The International Journal of Engineering and Science (IJES)
|| Volume || 7 || Issue || 8 Ver. III|| Pages || PP 20-31 || 2018 ||
ISSN (e): 2319 – 1813 ISSN (p): 23-19 – 1805

Traditional And Non-Traditional Products Of Ecuador: Positioning And Efficiency In The International Market For The 2013 – 2017 Period

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----------*ABSTRACT*----------
This paper analyzes the behavior of Ecuador's main traditional and non-traditional export products in the international market during the 2013-2017 period. Specifically, the positioning of the products on a global level is observed by making a comparison of the traditional and non-traditional products; likewise, the efficiency of this products is analyzed. The results obtained show that non-traditional products have an advantage in positioning and efficiency compared to traditional products. Among the traditional products, the banana showed low levels of both positioning and efficiency, the cocoa maintained a situation similar to that of previous years, while the shrimp was consolidated as the best placed traditional product to achieve greater positioning in the international market, likewise an improvement in its efficiency. Unlike shrimp, industrialized coffee showed negative levels of positioning and efficiency, ranking below its main competitors.
On the other hand, non-traditional products, such as tropical fruits (passion fruitandpitahaya), pineapples, toquilla straw hats and raw tobacco, showed a behavior in which in most cases Ecuador was consolidated as the country with the highest positioning and efficiency in the international market, in relation to its main global competitors.
These results show the potential of non-traditional products in the international market, which is presented as an opportunity for the diversification of the exportable supply and the revitalization of several agricultural sectors that are currently little exploited.
KEY WORDS: *Traditional products, non-traditional products, competitiveness, positioning, efficiency, Ecuador.*

Date of Submission: 08-08-2018 Date of acceptance: 23-08-2018

I. INTRODUCTION

Agricultural products, historically, have been consolidated as the pillar of Ecuadorian non-oil exports. An example is the boom of cocoa during 1900 - 1920, where the external sales of this product came to represent 70% of total exports. Currently, according to data provided by the Central Bank of Ecuador, since 2000, non-oil exports, where their main component are agricultural products and their derivatives, have represented on average 50% of total exports.

Non-oil exports are divided into two groups, traditional and non-traditional products. The first one refers to those that the country have been historically producing and exporting, cocoa, banana, coffee, tuna and fish are in this category; while the second one refers to goods that have been incorporated in recent years into international markets, for example: flowers, tropical fruits, canned fish, wood, among others.

The export structure of traditional and non-traditional products, in terms of their participation, has varied since the beginning of the millennium. In this way, traditional products since 2001 have gradually gained participation, represent a 58% of non-oil exports by 2008, leaving the remaining 42% to traditional products. For subsequent years, non-traditional products lost participation, so that by 2017 they constituted 42% of the total non-oil exports.

By observing the growth of non-oil exports, it is evident that traditional products presented an anual average growth rate of 11.2% for the period 2001 - 2017, while non-traditional products grew with an average of 9.2% for the same period.

It is clear that traditional products maintain a greater participation in non-oil exports, as well as a higher annual growth rate, which is partly due to the level of development of these products in the country, that is, greater cultivation areas are destined to these products since they currently have a defined demand in the international market and have managed to position themselves in it

However, when analyzing the behavior of certain non-traditional products, for example: pitahaya, passion fruit, pineapple, broccoli, among others, in a short time (last 5 years), the export of these products has exceeded the percentage growth of several traditional products such as bananas, cocoa and industrialized coffee. In addition, these products are gaining space and recognition in the international market, consolidating themslevesas an opportunity for diversificatingthe exportable offer currently handled by Ecuador.

With the aforementioned data it could be indicated that non-traditional products would be gaining positioning and efficiency in the international market. Positioning is defined as the participation of a product in total world imports, the positioning is qualified as positive when the participation of said product increases in the total. Similarly, efficiency is defined as the relationship between the imports of a product originating in a country and the total purchases made globally of the same product, it is said that efficiency is high when the participation of imports originating in a country of a product is increased in the total of the product's imports worldwide (ECLAC, 1995). This implies that the suppliers of a certain country are taking better advantage of the possibilities that the market of destination offers, in a context of market expansion and substitution of suppliers.

Greater levels of efficiency and positioning are synonymous with competitiveness in the market, in this way Fajnzylber (1988), defines competitiveness as the ability of countries to expose themselves in the international market and thus raise or maintain the standard of living of their inhabitants.

The products can go through different situations in the world market, which will be called competitive situations (Schwarts et al, 2007), they are summarized below:

- **Optimal situation:** It occurs when the global imports of a product increase and these opportunities are exploited by the producing country**.**
- **Lost opportunities**: In this case, although there is a favorable positioning, which shows that the product is dynamic, a series of factors can appear by which the product has reduced its participation in the world market, showing a low efficiency.
- **Vulnerability:** In this case, the world imports of a specific product have not grown at the same rate as the total imports, however, a certain country has managed to increase or maintain its participation in the imports of this product, thus displacingitscompetitors.
- **Withdrawal:** In this case, the imports of a certain product grow at a lower level than the total of imports worldwide, at the same time the producer country's producers of said product are displaced by their competitors.

Previous studies have analyzed the positioning and efficiency of the main exported products, such as the one conducted by Camino-Mogro, et al (2016), where the indicator of insertion into the international market of Ecuadorian bananas, cocoa and flowers in the period 2010 and 2014, is analyzed.

In the present analysis, the main objective is to analyze and compare the behavior of traditional and non-traditional products of Ecuador and their insertion in the global market through the Fajnzylber indicator in the period 2013 - 2017. Additionally, an expansion is provided in the explanation of the results obtained from the indicators of efficiency and positioning through the optics of the main importing markets and the behavior of their main supplier markets.

This document is structured as follows: Section 2, portrays the methodology and data used. Section 3, shows the analysis of the results and Section 4 sumarizesthe conclusions.

II. METHODOLOGY

This research uses the information from the official source of international trade obtained through TRADEMAP, where the information on exports by product by Nandina sub-item is found in six digits and by country from 2013 to 2017, being the newest and most complete information available for all products and countries.

The calculation was made forthe 5 main exporting countries or suppliers worldwide of each product analyzed in the present study (considering the European Union as a commercial block) considering the FOB values exported globally. In the cases in which Ecuador was not found in this top, data was taken from the four main exporters and from Ecuador.

The present study considered the following products within the category of traditional products: bananas, cocoa, shrimp and industrialized coffee. On the other hand, the non-traditional products considered are: Other fruits (passion fruit, pitahaya,), pineapples, toquilla straw hats and tobacco leaf.

The following is a summary of the behavior of Ecuadorian exports of the aforementioned products:

Table No.1: Exports Of Traditional Products Analyzed

Products	FOB millions of dollars					Annual % variation			
	2013	2014	2015	2016	2017	2014	2015	2016	2017
Shrimp	1.784	2.513	2.280	2.580	3.038	↑41%	↓-9%	↑13%	↑18%

Banana	2.242	2.494	2.730	2.655	2.958	↑11%	↑9%	↓-3%	↑11%
Cocoabeans	423	576	693	621	588	↑36%	↑20%	↓-10%	↓-5%
Industrializedcoffee	191	154	128	131	103	↓-19%	↓-17%	↑2%	↓-22%
TOTAL	**4.639**	**5.738**	**5.831**	**5.988**	**6.686**	↑24%	↑2%	↑3%	↑12%

Source: ECB Elaboration: TheAuthors

Table No.2: Exports of non-traditional products analyzed

Products	**FOB millions of dollars**					**Annual % variation**			
	2013	**2014**	**2015**	**2016**	**2017**	**2014**	**2015**	**2016**	**2017**
Tobaccoonbranch	47	61	58	54	67	↑31%	↓-6%	↓-7%	↑25%
Pineapples	25	27	32	37	44	↑6%	↑19%	↑17%	↑18%
Straw hats toquilla	11	17	20	21	16	↑45%	↑19%	↑4%	↓-21%
Other fruits (passion fruit, pitahaya)	2	2	5	10	16	↑29%	↑119%	↑88%	↑54%
TOTAL	**86**	**108**	**115**	**122**	**143**	↑25%	↑7%	↑6%	↑17%

Source: ECB Elaboration: TheAuthors

Within the category of traditional products, for the year 2017, the analyzed products represented 94% of the total of this category, while in the category of non-traditional products the products analyzed in the present study represented 3% of the total of this category.

Model

In the present work, for the analysis of the positioning and efficiency of traditional versus non-traditional products, the Fajnzylber indicator (Fajnzylber, F, 1988) is used as a basis, which shows the competitiveness of a certain product measured through the variation of its presence in the world market.

This indicator has two components:

• **Positioning**: It is measured through the annual growth rate -TC- of the exports of a certain product to the international market.

• **Efficiency:** Measured through the annual growth rate of the participation of a given product within the total world exports of that product.

In thisway:

$$\boldsymbol{Positioning} = TCX_i^n = \left[\left(\frac{X_n}{X_i}\right)^{1/n-i}\right] - 1$$

Where:

TCX:Annual growth rate of the product under analysis

i:Initial year analyzed

n:Final year analyzed

$$\boldsymbol{Efficiency} = TCXpart.X_i^n = \left[\left(\frac{part.X_n^p}{part.X_i^p}\right)^{1/n-i}\right] - 1$$

Where:

TCXpart:Annual growth rate of the product's share in analysis within world exports.

i: Initial year analyzed

n:Final year analyzed

Interpretation

According to Schwarts, et al, 2007, there are four possibilities to identify the positioning and efficiency of a product in the international market:

- **Positive:** When both indicators show growth (upper right quadrant).
- **Missed opportunities:** When positioning is positive and efficiency is negative (upper left quadrant).
- **Vulnerability:** When positioning is negative and efficiency is positive (lower right quadrant).
- **Withdrawal:** When both indicators are negative (lower left quadrant).

III. RESULTS

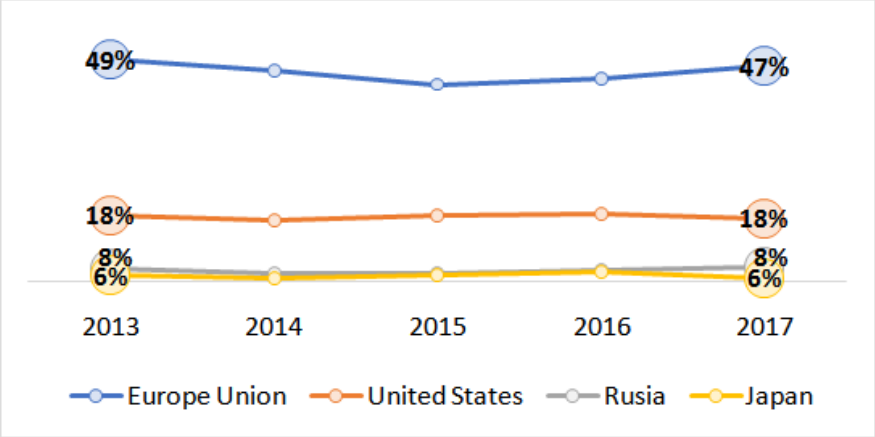
This section shows the main results obtained on the efficiency and positioning of the products analyzed as traditional and non-traditional compared to the international market, in addition a comparisson between these two groups which are those that have been improving in the mentioned terms, is made.

TraditionalProducts

- **Banana**[1]
  - **Mainimporters**

Chart No.1 shows the four main banana import markets in the world and the evolution of their participation with respect to total imports of this product. The European Union is constituted as the main importer market, which has shown a decrease in its participation corresponding to 2 percentage points in the period 2013 - 2017. The United States is the second main market, likewise, it presented a decrease in its participation which went from 18.1% in 2013 to 17.5% in 2017. For its part, Russia had a growth of about 7.9% in 2017. Japan ranks fourth, with a decrease in its participation during the same period of analysis.

Chart No.1
Evolution of participation % of the main banana importing countries

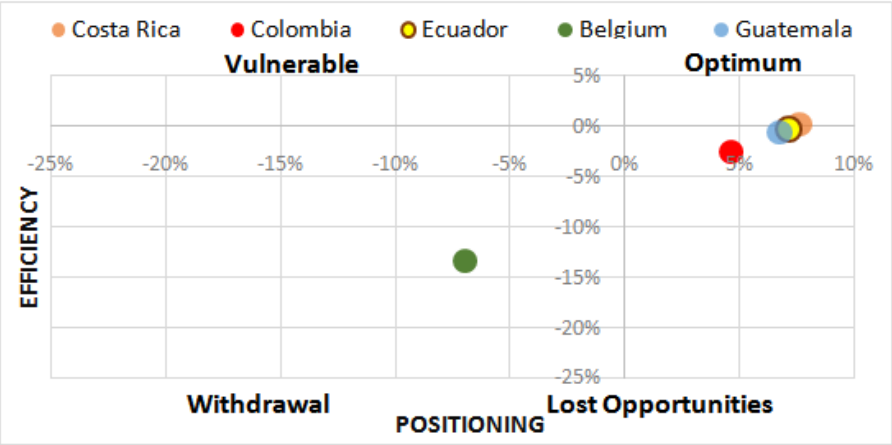


Source: Trademap / **Elaboration:** Theauthors

- **Fajnzylberindicator**

During the period 2013-2017, banana exports made by Ecuador were located at the limit of the optimal quadrant, because they presented a positioning of 7.10% and an efficiency of -0.34%, these results agree with those obtained by Camino-Mogro, et al (2016) during the 2010-2014 period, indicating that bananas have not improved their competitiveness in the world market. Only Costa Rica presented a better position with respect to Ecuador, showing greater positioning and efficiency, however, this is minimal. On the other hand, countries such as Guatemala, Colombia and Belgium showed a worse situation than Ecuador, being Belgium the only one located in the withdrawal quadrant.

Chart No.2
Banana Fajnzylber Indicator



Source: Trademap / **Elaboration:** The authors

[1]The subheading was used is 080390

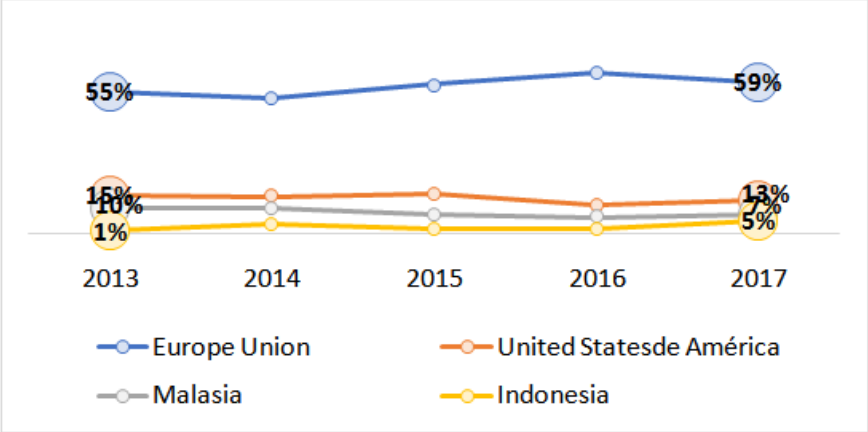
The position of Ecuador reflects the fall of its share in the market in the European Union with a loss of 3 percentage points, going from a percentage share of 20% in 2013 to 17% in 2017. Likewise, Ecuador lost 4 percentage points in its participation in the United States. However, the country is the dominant market in Russia, getting to 2017 with a market share of 96%, showing an increase of 1% since 2013.

Cocoabeans[2]

- **Mainimporters**

The European Union is the main importer of cocoa worldwide, with a 59% share in 2017, showing an increase of 4 percentage points since 2013. The United States is second, with a 13% share, presenting a decrease of its participation in 2 percentage points since 2013. For its part, Malaysia is the third most important market, this has shown a decrease in its participation of 3 percentage points, to 2017 to reach 7%. In contrast, Indonesia presented a significant increase in demand for cocoa starting with 1% in 2013 and reaching 2017 with 5%.

Chart No.3
Evolution of participation % of the main cocoa beans importing countries

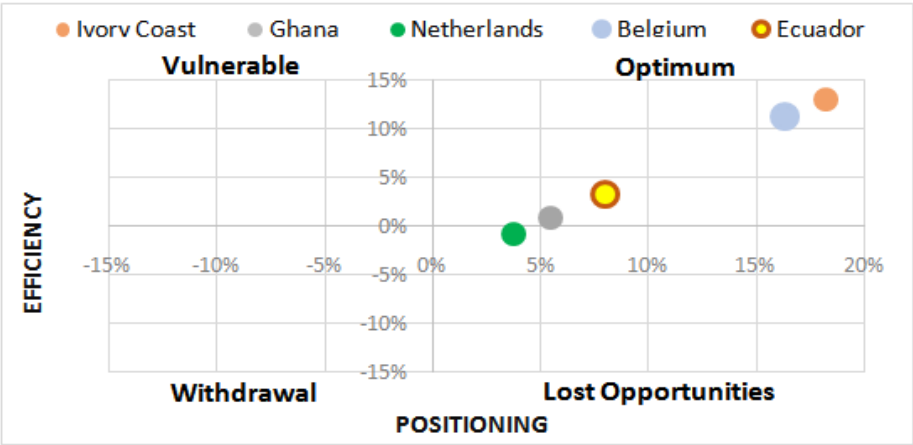


Source: Trademap **/ Elaboration:** Theauthors

- **Fajnzylberindicator**

During the period 2013-2017, Ecuadorian cocoa exports were located within the optimal quadrant, due to its positioning of 8.01% and its efficiency of 3.29%, finding itself in a better position than Ghana and the Netherlands. However, countries such as Belgium and the Ivory Coast showed a better position with respect to Ecuador, being the Ivory Coast the best positioned country internationally.

Chart No.4
Cacao beans Fajnzylber Indicator



Source: Trademap **/ Elaboration:** The authors

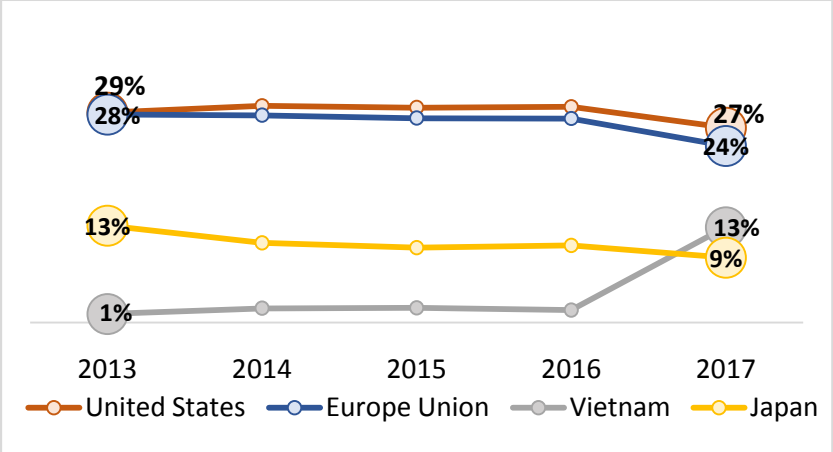
[2] The subheading was used is 180100

During the last 5 years Ecuador has lost participation in the United States market, having a decrease of 4 percentage points, currently occupying the third position as a supplier of this product. However, it has gained participation in markets such as the European Union where it is the sixth supplier with a 4% share in 2017. In the markets of Malaysia and Indonesia, Ecuador has presented a significant increase of 6 and 4 points percentage respectively, in itisshare. The above explains the positioning of the country in the international market.

Shirmp[3]

The United States was the main shrimp importing market worldwide, with a 27% share quote at 2017, showing a decrease in relation to 2013, where the share was 29%. The European Union is the second market, which has also shown a drop in its participation by reaching 24% in 2017. Vietnam, meanwhile, showed a growing trend of participation, since, it grew from 1% to 13% in the 2013 – 2017 period. Finally, Japan decreased its participation by 4 percentage points, reaching 2017 with 9%.

Chart No.5
Evolution of participation % of the main shrimp importing countries

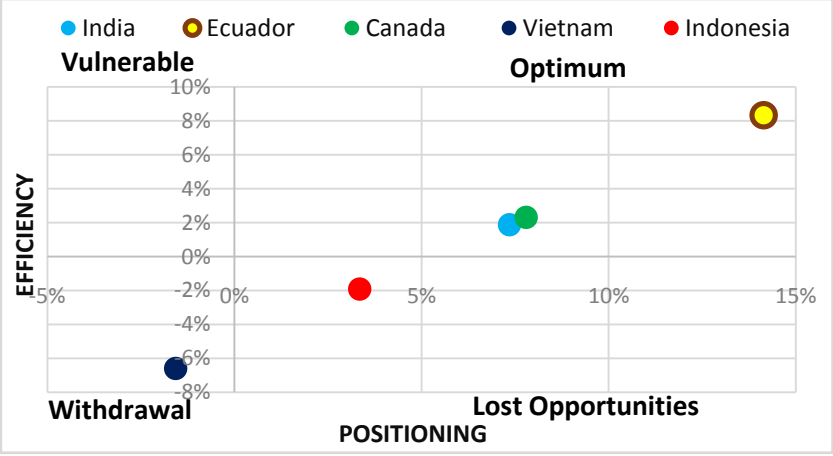


Source: Trademap **/ Elaboration:** Theauthors

○ **Indicador de Fajnzylber**

The Ecuadorian shrimp, during the 2013 - 2017 period was located within the optimal quadrant, presenting a positioning of 14.14% and an efficiency of 8.33%, placing it in first place in relation to its main international competitors. Canada and India are also within the optimal quadrant but below Ecuador. For its part, Indonesia is in the quadrant of missed opportunities, having a low level of efficiency. Finally, Vietnam is in the withdrawal quadrant which shows low levels of both positioning and efficiency.

Chart No.6
ShrimpFajnzylber Indicator



[3] The subheading was used is 0306

Source: Trademap **/ Elaboration:** The authors

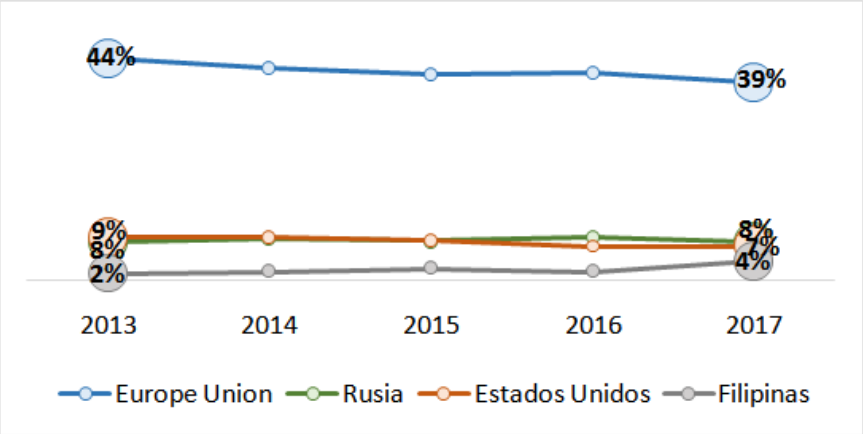
The location of Ecuador in the first place within the optimal quadrant is due to the important increase that occurred in exports to Vietnam, which, in turn, is due to the disease of "the white spot" which heavily impacted in the reduction of exports of the main competitors such as the United States, China, among others. Additionally, Ecuador is the third supplier to the United States with a share of 13% in 2017, the second to the European Union with a 9% share in the same period and the first to the Russian market with a 23% share in 2017.

IndustrializedCofee[4]

- **Mainimporters**

The European Union was the world's leading importer of industrialized coffee, with its share of 39% in 2017, a smaller percentage than the 44% reached in 2013. The second market was Russia with an 8% share that has remained stable over the last 5 years. The United States, on the other hand, participated with 7% in 2017, while the Philippines increased its participation, reaching 4% in 2017.

Chart No.7
Evolution of participation % of the main industrialized coffe importing countries



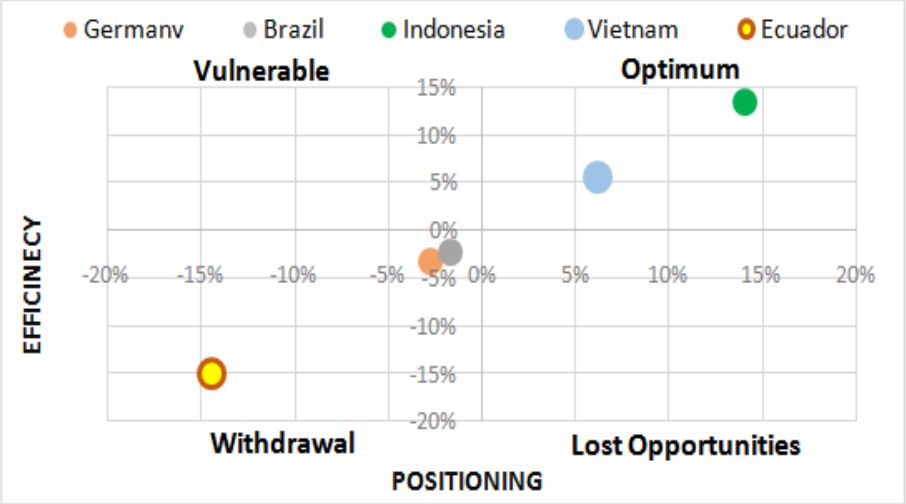
Source: Trademap **/ Elaboration:** Theauthors

- **Fajnzylberindicator**

The Ecuadorian exports of industrialized coffee were located within the withdrawal quadrant during the 2013-2017period, presenting a positioning of -14.44% and an efficiency of -14.91%, in this way Ecuador is in last place with respect to its main global competitors, in this same quadrant are also Brazil and Germany. On the other hand, countries such as Vietnam and Indonesia are within the optimal quadrant, being Indonesia the leader in this product.

Chart No.8
Industrialized Coffe Fajnzylber Indicator

[4] The subheading was used is 210111



Source: Trademap / **Elaboration:** The authors

The location of Ecuador in the withdrawal quadrant is due to a large extent by the loss of participation in the European market, which is the main importer of coffee and on average demanded 42% of imports from the world. By 2013, the market share of Ecuadorian coffee in the European Union was 6.9% and fell to 4.8% in 2017; that is, a loss of 2.1 percentage points. The same behavior was observed in the Russian market, the second importer of coffee in the world, presenting a drop in the share of Ecuadorian coffee, from 11.3% in 2013 to 8% in 2017; that is, a loss of 3.3 percentage points.

Non – traditional products

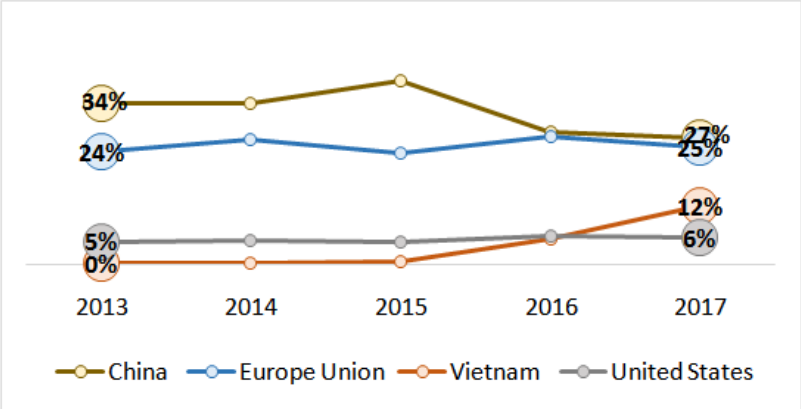
Other fruits (passion fruit, pitahaya)[5]

- **Mainimporters**

With a share of 27% in 2017, China was consolidated as the main importer in the world of other fruits, also showing a decrease compared to 2013 where its share was 34%. The second market was the European Union with a 25% share, slightly higher than that presented in 2013. Vietnam was located in third place, showing an important growth reaching 2017 with a 12% share. Finally, the United States showed a 6% share in 2017, maintaining its trend since 2013.

Chart No.9

Evolution of participation % of the main other fruits importing countries



Source: Trademap / **Elaboration:** Theauthors

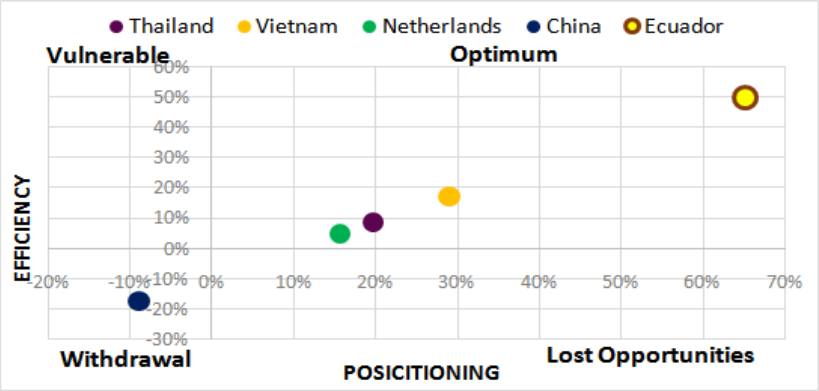
- **Fajnzylberindicator**

During the 2013-2017 period, Ecuadorian exports of other fruits, where their main representatives are passion fruit and pitahaya, presented a positioning of 65.15% and an efficiency of 49.68% making them to be located

[5] The subheading was used is 081090

within the optimal quadrant. Ecuador is in the first place with respect to the rest of the countries, showing a wide difference with respect to its competitors such as Vietnam, Thailand, Netherlands and China.

Chart No.10
Other fruits Fajnzylber Indicator



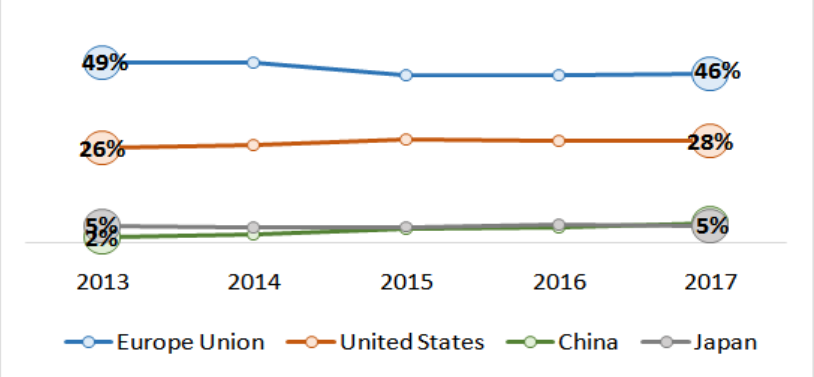
Source: Trademap / **Elaboration:** The authors
Ecuador presents positive results to be in the optimal quadrant, which is largely explained by a greater presence of fruit in the European market. Although Ecuador does not occupy a significant share in this market, it has increased from 2.3% in 2013 to 4.1% in 2017; that is, an increase of almost two percentage points. In the same way, Ecuador has increased its market share in the United States, the second importer of fruit (passion fruit, pitahaya) in the world. At 2017, the United States imported from Ecuador USD 2.8 million, showing a growth of 944% over 2013, in which USD 269 thousand was imported.

Pineapple[6]

- **Mainimporters**

By 2017 the European Union was the world's leading importer of pineapples with a 46% share, which is lower than the one shown in 2013. On the other hand, the United States, which is in second place, showed an increase in its participation after going from 26% in 2013 to 28% in 2017. Likewise, China showed an increase in its participation reaching 5% in 2017, which implied an increase of 3 percentage points in relation to 2013. Japan, the fourth importer of this product, presented a stable behavior in relation to their participation, remaining at 4% during the last 5 years.

Chart No.11
Evolution of participation % of the main pineapples importing countries



Source: Trademap / **Elaboration:** Theauthors

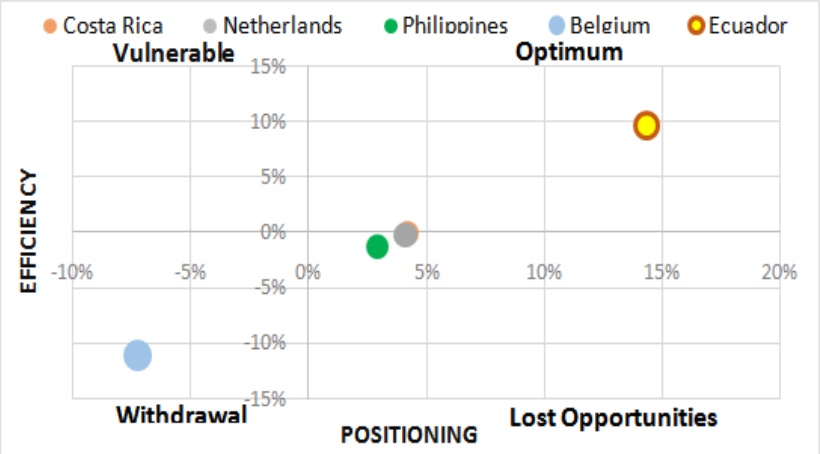
- **Fajnzylberindicator**

During the 2013-2017 period, the Ecuadorian pineapple, a tropical fruit, was located in the optimal quadrant with a positioning of 14.33% and an efficiency of 9.54%, placing it only behind the Philippines. Its main competitors, such as the Netherlands and Costa Rica, are located within the optimal quadrant, however they are

[6] The subheading was used is 080430

well below Ecuador, while Belgium was in the withdrawal quadrant, showing low levels of both positioning and efficiency.

Chart No.12
Pineapple Fajnzylber Indicator



Source: Trademap **/ Elaboration:** The authors

The main demanding market for pineapples in the world is the European Union, which increased its imports by 4% in 5 years within the 2013-2017 period, reaching 1,238 million in 2017. Costa Rica is the main supplier of pineapples to the Union European Union with an average participation of 64% in the analyzed period, exporting USD 814 towards that market by 2017. Although Ecuador has a low presence in the market of pineapples in the European Union, it has shown an increase in its market share, going from a share of 1.2% in 2013 to 3.4% in 2017; that is, an increase of 2.2 percentage points. In numbers this meant that the European Union imported USD 14.4 million worth of pineapples from Ecuador in 2013 and reached USD 40.1 million, presenting an increase of 178% in 5 years.

With respect to the second importer of pineapples in the world, the United States, increased its import of pineapples from USD 631 million in 2013 to USD 749 million in 2017; that is, an increase of 19% in 5 years. Costa Rica is the main supplier of this fruit, dominating the market with an average participation of 85.7%. Ecuador has a low presence in the US market with an average share below 0.5%.

As in the case of the United States, in the subsequent main pineapple importers in the world, China and Japan, Ecuador does not show a significant market share, with no exports in the first case and in the second case with only USD 8 million worth of exports in 2017.

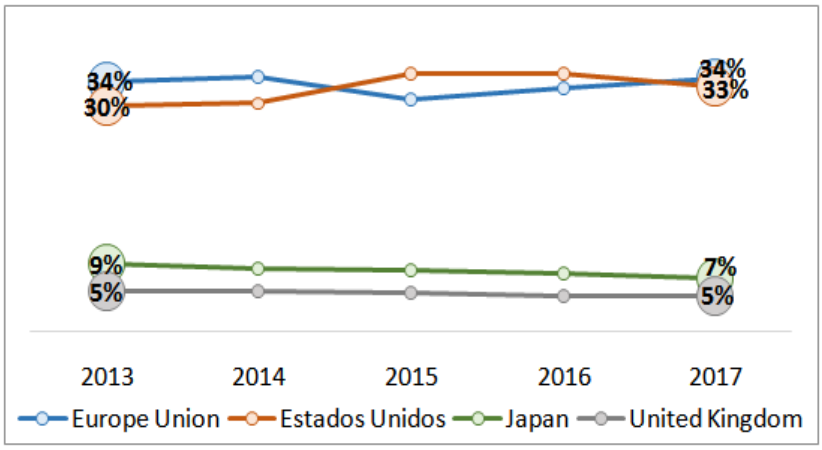
Straw hats toquilla[7]

- **Mainimporters**

The European Union was the main importer of toquilla straw hats in the world with a market share of 34%, which has been maintained since 2013. The second importer was the United States with 33%, 3 percentage points more than in 2013. On the other hand, Japan was in third place, showing a decrease in its participation, going from 9% in 2013 to 7% in 2017. Similarly, the United Kingdom, showed a decrease in its participation being 4.8%.in 2017

Chart No.13
Evolution of participation % of the main Straw hats toquilla importing countries

[7] The subheadings was used are 650200, 650300, 650400

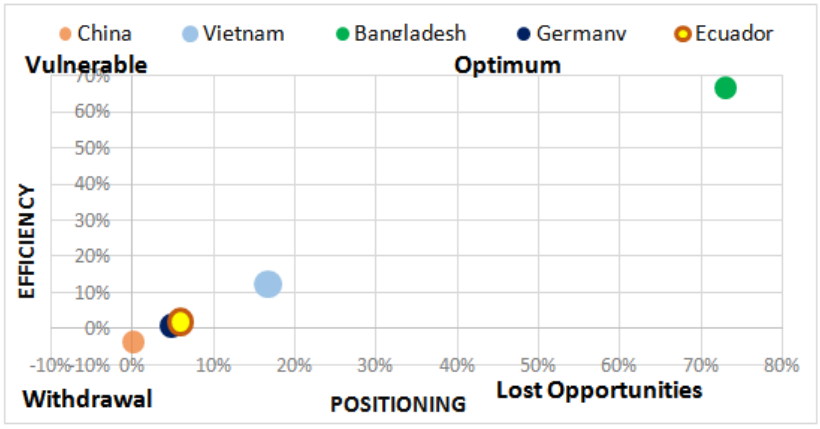


Source: Trademap **/ Elaboration:** Theauthors

- **Fajnzylberindicator**

Straw hats, during the 2013-2017 period, were located in the optimal quadrant with a positioning of 5.88% and an efficiency of 1.89%. Among its main competitors, Bangladesh positioned itself as a leader, well above Vietnam. On the other hand, Germany is below Ecuador while being also in the optimal quadrant, while Vietnam is in the quadrant of missed opportunities.

Chart No.14
Straw hats Fajnzylber Indicator



Source: Trademap **/ Elaboration:** The authors

It is important to mention that Ecuador is on the threshold between the optimal quadrant and missed opportunities, especially being vulnerable in efficiency. Ecuador has shown positive results in the European Union, the main importer of toquilla straw hats. By 2013, the European Union imported USD 5.7 million in toquilla straw hats from Ecuador reaching USD 8.6 million in 2017, showing a growth of 51% in 5 years.

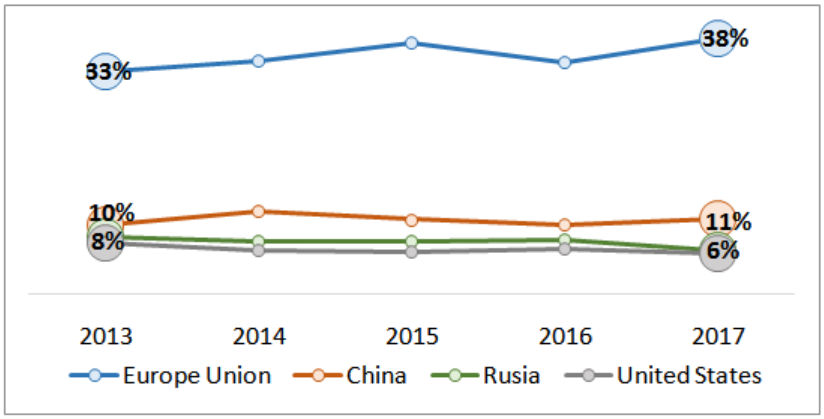
Tobaccoonbranch[8]

- **Mainimporters**

[8]The subheadings was used are 240110, 240120

By 2017, with a 38% share, the European Union was the world's largest importer of raw tobacco, followed by China with an 11% share, slightly higher than that presented in 2013 (10%). Russia presented a 6% stake in 2017, 2 percentage points lower than the one presented in 2013. The United States is in fourth place, however, it maintains the same 6% share as Russia.

Chart No.15
Evolution of participation % of the main tobacco on branch importing countries

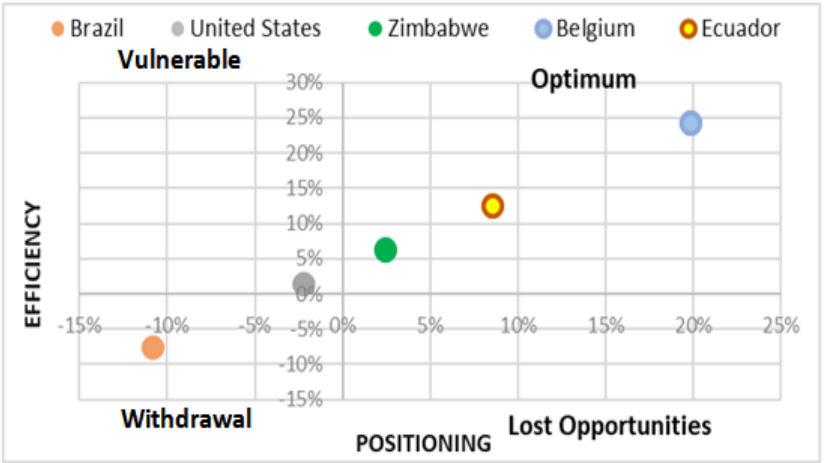


Source: Trademap **/ Elaboration:** Theauthors

○ **Fajnzylberindicator**

During the 2013-2017 period, raw tobacco was placed in the optimal quadrant with a positioning of 8.57% and an efficiency of 12.52%, only Belgium is above Ecuador. Zimbabwe is below, while still in the optimal quadrant. On the other hand, the United States is in the vulnerable quadrant and Brazil in the withdrawal quadrant.

Chart No.16
Tobacco on branch Fajnzylber Indicator



Source: Trademap **/ Elaboration:** The authors

Although Ecuador has almost no presence in the main import markets of raw tobacco, such as the European Union, China, Russia and the United States, its main destination corresponds to the Dominican Republic, which increased its imports from Ecuador of this product from USD 14.9 million in 2013 to USD 26 million, that is, almost twice as much as the amount imported in 5 years. The same behavior occurs in its second demanding market for raw tobacco, Nicaragua, which imported raw tobacco from Ecuador, from USD 10.7 million in 2013 to USD 18.8 million in 2017; that is, an increase of 76% in 5 years.

IV. CONCLUSIONS

Non-traditional products in Ecuador have gained relevance during the last decade. Thus, for the 2013-2017 period, some of the most representative non-traditional products such as other fruits (passion fruit, pitahaya), pineapples, toquilla straw hats, tobacco leaves, among others, showed higher levels of both positioning as efficiency in the international market, presenting themselves as leaders worldwide, being the case of other fruits and pineapples. The behavior described above contrasts with that presented by the main traditional products such as bananas, cacao, shrimp and coffee, which, with the exception of shrimp, have lost their share in the international market and their efficiency has been reduced.

The results obtained show the relevance that non-traditional products have obtained and the need to promote both the production and export of them. Ecuador, being a country with a privileged geographical position, has a wide range of possibilities in terms of crops that other countries do not have, which is why more attention and support should be given to those that show a better outlook in the international market.

Being Ecuador an agricultural country, it is also important to develop strategies to diversify the exportable supply and that the largest non-oil export volume does not focus on 3 or 4 products, and it is important to find new markets that demand this type of non-traditional products.

This can be achieved through public policies that encourage both the efficient production of non-traditional products, as well as policies that promote the export sector of these products, in terms of promotion and access to markets. It is also important to develop strategies that allow traditional products to recover lost ground in the international market.

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