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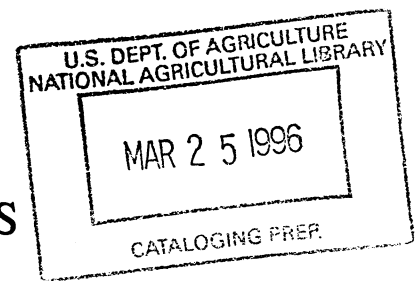
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Fred J. Ruppel  
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Stanley M. Fletcher  
S-224 Chair

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## INTERNATIONAL TRADE AND THE DEVELOPMENT OF ECUADOREAN AGRICULTURE

Dale Colyer  
*West Virginia University*

Agricultural trade was responsible for nearly all of Ecuador's foreign exchange earnings and hence its economic development activities until oil became a major export during the 1970s. The value of its agricultural exports are still several times larger than its agricultural imports so that the sector is still a substantial contributor to development resources through a net agricultural foreign exchange surplus that can be used to import capital and industrial inputs as well as consumer goods. Historically, Ecuador's agricultural exports tended to be monocultural and to follow boom and bust cycles. The export sector has become more diversified since the banana era of the 1950s with coffee, cacao, and shrimp being important exports, along with bananas. Recent attempts to promote non-traditional exports have met with only modest success. Economic development has followed an import substitution industrialization policy since the 1950s, a policy that resulted in rapid economic growth until the debt crisis of the early 1980s. This policy was supported by strong protectionist policies, including tariffs, export taxes, and overvalued exchange rates. These resulted in strong biases against the agricultural sector which the government attempted to mitigate with sector policies, including subsidized credit, cheaper inputs (with public sector enterprises), research and extension, and improved infrastructure (roads, irrigation, electrification). Agricultural product price controls and subsidized imports of wheat and dry milk, however, have been harmful to many agricultural producers. Growth in value added activities for agricultural exports has somewhat enhanced the importance of that sector's contributions to employment, income and export earnings. Modest policy reforms which reduced tariffs, eliminated most export taxes and rationalized exchange rates have produced beneficial results for both the domestic and export agricultural sectors.