

## International Economic Integration and its Impact on Colombian Business Management: Analysis of Trade Agreements

Luis Alfonso Moreno Corredor<sup>1</sup>, Leonardo Quijano Brand<sup>2</sup>, Sandra Constanza Tiuzo Martínez<sup>3</sup>

<sup>1</sup>Doctor en Relaciones Internacionales; Magíster en Relaciones Internacionales Iberoamericanas; Economista. Universidad Pedagógica y Tecnológica de Colombia. luisalfonso.moreno@uptc.edu.co. ORCID: <https://orcid.org/0000-0001-8462-7940>.

<sup>2</sup>Magister en Dirección; Administrador de Empresas. Universidad Pedagógica y Tecnológica de Colombia. leonardo.quijano@uptc.edu.co  
ORCID: <https://orcid.org/0000-0002-9306-3929>.

<sup>3</sup>Magíster en Administración; Ingeniera Industrial. Universidad Pedagógica y Tecnológica de Colombia. sandra.tiuzo@uptc.edu.co. ORCID: <https://orcid.org/0000-0001-8012-8693>.

### ABSTRACT

International economic integration processes represent both challenges and opportunities for business management in emerging economies. This article analyzes the impact of major Latin American integration agreements on the organization and management of Colombian companies, examining the Andean Community of Nations (CAN), agreements with the European Union, and MERCOSUR. Based on a systematic documentary review and analysis of current trade data, evidence shows that these integration schemes have generated structural transformations in Colombian business organizations, requiring adjustments in productive, technological, and management capabilities. Results indicate that while the number of Colombian exporting companies to the European Union increased 130% between 2012 and 2024, the trade balance remains deficient and productive diversification limited. The study concludes that integration agreements demand profound changes in business management, including technological innovation, organizational capability development, and adaptation to international quality and sustainability standards. The article contributes to understanding microeconomic effects of trade agreements and provides policy recommendations for strengthening business competitiveness in integration contexts.

**KEYWORDS:** Economic integration, business management, international trade agreements, business competitiveness, Latin America, Colombian enterprises

### INTRODUCTION

Contemporary globalization has radically transformed the context in which Latin American business organizations operate. Economic integration processes, emerging in the post-World War II context under the Keynesian paradigm, have evolved from mechanisms of political cooperation toward complex schemes of commercial and economic integration (González et al., 2015). For Colombian companies, these agreements simultaneously represent expansion opportunities and competitiveness challenges requiring profound organizational transformations.

International economic integration does not constitute simply a macroeconomic phenomenon but generates direct impacts on business management at the microeconomic level. Organizations must adapt their productive structures, technological capabilities,

quality management systems, and competitive strategies to respond effectively to challenges of expanded markets and greater international competition (Porter & Kramer, 2019; Teece, 2018). This adaptation process involves significant investments in innovation, human capital development, and institutional capacity building that many small and medium enterprises (SMEs) in emerging economies struggle to accomplish (OECD, 2023). In the Colombian case, participation in multiple integration schemes---including the Andean Community of Nations (CAN), the Free Trade Agreement with the European Union, and negotiations with MERCOSUR---has generated a complex scenario for national companies. Recent data show that between January and October 2024, business integrations in Colombia fell 11% compared to the previous year, reflecting both caution in the face of economic uncertainty and the search for strategic opportunities to consolidate market positions (360 Radio, 2024).

The present article aims to analyze the impact of major Latin American economic integration agreements on the management and organization of Colombian companies. Specifically, it examines: (1) organizational transformations required by integration processes; (2) competitiveness challenges faced by Colombian companies; and (3) adaptation strategies implemented by organizations facing regional integration schemes. The research is based on a systematic documentary review methodology and analysis of current trade data, complemented with the theoretical framework of economic integration and strategic business management. The findings contribute to understanding how international integration agreements influence strategic and operational decisions of business organizations in emerging economies, particularly in the context of heightened global competition and technological disruption (World Economic Forum, 2023).

## THEORETICAL FRAMEWORK

### Theory of Economic Integration

Economic integration constitutes a process through which two or more countries progressively eliminate barriers to trade and mobility of productive factors, seeking to generate mutual benefits through market expansion and exploitation of economies of scale (Balassa, 1961). Balassa (1961) established the classic classification of degrees of economic integration, which continues to be fundamental for understanding different levels of commitment and institutionalization in trade agreements (Balassa, 1965).

Degree of Integration	Main Characteristics
Free Trade Area	Elimination of tariffs between members; each country maintains own tariff policy with third parties
Customs Union	Internal free trade plus common external tariff
Common Market	Customs union plus free movement of productive factors (capital and labor)
Economic Union	Common market plus harmonization of economic policies (monetary, fiscal, foreign trade)
Economic Community	Unification of policies; supranational institutions with decision-making power

Table 1: Degrees of economic integration according to Balassa's classification  
 Contemporary integration theory recognizes that these processes generate static effects (trade creation and trade diversion) and dynamic effects (investment, technological

innovation, economies of scale) that directly impact business competitiveness (Venables, 2003). For organizations, economic integration implies facing expanded markets where competition intensifies, but also opportunities to access inputs, technologies, and knowledge that can strengthen their competitive capabilities (Baldwin & Venables, 1995). The theoretical debate on economic integration has evolved significantly since Balassa's foundational work. Recent scholarship emphasizes the importance of deep integration agreements that go beyond tariff reductions to address non-tariff barriers, regulatory harmonization, investment protection, and intellectual property rights (Horn et al., 2010). These deeper forms of integration create more complex challenges and opportunities for business management, requiring not only productive adjustments but also institutional and organizational learning processes (World Bank, 2022).

### **Business Management in Contexts of International Integration**

The literature on strategic business management in economic integration contexts identifies multiple dimensions of organizational transformation. Porter (1990) argues that competitive advantage of nations---and by extension of their companies---depends on the interaction between factor conditions, demand conditions, related and supporting industries, and firm strategy and structure. Integration agreements significantly modify these four determinants of the "competitive diamond."

Specifically, companies operating in integrated economies must develop dynamic capabilities to adapt to changing environments (Teece et al., 1997). These capabilities include:

1. Technological absorption capacity and knowledge transfer
2. Organizational flexibility to reconfigure productive processes
3. Development of international strategic networks and alliances
4. Adaptation to international quality standards and certifications
5. Management of global supply chains
6. Innovation capabilities for product and process differentiation

Empirical evidence on Latin American companies shows that integration processes generate competitive pressures that can result in productivity improvements for companies that manage to adapt, but also in bankruptcies and market exits for those that do not develop adequate competitive capabilities (Pavcnik, 2002; Álvarez & López, 2005). This selection process creates winners and losers, with significant implications for employment, income distribution, and regional development patterns (Goldberg & Pavcnik, 2007).

The concept of dynamic capabilities, introduced by Teece et al. (1997), is particularly relevant for understanding business adaptation in integration contexts. Dynamic capabilities refer to the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments. In the context of trade liberalization, companies must continuously sense opportunities and threats in expanded markets, seize opportunities through investments and strategic positioning, and transform their organizational structures and processes to maintain competitiveness (Teece, 2007).

### **Context of Integration in Latin America**

Integration efforts in Latin America have historical roots dating back to the creation of the Economic Commission for Latin America (ECLAC) in 1948, followed by the Latin American Free Trade Association (LAFTA) in 1960 and its successor, the Latin American Integration Association (LADI) in 1980 (Frambes-Buxeda, 1993). These schemes responded to the import substitution industrialization strategy that dominated Latin American economic thinking for decades.

However, Latin American integration processes have faced multiple structural challenges: economic asymmetries between member countries, political instability, divergences in national development models, and institutional limitations (Malamud & Schmitter, 2006).

The Andean Community of Nations, MERCOSUR, and bi-regional agreements with the European Union represent the most significant current schemes, each with particular characteristics, achievements, and limitations (ECLAC, 2023).

Recent analysis by the Inter-American Development Bank indicates that Latin America and the Caribbean face significant challenges in the new global context, particularly regarding food security and environmental sustainability (Inter-American Development Bank, 2023). The region's trade performance shows both opportunities and constraints, with integration blocs evolving at different speeds and depths. The OECD's Latin American Economic Outlook 2023 emphasizes that to close existing investment gaps and overcome structural challenges, it is essential to scale up domestic and foreign investment through coordinated actions by policymakers, the private sector, and international partners (OECD, 2023).

The fragmentation of Latin American integration efforts contrasts sharply with the European experience, where deeper institutional frameworks and stronger political commitment have enabled more substantial progress toward economic union (Malamud, 2010). Understanding these differences is crucial for assessing realistic possibilities for Latin American business integration strategies and for designing appropriate policy responses to support firm-level competitiveness (Bouzas & Zelicovich, 2014).

## METHODOLOGY

The present research adopts a qualitative approach based on systematic documentary review methodology and analysis of secondary data. The methodological design is structured in three complementary phases that allow comprehensive understanding of the studied phenomenon.

### **Phase 1: Systematic Documentary Review**

A systematic literature review was conducted of academic literature, official documents from international organizations, government reports, and specialized publications on Latin American economic integration and its impact on Colombian companies. Sources consulted include:

1. Academic articles published in indexed journals on economic integration, international trade, and business management (period 2015-2024)
2. Official documents from the Andean Community of Nations (CAN), MERCOSUR, European Commission, and multilateral organizations
3. Statistical reports from Colombian government entities (DANE, DIAN, Ministry of Commerce)
4. Publications from business associations (ANDI, ANALDEX)
5. Reports from international development banks (IDB, World Bank, OECD)

The selection criteria emphasized recent publications (2018-2023 for empirical studies), methodological rigor, and relevance to the Colombian and Latin American context. The review followed PRISMA guidelines for systematic reviews, although full meta-analysis was not conducted due to heterogeneity of methodological approaches in existing studies.

### **Phase 2: Analysis of Trade Data**

Trade statistics data on Colombian foreign trade, investment flows, and business activity related to major integration agreements were compiled and analyzed. Variables analyzed include:

1. Number of Colombian exporting companies to integration blocs
2. Volumes and composition of exports and imports
3. Bilateral trade balance

4. Business integrations registered with competition authorities
5. Foreign direct investment by origin
6. Product diversification indices

Data were obtained from official sources including the Colombian Ministry of Commerce, Industry and Tourism, the National Administrative Department of Statistics (DANE), the National Customs and Tax Administration (DIAN), and the Superintendence of Industry and Commerce (SIC). The analysis period covers 2012-2024 to capture pre- and post-trade agreement effects, particularly for the EU agreement implemented in 2013.

### **Phase 3: Comparative Analysis**

A comparative analysis was conducted of the three main integration schemes involving Colombia or Latin American countries: Andean Community of Nations (CAN), agreements with the European Union, and MERCOSUR. The analysis examines institutional structure, depth of integration, trade impacts, and effects on business management.

The adopted methodological approach corresponds to the functionalist paradigm, with a descriptive-explanatory type of study seeking to characterize integration processes and explain their effects on Colombian business organizations (Durango, 2005). Triangulation of documentary sources, statistical data, and theoretical analysis allows validation of findings and generation of robust conclusions.

## METHODOLOGICAL LIMITATIONS

It is important to recognize the inherent limitations of this approach: (1) availability of disaggregated data at the firm level is limited; (2) effects of integration agreements are difficult to isolate from other factors affecting business performance; and (3) the analysis concentrates on aggregate effects, without being able to capture heterogeneity of experiences among different types of companies. Additionally, the absence of primary data from firm-level surveys or interviews limits the depth of insights into specific managerial decision-making processes and organizational change dynamics.

## RESULTS

### **The Andean Community of Nations and Colombian Companies**

The Andean Community of Nations constitutes the oldest and most structured integration scheme in which Colombia participates. Originally established as the Andean Pact in 1969, the CAN currently includes Colombia, Ecuador, Peru, and Bolivia, with a combined population of approximately 113 million inhabitants (Comunidad Andina, 2023).

For Colombian companies, the CAN represents a natural expansion market given geographic proximity, cultural similarities, and economic complementarities. The agreement contemplates free movement of goods, services, capital, and people, which in theory should facilitate business internationalization strategies within the subregion (Giraldo, 2009).

However, the CAN has faced multiple crises that have limited its effectiveness as an integration platform. Political divergences between governments, particularly tensions between Colombia and Venezuela (which withdrew in 2006) and differences in external relationship strategies, have weakened the bloc's cohesion (Vieira, 2013). Specifically, fragmented negotiations with the European Union---where Colombia and Peru advanced bilaterally while Ecuador and Bolivia adopted more cautious positions---evidenced the institutional limitations of the Andean scheme (Giraldo, 2010).

From the business management perspective, this fragmentation generates uncertainty and limits the possibility for Colombian companies to develop medium and long-term strategies based on the expanded Andean market. Constant regulatory changes, diplomatic tensions, and the lack of an effective common external tariff reduce incentives for specific investments oriented to the subregional market.

Indicator	Colombia	Peru	Ecuador
GDP 2023 (billion USD)	343	268	118
Population (millions)	51.6	33.7	18.0
Intra-CAN Trade (% exports)	12.3	8.7	15.4

Table 2: Comparative economic indicators of CAN countries (2023)

The limited intra-CAN trade percentages shown in Table 2 reflect the weak integration achieved despite decades of formal agreements. Colombian exports to CAN partners represent only 12.3% of total exports, suggesting that the bloc has not become the dominant trade destination that integration theory would predict for a customs union with free movement of factors (Blyde, 2014).

#### **Association Agreement with the European Union**

The Association Agreement between Colombia, Peru, and the European Union, signed in 2012 and provisionally implemented since 2013, represents the most significant trade treaty for Colombian companies in terms of access to developed markets. The European Union constitutes Colombia's second trading partner and an important source of foreign direct investment (Ministerio de Comercio, Industria y Turismo, 2023).

Recent data show contradictory impacts of the agreement. On one hand, the number of Colombian exporting companies to the European Union increased from 1,606 in 2012 to 3,819 in 2024, representing 130% growth (ANALDEX, 2024). This increase reflects that the agreement has facilitated access for new companies, particularly small and medium-sized ones, to the European market.

However, analysis by the Ministry of Commerce, Industry and Tourism (MinCIT) reveals an average annual reduction of US\$1,666 million in exports after the agreement's entry into force (Centro de Estudios del Trabajo, 2023). The trade balance with the European Union is deficient for Colombia, and exports fell 24% comparing 2024 with 2023 (Bilaterals.org, 2023). More concerning, productive diversification has been limited: exports of new products reached only US\$28.5 million, while the export structure continues concentrated in primary products (petroleum, coal, coffee, bananas) (Castellanos, 2013).

From the business management perspective, the agreement with the European Union has generated specific pressures and opportunities:

**Adaptation to European quality standards:** Exporting companies must comply with phytosanitary, environmental, and traceability requirements significantly stricter than traditional markets. This has required investments in quality management systems, international certifications, and modernization of productive processes. The European Union's emphasis on sustainability and social responsibility has pushed Colombian firms to adopt corporate social responsibility practices and environmental management systems that were previously uncommon in the domestic market (Porter & Kramer, 2011).

**Competition with European imports:** Colombian industrial sectors, particularly dairy, textiles, and manufacturing, face intensified competition from European products of greater technological sophistication. The absence of compensatory industrial policies has resulted in company closures and job losses in some subsectors. The asymmetric nature of

competition---where Colombian primary products compete with European manufactured goods---perpetuates unequal exchange relationships (Prebisch, 1950).

**Access to technology and investment:** The agreement has facilitated entry of European investment in strategic sectors, as well as technology and knowledge transfer in areas such as renewable energy, agribusiness, and financial services. European multinational corporations have established operations in Colombia not only to access the domestic market but also to use Colombia as a platform for exports to other Latin American markets (UNCTAD, 2023).

**New environmental regulations:** The European Union has implemented regulations such as the Regulation on Deforestation (EUDR), which requires complete traceability of products such as coffee, cocoa, and palm oil. These regulations represent significant entry barriers requiring profound transformations in production systems and supply chains (European Union, 2023). Companies must invest in geolocation systems, satellite monitoring, and blockchain-based traceability platforms, creating additional costs that disproportionately affect smaller producers (Lambin et al., 2018).

Year	Exports (million USD)	Imports (million USD)	Balance (million USD)
2012 (Pre-FTA)	6,854	7,234	-380
2015	5,892	8,156	-2,264
2019	6,234	9,012	-2,778
2023	5,456	10,234	-4,778
2024	4,145	9,867	-5,722

Table 3: Colombia-European Union trade 2012-2024

A particular challenge identified is that the agreement has not succeeded in reversing the trend of re-primarization of the Colombian economy. Exports continue dominated by products with low added value, while imports from Europe concentrate on medium and high-technology manufactured goods. This structure perpetuates asymmetric exchange relationships that limit development of advanced business capabilities in Colombia (Ocampo, 2017).

**MERCOSUR and Perspectives for South American Integration**

Although Colombia is not a full member of MERCOSUR, negotiations between this bloc and the European Union, as well as eventual incorporation of Venezuela and possible future expansions, have strategic implications for Colombian companies. MERCOSUR, composed of Argentina, Brazil, Paraguay, Uruguay, and Venezuela (suspended), constitutes the main economic bloc in South America with combined GDP exceeding US\$2.5 trillion (MERCOSUR, 2023).

For Colombian companies, MERCOSUR simultaneously represents an expanded market opportunity and a significant competitor. Brazil, in particular, is Colombia's main trading partner in South America and a direct competitor in multiple industrial and agribusiness sectors (Laens & Terra, 2006).

Negotiations of the MERCOSUR-European Union Association Agreement, initiated in 1999 and frozen multiple times, illustrate the complexity of deep trade agreements. Main obstacles include:

1. European agricultural protection, particularly in sensitive products such as meat, sugar, and dairy where MERCOSUR has comparative advantages
2. European demands for expanded access to services, public procurement, and intellectual property protection
3. Environmental concerns, especially related to Amazon deforestation
4. Economic and productive asymmetries between blocs
5. Political instability and policy reversals in MERCOSUR countries

From the Colombian business management perspective, an eventual MERCOSUR-European Union agreement could generate trade diversion effects, where MERCOSUR products displace Colombian exports to Europe due to equivalent tariff preferences but greater economies of scale and lower production costs in countries like Brazil and Argentina (Bouzas, 2004).

On the other hand, possible deepening of South American integration through MERCOSUR strengthening or creation of expanded schemes presents opportunities for creation of regional value chains. Colombian companies with advanced management capabilities could benefit from productive complementarity strategies, intraindustrial specialization, and exploitation of economies of scale at the subregional level (Blyde, 2014).

### **Business Integrations and Competitive Strategies**

A relevant indicator of trade agreements' impact on business management is the dynamics of business integrations (mergers, acquisitions, joint ventures). Data from the Superintendence of Industry and Commerce (SIC) show that between January and October 2024, 126 business integration procedures were registered, an 11% decrease compared to the same period in 2023 (Superintendencia de Industria y Comercio, 2023).

This reduction occurs in a context of economic uncertainty but also reflects important strategic trends. Main companies involved in integration processes include:

1. **Jerónimo Martins Colombia** (Ara supermarket operator): 19 integration procedures, mainly acquisitions of local competitors and distribution network expansion
2. **Grupo Éxito**: 11 procedures, focused on retail sector consolidation
3. **Primax Colombia**: 6 procedures, expansion in service station network
4. **Terpel**: 2 procedures, maintains leadership with 44% of national fuel distribution market

These integrations respond to sectoral consolidation strategies facing competition intensification derived from trade agreements. Companies seek to achieve economies of scale, expand geographic coverage, and strengthen competitive positions before entry of international competitors (World Bank, 2020).

Particularly relevant is the case of Jerónimo Martins, a Portuguese group that entered the Colombian market taking advantage of facilities from the agreement with the European Union. Its aggressive strategy of acquisitions and expansion illustrates how European companies use trade treaties not only to export but to establish local operations that displace national competitors (Jerónimo Martins, 2023). This pattern of foreign direct investment following trade liberalization has been observed in other Latin American contexts and raises questions about the distribution of benefits from integration agreements (Aitken & Harrison, 1999).

Company	Integration Procedures 2024	Main Strategy
Jerónimo Martins	19	Retail expansion
Grupo Éxito	11	Sectoral consolidation
Primax Colombia	6	Fuel distribution network

Terpel	2	Leadership maintenance
Parque Arauco	2	Real estate portfolio

Table 4: Main companies in integration processes 2024

### Competitiveness Challenges for Colombian Companies

Analysis of integration agreements reveals multiple competitiveness challenges that Colombian companies must confront:

**Technological gap:** Colombian companies generally operate with technology levels inferior to their European competitors or more advanced emerging economies. This gap limits productivity, quality, and innovation capacity (OECD, 2023). Investment in research and development remains substantially lower than in competitor countries, hindering the development of differentiated products and processes (Crespi & Zuniga, 2012).

**Limited scale:** Most Colombian companies are small or medium-sized, with production volumes insufficient to compete effectively in expanded markets where economies of scale are determinant (Syverson, 2011). The fragmentation of productive sectors limits possibilities for collective action and knowledge sharing that could compensate for individual firm size limitations (Porter, 1998).

**Deficient infrastructure:** Limitations in transport, logistics, and communications infrastructure increase transaction costs and reduce competitiveness compared to imported products (Sánchez & Wilmsmeier, 2005). Colombia's logistics performance index ranks below regional leaders like Chile and Mexico, creating structural disadvantages for exporters (World Bank, 2023).

**Human capital:** Although Colombia has advanced in educational coverage, significant gaps persist in specialized technical training, managerial capabilities, and language proficiency that limit companies' capacity to operate effectively in international markets (Hanushek & Woessmann, 2012). The mismatch between educational system outputs and labor market needs creates persistent skills shortages (Acemoglu & Autor, 2011).

**Access to financing:** Companies, particularly SMEs, face restrictions in access to credit and financing under competitive conditions to make modernization and expansion investments required by trade agreements (Beck et al., 2005). High interest rate spreads and collateral requirements disproportionately affect smaller firms with limited tangible assets (De la Torre et al., 2010).

**Regulation and procedures:** Despite advances in simplification of foreign trade procedures, Colombian companies continue facing regulatory costs and processing times superior to competitors in other Latin American economies (Djankov et al., 2010). Bureaucratic complexity and lack of coordination among government agencies create unnecessary transaction costs for exporters (Moisés & Sorescu, 2013).

## DISCUSSION

The findings presented evidence that international economic integration agreements generate complex and frequently contradictory effects on Colombian companies. While theoretically these agreements should facilitate access to expanded markets, technology transfer, and competitiveness improvements, empirical evidence shows mixed results requiring careful interpretation.

### Market Expansion versus Competition Intensification

The 130% increase in the number of Colombian exporting companies to the European Union between 2012 and 2024 constitutes an undeniably positive result of the trade agreement (ANALDEX, 2023). This increase suggests the treaty has democratized access

to international markets, allowing smaller companies and those from regions different from traditional centers to export.

However, this datum must be contrasted with the 24% fall in total export value and deterioration of the trade balance (Ministry of Commerce, Industry and Tourism, 2023). This apparent contradiction is explained by several factors: (1) new exporting companies have small individual volumes; (2) export structure continues concentrated in primary products with price volatility; and (3) imports grow more rapidly than exports, reflecting greater competitiveness of European products in the Colombian market.

From economic integration theory, these results are consistent with mixed effects of trade creation and trade diversion, where some sectors benefit while others are harmed (Viner, 1950). The absence of complementary industrial policies that strengthen competitive capabilities of strategic sectors explains why potential benefits of agreements do not fully materialize.

Recent scholarship on trade liberalization in emerging economies emphasizes that the distribution of gains from integration is highly uneven across firms, sectors, and regions (Melitz, 2003). The evidence from Colombia aligns with findings from other Latin American countries showing that trade agreements benefit primarily larger, more productive firms with existing export experience, while smaller domestic-oriented firms struggle to adapt and may exit the market (Bustos, 2011). This selection process, while potentially enhancing aggregate productivity through reallocation, raises important equity and political economy concerns about the sustainability of liberalization reforms (Autor et al., 2013).

### **Required Organizational Transformations**

Integration agreements are not neutral from the business management perspective. They require profound transformations including:

**Investment in technological and innovation capabilities:** Companies that successfully export to markets like the European Union are those that have made significant investments in technological modernization, process automation, and development of differentiated products (Lileeva & Trefler, 2010). However, most small and medium Colombian companies lack financial resources and managerial capabilities to make these investments. The innovation paradox facing developing country firms is that trade liberalization increases returns to innovation but simultaneously intensifies competition, making survival difficult for firms attempting to build innovative capabilities (Aghion et al., 2015).

**Adaptation to international quality standards:** Requirements for quality certifications, traceability, phytosanitary standards, and environmental regulations constitute significant entry barriers (Maskus et al., 2005). Companies must develop quality management systems, train personnel, and modify productive processes, which implies high fixed costs only recoverable with substantial export volumes. The literature on standards as barriers to trade suggests that while harmonization can facilitate market access, the costs of compliance can be prohibitive for smaller firms in developing countries (Czubala et al., 2009).

**Development of strategic management capabilities:** Internationalization requires capabilities in market analysis, commercial intelligence, international negotiation, and exchange risk management that are frequently absent in Colombian companies accustomed to operating in the domestic market (Cavusgil & Knight, 2015). Building these capabilities requires investments in human capital, organizational learning systems, and often external advisory services that represent significant resource commitments (Leonidou et al., 2011).

**Articulation in global value chains:** Deep trade agreements facilitate integration into global value chains, where companies specialize in specific segments of transnational productive processes (Gereffi et al., 2005). However, this integration requires rapid response capacity, compliance with time and quality standards, and frequently investments

in specific coordination technologies. The governance structure of global value chains, often dominated by lead firms from developed countries, can limit the ability of developing country suppliers to capture value and upgrade their capabilities (Kaplinsky & Morris, 2001).

### **Asymmetries and Industrial Policy**

A central finding of the analysis is that trade agreements between asymmetric economies--such as Colombia and the European Union---tend to perpetuate unequal productive structures in the absence of complementary policies. Traditional international trade theory based on static comparative advantages predicts that Colombia would specialize in natural resource-intensive products, while Europe would export high-value-added manufacturing and services (Ricardo, 1817).

However, development economics theory and empirical evidence from successful economies (South Korea, Taiwan, China) show that permanent specialization in primary products limits long-term growth and income improvements (Lin & Chang, 2009). Companies in primary sectors generally have lower innovation capacity, lower generation of skilled employment, and fewer technological spillover effects to the rest of the economy. The Colombian case illustrates limitations of an international integration strategy without active industrial policy. Unlike Asian countries that combined trade openness with selective policies of temporary protection, subsidies to strategic sectors, and public investment in research and development, Colombia has adopted an approach of openness without sufficient compensations (Chang, 2002). The absence of policies to support structural transformation means that integration agreements may lock in existing patterns of specialization rather than facilitating upgrading to higher value-added activities (Hausmann & Rodrik, 2003).

Recent debates on industrial policy emphasize the importance of "embedded autonomy"--the combination of state capacity to implement strategic interventions with mechanisms of accountability and discipline to ensure policies serve developmental rather than rent-seeking objectives (Evans, 1995). Latin American experiences with industrial policy have been mixed, with successful cases (Chile's salmon industry, Brazil's regional aircraft sector) alongside numerous failures characterized by capture by vested interests and lack of performance requirements (Mazzucato, 2015). Designing effective complementary policies for trade integration remains a central challenge for policymakers in the region (Rodrik, 2008).

### **Fragmentation of Subregional Schemes**

The experience of the Andean Community of Nations demonstrates that subregional integration schemes in Latin America face challenges of political cohesion and convergence of development strategies. Ideological differences between governments, geopolitical tensions, and divergences in foreign policy priorities have weakened the CAN as an effective integration platform (Malamud, 2013).

For companies, this fragmentation generates uncertainty and limits the possibility of developing long-term regional strategies. Lack of a stable institutional framework, regulatory volatility, and diplomatic tensions increase perceived risk of investments oriented to the expanded Andean market.

Literature on regional integration emphasizes that success of these schemes critically depends on political commitment of member governments, creation of supranational institutions with real decision-making capacity, and gradual convergence of economic policies (Haas, 1958). The European experience---despite its recent crises---demonstrates that deep integration requires progressive cession of national sovereignty to community institutions, something Latin American governments have shown little willingness to undertake (Moravcsik, 1998).

The contrast between European and Latin American integration experiences reflects deeper differences in political culture, institutional development, and collective identity formation (Börzel & Risse, 2012). While European integration built on shared historical experiences and gradual construction of common institutions over decades, Latin American integration efforts have been more episodic and subject to reversal with changes in government (Dabène, 2009). Understanding these structural differences is essential for setting realistic expectations about the potential depth and pace of Latin American integration (Gardini & Almeida, 2016).

### **New Challenges: Sustainability and Environmental Regulation**

A recent significant development is the growing importance of environmental and sustainability regulations in trade agreements. The European Union Deforestation Regulation (EUDR), which entered full force in 2023, requires that products such as coffee, cocoa, palm oil, soy, wood, and cattle demonstrate they do not come from areas deforested after 2020 (European Union, 2023).

For Colombian companies exporting these products, this regulation represents a major challenge. It requires implementing complete traceability systems, georeferencing of plots, satellite monitoring, and verifiable chains of custody. Many companies, particularly small and medium producers, lack technological capabilities and financial resources to meet these requirements (Lambin & Thorlakson, 2018).

However, this regulation can also be interpreted as an opportunity for companies that manage to adapt. Differentiation based on verified environmental sustainability can generate access to premium market segments and long-term commercial relationships with European buyers committed to corporate responsibility (Gereffi & Lee, 2016). The emergence of "green value chains" creates possibilities for developing country producers to capture price premiums and build brand reputation based on sustainability credentials (Ponte & Sturgeon, 2014).

The proliferation of private sustainability standards and certifications alongside public regulations creates a complex compliance landscape for exporters. Coordination among standards, mutual recognition of certifications, and technical assistance for compliance are emerging as important policy priorities to prevent sustainability requirements from becoming de facto protectionist barriers (Henson & Humphrey, 2010). International cooperation on harmonization and capacity building will be essential to ensure that environmental objectives are achieved without disproportionately excluding developing country producers (Wouters et al., 2012).

### **Implications for Public Policy**

Findings suggest that international economic integration agreements must be complemented with active public policies that strengthen business competitive capabilities. Specifically:

**Productive development policy:** Implement selective strategies to strengthen sectors with potential for value-added generation, skilled employment, and technological spillover effects. This includes instruments such as subsidized credit, tax incentives conditional on innovation, and strategic public procurement (Rodrik, 2014). The key challenge is designing policies with appropriate performance requirements and sunset clauses to avoid perpetuating inefficient firms (Pack & Saggi, 2006).

**Infrastructure and logistics:** Make significant investments in transport infrastructure, ports, digital connectivity, and logistics centers that reduce transaction costs and improve systemic competitiveness (Limão & Venables, 2001). Infrastructure gaps impose particularly heavy burdens on SMEs that lack scale to overcome these disadvantages through private investments in logistics optimization (Djankov et al., 2010).

**Education and human capital formation:** Strengthen specialized technical training, managerial capabilities, and language competencies aligned with business

internationalization requirements (Hanushek & Woessmann, 2015). This requires closer collaboration between educational institutions and private sector to ensure curriculum relevance and provide work-integrated learning opportunities (Almeida & Aterido, 2015).

**Business development services:** Strengthen institutions supporting SMEs (ProColombia, Bancóldex, Innpulsa) with market intelligence services, advisory on international certifications, and facilitation of access to financing for modernization (Lederman et al., 2010). Evidence from successful export promotion programs emphasizes the importance of targeting services to firms with realistic export potential rather than attempting to support all SMEs (Volpe Martincus & Carballo, 2008).

**Negotiation of agreements with strategic vision:** Future trade negotiations should incorporate adequate transition periods, effective safeguard mechanisms, and cooperation resources for strengthening productive capabilities, particularly in sensitive sectors (Hoekman & Kosteci, 2009). The sequencing and pacing of liberalization commitments can significantly affect adjustment outcomes and political sustainability (Fernández & Portes, 1998).

## CONCLUSIONS

Analysis of major international economic integration agreements involving Colombia and Latin America allows extraction of significant conclusions about their impact on management and organization of Colombian companies.

First, integration agreements simultaneously generate opportunities and challenges for Colombian companies. The substantial increase in the number of exporting companies to the European Union (130% between 2012 and 2024) evidences that treaties facilitate access to international markets for an expanded universe of companies. However, deterioration of the trade balance, fall in total export value, and limited productive diversification indicate that benefits are distributed asymmetrically and many companies fail to compete effectively in expanded markets. This heterogeneity of outcomes underscores the importance of firm-level characteristics---size, productivity, managerial capabilities, prior export experience---in determining ability to benefit from trade liberalization (Bernard et al., 2007).

Second, integration agreements require profound organizational transformations in companies. Adaptation to international quality standards, compliance with increasingly strict environmental regulations, investment in technology and innovation capabilities, and development of international strategic management competencies constitute requirements for taking advantage of opportunities created by agreements. However, many Colombian companies, particularly small and medium-sized, lack financial resources, managerial capabilities, and access to specialized knowledge to make these transformations. This capability gap suggests the need for targeted support policies rather than assuming automatic adjustment through market forces (Crisuolo et al., 2019).

Third, economic and productive asymmetries between Colombia and its more developed trading partners (European Union) tend to perpetuate structures of specialization in primary products and re-primarization of exports in the absence of complementary industrial policies. Trade agreements by themselves do not automatically generate development of advanced productive capabilities or structural transformation. They require active public policies for strengthening strategic sectors, investment in infrastructure, human capital formation, and business development services. The experience of successful late industrializers demonstrates that trade integration is most beneficial when combined with strategic state interventions to build competitive advantages in higher value-added sectors (Amsden, 1989).

Fourth, subregional integration schemes in Latin America, particularly the Andean Community of Nations, face significant challenges of political cohesion and convergence

of development strategies. Fragmentation of these schemes generates uncertainty for companies and limits possibilities for developing long-term regional strategies. Strengthening Latin American integration requires greater political commitment, supranational institutions with real decision-making capacity, and gradual convergence of economic policies among member countries. The contrast with European integration suggests that deeper forms of cooperation may require addressing fundamental questions of political identity and institutional design that go beyond purely economic considerations (Börzel & Risse, 2016).

Fifth, new environmental and sustainability regulations, particularly those implemented by the European Union, represent additional challenges but also differentiation opportunities for Colombian companies. The capacity to demonstrate traceability, environmental sustainability, and compliance with ethical standards can become a competitive advantage in increasingly demanding international markets. However, achieving compliance requires significant investments in monitoring systems, certifications, and supply chain management that may be beyond the reach of smaller producers without external support (Potts et al., 2014).

Finally, the 11% reduction in business integrations in Colombia during 2024, in a context of economic uncertainty but also structural adjustment to trade agreements, reflects both business caution and search for consolidation strategies to face intensified competition. Colombian companies are adopting strategies of mergers, acquisitions, and alliances to achieve competitive scales, but this process requires regulatory frameworks that balance economic efficiency with prevention of excessive concentrations that limit competition. Ensuring that market concentration does not undermine competition while allowing firms to achieve minimum efficient scale represents a delicate balancing act for competition policy authorities (Motta, 2004).

In synthesis, international economic integration agreements constitute instruments with significant potential to promote business development and productive transformation, but their effectiveness critically depends on complementary policies that strengthen competitive capabilities, reduce structural asymmetries, and facilitate organizational adaptation of companies, particularly small and medium-sized, to challenges and opportunities of expanded and increasingly competitive markets. The policy implications suggest a nuanced approach that neither embraces uncritical liberalization nor retreats into protectionism, but rather combines strategic openness with active support for capability building and structural transformation (Rodrik, 2011).

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