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Topic:

Analysis of the economic impact in Ecuador as an Associated State of the Pacific Alliance from 2017 to 2018.

Graduation work prior to obtaining the degree in International Studies with a mention in Foreign Trade Bilingual Mention

Authors:

Jessica Mabel Calderón Valdez

Paulette Alejandra Cordero Arce

Director:

Eco. Luis Gabriel Pinos Luzuriaga

Cuenca – Ecuador

DEDICATION

This research is dedicated to my parents, because of their support and motivation, whom were my energy to complete another stage in my life. To my siblings and friends for being by my side every time I needed them throughout this process.

Jessica Mabel Calderón Valdez.

The following research is dedicated to my parents, because of their patience and support throughout my university education. To my brother, friends and relatives for being always encouraging me in difficult times.

Paulette Alejandra Cordero Arce.

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We thank our graduation work's director who knew how to guide and help us in the realization of this research work, as well as all the professors who were always there to solve any concerns we have along the way.

Jessica C. y Paulette C.

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ABSTRACT

This following investigation work is based on a bibliographic research referring to the Pacific Alliance, to have a historical reference of this organization, knowing its objectives and its member countries as well as the Observer States. In addition, it is analyzed the economic variables of the member countries (Colombia, Chile, Peru and Mexico) from 2006 to 2016. As a result, we found that the Pacific Alliance has not had the expected impact on its members. Subsequently, it is made an economic analysis of Ecuador and its bilateral relationship with each member country from 2000 to 2017. The main objective of this research is analyzed based on the information collected from the first and second chapter, as well as the study of the impact of the dollar as the official currency in Ecuador.

Key words: Pacific Alliance, Associated State, Exports and Imports, Foreign Direct Investment, Inflation, GDP, and Unemployment.

INTRODUCTION

Nowadays, States are interconnected due to the globalization process. As a result, countries seek to enter to international cooperation activities in order to obtain mutual benefits and achieve the resolution of conflicts. As a result, an economic integration was born between the countries of Mexico, Peru, Chile and Colombia. This organization was named the Pacific Alliance.

This entity seeks to offer the ideal conditions to obtain the most integrated trade, as well as the strengthening of its relations. This economic block is considered the most successful in Latin America because it offers economic and social benefits. In 2015, the block had a direct foreign investment of 63 billion dollars. Similarly, member countries billed $ 1 million dollars between exports and imports in the same year (SEMANA S.A., 2017).

That is the reason why Ecuador decided to change its status from "Observer State" to "Associate State". The country believes that the Pacific Alliance represents great economic and social opportunities.

The following research is divided into three chapters which are detailed below:

- In the first chapter, a brief review of the history of the Pacific Alliance is carried out to subsequently analyze the economic variables (exports and imports, GDP, inflation, FDI and unemployment) of the member countries from 2006 to 2016.
- In the second chapter, the economic situation of Ecuador is studied, focusing on the aforementioned variables, as well as the bilateral trade relationship maintained with other member countries from 2000 to 2017.
- The third chapter aims to demonstrate the benefits or repercussions of the Pacific Alliance in Ecuador, being the dollar, its official currency.

CHAPTER 1: THE PACIFIC ALLIANCE AND THE INTERNATIONAL EXPERIENCE OF MEMBER STATES

1.1. **History of the Pacific Alliance**

In 2007, Colombia promoted an initiative to create a regional space that facilitates economic opportunities and increases participation of Latin American countries in the international market based on free trade (Mexican Embassy in Chile, 2015). This led to the creation of the "*Foro del Arco del Pacífico Latinoamericano"*, which included the participation of Chile, Colombia, Costa Rica, Ecuador, Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama and Peru (García, 2013). However, the forum did not transcend because of the differences in trade policy. As a result, in 2010 the former president of Peru, *Alan García*, invited his counterparts (Chile, Colombia and Mexico) to build an area of deep integration that allows the free movement of goods, services, capital and people. The Pacific Alliance was founded on April 28, 2011 with the declaration being signed by the founding members in Lima, which was the first formal document that reflects the vision of the block. This process culminated on June 6, 2012 with the subscription of the *"Framework Agreement of the Pacific Alliance"* (Otero, 2014).

Article 3 of the *"Framework Agreement of the Pacific Alliance"* points out the main objectives of this economic integration, which are:

- Building a deep integration space that encourages the free movement of goods, services, capital and people.
- Promoting the economic development of member countries in order to achieve more welfare, less socioeconomic inequality and the participation of its inhabitants.
- Being a platform for economic integration, political articulation with a projection to the world, especially to the Asia Pacific. (Pacific Alliance, 2012).

At the same time, there are six lines of action to achieve these objectives:

1. Encourage the commercial exchange of goods and services to consolidate a free trade area between member countries.

2. Promote the free movement of capital and investments between the members of the block.

3. Facilitate trade and customs.

4. Cooperate between immigration and consular authorities to facilitate human mobilization.

5. Prevent and control transnational organized crime to strengthen the security and justice of the region.

6. Promote the development of cooperation mechanisms for greater integration of the parties (Pacific Alliance, 2012).

1.1.1. Observer States

The Pacific Alliance was born as an economic initiative of four Latin American countries, which are: Chile, Colombia, Mexico and Peru. However, it is important to note that non-member countries can also be part of this union, these countries are known as "Observed States", which are 55 countries (Figure 1).

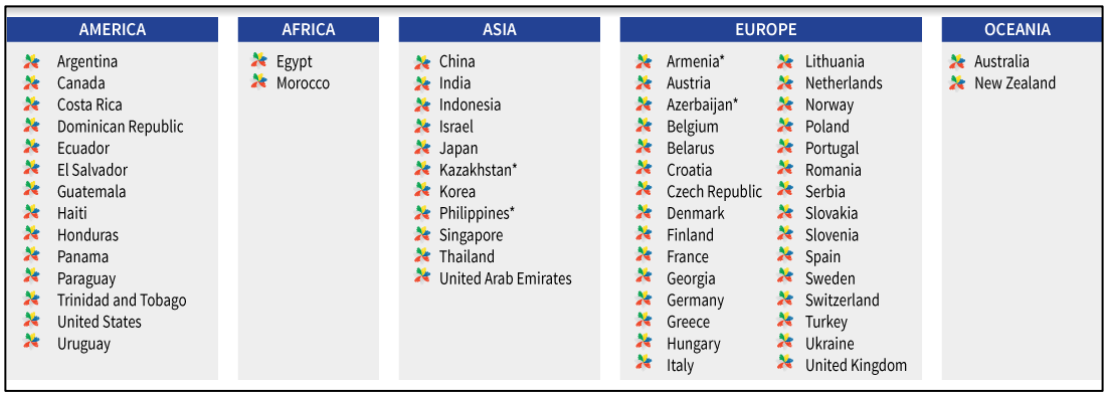

Figure 1. Observer States of the Pacific Alliance

According to article 10 of the *"Framework Agreement of the Pacific Alliance"*, countries that want to be an "Associated State" must have the approval of the Councils of Ministers so when they grant such status, it will be the Councils of Ministers who will put the conditions for participation of the State (Pacific Alliance, 2012).

Guidelines on the participation of the Observer States of the Pacific Alliance

- "Observer States" must comply with the principles and objectives specified in the *"Framework Agreement of the Pacific Alliance".*
- They can attend meetings, but only those that are invited, and they will have only the right to participate.
- To join to Pacific Alliance it is necessary to have free trade agreements with at least half of the "States Parties". Additionally, they must submit an application. After the date of acceptance, they must meet the conditions in one year, otherwise a new term may be granted.
- To maintain its status as an "Observer State", the commitment to the principles, objectives, and work of the Pacific Alliance must be maintained.

(Pacific Alliance).

1.1.2. Associated States

On the other hand, within the Pacific Alliance there are also the "Associated States", a denomination that was created by the Pacific Alliance´s President in order to achieve the entity's objectives, in the same way, this will allow the integration to attain economic development in the region (Pacific Alliance, 2017). Considering this, it is understood as "Associated State" the State with which the members can enter different agreements of economic nature. To have this status, the procedure is the following:

1. It is possible that the "Member States", by mutual agreement, invite a State or that the State interested submit a request. Subsequently, the decision taken will be communicated through President Pro tempore.

2. Subsequently, there will be two options: 1) the State that accepts the invitation, 2) the Pacific Alliance accepts the request of the State interested to be an "Associated State". After this, they will negotiate the terms in which the procedure will be carried out. The negotiation terms must include commercial economic issues in order to open and integrate markets.

3. Negotiations will be in charge of the Ministers responsible for Foreign Trade or of the person they designate. On the other hand, the negotiations will conclude in a short term.

4. Finally, an agreement will be entre between the “States Parties” and the guest or requesting State; when it enters into force, will be considered as “Associated State”.

(Pacific Alliance, 2017).

It is important to note that in 2018, Australia, Canada, New Zealand and Singapore were in the process to join as associated countries of the Latin American regional integration block. These countries are very important for the block because they represent the opportunity to increase volume of exports in order to obtain access to new markets, products, and around 70 million potential consumers (Pacific Alliance, 2018). On the other hand, Ecuador made the request to be an “Associated State”, which was accepted by the member countries; negotiations have already taken place with the representatives of the “State Party”. For Ecuador, being an “Associated State” represents several opportunities in commerce, investment, cooperation, among other areas. The incorporation process of Ecuador will be carried out jointly with Canada, Australia, New Zealand and Singapore. (Ministry of Foreign Affairs and Human Mobility, 2018).

1.2. Economic variables analysis by country

1.2.1. Colombia

1.2.1.1. Colombian exports from 2006-2016

From 2006 to 2016, Colombian exports registered a growth rate of 2.63%. The oil boom allowed Colombia to maintain sustained growth on its exports during 2007 and 2008 (Figure 2). According to the Foreign Trade Office (n.d.), in 2009 there was a drop in the total value of exports by -4.28% compared to the previous year, this reduction was the result of the decrease in demand by the United States, Ecuador and Venezuela, as well as the imposition of trade barriers to Colombian products (Figure 3). However, exports had a significant growth in 2011 of 12.26% compared to 2010. It was attributed to the consolidation of trade agreements with several countries and the creation of qualified employment in the export sector (El País, 2012). From 2006 to 2011, exports to Chile, Colombia and Mexico represented 6.53% of total exports (Trade Map, 2019). In 2013, 67.4% of exports were made with countries with which Colombia has a current trade agreement (Ministry of Commerce, Industry and Tourism, 2014). As a result, exports to Chile, Colombia and Mexico increased and represented 11.68% of total exports (Trade Map, 2019). Although oil continued to be the main exported product, in 2016 the exports of the group of fuels and products of the extractive industries decreased significantly due to the reduction in external sales of oil (DANE, 2017).

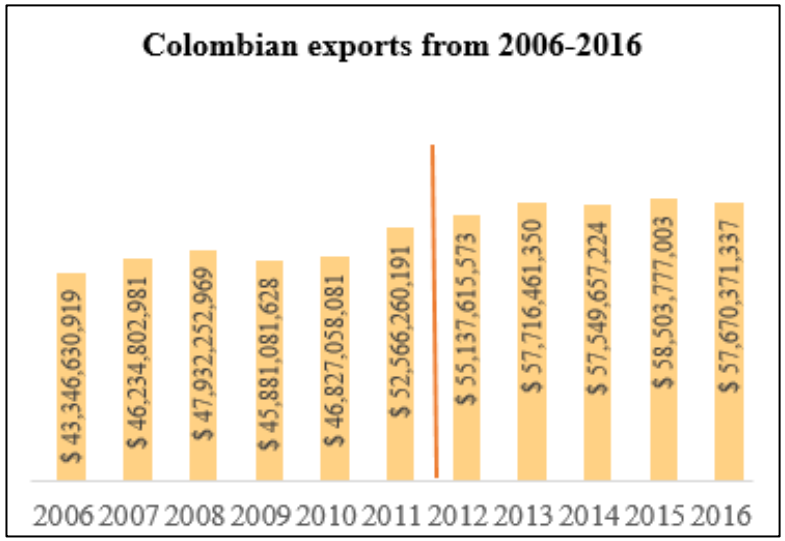

Figure 2. Colombian exports from 2006-2016

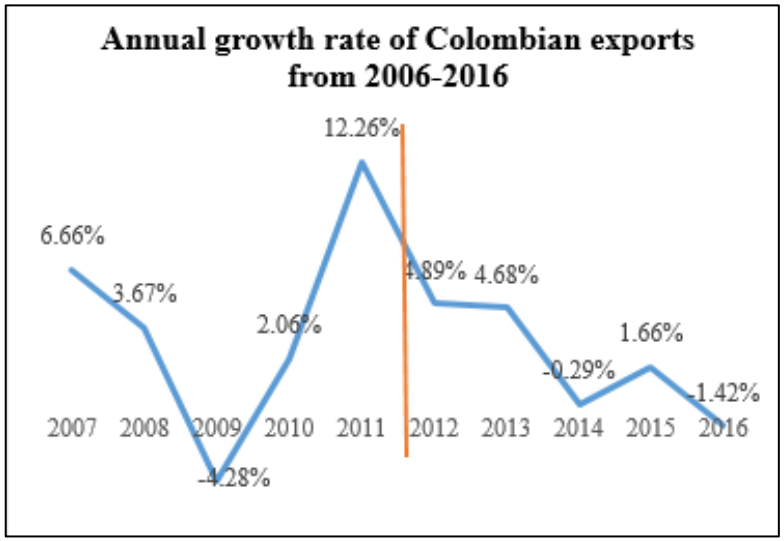

Figure 3. Annual growth rate of Colombian exports from 2006-2016.

1.2.1.2. Colombian imports from 2006-2016

Colombian imports showed a growth rate of 5.99% from 2006 to 2016. According to the "DANE" data, this increase was mainly due to the increase in the purchase of vehicles and their parts; boilers, machines and parts; electrical and recording equipment, and cereals. In the different years, products imported by Colombia come from the United States, Mexico, China, Brazil, and member countries of the Andean Community (Bolivia, Ecuador, and Peru) (DANE, 2007) (DANE, 2012). In 2009, there was a rate of -8.6% compared to 2008 as a consequence of an international financial crisis that had repercussions in several countries, including Colombia (Figure 4). It can be

considered that although there is a trend of increased imports, in 2016 there is a rate of -3.54% compared to 2015 (Figure 5). This is caused by the decrease in purchases of the manufactures group (DANE, 2017). After the creation of the Pacific Alliance (2012), Mexico has had a special participation in Colombian imports.

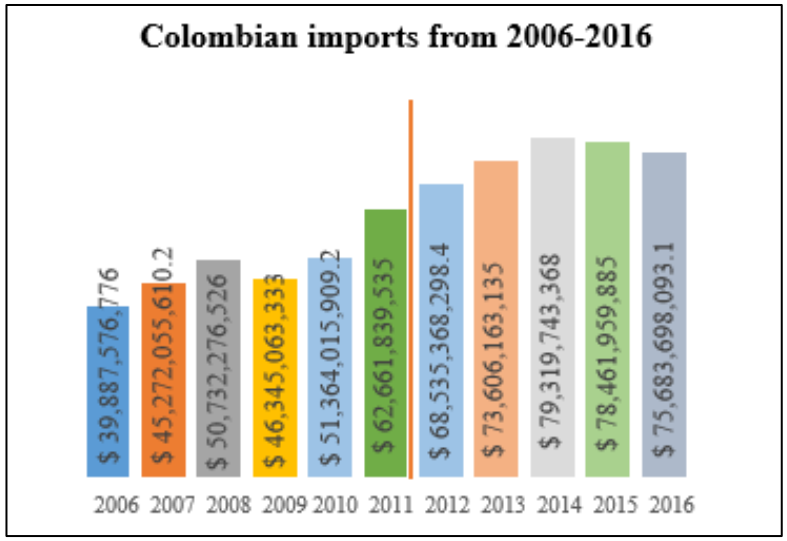

Figure 4. Colombian Imports from 2006-2016

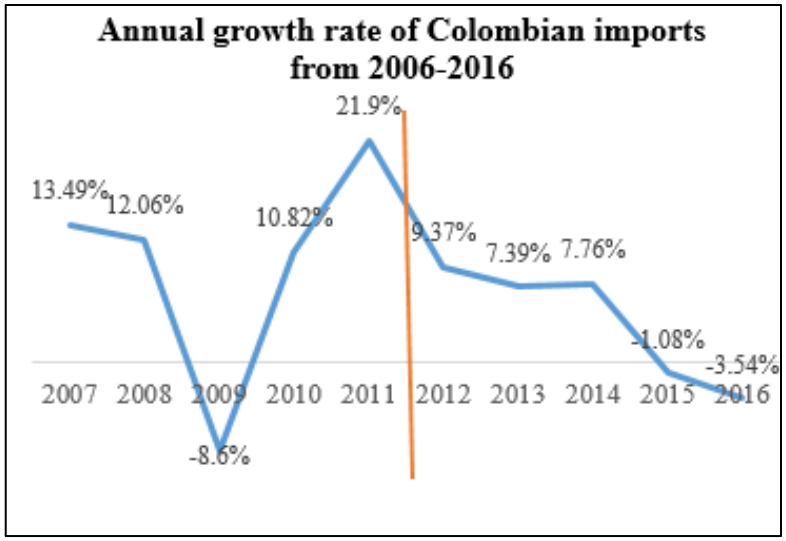

Figure 5. Annual growth rate of Colombian imports from 2006- 2016

1.2.1.3. Colombian Foreign Direct Investment (FDI) from 2006-2016

The growth rate of Foreign Direct Investment (FDI) was 6.75%. Since 2006, Colombian FDI have risen due to the recovery of the economy and the favorable international situation (Figure 6). In addition, the regulations in force extended the freedom of movement of foreign capital in Colombia because foreign companies were granted benefits and possibilities of reinvestment without restrictions (FEDESARROLLO, 2007). However, in 2009 the country faced a slight decline due to the global financial crisis, the impact on global trade and investor confidence (Hawkins, 2011). In 2011, the country became highly attractive and it registered the highest growth between 2006 and 2016. It increased 127.80% compared to 2010 and the oil sector was the one that received most of the foreign investment (El País, 2012). From 2012 to 2014, FDI maintained a favorable growth. In these years, the main FDI issuing countries were Chile, Peru, the United States and Panama who pointed especially to the oil and mining sector, as well as commerce, restaurants and hotels (PROCOLOMBIA, 2013). In 2015, FDI decreased significantly by -27.49% compared to 2014. According to ECLAC, this reduction is due to the collapse of raw material prices (Figure 7). In 2016, FDI increased 18.14% compared to the previous year because of the improvement in the electricity, gas and water sectors (PROCOLOMBIA, 2016).

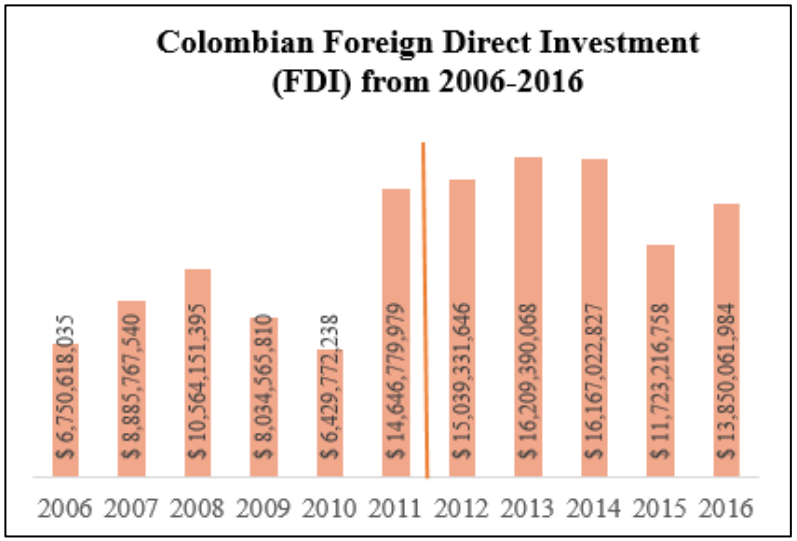

Figure 6. Colombian Foreign Direct Investment (FDI) from 2006-2016

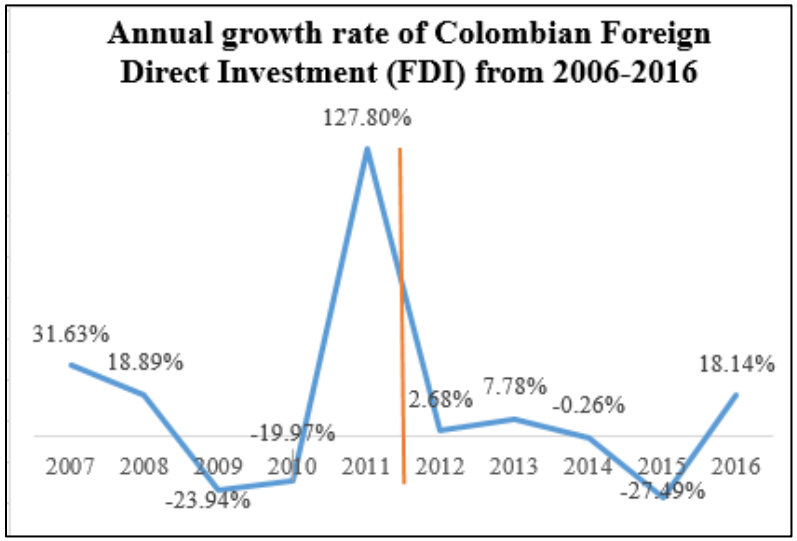

Figure 7. Annual growth rate of Colombian Foreign Direct Investment (FDI) from 2006-2016

1.2.1.4. Colombian Inflation from 2006-2016

The average Colombian inflation was 1.07% between 2006 and 2016 (Figure 8). In 2008, it registered a greater increase since it reached 6.99%. This, in part, is due to the increase in international prices of fuels, raw materials and food, causing the increase in consumer prices. Specifically, perishable food prices, such as fruit, increased (Bank of the Republic of Colombia, 2010). It is necessary to highlight that the minimum wage for this year was 461,500 Colombian pesos, approximately $ 137 US dollars. On the other hand, inflation for the year 2016 was 7.51%, as a result of the clash between two events: the accumulated depreciation of the peso and the "El Niño climate

phenomenon" (Bank of the Republic of Colombia, 2017). In this year, the minimum wage was 689,455 Colombian pesos, approximately $ 201 US dollars.

Figure 8. Colombian Inflation from 2006-2016

1.2.1.5. Colombian Gross Domestic Product (GDP) from 2006-2016

The Colombian economy maintained its favorable growth trend with a rate of 3.71% in these eleven years. Even in 2008, despite the financial crisis, Colombian GDP increased 3.26% over the previous year (Figure 9). The strengthening of the mining industry contributed to the evolution of GDP, which has shown positive variations since 2006, reaching its highest growth in 2011 with 14.3% due to the increase in the value of mineral coal, crude oil, natural gas , uranium and thorium minerals (Arnedo, 2013). In 2012, GDP grew 3.90%

compared to 2011 (Figure 10). In contrast to the previous years, the mining sector showed a slow growth. In fact, in 2014 the value of this branch decreased by -0.2% because of the reduction in the value of metallic minerals by 8.4% and crude oil by 1. 4% (DANE, 2015). Although in the international context the economy was retained by the decline in trade and the fall in prices for raw materials, the Colombian economy managed to adjust to this change and maintained a sustained growth in other sectors such as agriculture, livestock, hunting, forestry and fishing , and building (OCDE, 2017).

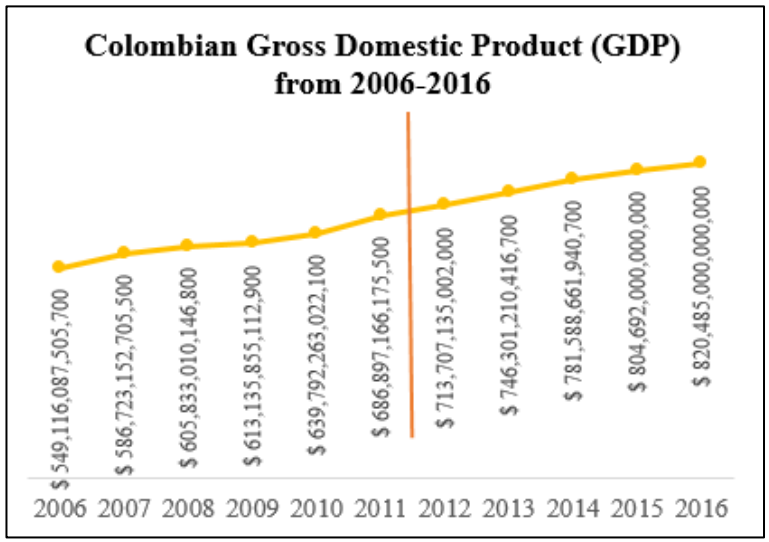

Figure 9. Colombian Gross Domestic Product (GDP) from 2006-2016

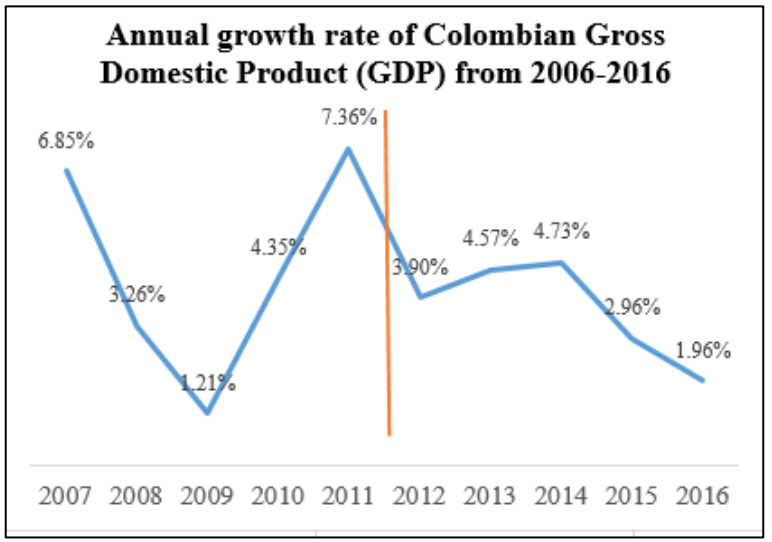

Figure 10. Annual growth rate of Colombian Gross Domestic Product (GDP) from 2006-2016

1.2.1.6. Colombian unemployment rate from 2006-2016

From 2006 to 2016, there was a tendency of increased unemployment, but after some years the unemployment rate had decreased (Figure 11). In 2009 there was a greater increase of 12.06%. The lowest unemployment rate was registered in 2015 (8.29%) because of the international financial crisis. In this year exports decreased. Some of the reasons for unemployment are no jobs available in the city, people cannot find a job in their profession, lack of experience, and employers consider applicants too young or too old for the job offer (DANE, 2010). On the other hand, the lowest rate was registered in 2015 with 8.29%, since approximately 545,000 new jobs were generated in the country (DANE, 2016). However, in 2016 you can see a slight increase in the unemployment rate, it went from 8.29% in 2015 to 8.69% in 2016 due to the cargo transport strike in July, there was a high participation rate in January, and a lower employment generation dynamics in the construction area in March of this year (DANE, 2017).

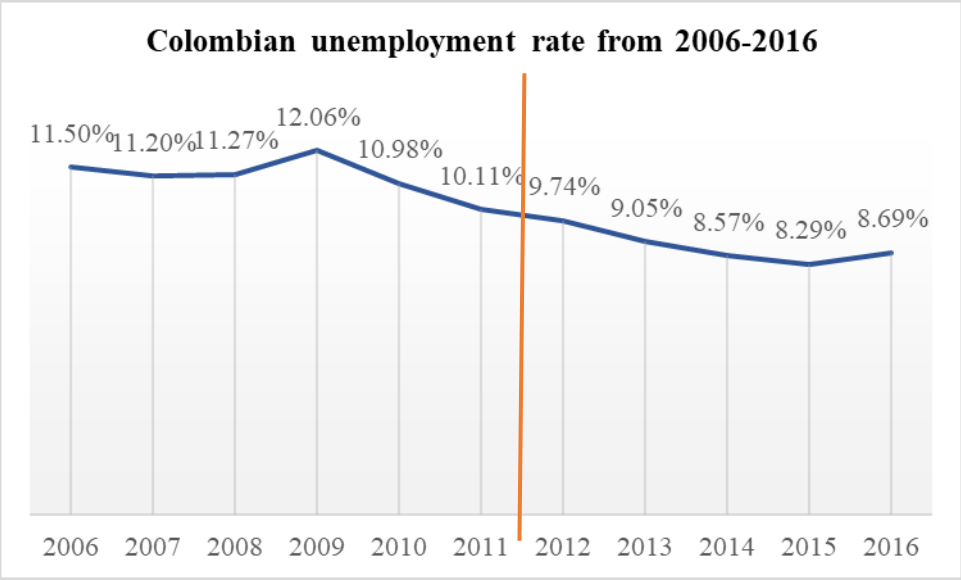

Figure 11. Colombian unemployment rate from 2006-2016

1.2.2. Chile

1.2.2.1. Chilean exports from 2006-2016

Chilean exports registered a growth rate of 1.059% from 2006 to 2016 (Figure 13). The main export product is copper. In fact, the country has a strong mining production. Thus, in 2007 this sector had a positive influence on the value of exports because they increased 7.19% over the previous year (Central Bank of Chile, 2007). In 2009, there was a decrease of -4.24% on exports, as a result of the

contraction of global trade and the financial crisis that hit important markets for Chile such as the United States and Japan (DIRECON, 2009). In 2011, the value of exports tended to rise due to the increase in copper prices (US $ 4.2 per pound) (DIRECON, 2011). Although in previous years there was a continuous recession in several economies, in 2013 there was a greater economic recovery (Figure 12). However, Chilean exports did not have a significant growth because the price of copper had decreased to $ 3.32; 7.8% lower than in 2012 (DIRECON, 2014). Chilean exports were affected by the international economic situation, the appreciation of the dollar and the drop in prices of raw materials during 2015 and 2016 (DIRECON, 2016). Chilean products were mainly directed to China, the European Union and the United States. Colombia, Peru and Mexico represented less than 8% of the value of total exports (Trade Map, 2019).

Figure 12. Chilean exports from 2006-2016

Figure 13. Annual growth rate of Chilean exports from 2006-2016

1.2.2.2. Chilean imports from 2006-2016

From 2006 to 2011, purchases made by Chile had a growth rate of 3.95%. In fact, there was an increase and decrease in imports (Figure 14). In 2009, there was a decline in imports, a rate of -16.61% compared to 2008, due to the lower purchases of fuel and oil, caused by the lower international price (Figure 15). However, there was an increase in imports. 2013 was the one that represents a considerable increase compared to the year 2009. It is important to note that in 2012 Pacific Alliance was created, but it really begins to have relevance since 2015 because in previous reports of Foreign Trade, although the member countries appear within the ten main suppliers of products,

they were considered independently. However, since 2015 they were considered as a group. In 2016, the Pacific Alliance was in fifth place of the main suppliers of products to Chile, while China leads as the main supplier (Department of Studies of the General Directorate of International Economic Relations of the Ministry of Foreign Affairs of Chile, 2017).

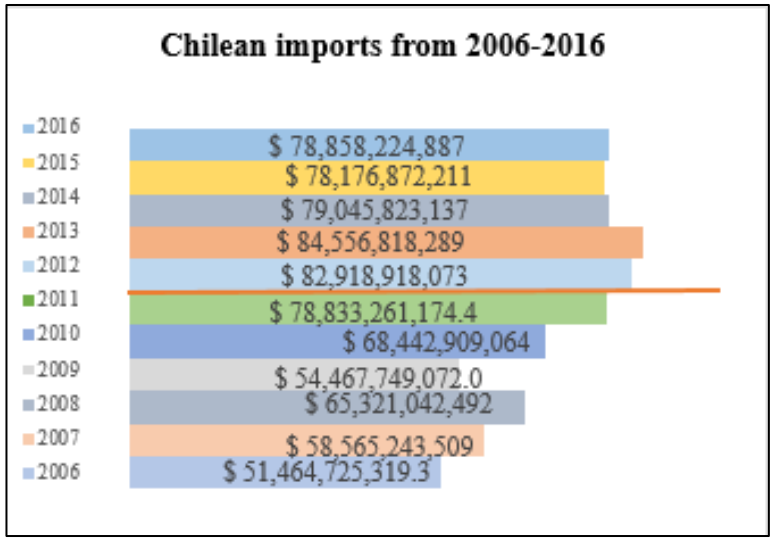

Figure 14. Chilean Imports from 2006-2016

Figure 15. Annual growth rate of Chilean imports from 2006-2016

1.2.2.3. Chilean Foreign Direct Investment (FDI) from 2006-2016

The FDI in Chile grew at a rate of 4.55% from 2006 to 2016. In 2006, much of the Foreign Direct Investment corresponded to concessions for the construction and operation of infrastructure projects. However, in 2009 there was a decrease of -25% compared to the previous year, which was the result of the drop of the mining sector due to the reduction in the price of copper (Trade Map, 2019). In 2011, FDI had a historical increase of 50.75% compared to 2010 (Figure 17). The most benefited sectors were mining, electricity, gas and water, financial services, communications, and trade. The United States and Spain were the main countries of origin of FDI in Chile (Calderón, 2016). In 2012, Chile ranked second among Latin American countries that received more Foreign Direct Investment (Figure 16). As a result, the country received more investments in the mining and services sector. However, the growth was slow and variable. In 2016, there was a large reduction of -41.22% because of the change in the regulations of the mining sector, tense labor relations and the increase in labor costs (Alfonso González, 2017).

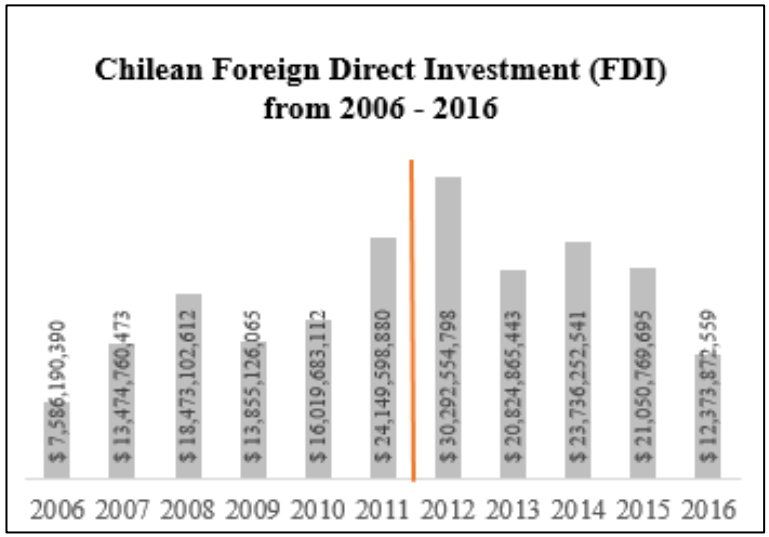

Figure 16. Chilean Foreign Direct Investment (FDI) from 2006-2016

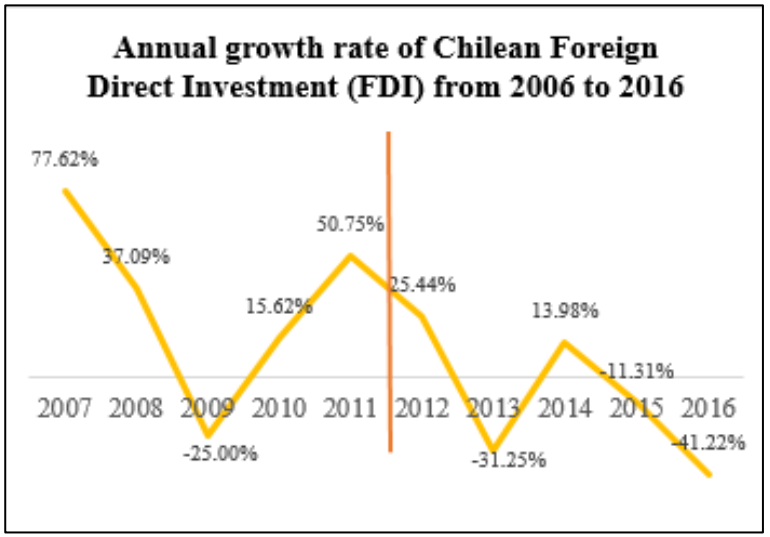

Figure 17. Annual growth rate of Chilean Foreign Direct Investment (FDI) from 2006-2016

1.2.2.4. Chilean Inflation from 2006-2016

The average Chilean inflation was 1.03% between 2006 and 2016. From 2007 an increase trend can already be seen, but for 2008 inflation increases considerably (Figure 18). This in part is consequence of the international situation, specifically the economic crisis in the United States, and, because of a worldwide increase in the prices of cereals and other foods. Additionally, at the national level, the climate in agricultural areas contributed to the increase in food prices (Garcés, 2008). Given this, the "Total Basic Basket of Goods" cost 979.85 Chilean pesos (1.38 USD); while the basic salary was 159,000 Chilean pesos (USD 224.26) (Ministerio de Hacienda, 2008)

(Ámbito, 2009). From the year 2011, there had been a decrease in inflation. However, in 2014 inflation increased to 4.71%, the highest rate registered since 2008. This was due to the depreciation of the Chilean peso. Nevertheless, in 2015 there was a decrease in inflation; as a result of the decrease in the value of oil and domestic demand (Gestión, 2015). In 2014, the value of the "Basic Food Basket" cost 43,039 Chilean pesos (USD 60.70); bread, beef, milk and potatoes have a greater influence on the cost of the basket (Ministerio de Desarrollo Social, 2014). On the other hand, the minimum wage was 225,000 Chilean pesos (Ministry of Labor and Social Welfare, 2014).

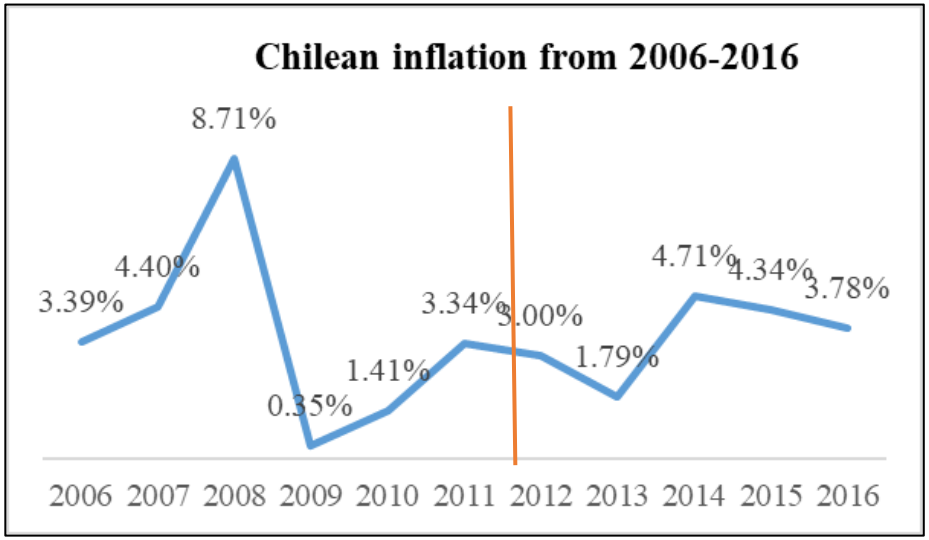

Figure 18. Chilean Inflation from 2006-2016

1.2.2.5. Chilean Gross Domestic Product (GDP) from 2006-2016

The GDP growth rate was 3,020% from 2006 to 2016. Since 2006 GDP have been favorable and have allowed the growth of the Chilean economy (Figure 19). However, natural disasters such as earthquakes caused a contraction in the fishing and industry sector that managed to be solved with the performance of trade activity in GDP. In 2011, GDP had its highest figure which was driven by all economic sectors with the exception of mining. In fact, business and commerce services stood out as those with the greatest contribution to GDP growth (Central Bank of Chile, 2012). In 2012, the GDP had an expansion of 5.3 compared to 2011(Figure 20). All economic activities had a relevant participation except for the agricultural and forestry sector which had a fall. In 2016, the country experienced a decrease with 1.27% due to the international financial crisis (Central Bank of Chile, 2017).

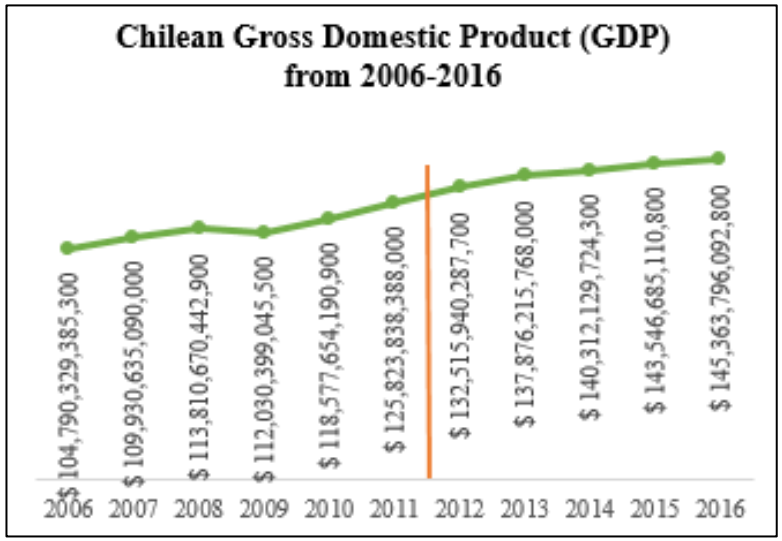

Figure 19. Chilean Gross Domestic Product (GDP) from 2006-2016

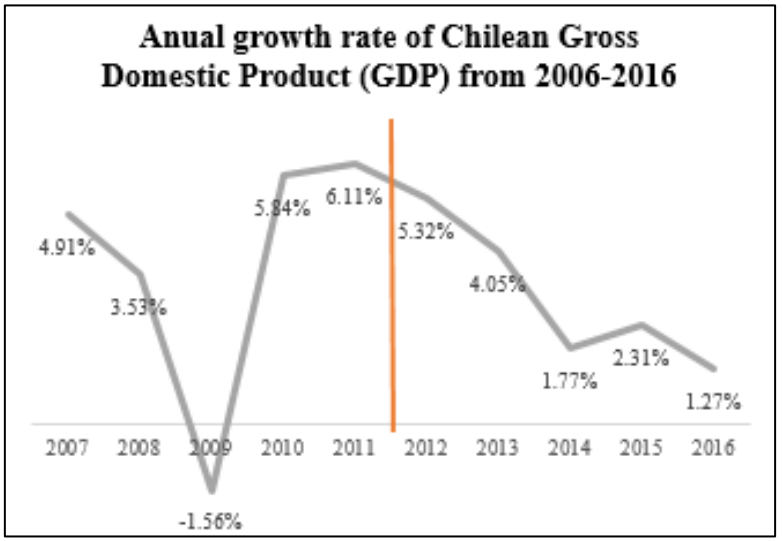

Figure 20. Annual Growth rate of Gross Domestic Product (GDP) from 2006-2016

1.2.2.6. Chilean unemployment rate from 2006-2016

The year with the highest unemployment rate was 2009 with 11.31%, this is in part a consequence of this year's international financial crisis (Figure 21). There were different sectors where there was a decrease in jobs, such as: manufacturing, transportation and communications, and construction industries (INE, 2010). At the same time, it can be seen how for the year 2011 there was a decrease in the unemployment rate, since it became 7.34%. This was due to an increase of domestic service personnel in the social and health

services sector and real estate activities, among others (INE, 2012). Similarly, in 2013 the unemployment rate was 6.21% due to the increase of jobs in commerce, real estate sectors, and manufacturing (INE, 2014).

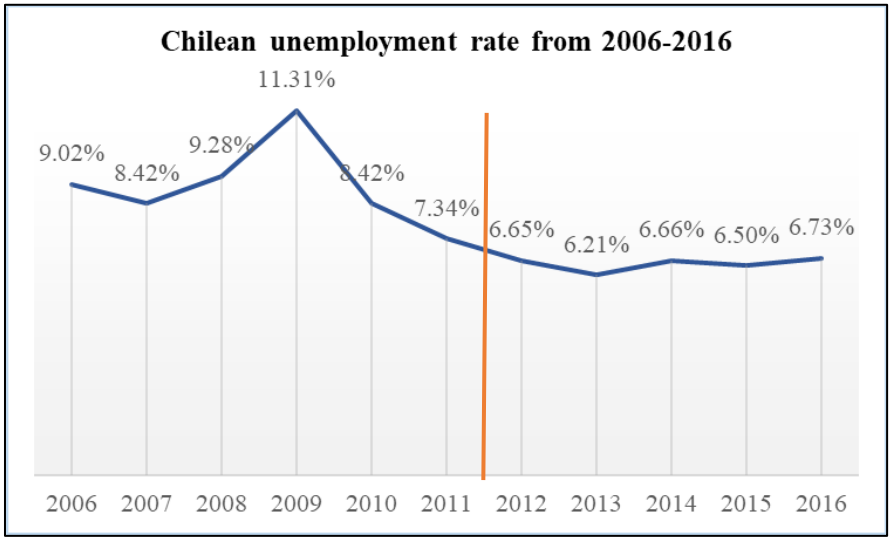

Figure 21. Chilean unemployment rate from 2006-2016

1.2.3. Peru

1.2.3.1. Peruvian exports from 2006-2016

Peruvian exports presented a growth rate of 3.020% between 2006 and 2016. Peru is a country that depends mostly on traditional exports, its main exported products are copper, ore, gold, petroleum refined, zinc ore and refined copper (OEC, n.d.). Peruvian exports have continued to rise, but in 2009 they presented its first drop of -3.29% compared to the previous year due to the reduction in the price of a

barrel of oil (Figure 23). The main markets are China, the United States and Switzerland; in Latin America they are Brazil, Mexico and Chile (OEC, n.d.). A positive trend was maintained from 2010 to 2012, but in 2014 a variation can be seen (Figure 22). The total value of exports decreased by -3.80% compared to the previous year. Peruvian products were affected by the international situation and trade barriers imposed by countries such as the United States, Ecuador, Argentina, Brazil and Colombia (CEPAL, 2014). In 2016, exports increased 11.42% compared to 2015, as a result of the strengthening of the mining sector (ADEX, 2018).

Figure 22. Peruvian exports from 2006-2016

Figure 23. Annual growth rate of Peruvian exports from 2006-2016

1.2.3.2. Peruvian imports from 2006-2016

Peruvian imports grew 7% from 2006-2016 (Figure 25). The year 2009 has a lower import value, due to the international financial crisis that affected several countries, including Peru. However, in 2010, imports show an increasing trend. At the same time, it can be seen in the year 2011 that the value of imports increased to $ 39,964 (Figure 24). This is the result of the increase in purchases of cars, petroleum crude oil, vehicles for the transport of goods, and construction materials. The main countries that sold the products to Peru were: China, the United States, Brazil, Mexico and Japan (National Institute of Statistics and Informatics of Peru, 2012). However, the years with the highest import value were 2013 and 2016 with $ 45,219 and $ 45,916 respectively. The growth in 2013 was the result of the increase in purchases of cell phones, televisions, diesel, cars, machines, and shoes. The main suppliers were China, the United States, Mexico, Brazil, and South Korea (National Institute of Statistics and Informatics of Peru, 2014). In 2016, cars, crude oil, televisions, mobile phones, cars, machinery. Unlike in 2013, for 2016 Ecuador becomes one of the main import's suppliers (National Institute of Statistics and Informatics of Peru, 2017).

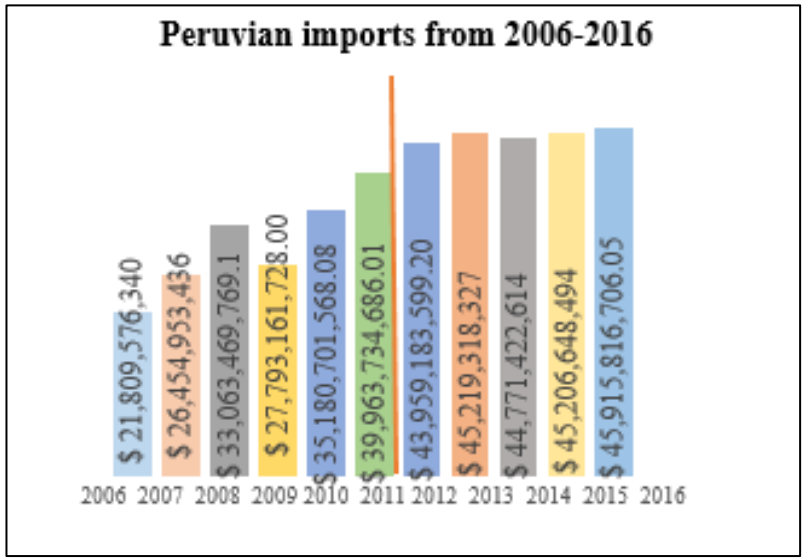

Figure 24. Peruvian Imports from 2006-2016

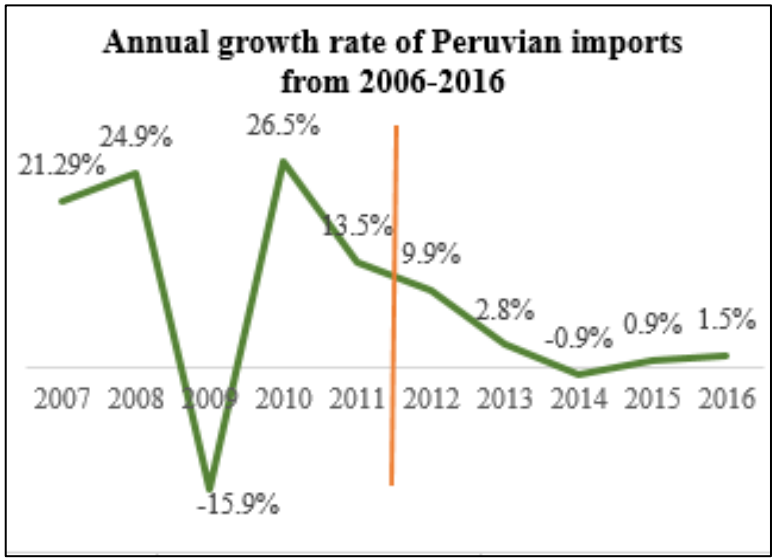

Figure 25. Annual growth rate of Peruvian imports from 2006-2016

1.2.3.3. Peruvian Foreign Direct Investment (FDI) from 2006-2016

The FDI grew at a rate of 6.41% from 2006 to 2016. In 2010 there was a significant increase of 31.47% over the previous year (Figure 26). In fact, that year the country ranked fourth as one of the largest recipients of Foreign Direct Investment. The growth is explained by the recovery of developed economies and a better performance of some emerging economies that boosted some sectors by increases in demand. The United States, Netherlands and China were the main investors (Peruvian News Agency, n.d.). In 2012, Peru recorded the highest FDI growth of 60.58% compared to 2011 (Figure 27). A large part of the profits was reinvested in the expansion of productive capacity, which increased the profitability of FDI in Peru. The main investment destination was the mining sector and its main investor

was China (America Economy, 2013). In 2016 there was a decrease of -17.03% compared to the previous year due to the drop in prices of the extraction sectors (mining, gas and oil) (El Peruano, 2016).

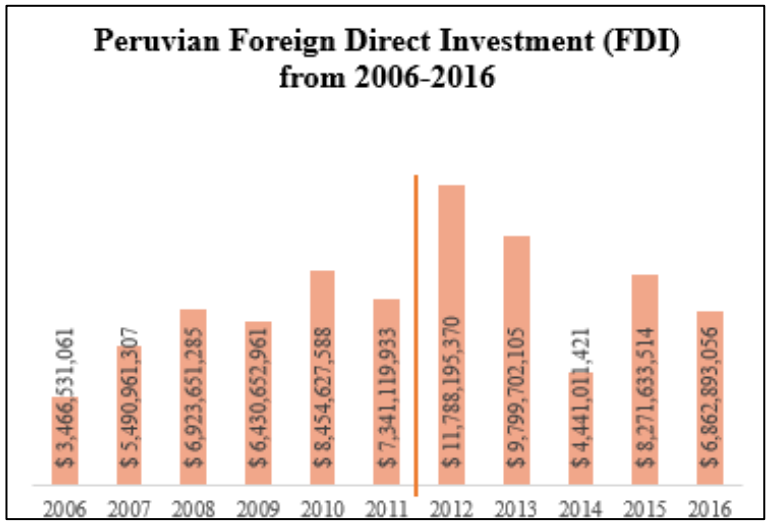

Figure 26. Peruvian Foreign Direct Investment (FDI) from 2006-2016

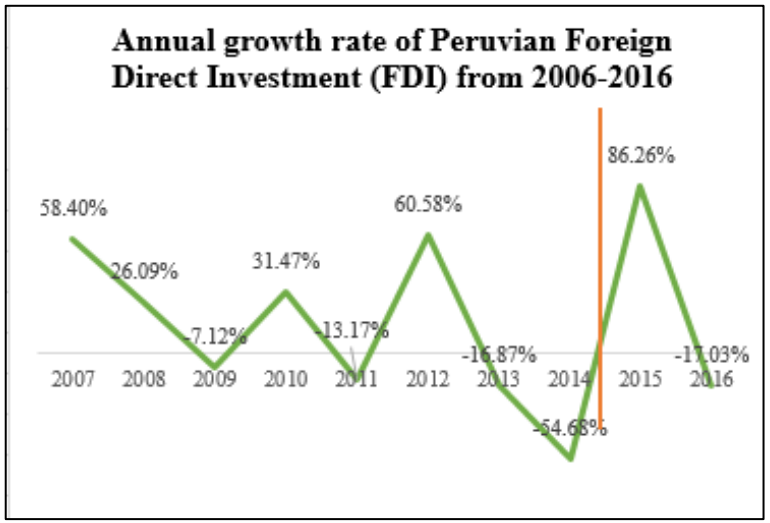

Figure 27. Annual growth rate of Peruvian Foreign Direct Investment (FDI) from 2006-2016

1.2.3.4. Peruvian Inflation from 2006-2016

The average Peruvian inflation was 1.03% from 2006-2016. The inflation of the year 2008 soars to 5.78% (Figure 28). However, later it declines to rise again in 2011. Inflation in 2008 was due to the increase in food and fuel internationally prices (Central Reserve Bank of

Peru, 2008). In the year 2008, there is a tendency to increase and decrease inflation but in 2016 inflation was above the target range, which reflected the increase in the prices of certain foods and fuels (Central Reserve Bank of Peru, 2016). Given this, the price of basic family basket per person was 328 soles (USD 97.07); while for a family of four, it reached 1312 soles (USD 388.29). The basic family basket was made up of 532 products. The minimum living wage was 850 soles (USD 251.56) (Lima Chamber of Commerce, 2016) (Plataforma digital única del Estado Peruano, 2016) (College of Public Accountants of Arequipa).

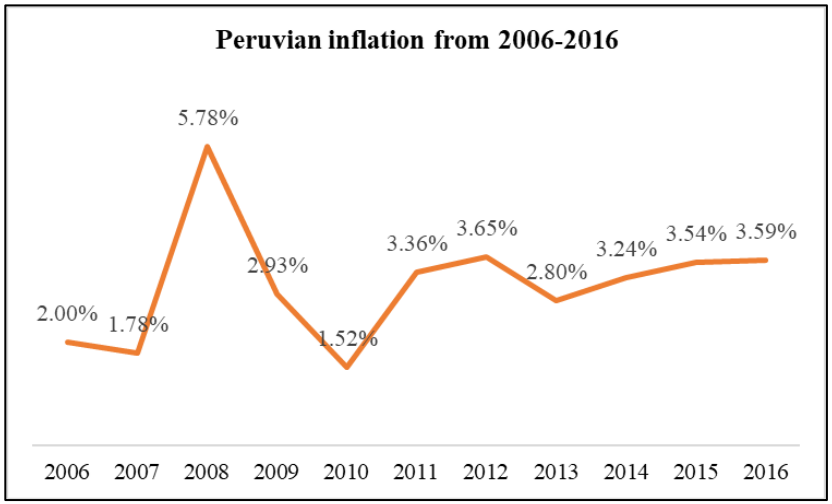

Figure 28. Peruvian Inflation from 2006-2016

1.2.3.5. Peruvian Gross Domestic Product (GDP) from 2006-2016

Peruvian GDP registered a growth of 4.96% in these eleven years despite the financial turbulence that broke out in markets such as the United States, Europe and Japan. The country's economic growth has remained constant (Figure 29). In 2007, GDP increased in 8.52% compared to 2006, this was the result of the performance of three sectors closely linked to domestic demand and consumption: construction, manufacturing and commerce (Central Reserve Bank of Peru, 2006). In 2011, there was an increase of 6.33% due to the variation in internal and external prices, and the variation in the exchange rate of soles to dollars (Figure 30). Moreover, the world economy enters into a process of readjustment and adaptation of economic activity whereas Latin America shows a process in economic slowdown since 2012, entering in a recessionary period in 2015 and 2016 (INEI, 2017). However, during 2011 and 2016, Peruvian GDP grew at an annual rate of 3.84%, due to economic activities such as the growth of manufacturing, construction, commerce and other services such as transport and telecommunications, among others (INEI, 2017).

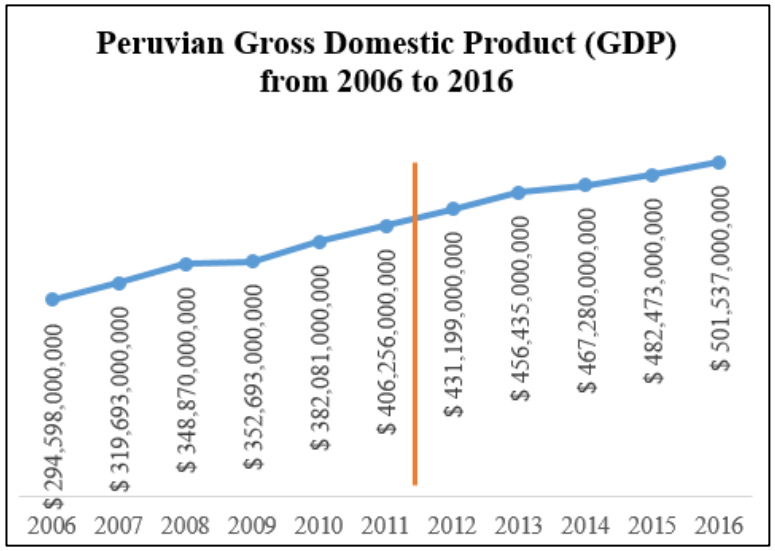

Figure 29. Peruvian Gross Domestic Product (GDP) from 2006-2016

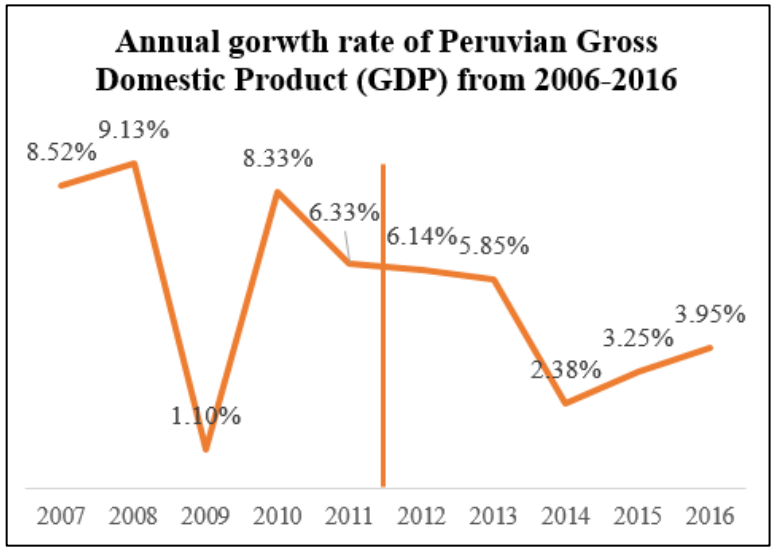

Figure 30. Annual growth rate of Peruvian Gross Domestic Product (GDP) from 2006-2016

1.2.3.6. Peruvian unemployment rate from 2006-2016

From 2006 to 2014, there is a tent to decrease the unemployment rate, since in 2006 it reached 4.26% but for 2014 it registered a rate of 2.96%. This was the result of macroeconomic policies and structural reforms adopted in Peru, which allowed job growth (Banco Mundial, 2019). The lowest unemployment rate was registered in 2014, 2.96% (Figure 31). However, by 2016 there was an increase in this rate,

it became 3.53%. In Peru, the drop in the international price of raw materials such as copper had an impact, resulting in lower revenues and reduced consumption (Banco Mundial, 2019). This in part has influenced the unemployment increase in Peru.

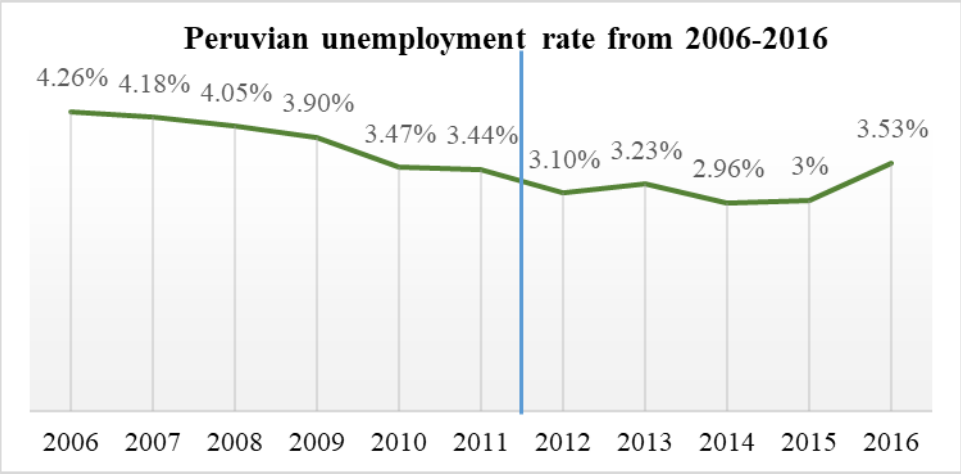

Figure 31. Peruvian unemployment rate from 2006-2011

1.2.4. Mexico

1.2.4.1. Mexican exports from 2006-2016

The total value of Mexican exports registered a growth rate of 3.99% from2006 to 2016 (Figure 33). The main export products are cars, spare parts, delivery trucks, computers and crude oil (OEC, n.d.) Mexican regulations have played an important role in promoting exports,

as it grants tariff and fiscal concessions, as well as administrative facilities. The *Maquila* [1] and the *PITEX*[2] were the main means of promotion that in 2006 were merged into the *IMMEX* program IMMEX (OMC, 2018). In 2014, the total value of exports increased 6.98% compared to the previous year as a result of the development of the manufacturing sector (Figure 32). Oil exports declined markedly, due to the fall in prices at the intentional level of crude oil. At the same time, non-oil exports tended to rise during this five years, especially the automotive sector (America Economy, 2015). The main destinations of Mexican products were: United States, Canada and China (OEC, n.d.).

[1] Maquila: a third party manufactures the contractor's products, then contractor only markets them
[2] PITEX: Mexican program that allows exporters to import a good temporarily for use in an export good.

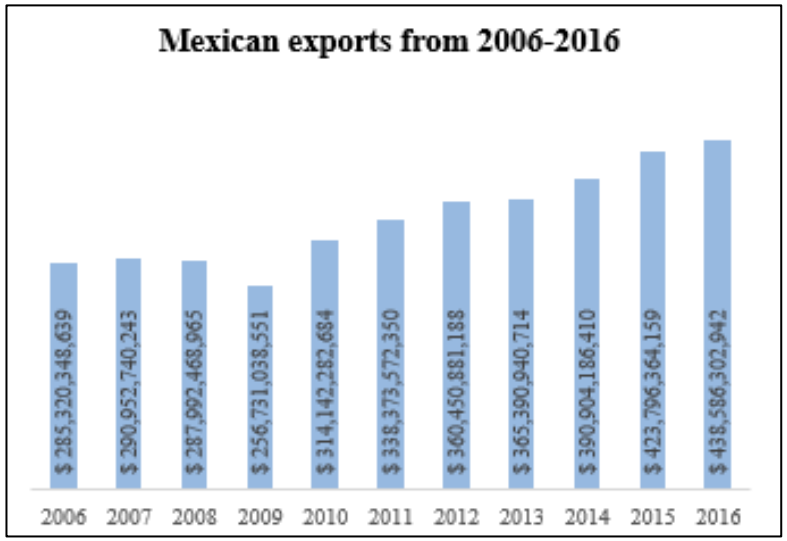

Figure 32. Mexican exports from 2006-2016

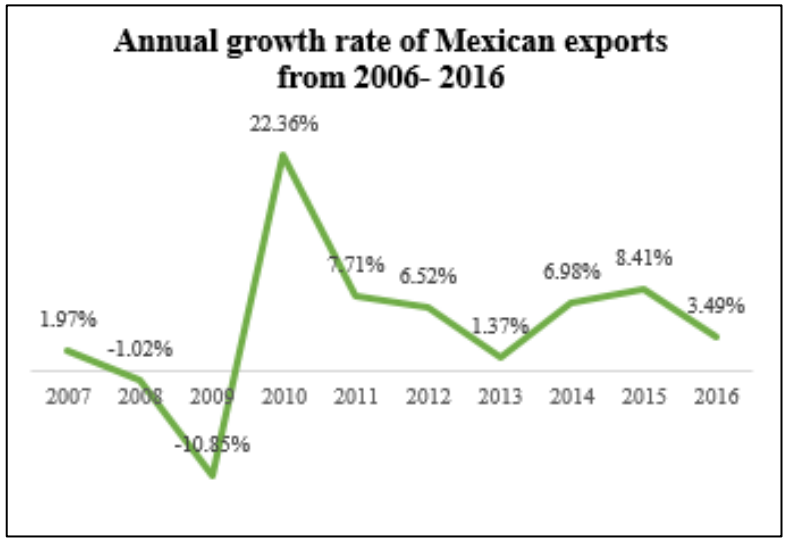

Figure 33. Annual growth rate of Mexican exports from 2006-2016

1.2.4.2. Mexican imports from 2006-2016

The growth rate of Mexican imports was 3.09% from 2006-2011 (Figure 35). In 2009, there was a decrease in imports, because of the international financial crisis that began in the United States which is the main trade partner of Mexico. From 2010, imports increased as a result of countries beginning to recover from the financial crisis until 2016 (Figure 34). In 2011, 4.3% of imports came from Latin America and the Caribbean (BANCOMEXT, 2012). On the other hand, in 2016 about 76% of imports represent intermediate goods;

followed by 13% of consumer goods; finally, 10% of capital goods (Bank of Mexico, 2017). It should be noted that the United States is the main country from which Mexican imports come.

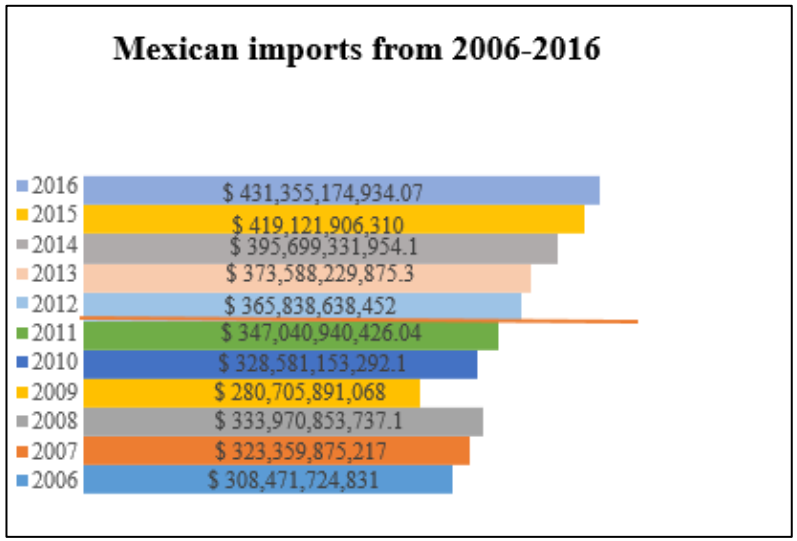

Figure 34. Mexican Imports from 2006-2016

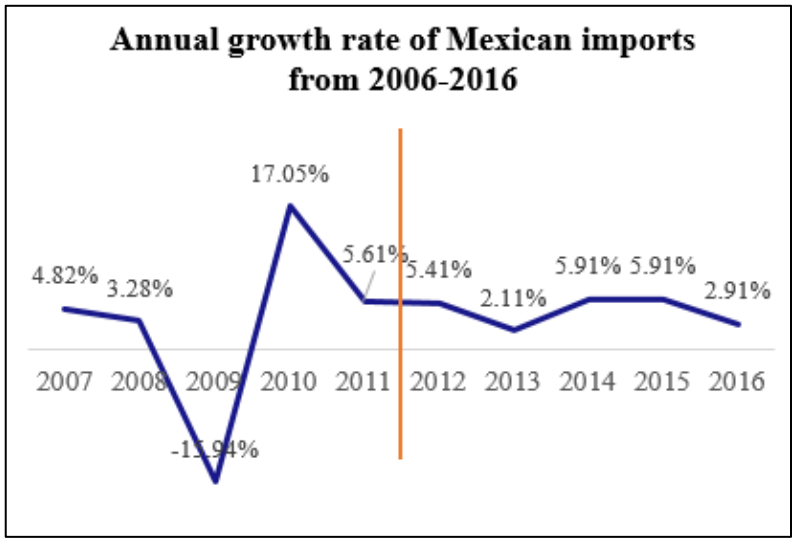

Figure 35. Annual growth rate of Mexican imports from 2006-2016

1.2.4.3. Mexican Foreign Direct Investment (FDI) from 2006-2016

From 2006 to 2016, FDI had a growth rate of 5,021%. In 2007 there was a notable increase of 60.05% over the previous year; the most benefited sector was the manufacturing one followed by the services sector (Figure 36). The country that made the largest investments

was the United States with 47.3% of the total. In 2009, the value of FDI plummeted by -39.53% compared to 2008 due to the drop in world production and a slowdown in the growth of some countries in the region (EFE, 2010). During the year of 2010 and 2011, a positive recovery can be seen as a result of a greater number of mergers and acquisitions by foreign companies (Jiménez, 2011). In 2012, the FDI decreases -27.25% compared to 2011 (Figure 37). The sale of shares of Banco Santander México, the uncertainty of investors and the fragility of the world economy were among the main causes of this decrease (CNNExpansion, 2013). In 2013, the highest quantity was reached with $ 47,579,161,248. This year, Belgium topped the list of investors followed by the United States (CNNExpansion, 2013). In 2016, it decreased -3.67% compared to 2015. The United States was the main investor followed by Spain, Canada and Israel (Expansion, 2017).

Figure 36. Mexican Foreign Direct Investment (FDI) from 2006-2016

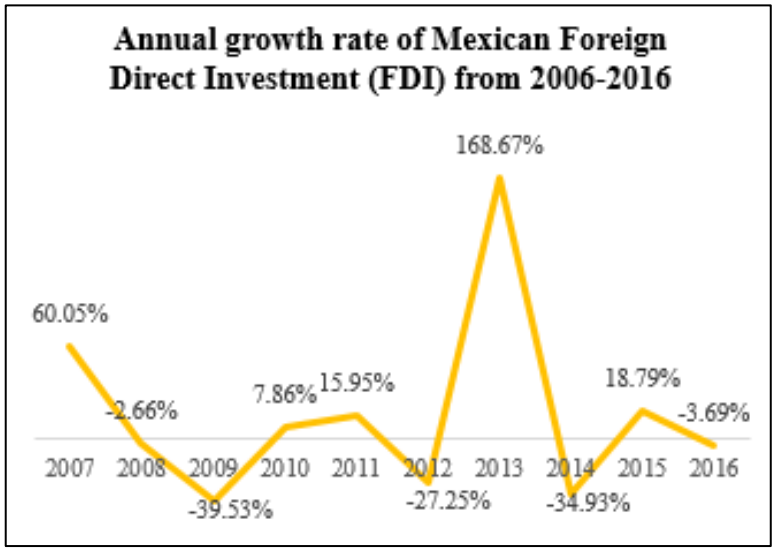

Figure 37.Annual growth rate of Mexican Foreign Direct Investment (FDI) from 2006-2016

1.2.4.4. Mexican inflation from 2006-2016

The average Mexican inflation was 1.52% from 2006-2016. The highest rate was recorded in 2009, as it reached 5.29% (Figure 38).In this year, there was the international financial crisis. Given this, the price for the basic basket, for the rural area was 1315.35 Mexican pesos; while for the urban area it had a value of 2079.92 Mexican pesos (CONEVAL)[3]. It should be noted that the minimum wage in

[3] CONEVAL: National Council for the Evaluation of the Social Development Policy of Mexico.

Mexico was 53.19 Mexican pesos. The highest value was registered in 2012 (4.11%), so the price of the basic basket was 1352 Mexican pesos in the rural area, while 2388.38 Mexican pesos in the urban area (CONEVAL). The minimum wage was 62.33 Mexican pesos. At the same time, the lowest value was recorded in 2015, reaching 2.72%. The cost of the basic basket was 1727.04 Mexican pesos in the rural area; while in the urban area it was 2679.31 Mexican pesos (CONEVAL). Similarly, the minimum wage in this year was 70.10 Mexican pesos. As we can see, there is a great difference between the salary and the value of the basic basket in both years (Government of Mexico, 2019).

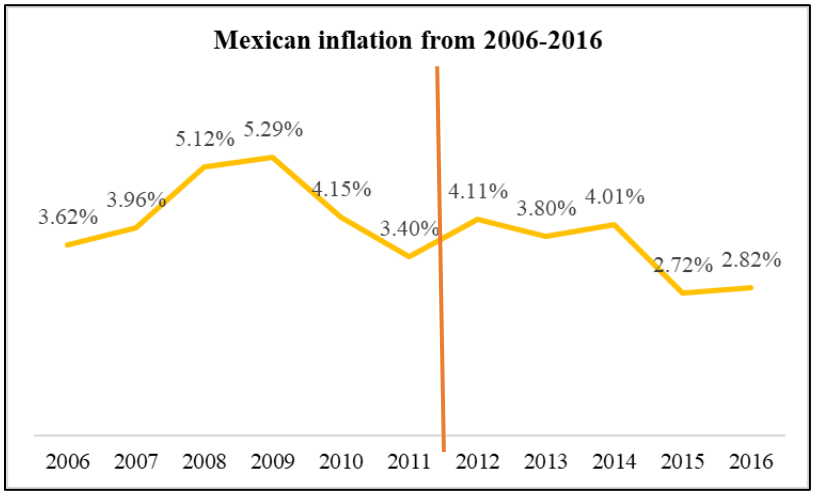

Figure 38. Mexican inflation from 2006-2016

1.2.4.5. Mexican Gross Domestic Product (GDP) from 2006-2016

During the first 6 years the evolution of economic activity was positive, and the GDP registered a moderate growth (Figure 39). In 2009 there was a decrease of -5.29% compared to the previous year because of the financial markets continued to show fragility; as a result of the crisis that broke out at the end of 2008, which negatively influenced the manufacturing sector and commercial activity (CEPAL, 2009) In 2011, GDP grew again with 3.66% compared to 2010 (Figure 40). From 2012 to 2014, the evolution of GDP was driven by the expansion of primary and tertiary activities. In 2016, GDP increased 2.90% compared to 2015. The main activities that stood out were: trade and services with an increase of 3.7%; agriculture and fishing with 2.7%; and manufacturing and mining industry with 1.9% at annual rate (Morales, 2017).

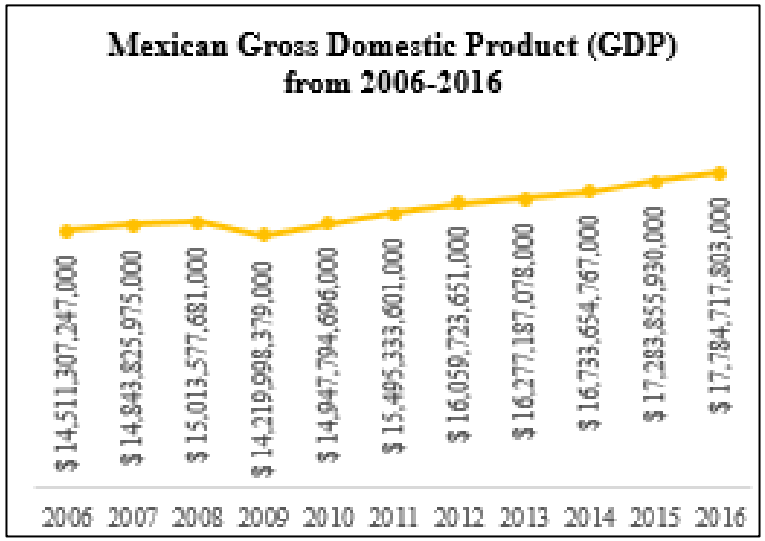

Figure 39. Mexican Gross Domestic Product (GDP) from 2006-2016

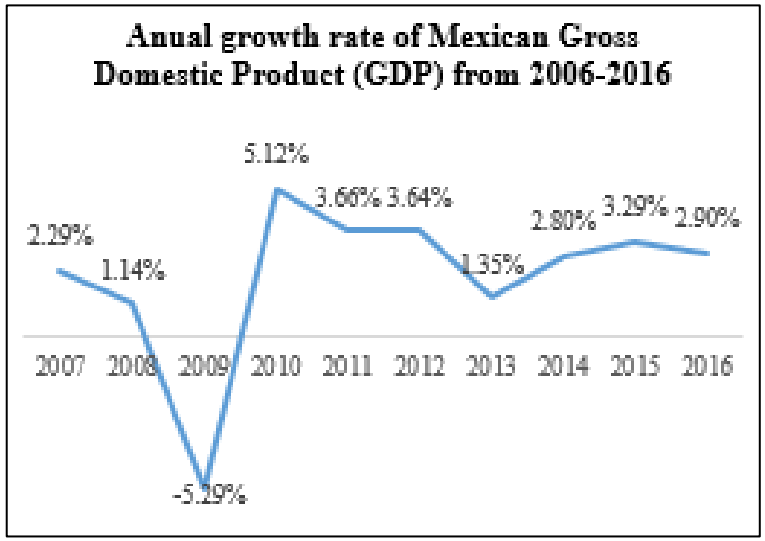

Figure 40. Annual growth rate of Mexican Gross Domestic Product (GDP) from 2006-2016

1.2.4.6. Mexican unemployment rate from 2006-2016

In 2007, there was an increase in the unemployment rate, reaching in 2009 a rate of 5.35% (Figure 41). In this year the world suffered an international financial crisis which had a direct impact on international jobs. In the United States about 7 million jobs were lost, which caused in Mexico, specifically in the industrial sector, the loss of about one million jobs since 2008 (Camberos Castro & Bracamontes Nevárez, 2015). However, for the following years, a slight decrease in the unemployment rate was until 2016, where the unemployment

rate stood at 3.85%. In this year, the number of unemployed decreased by 329,372 people. In addition, around 555,155 jobs were created, driven both by private investment in the manufacturing sector and by private consumption (EFE Agency, 2017).

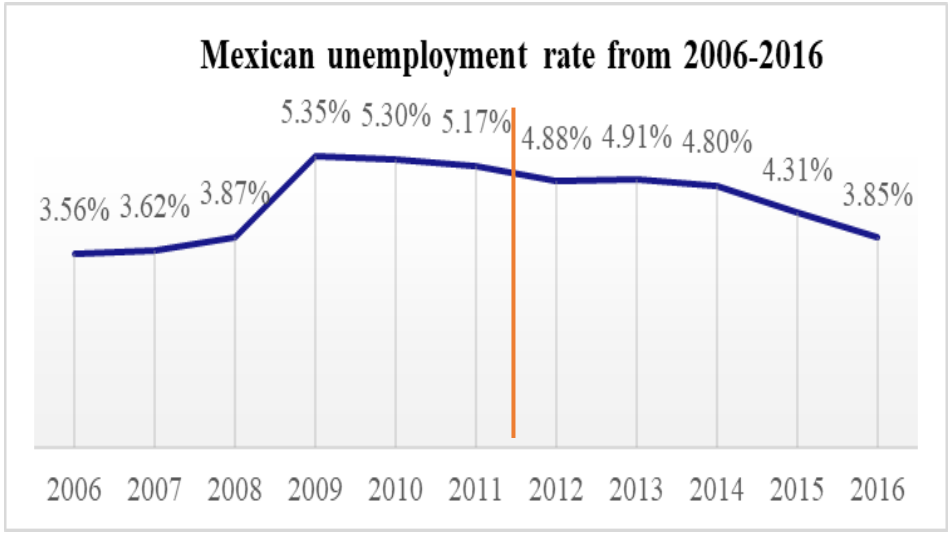

Figure 41. Mexican unemployment rate from 2006-2016

1.3 Conclusions

This chapter gives a brief review of the Pacific Alliance´s history, as well as the most relevant points of its Framework Agreement. Subsequently, the international experience of the member countries between 2006 and 2016 is analyzed by considering some economic variables such as exports, imports, FDI, GDP, inflation and unemployment.

Although one of the objectives of the Pacific Alliance is to promote the movement of goods, services, capital and people through the construction of a deep integration zone, it has not been possible to reach a significant impact of the alliance with the variables mentioned above. The decrease in exports were the result of other factors such as the drop in the price of raw materials, the reduction of international trade, among others. Exports to the United States had a notable increase, while those destined for the different Pacific Alliance's member countries were not representative. Similarly, in imports, countries such as the United States or China have greater relevance but participation of the Pacific Alliance has not been observed. Colombian trade balance shows a deficit in the analyzed years, except in 2006 and 2007. In the case of Chile, it is observed that a surplus was experienced from 2006 to 2016. Peruvian trade balance mostly registered a surplus, but from 2013 to 2015, there was a deficit. Finally, Mexico had a deficit except for 2015 and 2016.

On the other hand, FDI from the four countries has grown favorably due to the development f certain strategic sectors, the application of more flexible regulations, and the reinvestment of profits which has improved investor confidence. The United States continues to lead as the main issuer of FDI followed by the EU and China. Regarding inflation, variations were recorded due to other aspects such as the international crisis of 2009 or the increase in prices of certain foods and oil. With regard to unemployment, this is related to external and internal factors of each country such as financial crisis that trigger the decrease of jobs, or on the contrary, new investments by the public and private sector that can generate more jobs but in the same way they can be reduced by different internal circumstances. Another of the organization's objectives is the growth and development of the economies that comprise it. Despite some decreases in the GDP, the member countries economic evolution has been favorable. This event is mainly due to the performance of

its primary and tertiary sectors, and the increase in value in some minerals. Although the Pacific Alliance as a block has a great presence in the international market, when we analyze each member country it can be noted that the organization´s effect is not significant.

CHAPTER 2: ANALYSIS OF THE ECUADORIAN ECONOMIC SITUATION ANALYSIS PRIOR TO ITS INTEGRATION IN THE PACIFIC ALLIANCE, AND ITS COMMERCIAL RELATIONSHIP WITH THE MEMBER STATES OF THE PACIFIC ALLIANCE.

2.1 Introduction

In this chapter, the main economic variables of Ecuador from 2000 to 2017 are analyzed, in order to study the variations that these variables present in the different economic cycles and their evolution over time. Subsequently, the commercial relationship between Ecuador and each of the member countries of the Pacific Alliance from 2000 to 2017 is presented. This is in order to observe the commercial development that Ecuador maintains with Colombia, Chile, Peru and Mexico, as well as to demonstrate the progress that has had the commercial exchange between them.

2.2. Analysis of Ecuadorian economic variables from 2000- 2017

2.2.1 Ecuadorian exports from 2000-2017

Ecuador is known as an exporting primary country and its main export products are: crude oil, fresh or dried bananas, crustaceans, canned fish, flowers and buds, etc (OEC, n.d.). From 2000 to 2017, the value of total Ecuadorian exports varied considerably (Figure 42). A negative growth rate of -5.04% was obtained in 2001compared to 2000 because of the reduction in the oil price due to the economic slowdown of industrialized countries (Central Bank of Ecuador, 2001). In 2005, there was an increase in exports of 30.27% compared to the previous year as a result of the high price of crude oil (Central Bank of Ecuador, 2005). The oil boom allowed the country to maintain a trade balance surplus due to the increase in export value. However, exports plummeted to -26.33% in 2009, because of the drop of the oil price per barrel and its derivatives in -35.44% (Central Bank of Ecuador, 2010).

During the following years, Ecuadorian exports presented positive figures because of the rise in price of crude oil, the diversification of markets, greater trade with the Andean Community (CAN), the increased demand for bananas, etc (El Universo, 2012). In fact, Chile became the third main destination of Ecuadorian exports with the United States as the main trade partner. However, in 2015, exports decreased by -28.74% because of the reduction in the oil price and other products, as well as the dollar strengthening (El Comercio, 2016). In 2016, the country had negative figures with -8.36% in exports (Figure 43). Nevertheless, there was a positive trade balance because of the reduction in imports, as a result of the application of safeguards to several imported products (Central Bank of Ecuador, 2017). In 2017, exports grew by 13.84% compared to the previous year due to the increase in non-oil exports and a recovery in the value of the oil barrel (Central Bank of Ecuador, 2018).

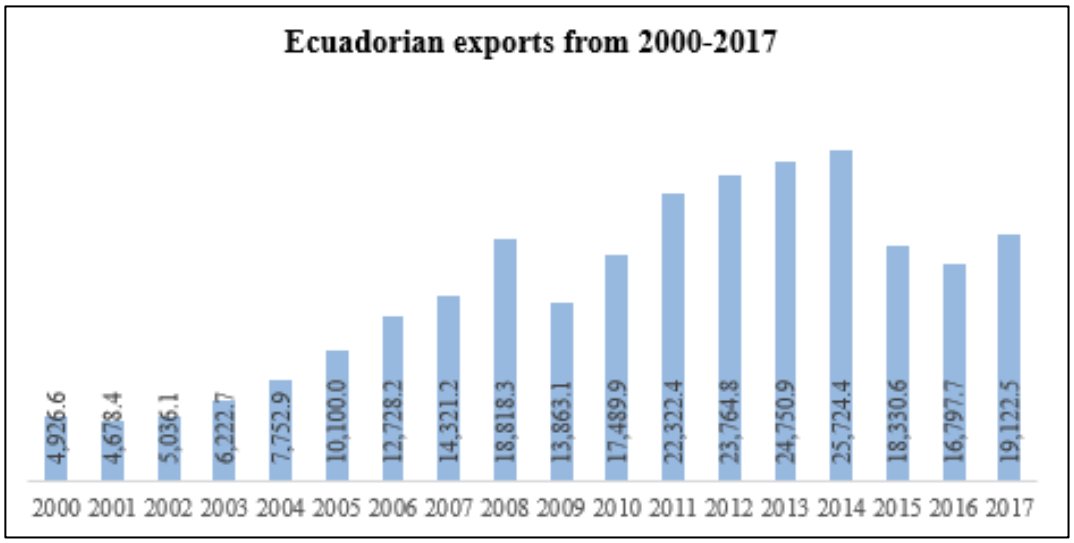

Figure 42. Ecuadorian exports from 2000-2017

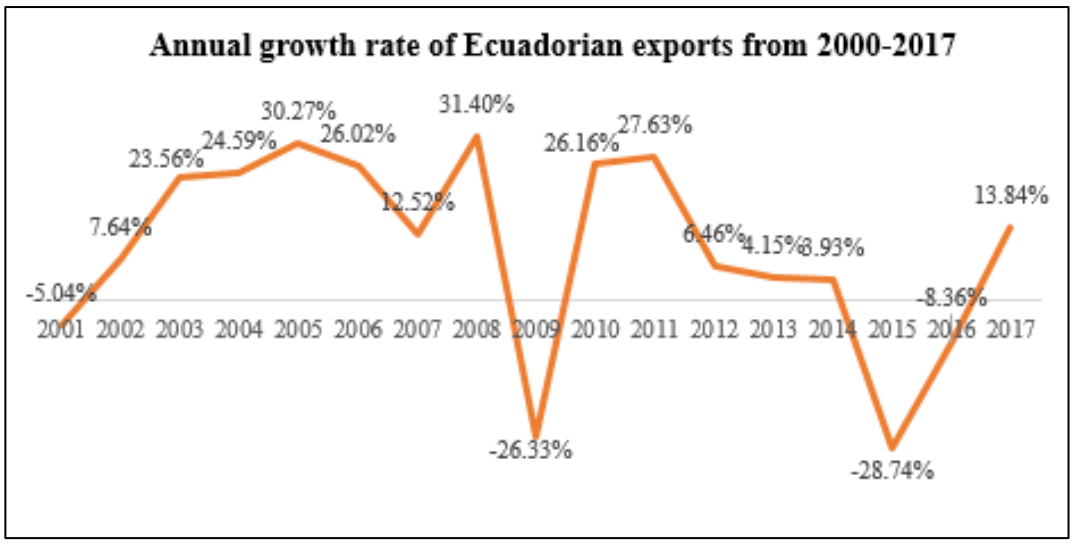

Figure 43. Annual growth rate of Ecuadorian exports from 2000-2017

2.2.2 Ecuadorian imports from 2000-2017

Since 2001 there has been an increase in imports by 44.11% compared to the previous year. This year, the country began to recover after its financial crisis from 1998 to 2000. In 2001, external purchases of capital and consumer goods were highlighted. (Central Bank of Ecuador). On the other hand, there was a considerable decrease in imports value in 2009, -9.91% compared to the previous year, due to the drop in prices of fuels, lubricants, and raw materials. The main products imported were: raw materials, capital and consumer goods, fuels and lubricants (Central Bank of Ecuador, 2010).The main imports suppliers were: first, ALADI (36.82%), followed by the United States (24.75%), Asia (19.49%), and the CAN (14.95%) (Central Bank of Ecuador, 2010).

From 2009, a trend of import increase can be seen, mainly in 2014 with $ 27,726.28 million. That year there were greater purchases of raw materials, mainly for agriculture and industry, fuels, lubricants, consumer and capital goods (Central Bank of Ecuador, 2015). The main suppliers of Ecuador are: United States (44.7%), Chile (9.9%), Russia (3.3%), and Peru (7.6%) (Central Bank of Ecuador, 2017)). However, from 2015 there is a contraction in imports, by -22%, this is the result of the imposed safeguards (Figure 45). In 2016, 16,324.20 million dollars are registered, a decrease of -24.13% compared to 2015, but by 2017 there is a new increase in external purchases by 22.57% compared to

2016 (Figure 44). In 2016, the purchase of fuels and lubricants, capital and consumer goods, and miscellaneous products were reduced (Central Bank of Ecuador, 2017).The imports came from United States, Peru, Chile, and Germany (Central Bank of Ecuador, 2017).

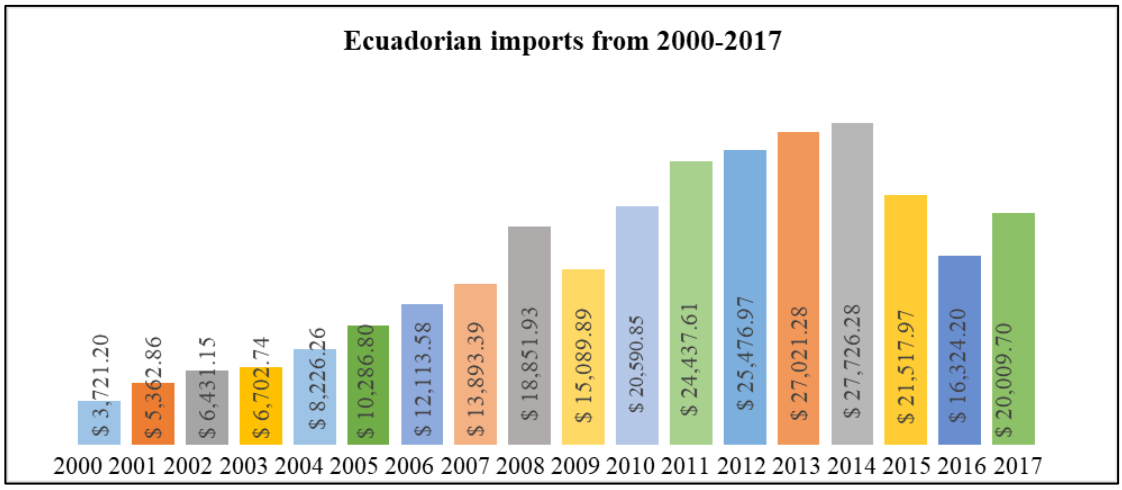

Figure 44. Ecuadorian imports from 2000-2017

Figure 45. Annual growth rate of Ecuadorian imports from 2000-2017

2.2.3 Ecuadorian Foreign Direct Investment (FDI) from 2000-2017

Since the end of 1998, the country's confidence against investors has been affected by external variables such as the "*Niño"* phenomenon and the drop in the price of oil. At the beginning of 2000s, it is proposed to dollarize the national economy due to the environment of instability and economic insecurity. In addition, the United States withdrew the money invested in the mining and oil exploitation sector in the same year (Gonzaléz, 2013). As a result, the FDI figure was negative (- $ 23,439,368) (Figure 46). In 2001 the recovery of FDI is notable with an increase of 2,198% compared to the previous year (Figure 47). In this year the country signed an agreement with the International Monetary Fund (IMF) and the dollarization scheme was formally adopted, which influenced the recovery of confidence in the country internationally (Central Bank of Ecuador, 2001) In 2002 and 2003, positive figures are recorded mainly in the oil sector due to the increase in their value per barrel. However, in 2004, the FDI had a decrease of -3.97% compared to the previous year because of the completion of projects related to hydrocarbons (United Nations, 2005). At this point, a progressive drop in the FDI is marked until 2007. In 2006, the FDI registered a significant contraction with -44.99%, which was the result of a reform of the hydrocarbons law with the purpose to increase the participation of the State; this measure was not attractive to investors and the US company "*Occidental*" ended up leaving the country (Novillo, 2014).

In 2008, the landscape changes with a significant increase in FDI of 445.22% compared to 2007, which is attributed to greater investment in the transport, storage and communications sectors (United Nations, 2009). It is important to mention that Mexico is one of its main investors. However, the drop in the price of crude oil affected FDI in the mining and quarrying sector during 2009 and 2010 (CEPAL, 2010). In 2011, FDI growth was 288.38% compared to the previous year, an event that is explained by the increase in mining and construction activity (Superintendence of Banks and Insurance of Ecuador, 2011). In the following years, there was some stability in the FDI. In 2015, FDI increased by 71.25% with the oil sector as the main recipient, followed by the manufacturing industry with Peru as one of the main investors (CEPAL, 2016). However, in 2016, the

FDI figure is reduced compared to the previous year and this trend is maintained through 2017 due to the economic recession.

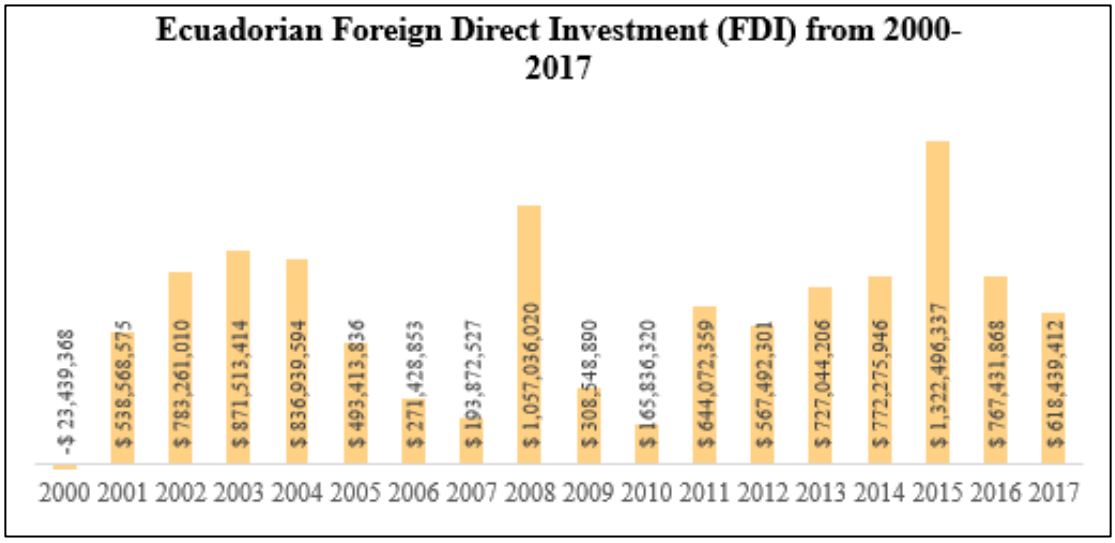

Figure 46. Ecuadorian Foreign Direct Investment (FDI) from 2000 to 2017

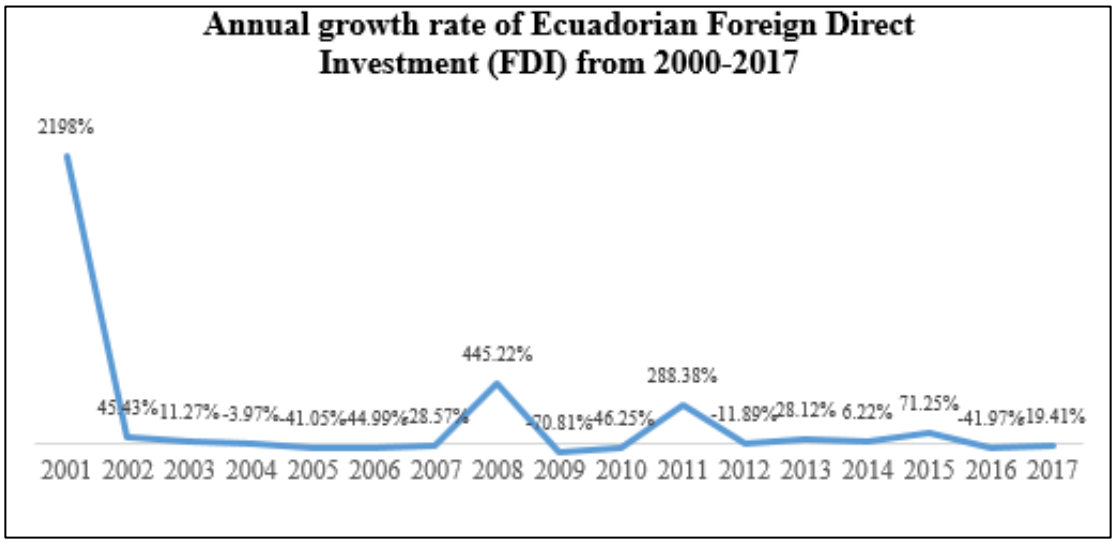

Figure 47. Annual growth rate of Ecuadorian Foreign Direct Investment (FDI) from 2000-2017

2.2.4. Ecuadorian inflation from 2000-2017

The average Ecuadorian inflation was 5.33% from 2000 to 2017. In fact, a higher inflation was recorded during 2000, 96.09%. In 1999, Ecuador went through a financial crisis which had a strong impact on the country's economy. Given this, in 2000, during the Jamil Mahuad presidency, the dollar was adopted. Mahuad considered that this measure would stop inflation (Erráez, 2005). As a result, the monthly income was $ 163.57 but the cost of the basic basket was $ 252.93, that means a consumption restriction of $ 89.36 (National Institute of Statistics and Census).

From 2001, inflation begins to decline, reaching 37.67% (Figure 48). Despite this, there was still instability and economic fragility (Erráez, 2005).In this year the cost of the basic family basket was $ 313.56 but again the monthly income was not enough, it was $ 200.73, that represents a restriction of $ 112.83 (National Institute of Statistics and Census). Subsequently, Ecuadorian inflation stabilized, however, there is a considerable increase in 2008, reaching 8.40%. In December of the mentioned year, greater variations in prices were registered in foods such as fruits and vegetables (tangerine, green banana, orange, and blackberry) (Central Bank of Ecuador, 2008). The cost of the basic family basket was $ 508.94 but the monthly income was $ 373.34; a consumption restriction of $ 135.60 (National Institute of Statistics and Census). On the other hand, 2017 was the year with the lowest inflation, 0.41%. This is because there were reductions in: clothing and footwear, goods and services (Central Bank of Ecuador, 2017). In this year, the value of the basic family basket was $ 708.98 but the income was $ 700 that is a restriction of $ 8.98 (National Institute of Statistics and Census, 2019).

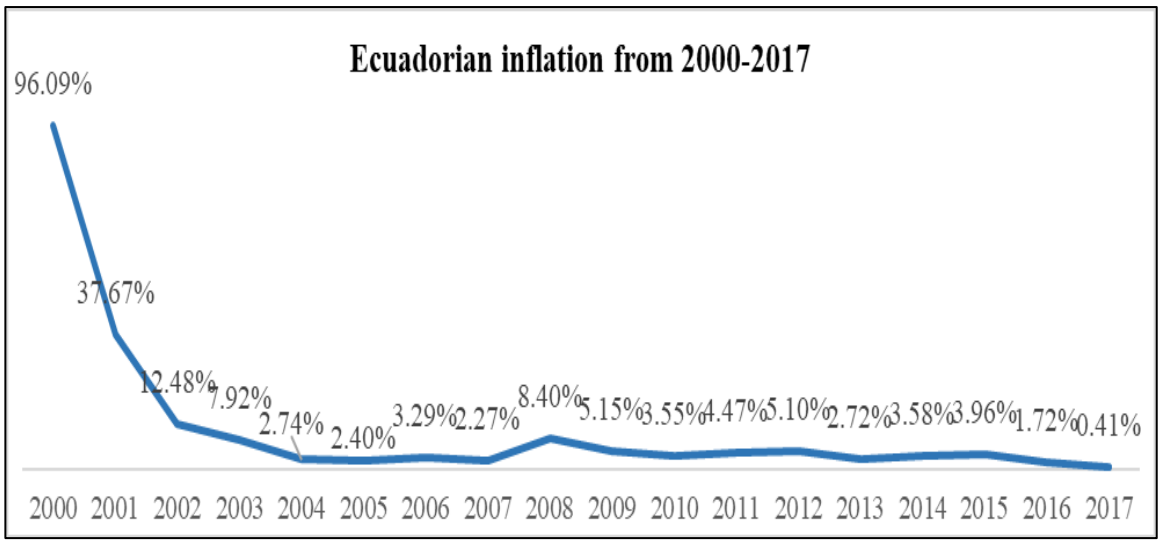

Figure 48. Ecuadorian inflation from 2000-2017

2.2.5. Ecuadorian unemployment from 2000-2017

Although the year 2000 was a year of transition for Ecuador, the highest unemployment rate was recorded in later years. In 2001 the economic problem became graver; therefore, it was difficult for the productive system to absorb labor. From this year there was a trend of increase in unemployment, until 2003 (National Institute of Statistics and Census). In later years, it can be seen that there is a tendency to decrease the unemployment rate but by 2009 again there is an increase in the unemployment rate, reaching 423,802 unemployed people (National Institute of Statistics and Census, 2014).

In 2014 there was an increase tendency of the unemployment rate, therefore there were around 273,414 unemployed people (National Institute of Statistics and Census, 2014). In this year, the city with the highest unemployment rate was Guayaquil (National Institute of Statistics and Census, 2014). In 2016 we found an unemployment rate of 4.59%, that means, 410,441 unemployed people (National Institute of Statistics and Census, 2016). It was found that one of the main cities of the country, Quito, was the city that registered the highest unemployment rate (9.1%) and Cuenca the lowest unemployment rate (4.8%) (National Institute of Statistics and Census, 2016). However, by 2017, the unemployment rate decreased to 3.83% (373,871 unemployed people); the city with the highest unemployment rate was Quito in 2017 (National Institute of Statistics and Census, 2017) (Figure 49).

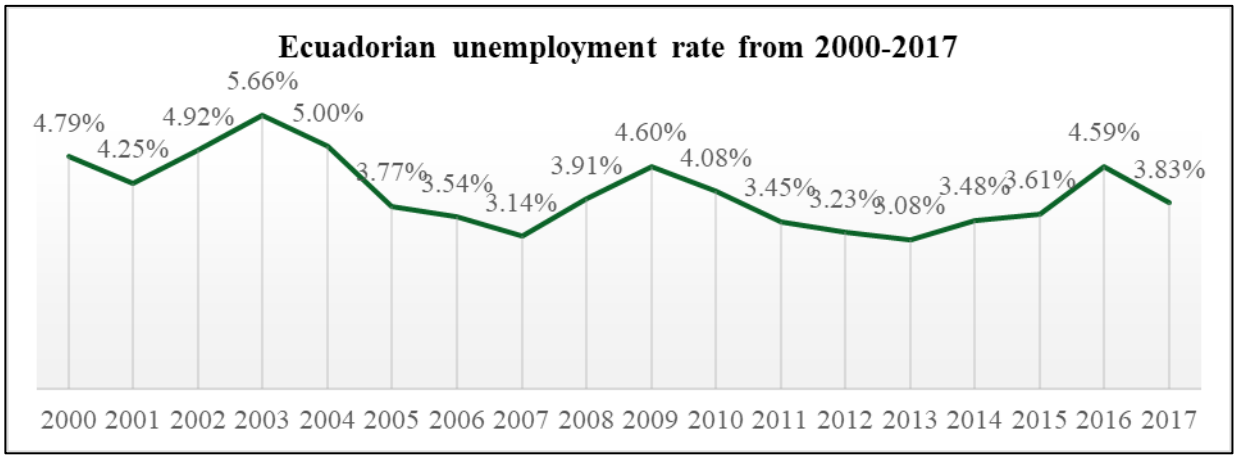

Figure 49. Ecuadorian unemployment rate from 2000-2017

2.2.6. Ecuadorian Gross Domestic Product (GDP) from 2000-2017

The average GDP growth rate from 2000 to 2017 was 3.57%. In 2000, several factors boosted the Ecuadorian economy, such as the dollarization, the rise in the price of raw materials, etc. In 2004, the GDP recorded an increase of 8.21% over the previous year due to the increase in oil value added (VAP) (Figure 50). In addition, that year began operations for the construction of the Heavy Crude Oil Pipeline (Central Bank of Ecuador, 2010). In 2008 the growth rate was 6.36% compared to 2007, which is explained by the growth of non-oil value added. In fact, the construction industry, wholesale and retail trade had a greater increase because more resources were allocated to government spending (Figure 51). On the part of aggregate demand, there was a growth in private consumption and exports (Central Bank of Ecuador, 2009).

2009 was a difficult year for the Ecuadorian economy because of the global crisis, which is reflected in the low GDP increase with 0.57% compared to the previous year. In 2011, GDP rebounded with an increase of 7.87% compared to 2010. Gross fixed capital formation, exports and household consumption contributed favorably to this figure. In terms of activities, electricity, and construction, they had greater growth (America Economy, 2012). In 2016, the GDP has a negative rate of -1.23% compared to 2015, due to a reduction in government consumption expenditure, in final consumption expenditure of households, and exports. Oil refining was the activity that presented the greatest increase (Central Bank of Ecuador, 2016). In 2016, the GDP had a negative rate of -1.23%

compared to 2015, due to a reduction in government consumption expenditure, in final consumption expenditure of households, and exports. Oil refining was the activity that presented the greatest increase (Central Bank of Ecuador, 2018).

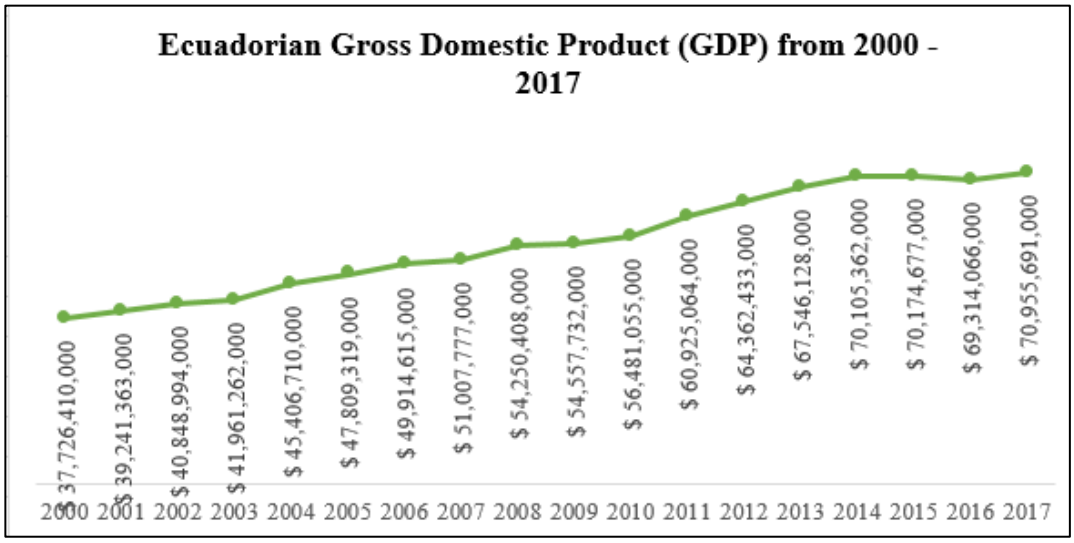

Figure 50. Ecuadorian Gross Domestic Product (GDP) from 2000 to 2017

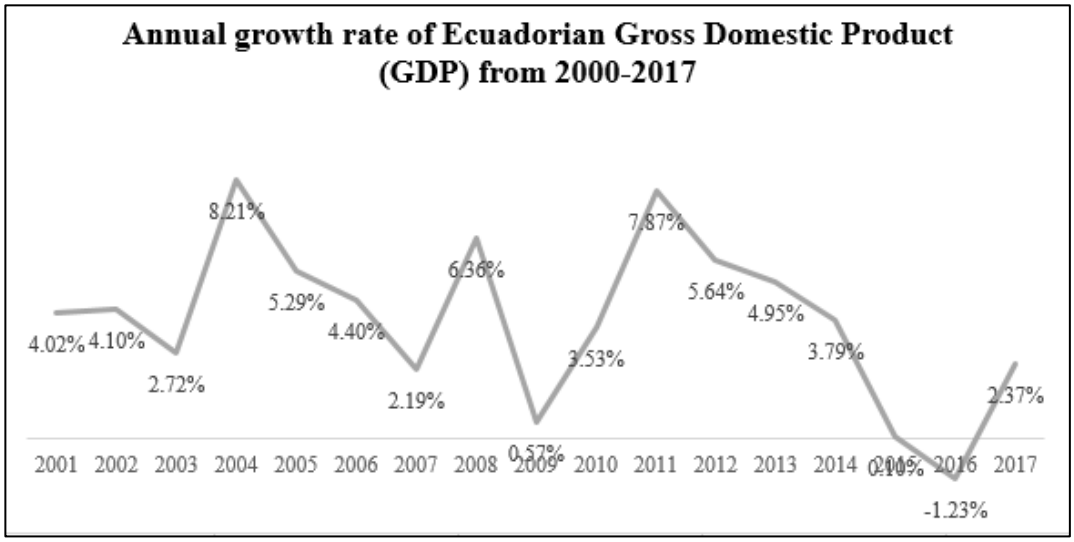

Figure 51. Annual growth rate of Ecuadorian Gross Domestic Product (GDP) from 2000-2017

2.3. Commercial relationship between Ecuador and the countries of the Pacific Alliance.

2.3.1. Commercial relationship between Ecuador and Colombia

Exports between Ecuador and Colombia have been developed within the framework of the Andean Community of Nations (CAN) with trade liberalization agreements. Ecuador signed a customs union agreement with the CAN in 1969. Since 1992 a free trade zone was established between Ecuador and Colombia (Vega G. , 2011). As a result, the exports between Ecuador and Colombia tended to increase from 2000 to 2003 (Figure 52). However, in 2004, there was a considerable decrease for the demand of Ecuadorian products by Colombia in -10.85% compared to the previous year due to irregularities caused by technical smuggling, overbilling, under-invoicing, change of origin and open contraband (SICE, 2006). In 2005, there was a considerable improvement in the number of Ecuadorian exports to Colombia with an increase of 53.63% compared to 2004 because of the increase in the sale of non-traditional Ecuadorian products (Figure 53). At the end of 2004, a recorded safeguard on Ecuadorian rice was withdrawn, which allowed more than 30 million dollars to be sold (El Universo, 2004).

In 2009 Ecuador imposed safeguards as a measure to deal with the international crisis of the moment (Guayaquil Chamber of Commerce, n.d.). It affected exports, as they were reduced by -0.29% compared to 2008. A year later with the progressive elimination of safeguards, exports began to have a sustained growth. In 2015, safeguards were again applied to 2964 products (Lima, 2015). The reactions of the neighboring countries was not favorable, and the purchases of Ecuadorian products were reduced by -17.58%. This trend is maintained in 2017 with -5.83% in the amount of Ecuador-Colombia exports compared to 2016. During this period, the main exported products were: crude palm oil (3.47%), sardine preparations and preserves (3.38%), palm oil and its fractions (2.91%), particle board and similar boards (2.57%), rice (1.94%), ethyl alcohol (1.74%), bags and bags for packing (1.52%), waterproof shoes (1.52%) , cooking appliances (1.30%), flour, meat, fish and crustacean powder (1.30%) (Appendix 1) (Trade Map, 2019).

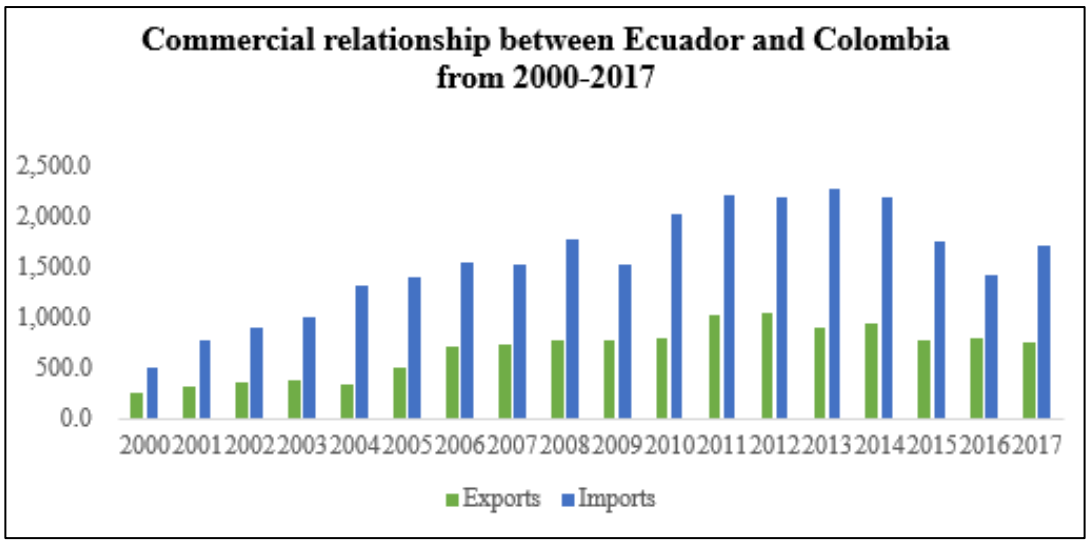

Figure 52. Commercial relationship between Ecuador and Colombia from 2000-2017

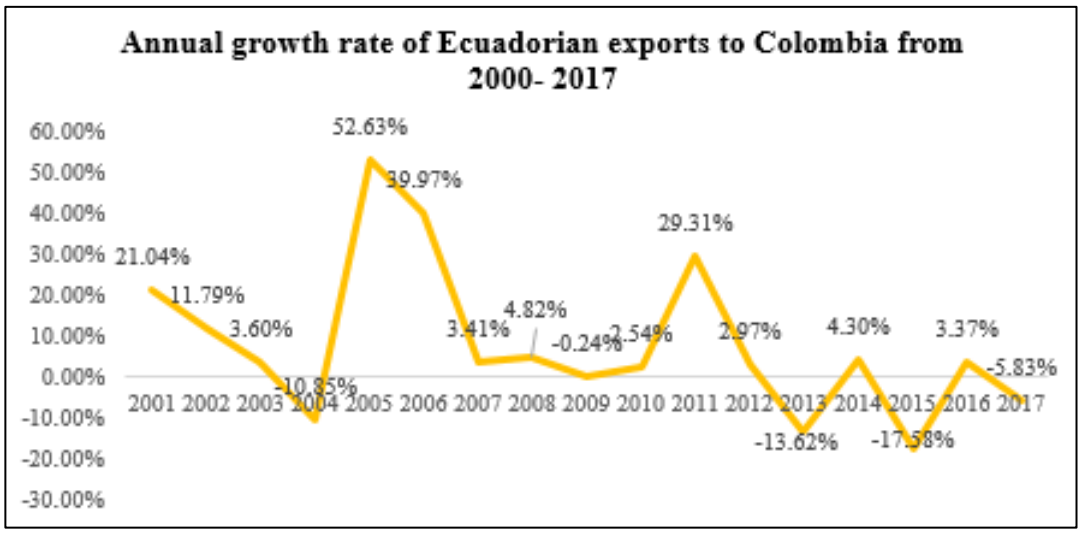

Figure 53. Annual growth rate of Ecuadorian exports to Colombia from 2000- 2017

As it can be seen in figure 54, Ecuadorian imports of Colombian products have maintained a stable growth over time. The creation of a free trade zone with the signing of the CAN agreement, as well as the *Colombia, Ecuador, Venezuela and MERCOSUR Free Trade Agreement* allowed the increase of imports. In fact, more than 50% of bilateral trade with Colombia corresponds to intermediate goods.

Figure 53 shows a significant decrease in 2009 with -14.15% due to the safeguards applied by Ecuador in 1,346 tariff items of products from Colombia because the devaluation

process of the Colombian peso since 2007 deteriorated the competition of Ecuadorian products (Vega M. d., n.d.). In 2015 and 2016 there was a significant drop in imports of -19.80% and -19.51%, respectively. It is explained by the application of safeguards in 2015. In 2017 there is a growth of 20.70% of imports due to the gradual release of certain tariff items. The main imports from Colombia were: products of the chemical industry (4.66%), electricity (4.18%), cars for freight transport (1.86%), aromatic hydrocarbon mixtures (1.52%), polypropylene (1.30%), passenger cars (1.30%), washing preparations (1.26%), cable sets for spark plugs (1.03%), slabs and tiles (1.02%), wide knitted fabrics (1.00%) and fungicides (1.00%) (Appendix 2) (Trade Map, 2019).

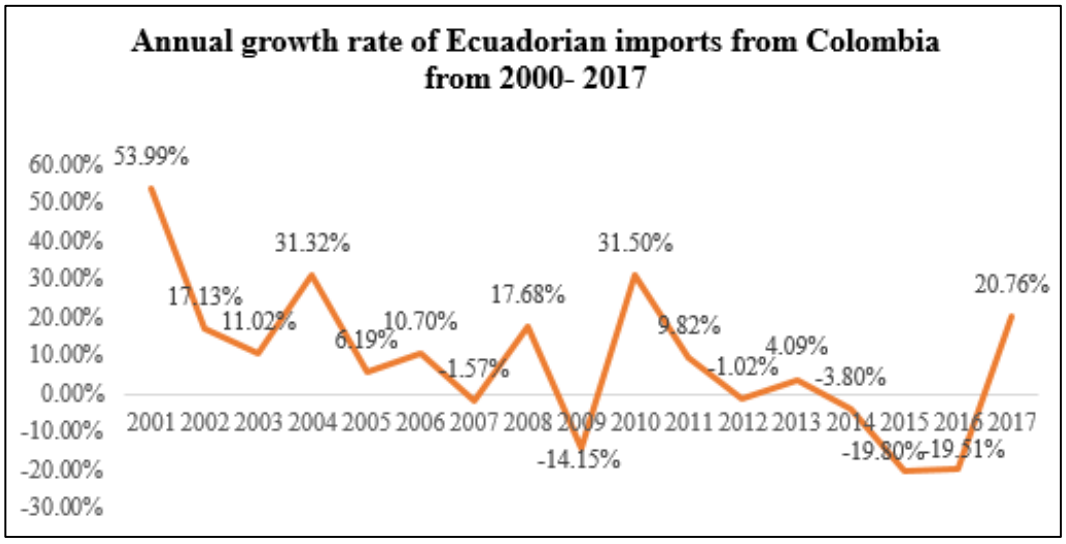

Figure 54. Annual growth rate of Ecuadorian imports from Colombia from 2000-2017

2.3.2 Commercial relationship between Ecuador and Chile

Over the years, the commercial relationship between Ecuador and Chile has consolidated. Exports and imports between these countries have increased over the years, as a result of the agreements established between them (Figure 55). Currently, the agreement governing relations between Ecuador and Chile is the *"Partial Scope Agreement for Economic Complementation"* (ACE 65) (entered into force in 2010), which gives tariff preference of around 97% (Ministry of Production, Foreign Trade, Investments and Fisheries, n.d.). Specifically speaking, exports have shown growth from 2003 to 2008 there was an increase trend. For 2008, there was an increase of 127.12% over the previous year.

However, in 2009 there was a 40.37% decrease in exports due to the drop in oil prices (Hurtado, 2010).

From the year 2010 there is a recovery in exports. This is partly the result of the agreement established between Ecuador and Chile, allowing the increase of Ecuadorian exports. Despite this recovery in exports, in 2015 there was a contraction in exports again, as consequence of the reduction in sales of products such as fish preparations and the drop in oil prices (Valencia, 2016). For the year 2017, exports grew by 16.77% compared to the previous year, reaching 1236.13 million dollars (Figure 56). The main export products from Ecuador to Chile during the analyzed period were: palm oil (9.43%), sardine preparations and preserves (8.41%), cocoa beans (5.05%), confectionery without cocoa (2.39%), petroleum oils (2.26%), palm oils (2.03%), almond oil (1.99%), coffee extracts (1.52%), products of the chemical industry (1.14%), and radio remote control devices (0.75%) (Trade Map, 2019) (Appendix *4*).

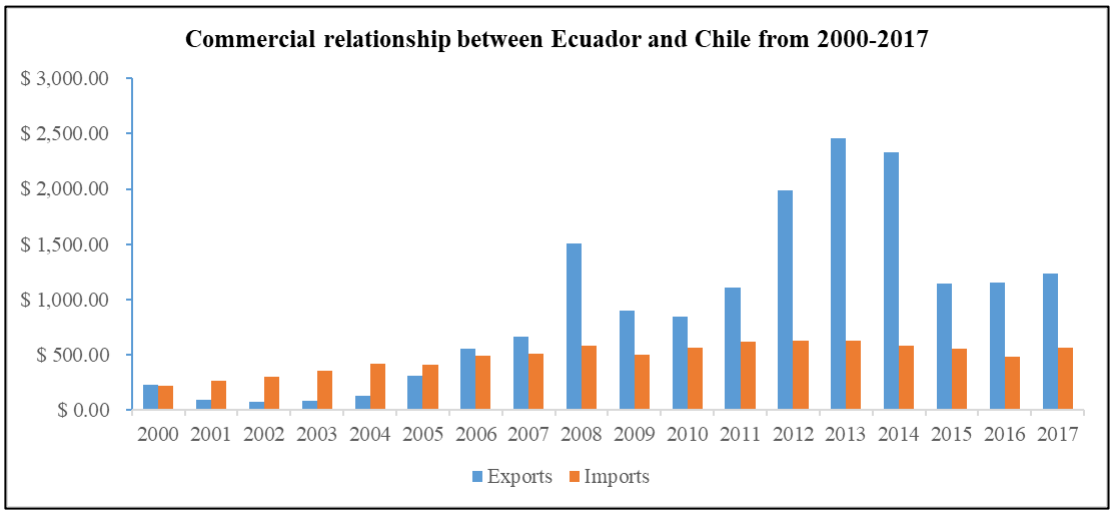

Figure 55. Commercial relationship between Ecuador and Chile from 2000-2017

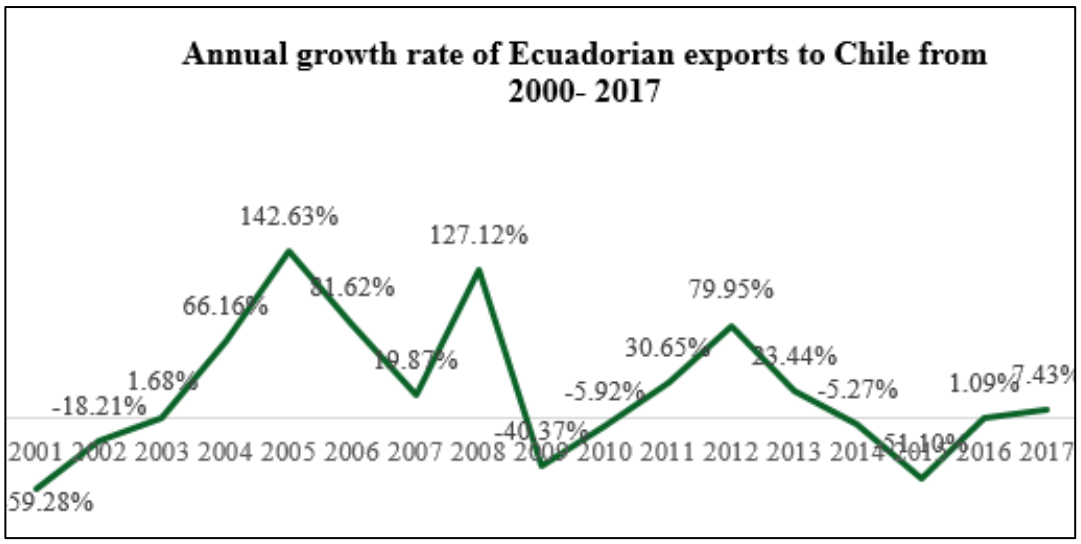

Figure 56. Annual growth rate of Ecuadorian exports to Chile from 2000-2017

On the other hand, we have the Ecuadorian imports. Over the years, purchases from Chile have had increasing and decreasing trends, as it is the case in 2009. In this year, imports decreased by 14.38% compared to the previous year (Figure 57). This was the result of the safeguards imposed in the country in that year, whose purpose was to replace foreign products with national products. Similarly, the international crisis of 2009 caused a decrease in purchases (Hurtado, 2010). Additionally, as it can be seen in the year 2010 there is a rebound in imports, because there was an increase of 13.13% over the previous year. That year there is the *"Partial Scope Agreement of Economic Complementation"*, in which Chile grants a tariff preference to around 97% of the products (Ministry of Production, Foreign Trade, Investments and Fisheries, n.d.). Despite this important event, in 2015 there is again a decrease in imports as a result of tariff surcharges of 5%, 15%, 25%, and 45% depending on the product; imposed during the government of former President Rafael Correa. This measure lasted until June of 2017 (Guayaquil Chamber of Commerce, 2018). Although this measure was intended to reduce purchases abroad to replace them with national products, the measure also affected national production because several of the products to which a safeguard was imposed, such as machinery, were necessary for production (Guayaquil Chamber of Commerce, 2018). The main products that Ecuador imports from Chile during the analyzed period were: fresh apples (6.40%), food preparations (5.93 %%), products of the chemical industry (5.52%),

electrical conductors (2.55%), polypropylene (2.25%), newsprint (2.17%), copper wire (2.01%), grapes (1.84%), multilayer paper and cardboard (0.19%), and waste (0.17%) (Trade Map, 2019) (Appendix *5*).

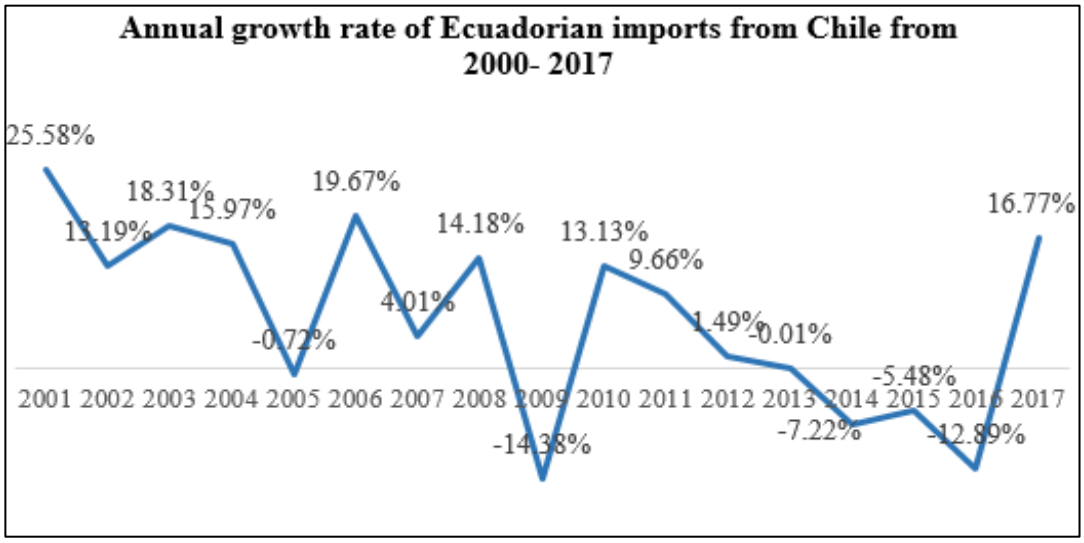

Figure 57. Annual growth rate of Ecuadorian imports from Chile from 2000-2017

2.3.3. Commercial relationship between Ecuador and Peru.

The relationship between Ecuador and Peru is governed by the CAN agreement with which Peruvian products have a 100% tariff release. Exports with Peru remained on the rise during the first years (Figure 58). The product most exported by Peru is crude oil, so a variation in the price of this item can affect the amount of exports between both countries. In fact, it can be see that in 2009 there was a significant decrease of -44.87% due to the international crisis and the reduction in the price of oil (Guayaquil Chamber of Commerce, n.d.). In order to face the global crisis and the decline in the price of crude oil, the Ecuadorian government adopted technical measures that increased the costs of some imported products in 2013 (El Comercio, 2016).

Subsequently, in 2015, safeguards were implemented, they were not well received by the Peruvian government, which is reflected in the drop of exports to Peru between 2013 and 2015. In 2017, an increase of 37.28% states a recovery in the Ecuadorian exports (Figure 59). During this period, the main products exported to Peru were: crude oil (80.56%), particle and similar boards (1.44%), cooking appliances (1.11%), copper ores (0.37%),

preparations used for animal to feed (0.31%), surfactant preparations (0.31%), medium oils and petroleum preparations (0.29%), chemicals (0.28%), waterproof footwear (0.27%), coffee extracts, essences and concentrates (0.27%) (Trade Map, 2019) (Appendix 5).

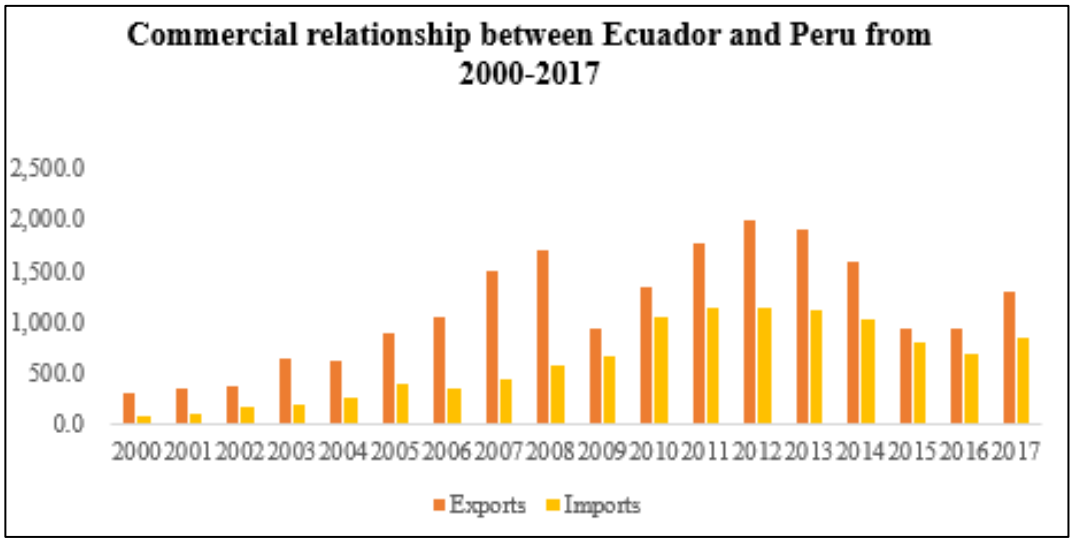

Figure 58. Exports and Imports between Ecuador and Peru from 2000-2017

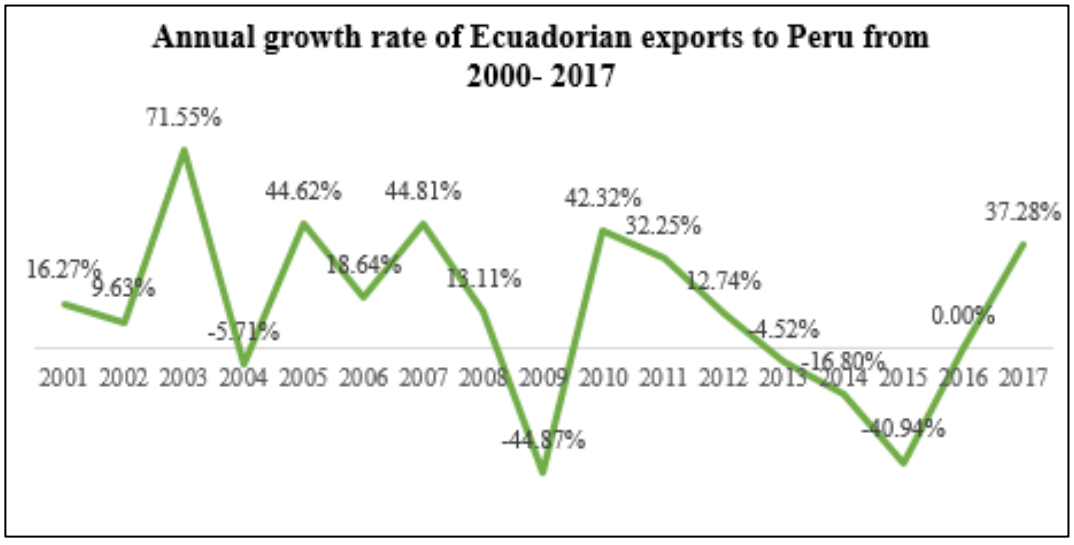

Figure 59. Annual growth rate of Ecuadorian exports to Peru from 2000-2017

The Cartagena´s Agreement, where the tariff coverage between countries is 100%, has influenced the sustained growth of Ecuador-Peru imports. Since the end of 2013 Peruvian imports were affected by the incorporation of Ecuadorian regulations related to technical

barriers to trade (MINCETUR, 2015). Although the behavior of imports has been increasing along the years; there are years in which it tends to decrease, such as between 2014 and 2016 (Figure 60). This is explained by the application of safeguards to many of the imported products. In 2017, the situation is more favorable with an increase in imports of 20.56% due to the tariff reduction of most imported products.

More than 80% of bilateral trade with Peru corresponds to intermediate goods. Among the main imported products are: preparations of the type used for animal feed (4.07%), refined copper (3.20%), medium oils and petroleum preparations (2.61%), raw zinc (1 , 73%), striped belly (1.60%), sweet biscuits (1.36%), copper wire (1.17%), surfactant preparations (1.05%), bran, molds and other sifting residues (1.01%) and flour, fish or crustacean powder (0.94%) (Trade Map, 2019) (Appendix 6).

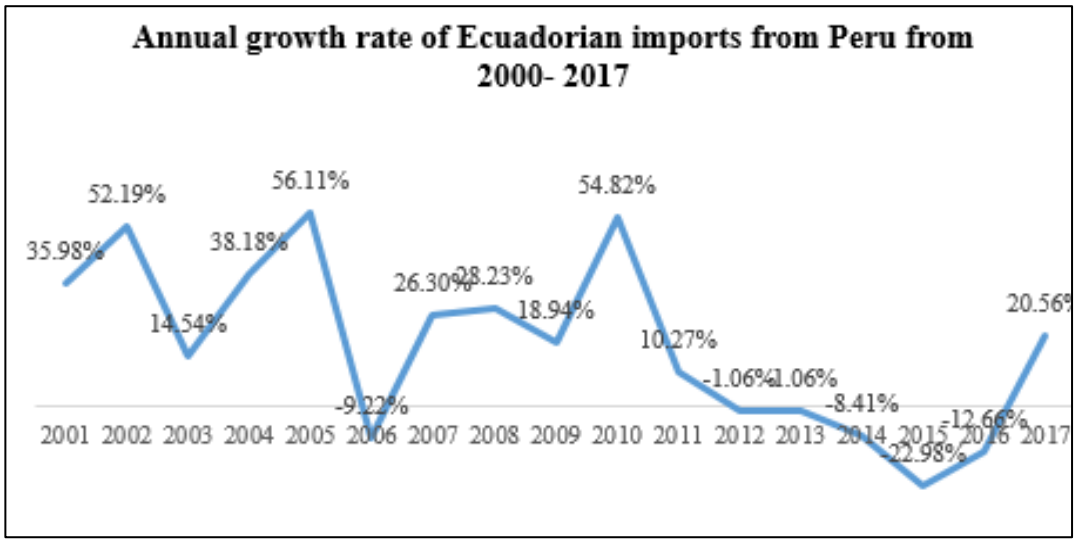

Figure 60. Annual growth rate of Ecuadorian imports from Peru from 2001-2017

2.3.4. Commercial relationship between Ecuador and Mexico

Ecuador and Mexico are members of the *"Asociación Latinoamericana de Integración"* (ALADI) as a result both countries have been granted certain tariff preferences. Over the years, these countries have tried to forge bilateral relations of cooperation in different fields such as the economic and scientific. Additionally, the commercial relations of these countries are governed by the *"Partial Renegotiation Agreement with Mexico".* This agreement gives Ecuador a tariff preference to about 3.4% of the products. Despite this,

Ecuador and Mexico maintain an unequal commercial relationship since it is observed that Ecuador imports more products from Mexico compared to the products that Ecuador exports to this country (Figure 61).

Ecuadorian exports to Mexico have not shown a favorable increase (Figure 62). The year in which there were the higher exports was in 2016, exports were 168.08 million dollars as a result of the increase in sales of products such as: tuna, sardines, chocolates and candies (El Comercio, 2017). The main products exported from Ecuador to Mexico in the period analyzed were: crude oil oils (79.63%), fats and oils of vegetable origin (1.31%), roses (0.78%), pineapples (0.70%), bananas (0.61%), cooking appliances (0.46%), fish preparations (0.40%), fish fats and oils (0.33 %), and cocoa paste (0.30%) (Trade Map, 2019) (Appendix *7*).

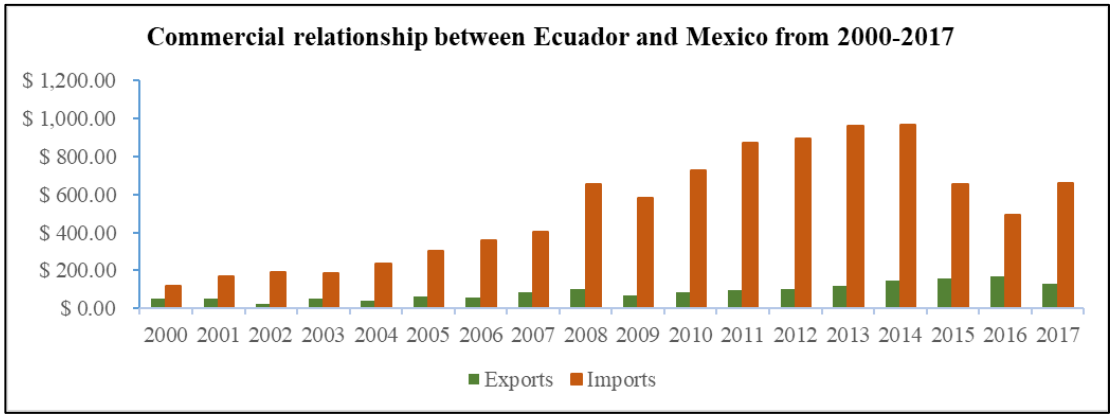

Figure 61. Commercial relationship between Ecuador and Mexico from 2000-2017

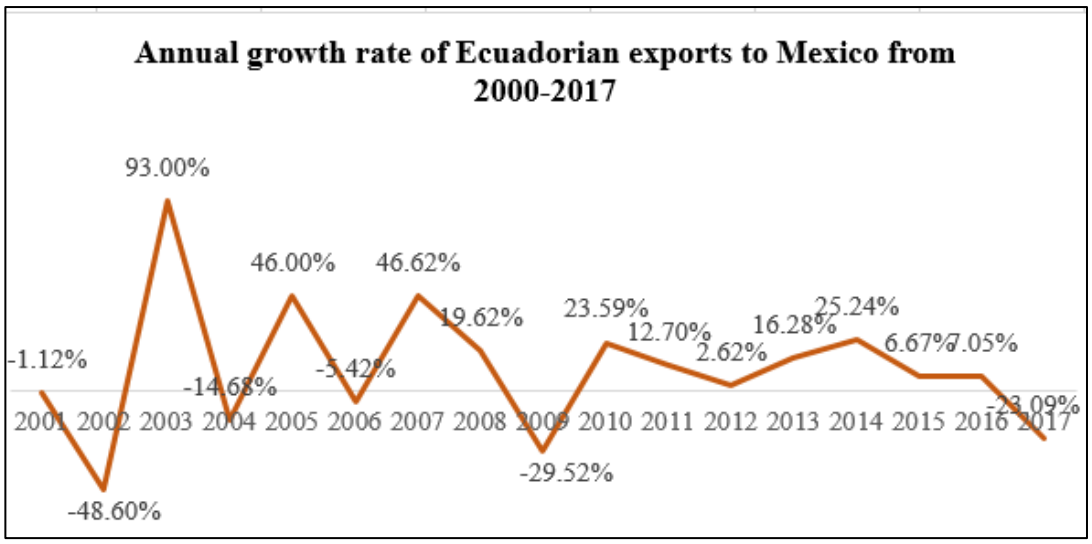

Figure 62. Annual growth rate of Ecuadorian exports to Mexico from 2000-2017

In contrast, the imports from Mexico and the agreement signed by Ecuador grants tariff preference to about 2.8% of the products (Ministry of Production, Foreign Trade, Investments and Fisheries, n.d.). Ecuadorian imports from Mexico has had a tendency of increase and decrease. In 2008, imports grew by 62.00% over the previous year, in part it was the result of the increase in automobiles (Figure 63). However, in 2009 there was an imports contraction as safeguards were put in place to boost the consumption of national product (Hurtado, 2010). Subsequently, there is a trend of increase in imports, but in the year 2015 there is a contraction of these imports, reaching $ 655.60 million, a decrease of -32.17% compared to the year 2014. This is because of the tariff surcharges imposed by the government, which were 5%, 15%, 25%, and 45% depending on the product. This measure lasted until June 2017 (Guayaquil Chamber of Commerce, 2018). In 2017 there was an increase in imports as they grew by 34.21% over the previous year, this after the elimination of safeguards. The main products imported from Mexico during the analyzed period were: products of the chemical industry (7.31%), intubation tubes (5.57%), passenger cars (4.43%), road tractors (3, 42%), shampoos (2.26%), television receivers (1.83%), medications (1.36%), laundry machines (1.28%), television sets (1.22%), and flour meal preparations (1.17%) (Trade Map, 2019) (Appendix *8*).

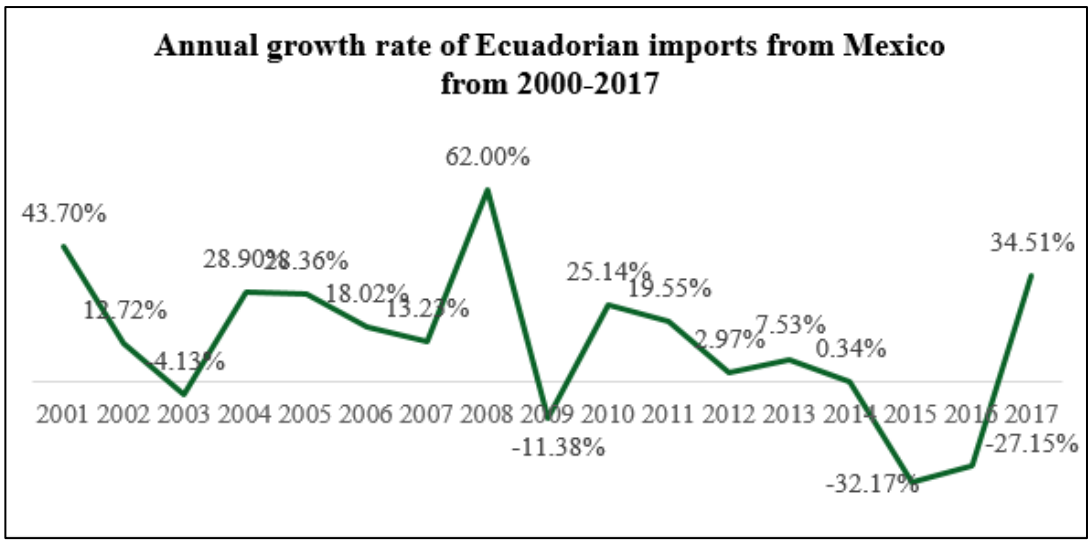

Figure 63. Annual growth rate of Ecuadorian imports from Mexico from 2000 to 2017

2. 4. Conclusions

This chapter analyzes the main economic variables of Ecuador from 2000 to 201. Ecuador being a primary exporter country, its main exporting product is oil, its price variation significantly influences the growth of exports. Other factors such as market diversification, internal regulations and the strengthening of the dollar affected the exports. The main destinations of Ecuadorian products are the United States, Vietnam, Chile, Panama and Russia. In the case of imports, there was a trend of increase and decrease as a result of: internal economic problems, international crises and safeguards imposed by the government. The main partners that stand out are ALADI, the United States, China and Peru.

In terms of inflation. In 2000, Ecuador presented an economic crisis causing the highest inflation in this period. From 2001, it started to decrease until it became stabilized but again in 2008 there was an upsurge causing the price increase in vegetables and fruits. As the years go by, it has been seen that the difference between the level of income and the cost of the basic family basket is smaller. Regarding FDI, Ecuador records several negative balances throughout the period. The country's confidence was affected by external causes such as the drop in the price of oil and internal causes such as economic instability and insecurity or unattractive reforms to laws, among others. It should be ruled

out that Mexico is one of the main issuers of FDI in conjunction with the United States and China.

Throughout the period studied, unemployment shows variations in the percentage rate due to internal factors in the country, such as the 2000 crisis. It can be seen that cities such as Quito and Guayaquil are the ones with the highest rate. Although in certain years Quito has also been the city that offers the most jobs. Finally, we have the GDP that has evolved favorably with an average growth rate of 3.57% from 2000 to 2017. Several elements boosted the Ecuadorian economy such as dollarization, the rise in the price of raw materials, increased expenditure of final consumption of households, among others. The construction and oil sector showed a higher performance in these years.

The commercial relationship between Ecuador and the member countries of the Pacific Alliance is studied. Both Colombia and Peru are governed under the Cartagena Agreement that establishes a 100% tariff release for products from the CAN. Because of this, exports and imports have benefited from this arrangement. In the case of Colombia, the amount of imports is higher than exports, so Ecuador has a deficit in its trade balance. In contrast with Peru, where the panorama is different, and Ecuador registers a surplus. In the case of imports, a large part of the products are intermediate goods. Similarly, Colombia and Peru have the possibility of devaluing their currency which harms the competitiveness of Ecuadorian products. In 2009 and 2015, attempts were made to reduce imports of certain products to stabilize the trade balance through safeguards.

On the other hand, over the years the commercial relationship between Ecuador and Chile has consolidated. It is currently governed by ACE 65 which grants a tariff preference of approximately 97%. In fact, trade between these countries has favored Ecuador more, since exports exceed imports, which means, there is a surplus for Ecuador. Products such as sardines have been opened to the Chilean market. Therefore, the commercial exchange between Ecuador and Mexico has been favorable for Mexico throughout these years, Ecuador imports more than it exports to Mexico, resulting in a trade deficit for Ecuador. The country exports primary products but imports finished products such as medicines and cars. Currently, the commercial relationship is governed by the Partial Renegotiation Scope Agreement with Mexico in which the mentioned country grants Ecuador

approximately 3.4% preference while Ecuador grants 2.8%. Despite this, Ecuador buys more from Mexico than it sells.

CHAPTER 3: ECUADOR AS AN ASSOCIATED STATE: WHAT ARE THE EFFECTS OR BENEFITS OF JOINING THE PACIFIC ALLIANCE?

3.1 Introduction

This chapter aims to demonstrate the possible benefits or repercussions for Ecuador as an Associated State of the Pacific Alliance. For this reason, the strategic areas in which the block has emphasized since its creation will be reviewed. In the same way, the figures of the commercial relationship between Ecuador and the member countries will be considered, as well as the exchange rate in order to determine the possible effects for the country.

3.2 Areas of interest of the Pacific Alliance

3.2.1 Capital Market

One of the objectives of the Pacific Alliance is to promote the free movement of capital among member countries. In order to achieve it the Technical Services and Capital Group is governed under two pillars:

1. To be an attractive destination for investment.
2. To increase the investment between members and to the rest of the world.

(Pacific Alliance, n.d.).

One of the most outstanding achievements is the *"Mercado Plataforma Integrado Latino Americano"* (MILA) which is a program of partial integration of the four stock exchanges of the members of the organization. It began privately with the Santiago, Colombian and Lima Stock Exchanges in 2009, but it was driven by the block and formally entered into operations in 2011. Its main objective is to become an important space for investment in the region. It has the following characteristics:

- No market loses its regulatory autonomy: there is no merger of the member institutions, therefore they maintain the rules according to the reality of each market.

- All operations are carried out through the national currency with a local intermediary.

- It is a long-term project that offers several potential benefits such as: greater sources of financing at lower costs, diversification of investment alternatives, reduction of transaction costs, increase of liquidity and market depth.

(Zambrano, 2015).

Similarly, MILA offers the opportunity to invest in local and other member countries markets without having a commercial office in each location. MILA is considered the largest stock market of the Pacific Alliance with a total capitalization that exceeded US $ 940 billion in 2015 (Almazán, 2015).

The Pacific Alliance aims to promote the investment of member countries with the rest of the world and intra-Alliance investment, under clear, comprehensive and fair rules. The project itself offers potential benefits in the future. However, real operations through MILA continue to take a second place because these transactions represent less than 1% of their total negotiated value in the four stock exchanges of the block.

3.2.2 Human Mobility

The Pacific Alliance seeks to advance the free mobility of people. Mexico eliminated the visa requirement for Colombia and Peru in 2012. Chilean people did not need a visa to enter the country. Moreover, the benefits granted by Mexico are broad because it includes any unpaid activity. A year later, Peru joined the initiative and suspended the need for a visa for people who travel for business from Chile, Colombia and Mexico (183 days for an unpaid activity in the country). As a result, the member countries extended the period of residence in their territories for up to six months, if they do unpaid activities, such as tourism, transit or business trips (Pacific Alliance, n.d.).

On the other hand, Ecuador does not require a visa to enter the member countries of the Pacific Alliance, however, the period of residence varies. In Colombia, Peru and Chile, a

stay of 90 days is allowed for tourist purposes, while for Mexico the period is extended to 180 days (Ministry of Foreign Affairs and Human Mobility, 2019).

The tourism sector has benefited greatly. In the case of Peru, the arrivals of Mexican tourists increased by 40%, Colombians by 32% and Chileans by 22% since 2014. Similarly, ProColombia pointed out that Chile, Mexico and Peru combined have had an average growth of tourists to Colombia of 13.7% per year (Figure 64). In addition, the arrival of Chinese travelers to Colombia has increased by 158% between 2012 and 2017 (Unique digital platform of the Peruvian State, 2016).

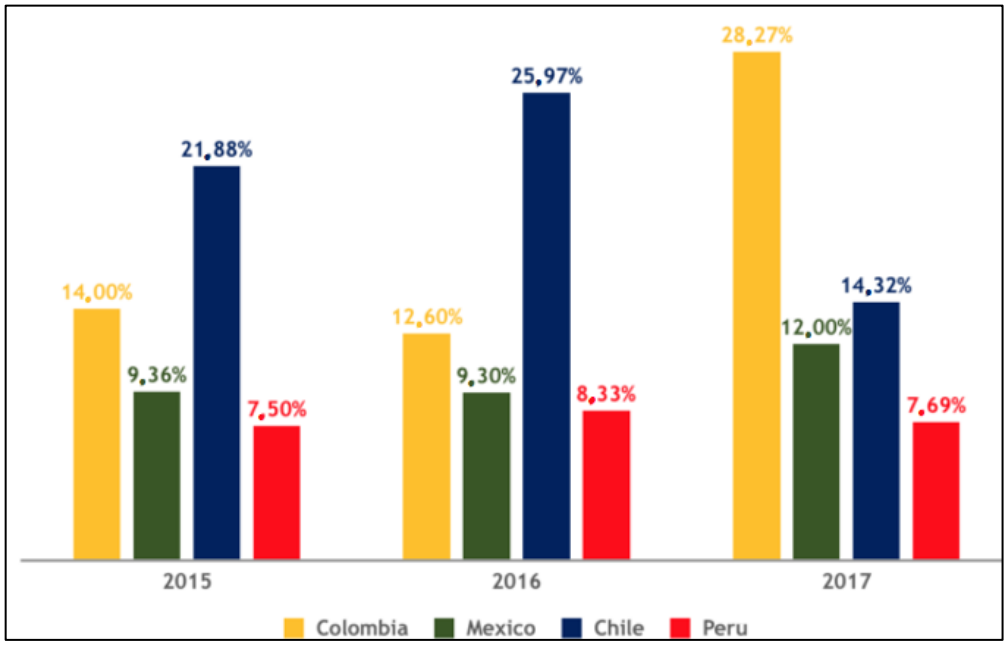

Figure 64. Tourism growth in the member countries of the Pacific Alliance from 2015-2017

3.2.3 Cooperation

The Pacific Alliance is made up of: Mexico, Peru, Chile and Colombia; together they are considered as regional powers, because they accumulate 50% of Latin American Commerce (Gestión, 2018). This is an effective cooperation space, as it promotes different initiatives in areas such as market integration, preservation and respect for climate change, business conferences, establishment of alliances with third parties, with a view to education and technology, which is why they have created programs that allow the exchange of technology between countries as well as scholar programs for students from

member countries, among others. In the case of trade, despite the tariff release, trade between these countries is not enough, consequently the expected integration is not observed (Gestión, 2018). In 2011, the Pacific Alliance established the *"Grupo Técnico de Cooperación"*, its objective is to boost cooperation between member countries with third parties (Pacific Alliance, 2019). Thus, through the "Memorandum of Understanding on the Cooperation Platform of the Pacific Alliance, was established the areas of interest: environment and climate change; innovation, science and technology; social development; and others (Pacific Alliance, 2018).

Since its creation, there have been different initiatives: first, the one related to *"Sustainable Production and Consumption",* which focused on: environment, business development, clean production and sustainable consumption. This resulted in each member country submitting proposals for sustainable consumption. On the other hand, there was the *"Scientific Cooperation Project on Climate Change in the Pacific Alliance: New Generation Biodiversity Monitoring to support processes of adaptation and mitigation of climate change"*, this resulted in training courses being held by member countries in 2018. In Chile, the course *"Bioclimatic Stress Evaluation of Ecosystems Caused by Climate Variations in the 21st Century"* was given, attended by 19 delegates from the Pacific Alliance. Two courses were given in Colombia: 1) Course on Forest Ecosystem Monitoring and Carbon Capture, in which around 51 delegates from Chile, Mexico and Peru participated. 2) Biomodelos Webinar, which is a digital tool that aims to establish communications between biodiversity experts from different countries (Pacific Alliance, 2019).

Additionally, the Pacific Alliance is creating programs that allow companies in member countries to establish strategic alliances between them to specify productive chains. Given this, the Pacific Alliance is creating programs created the *"International Bidding Program with Multilateral Organizations"* which aims to provide technical assistance to a group of companies in order to prepare them to take advantage of international public tenders. The markets of the member countries may be brought together through these which are financed by multilateral organizations. As a result, there are new opportunities to

networking, productive chains and knowledge of international markets is expected (Pacific Alliance, 2019).

On the other hand, thanks to the Pacific Alliance, there have been several *"Macrorruedas de Negocios"* therefore companies from member countries can carry out commercial transactions, but not only between them, but it opens doors to negotiations with Asia and Oceania. For example, in the "*VII Macrorrueda de Negocios"*, around 220 small and medium exporting companies from member countries participated and had the opportunity to negotiate with entrepreneurs from China, Japan, South Korea, India, Indonesia, Malaysia, the Philippines, Singapore, Thailand, Vietnam, Australia and New Zealand. Products from agribusiness, clothing and manufacturing sectors, such as fruits, vegetables, confectionery, chocolate, aquaculture, fisheries, grains, among others, were negotiated. The objective of this type of event is for companies belonging to the member countries generate contacts that allow them to establish commercial relations with companies of Asian countries (Pacific Alliance, 2019). Additionally, because of the establishment of the Pacific Alliance, member countries, such as Peru have found opportunities to strengthen trade with countries such as: Australia, Canada, New Zealand and Singapore, with products like grapes, quinoa, mangoes, footwear, among others (Pacific Alliance, 2018).

One of the most important facts of the Pacific Alliance is that it has opened the doors to cooperate with third parties. For example, the Pacific Alliance signed a joint declaration with the European Union, in order to strengthen cooperation between them. The main areas of interest intended to improve in the future are: regional economic and financial integration; digital strategies; the fight against climate change and the promotion of green growth; ease of mobility for people; as well as innovation, science and technology (Pacific Alliance , 2019). In the same way, there is the declaration signed with Japan which aims to improve cooperation in different areas of interest such as: science, technology and innovation, trade and investment, disaster risk reduction, green growth and sustainable development goals and SMEs to facilitate free movement. Likewise, this declaration is intended to facilitate the free movement of goods, services, capital and people. In addition, the declaration with the OECD aims to establish solid links as well as collaborate in areas

of cooperation such as global value chains. Moreover, the declaration signed between the Pacific Alliance and the Eurasian Economic Commission implies that both parties wish to deepen areas of cooperation such as trade facilitation and promote contacts between companies (Pacific Alliance , 2019).

3.2.4 Innovation

The Pacific Alliance is a regional integration initiative that offers multiple advantages for its member countries. The organization not only offers advantages at the commercial level, on the contrary, it intends to open doors to new points of interest. This is the case of innovation, therefore the Pacific Alliance created the *"Grupo Técnico de Innovación*" whose objective is the development of strategies, programs and instruments that allow promoting innovation among members (Pacific Alliance , 2019).

Given this, the *"Red de Aceleradoras AP (Aceler AP)"* has been created and designed to make projects successful through business services such as: capitalization, coaching, networking, among others. Its objective is to ensure entrepreneurs and innovators from member countries can finance their projects between each other, resulting in new business opportunities and strategic networks (Pacific Alliance, n.d.).

At the same time, there is the *"Red de agencias de Innovación AP (InnovAP)"* created to support the internationalization of innovative ventures through *AcereleraAP* and *ÁngelesAP*. It is intended to create a learning space and good practices, design calls, propose financing and address challenges by clusters[4] (Pacific Alliance , n.d.). Its objective is to strengthen the innovation capacities of companies established through practices that allow opportunities to be taken at regional level as well as the establishment of links between companies in member countries (Pacific Alliance , n.d.).

Additionally, the *"Red de Ángeles inversionistas de AP (Ángeles AP)"* is a group of angel investors whom can share opportunities, achieve economies of scale and take advantage of support funds. The objective is to connect entrepreneurs in the region with investors

[4] Group of interrelated companies and institutions, geographically concentrated that compete in the same business (IDEPA, 2019).

from member countries in two ways: providing entrepreneurs with financing opportunities and allowing investors to have business diversity in the region. As a result, a circle of entrepreneurs and investors from the Pacific Alliance can be obtained (Pacific Alliance , n.d.).

Among the innovation projects found a *"Red de Oficinas de Transferencia Tecnológica de la Alianza del Pacífico"* was given by signing an agreement in 2018. Its objective is to strengthen and coordinate the technology transfer of member countries, allowing Regional integration leading to the use and commercialization of technologies. It is intended to design and implement a program of technological entrepreneurship as well as methodologies that allow the promotion of technology portfolios between the local and international private sector (Pacific Alliance, 2018). On the other hand, the alliance have a joint work with Satellite Applications Catapult the study of "Workshop" is carried out, which aims to share British innovation with entrepreneurs, academia, among others. It is intended that in the future there will be a model for the members of the Pacific Alliance based on their needs (Pacific Alliance, 2018).

3.2.5 Education

The Pacific Alliance has a technical education group whose purpose is the educational integration of member countries through cooperation to improve the access to quality education (Pacific Alliance , n.d.). Thus, the organization gives 400 annual scholarships (100 scholarships for each country in the block). The scholarships are divided in two groups: 75 for undergraduate programs and 25 for doctorates, teaching mobility and researchers (Pacific Alliance, 2018). The distribution of scholarships has increased between 2013 and 2015 (Figure 65).

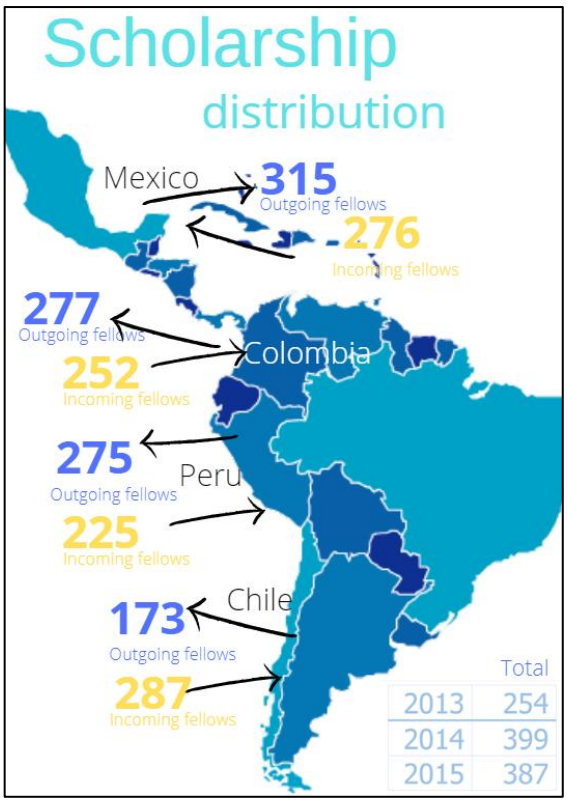

Figure 65. Scholarship distribution in the Pacific Alliance from 2013-2015

3.3 The dollar as the official currency of Ecuador: advantage or disadvantage within the Pacific Alliance?

The dollar was adopted as an emergency measure due to the financial crisis that Ecuador through the year 2000. It was intended to overcome inflation problems and achieve national economic stability which can be envisioned in the early years. As a result, notable reduction in inflation and greater economic security was achieved. However, years later the expectations were not met, as dollarization generated imbalances in macroeconomic variables (Maldonado, 2004). For example: there was a variation in domestic prices resulting in prolonged inflation affecting the real exchange rate and the instability in the balance of payments. The lack of a national currency limits the exchange and monetary management of the country, consequently the subordination of Ecuador to the United States was obtained. Given this, the Central Bank of Ecuador reduced its role in monetary policy to the function of providing instruments or services to strengthen the financial system (Acosta, 2001).

Although at international level the dollar is used as a reference in the negotiations, this can represent risks for the competitiveness of a country, because an increase in the price of the US dollar against the national currencies of the buyer countries would mean an appreciation of the dollar, as a consequence loss of competitiveness of Ecuadorian products while the decrease in the price of the dollar against the national currencies of the buyer countries represents greater competitiveness of the country when the dollar depreciates (Mora & Jaramillo, 2017). Compared to Ecuador, the countries of the Pacific Alliance have the great advantage of devaluing their currency in external situations. Additionally, these countries can maintain and reduce the prices of exportable products by competing with Ecuadorian products that would be more expensive compared to those. It would be a disadvantage for Ecuador.

In 2014, the strengthening of the dollar resulted in an increase in the purchasing power of Ecuadorian consumers because imports became cheaper due to the appreciation of the dollar. Therefore, consumers were the biggest beneficiaries, for the reason that they can buy imported products at lower value while it is a disadvantage for domestic producers as they had some difficulty selling their products when competing with others of lower price. Likewise, a deficit trade balance that affects the balance of payments was recorded (Mora & Jaramillo, 2017). Nevertheless, it is necessary to consider that the Pacific Alliance uses the dollar as its basis for commercial transactions and negotiations.

3.4 Elasticity of Ecuadorian exports based on the exchange rate

After data collection and its analysis, the elasticity of Ecuadorian exports was obtained, using the exchange rate values (dollar for foreign currency), as well as the commercial exchange between Ecuador and the member countries of the Pacific Alliance (Appendix 9, 10, 11,12).

The method used was a panel data with fixed effects, in which the cross-sectional information is from Peru, Chile, Mexico and Colombia. A balanced panel was formed where the annual values of exports, imports and exchange rates were obtained. In the case of exports, it can be observed that for each percentage point that the exchange rate of the rest of the currencies per dollar drops, Ecuadorian exports fall by 0.93%. Therefore, it is a disadvantage for the country compared to the other members of the block. The result of the imports is not attached because it was not significant for this investigation (Figure 66).

Dependent Variable: LX
Method: Panel Least Squares
Date: 11/01/19 Time: 13:04
Sample: 2000 2017
Periods included: 18
Cross-sections included: 4
Total panel (balanced) observations: 72

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LTC	-0.931722	0.431770	-2.157914	0.0358
C	10.25715	1.920802	5.340034	0.0000

Effects Specification

Cross-section fixed (dummy variables)
Period fixed (dummy variables)

R-squared	0.930978	Mean dependent var	6.113482
Adjusted R-squared	0.901988	S.D. dependent var	1.283434
S.E. of regression	0.401803	Akaike info criterion	1.260757
Sum squared resid	8.072268	Schwarz criterion	1.956405
Log likelihood	-23.38724	Hannan-Quinn criter.	1.537696

Figure 66. Result of fixed effects panel data based on exports, imports and exchange rates in relation to the countries of the Pacific Alliance

$$\mathbf{Ln\ X = 10.25 - 0.93\ Ln\ TC + ui}$$

X: exports

TC: exchange rate

3.5 Conclusions

The first conclusion reached after all the research done is that Ecuador as an Associated State has more opportunities in strategic areas, such as the capital market, human mobility, cooperation, innovation and education. Although the capital market and innovation have

programs, they are incipient in their development, but they represent potential future benefits. In the case of human mobility, there has been a greater increase in the flow of tourists between member countries, as well as those from Asia. It should be noted that there are no significant increases in work mobility. On the other hand, in terms of cooperation the most relevant program is the Macro Negotiating Wheels because businessmen from member countries as well as Asia come together to participate. Finally, education is the area in which the most results have been obtained. In fact, the Pacific Alliance grants annual scholarships that allow students, professors, and researchers from the countries of the block to move between each other.

As a second conclusion, it can be said that the influence of the dollar on the Ecuadorian economy and its entry into the Pacific Alliance is analyzed. Ecuador does not have a national currency and it has a limited monetary management which is a disadvantage compared to the other member countries because they can devalue their currency to face a crisis. Consequently, Ecuadorian products would be at a higher price. On the other hand, it was found that when the exchange rate fell, exports were reduced by -0.93%, reflecting the impact of the dollar on the Ecuadorian economy.

4. FINAL CONCLUSIONS

Through an economic analysis of the member countries of the Pacific Alliance and Ecuador, it can be concluded that:

- Although the Pacific Alliance as a block has a great presence in the international market, when each member country was analyzed it can be noted that the effect of the organization is not significant, because it is a project that is beginning.
- After analyzing the economic variables (exports, imports, FDI, inflation, unemployment and GDP) of each member country of the block, it was noted that the expected results have not been achieved, since the variations in each country are mainly due to internal and external factors, as in the case of Mexico which was one of the main countries affected in the financial crisis of 2009 (initiated in the United States). Similarly, countries such as Colombia, Chile and Peru are affected by the drop in the price of raw materials. Additionally, it was observed that there is greater commercial influence with countries such as the United States, China and Brazil.
- The main trading partners for Ecuador are United States, China and ALADI. Additionally, Mexico is one of the main issuers of FDI.
- On the other hand, one of the Ecuadorian main export products is oil, so the variation in its price represents a direct impact on the Ecuadorian economy. It is an exporting primary country, therefore when it will implement the requirements requested by the Pacific Alliance (elimination of tariff barriers), it runs the risk of greater imports than exports; opening the way to the increase of the national product and reduction of the cost in the foreign product.
- After studying the bilateral trade relationship between Ecuador and the member countries of the Pacific Alliance it was observed that Ecuador has higher exports to Chile and Peru while it has a deficit trade balance with Mexico and Colombia; despite the different trade agreements signed between these countries. It is necessary to highlight that with Colombia and Peru the tariff deduction is 100%

while with Chile about 97% of the products have tariff preference, and Mexico gives 3.4% tariff preference.

- As an “Associated State”, Ecuador is presented with new opportunities that will allow the country's progress and development, because the Pacific Alliance has placed emphasis on strategic areas such as: capital markets, human mobility, cooperation, innovation and education. Of the aforementioned strategic areas, cooperation, human mobility and education are points of interest that have shown greater benefits for member countries since their creation while cooperation and the capital market are not development enough, but offer potential future benefits. Therefore, at the time of being an “Associated State”, the country will be able to perceive the benefits offered by those areas.
- Although most of the international negotiations are conducted in dollars, it is a disadvantage for Ecuador, compared to the other member countries. It has a limited monetary management for the use of the dollar; but the countries of the Pacific Alliance can devalue their national currency in case of crisis, causing domestic products to become more expensive compared to foreign products.
- When performing the elasticity of Ecuadorian exports, it was found that when the exchange rate fell, exports would be reduced by -0.93%, reflecting the impact of the dollar on the Ecuadorian economy.

5. RECOMMENDATIONS

- Although in order to be an "Associated State" it is necessary to meet certain requirements such as 100% product deduction, it is recommended that in certain sensitive products the deduction has to be gradual, since the Ecuadorian industry is not yet strong enough compared to the other member countries. In addition, countries such as Peru and Colombia export several items similar to those produced internally in Ecuador.
- It is a fact that Ecuador is an "Associated State" of the Pacific Alliance. However, there is very little information on what the potential benefits or repercussions for the country would be, therefore further studies in this regard should be carried out in order to understand the situation.
- The Ecuadorian government must find a way to counteract the disadvantage of the use of dollar within the block through agreements that allow the country to maintain a certain degree of competitiveness with the other member countries.
- Ecuador has a weak national industry; consequently, internal and external variations affect it significantly. Therefore, programs that improve or strengthen the negotiation and work model of SMEs should be implemented to be consolidated in the market so that the impact is not so serious when more foreign products enter the national market.

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7. APPENDIX

APPENDIX 1: Main Products exported by Ecuador to Colombia

Main Products exported by Ecuador to Colombia			
National Tariff	**Product description**	**Total**	**Percentage**
1511100000	Aceite de palma en bruto	90364	3,47%
1604131000	Preparaciones y conservas de sardina, de sardinela y de espadín, enteros o en trozos (exc. ...	395484	3,38%
1511900000	Aceite de palma y sus fracciones, incl. refinados, sin modificar químicamente (exc. aceite ...	340561	2,91%
4410190000	Tableros de partículas y tableros similares, de madera u otras materias leñosas, incl. aglomeradas ...	301495	2,57%
1006300000	Arroz semiblanqueado o blanqueado, incl. pulido o glaseado	227054	1,94%
2207100000	Alcohol etílico sin desnaturalizar con grado alcohólico volumétrico >= 80% vol	203763	1,74%
'6305332000	Sacos "bolsos" y talegas, para envasar, de tiras o formas simil., de polietileno o polipropileno ...	200499	1,71%
6401920000	Calzado impermeable con suela y parte superior de caucho o de plástico, cuya parte superior ...	177634	1,52%

7321111900	Aparatos de cocción y calientaplatos, de uso doméstico, de fundición, hierro o acero, de combustibles ...	152785	1,30%
2301201100	Harina, polvo y «pellets», de carne, despojos, pescado o de crustáceos, moluscos o demás invertebrados ...	152722	1,30%

Source: (Trade Map, 2019).
Author: Calderón Jessica; Cordero Paulette.

APPENDIX 2: Main Products imported by Ecuador from Colombia

Main Products imported by Ecuador from Colombia			
National Tariff	**Product description**	**Total**	**Percentage**
3004902900	SECCIÓN VI - PRODUCTOS DE LAS INDUSTRIAS QUÍMICAS O DE LAS INDUSTRIAS CONEXAS CAPÍTULO 30 - ...	1244610	4,66%
2716000000	Energía eléctrica	1118126	4,18%
8704229090	Vehículos automóviles para transporte de mercancías, con motor de émbolo "pistón" de encendido ...	496907	1,86%
2707501000	Mezclas de hidrocarburos aromáticos que destilen una proporción <= 65% en volumen, incl. las ...	405200	1,52%
3902100000	Polipropileno, en formas primarias	348134	1,30%
8703239090	Automóviles de turismo, incl. los del tipo familiar "break" o "station wagon" y los de carreras, ...	347840	1,30%

3402200000	Preparaciones tensoactivas, preparaciones para lavar, incl. las preparaciones auxiliares de ...	336666	1,26%
8544300000	Juegos de cables para bujías de encendido y demás juegos de cables de los tipos utilizados ...	274925	1,03%
6908900000	Placas y baldosas, de cerámica, para pavimentación o revestimiento, barnizadas o esmaltadas ...	272408	1,02%
6004100000	Tejidos de punto de anchura > 30 cm, con un contenido de hilados de elastómeros >= 5% en peso ...	268299	1,00%

Source: (Trade Map, 2019).
Author: Calderón Jessica; Cordero Paulette.

APPENDIX 3: Main products exported by Ecuador to Chile

Main products exported by Ecuador to Chile			
National Tariff	**Product Description**	**Total**	**Percentage**
2709000000	Aceites crudos de petróleo o de mineral bituminoso	12994924	79.63%
1516200000	Grasas y aceites de origen vegetal y sus fracciones, parcial o totalmente hidrogenados, interesterificados, **...**	214167	1.31%

'2008910000	Palmitos, preparados o conservados, incl. con adición de azúcar u otro edulcorante o alcohol **...**	151377	0.93%
'0603110000	Rosas "flores y capullos", cortadas para ramos o adornos, frescas	127537	0.78%
'0804300000	Piñas "ananás", frescas o secas	114328	0.70%
'0803901190	Plátanos frescos o secos (plátanos excl.) : los demás	100208	0.61%
'7321111900	Aparatos de cocción y calientaplatos, de uso doméstico, de fundición, hierro o acero, de combustibles **...**	74402	0.46%
1604200000	Preparaciones y conservas de pescado (exc. entero o en trozos)	66043	0.40%
1504201000	Grasas y aceites de pescado y sus fracciones, incl. refinados, sin modificar químicamente (exc. **...**	53454	0.33%
1803100000	Pasta de cacao, sin desgrasar	48785	0.30%

Source: (Trade Map, 2019).
Authors: Calderón Jessica; Cordero Paulette.

APPENDIX 4: Main products imported by Ecuador from Chile

Main products imported by Ecuador from Chile			
National Tariff	**Product Description**	**Total**	**Percentage**
0808100000	Manzanas, frescas	525122	6.49%
2106902900	Preparaciones alimenticias, n.c.o.p.: preparaciones compuestas cuyo grado alcohólico volumétrico sea inferior o igual al 0,5% vol, para la elaboración de bebidas: las demás	480119	5.93%
3004902900	SECCIÓN VI - PRODUCTOS DE LAS INDUSTRIAS QUÍMICAS O DE LAS INDUSTRIAS CONEXAS CAPÍTULO 30 - PRODUCTOS FARMACÉUTICOS Medicamentos (excepto los productos de las partidas 3002, 3005 o 3006) constituidos por productos mezclados o sin mezclar, preparados para: los demás medicamentos para uso humano: los demás	447121	5.52%
8544491000	Conductores eléctricos, para una tensión <= 80 v, sin piezas de conexión, n.c.o.p.: los demás, de cobre	206637	2.55%
3902100000	Polipropileno, en formas primarias	182401	2.25%
4801000000	Papel prensa, en bobinas "rollos" de anchura > 36 cm o en hojas de forma cuadrada o rectangular con un lado > 36 cm y el otro > 15 cm, sin plegar	175294	2.17%

7408110000	Alambre de cobre refinado, con la mayor dimensión de la sección transversal > 6 mm	162626	2.01%
0806100000	Uvas frescas	148875	1.84%
4810920010	Papel y cartón multicapas, estucados por una o las dos caras con caolín u otras sustancias inorgánicas, en bobinas "rollos" o en hojas de forma cuadrada o rectangular, de cualquier tamaño (exc. para escribir, imprimir u otros fines gráficos, así como el p: cartulina duplex y triplex de gramaje superior o igual a 200 gr. e inferior o igual a 400 gr.	15551	0.19%
7204490000	Desperdicios y desechos "chatarra", de hierro o acero [ceca] (exc. escorias, batidoras y otros desperdicios de la fabricación de fundación; desperdicios y desechos radiactivos; trozos procedentes de la rotura de tochos, galápagos o demás formas primarias de fundición en bruto o de fundación especular; desperdicios y desechos de fundación, de aceros aleados o de hierro o acero estañado; torneaduras, virutas, esquirlas, limaduras y recortes de estampado o de corte; desperdicios y desechos de pilas, de baterías de pilas y de acumuladores eléctricos)	13996	0.17%

Source: (Trade Map, 2019).
Authors: Calderón Jessica; Cordero Paulette.

APPENDIX 5: Main products exported by Ecuador to Peru

Main products exported by Ecuador to Peru			
National Tariff	**Product Description**	**Total**	**Percentage**
2709000000	Aceites crudos de petróleo o de mineral bituminoso	15842551	80,56%
4410190000	Tableros de partículas y tableros similares, de madera u otras materias leñosas, incl. aglomeradas ...	283558	1,44%
7321111900	Aparatos de cocción y calientaplatos, de uso doméstico, de fundición, hierro o acero, de combustibles ...	217918	1,11%
2603000000	Minerales de cobre y sus concentrados	72443	0,37%
3402200000	Preparaciones tensoactivas, preparaciones para lavar, incl. las preparaciones auxiliares de ...	60180	0,31%
2309909012	Las demás preparaciones del tipo utilizadas para la alimentación animal: las demás para uso ...	60458	0,31%
3004902900	SECCIÓN VI - PRODUCTOS DE LAS INDUSTRIAS QUÍMICAS O DE LAS INDUSTRIAS CONEXAS CAPÍTULO 30 - ...	55614	0,28%
2101110000	Extractos, esencias y concentrados de café	52376	0,27%
6401920000	Calzado impermeable con suela y parte superior de caucho o de plástico, cuya parte superior ...	52729	0,27%

8418103000	Combinaciones de refrigerador y congelador con puertas exteriores separadas : De volumen superior ...	47200	0,24%

Source: (Trade Map, 2019).
Author: Calderón Jessica; Cordero Paulette.

APPENDIX 6: Main Products imported by Ecuador from Peru

Main Products imported by Ecuador from Peru			
National Tariff	**Product Description**	**Total**	**Percentage**
2309909012	Las demás preparaciones del tipo utilizadas para la alimentación animal: las demás para uso **...**	442592	4,07%
7403110000	Cobre refinado en forma de cátodos y de secciones de cátodos	348027	3,20%
2710193800	Aceites medios y preparaciones, de petróleo o de mineral bituminoso, n.c.o.p.: preparaciones **...**	283880	2,61%
7901110000	Cinc en bruto, sin alear, con un contenido de cinc >= 99,99% en peso	188013	1,73%
303430000	Listados o bonitos de vientre rayado, congelados	173500	1,60%
1905310000	Galletas dulces (con adición de edulcorante)	147586	1,36%
7408110000	Alambre de cobre refinado, con la mayor dimensión de la sección transversal > 6 mm	126812	1,17%
3402200000	Preparaciones tensoactivas, preparaciones para lavar,	75907	1,05%

	incl. las preparaciones auxiliares de **...**		
2302200000	Salvados, moyuelos y demás residuos del cernido, de la molienda o de otros tratamientos del **...**	109746	1,01%
2301201100	Harina, polvo y "pellets", de pescado o de crustáceos, de moluscos o demás invertebrados acuáticos, **...**	45158	0,94%

Source: (Trade Map, 2019).
Author: Calderón Jessica; Cordero Paulette.

APPENDIX 7: Main Products exported by Ecuador to Mexico

Main Products exported by Ecuador to Mexico			
National Tariff	**Product description**	**Total**	**Percentage**
1511100000	Aceite de palma en bruto	143727	9,43%
1604131000	Preparaciones y conservas de sardina, de sardinela y de espadín, enteros o en trozos (exc. picados): en salsa de tomate	128230	8.41%
1801001990	Cacao en grano, entero o partido, crudo o tostado .: los demás	77021	5.05%
1704901000	Artículos de confitería sin cacao, incl. el chocolate blanco (exc. chicle): bombones, caramelos, confites y pastillas	36395	2.39%
2710192200	Aceites medios y preparaciones, de petróleo o de mineral bituminoso, n.c.o.p.: aceites pesados: fueloils (fuel)	34446	2.26%
1511900000	Aceite de palma y sus fracciones, incl. refinados, sin		2.03%

	modificar químicamente (exc. aceite de palma en bruto)	30862	
1513211000	Aceites de almendra de palma o babasú, en bruto: de almendra de palma	30315	1.99%
2101110000	Extractos, esencias y concentrados de café	23098	1.52%
3004902900	SECCIÓN VI - PRODUCTOS DE LAS INDUSTRIAS QUÍMICAS O DE LAS INDUSTRIAS CONEXAS CAPÍTULO 30 - PRODUCTOS FARMACÉUTICOS Medicamentos (excepto los productos de las partidas 3002, 3005 o 3006) constituidos por productos mezclados o sin mezclar, preparados para: los demás medicamentos para uso humano: los demás	17385	1.14%
8526920000	Aparatos de radiotelemando	11362	0.75%

Source: (Trade Map, 2019).
Authors: Calderón Jessica; Cordero Paulette.

APPENDIX 8: Main Products imported by Ecuador from Mexico

Main Products imported by Ecuador from Mexico			
National Tariff	**Product description**	**Total**	**Percentage**
3004902900	SECCIÓN VI - PRODUCTOS DE LAS INDUSTRIAS QUÍMICAS O DE LAS INDUSTRIAS CONEXAS CAPÍTULO 30 - PRODUCTOS FARMACÉUTICOS Medicamentos (excepto los productos de las partidas 3002, 3005 o 3006) constituidos por productos mezclados o sin mezclar, preparados para: los demás medicamentos para uso humano: los demás	714653	7.31%
7304290000	Tubos de entubación "casing" o de producción "tubing", sin soldadura, de hierro o acero, de los tipos utilizados para la extracción de petróleo o gas (exc. de fundición).	544962	5.57%
8703239090	Automóviles de turismo, incl. los del tipo familiar "break" o "station wagon" y los de carreras, con motor de émbolo "pistón" alternativo de encendido por chispa, de cilindrada > 1.500 cm³ e <= 3.000 cm³ (exc. vehículos de nieve y demás vehículos especiales de la subpartida 8703.10): Los demás vehículos con motor de émbolo (pistón) alternativo de encendido por chispa: De cilindrada superior a 1 500 cm³ pero inferior o igual a 3 000 cm³: Los demás: Los demás.	432773	4.43%
8701200090	Tractores de carretera para semirremolques: tractores de carretera para semirremolques: los demás.	334393	3.42%

3305100000	Champús	221197	2.26%
8528720049	Aparatos receptores para televisión en color, sin radio receptor incorporado, aparatos reproductores de sonido o video, diseñados para incorporar un dispositivo de video en la pantalla : los demás	178769	1.83%
3004501000	Medicamentos, que contengan provitaminas, vitaminas, incl. los concentrados naturales, o sus derivados utilizados principalmente como vitaminas, dosificados "incl. los administrados por vía transdérmica" o acondicionados para la venta al por menor: para uso humano	132845	1.36%
8450200000	Máquinas para lavar ropa, de capacidad unitaria, expresada en peso de ropa seca > 10 kg	125382	1.28%
8528720039	Aparatos receptores para televisión en color, sin radio receptor incorporado, aparatos reproductores de sonido o video, diseñados para incorporar un dispositivo de video en la pantalla : los demás	119703	1.22%

Source: (Trade Map, 2019).
Authors: Calderón Jessica; Cordero Paulette.

APPENDIX 9: Commercial relationship between Ecuador and Colombia from 2000-2017

Year	Exports (millons of USD)	Imports (millons of USD)	Exchange rate dollar-peso
2000	$ 293,8	$ 74,8	2.229,18
2001	$ 341,6	$ 101,7	2.291,18
2002	$ 374,5	$ 154,8	2.864,79
2003	$ 642,5	$ 177,3	2.778,21
2004	$ 605,8	$ 245	2.389,75
2005	$ 876,1	$ 382,5	2.284,22
2006	$ 1.039,40	$ 347,3	2.238,79
2007	$ 1.505,10	$ 438,6	2.014,76
2008	$ 1.702,40	$ 562,4	2.243,59
2009	$ 938,5	$ 668,9	2.044,23
2010	$ 1.335,60	$ 1.035,60	1.913,98
2011	$ 1.766,30	$ 1.141,90	1.942,70
2012	$ 1.991,30	$ 1129,84186	1.768,23
2013	$ 1.901,30	$ 1.117,80	1.926,83
2014	$ 1.581,80	$ 1.023,80	2.392,46
2015	$ 934,2	$ 788,5	3.149,47
2016	$ 934,2	$ 688,7	3.000,71
2017	$ 1.282,50	$ 830,3	2.984,00

Source: (Bank of the Republic of Colombia, n.d.) (Central Bank of Ecuador, n.d.).
Authors: Calderón Jessica; Cordero Paulette.

APPENDIX 10: Commercial relationship between Ecuador and Chile from 2000-2017

Year	Exports (millons of USD)	Imports (millons of USD)	Exchange rate dollar-chilean peso
2000	$ 223.58	$ 211.69	538.87
2001	$91.03	$ 265.85	634.43
2002	$74.45	$ 300.93	689.24
2003	$ 75.70	$ 356.04	691.54

2004	$ 125.80	$ 412.92	609.55
2005	$ 305.23	$ 409.91	559.86
2006	$ 554.36	$ 490.55	530.26
2007	$ 664.54	$ 510.22	522.69
2008	$ 1,509.4	$ 582.59	521.79
2009	$ 900.0	$ 498.76	559.67
2010	$ 846.63	$ 564.25	510.38
2011	$ 1,106.16	$ 618.78	483.36
2012	$ 1,990.56	$ 628.04	486.75
2013	$ 2,457.34	$ 628.0	495
2014	$ 2,327.63	$ 582.60	570.01
2015	$ 1,138.08	$ 550.62	654.25
2016	$ 1,150.56	$ 479.63	676.83
2017	$ 1,236.13	$ 560.11	649.33

Source: (Central Bank of Chile) (Central Bank of Ecuador, n.d.)
Authors: Calderón Jessica; Cordero Paulette.

APPENDIX 11: Commercial relationship between Ecuador and Peru from 2000-2017

Year	Exports (millons of USD)	Imports (millons of USD)	Exchange rate dollar-sol
2000	$ 293,8	$ 74,8	3,52
2001	$ 341,6	$ 101,7	3,44
2002	$ 374,5	$ 154,8	3,51
2003	$ 642,5	$ 177,3	3,47
2004	$ 605,8	$ 245	3,28
2005	$ 876,1	$ 382,5	3,42
2006	$ 1.039,40	$ 347,3	3,21
2007	$ 1.505,10	$ 438,6	2,98
2008	$ 1.702,40	$ 562,4	3,11
2009	$ 938,5	$ 668,9	2,88
2010	$ 1.335,60	$ 1.035,60	2,82
2011	$ 1.766,30	$ 1.141,90	2,7
2012	$ 1.991,30	$ 1129,84186	2,57
2013	$ 1.901,30	$ 1.117,80	2,79
2014	$ 1.581,80	$ 1.023,80	2,96
2015	$ 934,2	$ 788,5	3,38
2016	$ 934,2	$ 688,7	3,4
2017	$ 1.282,50	$ 830,3	3,25

Source: (Reserve Bank of Peru, n.d.) (Central Bank of Ecuador, n.d.)
Authors: Calderón Jessica; Cordero Paulette.

APPENDIX 12: Commercial relationship between Ecuador and Mexico from 2000-2017

Year	Exports (millons of USD)	Imports (millons of USD)	Exchange rate dollar-mexican peso
2000	$ 50.53	$ 117.93	9.6098
2001	$ 49.97	$ 169.48	9.1695
2002	$ 25.68	$ 191.04	10.4393
2003	$ 49.56	$ 183.14	11.2372
2004	$ 42.28	$ 236.07	11.1495
2005	$ 61.73	$ 303.03	10.6344
2006	$ 58.38	$ 357.66	10.8116
2007	$ 83.85	$ 405.00	10.9157
2008	$ 100.31	$ 656.10	13.8325
2009	$ 70.69	$ 581.40	13.0659
2010	$ 87.37	$ 727.61	12.3496
2011	$ 98.47	$ 869.86	13.9476
2012	$ 101.06	$ 895.77	12.9658
2013	$ 117.51	$ 963.25	13.0843
2014	$ 147.18	$ 966.55	14.7414
2015	$ 157.00	$ 655.60	17.2487
2016	$ 168.08	$ 490.68	20.6194
2017	$ 129.27	$ 660.04	19.6629

Source: (Economic Information System) (Central Bank of Ecuador, n.d.)
Authors: Calderón Jessica; Cordero Paulette.