



Tungurahua: an alternative approach towards economic modernisation ¹

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Executive Summary

The focal point of the present research project is to outline the reasons and conditions that foster “successful” development dynamics in the province of Tungurahua, Ecuador, which is to say, those dynamics characterised by localised virtuous cycles of economic growth, social inclusion and possible environmental sustainability. This document briefly sums up the main results of the *first stage* of the investigation (November 2008 to March 2009), with the objective of typifying the province of Tungurahua, expanding on the possible hypotheses that respond to the questions proposed by the research, and identifying some options for case studies for the second stage of the investigation.

Following an analysis of the characteristics of the spatial structures in which the province of Tungurahua is inserted, together with its agricultural background, the main hypothesis can be summarised as follows: from very early periods onwards, right up to at least the 1980s, the key aspect of Tungurahua’s market network is that it favoured the direct commercialisation of producers who gradually transformed into merchants, first as a complimentary activity to their agricultural work, and then as their main activity, although never abandoning their status as farmers. As trading became more important and emphasis was placed on specialisation, the same specialised merchants -even if they were no longer farmers- maintained strong

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family networks directly with the region's agricultural producers. This is a key aspect of the hypothesis to explain the success of the market network as a contributing factor to local territorial production: the generally small-scale traders were (and have been historically) closely linked with local production activities. In the most successful cases, the same producers also act as traders have access to the markets and sometimes forge linkages with more distant markets. This particular aspect provides Tungurahua's commercial network not only with its dynamism, but also its virtuous relationship with local production.

As a result of their commercial activities, or rather, the participation of small-scale traders and herders in inter-regional trade, these groups were able to build up capital assets, buy land in the areas where they lived, undermine the traditional land-ownership system, participate in investments in irrigation works and gradually change a latifundio land tenure structure that was still dominant at the end of the 19th Century. Trade (and in general the expansion of the labour market on the coast) offered these small land owners and farmers an independence that traditional agriculture did not. One possible reason why bigger merchants were not able to monopolise the market network and turn it to their advantage may be because the process was too slow to be noticed and never represented a sizeable business opportunity that would attract major investments. When it did begin to represent such an opportunity, towards the end of the 19th Century, commercial interests had shifted to the construction of the railway and Ambato (the capital city of the province of Tungurahua) once more became relatively bypassed, as opposed to the city of Riobamba, which witnessed a significant influx of foreign capital.

If we incorporate the 1930-2008 period within the sequence of the hypothesis, the notable rise of Ambato as a trading centre takes place during the sub-period 1930-1980, alongside a diversification in rural production in the surrounding territory that occurred both in commercial agriculture as well as in the production of a wide range of handcrafts. Most of this production was destined for Ecuador's internal market. Those areas able to diversify were the ones that could "reproduce" the virtuous dynamic, something that occurred more frequently in fruit-growing areas, which were more likely to generate higher profits that could then be reinvested in handcrafts.

Around the 1980s, Ambato witnessed a decline or stagnation as a trading centre. It is possible that this situation did not have a great impact on rural areas and certainly did not affect the city of Baños. This period of relative stagnation may have weakened the role of trade as a focal point of accumulation, while also explaining the virtuous dynamics of Tungurahua, having moved it towards the diversification of goods and services. In any case, it is likely that the stagnation was related to more general changes in the

accumulation model, moving from emphasis on the internal market to emphasis on exports. The change in model coincided with an internal depression linked to the economic crisis that began in 1982 and continued, with ups and downs, until 2009. This second period (1980-2009) is the one which is detailed in the parish maps (*mapas de parroquias*) prepared for this project, which indicates a relative level of stagnation in most of the parishes. To this should be added the growing competition of mass consumer goods imported from China and other countries, along with Chilean fruit imports that started arriving in the late 1990s.

Although from a historical perspective it is likely that the characteristics of the Tungurahua market and its network of markets represent the most significant individual factors to explain the growth of rural production and those relatively egalitarian characteristics prevalent in the region, not all of the province of Tungurahua and not all social sectors that live within that region have enjoyed the same "success". In very general terms, it can be observed that the sub-regions located in the middle and lower area of Tungurahua (the valleys in the central and eastern sectors), are the areas that have most benefited from the province's dynamic "success". However, this is not the case of the western highlands and other pockets of economic stagnation in the highland areas, especially those with a predominantly indigenous population. The successful areas tend to be those which have witnessed the spread of small- and medium-sized peasant-owned properties and mixed-race small farmers, who have specialised in fruit cultivation; these areas also benefited at an early stage from the installation of irrigation systems, and were subsequently favoured by State investments in irrigation that began in the 1970s. These same sectors diversified production throughout the 20th Century, with a rise in the manufacturing of handcrafts, production of which in some cases dated back to the previous century. Consequently, we have now established a profile of potential areas that could be further studied during the second stage of the research (April-October 2009).