362.712	1,732
1997	$ 37.936.441	4,328
1998	$ 39.175.646	3,267
1999	$ 37.318.961	-4,739
2000	$ 37.726.410	1,092
2001	$ 39.241.363	4,016
2002	$ 40.848.994	4,097
2003	$ 41.961.262	2,723
2004	$ 45.406.710	8,211
2005	$ 47.809.319	5,291
2006	$ 49.914.615	4,404
2007	$ 51.007.777	2,190
2008	$ 61.762.635	21,085
2009	$ 62.519.686	1,226
2010	$ 69.555.367	11,254
2011	$ 79.276.664	13,976
2012	$ 87.924.544	10,908
2013	$ 95.129.659	8,195
2014	$ 100.917.372	6,084
2015	$ 100.871.770	-0,045

Reference: (Banco Central de Ecuador)

By: Pangol Katherine, Valdivieso Paulina

APPENDIX 14

Inflation of the Urban Area of Ecuador

Year	%
1965	6,4
1966	3,7
1967	4,8
1968	3
1969	5,2
1970	5,6
1971	9,5
1972	7,7
1973	12
1974	22,7
1975	15,4
1976	10,5
1977	12,9
1978	13,6
1979	10,1
1980	12,6
1981	14,7
1982	16,3
1983	48,4
1984	31,2
1985	28
1986	23
1987	29,5
1988	58,2
1989	75,6
1990	49,52
1991	48,98
1992	60,22

1993	30,96
1994	25,38
1995	22,77
1996	25,62
1997	30,67
1998	43,4
1999	60,71
2000	91
2001	22,44
2002	9,36
2003	6,07
2004	1,95
2005	3,14
2006	2,87
2007	3,32
2008	8,83
2009	4,31
2010	3,33
2011	5,41
2012	4,16
2013	2,7
2014	3,67
2015	3,38

Reference: (Banco Central del Ecuador) (Global Rates)

By: Pangol Katherine, Valdivieso Paulina

APPENDIX 15

Ecuador Unemployment

Year	%
1988	6,5
1989	7,9
1990	6,1
1991	5,8
1992	8,9
1993	8,3
1994	7,1
1995	6,9
1996	6,9
1997	10,4
1998	11,5
1999	14,4
2000	7,3
2001	8,5
2002	9,2
2003	9,3
2004	6,7
2005	6,7
2006	6,3
2007	5
2008	6
2009	6,5
2010	5
2011	4,2
2012	4,1
2013	4,2
2014	3,8
2015	4,8

Reference: (Sistema de Indicadores Sociales, s.f.)

By: Pangol Katherine, Valdivieso Paulina

APPENDIX 16

Commercial Balance of Ecuador

Year	Billions
1960	-12.622
1961	-11.767
1962	20.281,50
1963	428
1964	-20.832
1965	-32.432
1966	-34.402
1967	-56.172
1968	-60.298
1969	-89.311
1970	-83.920
1971	-141.029
1972	7.693
1973	134.766
1974	445.346
1975	-13.138
1976	317.216
1977	247.750
1978	52.435
1979	504.519
1980	227.499
1981	247.358
1982	-187.177
1983	751.021

1984	990.460
1985	1.138.012
1986	375.625
1987	-230.442
1988	479.373
1989	499.106
1990	852.182
1991	451.973
1992	670.549
1993	503.292
1994	220.664
1995	228.071
1996	940.928
1997	309.529
1998	-1.372.685
1999	1.433.831
2000	1.205.426
2001	-302.120
2002	-969.470
2003	-31.550
2004	177.720
2005	532.530
2006	1448,79
2007	1414,20
2008	1081,02
2009	-233,85
2010	-1978,73
2011	-829,50
2012	-440,61
2013	-1040,99
2014	-727,02

2015	-2129,60

Reference: (Banco Central del Ecuador), (Acosta, Balanza Comercial, Tasa de Cobertura y Tasa de Apertura 1852-2010)

By: Pangol Katherine, Valdivieso Paulina

APPENDIX 17

Ecuador Gini Index

Year	Points
1988	0,44
1989	0,429
1990	0,452
1991	0,487
1992	0,477
1993	0,504
1994	0,504
1995	0,493
1996	0,47
1997	0,48
1998	0,525
1999	0,535
2000	0,551
2001	0,581
2002	0,537
2003	0,537
2004	0,542
2005	0,525
2006	0,511
2007	0,522
2008	0,483

2009	0,482
2010	0,487
2011	0,441
2012	0,445
2013	0,471
2014	0,458
2015	0,454

Reference : (Sistema de Indicadores Sociales)

By: Pangol Katherine, Valdivieso Paulina

APPENDIX 18

Ecuador Human Development Index

Year	Points
1980	0,603
1985	0,631
1990	0,645
1995	0,665
2000	0,674
2005	0,698
2010	0,717
2011	0,723
2012	0,727
2013	0,73
2014	0,732

Reference: (Programa de las Naciones Unidas para el Desarrollo)

By: Pangol Katherine, Valdivieso Paulina

APPENDIX 19

Table of Active Affiliates General Insurance of Ecuador

Year	Active Affiliates
2010	2.137.451
2011	2.510.018
2012	2.762.794
2013	2.944.250
2014	3.113.163

Reference: INEC

By: Pangol Katherine, Valdivieso Paulina

APPENDIX 20

R & D expenditure According to Execution Sector

Type of Institution	2009	2010	2011	2012	2013	2014
Total	145,94	158,65	112,86	124,92	184,10	259,81
Govern	106,32	104,59	67,58	72,32	114,25	165,75
Higher Education	32,01	45,30	38,25	47,85	63,11	87,66
NGO	7,61	8,75	7,03	4,75	6,74	6,40

Reference: INEC (Instituto Nacional de Estadísticas y Censos)

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APPENDIX 21

Sources of Financing in Innovation

(Billions)		
Financing Sources	2009-2011	2012-2014
Total	2.949,94	4.263,88
Own Resourses	1.975,18	3.175,27
Private Banking	492,19	545,63
Resources coming from abroad	236,32	241,35
Government support	211,89	211,77
Other sources	34,36	89,86

Reference: INEC

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APPENDIX 22

Classification according to degree of innovation

Classification	2009-2011	2012-2014
Total	100%	100%
Innovative companies	58,88%	54,51%
Potentially innovative companies	1,94%	2,31%
Non-innovative companies	39,18%	43,18%

Reference: INEC

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