



FDI flows to Colombia from the Pacific Alliance

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Abstract

In this paper, the flows of Foreign Direct Investment (FDI) were analyzed from the countries of the Pacific Alliance to Colombia. Evolution was interpreted since the creation of the Alliance and the sectors that showed the greatest potential to receive these FDI flows in the international board were identified. Through models that encourage the attraction of these flows following the opening and liberalization of markets towards the internationalization of the domestic economy. In Colombia was evidenced a growing acceptance and demand for FDI flows long-term capital and technology transfer, go hand in hand of a regional integration through sharing policies of FDI with member countries and market diversification to attract FDI and compete with nonmembers. Statistical information from the Bank of the Republic, state institutions and publications from international sources was used. A strong trend towards the internationalization of enterprises and opening operations to member countries of the Alliance, based on the search for factors of competitiveness and deregulation rules for the free flow of capital, goods and people was found.

Keywords: Foreign Direct Investment (FDI), Pacific Alliance, Colombia, Regional Integration and sectors.

Table of Contents

Illustrations list	VI
Tables list	VII
Abbreviations list	VIII
Introduction	1
1. Project Formulation	3
1.1 Background.....	3
1.1.1 State of the art	3
1.2 Problem Statement	19
1.3 Justification	22
1.4 Objectives	23
1.4.1 <i>General Objective</i>	23
1.4.2 <i>Specific Objectives</i>	23
1.5 Methodological framework	24
1.5.1 <i>Method</i>	24
1.5.2 <i>Methodology</i>	24
1.6 Scope.....	25
2. Project Implementation	26
2.1 Theoretical Framework	26
2.2 The Pacific Alliance: The most recent model of integration in Latin America ...	31
2.3 Evolution of Foreign Direct Investment flows toward Colombia (1990-2015) ...	38
2.4 Main sectors of FDI in each of the member countries of the Pacific Alliance ...	50
2.5 Potential sectors for FDI in Colombia from member countries of the Pacific Alliance	57
3. Findings / Conclusions	65
Bibliography	68

Illustrations list

	<u>Pág.</u>
Graph 1. Evolution of FDI by type of economies (1995-2014).....	19
Graph 2. FDI as a percentage of GDP by regions.....	20
Graph 3. Pacific Alliance timeline.....	32
Graph 4. FDI in Colombia in 2000-2010 period.....	42
Graph 5. Origin of FDI in Colombia in the first half of 2014.....	45
Graph 6. The top 20 economies recipients of FDI during 2012 and 2013.....	47
Graph 7. The top 20 economies recipients of FDI during 2013 and 2014.....	47
Graph 8. FDI in Colombia 2008-2015 period.....	48
Graph 9. FDI flows in Colombia by sector in 2015.....	49
Graph 10. FDI in Mexico.....	51
Graph 11. FDI flows from Mexico to Colombia for the years 2001 to 2010.....	52
Graph 12. Mexican companies in Colombia.....	53
Graph 13. Economic sectors attractive to foreign investment.....	59

Tables list

	<u>Pág.</u>
Table 1. Integration processes	27
Table 2. Colombia: income distribution of FDI according to the sectors of destination, 1990-1996 (millions of dollars)	39
Table 3. Transnational companies present in Colombia in 2003.....	43
Table 4. FDI in Colombia 2008-2009 period.....	44
Table 5. Mexican companies in Bogota-Colombia	54

Abbreviations list

FDI: Foreign Direct Investment

PA: Pacific Alliance

FTA: Free Trade Agreement

MERCOSUR: Mercado Común del Sur

EU: European Union

CAN: Community of Andean Nations

ALBA: Bolivarian Alliance for the Peoples of Our America

BANREP: Bank of the Republic

CAF: Development bank in Latin America

OEA: Authorised Economic Operator

SICE: Foreign Trade Information System

APEC: Asia-Pacific Economic Cooperation

WTO: World Trade Organization

Introduction

The Pacific Alliance, established within the framework of a deep integration area that intends to bring forward a model of free movement of goods, services, capital and individuals. With the clear objective of generating a regionally integrated economy in Latin America, with a vision of economic and social development according to the needs of the inhabitants of this region and to the solution of historical problems of poverty, inequality, social gaps and stagnation of economic development and lag in the technological and industrial aspect. With a policy of integration where partnerships to confront a globalization from the regional model cooperative as many other blocks at the global level, and thus reaching political agreements, economic and commercial signed before countries poll watchers and where are fixed some multilateral rights and duties before the eyes of the WTO by facilitating the free trade agreements between the countries signed (Chile, Colombia, Mexico and Peru) and to facilitate the integration of the economies. Putting at the disposal of the members the necessary legal tools to transcend the borders with the investment, goods and services. Necessary to generate a multilateral cooperation in search of growth and development of the economies to international trade and its multiple participants.

This paper was developed based on the identification of the flows of FDI from the Pacific Alliance toward Colombia, taking first information of the most relevant events of the Pacific Alliance Ocean from its creation until the present year, then identified the flows of FDI to Colombia from all countries of the world from the year 1990 until 2015, after this process is entered to investigate the FDI in Colombia from the countries of the

PA and finally identified potential areas of investment in Colombia that are not being used.

Between the general information that is found on the FDI can be identified a significant reduction of these flows in the past 2 years by concept of falling international oil price and the mining in general. This caused a percentage growth of FDI in other sectors that are different to the traditional of the mining sector in the energy sector which has been historical source of attraction of FDI by concepts of exploration, exploitation and commercialization of its derivatives.

Sectors such as commerce, hotels, restaurants, tourist services and building have shown significant growth and representative of total FDI to Colombia.

Identified important FDI flows toward Colombia of countries such as Chile, Mexico and Peru in different sectors such as large surfaces, the automotive sector, public services, manufacturing textiles and food industry.

Potential sectors of FDI different to traditional can be seen, with a trend toward the increase in sectors traditionally slowed down that in other countries are the backbone of their economies.

1. Project Formulation

1.1 Background

The background found in this investigation are described below in the state of the art, are referenced in total 15 different sources about the Pacific Alliance, was framed everything that has been investigated about the topic in bibliographic databases made for the public, such as Ebsco, Redalyc, Scielo, Dialnet, among others in which information was found of all type of the PA, in addition to the databases are also referenced books that deal with the subject.

1.1.1 State of the art

Before initiating the present state of the art, it should be noted that despite the early age that has the Pacific Alliance, near 5 years old at the time of developing research, is with a specialized scientific literature and important, such information, which was searched in specialized databases, as indicated in the methodology, comes mainly from the four countries that make up the Pacific Alliance.

The first research that is referenced in the construction of the state of the art is entitled: "Colombia-facing the new regionalism renovated: the Pacific Alliance", whose authors are: Lisbeth Katherine Duarte Herrera; Carlos Hernán González Parias; Diego Alejandro Montoya Uribe. Such research is responsible for indicate that the Pacific Alliance is an integration between four countries - Colombia, Mexico, Chile and Peru which want to implement programs to facilitate the academic and cultural exchange for citizens of member countries, delete the visa requirements for business and tourism and

what is more important to eliminate in an immediate manner the rates for the 92% of the products in common between the four countries and elimination of the remaining 8%, the Alliance aims to strengthen their relations in projects on trade, innovation, education and strengthening of corporate capital, among others . (Duarte Herrera, González Parías, & Montoya Uribe, 2014)

Based on the features of the new regionalism which has the certain objectives such as the strengthening of economic reforms due to the new export opportunities, diversification of markets and attraction of foreign investment; this accompanied of open regionalism emerges the Pacific Alliance which is called as a schema of deep integration where in the twentieth century the purpose was to produce a well in a given country for after another, while selling it in the twenty-first century are goods that are produced in many countries to then be exported. The Alliance aims to go beyond that Free Trade Agreements in order to achieve a greater growth in all its variables and get to compete with countries that are not part of it. (Duarte Herrera, González Parías, & Montoya Uribe, 2014)

Despite the short time of the Alliance, this has had many significant advances, the countries that have had the greatest growth are Peru with 75% in 7 years and Colombia a 145% in the same period, a key factor for the increase in these countries and of the other members, is due to the growing demand for raw materials from China. In 2009 there was a global fall in which the PA was also affected; however this lasted only for that year and the 2010 their exports were increasing. (Duarte Herrera, González Parías, & Montoya Uribe, 2014)

There is evidence that although Colombia has had a strong improvement in its international relations, is the country with less participation in exports and imports of the members of the Alliance, Colombia despite has great commercial agreements is also the country of the Alliance with less agreements because it was the country in further delayed in start this process. Colombia exports between 2000 and 2014 showed a decline among its 10 partners remain in 2000 of 84.3% and in 2014 of 79%, this is due to the great participation with only two mining products and coffee which makes these are more reduced; in the case of imports the United States was the main country bringing products of Colombia; however there was also a fall over the years in 2000 with a 33.14% and in 2014 of 28.69%. Colombia imports more than it exports to countries of the PA. Its exports are 11.48% and its imports are 5.7%. (Duarte Herrera, González Parías, & Montoya Uribe, 2014)

Although the countries of the Pacific Alliance have had representative advances along its process, should strengthen some topics in special Colombia as handle a diversified structure and stronger so that you can get to be more competitive in a globalized economy and demanding and the goal or most important challenge that Colombia is generated in order to achieve being a potential country improving its logistics performance, not improve all this the proceeds and profits will remain very few. (Duarte Herrera, González Parías, & Montoya Uribe, 2014)

This paper allows to know the relevant issues to foreign investment in the Pacific Alliance, affirms that it has been greatly improved the relationship with the countries that are not part of the Alliance, although it reflects that Colombia is the country with the

most little participation of the four countries, but it can grow up as a country if it manages to fulfill each of the purposes that arises.

The second source is a book that is called: "Pacific Alliance: regional integration platform with projection to the Asia Pacific", their authors are: Adriana Roldán Pérez, Camilo Pérez Restrepo, Francisco Monge Ariño, José Durán Lima, Julio Chan Sánchez, Luz María de la Mora Sánchez, Osvaldo Rosales Villavicencio, Sebastian Herreros Ugarte, Tayutic Mena Retana. This book indicates that the Pacific Alliance is the integration of South American countries focused on the world market, especially to Asia Pacific. This obtained in the 2013 US\$86 billion in foreign direct investment, which came mainly from the United States and Europe, due to the fact that members of the Alliance have chosen primarily by the export of capital that by the FDI sources, which ultimately reflects the internationalization growing of Latin American companies in the countries of the Alliance, evidencing that Chile, Colombia and Peru invested generally in neighboring countries while Mexico invests more in North America, information that is very valuable for the project implementation. (Rolden Pérez, et al., 2015, pp. 85-87)

The book provides relevant information specifically of the Pacific Alliance, its FDI, where does it come from? and how they move investment flows within the Alliance.

The next source is called: "Trade and development of the Alliance", their authors are José Armando Hernández Bernal and Luis Guillermo Angulo Muñoz. This article stipulates that the members of the Pacific Alliance although have agreements since the nineties, do not have a very close relationship among themselves, because they have low volumes of imports, exports and low indicator of industrial trade; however the

Alliance is created with the aim of improving their business relationships to improve poverty, inequality, generating free movement of capital, goods and services. (Bernal & Angulo Muñoz, 2015)

The Alliance has counted with different summits being the first an effort that encourages regional integration, in the second focused on continuing running the stages of integration with acts that helps them to fulfill them, in each of the following summits were participating different observer countries. Additionally, in the summits more topics were agreed upon for the benefit of member countries (Bernal & Angulo Muñoz, 2015)

Colombia apart from being a member of the Alliance has relationships outside with the other member countries. With Mexico has an agreement, formerly called G3, but after the departure of Venezuela the name was G2. The trade balance before the year 2005 had deficit for Colombia, but from that year until the 2008 increased in a significant way. The imports from Mexico to Colombia went from being in 2000 on a 4.7% to 7.9% in 2008. Colombia in past years also had a trade deficit, low diversity and low competitiveness compared to Chile despite the free trade agreement that they have. However, from 2007 everything changed and Chile had trade deficits and Colombia improved them. But unlike the deficits that Colombia had with Chile and Mexico, with Peru are part of the CAN where the trade balance has been in surplus for Colombia with 191 million dollars in 2009 and 707 million dollars in 2012. (Bernal & Angulo Muñoz, 2015)

From 2000 to 2012 has achieved an increase in exports and imports of the member countries to the world, this is due to the increase in the demands of raw materials originating from India and mainly China. The percentage of exports and imports to the countries of the Alliance also increased from 2% to 4% however remains a very low percentage in comparison with non-member countries. (Bernal & Angulo Muñoz, 2015)

The aim is to keep increasing trade relations, seeking to improve the competitiveness of the productive sectors, lower tariffs and penetrate the market for Asia-Pacific. (Bernal & Angulo Muñoz, 2015)

This paper presents an approach on the relations of the Pacific Alliance with the world and with its own members, thus allowing highlight what remains to improve.

Another found source is named "Pacific Alliance facilitates the insertion of Colombia in the Asia-Pacific region," written by Eric Tremolada Alvarez, who argues that the Alliance helps Colombia can enter to the market in Asia-Pacific, because all who wants to fulfill the purposes Alliance helps expand markets, benefits the economy internationally. Asia Pacific has become an important partner for Latin America, in 2013 Colombian exports to those countries had a share of 19% and 27% of imports. China, Republic of Korea and ASEAN are the main destinations of imports. From the members of the Alliance, Peru and Chile are the major exporters to the Asia-Pacific, while Mexico recorded a trade deficit in relation to other countries. (Álvarez, 2014)

Colombia ranks eighth in the Latin American suppliers of goods Asia- Pacific at 1.9%, still less than the other members of the alliance since Chile has a stake of 20.6%,

Mexico 10.1% and Peru 6.3%. Chile is the highest participation since it is the country of the Alliance which has several free trade agreements in force with Korea, China and other Asian countries, leaving behind Mexico, Peru and Colombia also have agreements with different countries. (Álvarez, 2014)

The countries of the Alliance seek belong to other regional integration agreements that allow them to perform free movement of goods, capital, services and reduce tariffs. Asia-Pacific has become a projection for the countries of the Alliance to increase their negotiation power. (Álvarez, 2014)

The sole purpose of the alliance is not generating free trade and development in its members, but getting to establish business relations with different blocs in the world, being one of those Asia-Pacific, who can help them be competitive. With all this you can get to investigate how it has been FDI in Asia towards the countries of the Alliance.

The next source is called "The Pacific Alliance: Perspective of a new model of Latin American integration" is created by Juan Carlos Morales Manzur and Lucrecia Garcia Morales. They determine that the purpose of the Alliance is to make its members more attractive to the world, especially in Asia-Pacific. The Alliance is a requirement to get the free movement of goods, services, investment and people to acquire new members. It also focuses on promoting development, competitiveness and growth in the economies of its members in order to achieve greater well-being. (Manzur & Garcia Morales, 2014)

The four members of the Alliance have a population of 209 million people representing 36% of Latin America. Fuels, mining, agricultural and manufacturing are

the main products of exports of member countries. Alliance countries represent 26% of FDI flows throughout Latin America. (Manzur & Garcia Morales, 2014)

This helps to see that FDI from member countries of the Alliance have a significant share in Latin America, allowing analyze which sectors are higher flow.

The next reference to the state of the art is designated "On the advantages of the Pacific Alliance for Colombia", its author is Ivan Alejandro Trujillo Acosta, who states that the Alliance brings to Colombia a number of advantages to economic, social, political level and cultural cooperation with its members and other countries. Advantages such as promote investment, facilitate trade among member countries, facilitate movement of people within the Alliance, prevent transnational organized crime and to promote cooperation among countries. As it said the Alliance in a short time has had great results, such as the functioning of the Integrated Latin American Market, the elimination of visas between its member countries, among others. (Acosta, 2014)

Another reference consulted was "New Settings Economics in Asia Pacific and its consequences for Latin America: from APEC to the Pacific Alliance," written by Isabel Rodriguez Aranda. The author argues that the Pacific Alliance is much more than a trade agreement; it is more than seek free trade agreements. It's necessary to have, apart from the free movement of goods, services and others, the entrance to different markets around the world; but for now his main goal is to focus on entering the trade in Asia especially China. It also wants to defend neoliberal policies, seeking to establish an area of deep integration is the process of multidimensional regional integration, since it is not only economic, but also cultural, political, social and energy. (Aranda, 2012)

The countries of the Alliance involve some common characteristics, such as its economic stability, geography, closeness with large potential countries such as United States and the European Union and high foreign investment. (Aranda, 2012)

It may show that the Alliance wants to expand to markets with greatest potential in the world in order to exploit all they have to offer. FDI has been high in these countries, can help analyze and determine what to invest and what generates higher returns.

Another source of research is "The Pacific Alliance: geopolitical and economic integration", by William Alexander Arévalo Luna who said that the trade bloc of the Pacific Alliance seeks among its objectives the free movement of goods, services, capital and work in order to expand into Asia, especially to countries like China, Japan, India and South Korea. Similarly, seeks to attract FDI to strengthen the technological development of the member countries, considering that has great appeal and investment are those trade agreements with those who have (Colombia 50, Chile 59, Mexico 25 and Peru 42). Thanks to the economic growth seen in recent years, seeks to replace Brazil as the main recipient of FDI in Latin America. The Alliance is based primarily on economic, commercial, financial, and social issues. Colombia for its part can leverage the Alliance, but it must makes appropriate public policies to overcome its backwardness in infrastructure, education and science and technology systems and international economic relations. (Luna, 2014)

The Pacific Alliance, based on the magnitude of the GDP, it is the eighth largest in the world in terms of their export capacity; owns 36% of the population of Latin America, 34% of regional GDP and 48% of trade. It therefore seeks to be linked more to the

Pacific, putting more production of added value and to integrate itself into the region with value chains, bilateral investment and strategic alliances to enter the Asian markets and promote a greater volume of economies of scale in a manner that enhances productivity and regional economic growth (Luna, 2014)

The information from this source is very valuable for research. It allows to know the economic data of the Alliance, what is now and what wants to be.

The next search is "Pacific Alliance. Where are we going? ", The author is Jaime Garcia, who indicated that the PA has had a very interesting host in Latin America. This has generated a lot of expectations for this reason has twenty observer countries, of which the next potential members are Panama and Costa Rica. Given all observer countries it is expected to be a covenant with many members that allow strengthen it. The PA has four fundamental bases for its member countries as the free movement of goods, services, capital and people. (García, 2013)

The PA also in the short time it takes, shows more progress compared to Mercosur who was unable signing important trade agreements such as the EU, have been negotiating since 2000. The CAN has weakened markedly with the departure of Venezuela. Although ALBA is an integration of political, it has been diminished by the failure of leadership of President Nicolás Maduro. (García, 2013)

This source is very valuable because it allows recognize the next members of the Alliance and the great reception given in both Latin America and the world. It also allows to recognize that unlike other integrations has given results in a short time.

Another examination was research "Pacific Alliance: an example for regional integration", its author was Guillermo Fernández de Soto who stated that the objective of the PA to reach the Asian market is mainly due to the possible future that awaits that region. This indicates that by 2040 Asia will account for 61% of global production. The PA has more than 32 observer countries, it has shown very significant growth, because it is a modern and innovative integration nonexclusive, has a young population which has increased purchasing power, has very diversified exports and their countries members share similar political systems, this allows the block to be more harmonious. (Soto, 2015)

Regarding capital, the AP has an integration of the stock exchange member countries, which became the largest stock market in Latin America. It had more than 780 listed companies in 2014 market, a factor that makes it more attractive investment in the Alliance. (Soto, 2015)

This source provides interesting information about the progress of the Alliance, also spoke of an integration of the stock exchange that is a topic fairly attractive to FDI.

An additional source is called "Setting up a new legal framework for the integration of the Pacific Alliance," written by Máximo Ugarte Vega Centeno who states that the PA is clear that trade and investment are critical to the growth of their economies, therefore it is positioned as a leader in promoting trade liberalization and promoting the elimination of tariff and non-tariff barriers. It seeks its member countries to industrialize their economies and at the same time create more innovative and competitive products to reach the Asian market, involving entrepreneurs who are those

involved in trade processes through the Business Council of the Alliance. (Centeno, 2015)

One of the most important agreements to highlight in the Alliance, which is the liberalization of 100% of trade, 92% immediately and 7 per cent in the medium term, leaving the 1% long-term; the establishment of a fund for cooperation for economic development projects: science and technology, infrastructure, education, PME, environment, among others, as well as the creation of a network of scientists in the field of climate change, considering the creation of a logistics observatory in the countries of the Alliance, among others. (Centeno, 2015)

This text is a methodology that can serve the research was conducted through documentary sources, information on texts, books, magazines, newspapers and group diction for the respective analysis. The content provides data about the importance of the Alliance on the issue of promoting trade in goods with some added value and interest to involve the same entrepreneurs.

The next source is "International Business via foreign direct investment in Latin America: 1990-2010", by: Francisca Tolentino Bouby who said that Foreign Direct Investment (FDI) is one of the fundamental means for international business, for this reason more 39,000 companies worldwide have it. Since the 90 FDI in Latin America has been increasing and has had opportunities, this is due to different mechanisms of attraction as macroeconomic reforms and stability in the region, trade and financial liberalization. This led the countries to invest in Latin America in sectors such as electronics, automotive and textile industries in the Mexican economy, an attractive country for its efficient and relatively cheap labor. (Tolentino, 2011)

Always it has been shown that there are more companies developing Asia than the *translatinas*. In 1997, 50 companies 14 were from Latin America, while in 2003 were 7 and 40 from Asia (more companies). Because of this decline, Latin American companies focused on new approaches for international cooperation, seek changes to help these countries improve the mobilization of domestic resources, designing national economic policies with attractive mechanisms for FDI, to assist in the improvement of the technology industry economies and improve bargaining power and competitiveness. (Tolentino, 2011)

It is a very valuable source because it speaks specifically of FDI in Latin American markets which are the countries of the Pacific Alliance and especially speak well of Mexico which generates more foreign direct investment. The PA can have a large volume of FDI where it can compete with developing countries.

Another valuable research is "Towards a new agenda in foreign direct investment trends and realities in Latin America," written by the development bank of Latin America. This suggests that over the past decade Latin America has had an increase in FDI, mainly due to changes in regulatory measures (privatization or opening of sectors), which has concentrated more in countries like Brazil, Mexico, Colombia, Chile, Peru and Panama. Is you identify with that in addition to the US and Europe as investors, as mentioned above, Asia especially China joined and is increasing its investment levels in these focused primarily on the natural resources sector countries. The main sector investment in Latin America is services, followed by the manufacturing sector by increasing the purchasing power of the countries of Latin America and finally the natural

resources given by the discovery of new deposits and the creation of new public politics. (CAF, 2013)

It is also speaks of the possible relationship that exists between the attraction of FDI with the level of economic openness of the country, which on the contrary there is no evidence in the competitiveness indices, which do not guarantee higher levels of FDI. The modality of investment of venture capital funds has been more pronounced in countries such as Brazil and Mexico, with very little presence in Chile, Peru and Colombia. (CAF, 2013)

These data are very valuable for the project since they generally spoke about the FDI in Latin America, giving to know the main sources of investment, the main sectors and finally the reasons that encouraged the same.

Another research source is "Notes of Foreign Direct Investment: definitions, typology and enforcement cases Colombians", whose authors are Carlos Enrique Ramírez and Laura Flórez who had established that the case of Colombia as an emitter and receiver of FDI have marked differences, since there is a lack of clarity in the identification of what is considered to be one of the main features of the FDI and this is the permanence or durability of the investment or the capital in the national territory. In the face of this lack of clarity is generated the risk capital that take advantage of the lax laws of a country to mobilize capital quickly from one market to another depending on rates of profitability. This generates the so-called capital "Golondrinas" that come and go without any regulation and prevent the durability of the investment and generate

significant adverse impacts on employment, the current account and the development of the economy. (Ramirez & Florez, 2006)

Very important aspects to be taken into account in the research project because it gives to know that another type of investment has positioned itself in Colombia.

The last source of research is "Foreign Direct Investment in Colombia: Recent developments and regulatory framework", whose authors are Aaron Garavito A., Ana María Iregui B. and Maria Teresa Ramirez G. They indicate a general appearance that FDI in regional level has presented a considerable increase in the redistribution of investments mainly towards developing economies, making these important recipients of FDI. This is defined by competition between multinational companies to crises in developed economies, emerging in search of more favorable conditions for their operations due to lower wage demands of labor, the rapid growth of the domestic economy and overall favorable conditions of economies. Activities that in turn become broadcasters economies because their companies are consolidated as multinational companies and they expand their operations in the region. (Garavito A, Iregui B, & Ramírez G., 2012)

One of the sectors has encouraged FDI to developing economies has been the services sector, which has risen from 49% of flows in the 1990s to represent 63% in 1999. These services are transport, communications, fuel, utilities, logistics and financial services, which represent a significant percentage of the total. This represents a significant trend towards the relevance taken daily services in the global economy since the regional level, for services to multinational companies are made from a locally

and capital do not become foreign exchange through exports, but if outputs translate into profits of multinational corporations with a presence in sending countries. (Garavito A, Iregui B, & Ramírez G., 2012)

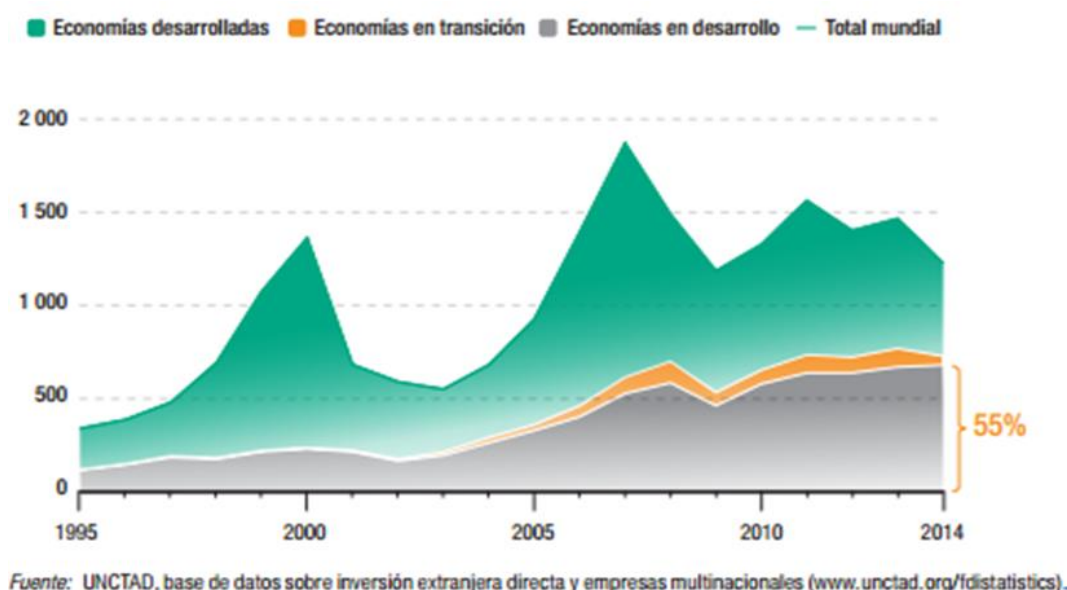
Latin America has lived a competition to attract FDI generating policies of deregulation to promote it. Nowadays, it has maintained the trend favoring FDI but long-term, to improve conditions and sustainability in the time of the investments. In this way, it has restricted the entry of capital that do not generate development, industrialization and stimulate the technological development of the recipient country. (Garavito A, Iregui B, & Ramírez G., 2012)

In general, this text provides key data on the growth of FDI have had developing countries, the rise of the service sector which is very important in developing countries industry, taking into account the growing importance paying countries to verify that the investment is direct (long-term).

1.2 Problem Statement

One of the conditions for the development and proper functioning of the capitalist system, among others, is the possession of an entrepreneurial class, in this case strong and abundant investor. The owners of the means of production, which together with labor mix these elements to create value and profit so they can invest again. This is known as the capital cycle. One of the shortcomings of developing countries is precisely the abundant national capital. Therefore, these countries are the need to "import" foreign capital to establish companies and businesses in its territory in order to employ the local workforce.

Graph 1. Evolution of FDI by type of economies (1995-2014)

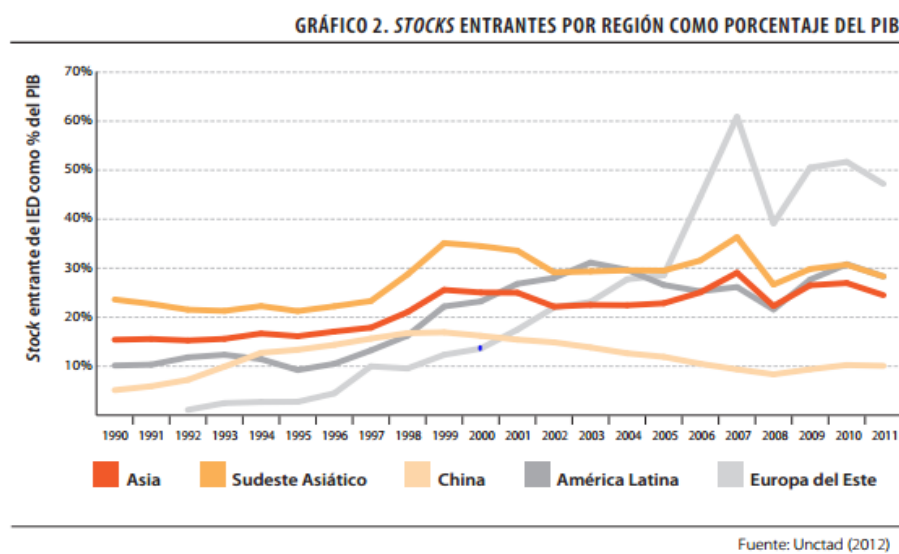


One of the consequences of globalization is the increase of FDI flows throughout the world, thanks to the development of technologies and transport, as well as the democratization of a number of States. As can be seen in Graph 1, since the 1990s of

the twentieth century, countries denominated in track of development increasingly are destination of FDI flows.

In this order of ideas, Foreign Direct Investment in Latin America has been growing consecutively, however in terms of GDP FDI represents only 30%, while in the Southeast Asia or Europe have come to represent the 50% of GDP. (CAF, 2013) This indicates the great potential of the Latin American region to increase these flows.

Graph 2. FDI as a percentage of GDP by regions



Source: (CAF, 2013)

This FDI in Latin America although has had an increase are identified factors that may be causing the event mentioned above, such as what are the rates of poverty and inequality, the high rates of informality of the employees, the weakness of public institutions and the high crime rates, in addition to the economy lack innovation, entrepreneurship and infrastructure. (CAF, 2013)

Therefore in Latin America is investing exclusively in services, manufacturing and natural resources, when these countries have demonstrated improvements in their structures both policies and economic and social.

However, the most recent plan of integration in Latin America, the Pacific Alliance, hereinafter PA has a completely in accordance to the dynamics of external trade and FDI. This scheme of integration is a significant commitment, in the commercial field, policy and investment for the Government of Colombia as a suitable means of achieving effective insertion in the dynamics of trade and global investment. It is therefore raises the possibility of studying in depth the potential sectors of investment in Colombia from the Pacific Alliance in particular, which are probably not being exploited by investors.

What are the potential sectors of Colombia for Foreign Direct Investment from the Pacific Alliance?

1.3 Justification

The relevance of this research work focuses broadly on the importance of commercial foreign policy that Colombia has been implementing since the last decade and a half, and the Pacific Alliance has it as integrationist initiative. Based on this, the Colombian insertion strategy creates international markets, especially the market of the Pacific Rim, including Asia.

THEORETICAL JUSTIFICATION:

The research will provide detailed information on the flows of Foreign Direct Investment to Colombia from the Pacific Alliance. It will serve to identify the sectors with a potential of investment, giving knowledge for future research and at the same time, makes it more feasible decisions of both investors and entrepreneurs.

SOCIAL JUSTIFICATION:

Recognizing FDI inflows into Colombia from the Pacific Alliance, can serve as a guide for entrepreneurs and investors to get more out of these countries, possibly helping to improve its profitability and making use of its efficient resources.

PERSONAL JUSTIFICATION:

As students of International Business is very important to look into issues such as FDI in the Pacific Alliance, that in just 5 years has had many advances, even more when Colombia is part of this, to take full advantage of the information.

1.4 Objectives

1.4.1 General Objective

- Study flows of Foreign Direct Investment in Colombia derived from the countries of the Pacific Alliance in order to identify potential investment sectors

1.4.2 Specific Objectives

- Characterize the Pacific Alliance as a scheme of regional integration
- Detect the evolution of the FDI flows toward Colombia (1990-2015)
- Identify Colombian economy sectors where FDI is directed from the Pacific Alliance member countries
- Examine the potential sectors of FDI in Colombia originating in the member countries of the Pacific Alliance

1.5 Methodological framework

The descriptive research, also called statistical research or diagnostic which identifies the relevant aspects of reality where he answered questions: Who?, Where?, Why?, How?, When? and Where? This type of research can recognize situations, customs and prevailing attitudes, but their goal is not only to gather information but give forecasts and identify variables. In research data is collected based on a theory or hypothesis where exposed summarizing the information and finally the results are analyzed and reaches a significant report which contributes to knowledge. (Morales, 2012)

1.5.1 Method

The method to be used in the following investigation is the deduction, which is part of the general to reach specific and disaggregated variables and then integrate them.

1.5.2 Methodology

Collection of secondary information: through databases, reports and studies from official sources, which seeks to identify quantitative variables that allow us to discover relevant information about the flows of investment in the Pacific Alliance.

1.6 Scope

The present paper seeks to take investment flows of 26 years ago in Colombia from the countries of the Pacific Alliance, to identify sectors of potential Foreign Direct Investment.

2. Project Implementation

2.1 Theoretical Framework

The main theoretical reference used for the development of the present investigation, was related to the theory of economic integration. Before continuing, it should be clarified that this is not due to a homogeneous and unique body of theory. This is different contributions over the last six decade have contributed to the theoretical development of an economic phenomenon, a result of globalization, presented since the 60s of the twentieth century and academics initially economics, they took it as a new object of study in order to understand it, analyze it and explain it.

In this order of ideas, is to know and understand the changes that occur as a result of the unification of markets in different countries, phased or demarcating degrees. Is usually consider the simple "customs union" also called "Theory of Customs Unions". In Economic integration has been analyzed the effects on production systems, the structure of the consumption, the balance of payments and economic development. Economic integration produces changes in the overall efficiency, i.e. in the total capacity to produce goods and services that satisfy human needs, and in the form of distribution of what is produced. But, as it is not possible to compare the benefits of a few with the damage of others, the theory of economic integration was initially focused on studying the effects on the productive system, leaving aside the redistributive effects. Of course, this has given rise to critical studies that seek alternative to measure the impact of the integration on the social welfare, jointly analyzing all the effects.

According to studies on the subject, the economic sciences have succeeded in synthesizing the integration process into four phases: Free Trade Area, Customs Union, Common Market, Economic Union and Political Union. Creating synergy among nations.

Table 1. Integration processes

	Tariff elimination and others trade restrictions	Fixing a common external tariff	Achieving a free movement of services, work and capital	Harmonisation of economic policies	Common Political Institutions are established
Free Trade Area					
Customs Union					
Common Market					
Economic Union					
Political Union					

Source: by teamwork

For example, in the Free Trade Area and Customs Union countries are converging in their trade policies, remain independent even in its fiscal and monetary policy making not be beyond a trade bloc; on the other side, we have the Common Market and Economic Union, these phases imply a greater integration between States, thus contrary to as it did in the previous example, in this its trade policies, fiscal, and monetary policy must be joint and mutual agreement, in addition to that generates a free movement of persons between the territories, that is why it is often asserted that the State loses part of its independence and autonomy.

In addition, the theory of economic integration also establishes the distinction between static and dynamic effects of the customs unions. The static effects are mainly those of the reallocation of resources in the productive system, the changes in the structure and patterns of consumption. The dynamic effects are the longer-term consequences on the rate of investment, technological change and growth. It is possible that static and dynamic effects go in opposite direction; in other words, it is possible that the results are detrimental in the short term and long term beneficial or vice versa.

The theory of economic integration is also studying the creation and diversion of trade, which refers to:

The creation of trade: is the increase in the volume of trade between countries when it has been agreed that the customs union between them, and tariff reduction for their products. Consequently, those sectors that are more efficient and productive who will benefit will draw of the trade agreement.

The diversion of trade: consists in that part of the flow of imports and export that from countries not members of the free trade agreement area will be replaced by imports and exports to and from countries members of the commercial agreement, thus bypassing the existing international trade routes, and in many cases to benefit that signatory country that becomes less productive than one that is not in the trade agreement but given the tariff reductions that it suffers, it is more economical to buy from him.

However, the different integration mechanisms have evolved with the passing of the years, driven by the new economic contexts and the intensification of the

technologies of the information and communication. In old data trade agreements are not contemplated the possibility of free mobility of financial capital or of its deregulation, thing that happens with new agreements such as the Pacific Alliance. The foregoing generates a phenomenon of creation and diversion of investment. The first relates to the increase of investment, particularly Foreign Direct Investment, that capture the parties involved in the new agreement due to deregulation, facilities and benefits that are provided in the framework of that agreement. The diversion of investment occurs when national capitals or foreigners are moved from a member country to another country part of the same agreement, generating a loss of investment in one of the signatory countries.

One of the objects of study of the present investigation corresponds to the Foreign Direct Investment, conceptually, this consists in the acquisition of assets outside of the border of the country of origin, which seeks to obtain benefits because it is considered that it would be more profitable to invest in its own country.

There are 2 types of foreign investment, first is the indirect or portfolio which is an investment that are looking for utilities in the short and medium term, is flexible, does not generate much commitment and not looking to have the control, this is done through active, bonds or CDTS; unlike the second type which is Foreign Direct Investment that if looking to have a long-term control, acquiring more than 10% of the shares that give voting rights, FDI account with the following classification:

According to the time when it's made:

- Greenfield or boot: is to start from scratch a company in a country other than the country of origin. In this type of investment, must be performed from the permissions, construction, operating licenses, contacts with suppliers, recruitment of staff and all the requirements that by law established by each country
- Merger: is to buy from 10% to 50% of the shares of a company
- Acquisition: This is when you purchase more than 50% of the shares

According to the purpose:

- Horizontal: when is going to continue with the same economic activity
- Diversification: occurs when you are going to change of economic activity
- Back Vertical: when you invest in suppliers for raw materials or inputs needed for the elaboration of the final product
- Forward Vertical: presents, once the production, obtained the establishments and channels needed for the distribution and marketin

Franchise:

Sold to local partners the continuous right of the brand, technology and know-how

Now, why multinational companies choose to locate their businesses in other countries through FDI ?, this is done when the domestic market is saturated, high production capacity need to increase the life cycle of a product, create economies of

scale, reduce transportation costs and inputs, lower labor costs, product positioning, among others.

Potential benefits of FDI recipient economies

The developing countries, by the absence of national capital abundant, in the framework of a capitalist system, are displayed on the need to create incentives and policies with the purpose of attracting FDI, since this can generate a series of benefits for the development and growth of the country, among which are:

- Technology transfer
- Taxes increasing
- Internationalization of the economy
- The generation of employment and the increase in productivity

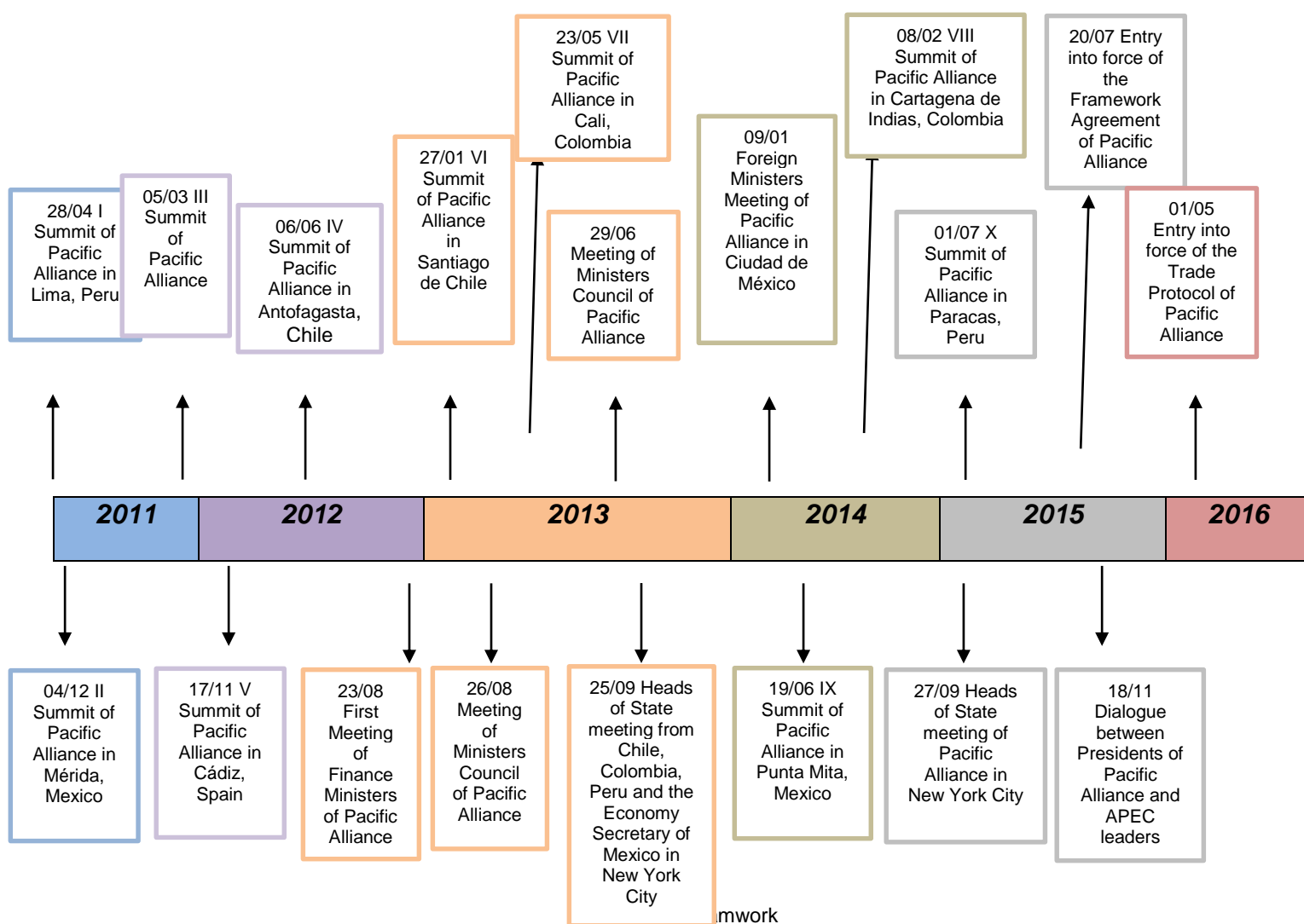
However, this investment entails potential risks such as uncertainty and ignorance of the general environment of the host country, exploitation of labor, loss of sovereignty, because ultimately it is a more risky than simple export or co-production activity.

Source: class notes of Introduction to International Business with the teacher Carlos Hernán González Parías.

2.2 The Pacific Alliance: The most recent model of integration in Latin America

The Pacific Alliance is a regional integration between Colombia, Chile, Peru and Mexico that aims mainly at the free movement of goods, services, capital, people and economy, with emphasis on reaching the Asian continent, as mentioned in previous pages. The following is a timeline that shows the main events and progress of the PA, from its inception to the present (May 2016) and subsequently, this paragraph, develops and explains each line point of time.

Graph 3. Pacific Alliance timeline



Year 2011

On 28 April was the first summit in Lima, Peru where they ratified the integration of the Pacific Alliance between Colombia, Peru, Chile and Mexico, which raised the objectives of the same and it was raised as an observer country was Panama.

The second summit will be held on 4 December in Merida, Mexico and it was agreed to sign a treaty establishing within a period of no more than six months of this summit, negotiations started on electronic commerce, started a job on good regulatory practices and transparent, the establishment of a system of electronic certification of origin, the implementation of the OEA and of one-stop shops, the implementation of sanitary and phytosanitary measures that facilitate trade, establishment of a platform of academic mobility and student and a draft energy integration. (Alianza del Pacifico, 2011)

Year 2012

On 5 March is the third summit in a virtual way in which it agreed to the terms of the agreement establishing the Alliance, it also accepted the participation of Costa Rica as an observer country, and this together with Panama will accelerate the process of the free trade agreement with Colombia to be full members of the Alliance. (Cancilleria, 2012)

The 6 June runs the fourth summit in Antofagasta, Chile in which enters endorses the framework agreement.

On 17 November develops the fifth summit in Cadiz, Spain, in which were integrated new observer countries as: Australia, Canada, Spain, New Zealand and Uruguay. It was agreed the free transit of goods to reach at least 90% of tariff lines that will have a tariff of 0% from the date of entry into force of the Agreement; Mexico on 9 November eliminated the visa for Colombia and Peru and was the Business Council of the Pacific Alliance that links to the private sector. (Alianza del pacifico, 2012)

Year 2013

The sixth summit runs on January 27 in Santiago de Chile, in this simply pledged to continue with the achievement of the objectives of the Alliance in the commercial field, finally join as observer countries Japan and Guatemala. (Alianza del pacifico, 2013)

The next summit was held in Cali, Colombia on 23 May join as observer countries Ecuador, El Salvador, France, Honduras, Paraguay Portugal and the Dominican Republic. Colombia received by Chile of the Chair Pro Tempore of the Alliance, spoke about the progress that has had the Alliance and new agreements were reached on issues such as: The Fiscal Transparency International and the fight against tax evasion and tax avoidance, mechanisms to support small and medium-sized enterprises, and joint programs and projects in the field of tourism promotion. (Alianza del pacifico, 2013)

On 29 June the Council of Ministers of the Pacific Alliance met in Villa de Leyva, Colombia, with the purpose of evaluating the progress of trade negotiations, as well as the establishment of the group of related operations of the mechanism, with external the mood to define the lines of work with the observer States, third States and other regional

groups. Additionally it is signed the Memorandum of Understanding between the Ministry of Foreign Affairs of the Republic of Colombia and the Ministry of Foreign Affairs of the Republic of Peru on waiver of Visa in migratory status of business. On the other hand, it was accepted to China, South Korea, the United States and Turkey as observer States of this mechanism for regional integration. (Alianza del pacifico, 2013)

In August 23 is the first meeting of the Ministers of finance of the alliance, which covered topics of exchange of information and tax, customs issues, treatment and restrictions on capital flows, coordination in international financial bodies, regulation and tax rules of capital markets, the volatility in the markets for public debt, among other matters. (Alianza del pacifico, 2013)

On 26 August is the meeting of the Council of Ministers of the Alliance, in which agreement can be reached to taxable 92% of their tariff headings immediately, the remaining 8% will be duty-free in the short and medium term after the agreement was signed. (SICE, 2013)

The meeting of the Heads of State of Colombia, Peru and Chile together with the Secretary of Economy of Mexico in New York City is made by a panel of business with more than 200 chairmen of companies from the US and the countries of the Alliance. (Alianza del pacifico, 2013)

Year 2014

On January 9 The Ministers of Foreign Affairs of the Pacific Alliance met in Mexico City in order to review the actions of free mobility of persons and of cooperation

in the context of this mechanism of integration, as well as the challenges facing the Alliance for the future, such as the links with Asia and with third parties and the new issues such as the development of infrastructure and the impetus to small and medium-sized enterprises. It was also reviewed the preparations of the Eighth Summit of the Alliance in the Pacific that will take place on 10 February 2014 in Cartagena de Indias. (Alianza del pacifico, 2013)

The Eighth Summit of the Alliance has given in Cartagena, Colombia on February 8, it speaks of the evolution that has taken the Alliance to be the eighth economy in size and the seventh exporting economy at the global level, at this Summit endorses the additional protocol tool that facilitates the liberalization of goods, services and investments, simplifying customs operations, eliminating unjustified barriers to trade. This Summit will highlight new observer states as: Germany, Italy, Netherlands, United Kingdom and Switzerland. Also to Finland, India, Israel, Morocco and Singapore. (SICE, 2014)

The last summit in the year 2014 was the ninth in Punta Mita, Mexico in this the Chair Pro Tempore passes from Colombia at the hands of Mexico, at this summit are incorporated as observer countries Belgium and Trinidad and Tobago, there is talk of the progress that has had the alliance on trade issues, people and financial. (SICE, 2014)

Year 2015

The 1, 2 and 3 of July celebrates the tenth summit of the Alliance in Paracas, Peru, a country that received the Chair Pro Tempore by Mexico, summit in which enter

new countries as observers: Austria, Denmark, Georgia, Greece, Haiti, Hungary, Indonesia, Poland, Sweden and Thailand. In the same recognized some advances of the Alliance such as the internationalization of *pymes*, the success of the student and academic platform that had mobilized until this period 855 students, the exchange of information for security of migration within the Alliance, the relaunch of the Alliance website, among others. (Alianza del Pacifico, 2015)

The 20 July agreement enters into force framework signed three years ago, after the 27 May of the same year brings together the heads of state of the members of the Alliance in New York, where it was agreed to promote investment opportunities and business in the countries of the Alliance showing all the progress that the same has had in so little time. (Alianza del Pacifico, 2013)

On November 18 is unleashed an informal dialog between the presidents of the member countries of the Alliance and the APEC leaders, in which they discussed issues about the complementarity or synergy that can exist between the two integrations, since they have common objectives and there are possibilities of mutual collaboration, APEC is an integration of Asia-Pacific primary sector get where you want the Alliance, which account with 21 economies of which Australia, Canada, China, Korea, United States of America, Indonesia, Japan, New Zealand, Singapore and Thailand are also members observers of PA. (Alianza del Pacifico, 2015)

Year 2016

Finally in the current year on 1 May enters into force the trade protocol of the PA which will do much to encourage the main objective of the Alliance of the free

movement of goods, services, capital and persons, which also indicates that shall be made on the basis of the date the movement of 92% of products with 0% tariff, the rest as mentioned above fall gradually in the short and medium term and also facilitates the trade because the said Protocol eliminates obstacles or barriers to trade, which in addition are looking for innovation and added value in the products so as to reach compete to Asia Pacific countries. (Alianza del pacifico, 2013)

In conclusion, we can see how it is formed Pacific Alliance and what he wants. Despite its short time to enter into force it has achieved many of the proposals made. In addition, all interactions and summits that have been made throughout its existence, in which increasingly come to different agreements to improve the relationship of members and observer countries and highlights the objectives already achieved shown.

2.3 Evolution of Foreign Direct Investment flows toward Colombia (1990-2015)

After the characterization of the emergence of the Pacific Alliance and its consolidation as a regional integration scheme, this section is responsible for

determining the evolution of flows of Foreign Direct Investment to Colombia in the period 1990-2015. This in order to determine whether Colombia this past quarter century, as has happened with several of the emerging countries, has presented a positive behavior in this matter.

From 1990 until 1995, the FDI in Colombia had an insignificant increase. However, in the period from 1995 to 1996 there was an increase quite vigorous, reaching a net income of 3.322 million, FDI in 1990 represented 1.2% of GDP going to be 5.4% in 1996. (CEPAL) The following table shows the evolution of the FDI from 1990 to 1996.

Table 2. Colombia: income distribution of FDI according to the sectors of destination, 1990-1996 (millions of dollars)

Sectores	1990	1991	1992	1993	1994	1995	1996
Minería y petróleo	318	313	516	572	891	768	1 273
Industria manufacturera	118	132	70	198	365	539	710
-alimentos	-1	19	6	20	53	160	204
-química y plásticos	9	28	29	102	195	202	164
-otras manufactureras	110	85	35	76	117	177	342
Servicios	5	5	100	123	279	823	1 123
-financieros ¹	5	5	93	117	116	189	797
-básicos ²	...	...	...	...	6	320	147
-transportes y comunicaciones ³	...	...	7	6	157	314	179
Otros ⁴	59	7	43	66	132	187	216
Total flujos netos	500	457	729	959	1 667	2 317	3 322

Source: (CEPAL)

In the table identifies that in the year 1996 sectors such as mining and petroleum, the manufacturing industry and services, showed an increase quite noticeable in comparison with previous years, given mainly by the privatization of state enterprises. The sector that takes the lead in FDI is the mining and petroleum, which in the year 1996 came to 1,273 million dollars given essentially by the sale of 8 gas companies and mining on the part of the company ECOPETROL, the construction of gas pipelines and the sale of the hydroelectric plants and Bethany Chivor, Energy Company of the Pacific, awarded to Chilean companies, United States and Venezuela at 1,400 million dollars, among others. (CEPAL)

Another sector that reflected a significant increase in fuel the services due to the Banco Bilbao Vizcaya (BBV) acquired a 40% stake in the property of Banco Ganadero,

the largest of Colombia, the Banco Central Hispano arranged for the purchase of 26% of the Bank of Colombia and the Banco Santander another leader in the sector in Spain, bought 55% of Commercial Banco Antioqueño; finally the manufacturing sector had a growth due to the purchase of Cementos Diamante Colombia by the Mexican company CEMEX, the compares of Vitemco 51% of the shares in vitro and the installation of the production plant of Bimbo in Colombia. (CEPAL)

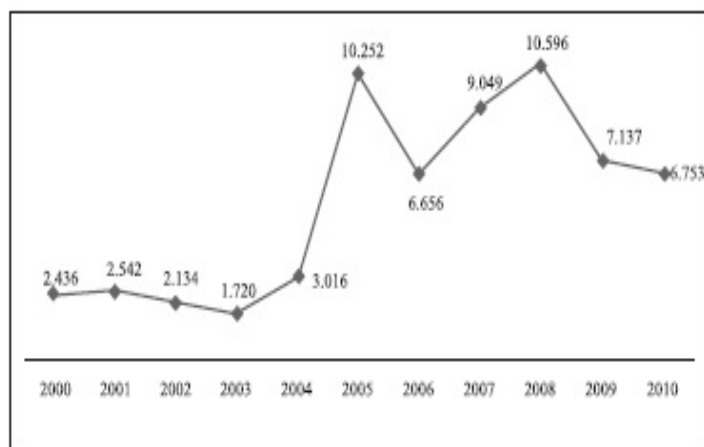
The main investor during the periods of 1996 to 2000 was the United States in the fields of oil and the manufacturing industry with a percentage of 47.7%, Europe in particular Spain, followed by the United Kingdom and the Netherlands had a growth of 229%, where its main investment was in the acquisition or expansion of existing companies in sectors of electricity, energy, communications and financial services. (NACIONES UNIDAS, 2006)

FDI in the years 2000 until 2010 focused specifically in some sectors such as petroleum with 26%, on the other hand the mining and quarrying sector with a 23% and manufacturing with a 20%. The main investor countries are the United States with a percentage of 27%, England 14%, Panama 9% and Spain with a 8%. (Buitrago & León Gil , 2014)

In the year 2000 due to the financial crisis of the 1990s FDI experiment a period of stagnation which led to the following three years to a stability, in the year 2005 there was a growth of FDI reaching 10,252 million dollars and the year 2006 had a significant reduction in coming to be 6.656 million dollars in the year 2008 home the economic and financial crisis around the world; however reached several levels of FDI, but this crisis

led to the year 2009 had a remarkable reduction. (Buitrago & León Gil , 2014) The following chart shows the variations of the FDI from the year 2000 until 2010:

Graph 4. FDI in Colombia in 2000-2010 period



Source: (Amézquita & Cifuentes , 2011)

In 2005 FDI in Colombia increased 227% compared to the previous year, a key factor that has led to an increase was the purchase of Bavaria for SABMiller that represented 4,700 million dollars, helping to add in that year 10,252 million dollars, which helps to increase the confidence of investors. (NACIONES UNIDAS, 2006)

FDI in Colombia has focused in the fields of manufacturing going mainly to chemicals, metals, foodstuffs, and non-metallic mineral products, another sector are natural resources and also the utilities sector where the entry of FDI is due to privatization is state sectors such as petroleum, telecommunications, electricity and airport services. (NACIONES UNIDAS, 2006)

Below are the transnational companies present in Colombia:

Table 3. Transnational companies present in Colombia in 2003**Cuadro I.3. Principales empresas transnacionales (ETN) presentes en Colombia, 2003**
(En millones de dólares)

	Filial	País de origen	Actividad	Ventas	Año de creación
1	Exxon Mobil de Colombia S.A.	Estados Unidos	Distribución	1.317,4	1918
2	Texas Petroleum Co. Colombia	Estados Unidos	Energía, petróleo, gas	692,0	1926
3	Citibank Colombia S.A.	Estados Unidos	Banca	532,9	1929
4	BP Exploration Co. (Colombia) Ltd.	Reino Unido	Prospección y extracción de petróleo	510,9	1986
5	General Motors Colmotores S.A.	Estados Unidos	Montaje de automóviles	497,6	1956
6	BBV Banco Ganadero S.A.	España	Banca	442,5	1996
7	Drummond Ltd., sucursal Colombia	Estados Unidos	Carbón	411,2	1987
8	Emgesa S.A. ES.P.	España	Generación de electricidad	312,0	1997
9	Bellsouth	Estados Unidos	Telefonía móvil	373,6	1994
10	SOFASA S.A.	Francia	Montaje de automóviles	354,9	1969
11	Oleoducto Central S.A. Ocensa	Canadá	Gasoducto	174,0	1994
12	Nestlé de Colombia S.A.	Suiza	Alimentos y bebidas	310,9	1944
13	COMCEL Comunicación Celular S.A.	Canadá	Telefonía móvil	317,0	1994
14	Colgate Palmolive & Cia.	Estados Unidos	Productos de higiene	264,2	1943
15	Panamco Colombia S.A.	México	Embotellado	367,1	1939
16	Banco Santander Colombia S.A.	España	Banca	292,0	1997
17	Banco Standard Chartered Colombia	Reino Unido	Banca	54,0	1995
18	Monómeros Colombo Venezolanos	Venezuela	Productos químicos, fertilizantes	95,0	1968
19	Occidental de Colombia Inc.	Estados Unidos	Prospección y extracción de petróleo; gas	79,7	1969
20	Colombiana Kimberly Colpapel S.A.	Estados Unidos	Papel y embalaje	202,4	1967
21	Smurfit Carton de Colombia S.A.	Irlanda	Papel y embalaje	-	1990
22	Hewlett-Packard Colombia Ltda.	Estados Unidos	Computadoras	77,9	1995
23	Productos Familia S.A.	Suecia	Productos de higiene	145,0	1985
24	Cristalería Peldar S.A.	Estados Unidos	Embotellado	16,9	1962
25	Bel Star S.A.	Perú	Cosméticos	149,0	1987
26	Compañía de Galletas Noel S.A.	Francia	Alimentos y bebidas	294,0	1999

Source: (NACIONES UNIDAS, 2006)

In the year 2007, the FDI in Colombia broke the record and obtained a total of 9.028 million dollars, given mainly by the entry of 105 qualified firms. This increase was seen by the purchase of Rubiales Holding by Canadian investors and the Cablecentro and Satelcaribe by Mexican Télmex. The investment was directed mainly to the oil sector with a total of 3.429 million dollars, given by the contribution of the Swiss group Glencore to the constitution of the new company Cartagena Refinery S.A. for the expansion and modernization, the second sector was manufacturing with an

investment of 1,516 million dollars, the third sector was the financial with 1,196 million dollars, it remains the mining with 1,047 million, followed by trade, with 894 million. (EL TIEMPO, 2008)

In the period 2009 as explained previously showed a decrease by the global financial crisis that happened, this event under the FDI in all sectors except the carboniferous and mining activity, which represented a 79.6% of the income of FDI, leveraging a little the fall of the other sectors. (BANREP, 2010) As shown below:

Table 4. FDI in Colombia 2008-2009 period

Cuadro 3 FLUJOS NETOS DE INVERSIÓN EXTRANJERA DIRECTA EN COLOMBIA - BALANZA DE PAGOS (millones de dólares)				
Actividad	2008	2009	Variación	
			Millones de dólares	Porcentual
Sector petrolero	3.392	2.633	(758)	(22)
Carbón y resto de minería	1.798	3.094	1.296	72
Comercio	1.049	644	(404)	(39)
Establecimientos financieros	1.095	549	(546)	(50)
Manufacturas	1.748	536	(1.212)	(69)
Transporte y comunicaciones	853	337	(516)	(60)
Otras actividades	649	(592)	(1.241)	(191)
Total	10.583	7.201	(3.382)	(32)

Fuente: Banco de la República.

Source: (BANREP, 2010)

FDI in 2010 toward Colombia was 6.8 billion dollars, 5.3% below the 2009, this fall was due to the increase in the reimbursement of capital which came to 11.4 billion dollars, which led to countries like Mexico with a -623 million dollars and United States with -241 million dollars, to be countries with negative values and with less FDI flows toward Colombia. (Amézquita & Cifuentes , 2011)

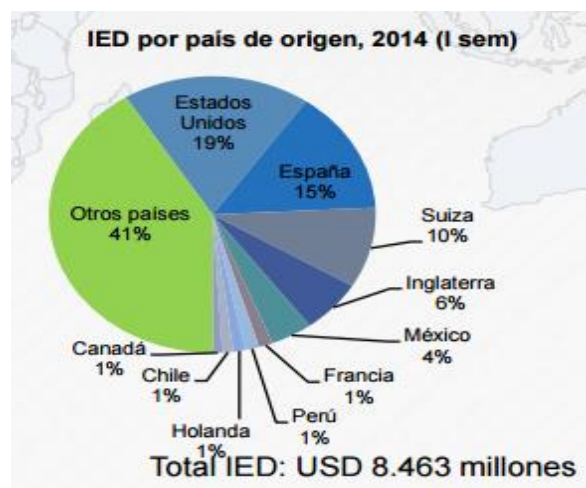
The main sector in the FDI is the oil with a 42%, due to its high prices and production, while the other part of the mining sector had a share of 30% and the manufacturing sector being the third destination with more participation in the FDI had a 9%. (Amézquita & Cifuentes , 2011)

In the year 2011, the FDI in Colombia had an increase of 92% with a total investment of US\$13.234 million, compared with 2012, with a figure of US\$6.899 million, increase due to the expansion of local companies and to the capitalization in the pension market of Latin America. (DINERO, 2012)

In 2013, FDI in Latin America had an increase of 6% by adding the 102.951 million in relation to 2012. Brazil was the main country receiver with a sum 39,014 million dollars; however this was a figure 10 per cent lower than in the previous year, additional other countries of Latin America also showed increases in Foreign Direct Investment Venezuela 44%, Peru 27%, El Salvador 27%, Panama 19%, Costa Rica 15%, Uruguay 8% and Colombia located in the last post with 5%. (CEPAL, 2013)

In the first half of 2014, the mining and oil had a decline of 9%, however was the 50.4% of total FDI. Increased the construction sector in a 160,3%, transport, storage and communications in an 80.2%, and manufactures in 65.6%. FDI in Colombia came essentially from the United States, Spain and Switzerland with a participation of 44%, Mexico with the 4% and Peru with 1%. (PROCOLOMBIA, 2014) As shown in the following graph:

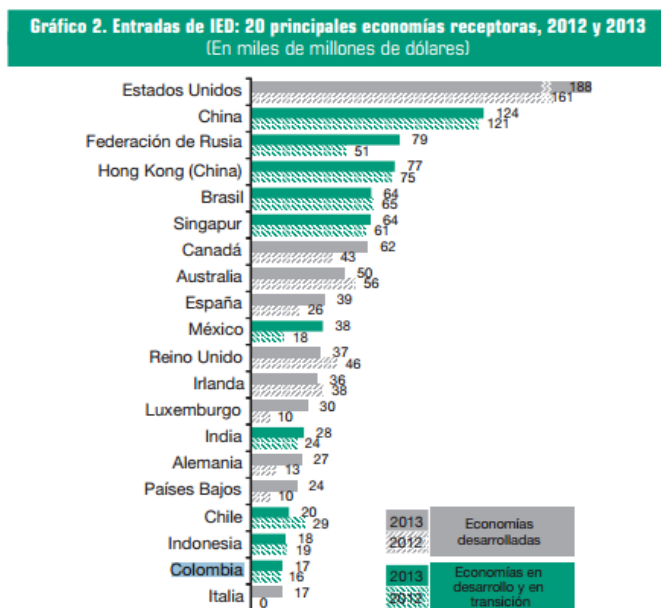
Graph 5. Origin of FDI in Colombia in the first half of 2014



Source: (PROCOLOMBIA, 2014)

According to UNCTAD Colombia since the year 2012 to the year 2014 was among the first 20 recipient economies FDI, although not located in the first places, is a variable very positive for the Colombian economy because of 194 countries makes it part of a ranking of 20. In the period mentioned above Colombia had a constant FDI between 16,000 and 17,000 million dollars, a large part due to mergers and acquisitions in the sectors of electricity and banking. As shown below:

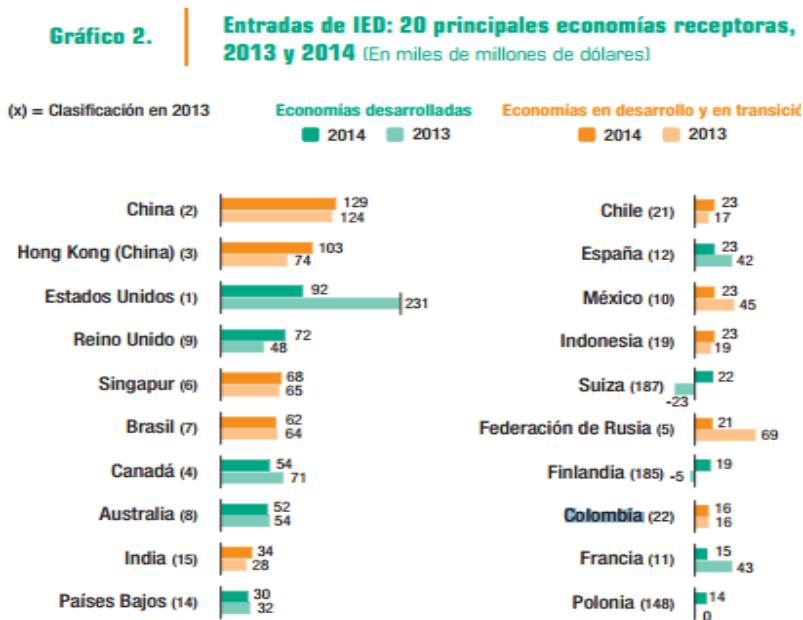
Graph 6. The top 20 economies recipients of FDI during 2012 and 2013



Fuente: UNCTAD, Informe sobre las inversiones en el mundo 2014.

Source: (UNCTAD, 2014)

Graph 7. The top 20 economies recipients of FDI during 2013 and 2014

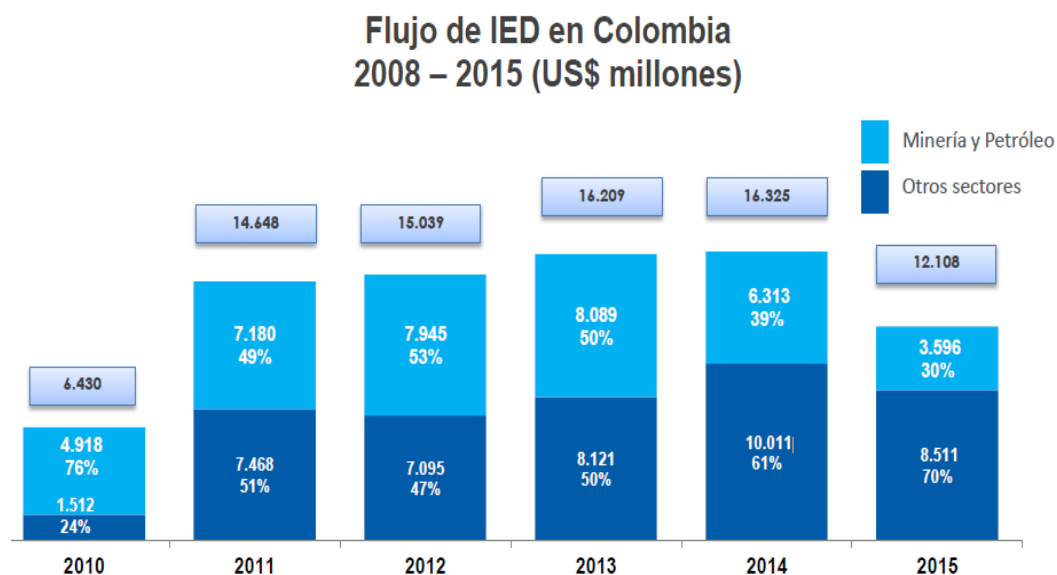


Source: (UNCTAD, 2015)

In 2015, the Foreign Direct Investment in Colombia decreased by 28.5% with respect to 2014; however reached US\$ 12.2108 what remains a good figure, in 2015 the sectors of mining and petroleum had a flow of FDI of 29.7%, while the flows of the other sectors were 70.3%. The countries that most invested in FDI in Colombia that same year they were United States, Spain and Switzerland with a 38%, while England and Chile with a 6.1%, without leaving aside Germany that raised the rate above the 100% in FDI. (Procolombia , 2015)

Presented below is a graph in where it is evidenced that different sectors to the mining and petroleum had large growths in spite of the decrease of 28.5% in the FDI with respect to the year 2014. (Procolombia , 2015)

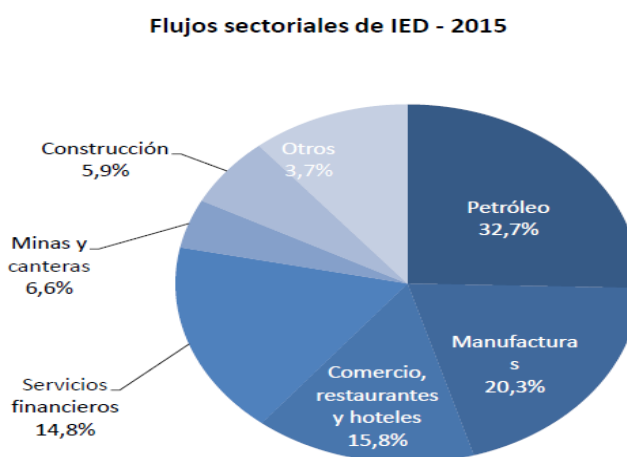
Graph 8. FDI in Colombia 2008-2015 period



Source: (Procolombia , 2015)

Although the oil sector had decreased in 2015 its participation in the flows of FDI remains high as shown in the following chart with a percentage of 32.7%, then the manufacturing with 23.3%, followed the trade, restaurants and hotels with 15.8%, financial services 14.8%, on the other hand it is the sector of mines and quarries with a very minimal participation of 6.6%, at the same time the construction with a 5.9% and by past other sectors with 3.7%. (Procolombia , 2015)

Graph 9. FDI flows in Colombia by sector in 2015



Source: (Procolombia , 2015)

In conclusion, it is identified that Colombia is a country that since 1997 has been more expensive levels of FDI, always identifying the oil sector as the main sector investment, although considering that has shown one ups and downs in recent years, especially in 2015 given the oversupply of oil in the world generating a fairly significant decrease in price.

2.4 Main sectors of FDI in each of the member countries of the Pacific Alliance

Chile is one of the main countries of the Pacific Alliance that brings FDI to Colombia, account with 68 projects, mainly in the sectors of financial services, software, and IT services in sectors of consumer goods. Another country which is a member of the Alliance is Mexico who has 21 projects of Foreign Direct Investment in Colombia in sectors of entertainment and communications, and also as Chile in sectors of software and IT services, whereas the main investments from Peru are sectors textiles, tobacco, plastics and food. (ProColombia , 2013)

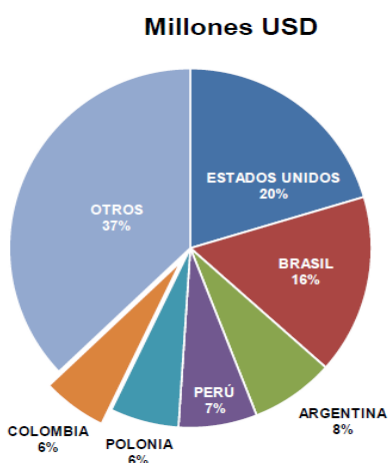
In the 2012 Chilean companies invested in the Colombian economy in an amount of \$368 million, in which was reflected an increase of 304% with the previous year, this increase was not only in the areas of oil and mines but also in hydrocarbons, also the FDI in Chile toward Colombia has increased due to the growth and development of the technology and in addition another source attraction is the GDP and population of Colombia. (Anónimo, Chile es el primer inversionista en Colombia, 2012)

The FDI from Peru to Colombia sumo 133 million dollars between 1994 and 2011, in 2011 Peru invested in Colombia an amount of \$19.1 million in sectors such as logistics, agribusiness, goods and services of mining, building materials and textiles. Some Peruvian companies in Colombia are Alicorp, Belcorp, Yanbal, Topitop and Ajegroup (Big Cola). (Anónimo, Chile es el primer inversionista en Colombia, 2012)

In the Seminar of business opportunities in Colombia in the year 2013, was attended by 22 Mexican businessmen, this is done with the aim of deepening the trade and investment between the countries, which made to see Mexico that in Colombia there are great opportunities for FDI. FDI in Colombia from Mexico between the years 2000 and 2010 was 1,517 million dollars, where the main sectors were transport, trade, real estate and construction. (ProColombia, 2011)

Mexico invests 6% of its FDI in Colombia in sectors of communications, building and construction materials, food and tobacco, and metals. (ProColombia, 2011)

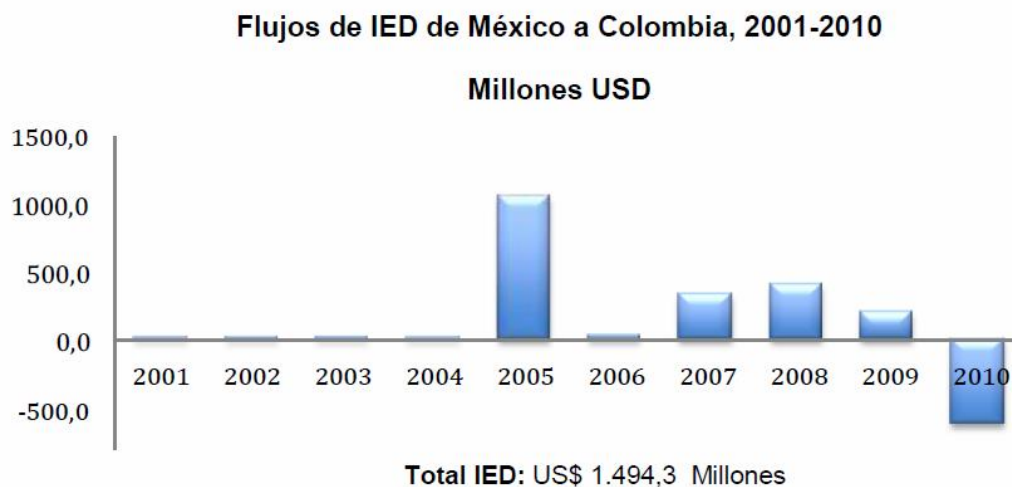
Graph 10. FDI in Mexico



Source: (ProColombia, 2011)

Since the year 2001 to 2010, investment from Mexico to Colombia have not been very high; however in the year 2005 there was an increase with an investment of 1,062 million dollars, being the major investments in the telecommunications sector, while in the year 2010 there was a divestiture to Mexico of \$623 million. (ProColombia, 2011)

Graph 11. FDI flows from Mexico to Colombia for the years 2001 to 2010



Source: (ProColombia, 2011)

Some of the most important Mexican companies that invests in Colombia are Telmex, in the telecommunications sector, under their cable TV companies, fixed and mobile telephony, Cemex with investments in the sector of materials for construction with cement plants, Mixichem in the petrochemicals and Bimbo in the food sector. (ProColombia, 2011)

Graph 12. Mexican companies in Colombia



Across América Móvil, the Mexican company has ventured into the mobile phone (Comcel) and fixed telephony and cable television, as well as the development of data centers in the country.



The Mexican company dedicated to the manufacture of substances and chemical products and building materials acquired the 100% of Pecto in the country in 2007.



The Mexican multinational of building materials began operations in the country in 1996 with the opening of cement production plants in Bogotá, spread throughout the country.



Mexican food processing company opened its first plant in Tenjo, Cundinamarca for the production of its bakery and pastry base, spreading across the country.

Source: (ProColombia, 2011)

In the first quarter of the year 2014, Mexico averaged 5% of the flows of Foreign Direct Investment for Colombia, this figure has helped Colombia increase their FDI, in 2013 was 16,354 million, with a growth of 8.1% the previous year, from 2004 to 2013 FDI has increased more than nine times. Bogota has 28 Mexican companies that are planning to engage in other cities of Colombia. (Arteaga, 2014)

Table 5. Mexican companies in Bogota-Colombia

EMPRESAS CON PRESENCIA EN BOGOTÁ		
EMPRESA	SECTOR	VENTAS EN 2013
América Móvil	Telecomunicaciones	60,079 mdd
FEMSA	Bebidas	19,640 mdd
Cemex	Cemento	14,953 mdd
Grupo Bimbo	Alimentos	13,785 mdd
Coca-Cola Femsa	Bebidas	11,931 mdd
Telmex	Telecomunicaciones	10,277 mdd
Grupo Televisa	Medios	5,639 mdd
Mexichem	Petroquímica	5,177 mdd
Aeroméxico	Autotransporte	3,040 mdd
Vitro	Vidrio	1,675 mdd
Alsea	Alimentos	1,202 mdd
Cinépolis	Entretenimiento	1,049 mdd
TV Azteca	Medios	922 mdd

Source: (Arteaga, 2014)

Colombia is located in the second largest population of South America with more than 45 million people, which makes it more attractive for its investors and thanks to efforts with business incentives attracted companies from abroad. Foreign Direct Investment in Colombia increase of 3 billion dollars to the 10,000 million dollars in recent years. In 2009, Chile has invested in Colombia on 12% of FDI, represented in 4,220 million dollars. (Anónimo, Compañías chilenas invierten en Colombia, 2010)

Some of the Chilean companies in Colombia are LAN Airlines and Falabella which invested 47 million dollars in new premises in 2010, Easy shops for home products in which invested more than 200 million to open 15 new stores, in the 2010 and 2012 opened six premises of the store The Polar S.A (Anónimo, Compañías chilenas invierten en Colombia, 2010)

Chile in 2012 became the main investor toward Colombia, leaving to one side to the United States and Spain. In the 2009 Chilean companies invested 54 million dollars, in 2011 that investment is multiplied by 11, because that was 585 million and in the first few months of 2012 the investment was \$368 million, which had an increase of 304% compared to the same period of the previous year. (Anónimo, Chile sigue incrementando su inversión en Colombia, 2012)

In the time that Chile has been investing in Colombia until 2011 totaled 8,900 million dollars, with more or less 70 companies, where 68.8% equivalent to 6.126 million dollars were invested in the energy sector mainly in the 90's, companies like Chivor ESP and some stock packages of Emgesa and Codensa. On the other hand, the services sector had an investment of 3,064 million dollars, of which 67% is equivalent to the retail trade. (Anónimo, Chile es el primer inversionista en Colombia, 2012)

Through the Pacific Alliance, it is working increasingly strengthening among its members, which makes that Colombia is an attractive market for Peruvian companies, where 15 of them between the years 2010 and 2015 had an investment that adds the 2,700 million dollars, the main sectors are metal industry, transport, agro-industry, cosmetics and toilet, chemical, services information technology, financial services and professional services. (Quispe, 2016)

In the 2012, FDI from Peru to Colombia had an amount of 3.657million, with a growth of 3.8%, compared with the same period of the previous year. Peru in 2011 became the tenth country with more investment in Colombia, where private investment

totaled \$133 million in the years 1994 and 2011, and only in the 2011 investments were 19.1million, the main sectors are trade and industry which have a percentage 83% and the other remaining is concentrated in the areas of logistics agribusiness, goods and services of mining, textiles and building material. (Noticias, 2012)

According to Néstor Popolizio ambassador of Peru in Colombia, after Chile, Mexico and Panama, Peru is located in the fourth Latin American country that invest more in Colombia in financial sectors, miners, Ajegroup is present in the sector of soda, the Gloria Group has purchased three Colombian companies, in the sector of cosmetics are companies like Yanbal and Belcorp and without leaving out the gastronomic sector where Colombia account with large investments surpassing the 50 restaurants. Until 2015 it was estimated that the investments of Peru to Colombia exceed 3 billion dollars. (Calderón, 2015)

Due to the boom that has had the FDI in the mining sector- Peru, energy the Peruvian businessmen each time are more inclined to invest in this sector in Colombia investing a sum of 12 million dollars, since at this time there are many more benefits for both by belonging to the Pacific Alliance. (Anónimo, Industria peruana tiene apetito por Colombia, 2014)

Can be affirm that finally, Chile is the main country of the Pacific Alliance that FDI contributes to Colombia in sectors such as software, food sector, IT services, among others, without leaving to one side to the other two members Mexico and Peru that also have a significant percentage of FDI in the country in different sectors, mostly investing in companies.

2.5 Potential sectors for FDI in Colombia from member countries of the Pacific Alliance

Below will be an analysis of the context of Colombia as a member of the Pacific Alliance and the potential it has to encourage FDI in its economy, a distinction is made with figures and growth analysis and historical of the sectors to display with indicators from official sources the chronological development of each sector that is considered with potential for reception of FDI and to determine which sectors are the most attractive and with the greatest potential for the reception of FDI by the PA countries members.

Colombia has been prominent in Latin America for its policies of macroeconomic stability that have generated significant flows of FDI and a growth of its economy from approximately 5 percent so far in the second decade of this century. They are also characterized factors that provide fertile ground for investment as are the ease of doing business, a legislation that guarantees the protection of private capital, the increase in the perception and the indexes of security, joined the increase of the logistics infrastructure of the country. In addition to all the above is counted with a human capital that around 50 per cent are of working age and below the age of 30 years, with qualified profiles for the performance of work techniques and advanced development in industrial and services sectors that require it. Account with conditions of accessibility to the Atlantic Ocean and the Pacific, with abundant natural resources and a diversity of flora and fauna that is unique in the world. (Alianza del pacifico, s.f.)

In Colombia is handled by a Central Bank with autonomy in decision-making and a constitutional mandate that dictates the control of inflation as the primary pillar of its

administration. This controlled inflation has occurred in several periods the achievement of a point below the expected and this being a relevant macroeconomic stability indicator for decision-making to opt for investing in the country. In addition to this, that the unemployment situation has significantly reduced until arriving to single digit numbers that provides investor confidence in the country. (Alianza del pacifico, s.f.)

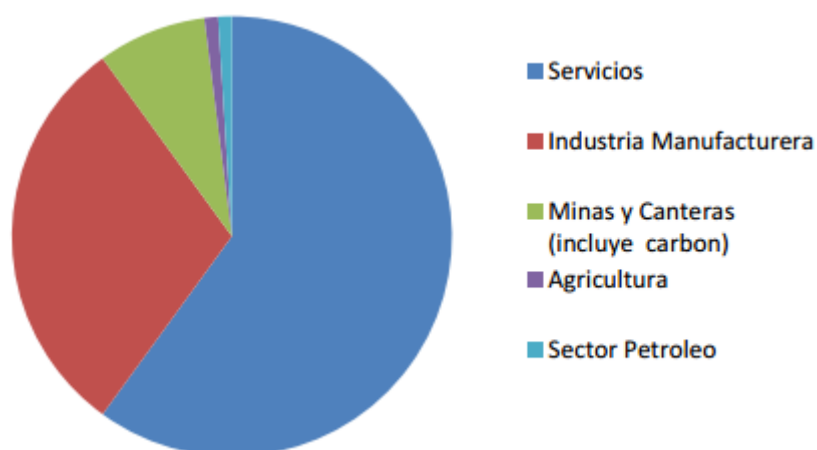
Colombia has multiple trade agreements and free trade treaties which make Colombia a country that served as a platform for the member countries of the PA to reach markets that would otherwise be would hamper and would be less competitive. Colombia has preferential access to potential markets in around 50 countries and over 1,500 millions of consumers who have quadrupled in the last decade and with an amount of US\$119,000 million in the year 2014 and exports in the amount of US\$55,000 million for the same period, and because of the policies that encouraged and reduce barriers to FDI, have reached maximum investment in sectors mining energy around US\$ 9,600 million dollars for the year 2014. (Alianza del pacifico, s.f.)

The main sectors that have been identified in Colombia that have advantages and great opportunities for investment are: agribusiness sector which represents 6.2% of GDP, this has increased each year due to its availability of land, water and climate. The manufacturing sector in Colombia counts with an attractive internal market and a competitive productive system because it has increased the production, distribution and exports in this sector, the GDP in 2013 had a share of 11%, where the manufacturing industry stood at the fourth activity more representative for the country, and the services sector as more than 30% of GDP is of service activities, this sector has experienced

significant growth which makes it one of the largest business challenges for the country.
(ProColombia , s.f.)

From the year 1994 until the 2000 FDI in Colombia was concentrated mainly in services sectors with a 60% stake that today remains as high, the manufacturing sector was 30%, the mining and quarrying sector by 8 per cent and the agriculture sector oil were the lowest participation. (BOHÓRQUEZ, 2013)

Graph 13. Economic sectors attractive to foreign investment



(BOHÓRQUEZ, 2013)

Colombia presents different economic sectors with potential attractions for growth and FDI, they generate a conglomerate of great interest for the countries of Latin America and the PA making Colombia one of the economies that has grown most after Brazil, Chile and Mexico in recent years.

Primary sectors of the economy such as the agricultural sector that includes agricultural products and which incorporates products traditionally exportable as coffee, bananas, flowers, sugar and additional to those other subsectors of the primary sector

as the mining sectors. Another sector that is of vital importance and benefits employment indicators and automation in the country is the industrial sector which include the main cities and cover important production lines as the food and processed. In the tertiary sector was identified the services sector with companies in the financial sector, the transport and telecommunications sector.

The tertiary sector or services are represented by financial sectors due to deregulation that has experienced this sector, the reduction of taxes of intermediation that established the entry and exit of agents. Also banks, trade, transport, telecommunications and services without leaving aside the education and health. (BOHÓRQUEZ, 2013)

Sectors such as public utilities (gas, water, electricity) are one of the sectors where there is significant potential to generate FDI from causes such as privatization and restructuring models that have lived the companies of the sector. In manufacturing there is potential due to the large domestic market and the platform model to reach markets with which they have business arrangements, facilitating the entry of products from Colombia without barriers and with zero tariffs.

In Colombia, have established large firms that have consolidated their markets and have made significant reinvestment of profits in different sectors to traditional of mining energy, this is considered FDI given by the regulatory and legal stability. Other aspects that improve the conditions of the market for foreign capital, added to the fiscal regime, are the conditions of security and the established contractual models that guarantee the legal security of investment and private capital.

In Colombia, programs have been established to encourage FDI in sectors that generate a productive transformation generating the enabling environment for the distinction and identification of the potential available in the country.

Sectors like this have had an important support in the development of new companies in the sector and the expansion of the coverage in networks and information systems. Generating limitless opportunities for investment in specific sectors such as software development, digital entertainment, service, and in general the access to communication technologies massifying its use in the population and the industry in general. Factors such as the growth of the sector to quintupling its size in only a decade is an example of this, the software, hardware and services have also presented significant growth of around 56% and 31% respectively. Programs that encourage the handling of it as "Live Digital" that stimulate the economic development with the use of these, skilled labor with around 400 thousand graduates of careers related to the sector and added to this the communications infrastructure with more than 10 submarine cables with capacity of 4G operations that demonstrate the productive capacity of this sector and the potential demand for investment that requires. (PROCOLOMBIA, 2015)

Another of the sectors with high growth potential and reception of FDI is the hotel sector that registers a great demand due to the country at the present time is a great international tourist destination by the exotic their destinations, the preparation and vocation of service sector jobs, the increase in the volume of tourists that grew 12.7% above 3.9% of the world average and the income of 1.9 million visitors in the year 2014 have set an interesting course to the tourism sector in Colombia. And primarily the

exemption to the income which is obtained during 30 years for investors in this sector. (PROCOLOMBIA, 2015)

Colombia holds the fourth position in Latin America with a higher figure to 130 thousand units per year, and a production model that provides not only for the assemblage but also for the production of automotive parts of large companies such as GM Colmotores, Sofasa Renault - and others. In the sector now has 15 assemblers (8 cars and 7 motorcycles) and with a record in sales for 2014 of 328,000 units of which 34% were vehicles assembled, generating a growth of 12% making this sector a sector with significant growth figures and invoicing that can receive FDI in countries with a strong automotive sector such as Mexico or Chile. (PROCOLOMBIA, 2015)

Colombia counts with the fourth annual rate of population of the region and with a motorization rate of 98 vehicles per 1000 inhabitants and exports have been multiplied by 5 from the year 2009 with regional destinations such as Mexico, Ecuador; Peru and Chile it is estimated that between the period that includes 2015-2019 will generate a growth of the sector in around 5.5% a year and sales of around 430,000 units per year. Also the motorcycles and auto parts are an attractive sector for the flows of FDI toward Colombia already that occurred in 2014 a total of 662.635 motorcycles with a growth rate of 16% per annum and auto parts with a turnover of USD 945 million dollars and a growth of 10% per annum. (PROCOLOMBIA, 2015)

The textile sector is another of the sectors it represents one of most important indicators of growth of the industrial and service sector with potential for reception of FDI from the member countries of the PA. This must be the impetus provided by the

government with the Productive Transformation Program that ensures the development of the sector to generate competitiveness at world level. According to records the annual increase in sale of clothing had a growth of 9.9% per annum and total sales of US\$ 6,832 million recorded in the year 2014 and a growth above the average evidencing the 3er position in the region. The growth rate of demand for textiles is about 15% a year and covers the local market and demands of export markets of countries of the region that meets the demand of important trading partners such as the USA, Mexico and Ecuador. Colombia counts with a textile sector of more than 100 years of experience, entities that provide support and encourage activity such as Chambers of Commerce, SENA, Inexmoda Procolombia and others. It is also one of the main sectors in employment generation with 94.506 Posts generated and a 14% contribution of the industrial sector. (PROCOLOMBIA, 2015)

In conclusion, it may reveal that Colombia has sufficient arguments supported in indicators that shows that sectors have growth rates very attractive from the point of view of financial and legal security to attract FDI from the PA due to its proximity, its political and cultural affinity, the reduction of costs of logistics and in general by the great productive force that can generate the PA for the supply domestic markets and also conquer the markets of the Pacific as a bloc.

The analysis is interpreted that there are sectors that have rapid growth and generate broad potential of FDI, although at the time sectors such as mining energy is seriously hit by the international prices of petroleum hydrocarbons in general. However remains a sector that handles very important figures for the trade balance and current

account, making it clear that it is a sector with a dynamic very important and indispensable to the development of society.

Sectors such as services is another of the foci that demand FDI by countries such as Mexico for its telecommunications industry financial and banking services with the potential of investment from the Chilean banking system with its long experience to its opening up to new markets due to the multiple trade treaties that has, including to Colombia where it already now fact opening of offices banking and insurance.

The industrial sector is another of the industrial sectors with large demands from Peru for its textil tradition and specialized manufactures and of high quality.

3. Findings / Conclusions

- ✓ The Pacific Alliance in the short time has created (5 years) a growth quite notorious at the global level, in such a way that has more than 40 observer countries, which in few words indicates the attractive being such integration at the global level

- ✓ The Pacific Alliance with the entry into force of the Trade Protocol, will have an expensive trade between the member countries by the immediate tariff reductions to 0% of the 92% of the products, which in latest generates products with greater added value and innovation allowing to reach the Alliance to its area Focus Asia Pacific, when besides this is pointing to a possible alliance with the APEC

- ✓ The main source of FDI in Colombia is given by the privatization of state enterprises in sectors such as petroleum, telecommunications, electricity and airport services

- ✓ In the analysis of the 1990-2015 period of FDI in Colombia identifies that the main countries which invest more in Colombia are United States and countries in Europe such as Spain, England and Switzerland. In addition, the main sector for investment is the oil, but showed a drop in 2015 by the low that had its price, because of the global level overbid

- ✓ Unlike the countries of the world, members of PA not earmarked its total investment in Colombia to the oil industry. Mexico for example intended its investment mainly in sectors such as telecommunications and construction, Peru in areas of logistics, goods and services of mining, textiles, building, cosmetics, among others and Chile in the energy sector and services

- ✓ Although the countries of the Alliance are not the main source of FDI in Colombia, there is a growth in recent years and some investment projects in alternative sectors that can greatly enhance the country economy

- ✓ Colombia has abundant resources in extension of land, freshwater sources, thermal floors and variety of climates that can be exploited in agricultural activities on a large scale and generate a large variety of products in the agricultural sector for food, biofuels and raw materials of animal and plant origin. Countries with agricultural tradition and an economy based on agriculture, could invest capital and knowledge in this sector to remove products with added value and exotic characteristics due to the particular of the Colombian land

- ✓ Services sector is one of the greatest potential of investment due to its wide spectrum in which it operates, including financial services, health, software development, telecommunications, tourism services and other areas that we fail to mention. One of the sectors with great potential is tourism that goes hand in hand with the hotelier, Colombia has a broad portfolio of destinations with holiday

purposes of different modalities. Hotel packages of luxury, natural activities and visits to natural attractions of its own. The current potential in this sector can be exploited by the devaluation of the local currency that makes it more attractive and if it takes into account the fiscal and tax exemptions which the government promises, this is one of the sectors with the greatest potential for growth and perception of FDI

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