



Ministerie van Buitenlandse Zaken

# Doing Business in Ecuador

**Ecuador is one of the smaller countries of South America, rich in culture, history and biodiversity. Despite disappointing economic growth figures in the last few years, continuous economic growth, all be it slow, is forecasted for 2018. Ecuador is making an effort to become more integrated with international markets through increased South-South integration of Latin American countries, but also with other countries in the world, including the EU. However, it still possess tendencies for less liberal politics.**

Ecuador is split in half by the Andes mountain range. Rainforest covers a large part of the east with a tropical and monsoonal climate, while the southern Pacific coast has a more arid climate, and the northern coast a temperate, oceanic climate. Both coastal areas are amongst the most affected regions by the El Niño weather phenomenon. The capital city of Quito and the adjacent port of Guayaquil, are connected to Amsterdam through a direct KLM flight. Quito is located in the higher mountain areas, which have a tropical savanna or temperate Mediterranean climate. Because of these diverse geographic areas, Ecuador contains a wealth of natural beauty and diversity, being one of the 17 mega-biodiverse countries in the world. Population-wise, a majority of Ecuadorians are *Mestizos* (71%), mixtures of colonial descendants and local populations, with minority populations of indigenous and African and European descendants. Spanish is the official language,

although a minority still speaks Quechua, the most predominant of traditional indigenous languages.

Ecuador has a nominal GDP of USD 109 billion (2016), and a population of 16.6 million (2017), resulting in a nominal GDP per capita of around USD 11,788 (PPP). In 2000, 28% of the population lived on less than USD 1.90 per day (2011 PPP-adjusted), but that number has dropped to just 4.8% in 2015. This can be attributed to Ecuador's poverty reduction policies. From an international perspective, Ecuador is part of the *Comunidad Andina*, a customs union which also includes Peru, Bolivia and Colombia.

The Ecuadorian economy is service-based, which accounts for almost 60% of its GDP. Industry clocks in at 34%, of which the extracting sector supplies the lion's share. Agriculture makes up for the missing 7%. In 2017, Ecuador's exports amounted to USD

16.8 billion, and imports to USD 16 billion, resulting in a positive trade balance of approximately USD 800 million. The most important exports are crude petroleum, shrimps and bananas. The most important import commodity is refined petroleum. The largest export products to the Netherlands are cacao (in various forms), skipjack & bonito tuna, bananas, and roses. Imports from the Netherlands mostly consist of coal tar oil, medicines, electronic equipment, machinery and bulbs/seeds for various agricultural products.

## Agro-food

As in most Latin-American countries, the agriculture and food industry plays a significant role in the Ecuadorian economy. Even though it accounts for only 7% of the GDP, this sector is highly important for Ecuadorian livelihood strategies and food security, employing over a quarter of the total population. One of the main reasons for this sector's low contribution to GDP is that it has long been treated as subordinate to oil exploitation in terms of investment preference and public funding. Recently however, agriculture has received more political attention, though growth rates remain moderate. Considering Ecuador-Dutch trade, the agro/food business is one of the most important sectors. Around 95% of the Ecuadorian exports towards the Netherlands consist of agricultural and food products, amounting to approximately USD 450 million per year.

Thanks to Ecuador's mild climates and diverse geography, the agro-food sector still shows high growth potential. Business opportunities can be found in increased production, industrialization, quality improvement and control, certification, organic and biological conversion, enrichment of seeds, disease and pest control and bringing new land under cultivation, especially in the flower, banana, fruit and seafood sectors. Special interest can be paid to the Ecuadorian seafood production sector, as crustacean production continues to grow, the exports of which overtook bananas as the second most important export in 2017.

Food export is not the only sector with opportunities for Dutch Businesses. Even though large plots of land are owned by export-orientated companies, the majority is still under cultivation by smallholders, producing small yields of mostly food crops for own consumption or local markets. Ecuador still imports most of its food, so providing technologies and knowledge for increasing

production efficiency for domestic consumption also provides potential for business. The active government policy on reforestation, agroforestry for example, provides an interesting sustainable investment opportunity.

Most important agro/food products produced in Ecuador: Flowers, cattle, banana, (exotic) fruits, shrimp, tuna, coffee and cocoa.



## Water

Across Ecuador, its farmers as well as city dwellers are facing challenges in both spatial and temporal water scarcity, exacerbated by severe water pollution, limited distribution networks and overall poor management. The combination of Ecuador's topography, dependency on glacial and surface waters resources, and the economic importance of the coastal area, makes the country highly vulnerable for climate change effects in terms of both sea level rise and more extreme weather events. This vulnerability is increased by local human influences like the destruction of mangroves, important for flood protection, as well as deforestation. These threats come hand in hand with opportunities for the Dutch water sector in climate change adaptation, especially considering integrated water resource management related research, modeling, and engineering.

Part of the water scarcity issue could be addressed by increasing the sustainable exploitation of groundwater resources. At this moment, however, there is virtually no information available about accessible quantities, status of aquifers, nor overall water balances, which are of vital importance for the sustainable extraction of this resource. Dutch opportunities considering groundwater resources can therefore be found in analyses, modeling as well as the setting up of water management plans, and later on groundwater extraction methods.

Unfortunately, the Ecuadorian government does not dedicate sufficient amounts of financial resources to large-scale public projects in the water sector. This means that a substantial part of the funding will have to come from either business-model strategies or (development aid) funds. Only sanitation and drinking water programs, including water treatment, distribution and monitoring, benefit from some government funding.

With eyes on the future, some more opportunities might open up relating to the large Ecuadorian mining industry. This sector has recently been severely publicly criticized for its water-polluting practices, both by Ecuadorian as well as international actors. Because this pollution is not only affecting Ecuador itself, but also its neighbors, it is expected that in future years, the Ecuadorian government will need to address this, which will increase the demand for sophisticated water purification technologies.

## Energy

Ecuador is standing at a crossroads with regards to its energy sector, as economic growth and the corresponding rise in energy consumption have required investments in this sector. Total primary energy consumption is still dominated by oil, which accounts for 76%, followed by hydroelectricity, which accounts for 19%, and natural gas for 4%. The remaining ~1% is attributed to non-hydro renewables. Ecuador has the third largest proven oil reserves on the South American continent. While oil will continue to play an important role in Ecuador's energy mix, the government is looking towards hydroelectric projects to power its future. The relative political stability since 2007 has allowed Ecuador to invest in these kinds of long-term goals, resulting in possible opportunities for Dutch companies in existing hydro, or new solar and wind projects and energy infrastructure.

Electricity generation is already predominantly hydro-based (58%, 2016), but following the commitment to the 2016 national energy plan, the national ambition is that electricity generation will consist of 90% renewables by the end of 2018, with the largest portion being hydro. At 5,100 MW of installed capacity (2016), hydro still has growth potential - with total potential estimated at more than 21,000 MW. In 2016 the Coca Codo Sinclair hydroelectric power plant came online, with a capacity of 1.5 GW, and five more such projects will be completed in the coming years. There are ample opportunities for companies active in the hydro sector. Other forms of renewables are, as of yet underutilized. That isn't to say that wind or solar won't become more important in the

future, as economically viable hydro projects are finite. Ecuador also has a high potential for solar and wind energy, containing areas with a potential solar generation between 4.5 and 5.7 kwh/m2 year round, while wind electricity has an estimated capacity of 500 MW in high potential areas where wind speeds reach on average more than 8 m/s.

## Logistics

Since 2010, USD 8.2 billion has been invested in various logistics projects across Ecuador. A prime example are The State Road Network projects, covering more than 9,700 km, which have proven to be difficult to construct and maintain due to Ecuador's mountainous terrain. In a country where mobility has been a historic issue, investments in infrastructure will act as economic arteries, connecting more isolated areas to developed ones and providing opportunities both for local and international companies looking to invest. The process has however been marred by corruption scandals, and foreign companies should keep this in mind.

In 2013 the new Mariscal Sucre Airport opened. A USD 700 million project, the airport is emblematic of the logistics sector in Ecuador, with the old making way for the new.



Another key pillar in the logistics and transportation machine would be the port sector. Ecuador already relies heavily on shipping, and this is only going to increase in importance. Its ports are up for modernization, the most prolific of which being the Posorja port, 85 km from the country's second city, Guayaquil. This port will expand cargo capacity to and from Guayaquil by almost 50%, or 750,000 TEU (Twenty-Foot Equivalent Units). This expansion is planned at a budget of over USD 1 billion. Nearby Puerto Bolivar is also expanding, mostly with sophisticated & sustainable technology. This port focuses mainly on the mining industry, and fruits. Both ports' expansion could offer opportunities for Dutch technology export.

There are also opportunities for Dutch companies in the logistics part of the extractive sector. Transport of materials and other supporting infrastructure and technology are in high demand. The extractive sector, including oil, LNG, and mining will continue to have a strong presence in the Ecuadorian economy, and could benefit from Dutch technology and innovation.

## Do's and don'ts in Ecuador

### Habits

- Take your time to build personal relationships in business.
- Take your time for, and realize the importance of business lunches.
- Research hierarchical structures between business relations. Especially for the older generation, doing business with someone of a lower level is uncommon.

### Social interaction

- Be careful with 'Dutch directness', as Ecuadorians value diplomatic and polite behavior over directness. Because of this, Ecuadorians might respond with a yes while they actually mean no.
- Speaking Spanish is a necessity.
- Be patient. Ecuadorians can be less punctual than we are accustomed to, both in personal meetings and in business deadlines.
- Be aware that business and personal communication is more often than not conducted in person, by telephone or even WhatsApp, as opposed to e-mail.
- Be aware that online presence is not (yet) expected from businesses, and as a result many otherwise respectable companies do not have their own website. Many venture online initially through Facebook or other social media channels.

### Business

- Be flexible with deadlines, and do not be surprised if they are not met. Seek legal advice with respect to contracts.
- Depending on the scale of the business and type of sector, many transactions are still cash-based.
- Opening bank accounts, acquiring national credit cards and dealing with SRI-related matters – *Servicio de Rentas Internas* – can be tedious, non-transparent and frustrating. Hire local experts. Start the process early to avoid delays.

- Ecuadorians make extensive use of business cards. Have them with you to make easier connections with business partners. Use bilingual business cards.

## How can we support your business?

### Services

Ecuador falls under the responsibility of the Dutch Embassy in Peru, with honorary consulates in Quito and Guayaquil. The Consulates of the Kingdom of the Netherlands in Ecuador is always willing to assist Dutch companies and organizations that are considering to open business in Ecuador.

The following services and information can be offered:

- Available business support instruments
- Developments in Ecuador
- Market opportunities in Ecuador
- Policies, rules and regulations in Ecuador
- Practicalities in Ecuador
- Relevant locally active entities
- Matchmaking between Dutch and Ecuadorian parties
- Organizing or supporting trade missions to Ecuador

In order to receive any more information, help or contact about business in Ecuador, do not hesitate to contact:

[agregadocomercialguayaquil@nlconsulate.com](mailto:agregadocomercialguayaquil@nlconsulate.com)

### Business support instruments

- [DTIE](#)
- [PvW - WWSD](#)
- [SIB](#)
- [DHI](#)

### Relevant links and contacts

<https://www.nederlandwereldwijd.nl/landen/ecuador>

<https://www.paisesbajosmundial.nl/paises/ecuador/>

<https://www.rvo.nl/subsidies-regelingen>

<https://www.proecuador.gob.ec/>

<https://www.ccq.ec/>

Official name	Republic of Ecuador
Government type	Unitary presidential constitutional republic
Population	16.4 million (2016)
Area	283 561 km <sup>2</sup>
Time difference	-6 hours (UTC-5)
Currency	US Dollar (USD)
GDP growth rate	-1.5% (2016) ; 3.34 (last decade)
GDP per capita	USD 6018 (2016)
Trade volume	USD 32,8 billion. Total Exports USD 16.8 bn. Total Imports USD 16 bn. (2016)
Inflation	1,72% per year (2016)
Global Competitiveness Index	97 <sup>th</sup> (2018)
Ease of Doing Business	118 <sup>th</sup> (2017)
Global Corruption Index	117 <sup>th</sup> (2017)
Main trading partners	Import: USA, China, Colombia. Export: USA, Chili, Vietnam. (2016)
Major exports	Crude oil (30%), bananas (16%), crustaceans (15%), processed fish (5.3%), flowers (4.8%).
Major imports	Refined petroleum (8.4%), coal tar oil (6.1%), medicines (4.5%), cars (3.0%), soy flour (2.3%).
Netherlands FDI in Ecuador	EUR 77 million (2016)
Dutch-Ecuador trade	USD 662 million total trade, Exports to NL USD 359 million, Imports from NL USD 303 million (2016)

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Embassy of the Kingdom of the Netherlands in Peru

<https://www.nederlandwereldwijd.nl/landen/peru>

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