

# [Ecuador essay example](https://assignbuster.com/ecuador-essay-example/)

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## Introduction

Ecuador is a democratic nation found in South America. It has neighbors such as Colombia to the north, Peru to the east and south and the Pacific Ocean to the west. The economy of this country is reliant mainly on the exports of bananas, oil, gold and shrimps. The main economic activities of the people of this nation are farming and mining. It is the largest exporter bananas in the world. Most of the shrimps are also exported to major world markets especially in Europe. The country practices presidential system of democracy where the president is the head of state and government.

## Discussion

The main language in the country is Spanish and is spoken by more than 94 % of the population. Other languages that are spoken in the country albeit on a lower scale include Quichua and Shuar amongst others (Whitten, 2011, 15). The total population of this country is approximately 15. 5 million people as at 2012. The average fertility rate in the country is estimated at 2. 44 births per woman and a life expectancy rate of around 75 years of age.   
The country has enjoyed a stable growth in population that implies most of the government plans are not hampered by major shifts in population growth.   
The gross national income per capital is low since it averages around $15 per day per household. This means that most of the households are living in poverty (The World Bank, 2013, 1). This can mainly be attributed to the low percentage of income by lowest groups in this society. It means most of the national income is in the hands of the upper class. This can hamper the implementation of poverty eradication programs since the lowest earning groups have poor access to income generating activities in the country’s economy.   
The life expectancy is on average of 75 years. This implies that most national have an advantage of having a longer working life. This means that investors in the country are highly likely to access human resources locally (Craig, 2009, 76).   
The growth in GDP has not been consistent. This is evident since the country has never managed to reach the high growth rate of 8. 2 % experienced in 2004. This may be attributed to high levels of inflation that the country has experienced. High rates of inflation reduce the ability of the economy to generate employment opportunities due to high cost of credit. Inflation also leads to high price levels in the economy that reduces the level of consumption by households. The high inflation rates experienced in 2008 of 13. 8 accounts for the minimal growth in GDP witnessed in 2009 (Gill, 2012, 1).   
The country has also experienced a reduction in external debt. This may be attributed to the consistency demonstrated in value addition of most of the agricultural products. Such value addition improves the quality of exports and increases the gains from trade (Fischer, 2007, 24). It is also worth noting that the country’s exports have also been increasing albeit slowly.

## Conclusion

Ecuador is an agriculture based economy and its stable political and social systems have can account for the stability demonstrated towards value addition in agriculture. However, the government needs to adopt stable monetary and fiscal policy initiatives so that they can control the rate of inflation. This is because the high and unstable rates of inflation may account to declining levels of foreign direct investment. This is because high rates of inflation have a direct impact on price levels that are vital in determining the level of consumption in the economy.

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