DEPARTAMENTO DE ECONOMÍA (*), FACULTAD DE CIENCIAS SOCIALES, UNIVERSIDAD DE LA REPÚBLICA, URUGUAY

Foreign Direct Investment Policy in Latin America 1980-2015

Configurational Analysis with political, structural and macroeconomic Fuzzy Sets

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Gustavo Bittencourt (**)

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(*) Constituyente 1502, Montevideo, Uruguay, (598) 24106449

(**) gustavo.bittencourt@cienciassociales.edu.uy

Abstract

I am following the analysis of policies towards foreign capital in Latin America summarized in Bittencourt (2016), covering, in this paper, 17 countries along the period 1980-2015. The current work has two directions: on the one hand to identify the applied policy instruments and analyze their configurations, and on the other hand, to explore what characteristics of the countries are associated with such configurations. In the first direction, I adapted Dunning's and UNCTAD's classifications, to elaborate a typology composed by three regulatory and six promotional instruments, whose definition in Latin America's countries is made through an extensive literature review. Some determinant transitions occurred in the 1980s': going out from the introverted industrialization in the major countries, the end of the military dictatorships in the Southern Cone and Brazil, while Central America was trying to exit from a long period of civil wars. Public strategies regarding foreign capital were reoriented from the regulatory stage between the middles 1960s-1970s decades, to the transition of 1980s, arriving to a promotional predominance in the 1990s, until the present. The increase in the presence of governments that the IDB Database of Political Institutions 2015 characterizes as left implies a few cases of confrontation via expropriation in the period 2004-2015, but the remaining left governments approach configurations of promotional predominance. The second direction of the work offers an exploratory analysis of the conditions explaining why some countries can apply certain instruments and others do not, regarding (or in spite of) their political orientation. I selected variables suggested by the bargaining theory of the relationship between governments and TNCs, and I use the configurational analysis proposed by Ragin (2008), through the fsQCA 3.0 software, to explore some relations. Among other conclusions, the truth tables shows that, in the context of this sample, every "big" country and every country combining mineral exports and low political risk, apply at least one FDI policy regulation. The absence of regulation is associated with center-right governments in smaller and political risky countries. Small countries not inserted in FDI circuits, mostly open and political un-risky, conducted Rules-Based competition for FDI. Mexico after 2004 was the only big country applying RBC. All bigger countries applied incentives competition for FDI (IBC). Relative small countries with low diversified FDI also conducted IBC. Regarding privatizations, there is a clear political determination: only center or right governments applied this instrument. After 1990, small, relative non-exporter and

low educated countries, and Mexico (in the other hand, big, open and relative educated), resort to the application of free Export Processing Zones (EPZs). Big and non-exporter countries, with low risk and diversified FDI, applied sectorial policies (SEC). Small open and not risky countries, with no diversified FDI origins, also did. This exploratory results support the hypothesis provided by the bargaining governments-TNCs theory.

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1. Introduction

The Transnationalization Process (or productive globalization) refers to the international expansion of Transnational Corporations (TNCs) as one of the most relevant aspects of the globalization of the world economy since the second half of the 20th century. The global expansion of TNCs had an important acceleration since 1990, which determined that the current world is structurally much more transnational than three decades ago[1], although the pace of expansion of the process slowed down after the 2008-2009's crisis. In addition, developing countries become more important as recipients of FDI (receiving more than half of the world's flows since 2009), which means that the presence of ET now reaches most of the world's economies, including many of the poorest, who had been marginalized from this process in the 20th century. The role of TNCs from developing countries as active agents of the Transnationalization process in the world, also increases greatly. It is not possible to understand the policies that governments apply to foreign capital, its link with the reception of FDI and its performance, without taking into account these transformations of the global economic system.

This paper attends questions in two directions. The first direction points to the types of instruments applied for the treatment of foreign capital in Latin American countries from 1980 to 2015: promotional or restrictive, and how do both types of instruments combine in the three decades. The second direction is to explain which policies can emerge according to

[1] Taking one indicator, since the crisis of 2008-2009 the global FDI stock, a good proxy for capital of TNC affiliates, is valued around one third of the world GDP, while it was less than one tenth in 1990.

the wishes and the strengths of the governments relative to TNCs, based in some structural an macroeconomic characteristics suggested by the theoretical framework.

After this introduction, in section 2, I postulate an analytical framework and a typology of instruments to explain the cases of Latin American countries. Section 3 reviews the broader perspective of political evolution in the period, adapting the 2016 IDB Political Database, including a broad view of evolution in FDI Policy. Then, the instruments applied in the periods 1984-1989, 1991-2000 and 2004-2015 are described and synthesized, separating them between instruments of regulatory or promotional policies. Section 4 carries out an analysis aiming to identify configurations of instruments, linking them with the political orientation of governments and with some structural and macroeconomic characteristics, guided by the OLI paradigm. Finally, section 7 summarizes some conclusions.

2. General analytical framework of FDI Policy

2.1 FDI policy instruments at the national level according to Dunning and Lundan's bargaining model

Each national government defines a series of instruments for the treatment of investments that may have specific chapters for FDI, as well as delimit other actions aimed at promoting or modifying certain types of behaviors by the TNCs. This is the analytical object of this paper. The set of possible national policy instruments is increasingly limited by international treaties: multilateral agreements, Bilateral Investment Agreements (BITs), or Free Trade Agreements with investment clauses.

I take the analytical framework proposed by Dunning and Lundan (2008) to study the way in which Latin American countries organize their policies towards TNCs. According to these authors, following the line of thought established by Dunning in his works since the early 1980s, the OLI paradigm (Ownership, Localization, Internalization) offers a theoretical framework to understand the formulation of policies in a negotiation process[2]. Dunning proposed this approach, in its original version, to understand why companies take the steps of invest abroad, e.g., became TNCs and go into the transnationalization process. It indicates that three conditions must happen simultaneously, for a company to choose making international production through productive investments in another country:

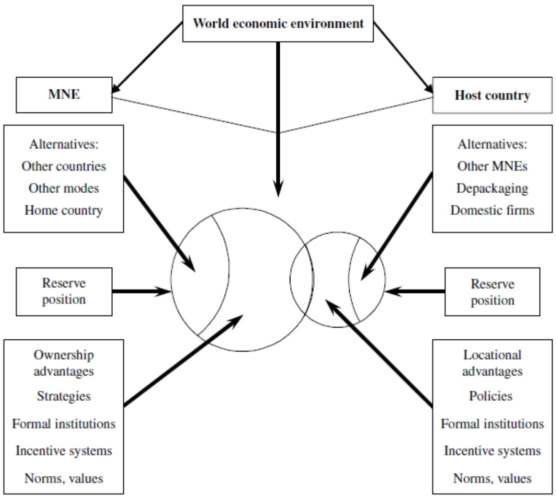
i) Ownership advantages: the company must have a specific asset that differentiates it from its competitors, generally referring to technology, marketing or managerial skills;

ii) Localization advantages, host country must have some assets that make investment attractive, ranging from characteristics of the domestic market to the endowment of natural and human resources, through institutional and political features (including specific policies such as those will be studied in this document); and

iii) Internalization advantage, there must be characteristics that make it preferable to carry out activities through the extension of the company's borders, instead of carrying out transactions with independent agents (that is, making FDI instead of exporting or selling production licenses).

Figure 1

[2] As Dunning and Lundan (2008) states: “the OLI paradigm offers a useful framework for understanding both the nature and outcome of government-MNE interaction”. Dunning’s contribution to this framework was to make explicit the OLI paradigm in the bargaining process. I first read about it in Grosse (1989).



Source: Adapted from Lecraw and Morrison (1991).

Source: Dunning and Lundan 2008

The O advantages developed by TNC *versus* the amount and quality of the L advantages of the host countries, can be seen as the respective power factors. The confrontation of this set of conditions determines both the scheme of policies, as well as the realization of investments, and/or the adaptation of the TNC's behavior to the objectives set by the country's development strategy. The greater (potential to generate value) and the unique advantages of the TNCs, the greater their power relative to that of the states or governments. The greater advantages L of the country, this is the greater and unique value generation potential, the greater is the government´s capacity to obtain benefits in a negotiation process. Therefore, a set of assets-attributes of the countries and the TNCs allow the appearance of some governments' policies preserving the realization of investments (without throwing FDI out). The international context enters into the scenarios, affecting the relative strengths of each party. Besides how much unique are the assets that both parties have, relative power increases for governments that can resort to other sources of FDI, or for TNCs that can easily find other locations.

This framework indicates a **Bargaining Model** that ends up generating certain type of Investment policy measures, or FDI Policy instruments. According to Dunning and Lundan (2008), policies towards inward FDI broadly fall into four groups:

i. Conditions of entry or setting up of a foreign affiliate. These conditions usually contain five main criteria. Four of these criteria correspond to **restrictive instruments**: allowed degree of foreign ownership, kinds of value-added activities in which MNEs may participate, financing of the inbound investment, and location of the investment within the recipient countries according to regional development policies. The fifth criterion "relates to the pre-entry conditions for FDI, and comes within the broad heading of **investment incentives**"…"These include a broad range of fiscal incentives, such as tax holidays or reduced rates of taxation, other financial incentives, such as subsidised loans or loan guarantees, and other incentives, which includes subsidised infrastructure and public services." Dunning and Lundan (2008) includes Investment Promotion Agencies (IPA) in this category.

ii. Operating requirements demanded or expected of foreign-owned affiliates. They include guides or recommendations for local purchases of inputs, capital goods or services, training practices for managerial and professional personnel, technology transfer, local content of exports, percentage of exports in production, R & D carried out by the affiliate, etc. In general, WTO rules had prohibited **performance requirements** in the chapters of the agreement referencing measures affecting investments related to trade (TRIMs). The limitation to the use of these mechanisms is also incorporated in Bilateral Investment Agreements (BITs) or Free Trade Agreements.

iii. Conditions for the exit of foreign investors or divestment requirements. "…they were quite common in the 1960s and 1970s, particularly among developing countries which viewed the role of inward investment as that of a tutor to indigenous firms and considered that as soon as the tutoring had been successfully accomplished, the tutor should gracefully withdraw."

iv. Cost-effective way of attracting inbound FDI. This fourth group encompasses the other three.

2.2 UNCTAD´s FDI Policy Classification

UNCTAD publishes "The Investment Policy Monitor" since 2009, "in order to provide policymakers and the international investment community with up-to-date information about the latest developments and trends in investment policies at the national and international level." Looking for this purpose, UNCTAD classifies and describes FDI policy changes[3], taking into account liberalization-promotion and regulation-restriction. Any instrument may improve (hinder) the conditions for TNC's entry and operation, if the same benefit (requirement) increases or it tends to disappear. The typology of policies has been changing over time:

- In 2009 there were two broad classes: a) Investment-Specific measures[4], where one could find four types of instruments: Entry[5], Facilitation-promotion, Operation-taxation and Outward investment promotion; and b) Investment-related measures, compounded by four types: international investment agreements (IIAs), General legal framework, Stimulus package/state aid, and General taxation measures
- In 2011-2012 the Monitor simplified the typology, grouping investment policy measures into 4 broad classes: Entry/establishment, operation (FDI specific and FDI related, which includes the categories used previously: investment specific and Business climate), Promotion and facilitation, and measures promoting or limiting Outward FDI
- UNCTAD simplified the typology even more after 2016's version, publishing changes implying more restrictive or more promotional policies, in each of four broad set of instruments: i) Entry, ii) Operational treatment, iii) Promotion and

[3] "The policy measures mentioned in the Monitor are identified through a systematic review of government and business intelligence sources. Measures are verified, to the fullest extent possible, by referencing government sources. The compilation of measures is not exhaustive." UNCTAD/IPM (2015)

[4] Investment-specific measures address investment from domestic and foreign sources, such as measures to protect, facilitate, promote, or regulate or restrict investment. In some editions of the Monitor, UNCTAD separates FDI-specific measures: specifically addressing foreign investment, i.e. liberalize, regulate, protect and/or facilitate/promote foreign investment, for instance, through the approbation of a Law on Foreign Investment.

[5] "Entry: policy measures relating to the entry and establishment of foreign investors. Impose or relax restrictions on foreign ownership or open up new business opportunities; eases the approval requirements for foreign investment, streamlines the registration process, removes restrictions for foreign private investment in strategic sectors, and provides certain legal guarantees and incentives." UNCTAD/IPM (2016)

facilitation (Countries grant tax incentives, facilitate investment procedures or established new investment promotion agencies), and iv) General business climate (BC). BC measures address general determinants of business climate attractiveness.

2.3 Adaptation of the typologies for Latin America

This section seeks to define an operational classification for the case of Latin American countries between 1980 and 2015. In previous works we have applied typologies of policies in the context of studies on FDI’s determinants (for example, Bittencourt 1995; Bittencourt & Domingo, 2004). Dummy variables were defined, implying that the observation is worth 1 in the presence of the instrument and zero in other case. I recently carried out a typology like the one presented here, but limited to the period 1990-2014 and to 13 countries (Bittencourt, 2016).

The proposed typology follows a conceptual line similar to that used by UNCTAD and by Dunning. Unlike UNCTAD, which focuses on the changes indicating whether they imply an increase or reduction of the defined attribute, be it regulation or promotion, in this case the definition of each instrument corresponds univocally with regulation or promotion, and it will be valued as 1 if the country applies in instrument during most of the period. Subsequent exercises will apply a fuzzy set logic, grading the presence of the attribute, but in this work I select a strict definition.

Regarding Dunning and Lundan's proposal, the last two categories are of little use to detect instruments applied since 1980 in Latin America. In this paper a first major division will be made between instruments aimed at restricting or modeling the activity of the TNCs with respect to those oriented especially to the promotion of FDI. The "restrictive or regulatory" instruments will be of 3 types, two of them (i and ii) follow some of the instruments named in Dunning and Lundan's first two classes, to which is added a confrontation instrument considered relevant for the Latin American case. The definition of Entry and Performance requirements is similar to UNCTAD’s typology:

i. **Restrictions for the entry of FDI (ENT):** These are conditions that the TNC must meet in order to enter and register legally to operate in the country. For example: obligation of co-participation with national capital, limitation to the activities or sectors in which the TNC can participate, mandatory location of the investment in any region within the country, limits to the remittance of profits and the repatriation of capital, either through prohibitions, specific taxes, or exchange difficulties to access foreign currency to be remitted abroad. It corresponds to Entry/establishment conditions of UNCTAD and with the first four criteria included in the category i) from Dunning and Lundan (2008).

ii. **Performance requirements (PER)**: it may be local content requirements, the obligation of some proportion of inputs must be purchased from local providers, value added or local labor, some proportion of exports in total sales, compensated external exchange. These performance requirements maybe requested when the TNC processes entry authorization, or to obtain some benefits from other sectoral policies, or to enter in trade external by commercial agreements. It corresponds to category ii by Dunning and Lundan (2008).

iii. **Expropriations (EXPRO).** It refers to the forced purchase of assets of the TNCs by the national states, in general to form public capital companies. This policy tends to coincide with an explicit government´s preference towards national capital companies, in policies and public actions. It does not appear differentiated as an instrument in Dunning and Lundan or in UNCTAD.

On the other hand, we can find policies of a promotional nature, that is, those aimed at attracting foreign capital, improving their conditions of access and operation. UNCTAD's typology separates promotion policies between investment specific measures (like tax incentives, facilitate investment procedures or investment promotion agencies) and General business climate. I prefer to break down into business climate related instruments and incentives, remaining six classes:

iv. **Business climate (CLI):** concern and measures aimed at improving the business environment, including fiscal, labor, environmental, intellectual property measures, applied in general, but aimed at attracting investments. Existence and type of investment laws in force, specific rules to guarantee stability (such as investment contracts). These types of instruments are intended to improve the treatment of investments in general (not only for FDI), and to emphasize that TNCs will be subject to similar conditions and requirements as national companies (National Treatment).

v. **Privatizations (PRI):** sale of public companies, which were providing markets for public services or supplies of widespread use, from which the state withdraws, in which TNCs can participate to access this internal markets.

vi. **Export Processing Zones (EPZ):** Free Zones where tariffs and import barriers are eliminated or reduced to facilitate the importation of inputs, which usually include tailor-made tax exemptions, and in some cases important public contributions in infrastructure.

vii. **Specific incentives to sectors (SEC):** important sectoral policies that can act as conditioning or attractors of FDI; for example Hydrocarbons, Mining, High Technology, Automotive, etc**.**

viii. **Investment Promotion Agencies (IPA):** existence of institutes with the task of promoting and monitoring foreign investments, functions that these agencies fulfill (known as Investment Promotion Agencies, IPAs) IED; for example Hydrocarbons, Mining, High Technology, Automotive, etc.

ix. **International Investment Agreements (IIA):** Free Trade Agreements, Agreements for the Promotion and Reciprocal Protection of Investments (APPRIs)

Three promotional classes (v, vi and vii), along with other incentives that are more difficult to identify, such as the benefits granted by the subnational states or provinces for the installation of the subsidiaries, constitute what Oman 2000 called Incentives-based Competition for FDI. The other three classes (v, viii and ix), are more related with changes in the environment for FDI, and can be grouped as Rules-based Competition for attracting FDI in the sense of Oman (2000).

3. Descriptive Summary of FDI Policies using Crispy Sets

3.1 A broad political outlook

A brief look at history shows us that policies towards foreign capital in the world, and in particular in Latin America, have gone through "cycles". After the 1930's crisis, nationalist tendencies have manifested with confrontation against foreign capital, as in the Estado Novo of Getulio Vargas in Brazil (1937-1945); and nationalizations in the Cárdenas' government in Mexico (1939), Perón in Argentina between 1945 and 1950, Bolivia, Guatemala and Venezuela (Lichtensztejn and Trajtenberg, 1991:5). In the 1950's decade, while Dunning and Lundan (2008) characterize a world scaled "honeymoon" between states and ET, there was a stage of liberalization in most of the Latin American countries. Frondizi (1958-1962) and Onganía (1966-1968), both in Argentina, the Brazil of Kubistchek (1955-1960) and Castello Branco (1964-1967), the Mexican "stabilizing development" of the López Mateos and Díaz Ordaz's governments between 1958 and 1970, and the formation of the Central American Common Market, were examples of the rapid expansion of positions in favor of receiving transnational capital (Lichtensztejn and Trajtenberg, 1991). It was followed by a stage of confrontation between states and ET in the world between the late 1960's and mid-1970's (Dunning & Lundan, 2008: 677), that showed a vigorous expression in Latin America through the predominance of regulatory policies. Main expressions were Decision 24 of the Andean Community of Nations, Mexicanization laws promulgated in the early 1970s, as well as the heterodox policy of regulation applied by Brazil in the period.

Dunning & Lundan pointed out that after this brief divorce between States and ET in the early 1970s, there was a long phase of reconciliation in the world, in which we still find ourselves, right in the 21st century. In Latin America, this implied a generalized political shift towards free market reforms (initiated prematurely in the Southern Cone in 1973) that reached almost all countries in the 1990s. Brazil did not follow an identical trajectory. The 1988 constitution in that country still does not guarantee national treatment because it establishes the figure of a foreign company with specific requirements for its action and a series of limitations, but in practice, Brazilian Government did not apply any severe restrictions since the mid-1980s. According to Sabbatini (2008) there was a process that pointed to "deregulation, end of operation limitations, liberalization of funds transfers, national treatment, protection of assets (including intellectuals), competition policy and international arbitration for conflict resolution", which had its maximum expression in the Government of Collor de Mello in 1992. Since the mid-1990s and especially after 2004, governments implemented several productive development programs with emphasis in sectoral policies, seeking behaviors of the ET aligned with the objectives of the programs. A 1995 constitutional amendment expressed the aim to boost the presence of foreign capital, eliminating differences in treatment with respect to domestic companies, a principle that continuous in the 21st century.

In the countries of the Andean Pact, the remnants of the regulatory regime that had its main milestone in Decision 24 of 1970 were eliminated by Decision 291 of the Cartagena Agreement issued in 1990 (Common Regime of Treatment of Foreign Capitals and Trademarks, Patents, Licenses and Royalties). In Mexico, the 1973 Foreign Investment Law (known as "Ley de Mexicanización"), implied that some economic activities were completely restricted to foreign capital while other required a minority participation of FDI, although its application was progressively left aside since the mid-1980s. Small countries with weaker states, such as Bolivia or Paraguay, did not apply strong regulations, nor did the small Central American economies, which with the exception of Costa Rica, were in dictatorial regimes and/or in processes of civil war until 1990.

Table 1 shows a summary of the political evolution of the period, adapted from the Database of Political Institutions of the IDB (Cruz et al 2016):

Table 1. Political orientation of the President

	1984-1989	1990-1999	2004-2015
Argentina	C	R	L
Bolivia	R	L-C-R	L
Brazil (3)	R	R-C	L
Chile	MD R	C-L	L-C
Colombia (1)	R	C	0
Costa Rica	L	R-L	R-L
Ecuador (4)	R	L	L
Guatemala	DM R	R	R-L-R
Honduras	R	R	R
Mexico	C	C	R-C
Nicaragua	L	C-R	R-L
Panama (2)	R	R-C	C-R
Peru	R-L	R	L
Paraguay	DM R	R	R-L-R

El Salvador	C	R	R-L
Uruguay	R	R	L
Venezuela	L	R	L

Source: Cruz el al 2016

Notes: MD Military dictatorship, R Right, C Center, L Left[6].

(1) Colombia 2004-15 Cruz et al 2016 shows unknown. I think this was a period of right oriented governments.

(2) Panamá 1984-89, 1995-2000 y 2005-2014 is unknown for Cruz et al 2016. The period under Noriega's influence was predominant conservative. PRD governments1995-2000 and 2005-2009 were more Center or Center Right, I choose C.

(3) This version of the database puts the party of President Cardoso as Left. Previously, the database had computed this period as a Right one. I prefer C.

(4) Ecuador in 1990s had a high political instability with 6 president´s changes. Cruz et al (2016) characterize as L almost all the period. I think it is wrong and I am going to fix it in future editions of this work.

Summarizing some conclusions from the table 1, we can arrive to some ideas of interest to think about the treatment of foreign capital:

- The 1980s as a period of democratic transition, from the majority presence of military dictatorships in the 1970s, in which 12 countries clearly fell into that condition. There were still 8 totalitarian military regimes in 1980-85 and 4 in the first period of this study (1984-1989), and none in 1990-1999
- A clear reorientation of the political parties in the government to the left: while in 1984-89 Cruz et al (2016) only qualifies as left 4 cases (Costa Rica, Nicaragua, Peru and Venezuela), in 1990-1999 they are also 4 cases that have some subperiod left governments, while in 2004-2015 10 countries have at least one left government.
- Alternation is the most frequent, in many cases with high instability. Only Colombia, Honduras, Mexico and Panama did not have left-wing governments in any period.

3.2 The "regulatory" policy instruments towards foreign capital

[6] Table 1 shows the political party of the President, variable named "EXECRLC", defined as: "Party orientation with respect to economic policy, coded based on the description of the party in the sources, using the following criteria: Right: for parties that are defined as conservative, Christian democratic, or right-wing. Left: for parties that are defined as communist, socialist, social democratic, or left-wing. Center: for parties that are defined as centrist or when party position can best be described as centrist (e.g. party advocates strengthening private enterprise in a social-liberal context)…" (Cruz et al, 2016:8)

1980-2015[7]

3.2.1 Restrictions for FDI's entrance (ENT)

Unlike what happened in the cycle of regulatory policies of the late sixties and early seventies, in the successive periods the number of countries that apply ENT, is reducing. This variable is worth 1 if the country applies at least one of the following instruments: obligation of co-participation with the national capital and/or technological transfer, obligation not to rotate capital / profits in predetermined terms or with specific taxes, or other measures aimed to modify the behavior of the subsidiaries by administrative requirements in authorizations to establish. Table 2 reports the results of the bibliographic study.

Table 2
Restrictions for the entry of FDI (ENT)

	1984-89	1991-99	2004-15	Total country
Argentina	1	0	0	1
Bolivia	0	0	1	1
Brasil	1	0	0	1
Chile	0	1	1	2
Colombia	1	0	0	1
Costa Rica	0	1	1	2
Ecuador	1	1	0	2
El Salvador	1	0	0	1
Guatemala	0	0	0	0
Honduras	0	0	0	0
México	1	1	1	3
Nicaragua	0	1	0	1
Panamá	0	0	0	0
Paraguay	0	0	0	0
Perú	1	0	0	1
Uruguay	0	0	0	0
Venezuela	1	1	1	3
Total sub-period	8	6	5	20

[7] I will present here a brief summary of the explanation of the variables. Reader can find more details in Bittencourt (2016 and 2019).

Fuente: own elaboration

In South America, during the 1980s and 1900s, the following countries practiced ENT restrictions to FDI:

- Argentina applies restrictions to the remittance of utilities with exchange control during the stabilization plans between 1984 and 1989.
- Chile applies restrictions on the repatriation of capital before certain deadlines and the remittance of profits is subject to additional aliquots of income tax according to Decree 600 of 1974.
- Brazil: Sarney's government practiced some discriminatory treatment with restrictions, in line with the Constitution approved in 1988. President Collor de Mello eliminated restrictions in 1991-1922. The 1995 constitutional amendment enshrines equal treatment, although FDI remained restricted for some sectors.
- In the Andean Pact, Decision 24 of the Cartagena Agreement was in force in the 1980s, flexibilized by subsequent resolutions, until the abandon of restrictions by the Decision 291. Bolivia, Colombia and Peru, accelerated the application of the new Andean regulations. Ecuador regulated Decision 291 in the second half of the decade (López et al., 2015, 28). Venezuela, mainly by means of exchange controls and other economic emergency measures, maintained access restrictions (WTO, 1996) after 1994. During the 21st century, the arrival of "leftist" governments: Bolivia restricted some sectors after the plebiscite for hydrocarbons in 2004 and Venezuela controlled the remission of foreign currency by exchange control mechanisms in Venezuela[8].

Mexico applied ENT in the whole period. Although the registration was still mandatory, the Mexicanization Law was losing its validity during the decade of the 80s. The 1993 law

[8] Ecuador applied a few sectorial restrictions, while the remittance of currencies is limited later in Argentina, but for a short period. I decided to take as 0 the presence of ENT restrictions in these two cases, but if we were in Fuzzy Sets logic, clearly the variable would be different from 0 and less than 1.

established the obligation to resolve the requests in 45 days, otherwise they would be approved automatically. The 1993 law eliminated restrictions in the 85% of activities so far closed to FDI, allowing a minority presence of FDI in 35 activities and only 37 excluding it (Vazquez, 2011). Dussel (2007) indicates that despite the opening, Mexico was seen as one of the countries with the greatest sectoral restrictions. The reforms initiated in 2013 liberalized some strategic sectors, such as telecommunications and hydrocarbons, opening them to FDI (Vargas, 2014).

In Central America there were only two cases of ENT. Access authorization in Costa Rica's Free Zones regime requires investment only for some predefined sectors and subject to compliance with certain parameters, this implies a special form of access conditions. Duarte's government (El Salvador, in 1984-1985) reinforces some interventionist measures, like control of money exchange and interventions in foreign trade with nationalized banking.

3.2.2 Performance Requirements (PER)

I found 10 cases of fully application of performance requirements in the whole period. Table 3 shows them.

Table 3.
Performance Requirements (PER)

	1984-89	1991-99	2004-15	Total
Argentina	0	1	1	2
Bolivia	0	0	0	0
Brasil	1	1	1	3
Chile	0	1	0	1
Colombia	0	0	0	0
Costa Rica	0	1	1	2
Ecuador	0	0	0	0
El Salvador	0	0	0	0
Guatemala	0	0	0	0
Honduras	0	0	0	0
México	1	0	0	1
Nicaragua	0	0	0	0
Panamá	0	0	0	0
Paraguay	0	0	0	0
Perú	0	0	0	0
Uruguay	0	0	0	0
Venezuela	0	1	0	1

Total	2	5	3	10
Fuente: own elaboration				

Brazil applied this type of instruments in its automotive policy, in other manufacturing activities, and in its oil policy since 1986, and after 2000, in the successive launches of productive development strategies (2003 PITCE, 2008 PDP, 2011 Brasil Maior). Argentina applied this type of regime since 1991 in its automotive sector, with a system of compensated dollar exchanges by company (Arza and López, 2008). In the 21st century, government continued the automotive regime, adding administrative management of the import licenses linked to export objectives by companies, applied to a broad set of manufacturing sectors. The Costa Rica's Free Zones regime impose some requirements in the settlement contracts: minimum investment amount, minimum level of local employment and national value added. Chile maintained a special regime for the automotive industry with national content and export requirements (WTO, 1997), abolished after 1998. Venezuela applied this type of requirement in the 1990s in some sectoral regimes, such as the automotive (OMC Venezuela 2006) and the petroleum industry. Mexico's 1993 law maintained authorization to FDI entry in some productive sectors. Evaluation criteria for applications could include performance requirements. I did not find any reference in the literature, of this instruments having used in that direction.

3.2.3 Expropiations (EXPRO)

Although with nuances regarding the pace and scope of liberalization, I did not find relevant expropriations reported before 2004, while the tendency to treat foreign capital as national was generalized. In Nicaragua, properties of Somoza and some of their relatives were expropriated in the early 1980s, but no other expropriations were carried out after 1984 (Morris, 2010; Vilas, 1990). In the Andean Pact, Venezuela fully enshrined equality of treatment until the 1999 Constitution. I did not classified these as expropriating cases and therefore the corresponding variable assumes the value 0.

The only cases that carry out expropriation processes that can be classified as "hostile", to the extent that they impose prices or valuations on the capital of the companies that are nationalized, which, according to several reports, would be below market conditions. In Argentina, especially during 2007 and 2008, the Government nationalized the pension system and YPF. After 2006, the Bolivian government has nationalized most of the companies privatized in the 1990s: all petroleum and most transportation and power sectors, the largest telecommunications company, a foundry and a cement plant (USDC-ICS, Bolivia 2015). Venezuela promoted the process of nationalization, highlighting the cases of the telephone CANTV, Electricidad de Caracas, cement companies and a steel company in 2008, negotiated with Verizon, AES and CMS (TNCs from the United States) and these companies agreed to transfer their assets to the government, according to UNCTAD (2007).

3.3 "Promotional" policy instruments towards foreign capital 1980-2015

3.3.1 Business Climate (CLI)

S shown in Table 4, the countries of the Southern Cone carried out an opening up to FDI process, accompanied by liberalization of markets and privatizations, continuing the liberal experiences of the 70s, after the debt crisis in 1982-1984, and especially after 1990.

Table 4. Business climate (CLI)

Etiquetas de fila	1984-89	1991-99	2004-15	Total general
Argentina	0	1	0	1
Bolivia	1	1	0	2
Brasil	0	1	0	1
Chile	1	1	1	3
Colombia	0	1	1	2
Costa Rica	0	0	1	1
Ecuador	0	1	0	1
El Salvador	0	1	1	1
Guatemala	0	0	1	1
Honduras	0	1	1	2
México	0	1	1	2
Nicaragua	0	0	1	1
Panamá	0	1	1	2
Paraguay	0	0	1	1

Perú	0	1	1	2
Uruguay	0	1	1	2
Venezuela	0	0	0	0
Total general	2	12	12	26

Decree 600, in Chile, channeled most of the FDI after 1974, and it was a key part of the framework for the treatment of foreign capital in the whole period. Argentina after a democratic transition focused on stabilization programs in the 1980s, was one of the cases with more accelerated liberal reforms, during the government of President Menem since 1989 (ECLAC, 2002). In 1990, President Lacalle implemented liberal reforms in Uruguay, continued in the Dr. Sanguinetti´s second presidential period in 1995-1999. Paraguay, historically maintained a very liberal regime in terms of trade and capital flows, but various reports point to problems in the business climate, such as corruption and other difficulties in the links between business sector and with the public sector.

Brazil did not undergo a process of liberalization as vigorous as the other countries of the Southern Cone, but after 1990 various restrictions on TNCs were eliminated, BNDES financing for TNC was allowed, the Computer Law ended, and taxes on remittances were reduced, among other measures.

The Andean Pact countries also underwent profound liberalization processes. Peru began in 1991 a rapid trade and FDI opening, with massive privatizations and legal stability contracts for FDI. In Bolivia, the government of President Paz Estenssoro (1985-1989) launches an orthodox adjustment program aimed at favoring stabilization and private investment. A second phase of deepening of the reforms occurred until 1993: pro-FDI Law of investments, Privatizations, New Tax Code, agreements with the IMF; measures further deepened in a stage of second-generation reforms, between 1994 and 1996 (Barja, 1999). Colombia’s Law 9 of 1991 opened several sectors until then closed to FDI, established labor reforms and then launched privatizations in 1995. In the 1990s, Ecuador began a process of privatization in key sectors such as telecommunications, oil or electricity and towards the end of the decade promulgated the Law of Promotion and Guarantee of the Investments in 1997, validated by constitutional reform of 1998, consecrating a positive vision and frame towards FDI.

In Mexico, regulation enacted in 1989 interpretated the 1973 law to the policy of opening the economy (Dussel Peters, 2007). Although remaining sectoral restrictions, 1993's law deepened the deregulation and administrative flexibility, ratified the principle of granting legal security to foreign investments and confirmed the obligation of the CNIE to approve applications in less than 45 days (Mattar and Peres, 1997). After 2000, Mexico carries out programs in this direction, accompanying the impulse to sign trade agreements that include investment clauses, with several measures to attract FDI in the period 2001-2006 and in President Calderón's program of 2007-2012.

In the Central American countries, the 1990-1999 decade implied a strong process of liberalization in Panama and El Salvador (Guzmán and Salinas, 2015), including privatizations and orthodox economic reforms. Honduras went in the same direction but at a slower pace[9]. Nicaragua made a not so drastic adjustment process (Gámez et al, 2010), re-launched privatizations and reduction of the State near year 2000. The Investment Law of 2000 removes some restrictions of the previous law (OMC 2006: 43). Guatemala improved business climate at the end of the 1990s (Paz Antolín 2003: 206).

In the 21st century, most countries improved the business environment through various measures. Chile, Uruguay and Paraguay carried out several measures to improve the registration of companies, customs and approval of standards to facilitate the access of the TNCs to promotional regulations. Peru and Colombia made several movements in favor of improving the ease of access of the transnationals. There were movements in an opposite direction - with nuances - in Brazil, Argentina, Venezuela, Bolivia and Ecuador.

Finally, in Central America, all countries offered rules that are more favorable for FDI, at the beginning of the 21th century. Some examples are: Panama promulgated a law in 2007 ("Ley de Sedes") granting tax exemptions to centers that provide services within the ET's network; Costa Rica launched the Impulse Program in 2001, aimed at improving the

[9] Honduras, despite the consecration of an investment law in 1992 that guarantees equal treatment, still maintains some restrictions and limitations until the 21st century (WTO, Honduras, 2003).

business climate, promulgated a Competition Law and promoted public works concessions. Guatemala, Honduras, El Salvador and Nicaragua have made progress in their business climate according to their respective US State Department, Investment Climate Statements (USSD-ICS, 2015, for each country).

3.3.2 Privatizations (PRI)

In this section and in the next two, I summarize three types of incentives widely applied in the period (especially after 1990) among Latin American countries, with specific orientation for the attraction of FDI through incentives: Privatizations (PRI, Table 5), Free Zones or Export Processing Zones (EPZ, Table 6) and sectorial policies in activities where TNCs are dominant (SEC, Table 7).

Table 5. Privatizations (PRI)

	1984-89	1991-99	2004-15	Total
Argentina	0	1	0	1
Bolivia	0	1	0	1
Brasil	0	1	0	1
Chile	1	0	0	1
Colombia	0	1	0	1
Costa Rica	1	0	0	1
Ecuador	0	1	0	1
El Salvador	0	1	0	1
Guatemala	1	1	0	2
Honduras	0	0	0	0
México	1	1	0	2
Nicaragua	0	1	0	1
Panamá	0	1	0	1
Paraguay	0	0	0	0
Perú	0	1	0	1
Uruguay	0	0	0	0
Venezuela	0	1	0	1
Total general	4	12	0	16

General Pinochet in Chile privatized a wide range of companies during the 1980s (and previously) being the vanguard in these measures, although he maintained a dominant public presence in copper mining. The Government of President Arias in Costa Rica privatized telephony in 1988, acquired by Millicom. Since then, privatization policies have encountered strong resistance: telephony returned to the public sector in 1995 (Segura, 2005; 21). Guatemala privatized Aviateca in 1988 (UNCTAD, 2011: 5). Mexico had important deregulation policies in the 1980s, for example, 85% of public enterprises were privatized between 1982 and 1992 (Alonso, Carrillo and Mortimore, 1998).

Several countries carried out massive privatizations after 1990, which implied that the state abandoned industrial activities and most of services, from telecommunications to electricity; standing out cases were those of Argentina, Brazil, Peru, Bolivia and Mexico. The privatizations carried out by Ecuador (telecommunications, electricity, oil derivatives and port management), Venezuela (Telecommunications, some electricity companies, a steel company and a mining company), Panama (Ports, Telecommunications and Casinos) were also important, although limited to some sectors. Colombia privatized energy and mining in 1995 (Estache and Trujillo, 2004, present a good summary of the privatization process in the 1990s). On the other hand, in Paraguay, Uruguay, Costa Rica and Honduras privatizations were irrelevant or practically nonexistent.

Regarding the smaller Central American countries, Guatemala privatized power distribution, telephone services, and grain storage, an important number of state-owned asset, in the late 1990s (USDS ICS 2015). The process of privatization of El Salvador began in 1989 and finished during the nineties, including banking system, telecommunications, part of the electricity sector, and pensions. In the 1990s decade Nicaraguan sold state-owned telecommunications and electricity generation and distribution companies[10] (USSD-ICS Nicaragua 2008). Honduras seems to be an exception, without a relevant privatization process.

3.3.3 Export Processing Zones (EPZ)

Latin American countries applied very frequently a second type of incentives: the Free Trade Zones or Export Processing Zones, defined as geographical areas where extensive tax

[10] "Over the past 15 years, Nicaragua has privatized more than 350 state enterprises." (USSD-ICS Nicaragua 2008)

exemptions and customs extraterritoriality apply, aimed especially at attracting foreign capital to develop new export activities and new employments. I do not include Free Zones producing for the internal market.

Table 6.
Export Processing Zones (EPZ)

	1984-89	1991-99	2004-15	Total general
Argentina	0	0	0	0
Bolivia	0	0	0	0
Brasil	0	0	0	0
Chile	0	0	0	0
Colombia	1	1	1	3
Costa Rica	1	1	1	3
Ecuador	0	0	0	0
El Salvador	0	1	1	2
Guatemala	0	1	1	2
Honduras	1	1	1	3
México	1	1	1	3
Nicaragua	0	1	1	2
Panamá	0	1	1	2
Paraguay	0	0	1	1
Perú	0	1	0	1
Uruguay	1	0	1	2
Venezuela	0	0	0	0
Total general	5	9	10	24

Traditionally, including the 1980s and 1990s, Argentina, Chile and Brazil used this type of regimes as a mechanism of territorial development in areas with relative lag. Paraguay, with its legislation on Maquilas in 1997, and Uruguay, had regimes of this type, but as they were left out of trade liberalization within Mercosur, they were not successful in attracting FDI oriented to the export of manufactured goods, and they were not relevant before 2000, to attract foreign capital in other economic activities. Peru and Bolivia generated several zones of this type in the 1990s, while Ecuador, Colombia and Venezuela did so to a lesser degree. These mechanisms were more relevant in the case of the Central American countries, including Mexico, where the "maquiladora" regime in force since the second half of the 1960s played a very significant role in attracting FDI from this country in subsequent decades. After 2000, in addition to continuing with the use of its "maquiladora" system, Mexico grants a series of incentives in a score of states, including in its promotion laws, development plans and, in several cases, in explicit policies towards attracting FDI (Giglo, 2007).

"Zonas Francas" was the main regime in the case of Costa Rica, oriented to high technology sectors and including complementary programs (such as "Costa Rica Provee") aimed at attracting networks of suppliers. Panama's government created the EPZ regime in 1992 and impulse the City of Knowledge since 1998, several zones for the provision of services related to logistics near the canal, and Panama Pacific Special Economic Area since 2004. Other countries of Central America finished generalizing the use of these regimes in the last stage 2004-2015. El Salvador created its Free Zones regime in 1986, and expanded it in 1998 and in 2013, seeking to diversify the production of those zones until the moment concentrated in textiles. Nicaragua defined the legal body for the "*maquila*" industry in 1991 and updated in 2015. Guatemala started a "*maquila*" regime in 1984 and consolidated it in 1989, with a law for Promotion and Development of Export Activity and another for Free Zones (Paz Antolín, 2003: 247).

In the Andean Pact only Colombia applied, since 2001, a regime of Special Economic Export Zones, which together with the new Free Trade Zone regulations approved in 2005, extend benefits, including admitting the possibility of a special free zone assigned to a single company.

3.3.4 Sectorial incentives (SEC)

The detailed consideration of all the sectoral policies applied in the period by these countries greatly exceeds the limits of this study. Therefore, I will mention those regimes that were relevant within the set of policies aimed at the treatment of FDI.

Table 7. Sectorial incentives SEC

	1984-89	1991-99	2004-15	Total general
Argentina	0	1	1	2
Bolivia	0	0	0	0
Brasil	1	1	1	3
Chile	0	1	0	1
Colombia	0	0	1	1

Costa Rica	0	1	1	2
Ecuador	0	1	1	2
El Salvador	1	0	1	2
Guatemala	1	0	1	2
Honduras	0	0	1	1
México	1	1	0	2
Nicaragua	1	1	1	3
Panamá	0	0	0	0
Paraguay	0	1	0	1
Perú	1	0	0	1
Uruguay	0	1	1	2
Venezuela	1	1	0	2
Total general	7	10	10	27

Brazil was the case of greater continuity in the implementation of sectoral policies to modify its productive structure with the help of subsidiaries of TNC. According to Guimarães et al (2018), this was the case during import substitution until the late 1980s. In 1988 a New Industrial Policy was established, left aside in the Collor's government in 1990-1992. In the 1990s, the opening and liberalization of sectors were experienced simultaneity with some active policies of productive development. Constitutional amendment of 1995 allowed private and national private capital access to hydrocarbon activities, culminating Petrobras' monopoly in 1997, exposing Petrobras to the competition and at the same time respecting its power (Campodónico, 2004). Government also eliminated restrictions on foreign capital in the mining sector, but with not great FDI income. According to Bonelli and Veiga (2004), in the 90s no other industrial sector had explicit policy with such extensive incentives as the automotive. After 2000, the Governments of PT deepened its line of sectoral policies[11], with the Innovar-auto program within the "Plan Brasil Maior", as well as a wide range of sectoral programs aimed at attracting FDI, among others: semiconductors, digital TV, shipyards, infrastructure, ICTs, oil and gas and aeronautics.

[11] Ferraz et al 2014, summarize the main programs: "PITCE – Política Industrial, Tecnológica e de Comércio Exterior (2004–07), when the institutional basis was reformed and modernized; y PDP – Política de Desenvolvimento Produtivo (2008–10), aimed at fostering investment (which was quite functional in the face of the international financial crisis; and y PBM – Plano Brasil Maior (2011–14), focused on the aggregation of value through innovation."

Mexico is the other great country in which sectoral policies established the framework in which the TNs forged the industrial structure from the ISI until the opening. Bielchowsky & Stumpo (1995: 160) point out that the industrial policy for different sectors -automotive, petrochemical, computers, maquilas- still with control of imports, supported the industrial transformation. According to Abelenda et al. (2011), after the commercial opening process was completed in the 1990s, instruments were implemented to support production chains, in sectors such as automotive, electronics, biotechnology, information technology and aerospace, sometimes within regional plans (for example, the electronic cluster in Chihuahua). The border industrialization program (export assembly industry, IME) was born out of the need to implement an employment program for US deportees, officially approved in 1965. In 1983, a new decree allowed the installation of the maquiladora plants in almost all the Mexican territory. However, the political change of the 2000s implied the abandonment of sectoral policies in Mexico: Giglo (2007) points out that it is an example of a policy to promote FDI that does not focus on the sector. The absence of Industrial Policy is one of the main problems of Mexican development strategy (see Ros 2015).

In spite of the general liberal sense and therefore with expectations of "neutrality", of the prevailing policies in the Southern Cone, in these countries there were important sectorial bets since the 1990s, as observed by Peres (2006). Argentina promoted at least three sectors with strong incentives for investment, particularly foreign investment. Petroleum after the privatization of YPF and subsequent acquisition by REPSOL; mining, with a law of 1993 granting contracts for 30 years and very favorable conditions in fiscal matters and legal stability; and the automotive policy, which protected this industry from the liberalization of Mercosur by offering tariff and tariff protection conditions, subject to certain conditions. Chile highlighted three sectors: mining where CODELCO the state company occupied a very significant place but the last decade’s opening promoted a large participation of TNC; forest-cellulose, where subsidies and other instruments applied since the 70s, promoted the formation of a large consolidated export sector in the 1990s; and financial services. In the 1990s, Paraguay and Uruguay had automotive and forestry regimes. In the Uruguayan case, the promotion of investment in tourism in this decade was also significant. In the most recent period, Argentina and Uruguay grant fiscal benefits (and some subsidies) to promote investment, production, innovation and competitiveness in several sectors with expectations of attracting FDI, therefore the variable is worth 1.

In the Andean Pact during the 1980s, only Peru and Venezuela remain attached to the industrializing policy that advocated the framework of the Andean Pact. Once liberalization entered after 1990, Peru, Bolivia and after Colombia, regulated the privatized sectors, that were sectorial policies that do not enter in the class here exposed. Venezuela, as indicated by its government in his report to the WTO (1996), tried to "encourage important national and foreign private investments in 'leading activity groups'", redesigning policies in the oil, other extractive industries, basic industries and tourism sectors. Finally, Ecuador was perhaps the country among those of the Andean Pact that proposed more sectoral incentives, looking for the entry of companies in hydrocarbons and petrochemicals, and also in mining, incentives that did not promote FDI income due to lack of legal security. UNCTAD (2002).

In the last period 2004-2015, only Colombia and Ecuador show relevant sectoral incentives for FDI. Colombia created the National Hydrocarbons Agency (ANH) in 2004, in charge of regulating the sector (Garavito et al, 2010), and established sectoral policies in the form of broad tax exemptions in several activities. Ecuador in the Presidency of Correa, the axes of the development plans postulated since 2007 for the productive transformation of Ecuador identified 14 priority productive sectors and 5 strategic sectors, considering a role of FDI complementary to national investment in sectoral promotion (SENPLADES , 2012, cited in López et al., 2015).

In Central America, Costa Rica allows better conditions for companies that belong to strategic sectors within its Free Trade Zone regime, among which are those of high technology, such as electronics, computers, pharmaceuticals or scientific-technological research. "*Costa Rica Provee*" promoted value chains, since the middle of 1990s decade, attracting suppliers from companies in those sectors. Government highlighted a clear orientation of its FDI policy towards high technology sectors, among them pharmaceutical and electronic, with interesting instruments, such as the CAATEC created in 2001. Honduras initiated several new programs, while Guatemala, El Salvador and Nicaragua resumed sectoral initiatives are that were present in the 1980s.

3.3.5 Investment Promotion Agencies (IPA)

In the countries surveyed, there are few cases of agencies with the specific and exclusive tasks of promoting and monitoring foreign investments, that is, those known in the world as Investment Promotion Agencies (IPAs). Table 8 shows what I think the cases of IPA in these countries are.

Table 8. Investment Promotion Agencies (IPA)

	1984-89	1991-99	2004-15	Total general
Argentina	0	0	0	0
Bolivia	0	0	0	0
Brasil	0	0	0	0
Chile	1	1	1	3
Colombia	0	1	0	1
Costa Rica	1	1	1	3
Ecuador	0	0	0	0
El Salvador	0	0	0	0
Guatemala	0	0	0	0
Honduras	1	0	0	1
México	0	0	1	1
Nicaragua	0	0	1	1
Panamá	0	0	0	0
Paraguay	0	0	0	0
Perú	0	0	0	0
Uruguay	0	0	0	0
Venezuela	0	0	0	0
Total general	3	3	4	10

In South America two exceptional cases can be considered: Colombia in the 1990s and Chile throughout the period. The Corporation Investing in Colombia (COINVERTIR), created in 1992 as a parastatal entity with public-private participation, operated with a small volume of resources until 2002, and Proexport absorbed it in 2004. Chile created its Committee on Foreign Investments in 1954, which gradually assumed the powers of IPA, administering Decree Law 600 since 1974. After 2000, CIE took on more actively the FDI promotion tasks, with an important effort to collect, generate and disseminate information about the country that is relevant for foreign investors (ECLAC, 2007). For this, its budget and personnel was located for the year 2007 among the most outstanding in Latin America.

Costa Rica presented the clearest case of IPA in the sample. The Costa Rican Coalition of Development Initiatives (CINDE), a private agency founded in 1984, declared of national interest in the 1990s, has a strong articulation with PROCOMER, public entity that manages, among others, the Free Trade Zone and Maquiladora (legally called Active Improvement) regimes. CINDE effectively assumed the functions of FDI promotion and after-care of investors (Cormick et al, 2014)

Despite the crucial importance of FDI in the development of Mexico during the 1990s, federal government did not have a solid and defined structure for the promotion of foreign investment. ProMexico, created after 2007, supported the export activity and the attraction of FDI. This agency designed a strategic plan that gave consistency to the IED promotion policy (Vázquez, 2011). Another agency with well-established functions and interesting resources is ProNicaragua, created in 2002. The objective of this entity is to direct, through cooperation between the public and private sectors, the establishment of a national promotion system capable of attracting significant direct investments from international firms (WTO, 2006). Honduras, El Salvador and Guatemala have agencies to promote FDI. These agencies combine FDI with export promotion, and they have limited size and resources.

In general, South American countries did not have defined institutions (such as Brazil, Paraguay, Peru, Ecuador, Venezuela, and Panama), or they defined the formation of agencies that reached a small dimension (such as Argentina Invert-Ar Foundation in 1993) and / or with such tasks that the promotion of exports tends to predominate. These are the cases of Uruguay XXI created in 1996 and Center for the Promotion of Bolivia (CEPROBOL) created in 1998 (and closed a decade later).

In the course of the 21st century almost all the countries created agencies that include among their tasks the promotion of FDI, but very few of these agencies fulfilled the activities that were very useful in successful cases such as those in Ireland or Singapore. Peru created an agency very concentrated in administering privatizations and concessions of public works. Panama and Ecuador created agencies at the end of the period. PRO ECUADOR, Institute of Promotion of Exports and Investments of the Ministry of Foreign Trade, was created in 2010, with an investment area that provides specialized advice to companies interested in investing in the country. Panama also created in 2010 PROINVEX, an agency for the attraction of Investments and promotion of Exports in Panama, as an important part of the 2010-2014 Government Strategic Plan. Rediex (Investment and Exports Network) of Paraguay began its tasks in 2005, but acquired certain dimensions after 2008, always with the priority placed on the promotion of exports.

Argentina created the National Agency for Investment Development in 2006, an autonomous agency that never had much weight, until the Ministry of Commerce and International Relations absorbed it since 2010. Brazil had agencies with the specific objective of promoting FDI but during short lapses, since they were subject to several restructures that altered the continuity of the functions. Finally, a private agency with the task of promoting investments exists in Venezuela since the 1980s, but has little developed the promotion of FDI.

3.3.6 International Investment Agreements (IIA)

Table 9. International Investment Agreements (IIA)

	1984-89	1991-99	2004-15	Total general
Argentina	0	1	0	1
Bolivia	0	1	0	1
Brasil	0	0	0	0
Chile	0	1	1	2
Colombia	0	0	1	1
Costa Rica	0	0	1	1
Ecuador	0	1	0	1
El Salvador	0	1	1	2
Guatemala	0	1	1	2
Honduras	0	1	1	2
México	0	0	1	1
Nicaragua	0	1	1	2
Panamá	0	1	1	2
Paraguay	0	1	0	1
Perú	0	1	0	1
Uruguay	0	1	1	2
Venezuela	0	1	0	1
Total general	0	13	10	23

This section will emphasize the frequency with which countries use the Bilateral Investment Treats (BITs) instrument, also known as Agreements for the Reciprocal Promotion and Protection of Investments (APPRIs). This type of agreements had great development in the world after 1990. It is usually included as a chapter in the Free Trade Agreements or in other types of commercial agreements, which happened exceptionally for the Latin American countries in 1990-1999 and more frequently after 2000, when the US signs several treaties with Latin American countries. Table 9 show the variable IIA that takes the value 1 when the country signed 10 or more (or ratified 9 or more signed in the period) investment protection agreements, and cero in other case.

Some governments prioritized the management of this type of agreements within their broader international insertion strategies. Among these: Argentina, Chile, Uruguay and Peru put into effect 41, 25, 22 and 21 BITs respectively before 2000. Bolivia, Paraguay, Ecuador, Venezuela and Panama signed a more limited number (maybe they were less successful or they did not assign importance to the instrument), approving: 14, 14, 11, 15 and 10 agreements respectively. Nicaragua, Guatemala, Honduras and El Salvador were active in signing these treaties, both in the 1990s and after 2000. The remaining countries did not prioritize this instrument before 2000. Mexico signed only 3 ABI (plus NAFTA in 1994), Colombia signed an agreement included in an FTA with Mexico, and Costa Rica put in vigor only 4 BITs in the period. The extreme case is the explicit policy of Brazil against this type of agreements.

After the year 2000, some countries showed great predisposition to sign investment agreements: Mexico was the most active signing 26 BITs and 10 FTA, followed by Chile (12 BITs and 12 FTA) and Costa Rica (8 BITs and 10 FTA). A second group among the most active can be made up of: Panama, which ratified 11 agreements distributed in the period, Colombia with 9 BITs approved (plus a dozen in negotiation or signed but pending parliamentary ratification) and Uruguay that ratified 9 agreements in the period.

The remaining countries show little guidance to use this type of instruments. Some countries only continued some inertia from the 1990s, only signing investment agreements ratifying the steps taken in the previous decade. Argentina ratified 9 agreements, but the last one was in 2002; Paraguay ratified 7, the last one was signed in 2003, and Peru ratified only 3 agreements in the period.

Finally, among the less active countries are those that, together with Brazil, are in a critical position regarding the IIAs: the constitutional reforms of Ecuador, Venezuela and Bolivia forced the revision and renegotiation of the treaties signed previously, especially by the non-acceptance of external jurisdiction and arbitration.

3.4 Summarizing FDI policies in Latin America 1980-2015

From a similar classification of policies towards FDI (Bittencourt 2016), I made a synthesis based on instrument configurations observed in 13 Latin American countries 1990-2014.
The sum of the instruments outlined in previous sections can offer an idea about the predominance of certain orientations in each period. It is clear that not in all cases the value 1 has the same meaning, because the magnitude of the application of a certain instrument varies a lot between countries and between instruments. It seems convenient to observe them in the context of historical evolution and in the articulation of regulations with promotional policies. Table 11 summarizes the regulatory intent of each country by adding entry restrictions (ENT), performance requirements (PER) and expropriations (EXP). The business climate (CLI), promotion agency (IPA) and international agreements (IIA) are added under the title of Rules-Based competition. The title Incentives-Based Competition aggregates Privatizations (PRI), Export-processing Zones (EPZ) and Sectorial Policies (SEC). For example, Argentina has regulations with value 1 in 1984-89 because it applies ENT, also 1 in 1990-99 because it uses PER, and 2 in 2004-2015 because it maintains PER and also had some confrontation with foreign capital applying EXPRO.

Table 11. Regulations, Rules-based competition and Incentives-based competition

	Regulations			Rules-based competition			Incentives-based competition		
	1984-89	1991-99	2004-15	1984-89	1991-99	2004-15	1984-89	1991-99	2004-15
Argentina	1	1	2	0	2	0	0	2	1
Bolivia	0	0	2	1	2	0	0	1	0
Brasil	2	1	1	0	1	0	1	2	1
Chile	0	2	1	2	3	3	1	1	0
Colombia	1	0	0	0	2	2	1	2	2

Costa Rica	1	2	2	1	1	3	2	2	2
Ecuador	1	1	0	0	2	0	0	2	1
El Salvador	1	0	0	0	1	2	1	2	2
Guatemala	0	0	0	0	1	2	1	2	3
Honduras	0	0	0	1	1	2	1	1	3
México	2	1	1	0	1	3	3	3	1
Nicaragua	0	1	0	0	1	3	1	3	2
Panamá	0	0	0	0	2	2	0	2	1
Paraguay	0	0	0	0	1	1	0	1	1
Perú	1	0	0	0	2	1	1	2	0
Uruguay	0	0	0	0	2	2	1	1	2
Venezuela	1	2	2	0	1	0	1	2	0
Total	11	11	11	5	26	26	15	31	22
% /casos posibles	0.22	0.22	0.22	0.10	0.51	0.51	0.29	0.61	0.43

The total sum of regulatory policies shows 11 cases in each period, which gives the broad image that regulation remains constant. Actually the instruments change, in the 1980s most were ENT (9 cases), derived from the continuity of regulatory policies in the framework of the ISI and the regulatory boom of the early seventies. In the 1990s they are divided into halves between ENT and PER, and in the last period were 5 ENT, 3 PER and 3 EXP. It is important to note the absence of widely majority regulations, given that there are regulations in only 22% of the total cases possible, only one in five observations regulates FDI.

The Policy instruments counted as Rules-Based Competition for FDI (RBC), were almost non-existent in the 1980s, but reached half of the possible cases in the 1990s and 2000s. Chile is the country that most applies these instruments, which is not surprising, followed by Costa Rica and Honduras. Slightly behind are Colombia, Mexico, Nicaragua, Panama and Uruguay. This seems to be a list of cases that, a priori, I would have mentioned as more aligned with the "sound policies". Brazil and Venezuela, for their part, only applied one of these instruments at the opening of the 1990s, when they tried to improve their business climate.

Regarding the Incentives-Based Competition for FDI (IBC), there was a boom in the 1990s, when privatizations are concentrated. A dozen countries apply two or more incentives in that decade, which implies that they usually privatize, while they use at least other IBC instrument. The Export Processing Zones (EPZ) developed along the whole period, with a tendency to increase. This policy was very widespread in CA and in the smaller South

American countries. But it is the use of incentives for FDI in the framework of sectoral policies (SEC), the most widespread instrument, applied fairly evenly between the decades of the study (7, 10 and 10 cases) which implies that it is more or less half of the incentive instruments in the 1980s and 2000s.

4. An explanation of FDI policies in Latin America1980 – 2015 using Fuzzy Sets

4.1 Method

As Ragin 2008 explains, when the number of observations is not sufficient for statistical or econometric analysis, the Fuzzy Set QCA is an alternative method "based on the analysis of set relations", in a "middle path between quantitative and qualitative social research." I use the analysis of truth tables proposed by Ragin (2008), through its software fsQCA3.0, which seeks to identify which combinations of instruments are consistent and which is the coverage or scope of the explanation[12]. It is important to note that I am using this type of analysis to establish connections between variables to identify configurations, since explanatory variables are almost not included, finding consistent combinations that say nothing about causality.

4.2 Variables for qualitative analysis models (QCA) in the explanation of FDI Policies

[12] Consistency refers to the degree to which a subset of certain characteristics that produce a result (according to a predefined logical connection) appears within the observed reality. Show how much reality is consistent with the established argument. In strict sets (crispy set) where the property of the observation to the attribute is worth 1 or 0, the consistency is the frequency with which the result Y occurs given the causes X, with respect to all the cases where the causes X occur. If in the sample the frequency is 1, whenever the causes occur the result occurs, if we wanted to observe a causal relationship between X and Y, then the X are sufficient causes to produce the result Y. In Fuzzy Sets it will be more difficult than the frequency add 1, therefore Ragin 2008 suggests to consider as consistent all the cases superior to 0.75. Once verified the consistency, the analysis needs to observe the coverage of the established consistent relationships, which measures the empirical relevance that this consistent subset has in the occurrence of Y within the sample. It is the frequency of that subset X and Y within the cases where Y occurs. X may be sufficient cause of Y but only explaining a low percentage of the Y cases. With crisp sets the frequency is the sum of 1s, so it is the exact number of cases. In Fuzzy Sets it is a sum of numbers less than one, so the total values are less than the frequency of the cases with membership over the crossover value.

The negotiation scheme proposed by Dunning and Lundan suggests some variables that may explain the occurrence of regulatory or promotional policies, related to the attraction capacity of FDI and the supply of investments for the country. The theoretical model (section d2) suggests some variables that could influence the definition of policies, characteristics of the economy and society, as well as government preferences. Therefore, the empirical investigation of the factors that determine the policies towards FDI in LA will follow the following form, where F represents more logical connections than a mathematical function:

POLit = F (FDI DETERMINANTS, FDI STOCKS, GOVERNMENT PREFERENCES)

VARIABLE TO EXPLAIN

POL: the different policies towards FDI applied by each country of LA (i) in the selected periods (t): 1980s, 1990s and the 21st century. The questions, therefore, would be: ¿What characteristics of the countries in each period are associated with promotional policies (RBC: business climate, signing of international agreements, installation of specific agencies; or IBC: sectoral, privatizations, EPZs) or restrictive policies (restrictions on entry, performance requirements and expropriation)?

EXPLANATORY VARIABLES

DETERMINANTS OF FDI. In previous works we have used econometric models to study the determinants of FDI with panels (Bittencourt and Domingo, 2004) and with bilateral data (gravity-type models in Bittencourt (coord.), 2012, and Bittencourt, Domingo and Reig, 2006). To think about how FDI policies emerge, the idea suggested by Dunning's scheme is that the more capacity to attract FDI, the more likely it is to have regulatory policies and the less need for promotional policies. These variables will include the classical variables that determine horizontal or market-oriented FDI: size, macro stability, trade protection; as well as those usually associated with open / vertical or resource-oriented forms, such as relative salary (skilled and non-skilled labor force), natural resources, and trade openness. Political risk is an important determinant in both FDI types. Political Risk Index (PRI-ICRG) contains more structural (institutional) indicators[13] than the political orientation of the current government. For size I use GDP in 2010 US$ and for stability I use average inflation rate of the period. As variables for vertical FDI determinants I use exports over GDP, and proportion of mining and petroleum exports in total good exports. For human capital I use the Years of Schooling in population over 25 years old, from Barro and Lee database. Main sources: World Development Indicators of the World Bank, UNCTAD and OECD for FDI, International Country Risk Guide (ICRG) from PRS Group, acquired by the group TyDE for 1984-2016.

ACCUMULATED FDI AND DIVERSIFICATION OF FDI ENTRANCE. This is an important dimension in the Dunning and Lundan´s framework. Various studies on determinants of FDI show that there is path dependence. To think about the relative power of TNCs vis-à-vis governments, more accumulated FDI previously gives more power to the host country, so it should be a positive effect on regulatory policies or a negative effect on promotional policies. Asiedu and Eshafani (2008) point out that the presence of TNCs may be generating "lobbying" activity that drives the preference of the government in favor of these companies, therefore the effect of previously accumulated FDI on regulatory policies may be theoretically ambiguous, to be determined empirically. However, the diversification of origins of FDI can break: there is no doubt that more diversification implies more government power, therefore more regulatory potential and less need for incentives. Sources: UNCTAD Stock of total FDI in each country and Bilateral FDI OECD Database.

CALIBRATION. I calibrated all the quantitative variables according to Ragin (2008, Chapter 5). The first step is defining three thresholds: a crossover point that corresponds to the 0.5 in the range 0-1, a point of full pertinence to the attribute that implies more than 0.95 in the 0-1 space, and a point of full non-membership bellow which the case is totally out of the attribute. The selection of these three points is not trivial, and they are determinant of the results, as much as it is to assign values 0 or 1 for the FDI Policies, or for the political

[13] It sums 100 in the maximum, which means no risk, in the following dimensions: Government Stability12, Socioeconomic Conditions 12, Investment Profile 12, Internal Conflict 12, External Conflict 12, Corruption 6, Military in Politics 6, Religious Tensions 6, Law and Order 6, Ethnic Tensions 6, Democratic Accountability 6, Bureaucracy Quality 4.

orientation. Second, using the distance between this three points in the variable range, Ragin propose an algorithm to translate it to a range of 5 to -5. Finally this transformation is expressed in the 0-1 space through the equation Var0-1= exp(var5,-5)/(1+exp(var5,-5)).

Variable name	Bigsize	Inf	No-risk	FDIori	openX	Xmin	Educ
Original variable First year (FY) or Simple average of the period (SA)	GDP (2010 US$ million) FY	Infla-tion % SA	Political Risk Index (PRI) SA	Number country origins of FDI FY	% Exports goods over GDP FY	% Mining& petroleum exports/total good exports FY	Years of schooling in population 25-60 years old SA
Source	WDI	WDI	PRS Group	OECD Bilateral FDI database	WDI	WDI	Barro and Lee 2016 database
Crossover threshold	300.000	200	65	20	35	60	9
Full membership	700.000	50	75	10	18	30	7
Full non-membership	10.000	5	55	4	10	10	4.5

GOVERNMENT PREFERENCES. The dimension that interests is the political orientation of the governments. In particular, which type of instrument configurations are consistent with leftist or center/right governments. Then, I define two variables: L1 that is worth 1 when there is at least one leftist government within the considered sub-period and Lmay is 1 when the left governs for most of the period clearly (until 6 years LEFT and 4 NO LEFT is considered L1, 7 of 10 years Left is LMay).

4.3 Main results

The configurations presented in this section are those that passed the consistency threshold of 0.8 or some very close (always over 0.75) considered of interest. Tables 12 to 15 summarize the analysis of a large number of configurations, based on the broad Dunning's theoretical framework, previous knowledge, and the descriptive observation of the data. The variables to explain are those expressing FDI Policies synthetically. A first variable pretends to take account of regulations (REG1), which indicates if the country applied any regulatory policy in the period. A second variable intends to represent if the country looks to attract FDI through the change of rules, that is, if it applies any of the policies that I previously grouped as rules based competition (RBC1). A third variable takes the value 1 when the country appears as competing to attract FDI using at least one incentive (IBC1). Last, I observe the combination of applying some regulation and incentives, in particular sectorial policies and performance requirements.

4.3.1 Regulations

Table 12. EXPLAINING FDI REGULATION WITH FSQCA						
BEST SOLUTIONS SELECTED BY TRUTH TABLE ANALYSIS						
MODEL	SOLUTION	Consistency	Coverage	Cases with greater than 0.5 membership in condition and output	Cases membership in condition not output	Total cases
1. REG = f(L1, bigsize, no-risk)	bigsize*no-risk	0.84	0.25	Mex00, Mex90, Bra00, Bra90, Bra80, Arg00		6
2. REG = f(bigsize, no-risk, inf, fdiori)	bigsize*no-risk*fdiori	0.85	0.24	Mex00, Mex90, Bra00, Bra90, Bra80, Arg00		6
3. REG = f(L1, Xmin, no-risk)	Xmin*no-risk	0.82	0.22	Chi00, Chi90, Mex90, Ven80, Ven90		5
4. ~REG = f(L1, bigsize, no-risk, Xmin, fdiori)	~L1*~bigsize*~Xmin* ~fdiori OR	0.74	0.45	Gua80, Hon80, Pan80, Par80, Uru80, ElS90, Gua90, Hon90, Pan90, Uru90, Hon00, Par90, Pan00	ElS80, Nic90, Col80, Arg80, Arg90	18
	OR ~L1*~bigsize*~no-risk *~fdiori	0.73	0.43	Gua80, Hon80, Pan80, Par80, Hon90, Gua90, Pan90, Uru80, Hon00, Chi80, Bol80	Nic90, ElS80, Col80, Arg80	15
	Joint solution	0.74	0.51			

REG1: REGULATIONS (REG1=1 IF ENT, PER OR EXPRO =1; REG1=0 IF ENT=PER=EXPRO=0)

Model 1 and 3 shows that there is no consistent association between Left and regulation, given that L1 does not appear in the solutions. Models 1 and 2 solutions show that big size, low political risk and diversified FDI incomes, explain sufficiently the occurrence of regulations. This is the idea suggested by the cited Dunning´s bargaining framework. In these solutions, the six “bigger” countries in the region during this period appear. Every case that complies that combination of attributes (a configuration), also complies the output, so the consistency is perfect. The coverage is low: these big countries explain a fourth of the whole regulation cases. Model 3 emphasizes the vertical FDI attraction, and shows that, in any political orientation, countries with mining and petroleum exports (and low political risk) also apply regulations to FDI. They explain another fifth of the regulation in the period, closing the consistent explanations. Therefore, the models can explain less than a half of the regulations. One must be aware that the method found two sufficient causes: in the context of this sample every "big" country[14] and every country combining mineral exports[15] and low political risk[16], apply at least one FDI policy regulation.

Explaining the non-regulation situations (~REG) may offer another way to observe the negotiating hypothesis. The complex solution for model 4 shows that a major proportion of little countries with center o right governments (~L1 means negated L1) and concentrated origins for FDI[17] explain consistently a half of the non-regulation cases. This appears in two variants: high risk or no mineral exports (most cases complying both characteristics).

4.3.2 Rules-Based Competition for FDI

Rules-Based Competition for FDI implies at least one of the following policies: improving general business climate (CLI) looking for a more attractive environment, or the more specific activities of signing international investment protection agreements (IIAs) or implementing a promotion agency (IPA). These policies reduce direct costs for TNCs (for example by more efficient public services or less real wages) and attempt to reduce indirect costs, through improving credibility.

It seems that center or right governments usually applied this type of competition for FDI. Model 8 shows that negated majority Left (~LMAY) enters in every component of the complex solution. But taking into account the presence of Leftist Governments for shorter sub-periods (L1, in model 7) the complex solution is different, there is a solution including one observation with L1 (option 7.5 found that Nicaragua in 2000s competed by rules with the IPA ProNicaragua) and the 7.1 option that includes several cases of L1.

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[14] With a GDP over 300.000 million of 2010 US$ at the beginning of the period (1985, 1990 and 2004)
[15] Exports of mining and petroleum over 30% of the total export of goods at the beginning of the period.
[16] Political Risk Index (PRI) from the PRS International Country Risk Guide (ICRG) over 65 in the simple average of the period.
[17] Less than four bilateral positive FDI flows at the beginning of the period, means investors coming from a very limited set of origins.

Table 13. EXPLAINING RULES-BASED COMPETITION FOR FDI (RBC) USING FSQCA BEST SOLUTIONS SELECTED BY TRUTH TABLE ANALYSIS

MODEL	SOLUTION	Consistency	Coverage	Cases with greater than 0.5 membership in condition and output	Tot cases
7. RBC = f(L1, bigsize, no-risk, inf, openX, fdiori)	7.1~bigsize*no-risk*~inf*open X	0.84	0.25	Cos00, Chi00, Chi90, Uru00, ElS00, Cos90,Ven90, Uru90 Ven80 not output	9
	7.2 ~L1*~bigsize*~fdiori *no-risk*~openX	0.87	0.12	ElS90, Arg90, Pan00, Par90	4
	7.3 ~L1*~bigsize*~fdiori *~inf*openX	0.81	0.13	Hon90, Chi80, Hon80, Uru90	4
	7.4 ~L1*bigsize*no-risk* ~inf*fdiori	0.84	0.08	Mex00, Mex90	2
	7.5 L1*~bigsize*~no-risk* ~inf*~openX*~fdiori	0.78	0.11	Nic00	1
	Joint solution	0.84	0.47	Complying conditions and output	18
8. RBC = f(LMAY, bigsize, no-risk, inf, openX, fdiori)	8.1~LMAY*~bigsize*no-risk* ~openX*~fdiori	0.9	0.17	ElS90, Arg90, Pan00, Par90	4
	8.2 ~LMAY*~bigsize*~inf* openX*~fdiori	0.88	0.22	Hon90, Gua00, ElS00, Chi80, Par00, Hon80, Cos90, Bol90, Uru90	9
	8.3 ~LMAY*~bigsize* ~no-risk*~inf*~openX*fdiori	0.8	0.1	Col00, Ecu80, Col90	3
	8.4 ~LMAY*~bigsize* no-risk*~inf*openX	0.92	0.14	Chi90, ElS00, Cos90, Ven90, Uru90	5
	8.5 ~LMAY*bigsize* no-risk*~inf*fdiori	0.86	0.09	Mex00, Mex90	2
	Joint solution	0.87	0.39	Complying conditions and output	22

RBC1: RULES BASED COMPETITION FOR FDI (RBC1=1 IF CLI, IPA OR AII=1, =0 IF CLI=IPA=AII=0)

Model 7 shows a complex solution compound by 5 options that make up disjoint sets, there is only one repeated case between two sets (Uruguay in the 1990s belongs to 7.1 and 7.3 solutions). Little size appears in almost all solutions. These are observations with less than the GDP threshold, including some cases not usually called as small countries. Subset 7.1 implies that little size, combined with low political risk, macro stability represented by the non-existence of episodes of hyperinflation[18], and export openness[19] is the solution with the best coverage, so this subset is the best sufficient cause of RBC. Solutions 7.2 and 7.3 combines no left oriented governments with little size and concentrated origins of FDI, and low political risk (7.2) or high macro stability (7.3), that are more or less of the same sign. Both solutions differs with respect to openness, 7.2 includes more closed good's exporters than solution 7.3. Trying to summarize (fsQCA 3.0 did not provide a parsimonious solution) one can say that the common factors in the solutions are small size, concentrated FDI, openness, low risk and stability, although some cases in the solutions show high risk, instability and low exports to GDP's proportion.

The solutions "Mexico alone" (7.4 and 8.5) are the exceptions, and they combine big size and center or right government, with low risk, macro stability, and diversified origins of FDI.

4.3.3 Incentives-Based Competition for FDI

IBC is the application of one of the policy instruments that affect FDI through giving specific benefits, mostly in the form of direct subsidies or fiscal exonerations. In this paper I emphasize three policies: Privatizations (PRI), Export Processing Zones (EPZ) and Sectorial Productive Policies (SEC) in economic activities where ETNs are dominant or protagonist. In this section, I will apply the method to analyze the "causes" of the variable IBC and each one of its components.

I could not find a good summarizing expression for the solutions of models trying to explain IBC. The best one, looking at the joint consistency and coverage, is formed by the union of 9 alternatives sets, in table 14.

[18]Countries that had annual inflation average of the period less than 50%. All the countries suffering hyperinflation processes in some sub-period had an average annual inflation over 200%. I fixed the threshold for full membership in the non-inflation club at an annual average of 5%.

[19] Export of goods more than 18% of GDP at the beginning of the period, which is the arithmetic mean of the sample.

Table 14. EXPLAINING INCENTIVES-BASED COMPETITION FOR FDI (IBC) USING FSQCA BEST SOLUTIONS SELECTED BY TRUTH TABLE ANALYSIS

MODEL	SOLUTION	Consistency	Coverage	Cases with greater than 0.5 membership in condition and output	Tot cases
9. IBC = f(L1, fdiori, bigsize, no-risk, openX)	9.1 fdiori*bigsize*no-risk	0.92	0.15	Mex00, Mex90, Bra00, Bra90, Bra80, Arg00	6
	9.2 fdiori*~bigsize*~no-risk *~openX	0.81	0.16	Per90, Ecu80, Col00, Col90, Ecu90	5
	9.3 ~fdiori*~bigsize*no-risk *openX	0.88	0.17	Cos00, Uru00, ElS00, Cos90, Ven80, Uru90	6
	9.4 ~L1*~fdiori*~bigsize *no-risk	0.93	0.11	ElS90, Arg90, Uru90, Pan00, Par90	5
	9.5 ~L1*~fdiori*~bigsize *openX	0.92	0.14	Hon90, Chi80, Hon80, Uru80, ElS80, Uru90	6
	9.6 ~L1*~bigsize*no-risk *openX	0.94	0.06	Ven90, Uru90	2
	9.7 ~L1*fdiori*no-risk*openX	0.95	0.06	Mex00, Ven90	2
	9.8 L1*~bigsize*~no-risk* ~openX	0.88	0.13	Nic80, Nic00, Ecu90	3
	9.9 L1*fdiori*~bigsize* ~no-risk	0.82	0.1	Per80, Ecu00, Ecu90	3
	Joint solution	0.9	0.56		31
10. PRI = f(LMAY, fdiori, bigsize, no-risk, openX, 1990s)	~LMAY*~bigsize*~no-risk*~openX*1990s	0.81	0.28	Per90, Pan90, Nic90, Gua90, Col90	5
	~LMAY*fdiori*bigsize*no-risk *~openX*1990s	0.9	0.1	Mex90, Bra90	2
	Joint solution	0.86	0.38		7
11. EPZ = f(L1, bigsize, openX, edu, 1980s)	~L1*~bigsize*~openX*~edu01 *~1980s	0.8	0.31	Pan90, Pan00, ElS90, Per90, Hon00, Nic90, Gua90, Col00, Col90, Par90 Arg90 not complying output	10
	~L1*bigsize*openX*edu01*~1980s	0.87	0.07	Mex00	1
	Joint solution	0.81	0.35		11
12. SEC = f(L1, bigsize, no-risk, openX, fdiori, 1980s)	12.1 bigsize*no-risk *~openX*fdiori*~1980s	0.79	0.12	Mex90, Bra00, Bra90	3
	12.2 ~L1*bigsize*no-risk* ~openX*fdiori	0.8	0.1	Mex90, Bra90, Bra80	3
	12.3 ~bigsize*no-risk *openX*~fdiori*~1980s	0.79	0.2	Cos00, Uru00, ElS00, Cos90, Uru90	4
	12.4 ~L1*~bigsize*no-risk *openX*~1980s	0.85	0.07	Ven90, Uru90	2

	12.5 L1*~bigsize*~no-risk *openX*fdiori*1980s	0.99	0.03	Per80	1
	Joint solution	0.83	0.36		11

IBC1: INCENTIVES BASES COMPETITION FOR FDI (IBC1=1 IF PRI, EPZ OR SEC=1, =0 IF PRI=EPZ=SEC=0)

It is not possible to find political orientation as a “cause” for IBC. The solutions in the sets 9.1 to 9.3 do not include L1, solutions 9.4 to 9.7 include center or right governments, and the last two sets (9.8 and 9.9) include L1.

Solution 9.1 shows that the big countries (that also had diversified FDI and low political risk at the beginning of each period) applied incentives competition. The second solution (9.2) is a set compound by Andean countries, with diversified FDI, relative small size (not the smallest), high political risk and relative closed in exports of goods. Solution 9.3 is a group of 6 relative small open economies with low risk and low FDI’s diversification, so trying to enter in world FDI’s circuit by means of IBC (mainly by means of EPZs, as the Costa Rica, El Salvador and Uruguay cases in the mentioned periods). Solutions 9.4 to 9.6 have in common that they include relative small countries with center or right governments, most of them (9.4 and 9.5) with concentrated origins of FDI. They combine this attributes with low political risk (9.4) and export openness (9.5) or with both characteristics (9.6). The last two solutions (9.8 and 9.9) are smaller and risky cases with at least one leftist government in the respective period[20], with variations: the 9.8 set is exporter, and the 9.9 set has diversified FDI, in the mineral and petroleum sectors. The union set of these 9 groups (containing 31 cases[21]) explains the 56% of the IBC´s presence. Looking for sufficient conditions to summarize, the first conclusion is that all bigger countries applied incentives. These bigger countries also show diversified FDI and low political risk. Being a relative small country

[20] I think that Ecuador in the 1990s is wrongly included in this group, but this is the Cruz et al (2016)’s election. I will fix it in future edition. The broad results will not change, but including this re-classification requires repeating the whole processing with fsQCA 3.0.

[21] Total IBC1 cases reaches 42 in the sample. The coverage indicator 56% is computed using the sum of values over the crossover threshold 0.5 (in general less than one) divided by 42. Therefore it is less than 31/42= 73.8%, which would be the coverage in the crispy set world.

with low diversified FDI seems to be an alternative second important condition, as a common factor in most of the solutions.

Regarding the incentives applied, Table 13 shows Model 10 explaining privatizations. I use a variable linking to the 1990s decade, when privatizations are concentrated. There is a clear political determination; the complex solution includes center or right orientation (~LMAY) in both conditions. All of them were relative closed economies in the year 1990. The first solution group includes five small and risky economies; the second solution includes the big countries. The complex solution explains 38% of the privatization observations, 7 of 17 cases.

A second question regarding competition via incentives refers to the application of free export zones (EPZ). Model 11 includes a variable signaling the 1980s decade, because EPZs mostly developed after 1990. I also include education in the model, looking for conditions affecting production quality in these zones. The complex solution shows two groups; both leave out the period of the 1980s and are composed of cases with center or right governments. The first sub-set solution is formed with small and relative not exporter countries, presenting population attaching low educational level (average bellow the seven years crossover threshold). The solution has an interesting coverage, almost a third of the whole ZPEs cases in the sample. The second solution includes only Mexico in the 2000s, in the opposite side: a big open country, with educational levels above the crossover point.

Closing IBC section, Model 12 displays configurations explaining the application of sectorial policies in order to attract the participation of TNCs. The complex solution displays 5 conditions. They show that there is not a strong link between political orientation and sectorial policies. Conditions 12.1 and 12.2 indicate that big countries with export to GDP coefficients under the crossover point in the beginning year of the period, low risk and diversified FDI, in general with center or right governments (excepting Brazil in the 2000s included in 12.1), applied sectorial policies. Conditions 12.3 to 12.4 includes relative small open countries, with low political risk, and no diversified FDI origins (except Venezuela in the 1990s), after 1990 applied sectorial policies. The union set of these two conditions explain 27% of the whole SEC in the sample. The last solution refers to only one case: Perú in the 1980s, which had a left government in a sub-period, and diversified FDI attracted by the mining sector.

4.3.4 ¿Are there attempts for "FDI-Assisted Development Strategies" (Lall, Narula and Dunning)?

Lall´s studies on industrial development in Asia (Lall 1992, 2000) distinguished three basic strategies regarding how FDI participated. These are: i) Autonomous, based in national groups without FDI dependence (like Korea); ii) FDI dependent, with promotion but otherwise passive: most South East Asia e.g. Malaysia, Thailand, Philippines, Indonesia; and iii) FDI dependent and targeted: Singapore, and, with not so targeted or promotion, but very successful, the case of China[22]. Narula and Dunning (2000, 2004, 2009) states that FDI-based development strategies were widespread "a commonplace among less developed countries", with increased competition for "right" kind of investment, which in turn implied the creation of assets to attach and maintain a successful FDI-Tarjeting, what they call FDI-assisted development strategy.

I think this kind of strategy requires some combination of incentives and regulation. To explore this, I design a variable REG&IBC worth 1 when the country applied REG and IBC at the same time (it occurred in 19 cases within the sample). Table 15 displays some explanations for this variable.

Table 15. EXPLAINING REGULATION AND INCENTIVES FOR FDI (IBC) USING FSQCA BEST SOLUTIONS SELECTED BY TRUTH TABLE ANALYSIS

MODEL	SOLUTION	Consistency	Coverage	Cases with greater than 0.5 membership in condition and output
13. REG&IBC = f(L1, bigsize,	13.1 L1*~bigsize*no-risk*openX*~fdiori*~2000s	0.89	0.12	Cos90, Ven80
	13.2	0.85	0.13	Mex90, Bra90, Bra80

[22] Lall opened a fourth type of FDI-targeted strategies including the Chinese case.

no-risk, openX, Xmin, fdiori, 2000s)	~L1*bigsize*no-risk*~openX*fdiori*~2000 s			
	13.3 L1*~bigsize*~no-risk*Xmin*fdiori*~2000s	0.92	0.11	Per80, Ecu90
	13.4 L1*~bigsize*no-risk*openX*Xmin*~2000s	0.88	0.08	Chi90, Ven80
	13.5 L1*~bigsize*openX*Xmin*fdiori*~2000s	0.91	0.11	Chi90, Per80
	13.6 ~L1*bigsize*no-risk*openX*~Xmin*fdiori* 2000s	0.8	0.04	Mex00
	Joint solution	0.89	0.39	7 cases
14. REG&IBC = f(SEC, L1, bigsize, openX, 2000s)	14.1 SEC*~L1*bigsize*~openX*~2000s	0.96	0.19	Bra90, Bra80, Mex90, Mex80
	14.2 SEC*L1*~bigsize*openX*~2000s	0.92	0.16	Chi90, Ven80, Cos90, Per80
	14.3 SEC*L1*bigsize*~openX*2000s	0.81	0.06	Bra00
	14.4 ~SEC*~L1*bigsize*openX*2000s	0.99	0.04	Mex00
	Joint Solution	0.92	0.46	10 cases
15. REG&IBC = f(PER, L1, bigsize, openX, 2000s)	15.1 PER*~L1*~openX*~2000s	1	0.19	Bra90, Arg90, Bra80, Mex80
	15.2 PER*~bigsize*openX*~2000s	1	0.11	Chi90, Ven90, Cos90
	15.3 PER*L1*~bigsize*openX	1	0.14	Cos00, Chi90, Cos90
	15.4 PER*L1*bigsize*2000s	1	0.08	Bra00, Arg00
	Joint solution			10 cases

REGU&INC: REG1 AND IBC1 OCCURRING SIMULTANEOUSLY (REGU&INC=1 IF REG1=IBC1=1, EGU&INC=0 IN OTHER CASE)

The explanatory model (13) includes a variable signaling 2000s, regarding a possible change of conditions with the expansion of left wing governments in the last period. The complex solution for the model 13 has 6 configurations, 5 of them refers to the periods before 2000. Mexico was the only big, open, low risky and FDI diversified case, that combined incentives and regulation in the last period. Before 2000, 13.2 shows that big, not exporter and not risky countries denoting diversified FDI reception, with center or right governments, applied a combination of incentives and regulation. Solutions 13.1, 13.3, 13.4 and 13.5 have in common that are sets containing small countries, which had one leftist government in the period, and low risk (except 13.3 with Peru in 1980s). These small countries´ solutions differ in openness, mineral exports, and FDI diversification. One can think that supported on low risk and exports, Costa Rica in the 1990s and Venezuela in the 1980s (solution 13.1) in the aim to enter in FDI circuits, gave some incentives while trying to induce same TNCs behaviors. Chile in 1990s and Peru in the 1980s did so, but supported on mining-petroleum sectors that were already receiving diversified FDI (13.5).

Model 14 explores the relation between making REG&INC and sectorial policies. Solutions show that SEC enter in most of the REG&INC explanations. Only Mexico 2000 was not the case (14.4). Brazil in 2000s appears in the 14.3 solution as a big close country with a leftist government applying sectorial policy. Before 2000, right or center governments in big closed countries also used REG&INC by means of SEC. Some left governments in relative small and open countries also did before 2000.

Performance requirements are usually part of sectorial policies. In fact, the 10th observations of PER correspond to SEC observations, although there are some SEC observations that not correspond with PER. After 2000, two leftist presidents in big countries applied this combination, Brazil and Argentina, as found by solution 15.4. Before 2000, all the big countries (that were also relative low exporters), with center or right governments, used PER as an instrument in the combination of incentives plus regulation. Costa Rica appears as the unique case of a small country applying this kind of combination with continuity in the last two periods. Chile in the 1990s use this instrument in the context of an automotive regime that ended in 1998, Venezuela in the petroleum industries, with sectorial policies that changed before 2000.

5. Conclusions

The above shows that the application of typologies of instruments for the analysis of policies towards foreign capital, an analytical resource little used in the literature, is useful to characterize different situations and their nuances. The strategies towards foreign capital in the region seem to maintain the weight of the regulatory instruments in aggregate terms, which were one fifth of the possible situations in the 1980s, and maintain the same proportion between 1990 and 2015. This means that only one in five countries applied at least one regulation for FDI in the whole period, including some notably known pro-FDI regimes, as the Chilean one. Regulation changes its composition: from the predominance of restrictions on entry, inherited from the regulatory models of the early 1970s, towards greater presence of performance requirements in 1990s and the appearance of three cases of expropriation in 2004-2015.

On the other hand, the promotional instruments advance significantly from a scarce presence in the 1980s, to mark its predominance in 1990s, and maintain it after 2004. Rules-Based Competition for FDI (RBC), were almost non-existent initially, and it reaches half of the possible cases in the 1990s and 2000s, that is, half of the countries promotes FDI with at least one of the RBC´s policy instruments in the last two sub-periods. Very few countries manage to generate promotion agencies, but many of them embark on signing numerous bilateral protection agreements after 1990, until 2015. The attempt to improve the business climate in the last two periods is also quite widespread. The Incentives based Competition to attract FDI shows a boom in the 1990s, when privatizations are concentrated. The increase in the number of EPZ cases is also permanent, given that, once launched the policy, it usually does not have a reversal. Several countries apply sectoral policies, increasing in the 1990s and thereafter 2000. Sectoral policies and EPZs compensate for the fact that, after the 1990s, privatizations were very limited.

Few countries maintain coherence in their regulatory scheme over time, which makes it difficult to summarize the situations, given the variability over time in each country, often related to the change in the general political orientation of the government. With the IDB's policy database (Cruz et al 2015), I designed two variables to capture the presence of Left's parties in the government, or their absence. This may explain the “wishes”. Regarding the bargaining theoretical framework briefly exposed, structural and short run conditions may impose restrictions for the results of certain instruments in relative “weak” countries. Some political parties may declare or express in their programs the intention to extract some development benefits from TNCs by means of restrictive regulations or performance requirements, in a sectorial incentives framework or not. Some structural or macroeconomic conditions may limit the use of these instruments if the country wishes to preserve the investment.

The exercise of configurational analysis linking political orientation, structural and macro conditions, and FDI policy, made from the truth tables provided by the software fsQCA3.0, allows extracting some ideas:

- In the context of this sample, every “big” country and every country combining mineral exports and low political risk, apply at least one FDI policy regulation. While the total absence of regulation is associated with center-right governments in smaller and political risky countries, or in smaller mining exporters.
- Small countries not inserted in FDI circuits, in general open and low political risky, conducted Rules-Based competition for FDI. The only big country conducting RBC is Mexico recently.
- All bigger countries applied incentives. Relative small countries with low diversified FDI also conducted IBC. Regarding privatizations, there is a clear political determination: only center or right governments applied this instrument. After 1990, small and relative not exporter countries, presenting population attaching low educational level, and Mexico (in the opposite side) applied EPZs. Big and no great exporter countries, with low risk and diversified FDI, applied sectorial policies. Also did small open countries, with low political risk, and no diversified FDI origins.
- Looking for FDI-assisted development strategies, I revised a combined regulation-incentives variable. Right governments in big and closed countries with diversified FDI reception, applied a combination of incentives and regulation before 2000, as did Mexico after 2000. Before 2000, all the big countries applied performance requirements in the context of sectorial policies. Some small countries also applied these instruments, but Costa Rica is the unique case with long term permanence of these regimes, as belonging to a strategy.

Using more specific theoretical models would be helpful to understand better some particular instruments (as the performance requirements or the export processing zones) identifying variables and functional forms, that represent more precisely the relative power of TNCs and governments. Asiedu and Eshaffani (2004, 2008) provide an interesting model I am working with. This is the next step to understand why there are only a few cases using instruments looking for the alignment of FDI in the direction of development strategies. QCA methods may be useful to study specific configurational characteristics, with new variables supported by a better theoretical explanation.

The next step will include a Fuzzy Set mode to identify FDI policies. This may produce some improvements: in one hand, a better understanding of graduation for instruments, for example: it is not the same a Chilean entry restriction than a Brazilian one, but both are 1; some countries have institutions like IPAs that deserves some number below 1 but not 0. In the other hand, this will improve the identification of causal configurations, increasing the number of observations that are not zero, implying better variability of the dependent variable.

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