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Analysis of Foreign Direct Investment and Foreign Trade in the Ecuadorian Economy

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DEDICATION

I dedicate each achievement to my parents, who were always there during tough times. They showed me that every struggle has its merit and taught me never to bow my head in tough times, helping me become the strong person I am today. I also dedicate this milestone to all the people who supported me during every challenging moment, knowing that friends can become family and have played a fundamental role in my life.

AGRADECIMIENTOS

I thank my parents for having trusted me, for making the economic effort that is bearing fruit today, knowing that they were the people who supported me the most in the most difficult moments. I thank my brother, who has helped me learn many things, even though he is the youngest, he continues to teach me how to be a good brother. I also thank my sister, who never gave up in the most difficult moments, as she has shown me courage and ingenuity to face adversity. I thank them from the bottom of my heart.

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Analysis of foreign direct investment and foreign trade in the Ecuadorian economy.

Abstract

The objective of this research is to analyze descriptively and theoretically the effect of foreign investment on the economic growth of Ecuador. The results indicate that foreign direct investment flows tend to develop better in countries that have public policies where foreign investors can have greater legal security and greater benefits, Countries that are favored with foreign direct investment flows tend to generate economic growth. On the other hand, foreign direct investment flows benefit developing countries' economies since it is directly related to economic growth. Therefore, it is suggested that countries should have trade policies that help to attract these flows and generate job creation. Therefore, this research is established under a PRISMA methodology of literature review based on 45 scientific articles published in Scopus and Google Scholar. A descriptive correlational analysis of data was performed to address the topic under study.

Keywords: Economic growth, countries, flow, public policies, legal security.

Resumen

El objetivo de la presente investigación es realizar un análisis de la inversión extranjera directa y la economía ecuatoriana, como objetivo se tiene analizar descriptivamente y de manera teórica el efecto de la inversión extranjera en el crecimiento económico del Ecuador, como resultados señalan que los flujos de la inversión extranjera directa suelen desarrollarse de mejor manera en países los cuales tienen políticas públicas en donde los inversores extranjeros puedan tener mayor seguridad jurídica y mayor beneficio, los países que son favorecidos con los flujos de inversión extranjera directa tienden a generar crecimiento económico, por otro lado se tiene que los flujos de la Inversión extranjera directa son beneficiosos para las economías de países en vía de desarrollo ya que está directamente relacionada con el crecimiento económico. Por lo que se sugiere que los países deben tener políticas comerciales las cuales ayuden a generar atracción de estos flujos y generen creación de empleo. Por ende, se establece esta indagación bajo una metodología PRISMA de revisión bibliográfica en base a 45 artículos científicos publicados en Scopus y Google Scholar a través de los cuales se realizó un análisis descriptivo correlacional entre datos a fin de abordar el tema objeto de estudio.

Palabras claves: Crecimiento económico, países, flujo, políticas públicas, seguridad jurídica.

Analysis of foreign direct investment and foreign trade in the Ecuadorian economy.

1. Introduction

Research on the analysis of foreign direct investment and foreign trade in the Ecuadorian economy is fundamental in the current context of the globalized economy. This research is important because it seeks to deepen the relationship between foreign direct investment (FDI) and foreign trade, two aspects that play fundamental roles in the economic development of countries. Understanding how FDI impacts economic growth, international competitiveness, and job creation in Ecuador is crucial to identifying opportunities for improvement, challenges to overcome, and strategies to follow to maximize the potential of FDI in the country.

In addition, this research focuses on analyzing in detail the effects of foreign direct investment (FDI) on the Ecuadorian economy, exploring how it can stimulate economic activity, raise productivity, and support the growth of key sectors such as technology, energy, and manufacturing. This analysis is particularly relevant in a context where FDI flows have the potential to produce significant transformations in the local economy, offering both benefits and challenges. Specific examples of how FDI has positively influenced job and technology creation will be examined, while adverse effects, such as the displacement of local industries, will also be assessed.

This paper is initially structured in a theoretical framework that presents the fundamental concepts necessary to thoroughly understand, explain, and integrate the context of the topic. We employed a PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) methodology, which guides the conduct of a systematic review and meta-analysis, to ensure a rigorous evaluation of the existing literature. This review is based on 45 carefully selected scientific articles detailing how foreign investment impacts host economies and discussing the management of FDI flows. The results obtained allow us to explore in depth how these flows are managed within global economies. The conclusions and reflections derived from this review form the basis of the discussion section, where the implications of the observations of the authors consulted are analyzed.

In conclusion, this study is fundamental in providing a detailed analysis of the critical role of foreign direct investment and foreign trade in Ecuador's economic dynamics. It specifically explores how FDI can catalyze crucial areas for economic growth, identifies key challenges such as market integration and economic regulation, and proposes strategies aimed at optimizing the leverage of these investments. The objective is to maximize the potential of FDI to strengthen not only the economy in terms of expansion and competitiveness but also to improve the country's infrastructure and productive capacity.

1.1. Objectives

1.1.1. Objective General

analysis of foreign direct investment in conjunction with foreign trade in Ecuador.

1.1.2. Objectives specific

1. Conduct a literature review of the relationship between foreign direct investment and economic growth within the Ecuadorian economy.

2. To analyze the effect of foreign investment on Ecuador's economic growth descriptively.

1.2. Theoretical framework

The Organization for Economic Co-operation and Development (OECD, 2020) defines foreign direct investment (FDI) as a participation of at least 10% by a foreign company in a company of the host country. This participation not only represents a financial investment but also seeks to establish strategic alliances that generate long-term profits and allow significant influence in the management of the host company. In this way, FDI implies a transformation in the relationship between the investing company and the host company, fostering an exchange of technologies, management practices, and strategic knowledge.

The classification of foreign direct investment (FDI) is divided into four main categories according to the relationship between the countries involved: horizontal, vertical, conglomerate, and platform. In horizontal FDI, companies invest abroad within their industry. Vertical FDI involves investments in sectors that are suppliers or customers of the parent company. Conglomerate FDI is characterized by involving sectors other than the company's usual ones, seeking diversification and risk management. Finally, platform FDI is established to use operations in one country as a base for exporting to other markets. Specifically, conglomerate FDI promotes significant capital transfers to local companies to foster collaboration and develop joint projects (UNIR, 2024).

Platform FDI is characterized by the establishment of operations in a foreign country to replicate activities like those carried out in the company's home country. This type of investment seeks to increase the turnover of the parent company, often by establishing maquiladoras in regions that offer labor or exchange rate advantages (UNIR, 2024).

On the other hand, while horizontal investments, which focus on capturing the extent of the local market, are crucial, vertical investments tend to be of lesser relevance in these scenarios. The process of trade liberalization especially benefits smaller countries, boosting their market through increased exports and imports. This dynamic is evidence of how trade openness facilitates the integration of FDI with foreign trade, reflecting its association with globalization and its role in fostering economic growth and opportunities in developing nations. Thus, trade agreements tend to foster both vertical and horizontal FDI. In contrast, countries with protectionist policies often faceless attraction to foreign investment, resulting in a greater emphasis on domestic investment (Machinea & Vera, 2020).

On the other hand, horizontal FDI tends to have a negative relationship with foreign trade, especially when this investment is focused on imports of non-tradable goods and services, due to the lack of adequate production locally. Bilateral agreements, compared to unilateral opening measures, tend to be more effective in attracting foreign direct investment, benefiting from the cooperative environment and the synergies they generate. However, distinguishing between horizontal and vertical FDI can be complex, since the nature of its impact on trade, whether positive or negative, varies according to the specific context and the sectors involved.

Countries that receive a significant proportion of FDI tend to experience notable growth in productivity and an increase in GDP. Various studies indicate that the effects of FDI are generally positive, particularly in high-income countries, where it fosters long-lasting business and economic linkages. However, the impacts may be less favorable in middle- and low-income countries, due to heterogeneous economic structures and inefficient production linkages that impede sustained growth. In some Latin American nations, for example, FDI does not always translate into long-term economic benefits (Ortiz, 2018).

Economic growth is essential for a country's development and is facilitated through various strategies such as foreign trade and foreign direct investment (FDI). Beyond simply driving economic growth, foreign trade promotes innovation, improving the competitiveness of products and services. This dynamic drives the development and adoption of new technologies, improving their quality and efficiency. In addition, FDI plays a crucial role in providing access to international markets, allowing companies to expand their production. This access helps to reduce costs and optimize operational efficiency, vital aspects for competitiveness in the global market (Acosta, 2021).

To understand the relationship between foreign trade and foreign direct investment (FDI), it is crucial to understand indicators such as the trade balance. This indicator measures the difference between a country's exports and imports during specific periods. It is important to note that the trade balance focuses primarily on goods and does not include services provided (Ortiz, 2018).

Exports refer to goods produced within a country and sold to customers abroad, while imports consist of the purchase of goods from foreign countries for domestic consumption. This flow of goods to and from a country is fundamental to understanding the dynamics of international trade and its impact on the local economy (Acosta, 2021).

Trade balance, also known as trade equilibrium, is defined as the difference between a country's exports and imports. When exports exceed imports, a trade surplus is generated, which is considered a favorable result because it indicates the inflow of resources from abroad. In contrast, a trade deficit occurs when a country imports more than it exports, which can signal economic vulnerabilities. The break-even point is reached when exports and imports are equal, resulting in a neutral trade balance.

It is important to emphasize that the balance of trade is a component of the balance of payments, which records all economic transactions between a country and its international trading partners. It includes not only exports and imports of goods and services but also capital flows and financial transfers, such as foreign direct investment (FDI) (Banco Santander, 2020).

In addition, the balance of payments is composed of two main parts: the current account and the capital and financial account. The current account records all foreign trade transactions, income transfers, and other current transactions. On the other hand, the capital and financial account documents change in the ownership of foreign assets and liabilities, as well as the linkages between the private sector and the external sector of the economy" (Banco Central del Ecuador, 2019).

The attraction of Foreign Direct Investment (FDI) is determined by a complex set of factors that influence business decisions to invest in specific markets. Among the most influential are market size and trade openness, which offer foreign companies the opportunity to access larger markets and a more competitive environment. In contrast, country risk and privatizations tend to deter foreign investment, due to the uncertainty and volatility they generate. Interestingly, labor costs are often not decisive in determining foreign investment" (Castillo, 2020).

The consequences of economic and political events in countries can be far-reaching, significantly affecting transnational operations. According to Rodriguez (2019), these operations can be compromised by factors such as high inflation, deterioration of the current account deficit, or political instabilities, especially when under direct government influence. Even the failure of a company due to lack of financing can be a direct result of inappropriate government policies. Since country risk represents a major challenge for companies involved in international trade, it is crucial to implement effective mitigation strategies. These must be based on thorough analysis and the adoption of timely measures to protect business interests.

Foreign Direct Investment (FDI) influences the balance of trade in some ways, particularly through net capital movements. Initially, the investor imports the capital goods needed to start production, making the subsidiary dependent on imported components in the early years. This dynamic leads the subsidiary to find it advantageous over time to increase the purchase of local inputs, especially after analyzing exports and imports over a given period. This process can increase the domestic content of products and have a net positive effect on the balance of payments in the long run (World Trade Organization, 2018).

FDI plays a crucial role in developing countries by investing in production infrastructure, attracting new machinery, and fostering formal job creation. In addition to increasing the resources available for investment and capital formation, FDI facilitates technology transfer, improves technical capacity, and fosters innovation. This type of investment also opens doors to foreign institutions and provides access to international networks, which enhances the sale of goods and services in global markets (Gonzales et al., 2019).

In vertical foreign direct investment, companies divide their geographic operations according to the specific function they perform. Activities that require a high level of specialized knowledge and skills, such as research and development, are generally maintained at the headquarters, located in the firm's home country. On the other hand, labor-intensive functions, such as manufacturing, are usually located in countries where labor costs are lower (Castillo, 2020).

However, it is also crucial to consider the potential adverse effects of FDI. By influencing the host country's economy, FDI can have significant consequences on its domestic economic structure. This includes the potential to affect local producers, where foreign firms may come to dominate the market, displacing domestic firms. This market monopoly by foreign entities can result in a loss of competitiveness in international markets and generate productivity problems within the country (Lopez, 2019).

During the period of enterprise privatization in 1992, foreign direct investments initially decreased. However, these measures eventually created a more favorable environment for FDI, which led to a significant increase in such investments. As a result of this recovery, the Central Bank of Ecuador reported an increase that tripled the amount of foreign direct investment (Guazco, 2023).

Foreign investment can be a significant source of employment generation for developing countries, provided that foreign investors are willing to go beyond simple profit extraction. These investments mustn't simply subtract resources and send them back to the country of origin. Instead, investors should reinvest a significant portion of profits and capital in the host country, thus contributing to its sustainable economic and social development.

The arrival of Foreign Direct Investment (FDI) often introduces new technologies that require trained personnel to manage. In Ecuador, under the administration of Guillermo Lasso, significant improvements in the quality of education have been implemented, preparing the country to face the challenges associated with FDI. These improvements not only increase the demand for skilled labor but also improve the prospects of attracting more foreign investment in the future (Gonzalez, 2019).

The relationship between Foreign Direct Investment (FDI) and economic growth, as well as the role of private investments, are of great interest to economic analysts as they act as key indicators of economic development. These variables are especially crucial as sources of financing for developing countries. This analytical study aims to examine how FDI influences gross fixed capital formation and, consequently, economic growth (Moreira, 2021).

In addition, companies that undertake Foreign Direct Investment (FDI) often export products from the host country to international markets. This not only increases sales and diversifies the host country's economy, but also boosts foreign trade and improves the trade balance of the investing country. These activities can create new production and technology opportunities, improving export competitiveness (Moreira, 2021).

The capital account is a crucial component in economic analysis, recording both the assets that the country holds abroad and foreign assets within the country. In addition, this account incorporates foreign direct investment, which involves operations in which foreign investors acquire control of local assets (Banco Central del Ecuador, 2022).

In summary, foreign direct investment (FDI) is a crucial issue for Ecuador's and Latin America's foreign trade. Although Ecuador has seen a significant increase in FDI in recent years, there are still opportunities to improve investment attraction policies and maximize the benefits that FDI can offer (Maldonado, 2018).

1.3. Review of literature

This paper focuses on investigating and developing an understanding of the effects of Foreign Direct Investment (FDI) and its relationship with foreign trade. Considering that economic growth is a fundamental issue in this context, the origin of FDI flows, as observed in several similar economies in the region, is also examined. A discussion based on the following studies follows:

According to Calderon's (2011) study, which aims to show how FDI can drive economic growth through a literature review, foreign direct investment in NAFTA is a leading example of economic integration. This study contemplates that the North American Free Trade Agreement (NAFTA), signed in 1993 by Mexico, the United States, and Canada, has marked a milestone in trade relations between these countries. Since its implementation, NAFTA has created a dual trade link, characterized by deep economic interdependence and complex dynamics. Although Mexico remains a developing country, despite theories suggesting that the progress of advanced nations spills over to less developed ones through the flow of capital and international trade, NAFTA's "dual" design has created a dual trade link, characterized by deep economic interdependence and complex dynamics. The "dual" design of NAFTA has promoted the specialization of trade and FDI flows between the three countries, especially encouraging vertical FDI in the Mexico-U.S. relationship.

Castillo's (2020) analysis of the determinants of foreign direct investment (FDI) highlights the importance of understanding the investment situation in less developed countries. To this end, it is crucial to analyze the factors that influence companies' decisions to invest in these markets. Among these factors, two aspects have the greatest impact: market size and business openness.

According to Rivas (2016), the explanation of international economic activities was initially limited to the theory of portfolio capital movement, the localization factors of multinational corporations in individual countries, and the recognition that neoclassical theory alone cannot solve the problems of international trade. In the 1970s, there were clear efforts to shift the analysis to the identification and implementation of foreign direct investment (FDI).

According to the analysis of Rojas (2023), which evaluated the effect of the trade agreements signed between Colombia and twelve countries, a mixed approach was used, combining the analysis of quantitative and qualitative data, as well as an exhaustive review of the existing literature. Colombia's trade agreements have attracted Foreign Direct Investment (FDI), which has resulted in an increase in investment flows since the signing of these agreements. However, trade exchange has generated a deficit in the trade balance due to the increase in imports and the stabilization of exports. The literature review on this topic has identified several arguments, highlighting that FDI can have both favorable and unfavorable effects on the economy and social inequality. To understand the trade balance, it is necessary to consider aspects such as the productive structure, competitiveness, and trade policies.

In the current context of globalization, Foreign Direct Investment (FDI) stands out as one of the most relevant features. This form of international investment is defined by the search for lasting participation in a company located in another economy. FDI includes both the initial transaction between the investor and the company and the subsequent interactions that develop between the two (Acosta, 2018).

According to Acosta (2018), in developing countries, the debate on Foreign Direct Investment (FDI) focuses on two main points. First, the role of FDI as an engine of long-term development, driving economic growth and technological progress is discussed. Second, it analyzes the potential environmental impacts of FDI, both positive and negative, due to its relationship with economic activities that can generate significant environmental effects, such as natural resource exploitation, infrastructure construction, and industrialization.

According to the study by Hernandez (2020), the malignant model theory focuses on highlighting the main negative effects that FDI can have on economies. This research uses a mixed approach of quantitative and qualitative data to analyze these impacts. The results are associated with the role of the state as the main responsible for capital inflows and with the activities of foreign firms. Although states may see FDI as a favorable indicator for economic development, it is crucial to recognize that it does not always produce positive effects.

On the other hand, according to Marquez (2018), international agreements involving several countries can bring significant benefits to the region. These agreements indicate that Foreign Direct Investment (FDI) can generate a wide range of advantages, which tend to increase as businesses adapt to significant changes.

The relationship between Foreign Direct Investment (FDI) and economic progress, along with private investment, is of great interest to economic experts, as these aspects are used as key indicators. They are considered vital as a source of financing for developing countries. The purpose of this analysis is to examine the interactions between FDI and fixed asset investment on economic growth Agurto et al. (2018).

2. Methods

The article was based on a literature review of 45 scientific articles published in Scopus and Google Scholar to determine the impact of foreign direct investment (FDI) on the Ecuadorian economy. A descriptive data correlation analysis was used to explore the various arguments presented by the authors. The findings were organized in a background matrix, which is detailed in the annex section at the end of the paper. In addition, a comparative analysis was conducted to understand how FDI affects other countries in the region, seeking similar information on foreign direct investment, economic growth, imports, foreign trade, and other keywords.

To understand the PRISMA method used in this article, it is necessary to define that PRISMA is the acronym for 'Preferred Reporting Items for Systematic Reviews and Meta-Analyses'. These guidelines have been widely used to conduct and report systematic reviews in scientific studies" (Page et al., 2021).

The main objective of the PRISMA methodology is to ensure that research is conducted with transparency and rigor, ensuring that it is of high quality and based on reliable sources. In this way, the evaluation of each of the references in systematic reviews and meta-analyses is facilitated" (Liberati et al., 2009).

For the PRISMA model to be well structured, it is important to be clear about certain conditions. The main characteristics that should be highlighted are the following:

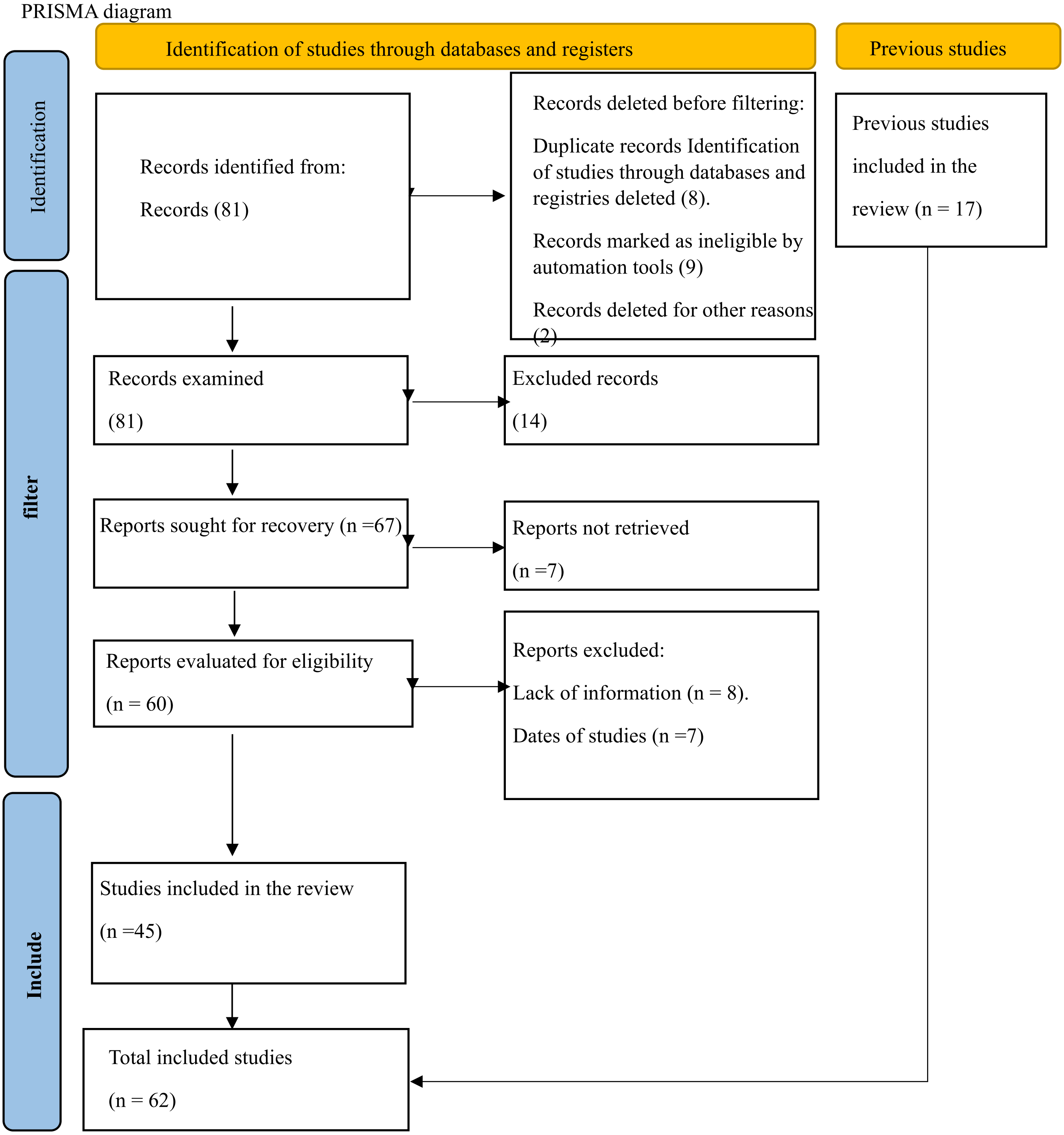
For example, a clear and concise graphical representation should use diagrams with symbols and arrows to show deterministically and accurately the progress of the process. Each step is represented by a specific symbol, with arrows indicating the direction of the process flow. In addition, to determine the inclusion and exclusion criteria, the original data of each investigation and the criteria established by each author were considered. This made it possible to understand which studies were considered relevant for the review and which were not.

Considering these characteristics, 9 fundamental steps are taken for research with PRISMA methodology according to (Page et al., 2021) where we find the following steps.

1. Formulate the research question: The research question should be clear, precise, and relevant to the topic of interest.
2. Create a review plan: The review plan should detail the objectives of the review, the methodology to be used to identify and select studies, the data analysis approaches, and how the results will be presented.
3. Conduct comprehensive searches: Searches should be conducted in various sources of relevant information, including bibliographic databases.
4. Study selection: Identified studies should be evaluated according to previously established criteria to determine their suitability for review.
5. Information extraction: Key information for the research question should be extracted from the selected studies.
6. Evaluation of the quality of the studies: The methodological quality of the selected studies should be analyzed to identify possible risks of bias.
7. Data analysis and summary: The data extracted from the selected studies should be analyzed and summarized following a previously defined method.
8. Evaluation of variability and possible biases: Heterogeneity among the selected studies should be evaluated and possible sources of bias should be detected.
9. Interpretation of the findings: The results of the systematic review should be interpreted in the context of the research objectives and the quality of the included studies.

The study initially registered 100 articles, as shown in Figure 1. Of these, 8 were excluded for being duplicates, 9 for not meeting the appropriate standards, and 2 for other reasons. Finally, 81 articles suitable for this study were reviewed, of which 14 additional articles were excluded. This left a total of 67 retrieved reports, of which 7 were excluded for lack of information. Of the remaining 60 articles, 8 were excluded for not having information relevant to the study objectives and 7 for not being within the established date range between 2000 and 2023. Thus, the total number of articles used in the study database was 45.

Figure 1
PRISMA diagram



The literature review provides a solid basis for the research from several points of view, especially from the methodological point of view. We sought to build and legitimize a systematic, organized, and methodical process aimed at including information provided by the authors through indicators of quality and legitimacy. This meticulous approach ensures that only reliable and high-quality sources are considered, which strengthens the validity of the study's findings.

To conduct the literature review, 45 scientific articles published in Scopus and Google Scholar were selected. These articles were filtered using rigorous inclusion and exclusion criteria, as detailed in the methods section. The selected articles were analyzed to identify key themes and trends in research on foreign direct investment (FDI) and its impact on the economy. This analysis allowed the construction of a background matrix that is presented in the annexes of the paper, providing a clear and structured framework for the research.

3. Results

As a result, there are several studies on foreign direct investment and its effect on the economy in different countries, which will be analyzed and classified as follows:

A. Analysis of foreign direct investment

Evolution of foreign direct investment

Foreign Direct Investment (FDI) in Ecuador has experienced significant changes influenced by various internal and external factors, including political currents and a favorable environment during the years 2000-2014 (Camacho, 2019). Drivers of these changes include political and economic stability, as well as reinvestment policies implemented during the government of Rafael Correa, including the new Constitution of 2008. In addition, economic growth, driven mainly by the oil sector, and the implementation of megaprojects in sectors such as energy, transportation, and telecommunications, also contributed to the increase of FDI in the country (Calahorrano et al., 2020).

In the study by Baracaldo et al. (2022), through an analysis of quantitative and qualitative data, it is stated that Foreign Direct Investment (FDI) flows grew globally at a rate of 14% in the last 25 years. FDI flows are mechanisms that generate technical change in economies since the transfer of technologies to private companies promotes economic growth in various industrial sectors where FDI is focused.

Throughout history, Ecuador has experienced a low level of Foreign Direct Investment (FDI), mainly due to economic and fiscal reforms. This situation has led businessmen to demand the implementation of incentives to attract foreign capital, stimulate the growth of domestic production, and counteract unemployment. FDI flows from the early 2000s through March 2020 have shown irregularities, with investment and production taking place in Ecuador (the FDI recipient country), but its products are destined for third-party markets. This is especially evident in sectors such as mining, manufacturing, trade, and agriculture. Mexico, Holland, Canada, and China are some of the countries with the greatest weight in FDI in Ecuador" (González, 2019).

Impact of FDI on host economies.

It is important to consider the impacts that FDI generates in the economy receiving the flows. These effects can be both direct and indirect. Among the direct effects, FDI is expected to increase employment rates and domestic production, which contributes to economic growth and has a positive impact on GDP. On the other hand, indirect impacts are related to knowledge transfer and increased productivity of firms within the country.

However, Reina (2023) mentions that FDI is a fundamental factor for a country's economic growth, boosting capital formation, productivity, and integration into the global economy. Its macroeconomic impact is undeniable, as it contributes to the financing of the current account deficit and external balance.

According to Garcia et al. (2020), countries benefit from maintaining an economic and political model that favors an attractive climate for the economy and foreign direct investment (FDI). This approach helps to attract economic growth, a situation that can be compared to that of Ecuador.

In Reina's (2023) study, it is highlighted that Foreign Direct Investment (FDI) plays a fundamental role in a country's economic development, complementing domestic investment boosting gross capital formation, and the expansion of productive capacity. Unlike domestic investment, FDI brings additional benefits such as technology transfer, integration into global value chains, and improved productivity. Through a review of the literature, it is concluded that FDI is an essential factor for a country's economic growth, boosting capital formation, productivity, and integration into the global economy.

In the study by Ayvar et al. (2023), it was proposed to analyze the influence of economic and social indicators on Foreign Direct Investment (FDI) flows in Mexico and China. For this purpose, a comparative analysis of the two economies was carried out, considering the relevant macroeconomic variables, the different theoretical perspectives on FDI, and the econometric models applied to each case. The econometric models used to analyze the relationship between economic and social indicators and FDI in each country were described, specifying the variables included in the models, the estimation methodology, and the statistical tests performed. The results conclude that FDI in Mexico and China is influenced by a combination of economic and social factors. These results suggest that FDI responds not only to macroeconomic conditions but also to factors such as security, educational level, and labor market structure.

Solano's study (2020), through a literature review, analyzed how COVID-19 has affected economic growth and Foreign Direct Investment (FDI) flows in Latin America. During the pandemic, uncertainty strongly affected several areas, including politics, economy, and trade, bringing these aspects to critical points at a global level. The pandemic caused significant problems in industries such as manufacturing, due to the container crisis that primarily impacted Ecuador's domestic trade. This generated a crisis in the production sector, as raw material and trade costs were affected, raising freight rates for exports and creating unsatisfied demand for both private and public companies, resulting in a decrease in FDI flows.

In the research by Ramos et al. (2022), the relationship and intensity between trade openness and Foreign Direct Investment (FDI) in Mexico was analyzed, taking into account 18 countries with which Mexico has a bilateral investment treaty. The data analysis was carried out using normality tests, scatter plots, and box plots, using a sample of 84 data in quarterly periods per country. The results show that several factors, such as COVID-19, have negatively altered FDI flows, affecting the economic development and foreign trade of the countries studied.

In Campana & Pozo's (2021) research, through analysis and review of documents using data from the years 1980-2020, the impact and influence of Foreign Direct Investment (FDI) on Ecuador's economic growth, measured through GDP, was identified. The results showed a clear positive relationship between FDI and long-term economic growth, indicating that FDI contributes significantly to the economic development of the countries and regions where it is introduced.

In the study by Losada & Velásquez (2020), through an empirical analysis, the relationship between Foreign Direct Investment (FDI) and economic growth in Colombia was explored, using data from the period 2000-2019. Tests of causality between variables were performed and impulse-response functions were estimated to determine how one variable responds to changes in another. The results showed that FDI and economic growth have a long-run equilibrium relationship. While economic growth is crucial for attracting investment flows, FDI has a moderate effect on economic growth. Increased FDI flows do not always translate into significant economic growth, suggesting that the success of FDI in recipient countries depends on their initial conditions.

In the study by Gonzalez et al. (2019), the determinants of Foreign Direct Investment (FDI) in Ecuador were analyzed using a panel model with quarterly data for the period 2003-2018. The study considered a set of macroeconomic and political variables as possible determinants of FDI, using data from sources such as the Central Bank of Ecuador, the National Institute of Statistics and Census, and the World Bank. The results show that, although FDI can contribute passively to economic development, it is not a fundamental factor that generates major changes in the country's economy.

the study by Tomalá (2020), through the application of statistical panel data models and fixed effects techniques, shows that several factors, such as GDP growth rate, inflation rate, and country risk, influence Foreign Direct Investment (FDI) in developing territories. The results indicate that FDI is fundamental for entering new markets, boosting economic growth, and increasing the size of the domestic market. This generates greater competitiveness vis-à-vis more demanding markets, since, by entering these markets, a country tends to improve its products.

In the study by Rodriguez (2019), a multiple linear regression model is used to evaluate the relationship between economic development and various explanatory factors, such as Foreign Direct Investment (FDI), Business Competitiveness, human capital, and infrastructure. The estimation was carried out using annual data collected between 2000 and 2018. This approach seeks to quantify the dynamic relationship between economic growth and the variables over the study period. The results suggest that FDI and Foreign Trade have a positive and significant impact on Bogota's economic growth.

Commercial agreements

A fundamental part of attracting Foreign Direct Investment (FDI) is trade agreements, as they increase the size of the market and facilitate investment by foreign companies, which see the country as an attractive destination for investment. In addition, trade agreements establish clear ways of how to treat foreign capital, which helps to guarantee a rate of return on investment.

For Vallejo (2020), trade openness significantly affected Peru's GDP growth rate. It is recommended to create new policies that encourage trade openness by eliminating tariff barriers and seeking new trade agreements that benefit the country. These trade agreements are fundamental to making a country more attractive to foreign companies and, therefore, are essential to attract Foreign Direct Investment (FDI) flows.

On the other hand, Montes et al. (2023) in their study state that Foreign Direct Investment (FDI) and exports are important drivers of economic growth in Latin America. Countries in the region should implement policies that encourage FDI and exports to promote economic growth. To attract greater FDI flows, countries must start with domestic policies that generate an increase in these flows. However, the study also emphasizes that the high concentration of FDI in developing countries can be detrimental to domestic firms, which must be protected to foster domestic growth.

In the study conducted by Montes et al. (2023), it is established that Foreign Direct Investment (FDI) has been the main source of external financing for Colombian companies. The objective of the analysis is to characterize FDI in sectors other than mining and oil, as well as to identify the companies receiving this investment in Colombia during the period 2000-2020, during which 59% of the accumulated flow of FDI went to these sectors. The results of the study indicate that FDI and exports are key drivers of economic growth in Latin America. Therefore, it is recommended that countries in the region implement policies that encourage FDI and exports to foster economic growth. However, the high concentration of FDI in large companies can generate competition problems and limit the development of smaller companies.

On the other hand, the study conducted by Valenzuela & Fuenzalida (2020) aimed to determine the impact of Foreign Direct Investment (FDI) and competitiveness on the bilateral trade of Latin American countries with their main trading partners during the period 2006-2012. It also analyzed how trade and FDI influence productivity in the region. For this analysis, a two-stage gravity model was applied, and static panel data estimation was used. It is concluded that a higher level of FDI leads to a significant increase in the global competitiveness of a Latin American country, which in turn increases bilateral trade between countries in the region. Furthermore, it is confirmed that trade openness has a direct impact on the productivity of these countries and that, combined with FDI, it can ensure an increase in productivity.

In a literature review by Garcia et al. (2018), it is noted that the interaction between Foreign Direct Investment (FDI) and trade is fundamental to globalization, which explains the economic growth of developed countries and offers opportunities for developing countries. The complexity of this relationship allows us to deduce that in countries such as Bolivia, which receives a large flow of FDI from Spain, there is a positive relationship. The European Union (EU) continues to contribute significantly to the member countries of the Andean Community (CAN). European countries maintain a large flow of FDI with Latin American nations, through private companies that have become important investments in these countries.

In the study by Bárcena et al. (2018), it is indicated that companies from European Union countries account for the largest percentage of Foreign Direct Investment (FDI) in Latin America and the Caribbean, with 41% of assets in the region coming from European companies, especially in South America. FDI from Europe is concentrated in Spain, which accounts for 29% of investments. This strong presence stands out due to Spain's cultural influence and interest in the region.

The study by Alvarez (2020) analyzed the impact of Foreign Direct Investment (FDI) on economic growth in 14 Latin American countries, examining its relationship with per capita GDP growth and per capita private capital accumulation during the period 1996-2003. A simultaneous equations model was used for this analysis. The findings of the study indicate that, in Latin American countries, FDI drives both per capita private capital accumulation and per capita income growth. In addition, private sector protection is critical to economic growth. Public investment also contributes to growth, and it is recommended that both types of investment have a mutual and convergent relationship for optimal development.

In the study by Miranda et al. (2022), the impact of government quality on Foreign Direct Investment (FDI) flows during the period 1996-2018 was empirically investigated. The influence of government quality on FDI inflows was compared in two groups: 33 OECD countries and 13 Latin American countries, applying panel methods. The results show that government quality positively influences FDI inflows in both groups, with a higher impact in OECD countries compared to Latin American countries. It is concluded that it is crucial to design public policies that strengthen institutional quality, especially in Latin American countries.

In his research, Vallejo (2020) had the main objective of determining the effect of trade openness and Foreign Direct Investment (FDI) on economic growth in Peru during the period 2007-2016. A non-experimental design of longitudinal and explanatory cut was used, using data from the Central Bank of Peru and INEI (National Institute of Information and Statistics) with convenience sampling. The conclusion of the study was that trade openness significantly affected Peru's GDP growth rate. It is recommended to create new policies that promote trade openness by eliminating tariff barriers and seeking new trade agreements to prioritize national interests.

Ortiz et al. (2019) investigated the relationship between Foreign Direct Investment (FDI), economic freedom and development in Ecuador. The study used data from the Central Bank of Ecuador to analyze the short- and long-term stable relationships between these variables. The results reveal the direction of economic capital formation, which implies good macroeconomics.

B. FDI in conjunction with foreign trade in Ecuador

FDI in Ecuador

Ecuador receives low foreign direct investment (FDI), which has averaged less than 1% of GDP over the last 10 years. This proportion is lower than that of neighboring countries such as Chile, Colombia, and Peru, which during the same period received FDI of 3.52%, 3.95% and 2.76% of GDP, respectively. Therefore, FDI is an important complement to domestic investment and aims to strengthen productive activities or expand existing ones through new investments, especially those related to exports" (Alvarado, 2019).

This point examines the behavior of foreign direct investment (FDI) in Ecuador in recent years and highlights the need for consensus to improve the country's investment climate. On average, Ecuador has received around USD 888 million in FDI in the last 10 years. The highest amount was in 2018, with USD 1,389 million. The crisis in 2019 caused a decrease to USD 975 million, followed by a recovery to USD 1,104 million; however, it dropped to USD 621 million in 2021. In terms of GDP, only in 2015, 2018 and 2020 did the percentage of FDI exceed 1.0%" (Lopez, 2019).

Therefore, the Economic Commission for Latin America and the Caribbean (ECLAC) should take these factors into account when developing investment policies. It is crucial to restore the role of industrial policy as an instrument for the transformation of production structures. This becomes especially decisive today due to the acceleration of the fourth industrial revolution and major changes in the international organization of production. The absence or weakness of this policy will inevitably lead to an increase in the productive and technological gap between Latin America and other countries" (Espín et al., 2019).

Furthermore, for Foreign Direct Investment (FDI) to be an integral part of this industrial policy vision, it is necessary not only to create the conditions for the entry of foreign capital, but also to ensure that capital becomes a source of increased productivity, innovation, and technology. The goal is to achieve sustainable, inclusive, and efficient economic growth. In terms of policy implementation mechanisms, it is important to consider the dynamics of productive specialization to the incentives that determine the allocation of investment" (Solano, 2020).

Therefore, in addition to clear public leadership, an agreement between public and private actors and, more broadly, society as a whole, on priority objectives, such as investment attraction policies, is necessary. In this context, the Guayaquil Chamber of Industry launched the 'Invest in the Revitalization of Ecuador' initiative, establishing a space for analysis and discussion involving unions, educational institutions, and civil society. The objective is to create an environment conducive to attracting investment, whose emerging proposals are submitted for consideration by the institutions" (Calderón and Hernández, 2018).

In the study by Morales (2019) where an analysis of the impact of the tax on the outflow of foreign exchange is carried out the analysis of the level of Foreign Direct Investment (FDI) in Ecuador during the period 20082017, which indicates that there is no significant relationship between the behavior of FDI and changes in the DME during the period analyzed. This suggests that the independent variable DME does not have a significant effect on FDI within the proposed model. This finding is relevant for understanding the factors that influence foreign investment in Ecuador and may have implications for economic policy formulation.

Foreign trade in Ecuador.

In the study by Sarmiento et al. (2016) where he talks about human development being defined as the process of expanding people's capabilities to reach their potential and live a full life. This paper presents a descriptive analysis of two key variables in the evaluation of government management in public policies and economic openness: the human development index (HDI) and foreign direct investment (FDI). The results revealed that, in Ecuador, between 2005 and 2012, the ranking between FDI and HDI was not statistically significant. In contrast, the valuation between public investment and HDI was high, with a coefficient of 0.939. Comparatively, Ecuador lags behind the G7 and BRICS countries in terms of FDI. However, this has not prevented its average HDI from remaining at high levels, even surpassing that of China. This finding underscores the importance of public investment in improving human development in Ecuador.

In the study by Miranda & Tonon (2024), economic expansion in Ecuador has been subject to the influence of various external factors that have impacted its performance. This research focuses on analyzing the relationship between external debt, foreign direct investment (FDI), and gross fixed capital formation (GFCF) in Ecuador's economic growth during the period 2001-2021. A quantitative study was conducted by collecting macroeconomic data from the Central Bank of Ecuador. The results of the analysis indicated that both external debt and FDI have a significant impact on Ecuador's economic growth. Specifically, external debt was found to have a positive influence on economic growth, suggesting that the resources obtained through borrowing have been effective in boosting the economy. On the other hand, FDI showed a negative relationship with economic growth, which paints an unfavorable picture and suggests that foreign direct investment has not contributed as expected to the country's economic development. This study provides a comprehensive view of the impact of external factors on economic growth in Ecuador and highlights the need for a strategic approach to external debt management and attracting foreign investment to improve its contribution to the country's economic development.

This article by Zhimnay (2022) aims to analyze the incidence of various variables on Ecuador's Gross Domestic Product (GDP), specifically gross fixed capital formation (GFCF), adequate employment, oil exports, foreign direct investment (FDI), and remittances. The results of the study show that the most influential and statistically significant variable in the country's production is FBKF. In second place are remittances, followed by adequate employment, which has a negative influence, and is statistically significant. On the other hand, FDI was not statistically significant in its impact on GDP. Exports, on the other hand, hurt output and are statistically significant. This suggests that exports in secondary sectors negatively affect domestic production. Moreover, although FDI does not have a significant influence at the general level, a sectoral analysis could reveal a different impact. In conclusion, FBKF and remittances are the variables that contribute most positively to Ecuador's GDP, while adequate employment and exports have negative effects. FDI does not show a significant impact on GDP, although its analysis by sector could offer a different perspective. This analysis is crucial for the formulation of economic policies that seek to optimize the country's economic growth.

The research by Diaz et al. (2020) analyzes the impact of Foreign Direct Investment (FDI) from China in the economic activity sector of mining and quarrying in Ecuador, providing a broad view of the impact of FDI in Ecuador, evaluated through its impact on two macroeconomic indicators; the Gross Domestic Product and inflation. In this way, the work compiles and analyzes data corresponding to the previous Ecuadorian situation and its evolution throughout the years as a consequence of the channeling of Chinese capital destined to develop the Ecuadorian primary sector. The paper develops, through a quantitative methodology, a properly evaluated econometric model, using Pearson's trade-off coefficient and the multiple linear regression model. The application of the Pearson model shows the level of evaluation between FDI and GDP in Ecuador, and FDI and inflation. Subsequently, the multiple linear regression model allows determining the variation in GDP and inflation from changes in FDI, thus evidencing the existence of a growing development model in Ecuador based on the primary sector of the economy, although equally dependent on the international prices of export products, mainly oil, but also gold, copper and other minerals. With this, it is concluded that, although there has been a contribution and promotion to the economy, the low capacity of the other economic sectors is also considerable, which generates serious risks for the change in the economic cycle evidenced since the end of 2015.

This study by Bernal et al. (2023) says that it is fundamental to establish the link between oil exports and Ecuador's Gross Domestic Product (GDP), providing empirical evidence of the country's oil dependence. The research employed a descriptive analysis of exogenous variables (oil exports, foreign direct investment, and inflation) to evaluate their incidence on the endogenous variable (GDP). A multiple linear regression model estimated by the Ordinary Least Squares (OLS) method was used. The results of the analysis confirm a clear link between crude oil exports and GDP, showing that exports have a positive and statistically significant effect on the country's economic growth. Specifically, it was found that, for each additional unit in oil exports, an increase in GDP is expected, on average. These findings underscore Ecuador's reliance on its oil sector to drive economic growth, highlighting the importance of this resource in the national economy.

The present research by Cumbicus & Ponce (2020) evaluates the impact of country risk on foreign direct investment (FDI) in the economies of Ecuador, Peru and Colombia during the period 2002-2017. For this, the following econometric models will be applied ARDL Model model was used to determine the long-run equilibrium between country risk and FDI, the Error Correction Model, model was used to identify the short-run equilibrium between variables and finally the Granger causality test was used where it is used to determine the causality between country risk and FDI. The data used comes from the central banks of Ecuador, Peru, and Colombia. The dependent variable in the study is foreign direct investment, while the independent variable is country risk as results obtained from the econometric models indicate a significant long-run relationship between country risk and foreign direct investment. Specifically, it was found that an increase in country risk tends to decrease foreign direct investment. On the other hand, a decrease in country risk tends to increase foreign direct investment. On the other hand, it is concluded that to encourage foreign direct investment, the governments of Ecuador, Peru, and Colombia should implement policies aimed at reducing the bureaucratic apparatus that hinders the entry of new investors, maintaining a sustained level of economic growth, increasing the international reserves of each country and improve the level of trade openness, thus these policies would help reduce country risk, which in turn would increase the attraction of foreign direct investment in these economies.

The study (Salazar, 2021) reflects that growth theory has highlighted the importance of domestic investment and trade openness as key factors in explaining the evolution of economic growth. The main objective of this paper is to analyze the cointegration relationship, the short and long-run dynamics, and the causal links between trade openness, domestic investment, and economic growth in Ecuador during the period 1950-2019. The study is of an explanatory level with an empirical research design. An empirical growth model estimated using the autoregressive distributed lagged lag (ARDL) bounds test approach and the Granger causality test is presented whereas a result in the Long Run Cointegration method it was revealed that the bounds test indicates that there is a long-run cointegration relationship between investment, trade openness and economic growth in Ecuador while. In the Positive Impact, investment and trade openness has a positive and significant impact on income and growth, both in the short and long term, and finally in the Granger causality method, which reveals a unidirectional process that goes from trade openness to investment and income. The hypothesis of non-causality in both directions between investment and growth could not be rejected. The conclusion is that the analysis suggests that Ecuador should continue its efforts for greater openness to international markets, both through exports and imports, to promote economic growth.

4. Discussion

Vallejo (2020) suggests that formulating new policies to promote trade openness would be of great relevance, mainly by eliminating tariff barriers and seeking new trade agreements to achieve national interests, which should take priority over other policies. However, Hugo (2019) believes that FDI behavior is not relevant, since political variables have little to do with FDI and were not affected during this period, which makes several authors contradict him. Montes et al. (2023) point out that the countries of the region should implement policies that promote

FDI and exports to promote economic growth. However, a high concentration of FDI from large firms can create competition problems and limit the growth of smaller firms.

Losada and Velásquez (2020) conclude that there is a long-run equilibrium relationship between Foreign Direct Investment (FDI) and economic growth in Colombia. This is because FDI can lead to the transfer of technology and knowledge to the local economy, increasing productivity and contributing to the sustainable economic growth of the country. On the other hand, González et al. (2019) find no evidence of a causal relationship between FDI and economic growth in Ecuador. According to their analysis, FDI is not considered essential for the country's economic development, as its impact may be limited and passive in terms of generating significant changes. Although FDI may bring certain benefits, its contribution to economic growth may not be as decisive as expected in the specific case of Ecuador. In contrast, Tomalá (2020) argues that FDI is a crucial factor for economic growth in Mexico. Foreign direct investment injects new capital into the Mexican economy, which makes it possible to finance new projects, increase productive capacity, boost employment generation, develop infrastructure, and transfer technology, thus contributing to long-term sustainable economic growth. These results show the diversity of perspectives on the relationship between FDI and economic growth in different Latin American countries, underscoring the importance of considering the particularities of each national context when analyzing the impact of foreign direct investment on economic development.

The results of these case studies suggest that the relationship between Foreign Direct Investment (FDI) and economic growth is complex and varies by country and specific conditions. It is important to consider the initial conditions of each country, as well as the quality of institutions and public policies when assessing the potential impact of FDI on economic growth. Thus, FDI can be an important tool for economic development in Latin America, but its impact depends on several factors, including the country's initial conditions, the quality of institutions, public policies, and the type of flows attracted. More research is needed to better understand the complex relationship between FDI and economic growth in the region.

However, Acosta et al. (2018) argue that Foreign Direct Investment (FDI) and exports have a positive and significant impact on economic growth in 16 developing countries, including some in Latin America. FDI can not only bring capital and key resources to host economies but can also boost technology and knowledge transfer, promote infrastructure development, and generate employment in host countries.

On the other hand, Valenzuela and Fuenzalida (2020) do not find a direct relationship between Foreign Direct Investment (FDI) and economic growth in Latin America, although they do emphasize that FDI can contribute to increasing the global competitiveness of countries in the region. By improving productive efficiency and the quality of exports, FDI can strengthen the position of Latin American countries in international markets, which in turn could drive higher economic growth in the long run. Moreover, according to González et al. (2019), FDI can represent a source of opportunities for developing countries like Bolivia, especially when it comes from developed nations with expertise and advanced technology. FDI can not only provide access to international markets and global distribution networks but can also foster innovation, economic diversification, and capacity building in host countries, which could contribute significantly to long-term sustainable economic growth.

On the other hand, to attract Foreign Direct Investment (FDI), it is necessary to strengthen certain policies that can influence the attraction of these flows, according to Alvarez (2020) and Miranda et al. (2022). These studies recommend that, to attract FDI, it is essential to strengthen the institutional quality and protection of the private sector. A sound institutional environment, which guarantees respect for the rule of law, legal certainty, and political stability, is often a determining factor in foreign investors' decision to settle in a country. In addition, Ortiz et al. (2019) point out that economic freedom and a good macroeconomic and legal environment can be determinants in attracting FDI to Ecuador. The existence of policies that promote competition, transparency, and efficiency in the market, as well as clear and stable regulation, are aspects that can improve the attractiveness of a country for foreign investment. The results of these studies suggest that FDI can have a positive impact on economic growth in Latin America, but the actual impact depends on several interrelated factors. These include the quality of institutions, trade openness, the macroeconomic environment, political stability, and the specific public policies that are implemented to attract and promote foreign direct investment. The combination of these elements can be key to maximizing the benefits that FDI can bring to sustainable economic development in the region.

However, Acosta (2021) argues that FDI can boost technological development and machinery modernization in host firms, which can increase employment generation capacity and improve product quality and efficiency. In addition, he mentions that competition stimulated by the presence of FDI firms can lead to lower prices and benefits for consumers. On the other hand, Baracaldo et al. (2022) present data indicating a steady growth of FDI flows worldwide in recent decades, highlighting its role in technology transfer and economic growth in various industrial sectors. They suggest that FDI is a crucial mechanism for driving technical change in host economies. Villalba's (2022) study focuses on identifying the factors that limit the attraction of FDI flows in Paraguay, highlighting the importance of institutions, infrastructure and innovation to improve the investment environment. It proposes improvements in tax incentives, security and legal stability to attract greater FDI flows and promote the adoption of new technologies and machinery.

Regarding Foreign Direct Investment (FDI) in Ecuador, Reina's (2023) study states that FDI is a fundamental factor for a country's economic growth, contributing to capital formation, productivity, and integration into the global economy. On the other hand, Garcia et al. (2020) point out that countries benefit from maintaining an economic and political model that creates a favorable environment for the economy and is attractive for FDI, as this can attract more significant economic growth. However, the situation in Ecuador shows that while FDI is an engine of economic growth, the country needs pro-business policies. It is recognized that without policies to support investors, these financial flows are unattractive. A study by Galván (2020) shows that countries with higher GDP are more attractive for Chinese FDI.

Solano (2020) acknowledges that Ecuador has negotiated new trade agreements with the European Union, the European Free Trade Association (EFTA), the United Kingdom of Great Britain and Northern Ireland, and Chile. These trade agreements have a direct impact on national public procurement systems, so buyers should review their content to ensure proper implementation (Lopez, 2019).

To improve Foreign Direct Investment (FDI) flows, it is necessary to strengthen economic stability and policies within the country. Currently, Ecuador faces a wave of insecurity that increases country risk indexes and increases regulatory uncertainty. This negatively affects the country, as a high-risk environment can be marked by constant changes in policies to attract investment, making it difficult for entrepreneurs to plan for the long term. Vallejo (2020) recommends creating new policies that encourage trade openness by eliminating tariff barriers, which can be very beneficial. By eliminating these barriers, the country becomes more attractive to foreign companies, generating an increase in the number of investments and capital invested.

Hugo (2019) analyzes the impact of the outbound foreign exchange tax on the level of FDI in Ecuador during the period from 2008 to 2017. The study concludes that the behavior of FDI is not significantly affected by political factors and that foreign direct investment was not significant during that period in the country. On the other hand, Ortiz et al. (2019) explore the relationship between FDI, economic freedom, and development in Ecuador. Using data from the Central Bank of Ecuador, they find a stable short- and long-term relationship between FDI and economic development, highlighting the importance of a good macroeconomic and legal environment, as well as the generation of subsidies to attract foreign capital.

Maldonado et al. (2019) reviewed 30 scientific articles and found that FDI has a positive impact on economic growth in several countries, including Colombia, suggesting that FDI can be an important driver of economic growth. Campana and Pozo (2021) analyzed data from 1980 to 2020 and found a positive relationship between FDI flows and economic growth in the Ecuadorian economy, measured by GDP, confirming that FDI can drive economic growth. However, Ramos et al. (2022) note that COVID-19 has negatively affected FDI flows and economic growth in the countries studied, suggesting that global crises can have a significant impact on the relationship between trade openness, FDI, and economic growth. The results of these studies suggest that there is a complex relationship between trade openness, FDI, and economic growth in Latin America. While trade openness can attract and boost FDI, the actual impact of these variables depends on several factors, including the country's economic context, public policies, and global conditions, which condition the capacity for the effects and development of FDI flows.

Ortiz et al. (2019) state that Ecuador's foreign trade is represented by products such as bananas, tuna, shrimp, cocoa, and natural flowers, which form the top five products exported to the EU. The trade agreement between Ecuador and the regional bloc is mainly motivated by the country's agricultural potential. However, Calderón and Hernández (2018) determined that to open up to the world, Ecuador has made significant changes in its trade policy. The country has developed an economic and fiscal stabilization plan to ensure legal, economic, and political security, to support an environment that promotes commercial exchange and attracts countries and regions, thus strengthening trade relations.

Regarding Foreign Direct Investment (FDI) in Ecuador, Reina's (2023) study states that FDI is a fundamental factor for a country's economic growth, contributing to capital formation, productivity, and

integration into the global economy. On the other hand, Garcia et al. (2020) point out that countries benefit from maintaining an economic and political model that creates a favorable environment for the economy and is attractive for FDI, as this can attract more significant economic growth. However, the situation in Ecuador shows that while FDI is an engine of economic growth, the country needs pro-business policies. It is recognized that without policies to support investors, these financial flows are unattractive. A study by Galván (2020) shows that countries with higher GDP are more attractive for Chinese FDI.

On the other hand, Alvarado (2019) acknowledges that, in 2020, the main destination for Ecuador's exports was the United States, representing 23.4% of the country's total exports. It is followed by China with 17.5% and Panama with 15.8%. Regarding imports, Vallejo (2020) states that the United States was also the main origin, representing 22.3% of imports, followed by China with 22.2%. Imports from CAN member states ranked third, representing 13.2% of the total volume.

However, the research by Miranda & Tonon (2024) and the study by Diaz et al. (2020) offer complementary and sometimes contradictory perspectives on the impact of Foreign Direct Investment (FDI) and other external factors on Ecuador's economic growth. Both investigations are essential to understand the complexity of the country's economic development, although they take different approaches. Miranda & Tonon (2024) found that FDI has a negative relationship with economic growth in Ecuador. This finding suggests that, despite expectations that foreign direct investment would boost economic development, it has not lived up to those expectations during the period analyzed (2001-2021). The quantitative methodology used in their study, based on macroeconomic data from the Central Bank of Ecuador, reinforces the validity of their conclusions. On the other hand, Díaz et al. (2020) focus specifically on FDI from China and its impact on the mining and quarrying sector. Using econometric models such as Pearson's trade-off coefficient and multiple linear regression, their results show a positive contribution of FDI to Gross Domestic Product (GDP), although this relationship is also influenced by the international prices of export products such as oil and minerals.

The studies by Bernal et al. (2023) and Cumbicus & Ponce (2020) address crucial issues for the Ecuadorian economy, albeit from different perspectives. Bernal et al. (2023) focus on the relationship between oil exports and Ecuador's Gross Domestic Product (GDP), while Cumbicus & Ponce (2020) examine the impact of country risk on foreign direct investment (FDI) in Ecuador, Peru, and Colombia. Both studies provide valuable insights into the factors that influence economic growth and investment attraction, and together, offer a more complete picture of the regional economic landscape, however, Bernal et al. (2023) specify that Ecuador needs to move away from dependence on oil to develop sustainable economic growth and thus not depend on external factors and counteract the presence of the negative effects of country risk.

The studies by Zhimnay (2022) and Salazar (2021) present a detailed overview of the factors that influence Ecuador's economic growth. Gross Fixed Capital Formation and remittances emerge as key variables that contribute positively to GDP, while adequate employment and oil exports present significant challenges. In addition, trade openness and domestic investment are essential for economic growth, suggesting that Ecuador must continue its efforts to become more integrated into the global economy. Economic policymaking in Ecuador should consider these findings to design strategies that maximize economic growth and improve the living conditions of its population. Policies that encourage investment in FBKF, channel remittances into productive investments, diversify the economy, and promote trade openness will be crucial for the sustainable development of the country.

5. Conclusions

Regarding the objectives of this study, a summary of the PRISMA diagram, based on 45 high-quality scientific articles, has been provided. The specific goals were achieved by demonstrating that Foreign Direct Investment (FDI) flows between different economies contribute to economic development and create formal jobs. In addition, it has been shown that the national economy tends to grow with FDI and the increase in foreign trade flows, which also increases imports.

Through the evidence of this research, it is concluded that Foreign Direct Investment (FDI) can be a crucial tool to promote economic growth and social development in Ecuador. The literature reviewed shows that FDI has the potential to increase productivity, foster technology transfer, and generate employment. However, to maximize these benefits, the current government of Ecuador must implement appropriate domestic policies that create a favorable environment for foreign investment. This includes ensuring political and economic stability, as well as transparency and legal security, which can attract more foreign capital and promote sustainable economic development for both the country and foreign investors.

Similarly, this research leads to the conclusion that the search for sustainable growth requires a deeper analysis of the factors that determine economic success. Foreign Direct Investment (FDI), exports, and competitiveness have become key elements of this equation, and their complex interrelationship has been the subject of much research, which shows promising prospects. FDI, as a source of capital, technology, and knowledge, has the potential to increase productivity and innovation, creating a multiplier effect on economic growth.

In the case of exports, they open doors to new markets and diversify them, achieving economies of scale. However, the influence of these factors is not constant. It is concluded that the efficiency of Foreign Direct Investment (FDI) and exports depends largely on the competitiveness of the business environment, which also determines the effectiveness of both elements. A competitive business environment is crucial to maximize the benefits of FDI and exports.

Since Foreign Direct Investment (FDI) flows promote economic development if a favorable environment exists, the search for sustainable economic growth in Latin America requires a thorough understanding of the complex interrelationship of FDI. This leads to the inference that exports, competitiveness, and socioeconomic context, together with the implementation of effective policies and adaptation to a changing global environment, represent key means to successfully navigate the development path.

this study, it has been observed that Foreign Direct Investment (FDI) and trade between countries play fundamental roles in a country's economic development. These factors significantly influence its growth, competitiveness, job creation, and strengthening of productive sectors.

Foreign Direct Investment (FDI), defined as the investment of a foreign company in the host country to establish long-term participation, stands out as a key factor for the Ecuadorian economy. FDI drives capital formation, productivity, and integration into the world economy. Through these FDI flows, benefits such as technology transfer, employment generation, increased production, and competitiveness of local companies have been observed.

In addition, it is recognized that factors such as political and economic stability, the growth of the oil sector, and the implementation of investment-friendly policies have contributed to attracting foreign capital. Key years have been identified in which Foreign Direct Investment (FDI) reached record levels, generating positive effects on the trade balance, Gross Domestic Product (GDP), and poverty reduction.

In addition, the impact of Foreign Direct Investment (FDI) on the host economy has been examined, highlighting how this type of investment can generate direct and indirect benefits for the country. Knowledge transfer, improved productivity and the promotion of competition in the local market are some of the positive effects observed. Although there are challenges such as the protection of local producers and the possible creation of monopolies, it has been shown that FDI can be an important source of economic development, provided it is properly managed.

Regarding the impact of Foreign Direct Investment (FDI) on host economies, it has been shown that this investment plays a crucial role in economic growth, complementing domestic investment and boosting gross capital formation. Through technology transfer, integration into global value chains, and productivity enhancement, FDI contributes significantly to a country's economic progress and external balance.

From a global perspective, the role of Foreign Direct Investment (FDI) in the globalization and development of various Latin American countries has been examined. It has been highlighted how FDI can stimulate economic growth, increase business competitiveness, and foster openness to new international markets, positioning the recipient countries as relevant players in the world economy.

In the context of trade agreements, it has been observed that these can be strategic in attracting Foreign Direct Investment (FDI) flows and fostering a country's economic growth. Trade openness, business competitiveness, human capital, and infrastructure are key factors that influence the attraction of foreign investment and a nation's economic development.

Over the years, there has been a significant increase in the inflow of Foreign Direct Investment (FDI) in sectors such as oil, mining, energy, and infrastructure. These sectors have traditionally been attractive to foreign investors due to the country's natural resources and infrastructure development opportunities.

However, a major challenge facing Ecuador in terms of FDI is the need to diversify its economic base and attract investment in non-traditional sectors, such as technology, tourism, agribusiness, and manufacturing. Diversifying the country's productive base would reduce dependence on sectors vulnerable to commodity price volatility and strengthen the resilience of the Ecuadorian economy.

It is important for future governments, regardless of their political views, to prioritize attracting Foreign Direct Investment (FDI) to the country while ensuring that political tensions do not affect governance. However, it's also essential to consider the potential negative effects of FDI, such as the creation of monopolies and its impact on the local economy. To address these risks and maximize the benefits of FDI, it is necessary to improve the business environment, strengthen the rule of law, promote transparency and political stability, and invest in the education and training of the workforce. These factors are critical in making sectors more attractive for FDI and in promoting sustainable development and job creation in the Ecuador

On the other hand, it is concluded that Ecuador should not only focus on diversifying its economy to reduce dependence on oil but also on improving its investment environment by reducing country risk. The implementation of policies that promote economic and political stability, as well as economic diversification, could create a more favorable environment for sustainable economic growth and FDI attraction.

In conclusion, Foreign Direct Investment (FDI) and foreign trade play a fundamental role in the economic development of Ecuador and other developing countries. FDI can be an engine of growth, generating benefits such as technology transfer, job creation, and boosting productivity. However, it is crucial that host countries adopt appropriate policies to manage these investment flows efficiently and equitably, ensuring that the benefits are distributed throughout society. In addition, cooperation through trade agreements can be key to boosting FDI attraction and promoting sustainable economic growth.

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Appendix A
Literature review matrix

	Año	Tipo de Fuente	Autor(es)	País de Origen	Enlace	Contenido Teórico General	Contenido Teórico Específico	Base de Datos
1	2018	Artículo Académico	Acosta G, et al.	Ecuador	https://doi.org/10.29019/eyn.v9i2.502	impacto de la IED dentro de las economías de países en vías de desarrollo	Los desafíos que han enfrentado los sectores productivos después de la pandemia de COVID - 19	SciELO
2	2020	Artículo Académico	Bernal, J. et al.	Ecuador	https://doi.org/10.18050/rev.espergesia.v10i2.2628	Determinantes de la inversión extranjera directa China en Latinoamérica	Analizar el flujo de inversión extranjera directa de la República Popular China desde el 2008 al 2017 en 7 países latinoamericanos	Google Académico
3	2020	REVISTA	Ayvar, F at al.	México	https://doi.org/10.53897/RevPortes.2023.1.3	analizar la incidencia de los indicadores económicos y sociales de México y China en los flujos de inversión extranjera directa.	Análisis de los indicadores económicos entre México y China	Google Académico
4	2019	Artículo de Investigación	Alvarado, A	Ecuador	https://doi.org/10.25097/rep.n29.2019.01	Ecuador percibido como un país proteccionista	Comparación del nivel de apertura comercial del Ecuador con Perú	Google Académico

5	2017	WEB SITE	Banco santander	ECUADOR	https://www.bancosantander.es/glosario/balanzacomercial	principales tipos de IED	Los principales tipos de ied en donde se desarrollo	página web
6	2019	ARTICULO CIENTIFICO	GONZALES J, DIAZ D, GARCIA E	Perú	https://doi.org/10.25097/rep.n29.2019.01	Características del comercio internacional actual	Volumen, crecimiento y producción del comercio internacional de hoy en día	Google Académico
7	2019	Artículo de Investigación	LOPEZ A	Ecuador	https://ideas.repec.org/b/rmc/serred/1.html	Importancia del boom de la IED en el Mercosur	Análisis de comparación directa de las variables de crecimiento económico y la apertura comercial gracias al boom de la IED en el Mercosur	Google Académico
8	2019	REVISTA	Espín et al.	Ecuador	10.17163/ret.n12.2016.06	se estudia el comportamiento de la IED en el país. Además, a través de una regresión lineal simple	Los resultados obtenidos de la regresión lineal simple a través del coeficiente de determinación	RETOS
9	2020	REVISTA	Banco Central del Ecuador	Ecuador	https://contenido.bce.fin.ec/documentos/Estadisticas/SectorExterno/BalanzaPagos/balanzaComercial/ebc202202.pdf	Desarrollo del comercio de la región mediante factores relacionados con la Liberalización del comercio	Flujos comerciales crecientes dentro del Ecuador	Banco Central del Ecuador

10	2022	ARTICULO CIENTIFICO	world trade organization	Estados Unidos	https://www.wto.org/spanish/tratop_s/bop_s/bop_info_s. htm	Situación de la IED en el mundo	efectos de la IED en la balanza comercial del Ecuador	WORLD TRADE ORGANIZATION
11	2024	REVISTA	Miranda, Á & Tonon, L	Ecuador	https://doi.org/10.29019/eyn.v15i1.1266	Expansión económica en el Ecuador	externa como la IED tienen un impacto significati vo en el crecimient o económico de Ecuador	Universida d Nacional Autónoma de México
12	2018	Artículo Académico	CALANCHO et al.	Ecuador	10.47460/uct.v24i107.416	riesgo país	indicadores de flujos	Europea n Econom ic Review
13	2022	REVISTA	Barcalado, d et al	Ecuador	http://ridaa.unq.edu.ar/handle/20.500.11807/2992	crecimiento económico	flujos de inversión	Google Académ ico
14	2019	revista	HUGO, C	Ecuador	10.37135/kai.003.03.04	Principales salidas de divisas	impuestos de salidas de divisas IED	Google Académ ico
15	2020	REVISTA	SOLANO A	Ecuador	https://www.researchgate.net/publication/343360976_Retos_y_oportunidades_para_la_atraccion_de_IED_post-COVID19	retos y oportunidades	atracción de ied	Google Académ ico
16	2021	revista	Campana p, pozo w	Perú	10.33326/27086062.2021.2.1186	Principales retos que enfrentan los decidores políticos al crear políticas comerciales en economías emergentes	Impacto de la IED años 1980 2020	Google Académico

17	2022	REVISTA	Ramos m, Medel f, Treviño	Ecuador	https://www.redalyc.org/pdf/866/86612931003.pdf	relación entre apertura comercial	inversión extranjera	Google schoolar
18	2020	ARTICULO CIENTIFICO	Vallejo, c	Perú	http://scielo.sld.cu/scielo.php?pid=S22183620201800 0400173&script=sci_arttext	apertura comercial y la IED en Peru	crecimiento económico gracias a la apertura comercial	SciELO
19	2020	REVISTA	Castillo e, González m, Zurita e	Ecuador	10.48082/espacios-a20v41n50p21	determinantes de la inversión	Latinoamérica	Google schoolar
20	2022	REVISTA	Miranda r, Lanzilotta b, Leira e	Chile	10.13043/DYS.92.7	calidad de gobierno como motor para la atracción de ied	como un gobierno afecta a la ied	Google schoolar
21	2020	Artículo de Investigación	Álvarez, A	España	https://doi.org/10.1111/1468-0297.00293	ied y el comercio exterior	cómo afecta en España y la UE	Google schoolar
22	2018	REVISTA	Valdez, A	Perú	http://scielo.sld.cu/scielo.php?script=sci_arttext&pid= S221836202018000400173	efecto de la apertura comercial	inversión directa	Google schoolar
23	2018	REPORTE	Bárcena a, Cimoli m, García r	Mundo	www.cepal.org/es/suscripciones	ied en latino América y el caribe	como aporta la ied en latino América y el caribe	Google schoolar
24	2019	REVISTA	Maldonado et al.	Colombia	10.22463/27111121.2365	inversión directa en América latina	efecto en la globalización	Google schoolar
25	2018	libro	García c, Garuz j, Ortiz g	México	https://shorturl.at/xCU67	inversión extranjera directa	comercio internacional el caso de Bolivia	scielo
26	2020	revista	Valenzuela b,	Chile	10.15359/eys.25-57.6	efectos de la inversión extranjera	competitividad en el comercio	Google schoolar

			Fuenzalidad					
27	2018	revista	bárcena a, Cimoli m, García r, Pérez r	Cepal	www.cepal.org/es/suscripciones	la inversión extranjera directa en América latina y el caribe	escenario económico mundial	CEPAL
28	2018	Artículo Académico	Valdez a	Perú	http://scielo.sld.cu/scielo.php?script=sci_arttext&pid=S2218-36202018000400173	efectos de la apertura comercial y la ied en el crecimiento económico en Peru	como ayuda la ied en el crecimiento económico de Peru	SciELO
29	2023	Artículo de Investigación	Guzmán, K	Ecuador	https://doi.org/10.48550/arXiv.2401.13674	crecimiento económico	crecimiento económico en chile	SciELO
30	2023	REVISTA	Ayvar et al	México	10.53897/RevPortes.2023.1.3	indicadores económicos y sociales México y china	influencia en la ied entre México y china	REPORTES
31	2023	Artículo Académico	Montes et al.	Colombia	10.32468/be.1227	ied en Colombia y el sector petrolero	principal potencia en la ied de Colombia y las minas y petróleo	Google Académico
32	2021	Artículo de Investigación	Page et al	España	10.1016/j.recesp.2021.06.016	declaración prisma	cómo realizar una publicación bajo el modelo prisma	REVISTA ESPAÑOLA

33	2012	Libro	GARCIA P, LOPEZ A, ONSA	Ecuador	https://l1nq.com/lmxys</font	políticas para la ied	principales políticas para la atracción de la ied	SciELO
34	2020	Journal	Diaz et al.	Ecuador	file:///C:/Users/juanj/Downloads/cecilia_ruiz,+Articulo_2.pdf	IED en Paraguay	principales factores que impiden un mayor nivel de atracción de inversiones extranjeras directas al Paraguay	SciELO
35	2020	Articulo académico	AVILA L, GALAN J	Ecuador	10.15381/quipu.v28i58.18436	las determinantes de la ied china en latino América	como a desarrollado la ied en todo latino América y sus principales efectos	Quipuka may oc
36	2020	Artículo Académico	RODRIGUEZ N	Europa	https://dialnet.unirioja.es/servlet/articulo?codigo=4260209	riesgo país	como el riego país afecta a la ied en países en desarrollo	Google Académico
37	2024	articulo científico	UNIR	Mundo	https://www.unir.net/empresa/revista/inversion-extranjeradirecta/	significado de la ied	cuáles son los principales efectos de la ied	Google Académico
38	2017	Artículo Académico	Ángle Maridueña	Argentina	http://bibliotecadigital.econ.uba.ar/download/tpos/1502 0531_MariduenaLarreaAA.pdf	Análisis entre la apertura comercial y el crecimiento económico del Ecuador	Efectos que tuvo la apertura comercial del Ecuador en el crecimiento	Google Académico

39	2020	Libro	REINA D	Colombia	file:///C:/Users/juanj/Downloads/Repor_Septiembre_2 016 _Reina_et_al.pdf	IED en Colombia	Como se desarrolla la IED en Colombia	Google Académic o
40	2020	Revista	CRUZ D	Colombia	https://revistas.unisimon.edu.co/index.php/desarrollog eren cial/article/view/2970/3843.	Acuerdos comerciales de Colombia: Impactos en balanza comercial e inversión extranjera directa	Como ayuda los acuerdos comerciales al impacto en la balanza comercial e inversión extranjera	Google Académic o
41	2021	Artículo Académic o	GUAZCO	Ecuador	https://repositorio.uta.edu.ec/handle/123456789/3160 1	Efectos de la inversión extranjera directa sobre el crecimiento económico en Ecuador: 1988-2018	los principales efectos de la ied para la economía ecuatoriana	SciELO
42	2020	Artículo Académic o	Banco Central del Ecuador	Ecuador	https://www.bce.fin.ec/informacioneconomica.	principales países inversores de la ied en ecuador	Distribución de la renta igualitaria	Banco Central del Ecuador
40	2018	revista	Sarmiento et al.	Ecuador	https://doi.org/10.32645/13906852.535	como aumenta la ied en ecuador	efecto de la inversión extranjera directa (IED) y la libertad económic a (LE) en el crecimient o económic o (PIB) en Ecuador	SciELO

41	2018	articulo científico	Calderón c & Hernández e	México	https://www.scielo.org.mx/scielo.php?pid=S0188-45572011000100004&script=sci_abstract&tlng=pt.	El TLCAN una forma de integración económica dualista: comercio externo e inversión extranjera directa	Como el tlcan atrae inversión extranjera directa junto al comercio exterior	scielo
42	2020	revista	Camacho et al.	Ecuador	https://ww.revistaespacios.com/a20v41n17/a20v41n17p05.pdf	América Latina y el Caribe durante las últimas décadas el crecimiento económico ha sido de manera sostenible	como la IED ha evolucionado en América latina y el caribe	scielo
43	2019	articulo científico	García M	Ecuador	https://dialnet.unirioja.es/servlet/articulo?codigo=6796757	Inversión extranjera directa como factor sustancial del desarrollo económico de un país,	principales efectos de la ied en la economía ecuatoriana	scielo
44	2023	articulo científico	BANCO DEL ECUADOR	Ecuador	https://www.bce.fin.ec/informacioneconomica	principales importaciones	principales exportaciones que se dan gracias a la ied	Banco Central del Ecuador
45	2019	revista	ORTIZ, C, Salinas, A, Alvarado R	Ecuador	10.25097/rep.n29.2019.06	determinantes para el crecimiento de la ied	como la ied se desarrolla en el ecuador	Scielo