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Export Offer from El Oro: Mechanisms and strategies for a more attractive
exportable supply in the province with the Transformation Productive
Model

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Contenido

Acknowledgement.....	6
Dedication	7
Resumen	8
Abstract	9
Introduction	10
Chapter 1. Economic Context in Ecuador	13
1.1 Economic Policies of Ecuador	13
1.1.1 Fiscal Policy.....	13
1.1.2 Trade Sector and Commercial Policies.....	16
1.1.3 Monetary Sector of Ecuador.	18
1.2 National Plan of Good Living	22
1.2.1 Objective 8. "To sustainably consolidate the economic, social and solidarity based system"	26
Graph 1. SOUTH AMERICA INTERNATIONAL ASSETS	28
Graph 2. INTRAREGIONAL TRADE	29
Graph 3. EVOLUTION OF IMPORTED COMPONENTS OF AGGREGATE SUPPLY OF GOODS AND SERVICE (2000-2012).....	30
Graph 4 STATE BUDGET 2007-2013 (ASSIGNMENTS)	31
Graph 5. EXPORTS OF ECUADOR: PRIMARY AND INDUSTRIAL GOODS	32
Graph 6 IMPORTS OF ECUADOR	33
1.2.2 OBJECTIVE 10 "Transformation of the Production Model"	35
Graph 7. NATIONAL PRODUCTION GROWTH SECTOR IN CONNECTION WITH THE REGION	36
Graph 8. COMPOSITION OF GDP BY SECTORS	37
Graph 9. GDP by Economic Activities	38
1.3 Transformation of the New Production Model.....	49
Objective 1. Active participation in technology export.....	52

Objective 2. Reduce non- oil commodity imports of raw material.....	54
Objective 3. Participate actively in industry manufacturing and GDP	55
Objective 4 To enhance the participation of skilled labor in industry	55
Objective 5. Decreasing the concentration of irrigated area.....	56
Objective 6. To reduce the percentage of intermediation small and medium producers	57
Objective 7 Reversing the trend of imports in food consumption	58
Objective 8 Increase to 64% of tourism revenues in services exports.....	59
Objective 9.- To reduce to 12 days the time required to start a business.....	60
CHAPTER 2.....	62
SITUATIONAL ANALYSIS OF EL ORO PROVINCE.....	62
2.1 Socio-demographic information	62
2.1.1. Characteristics of Population	63
2.1.2 Economic Activities	64
2.1.3 Category work of El Oro	64
2.1.4 Level of Instruction.....	66
2.1.5 Illiteracy in El Oro	66
2.1.6 Housing Characteristics.....	67
2.1.7 Access to Technology	67
2.1.8 Type of Houses	68
2.1.9 Access to basic services.....	69
2.1.10 ADITIONAL DATA	70
2.2.1 Gross Domestic Product in El Oro	71
2.2.2 Agricultural Sector.....	72
Permanent crops in the province	74
2.2.3 Manufacturing Sector Activities	76
2.2.4 Productive Activities in Sector Service	78
2.2.5 Standard of living in the province	79
2.2.4 Institutional Status of El Oro	81

2.2.5 Private Institutions of El Oro	83
2.2.6 Economy in the cities	84
2.3 Potential Business in El Oro	86
2.3.2 Business of Agroindustry to domestic consumption and export	91
2.3.3 Agricultural Business for Export	94
2.3.4 Banana Potential Business	96
2.3.5 Stake holders responsible for Productivity	99
2.3.6 Institutional Conventions	100
Chapter 3 Strategies for the development of better exportable supply	101
3.1 Productive Strategies	101
3.1.1 Clusters	101
3.1.2 The local productive system	105
3.2 International Network of Cities	110
3.3 Experiences from other countries	112
Chapter 4 Proposals	117
4.1 Association and Value Chain in El Oro	117
4.1.1 Benefits of Association and Value Chains	117
4.1.2. Value Chains scheme in El Oro province	119
4.1.3 Association and Value Chain in El Oro	120
4.2 Production Development Public Enterprise	121
4.2.1. Objectives	122
4.2.2 Projects and Programs	123
4.3 Productive integration	124
4.3.1 Axes of Integration	124
4.3.2 Advantages of Productive Integration	125
4.3.3 Activities	126
4.3.4. Scheme of Productive Integration	128
4.4. Generation of Innovative Enterprises	129

5. Conclusions.....	133
6. Recommendations	135
7. BIBLIOGRAPHY.....	137

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Dedication

I dedicate this work to my family and to all those who believed in my projects.
Moreover, the young people who seek innovate in any field in order to propose better
results.

Resumen

En este trabajo se analizará sobre la oferta exportable de la provincia de El Oro y sobre el objetivo diez del Plan Nacional del Buen Vivir 2013-2017, que corresponde a la Transformación de la Matriz Productiva. Por otro lado, en el presente trabajo se genera estrategias innovadoras para mejorar la oferta exportable actual de la provincia de El Oro, basándose en los lineamientos de la nueva Matriz Productiva del Gobierno Nacional.

En el primer capítulo se ha realizado un estudio detallado sobre la situación de la política económica del Ecuador en la actualidad y sus proyecciones al futuro. Además, se analiza el objetivo diez del Plan Nacional del Buen Vivir 2013-2017, sobre la Transformación de la Matriz Productiva y su factibilidad en la economía nacional. Por otro lado en el capítulo segundo, se analiza la información demográfica de la provincia de El Oro y su importancia en el desarrollo social del país. Además se logra identificar negocios potenciales que pueden generarse en la provincia de El Oro, aprovechando sus fortalezas. En el capítulo tercero se analizará estrategias implementadas en otros países que han potencializado sus ofertas exportables. Además, se evaluará modelos exitosos de negocios implementados en otras ciudades y que pueden ser emuladas en la provincia de El Oro. Finalmente en el último capítulo se desarrollan cuatro estrategias innovadoras aplicadas a los modelos de negocios de la provincia de El Oro, las cuáles buscan desarrollar una oferta exportable más atractiva hacia al mundo.

Abstract

This paper will analyze the exportable supply in the province of El Oro and the objective number ten of the National Plan for Good Living 2013-2017. This objective corresponds to the Productive Transformation Model. On the other hand, the present paper gives innovative strategies to improve the current export supply in the province of El Oro, based on the guidelines of the New Productive Model of National Government.

In the first chapter, I analyze about the situation of the economic policy of Ecuador and the future projections. Furthermore, I analyze about the National Plan for Good Living 2013-2017 and its objective of the Productive Transformation Model and the impact in the national economy. In addition in the second chapter, I analyze the demographic information of the province of El Oro and its importance in the social development of Ecuador. Moreover, I analyze potential business that can be generated in the province of El Oro, according to its strengths. In the third chapter, I analyze strategies implemented in other countries that have potentiated their export supply. In addition, I analyze successful business models implemented in other cities and I evaluate the possibility to be emulated in the province of El Oro. Finally in the last chapter, I propose innovative strategies applied to the business models of the province of El Oro, which seek develop a more attractive export supply to the world.

Introduction

The present paper aims to clarify common concerns about the historical commercial production in our country, particularly, El Oro province. One of the main difficulties in Ecuador has been the dependence on the export of commodities such as bananas, cocoa, and oil, which has prevented the development of new production alternatives.

This paper will provide a reliable insight on the current economic situation and shall also propose a new project approach, promoted by the national government called Transformation of the Production Model. In turn, I will analyze its impact in the country, considering first El Oro province. I will discuss various aspects of the issue in exports. The productive model and the Good Living National Plan will be the basis of the research hereby, where I can establish public policies promoted by the government on the issue of knowledge as an innovative factor for development. Besides, I will prepare a thorough analysis of the socio-economic situation of El Oro province. Finally, I will elaborate strategies and mechanisms that can be applied to the export supply of El Oro province.

The main problem is originated on the dependence of primary commodities. Several economic sources worldwide agree on a term of 40 years of oil production and a deep dependence of Ecuador on this product. Moreover, Ecuador's trade balance shows that oil exports are still higher in priority than non-oil exports. However, oil is not an unlimited resource which will eventually run out. Then, the national economy might become critical. Therefore, it is necessary to develop new models of production and diversify our exports in the region. Innovation is the objective of the national government with regard to the transformation of the new production model; which needs to be developed and applied to traditional products of El Oro.

In the first chapter, I will analyze the political and economic environment in Ecuador, mainly based on the National Plan of Good Living 2013. Therefore, it is necessary to understand the economic background, as well as the policies and guidelines of the national government in order to generate proposal strategies on trade development in El Oro province.

In the second chapter, a socio demographic analysis of El Oro province shall be made in order to measure the life standard of the citizens in El Oro province. Also, the current

commercial offer of El Oro province shall be evaluated with an emphasis on the business initiative of citizens. Finally, the potential business and opportunities for the province to different sectors and with different products shall be determined.

Then, in the third chapter, I will focus on those strategies which can be applied in our province and improve the attractiveness of the exports. Strategies will focus on innovation as a contribution to the traditional production scheme of our province. Besides, strategies that proved to be profitable in other territories will be considered.

Finally, in the fourth chapter, I will elaborate proposals to potentiate the exportable supply in the province, based on the analysis of previous chapters.

Chapter 1. Economic Context in Ecuador

1.1 Economic Policies of Ecuador

The economic policies executed by the central government in Ecuador have been widely criticized and considered ideologically biased with a leftist trend. In contrast, they have been praised by other experts due to the correct decisions and policies implemented to achieve an economic stability; which are ineffective to my point of view. The conclusions of this work are derived on an economic analysis based on data proportioned by CEPAL- Economical Commission for Latin America and the Caribbean, Banco Central del Ecuador and the Ministry of Finance.

1.1.1 Fiscal Policy

In general, according to CEPAL the economic activity in our country grew 3.8 % during 2013, which is coherent with the trend of the economic growth during the years 2011 and 2012 which was of 4.5%¹. The two main components that contributed to this growth during 2013 are consumption and public investment for boosting our economy. In spite of it, the external demand of our products decreased. Moreover, the external demand of our products has decreased in 2014. The public debt of the government was inflated to 30,140 million dollars².

Following, I am going to make a more detailed analysis of the different sectors of economy and politics of Ecuador according to CEPAL and Banco Central del Ecuador. First, the analysis of the fiscal expense and the economic exercise will be done. By comparing the periods 2013 and 2014, there was an increment in the fiscal and monthly payment expenses in about 6%. Observing the country incomes in 2014 and considering a Banco Central del Ecuador report; there was a reduction of the incomes comparing with 2013. In sum, there was a tendency of stability with a minimum growth of only 1% that represented about 182 million dollars between the two fiscal periods³. This is due to the decrease of the oil barrel price.

¹ Estudio Económico de América Latina y El Caribe – Ecuador - CEPAL

² Transparencia Fiscal N.102 – Observatorio de la Política Económica

³ Banco Central del Ecuador – Informe Estadísticas Mensuales

Instead, in 2013, the economy strength was on the tax incomes which rose to 13.6% and non-tributary in a 37.8% with respect to 2012. In 2014 until October of this year, around 11,680 million dollars have been collected. However, the consequences of the raise of public spending and the diminution of the revenues led into a major public debt, representing 23.6% of the GDP in comparison to 22.2% in 2012. Likewise, in 2013, only the external debt represented 13.9% of the GDP, which exemplified an expansion of 1% respecting to the 2012 external debt. However, in 2014 the internal and external public debt reached 30,140 million dollars contrasted to 22,840 million dollars of 2013 which rose to 24% according to Banco Central del Ecuador⁴. The largest creditor of such debt is the People's Republic of China.

The analysis performed based on the official information supplied by CEPAL⁵ shows that the inflation in Ecuador during 2013 was lower than in 2012. Since the accumulated inflation during this year was of only 2% and the inflation on the food products was of 0.5%, an amount lower than the accumulated inflation in 2012 which reached 4.2% in the same year and the inflation of the alimentary sector reached 5.5%. The economic balance is positive because along with the low inflation there is a policy of price control of the main products of the basic family food basket. The urban unemployment was reduced in 4.7 % and the basic salary in 2014 went up from 318 to 340 dollars, a palliative for the popular sector.

Among the main fiscal policies adopted by the national government, there is an emphasis on the most recent budget reduction of the State for the 2015 tax year in almost 1420 million dollars, which was approved by the National Assembly⁶ resulting in a new budget of 34,879 million dollars. The main reason for this reduction is due to the low oil price, which represents one of the main sources of income. Thus, the main goal is to keep a real budget for the economical possibilities of our country since people know that for the year 2015 there is a probability of hard times for the Ecuadorian economy.

By making a macroeconomic analysis of the General State Budget, it is hereby determined that it showed a lower income in 2014 compared to the year 2013.

⁴ Banco Central del Ecuador y Observatorio de la Política Fiscal – Transparencia fiscal N.102

⁵ Estudio Económico de América Latina y El Caribe – Ecuador - CEPAL

⁶ Ministerio Coordinador de la Política Económica – Sección Noticias

According to the Ministry of Finance ⁷ the income during 2014 was of 19,852 million dollars. However, in 2013 the income was equivalent to 20,488 million dollars, that is to say a decrease of 3%. Conversely, something different happened with the fiscal and public expenses according to the Ministry of Finance. The State expense grew from 25,818 million dollars in 2013 to 27,394 million in 2014, a growth of 5%. As a result, it is inferred that the State deficit augmented from 5,330 million in 2013 to 7,542 million in 2014. That is to say an increase of 29%. Such actions created economical unrest.

In sum, the incomes and expenses were the reason for the fiscal deficit. Firstly, the country tax incomes were higher in 2013; this tax collection was of 1,3940 million dollars. On the other hand, until December 2014 it was of 1,4297 million dollars, which represented a low increase of 20 %. Analyzing the tax income since President Correa took over in 2007 until 2014, the tax collection has tripled. In 2007 the tax income was of 5,491million dollars and in 2014 it closed at 1,4297 million dollars which shows an inefficient government tax policy⁸.

A deeper analysis of the salaries shows that there was a decrease from 2013 to 2014 that ranged from 8,433 million to 8,359 million dollars. Compared with the two previous years before Rafael Correa's administrative period, the expense in salaries was of 3692 million dollars and nowadays is 8,359 million dollars, an exaggerated enlargement of bureaucracy. For example, the addition of State departments created as well as the numerous public ministries, shows inefficiency since those resources could have been invested in a better way⁹.

Another important fact that strongly marked to the fiscal policy was the announcement of new taxes on different imported products. However, one of the most controversial is taxing fast food. The Central Government argues that the health of Ecuadorians is a priority. Nevertheless, the opposition argues that the excess of taxes aims to support an inflated budget, and restrict certain liberties. Without doubts, 2014 was a year known by excessive taxes collection by the Central Government.

⁷ Ministerio de Finanzas del Ecuador – Sección Noticias

⁸ Transparencia Fiscal N.102 – Observatorio de la Política Económica

⁹ Transparencia Fiscal N.102 – Observatorio de la Política Económica

1.1.2 Trade Sector and Commercial Policies

An analysis of the external economic policy of Ecuador during 2014 demonstrates it is remarkable that the commercial agreement with the European Community block trade, which became a transcendental topic for our economy since countries such as Peru and Colombia signed commercial agreements with this block trade. Therefore, Ecuador was placed in an economic disadvantage¹⁰. Yet, the omission of the United States policies in 2013 was a bad decision. The ATPDEA used to be a benefit that we used to receive for the drug eradication fight. Finally, in 2013 and 2014 a possible access of Ecuador to MERCOSUR was announced, which would be translated in a more dynamic economy; however it has not occurred yet.

Now, checking on the foreign trade numbers of our country, the following is elicited: according to official figures of Banco Central¹¹ from 2013 to 2014 oil exports dropped to 300 million dollars, a decrease of 12% due to the fall of the oil price. Likewise, the manufactured products have also decreased in 11.1% compared to the previous year. This is a concerning fact since it aims to promote a new production model where the primary sector be released and unrestrained. However, latest data show that the country dependence increases progressively on these primary products. To my opinion, it is a difficult process because of the current situation of our economy.

In 2014 there was a growth of 2% in imports, compared to 2013. Ecuador rose from 25,826 million dollars to 26,433 million dollars¹². Such situation denotes significant failures in the national economy management. Firstly, because it is illogical that Ecuador imports commodities for the family basket when we can produce them and consolidate our food sovereignty.

According to CEPAL¹³ the deficit of the commercial balance in Ecuador in 2013 until September reached 821 million, facing a surplus in 2012 of 114 million dollars. Such commercial deficit in September 2013 reached 19.9% of the GDP. In contrast, in 2014 Ecuador had a commercial deficit of 200 million dollars which represents a higher deficit between 2013 and 2014 of 58%.

¹⁰ Diario El Universo – Ecuador firma acuerdo comercial con la Unión Europea

¹¹ Banco Central del Ecuador y Observatorio de la Política Fiscal – Transparencia fiscal N.102

¹² Banco Central del Ecuador y Observatorio de la Política Fiscal – Transparencia fiscal N.102

¹³ Estudio Económico de América Latina y El Caribe – Ecuador - CEPAL

Ecuador has based its economy on a traditional primary export model from the colonial era; nevertheless, we can consider the lack of innovation as one of the global issues on developing countries. The country and our governments were used to live of the profitability of commodities, leaving aside all form of investigation or innovation. Therefore, our country is nowadays vulnerable to international economic crisis and dependent on industrialized countries.

According to Banco Central del Ecuador of Ecuador¹⁴ data, in 2014 the exports of raw material represented 83% of the local GDP, while industrialized goods represented 17% of the GDP, which clearly proves a deep dependence on prime material, especially of oil where the national economy puts a strong emphasis and hope. The change of a new production model seeks to generate the development of new strategic sectors such as the services and industrialized goods besides adding value to our export goods, which hasn't been done yet in the economic history of our country.

Another governmental issue that ensured national growth was the investment in the hydroelectric sector. Traditionally, we have imported a representative percentage of energy for domestic use, generating a government deficit and power supply problems in the country. The central government has made important investments on this field as we can see in the hydro electrical projects COCA CODO SINCLAIR and MINAS SAN FRANCISCO, both with the international cooperation of the People's Republic of China.

The agreement with the European Economic Communities was significant for the foreign policies of Ecuador in 2014. According to the ex-Foreign Trade Ministry of Ecuador Francisco Rivadeneira¹⁵ “we reached an agreement that triggered opportunities, reduced the expenses, respected the development model of our country and allowed protecting our weak sectors”. Such deal was negotiated with Peru and Colombia at the beginning; however Ecuador withdrew in 2009 stating that this agreement would not benefit the country. The negotiations with the European Union were restarted taking into account the most sensible Ecuadorian sector- the agriculture, since Ecuador is one of the main exporters of these products to Europe, and Rivadeneira argued that the small agricultural producers will not be affected by this commercial agreement.

¹⁴ Información Estadística Mensual No.1948 Junio 2014, Banco Central del Ecuador

¹⁵ Diario El Universo – Ecuador alcanza acuerdo con la Unión Europea

As a result, Ecuador joined the commercial agreement between the European Block and the Andean Community. According to the analysis from the commercial agreement, Ecuador will save around 500 million Euros in tariffs when our products enter the European Union. The main products that Ecuador trades abroad to the European Union are: tuna fish, palm heart, banana, shrimps, cocoa, flowers, fruits, coffee¹⁶, etc. To my opinion, this agreement will result beneficial especially for shrimp and banana producers who will expand their sales to the European commercial market.

Moreover, an implementation of a commercial policy of the Central Government is the application of safeguard taxes on products from Peru and Colombia. Patricio Rivera, Coordinator of the Economic Policy of Ecuador, argues that this measure exclusively obeys to the Ecuadorian Government needs in order to equalize the prices with these countries which have devaluated their currency in 7% and 21% respectively, depreciating our products¹⁷ this way. As we know, Ecuador does not have a local currency, it depends on the US dollar, a foreign currency which makes it impossible for Banco Central del Ecuador to value or devalue the currency. As a result, the central government has implemented said safeguard taxes. According to relevant authorities, these safeguards will be applied only to a small portion of the products. In contrast, they seek to promote the local consumption in order to avoid cash exiting.

1.1.3 Monetary Sector of Ecuador.

The monetary entity named “Junta Política de Regulación Monetaria y Financiera del Ecuador” regulates the limited monetary policy of our country. This public entity is responsible for the regulation and surveillance of the financial loan market as well. According to the Minister Rivera, the goal of this institution is to prevent a financial bank crisis, similar to the one Ecuador experienced in 1993¹⁸. This public institution will assume a less fundamental role than Banco Central del Ecuador because of the limited monetary policy in Ecuador. However, to my opinion it will focus on the financial sector since the President Correa has occasionally expressed his opposition against large bank owners.

¹⁶ Ministerio Coordinador de la Política Económica – Sección Noticias

¹⁷ Ministerio Coordinador de la Política Económica – Sección Noticias

¹⁸ Ministerio Coordinador de la Política Económica – Sección Noticias

In July 2015, the National Assembly approved the Financial and Monetary Code¹⁹. The main objective of this norm is to regulate private banks in service of the community. This new law will oversee the function of financial institutions. One of the innovative processes of this law is the electronic money launching system that allows financial transactions in a comfortable way from a mobile phone which is already working in our country; all of them have been important developments of the new Financial Monetary Code.

According to the publication of Dr. Hugo Jácome, professor of Santiago de Compostela University, in his article of FLACSO²⁰ about the Political Economy of Ecuador, he argues that they seek to stabilize the economic situation and revert a model that made Ecuador appear to be volatile before the world, caused by a weak intervention of the State in the economic affairs predetermined by the neoliberal model; where the inflation caused a process of dollarization that changed permanently the economy in Ecuador. However, most social problems such as inequality or migration came as a result of said model. A negative trade balance and the surplus from oil have been wasted in expenditures instead of investment. Therefore, the actual economic policy seeks to regulate, plan and implement the axes of the national economic policy coherently in view of the above mentioned negative economic experiences.

The axes of the economic policy of the national government are five according to Dr. Jácome Estrella²¹ which are detailed as follows:

1. Develop a sustainable national product.- Said development must be family oriented to cover basic needs and generate production and community entrepreneurship by means of community action for a joint development.
2. Creation of jobs. - To stimulate socially recognized work where human resources are prioritized over financial capital, in benefit of society.

¹⁹ Ministerio Coordinador de la Política Económica – Sección Noticias

²⁰ Revista La Tendencia, Editorial FLACSO

²¹ Revista La Tendencia, Editorial FLACSO

3. Strategic positioning of the nation. – It is intended that Ecuador promotes a regional economic development based on the integration of Latin America and the nations on the Pacific Coast.

4. Productive inclusion and wealth redistribution. - The accumulation of capital by few sectors has caused inequality in our country. Therefore, it is imperative to generate a process of redistribution towards an equitable development of all sectors.

5. Create citizen participation. - Social cohesion involves citizen participation through engagement in the development of national economic processes.

The vision of the national government is to create a new approach of the national economy based on the integration of all elements, sustainably and in harmony with the environment and with the central axis humans. To do so, the national government seeks to strengthen the following economic policies.

a) The productive policy to foment such field.

b) Trade policy and regional integration.

c) Fiscal policy.

d) Financial policy.

e) Social policy.

According to Dr. Jácome Estrella²² there are several events that determined and changed the history of Ecuador's economic policy. The following items are highlighted²³:

- Oil funds frozen for the payment of foreign debt were specially reinvested in social development and infrastructure.
- A National Public Procurement system was implemented to ensure the participation of small and medium size suppliers and enterprises to promote the development of this sector.
- Yasuní ITT initiative was launched to leave oil fields in the East of our country underground; there should be compensation by the countries of the world. Unfortunately, the government decided to exploit the Yasuní due to the failure of that initiative, generating rejection from several sectors.
- ATPDEA benefits were lost, these used to be tariff preferences from the United States in acknowledgement of the fight against drug traffic. Unfortunately, they were lost due to ideological differences, affecting the local economy.
- The government started to renegotiate a trade agreement with the European Union, after refusing that option initially. Nevertheless, due to the competitiveness differences with our neighboring countries, we were forced to renegotiate this agreement.
- The central government had talks with Asian and Middle East markets in order to diversify the destination of our products. Due to the negative balance because of the loss of exports to the United States. Such measures have been widely criticized because

²² Revista La Tendencia, Editorial FLACSO

²³ Revista La Tendencia, Editorial FLACSO

they are considered markets that will not generate a significant benefit to our economy.

- The government emphasized the regional integration in the development of projects such as Manta-Manaos transportation, the South Bank initiative or a virtual coin for the region.

- The government has redistributed the general state budget, focusing on social investment and sacrificing aspects such as payment of external debt, the same which had to be renegotiated to ensure a sovereign payment thereof without impositions.

- We have implemented a tax culture in our country. With the creation of Internal Revenue Service and a solid legal framework in the area; a new era marked greater demands on tax obligations and radically punishing evasion from taxpayers.

- The government implemented greater allocation of funds to the Public Bank to generate greater amount of microcredits for entrepreneurship, prompting greater access of such benefits to citizens.

- The government has strengthened trade relationships with the Republic of China because China is the largest oil consumer and also the largest creditor, displacing the United States.

1.2 National Plan of Good Living

Good living or *sumak kawsay* has taken relevance in recent years in our country due to the policies and objectives of the National Government to strengthen

new concepts for our society. Under this principle, humans are considered pivotal in the development. Some important aspects of socialism and good living are the following²⁴:

- Partnership with liberating and creative work
- Societies of full capacity, emancipation and autonomy
- Radically fair society
- United Society
- An equal and equitable Society
- A jointly responsible and proactive society
- A society of excellence
- A society pursuing harmony with nature
- A pluralistic and participatory society
- Sovereignty and integration of people
- Strengthening of society
- a democratic and plurinational state

²⁴ SENPLADES – Plan Nacional del Buen Vivir 2013-2017

The Ecuadorian economic policy is based today in an integrative regional model. It has been one of the strongest in the regional bodies such as UNASUR and CELAC where countries in the region do not want to depend of other countries. In addition it seeks to consolidate a strong economy. This regional integration seeks to strengthen all ties of brotherhood and make more effective the international relationships by means of the following proposals²⁵:

- The creation of the South Bank
- Joint management of liquidity.
- Creation of a virtual currency “SUCRE.”
- Constitution of regional public goods
- Strategic management of natural resources

Within the National Plan of Good Living it is necessary to highlight the Strategy of Accumulation and Distribution of Wealth, where such topic is addressed in the present research and it is focused on knowledge and innovation.

Considering the terms of the National Plan of Good Living this change of production model denotes a respectful and supportive relationship between economy, society and nature. Indeed, this concept is innovative and it marks the beginning of an economic sustainable development with regard to all the elements of production. It is important to attain a transformation of local raw materials because they will be the foundation for a sustainable development.

²⁵ SENPLADES – Plan Nacional del Buen Vivir 2013-2017

One of the key objectives of the government according to the National Plan of Good Living²⁶ is to *reduce Inequality Gaps* so that revenues generated from exports will be invested on health, education and employment. To ensure the success of knowledge in domestic production it is necessary to invest on scientific research. However, investment in our country is far below the regional average according to data from the National Plan of Good Living SENPLADES provided by the average regional research investment exceeds 1%, while in our country is of 0.5%²⁷.

The change in the production model implies the need to implement new programs of research and development. That is why the government created the University of Yachay, the city of knowledge, in its first stage with the opening of the Experimental University Yachay Model. This project seeks to generate knowledge, research and development in the areas from: Life Sciences, Nanotechnology, Renewable Energy and Information Technology.

The supply of goods and service in the National Plan of Good Living raises the fact of a generation and equitable distribution where the human factor is crucial. The country has started to gain relevance in services and industrialized companies. This has also improved the participation in the Gross Domestic Product. However, the projections and goals reflecting the National Plan of Good Living aim that in the year 2030 the export of manufactured goods shall cover 30% of the GDP and especially tourism services shall represent 40% of the GDP.

The central government by means of economic policies seeks to balance the import trade balance with import substitution, promoting the development of non-oil products. Productivity is today one of the main areas where the State resources are invested because the National Plan of Good Living seeks to stimulate the economy with products that have an added value, based on knowledge and human talent. The use of technology will be essential to bring economic

²⁶ SENPLADES – Plan Nacional del Buen Vivir 2013-2017

²⁷ SENPLADES – Plan Nacional del Buen Vivir 2013-2017

development. The strategy to be implemented by the government is (R +D+I) which means (Research+ Development + Innovation). The government's strategy as indicated by the National Plan is to convert the finite resources into infinite resources²⁸.

The change of the productive model seeks to develop a new economic model in the country called Popular and Solidarity Economy which favors the human being over the capital; from there they meet the following objectives of the National Plan of Good Living²⁹:

Objective 8 "To consolidate the social and solidarity based economic system sustainably."

Objective 9 "To guarantee decent work in all its forms".

Objective 10 "To promote the transformation of the productive economic model".

Objective11."To ensure the sovereignty and efficiency of the strategic sectors for an industrial and technological transformation."

Objective12."To ensure world sovereignty and peace, promote Latin American integration and deepen the strategic insertion. "

1.2.1 Objective 8. "To sustainably consolidate the economic, social and solidarity based system".³⁰

A balance in the relationships of power is the objective of the central government. It seeks to promote a sustainable development. This system was created as a response to the capitalist economy accumulation and consumption. Furthermore, an important issue is the consideration of natural resources as the base of the national economy. In our

²⁸ SENPLADES – Plan Nacional del Buen Vivir 2013-2017

²⁹ SENPLADES – Plan Nacional del Buen Vivir 2013-2017

³⁰ SENPLADES – Plan Nacional del Buen Vivir 2013-2017

constitution it is proposed to respect the rights of nature to ensure a sustainable development model under responsible environmental measures.

The government is responsible for passing the country's economic policy and the way it is implemented. The government seeks to promote fiscal and financial sustainability with a culture tax, employment generation to achieve full employment. Furthermore, to promote regional economy by strengthening economic relationships with neighboring countries in order to prevent an international crisis. The government gives priority to the human being over the capital. Therefore, it is important the participation of the government in the regulation of the national economic system.

The social and solidarity based economic model seeks to be inclusive. For that reason, in the region some forums have been held on this regard in order to strengthen economic integration mechanisms that might mitigate a future economic crisis. According to CEPAL³¹ in the last three years the economy of the region has grown at an average of 4% due to several integrative processes in economic matters. However, in 2009, with the international financial crisis, the economy of Latin America went down to 1.9%. It shows the vulnerability of the region and a dependence on international financial markets.

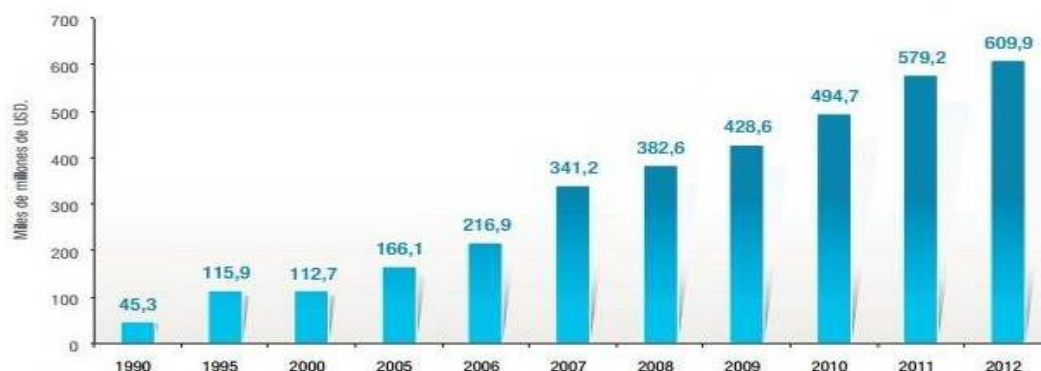
There are a number of relevant topics that bind the countries of our region. The most relevant is poverty, according to CEPAL³² in our region one of every four people lives below the poverty line.

In the graph the reserves of financial assets in Latin American nations have dramatically changed in recent years.

³¹ Estudio económico de América Latina y El Caribe – Ecuador - CEPAL

³² Estudio económico de América Latina y El Caribe – Ecuador - CEPAL

Graph 1. SOUTH AMERICA INTERNATIONAL ASSETS



Source: World Bank

Elaborated by: Senplades³³

The chart above shows a steady growth in reserves of the financial assets in the region in recent years, according to these data, the accumulated wealth of the region is one of the largest in the world and it would be the ideal source to invest in the development of regional economies. In the 90's the region possessed a wealth accumulated of \$45.3 billion dollars, while in 2012 the accumulated asset is \$609.9 billion dollars. According to the National Plan of Good Living, CEPAL in 2012 suggested implementing new economic policies in the region:

Industrial Policies.- Productive policies with environmental responsibility.

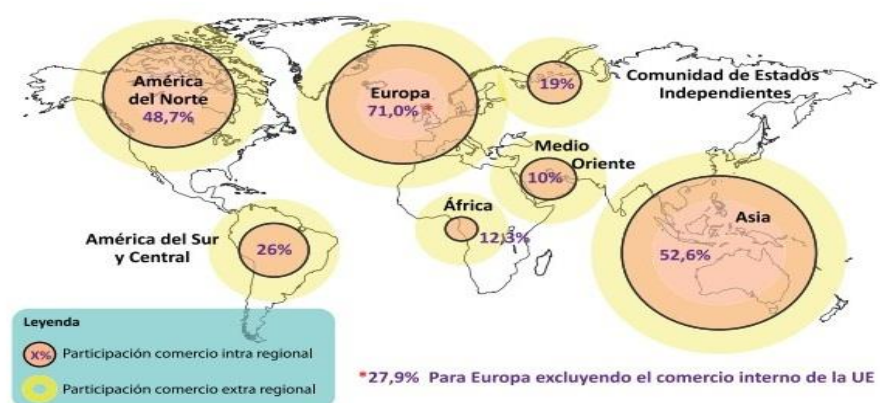
Macroeconomic policies.- Promote the generation of employment as well as an equitable distribution of wealth.

Social policies.- Promote employment with a full exercise of rights.

³³ SENPLADES – Plan Nacional del Buen Vivir 2013-2017

Graph 2. INTRAREGIONAL TRADE

Comercio intrarregional de mercancías (2010)

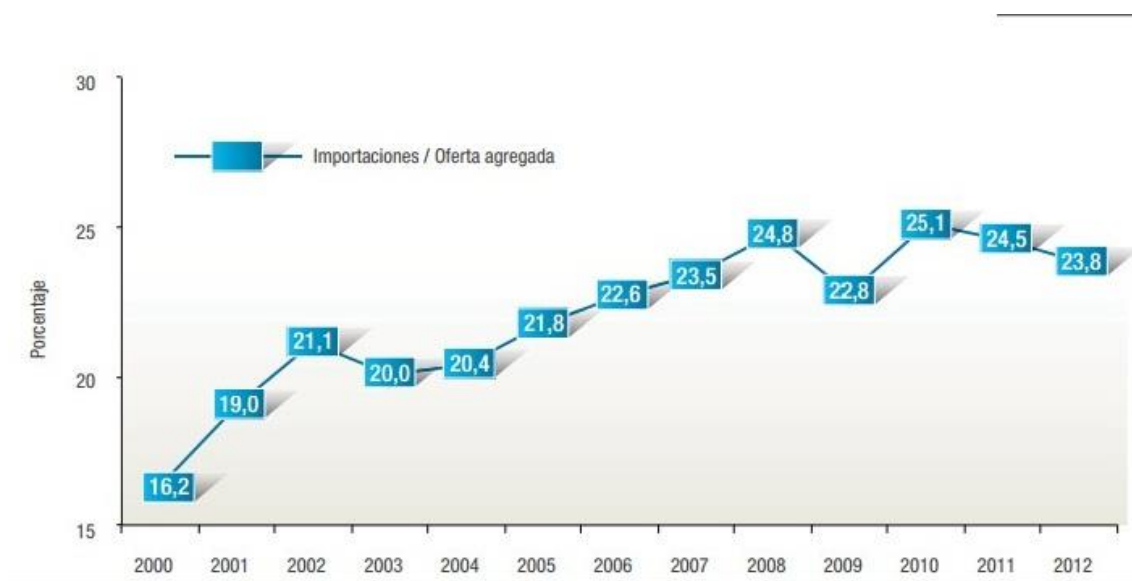


Source and Elaboration: SENPLADES³⁴

As seen in the previous chart our region has a limiting factor, the internal trade among countries. North America trade reaches 48.7% of its total. In Europe the trade among their countries including members of the EU that reach 71%, which shows a close-knit region, commercially speaking. Our region is also overtaken by Asia where domestic trade reaches above 52%, a result of effective regional integration policies. Our region has only 26% of intraregional trade only above the poorest continent, Africa. To my opinion, this issue is quite concerning because despite having a similar republican history, the same culture and language, it is inadmissible to observe such a flaw in a weak inclusive process which has not been able to generate greater economic relationships in the region. Beyond that, it is true that most of the countries in the region produce similar products. Yet, the percentage of participation trade in our region remains low.

³⁴ SENPLADES – Plan Nacional del Buen Vivir 2013-2017

Graph 3. EVOLUTION OF IMPORTED COMPONENTS OF AGGREGATE SUPPLY OF GOODS AND SERVICE (2000-2012)



SOURCE: CEPAL

Elaborated by: SENPLADES³⁵

It is important to stress that the present analysis focuses on the goods and service that Ecuador imports from other regions. If we want to change the productive model our industry should be prepared to be competitive and not vulnerable to international industries. In this chart, we detect that since the year 2000 the import of foreign goods and service has been growing at a steady pace through 2012, a real concern because while years go by, we become more dependent on goods and service from abroad than on our domestic supply.

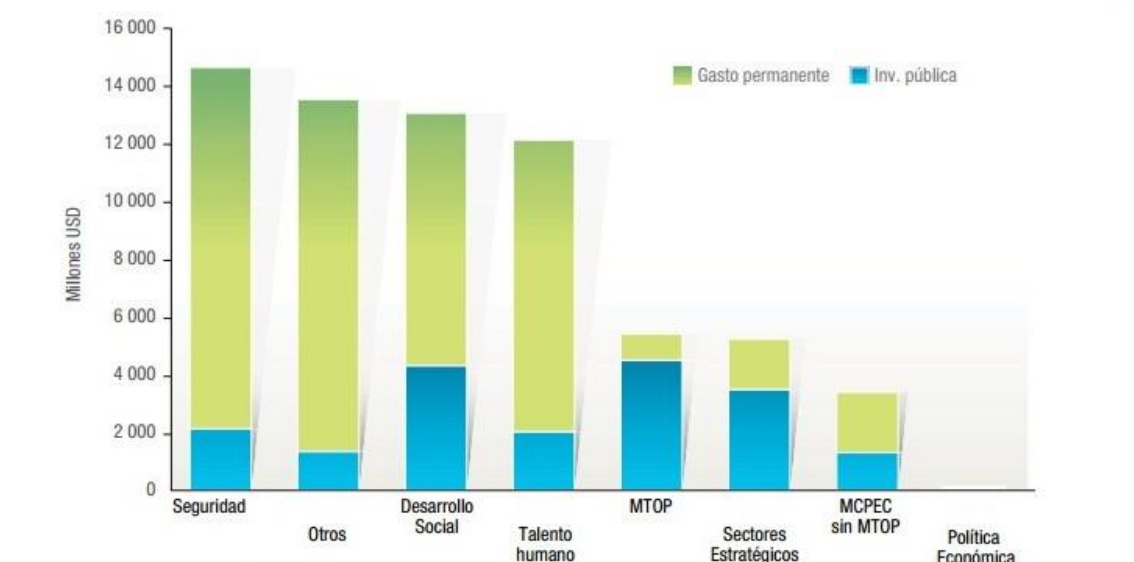
Furthermore, we notice that some significant progress has already been made in economic policies compared to previous years. Nowadays our country has solid organic bodies of financial taxation, ensuring a framework of respect for the fiscal sector, such as: tax equity law issued in 2008, which promotes an equitable payment of taxes by the society. Also, there is a mining law ensuring sustainability of our natural resources for

³⁵ SENPLADES – Plan Nacional del Buen Vivir 2013-2017

the payment of obligations from mining companies. With all this progress in taxation, according to Banco Central del Ecuador of Ecuador ³⁶in 2006 on account of tax collection obtained 4.672 billion dollars, while due to the progress in tax policy in 2012 the country gained 11.262 billion dollars, effectively, nearly 200% more, demonstrating efficacy in the management of this system³⁷.

With regard to national economic policy, it is essential to conduct an analysis of the State Budget where you can identify the variations and assignment of the revenue:

Graph 4 STATE BUDGET 2007-2013 (ASSIGNMENTS)



Source: Ministry of Finance

Prepared: Senplades³⁸

In the present chart there is an identification of the allocation of the revenue. It is seen that the most important item to allocate resources is State Security with an investment of nearly 14 billion dollars, most of this value depends on permanent spending; while

³⁶ Banco Central del Ecuador – Información Estadística Mensual

³⁷ Transparencia Fiscal N. 102 – Observatorio de la Política Fiscal

³⁸ SENPLADES – Plan Nacional del Buen Vivir 2013-2017

public investment is of only 2000 million. The most important item of public investment is social development, being consistent with the trend of the current government. At that point the investment on the public sector is near 4 billion dollars and adhered to the ongoing expense it reaches a total of 13 billion dollars. An amount that draws particular attention is Strategic Sectors because of the change of the production model. Nowadays the national government has catapulted public investment at nearly 4000 million dollars looking for results in this area. Nevertheless, it is going to take time because this is a long term investment.

Previously, a lot of funds were used for the payment of foreign debt, especially with the International Monetary Fund. However, the current government immediately after taking possession the government settled³⁹ that debt. Currently, our main creditor is the People's Republic of China that strengthened bilateral relations in addition to underpin further regional cooperation with the countries of South America. Taking into account that the external debt was renegotiated with the purchase of Global Bonds 2012 and 2030 in the year 2009, this was a smart measure of the government because it saved the state around eight billion dollars according to official government speakers. With respect to the General State Budget the payment of the foreign debt represents only 8% of this budget.

There is another important factor that determines the guidelines of the economic policies of our country, we are talking about the external factor, in this particular case the phenomenon called globalization, which has made interdependence and connectivity between all countries of the world necessary. To my opinion, it has brought more benefits, but it is also clear that it also brought certain problems such as migration.

Graph 5. EXPORTS OF ECUADOR: PRIMARY AND INDUSTRIAL GOODS

³⁹ Biblioteca del Banco Central del Ecuador



Source: Banco Central of Ecuador

Elaborated by: Senplades⁴⁰

In the graph, we can see the evolution of exports in our country in recent years, as well as the representation of the primary and industrialized goods we have exported. In the first instance there is a notorious dependence on commodities in the national economy. In 2012, commodities accounted for 77.3% of all exports; the main products are oil, bananas and cocoa. These commodity exports show little diversification in the domestic production, it generates a very high dependence on imports, because we do not produce even all the products of the basic food basket. In 2014 the situation did not change and the primary production and exports accounted for about 80% of all goods exported⁴¹.

Graph 6 IMPORTS OF ECUADOR

⁴⁰ SENPLADES – Plan Nacional del Buen Vivir 2013-2017

⁴¹ Transparencia Fiscal N.102 – Observatorio de la Política Fiscal



Source: Banco Central

Elaborated by: Senplades⁴²

In this graph, a similar trend is determined from 2008 to 2012 in the breakdown of imports. We can see a production increase of these goods in recent years. These results show that Ecuador has not developed substitutes or new industry products in recent years, because the imports have gradually expanded, even with taxes imports that cannot be reduced. It is important to analyze the foreign investment situation. It is well known that Ecuador has traditionally been one of the countries with the lowest foreign investment in the region, mostly due to economic and political instability.

In 2014, the imports totaled 26.433 billion dollars, divided as follows in different sectors: Consumer Goods 5.232 billion dollars, which represents 19% of imports of the country. Next, the imports of raw materials 8.08 billion dollars, which represents 30% of the country's imports. Finally, the capital goods imported by 2014 is 6.648 billion dollars, representing 25% of the country's imports, the remaining 25% is fuel imports.

⁴² SENPLADES – Plan Nacional del Buen Vivir 2013-2017

1.2.2 OBJECTIVE 10 "Transformation of the Production Model"

Generating knowledge about economy is one of the main objectives of the National Plan of Good Living 2013-2017. The current government seeks to promote a supportive and equitable economy based on production and equitable distribution. However, over the incursion of knowledge, the new productive model of the country has a structural change in the production; import substitution and diversification of new products according to National Plan of Good Living in its objective number ten.

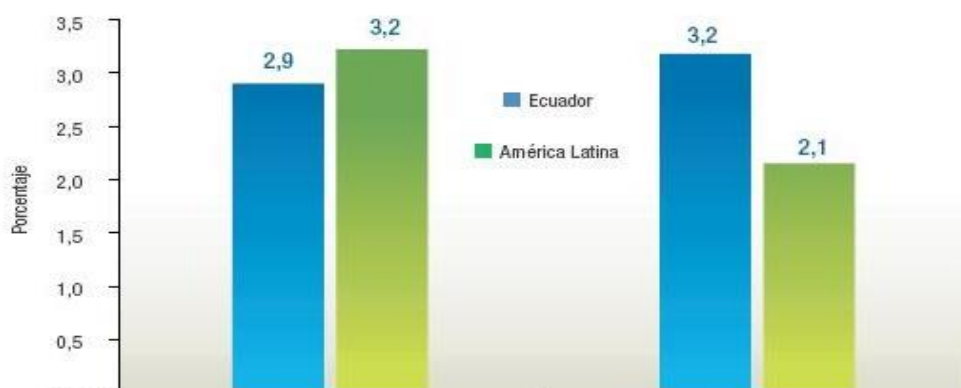
According to the Ecuadorian Constitution enacted in 2008, article 276⁴³ established our country as a fair, productive, democratic and supportive economic system based on the equal distribution of the benefits of development. Allowing the creation of a new production model where besides distributing resources equitably, it is sought to promote national value-added production. Furthermore, it aims to encourage internal and external demand of our products, which is expected to be done at a fair pace. One of the major challenges of the new production model is to accomplish the objectives of CEPAL⁴⁴ which are synergy between social equality and economic dynamics.

Among other challenges to be faced during this change in the production model will be to generate new industrial economic sectors by means of the insertion of new industries, which will have to engage the solidarity based economy model and provide benefits to the labor sector and public investment. Besides a productive chain needs to be built and eventually generate a substitute import, technologies transfer as well as an active participation of Ecuador in the global economy. To understand in depth the change of the productive model, it is essential to first analyze the economic growth of our productive sector in recent years.

⁴³ Constitución de la República del Ecuador 2008

⁴⁴ CEPAL – Objetivos y Funciones

Graph 7. NATIONAL PRODUCTION GROWTH SECTOR IN CONNECTION WITH THE REGION



Source: Banco Central

Elaborated by: Senplades⁴⁵

In the graph an early diagnosis of the current situation of our production growth compared to the rest of the region is determined. It can be concluded that presently our production growth is above the average in the region due to the policies issued by the current government that promote domestic production and import restrictions in some strategic sectors. It has stimulated the development of our national industry. The current average growth in Latin America is 2.1% largely affected even by the effects of the Global Economic Crisis in 2009⁴⁶. However, the national average growth of 3.2% is largely achieved thanks to a successful economic management of government policies. This analysis is positive. It has not had the impact to improve the situation of the country's economic. It is necessary to emphasize on the innovation and new production structure.

⁴⁵ SENPLADES – Plan Nacional del Buen Vivir 2013-2017

⁴⁶ Estudio económico para América Latina y El Caribe – Ecuador – CEPAL

Graph 8. COMPOSITION OF GDP BY SECTORS

Composición del PIB por sector (1990; 2000; 2006-2012)



Source: Banco Central and CEPAL

Elaborated by: Senplades⁴⁷

This graph leads to several conclusions about the national economic situation. A first analysis compares the evolution of the participation of different sectors, it can be determined that the trend has continued despite the different economic and political crisis. The average share of the primary sector in the composition of the national GDP is 19.78%. In this sector the primary export production of items such as bananas, cocoa or roses is included. While, the industrialized sector traditionally occupies less than 15% of the GDP, a trend that has not changed in recent years. Therefore, it is concerning the lack of attention of our leaders to invest on this relevant sector. The service field is the most widely represented in the Gross Domestic Product where domestic labor is included, as well as other sectors. There it is clearly observed a similar trend over the last ten years with a GDP above 60%, making them the most representative sectors of our economy.

A comparative analysis of our GDP in the region is done later. In the primary sector our country is above average in the region, which has around 10% of the GDP in this sector,

⁴⁷ SENPLADES – Plan Nacional del Buen Vivir 2013-2017

and our country works with a number of over 15%. This suggests a raise of the domestic production of raw materials largely due to the great diversity of natural resources. Unfortunately, we are below average the region in the industrial sector participation which shows 15% for products in this sector; we are 2 or 3 points below said average, this shows the need of a self-assessment because we cannot generate greater industrialization or value added products⁴⁸.

Meanwhile in 2014, the Gross Domestic Product was found in a nominal value of 101,000 million, while the GDP per capita was of \$ 6.601 million, that is to say 4.6% higher than the immediately preceding year. While in the decomposition of GDP in 2013, which are the latest available data, it was found divided as follows according to Banco Central del Ecuador of Ecuador

Graph 9. GDP by Economic Activities

COMPOSICIÓN DEL PRODUCTO INTERNO BRUTO POR CLASE DE ACTIVIDAD ECONOMICA	2012	% VAR 2011-2012
Agricultura, ganadería, silvicultura, caza y pesca	9.45%	4.18%
Explotación de minas y canteras	11.08%	8.93%
Refinación de Petróleo	0.29%	-52.57%
Manufactura (excepto refinación de petróleo)	11.75%	6.99%
Suministro de electricidad y agua	0.80%	7.60%
Construcción	11.36%	17.80%
Comercio	10.65%	6.22%
Transporte	5.40%	12.97%
Actividades de servicios financieros	2.83%	10.31%
Administración pública, defensa, planes de seguridad social obligatoria	6.71%	14.92%
Servicio doméstico	0.37%	-3.20%
Otros Servicios	25.03%	10.99%
Otros elementos del PIB	4.28%	7.62%
PRODUCTO INTERNO BRUTO	100.00%	9.47%

Source: Banco Central of Ecuador⁴⁹

⁴⁸ Senplades – Plan Nacional del Buen Vivir

⁴⁹ Guía Comercial del Ecuador – ProEcuador – Banco Central del Ecuador

Another issue of concern that accelerated the transformation of the productive model is the deficit we have in the trade balance in the products of the domestic consumption. The deficit according to Banco Central Ecuador gets to 9% of the national GDP; because we are not even producing enough products to meet domestic consumption. This is due to a prevailing of imported products that we could produce to ensure the sovereignty of food.

The State is transcendental element of the development of the new production model. Therefore, according to data from Superintendence of Banks and Insurance support credits to industrial production sector since 2006 to the present has almost tripled. It gives the result that in 2006 the figure of public investment to productive loans was of 200 million dollars, while today the value exceeds \$800 million dollars. From this value to where it has been designed to generate microenterprises with more than \$160 million investment according to the superintendence banks and insurance. We will list and then highlight the guidelines and policies from the government on the development of the new production model. All this is done in accordance with the National Plan of Good Living of the government⁵⁰:

Policies to generate added value to national products

1. To promote and strengthen key strategic industries and their production chain, with emphasis on those resulting from the restructuring of the system model, the sovereign management of strategic sectors and supporting other sectors of the economy in their production processes.
2. To articulate the management of strategic sectors of the National Strategy for Transformation Production Model and productive vocation of the territories and their diversity of population.

⁵⁰ SENPLADES – Plan Nacional del Buen Vivir 2013-2017

3. to Consolidate productive transformation of industrial priority sectors and manufacturing processes of adding value to maximize the national component and strengthen the capacity of innovation and collective learning
4. To Strengthen and develop the ship building industry, such as generating linkages productive for the development of related industrial activities.
5. To Strengthen the institutional and regulatory framework to quality management in production processes and guarantees the rights of consumers and producers.
6. To Coordinate education and research to the generation of technical capabilities and management, to boost the productive transformation.
7. To Promote selective import substitution, depending on the local potential territorial, forward chaining basic and intermediate industries.

In a separate analysis, the government has made guidelines for creating value added to the domestic industry. Among the strategies suggested by the government National highlights the industry to develop new productive sectors nationwide through the production chain. The added value is necessary in the production national, in sectors such as textiles where we can find lots of small manufacturing companies can join innovation processes in this sector.

Policies to promote intensification of production technology national⁵¹

1. To Articulate the scientific, technological research and higher education in productive sector to constantly improving productivity and systemic competitiveness in the context of current and future needs of productive sector and the development of new knowledge.

⁵¹ SENPLADES – Plan Nacional del Buen Vivir 2013-2017

2. To modernize production in the generation of raw materials production and capital goods with greater technological intensity in their production processes.

3. to Create and strengthen incentives to encourage local and foreign private investment that promotes disaggregation, technology transfer and innovation.

4. To Implement mechanisms for utilization of optimal capacity State installed in production activities and job generation.

5. to Promote selective import substitution, considering innovation and technology as key components of the production process, with vision chaining basic and intermediate industries.

6. To Ensure the production chains of strategic industries Keys, industrial and manufacturing, priority sectors generate disaggregation and technology transfer in their production processes.

7. To Articulate participatory innovation programs in the rural sector, systems formal and informal, with access and use of TICs to improve coverage services and promote the exchange of knowledge between local actors.

The government must promote the development of technological systems in domestic production. It is one of the biggest challenges we have as a country, due to the delays we have in the industrial sector. The government has a target of promote greater use technology in the processes of national production. The strategies listed above give an example of this. My opinion is important the exchange of knowledge and technology among local actors, because the cooperation between different industries will be key to introducing technology processes manufacturing..

Policies to generate added value to the industry service⁵²

1. To strengthen the service sector in order to create and promote inclusive employment.
2. To promote capacity building, technical and management services to improve their performance and contribute to achieve a productive transformation.
3. To strengthen the institutional and regulatory framework to quality management and control the market power in the service supply to ensure the rights of providers and consumers.
4. Promote tourism as one of the priority sectors for investment attraction domestic and foreign.

In the analysis, the national GDP with regard to tourism, the government has invested large sums in promotional campaigns for our country. However, it is necessary to empower citizens on attention to foreigners in order to make their stay in our country pleasant. The legal framework is also necessary to strengthen institutions to ensure the quality of different services to fully comply with standards international. The service sector will be critical to ensure new development national if travel agents as well as investments are hardly encouraged.

Policies to promote the production and productivity sustainably, promote inclusion and an adequate distribution of the elements of production in agriculture, aquaculture and fishing⁵³

1. To strengthen organized rural production and family farming under models of solidarity based economy, their inclusion as economic agents

⁵² SENPLADES – Plan Nacional del Buen Vivir 2013-2017

⁵³ SENPLADES – Plan Nacional del Buen Vivir 2013-2017

in the productive transformation model, promoting diversification and added value and import substitution, within the context of food sovereignty.

2. To promote local experimentation, development and access to knowledge, exchange techniques and technologies, the ability of social innovation, systematization experiences and inter learning to improve production processes, especially of peasant family agriculture, and Solidarity Popular Economic in the rural sector.

3. To perform land cadaster in the country side, to identify monopolized and owner-concentrated land which is deemed suitable for agriculture and the agricultural census to identify geographically the land that can be redistributed to the prioritized segments.

4. To promote social democratization and environmentally responsible access to land, efficient, productive and profitable use in production processes, mechanisms for sustainable market penetration, applying different strategies, according to the territorial realities.

5. To improve the coverage and equitable access to irrigation and promote cooperation of irrigation systems, building organizational forms and local knowledge, to ensure food sovereignty.

Ecuador is a country rich in natural resources with a great diversity and source wealth, in the seas and rivers. However, processes are performed at fishing and aquifers in a very traditional way due to the lack of development of this industry. These sectors are crucial within the new guidelines of the productive model of the national government, the policies are aimed at strengthening the sector as democratize and ensure the space of artisanal fishing production processes. It will also be essential to develop research and technology in the fishing sector and agricultural.

Policies to strengthen the popular economy and solidary⁵⁴

1. To establish mechanisms for the incorporation of micro, small and medium

⁵⁴ SENPLADES – Plan Nacional del Buen Vivir 2013-2017

production and service units in production lines linked directly or indirectly with the priority sectors, in accordance with the characteristics production of each sector, the intensity of labor and income generation.

2. To promote and encourage partnerships, organizational strengthening, capacity of negotiation, networking, productive chains and circuit marketing, to improve competitiveness and reduce market intermediation.

3. To strengthen mechanisms to reduce intermediation margins production and marketing in the local market.

4. To promote the access to financial, transactional services and credit guarantee within the framework of a management model that integrates the entire financial system.

5. To simplify procedures for productive enterprises and service of micro, small and medium size production units.

6. To implement an integrated information system for the productive sector and services, with emphasis on micro, small and medium size production units.

The new production model in Ecuador focuses its potential on new venture innovators, to do so, it is necessary to strengthen this sector with government policies within the guidelines proposed in productive agreements between prioritized sectors of similar industry characteristics that support a participation of those involved in economic development. In addition, the associativity among small businesses will give further impetus to many sectors provided this associativity is based on equity and solidarity.

Policies to potentiate diversified and sustainable business processes⁵⁵

1. To promote the production supply of the strategic fields, including culture, to

⁵⁵ SENPLADES – Plan Nacional del Buen Vivir 2013-2017

enhance their productive chains, diversifying target markets, strengthen electronic commerce, postal services and regional integration.

2. To diversify and improve the export of goods and services with the incorporation of new elements, especially the ones named Mipymes.

3. To establish trade measures on imports and non-tariff barriers, needed to promote industrial development and to ensure the sustainability of the foreign sector.

4. To ensure processes of negotiation of trade agreements and protection of investment that promote a productive transformation by accumulating capital within the nation.

5. To ensure a process of negotiating trade agreements and protection investments to encouraged segregation and technology transfer within the country and sovereign boosting public procurement processes.

6. To ensure a process of negotiating trade agreements and protection investments, to avoid unfair competition between Ecuadorian and international suppliers, and promote a fair and quality service delivery.

Diversification of export supply is critical in the new production model due to our country dependent exclusive products especially in the field of agriculture. Diversification needs government support to create new enterprises in other sectors, so the government has implemented several policies to ensure the development of new industries.

Policies to promote public investment⁵⁶ and procurement as strategic elements of the State for the transformation of the production model

⁵⁶ SENPLADES – Plan Nacional del Buen Vivir 2013-2017

1. To establish mechanisms to have public investment boost the production transformation, depending on the priority sectors.
2. To generate methodologies and promotion mechanisms, predictability, management models and financing to exploit the positive externalities of public investment and encourage private investment.
3. To define a margin of market reserve in public procurement to boost the sector of Mipymes and increase their participation as State suppliers, under considerations of absorption of national production, supply and production capacity of providers.
4. To promote innovation and transfer of knowledge and technologies in the process of public procurement of imported services, for the development of strategic industries and priority sectors.
5. To maintain the authority of the State to promote the transformation of the production model through public procurement with Ecuadorian suppliers in any international trade negotiations between Ecuador and other countries.
6. To maximize the incorporation of capital goods and raw materials in national projects strategic state, through technological breakdown and the inclusion of private and public elements, universities, actors of the popular economy farming and fishing communities.

Public procurement by the State has obtained a high relevance in recent times because of the importance given to that activity. The government has proposed guidelines to promote public investment and boost the development of the new productive array. It is necessary to promote investment models that articulate the efforts of the public sector to develop private investment. The government's intention is that these small companies become the major public sector suppliers. Finally, it will be essential to support national industry to strengthen internal development.

Policies to integrate the management of financial and nonfinancial resources for the transformation of the productive model⁵⁷

1. To strengthen the legal and regulatory framework of national and popular financial system and solidarity, so that their role channeling resources to deepen the transformation of the productive model.
2. To promote incentives and encourage local and foreign private investment that promotes disaggregation, technology transfer and endogenous development territories.
3. To establish eligibility criteria of credit analysis oriented to meeting the development objectives.
4. To promote production credit by deepening popular finance with territorial relevance as an alternative to traditional private banking.
5. To encourage long-term savings and channel them into productive investment by means of the development of the Stock Market.
6. To strengthen mechanisms for insurance and reinsurance for the productive sector and services.
7. To design a monitoring and evaluation for achieving territorialized goals of credit conditions (amounts, terms, interest rates), granted by public banks to boost priority sectors.

⁵⁷ SENPLADES – Plan Nacional del Buen Vivir 2013-2017

Policies to promote competitiveness and productivity needed to make viable systemic the transformation of the productive model⁵⁸

1. To expand and improve the provision, access, quality and efficiency of public services drinking water, irrigation and drainage, sanitation, electricity, telecommunications, natural gas and mail service.
2. To encourage investment in logistics, transportation, infrastructure and telecommunications in order to strengthen the trade of domestic production, promote activities linked to basic industries and create local conditions in technology and organizational, cultural and environmental relevance ensuring inclusion and sustainability.
3. To promote a comprehensive system of marketing logistics and maritime transport adjusted to national planning and international demands.
4. To coordinate actions and goals of clean energy generation and efficiency energy, with the strategy of transformation of the productive model.
5. To enhance the establishment of Special Economic Development Zones –ZEDE and eco industrial parks, according to strategic sectors for the transformation of the productive model.

The new production model designed by the national government seeks to achieve equity, that is to say to make benefits available for all sectors proportionally. In addition the government should prepare guidelines aiming to create conditions for a sustainable development seeking to provide quality service to generate productivity. Besides, investment will empower logistics to ensure the distribution of goods emphasizing

⁵⁸ SENPLADES – Plan Nacional del Buen Vivir 2013-2017

infrastructure such as roads and bridges. The maritime sector is key in the development of the new production model since it will be the channel that mainly conveys products to the world market.

1.3 Transformation of the New Production Model

Ecuador is worldwide identified as a primary material exporting country; it has been the perception throughout our Republican history. Due to the dependent position on raw materials and natural resources to generate national wealth. However, the central government has designed a process of specialization and economic innovation at a national scale, called "*The New Production Model*". Based on the society of knowledge where the added value is the brand of national products.

Among the objectives drafted by SENPLADES⁵⁹ to achieve through the new production model we have the following:

- To prepare new patterns of generation, distribution and redistribution of wealth
- To reduce the vulnerability of the national economy
- To remove territorial inequalities
- To incorporate new elements to the economic development

The new production model proposes generate value-added production based on knowledge and technology where being environmentally responsible. It is definitely an innovative process in our country, and the one that requires the participation of all

⁵⁹ SENPLADES – Plan Nacional del Buen Vivir 2013-2017

public institutions for the purpose. However, it will be aligned along the following lines proposed by the SENPLADES⁶⁰.

1. Diversification of the production based on the development of strategic-refining industries, shipyards, petrochemical, metallurgy and steel and to establish new productive culture activities, bio fuels, and wood forest products enlarging the stock of Ecuadorian products.

To add value to current production by incorporating technology and knowledge in the production processes of biotechnology (biochemistry and biomedicine), environmental service and renewable energy.

3. To select import substitution with local goods and service aiming to be able to replace such items in a short term: industry pharmaceutical, technology (software, hardware) and metalworking.

4. To promote the export of new products from new elements. Particularly, considering a model of solidarity based economy, and include higher value added fresh and processed-food, clothing and foot wear and tourism. By means of said export promotion it is also sought to diversify and expand the destinations of Ecuadorian products worldwide.

All the development data shown above are important while the guidelines of the different actors involved in embodying the transformation of the national productive model. Finally, there is also the Education Law which aspires to start a new process of educational development through the efficiency of high schools as well as the interaction with research and development economical. The best example is the City of Knowledge named "Yachay". The transformation of the National Production Model focuses primarily on fourteen key sectors in the national economy. While it is focused on five strategic industries, it also tries to determine the best sectors and industries in the following table.

⁶⁰ SENPLADES – Plan Nacional del Buen Vivir 2013-2017

Prioritized industries

Sector	Industry
Goods	1. Fresh food and processed
Goods	2. Biotechnology
Goods	3. Textile and footwear
Goods	4. Renewables energy
Goods	5. Pharmaceutical Industry
Goods	6. Metal mechanic
Goods	7. Petrochemicals
Goods	8. Forest Products
Services	9. Environmental Services
Services	10. Technology
Services	11. Automotive
Services	12. Construction
Services	13. Transport and Logistics
Services	14. Tourism

Source: Senplades⁶¹

Table 2 Strategic Industries

Industry	Goods or Services	Projects
Refinery	Gasoline	Gas Refinery Pacific

⁶¹ SENPLADES – Plan Nacional del Buen Vivir 2013-2017

Shipyard	Building ships	Implementation of a shipyard in Posorja
Petrochemical	Ureas, pesticides herbicides	Basic petrochemicals Plant
Metallurgy	Electrical cables	System for automatic cadastral mining activities monitoring and controlling mining activities
Steel Industry	Flat, long	Geological mapping at a national level

Source: Senplades⁶²

To implement a modern transformation production model that requires the involvement of different public institutions in coordination with different stages through their ministry, through the Decentralized Autonomous Provincial Government through CONGOPE and finally the coordination of Autonomous Municipal Decentralized Governments. The main cooperation partner for this megaproject is the Republic of Korea through the "Knowledge Sharing Program⁶³" (KSP) project. Due to the experience of Republic of Korea in these projects in the production of knowledge and technology. The national government through the National Plan of Good living has raised nine fundamental objectives to quantitatively measure the evolution and scope the new production model in 2017⁶⁴. These objectives are detailed below:

Objective 1. Active participation in technology export

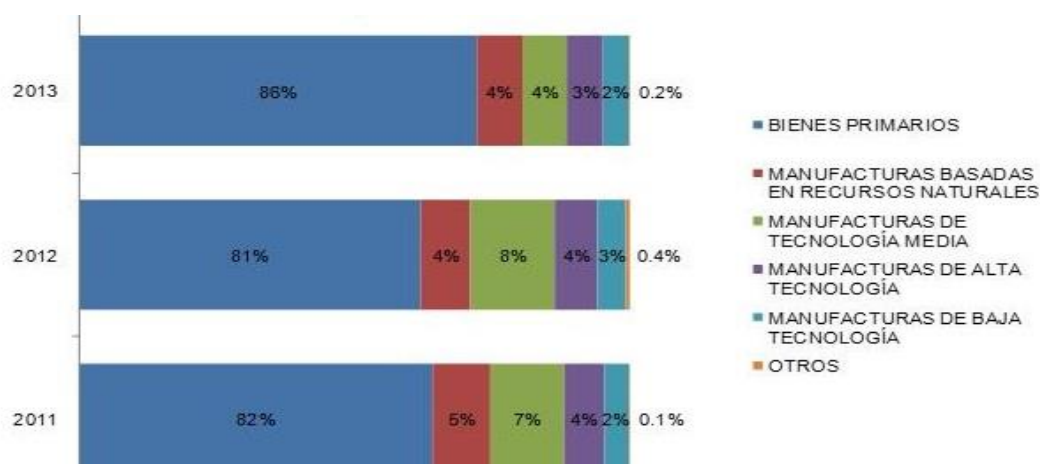
Graph 10

⁶² SENPLADES – Plan Nacional del Buen Vivir 2013-2017

⁶³ SENPLADES – Folleto Informativo – Transformación de la Matriz Productiva

⁶⁴ SENPLADES – Plan Nacional del Buen Vivir 2013-2017

PARTICIPATION OF PRODUCTS BY LEVEL OF TECHNOLOGICAL INTENSITY



Source: Banco Central of Ecuador

Elaborated by: SENPLADES⁶⁵

The first objective of the new production model is to activate the participation of products with technological intensity. An analysis of the evolution of the exports and the degree of applied technology for economic sectors is done hereby. First, it is determined that over the last three years non-oil commodities export has improved by 4%, which is worrying because it shows the vulnerability and dependence for commodities that weakens our economy. The second participation of GDP is based on manufacturing natural resources with a similar percentage. In recent years there has not been a technological boost of natural resources, something incoherent with the new productive model because it has not promoted a larger manufacturing index in this area. Finally, an alarming decline in the use of technology in products manufacturing is seen. In 2011, this sector adding the low, medium and high technology reached a 13%. Nowadays, according to official graphs the products technology it did not reach 10%.

⁶⁵ SENPLADES – Plan Nacional del Buen Vivir 2013-2017

To my opinion, the situation is of great concern, because the government wishes to establish a new productive model. However, the current economy depends on raw material. The objective of the first objective of the new production model is that the exports of technology-intensive products and manufactures represent 50% of non-oil exports in 2017. However, it seems to be a difficult goal to reach.

Objective 2. Reduce non- oil commodity imports of raw material

Graph 11

IMPORTS OF RAW MATERIAL



Source and Prepared: Senplades⁶⁶

The graph shows data in millions of dollars of imports from Ecuador in recent years. From 2006 to 2011 an intensification is observed, except for 2009 due to the global financial crisis. For 2012, I see a small decrease in imports; it is still too early to determine it as a trend but as an initial reduction in non-oil imports. In 2012, the imports reached an FOB value of 26169 billion dollars. In 2013, it reaches 26,041 billion

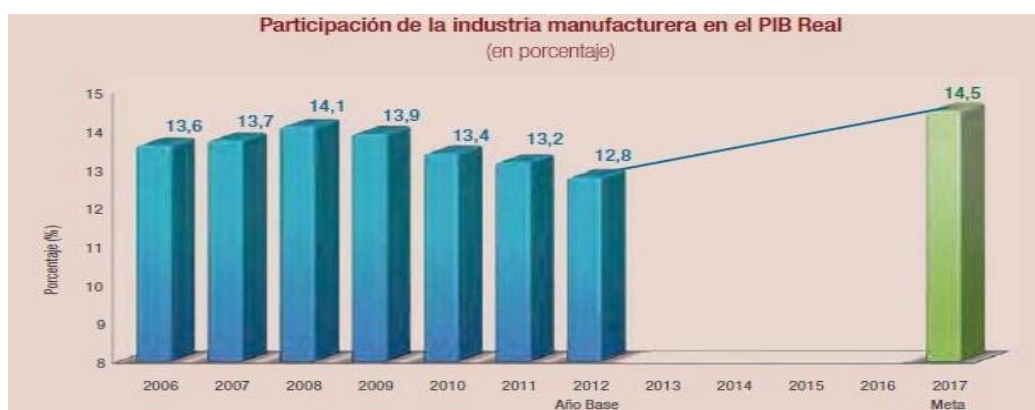
⁶⁶ SENPLADES – Plan Nacional del Buen Vivir 2013-2017

dollars. In 2014, it reaches 26459 billion dollars but that is still far from the goal set for the year 2017 which seeks to reach a value of 1558.3 billion dollars in imports.

Objective 3. Participate actively in industry manufacturing and GDP

Graph 12

PARTICIPATION OF MANUFACTURING INDUSTRY



Elaborated by: Senplades⁶⁷

In the graph above, two important manufacturing trends of the GDP are determined. In one hand, it is observed an increasing trend from 2006 to 2008 where the manufacturing sector represents 14.1% of GDP, which is at the peak of recent years. Following this year, a declining participation is seen, most likely due to the international financial crisis in 2009. However, in 2012 we should have already overcome the effects of this crisis and begin to boost the investment in manufacturing. In 2012 it might reach a minimum and number of only 12.8% of the manufacturing sector in the national GDP. That is one of the lowest countries in Latin America in the development manufacturing sector.

Objective 4 To enhance the participation of skilled labor in industry

Graph 13

PARTICIPATION OF QUALIFIED LABOR IN INDUSTRY

⁶⁷ SENPLADES – Plan Nacional del Buen Vivir 2013-2017



Source: INEC

Prepared: Senplades⁶⁸

The aim of the new production model is to optimize the qualified labor in the industrial sector. According to graph projections, it is determined the presence of 17.2% of qualified labor in industry. Similarly, such trend shows a growth. Unlike the above objectives, this seems to be more realistic because the trend is ascending. The goal in 2017 is to reach 20% of qualified labor. It must continue to encourage the preparation and training of human resources.

Objective 5. Decreasing the concentration of irrigated area

Graph 13

RELATIONSHIP OF IRRIGATION AREA

⁶⁸ SENPLADES – Plan Nacional del Buen Vivir 2013-2017



Source: INEC

Elaborated by: Senplades⁶⁹

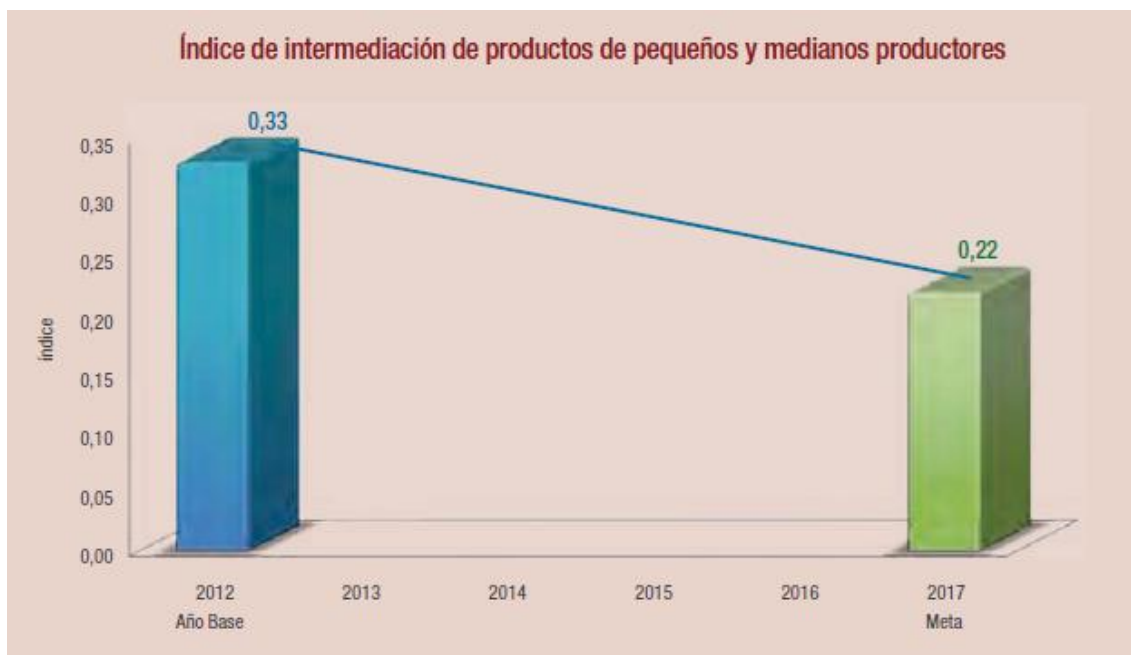
This objective seeks to reduce the irrigation area under permanent crops and instead promote a higher agricultural production to ensure a change in the productive model. The dependence of irrigation and investment made by the national government and provincial government cover a large percentage of the financial resources of these institutions.

Objective 6. To reduce the percentage of intermediation small and medium producers

Graph 15

INDEX OF PRODUCTIVE INTERMEDIATION

⁶⁹ SENPLADES – Plan Nacional del Buen Vivir 2013-2017



Source: MAGAP

Elaborated by: Senplades⁷⁰

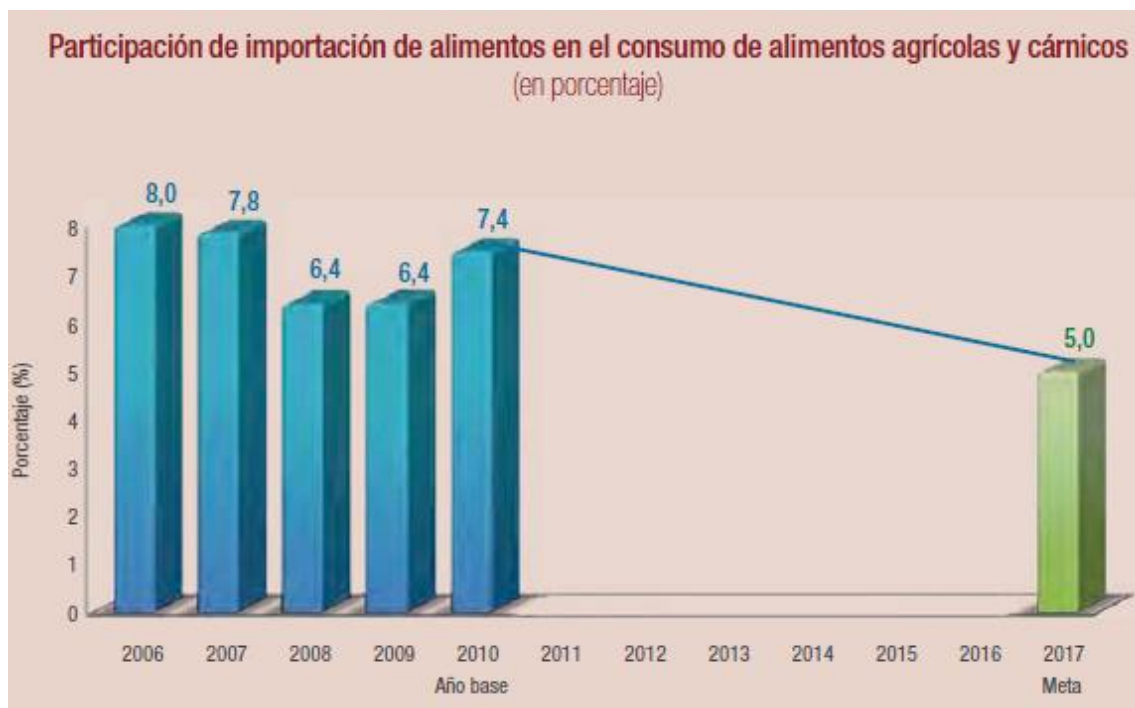
In the graph, a rate of 0.33 is determined, it represents a large participation of intermediaries in the marketing of products from small producers. It generates stagnation of the growth process. The government discourse has arisen from his possession; all forms of intermediation are eliminated. For that, that is a major cause of the precarious situation of small producers. The aim of the new production model in 2017 is that the rate of intermediation products is only of 0.22 until 2017. It is possible with a very reluctant political and by applying the law to punish intermediation.

Objective 7 Reversing the trend of imports in food consumption

Graph 16

Participation of imports in food consumption

⁷⁰ SENPLADES – Plan Nacional del Buen Vivir 2013-2017



Source:MAGAP

Elaborated by: Senplades⁷¹

Food imports to cover food sovereignty are essential in our country, so that the government generate economic policies that control and regulate a number of products that are imported by our country today. Largely, this boom in imports is due to the lack of incentive to the national productive sector. According to data of MAGAP, until 2010, the country held a participation of 7.4% of food imports, with a similar trend in recent years. While the goal for 2017 is to reach 5% of participation of imports for food products.

Objective 8 Increase to 64% of tourism revenues in services exports

Graph 17

REVENUE FROM TOURISM SERVICES ON TOTAL EXPORTS

⁷¹ SENPLADES – Plan Nacional del Buen Vivir 2013-2017



Source: Banco Central of Ecuador

Elaborated by: Senplades⁷²

Tourism has become a major investment in this sector with the current government has reached historical records. It is considered one of the most representative and potential income sources of the country.

The tourism sector in the export of services generates a revenue in other sectors such as hotels and food. The government has promoted campaigns such as "Ecuador loves life"; Ecuador, tourist power" and "All you need is Ecuador". Therefore, there is an increasing trend in revenue service export in recent years. In 2006, the tourism sector accounted for 47.5% of all the exports of service; while in 2012 it represented 57.1% within reach of the participation of the service sector.

Objective 9.- To reduce to 12 days the time required to start a business

Graph 18

⁷² SENPLADES – Plan Nacional del Buen Vivir 2013-2017

TIME NEED TO START A BUSINESS



Elaborated by: Senplades⁷³

Entrepreneurship has been the most effective way to generate wealth and it traditionally has been linked to capitalism because of the freedom to create a business or company. Unfortunately, Ecuador is among the most bureaucratic countries in the region to enterprise access. Currently, according to official figures the average time of incorporation of a company is almost 2 months with a similar trend in previous years and there have not been major advances in that area. However, the goal for 2017 is to incorporate a company in only 12 days. It would be ideal to generate wealth and reduce unemployment. The government must unify procedures at a single institution and avoid an excessive filing of documents, which is feasible for the year 2017, as it requires greater economic investment by the central government.

⁷³ SENPLADES – Plan Nacional del Buen Vivir 2013-2017

CHAPTER 2. SITUATIONAL ANALYSIS OF EL ORO PROVINCE

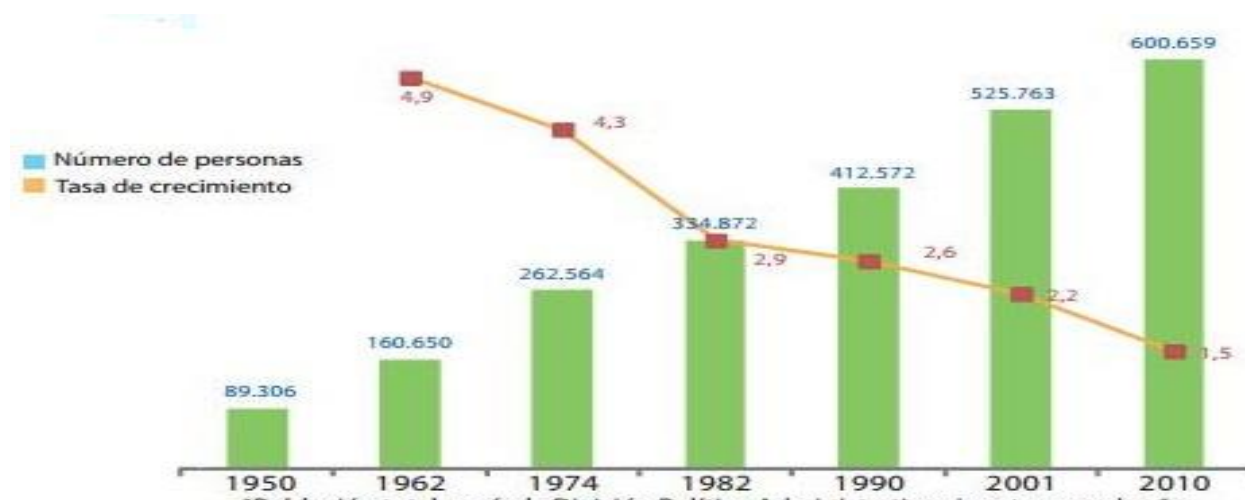
In this chapter, I will discuss the current situation in El Oro province and the projections into the future.

2.1 Socio-demographic information

The population of El Oro province has had a significant growth, from 525,763 people in the census in the year 2001 to 600,659 people in the last census conducted by INEC in 2010. To understand more clearly the evolution in number of people of El Oro province the following chart is presented.

Graph19

Demographic evolution of El Oro province.



Source: Census2010–INEC⁷⁴

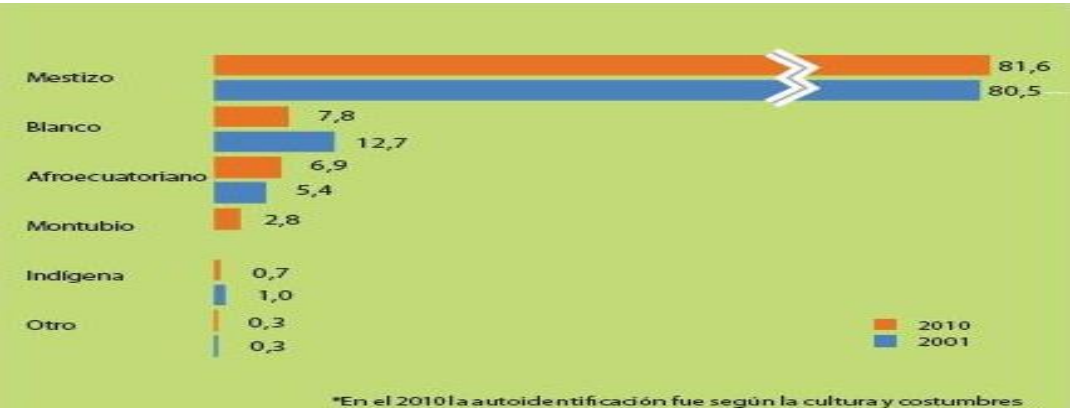
Demographic growth in El Oro province has been constant since 1950 when the population of the province was 89,306. The number of people in the city of Machala today. In the 70's and 80's there was a population growth, especially because of the banana boom in our province, which made people from the rest of the country come to our territory to ensure a greater family economic development. Checking on data from

⁷⁴ El Oro en Cifras – INEC 2010

1950 to the year 2010, I determined that the growth of our province has been of over 600% with a consistent trend along the different years,

2.1.1. Characteristics of Population

Graph
Identity 20



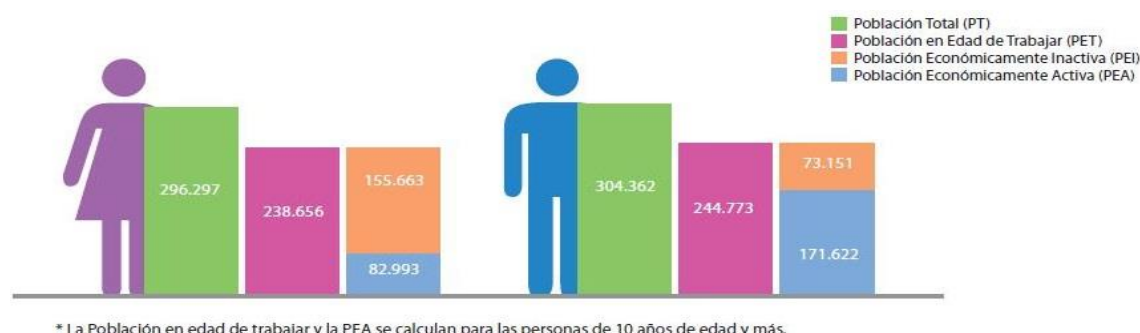
Source: Census 2010 – INEC⁷⁵

A comparative analysis between the census in the years 2001 and 2010 determines the following: The mestizo population maintains a similar percentage between the two years under analysis, with a minimum difference of 1%. It should be noted that most of El Oro citizens about 80% identify themselves as mestizos. Subsequently, there are also white people. In this category we had a growth of 5% from 2001 to 2010. While the percentage of afro Ecuadorians has fallen by 1.5% compared to 2001. Finally, a smaller percentage is of those who identify themselves as local peasants and indigenous people in our province.

Graph 21

⁷⁵ El Oro en Cifras – INEC 2010

2.1.2 Economic Activities



Source and preparation: 2010 Census –INEC⁷⁶

Women population in El Oro is of 296,297. Currently, the number of women with age to work is 238,656, from which 82,993 are involved in a productive economic activity, while 155,663 women are economically inactive. This large number of economically inactive women is mainly due to the role that women play in our province, as housewife and head of household. While men present an opposite situation. There are 304,362 male inhabitants of the province, 244,773 with legal age to work. 171,622 men are conducting economic work activities. But there are still near 73,000 male inhabitants that do not perform any economic activity. Here, we can frame this amount of unemployment and underemployment in our province especially due to the lack of jobs.

2.1.3 Category work of El Oro

Graph22

Occupation

⁷⁶ El Oro en Cifras – INEC 2010

Ocupación*	Hombre	Mujer
Empleado privado	45.395	19.850
Cuenta propia	42.100	24.076
Jornalero o peón	45.244	4.111
Empleado u obrero del Estado, Municipio o Consejo Provincial	15.330	11.492
No declarado	6.084	5.194
Empleada doméstica	622	8.457
Patrono	4.955	2.715
Trabajador no remunerado	2.316	1.209
Socio	2.406	850
Total	164.452	77.954

*Personas ocupadas de 10 años y más.



Source: Census2010–INEC⁷⁷

In this analysis the major activities involved shall be pointed out. The first activity performed by people is personal businesses that generate income sources in 27.3% in El Oro. The second economic activity in the province is private employment with 26.9% of people engaged in that activity, where 4,595 are men and 19,850 are women. Private companies are the major source of employment of El Oro. Subsequently, we have the economic activity of laborers or workers with about 20% in El Oro, where most are men with an amount of 45,244, while women in this activity only reach 4,111 people. This activity is closely related to the banana export industry. While, public employment is the fourth economic activity of El Oro where people in state agencies and ministries, secretaries or municipalities represent about 11.1% of the economically active province. Interestingly, there is a more balanced participation of men and women. Finally, the lowest percentage of the activities is domestic employment, employer, worker, and undeclared informal work.

Graph 23

⁷⁷ El Oro en Cifras – INEC 2010

2.1.4 Level of Instruction

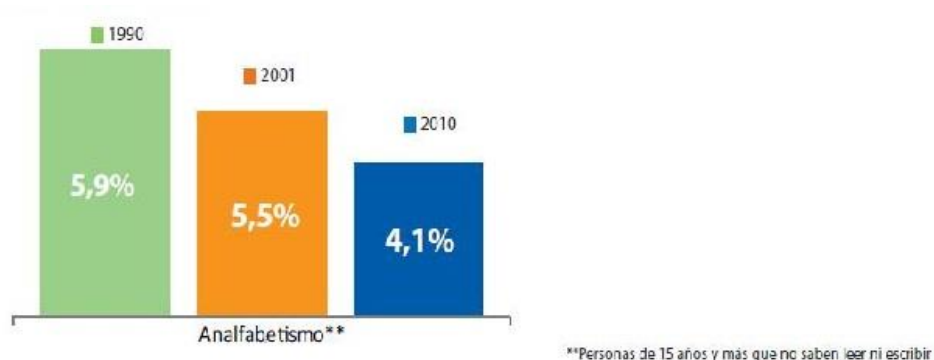


Source: Census 2010 – INEC⁷⁸

The education system in our country has been radically transformed in recent years. Previously, it used to be considered basic education until the student age of 11 years. Today, the concepts have changed and they include basic general education until the 10th year, while the high school cycle is from the age of 15 years to 17 years. Currently, the 95% of people in El Oro go to basic general education until the age of 15, only 5% does not have access to this educational cycle. Next, 76.3% people in El Oro go to high school. The dropout rate between these two educational levels is nearly 20% and this is principally due to engaged youth to pursue an economic activity to support poor families. Another factor for the decrease in El Oro in diversified education is teenage pregnancy or addictions.

Graph.24

2.1.5 Illiteracy in El Oro



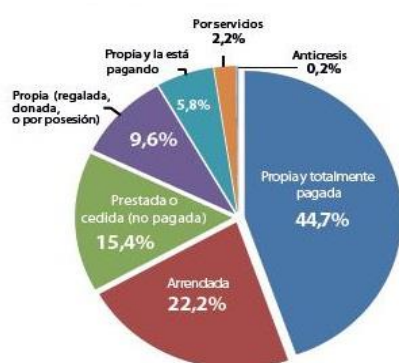
Source: Census2010–INEC⁷⁹

⁷⁸ El Oro en Cifras – INEC 2010

Illiteracy in El Oro province has fallen in recent years due to the policies of inclusive in education for all children and adolescents. In 1990, the illiteracy rate was 5.9% it was reduced by 0.4% for 2001. A nearly significant reduction for the period. However, by 2010 under 5.5% to 4.1%. The trend is down ward slowly.

Graph 25

2.1.6 Housing Characteristics



Tenencia de vivienda 2010	Hogares	%
Propia y totalmente pagada	72.956	44,7%
Arrendada	36.169	22,2%
Prestada o cedida (no pagada)	25.102	15,4%
Propia (regalada, donada, heredada o por posesión)	15.636	9,6%
Propia y la está pagando	9.502	5,8%
Por servicios	3.567	2,2%
Anticresis	358	0,2%
Total	163.290	100%

Source: census 2010 - INEC⁸⁰

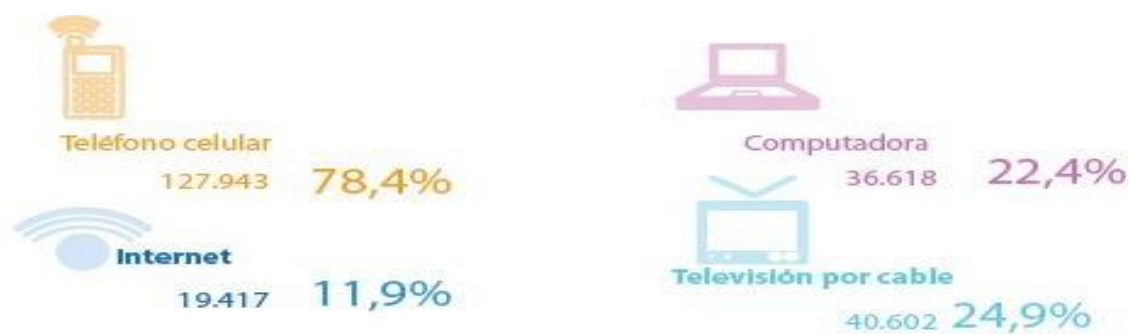
The housing figures depict with accuracy the social reality in El Oro. Most of the people in El Oro have their own home, they represent 44.7% equivalent to 72,956 inhabitants. They are followed by people who rent a house; they are 36,169 representing 22.2% of the population. Subsequently, we have people in El Oro living in housing provided or given and not paying rent, they are 25,102 and represent 15.4%. After, we have the people who have been given a house. It is equivalent to 15,636 representing 9.6%. Following, there are people with another type of housing that represents a smaller percentage social reality of the province. We can deduct from this information that most people in El Oro live in a comfortable situation with own housing and access to public services.

Graph 26

2.1.7 Access to Technology

⁷⁹ El Oro en Cifras – INEC 2010

⁸⁰ El Oro en Cifras – INEC 2010

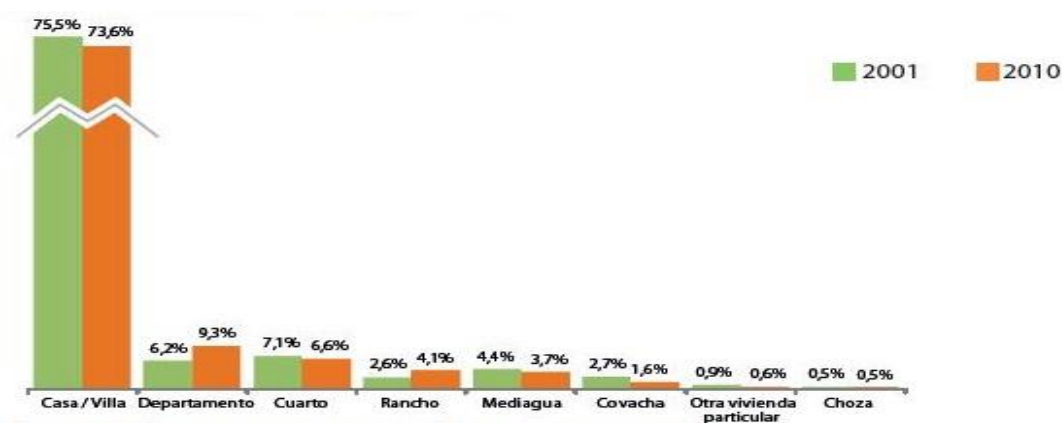


Source: Census2010INEC⁸¹

Access to technology in El Oro province can provide a much closer reference to the socioeconomic reality of our province. The most accessible technology in our province is the cell phone. Approximately, 78.4% people of El Oro have access to cell phones; this is because it has become a basic need of everyday activities. Besides, cellphones are a constant tool for the job and to keep communicated. Next, we have a much smaller percentage of cable television with 24.9% of El Oro. This service initially was exclusive to wealthy individuals, but it has slowly become available to the majority of the population and access more homes. Subsequently, access to computers is 22.4% of El Oro and access to the internet with 11% of El Oro. The rest of the population have access to the internet from a cyber-center or computer centers and the percentage was of 26% according to data provided by INEC.

Graph 27

2.1.8 Type of Houses



Source: Census 2010 – INEC⁸²

⁸¹ El Oro en Cifras – INEC 2010

⁸² El Oro en Cifras – INEC 2010

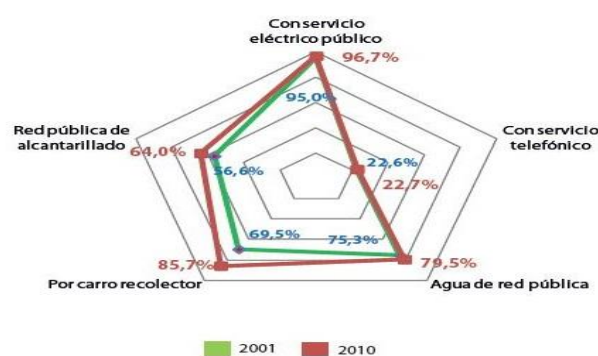
The type of housing in El Oro is a relevant data because it releases a comparative analysis with the last census done in 2001 which shows either progress or regression in the access to decent housing. The highest percentage of home type is the house or villa with 73.6%, this type of housing has undergone a slight decrease compared to 2001. However, it remains by far as the predominant housing type. It determines a stable economic condition. Next, apartments that now account 9.3%, this percentage has increased compared to 2001 by about 3%. It is considered as an average standard of living in our province. Later, we have people living in rooms with 6.6%. This condition is a sign of below the average economic level, because they only have one bedroom and one bathroom. However, we have a remainder of about 10% living in shacks, huts, shacks or basically represent people living in poverty in our province.

Graph 28

2.1.9 Access to basic services

SERVICIO ELÉCTRICO	2001	2010
Con servicio eléctrico público	116.529	153.843
Sin servicio eléctrico y otros	6.152	5.173
SERVICIO TELEFÓNICO		
Con servicio telefónico	27.783	36.120
Sin servicio telefónico	94.898	122.896
ABASTECIMIENTO DE AGUA		
De red pública	92.420	126.407
Otra fuente	30.261	32.609
ELIMINACIÓN DE BASURA		
Por carro recolector	85.241	136.343
Otra forma	37.440	22.673
CONEXIÓN SERVICIO HIGIÉNICO		
Red pública de alcantarillado	69.442	101.845
Otra forma	53.239	57.171

Los servicios básicos de la vivienda incluido el servicio telefónico han incrementado, el mayor porcentaje de incremento se



Source: Census 2010 – INEC⁸³

Basic services are considered essential for welfare. The electricity in El Oro province has expanded and today we have 153,843 inhabitants in El Oro with this service, at 9 years nearly 400,000 beneficiaries have a positive change in power service. Representing 1.7% more. Meanwhile, people with phone service also went up from

⁸³ El Oro en Cifras – INEC 2010

27,783 to 36,120. Water supply has also been favorable to the people in El Oro province, in percentage terms rose by 4% from 2001 to 2010. While in 2001, the direct beneficiaries of public water supply network were 92420 by 2010 instead we have 126,407 beneficiaries of this basic service.

Garbage collection service for citizens has improved in the past nine years in almost 16% from the year 2001 to 2010. While in 2001 the beneficiaries of collecting garbage truck were 85,241 people, currently we have 136,343 direct beneficiaries. Finally, with regard to sewers, the inhabitants of El Oro province have also been benefited from an improvement in such utility. Currently, there are in El Oro 101,845 beneficiaries with an increment of 8%. In 2001 69,442 inhabitants used to have access to the sewers

Graph 29

2.1.10 ADITONAL DATA

Cantones	Hombres	%	Mujeres	%	Total	Viviendas*	Viviendas**	Viviendas***	Razón niños: mujeres ****	Analfabetismo	Edad promedio
Arenilla	13.948	4,6%	12.896	4,4%	26.844	8.951	8.933	7.066	382,3	5,0%	29
Atahualpa	3.010	1,0%	2.823	1,0%	5.833	2.051	2.048	1.609	356,5	4,4%	33
Balsas	3.558	1,2%	3.303	1,1%	6.861	2.236	2.230	1.788	423,0	5,0%	28
Chilla	1.274	0,4%	1.210	0,4%	2.484	1.385	1.385	727	505,1	10,7%	31
El Guabo	26.386	8,7%	23.623	8,0%	50.009	15.844	15.818	13.114	435,4	5,8%	27
Huaquillas	24.120	7,9%	24.165	8,2%	48.285	15.879	15.858	12.758	384,1	4,2%	27
La Lajas	2.489	0,8%	2.305	0,8%	4.794	1.788	1.785	1.283	340,6	5,8%	32
Machala	123.024	40,4%	122.948	41,5%	245.972	75.473	75.401	64.160	333,1	3,1%	29
Marcabell	2.781	0,9%	2.669	0,9%	5.450	1.845	1.841	1.390	404,4	6,0%	30
Pasaje	36.792	12,1%	36.014	12,2%	72.806	23.852	23.826	19.527	350,6	4,5%	29
Pinas	13.145	4,3%	12.843	4,3%	25.988	9.415	9.400	7.173	349,3	3,5%	31
Portovelo	6.325	2,1%	5.875	2,0%	12.200	4.213	4.212	3.447	358,6	4,6%	31
Santa Rosa	35.227	11,6%	33.809	11,4%	69.036	22.225	22.206	18.385	349,4	4,3%	29
Zaruma	12.283	4,0%	11.814	4,0%	24.097	8.652	8.642	6.589	352,7	6,9%	32
Total	304.362	100%	296.297	100%	600.659	193.809	193.585	159.016			

Source: Census2010–INEC⁸⁴

Finally, this graph helps to determine the following: Machala is the capital of El Oro province. It has 40% of the inhabitants of the province, followed by the cantons of Pasaje and Santa Rosa with 12% and 11% respectively. People with the highest average age live in canton Atahualpa, with an average age of 33 years while the youngest average age are the cantons of El Guabo and Huaquillas with 27 years. The largest illiteracy rate is found in canton Chilla with 10.7% of its population with illiteracy.

⁸⁴ El Oro en Cifras – INEC 2010

Meanwhile, the city has better controlled illiteracy is the city of Machala with 3.1% illiteracy. The population of men in El Oro province is 304,362 and that of women is 296,297, giving a total population of 600,659 inhabitants in El Oro province.

2.2 Socio-economic information from El Oro province

According to the census of 2010⁸⁵ there are in El Oro province 23,659 economic establishments, the same representing a 4% of the national economic establishments, with a large percentage and giving clear signs of economic development of El Oro, a productive engine of the country. With respect to the Gross Domestic Product of our province, it has been steadily increasing, according to data from the Ministry of Production, to better identify this, we can analyze the chart below.

Graph 31

2.2.1 Gross Domestic Product in El Oro



Source: Ministry of Production⁸⁶

Elaborated by: Agenda of the Productive Transformation of El Oro.

The GDP of the province has steadily increased especially between the years 2004 and

⁸⁵ El Oro en Cifras – INEC 2010

⁸⁶ Agenda territorial de la Provincia de El Oro – Ministerio Coordinador de Productividad

2007. From 2004 to the present there has been a steady growth trend until 2007 of over 334 million dollars in a percentage superior to 1.30% and the trend continues upward until recent years. This is a clear sign of economic dynamism that keeps agriculture such as bananas, cacao and fishing as the main activities in our region. The fishing sector in particular, accounts for GDP in El Oro province with a value of \$ 282 million, representing nearly 20% of the GDP of the province. The agriculture products and raw materials of agricultural origin represent \$ 264 million in the GDP. It is an amount equal to 18% of the province. Subsequently, we have the business wholesale and retail, which in percentage terms represent 13% of GDP to almost \$ 189 million. Then, we have the industry or manufacturing accounting for 11% of the provincial GDP, according to data from Banco Central del Ecuador of Ecuador, in its provincial accounts. Finally, we can visualize the construction sector with a value of \$155 million, representing a 10% of the provincial GDP.

With regard to tax revenues, El Oro province in 2014 collected the amount of \$179,582,293 for the national treasury. This marks a requested percentage revenue growth of 26% over the previous year, representing 1.34% of the all tax revenues amounted to Ecuador to 13.313 billion dollars in 2014⁸⁷. Moreover, in the field of income from abroad, there were money wires for \$ 74 million dollars, which represents 3% of remittances received by the country. For a more detailed analysis, then I will analyze the different economic sectors of the province⁸⁸.

2.2.2 Agricultural Sector

Agricultural activity is one of the most extended activities in El Oro province, especially because of its fertile soil. There are 457,000 hectares of land used in the province, accounting for 4% of all over the country⁸⁹. Of which, 51% is cultivated grass, while 19% is devoted to permanent crops; and finally the mountains and forests are 12% of cultivated land in the province. In addition, the climate of the province is very diverse in the higher area of the province, which is dominated by a humid sub-

⁸⁷ Diario PP El Verdadero – Recaudación Tributaria de El Oro creció en 26%.

⁸⁸ Agenda territorial de la Provincia de El Oro – Ministerio Coordinador de Productividad

⁸⁹ Agenda territorial de la Provincia de El Oro – Ministerio Coordinador de Productividad

tropical climate trend, while in the lower areas it has a dry weather. Precisely, these areas thanks to a good irrigation and drainage system there is a proper care of the plantations.

Agricultural Production Units are distributed as follows, 76% of the farms in the province correspond to small producers, giving an average of 5.1 hectares for Agricultural Production Unit, with the amount of 16,869 units in the province. While the medium size farms are those with a size of 20-100 hectares, they occupy 20% of the Agricultural Production Units. In total we have 175,918 of these units representing 38% of the land in El Oro province with a certain average of 40 hectares per unit. Finally, large farms which surpass the 100 hectares represent 4% in the province. In total, there are 903 haciendas with these characteristics; they have a provincial land area of 43%, with an average of 217 hectares per unit of agricultural production.

In agriculture, El Oro province has almost exclusively specialized in the production of bananas; permanent crops have predominated for decades. Around 44,129 hectares are devoted to banana production in the province. According to the Provincial Development Plan, banana production in the province is of 3 of 5 kilos exported abroad, plus the province owns 35% of the country's exports, thanks to Puerto Bolivar, a seaport located in the city of Machala. Furthermore, the trend of banana exports has been on the rise with a percentage increase of about 25% from 2007 to 2008 according to Banco Central data⁹⁰.

Information released by the Association of Banana Exporters of Ecuador⁹¹ (AEBE) concludes that the main destinations of exports of Ecuadorian bananas are the United States, the European Union and the Russian Federation, and other 69 countries that imported bananas from Ecuador. However, the trend of demand for Ecuadorian banana importing countries has steadily increased. For example, in Russia the demand increased by 18% in the last years in the United States it increased by 8%. Finally, in Italy the demand increased by 3.3%. Nearly 800 thousand families are direct beneficiaries of the banana sector in Ecuador and many more indirectly, especially in El

⁹⁰ ProEcuador- Análisis del Sector Banano

⁹¹ Asociación de Exportadores de Banano del Ecuador

Oro province, dominated by small and medium farms, unlike other provinces where large farms predominate, according to AEBE data.

Graph 31

Permanent crops in the province

EL ORO. PRINCIPALES CULTIVOS PERMANENTES. SUPERFICIE Y PRODUCCION				
Cultivo	SUPERFICIE (HA)	PRODUCCION TM	% PARTICIPACION SUPERFICIE	% PARTICIPACION PRODUCCION TM
Banano	44.129	1.301.296	52%	98,3%
Cacao	19.442	3.698	23%	0,3%
Café	13.895	1.683	16%	0,1%
Caña de azúcar otros usos	2.916	-	3%	0,0%
Limón	545	663	1%	0,1%
Mango	438	509	1%	0,0%
Plátano	1.574	9.076	2%	0,7%
Otros	1.447	6.592	2%	0,5%

Fuente: Censo Nacional Agropecuario 2000. INEC - MAGAP

Source: INEC / MAGAP⁹²

Leaving banana aside, in El Oro province there are other types of permanent crops. Although they represent a much smaller percentage than bananas. As it was mentioned earlier, bananas take 52% of the production area of the province which represents about 44,129 hectares of plantations and with a performance above 98% of plantations in the province. Later, as seen in the chart cocoa production occupies 19442 hectares of plantations, with around 23% of the province surface. However the percentage of participation in the production of the province is equivalent to only 0.3 %. Then, coffee, especially in the upper part of the province with a refined aroma, well known as coffee from Zaruma, which is planted in 13,895 hectares, which represents 16% of the productive area of the province and with a share of 0.1% in the production of the province. Subsequently, we have other plantations and crops in our province with a percentage below 1% of the production in El Oro province, among these are: sugar cane and its derivatives, lemon, mango.

⁹² Censo Nacional Agropecuario – INEC y MAGAP

Graph 32

Transient Crops

EL ORO. PRINCIPALES CULTIVOS TRANSITORIOS. SUPERFICIE Y PRODUCCION

Cultivo	SUPERFICIE (HA)	PRODUCCION TM	% PARTICIPACION SUPERFICIE	% PARTICIPACIÓN PRODUCCIÓN
Arroz	1469	5106	19%	50%
Fréjol seco	434	69	6%	1%
Maíz duro seco	1803	1330	24%	13%
Maíz suave seco	1037	342	14%	3%
Maní	927	323	12%	3%
Maíz duro choclo	377	350	5%	3%

Fuente: III Censo Nacional Agropecuario 2000. INEC - MAGAP

Source: INEC / MAGAP⁹³

The production of rice is relevant because it is the one with greater representation for the economy of El Oro province with 5,106 tons, or 50% of the production of annual crops, but it is only occupying 19% of planting areas. Next, we have corn with a quantity of 1,330 tons in a production area of 24% of the province and this at a time equivalent to 13% of the production of annual crops production of El Oro. Most of this production is particularly intended for the production of balanced for the country's agricultural sector. Finally, we have other crops such as sweet corn with a cultivated area of 14% and 3% of representativeness of the production of the province and peanuts with a percentage similar to soft corn involvement with a busy 12% of the territory surface.

Shrimp is another emblematic product of El Oro province, shrimp production in our country accounts for 35% of the shrimp production in Ecuador; most producers are medium or small sized. It is estimated that about 7,000 people are engaged in artisanal fishing in El Oro province, among which we highlight the different types of seafood such as crab, crustacean, fish⁹⁴, etc. At the country level, fishing represents a source of employment and income for about 52,000 fishermen. It is estimated that there are over

⁹³ Censo Nacional Agropecuario – INEC y MAGAP

⁹⁴ Agenda Territorial de la Provincia de El Oro -. Ministerio Coordinador de la Productividad

200 artisanal fishermen organizations dedicated to this activity. This represents about 40 thousand tons per year and exports for 60 million dollars a year. Moreover, we have the fishing industry directly employing 400,000 Ecuadorians.

2.2.3 Manufacturing Sector Activities

The manufacturing sector is another sector important in the economic development of El Oro province, according to a survey done in 2007 this sector was determined to generate a gross production of 265.7 million dollars, but in its intermediate generates a corresponding purchase of \$ 216 million raw materials, also represents a major source of employment for the inhabitants of El Oro province, it generated in the year 2007 employment for 2,743 people, while public investment by the State amounted to about \$ 20 million dollars in this sector⁹⁵.

The trend in recent years of manufacturing growth in El Oro province has been constant between the years 2002 to 2007 the gross output of the manufacturing industry was of 788 million dollars. In 2002 manufacturing sales reached 107 million dollars, while in 2007 the production record was of 164 million, with an increase in these five years of \$ 57 million dollars.

El Oro province is located in the Zone 7 which comprehends the provinces of Loja and Zamora according to the planning area established by the Central Government. Within this area, the manufacturing sector in this area, El Oro province has the largest development and representative influence in the area with 86%. Furthermore, it is the political division that generates more employment in the region with 11.6% of the economically active population of the province, among which we highlight the following activities⁹⁶:

- Gold mining.
- Extraction of quartz and quartzite.

⁹⁵ Agenda Territorial de la Provincia de El Oro -. Ministerio Coordinador de la Productividad

⁹⁶ Agenda Territorial de la Provincia de El Oro -. Ministerio Coordinador de la Productividad

- Fishing crustaceans or mollusks unpacked frozen (prawns, shrimps).
- Processing and preserving fruit by container in sealed containers
- Processing and preserving of marmalade, jam, jelly and fruit puree.
- Manufacture of bread, fresh rolls.
- Development of spices and seasonings prepared: bay leaf, thyme, basil, cilantro, cumin, cinnamon, allspice, nutmeg, ginger, etc.
- Bottled mineral water or spring water, purified or artificially flavored.
- Manufacture of garments for men, women, children and babies
- Manufacture of cabinets, drawers, boxes and cases, containers, envelopes discs, like, etc.
- Manufacture of paper and corrugated or corrugated cardboard.
- Editing and printing of magazines newspapers and publications of technical or general content.
- Manufacture of articles of concrete, cement or plaster for use in construction as tiles, slabs, bricks, blocks, plates, sheets, boards, pipes, poles, etc.
- Manufacture of wooden furniture for home and office.

Graph 33

Manufacturing

EL ORO. PRINCIPALES INDUSTRIAS MANUFACTURERAS.

Descripción de actividades	Producción	Consumo intermedio	Valor Agregado	Formación Bruta de Capital Fijo	Personal Ocupado	Participación
Fabricación de archivadores, cajones, cajas y estuches, envases, sobres para discos, artículos similares, etc. armados o plegados de papel o cartón ondulado o corrugado.	103.316.098	64.828.828	38.487.270	6.774.986	271	39%
Crustáceos o moluscos sin envasar congelados (langostinos, camarones).	71.650.762	59.564.302	12.086.460	4.311.208	1.296	27%
Fabricación de papel y cartón ondulado o corrugado.	57.944.763	55.395.261	2.549.502	6.977.131	312	22%
Fabricación de envases de plástico: bolsas, sacos, cajones, garrafrones, botellas, tanques, etc.	9.326.496	8.143.579	1.182.917	419.755	126	4%

Fuente: INEC - Encuesta de Manufactura y Minería, 2007.

Elaboración: OCE

Source: INEC⁹⁷

The manufacturing industry of cabinets has been one of the most representative activities in El Oro province, with about 39% in manufacturing and production for \$100 million dollars. Moreover, it is the one that generates more tax revenue to the province. In addition, the frozen seafood industry reports annual sales of over 70 million dollars annually, but more than this generates about 1,300 jobs for the El Oro, due to the rise of seafood for consumption and export.

2.2.4 Productive Activities in Sector Service

Four main activities in the service sector of the province are:

- Trade
- Construction

⁹⁷ Encuesta de Manufactura y Minería 2007 - INEC

- Transport

- Communications

The wholesale and retail activity is most prevalent in our province with a representative of 21% of the income of the province in the services sector and more than 50% representation of zone 7 shared with Loja and Zamora. The contribution is 189 million dollars a year in trade activity. Meanwhile, construction has a similar percentage of representation in the province with 21% and its contribution is 155.5 million to the economy. Finally, transport and communications represent 16% of the production of the province in the service sector with a gross income of \$ 118 million⁹⁸.

2.2.5 Standard of living in the province

The poverty line in El Oro province is relatively acceptable to the national average of poverty, in large part due to the wealth that has our province in the agriculture and fishing sector. Poverty in El Oro province is 28%, while the national average poverty is 36%. The poverty is determined by per capita income of people who are below cover the basic basket of goods and basic services. Meanwhile, extreme poverty in the province is 5%, just as it is below the national average which is 13% of Ecuadorians living in poverty⁹⁹. In this situation are the people with lower incomes which do not cover the vital basic food basket.

Moreover, the unequal distribution of wealth, El Oro province is one of the most equitable country levels, according to the system of marking GINI coefficient 0 as complete equality and 1 as inequality. In this range, our province gets 0.39, while the national average is 0.43. For his part in malnutrition province is also below the national average. In our province 18% of children aged 1-5 years suffer from food deficiency.

⁹⁸ Agenda Territorial de la Provincia de El Oro -. Ministerio Coordinador de la Productividad

⁹⁹ Agenda Territorial de la Provincia de El Oro -. Ministerio Coordinador de la Productividad

In the last element of the human development index, we have primary education. 72% of children in El Oro province have completed their elementary education, up from 67% in region 7, although still below the national average in this case. To understand much more the situation of human development index, we can review the following comparison chart between the province and the rest of the Zone 7.

Graph 34

Human Development Index

INDICADORES DE DESARROLLO HUMANO EN EL ORO		
	EL ORO	PROMEDIO ZONA 7
POBREZA	28%	46%
INDIGENCIA 2001	5%	20%
DESIGUALDAD (GINI)	0,39	0,44
DESNUTRICION CRONICA *	18%	32%
PRIMARIA COMPLETA	72%	67%

* En niños menores de 5 años

FUENTE: SENPLADES, ECV, SIIE 2006, ENEMDU, 2009

Source: Territorial Agenda of El Oro province –SENPLADES¹⁰⁰

Graph 35

Employment Indicators in El Oro

INDICADORES DE EMPLEO EN EL ORO		
SERVICIO	EL ORO. PROMEDIO	TOTAL ZONA 1
OCUPACION PLENA	34%	26%
SUBEMPLEO	63%	72%
DESEMPLEO	6%	5%

FUENTE: ENEMDU. Diciembre 2009 y serie 2006-2009

Source: ENEMDU¹⁰¹

¹⁰⁰ Agenda Territorial de la Provincia de El Oro -. Ministerio Coordinador de la Productividad

¹⁰¹ Agenda Territorial de la Provincia de El Oro -. Ministerio Coordinador de la Productividad

El Oro province maintains the best situation occupationally in the area number 7. Full time employment in the province is of 34%, while the area average is only 26%. Meanwhile, unemployment in our province is above the average of the area, which in general terms sets the trend in the area. Finally, underemployment is consistent with full employment, as almost similar percentage 8 % ahead leads to underemployment in the area number 7. It shows a clear employment status of the present province diagnosis.

2.2.4 Institutional Status of El Oro

It is necessary to strengthen institutions for the management of the development process in the province. One of the first sectors to be analyzed is the economic organizations of civil society through the following chart

Graph 36

Economic Organizations

ZONA DE PLANIFICACION 7		
ORGANIZACIONES ECONOMICAS DE LA SOCIEDAD CIVIL		
PROVINCIA	NUMERO	% DEL TOTAL
EL ORO	2.115	44%
LOJA	1.920	40%
ZAMORA CHINCHIPE	736	15%
TOTAL	4.771	100%

FUENTE: <http://www.sociedadcivil.gov.ec/>
ELABORACION: OCE

Source: Civil Society - Territorial Agenda of El Oro¹⁰²

In the graph we can determine that El Oro province has in zone 7 a higher economic organization of the civil society with 2,215 economic organizations, followed by the province of Loja with 1,920 economic organizations and finally the province of Zamora Chinchipe only has 736 economic organizations of civil society. It is clear that El Oro

¹⁰² Agenda Territorial de la Provincia de El Oro -. Ministerio Coordinador de la Productividad

province is the major driver of economic development in zone 7 and one of the largest in the country.

Meanwhile public institutions constitute another element of the institutions of the province, in this category we have the prefect office, municipal and urban and rural parishes. Therefore, it is determined that out of the 39 municipalities of zone 7, 14 of them are there in El Oro province, representing 36%, meanwhile urban parishes in El Oro province are 3374 parishes urban in zone 7. El Oro represents 45% and finally we have rural parishes that are 49 to 128, representing 38% of zone 7. Public institutions that represent the central government, where we can find institutions that promote economic development. Among which we highlight the following:

REGIONAL INSTITUTIONS:

- National Planning Secretariat – SENPLADES
- Ministry of Coordination of Production, Employment and Competitiveness - MCPEC (with Regional Management in El Oro)

PROVINCIAL INSTITUTIONS:

- Ministry of Industry and Productivity – MIPRO
- Ministry of Agriculture, Livestock and Fishing – MAGAP
- Ministry of Tourism – MINTUR
- Ministry of Transport and Public Works
- Corporation Financier National – CFN

- National Development Bank – BNF
- State Bank – BEDE
- Ecuadorian Customs Corporation
- Internal Revenue Service – SRI
- National Secretariat for Science and Technology – SENACYT
- Institute Agro Quality (Old SESA)
- National Institute of Statistics and Census – INEC
- Ecuadorian Institute for Standardization – INEN

2.2.5 Private Institutions of El Oro

In El Oro province there are 2,115 organizations registered, some of them do not report profit as reported by official International Standard Classification of Economic Activities. We have the next social institutions according to official data:

Graph 37

Private institutions in El Oro province

DESCRIPTION	QUANTITY
Institutions Transport, Storage and	84

Communication	
Educational Institutions	62
Wholesale companies	36
Agricultural Institutions	34
Financial Institutions	22
Fishing Institutions	18
Manufacturing institutions	14
Developments institutions	12
Construction companies	9
Mining companies	6
Hotels Institutions	3

2.2.6 Economy in the cities

Next, there is an explanation of the economy of the major cities in El Oro province to determine the diversity and the main products we can to be found in this province and the capacity to potentiate most of them.

In El Oro province about 32% of the economically active population was engaged in farming. In Machala city, capital of the province, around 15% is devoted to agriculture, with the first activity banana production. Meanwhile in the manufacturing or secondary sector there is 12% of the economically active population dedicated to this activity. This activity includes the artisanal sector itself and construction in the city of Machala¹⁰³.

Pasaje city is the second canton in number of inhabitants in El Oro province, the population is concentrated in various economic activities such as fishing, agriculture, construction, trade, and personal social service. Regarding the gender, eight out of ten people in the economically active population are men. The vast majority of the population engaged in economic activities in the primary sector only has primary

¹⁰³ Libro Base Territorial de El Oro - UNICEF

education. In rural areas, production experience is considered more important than an educational instruction, meanwhile those working in the secondary or manufacturing sector, have determined that the majority have completed secondary education. Moreover, 37% of men of Pasaje are in primary agricultural activities, while women represent only 2% in this sector. In the secondary sector 12% of the population between men and women are engaged in manufacturing, while in the tertiary sector we find 30% of men and 20% of women of Pasaje¹⁰⁴.

Zaruma city is located in the upper part of El Oro province most of the economically active population works in primary sector like agricultural activity. Next, the activity of mining is one of the most developed and popular in El Oro province. Most workers engaged in agriculture and mining are male and have a basic level of education. In the agricultural field, Zaruma city has an area of 50,000 hectares, which is 0.2 people per hectare of production when the optimum number is of 5 people per hectare. 59% of men are engaged in the primary sector activities in the agricultural part and the part of mining account for only 4% of women are engaged in this sector. In the secondary sector the main activities are construction, manufacturing and crafts. Interestingly, in the canton of Zaruma, only 7% of the male population is engaged in this activity and 2% of women. Meanwhile in the tertiary sector 15% of the economically active population works in this sector and 13% of women, among the activities highlighted here have trade, services, hotels and restaurants¹⁰⁵.

Another city of El Oro province is Portovelo, which economy as in other cantons is based on livestock and mining activity, varying only the order but not the economic activity. However, the activity that prevails is gold mining, in addition to agriculture¹⁰⁶.

Also, we have the economy of canton Marcabelí. Its people are especially dedicated to farming activities, including economic activities such as: sugarcane, corn and agricultural products generally of short cycle. It has developed a manufacturing sector without high technology to produce panela and liquor based on cane. Also there is the production of high quality coffee; all of them constitute the basis of the economy in Marcabelí¹⁰⁷.

¹⁰⁴ Libro Base Territorial de El Oro - UNICEF

¹⁰⁵ Libro Base Territorial de El Oro - UNICEF

¹⁰⁶ Guía Turística de El Oro

¹⁰⁷ Libro Base Territorial de El Oro - UNICEF

Finally, another important canton in El Oro province is Piñas in this canton the main source of income comes from commerce, and it has also developed the livestock sector standing out products such as milk production and the manufacturing such as cheese and yogurt. Also, the city of Piñas has mills to produce from sugarcane moonshine and traditional liquor. To a lesser extent agricultural activities among the most important we have production of bananas, coffee and cassava. Finally, another important income for the city is produced based on money wires from migrants¹⁰⁸.

2.3 Potential Business in El Oro

In our province seven potential businesses have been determined in our territory. In order to promote a process of diversification of the productive model it is seen that the projection of business covers nearly one billion dollars in revenues and almost 500,000 people benefited directly from these businesses. Key sectors in which the fundamental business focuses are: agriculture, fishing and mining production in the region¹⁰⁹.

Among the potential affairs of the province, most are derived from a process of diversification and specialization founded on a new business. This process is possible thanks to the banana sector, particularly the processing of banana waste or the production of paper and crafts, export of organic bananas, cocoa processing for import substitution, packaging and processing of fish, coffee processing.

Graph 38

Grouping of potential and actual business in areas

¹⁰⁸ Análisis de la Demanda de los Sectores Productivos – Yuri Panta

¹⁰⁹ Agenda Territorial Productiva de la Provincia de El Oro – Ministerio Coordinador de la Productividad

AGRUPACION DE NEGOCIOS REALES Y POTENCIALES POR AREAS DE AFINIDAD		
No.	AREAS	NEGOCIO
1	Agricultura de exportación	Exportación de banano
		Exportación en grandes volúmenes de banano orgánico
		Producción y comercialización de cacao
		Exportaciones de cafés especiales
2	Agroindustria de consumo nacional y/o exportación	Procesamiento de banano para el mercado nacional
		Procesamiento de desechos de banano para la producción de papel y artesanías
		Procesamiento de cacao para sustitución de importaciones y exportación de derivados a nichos de mercado.
		Cafetín con marca regional de café
3	Pesca para consumo nacional y exportación	Producción de camarón para exportación
		Procesamiento de camarón para exportación
		Captura y comercialización de peces y crustáceos.
4	Turismo	Desarrollo del turismo nacional e internacional

Source: Territorial Agenda of the Productive Transformation of El Oro province¹¹⁰

Based on the Territorial Agenda of El Oro, one can identify four main sectors: agriculture, agribusiness, fishing and tourism. Next, we will analyze each of these sectors.

2.3.1 Business of Agriculture

a) Export of banana.- The main international markets for bananas, which is the emblem product of our province are: the United States with an average per capita consumption of 11.5 kilograms, followed closely by those of the European Union per capita consumption of 10.5 kilograms. In addition, the consumption of these countries has been increased in recent years. Several positive factors that influence a better banana production need a consideration, among which the following are highlighted¹¹¹:

- Suitable fertile soils and temperatures.
- Experience in banana cultivation of several years
- Business investment on a large scale in the province
- Leading exporter of bananas worldwide

¹¹⁰ Agenda Territorial Productiva de la Provincia de El Oro – Ministerio Coordinador de la Productividad

¹¹¹ Agenda Territorial Productiva de la Provincia de El Oro – Ministerio Coordinador de la Productividad

Among the challenges facing the banana sector in order to increase their participation include the following:

- A process of negotiating a trade agreement with the European Union, apparently there is a definitive agreement to be signed and also, the demand for bananas in Europe will increase.
- Investment in infrastructure is another challenge the banana sector, it is necessary to begin implementing better plants banana production to ensure higher productivity and better product quality.
- Integration of banana associations or unions, it is important to unify efforts in banana production and maintain policies similar quality with competitive prices for industry.

b) Production of cocoa.- The cocoa market is getting larger, global cocoa has been improved in quality with a much finer aroma. This sector worldwide is growing at an average rate of 12% annually. The post-harvest cocoa also has a higher incidence worldwide. Factors opportunity or support in this sector we highlight the following:

- High demand for fine cocoa worldwide
- Excellent quality of our cocoa and recognition worldwide
- A well-known brand called "flavor up"

Among the major challenges facing the cocoa sector the following are to be considered:

- Strengthen the competitiveness of our cocoa worldwide. It is necessary to invest in advertising campaigns for Ecuadorian cocoa, while sharing forms of production, through international partnerships.

- It is essential to certify the quality policies of cocoa production with the endorsement and certification of international organizations, to access more demanding markets.
- The production chain is another challenge that has the cocoa sector in our province, as there is a vertical chain involving different actors involved in cocoa production.
- Finally, industrialization is necessary to begin to be reversed in the final production of chocolate, not only raw materials.

c) Export of coffee.- Coffee demand worldwide is constantly increasing in different types of coffee¹¹². International trade reached over a billion dollars in FOB value, so it is well appreciated internationally. Major factors and opportunities in the coffee sector are observed, the following are:

- The soil and climate of our province is suitable for coffee production.
- 70% of production is destined for exports.
- Support associations for export and market research.
- Growing coffee by industries of high value.

The major challenges facing the coffee sector can be highlighted as follows:

- One of the first challenges is to create a regional tag of zone 7 and the implementation of a regional brand that identifies the locally produced coffee.

¹¹² Aumenta el consumo del café en el mundo – Cristina Díaz - Catunambú

- Unification of local brands to create a characterization of coffee to one target market, all this through export promotions.
- Renewal and revival of old coffee plantations, many coffee plantations have been abandoned, aiming to leverage and generate increased exports.

d) Organic Banana Export. - There is a lot of advantages in the conditions for banana cultivation. For example, there is significant demand worldwide. European countries have greater demand for bananas, for instance countries like Germany, England, Sweden and Italy. There is also a possibility to distribute this product to markets such as the Middle East. Among the factors and opportunities in this sector the following are included:

- Zone dedicated exclusively to the cultivation of bananas
- Ecuadorian banana is internationally renowned
- Ecuadorian fruits traditionally supplied by the country.

Among the main challenges for these sectors are:

- The favorable Ecuador negotiating with the European Union will undoubtedly ensure the entry of organic bananas to Europe where it is highly demanded especially in Switzerland¹¹³.
- Another challenge faced by organic bananas is to reduce spraying plantations through the intermediation of MAGAP to create a healthy and natural product.

¹¹³ Agenda Territorial Productiva de la Provincia de El Oro – Ministerio Coordinador de la Productividad

- The partnership is another challenge faced by organic bananas. Therefore, the implementation of business and innovation is a necessity where consumption of organic bananas would be promoted.

2.3.2 Business of Agroindustry to domestic consumption and export

a) Processing of banana.- The international market for processed fruit grows at an average rate of 15% annually¹¹⁴. Our country is exporting fruit and specially processed to the American market. Factors supporting this sector we highlight the following:

- Ecuador and El Oro province has the raw material needed.
- There is business development and public investment.
- The new productive matrix supports the value added.
- Ecuador is a country with supplier of high quality fruit.

While the challenges in this sector are:

- The implementation of banana processing plants is at an early stage will require further increase processing plants to meet the demands.
- You must also actively participate in procurement processes as suppliers of school breakfast promoted by government bodies with processed fruit.

¹¹⁴ Agenda Territorial Productiva de la Provincia de El Oro – Ministerio Coordinador de la Productividad

- Finally, export promotion has to be supported with public investment to generate greater impact on foreign markets.

b) Processing of banana waste. - Our country imports about 500 million dollars in paper products¹¹⁵. There is a great demand for the environmental friendly products in developed countries. Among the supporting factors or opportunities, the following should be highlighted:

- The province has raw materials to meet the international demand.
- Agreements have been signed with universities and craft associations.
- Ecuador is already generating paper from other agricultural products.
- The new production model supports the development of this sector.

Whereas among the main challenges are the following:

- A business management model has to be developed in order to support this new business under arrangements with universities; which will trigger the transfer of sharp edge technology.
- Small banana producers have to be supported with enough knowledge in order to take advantage of organic waste. However, for accomplishing this goal it is necessary to implement training programs.

¹¹⁵ Agenda Territorial Productiva de la Provincia de El Oro – Ministerio Coordinador de la Productividad

- Similarly, the export promotion and marketing of this kind of paper will be critical to the position of these products.

c) Cocoa processing for substituting import items. - The potential market for this sector would be the products with differentiation, especially aimed at children. The demand growth is normal in percentage terms with an increasing demand on average a 10%¹¹⁶.

The supporting and opportunities factors are the following:

- The demand of cocoa in our country is growing five times the world average.
- The cocoa production has been diversified in the culinary industry.
- Currently, only 10% of production is processed.

Among the main challenges of the cocoa processing industry include the following:

- The processing of cocoa should be aimed at solving the government food programs like school breakfast.
- More training programs for small producers are required in order to strengthen the industry and create more productive innovation.
- Global advocacy is necessary to promote the processes of cocoa innovation.

d) Coffee with regional brand.- Global consumption of coffee is growing at an accelerated pace in different presentations. On the other hand, the international trade

¹¹⁶ Agenda Territorial Productiva de la Provincia de El Oro – Ministerio Coordinador de la Productividad

exceeds a billion dollars¹¹⁷, which makes it one of the most demanded products by consumers internationally. Large international companies are based in our country such as Juan Valdez or Starbucks; therefore, the internal productivity is appropriate to meet international demand. The main factors that support the productivity of the sector are the following:

Appropriate climate and soil conditions for the production.

70% of what is produced is exported.

There is significant support for the coffee growers associations.

Among the main challenges of coffee with regional brand, the following should be mentioned:

- Place a regional brand of coffee that brings together the various producers to generate more competitiveness.
- Identification and promotion of all local coffee brands to encourage the industry recognition.
- Research into new markets through market research to stimulate new export destinations.

2.3.3 Agricultural Business for Export

a) Shrimp production and processing for export.- Ecuador is one of the leading exporters of shrimp in the region, especially in markets like Peru, Chile and Argentina. The main consumers of shrimp are United States where the demand is growing at 10%

¹¹⁷ Agenda Territorial Productiva de la Provincia de El Oro – Ministerio Coordinador de la Productividad

and the European Union where it grows at a rate of 7% annually¹¹⁸. Among the supporting factors to the sector are the following:

- Favorable climatic conditions for growing shrimp.
- The province has good infrastructure and space for growing shrimp.
- There is a brand of shrimp in our country, which is well-recognized internationally.
- Marketing opportunities for exporting shrimp are appropriate.

The main challenges of the sector are:

- Diversification of shrimp production through frozen products will be relevant.
- Another challenge is to generate added value to the shrimp, since it is still exported as raw material.
- Productivity improvement through the intensification of technological processes. Moreover, it is convenient to promote safety in seaports.

b) Capture and marketing of fish and crustaceans.-The global trend of healthy products consumption has increased, and fish has an advantage because it has Omega3; moreover, the frozen products demand grows at a rate of 20%¹¹⁹. The requirements for fishing production have become gradually tightened; environmental protection standards and international certification are needed to ensure a responsible production with the environment. Among the supporting production factors are as follows:

- Favorable conditions for artisanal and crustacean fisheries.
- There is skilled labor in the province for artisanal fisheries.

¹¹⁸ Agenda Territorial Productiva de la Provincia de El Oro – Ministerio Coordinador de la Productividad

¹¹⁹ Agenda Territorial Productiva de la Provincia de El Oro – Ministerio Coordinador de la Productividad

- International standards apply on fishing processes.

The main challenges in the sector include the following:

- It is essential to develop frozen products to satisfy international demand.
- It is necessary to handle sophisticated fishing techniques and have better boats for marketing.
- To strengthen processes of association between fish producers to generate competitive advantage.
- To strengthen credit lines to enterprises in the fisheries sector.

2.3.4 Banana Potential Business

It is well known that the main product of El Oro province are bananas, considered the best in the world for their high quality and taste. However, there is a diversification process at a moderate scale for the potential of the product. For instance, from bananas we can get mashed banana, banana flour, dried bananas, banana chips, etc. The mashed banana is the most produced by product in our country and it has a high quality, especially the Cavendish banana. In addition, there are other derivatives from bananas that are not well known, for example, banana liqueur; it can be made based on different varieties of banana called "banana beer"¹²⁰.

At the country level, there are approximately 5871 banana producers, and in El Oro province there are 2551 producers¹²¹. The main producers are the following:

Agrícola Bananera Comercial.

Agrocomercio PALMAR cia Ltda.

Agrícola Bananera Reybancorp.

Asoc. Pequeños Productores Bananeros “ El Guabo”.

¹²⁰ Estudio y Análisis del Banano propuesta gastronómica – Wendy Noblecilla

¹²¹ Estudio y Análisis del Banano propuesta gastronómica – Wendy Noblecilla

Costa Trading.

Exportadora Súper Banana.

FrutaMax S.A.

Oro Banana.

Rey Banano del Pacífico Reybanpac.

The main destinations for Ecuadorian bananas are divided as follows:

- Europe 55%
- United States 30%
- Asia 13%
- Other 2%

Source: Research Center of Escuela Superior Politécnica del Litoral¹²²

Benefits of Banana¹²³

- Bananas stimulate the appetite in people with anorexia or eating disorders, it also has high energy value.
- The natural sugar of banana is easy to digest, so it is recommended for children and pregnant women.
- It is great for the daily diet and diabetes control.
- It improves blood circulation and prevents cardiovascular diseases.
- Nutrients are beneficial for people with malnutrition and feeding problems.

The benefits of banana are unknown to most people, even though, it is one of the most consumed fruits just for its exquisite taste. It is relevant to promote the benefits around the world to increase international demand for our traditional product. Then, I will

¹²² Escuela Superior Politécnica Del Litoral Centro De Investigación Científica Y Tecnológico

¹²³ Estudio y Análisis del Banano propuesta gastronómica – Wendy Noblecilla

analyze the most important derivatives of bananas. The present studies of banana derivatives are made by a degree thesis of Ecuador Technological University¹²⁴.

2.3.4.1 Banana puree

First, the banana puree is developed with a cleaning process to remove fruit stains and harmful organisms. It takes back control process discoloration to prevent enzyme in bananas. Bananas are then ground in the mill for seed banana peel. Then, it goes through a pasteurization process to leave nutrients. Finally it is packed to be consumed and used in the manufacture of products.

2.3.4.2 Banana Juice

It is a derivative of banana with difficulty. However, it occurs on small scales. They are a series of processes that lead to obtain a great drink. The first steps are washing and cutting slices of fruit. It was placed in a steam chamber for about 10 minutes to remove enzymes. In the next step, it will proceed to do a centrifugation to separate the liquids from the food product, followed by clarification, pasteurization, cooling, packaging and labeling for its consumption.

2.3.4.3 Banana nectar

First, the elaboration of banana nectar requires the same steps to obtain the mashed bananas. This 40% and 60% mash syrup is taken for an almost homogeneous blend in heating machines, rear citric acid is added. Finally it comes to cooling, packaging and labeling to finish the product.

2.3.4.4 Banana liqueur

This is a clear beverage smell and taste, which is performed, based in peeled ripe bananas and then passes through a grinding process to obtain the extract of the fruit. After, we will proceed to a fermentation process, then filter and purge the remaining alcohol, an alcoholic beverage is obtained.

2. 3. 4. 5. Banana vinegar

The process starts with the washing and cutting the fruit,, then proceed to pasteurization and cooling. After, yeast is added to the part to be a fermented product; this process

¹²⁴ Estudio y Análisis del Banano propuesta gastronómica – Wendy Noblecilla

takes place in wooden containers for a period of three days. After three days, it is placed the product into individual containers to proceed to a new fermentation process for banana vinegar. The same will then be used as a condiment for a number of meals.

2.3.4.6 Banana Flour and Powder

This product is used to produce a series of derivatives; green banana is used to make this product. It is one of the most common derivatives because it is found in supermarkets and shops. A drying process is used to remove moisture from the product and facilitate crushing it, then pass through sieves, concluding in packaging.

2.3.4.7 Bananas in syrup

The bananas are washed, peel and cut it into slices 0.5 cm thick. After, it is placed in cans or with syrup or syrup, and then heated in water at a temperature of 100 degrees. Finally, the process ends with cooling and it will be ready for the market.

2.3.5 Stake holders responsible for Productivity

The stakeholders are diverse. They are part of the Central Government and the Decentralized Governments. Among the central government institutions that are involved in productive development are the following¹²⁵:

- Ministry of Industry and Productivity (MIPRO)
- Ministry of Agriculture (MAGAP)
- Ministry of Tourism (MINTUR)

In addition, they are supported with agencies productive development as financial institutions, information or technology, among these we highlight the following¹²⁶:

- National Finance Corporation(CFN)
- National Bank(BNF)
- Internal Revenue Service (SRI)

¹²⁵ Agenda Territorial Productiva de la Provincia de El Oro – Ministerio Coordinador de la Productividad

¹²⁶ Agenda Territorial Productiva de la Provincia de El Oro – Ministerio Coordinador de la Productividad

- National Secretariat for Science and Technology (SENESCYT)
- Institute of Agro Quality
- National Institute of Statistics and Census (INEC)
- Instituto Ecuatoriano de Normalización (INEN)

There are government entities that work in coordination. They are responsible for issuing the transversal policies for productive development. They are¹²⁷:

- National Planning Secretariat (SENPLADES)
- Ministry of Coordination of Production, Employment and Competitiveness (MCPEC)
- Coordinating Ministry of Social Development (MCDS)

2.3.6 Institutional Conventions

The Decentralized Autonomous Government of El Oro province knowing of his transcendental role in supporting to the productive development has signed several agreements with various government institutions. One of them was conducted with the Coordinating Ministry of Production for the primary purpose of join efforts in the provincial productive development through the " Territorial Agenda for Productive Transformation" and the program "El Oro produce"¹²⁸.

Another agreement was signed with the Chamber of Industry and MIPRO in order to join efforts to develop a Plan of Competitive Improvement to the cocoa sector, within this agreement is planned to implement a processing plant cacao, manuals good practice manufacturing and processing quality certification and search for new international markets. Furthermore, among these same institutions and an agreement for the implementation of an Ecological Park, covering the whole zone 7¹²⁹.

¹²⁷ Agenda Territorial Productiva de la Provincia de El Oro – Ministerio Coordinador de la Productividad

¹²⁸ Agenda Territorial Productiva de la Provincia de El Oro – Ministerio Coordinador de la Productividad

¹²⁹ Agenda Territorial Productiva de la Provincia de El Oro – Ministerio Coordinador de la Productividad

Chapter 3. Strategies for the development of better exportable supply

El Oro province has the strongest export supply of Ecuador, due to several factors among which are:

- Quality Products
- Fertile Ground
- Capital Investment
- Port Vessel

The objective is to be highly competitive globally. First, I will identify several proposals on how to improve the export supply in El Oro province. These proposals raised will help achieve the following objectives:

- Increase of products offered worldwide
- Diversify export destinations for our products
- Export traditional value-added products

3.1 Productive Strategies

One of the main strategies that I should consider to diversify our products and possess greater competitiveness must be the *cluster* between producers in the province.

3.1.1 Clusters

The cluster to Alfred Marshall¹³⁰, who was one of the first to identify this innovative way to generate productivity, “is the involvement of companies in their joint dynamics generated external economies, reducing production costs with grouping in a territory”.

¹³⁰ Principios de Economía – Marshall 1963

The context of this concept is the economic globalization and the growth of international trade, forcing companies to gain greater competitiveness to challenge big companies.

Following this concept definition that appeared in the beginning of the 90s, Michael Porter¹³¹ with a different view, who defined clusters as “a conglomerate which is caused by a concentration of suppliers of specialized inputs and services and related institutions, all of which work in a coordinated manner in a close interaction. It derives synergies and positive externalities”. However, in 2000, Porter¹³² made a redefinition saying that clusters is “a group of fully interconnected companies and associated institutions working in a category and close together, so crawlers have in common and their complementarities”.

On a personal analysis of the definition about cluster, it can be defined as a joint action between producers and supported by various entities in order to reduce costs and by binding competitiveness. The clusters are produced by similarities in products and industries in order to jointly support and access support from various institutions.

The first stage defined in the clusters is the embryonic stage. At this stage is to strengthen the union to a local or regional level and the efforts of companies mainly focus on investment and innovation to face the bottlenecks. It generates an internal development stage. The second stage is defined growth in developed markets to begin a process where expansionary between the main difficulties is to attract competitors. After the stage of maturity, where productivity and marketing processes and are performed automatically and routinely. Finally, has a decline stage where the products made of lose competitiveness and it is urgent replacement products in the cluster to stay ahead. This concept is according Gómez Minujin 2005¹³³.

According to Bertini¹³⁴ the cycle in the final stage of a cluster can be successful or declining. The decline would mean a price war, profit loss, loss of human resources. But, the factors of success would be determined by factors such as the development of

¹³¹ Ser Competitivo – Porter 1999

¹³² Aglomeraciones entorno a los recursos naturales en América Latina y el Caribe – Dirven 2005

¹³³ Competitividad y complejos productivos: teoría y lecciones de política – Gómez Minujin 2005

¹³⁴ Industrial sectors and industrial districts: tools for industrial analysis – Bertini 2000

complementary sectors to clusters established in the first instance, development of productive chains, increased profitability and human resources.

There are precursors of the clusters, but also there are detractors of it, due to alleged limitations they offer. These theorists are Casaburi and Peirano¹³⁵. They established the next limitations:

- The first limitation is determined that not all industries or markets are similar and therefore. It does not offer guarantees for clustering. For example, the cluster is recommended in agriculture where the success of a business does not adversely affect mostly to other companies. By contrast, in the manufacturing industry it is difficult to do it because the supply is very concentrated, and also because competition can affect other companies.
- Another limitation is the lack of trust between the actors in certain regions because the clustering process requires a high concentration of capital to the partnership functions.
- An extra limitation is the economic game that is produced by a weak legal status, because there is a brittle integration and economic links are set. Within the weakness or instability of the legal framework we find assumptions such as contracts where legal terms are changed for legislative reforms. Another circumstance is administrative costs that directly influence political and legal instability in the environment.

Michael Porter¹³⁶ also mentions the possibility of a rivalry between those companies that make up the clusters, but this is given in a fair competition for the entry of new firms into the industry, rivalry between the companies, the access to factors, increasingly advanced production alliances with partner institutions such as research centers, universities, etc.

The clusters defines a trend that have an intimate relationship with the environment to occur in the region whether it is the political, economic or legal environment. In this context, public institutions form an essential role by their rulers, because it is imperative a supportive relationship between business and the public sector according Gomez

¹³⁵ Políticas públicas pro-competitivas. El valor de los clusters. Casaburi y Peirano 2000

¹³⁶ Cúmulos y competencia. Nuevos objetivos para empresas, estados e instituciones – Porter 1999

Minujin¹³⁷. The author also emphasizes the importance and harmony that should be with public and private schools for the knowledge generation, along with a warm and close relationship with suppliers and consumers.

Another level of integration that can be found which can be applied between the companies in the province is the Productive Trama, which is focused a little more large companies because unlike clustering does not require geographical proximity. One of the main definitions is given by the author Delfini¹³⁸ which states that it is an economic area of competence building and exchange of goods or services that includes one or more headquarters, suppliers and business customers or a group of companies.

According to Bisang and Guttman¹³⁹ the production network is that a few large companies, mostly multinationals, who have reached senior positions of importance and possessing trend control by mastering technologies as part of a trend and to shaping technology packages.

Based on two concepts we can establish the following concepts or features of production networks.

- Geographical proximity between business actors is not essential
- Conceives the economic relations and technological support
- It allows the entry of companies in different stages of development, but they must possess internal authority to exercise or control and economic relationship.

According to Albornoz, Milesi and Yoguel¹⁴⁰ the production network is the relationship of an umbrella organization which agglomerates companies and their relationship with different suppliers, that way success is guaranteed by the fluidity that this two-way relationship has.

¹³⁷ Competitividad y complejos productivos: teoría y lecciones de política – Gómez Minujin 2005

¹³⁸ Introducción en innovación y empleo en tramas productivas de Argentina – Delfini 2007

¹³⁹ Acumulación y tramas agroalimentarias en América Latina. – Bisan y Guttmann 2005

¹⁴⁰ Tramas productivas en viejos sectores: metodología y evidencia en la Argentina – Albornoz, Milesi y Yoguel 2004

As we can see there are different concepts according to the concept of productive network and its operation. However, stands as base relationships with technology packages and the relationship with suppliers and consumers. However, there is a common denominator in this type of partnership is that there will always be a strong company or headquarters responsible for guiding the rest of businesses and relationships that should be opened.

According to Bisang and Gutman¹⁴¹ there are major drawbacks in the production networks, based on an analysis made of MERCOSUR. They identify that the asymmetry between firms that are part of the plot represents the main drawback of this form of association because it begins to be perceived levels of economic and technological power in the most powerful companies, this is triggered in a hierarchy by certain companies begin to exercise control and mastery over other participating companies.

The production networks concentrates capital and resources by certain businesses processes. According to the authors the clustering process need public policies and centralized and decentralized government support. There is not specific policy in this field that should aim at achieving objectives of business development at local and national level.

3.1.2 The local productive system

The local productive system to Albuquerque¹⁴² the central idea of a local productive system is made accessible to all government sectors both productive and existing opportunities externally. The process is based on consensus of existing local actors, among which we highlight universities, unions, associations, corporations, municipalities, civil organizations, etc. The fundamental goal of success and local productive system is to form a network of constant work and feedback between different actors led by the rulers and the public sector, thus has greater competitiveness and productive system.

¹⁴¹ Acumulación y tramas agroalimentarias en América Latina. – Bisan y Guttman 2005

¹⁴² Desarrollo económico local y descentralización en América Latina.- Albuquerque 2004

In Argentina the organization SEPMyDR has democratized the local productive system. The organization based its proposal on the business agreement and that it is headed by the central government, because they actively sought by means of organization including public policies and the public system of Argentina in local economic development. In addition, specific policies and guidelines were searched to implement incentive policies to the economic sector.

Involvement of the central government must be coordinated with regional municipal governments and provincial governments to create a network.

In reference of a local productive system able to connect several production units of small, medium and large size, based on a partnership and joint strategies, as well as an essential requirement. This level of integration is fundamental in order to belong to a particular territory, on the other side there may be companies in the same industry which could also be aligned under this production system to companies belonging to the same value chain or production chain.

Furthermore, it is conceived as a tool for technology development in less advanced regions and also as a mechanism for strengthening more advanced technology. Besides, productive regions clusters a local productive system is based on scientific research and advances in integration processes.

As we see in the different types of clusters, today there are several mechanisms of integration, and all of them respond to an increasingly demanding enterprise-level environment, which main objective is to become more competitive as a whole. This process of comprehensive enterprise-level networks is a trend that is constantly evolving. These networks are managed with similar patterns and seek to strengthen economic development processes locally.

Furthermore, It is concluded in this type of networking integration that the Central Government has a key role in achieving objectives, by issuing specific policies in the area. Technologies are also part of these networks integration, since technological processes are exchanged between companies to achieve greater efficiency.

The processes of systematic association is key in business and productive innovation processes in a region, hence the importance of being able to apply any of these models to improve the competitiveness of the agricultural industry in our province, which is

rich in variety and quality, but an inclusive process between companies in the industry is needed to gain greater competitiveness. It also has a more positive impact on the region and the economic and social development.

Productive integration

Ecuador is considering joining MERCOSUR. It is the Common Market of South America. In MERCOSUR countries like Uruguay, Paraguay, Argentina, and Brazil are actively involved. The integration is not only at a company level but at the regional level can be a great support to the productive industry of El Oro province, in the following analysis.

Mercosur has an innovative strategy for local economic development issue, referring to the integration of production, it is a priority and a major axis of the block of MERCOSUR, based primarily on the major economic and social inequities of some member countries. This public policy integration is innovative and fully active, seeking convergence and coordination of the different types of economies without exception.

The union of the MERCOSUR countries is looking to potentiate the economy scales, and also to attain a different process which currently possess in organisms such as CAN and ALBA, the process of specialization in certain sectors, entering a complementary economy through a competitive advantage of each of the countries in industries with the greatest potential. Thus, efficiency and asymmetries is sought through an international value chain, which will result in social development.

According to Porta¹⁴³ the production and integration at the regional level is based on the ability to establish and consolidate stable mechanisms for inter-enterprise cooperation and the establishment of permanent ties of trade and catering, business networks, chains of customers and suppliers, horizontal clusters, export consortia or technological exchange and strategic partnerships of various kinds.

The regional business associations offered by companies of various industries to acquire higher percentage in an international economic integration, and strengthen the power and weight in international negotiations. Emphasizing in CAN or MERCOSUR, both forms of regional integration have reduced trade barriers easily. However, the level of

¹⁴³ La integración sudamericana en perspectiva. Problemas y dilemas “Documentos de proyectos” – Porta 2008

integration into productive matters, business remains very low compared to other regions. There are several reasons that have not been achieved so yearned integration regional level, among which are:

- Structural Asymmetries
- Lack of agreement on the Common External Tariff
- Lack of macroeconomic policies
- Lack of specific sectorial policies

MERCOSUR is working on sectorial policies realignment to improve the geographical distribution of the profits. This action will be based on the degree of specialization of each member country. However, due to lack of specific sectorial policies, there is a latent possibility of disagreements between countries. Hence the block is already working on the development of micro and independent resolution mechanisms to solve such problems and ensure policies and sustainability of integration.

MERCOSUR starts also worked in corporate incentive policies at a regional level, rather than punitive, the key to this process is based on an appropriate regional coordination among member countries, according to the project team Cohesion and Social Innovation for MERCOSUR¹⁴⁴ three mechanisms are established to achieve regional coordination to boost the business sector, which are:

- The market, accessible to all economic agents due to its horizontality. However, with restrictive actions and a severe tax policy as the high transaction costs and bureaucracy it may lead to poor access of economic agents and generate failures in the market.
- Transnational Companies generate a higher level of integration and internalization hierarchy, and in a suitable locale can trigger local economic and technological development, besides being continuous work places.
- Finally, we need an instrument of public regional coordination mechanism that fulfills the function of generating business incentives and becomes a cohesive business and

¹⁴⁴ La integración productiva regional y los gobiernos locales del Mercosur – Daiana Ferraro

market, due to the creation of productive public policies capable of generating an environment of harmony and coordination.

Regional Programmed Production Integration in MERCOSUR was approved in 2008 for the only purpose of contributing to strengthen productive complementarity of MERCOSUR companies, especially SMEs integration in supply chains and companies from countries economically smaller relative to deepen the integration process of the block.

The main activities that have the program and could be emulated by the Andean Community of Nations are to be reviewed and highlighted.

1. Cooperation between agencies and national entities, by articulating instruments linked to business development, with emphasis on MSMEs to strengthen regional production integration.
2. Complementation of instruments and national entities directly linked to research and development and technology transfer.
3. Implementation of measures to facilitate regional trade in each member country.
4. Creation of a support fund for financing and cooperation and strengthening of existing funds such as the SME Fund
5. Development of competitiveness forums in all production chains at sectorial level.
6. Promote and support business innovation initiatives that benefit regional integration.

The methodology for achieving this program is as follows:

- Each national government appoints its representatives to fulfill the role of focal points for each initiative.
- Representatives of the different productive sectors form an active part in the various program initiatives.
- A state of the block shall be responsible for the technical coordination of initiatives.
- All initiatives involve all States preferably provided in which less developed possess.

7. The main advantage of this integration creating a regional training program for human resources focusing directly on promoting regional integration business.

8. Creation of a permanent observatory on the implementation of the program of corporate

Regional Integration in MERCOSUR according to the author, Porta¹⁴⁵, is that the expected benefits of the regional integration process involving the generation and diversification of a new profile of exports and exporters, with potential benefits in terms of technological development, qualification of resources and rising real incomes.

In the analyzed context, the regional productive integration goes hand in hand with local development as feasible for this integration requires effective public policies at local level spanning from centralized to decentralized governments.

According to Arroyo¹⁴⁶, the local productive development must go along with social development based on local resources held for productive development with high social impact on the community. Then, said actions helps maximizing local resources through economic activity that represents. Furthermore, Posada¹⁴⁷, argues that productive local development is a process of structural change in the economy of a city, which must identify at least three basic dimensions: economic, socio-cultural, political and administrative.

3.2 International Network of Cities

Cities today are forced to constantly link in regional integration processes that help its development through international cooperation, for it takes at present several mechanisms for worldwide participation in various cities among which we highlight the following:

- Twinning

¹⁴⁵ La integración sudamericana en perspectiva. Problemas y dilemas “Documentos de proyectos” – Porta 2008

¹⁴⁶ Los ejes centrales del Desarrollo Local en Argentina – Arroyo 2003

¹⁴⁷ Municipios y desarrollo productivo local. El caso de los consorcios productivos bonaerenses Mimeo – Posada 2003

- Cooperation Agreements
- Cooperation Program Participation
- Participation in networks of cities

International organizations such as the United Nations in the report of the Second United Nations Conference on Human Settlements¹⁴⁸ (HABITAT II) in Istanbul in 1996 established: Local governments have a crucial role in solving many challenges of social inclusion and participation.

Jakobsen¹⁴⁹ says that the international integration of Latin American cities from the 90's has a strong relationship with solidarity cooperation aspects and it was primarily driven by the need by local governments to find resources and technical solutions for a transition to face the crisis of the development model and the negative consequences of globalization. Nevertheless, internationally, in the context of regional organizations cities do not receive equivalent treatment to their duties because they are classified as NGOs keeping this label exclusively for the Central States, especially under the influence of first world nations.

The participation of Ecuadorian regional autonomous governments in the international context is relatively low compared to other countries; since this active engagement in the international arena goes hand in hand with economic resources and according to a global political vision, few municipalities and prefect offices have it in our country. Especially, there is the influence of traditional politicians who do not appreciate this kind of opportunities to bring development to their cities.

The mechanisms or instruments of international links are classified based on their objectives and they are:

- For external actions there are activities led by regional governments to achieve a previously established public policy. These activities seek to develop plans for specific areas such as culture or tourism. The international link can be made with other cities, NGOs, associations, corporations, etc.

¹⁴⁸ Report on City-to-City Cooperation – UN Habitat 2002

¹⁴⁹ Poder Local y relaciones internacionales – Jakobsen 2009

- For international relations policy it is advised to include linking global politics of a city, managed through forums or meeting of leaders of advanced management models in the management of their cities. This network of cities is structured to increase the influence of the cities of the world.
- Participation in regional integration process. This means the integration and participation of cities in specific projects of regional integration blocs such as CAN, where there is interactivity with other cities in member countries in seeking new development opportunities.

3.3 Experiences from other countries

There are three possible export options that are:

1. Export greater amounts than usual (intensive margin)
2. Export traditional products to new destinations (extensive margin)
- 3 Export new products to new destinations (extensive margin)

Out of the three above mentioned options, intensive is the most representative increasing international trade, it means that central or regional governments focus almost exclusively on public policies to potentiate the intensive margin and thus neglecting key factors such as innovation.

To some experts and theorists, the extensive margin is a better approach to diversify the traditional destinations, to innovate exportable goods or services by high investment costs can represent the creation of a new array of products in the export supply. However, destinations can be diversified simply by signing Free Trade Agreements. Among the ones supporting this theory there are authors who based on studies conducted to determine the survival and the risk increases in cases of diversifying export products aiming to market diversification.

There are countries like Malaysia and Thailand in Asia which have been commercially successful over the last 40 years of history that lowered the concentration in certain

markets and they started to diversify their products destinations. They have manufactured goods such as clothing or appliances and agricultural products with high added value such as palm oil.

In the Latin American market, one of the leaders of diversification in exports is Chile, the main difference with the Asian Tigers is that Chile based its diversification in particular comparative advantage in agriculture or timber. Although Chile has tried to develop the manufacturing sector, it has not been the sector of success. The main products of Chile are fruit, wine and the export of salmon.

Diversification itself must be accompanied by the specialization of featured products; this will result in high productivity of a country. For authors like Haussman and Klinger¹⁵⁰ some countries that developed an exportable offer addressed to meet the primary needs of developed countries has been growing much faster in economic terms.

Another interesting case to analyze is Colombia, which has positioned itself worldwide slowly due to a continuous participation in fairs and trade missions worldwide that allowed strengthening their local products. With no doubt, one of the most influential factors for the success of Colombia is the successful signing of several Free Trade Agreements among which we highlight the ones signed with Canada, the European Union and the United States, especially thereby promoting their products at a competitive price due to low tariffs.

It is necessary to learn from successful cases and even more when there are countries interested in trading with our nation. The simple fact of signing Free Trade Agreements does not ensure their success. It is necessary to take into account that there are other variables such as efficiency and feasibility studies for the entry of our products to new markets. However, the rules of international trade are also critical because there must be a solid framework that supports transactions and agreements that benefit our country.

The production model of El Oro province is based on isolated farming. The ideal and appropriate strategy is the integration of all small producers in the province vertically to the agribusiness chain. The purpose of this integration is to gain competitiveness and create not only a large group of farmers.

¹⁵⁰ Structural Transformation and Patterns of Comparative Advantage in the Product Space – Haussman y Klinger 2007

Successful examples of partnership, especially, the case of Brazil known as Castrolanda State Cooperative of Sao Paulo¹⁵¹ where approximately 1,600 producers are grouped in 3 large cooperatives. Most producers with commonalities in the agribusiness chain are included. Then, the producer is benefited from the income of other producers in this case soybeans, corn and wheat. Associativity for the processing of finished products and this partnership comes after a period of production until the industrialization stage that involved the logistics packaging, distribution, cold chain and marketing.

The form of associativity in Castrolanda sets an example to other agricultural sectors in Latin America, because each unit from the production step or gathering goes through industrialization and it end with packaging, transportation and logistics carried out under an independent association management companies then at year-end balance sheet are divided among members or producers, 50% of revenues and 50% would reinvest in technology or needs required by the agricultural industry.

Vertical integration is performed for strategic stages of the figure of associative competitive scale that generate profits throughout the production chain and which also triggers directly on a local and regional development of high social impact. In certain cases the integration model applied in Brazil may resemble the figure of a corporation, because this model is now considered an integrative model that evolved particularly and gave benefits to small and middle size farmers who were receiving benefits in all stages of the production chain. In the United States there is another example of the success of the associativity when oil prices threatened the corn industry. However, the integration of maize producers managed industrialization of corn in environmentally friendly fuel called ethanol. This happened in 2005 and more than 150 processing plants became part of the assets of all producers.

Based on the analysis, it is determined that our country and El Oro province have almost exclusively been focused on traditional markets such as the United States and they have also centralized on the primary agricultural sector. In large part due to a lack of business opportunities in other countries with which used to be often neglected, depending on a few countries as consumers of our products when the ideal would be to start an open exploration of new markets.

¹⁵¹ Estrategia para lograr el fortalecimiento de la oferta exportable en Colombia – Mauricio Reina 2013

It is important to determine the types of business found in the market so that the following¹⁵² are classified as follows.

Dynamics Exporters. - They are companies with exports higher to one million dollars (annual average) during the last years. The important and key with these companies is to determine the factors of success in international sales.

Exporters with potential. - Exports companies with less than a million dollars. Despite having high potential products have not achieved the expected growth. The important thing with these companies is to determine the problems that have crossed to develop further growth.

Non export companies.- They are companies that have not done any export activity despite having good quality products. The key is to determine the factors that advised the exploration of new markets through the respective studies.

Later, it will be important to determine each of the company bottlenecks in the following fields:

In the logistics aspect, it is key to determine the distribution costs and distribution channels.

In the business domestically what matters is the production capacity existent, production costs, corporate finance and everything that has to do with the ability to develop and grow internally.

There is also the case of business supported by international agencies with an export record of success that convey the same point; feedback between these agencies the following are mentioned:

- ProMéxico
- PROCOMER
- ProExport
- ProChile
- Canadian Trader

¹⁵² Estrategia para lograr el fortalecimiento de la oferta exportable en Colombia – Mauricio Reina 2013

In conclusion, the success of an export supply depends not only on the quality of their products, but also on the strategies applied to potentiate the different processes of production and marketing. The strategies discussed in this chapter are based on the principle of cooperation between the different productive actors to generate higher profits.

Productive strategies discussed seeking direct production into a new stage of development. Also in this chapter, the role of cities and decentralized governments in production processes was analyzed. The productive cooperation between cities is one of the cutting-edge concepts that allowed potentiating various export offers from other cities in our region.

Networking has been implemented in MERCOSUR and it has been beneficial to the different cities that are a part of this network through cooperation and exchange and seeking continued support for local development of each of these cities.

Chapter 4 Proposals

After all the analysis in the previous chapters, it is time to present proposals to create a better exportable supply in El Oro province. This proposal will be determined on four key components outlined below and which in my opinion would allow the development of a much more attractive offer to current exports.

4.1 Association and Value Chain in El Oro

Associativity strategies seek innovation in the local industry. Today, this concept is applied in countries with a high development. In Ecuador, specifically the model of partnership and Value Chain has been applied in the case of big cities. It is important to break paradigms in local companies about competition in the industry; it has always been seen it as a threat rather than an opportunity.

In El Oro province, an association of small producers and exporters of agricultural sector is sought through a participatory model of integration, it is a cluster. First, it is necessary to know the benefits of integration according to the publication about association by Manuela Iguera¹⁵³ for a subsequent application on producers and exporters in El Oro province.

4.1.1 Benefits of Association and Value Chains

Financiers.- Nowadays, it is feasible to gain access to joint funding because of the increase of the financial capacity of each company. Also, it is possible to invest and cut down expenses with each company or producer. This would allow producers to generate credits altogether for possible investments in technology and production tools of a better quality.

¹⁵³ Asociatividad en PYMES – Manuela Iguera

Benefits of Organization.- The organization has a higher relevance to the union of agricultural producers and exporters in the province, since the production and export supply since they diversified the production. Moreover, associativity is a line hierarchy where everyone has the same importance in the organization, However, companies maintain judicial independence and autonomy of each company or producer.

Another benefit of association is the constant exchange of information and experiences between producers or companies, helping to exchange innovation processes or mitigate commercial risks, because this exchange allows to be updated in accordance to the reality of the industry.

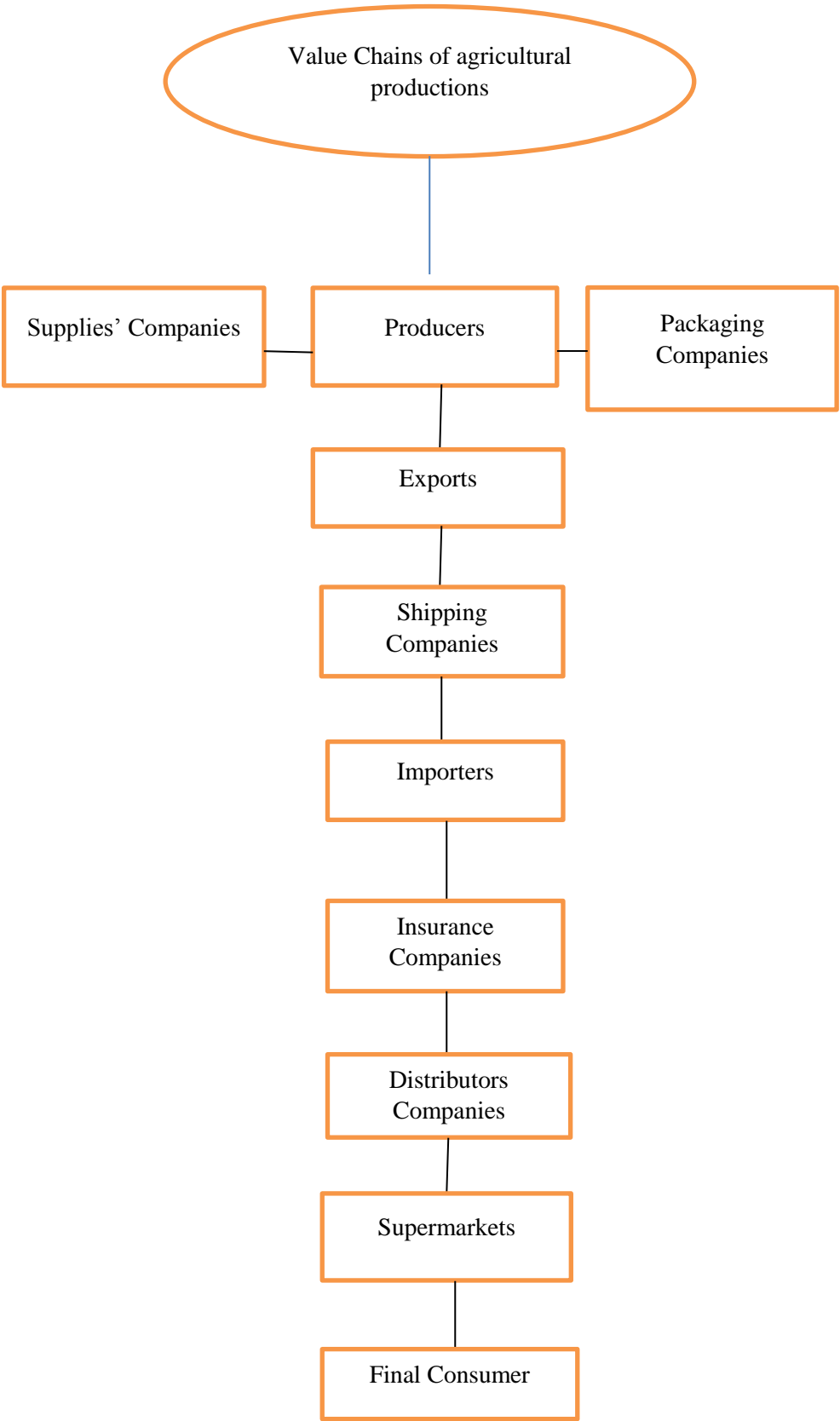
Commercial Benefits. - The association also brings benefits in marketing processes within the opening of new markets. In addition, there are new unexplored markets. Finally, the research promotes development in new products through innovation that will be negotiated by these clusters of farmers.

Value chains are defined by CORPEI¹⁵⁴ as: “the value chain is the sequence of production processes, from the provision of specific items for a particular product, to marketing and final consumption.” Or it also can be defined as: the companies involved in the various production processes, marketing of a particular product for example: in the case of El Oro province, a value chain would be determined in this diagram.

¹⁵⁴ CORPEI – Estrategias de Asociatividad para la exportación serie: Cultura Exportadora

Graph 39.

4.1.2. Value Chains scheme in El Oro province



Source: Servicio de Información y censo agropecuario del Ecuador - SICA¹⁵⁵

Elaboration: Author

The association based on the value chain seeking benefits for all industry actors, the value chain is based on cooperation and trust, because if the sector is doing well, all of the participating companies will have similar benefits. This type of integration is called a vertical network according to Cervilla de Olivieri¹⁵⁶. The successful association between agricultural producers can be based on the following table with the objectives, participants, contributions of the participants and expected results based on the proposed scheme, the table would be as follows:

Graph 40.

4.1.3 Association and Value Chain in El Oro

Objectives	Participants	Contributions of participants	Expected Results
To offer high quality products in El Oro province	Small producers.	Products	They have actively integrated all actors in the productive sector
To benefit all producers in the value chain of the productive sector	Supply companies	Materials and products to improve product quality	There is constant contact and exchange between the productive actors
To Innovate in banana production and derivatives	Exports	Knowledge in the negotiation of the product and contact global demand	.

¹⁵⁵ Servicio de Información y censo agropecuario del Ecuador

¹⁵⁶ Cervilla de Olivieri – Estrategias para el desarrollo empresarial: Asociatividad en el Sector Plástico de Venezuela, Revista de Ciencias Sociales

<p>To develop a provincial brand with worldwide prestige</p> <p>To reduce costs of production and improve profits</p>	Shipping companies	<p>Transport and logistics in international distribution</p> <p>To locate potential buyers and consumers in the destination countries</p>	<p>We have developed new products and improved marketing</p> <p>It has reduced the costs of production and marketing</p>
	Importers	Physical spaces and reliability for product distribution to the final consume	It has reached a joint growth in the productive sector of the province
	Supermarket		

Elaboration by: Author

4.2 Production Development Public Enterprise

As it was analyzed in the third chapter, there is a gap in the innovation of the province due to the lack of a productive development program by the autonomous governments

in El Oro province, which is one of the few provinces that has no Public Enterprises Production Development, unlike the provinces of Azuay and Loja. Therefore, the second proposal hereby is the creation of a Production Development Public Enterprises coordinated directly by the Gobierno Provincial Autónomo de El Oro for the constant support to the production that promotes economic development, always promoting innovation, quality and competitiveness of our production. Among the main objectives of the following Productive Development Public Enterprises we have:

4.2.1. Objectives

To provide spaces and production support units for the business sector in El Oro province, in the areas of advice and support.

To promote innovation in the agricultural development of the province through programs supporting the generation of new approaches.

To generate sources of decent employment based on sustainable farming in the province.

To invest in technological development.

To promote the quality of the products in El Oro province in order to be marketed nationally and internationally.

To create a brand by means of publicity campaigns of the provincial production to be targeted by the national and international demand of said products.

To promote industrialization and value added of exportable supply in the province in different productive activities

To open new markets with agreements to increase buyers for products of El Oro province

This public enterprise will be headed by Gobierno Provincial Autónomo de El Oro and support with agreement signed with the different Autonomous Decentralized Governments to ensure a joint effort and a better productive development in the cities of the province. The administrative organization of this institution will be headed by a Management Group. Such Management Team will design various programs and projects. The financing will be covered by funds from the Provincial Government and financial support of local governments, since this entity will work with the different levels of government in the province to ensure sustainable development.

4.2.2 Projects and Programs

- Implementation of Industrial Parks in the province. - This project is already included in the agenda of the Provincial Government. However, it is necessary to accelerate the studies and begin soon with the construction. It will benefit hundreds of farmers and value chains in different agricultural sectors.
- Innovation programs. – Local public companies must have programs that encourage innovation, thus ensuring entrepreneurs and the development of local production. This can be done through fund raisers.
- Advisory.- There are companies which must be given constant support and advice in the different productive sectors of the province, through production and marketing techniques to find new markets for our products.
- Research and Development. - The Provincial Government with the support of the University of Machala signed agreements for teachers and students to conduct research

projects of productive development, to improve production techniques and strategies, and the development of new products.

- Update of data. - Production Development Company will be responsible for census and identify all the actors in the productive sector of the province and will seek to promote partnership and value chains in production to improve production efficiency.
- Training Programs.- A fundamental job to be performed by this company is the training to small and medium producers in the province to be prepared on the production, quality and marketing of their products.

4.3 Productive integration

The objective of the third proposal is the productive linking in the province with other international cities, along with local governments. This strategy is based on the principle of inter-agency cooperation and strengthens strategic business alliances. I propose a Production Integration Plan within the Andean Community of Nations, with the different local governments of Colombia, Peru and Bolivia, which are also members of the Andean Community. This productive integration will be designed in the following areas:

4.3.1 Axes of Integration

- The productive complementation

This complementation covers trade in goods and services of the CAN. Moreover, this productive complementation is a fundamental factor to touristic development through economic and social studies. This way foreign investment in Colombia and Peru is encouraged to generate new jobs in our province.

- Productive and Social Inclusion

Undoubtedly, economic development should bring social benefits to citizens. Therefore, the integration proposes to manage production among cities. Moreover, it leads social policies regionally with opportunities for economic and social development.

- Local development

The municipal development will be paramount to integration. Because local governments should promote opportunities for the development of local production, through industrial parks, and the elimination of taxes for raising the attractiveness of investment. Moreover, it promotes strategies to develop promotion local products.

- Improvement of Competitiveness

One of the main problems is the lack of competitiveness of the products of El Oro province. Therefore, it is proposed hereby that the productive integration with CAN launches a regional brand to represent all their products with certified quality. Finally, in this area it is essential the participation of local governments to develop business innovation.

Internationalization

Local governments should participate in national and international fairs to offer local products. Moreover, it complement with the participation of the brand in different rounds of international negotiations. The association with clusters has to be born as an initiative of the Autonomous Governments with spaces to gain competitiveness.

4.3.2 Advantages of Productive Integration

- Improving competitiveness.

- Attracting foreign investment.
- Creation of qualified jobs.
- Generation Institutional Networks.
- Technological innovation.
- Financing production.
- Business Incubator.
- Promoting the Development of companies
- Creation of Industrial Parks.

This proposal is based on the fundamental role that Local Governments must have in the productive area because they are responsible to represent local businesses and producers worldwide. Nevertheless, this internationalization is supposed to generate a regional integration project focusing on productive development. To implement this proposal the following key activities must be performed:

4.3.3 Activities

- To generate business between companies of the cities.- There is the need of the creation of a database of all member companies of the cities of CAN networks. Moreover, local governments are to develop business meetings in the member cities of the network of cities and finally trade missions carried out to different cities to promote cooperation.
- To strengthen the social economy through the exchange of projects of successful cities, along with seminars and workshops with speakers from the different cities.

- Business cooperation about productive complementation. It is necessary to analyze the production in each of the cities in the region to identify the opportunities for productive relationships between company chains.
- To promote the exchange of positive experiences. - It will be made through meetings and business visits to each city to exchange international experiences of cities with economic and social development.
- To promote research through agreements with universities in the region to generate innovation and quality.

In the success of this proposal it is important to take several considerations such as the commitment of local governments for international relations. Moreover, they must establish a network of cities and also a department of international relations to reach agreements with other local governments.

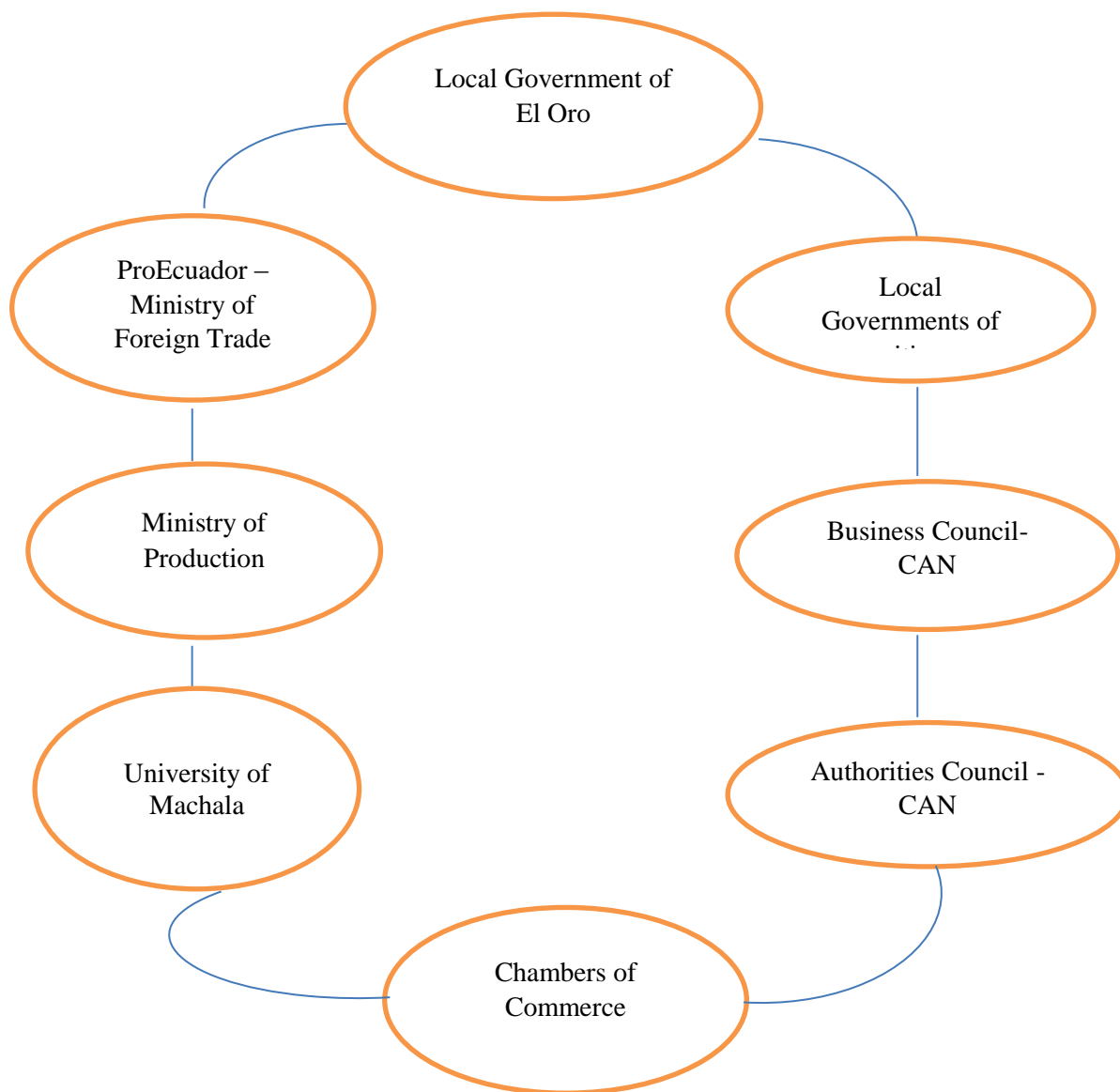
To make this project innovative, it is also required as a first step to ensure a legal framework in our province and cities because it will be designed to support a new phase in decentralized international cooperation to find new opportunities for a productive development.

Another factor that will determine the success is the coordination between different government levels. This will be achieved by overcoming ideological differences and always looking for the productive development based on the teamwork.

Finally, a decisive factor that will determine the success of the regional integration is the link between civil society and the government. This refers to the active involvement of trade unions, universities, associations with Autonomous Governments, international organizations, etc. The integration scheme is determined as follows:

4.3.4. Scheme of Productive Integration

Graphs 41. Scheme of Productive Integration in El Oro



In conclusion, this proposal networks is totally innovative in Latin America, one of the few organizations that launched this integration model is MERCOSUR. But for El Oro province and its capital Machala, the first network to be at this level.

4.4. Generation of Innovative Enterprises

The development of new products requires investment in processing factories. An excellent project is the industrial park in El Oro province, it is well known that the banana and cocoa sectors are emblems products in the province. However; the province has fishing ports where artisanal and industrialized fishing generate revenues for the province's economy develops. A variety of value-added products that can be generated from this sector and which possess a significant demand worldwide. For example:

- Shrimp skewers.
- Fish skewers.
- Crab claws.
- Fish croquettes.
- Albacore fillets.
- Shrimp Burgers.
- Pate seafood.
- Shrimp Nuggets.

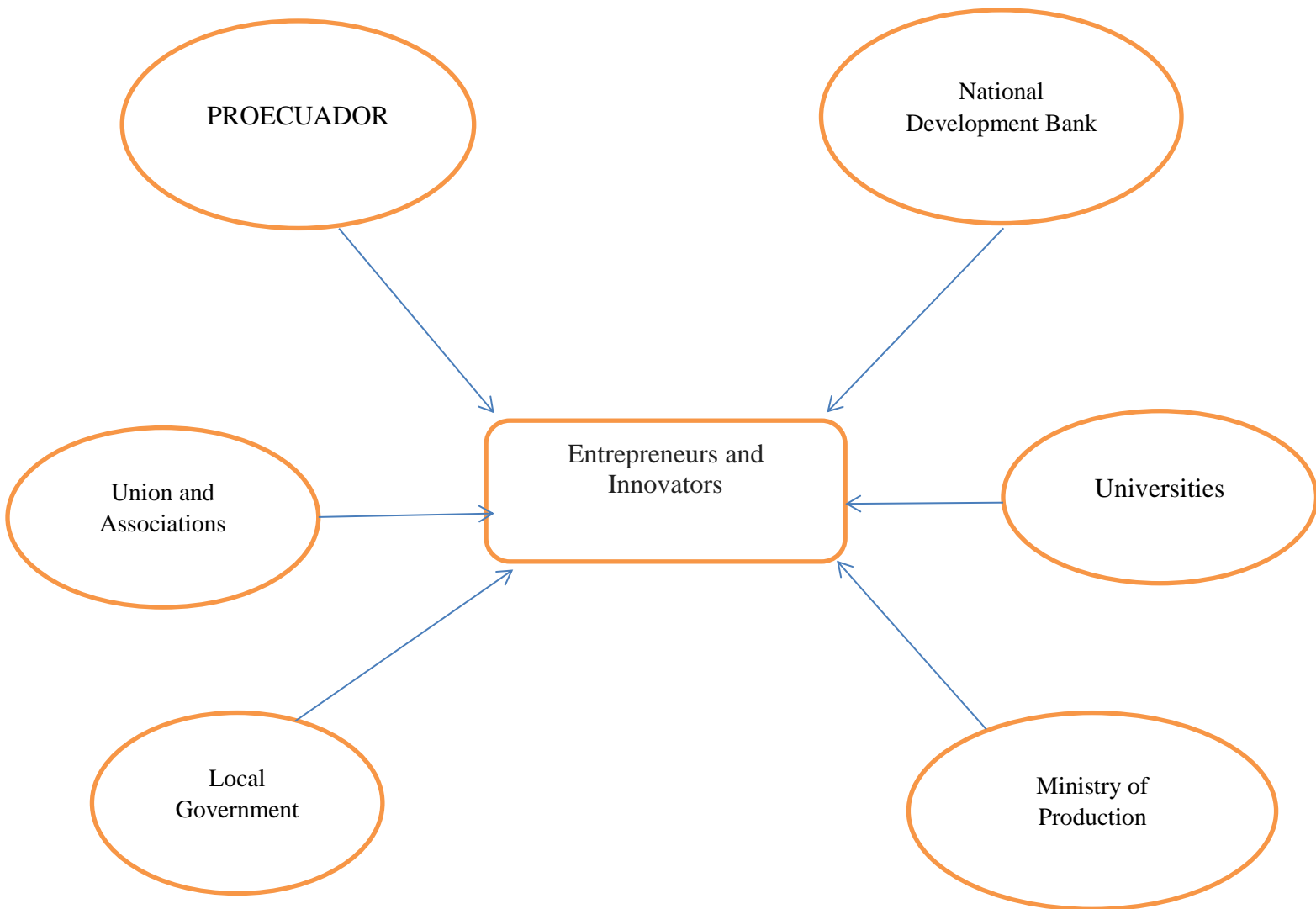
All these innovative products are not developed for any plans of industrialization and commercialization. Innovation does not require large investments, often just depends on an idea and have the entrepreneurial spirit. For example to make the seafood skewers and sell them in the market would simply require the following steps:

- Fish Shellfish (shrimp, squid, shrimp, crabs. etc.)
- Wash and clean with seafood with hygiene standards.
- Make cuts of seafood in equal proportions.
- Insert seafood on skewers.

- Packing in cases suitable for freezing.
- Seal the packing cases.

Graph 42 .

Scheme to Support Entrepreneurship in El Oro



Elaborated by: Author

These actors are essential to generate the concept of entrepreneurs - innovators. In the present proposal, each actor has a key role in developing said projects. I will highlight the role of each institution in this proposal.

- National Development Bank. - The National Development Bank and the National Finance Corporation are the institutions responsible for financing business in our country. These financial institutions provide credit to productive entities with low interest rates, following the submission of a business plan. Financial resources constitute the main problem that entrepreneurs come across; however they have these institutions for their business.

- Universities. - Innovative entrepreneurship needs qualified human resources along the various processes of the business. Therefore, universities can help to develop quality products, market studies and quality testing. All this is necessary to launch innovative product to the market

- Ministry of Industry. - The Ministry of Industry has the primary responsibility to support entrepreneurs and create competitive products. The contribution of this Ministry is by providing technical assistance to entrepreneurs to help them launch and position innovative products to the market.

- Local Governments. - Local governments are the institutions in the province that promote the production and economy. Local governments should be the institutions responsible for giving guidance and support to these new businesses. They should be the link between the entrepreneur and demand in El Oro province.

- Unions and associations. - They are responsible for representing and supporting entrepreneurs through training and constant interaction with other entrepreneurs in the industry. They promote future alliances or strategic agreements in the industry.

- ProEcuador. - This institution is in charge of promoting exports of Ecuadorian products to the world. Innovative products should not only be marketed nationally, but the country also has to sell to the world and generate income for El Oro province, with the advice of PROECUADOR.

In the end, I would suggest other strategies to generate benefits to the exportable supply in the province. The importance of the analysis and the main objective of this thesis is to promote a better exportable supply in El Oro province, Therefore, the positioning of our products in world markets depends on a joint effort between all actors. They must be actively involved in the production and economic development of the province. Specially, producers, exporters, suppliers, transporters, importers, distribution channels, local governments and consumers.

5. Conclusions

In the analysis about the situation of the economic reality of our country, I have concluded that Ecuador has entered a new stage of economic development, known as the Transformation of the New Production Model. It is indispensable to change the current system of primary production exports, especially of agricultural products for the production of knowledge and added value.

The implementation of a new production model is a part of the 10th objective of the National Plan of Good Living. The goal promotes a new approach to national production to generate added value in our products. Moreover, it promotes the development of technological processes in the transformation of raw material to finished products. It generates sustainable production based on environmental liability and it promotes solidarity economy entrepreneurship with micro and small enterprises

To my opinion, the strategies, policies and guidelines in this objective are ambitious to achieve. Ecuador has the need to start a new productive stage and leave behind two hundred years of primary export production. It is also true that knowledge may bring commercial revenues to the country. Therefore, the national government has developed projects like Yachay, the City of Knowledge. However, to my opinion, the objectives from 2013 to 2017 are oversized.

I also analyzed the economic reality of the province. Therefore, demographics conditions of their people were checked based on the census in the year 2010 by the National Institute of Statistics and Census. The quality of life of the people of El Oro province is acceptable. From an economic point of view, a reference is made to the Territorial Agenda for Productive Transformation of El Oro province. The result of that analysis was also positive.

Potential businesses identified in El Oro province by the Ministry of Productivity are a great example of economic growth that has not been used by the public and private sector yet. El Oro province is an appropriate field to invest and develop new business.

In this paper, I defined new methodologies and strategies to potentiate the exportable supply in the province and as a consequence, it becomes more attractive to the international community. Based on the present research, it was determined that one of the main strategies to take is the association. It involves the grouping of several companies in the same industry or production chain to improve processes and marketing of goods. In addition, the association provides the perfect opportunity to integrate the different sectors of civil society in production processes. Furthermore, it is important to involve local governments in the processes of production and marketing.

Finally, a number of proposals were issued, including the integration in association and value chain in the productive sectors of the province. The objective of this proposal is the positioning from the point of view set among small producers. The active participation of all productive players in the province is fundamental. Provincial Government and Local Governments play a key role; unfortunately those entities have not led the production processes due to fear or lack of hope. That is why it is advised the establishment of a Public Company of Production and Economic Development. It would be an institution that leads the production and economy of El Oro province, through projects and advice to entrepreneurs. On the other hand, it is sought to generate a productive integration with other local governments in the region, such as the block of CAN in order to generate exchanges of ideas and experiences, and to promote the internationalization of our production. Finally, it is presented hereby the final proposal to encourage innovative enterprises in El Oro province and create an entrepreneurial culture that will generate jobs and higher incomes for El Oro province.

6. Recommendations

It is necessary to involve the different productive actors in the province from the Autonomous Decentralized Provincial Government to articulate and coordinate efforts that lead to a sustainable and innovative production. This joint will generate a constant exchange of information and experiences among the productive actors.

It is necessary to generate networking places between various producers in the province in different economic activities. This will direct production and innovation programs according to the characteristics and needs.

The Autonomous Decentralized Government must implement a Public Enterprise for Production and Economic Development. Such entity would be in charge of promoting and supporting the production of the province through of assistances and training programs.

It is necessary to promote the innovative entrepreneurship through funds of local governments to establish new business.

It is necessary to establish agreements between the Provincial Government and the University of Machala to promote research and development of new products, and improving the quality of existing products.

It is necessary to socialize and join financial institutions with entrepreneurs in the province to generate new business.

It is necessary an ordinance in the province to ensure the rights of the producers and support to small entrepreneurs.

It is necessary to learn from successful experiences of other municipalities in productive development. Moreover it is necessary promote international cooperation among cities for productive and economic development.

It is necessary to promote a network of cities between different local governments of the Andean Community of Nations to allow the constant exchange of information and factors of production.

It is necessary to accelerate the construction of an industrial park in the province for the industrialization of agricultural products, and through this process generate a diversification of production. The provincial government should invest and support the purchase of technology to industrialization.

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