

The Central-American Situation on Globalization and Competitiveness



This document corresponds to an implementation in Globalization and Competitiveness, one of the classrooms of the Faculty of Economics at Institucion Universitaria Politecnico Grancolombiano, of the methodology developed under the research project: A divided Integration: An analysis of the implications for integration of the Latin American sub regional integration processes.

The methodology used for the project, consisted in to review the situation of the countries of Central America and Mexico in terms of indicators of globalization and competitiveness built by the KOF institute and the World Economic Forum.

The objective is to elaborate a database with an analysis of each of the countries within each country, but not to compare indicators between them. Thus, the work becomes a reference of information for all those interested in consulting the situation in a given country of Central America in terms of globalization and competitiveness in the year 2015.

On the other hand, the database can be used in following researches as a starting point for other students interested in perform the analysis and the respective comparisons between the results obtained in the present study.

This paper is the result of the guidance, editing and coordination is responsibility of Professor *Julio Cesar Botero R*, leader of the Globalization and Regional Integration Processes research group.

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COSTA RICA



Country name: Republic of Costa Rica

Capital: San Jose

Geography

- **Area:**
 - ✓ **Total:** 51,100 sq km
- ✓ **Land:** 51,060 sq km
- **Water:** 40 sq km
- ✓ **Country comparison to the world:** 130

Costa Rica has four volcanoes, two of them active, rise near the capital of San Jose in the center of the country.

Population:

4,755,234 (July 2014 est.)

Legal system:

Civil law system based on Spanish civil code; judicial review of legislative acts in the Supreme Court.

GDP (purchasing power parity): \$71.21 billion (2014 est.)

GDP (official exchange rate):

\$50.46 billion (2014 est.)

GDP - real growth rate:

3.6% (2014 est.)

Unemployment rate:

8.5% (2014 est.)

Population below poverty line:

24.8% (2011 est.)

Taxes and other revenues:

13.7% of GDP (2014 est.)

Public debt:

59.4% of GDP (2014 est.)

Inflation rate (consumer prices):

4.7% (2014 est.)

Current account balance:

-\$2.569 billion (2014 est.)

Exports:

\$11.75 billion (2014 est.)

Imports:

\$17.91 billion (2014 est.)

Exchange rates:

Costa Rican colones (CRC) per US dollar -

539.3 (2014 est.)

Background

Costa Rica has undergone many changes in recent years, which has generated a continuous growth of the economy. The most dynamic sectors of the economy are the electronic components, services, transport, and telecommunications. Besides Costa Rica has become a coveted tourist destination because of its variety of aquatic ecosystems and beaches of black and white sand, ideal for the practice of activities focused on

nature and the sea, such as fishing and diving clear water, and also to enjoy the sun and walking to the sea.

INTRODUCTION

Political Situation

The country performs well on human rights; it has a competent and independent judiciary. The Inter-American Court of Human Rights and the Inter-American Institute of Human Rights both have their headquarters in Costa Rica, which is a measure of the country's commitment in this field and an acknowledgement of the work it has done to promote peace in the region. In the past, this work has been rewarded by Nobel Peace Prize for President Arias, who was re-elected in 2006. However, international organizations have condemned certain problems such as prison overcrowding, child abuse, child prostitution and domestic violence. Costa Rica law is not fully in conformity with international labor rights such as in the areas of collective bargaining and collective agreements but the government is committed to address the problem. The indigenous population, which accounts for 1.7% of the total population, is marginalized in rural areas and fares below the national average according to socio-economic

indicators. (COSTA RICA COUNTRY STRATEGY PAPER 2007-2013)

consulted may 20 of 2015

http://eeas.europa.eu/costarica/csp/07_13_en.pdf)

Social situation

Costa Rica has succeeded in maintaining a fair national human development strategy, based on public social services and universal access. One of the main findings of the tenth report on the state of the nation in 2004 was that Costa Ricans had better access to healthcare, education, housing and basic services, public social investment helps to mitigate the effects of poverty. Though social expenditure as a proportion of the national budget grew by 58% between 1990 and 2004, it actually shrank in relation to the size of the growing population. A 10% inflation rate over the last ten years and a lack of public finances made it impossible to invest enough in infrastructure and social services, the priorities of the previous Government and for the current one, investment (in transport, housing and health) and social expenditure were down for the second year running, with the exception of education (up 4%), despite the fact that public social investment accounted for 19% of GDP and 78% of public

spending in 2004. (Social and economic situation, COSTA RICA COUNTRY STRATEGY PAPER 2007-2013)

consulted May 20 of 2015

(http://eeas.europa.eu/costarica/csp/07_13_en.pdf)

Economic situation

There are 4 million consumers in Costa Rica, which is the most highly industrialized economy in Central America. The national economic strategy is based on the fact that Costa Rica is an open economy that is trying to diversify, with an average annual growth rate of 4.3% over the past ten years. The administration is facing some major economic problems: the chronic budget deficit (3.6% of GDP), due to the low tax burden (13.4% of GDP, plus a further 4.4% of GDP in social insurance contributions in 2004), tax evasion and the size of the national debt (57% of GDP in 2004), which are the biggest obstacles to the economic and social development of the country.

Inflation rose to 13.6% in 2005, and this could threaten the country's economic and social stability. The two largest items in the budget – salaries and debt servicing – account for 80% of expenditure, which leaves little scope for public investment (infrastructure, housing, health, etc.) and leads to dependence on direct foreign

investment flows. This leads to macroeconomic vulnerability.

GLOBALIZATION

Globalization has set in Costa Rica, as in the rest of Central America, major changes in terms of dynamics of accumulation. One service economy where finance capital has shown its hegemony has occurred. Costa Rica has focused in new agro-exports of export assembly industry and tourism.

Costa Rica has been characterized as labor intensive, the garment Maquila. Costa Rica other industry that responds to the commitment to education that was made in this country in the middle of the last century in terms of the social contract that was achieved with the so-called Second Republic was developed, another big factor to account has to do with the opening of

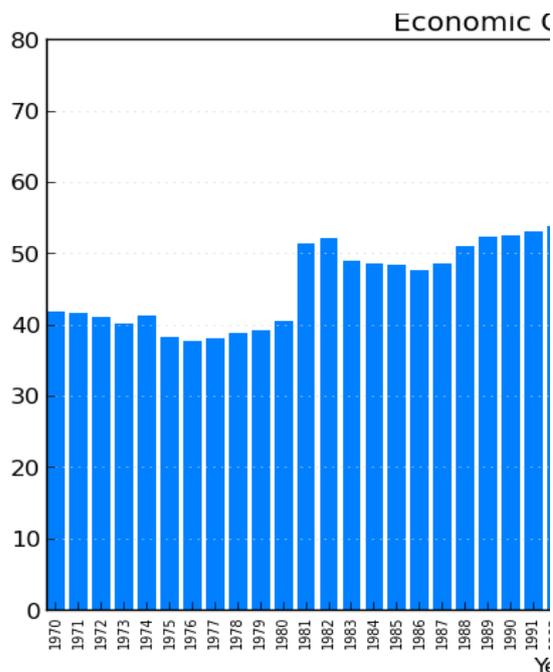
telecommunications. This is a process that has occurred throughout the region as part of the process of structural adjustment later the Free Trade Agreement (FTA) with the United States consolidated. But in the case of Costa Rica it has been a long and controversial process curiously in a society characterized more by consensus and agreements. Again we find the specificity of the Costa Rican historical development where the role of

the developmental state has been fundamental making certain public institutions, in this case the Costa Rican Electricity Institute (ICE), much more than just a company but a public institution perceived development much of the population as a national heritage and a public good. (The Costa Rican Education System. Consulted May 24 of 2015. <http://www.internations.org/costa-rica-expats/guide/living-in-costa-rica-15466/education-in-costa-rica-2>)

Economic Globalization

In 2015 Costa Rica's economic freedom score is 67.2, making its economy the 51st freest in the 2015 Index. Its overall score has increased by 0.3 point from last year, reflecting improvements in labor freedom and freedom from corruption that outweigh a combined decline in monetary freedom, business freedom, and the control of government spending. Costa Rica is ranked 10th out of 29 countries in the South and Central America/Caribbean region, and its overall score is higher than the global and regional averages. Economic development has focused on orienting the economy to the global marketplace. Costa Rica has one of the highest levels of foreign direct investment in Latin America, and the government's limited economic presence has facilitated a business environment based on tourism,

agriculture, and technology. The small increase in Costa Rica's overall score this year has reversed a multi-year decline. Over the past five years, Costa Rica's economic freedom has declined in four of the 10 factors, including property rights, fiscal freedom, labor freedom, and trade freedom. Changes in the corporate income tax regime to help pay for security services have undermined fiscal freedom.. The peaceful transfer of power highlighted the long history of democratic stability that has contributed to one of Latin America's highest levels of foreign direct investment per capita. (2015 index of economic freedom consulted may 20 of 2015 <http://www.heritage.org/index/country/costarica>)

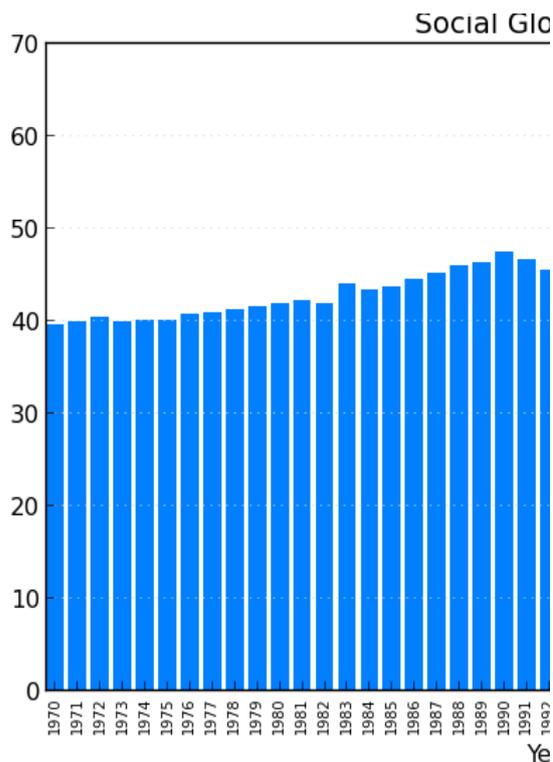


Social Globalization

Since 1948, Costa Rica has been one of the few countries without a military, and is probably the most significant nation without an army after Japan. The expenditures the nation used to have for arms and their standing army was redirected towards, amongst others, education. It is included in the constitution that the government allocates a minimum of 8% of GDP annually to education. This is one of the reasons why today, Costa Rica boasts the most advanced and highest quality education system in the region.

Education is generally free in Costa Rica, and every citizen is obligated to receive education by law. Thus, the literacy rate is one of the highest of all Latin American countries; for youth

between the ages of 15 and 24 the literacy rate is 98%. In a recent report issued by the United Nations, the Costa Rican education system was ranked highest in Latin America. The Costa Rican Social Security Bureau (Caja Costarricense de Seguridad Social, CCSS in Spanish) is a public institution that manages the national healthcare system together with the Costa Rican Ministry of Health. In this section a brief introduction to the system is given. The Costa Rican healthcare system is paid for by mandatory contributions made by employers and employees. Employers have to pay 14% of salary while employees make 9% of contribution. The Costa Rican health system includes Medical Treatment (illness and maternity) and Obligatory Pension (disability, old age and death). It is possible to take a private insurance or health plan as well. (Social Security (An introduction to the Costa Rican system) consulted May 20 of 2015 <https://www.justlanded.com/english/Costa-Rica/Costa-Rica-Guide/Jobs/Social-Security>)



Political globalization

In 2015 the top individual income tax rate is 25 percent, and the top corporate tax rate is 30 percent. Other taxes include a general sales tax and a real property tax. The overall tax burden equals 21.9 percent of the domestic economy. Government spending amounts to 18.3 percent of gross domestic product, and public debt is equivalent to around 37 percent of yearly domestic income. Corruption is lower than elsewhere in the region, and Costa Rica has avoided the infiltration of its state institutions by organized crime, but drug-related activity has increased in the past two years as Mexican cartels move into Central America. The judicial branch is

independent, but there are often substantial delays in the judicial process. Property rights are secure, and contracts are generally upheld. The environment for business formation is now more streamlined, but regulatory compliance remains time-consuming. Obtaining necessary permits still takes more than 100 days. The labor market remains relatively flexible, although a modest increase in the minimum wage went into force in July 2013. The government maintains price controls and in 2014 announced a one-year extension of price supports for Rice.

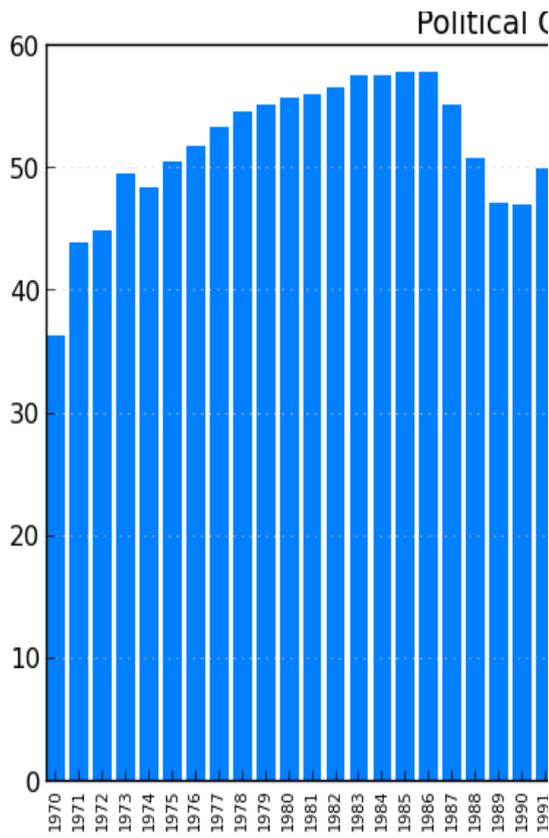
(COSTA RICA COUNTRY STRATEGY PAPER 2007-2013) consulted May 20 of 2015 http://eeas.europa.eu/costarica/csp/07_13_en.pdf)

International organization

participation: BCIE, CACM, CD, CELAC, FAO, G-77, IADB, IAEA, IBRD, ICAO, ICC (national committees), ICCt, ICRM, IDA, IFAD, IFC, IFRCS, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC (NGOs), LAES, LAIA (observer), MIGA, NAM (observer), OAS, OIF (observer), OPANAL, OPCW, Pacific Alliance (observer), PCA, SICA, UN, UNCTAD, UNESCO, UNHCR, UNIDO, Union Latina,

UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO. (The world factbook/ Costa Rica:

<https://www.cia.gov/library/publications/the-world-factbook/geos/cs.html>)



COMPETITIVENESS

Costa Rica is the jewel of the crown in Latin America, for being a country without army, the more secure of Central America and with a powerful mark country (Costa Rican Institute of Tourism, 2013). It has constructed to an image country on the base of a favorable international positioning. In Ranking CBI the 2006 mark country of Costa Rica occupied the position # 6 in the

category of authenticity, to have a distinguishing and genuine culture; the position # 2 to have an exotic mark country, with greater supply of nontraditional excursions; and the position # 8 for being a destiny preferred on the part of the tourists in following the five years (FutureBrand, 2006).

Unfortunately, due to the world economic crisis, Costa Rica also suffered, although not as severely as many other countries in the world. Despite Costa Rica's intense positive growth over the past several years, the Costa Rican economy shrank slightly in 2009 losing about two and a half points. The services sector was the most severely affected and of course tourism took a big hit too.

Nevertheless, Costa Rica seems that it will bounce back just as it has done so in past crisis situations. Costa Rica continues to enjoy the region's highest standard of living, unemployment is relatively low, and the government has remained extremely stable. The agriculture exports remain strong. Also, Costa Rica has really invested in its clean and renewable energy resources which set it on track to be carbon neutral by 2021.

The future holds much broader economic ties with foreign countries in and outside the region. Costa Rica is currently

working on the completion/implementation of the free trade agreement with North America known as TLC in Costa Rica and known as CAFTA-DR in North America, bilateral trade with Mexico, signed trade agreements with Canada, Chile, the Dominican Republic, Mexico, Panama, and several Caribbean Community countries.

More recently, Costa Rica has begun negotiating a regional Central American-EU trade agreement. Costa Rica was an active participant in the negotiation of the hemispheric Free Trade Area of the Americas and is active in the Cairns Group, which is pursuing global agricultural trade liberalization within the World Trade Organization. Costa Rica even broke ties with Taiwan to enter into new free trade agreements with China which are currently under negotiations. Very recently Costa Rica even signed free trade agreements with Singapore and will soon with South Korea despite the fact that any of the countries actually want or need to trade anything at all. (Economic History (n.d.)

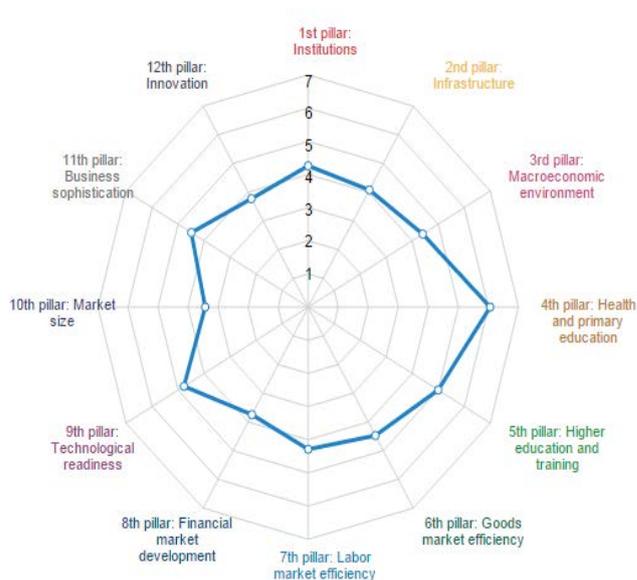
<http://costarica-information.com/about-costa-rica/economy/economic-history>)

The Global Competitiveness Report ranks national economies based on institutions, infrastructure, health and education, labor market efficiency,

technological readiness, innovation and business sophistication, among other metrics. The report defines competitiveness as “the set of institutions, policies and factors that determine the level of productivity of a country.”

Costa Rica was among the top three most “competitive” economies in Latin America. Costa Rica, ranked 51st worldwide, came in behind Panama (48) and Chile (33).

(<http://reports.weforum.org/global-competitiveness-report-2014->



2015/report-highlights/)

Costa Rica has enjoyed a steady rise on the index during the last several years. The country scored especially well on metrics for health and education, technology readiness, and business

sophistication. (Business and Investment Law Costa Rica Global Competitiveness Rankings 2012-2013. (n.d.) <http://www.costaricalaw.com/Business-and-Investment-Law/costa-rica-global-competitiveness-rankings-2012-2013.html>)

Business sophistication

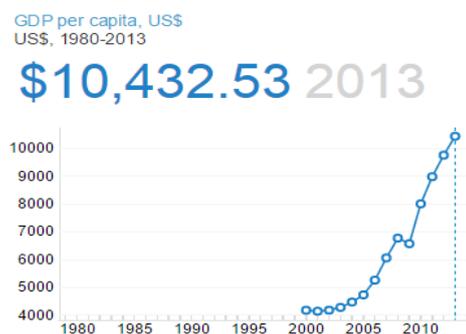
This pillar has to do with two intrinsically related elements: the quality of the business networks of a country and the quality of operations and strategies of individual companies. The first aspect is measured by the quantity and quality of local suppliers and the extent of their interactions. When companies and their suppliers are concentrated in specific geographic areas, called clusters, increases efficiency by creating new opportunities for innovation and the barriers to entry for new competitors are reduced. The second element measures aspects of business such as brand management, marketing, distribution, production processes and the production of unique and sophisticated goods. Both aspects have positive effects on the economies of countries and modernize business processes in the various sectors of a country. (Carlotabelles. 2014. Los 12 pilares de la competitividad. <https://valoraccionblog.wordpress.com/2014/08/27/los-12-pilares-de-la-competitividad-parte-i/>)

Health and primary education

A healthy workforce is vital for the competitiveness and productivity of a country. Low levels of public health bring significant costs to businesses, increasing absenteeism and operating at low levels of efficiency.

The literacy rate in Costa Rica is 96.3%, one of the highest in Latin America. When the army was abolished in 1949, it was said that the "army would be replaced with an army of teachers". Universal public education is guaranteed in the constitution; primary education is obligatory, and both preschool and high school are free.

Its healthcare system is ranked higher than that of the United States, despite having a fraction of its GDP. Costa Rica is among the Latin America countries that have become popular destinations for medical tourism.



(<http://reports.weforum.org/global-competitiveness-report-2014-2015/report-highlights/>)

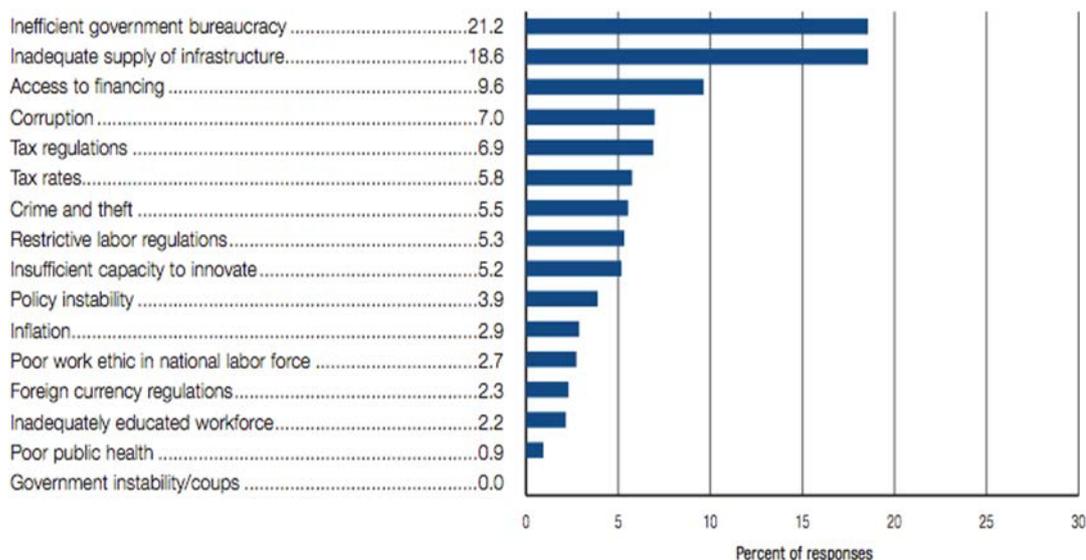
Technological readiness

This pillar has a special emphasis on the ability to make full use of information and communication technologies (ICT) in their daily activities and production processes to increase efficiency and

problematic factors for doing business in Costa Rica.

Transportation infrastructure was one of Costa Rica’s greatest weaknesses with

The most problematic factors for doing business



enable innovation for competitiveness. (Carlotabelles. 2014. Los 12 pilares de la competitividad. <https://valoraccionblog.wordpress.com/2014/08/27/los-12-pilares-de-la-competitividad-parte-i/>)

Also the report observed that it is in the areas of infrastructure, government efficiency and business competitiveness where Costa Rica ranks poorly when compared to other countries around the world. The top two complaints for business entities in Costa Rica are (1) Inefficient government bureaucracy and (2) Inadequate supply of infrastructure. The graph below shows the most

the quality of its ports and roads ranked at 115th and 119th, respectively, out of the 144 countries surveyed. The port system fares no better than the road infrastructure which is ranked 140/144 next to Haiti. Costa Rica has two major ports one in the Pacific, Caldera where 37% of the imports to Costa Rica arrive and the port on the Atlantic coast in Limon where the majority of imports are processed. The ports have been in the hands of the government and workers labor syndicates for many years. After much struggle and compromise the port on the Pacific was privatized and is slowly improving efficiency. The privatization of the port on the Atlantic

has been a constant struggle between the government and the labor syndicates that are opposed to privatization.

The country also scored poorly in female participation in the workforce, coming in at 117. (DYER, Z (SEPTEMBER 5, 2014), Costa Rica among top 3 most competitive economies in Latin America says report. The tico times news. <http://www.ticotimes.net/2014/09/05/costa-rica-among-top-3-most-competitive-economies-in-latin-america-says-report>)

Costa Rica's best scores were achieved in three areas: tourism infrastructure development, visitors' safety and security, and government prioritization of travel and tourism. (ARIAS, L. (MAY 9, 2015) Costa Rica rises in global ranking of travel, tourism competitiveness. San José, Costa Rica. Tico times <http://www.ticotimes.net/2015/05/09/costa-rica-rises-in-global-ranking-of-travel-tourism-competitiveness>)

A step toward upping tourism on the government's priority list might have come this year. Tourism officials in January reported that revenues from Costa Rica's tourism sector last year totaled \$2.6 billion, an 8.3 percent increase over the \$2.4 billion registered in 2013, according to figures from the [Central Bank](#).

South and Central America: Top 10 most tourism-ready economies	
Travel & Tourism Competitiveness Report 2015	Global rank*
Brazil	28
Mexico	30
Panama	34
Costa Rica	42
Barbados	46
Chile	51
Puerto Rico	55
Argentina	57
Peru	58
Colombia	68

Source: World Economic Forum 2015
*2015 rank out of 141 economies. The Travel & Tourism Competitiveness Report assesses the set of factors and policies that enable the sustainable development of the Travel & Tourism sector, which in turn contributes to the development and competitiveness of a country.

Officials credited the 2,526,817 international arrivals registered in 2014, an increase of 4.1 percent over the previous year.

Those visits represented an increase of 98,876 arrivals by air, land and at ports, ICT reported. (Business and Investment Law Costa Rica Global Competitiveness Rankings 2012-2013. (n.d.) <http://www.costaricalaw.com/Business-and-Investment-Law/costa-rica-global-competitiveness-rankings-2012-2013.html>)

GLOBALIZATION ANALYSIS

Costa Rica has grown for many reasons, is a country with big changes in the last 50 years, that's why for this analysis we have chosen the years and decades that have made Costa Rica as a globalized country. This country has achieved stability in the socio-political aspects

but in terms of economy has been changing in good to bad statistics.

Costa Rica has been characterized as labor intensive where big foreign companies have invested in maquilas, in 80's decade Costa Rica had changed in bad to good where the government decided to export and import domestic products such as bananas and coffee also tourism was a major power in the Costa Rican economy as they entered the country currency which kept economic stability that's why the government specializes in the beginning of the rise in the exchange rate, to generate significant reductions in imports, known mini devaluations and promote exports. Another big change was in the late 1950's; the Costa Rican economy was characterized by the existence of a large agricultural sector which was the engine of economic and social development. The agricultural sector absorbed most of the workforce, reaching 55% of the economically active population. Production of major products, coffee and banana, contributed over 40% of GDP and conformed almost 90% of exports. In addition, the agricultural sector was the main generator of revenue. Reformas estructurales y política económica en

Costa Rica. Autor institucional N.U CEPAL Division de desarrollo económico países bajos, Resumen: <http://www.cepal.org/es/publicaciones/7608-reformas-estructurales-y-politica-economica-en-costa-rica>

However, the almost exclusive reliance on these two commodities was highly vulnerable to external shocks to the national economy. Costa Ricans economy it hasn't been stable for the last decade but in 2007 was stable due to price increases in staples like eggs, tomatoes and beans. Now Costa Rica is gradually abandoning the maquilas as revenues generated from exports of this sector fell by half in five years, according to the Foreign Trade Promoter (PROCOMER).(Costa Rica abandona poco a poco maquila y servicios básicos. By Leticia Vindas Quiros / lvindas@elfinancierocr.com / 30 JUN 2013, 12:10AM. Consulted may 24 of 2015http://www.elfinancierocr.com/negocios/Cinde-inversion_extranjera_directa-call_center-textilera_0_326367390.html)

FINALLY IN ECONOMIC TERMS COSTA RICA IS A COUNTRY OF MEDIUM-HIGH INCOMES. ALSO COSTA RICA HAS REGISTERED A STEADY ECONOMIC EXPANSION IN THE LAST 25 YEARS,

MAINLY DUE TO THE IMPLEMENTATION SINCE THE LATE 80S OF OUTWARD-ORIENTED STRATEGY, LED GROWTH EXPORTS, OPENNESS TO FOREIGN INVESTMENT AND GRADUAL TRADE LIBERALIZATION.(COSTA RICA: PANORAMA GENERAL, CONSULTED MAY 24 OF 2015. CONTEXT:[HTTP://WWW.BANCOMUNDIAL.ORG/ES/COUNTRY/COSTARICA/OVERVIEW](http://www.bancomundial.org/es/country/costarica/overview)). COSTA RICA IN SOCIOPOLITICAL GLOBALIZATION HAS BEEN INCREASING IN THE LAST 50 YEARS. THE SOCIAL PROTEST WAS ONE OF THE RESPONSES TO THE ECONOMIC CRISIS OF THE EARLY 80S, WHERE THE INCREASE IN WAGES, MEASURES TO ALLEVIATE THE HIGH COST OF LIVING AND UNEMPLOYMENT, HOUSING APPLICATION AND OPPOSITION TO THE BUDGET CUTS TO PUBLIC INSTITUTIONS UNDER ITS COMMITMENTS TO INTERNATIONAL FINANCIAL INSTITUTIONS WERE THE MAIN DEMANDS EXPRESSED BY VARIOUS COSTA RICAN STAKE HOLDERS. THE ANSWERS GIVEN TO THESE DIFFERENT DEMANDS ADMINISTRATIONS WERE CHARACTERIZED BY THE "INDIFFERENCE" AND "BROKEN PROMISES", WHICH ONLY ENHANCED THE LONG-TERM SOCIAL CONFLICT. IN CENTRAL AMERICA THE PERIOD IS COMMON TO USE THE TERM AS A SYNONYM FOR NEGOTIATION DIALOGUE. OFTEN, THIS TERM WAS

COINED IN THE TERM "DIALOGUE-NEGOTIATION", ASSUMING THE SUPPOSED NEGOTIATION DIALOGUE IN A CONTEXT IN WHICH THIS POLITICAL ACTION WAS NECESSARY TO GIVE A SOLUTION TO THE ARMED CONFLICT IN THE REGION. MOST OF THE LITERATURE IN WHICH THE TERM IS USED, THE NEGOTIATION APPEARS AS A PREREQUISITE FOR ACHIEVING PEACE, SO NEGOTIATION, DIALOGUE AND PEACE FORM A TRILOGY IN WHICH THE CONCEPT BECOMES MEANINGFUL. BUT WHILE THE NEGOTIATIONS WERE AN INSTRUMENT FOR ACHIEVING PEACE IN CENTRAL AMERICA, ANOTHER WAS THE AIM WHEN TRADING WAS APPLIED AS A MECHANISM TO MEET THE DEMANDS OF COLLECTIVE ACTORS ORGANIZED INTO COSTA RICAN SOCIETY. THUS, IN THE 80S THIS CONCEPT EVOKED A DIFFERENT MEANING FOR COSTA RICA THAT LACKED AN ARMED CONFLICT BUT HAD DIFFERENT INTERNAL CONFLICTS WITH A VARIETY OF ACTORS. (COSTA RICA EN LA DÉCADA DE 1980: ESTRATEGIAS DE NEGOCIACIÓN POLÍTICA EN TIEMPOS DE CRISIS ¿QUÉ PASÓ DESPUÉS DE LA PROTESTA? CONSULTED MAY 18 OF 2015. EL ESTUDIO DE LA NEGOCIACIÓN POLÍTICA EN LA DÉCADA DE LOS AÑOS 80S: [HTTP://REVISTAS.UCR.AC.CR/INDEX.PHP/INTERCAMBIO/ARTICLE/VIEWFILE/3800/3673](http://revistas.ucr.ac.cr/index.php/intercambio/article/viewFile/3800/3673))

Costa Rica has much to give both the industrial sector and in food industry also in pharmaceutical where they have specialized in exporting, this is an achievement that has led Costa Rica to position itself as one of the best countries in South America and Central America.

Now many people live in poverty and work in the underground economy.

Fiscal and structural reforms to liberalize the economy are long overdue. Costa Rica has benefited from foreign investments in electronics and health care, and the Central America–Dominican Republic–United States Free Trade Agreement (CAFTA–DR) has opened insurance and telecommunications to private investors. (2015 index of economic freedom consulted may 23 of 2015 <http://www.heritage.org/index/country/costarica>). Costa Rica is a country that has been increasing the economic level as the employment level, now has many opportunities in the international market; how we see in statistics, Costa Rica continue to grow as a globalized country but the state have to interest more in the Costa Ricans needs to increase the level of total efficiency, is not only about money, is to equilibrate the needs, supporting them to change

their life style to be better than another country.

COMPETITIVENESS ANALYSIS

Costa Rica has undergone a strong evolution in its economy; it has evolved from being an agricultural country to a services economy. Occupying the third place between the best economies of Latin America and the Caribbean.

The income by exports of Costa Rica continue being important that come from traditional agricultural products, as they are it the banana tree, the coffee, the sugar, the cacao and the fragmentation hand grenade. It emphasizes the production of Costa Rican coffee of high quality and its export to the American market in where very it is appreciated.

The tourism is the industry with greater growth and from beginnings of the decade of 2000 it generates more currencies than anyone of main agricultural products of export.

Costa Rica began realizing that it was a wonderland for many foreign visitors who enjoyed Costa Rica's natural beauty and local charm. As more and more visitors began coming, and returning with more and more visitors, Costa Rica actively decided to take a chance on promoting itself as an international tourism destination. And now it is one of the more visited tourist destinies in the world. The variety of landscape and microclimates that can be enjoyed in a same day, make this country a perfect destiny.

The ICT (Instituto de Turismo Costarricense) was created to help promote the country first on a regional level and then on an international level. Quickly, Costa Rica was examined and given global positioning references to further their tourism promotion which include: third place in world classification index for environmental work, first place in Latin America classification index for competitive tourism (42nd on the world scale) and sixth place for best human development indicators in Latin America.

The infrastructure and the facility to make businesses are part of the areas that require greater attention.

Nevertheless, due to its atmosphere Pacific, the high educative level of its

political suitable inhabitants and of stimulus to companies, in the country one began in the middle of 90 years the technological production of materials and products and micro technology. This way, from year 1997 and with the entrance of the multinational of Intel microprocessors, the country has counted with an additional source of income.

Costa Rica is a country of the affability of many multinationals to seat its power stations or delegations of services within the region, being emphasized Amazon, Procter & Gamble, Coca-Cola, Intel, Hewlett-Packard, Sykes, Sony, DHL, GlaxoSmithKline, Pfizer, Western Union, Baxter, IBM, Oracle, Walmart and Dole Food Company. (Lepiz, J. (2015) Buenas señales para competitividad en Costa Rica, a pesar de los nubarrones. <http://gobierno.cr/buenas-senales-para-competitividad-en-costa-rica-a-pesar-de-los-nubarrones/>)

GLOBALIZATION AND COMPETITIVENESS ANALYSIS

Is the education an important factor for a globalized country?

A country with a low index of illiteracy is a country with a greater preparation at the time of facing a globalized world. Therefore for a country to develop successfully, it should invest more efforts in education and make it a priority that must adjust to the new global needs. However, globalization promotes student exchanges and courses abroad, which increases the level of primary, secondary and professional education.

Why education is important?

- Education gives people critical skills and tools to help them better provide for themselves and their children
- Education helps people work better and can create opportunities for sustainable and viable economic growth now and in the future
- Education helps fight the spread of HIV/AIDS and other diseases, reduces mother and child mortality and helps improve health

- Education encourages transparency, good governance, stability and helps fight against graft and corruption.
- Education gives people the skills they need to help themselves out of poverty and into prosperity.
- With education, people are better prepared to prevent disease and to use health services effectively.
- Education supports the growth of civil society, democracy, and political stability, allowing people to learn about their rights and acquire the skills and knowledge necessary to exercise them. (Global Partnership for Education, (n.d.), Education, <http://www.globalpartnership.org/education>)

Which aspects of competitiveness allow a country to be globalized?

Each of the 12 pillars of competitiveness has a certain relationship with the process of globalization among them are:

Institutions

Encompasses the legal and administrative framework in which individuals, companies and government interact to generate wealth. This framework influences investment decisions, the organization of production and how profits are distributed and the costs of policies and development strategies are loaded. The institutions are

vital to generate good international relations and national stability.

Infrastructure

An extensive and efficient infrastructure is important in determining the level of economic activity and the types of activities and sectors that can develop within a country. Good infrastructure reduces the effects of the distances between regions, integrating and connecting markets at low cost. The transport and communications infrastructure improved personal contact, through phone calls and travel, which is a factor taken into account when measuring globalization in a country.

Health and primary education

Low levels of public health bring significant costs to businesses, increasing absenteeism and operating at low levels of efficiency. Basic education enables the development of the potential of providing workers joining most advanced production processes and increasing individual efficiency of each worker. This would affect economic integration positively or negatively, (international trade) and thus globalization.

Higher education and training

Quality higher education and continued training the jobs are crucial for economies that want to move forward in the value chain beyond simple production processes. Today's global economy requires countries to promote teams well prepared and able to develop complex tasks and adapt quickly to constantly changing working environment.

Financial market development

Efficient financial sectors allocated resources saved by the citizens of a nation and those who enter the economy of that country from overseas, to more productive uses. Channel resources to entrepreneurs or investment projects with high expected rates of return rather than giving primacy to political connections. Meticulous and appropriate risk assessment is a key ingredient of a sound financial market.

The banking sector must be reliable and transparent and should take appropriate steps to protect investors and other economic actors regulations.

Innovation

This pillar measures technological innovation. In the long term, the welfare of a society can be significantly improved through technological innovation. Major technological

advances have been the basis of many of the gains in productivity of the economies in the past.

Technological readiness

This pillar measures the agility with which an economy adopts existing technologies to enhance the productivity of their industries, with special emphasis on their ability to make full use of information and communication technologies (ICT) in their daily activities and production processes to increase efficiency and enable innovation. The globalization is measured by technological connectivity so it is related to this pillar. (Carlotabelles. 2014. Los 12 pilares de la competitividad.

<https://valoraccionblog.wordpress.com/2014/08/27/los-12-pilares-de-la-competitividad-parte-i/>)

What happened first in Costa Rica, competitiveness or globalization?

In our opinion Costa Rica began to be global to be competitive since then to implement improvements in human rights, media and technology, Costa Rica stopped being an underdeveloped country to innovate and compete with other countries. Costa Rica has expanded its capabilities to the field of export and import competing with other agricultural products where developing countries had more as it was bananas, coffee, rice, etc. Costa Rica was affected by this even so I

keep producing food rather expanded its "borders" focusing on not so strong for the competition areas. By focusing on an international level they began to open its market letting big companies for the same benefit, seeing that other countries had a higher than theirs growth began to develop new products such as construction, Technology and pharmaceutical giving more opportunities to Costa Ricans employed in new jobs and generate foreign income. Costa Rica has always been a tourist country which received monthly foreign income having a drive like this, Costa Rica has been chosen as one of the best tourist and exotic places in the world, despite this Costa Rica faced a big problem facing the free treaty Trade with the United States and its currency was devalued and left the Costa Ricans in the not too optimal level, this meant that its economy is well kept on the outside but not inside it, had foreign investment but to the life of the Costa Rican`s it harder to afford, Costa Rica began to promote technological products and pharmaceuticals that neighbors and other countries began to demand, that imposed a competitive level in Costa Rica where they focus on improving and innovating products internationally need without leaving their sectors affected, Costa Rica is now well positioned leaving it at the 3 position of one of the most competitive and innovative countries in Latin America

RECOMENDATIONS

- A good recommendation is to increase investment in

infrastructure, skills development and innovation if it wanted to see the boom of the last decade continue.

- Other recommendation is to focus on the need to address the high rate of attrition in secondary education as this appears as one of the most critical human capital impediments to competitiveness.
- Costa Rica can improve its competitiveness creating new clusters that becomes high specialized generators of the economic activity.
- Costa Rica is at a point where the country can get to grow more economically in order to maintain a steady pace in their statistics and their country. For this we recommend an improvement in the industrial area which will open a field employment, improving the lifestyle of Costa Ricans, with international media training concentrating on the area of construction and high technology. In the Maquila sector could be improved establishments where they are located so that employees feel

comfortable and are held efficiently.

- Another thing that identify Costa Rica has been Pharmaceutical exports have benefited his country, in Costa Rica recommendation could innovate medicines herbal medicines which are easier for the body to digest and provide better solutions to physical problems which demand would grow relative to the pharmaceutical sector.

CONCLUSIONS

- Latin America is a region that has been centered in taking advantage of the good economic march and is making suitable political decisions in the matter of innovation
- Although in the list the economies with high income predominate, are several the new actors who have increased to their capacities and results in innovation like Costa Rica
- The countries with high income surpass to the countries developing by an ample general margin.

- The bet by the innovation that Costa Rica makes, attracts greater foreign capital.
- In Costa Rica there have been efforts to generate a strategic vision with objectives of long term. Nevertheless, it has not been managed to generate a space that counts on the human and financial resources and the legitimacy to fortify the function of strategic conduction of the system of innovation of Costa Rica.
- Despite the statistics, globalization which has faced in Costa Rica in recent years has generated major changes since its market has focused on a global level and not on a centralized one.
- Costa Rica despite being a country in some unknown way has developed foreign income jobs through big companies that are established within it.

EL SALVADOR



Background:

El Salvador became independent in Spain in 1821. Born from the Central American Federation in 1839. After that in 1992 was almost the worst year of the El Salvador a large majority of leftist signed a treaty which would level the military and political reform, following this is very important to know that during the 1939 civil war for the El Salvador happened was almost 12 years.

Location: Central America, bordering the North Pacific Ocean, between Guatemala and Honduras.

Total Area: 21,041 sq km land: 20,721 sq km water: 320 sq km

Country comparison to the world: 153

Demographic profile:

In El Salvador being one of the smallest countries in all Central America but also its look with a large percentage of population, we see that in this country the majority of young people living in El Salvador is still little people most adult population.

In 2008 talks about the sterilization in women it is one of the most common contraceptives because for each woman born 6 children. Unlike the other part of the population of women in El Salvador,

which are those that have more economic power, urban, poor and to a certain way are caring a bit more of that in their own way. Between 1990 y 2000 after the Salvadorans fled the civil war in the year 1972 to 1992, the United States was one of the countries with more immigrants in the world being a good option for the economic part, almost the 20% of people of El Salvador living abroad. (CENTRAL INTELLIGENCE AGENCY, 2015)

Population: 6,125,512 (July 2014 EST.)

Country comparison to the world: 109

Government type: republic

Legal system: Civil law system with minor common law influence; judicial review of legislative acts in the Supreme Court. (CENTRAL INTELLIGENCE AGENCY, 2015)

Economy - overview:

El Salvador having the fourth largest economy in the region was reported in 2010 and 2014 with a stability less than 2%, after that one of the best years of El Salvador was in 2006 when they manage to make an excellent agreement with the Dominica Republic trade by the treaty, since today in the last years of El Salvador stands at 59% of GDP just in the last past year (2014) in September 2014 the United Stated makes the decision to help in some way to El Salvador, in other to have a better management to reduce poverty and help the economy and competitiveness in international markets. (CENTRAL INTELLIGENCE AGENCY, 2015)

GLOBALIZATION IN EL SALVADOR

Illustration 1: Index: Economic Globalization

Country Code	Country name	2007	2008	2009	2010	2011	2012
SLV	EL Salvador	76.36	77.53	78.28	66.48	66.16	63.83
SLV	EL Salvador	66.48	66.16	63.83	62.44	60.83	59.82

(KOF, 2015)

Illustration 2: Index: Social Globalization

Country Code	Country name	2007	2008	2009	2010	2011	2012
SLV	EL Salvador	52.51	54.32	53.42	52.07	48.48	49.21

(KOF, 2015)

Illustration 3: Index: Political Globalization

According to method of calculation (KOF, 2015), The Economic Globalization is based in the flow of exports and imports, of goods and services, Sum of inward and outward FDI stock. Also portfolio investment assets stocks and portfolio investment liabilities stocks, All of things are measured in the proportion of gross domestic product. Then we will see the top 10 products of El Salvador in terms of exports

El Salvador: Exports of the top 10 products under SITC Rev.1

- No underwear knit or rubberized
- Outer garments, not elastic or rubberized point
- Articles of artificial plastic materials,
- Green or roasted coffee and coffee substitutes containing coffee

- Beet sugar and cane sugar, unrefined (excluding syrups)
- Stockings, etc. not knit or rubberized
- capacitors
- Other paper and paperboard, cut to size or shape
- medicine
- Prepared or preserved fish (including caviar and its substitutes) (UN, 2015)

Based on the above information, the economy of this country is based on raw materials; the trade supplies the needs of the primary sector to the exporting countries, which forces the control of tariffs and the strengthening of the agreement.

To achieve economic globalization is necessary to eliminate or reduce international tariffs, mutual agreements and the free trade zone creation, leading to the entry of more goods and services, we invite you to see the table of Taxes on international trade (% of revenue)

Taxes on international trade (% of revenue)

2005	6.6
2006	6.0
2007	5.2
2008	4.0
2009	4.9
2010	4.8

2011	4.4
2012	4.4

(World Bank, 2005 - 2012)

“Taxes on international trade include import duties, export duties, profits of export or import monopolies, exchange profits, and exchange taxes” According to method of calculation (KOF Economic Globalization, Page 1)

Knowing the percentage of taxes on international trade is easy to know if El Salvador generates appetite for investment in a Foreign, this helps the continuous improvement of industry and trade, strengthening the globalization of goods and services, it also helps increase investment portfolio.

<i>Foreign Direct Investment.</i>				
2009	2010	2011	2012	2013
365.8	-225.5	218.4	483.6	137.2

(Cepal Start, 2009 - 2013)

The chart above show that El Salvador is very volatile in terms of DFI development between 2009 - 2013

The way to increase the FDI and strength the relation between El Salvador’s neighborhoods in terms of globalization, this country opened their barriers in different treaties and then you can see

specifically treaties El Salvador has today.

Treaties

Multilateral Agreements

WTO Members

Customs Unions

CACM

FTAs

Central América - European Union

(Costa Rica, El Salvador, Guatemala,

Honduras, Nicaragua and Panamá)

Central América - México (Costa Rica,

El Salvador, Guatemala, Honduras and

Nicaragua)

Colombia Northern Triangle (El

Salvador, Guatemala and Honduras)

Taiwán (Republic of China) - Honduras,

El Salvador

CAFTA-DR (Central America - United

States - Dominican Republic)

Central América - Panamá (Costa Rica,

Guatemala, El Salvador, Honduras and

Nicaragua)

Central América - Chile (Costa Rica, El

Salvador, Guatemala, Honduras and

Nicaragua)

Central América - Dominican Republic

(Costa Rica, El Salvador, Guatemala,

Honduras and Nicaragua)

PTAs

Venezuela (AAP.A25TM No. 27)

[\(Sice oas\)](#)

The characteristics of economic globalization are long distance flows of goods, capital and services, also information of market exchange, this is measured in two dimensions, Actual Flows and Restriction

2005	6.926.761	5.911.325
2006	7.205.817	5.946.147
2007	7.144.489	6.152.817
2008	7.509.115	5.724.499
2009	7.109.428	565.808
2010	6.686.527	5.802.193
2011	6.247.825	5.920.002
2012	5.659.981	6.305.717

(KOF, 2015)

These two dimensions collect economic performance and are measured according to the country's competitiveness in terms of elimination barriers through agreements and rates, helping the growth of trade, this to know the level of economic globalization.

Social Globalization

Personal Contact

International voice traffic (minutes per person)

El Salvador since 2004 has been increasing international voice traffic through 2007, reaching approximately 580 minutes per person, 2004 and 2005 being the lowest with approximately 450 minutes per person. (Trading economics , 2015)

Economic Globalization		
Year	Restrictions	Actual Flows

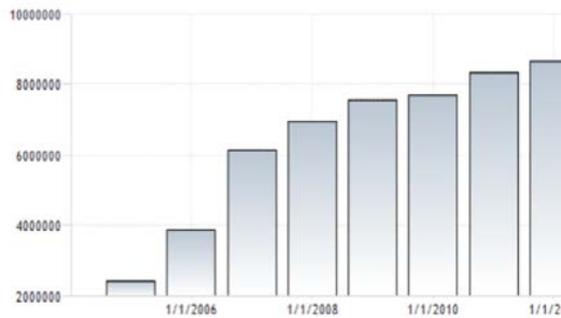


Telecommunications investment (current LCU) in El Salvador

El Salvador in 2008 had 198.555.360 invested in everything that has to do with infrastructure equipment in telecommunications, including land, buildings and intangible and tangible properties. (Trading economics , 2015)

Mobile cellular subscription in El Salvador.

From 2006 to 2012 , in 2012 according to the World Bank record 8.649 million people of El Salvador who had contracts with companies telecommunications , both prepaid and postpaid. (Trading economics , 2015)

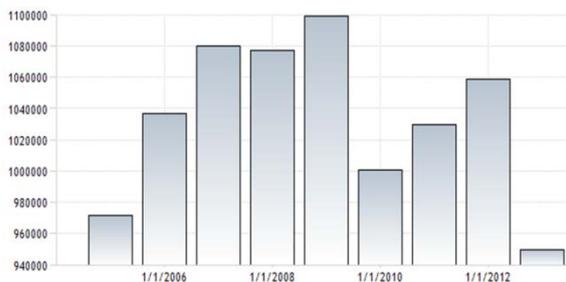


Telecommunications revenue (% GDP) in El Salvador

The latest telecommunication revenues were 4.78% in 2008, such as fixed, mobile and data. (Trading economics , 2015)

Telephones lines in El Salvador

These telephone lines that connect to an abandoned public point to a line, where wireless networks for all users in 2012 had 1059000 of users. (Trading economics , 2015)



Transfers (percent of GDP)

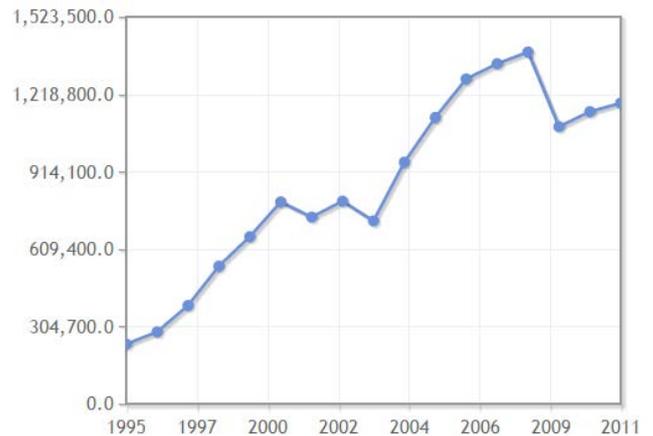


Currently remittances in El Salvador are of 4.2172 billion dollars is 17.4% in GDP , an increase since 2010 approximately one billion dollars; this means that migration and labor market trends have increased and therefore the money transfers by expatriate workers to their country of origin have increased sharply. (TRADING ECONOMICS, 2015)

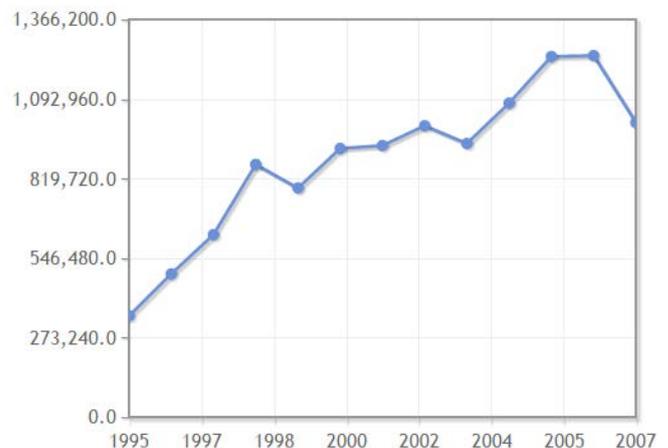
To be increasing remittances is that in El Salvador the financial support is promoted through various kinds of payments and transfers, either through internal payments or money transfers, leading to access to financial services are a greater scope of the needs of poor people in the country. (TRADING ECONOMICS, 2015)

International Tourism

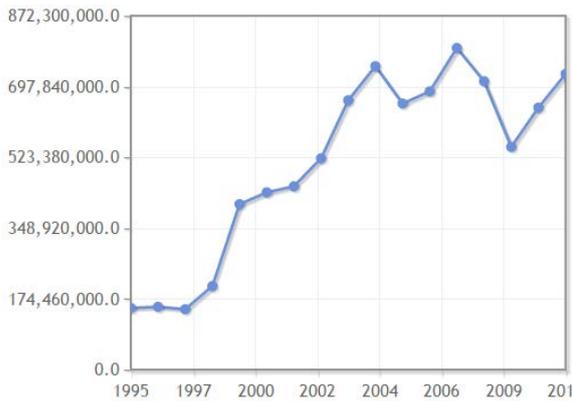
The number of arrivals in El Salvador was 1,184,000 in 2011. In 2008 it reached a maximum value of 1,385 million arrivals from 2003 to 2004 it is a sharp increase since increased by 231,000 arrivals to the country. (IndexMundi, 2015)



However the number of outlets in El Salvador was 1,012,000 as of 2007 while in 2006 it was 1.242 million, with a decrease of this outputs tourists is noticeable; so probably El Salvador is a stable and preferably to stay who will visit tourist destination (IndexMundi, 2015)

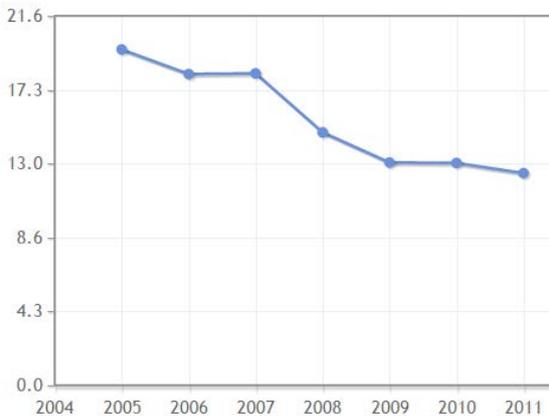
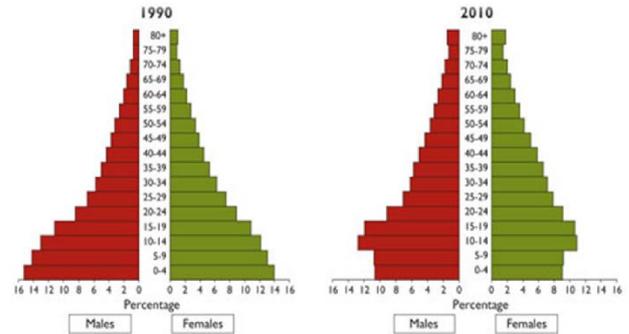


The expenditures by international visitors in El Salvador were \$ 729 million from 2011. The value of this income has ranged from \$ 793 million in 2007 and \$ 437 million in 2000. Therefore this income is not stable, as it shows that there are years in which influences the country's GDP but not years. (IndexMundi, 2015)



The population increased 16.2% between 1990 and 2010. (Pan American Health Organization (PAHO), 2012)

In relation to exports from El Salvador was 12.40% in 2011 while in 2005 it was 19.63%, so is the reduction of this income on the subject of tourism. (IndexMundi, 2015)



Foreign Population (Percent of total population)

During the last five years El Salvador in 2011 the population was 6,216,143 inhabitants is divided as follows: 53 % female and 47 % male) being the most populous Central American country with 295 inhabitants, in the graph below you can see more specific data on the percentages of people aged six, analphabets people ages 10 and over 65 years, the last thing El Salvador to decreased 5% in the number of children under 15. (Pan American Health Organization (PAHO), 2012)

International Letters

In the era of Elvis Presley talks about a teacher and 3 economists who sent letters to nonexistent companies to 159 countries all this was done in order to explore an experiment for developing countries governments tend to have low performance. This shows us that at that time send a letter to other countries was not as effective when having and importance to him a letter to comparison of our day which is something that has more value and importance. Most letters were sent were returned without being read. (The Costa Rica Star, 2015)

Data on Information Flows

- Literacy rate:71.5%
- Area:21,040 sq km

- GDP:13,211 (US\$ millions)
- Number of Television Stations: 5
- Number of Television Sets: 600,000
- Television Sets per 1,000:96.2
- Number of Satellite Subscribers: 35,000
- Satellite Subscribers per 1,000:5.6
- Number of Radio Stations: 91
- Number of Radio Receivers:2,750,000
- Radio Receivers per 1,000:440.9
- Number of Individuals with Computers: 120,000
- Computers per 1,000:19.2
- Number of Individuals with Internet Access: 50,000
- Internet Access per 1,000: 8.0

(anonymous)

Working conditions for journalists in El Salvador improved in the late 1990s , reporters had to pay under what they received bribes easily , technology was not always available but in 1998 the Inter - American Development Bank

approved a loan of a US\$73.2 million to El Salvador for the expansion of video libraries , interactive radio , resource centers for learning new technologies , school supplies and computers through the ministry of education. (anonymous)

PRESS LAWS:

Article 243 of the Constitution has some prohibitions to the national police from allowing detained people to talk to journalists because "it affects their good names and violates their right to due process." And in the Article 272 "In general, penal proceedings will be public. However, the judge may order a partial or total press blackout when he deems, for valid reasons that it is in the interest of good morals, public interest or national security, or is authorized in some specific rule.", This blackout may be partial or complete. In the Article 273 we can found that "Hearings will be public, but the court may, on its own authority, order or at the request of one of the parties that said hearings be closed when required for reasons of good morals, public interest, national security or it is authorized by some specific rule."

(anonymous)

For a while the journalist's access to government information and budgetary records, that in 2000 El Diario de Hoy and La Prensa Grafica reported a scandal

in the government was that the legislators were government overspending on food, travel and entertainment. Now, local newspapers add a platform on internet that have the capacity be faster than newspapers and radio stations. (anonymous)

“As of 2002, there are 8 television channels, 8 commercial stations, and 2 government-owned stations that presented educational programming during limited broadcasting hours. Perhaps more than any other medium, television had increased freedom of speech and access to information, as well as the opinions of a diversity of political organizations. TV news crews covered events, attended press conferences, interviewed, investigated, and reported elections results. When the military, police, and security forces were accused of human rights abuses, TV crews covered these stories and interviewed those accused.” (anonymous)

THE RELATION BETWEEN STATE-PRESS:

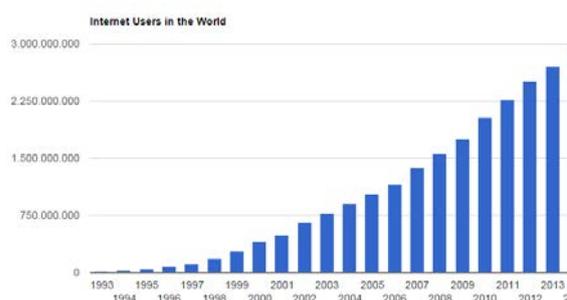
The press of El Salvador continued to suffer things like in the past from

restricted access to public records and resources. These restrictions limited the Access to information. Article 339 of the El Salvadorian penal code allowed imprisoning journalists for up to three years for falsely accusing someone of a crime:

"An individual who offends the penal code allowed police officers to deny the press information about who had been arrested or even to prevent reporter's access to courtroom trials. Article 339 of the El Salvadorian penal code allowed imprisoning journalists for up to three years for falsely honor or dignity, by deed or word, of a public official in the performance of his duties, or threatened such an official verbally or in writing, shall be punished with a prison term of six months to three years. The punishment may be increased by one third of the maximum sentence should the offended party be the President or Vice President of the Republic". (anonymous)

El Salvador advanced to newspapers and media are increasingly professional , however in the article argues that "Under investment in education, infrastructure

damaged, relatively weak professional institutions, legal system historically hostile journalism research, very low wages in the profession, and physical environment degraded all slowed the reconstruction and stabilization of the many channels of communication journals El Salvador " Some will have to be strengthened part of communication Media , protect the Law that I should and disappears censorship that the media will not be transparent how you want . (anonymous)



(Internet Live Stats, s.f.)

Create strategies and platforms would be an excellent choice Internet these time because as you can see every time are more people using the internet in the world, and it helps people to be more open to having uncensored newspapers , and that all this communication in El Salvador developments increasingly.

Political Globalization

El Salvador has many embassies around the world with people support in all

Continents. There are 39 embassies, which means that El Salvador is a good country in terms of globalization policies because it has a great coverage in the world. (Directorio De Embajadas y Consulados De El Salvador en el Mundo, 2015)

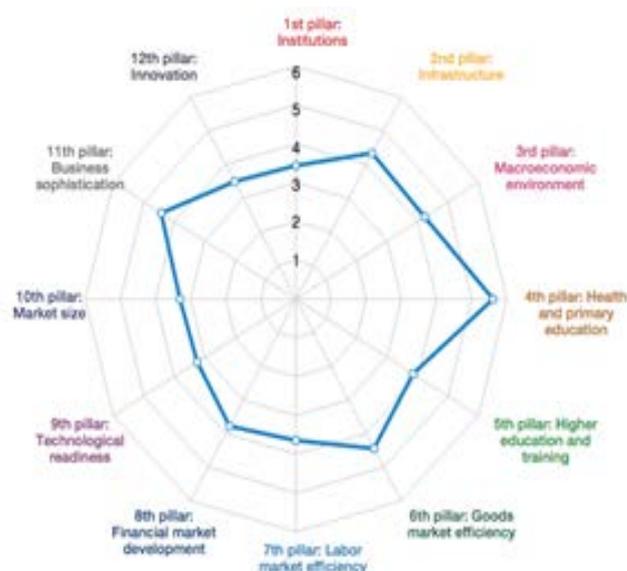
El Salvador has a total of 232 treaties with different countries, is a country with good Average Compared between the countries in the sub region. This treaties has different action type like: Acceptance (20), Accession (38), Application (17), Consent to be bound (3), Declaration (3), Definitive acceptance (2), Definitive entry into force (2), Definitive signature (1), Denunciation (1), Notification (9), Provisional acceptance (1), Provisional application (8), Provisional application by virtue of a notification (1), Ratification (57), (Signature) are the most of them with (66), Withdrawal of reservation (2). (Treaty Collection UN, 2015).

The ONUSAL was the only one peace mission in El Salvador Established to check the application of all the agreements been agreed among the Government of El Salvador and the Front Farabundo Martí for the National Liberation with the intention of finishing with a civil war that lasted already a decade. (United Nations, 2014)

The next one is the all organizations the international participation where El Salvador is included: BCIE, CACM, CD, CELAC, FAO, G-11, G-77, IADB, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IFAD, IFC, IFRC, ILO, IMF, IMO, Interpol, IOC, IOM, IPU, ISO (correspondent), ITSO, ITU, ITUC (NGOs), LAES, LAIA (observer), MIGA, MINURSO, MINUSTAH, NAM (observer), OAS, OPANAL, OPCW, Pacific Alliance (observer), PCA, Petro Caribe, SICA, UN, UNCTAD, UNESCO, UNIDO, UNIFIL, Union Latina, UNISFA, UNMISS, UNOCI, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO. (CENTRAL INTELLIGENCE AGENCY, 2015)

COMPETITIVENESS IN EL SALVADOR

The 12 pillars of competitiveness



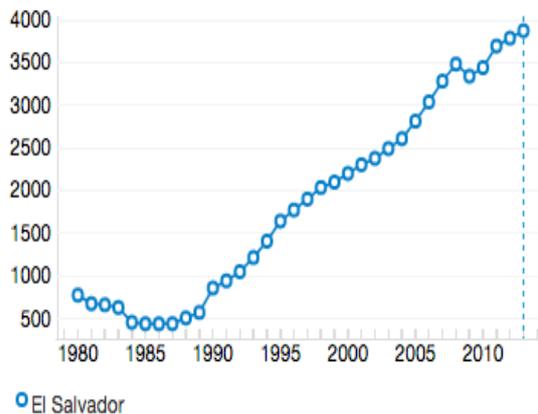
El Salvador

Key indicators:

Population (millions)	6.3 (i)
GDP (US\$ billions)	24.5 (i)
GDP per capita (US\$)	3875.20 (i)
GDP (PPP) as share (%) of world total	0.06 (i)

GDP per capita, US\$
US\$, 1980-2013

\$3,875.20 2013



Gross domestic product per capita in current US dollars

Fourth pillar: Health and primary education

One of the most important pillars is the fourth is in a healthy workplace batteries is important to have high competitiveness and productivity of a country like El Salvador, if workers are ill or have a low blood down its production internally and this indisputably affect business, so companies is very important health services that are outstanding workers to be more competitive and so on are at work.

It is important to have a basic education and increase the efficiency of each worker individually, those who already have it will be much more difficult to adapt to production processes and the latest techniques, which contribute less elaborations companies or those tasks that take them.

Ninth pillar: Technological readiness

The pillar number nine is one of the weakest points with El Salvador, as is technology, and today that is so globalized technology is increasingly important for all companies to strive autonomously and succeed. Technological readiness pillar measures the skill with which an economy adopts existing technologies to enhance the performance of their industries, with emphasis on their ability to maximize the use of information technology and communications (ICT) in daily tasks and processes production to increase efficiency and improving competitiveness enabling today.

The important point is that companies practicing in the country should have access to products and advanced models and the ability to absorb and use, especially to countries that are less developed technologically and is El Salvador, why is priority country They begin to have the most advanced technology to succeed and be more competitive with countries that are an overpass

Tenth pillar: Market size

At number ten battery is the size of the market and this affects us in productivity because large markets granted to companies to exploit economies of scale, the markets available to firms have been constrained by borders. Today as globalization is all, international markets have started to become a deputy of national markets, mainly in the bran and small countries, but there is a general feeling that the trade has a good effect on the small increase compared to the old

market day, so that exports can be called as a substitute for domestic demand to determine the size of the market for companies from one country

By including both domestic and foreign in our markets as market size, give credit to the export-oriented areas and geographic (such as the EU) that are segmented into many economies of the countries, but they have a common market.

Eleventh pillar: Business sophistication

Once the pillar is one of the most major of El Salvador will make complex business practices are conducive to greater efficiency in the production of goods and services. The complexity of business concerns two elements that are closely associated with each other, such as "the quality of the operations and strategies of individual companies and the quality of global business networks of a country." These factors are important in a country in a period of high development, this practice means that the main sources of productivity improvements are low. It is important to the quality of business networks in the country and supporting industries so it is measured by the quality and quantity of local suppliers and the extent of their interaction for a variety of reasons. And the operations of individual companies and strategies such as (branding, marketing, distribution, advanced production processes and the production of unique and sophisticated products) that spill over the economy and give rise to sophisticated and modern business processes across sectors.

ANALYSIS

El Salvador as a country of limited area does not have very good communication within himself, but instead you can see

that many people travel abroad making international communication increases every year. While tourism , El Salvador has a higher number of arrivals than departures of tourists , making it a great tourist destination helping the US economy through spending travelers make in this , but equally is better than El Salvador do best advertisement of your country to make it more attractive to other countries , El Salvador is one of the most populous countries in Central America and it follows that in the population there are more women than men, as the consequence number of children under 15 years decreased in recent years.

El Salvador should open up a little more their media, and expanding platforms and websites, and censorship that is handled in El Salvador must stop, he is very much closed, and then the media are as a means or a way for the world to know and relate in some way to El Salvador, and interaction with other countries, and the knowledge that the other countries have to El Salvador is a factor that matter much when it comes to business, and opening doors to globalization..

The globalization policy in El Salvador has been increasing in the last centuries that is the reason why has many treaties

and belong to some organizations how give to El Salvador Constancy relations with must all countries around the world that means with all this El Salvador could be great get advantage to improve in globalization.

The economic globalization is a fundamental factor to connect it country with diminutions of customs taxes, opening the frontiers increasing trade, direct foreign investment, the main aspect of it fact is to guarantee the stability of the income, in the way to supply their needs madding by the productivity of raw materials helping to explore a new market with their neighbors.

How has the globalization process?

Globalization is the integration of national economies conforming a globe common market with a unique economy, it process do companies depends on other but the location is not important, in terms of the economy, it permit that companies use more technology with innovation or updating the industry giving competitiveness to the country, In Politics, the nationalism lost power with the entrance of new international companies broken barriers affect the identity inside the nations.

WTO management agreements of his members supervising the solutions of political differences, this organization cooperate with the World Bank and IMF to help the connections between the economic and trade policy.

The process of the economic globalization started when collapse the socialist economy opened the way of booming market economies in the world leaving the focused model on the state allowing the transfer to new places with cheaper labor in market production transforming the country with the entrance of multinationals affecting the import substitution.

The state needed modernization in their governability for the stability of the demanding of the society and the capacity of the government to replay changing the bureaucracy through the privatization and decentralization. To be the state modern, they approve the mandatory retirement law how eliminated unnecessary services provider for the public sector (The State Modernization)

Who sector to come growing due to the globalization?

During the years the sector who come growing is the service with represents 65% of the GDP following by industry with 25%, that's what El Salvador through agreements give solution a low cost service to wants to invest in that country. El Salvador needs use that invest to improve your education for the people how don't know about innovation

to get better conditions of live and prosperity this could be a benefit not just for some sectors, this can give solution to industry how needs qualified people to be more competitive with the new trends in all the world.

What is the lowest sector is in El Salvador regarding competitiveness?

In previous years, education is one of the worst sectors in El Salvador has competitiveness as the government does not implement aid in this sector, and that is why in this day can not compete with other countries due to education received. One strategy that may help improve this, the government would focus more and give more financial support to solve this problem and to let more foreign aid in order to have better quality and be more competitive in the world today

Conclusions

Inside el Salvador process, multinationals was substituting the national companies, it was caused by the competitiveness, the foreign companies has the features and capital to competitive with a changing market, Otherwise domestic firms can offer quality products but the monetary resources are limited, when they dealing with other companies, they have no another choice to go bankrupt. (The State Modernization)

Also In cultural case traditions and habits are lost by the globalization, the state have to life and know about the globalization but not live to globalization but each country need to establish a balance. (The State Modernization)

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HONDURAS



CONTEXT

The second poorest country in Central America, suffers from extraordinarily unequal distribution of income, as well as high underemployment. While historically dependent on the export of bananas and coffee, Honduras has diversified its export base to include apparel and automobile wire harnessing. Nearly half of Honduras's economic activity is directly tied to the US, with exports to the US accounting for 30% of GDP and remittances for another 20%. The US-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) came into force in 2006 and has helped foster foreign direct investment, but physical and political insecurity, as well as crime and perceptions of corruption, may deter potential investors; about 70% of FDI is from US firms. The economy registered modest economic growth of 3.0%-4.0% from 2010 to 2012, insufficient to improve living standards for the nearly 65% of the population in poverty. (*The World Factbook. 2015. Obtained the May 15, 2015, from*

<https://www.cia.gov/library/publication/the-world-factbook/geos/ho.html>)

DATA

GDP (purchasing power parity)

\$38.95 billion (2014 est.)

Country comparison to the world: 113

Population

8,093 million (2013 est.)

GDP - real growth rate

3% (2014 est.)

Country comparison to the world: 113

GDP – per capita (PPP)

\$4,700 (est.)

Country comparison to the world: 173

Industrial production growth rate:

2,8% (2014 est.)

Country comparison to the world: 105

Labor force:

3.579 million (2014 est.)

Country comparison to the world: 98

Unemployment rate:

4.3% (2014 est.)

Country comparison to the world: 40

Population below poverty line:

60% (2010 est.)

Taxes and other revenues:

17.3% of GDP (2014 est.)

Country comparison to the world: 180

Inflation rate (consumer prices)

6,2% (2014 est.)

BOP (balance of payment)

-\$3,27 billion (2014 est.)

ECONOMY

Honduras is one of the main producers of bananas, coffee and African palm in the region. Its main economic sector is agriculture, followed by mining and maquila.

Honduras has trade relations with countries throughout America; thanks to its access to two oceans, Atlantic and Pacific have commercial relations with countries on five continents.

Honduras is a member of the Central American Common Market (CACM) since 1960 and a member of the Free Trade Agreement between the US, Central America and the Dominican Republic in 2005 that became applicable in 2016. The annual foreign trade reached US \$ 6 billion of which \$ 4 billion represent imports and \$ 2 billion represent exports.

Since 1990, the country began a process of liberalization of foreign trade and deregulation of the domestic market. The trade reform included, among other measures, the gradual reduction of import tariffs, elimination of quantitative import restrictions, administrative simplification and elimination of taxes on foreign trade. (*Economía Honduras, Comercio Exterior, 2015. Obtained the May 15, 2015.* http://es.wikipedia.org/wiki/Econom%C3%ADa_de_Honduras#Comercio_exterior)

Exports: The products exported by Honduras since 1913 have been bananas

and precious metals. Banana was the main product exported by this country, which occupied 50% of total exports, so it can point out that the survival of this country's economy depended heavily on him. Precious metals were the second most exported product with 26%. Buyers of these products exported countries in these years were Germany, Britain and the United States. Historically, the United States has been the largest trading partner of Honduras with a purchase between 50% and 70% of exports coming out of Honduras, while Germany and Britain covering only 5%, respectively.

	2013	2014 ^P	2014/2013
BANANO			
Valor	490,1	456,0	-7,0
Volumen Cajas 40 Lbs.	35.482,4	32.988,6	-7,0
Precio	13,80	13,80	0,0
CAFÉ			
Valor	749,8	838,5	11,8
Volumen Sacos 60 Kg.	4.184,8	4.260,5	1,8
Precio	179,20	196,80	9,8
Volumen Sacos 46 Kg.	5.458,4	5.557,2	1,8
Precio	137,40	150,90	9,8
MADERA			
Valor	21,5	30,7	42,8
Volumen P.T.	15.262,2	20.744,0	35,9
Precio	1,40	1,50	7,1
ACÉITE DE PALMA			
Valor	286,4	309,6	8,1
Volumen Kilos	323.938,5	329.787,2	1,8
Precio	0,90	0,90	0,0
PLATA			
Valor	25,9	32,4	25,1
Volumen Onzas Troy	1.361,4	1.750,0	28,5
Precio	19,00	18,50	-2,6

source: Honduras Central Bank.
http://www.bch.hn/Exportaciones_FOB.php

Imports: The main products imported by Honduras are petroleum oils obtained from bituminous metals, industrial chemicals, plastic products, paper and related products, electrical equipment, industrial equipment, medical supplies and equipment, processed foods, among others.

In 2010, general merchandise imports rose by 17.5% compared to US \$ 6069.7 million recorded during 2009. Purchases

of fuels and lubricants reflected an increase of US \$ 376.7 million (35.4% of the total increase) driven by rising 30.6% in the average price of petroleum products. (*Economía Honduras. Exportaciones e Importaciones. 2015. Obtained the May 20, 2015. http://es.wikipedia.org/wiki/Econom%C3%ADa_de_Honduras#Comercio_exterior*)

	2013	2014
1. Animales vivos y productos del reino animal.	134,8	147
2. Productos del reino vegetal.	417,2	413
3. Grasas y aceites animales y vegetales.	72,7	67
4. Productos industrias alimenticias.	957,0	982
5. Productos minerales.	2.305,9	2.120
5.1 Combustibles y lubricantes.	2.264,3	2.084
5.2 Otros productos minerales.	41,6	35
6. Productos de industrias químicas y conexas.	1.181,5	1.149
7. Materiales plásticos artificiales y manufacturados.	533,9	547
8. Pieles, cueros, peletería y manufacturados.	14,6	17
9. Madera, carbón, corcho y sus manufacturados.	28,5	29
10. Materiales para fabricación de papel y artículos de papel.	394,3	364

source: Honduras Central Bank. http://www.bch.hn/importaciones_CIF.php

MAIN INDUSTRIES:

Agricultural Industry - Honduras is a country of agricultural land and extensive marine resources, so that agriculture and aquaculture are the main economic sector of the nation. It has an approximate land area of 112,492.7 km². En 2011 agricultural products accounted for 54% of the value of all goods exported. In 2012 coffee generates 1.44 billion dollars.

Agriculture remains the mainstay of the economy hondureña.¹⁵ The main products of Honduran exports are coffee, textiles, shrimp, bananas, palm oil, gold, fruit and wood.

Electrical Industry - The electricity sector in Honduras is a strategic industry for national development as this depend all other sectors and companies in Honduras.

Honduras has a demand of approximately 1,400 megawatts per hour, which are covered by the ENEE by 40% the rest is purchased from power producers in Honduras or abroad. The installed capacity is 1.6 gigawatts Honduras.

Mining Industry - Over the past five years, American mining companies have generated revenues of 9,920 million lempiras (USD 524 million) at the expense of Honduras. Only paid 618.4 million lempiras (\$ 32 million), this is only 16%. Therefore these mining that the gain was 85% of the total generated.

Manufacturing Industry - The manufacturing industry showed a significant recovery in 2010 with an increase of 6.4% in contrast to 1.4% in the same period of 2009. The growth in activity in this sector was due to the increase in textile and other industries products manufacturing and metal products industries, despite the reduction in activity of food, beverages and Tabaco.

According to the Honduras American Chamber of Commerce is the industry sector which is receiving more attention at the level of local and foreign investment. With the increased flow of investment into the country mainly directed to the production of textiles, this sector has experienced rapid growth (8.3% in 2010). (*Economía Honduras. Principales Industrias. 2015, Obtained*

the May 20, 2015.
http://es.wikipedia.org/wiki/Econom%C3%ADa_de_Honduras#Comercio_exterior)

GLOBALIZACION

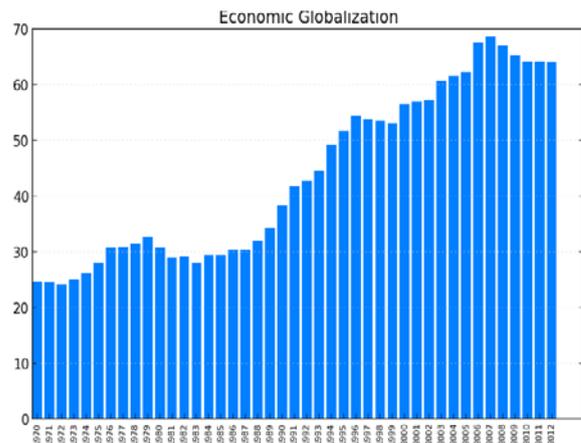
Globalization is the integration of many countries and is a process that is observed worldwide, is called globalization and sharing cultures, markets, customs and economies.

This process is accompanied by provisions for the government, businesses, NGOs and not be subjected to the ultimate goal which is the conquest of world markets leads to this with all organizations are only concerned by a competition where interested fulfill a 100% production to seize the market.

Governments who are suffering from a shortage of capital to invest in companies have seen the need to take measures as implemented to globalization and the financial companies has a very high interest in personal and mortgage loans and this affects not only to public enterprises if not rather to people in general. Because they can not start a business because you need to work with their own capital to the financial situation is not jeopardized.

Governments often approve the release, for example privatization in the government of streets, our country suffered a deficit in the economy and was release on prices, and there is no control in which citizens feel secure. (Andino. A. 2010. *Globalizacion en Honduras*. Obtained the May 24, 2015. <http://zoeandino.blogspot.com/2010/03/la-globalizacion-economica-de-honduras.html>)

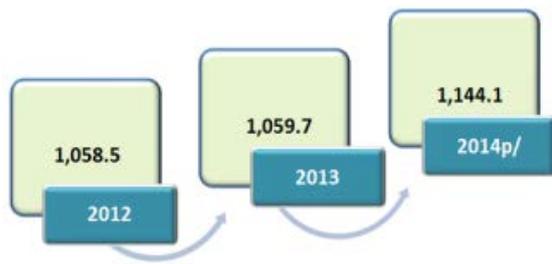
Economic Globalization:



Source: KOF index of globalization.
<http://globalization.kof.ethz.ch/query/>

The country's economy at international level has increased in large measures by the opening of new markets, free trade and a level playing field thanks to these treaties are defined, the results are based on increasing exports and imports demonstrated the country's GDP and the variation of the years.

Another important factor in the global economy is a Foreign direct investment; According to the January 2015 revision of "World Economic Outlook" published by the International Monetary Fund, The latest value for Foreign direct investment, net (BoP, current US\$) in Honduras was (\$996,693,900.00) as of 2011. Over the past 6 years, the value for this indicator has fluctuated between (\$505,263,100.00) in 2009 and (\$1,007,344,000.00) in 2008. (*Honduras – Foreign direct investment*. 2013. Obtained the May 24, 2015. From <http://www.indexmundi.com/facts/honduras/foreign-direct-investment>)



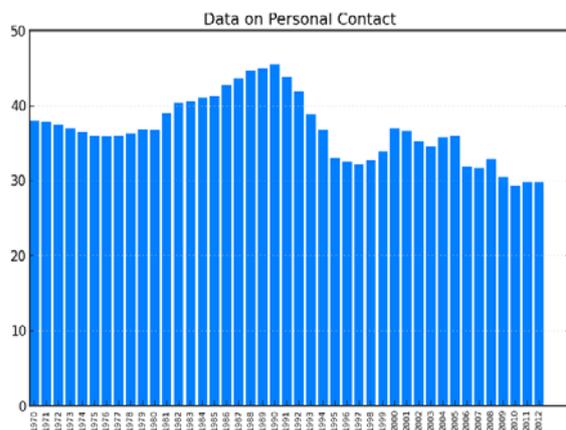
Source: BOP section. Department of Macroeconomic Statistics. BCH

During 2014, flows of foreign direct investment (FDI) to Honduras totaled \$ 1144.1 million, up US \$ 84.4 million compared to those recorded in 2013. This performance for greater reception disbursement of FDI is explained in loans from headquarters. The main source of financing FDI flows was reinvested earnings, representing 53.7% of the total, followed by "Other Capital" with 31.1% Equity investments and 15.2%. By region of origin of FDI flows stood out with North America for US \$ 469.1 million, Latin America with US \$ 367.9 million and Europe with US \$ 275.3 million. (*Honduras Central Bank (HCB). 2014. Flujos de inversion extranjera directa. Obtained the may 24,2015.*

<http://www.indexmundi.com/facts/honduras/foreign-direct-investment>)

Social

Globalization:



Source: KOF Globalization Index. <http://globalization.kof.ethz.ch/query/>

International voice traffic is the sum of international incoming and outgoing fixed telephone traffic (in minutes per person).

Foreign population is the number of foreign or foreign-born residents in a country.

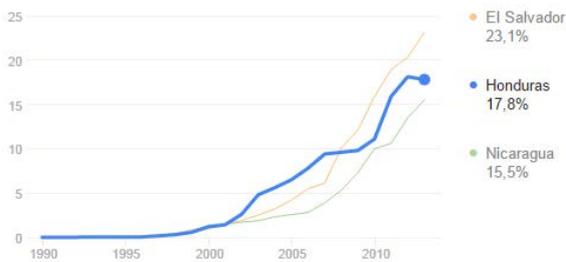


Source: World Bank 2014. <http://data.worldbank.org/country/honduras?display=default>

Internet users:

Internet users are People with access to the worldwide Internet network. This entry gives the number of users within a country that access the Internet.

Statistics vary from country to country and may include users who access the Internet at least several times a week, and / or accessing it at least once within a period of several months.



Source: Honduras Internet Users. World Bank

17,8% of the population

Political Globalization:

Political parties and leaders:

Anti-Corruption Party or PAC [Salvador NASRALLA], Christian Democratic Party or DC [Felicito AVILA Ordonez], Democratic Unification Party or UD [Cesar HAM], Freedom and Refounding Party or LIBRE [Jose Manuel ZELAYA Rosales], Liberal Party or PL [Mauricio VILLEDA Bermudez], National Party of Honduras or PNH [Gladys Aurora LOPEZ], Social Democratic Innovation and Unity Party or PINU [Jorge Rafael AGUILAR Paredes]

Political pressure groups and leaders:

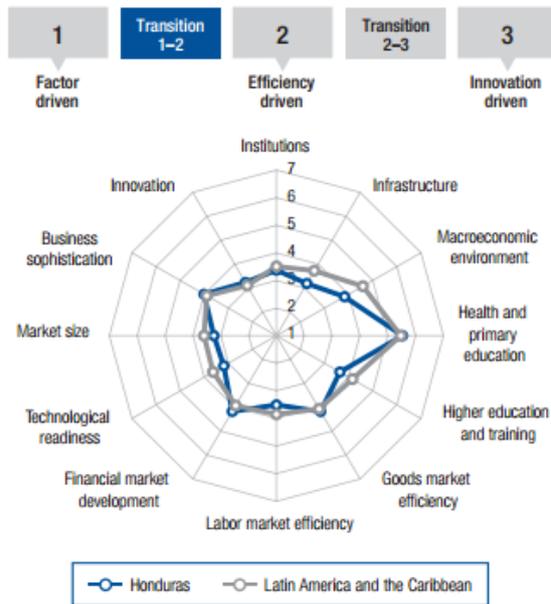
Beverage and Related Industries Syndicate or STIBYS, Committee for the Defense of Human Rights in Honduras or CODEH, Committee of the Relatives of the Disappeared in Honduras or COFADEH, Confederation of Honduran Workers or CTH, Coordinating Committee of Popular Organizations or CCOP, General

Workers Confederation or CGT, Honduran Council of Private Enterprise or COHEP, National Association of Honduran Campesinos or ANACH, National Union of Campesinos or UNC, Popular Bloc or BP, United Confederation of Honduran Workers or CUTH, United Farm Workers' Movement of the Aguan OR MUCA.

International organization participation:

BCIE, CACM, CD, CELAC, EITI (candidate country), FAO, G-11, G-77, IADB, IAEA, IBRD, ICAO, ICCT, ICRM, IDA, IFAD, IFC, IFRCS, ILO, IMF, IMO, Interpol, IOC (suspended), IOM, IPU, ISO (subscriber), ITSO, ITU, ITUC (NGOs), LAES, LAIA (observer), MIGA, MINURSO, MINUSTAH, NAM, OAS, OPANAL, OPCW, Pacific Alliance (observer), PCA, Petrocaribe, SICA, UN, UNCTAD, UNESCO, UNIDO, Union Latina, UNWTO, UPU, WCO (suspended), WFTU (NGOs), WHO, WIPO, WMO, WTO. (*The world Factbook. 2015, Obtained may 27,2015. From <https://www.cia.gov/library/publications/the-world-factbook/geos/ho.html>*)

COMPETITIVENESS



Source: Stage of development. http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2014-15.pdf

INSTITUTIONS: Concepts related to protection of property rights, efficiency and transparency of public administration, independence of the judiciary, physical security, business ethics and corporate governance = Rank 105

INFRASTRUCTURE: Quality and availability of transport, electricity and communication infrastructures = Rank 102

MACROECONOMIC ENVIROMENT: Fiscal and monetary indicators, savings rate and sovereign debt rating = Rank 123

HEALTH AND PRIMARY EDUCATION: A healthy workforce is vital to a country's competitiveness and productivity. Workers who are ill cannot function to their potential and will be less productive. Poor health leads to significant costs to business, as sick

workers are often absent or operate at lower levels of efficiency = Rank 85

HIGHER EDUCATION AND TRAINING: Quality higher education and training is crucial for economies that want to move up the value chain beyond simple production processes and products = Rank 100

GOODS MARKET EFFICIENCY: Countries with efficient goods markets are well positioned to produce the right mix of products and services given their particular supply-and-demand conditions, as well as to ensure that these goods can be most effectively traded in the economy = Rank 91

LABOR MARKET EFFICIENCY: The efficiency and flexibility of the labor market are critical for ensuring that workers are allocated to their most effective use in the economy and provided with incentives to give their best effort in their jobs = Rank 130

FINANCIAL MARKET DEVELOPMENT: The financial and economic crisis has highlighted the central role of a sound and well-functioning financial sector for economic activities. An efficient financial sector allocates the resources saved by a nation's citizens, as well as those entering the economy from abroad, to their most productive uses = Rank 59

TECHNOLOGICAL READINESS: In today's globalized world, technology is increasingly essential for firms to compete and prosper. The technological readiness pillar measures the agility with which an economy adopts existing technologies to enhance the productivity

of its industries, with specific emphasis on its capacity to fully leverage information and communication technologies (ICTs) in daily activities and production processes for increased efficiency and enabling innovation for competitiveness = Rank 97

MARKET SIZE: The size of the market affects productivity since large markets allow firms to exploit economies of scale. Traditionally, the markets available to firms have been constrained by national borders. In the era of globalization, international markets have become a substitute for domestic markets, especially for small countries = Rank 93

BUSINESS SOPHISTICATION: There is no doubt that sophisticated business practices are conducive to higher efficiency in the production of goods and services. Business sophistication concerns two elements that are intricately linked: the quality of a country's overall business networks and the quality of individual firms operations and strategies = Rank 64

INNOVATION: Innovation can emerge from new technological and nontechnological knowledge. Non-technological innovations are closely related to the know-how, skills, and working conditions that are embedded in organizations and are therefore largely covered by the eleventh pillar of the GC = Rank 74 . (*World economic forum. 2014. Competitive index. Obtain the May 27, 2015. From http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2014-15.pdf*)

Global Competitiveness Index

	Rank (out of 144)	Score (1-7)
GCI 2014-2015	100	3.8
GCI 2013-2014 (out of 148).....	111	3.7
GCI 2012-2013 (out of 144).....	90	3.9
GCI 2011-2012 (out of 142).....	86	4.0
Basic requirements (53.5%).....	107	4.0
Institutions	105	3.4
Infrastructure	102	3.2
Macroeconomic environment	123	3.8
Health and primary education.....	85	5.5
Efficiency enhancers (39.8%).....	99	3.6
Higher education and training.....	100	3.6
Goods market efficiency	91	4.2
Labor market efficiency	130	3.5
Financial market development	59	4.2
Technological readiness.....	97	3.2
Market size.....	93	3.2
Innovation and sophistication factors (6.6%).....	70	3.6
Business sophistication	64	4.0
Innovation.....	74	3.2

Source: Global Competitiveness Index Report.

http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2014-15.pdf

ANALYSIS

While it is true that Honduras is a developing country, however, it offers the world a series of products that support the economy. The items that will generate foreign exchange to this nation are agriculture, agribusiness, mining and manufacturing. Agribusiness and maquila stand out as the most representative segment of exports, with a participation rate of 76.1% in domestic supply varied.

Among the most popular products to other countries are coffee, bananas, shrimp, sugar and iron. According to the Central Bank of Honduras (CBH), the end of last year general merchandise shipments totaled 4069.7 billion, representing an increase of 4.7% over 2013. While exports of manufacturing

activity totaled 3979.8 million dollars, reflecting a positive variation of 2.3% compared to 2013. Among the partners continues to lead the United States, with an import of 34.5%.

United States: In the first quarter of this year it reached an import of 397 million, accounting for 34.5% of exports by Honduras.

Europe: 29.2% of exports in the first quarter of this year went to more than 10 European countries. Germany and Italy imported 181.6 million dollars to Honduras. In total, the EU imported 341 million dollars.

Central American countries: In Nicaragua, El Salvador, Costa Rica and Guatemala to Honduras was exported 223.2 million dollars, accounting for 19.4% of the total sent from January to March this year 2015.

South America and Mexico: The countries of South America and Mexico imported from Honduras \$ 116 million. Venezuela achieved a 2.4% and Mexico 1.5%. Trade with the latter country has been declining.

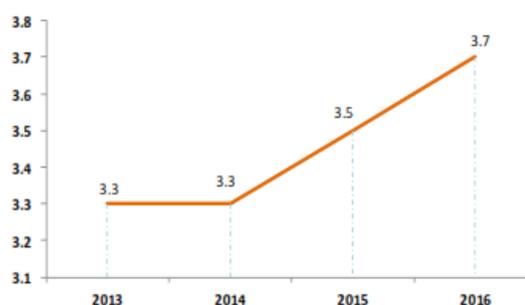
Rest of the World: This region includes China, India, Korea, Japan, Taiwan, among others. Currently, of these, Korea is the strongest trading partner of Honduras, since the first three months of 2015 imported 21.3 million. (Carranza S. 2015,. *Conozca los principales socios comerciales de Honduras*. Obtained the may 27, 2015. <http://www.elheraldo.hn/inicio/844971-331/conozca-los-principales-socios-comerciales-de-honduras>)*Foreign Direct Investment:*

In 2014, reinvested earnings accounted flow of US \$ 614.8 million, down by US \$ 30.4 million compared to those reported in the previous year, low explained mostly by reinvestment of companies engaged in transport, storage and telecommunications. Meanwhile, the "Other Capital" reached a total of US \$ 354.9 million, an increase of US \$ 114.7 million compared to 2013.

For its part, the Shares and equity totaled \$ 174.4 million, similar to the perceived flow the previous year, a trend that originated in loans required by its parent companies to increase their investments, instead of making new injections of capital.

Expectations:

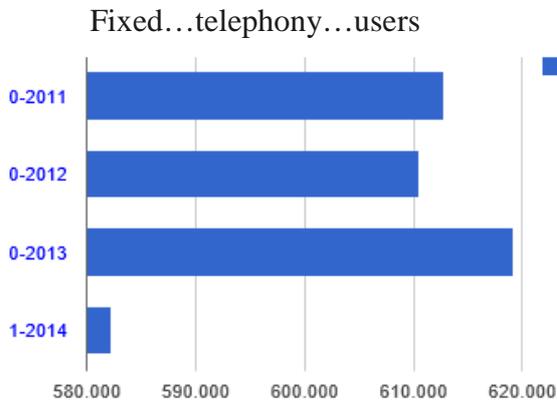
Percentage assessment



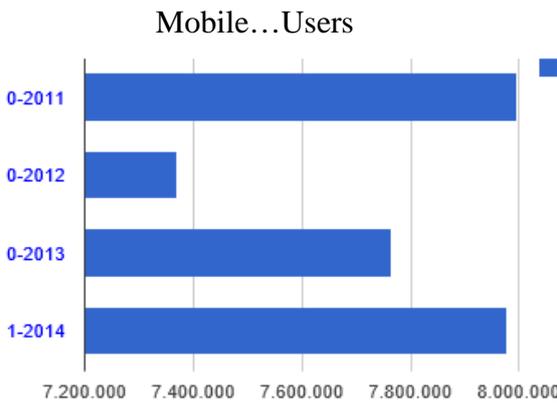
Source: Perspectivas de la Economía Mundial, actualización de enero.2015. <https://www.imf.org/external/spanish/pubs/ft/weo/2014/02/pdf/texts.pdf>

It is expected that economic development for 2015 is between 3.0% and 3.5%, as established in the Monetary Program 2015-2016 derived this behavior is expected that FDI inflows will increase by about 5.2%.

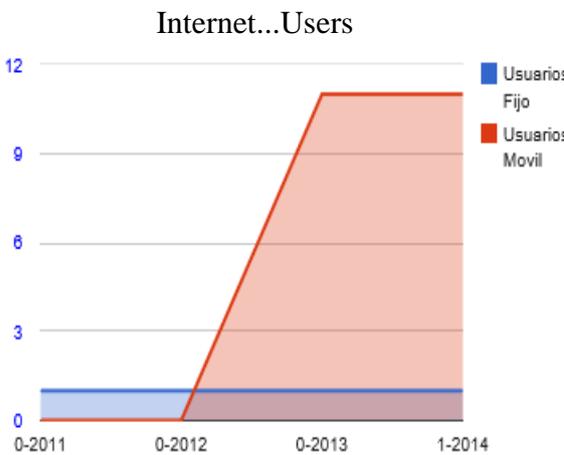
Telecommunications:



Source: sector Index CONATEL.
http://www.conatel.gob.hn/?page_id=464



Source: sector Index CONATEL
http://www.conatel.gob.hn/?page_id=464



Source: sector Index CONATEL.
http://www.conatel.gob.hn/?page_id=464

CONATEL is the provider of telecommunications for the Honduran country.

In fixed telephony, which is one of the main markets in the field of telecommunications, there has been a considerable decrease in the number of users, even if fixed telephony in Honduras has an almost national coverage, only about 80% of this coverage are active members, thus meeting the different market segments with respect to types of consumers (high-, middle- and low-income, commercial, industrial and residential).

As for its decline, we can mention that the number of lines in fixed service decreased from 742.631 lines in 2009 to 695.961 compared to 2010, representing a decrease of 6.28%, the penetration decreased from 9.48 lines per 100 inhabitants to 8.70 lines, representing local and national traffic of 1,450,578,586 minutes processed in the same period; among the factors that explain this phenomenon substitution of fixed lines by mobile stands, which is a global trend and the economic crisis that forced disconnection for nonpayment.

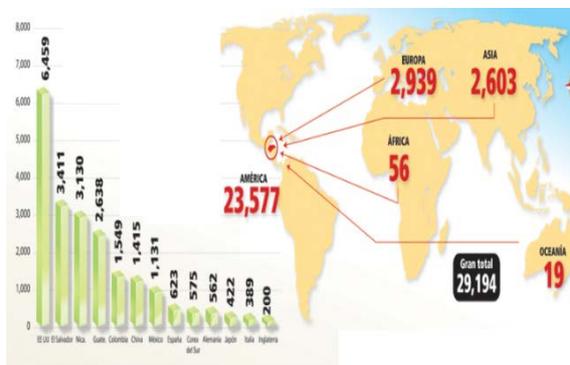
With regard to mobile telephony, the number of users has had a growth in 2010 of 17.86% compared to 2009, increasing its density to a value of 113.18 and reporting a 4,664,040,185 voice traffic minutes processed by the end of that year thus maintaining a high growth product of the number of operating companies (4 operators), number of

lines, service penetration, telephone traffic, promotion rates, etc.

Other telecommunications market is expanding Internet. Users can access this service through different modes: Switched access (dial-up), wired leased lines, wireless, DSL and cable modem and others. In December 2010, a density of 11 Internet users is having for every 100 inhabitants in the country.

In recent years there has been increasing demand for this service at a rate to be considered. In 2010, for example, grew by 15.2% compared to 2009, being users the amount of 896.964 distributed in all types of Internet access provided by the suppliers of the service such as: by subscribers of residential and commercial (Dial Up and Broadband), through the centers of public access to Internet (Internet cafes and community centers) and the trend data for fixed and mobile networks. (CONATEL, 2014. Plan estrategico institucional. Obtained the May 31, 2015. From http://www.conatel.gob.hn:97/doc/Planes_Tecnicos/PLAN_%20ESTRATEGICO_CONATEL_2011.pdf)

Foreign Population:



According to the International Migration Department of the Directorate General of

Immigration, in our country to date 29.194 people reside from 107 different foreign nationalities.

These data are contained in the Report on the Situation of Human Rights presented this month by the Ministry of Justice and Human Rights of Honduras (SJDH). The country has more residents are United States citizens and 6,459 second is El Salvador with 3,411. There are also 2,638 Guatemalans third largest colony and in fourth place is Nicaragua, where 3,130 people have arrived.

Colombia, meanwhile, has 1,549 people living in the territory of Honduras, like other 1,415 Chinese.

There is the impression that Honduras more Chinese for their distinctive physical features and proliferate everywhere restaurants and shops run by Asians live.

Followed by Japan with 422. Africa recorded only 56 individuals and these include 18 South Africans and 7 Egyptians. But there are three Algerians, three Moroccans, one Senegalese and Ethiopian, for example.

The incipient population figures is to Oceania, as there are only 13 Australian 41 Tonga and Samoa and Micronesia 1, totaling 19. (Redaccion. 2015. 29 mil extranjeros viven “El sueño Hondureño”. From <http://www.elheraldo.hn/csp/mediapool/sites/ElHeraldo/Pais/story.csp?cid=575489&sid=299&fid=214>)

Infrastructure: (Poor pillar)

With a vision to provide the country with modern roads that will allow Honduras

to be more competitive at the regional level, President Juan Orlando Hernández scored significant achievements in reviving infrastructure rehabilitation and improvement of the road network.

It is estimated that with the completion of Corridor Logistics port activity will increase substantially in the first year to become operational this project.

Through public-private partnerships Coalianza also expanded and modernized container terminal and general cargo of Puerto Cortés among other works that are planned to regain the top spot as the main port terminal region.

In the conservation of the paved road network, Road Fund, it has implemented from February to date routine maintenance of roads with asphalt patching in 485.72 kilometers resulting in 97.14% of the annual programming, signaling activity and road safety the 69.77% in improvements and paving the 49.67%.

In Puerto Cortés, container traffic increased by 7,078 in the units expressed representing an increase of 2 percent in Puerto Castilla this traffic increased by 1,322 equivalent to 3 percent, in the Port of San Lorenzo, enlarged to such traffic 1,192 units, equivalent to 68 percent.

Another of the institutions that are part of the Office of Productive Infrastructure is HONDUCOR, who extended their distribution in 298 municipalities of the country, through the "Transportation Network", which allows faster delivery covering 100% percent the country. (*Super U. 2015. Honduras logra competitividad regional con Moderna*

Infraestructure. Obtained the May 31, 2015.

From <http://hondurasporunavidamejor.com/index.php/k2/k2-categories/blog/item/351-honduras-logra-competitividad-regional-con-moderna-infraestructura/351-honduras-logra-competitividad-regional-con-moderna-infraestructura>)

Health and primary education: (Best pillar)

The net enrollment rate in primary education grew by 5.6 percentage points between 1990 and 2009; however, at this rate the Goal of universal primary education will not be achieved by 2015.

The net enrollment rate of primary education in Honduras has advanced in the last twenty years as a result of the range of programs and initiatives that the government has been developing toward basic education. However, according to the Ministry of Education, between 1990 and 2009, the net enrollment ratio in primary education between boys and girls aged 6 and 11 years old presented a growth of 5.6 percentage points, going from 83.8 to 89.5% with an annual average increase of 0.29%. At this rate of annual increase, the universalization of primary education, which requires the MDG target for 2015 will not be reached.

The literacy rate of youth 15-24 years increased by 7.8% between 1990 and 2009, which has resulted in the youth illiteracy is currently at 4.8%. This figure is below the illiteracy rate nationwide is 16.4%.

The rise in the literacy rate and the decline in the illiteracy rate among

young people can be attributed largely to literacy programs for youth and adults. In parallel, the Honduran government embarked on the expansion of educational provision establishing the obligation of the third cycle of basic education that includes the seventh, eighth and ninth grades, to which a little more than half of those aged 12-14 years have access. A strong and sustained effort could eradicate illiteracy in young people in a decade or less.

Although the quality of education has been put on the public agenda, achievements in this line have not been truly significant. Front education, rote learning, the limited development of critical thinking, the ability of verbal and written communication and lack of relevance of education persists (PNUD, 2014. *Lograr la enseñanza primaria Universal. Obtained the May 31, 2015.* From <http://www.hn.undp.org/content/honduras/es/home/mdgoverview/overview/mdg2.html>)

RECOMMENDATIONS

Honduras as supplier of agricultural products should gear its production to industrialization; increase investment for modernization and leverage their partners.

Exploit its potential as a country working with maquilas, for this must invest in skilled labor, income from a very poor

country tend to growth, for this reason should venture into foreign investment.

Honduras is a striking country, in recent years has reflected an increase in foreign investment, moneys and profits must be invested in innovation, modernization and industrialization.

It is important to the improvement and recovery of national land, invest in reconstruction and reformation of the infrastructure and the main roads to facilitate the transport of materials and goods within the country and those who come from outside.

The goal for the coming years in a matter of studies if possible, levels of illiteracy and primary student growth rate improve with the implementation of policies that benefit and children's needs take precedence.

Honduras should take advantage of the foreign presence in the country to open new cultural ways, the opportunity for new business and international relations, has population of all continents that allow you to have global connections, make great effort and emphasis on strengthening these relations enlarges possibility of acquiring new foreign markets.

Honduras could soon be celebrating a new bilateral free trade by TLC with Peru, a strong country in manufacturing and assembly plants like Honduras, it is necessary to form ties of alliance and healthy competition. **REFERENCES**

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MEXICO



Government

- Country name: United Mexican States
- Capital: Mexico City (Distrito Federal)
- Legal system: civil law system with US constitutional law influence; judicial review of legislative acts

Geography

- Total area: 1,964,375 sq km
- Land area: 1,943,945 sq km
- Water area: 20,430 sq km
 - Country comparison to the world: 14

People and Society

- Population: 120,286,655
 - Country comparison to the world: 12

Economy

- GDP (purchasing power parity): \$2.143 trillion (2014 est.)
 - Country comparison to the world: 12
- GDP - real growth rate: 2.4%
 - Country comparison to the world: 134
- GDP - per capita (PPP): \$17,900
 - Country comparison to the world: 92
- Labor force: 52.9 million
 - Country comparison to the world: 13
- Unemployment rate: 4.7%
 - Country comparison to the world: 45
- Population below poverty line: 52.3%

- Taxes and other revenues:
23.2% of GDP
 - Country comparison to the world: 136
- Public debt: 41% of GDP
 - Country comparison to the world: 93
- Inflation rate (consumer prices):
3.8 %
- Current account balance: -
\$21.92 billion
 - Country comparison to the world: 183
- Exports: \$406.4 billion
 - Country comparison to the world: 15
- Imports: \$407.1 billion
 - Country comparison to the world: 14
- Exchange rates: Mexican pesos (MXN) per US dollar - 13.14

(CIA World Fact book, 2014)

BACKGROUND

In the early 16th Mexico was conquered and colonized by Spain, occupying some Amerindian civilizations - the Olmec, Toltec, Teotihuacan, Zapotec, Maya, and Aztec – and Administered as the Viceroyalty of New Spain for three centuries, Mexico got its independence in the early of 19th century and the post-independence period was characterized by economic instability, because of the wars that took place in that period, such as the Mexican-American War, the Pastry War, the Franco-Mexican War, and a civil war.

Geographically speaking, Mexico is boarder at the north with United States and at the south with Guatemala and Belize; however, does not belong to South America but to North America, and for this reason it should be consider a Latin country only in terms of ethnology. Since this country's population makes it through the TOP 20 of the world's most populated places, it could be assured that it is in fact the place where the largest populations of

Spanish speakers are, especially when 70% of their people are concentrated in urban areas, According to some estimates, the population of the area around Mexico City is about 18 million, which would make it the largest concentration of population in the Western Hemisphere. (National Geographic)

Mexico straddles the southern part of North America, with coastal plains along the Pacific and Atlantic coasts rising to a central plateau. Northern Mexico is desert like, while the south is a mountainous jungle containing Maya and Aztec ruins. Most people live in the densely populated waist of the country, including the cities of Veracruz, Mexico City, and Guadalajara

Mexico is a federation whose government is representative, democratic and republican based on a presidential system according to the 1917 Constitution. It has three levels of government: the federal Union, the state governments and the municipal governments. Mexico is constituted by 31 states and a Federal District. The president is directly elected to a non-renewable six-year term, in this case the

president of Mexico -Enrique Peña- is being lead since 2012 and still be lead until 2018 (

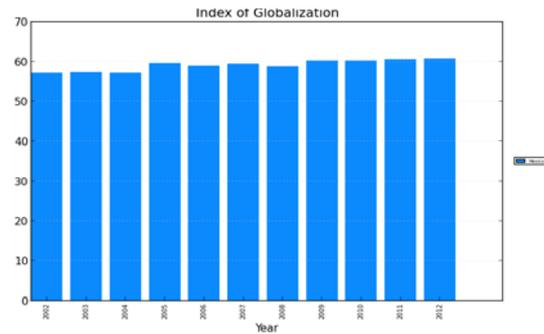
In terms of Mexico's economy has become increasingly oriented toward manufacturing in the 21 years since the North American Free Trade Agreement (NAFTA) entered into force, in which the Per capita income is roughly one-third that of the US, and when Mexico has become the second-largest export market to United States and third-largest source of imports.

Mexico has 10 free trade agreements with 45 countries, in which, recently Mexico is a member of the Pacific Alliance and in 2012 joined the TPP agreement. Mexico is being led by the president Enrique Peña Nieto, who is emphasized in the Mexico's economic reforms, implementing education, energy, financial, fiscal and telecommunications, among others, with the aim to improve competitiveness and the economic growth. Although the economy is expected to increase and be stronger in 2015 by implementing strategies over the medium-term such as increasing investment and strengthening demand for Mexican exports. (CIA World Fact

book, 2014). However, the global financial crisis beginning in late 2008 caused a massive economic downturn the following year, in which the economic and social concerns increased with the low real wages, high underemployment, inequitable income distribution, and few advancement opportunities for the largely indigenous population in the impoverished southern states. In spite the economic growth returned quickly in 2010.

Mexican economy has a mixture of modern and outdated practices in both its industries and in agriculture. Furthermore, the Mexican economy is increasingly being dominated by the private sector. Recently, the government has made improvements in infrastructure and has opened competition in seaports, electricity generation, telecommunications, airports, distribution of natural gas and railroads; all of which is a positive action in contrast with the violence and drug troubles. (Díaz, 2009)

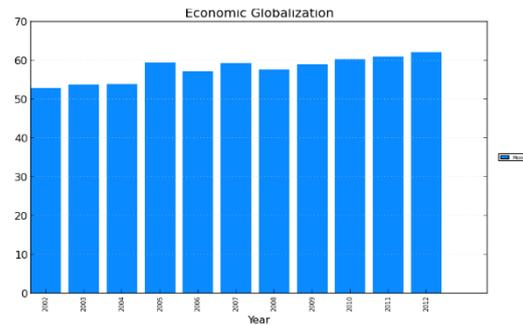
INDEX OF GLOBALIZATION



Kof about index of globalization

Globalization is an economic, technological, social and cultural scale process, which involves an increased communication and interdependence among countries of the world joining their markets, societies and cultures, through a series of social, economic and political transformations giving them a global character. (Promexico). For Mexico globalization began with the entry into GATT, the OECD, obtaining trade relations with other countries and consequent to this with the signatures of free trade, thanks to this Mexico it is one of Latin American countries more open to trade with the world also benefited these treaties to Mexico with market liberalization since, has been a greater movement of goods and services and increased mobilization of human, financial, and productive capital.

As it is shown in the above graph the globalization of Mexico has remained for 10 years, which is very good because governments have maintained the idea of growing as a country for several governments, which is very difficult to maintain the same project with different Ideas coming from other rulers and more when you know that Mexico has a high level of corruption, in any case Mexico should improve in their projects and still working hard to continue increasing their economy.



Kof about index of economic globalization

INDEX OF ECONOMIC GLOBALIZATION

México reached the 72th position in the world, scoring 62.14 in 2012, shows that Mexico has been raising 5 places since 2011. That's mean that Mexico has been improving in their nationalization of products and in their economic strategies.

Economic growth as a result of globalization in Mexico has certainly benefited Mexican business and industry. But it has not benefited all of the country's citizens. According to (the National Bureau of Economic Research; NBER), Mexican states that have had "high exposure" to globalization, particularly in northern Mexico, fared far better than more rural, less industrialized states in southern Mexico.

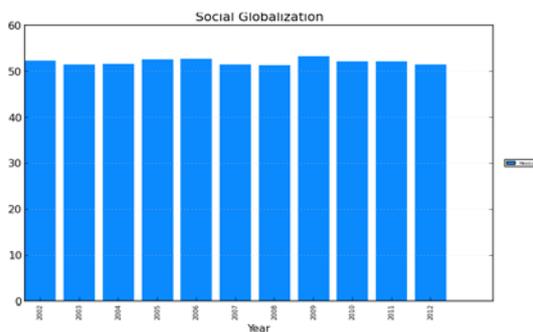
INDEX OF SOCIAL GLOBALIZATION

México reached the 95th position in the world, scoring 51.52 in 2012, shows that Mexico has been decreasing in one

position since 2011. That's mean that Mexico has reduced the investments in their population (salaries, subsidies, etc.)

(sometimes illegal) causing this the fall of various industries

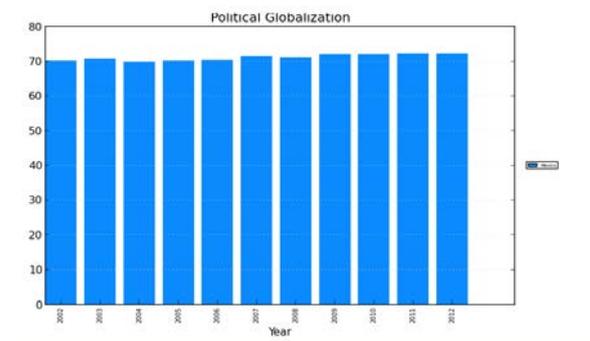
INDEX OF POLITICAL GLOBALIZATION



Kof about index of social globalization

Mexico is a country with a large amount of population (120,286,655), in which is the 12th country most populated in the world, however, the government has not been distribute very well and equal the lands, causing a huge shifts of people from the countryside to the urban areas because those people cannot find opportunities to work and opportunities to have a good quality to live. The globalization has made the industry move toward the center of the country, so that these have to lay off large numbers of people, causing people to seek informal jobs, establish micro

Mexico was positioned in 2012 as the 83th country in the world in political globalization, scoring 72.24 in the KOF Index of globalization.



Kof about index of political globalization

According to (Miguel Ángel Vite, 2006) Mexico has a representative democracy, organized by the political party system, where the vote is the gate to have an access into the office of a popular representation, has become a site of struggle between elites to achieve the necessary number of votes, even this is

a good method to increase the corruption, in Mexico, most of the politicians buy those votes giving the people false promises and giving basic things in exchange for that votes with the aim to legitimize and govern. So, for this reason so in Mexico has not improved the quality of life of its inhabitants and still have the same rates during the last ten years.

ANALYSIS OF GLOBALIZATION IN MEXICO

During the post-World War II period, Mexico participated fully in the globalization movement represented by the founding of the World Bank and the International Monetary Fund in 1945.

When the global pace of globalization accelerated with the policies of Thatcher and Reagan in the 80s, Mexico began to implement policies of liberalization, deregulation, privatization and internationalization in business, as was the opening to foreign capital in the tender offer in the stock exchange in New York, the privatization of banks and the implementation of free trade agreements. (Promexico).

As we know Mexico is a country rich in terms of natural resources, culture, traditions, music, cuisine and other aspects, but at the time, it has not reached the status of a developed nation that every country wants. [...] Mexico is so vital and yet so permanent that the country has survived many crises of all kinds in recent decades, in which the Mexicans have not yet been similar, but also Mexico to had bad times also had very good times has helped the development of the country as was the inclusion of the maquiladora sector, which has seen explosive growth and its companies have taken probably the fifth of the industrial workforce in the last twenty years The most important economic phenomenon in Mexico has been the maquiladora industry, which Mexico has paid to its workers and cheap labor just to get jobs for them and earn some income for the country, however this new type of industry brings about certain consequences to the country, since their low wages that provides these industries, labor farms engaged and the absence of legal benefits do to increase other problems affecting the economy of the country. To prevent this, Mexico has boosted consumption and production to the

domestic market in order to protect regional and national institutions. (Berruecos, 2002).

As globalization is known is a window of opportunity that gives countries access to international markets where they can sell their products, invest their capital, and innovate its technology and so to have economic growth, as is in the case of Mexico, despite its progress and be a better Latin American country that has seen development in all its aspects (economic, political, social). This could lose his position at a high cost and deterioration at high levels in global markets if this does not continue to develop and improve their strategies.

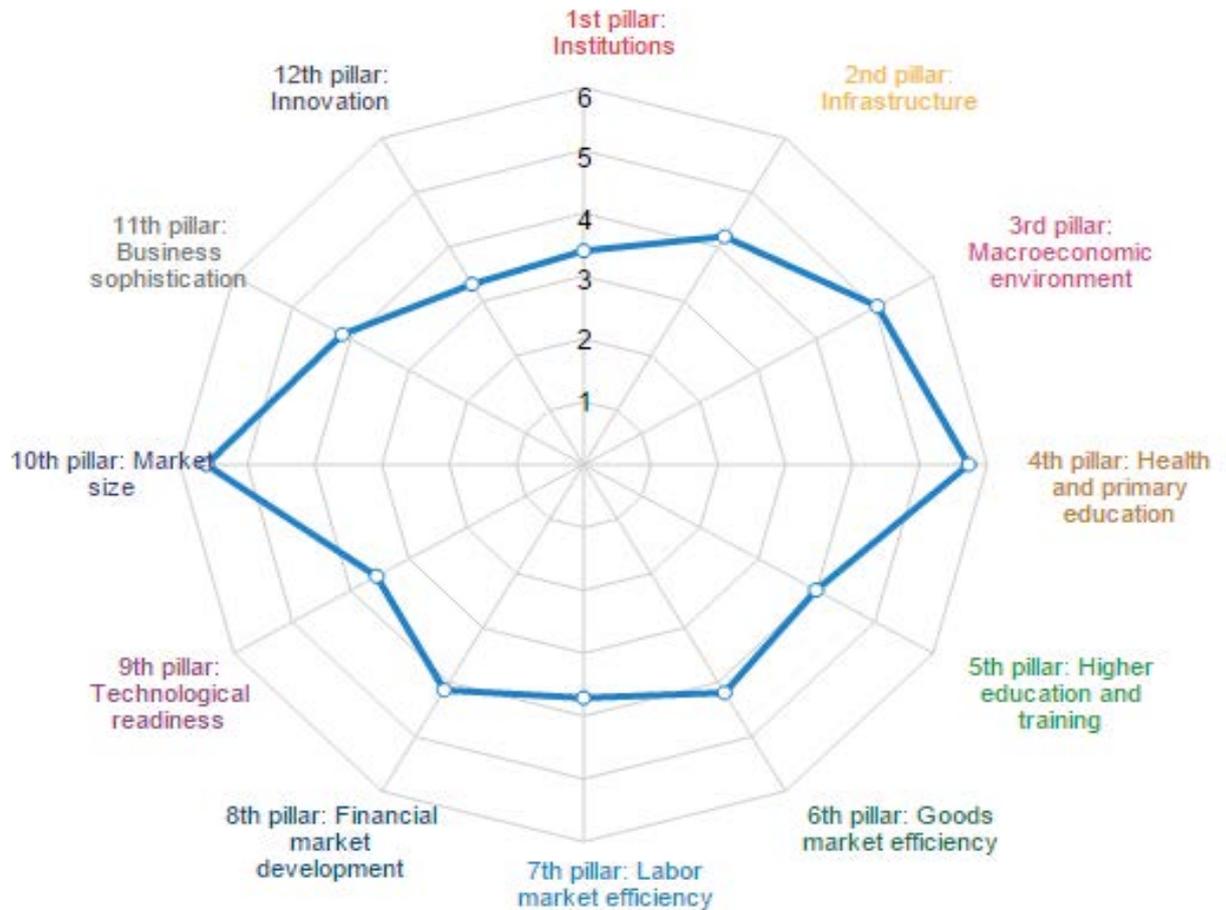
However, in Mexico Globalization has brought consequences economical, political, social and cultural. As for the economy, many companies have had to find ways to increase their comparative advantages ", further the financial sector is the one that hit hardest the Mexican economy, because this causes the expansion of the vulnerability of poor countries and indebted to rely increasingly volatile foreign capital with which it is very difficult to renegotiate

As for the social consequences, in Mexico it has led to an increase in the migration of rural people who can not find job opportunities and jobs to their regions, as well as the increased competition within the nation between rival regions and consequent weakening of the bonds of solidarity towards the areas of the country. This in turn causes pressure on the state to intervene with "public policies capable of countering the spread of regional, economic and social inequality." The expansion of the informal sector, the proliferation of micro industrial, commercial and service establishments, and falling manufacturing versus services, three other notorious consequences that globalization has brought in Mexico.

Politically globalization affects mainly causing new challenges to the concept of sovereignty first thing that jumps out is the amount of abuse and huge percentage of the human population that is affected.

Currently, Mexico still has some major gaps that need to fill as it is insecurity, and compliance with laws, while this

does
not



improve Mexico may lose many investors affecting economic growth, just as if you look at indicators performance or action of the economy, politics and the social sector, Mexico is still a country with many problems. The image data show that these are a country with poor economic performance, high levels of corruption, with sustained criminal violence, and with an educational level well below the average for emerging countries.

especially drug trafficking and their cartels.

Mexico faces enormous difficulties and that affect their international image and therefore its reputation. (Villanueva R., 2014)

COMPETITIVENESS

It is clear that today the Mexican government and society face a very complex battle against organized crime,

1st pillar: Institutions 1-7 (best)		102	3.4	
A Public institutions 1-7 (best)		109	3.2	
1. Property rights 1-7 (best)		78	3.8	
2. Ethics and corruption 1-7 (best)		110	2.7	
3. Undue influence 1-7 (best)		100	2.9	
4. Government efficiency 1-7 (best)		100	3.2	
5. Security 1-7 (best)		130	3.2	
B Private institutions 1-7 (best)		73	4.1	
1. Corporate ethics 1-7 (best)		102	3.7	
2. Accountability 1-7 (best)		57	4.5	

This Pillar is one of the worst in the Mexican territory. The institutions and the creation of institutions to help to improve all the different goals of the economy. The principal cause of the weak qualification of this pillar, it's because, actually Mexico has been living corruption troubles, that in consequence made that the government efficiency, and security be so low.

The Global competitiveness report of 2014 – 2015. Define competitiveness we define competitiveness as the set of institutions, policies, and factors that determine the level of productivity of a country. This study is made to determine the ability to sustain a high level of income.

At this time the next analysis is made for Mexican country. The way of qualification of the report is with 12 pillars that we will explain immediately.

1st pillar: Institutions

2nd pillar: Infrastructure

The Mexican country has problems with transportation and communication, it doesn't means that Mexico is fallen behind on infrastructure, if Mexico wants to improve this quay; they have to increase the invest on communication technologies with the entirely country, and the construction of more roads to transport of goods.

3rd pillar: Macroeconomic environment.

Mexico is a country where the national and public debt are high, the development of industries and tech, made that Mexico still growing as a power country of Latin America, The rates that Mexico has produce that the country improves the industrial and technological sectors, so Mexico is indebted but the money that they use, has backup by the development and growing that Mexico has.

4th pillar Health and primary education



This is one of the best pillars of the Mexican economy; they have improved different tasks, where the principal is the improve of education. The primary education in the economy brings a lot of development in the future, so the Mexicans are studying more, they are creating better conditions about behavior of his citizens, and the most important Mexico has good conditions, about health speaking, the index shows that the cases of malaria, tuberculosis,

and HIV diseases are very lower, and doesn't have any influence on the how Mexico lives.

5th pillar: Higher education and training

The quality of education is very low, but the implementation of management schools made that Mexico improves their levels on future entrepreneurship companies, because they spend a lot of resources training people to create companies, or in other cases to work in those companies

6th pillar: Goods market efficiency

Mexico has a big internal market, that it's so important for the development of the internal skills, it made Mexican country not dependent of other markets, they are trying to increase their market size and give the attention that the industry need, to increase the foreign competition and make the Mexican country specialized on improve demand conditions

7th pillar: Labor market efficiency

This pillar is weak, the labor force is not good paid the have troubles to contract people to work, the labor conditions are not good because you have to work so much time to have a good salary, and in some cases have more than one job, and makes very unequal the growing of the population

8th pillar: Financial Market Development

This pillar is good in Mexico, the financial system has not troubles they have regulation on security for the Banks and for the customers, and they don't receive failing beats from the Exchange rates, because the currency is very strong in Mexico in comparison with the dollar.

9th pillar: Technological readiness

They improve all the categories where the tech innovation is important, the automotive sector is one of the further, in use of technology, this technology came from the preparation with education and know how that came from European companies that are top on the production of cars.

10th pillar: Market size



This pillar has the highest qualification, and this has a reason. The different industries that has arrest to Mexico and the different international agreements that has signed Mexico with powerful countries, has brought developed for the country

11th pillar: business Sophistication

The use of technologies and the facilities make that Mexico be one of the best countries to improve the business and imprpoental of techniques to do business.

12th pillar: Innovation

This Pillar is the most important, if you want to improve the economy, when you are innovative you find ways to do things easier and increase your production, or find materials to use in develop of machines or cars in this case. The innovation process comes since the university and the investment on the students. Other thing very important is that the application of the new techniques is almost immediately

because is a continuous process where the companies are able to collaborate with all the participants in the process.



Macroeconomic Environment

Economic growth has a modest recovery after two years of cyclical weakness, averaging 1.4% and 2.1% in 2013 and 2014, respectively, still below potential growth (2.5%). The growth was led by manufacturing exports, driven largely by the fifth consecutive year of double-digit increases in the automotive sector. Domestic demand has not kept pace; private consumption is hampered by a low level of consumer confidence and low wage growth. Private investment recently displayed greater dynamism, then the low level shown in 2013.

It is expected that economic activity will accelerate until 2017; GDP growth will be strengthened from 2.9% in 2015 to 3.5% in 2017. The solid US growth will underpin continued strong performance by manufacturing exports;

it is expected, resulting in a gradual recovery of investment and private consumption.

Anticipating a more lasting decline in oil prices, the government announced cuts equivalent to 0.7% of GDP for the budget of 2015 and already plans a further cut in public spending for 2016. The lower public spending will have a dampening effect on pace of economic growth, despite the confidence instilled fiscal discipline in the economic agents.

The growth has been weaker than expected and there has been a strong connection between growth and poverty reduction. The cause of the latter can be found in the labor market, given that in recent years have not created enough jobs or jobs that pay a living wage. Also the labor force has increased-due to demographic change, balanced migration with the United States and greater female participation in the labor force, which the economy has failed to absorb. On the positive side, both public transfers, particularly in urban areas, as lower dependency ratio, have helped reduce poverty.

The Mexican government has advanced its agenda of structural reforms in the labor, education, competition policy areas, financial sector,

telecommunications and the energy sector legislation, designed to increase productivity, competitiveness and growth potential. Attention now turns to implementing these reforms. Opening up the energy sector to the private sector is particularly promising in terms of promoting growth, as production is expected to increase oil and gas and to provide cheaper energy inputs Mexican industries. It will be important to assess the distributional impact of the reforms, the associated regulations and implementation.

In December 2013, the Executive Board discussed the World Bank's Country Partnership Strategy comprising the AF14-19 -elaborated jointly with the Government of Mexico. This EA is focused on the twin goals of the World Bank (eradicate extreme poverty and promote shared prosperity) Group, and is fully aligned with the National Development Plan (NDP) of Mexico for the period 2013-18. It offers comprehensive packages of financial services, knowledge and convening, according to four strategic pillars:

- Boost productivity;
- Increase social prosperity;
- Strengthen public finance and government efficiency;

- Promoting the green and inclusive growth.

Mexico is currently the second largest borrower of the International Bank for Reconstruction and Development in terms of exposure with an outstanding debt of US \$ 14.8 million at the end of March 2015. The active portfolio comprises 13 projects and 7 IBRD operations Fund Global Environment for a net commitment of US \$ 2,438 million (IBRD + GEF) and an undisbursed balance of US \$ 1,608 million. During the AF15 total volume of approved loans were US \$ 850 million from IBRD and US \$ 16.9 million from the GEF.

It supports Mexico through a broad portfolio of donations of approximately \$ 282.6 million dollars (GEF not included), which comprises 43 active projects donations mainly focused on environmental and energy.

Some examples of the work of the World Bank in Mexico:

Risk management for natural disasters. The Bank has been working with the Government of Mexico in this area for several years and supports the Mexican

transition to a comprehensive strategy of prevention and disaster management.

This strategy focuses on:

- Risk identification;
- Prevention and risk management;
- Financing risks;
- Post-disaster reconstruction

CLIMATE CHANGE. For over ten years, Mexico has worked towards developing policies to mitigate and adapt to climate change. Financial services, knowledge and call provided by the Bank helped to increase the areas under environmental management by 20 percent, improve air quality in Mexico City and increase the availability of water.

SUBNATIONAL DEVELOPMENT.

The World Bank also works closely with the Government of Oaxaca, one of the poorest states in Mexico, through a Memorandum of Understanding which includes financial services, knowledge and convening in multiple sectors, tailored to the specific needs of Oaxaca. The first Program for Results for Mexico (US \$ 55 million), becoming the first sub Oaxaca loan was recently

approved. The Bank provides analytical and advisory services to promote a results-based budget in the public aimed at promoting social inclusion approach to services reduce poverty and improve efficiency in the provision of health, education and social protection in the state. They have also shared knowledge with other countries through various South-South exchanges, such as maternal and neonatal approaches (Peru), water supply and sanitation programs (Brazil).

EDUCATION. The World Bank has extensively cooperated with Mexico on education and labor market issues; An example of this is the program of initial education in rural areas, implemented by the National Council for the Promotion of Education, CONAFE.

CHALLENGE

By Achieving near-universal coverage among pre-school children aged four and five and primary school students, Mexico has increased coverage in basic education and narrowed some gaps for disadvantaged groups. Educational attainment, Also improved from 6.8 years in 1993 to 8.4 years in 2006.

Despite these achievements, Mexico's Indigenous Populations and Communities disadvantaged are still experiencing persistent inequity. These Marginalized Populations continue to face unequal education Opportunities, and the quality of education services in Original Communities that did reach remained low. In 2009, for example, among all Member Countries of the Organization for Economic Co-operation and Development (OECD), Mexico Had the lowest results in the triennial test given by the Programmer for International Student Assessment (PISA).

GLOBAL COMPETITIVE ANALYSIS OF MEXICO

To begin the analysis of Mexico's competitiveness, we must begin to understand the plight of the Mexican present where corruption and drug trafficking, which are the daily bread, affecting all types of International relation to different countries with the nation Mexican. The current acts of corruption make Mexico is not the country of choice for doing business, and that dangerous conditions make it very vulnerable and dangerous.

The index and rates of corruption of Mexican country produce that industrial competitiveness is important, but social conditions and inequality do not become the superpower it should be. How we see the innovation and investment in new technologies and large maquiladoras phenomenon that led to Mexico to be one of the emerging powers of the West and more accurate in Latin America.

The sources point in Mexican competitiveness, make it one of the best qualified countries to maintain a stable business relationship. Mexico with the presence of multinationals in their territory do to stay ahead of production and administrative technologies, but its major flaw is that in Mexico the development of institutions that control the public sector is very poor, lack of institutions that control public resources for growth or increase the country's infrastructure for the welfare of the nation and give that balance to the social economy reducing the gap between rich and poor. The Mexican territory would allow to increase investment and infrastructure which would make it one of the Latin

American countries with the highest improvement for the area of competitiveness. The incentive is that Mexico is a place providing specialized factors of production and do good quality; It is the main meeting point for countries with multinational large enough to be called one of Mexico's most powerful emerging countries of Latin America along with Brazil, although the growth of Mexico is greater than Brazil. This brings us to the important conclusion is that Mexico with internal problems, has nowhere better, has a clear objective to go, which makes it a country of opportunity, hopefully take advantage of Mexico know; if so safely I say it will be a Latin American power in the next 10 years to not go that far.

ANALYSIS RELATIONSHIP BETWEEN GLOBALIZATION AND COMPETITIVENESS OF MEXICO

Mexico is a country that throughout history has been, is and will be competitive since it has all the factors involving equipment and technology to achieve, produce and transform raw materials in order to allow growth of the economy in a free number of products which come to be part of large exports

that Mexico has with different countries.

The relationship between competitiveness is the set of all those government institutions with their policies makes a country determine the level of productivity, this leads Mexico to maintain a high level of income, the data show the date in which its total revenues with respect to population gives us a per capita income of 17,900 which is one of the most important in Latin America.

Mexico globalization is a process that occurs on a large scale in the economic sectors related to technology, social and cultural part of a country which may imply increased communication and interdependence among all countries of the world looking unifying markets, societies and cultures that exist across social, economic and political transformations; this is what gives the character of globalization. Globalization for this country began with the entry of the various national treaties, obtaining trade relations with other countries as a result of all treaties signed by the country. This is one of the Latin American countries most open to trade with the world. This has also allowed to

be a greater movement of goods and services and greater mobilization of human, financial and productive capital resources.

The position of this country in five years will be one of the most attractive countries in the Latin America, you will have to be able to overcome many obstacles such as insecurity and drug trafficking. According managing to obtain the highest number of additional treaties that have, that would mean greater connectivity with other markets with better prospects. You will have to improve the nationalization of products and all those economic strategies that will give the future a better position in the world.

Surely the fact of improving industrial and technological sectors, increased production growth thus generate higher revenues, will allow a greater per capita which currently has better stability and all citizens to succeed in advancing education, health, ie everything that has to do with the social part.

RECOMMENDATIONS

One of the important recommendations for Mexico is to find new markets (new international treaties).

In terms of achieving a higher and higher incomes is that this country can improve all industrial and technological sectors with the highest technology and keep working hard at state, industrial, commercial level, this would give us an increase in its economy.

CONCLUSION

Mexico is a country that despite having latent problems of corruption, insecurity and further social problems experienced with the drug problem but is part of showing a fictitious economy, the country overcome these problems and will do a better country in terms of increased productivity, which will benefit. So much so that now exist despite these problems, and unemployment is at 4.3% in April 2015 it was lower than 4.9% in the same month of 2014 (NSI report). One of the most positive factors today is the

services sector which represents a 42.2% which was the biggest employer

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NICARAGUA



Nicaragua is a country located in Central America bordering with Honduras to the center and the south by Costa Rica, El Salvador and limited maritime Colombia.

Its capital is Managua and the language of this country is Spanish.

Nicaragua is a democratic, presidential, participatory and representative Republic. Judicial branches are the legislative, executive, judicial and electoral.

In the executive branch is the president who is now Daniel Ortega Saavedra holds this position since 2007, is 69 years old and belongs to the party Sandinista National Liberation. This party was created in 1961 as a military-political organization, its objective Initial was "the overthrow of the Somoza dictatorship by armed struggle for the seizure of political power, democratization and progress of

Nicaragua. Today is a party that seeks progress and social justice for Nicaragua”¹

During the time it takes to exercise the presidency of Nicaragua has provided do suited to small, medium and large producers to encourage the production of domestic food services, has provided support to companies encouraging food production, it has given its subsidies , support to poor women by granting loans to small rates, among other significant events during his tenure.

In the legislative branch there are the National Assembly consists of 92 deputies who are elected for a period of five years. In the judicial branch is the Supreme Court consists of 16 judges.

Nicaragua is divided by 15 departments. "It is the Central American country with the lowest productivity, and since the late seventies the productivity gap with the rest of the region has increased."²

Its currency is the Cordoba than \$ 1,800 pesos equivalent to about 20 Córdoba. Its GDP in 2013 was 11.2 million, its per capita US \$ 1,831 GDP growth this year was 4.6% and inflation in 2013 was 6%.

Agriculture is one of the main economic activities in this country and currently represents 60% of total exports which is approximately \$ 300 million.

Items Nicaragua's exports are coffee which represents Oro (17.71) of total exports, beef, sugar and peanuts. Nicaragua addition to these products annually produces about 8,000 m3 of wood and exports more than 65 types that product.

As for the export of more also they have the opportunity to market with lobster,

¹

http://www.ecured.cu/index.php/Frente_Sandinista_de_Liberaci%C3%B3n_Nacional

² <http://es.wikipedia.org/wiki/Nicaragua>

shrimp and shrimp, as Nicaragua has a shrimp industry makes this produces a third of the total shrimp products to Central America.

Nicaragua has been projecting lately as one of the countries with the greatest variety of landscapes to explore as it has the advantage of limiting the two sea is, in addition to this has many volcanoes which makes this country is growing in a way significant in tourism and in turn that this sector will allow significant to the economy of this country gains.

The Tourism Competitiveness Report 2015 by the World Economic Forum known by the acronym WEF, I place this country in 18th place of 92 countries featured as the most competitive in Latin America.

From the 80s, Nicaragua education is free and compulsory, but if this is so many children decide not to continue with secondary and that having decided to undertake economic constraints ways to help them have greater ease and living conditions necessary. Feature in Leon Autonomous University, and Central University of Technology and in Managua.

The health system in Nicaragua is insufficient to cover and meet all the needs of this country.

Poverty is one of the biggest problems facing the health care system of this country, 20% of children fewer than 5 suffer from chronic malnutrition and birth nearly 9% of children are born underweight. There are 33 hospitals

government in Nicaragua, with a total of 5,256 beds.

The World Bank notes that despite the disasters they have caused in this country because of its landscapes in the last 10 years the country has been growing on average in Latin America.

This motivated by disciplined macroeconomic policies that began to integrate into the economic system since 2001, as the country was reporting figures that had to be one of the countries of Central America poorest. These policies combined with high job for the country's exports and foreign direct investment which has allowed improved somewhat the situation. Inflation is being controlled and works hard to maintain a one-digit figure, which came in 2011 with a figure of 8%. Economic indicators have remained stable and have been presented an economic growth of approximately 4.2% in 2013.

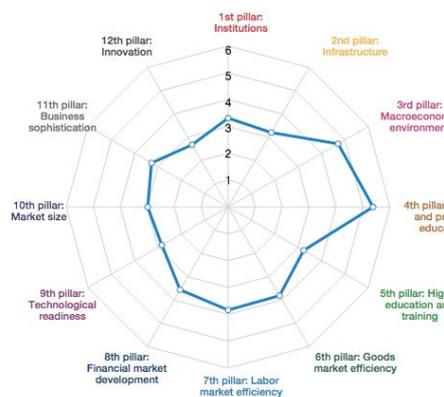
Nicaragua works daily to fight poverty in this country because although there has been a improvement in the economy in the same poverty especially in rural areas remains one of its major drawbacks as a country.

Nicaragua remains one of the least developed countries in Latin America. Poverty, although it has declined steadily in recent years, remains high. Over 80% of the poor in Nicaragua live in rural areas, largely in remote communities where access to basic services is a daily challenge.

For this work in Nicaragua (Nicaragua National Plan for Human Development) which was created in 2007 and is currently working to expand until 2016. The aim is to achieve poverty reduction in this country by increasing the combat poverty, reducing the country's spending and increased investment in social sectors and rural infrastructure.

COMPETITIVENESS REPORT

GLOBAL COMPETITIVENESS INDEX 3, 8 –RANKING 99



Fourth pillar: Health and primary education

According to the world economic forum , (world economic forum, 2014), A healthy workforce is vital to a country's competitiveness and productivity. Workers who are ill cannot function to their potential and will be less productive. Poor health leads to significant costs to business, as sick workers are often absent or operate at lower levels of efficiency. Investment in the provision of health services is thus critical for clear economic, as well as moral, considerations.

To complain the Nicaragua improve in this pillar is important to know, (Youth Education & Development Issues in Nicaragua, 2010), Similar to other Central American education systems, Nicaraguan children wear school uniforms, contribute to school fees that cover basic supplies, and attend school in shifts (in the morning, the afternoon, or the evening since many kids work to supplement their family's income). Due to their lack of adequate facilities and money for sports equipment, musical instruments, and science and computer technology, schools are only able to offer basic subjects to students, severely limiting students' exposure.

"The ceiling on government expenditure (excluding debt service and transfers to the Central Bank) would remain virtually 'frozen' at about 20% of GDP until 2008... This means the budget for the Ministry of Education (MEDC) would remain equally 'frozen' at 3% of GDP at least until 2008, the same level it had in 2000 ... In contrast, estimates issued by the Ministry of Education show that in order to achieve Millennium Development Goals and national goals on this area, the budget allocated should at least reach an annual average amount equivalent to 4.7% of GDP within this same period."

While funding for education appears bleak, good news surfaced in 2001 when the Nicaragua Ministry of Education

implemented the Child-Friendly and Healthy School Initiative. The plan is an ambitious cooperation amongst the ministries of Health and the Environment, the Water Authority, the Pan American Health Organization, the World Food Program and UNICEF; it strives to include lesson plans and teaching methodologies that promote hygiene and gender equity, discourage and condemn violence, boost girls' self-esteem, and improve water and sanitation facilities. So far, 184 schools have joined the Initiative (UNGEI, 2005).

About health system is also important to know, (The Nicaraguan Health System, 2011), Health services in Nicaragua are mainly provided

by the public sector and financed by general taxes. The primary health provider is the MINSA, officially covering about 70% of the population. The Nicaraguan Social Security Institute (INSS), which covers formal sector workers, finances health care for about 10% of the population (The Nicaraguan Health System, 2011).¹⁴ Only a small percentage of the population receives private health care services (either for-profit or nonprofit). MINSA is both a regulatory agency and a provider of health services. The former role is played mainly by MINSA Central, while the latter is implemented through a network of 1,059 health facilities administered by the 17 departmental SILAIS.

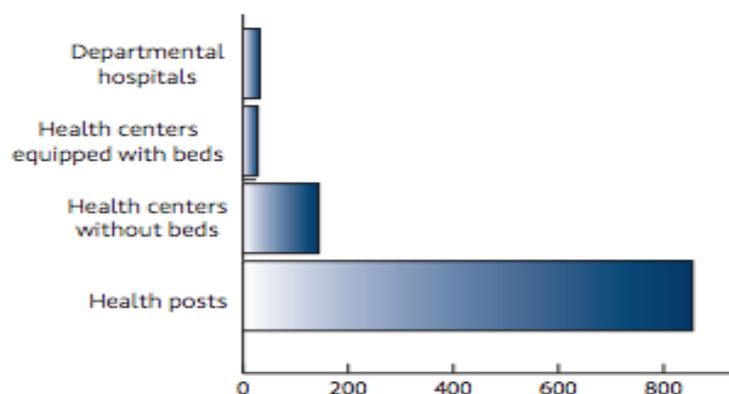
MINSA conducts important public health activities and provides individual

care and assistance for most of the country's uninsured population.

According to MINSA/Pan American Health Organization (PAHO) data, the national service network has 1,059 health care units. These consist of 32 hospitals, 28 health centers with beds, 144 health centers without beds, and 855 health posts, which vary in the amount of population and geographic area served (Figures 3 and 4).¹⁶ These government facilities are supplemented by a community-based network that includes home-based facilities and maternity homes (“maternas casas”) (The Nicaraguan Health System, 2011).

The next graphic summarize the minsa health care facilities, (The Nicaraguan Health System, 2011) (The Nicaraguan Health System, 2011)

FIGURE 3. MINSA health care facilities.



Third pillar: Macroeconomic environment

In order to complain and understand de macroeconomic environment is important to now, (wolrd economic forum, 2014), the stability of the macroeconomic environment is important for business and, therefore, is significant for the overall competitiveness of a country. Although it is certainly true that macroeconomic stability alone cannot increase the productivity of a nation, it is also recognized that macroeconomic disarray harms the economy, as we have seen in recent years, conspicuously in the European context. The government cannot provide services efficiently if it has to make high-interest payments on its past debts. Running fiscal deficits limits the government's future ability to react to business cycles. Firms cannot operate efficiently when inflation rates are out of hand. In sum, the economy cannot grow in a sustainable manner unless the macro environment is stable.

For understand this pillar , we are going to divide in the mainly aspects that conform this , first of all :

According to the CIA world fact book:

Nicaragua, the poorest country in Central America and the second poorest in the Western

Hemisphere, has widespread underemployment and poverty. The Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) has been in effect since April 2006 and has expanded export opportunities for many agricultural and manufactured goods. Textiles and agriculture combined account for nearly 50% of Nicaragua's exports. In 2013, the government granted a 50-year concession to a newly formed Chinese-run company to finance and build an inter-oceanic canal and related projects, at an estimated cost of \$50 billion. The economy grew 4.7% in 2014, despite a steep decline in coffee export revenues due to a coffee rust fungus (wolrd fact book , 2014).

<u>Budget:</u> Revenues: \$2.903 billion Expenditures: \$3.131 billion (2014 est.)	<u>GDP - composition, by sector of origin:</u> agriculture: 14.9% industry: 28.8% services: 56.4% (2014 est.)	<u>Gross national saving:</u> 7.7% of GDP (2014 est.) 9.1% of GDP (2013 est.) 10.6% of GDP (2012 est.) country comparison to the world: <u>157</u>
<u>Unemployment rate:</u> 7.4% (2014 est.) 6.1% (2013 est.) note: underemployment was 46.5% in 2008 country comparison to the world: <u>82</u>	<u>Public debt:</u> 40.6% of GDP (2014 est.) 41.8% of GDP (2013 est.)	<u>Inflation rate (consumer prices):</u> 6.1% (2014 est.) 7.1% (2013 est.)

Source, (world fact book , 2014)

To understand this indicator develop, according to (European External Action Service, 2014), Regarding economic and trade issues, which is a focal area of the 2007-2013 CSP, during the last few years Nicaragua has strengthened its macro-economic situation to attract private investment, although this still does not mean that there have been any substantial improvements in the living conditions of less-favoured people. Until 2008 most of the macroeconomic indicators remained stable.

However, the macroeconomic situation did deteriorate during the last months of 2008 and the beginning of 2009. Economic growth has been lower than expected, reflecting the slowdown in the global economy, registering at 3.8% in 2007 (versus the 4.2% projection), with an inflation rate of 16.9% in 2007. In 2008, projections for economic growth and inflation were 3% and 13.7% respectively. Preliminary data show that growth was led by the dynamism of the commercial sector, with exports increasing by 19% compared to 2007, while imports increased by 24%. The current account deficit increased from 18.3% of GDP in 2007 to around 26% of GDP in 2008, reflecting the increases in oil and commodity prices (World Factbook, 2014). In turn, fiscal performance has been stronger than projected, as the consolidated combined public sector (after grants) posted a surplus of 0.9% in 2007 and 0.8% of GDP in 2008, well below the IMF target of 1.8% of GDP (World Factbook, 2014).

The contribution of the external balance turned positive in 2009, reflecting an even sharper fall in imports than decline in exports. On the supply side, agricultural output is similarly slowing down as coffee production drops, and the sector's growth is suffering as a result of domestic credit restrictions and foreign aid delays. Public-sector spending restraint and a reduction in private sector construction activity will lead to a decline in overall construction growth. Manufacturing is falling back as well, particularly in export free zones, given the decrease in import demand on Nicaragua's main markets. Similarly, services growth is expected to decline, owing to a falling off in consumer spending and tourism growth.

GLOBALIZATION REPORT ECONOMIC GLOBALIZATION

Economic globalization represents the end of the state as the main regulator of economic activity and the same market. This was due to the crisis of the welfare state in developed countries, when it ceases to ensure economic growth and full employment. . These measures, on the one hand the strength of the trade, investment and cross-border income flows in relation to gross domestic product (GDP) and on the other hand the impact of trade restrictions and account capital. This percentage has increased over every year **reaching 64.43 index** reflects the relative position of a country (percentage of GDP), which depends on some indicators such as the real flows, foreign direct investment stocks. Investment portfolio, income payments to foreigners, hidden import barriers, the average tariffs, taxes on international trade (percentages GDP). Also Nicaragua has “the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) has been in effect since April 2006 and has expanded export opportunities for many agricultural and manufactured goods. Textiles and agriculture combined account for nearly 50% of Nicaragua's exports.” (The world factbook, 2015) This means that a country like part can index trade restrictions and capital account even fall if import barriers degrades, though more slowly than in other countries. Indeed, the indexes are built did include individual components suggested as substitutes globalization. The subscript

of real economic flows includes data on trade, foreign direct investment and portfolio investment. Specifically, "trade is the sum of exports and imports of a country and portfolio investment balance is the sum of the assets and liabilities of a country, income payments to foreign citizens and capital are included to proxy for so far, indeed a country employs foreign capital and people in their production processes. As a means tariff increases, countries are assigned lower ratings. "The impact of economic globalization is a leader in this globalization subindex for having the highest average. This means that a country like part can index trade restrictions and capital account even fall if import barriers degrade, though more slowly than in other countries. Indeed, the indexes are built did include individual components suggested as substitutes globalization. The subscript of real economic flows includes data on trade, foreign direct investment and portfolio investment. Specifically, "trade is the sum of exports and imports of a country and portfolio investment balance is the sum of the assets and liabilities of a country, income payments to foreign citizens and capital are included to proxy for so far, indeed a country employs foreign capital and people in their production processes. As a means tariff increases, countries are assigned lower ratings. "The impact of economic globalization is a leader in this globalization subindex for having the highest average.

SOCIAL GLOBALIZATION

According to the Nicaraguan Institute for Development Information (INIDE), the poverty rate rose from 45.8% in 2001 to 48.3% in 2005. During the period 2002-2006; spending for the poor was equal to 48.9% of total expenditure on Poverty Reduction, the remaining 51.1% was met by people who are not poor, which partly explains the deepening of the phenomenon of poverty. The KOF index classifies social globalization this index is designed to capture direct interaction between people living in different countries. It includes international telecommunications traffic, cross-border information flows, as measured by access to Internet, television and foreign press products) of the population of a country is exposed. Government transfers received and paid workers and to what extent countries interact as if, while the stock of foreign population is included to capture the interactions with people from other countries. Also tourist flows and the size of the foreign population are reflected here. Second, cross-border information flows. In the social dimension of globalization in Nicaragua was classified in 45.21 (from an average of the years from 2000 to 2011) which is taken from the international voice traffic is the sum of incoming and outgoing international, Sum of gross inflows and gross output of goods, services, income, or financial items, data are in percent of GDP. arrivals and departures of international tourists as a proportion of the data is population .this percentage of the population total .when we can identify the social globalization of Nicaragua, through its information technology and the flow of foreign residents or foreign-born in Nicaragua and it is notable that evaluates through some of the next indicators on Personal Data Contact, Phone Traffic, Foreign Population (Percentage of Total Population (percentage of GDP) the impact of social

globalization is medium, having the average above political globalization.

POLITICAL GLOBALIZATION

Calculation method in the construction of the indices of globalization, each of the above variables Introduced becomes the index on a scale of one to one hundred, where hundreds is the maximum value for a specific variable in the period 2000-2011 and one is the minimum value. Higher values indicate greater globalization about politics. The data is transformed.

According percentiles of the original distribution. This shows an average of 57.45 which depends on the indicators as; Absolute number of embassies in the country, membership in international organizations (CIA World Factbook,) the absolute number of international intergovernmental organizations, participation in the Security Council of the United Nations. United Missions Department, Operations Peacekeeping, (to give an average result of the years 2000-2011) the impact of political globalization is the lowest average reflected in profit during these years.

To understand the degree of political globalization which has a country can take into account the number of embassies and high commissions in a country and the number of international organizations in which the country is a member and the number of peacekeeping missions of the UN.

ANALYSIS

Its Competitiveness shows that its highest and strong points are related to the macroeconomic environment, that is ranked 67th out of 144, health and primary education ranks 95th, its weaker points that are in the position 113th and 123rd which are the Innovation and Technology preparation. The macroeconomic environment has had a very favorable performance thanks to service activities, trade, manufacturing and construction, Nicaragua has made very good economic reforms, which included trade liberalization, privatization of many of its state enterprises, the readjustment of external debt, and generally has been moving towards a trade-based economy.

Health is not one of the best because they do not have enough resources to cover all the needs of the country and about education we can say that it is accessible because it is free and a mandatory basis, although the ranking shows that It ranks 95th in health and education, it is doubtful if indeed the issue of health should be one of the high points on their competitiveness. Therefore the government implements plans to promote the develop of this sector.

According to innovation and technological preparation we can say that is not the strong point of Nicaragua, a country which lacks implementing technology and innovation in their processes.

Regarding its globalization we can say that Nicaragua is dependent on exports of the primary sector (Agriculture and

Fishing), and at the same time of the demand on the US market, since most exports are destined for this country.

We can also say that free trade agreements have been beneficial to Nicaragua in recent years, and although the United States remains the best commercial ally, in recent times has opened borders both in Central America and globally. At present we can say that globalization is bringing many benefits in the economic field and the import and export of goods along with increased private investment, lead us to believe that in the future Nicaragua, could have a more efficient local economy.

Its main economic activities include the cultivation of sesame, bananas, coffee, cotton and corn, because this is part of the 60% of total exports contributing an amount of 300 million dollars.

Regarding the tourism we can mention that is growing because it has the second largest industry in the nation with an increase of 10%.

In a few words Nicaragua has had a performance and growth that has occurred from 1970 to the present, where the economy and global politics are the factors that most impact and development have had.

To talk about development and growth the question is, ¿**What is the relationship between globalization and competitiveness?** And we can say that their relationship is wide and very

important, because they go hand in hand, and if one of them does not take place the other one would not have reason for existing, for the simple fact that if we do not focus and if everything related to globalization does not come into our countries, then what would happen is that we could not compete against other countries in matters of productivity, innovation, technology and infrastructure.

Another important question is ¿**What were the economic sectors that have contributed to globalization in Nicaragua?** And analyzing their strong in exports, we can say that the primary sector is one of the aspects that has impacted the most and also has helped the country's economy, as agriculture and livestock contribute with a high percentage of the profit.

Another of our questions is ¿**What were the most relevant factors relating to globalization and competitiveness?** And we can say that in terms of competitiveness health and primary education and the macroeconomic environment, they have played an important role in the development and growth, and in terms of globalization, exports of Nicaragua, make the primary sector a starting point for the expansion of its economy.

STRATEGIES

- One strategy could be to invest more in innovation and technology of not seeing

it as a cost but as an investment in the short term, and that could improve their production processes and increase their economy.

Attract foreign capitals to the country in order to achieve a sustainable development, may be an strategic subject in the state agenda, that's means promote a policy , with revenues and benefits for those countries that pretends to enter in the country.

As we mention with the concession signed by Nicaragua and China for the construction of the canal to compete with panama , could be an excellent opportunity to attract companies, as free zone in panama located near to the port , many companies establish distribution places for the rest of the American , try to implement this model in Nicaragua , could increase in a highly amount the incomes for trades, commerce , distribution , and also promote the development of the new infrastructures with almost any inversion , the foreign companies needs ways buildings , stimulating this companies with incentives they may subsidize this projects.

CONCLUSIONS

- The primary sector is one of those who most impacted and helped the country's economy, since agriculture and livestock contribute a high percentage of the earnings of Nicaragua

- this competitiveness shows that it's highest and strong points are related to the macroeconomic environment, health and primary education, and their weaker points are the Innovation and Technology preparation.

- The free trade agreements have been beneficial to Nicaragua in recent years, and although the United States remains the best commercial ally, in recent times has opened borders both in Central America and globally.

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PANAMA



Background

Panama broke with Spain in 1821 and joined a union of Colombia, Ecuador, and Venezuela - named the Republic of Gran Colombia. When the latter dissolved in 1830, Panama remained part of Colombia. With US backing, Panama seceded from Colombia in 1903 and promptly signed a treaty with the US allowing for the construction of a canal and US sovereignty over a strip of land on either side of the structure (the Panama Canal Zone). The Panama Canal was built by the US Army Corps of Engineers between 1904 and 1914. In 1977, an

agreement was signed for the complete transfer of the Canal from the US to Panama by the end of the century. Certain portions of the Zone and increasing responsibility over the Canal were turned over in the subsequent decades. (Source: CIA)

Geography

Location: Panama is located in Central America, bordering both the Caribbean Sea and the North Pacific Ocean, between Colombia and Costa Rica. (Source: CIA)

Area: Total: 75,420 sq km, land: 74,340 sq km, water: 1,080 sq km; Country comparison to the world 118 slightly smaller than South Carolina. (Source: CIA)

Population: 3,608,431 (July 2014 est.) Country comparison to the world: 131.

Country Name:

Conventional long form: Republic of Panama

Conventional short form: Panama

Capital: Panama City

Legal System: Civil law system; judicial review of legislative acts in the Supreme Court of Justice. (Source: CIA)

Economy

GDP: \$76.95 billion USD (2014); Country comparison to the world 91 in terms of GDP.

GDP - Real Growth Rate: 6.6% (2014); Country comparison to the world 24 in terms of GDP growth rate.

GDP – per capita: \$20,300USD (2014)

GDP – Composition by sector:

Agriculture: 2.9%

Industry: 14.1%

Services: 83% (2014)

Labor Force: 1.563 million
note: shortage of skilled labor, but an oversupply of unskilled labor (2014).

Unemployment Rate: 4, 5% (2014); Country comparison to the world 44.

Population below poverty line: 26% (2012).

Taxes and other revenues: 24, 3% of GDP (2014).

Public Debt: 37, 2% of GDP (2014).

Inflation Rate: 2, 9% (2014).

Current account balance

Exports: \$18, 07 billion (2014), note: includes the colon free zone; Country comparison to the world 76.

Exports – Commodities: fruit and nuts, fish, iron and steel waste, wood

Exports – partners: Ecuador 33.9%, US 11.4%, Japan 8.8% (2013)

Imports: \$25.65 billion (2014), note: includes the colon free zone; Country comparison to the world 73.

Imports – Commodities: fuels, machinery, vehicles, iron and steel rods, pharmaceuticals.

Imports – partners: US 19%, China 14.8%, Singapore 13.1%, Japan 9.5%, Brazil 8.2%, Colombia 5.1% (2013).

Exchange Rate: Balboas (PAB) per US dollar – 1 (2014).

INTRODUCTION

Globalization is the process of international integration arising from the interchange of [world views](#), products, ideas and other aspects of [culture](#), as well as globalization is the key to some countries become developed, Panama has been a clear example of this, many years ago when Unites States of America decided to invest in the main important international maritime trade; the government play an important role in this process, to become a globalized and competitive country, they have the responsibility to help the country to growth in terms of economics, politics, society and culture.

On the other hand competitiveness is another important key to a country would be developed. In recent years, the concept of competitiveness has emerged as a new paradigm in economic development. Competitiveness captures the awareness of both the limitations and challenges posed by global competition, at a time when effective government action is constrained by budgetary constraints and the private sector faces significant barriers to competing in domestic and international markets.

Having a base to the meaning of these two aspects, the main

objective of the report is to analyze Panama; we already select two index to know specific information about this country.

The first one is the KOF index of globalization, these index measures three aspects, economic, social and political. The second one is the global competitiveness index report; the different aspects of competitiveness are captured in 12 pillars, such as institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods markets efficiency, labor markets efficiency, financial market development, technological readiness, market size, business sophistication and innovation.

GLOBALIZATION

Since its beginnings in 1919, Panama's open ship register has grown substantially. Today, it is the worldwide leader of all ship registers: the tonnage registered under Panamanian flag is more than twice as large as the one of Liberia, ranked second. The significance of Panama's ship register also becomes obvious considering its contribution to the International Maritime Organization:

for the 2008 budget, it came to no less than 19.2%.

As in the case of the ships, the Panamanian stock corporations are bound to a public register. This circumstance gives confidence to all those dealing with them; furthermore, the highly qualified lawyers in Panama give them security abroad. In Panama, stock companies can be incorporated by lawyers only who are obligated to know their customers. The Panamanian stock corporation is based on the territorial tax principle, meaning that its businesses conducted abroad are tax-free.

There is a law which is a good example for the high level of globalization in Panama; it is the law regulating private interest foundations which was enacted in 1995/1996. Today, nineteen years later, the public register contains a list of over 20,000 foundations. As with the stock corporations, they have to be founded under the supervision of Panamanian lawyers who are under the obligation to respect the high standards of due diligence and compliance.

All these services offered at the international level have a positive effect on Panama's economy. On the one hand, the private sector and the notaries' offices benefit from the proceeds; on the

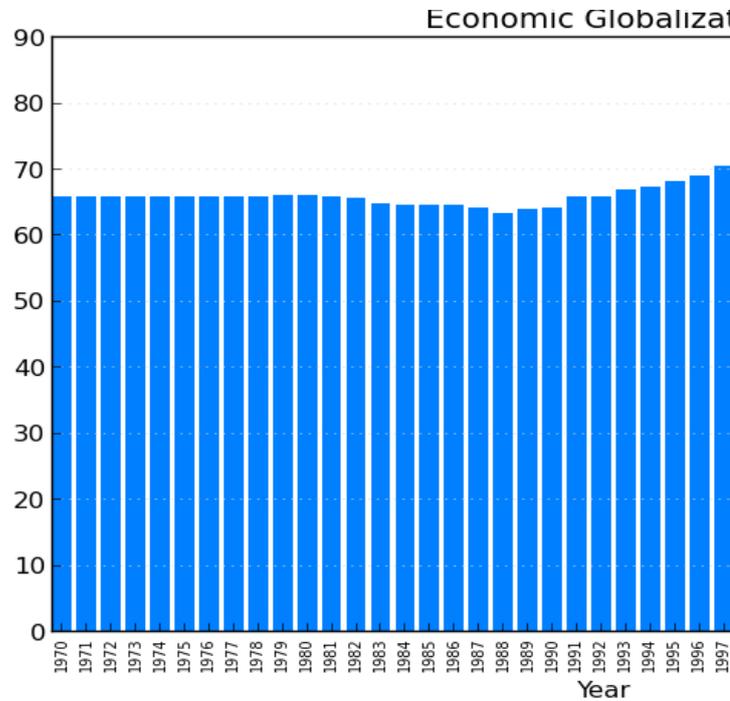
other hand, the Panamanian government profits even more. In 2007, for instance, the national ship register, as well as the fees for stock corporations and foundations, generated state revenues for USD 198 million; the main part thereof, namely USD 103 million, was paid by vessels. Stock corporations and private interest foundations yielded USD 63 million; the public register USD 30 million. And as for the private sector, its profits from these businesses amount to USD 70 million.

In the end, all these revenues are nothing else than service exports because they are generated abroad. Calculated at a profitability rate of 4%, the total revenues of USD 268 million (public and private sector), represents capital of USD 6.7 billion for the country. Actually, this capital is growing constantly because of the new registration of ships, stock corporations and foundations taking place each year. The registrations will increase to the same extent as the globalization of the economy because instruments like the ship register or the Panamanian stock corporations will always be necessary. Therefore, these foreign investments are – beyond doubt – the most important ones in Panama: Each registration of a stock corporation or foundation costs USD 750 on average,

while the expenses of a ship registration come to about USD 13,100. Panama has no tax laws which favor foreign people. Everyone who does business in Panama is treated in the same way: only incomes generated within the national territory are taxed.

ECONOMIC GLOBALIZATION

Graphic 1



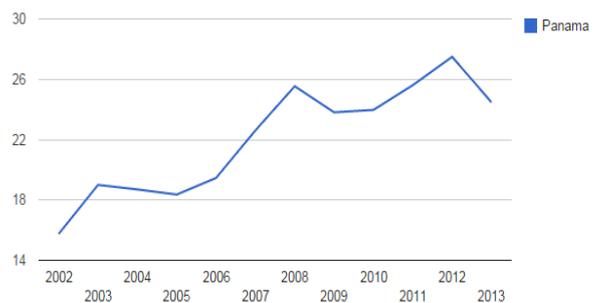
GENERAL INFORMATION OF GLOBALIZATION IN PANAMA

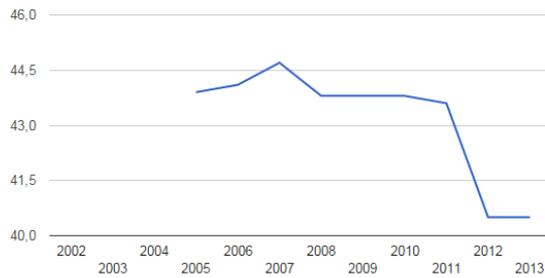
Table 1

	Economic	Social
2002	75,01	56,4
2003	75,34	57,31
2004	77,13	58,03
2005	77,24	58,23
2006	78,61	58,06
2007	79,42	58,83
2008	79,18	59,88
2009	80,84	60,95
2010	80,95	59,63
2011	80,13	58,1
2012	80,35	57,1

Source: Kof, index of globalization (1970-2012), Panama.

Direct investments
Commercial tax rate





Panama's economic growth has been one of the fastest in Latin America over the past decade, with real gross domestic product (GDP) expansion averaging over 8% from 2006 to 2012.

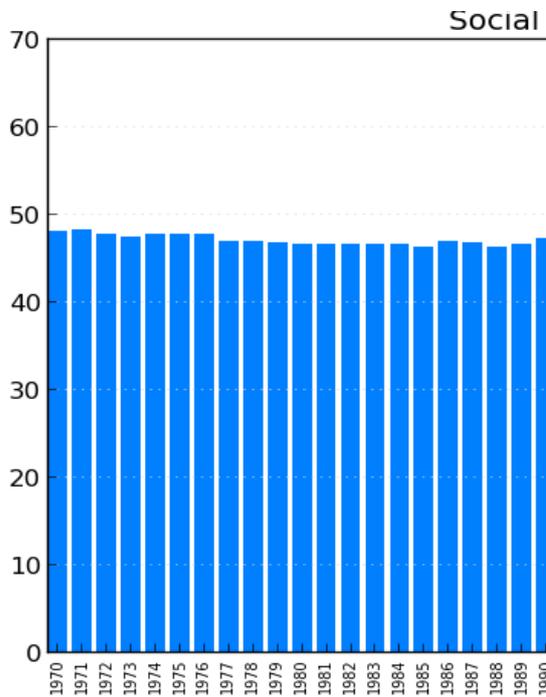
Compared to other countries in the region, Panama did relatively well during the global financial crisis with a 3.2% growth in 2009. However, in 2010 the economy resumed its growth rate with an increase of 7.6%, and growing 10.6% in 2011, 10.5% in 2012, 7.9% in 2013 and an estimate of 7.3% in 2014. This strong economic growth has had an impact in some social indicators. The poverty rate fell from 48.5% in 2002 to 27% in 2011, while extreme poverty decreased from 21% to 11% over the same period.

The economic globalization is measure by two different aspects data on actual flows and data on restrictions; as we can see in the graphic since 1998 the economic globalization have been increasing gradually; direct investment and commercial taxes are and important points that panama had decrease and do not allow that Panama increase sharply.

The graphic of direct investment shows that from 2002, has been growing, raising a significant pick in 2012 of 27% of the GDP; then start to decrease. On the other hand the commercial taxes rate has been decreasing due to many free trade agreements.

SOCIAL GLOBALIZATION

Graphic 2



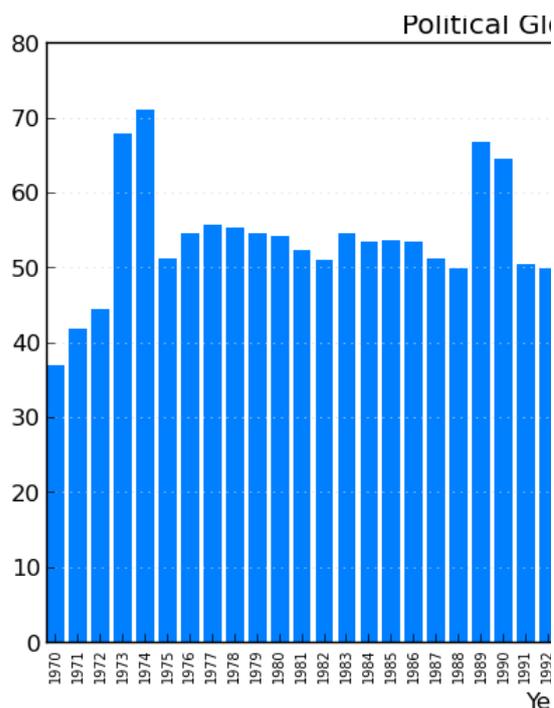
Source: Kof, index of globalization (1970-2012), Panama.

The social globalization is measure by has three dimensions. First, it reflects the extent of personal contacts across borders via travel, migration, remittances, and other means. Second, it measures the information flow between Panama and the rest of the world in terms of telecommunications through television, internet, mail, and other channels. Third, the index reflects the cultural proximity of a country to other countries via the access to international movies, music, and other media.

The number of internet users in Panama was 959.800 in 2010, it means that is a interconnected country according to the technological world that exist these days. Also the number of Mc Donald's in Panama is important in this index, there are 57 Mc Donald's restaurants there (source: McDonald's 2013). Panama expends comparatively more in social areas as a percentage of GDP than the average in Latin America. With 19.4 per cent of GDP expended in social domains in 1998- 99, Panama arrives in fourth position of 17 countries (average 13.1 per cent). This share has been stable at least since 1992. Expenditure on social security represents approximately 5 per cent of GDP. However, social public expenditure as a percentage of total public expenditure represents in Panama a significantly lower share (38.6 per cent in 1998-99) than the average in Latin America (47.8 per cent).

POLITICAL GLOBALIZATION

Graphic 3



Source: Kof, index of globalization (1970-2012), Panama.

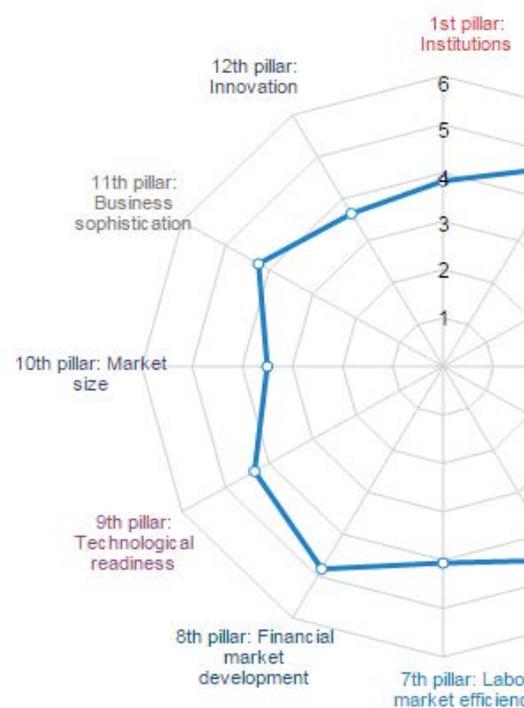
The Political Globalization Index for Panama and other countries measures the number of embassies and high commissions in Panama; the number of international organizations to which it is a member; and the number of UN peace missions Panama participates in. Also included are the number of treaties signed between Panama and other countries. (Source: Global Economy). Panama maintains 53 embassies abroad as well as 67 consulates and 2 other representations. The Panamanian capital Panama City hosts 45 embassies, and in addition there are 41 consulates and 1 other representations in Panama.

- [Argentina - Panama City](#)
- [Belgium - Panama City](#)
- [Bolivia - Panama City](#)
- [Brazil - Panama City](#)
- [Canada - Panama City](#)
- [Chile - Panama City](#)
- [Colombia - Panama City](#)
- [Costa Rica - Panama City](#)
- [Cuba - Panama City](#)
- [Dominican Republic - Panama City](#)
- [Ecuador - Panama City](#)
- [Egypt - Panama City](#)
- [El Salvador - Panama City](#)
- [France - Panama City](#)
- [Germany - Panama City](#)
- [Guatemala - Panama City](#)
- [Haiti - Panama City](#)
- [Holy See \(Vatican City\) - Panama City](#)
- [Honduras - Panama City](#)
- [India - Panama City](#)
- [Indonesia - Panama City](#)
- [Israel - Panama City](#)
- [Italy - Panama City](#)
- [Japan - Panama City](#)
- [Korea \(Republic\) - Panama City](#)
- [Kosovo - Panama City](#)
- [Libya - Panama City](#)
- [Mexico - Panama City](#)
- [Netherlands - Panama City](#)
- [Nicaragua - Panama City](#)
- [Paraguay - Panama City](#)
- [Peru - Panama City](#)
- [Portugal - Panama City](#)

- [Qatar - Panama City](#)
- [Russia - Panama City](#)
- [Sahrawi Arab Democratic Republic - Panama City](#)
- [Spain - Panama City](#)
- [Taiwan - Panama City](#)
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- [Turkey - Panama City](#)
- [United Kingdom - Panama City](#)
- [United States - Panama City](#)
- [Uruguay - Panama City](#)
- [Venezuela - Panama City](#)
- [Vietnam - Panama City](#)

(SOURCE: EMBASSYPAGES.COM > PANAMA).

Performance Overview



TWELVE PILLARS OF COMPETITIVENESS

1. INSTITUTIONS

COMPETITIVENESS

INSTITUTIONS		
YEAR	RANK	SCORE
2012-13	40	4,8
2011-12	69	3,9
2010-11	73	3,8
2009-10	69	3,8
2008-09	70	3,8
2007-08	66	3,8
2006-07	65	3,7

1.

Since 2006 Panama's institutions stability have been increasing, in recent years, Panama's transformation has been characterized by political stability. Although this indicator points to underdevelopment in this aspect compared with other countries in the area of Latin America, this means that Panama's institutions performance was very poor. Panama has had a very important problem – such as highly skewed income distribution and the lack of job-creating growth.

Panama has met the minimum criteria of a democracy this has meant that Panama's institutions never get focus on the important items but in the less important things that is why the ranking keeps being very low. Even though in recent years, Panama has remained on a path that is characterized by institutional stability. However, political institutions are still subject to political manipulation and corruption. The main problems include corruption of public functionaries at all levels of government and the low level of professionalism of civil servants. Consequently, Panamanian citizens perceive all branches of government as corrupt. The rise of criminality and the corrupt nature of the judiciary has led to further disillusionment, which could lead

to a significant decline of the basis for democracy.

The most important political step that Panama had, was the signing of the Carter-Torrijos Canal Treaty in 1977 in the Torrijos. Torrijos's successor, Manuel Noriega, oversaw a political regime involved in the international drug trade. After Noriega annulled the results of the 1989 election, he was removed by the U.S. military during an invasion of the country called "Operation Just Cause".

Democratic transformation thus began in 1990 when Guillermo Endara, winner of the 1989 election, took office. Although this was the starting point of democratic consolidation, Endara did not succeed in strengthening democracy. His administration was mainly characterized by inefficiency. His successor, Pérez Balladarez of the Partido Revolucionario Democrático (PRD), continued implementing free market policy measures and initiated a process of privatization of state companies. Moreover, the military was formally abolished. Although important reforms were pursued, his administration (1994 – 1999) was tarnished by accusations of money laundering, corruption and involvement in drug trade. In 1999, the widow of former president Arnulfo

Arias, Mireya Moscoso of the Partido Arnulfista (PA), became president. During her election campaign, she pledged to tackle corruption and to implement an economic policy aimed at reducing poverty, promoting investment, and increasing growth and efficiency.

1. INFRASTRUCTURE

INFRASTRUCTURE		
YEAR	RANK	SCORE
2012-13	71	3,8
2011-12	37	4,8
2010-11	44	4,5
2009-10	65	3,8
2008-09	55	3,9
2007-08	50	3,9
2006-07	46	4,1

1.

The nation's infrastructure is relatively well developed. Roads in the urban areas are generally good, but in the rural areas of the nation they remain poor. Panama has 11,258 kilometers (6,996 miles) of roads, but only 3,783 kilometers (2,350 miles) are paved. Plans are underway for the construction of 2 major superhighways that will be funded through tolls. In addition, there are 355 kilometers (220 miles) of railways. The government is in the midst of a program to privatize the nation's main railway, the

Panama-Colón Railroad. In addition, a joint venture between the U.S. companies, Kansas City Southern Industries and Mi-Jack Products, is investing US\$73 million to rebuild a rail line parallel with the canal and across the nation. There are 105 airports in the country, but only 41 have paved runways. The withdrawal of the Americans from the Canal Zone has provided the government with a former military airfield that can serve as a major international airport. There are 130 kilometers (81 miles) of crude oil pipelines in Panama.

In addition to the 80-kilometer (50-mile) Panama Canal, the country has 800 kilometers (497 miles) of navigable waterways, although most of these can only be used by shallow-draft vessels. The major ports in Panama are Balboa, Cristobal, Coco Solo, Manzanillo, and Vacamonte. The international shipping terminal in Manzanillo is the largest container port in Latin America. Hutchison Port Holdings of Hong Kong has initiated a \$150 million port project to develop a port facility on the Pacific side of the Panama Canal allows ships of other nations.

1. MACROECONOMIC ENVIRONMENT

MACROECONOMIC ENVIRONMENT		
YEAR	RANK	SCORE
2012-13	52	5,1
2011-12	53	4,8
2010-11	30	5,2
2009-10	46	4,9
2008-09	55	5,1
2007-08	52	5
2006-07	75	4,2

1.

Macroeconomic stability is important because it means a payment decreased to external debt, low inflation among others, that makes a country a good investment destination and this generates growth in the economy. This pillar emphasizes equilibrium analysis or macroeconomic stability.

1. HEALTH AND PRIMARY EDUCATION

HEALTH & PRIMARY EDUCATION		
YEAR	RANK	SCORE
2012-13	79	5,6
2011-12	69	5,7

2010-11	76	5,6
2009-10	64	5,5
2008-09	64	5,5
2007-08	57	5,5
2006-07	27	6,7

1.

This Pillar is the best of the 12 pillars in Panama currently, but the table shows that is going backwards, for instance in 2006-7 the score was higher than the score that they have today, this could be seen as a point of interest because they should keep this score high and work to improve in the other ones, but why is Panama good in this sector? And what is the importance of this in terms of doing business with them?

According with weforum and their analysis of the most problematic factors for doing business the education and poor public health have the lowest rate, in that way we can see this pillar as an advantage for Panama.

The 4rth pillar is divided basically in the following aspects:

4th pillar: Health and primary education		
4.01	Malaria cases/100,000 pop.*	26.3
4.02	Business impact of malaria	6.0
4.03	Tuberculosis cases/100,000 pop.*	48.0
4.04	Business impact of tuberculosis	5.9
4.05	HIV prevalence, % adult pop.*	0.7
4.06	Business impact of HIV/AIDS	4.7
4.07	Infant mortality, deaths/1,000 live births*	15.9
4.08	Life expectancy, years*	77.4
4.09	Quality of primary education	3.5
4.10	Primary education enrollment, net %*	91.2

Source: table from weforum.

This table shows the composition of the pillar and how is rated each one of those, it is important to remark that Panama has a very important health sector and this have led them to become more attractive for doing business because they have found the way to attack the main diseases. Although Panama's ranking is really bad with the 79 position but the reason of it is not going to be found in the health sector but in the primary education, because, in primary education *Panama education system has been described as "one of the worst in the world" and remains unchanged after 30 years because the government fears upsetting unionised teachers. The six years of primary school are compulsory as are the three middle school years that follow. Education curricula follow the traditional pattern that focuses on the humanities (Classbase).*

1. HIGHER EDUCATION AND TRAINING

HIEGHER EDUCATION & TRAINING		
YEAR	RANK	SCORE
2012-13	66	4,4
2011-12	69	4,2
2010-11	82	3,8
2009-10	80	3,7
2008-09	77	3,8
2007-08	73	3,8
2006-07	74	3,7

1.

This pillar examines the quality of higher education, for which the country needs people with a quality higher education to be more productive because they can adapt more easily to new production processes as now required of workers able to deal with new technologies it also emphasizes increased training to workers to improve their skills and thus make more productive and more competitive industries.

a deeper look in the efficiency of Panama in terms of the goods market.

1. GOODS MARKET EFFICIENCY

GOODS MARKETS EFFICIENCY		
YEAR	RANK	SCORE
2012-13	41	4,6
2011-12	35	4,5
2010-11	50	4,3
2009-10	54	4,3
2008-09	57	4,3
2007-08	54	4,3
2006-07	42	4,4

1.

This is a very important pillar because it evaluates all the important things in terms of production and it is important to be focus on it because it is a very second pillar in which Panama is more develop.

The following table will show better the composition of this pillar in order to take

INDICATOR	VALUE	RANK/144
6th pillar: Goods market efficiency (cont'd.)		
6.06 No. procedures to start a business*	5	32
6.07 No. days to start a business*	6.0	21
6.08 Agricultural policy costs	3.6	92
6.09 Prevalence of trade barriers	4.5	46
6.10 Trade tariffs, % duty*	4.9	67
6.11 Prevalence of foreign ownership	5.5	19
6.12 Business impact of rules on FDI	5.4	13
6.13 Burden of customs procedures	4.4	50
6.14 Imports as a percentage of GDP*	64.3	40
6.15 Degree of customer orientation	4.2	93
6.16 Buyer sophistication	3.8	39

This shows that Panama has an important number of procedures to start a business and in this aspect it has the 32 ranking, the trade tariffs is not very good, but it is because Panama has the biggest free trade zone in Latin America and this affect in a negative way the item because there are a lot of products that can get into Panama without the payment of taxes, obviously just inside the free trade zone.

But it is also the of the main reasons of the development of this pillar for Panama, that is why Panama is considered one of the most competitive economies of the whole Latin America just behind from Chile.

Panama has consolidated its position as a major transport hub by developing excellent port and airport networks, while its financial market and technological adoption continue to improve as more multinational

corporations set up operations in the country. Panama is the best rated country in the region for company spending on research and development and it has significantly improved the quality of its education which rose from 112th best in the world to 75th in the last year. (nearshore Americas)

And also for the global competitiveness report “Panama, continues its steady progress and consolidates its position as the most competitive economy in Central America.”(Global competitiveness report)

1. LABOR MARKET EFFICIENCY

LABOR MARKET EFFICIENCY		
YEAR	RANK	SCORE
2012-13	87	4,1
2011-12	89	4,1
2010-11	106	4
2009-10	89	4,1
2008-09	77	4,2
2007-08	70	4,2
2006-07	59	3,4

1.

In an efficient labor market, workers are guaranteed the allocation of a job with an incentive to give their best, steady income is also seen and accepted by the workers. it is also important to include jobs for young people, as this generates greater well-being in the population, to accomplish this have been implemented new labor deals with the competences and studies of each person and be able to cover the entire labor market without saturate any sector.

1. FINANCIAL MARKET DEVELOPMENT

FINANCIAL MARKET DEVELOPMENT		
YEAR	RANK	SCORE
2012-13	22	4,8
2011-12	23	4,8
2010-11	21	4,8
2009-10	22	4,9
2008-09	26	5,1
2007-08	23	5,2
2006-07	25	5,1

1.

The financial sector of the country is very important for economic activities, because it ensures that the investment income from abroad have a more productive use. The government has sought promote the country seeking foreign investment to encourage private and public companies.

**1. TECHNOLOGICAL
READINESS**

TECHNOLOGICAL READINESS		
YEAR	RANK	SCORE
2012-13	53	4,3
2011-12	36	4,8
2010-11	41	4,1
2009-10	59	3,7
2008-09	62	3,4
2007-08	61	3,1
2006-07	60	3,5

1.

Nowadays we live in a technological world and use of technology in production processes is necessary, this pillar the speed with which the country acquires technology to improve

production processes, to be more competitive globally is measured.

1. MARKET SIZE

MARKET SIZE		
YEAR	RANK	SCORE
2012-13	80	3,5
2011-12	79	3,4
2010-11	85	3,2
2009-10	81	3,2
2008-09	85	3,1
2007-08	93	2,8
2006-07	90	3

1.

According with the Global Competitiveness report “The size of the market affects productivity since large markets allow firms to exploit economies of scale. Traditionally, the markets available to firms have been constrained by national borders. In the era of globalization, international markets can to a certain extent substitute for domestic markets, especially for small countries. Vast empirical evidence shows that trade openness is positively associated with growth. Even if some recent research casts doubts on the robustness of this relationship, there is a general sense that trade has a positive

effect on growth, especially for countries with small domestic markets.” But for Panama it is one of the aspects that should have the government attention because this pillar is one of the lowest in terms of ranking for the country.

10th pillar: Market size		
10.01	Domestic market size index, 1-7 (best)*	3.184
10.02	Foreign market size index, 1-7 (best)*	3.694

As the table shows, the internal market size has a very low rate and it has almost the same points of the external market, this could be worrying for Panama’s governors but it could be seen also as an opportunity because if the country improves this Pillar the economy will be affected in a very positive way and would help more to the purpose of Panama as the most develop economy and the most competitive in Central America.

It also has to do with the size of the population because Panama is not a very big country and this is an important factor for the low rate in the market size.

1. BUSINESS SOPHISTICATION

BUSINESS SOPHISTICATION		
YEAR	RANK	SCORE
2012-13	54	4,2
2011-12	50	4,2

2010-11	46	4,2
2009-10	45	3,7
2008-09	51	4,3
2007-08	49	4,2
2006-07	53	4,2

1.

This pillar relates to the quality of business networks, quality of operations and business strategies of the country. Quality business networking means that companies are part of foreign markets and can offer different products, the quality of operations makes our country more competitive than others, and this thanks to strategies such as marketing, distribution and advanced production processes, and this contributes to the economic growth

1. INNOVATION

INNOVATION		
YEAR	RANK	SCORE
2012-13	40	3,6
2011-12	45	3,4
2010-11	64	3,1
2009-10	66	3,1
2008-09	73	3
2007-08	87	2,9
2006-07	85	2,9

1.

Innovation can be technology or advances in knowledge and skill enhancement for now all the products you find in the market have a high added value, which can only be acquired through technological innovations that make the products produced in the country is more competitive in a global market.

CONCLUSIONS

Through the development of this paper we can establish some parameters about Panama, first in terms of competitiveness and second in terms of Globalization, but in order to reach a deeper conclusion there are some questions that should be answered to get a bigger view of Panamas situation.

The first question that we are going to answer is, what is the relationship between Globalization and Competiveness in Panama? To develop this question we can start for saying that Panama has a lot of work to do in order to compete with developed countries but if we take a look in Central America the situation is different because Panama has had a good evolution process since the

openness of the Panama canal with the USA help, and from that point its strength

in terms of international trade grow in a considerable way, also with the establishment of the biggest free trade zone in Latin America its importance for the continent grew up. And based on that is safe to say that the relationship between globalization and competitiveness of Panama start basically since their independence and this relationship is closer with the time because Panama wants to be better and the way to do that is through this path. But with this there is another question that appears, and it is, what was the first step that Panama took? was the globalization or the competitiveness? For us the answer is clear and it is basically because without the USA help Panama would never got an independence so fast and either the Panama Canal, for that reason Panama follows first the globalization process and based on that they star to become more competitive through the time.

With all of these the other important question that need to be answered is if the path that Panama has followed should be continued or should be changed?

Certainly, it is a tough question, and it won't be answered for just one point of view, because there are some things that Panama must change and other things that the country needs to work on, but following the same path, for example their institutional problems, the corruption and their lack of technology are some of the things that Panama must change in order to reach their goals, but for example their infrastructure, it is not the best but they are in a good path where they can improve it and be more competitive through that.

Based on all the previous sentences we can conclude that globalization and competitiveness have a very close relation and following this to paths in the way that it should be done, any country could become more competitive, and the proof of it, is Panama.

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