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Foreign trade of small nations: The case of Ecuador, 1890-1950

El comercio exterior del Ecuador, 1890-1950

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ANALYTICAL SUMMARY

This paper explores Ecuador's foreign trade between 1890 and 1950. We aim at expanding the knowledge about the integration of a small country, such as Ecuador, in the international market.

We start by evaluating the reliability of the official export and import data. This exercise allows identifying the magnitude of the discrepancy in trade records between the local source and the official statistics of four of Ecuador's main trading partners (United States, France, Germany, and United Kingdom). After discarding the elements that could explain such discrepancies, we propose a downward adjustment of the export series.

With the new series, we analyze the export cycles: the cocoa cycle —which lasted until the first quarter of the 20th century—; the brief rice cycle; the rise of extractive activity for export purposes; and the first years of the banana cycle. We also assessed imports, which have been dominated by consumer goods. However, since the first third of the 20th century, the importation of textile garments declined while that of industrial machinery and equipment for electricity generation and transportation, among others, increased. In spite of this, the study suggests that the industrialization experienced by the Ecuadorian economy during those years was very limited.

The assessment of foreign trade flows from 1890 to 1950, measured with the Herfindahl Hirschmann (HH) index, shows an initial scenario of product concentration, which is explained by the dependence on cocoa exports. After cocoa's decline, there was moderate export basket diversification but also a concentration of markets, with the United States becoming Ecuador's main trading partner.

In sum, this empirical analysis shows that Ecuador had trade surpluses during most of the period of study. Such surpluses —and the absence of capital inflows through foreign investment or indebtedness— point to the limitations of the Ecuadorian economy to move forward. Likewise, the terms of trade had, during the First Globalization, a more volatile evolution than that observed in previous studies for other countries; and for the period between 1930 and 1950, a less violent fall than that already described for Latin America as a whole.

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