

## The South-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 South America 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 Latin 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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## Argentina



### Country description:

The United Provinces of the Rio Plata declared their independence from Spain in 1816. The area that remained after the separation of Bolivia, Paraguay, and Uruguay became Argentina. Their culture and population were heavily shaped by immigrants from throughout Europe, with Italy and Spain providing the largest percentage of newcomers from 1860 to 1930. Up until about the mid-20th century, much of Argentina's history was dominated by periods of internal political conflict between Federalists and Unitarians and between civilian and military factions. After World War II, an era of Peronist populism and direct and indirect military interference in subsequent governments was followed by a military junta that took power in 1976.

The Democracy returned in 1983 after a failed bid to seize the Falkland Islands (Islas Malvinas) by force, and has

persisted despite numerous challenges, the most formidable of which was a severe economic crisis in 2001-02 that led to violent public protests. Argentina served a nonpermanent seat on the UN Security Council from 2013 to 2014.

This report is intended to address the level of globalization and competitiveness in Argentina by analyzing factors and strengths, weaknesses, opportunities and threats facing the world and its continuous development, for in this way with the collected information, suggest recommendations that focus on maximize their strengths and opportunities to cancel or decrease his weaknesses against the international market and growth of globalization to find greater viability in the event of external investment and competitive dynamics.

(CIA)

### Population of Argentina:

43,024,374 (July 2014 est.)

Population growth rate:

0.95% (2014 est.)

Major urban area:

BUENOS AIRES (capital) 15.024 million; Cordoba 1.504 million; Rosario 1.367 million; Mendoza 999,000; San Miguel de Tucuman 899,000; La Plata 835,000 (2014)

### Government:

Argentina republic:

Government type: republic

Capital: Buenos Aires

### Legal system:

It is a system of civil law based on Western European legal systems.

**International Law Organization participation:**

has not submitted an ICJ jurisdiction declaration; accepts ICCT jurisdiction.

**Political leaders in Argentina:**

Civic Coalition or CC (a coalition loosely affiliated with Elisa CARRIO)

Dissident Peronists (PJ Disidente) or Federal Peronism (a sector of the Justicialist Party opposed to the Kirchners)

Front for Victory or FpV (a broad coalition, including elements of the PJ, UCR, and numerous provincial parties) [Cristina FERNANDEZ DE KIRCHNER]

Peronist (or Justicialist) Party or PJ [Eduardo FELLNER]

Radical Civic Union or UCR [Ernesto SANZ]

Republican Proposal or PRO [Mauricio MACRI]

Socialist Party or PS [Hermes BINNER]

Renewal Front (Frente Renovador) [Sergio MASSA]

**International organization participation:**

AfDB (nonregional member), Australia Group, BCIE, BIS, CAN (associate), CD, CELAC, FAO, FATF, G-15, G-20, G-24, G-77, IADB, IAEA, IBRD, ICAO, ICC (national committees), ICCT, ICRM, IDA, IFAD, IFC, IFRCS, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC (NGOs), LAES, LAIA, Mercosur, MIGA, MINURSO, MINUSTAH, NAM (observer), NSG, OAS, OPANAL, OPCW, Paris Club

(associate), PCA, SICA (observer), UN, UN Security Council (temporary), UNASUR, UNCTAD, UNESCO, UNFICYP, UNHCR, UNIDO, Union Latina (observer), UNTSO, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO, ZC

(CIA)

**Economic:**

Argentina possesses rich natural resources, also people with high rate of literacy, fortress in the agricultural sector which is oriented to export and has a diversified industrial base. Although Argentina was one of the country's most rich 100 years ago, suffered from the economic crisis in the greater part of the 20th century, on a the current account deficit, high inflation, a growing debt, the flight of capital, great depression, borrowing public and external, at that time and at the beginning of the present century the President a.i. Adolfo Rodríguez SAÁ declared the largest external debt of the Government in December of that year and abruptly He resigned a few days after taking office. His successor, Eduardo DUHALDE, announced the end of pin 1-to-1 Decade of the weight with the U.S. dollar at the beginning of 2002. The economy touched bottom that year, with the GDP real 18% lower than in 1998 and almost 60% of Argentines under the poverty line. Real GDP rebounded to grow by an average of 8.5% annually in the following six years, taking advantage of previously loose capacity industrial and labor, a restructuring of the audacious debt and reduced debt, excellent international financial conditions, and expansionary monetary and fiscal policies. Inflation also increased, however, during the Government of President Néstor KIRCHNER, which responded with price on business restrictions, as well as to export restrictions and taxes from

2007, with data of underestimating inflation. Cristina Fernandez DE KIRCHNER succeeded her husband as President in late 2007, and the rapid economic growth of the previous years began to slow sharply next year as government policies to retain exports and the world economy fell into a recession. The economy in 2010 recovered strongly from the recession of 2009, but it has slowed down since the end of 2011 as well as the Government continued to rely on expansionary fiscal and monetary policies, which have kept inflation in the double digits. The Government extended the State intervention in the economy throughout 2012. In May 2012, the Spanish Congress approved the nationalization of oil company Repsol YPF. The Government extended the formal and informal measures to restrict imports during the year, including a requirement for prior registration and prior approval of imports. In July, 2012 the Government also tightened further currency controls in an effort to bolster foreign reserves and halt capital flight. In 2013, the Government continued with a mix of fiscal and monetary expansionists and controls to limit the drain outside the Central Bank's reserves, foreign exchange and imports that however fell US \$12 billion during the year. GDP grew by 3% and inflation remained stable at 25%, according to private estimates. In October 2013, the Government placed the international arbitral disputes long (including three signatures of United States) dating from before and after the Argentina financial crisis of 2001-02. In early 2014, the Government adopted some Orthodox economic policies. Depreciated weight 20%, they substantially tightened monetary and fiscal policies, and took steps to mend ties with the international financial community, including: engaging with the IMF to improve its economic data reporting, reach a

compensation agreement with Repsol for YPF expropriation and submit a proposal to pay its arrears to the Paris Club. However, the Government in July 2014 dwells again on its external debt since it was unable to reach an agreement with us creditors of retention. The delay of the Government to reach an agreement and the continuation of interventionist policies are contributing.

(CIA)

**GDP (purchasing power parity):**

\$927.4 billion (2014 est.)

\$943.4 billion (2013 est.)

\$916.5 billion (2012 est.)

**GDP (official exchange rate):**

\$536.2 billion (2014 est.)

**GDP - real growth rate:**

-1.7% (2014 est.)

2.9% (2013 est.)

0.9% (2012 est.)

**GDP - per capita (PPP):**

\$22,100 (2014 est.)

\$22,700 (2013 est.)

\$22,300 (2012 est.)

**GDP - composition, by sector of origin:**

agriculture: 10.4%

industry: 29.5%

services: 60.1% (2014 est.)

**Agriculture - products:**

sunflower seeds, lemons, soybeans, grapes, corn, tobacco, peanuts, tea, wheat; livestock.

Agriculture is their main strengths and areas for export, for this reason is invested large amount of gross domestic product.

**Industries:**

food processing, motor vehicles, consumer durables, textiles, chemicals and petrochemicals, printing, metallurgy, steel

We can see that Argentina is currently one of the most important links in the world for the global value chain in the automotive sector, since in this country are manufactured motors and other industrial materials.

**Labor force:**

17.31 million

**Labor force - by occupation:**

agriculture: 5%

industry: 23%

services: 72% (2009 est.)

**Unemployment rate:**

7.7% (2014 est.)

7.1% (2013 est.)

**Population below poverty line:**

30%

**Inflation rate (consumer prices):**

36.4% (2014 est.)

20.7% (2013 est.)

**Exports:**

\$76.47 billion (2014 est.)

\$81.53 billion (2013 est.)

Exports - commodities:

Soy beans and derivatives, petroleum and gas, vehicles, corn, wheat

Exports - partners:

Brazil 21%, China 7.1%, US 5.5%, Chile 4.6% (2013)

Major exports in Argentina are derived from industry and Agriculture and its export framework focuses mainly to neighbours in Latin America, mainly Brazil and continental framework, its main partner is China in the field of natural resources and food products.

**Imports:**

\$65.9 billion (2014 est.)

\$70.54 billion (2013 est.)

Imports - commodities:

machinery, motor vehicles, petroleum and natural gas, organic chemicals, plastics

Imports - partners:

Brazil 27.8%, US 14.5%, China 12.4%, Germany 4.6% (2013)

Reserves of foreign exchange and gold:

\$26.6 billion (31 December 2014 est.)

\$30.53 billion (31 December 2013 est.)

its main imports are focused on machinery to apply in your industry and improve its processes, natural energy such as oil and gas, demonstrating the comparative advantage in the absence of these inputs, in this case its partners change a little continental framework it is mainly Brazil and States only and intercontinental framework still to China this time with Germany also.

**Foreign investment:**

Stock of direct foreign investment - at home:

\$116.7 billion (31 December 2014 est.)

\$109.9 billion (31 December 2013 est.)

country comparison to the world: 40

Stock of direct foreign investment -  
abroad:

\$35.98 billion (31 December 2014 est.)

\$34.33 billion (31 December 2013 est.)

(CIA)

### **Introduction:**

Before we talk about the effect of globalization in Argentina, it is necessary to define it as the intensification of aspects socio-cultural, political and economic global framework. Considering that globalization is a phenomenon that has more repercussion in America, since the expansion in trade and economic has its bases in the production of raw material in America, as well as the diversification of resources, as they are also the workforce, that in the last decades has had enough growth on this continent, led by United States, then Mexico, after some countries in Latin America such as Chile, Brazil and mainly Argentina.

As the American continent mainly in full development receives mostly impacts that bring globalization on all aspects of positive or negative form.

Below to see some of them presented in most Nations Americans, mainly in Argentina, usually explaining the influence of globalization on the pillars more important, that they are political, economic, social and cultural

- **political context:** the national has been replaced by the global, as it is evident in many countries of America, since the autonomy has deteriorated have been limited to the international context by adjusting its internal policies with the intention of global development and being continuously intervened by global policy.

- **economical context:** in this sector has had enough improvements taking into account freedom financial and capital flows, since between countries has been canceled many trade barriers and facilitated doing business and have enabled countries such as Argentina exploiting potentially their resources and competitiveness economic offered these to plunging dynamically in the economy and global trade, but are also subject to changes and structures imposed by the global economy, which sometimes affects the entire American market and lost competition with developed countries which means that in the aspect of economic globalization has a synonymous with capitalist

-**socio-cultural context:** global values, have been imposed to which are subject all over the world and which determine some internal aspects of the country related to economic factors as production, this is explained in Argentina and Latin-American generally as the social ability of individuals which is insufficient in terms of cooperation, since the benefit by own growth premium and this stalls the development of these countries, all down to the wealth of resources that exists in America, it is regarded as the future source of resources around the world , but with so much wealth, fault distribution of these same by internal factors such as corruption, that is present in almost all Latin America, factors such as education are still under development by which not have been able to adapt completely to the system,



but once to achieve this objective, the grow community with better values, which give them a sense of belonging and cooperation for development. Therefore this is a disadvantage, as countries developed in the field of education, Latin America is way behind.

The incorporation of new cultural and ideological patterns of domination in America built new meanings and create a particular cultural sense about how we represent the Latin American project. Globalization meets a general process derived from the development and contradiction of world hegemony that very focus includes ideology as livelihood unavoidable economic reality that was imposed under the name of neo-liberalism. Log out, then, those oppressive and suffocating cultural elements that embodies the globalization is a necessity if some of the near future

All these factors that incorporates the globalization currently make each country to take measures to adapt to this changing, so Argentina has not been back, and though it is a still developing country seeks alternative to bring it to mitigate the disadvantages that globalization presents to you in the same form their advantage to grow and enter the global economy , then we will do a Swot analysis on the situation in Argentina, where we will observe their strengths, opportunities, weaknesses and threats in front of globalization given its competitive aspects:

### **Strengths:**

Argentina has a good positioning in the world regarding the consumer sector, thanks to its industrial and productive agro sector which is one of its largest sources of competitive advantage

-its landscapes and tourist sites, are mostly visited Latin America in the world

- Argentines are normally regarded as strong economic difficulties to individuals and are the knowledge they have acquired in the industrial production of quick adaptation in other countries. , thanks to be link in the production of machinery around the world focused on the automotive sector.

### **Weaknesses:**

- there is a lack of sense of belonging in marks of global products from Argentina, which does not provide the respective prestige

-there is a strong State policy, since this is changing and loses consistency in changes of Government.

-There are problems in the attraction of investors that Argentina is no longer guaranteed legal certainty.

### **Threats:**

- The Argentine domestic market is threatened by the displacement of domestic production that could lead to the increase of imports, as in the Brazilian market, the loss of preference, because of the lack of quality and production costs of inputs, these deficiencies increase imports.

- Agriculture concentrates the quasi-totality of the higher tariffs (inside of this sector, food of temperate agriculture). Which much hinders the potentiation of Argentine exports, since they focus on the agricultural sector and these barriers hinder their growth.

(CEI, 2004)

## Opportunities:

- The liberalization of trade among developing countries helps both to Argentina and the majority of Latin American countries, since it facilitates the exchange of goods and services and provides the use of the comparative advantages of countries in order to achieve growth in their economies

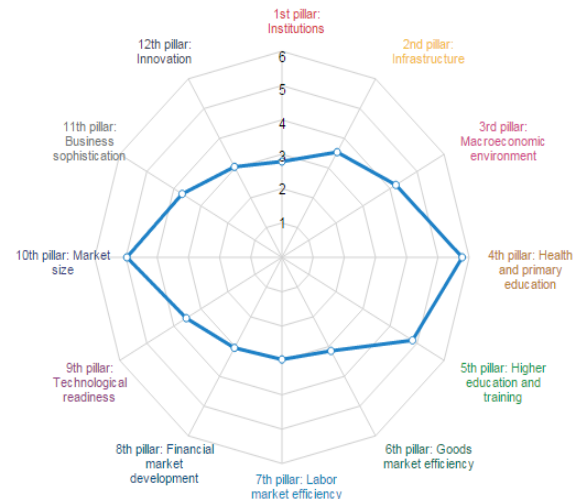
- 50% of Argentine exports currently enter free rights. Another 22% do so with tariffs &lt; 10%.lo which causes a large increase in the volume of its exports focusing in the industrial sector and agriculture, products that have minor restrictions. (svartzman)

We can see that the strengths and opportunities of Argentina are found mainly in economic liberalization and its agricultural production and industrial, on the other hand, weaknesses and threats are barriers and Government corruption that grind to a halt the development of the country, and his carelessness in its market inner that promotes increase of import and you is find it difficult to compete with products from foreign markets as of Brasil.

With this we can analyze that Argentina requires a restructuring internal governmental framework, which better distribute investments and allocate them to the development of the country in this way making it more competitive.

(CEI, 2004)

## Global Competitive Index:



(report, 2015)

Analyzing the situation of Argentina at the pillars of the global competitive index found that the passage of several years Argentina has acquired stability this last couple of years 2014-2015, after coming several years very low, although in the same way it is in a very low position because of internal problems that have stalled a little competitiveness and progress. The situation specified in Argentina in front of each pillar:

**1. Institutions:** suffering from weakness in its institutions due to government inefficiency, which defines it as one of the pillars but weak in terms of Argentine developing.

**2. Infrastructure:** In this pillar is stable, because despite the governmental problems, good investments are aimed at the infrastructure of the country.

**3. Macroeconomic environment:** conditions are very adverse in this pillar, it is one of the main concerns, since building its economic resilience in a changing global economic context characterized by prices lower commodity that can drastically affect the Argentina economy which affects

the access of health and primary education.

**4. Education :** it is the pillar high for Argentina despite not being fully developed, has focused good investments to the sector of education and health, thinking long term and human development, to take care of their future generations and provide guarantees basic, something that has been difficult in Latin America.

**5. High education:** is another stable pillar, high in the context of Argentina, with a Tin enrollment University, but many people who are in these studies or have acquired them effectively, taking into account also the large population from other countries who come to Argentina to specialize in university studies.

**6. Goods and market efficiency:** another low pillar in Argentina by the inefficient functioning of labor market not potentiates due to unfavorable conditions macroeconomic and internal competition with imports products.

**7. Labor market efficiency:** a pillar that is the same level of the former given the inefficiency at work in the internal environment, since Argentina has not focused on their markets but thinks more in international context, dedicating its production mainly to this market development.

**8. Financial:** a pillar of very inefficient, since financial markets in Argentina have become an obstacle to the development and the potential of the country caused mainly by government inefficiency and high corruption.

**9. Technology:** it is good preparation in sense technologic know designing industrial products, thanks to the self-link in production, but good investments

to this sector, not have been destined so technologically Argentina is backward.

**10. Market size:** a pillar high in Argentina, since its market size is very large, thanks also to the diversification of the same emphasized to the farming and industrial sector, where it has much potential, that does not reach to be fully developed by the corruption.

**11. Business sophistication:** given the barriers that hinder the development of Argentina, market has not been possible to be sophisticated since it has not invested effectively with this intention and the market is reduced to basic common exchange of goods and services.

**12. Innovation:** innovation Argentina stays late, because of the corruption which no large investments earmarked for the sector of research and development, by which great innovative dynamics in Argentina has not been observed.

(report, 2015)

### **Competitiveness:**

With the earlier pillars, defined practically in each area the situation of competition in Argentina, where we observed that in several of the aspects more important for this subject, are low, such as institutions, innovation, sophistication of business, technology, financial development and efficiency in the market. Which this linked specifically to the administration of the Government and the distribution of investments in each area, which makes clear the high corruption that tight to Argentina, the problem of not investing in these sectors, cause the country to lose enough competitiveness with the dynamism of Latin America, where it has not taken good advantage of the resources of this country and to its diversified portfolio , since without

government support, for a company in Argentina, is difficult to integrate into the global market and be competitive.

Since it is very difficult to achieve growth without even receiving domestic support, policies not conducive even to local businesses, not to mention that not by the same regulations, Argentina lose attraction for foreign investment, but when it reaches another company from the outside is very difficult to its domestic producers to compete with the prices of those goods or services , since they are not properly subsidized by the Government, as is happening now same with the arrival of Brazilian companies in Argentina, the production of these same have become as mentioned above one of the greatest threats existing in Argentina, on the theme of the market. Despite these negative factors, we find that in the analysis of competitiveness, Argentina has grown gradually in recent years, which shows that his situation was even worse before in terms of competitiveness.



(Datosmacro.com, 2014)

In this table and graph we find that from the year 2007 Argentina has given positions in the ranking of

competitiveness up to the year 2014 of the post 70 to 104 what clearly is related to its internal problems and both economic and political stagnation. While the graphics have a growing trend, must remember that this is negative, since the increase of the number place, evidence that Argentina increasingly will come. But it is clear that in the competitiveness index has been declining from 2012 of 3.99 to 3.76, and its point most high was in 2007 with 4.02, this same evidence the problems mentioned above.

Then find an analysis made by Daniel Sticco, who is an Argentine Economist at prestige, explaining through 5 specific factors, which are the reasons for the low competitiveness that exist in Argentina.

The first factor that explains is high inflation in Argentina, which is guilty of almost one-fifth of the difficulties of local firms to trade with the rest of the world, because that policy would also change this passive with regard to the prices, therefore there is uncertainty when calculating with which trade prices.

The second factor makes reference to the regulations would change with 16.6% incidence in the index of competitiveness relating to authorizations for payments of imports, by the high dependence of the national production of supplies and parts that are not produced in the country. Since purchases abroad are to the national industry, to complete its manufacturing cycle, is automotive, food and even more drugs.

In the third place, mentioned in financial access by the consequence of the political decision not to attend the international credit markets such as the International Monetary Fund, committing itself only for use of the

reserves of the central bank and cost a little higher to the Government of Venezuela.

Sticco defines this as "live with ours is expensive".

the fourth factor, this is clearly linked to the high corruption present in Argentina as mentioned above has great negative impact on the business of the companies with the rest of the world.

And finally the fifth factor refers to the high tax pressure in Argentina affected mostly by withholding and not updating what's in balance by inflation and rising taxes at the municipal level rises.

(Sticco, 2014)

Now we will deepen in the influence of globalization on aspects socio-cultural, political and economic of Argentina, for in this way analyze their effects in the inner landscape of the country:

#### **Globalization in the economy:**

the economic transformation that took place in Argentina at the beginning of the 1990s, the country was opening up to the global world which resulted in the incorporation of foreign investment, new technologies, new efficiency and production-activity parameters, and the achievement of higher levels of growth.

All of these events had high economic and social costs, but it is more important to emphasize is that the institutional and cultural shortcomings of current Argentina that impact today on day in the country, affecting the development of the nation exposed.

They bring three fundamental issues that affect this Argentine panorama:

#### **The wrong conception of the State:**

Countries need markets for its growth, but also need to State institutions so that markets thrive." "Without an effective State, says J. Wolfensohn - is impossible to achieve the goal of sustainable economic and social development".

This suggests a rethinking State, revitalizing and focusing on the institutions to achieve a sustainable market, we find that this is one of the biggest problems in Argentina, since by factors such as corruption and improper distribution of investment to the sectors concerned, the institutions in Argentina suffer from this defect that stalls your growth, so it is necessary to prioritize this type of investment institutions making it a follow-up to energize them.

The market may be global, but the State is and will remain national. And this is so by virtue of that State is a natural and necessary institution, is the legal and political expression of a nation, which ensures their decisional autonomy and sovereignty, which guarantees the order and the common national good. For this reason the State should promote the institutional growth either directly or indirectly, the Argentine State must adapt to this globalized world, in which mercantilism which materializes in recurrent and widespread competitive protectionism in defense of industry and national technology.

The political leadership which is handling the country already is very important that these can't resist the forces and the economic interests of the hegemony on the world market.

All this growth because of the global economic opening had high cost for the commercial and productive structure Argentina not to have a high degree of development not could cope with international competition, but should opt for an opening more gradual. This

began also the structural crisis in small and medium-sized enterprises in inner and outer frame, which caused missing several of them requiring support from local public and private.

In a time of competitive protectionism, Argentina left to fend your panorama international as opposed to countries as Germany or China in which witnessed, that long-term sustainable development cannot be achieved without protecting their industries and national companies in Argentina this could not be done because of a lack of a conductive State allowed that prevailing economic interests in the global marketplace severely been the path of development and they commit themselves in the same way its economic and political sovereignty.

#### **National project:**

An of the big flaws of Argentina, is the lack of a project or protocol which are handled in the medium and long term goals, this makes that viability is lost since are not channeled sectorial interests economic, synonymous with a great delay front global trade development.

There can be no global projection if it is not from the local and national; Therefore, the way in which a country articulates its own resources, its markets and its internal technologic –productive structure with the new dimensions of the external context, will be one not less aspect in order to realize a development strategy.

All these factors have led Argentina to be dependent on international markets, specifically the financial, which makes them lose autonomy in conjunction with its low rating from its own resources, to promote its market internal and whether this causes the patrimonial internationalization, where also there is use geographical potential opportunities

that has Argentina for trade This evidenced the lack of local strengthening that there in Argentina and prevents its development and economic growth, is due to political or own companies, since after not being supported or receive good investments of the State, they do not make much out of economic stagnation.

#### **The identity crisis:**

The identity is the set of factors that determine the individuality of a character or object in particular, this being a country, which leads to cultural identity, which sets general aspects for the members of a community that describes its behavior in different situations. In the world has been able to not exist factors that spread the behavior of all Nations, since they are internally very different conditions and not all can adapt to the same economic system or political, as in the case of capitalism, where the country is in full development, is at a disadvantage since not to reached features maximum potential as opposed to the great power purchasing fully industrialized countries. While objectives have been set to achieve stability in the development of countries, such as education, health, among others, in the same situation, some countries as Argentina, are newly developed these factors, requiring large investments in their seeds. The crisis of identity is created when a country like Argentina looks for another economic model which apply to its economy, this is something very complicated, with internal variations, such as gross domestic product and inflation effects, Argentina has tried to compete with countries like the United States, imitating the value of its currency compared with the American, which is not suitable for the different exchange rate conditions and economic of the two countries. When Argentina find their

own identity and factors that determine their qualities around the world, solving and adapting their markets, it could achieve tremendous growth and development. (Lacquaniti)

### **Globalization in Argentina politic:**

Argentina has an important participation at the political level worldwide in conjunction with bilateral organizations, although without allowing his interventionism in the political or economic

Argentina, along with other countries of South America, part of the Mercosur and the Union of South American Nations. He participated in every phase of the operation in Haiti, and it has also contributed to peacekeeping in different parts of the world operations. In recognition of their contributions to international security and peace, U.S. President Bill Clinton designated Argentina as an important ally extra-OTAN in January 1998.

### **Globalization in the socio - culture of Argentina:**

Globalization acts modifying socio-cultural structures and penetrates in peripheral societies to produce joints and differentiations between the social classes to replace the bases of cultural identification of a nation. I.e., the peripheral countries introduced a set of cultural homogenization and differentiation mechanisms to deal with in particular its influence according to the relations of class and the global inclusion established in peripheral countries. The intention of the processes of globalization in the cultural field is to generate differentiations where "cultural impact" unleashed by the crisis provoked a certain unification among the working classes in order to break them, divide them and split them, while it induces a process of homogenization there where these cultural clashes with

the aim of hiding, under the ideological and economic privilege become visible the divisions of class and the deep degree of conflict that reaches all sectors of Argentine society. That is, while on the one hand cultural devices of globalization pursued the purpose of abruptly "represent" social divisions to hide a real context of unification between the subaltern sectors, on the other hand, involved a process of homogenization that attempts to impose a uniform cultural behavior in the popular sectors to exploit its socio-cultural practices. Here is where should be the question, which led to the crisis in Argentina was a rearrangement of social classes, a restructuring of its membership that globalization takes advantage of dynamically to act and intervene in a cultural and economic restructuring that is adequate to the ideological guidelines of reproduction of social inequality. With the double aim of integrating and distance to the social classes in capitalist development, cultural globalization takes advantage of the transformation process happened between the sectors of national society as a result of the structural crisis in the Argentina to reorganize them under a logic of symbolic production that keep subordinate its ability to transformation.

On this meant that the own needs of contemporary capitalism In addition of the actual "economic", are also the "imaginary", i.e. the cultural reproduction of social inequality.

Transculturalization of culture or cultural globalization produces cultural differences between higher social sectors and the rest. Now, one of the most formidable elements of this social reproduction that uses cultural globalization is the compulsive distribution and production in mass of certain cultural property, resulting in a process of massification, differentiation, equalization, and new social

differentiation. The clearest example of this reproduction is in "fashion". But there is something else.

And the transfer of cultural goods which the core countries turn over on the outskirts in the "globalized" capitalism. Here the cultural subjugation process works not as social differentiation in the interior of the national society, but as national differentiating between the dominant and the peripheral countries. It is that imitations of cultural idioms of the centers are in contradiction with national traditions of the periphery, where the resulting general of this process is the production on the periphery of a guy late for their national cultural behaviors or an inappropriate subject naturally to achieve a proper social hierarchy. Until the social outbreak loosed in December 2001, across hegemonic globalization machinery does not recognize limitations and was only with the emergence of social movements that the idea of a national project thrives and where the formation of a national and popular within the framework of the globalization of world culture emerges as part of the process of independence and national resistance.

(Tragarelli)

Now altogether to globalization and competitiveness we set ourselves some questions where it examines the impact of these variables in a country like Argentina and the way in which apply in this scenario:

**What consequences have the globalization in the economy of Argentina and that way influence these factors in the competitiveness of the country?**

Throughout this report we have observed that the consequences of

globalization on the economy of Argentina have been mainly negative, as do not take much advantage of conditions, given globalization and the ease of trade such as the reduction of barriers and obstacles to the exchange of goods and services already as mentioned before Argentina this very stagnant by internal factors mainly macroeconomic and Government as high inflation and corruption, hindering that Argentine companies can trade abroad effectively linked also to unfavorable policies change in the country, for this reason the competitiveness of Argentina for the world is low and very restricted, therefore we can say that globalization provides many benefits for developing countries helping to its introduction into the global economy , but at the same time are disadvantaged compared to the world powers, which have the first place in the capitalist world, in terms of competitiveness with other countries also is evident that Argentina is at a disadvantage when they enter foreign industries and compete with its domestic production.

**Which pillars of the global competitive index influence mostly in view of globalization for Argentina?**

As mentioned above the pillars that have major implications for Argentina are institutions, the efficiency of the market, the financial aspect, the technology, the sophistication of the market and innovation since they are internal factors of great importance that define, so globalized and competitive may be abroad, because once these factors are exacerbated, any developing country would have great dynamism and advantage to enter the world market These pillars are very important in Argentina since they are the largest projection that explains the Argentine problem in the global framework, the positive of having recognized these



issues, is that the Government can focus on investing in them and improve them for this way to have growth in all the sectors concerned, for this reason we can conclude that when restructuring each of these variables, the overall framework of Argentina will be more favorable and the country will have greater growth in terms of competitiveness in the world market, taking into account that it has enough potential to succeed.

### **The opening to a globalized world would offer a greater competitiveness to Argentina?**

Completely, though this would have positive and negative connotations of that as open could be Argentina toward a globalized world and the efficiency of its protectionist policies. To open up more to the globalized panorama Argentina would leave behind many internal restrictions in the market, as for this should be as we have mentioned before investing more by the Government toward the national enterprises and structural variables of trade in Argentina, for this reason it would also have great importance the strengthening of domestic industries to promote competitiveness with industries that would come to the country to compete, for this reason the Government shall encourage mostly their commercial sectors that same foreign investment by other countries, economic openness and global must be directly dependent on the strength of their protectionism for thus do not disadvantage to his country, since otherwise it runs the risk of several potential threats that would make it more dependent on imports and would drop its gross domestic product and the balance would be lost from the family shopping basket. In conclusion, the global opening should be gradually strengthened its internal aspects for not

running the risks presented by the globalized world.

### **Recommendations:**

-At political level it would be necessary for Argentina to be opened more to the global context, thus promoting greater participation in bilateral agencies which can benefit the country through cooperation to facilitate certain administrative factors that have affected the development of Argentina as a resume for example, integration with the International Monetary Fund.

-Is necessary political restructuring on commodity investor, in such form in which to analyze the variables that need attention, such as low spots observed in the pillars of the index of competitiveness, this form would be spent for the growth and improvement of these variables, as well as the need to increase investments in the sectors of the economy especially where more competitive advantage might have, such as the agricultural and industrial sectors.

-Argentina requires reducing and has more control of its high inflation and political change, since they are cause and consequence of their problems to have their national industries development in global trade.

-Prioritize investments to local to foreign investment industries, since every time they arrive in the country, local industries are totally disadvantaged and his family shopping basket, is affected since most of revenues end up benefiting these foreign companies.

-The Government with the support of the population should generate a collective about their true roots as Latin's memory thanks to globalization its identity has been highly influenced by many countries, and there are no indigenous collective memories.

- Argentina needs to strengthen its protectionist policies for this way to introduce the global economy with greater efficiency and less likely to suffer from threats of capitalism.
- Generate stronger commercial identity around the world to promote better national reputation to the world
- Focus on institutional viability to strengthen this aspect, which takes several years is handicap and is of great importance for development.
- fostering innovation in the country to thus take advantage of this factor that is of great importance worldwide and defines the advantage in terms of industrial or commercial processes.
- strengthen environmental policies for thus acquiring sustainability and promote to efficiently exploit the renewable natural resources to take advantage of these unusual commodities, thus you could generate an added value for Argentina.
- Make as many free trade agreements and promote trade with neighboring countries taking advantage of their competitive advantage, allowing flow of trade and exchange the book for benefit and benefit from other Latin American countries.
- Encourage exports by removing restrictions and barriers to allow industries to make trade and discourage imports to avoid deficits.
- Take advantage of their national infrastructures to invest mostly in tourism and maximize this advantage.
- Ensure support and investment to small and medium-sized enterprises for its foray into the economy, looking at the same time encourage the consumption of goods and domestic services.

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## **Bolivia.**

Professor: Julio C. Botero R.



### Background

Bolivia has a huge market to exporting gas and natural resources, but because of the laws and the political decisions is ranked in the least developed countries in the Latin American region.

Bolivia has structural problems, who are part of the development countries like bad institutions, low infrastructure, inefficient markets and low technological capacity and the government isn't give to this ones the real importance (eldeber.com.bo)

### Area:

- *Total:* 1,098,581 sq km;
- *Land:* 1,083,301 sq km; *Water:* 15,280 sq km;
- *Country comparison to the world:* 28.

Population: 10,631,486 (July 2014 est.).

*Country comparison to the world:* 82

Government: *Government type:* republic; note - the new constitution defines Bolivia as a "Social Unitarian State".

### Economy:

- *GDP (2014):* \$70.38 billion (2014 est.); *Country comparison to the world:* 94
- *GDP – Real Growth Rate:* 5.8% (2014 est.); *Country comparison to the world:* 39.
- *GDP – Per capita:* \$6,200 (2014 est.); *Country comparison to the world:* 158.
- *Labor force:* 4.881 million (2014 est.); *Country comparison to the world:* 84
- *Unemployment rate:* 7.3% (2014 est.); *Country comparison to the world:* 81.
- *Population below poverty line:* 45%.
- *Taxes and Other revenues:* 48.7% of GDP (2014 est.); *Country comparison to the world:* 17.
- *Inflation rate:* 5.4% (2014 est.).
- *Current account balance:* \$1.133 billion (2014 est.); *Country comparison to the world:* 47.
- *Exports:* \$12.34 billion (2014 est.); *Country comparison to the world:* 89.
- *Imports:* \$9.513 billion (2014 est.); *Country comparisons to the world:* 106.
- *Exchange rates:* bolivianos (BOB) per US dollar - 6.958 (2014 est.)

### **Introduction.**

Bolivia is a Plurinational state, the present currency is the Boliviano who was established in 1988, since that the Central Bank of Bolivia is the only financial system responsible for the coin broadcast founded in 1928 (N.A., Wikipedia.org, N.D.).

The Bolivian economy is focused mainly in extraction and export of raw materials, the GDP is one of the lowest in the region, and the minimum wage is over the 91,5 USD per month (N.A., eaboliva.com, N.D.).

The composition of the economy in the primary sector are mining and natural gas extraction, in the secondary sector are beer production, dairy, oil, automotive industry, and in the tertiary sector is composed by Telecommunications companies and also banks, although Bolivia has one of

the lowest GDP in Latin America, has one of the lowest unemployment rate of the region. In terms of production some aspect that really bother is the production of coca leafs (3<sup>rd</sup> producer in the world) although is used commonly with medical and religious purposes, also is used to produce cocaine for US and European markets (N.A., eaboliva.com, N.D.).

Because Bolivia's economy is composed mostly by informality and large companies are almost nonexistent, this has allowed the development of different types of microcredit business which are supported by bigger microcredit entities, this has made Bolivia the 2<sup>nd</sup> place globally with greater development in microfinance. (N.A., eaboliva.com, N.D.) (Evia & Pacheco, 2010)

Indeed, Bolivian exports consist of some products mostly raw materials, which is why Bolivia is susceptible commonly by external shocks like instabilities in the commodities market. (Antelo , Jemio , & Renquena, (N.D.))

According to the KOF analysis in 2014 Bolivia has 102 in terms of Economic globalization, 139 of Social globalization, 63 in Political globalization and with a ranking of 53,14 is the 100 in Globalization index. ((N.A.), (N.D.))

This paper has the intention to show the possible main causes of the deficiency in the competitiveness from the interpretation of the Global Competiveness Index (GCI) (2014-2015) by The World Economic Forum. Also a look of the Globalization in terms of economic, social and political globalization to provide an estimate of the state of the country guided by The World FactBook by the Central Intelligence Agency and the KOF Index of Globalization; and finally a comparison between the competitiveness and the globalization and which common factors affects both.

## GLOBALIZATION IN BOLIVIA

The process of globalization is a phenomenon that develops and steady economic, political, social and cultural growth for this case in Bolivia started from the twenty-first century in which Bolivia began its international insertion. Its central feature is diversifying its production structure and the global market economy making a more dominant (Fernandez, Zegada, & Chavez, 2014)(N.A, N.D).

Globalization policy:

The process of economic globalization has been affected by the crisis of legitimacy of the system that has taken the country, besides taking a long history of inequality and interethnic and inter fragmentation. Bolivia is in a socio-political conflict, in which the political system of the military phase of revolutionary nationalism has been in constant dissent that aims primarily to achieve democratization of the political system. This has caused a more complex and plural society Bolivarian affecting their socio-economic sectors from the political system.

An important fact was these political crises since 2000 when a crisis of representation was presented, leaving effects on neoliberal reforms and

restrictions on the handling of some political regulations. This crisis of legitimacy of the party system led to crisis State to shape structural change in political institutions, under the leadership of popular games left made up of networks of social movements implemented transnational mobilization against globalization.

The aim is to contribute to the discussion of socio-political conflict looking for a reorganization of the international capitalist system from trends and phenomena known under the term globalization, through mechanisms that allow this process of globalization and Bolivia suits it, from:

- Retrieve the strategic management capacity of the State
- Redefine macroeconomic policies consistent with a strategy of growth fueled by foreign markets and business innovation.
- Develop and coordinate policies and programs of reconversion and promotion of manufacturing exports
- Strengthen private associations so that they can provide support services to businesses.

(Grebe, (N.D.))

Economic globalization:

Economic globalization of Bolivia has been subject to a strengthening of the role of the state regarding the expansion of political and economic alliances, achieving overcome the economic and labor conflict that Bolivia was.

Bolivia has tried to be an exemplary country in terms of the application of neoliberal measures from stabilization policies and the implementation of the so-called reforms aimed at economic growth in order to adapt to globalization while protecting the domestic economy from the country.

The globalization process has been difficult for Bolivia as it is in a very diversified economy in a slow growth and a low level of human development. This influenced the process of globalization for Bolivia, for some factors like;

- It has a very diversified economy.
- The economic and social gap with its neighboring countries have been increased.
- State influence in the generation and distribution of wealth, since adopted a new role on strategic sectors.
- A change in the world economy.

- Constitutionalisation in the forms of organization; Community, state, private, social, cooperative, where social and community economy complement individual interests to the collective.

- The new Constitution (NCPE) establishes the "return of the state" to the strategic sectors of the economy, where the surplus is generated.

- Society is demanding greater state presence in the control of natural resources and the redistribution of wealth, reversing the capitalization of "strategic" sectors.

- The rise in international oil prices is evidence that transnational sector of the economy was receiving returns on their investment at much higher benefits than perceived Bolivian society, even when it benefited from improved many services and cheaper costs thereof.

- The regions demand greater access to the returns from the exploitation of natural resources located in the departmental territory. (Bonifaz & Lünstedt, 2011)

Bolivia's economy is based mainly in industry, mining, commercial agriculture and banking. These resources have not been fully utilized to its full potential, so the process of globalization has been difficult to Bolivia as they have not been



able to enter and compete in a global market, because even products do not meet the standards to be competitive and position in the market, thus Bolivia should take over the resources they own, powering the economy and providing added value to be more competitive and possibly attaining adapt to this process of globalization.

This process seeks to consolidate policies that serve as control mechanisms so that globalization is a way in which profits are made and no product markets for the level of industrialization of the countries that drive these economic systems are invading preclude one fair competition and liberalism and limited state intervention is demanded by globalization.

Social globalization:

Bolivia is a country with great social diversity, is composed of groups and personalities from different ideological and programmatic orientation: farmers who own small plots, indigenous peoples' organizations, small and medium entrepreneurs, academics, etc.

This diversity explains the contradictory ideological differences in political parties, that is one of the most important

effects that influence the cultural conflict in which the country finds itself.

This cultural conflict and much affection the process of globalization, some important aspects are:

- The reconstruction of a State in which ethnic difference as a central focus of state institutions is recognized.
- Demand is channeled through the construction of a multinational state, which recognizes indigenous autonomy in local and forms of power-sharing at the central State.
- The State redistributes surplus via downloads that primarily benefit the poorest and most excluded sectors.
- The plurinational state with autonomies is a structurally heterogeneous state in the territorial, political-institutional, economic and identity.
- The state has certain components consociational or power-sharing between the indigenous and non-indigenous at the central level.
- the possibility of creating autonomous indigenous spaces based on the principle of self-determination, with legislative powers and self-government, in addition to control of non-renewable natural resources, respecting their customs were constitutionalized.

- The shooting emigration abroad because of the beginning of the century crisis and political instability.
- Given an improvement in social indicators does not translate into economic gains, social movements demand the state a greater role in the distribution of wealth. (Bonifaz & Lünstedt, 2011)

Overall Bolivia is making improvements to the diversity of cultures that the country has to have more participation and thus to include them in a process of adaptation to a social globalization, where there is more participation of all social groups.

## COMPETITIVENESS IN BOLIVIA

“Competitiveness is defined as the set of institutions, policies and factors that determine the level of productivity of a country”. (World Economic Forum, 2014)

Bolivia in terms of competitiveness is a underdeveloped country, which is reflect in the inability to create a sustained economic growth, and as the Andean Competitiveness Project said “Despite

the structural reforms

implemented

since 1985, the level of per capita income does not exceed 2000 reached the late 70s.” (A. de Guzman, 2001).

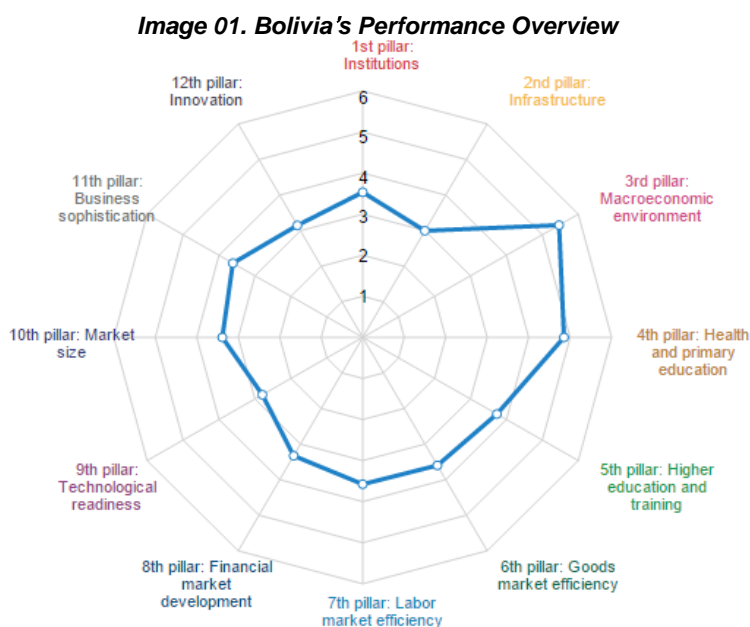
According to the GCI study

Bolivia is the 105 country with a general score of 3.8 in the index below Argentina, this country continued lowering of classification, while maintaining a relative stability.

“Indicators that reflect the country's situation highlights three groups are the existence of basic requirements, efficiency enhancers and innovation and

sophistication factors” (Los Tiempos, 2014)

The *Image 01* show the performance overview according to the GCI (2014-2015), and show the 12 pillars which “quantify the impact of a number of key factors which contribute to create the conditions for competitiveness, with particular focus on the macroeconomic environment, the quality of the country’s



institutions, and the state of the country’s technology and supporting infrastructure” (Governance Assesment Portal, (N.D.)).

These pillars contains subindex like public institutions, private institutions, transport infrastructure, electricity and telephony infrastructure, government budget, GDP, inflation, government

debt, health, quantity education, quality of education, competition, quality of demand conditions, flexibility, efficient use of talent, efficiency, technological adoption and other ones which contribute to assess the competitiveness in each country.

In all the countries the pillars are organized depending the ranking given to the pillar, in Bolivia these are organized:

Macroeconomic environment, Health and primary education, Higher education and training, Goods market efficiency, Business sophistication, Institutions, Market size, Financial market development, innovation, infrastructure and technological readiness. The *Table 01* shows the positions and rankings of the pillars of the GCI for Bolivia.

5	higher education and training	3,7
6	goods market efficiency	3,6
7	labor market efficiency	3,6
11	Business sophistication	3,6
1	institutions	3,5
10	Market size	3,4
8	financial market development	3,3
12	innovation	3,1
2	infrastructure	3
9	technological readiness	2,8

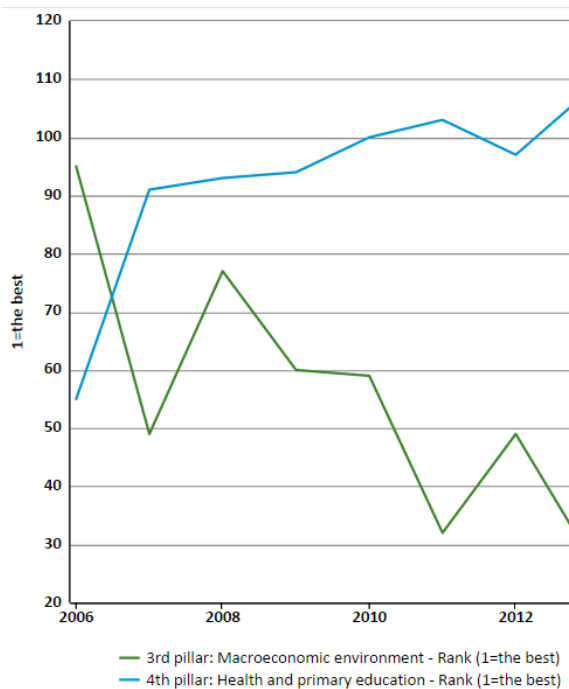
**Table 01. Classification pillars GCI (2014-2015) Bolivia**

<i>Pillar</i>	<i>Name</i>	<i>Score</i>
3	macroeconomic environment	5,5
4	health and primary education	4,9

Source: Global Competitiveness Index (2014-2015)

To try to interpret the GCI, in this paper will be chosen the two highest (Macroeconomic environment and Health and primary education) and the lowest pillars (Infrastructure and Technological readiness) as a strategy to try to give an overview about the possible main causes of the deficiency in the competitiveness in Bolivia.

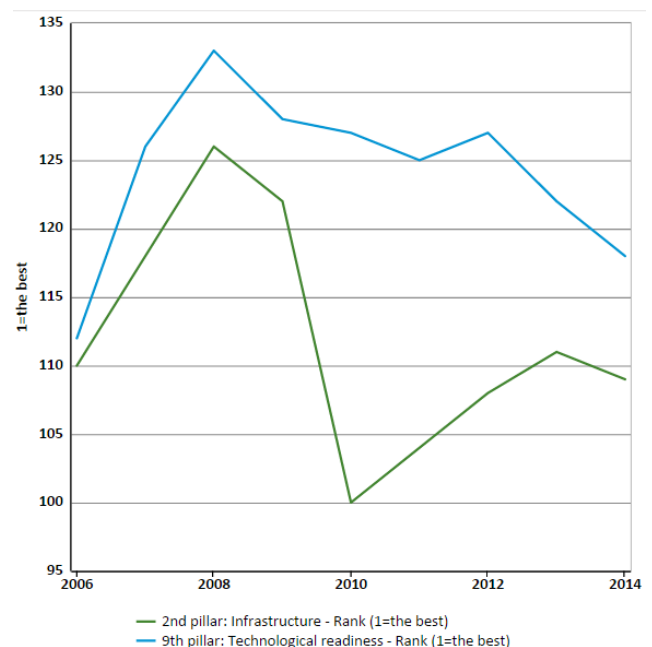
**Image 02. Compared Pillars highest pillars.**



Source: <http://knoema.es/>

The *Image 02* shows the two highest pillars in the GCI which are Macroeconomic environment and Health and primary environment. In the pillar of Macroeconomic environment Bolivia has an average GDP of 4,1% achieving a fiscal surplus and also in the current account because of the nationalization policy of natural resources, telecommunications and energy, this policies allowed a growth in the public investment because of the growth in the public collection (N.A., eaboliva.com, N.D.); the public debt “in 2013 it reached 32.56% of GDP in Bolivia, a fall of 0.80

points over 2012, when the debt was 33.36% of GDP” (Datosmacro, 2013). In the pillar Health and primary environment “The Ministry of Health and Sports (MSD) serves less than half the total population through the public subsector, which includes the Universal Maternal and Infant Insurance and Coverage Extension Program for Rural Areas” (Ledo & Soria , 2011).



The lowest pillars are Infrastructure and Technological readiness. The pillar of infrastructure “At least 80% of educational units are in poor condition of infrastructure, parents lament the lack of resources for their maintenance” (FMBolivia, 2012). In the pillar of Technological readiness, Bolivia in 2015 according to the World Economic Forum is in the 90 ranking, because according to the ranking “In the first are the poor

quality of the overall system (since 133) and the lack of preparation in math and science (138); limiting the capacity to make good use of technology. The second is the lack of effective legislative bodies (140), affecting the regulatory environment” (Peru21, 2015).

Bolivia has some disadvantages like “intellectual property, kickbacks, high tax rates and regulations on FDI, low availability of local suppliers and a low capacity to absorb technology.” (Corz, 2012).

## ANALYSIS

### Questions

1. *What are the factors that have influenced the process of globalization?*

#### Globalization policy:

- Retrieve the strategic management capacity of the State
- Redefine macroeconomic policies consistent with a strategy of growth fueled by foreign markets and business innovation.
- Develop and coordinate policies and programs of reconversion and promotion of manufacturing exports
- Strengthen private associations so that they can provide support services to businesses.

(Grebe, (N.D.))

#### Economic globalization:

- It has a very diversified economy.
- The economic and social gap with its neighboring countries have been increased.

- State influence in the generation and distribution of wealth, since adopted a new role on strategic sectors.

- A change in the world economy.

- Constitutionalisation in the forms of organization; Community, state, private, social, cooperative, where social and community economy complement individual interests to the collective.

- The new Constitution (NCPE) establishes the "return of the state" to the strategic sectors of the economy, where the surplus is generated.

- Society is demanding greater state presence in the control of natural resources and the redistribution of wealth, reversing the capitalization of "strategic" sectors.

- The rise in international oil prices is evidence that transnational sector of the economy was receiving returns on their investment at much higher benefits than perceived Bolivian society, even when it benefited from improved many services and cheaper costs thereof.

- The regions demand greater access to the returns from the exploitation of natural resources located in the departmental territory. (Bonifaz & Lünstedt, 2011)

#### Social globalization:

- The reconstruction of a State in which ethnic difference as a central focus of state institutions is recognized.
- Demand is channeled through the construction of a multinational state, which recognizes indigenous autonomy in local and forms of power-sharing at the central State.
- The State redistributes surplus via downloads that primarily benefit the poorest and most excluded sectors.
- The plurinational state with autonomies is a structurally heterogeneous state in the territorial, political-institutional, economic and identity.
- The state has certain components consociational or power-sharing between the indigenous and non-indigenous at the central level.
- the possibility of creating autonomous indigenous spaces based on the principle of self-determination, with legislative powers and self- government, in addition to control of non-renewable natural resources, respecting their customs were constitutionalized.
- The shooting emigration abroad because of the beginning of the century crisis and political instability.
- Given an improvement in social indicators does not translate into

economic gains, social movements demand the state a greater role in the distribution of wealth. (Bonifaz & Lünstedt, 2011)

In general the process of globalization has been affected more by the political situation, as the political crisis in Bolivia have done this slow and difficult process, so its adaptation has been lower than in other countries. The cultural conflict has made Bolivia a country with different ideological views contradictory in that which each have different objectives, some in favor of globalization to make Bolivia a country more developed, but others against so they do not have serious consequences for the national economy.

2. *What is the sector most benefit and least influenced in terms of globalization?*

Overall political crises have subsided, these cultural conflicts that arise in the country have been reduced because all the social diversity that has Bolivia has been taken into account so that they have political participation so that better deals are presented and political alliances aim to bring benefits to the country.

On the other hand they have not paid enough attention it deserves economic sector of the country, Bolivia has a great



diversity of products and natural resources, but because of the political crisis in the country have neglected this sector that is so important and can greatly influence the growth, development and globalization of the country.

3. *What are the factors that have influenced the process of competitiveness?*

These main factors that influenced the process of competitiveness according to the Global Competitiveness Index are the Macroeconomic environment and Health and Primary education, which also were analyzed in the development of the present paper.

Factors that influenced the competitive process are:

Infrastructure Factor:

- System land and air transport. (A. de Guzman, 2001)
- Telecommunications, internet and email. (A. de Guzman, 2001)
- Port facilities and productivity of investments. (A. de Guzman, 2001)

Institutional Factor:

Quality and reliability of the legal, social and political institutions in terms of: The competence of the judiciary and the rule of law, the role of government as an institution, the level of corruption, police protection, the existence of organized crime and size the informal economy. (Guzmán, Bolivia: Indicadores de Competitividad , 2011)

Government Factor:

The state's role in competitiveness and the way in which intervenes in the economy through; the composition of public expenditure, spending on infrastructure, tax system. (Guzmán, Bolivia: Indicadores de Competitividad , 2011)

4. *What are the aspects that influence the country to have these indicators of competitiveness?*

The events which have helped Bolivia in terms of competitiveness are such corruption, political decisions, low technification, lack of infrastructure

Other aspects that have influence on the competitiveness indicator are:

- Institutional: corruption, costs of crime, violence and confidence in the police service. (N.A., Competitividad de Bolivia retrocede y enfrenta 12 trabas, 2012)
- Low quality of education and health systems. (N.A., Competitividad de Bolivia retrocede y enfrenta 12 trabas, 2012)
- Problems to do business because red tape and trade barriers. (N.A., Competitividad de Bolivia retrocede y enfrenta 12 trabas, 2012)

5. *What is the projection that the country is in the future, in terms of globalization and competitiveness?*

In terms of globalization Bolivia still needs to improve and adapt much as it is in a state of somewhat slow development and therefore have found it very difficult to enter this global phenomenon, it may strengthen its weaknesses, making better use of natural resources, achieve development in all sectors of the country. But for the moment it is not feasible because it takes many factors that Bolivia is a globalized country.

Regarding competitiveness is important for government intervention to reduce violence and corruption indicators, as

this is affecting much of the country, in addition to intervene in a way that market barriers are reduced, since it does not allow us to interact the world competitive today, Bolivia could thus be truly competitive in the future, even at this time it is not necessary to strengthen these weaknesses to get competitive.

## RECOMMENDATIONS

- National public policies should incorporate external factors that may affect the country and make better use of them (Fernandez, Zegada, & Chavez, 2014).
- Promote the articulation and assertion of local identity, joining the past with the present and projecting into the national and global space, in order to build a common political community (Fernandez, Zegada, & Chavez, 2014).
- Assemble, interbreed, complement, the social forces that have been in the political movement in the country (Fernandez, Zegada, & Chavez, 2014).
- Bolivia should better political relations within the country, thus forming alliances may remain benefits to the country.
- Take into account the social diversity of the country is, and give them more participation, thus diminish the contradictory ideology that in the country there.
- Strengthen the sectors of the economy, making better use of natural resources, in order to

potentiate their products in new markets and in this way to be competitive.

- Is necessary to invest in better infrastructure.

## CONCLUSIÓN

In general terms Bolivia is looking for improvements respect for diversity of cultures that the country has to have more participation and thus to include them in a process of adaptation to enter the phenomenon of globalization, where there is more participation of all social groups. In addition to this decrease and manage the political crisis is the great factor that has prevented Bolivia suits against globalization, although it has contributed in several ways to control this cultural conflict and partly contributed to an improvement of relations within the country. Bolivia still needs to improve against its economic, political and social development in order to compete with neighbouring countries or other to become a globalized country.

In terms of competitiveness Bolivia has a huge gap in terms of infrastructure, technology, innovation, and all this and more components is reflected in one of

the lowest GDP in the region, that is mainly by a chain of political decisions and economic deficit induced by the corruption.

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## Brazil



Students of International Business and Economy on fifth semester on “Fundación Universitaria Politécnico Grancolombiano”.

Brazil is a country located in the Eastern of South America, its area total is 8.515.770 square kilometers, this area is composed by 8.358.140 square kilometers of land and 157.630 square kilometers of water, its territorial expansion locates Brazil in the ranked 5<sup>th</sup> on the country comparison on the world. In the history, Brazil gained its independence in 1822 and it was dominated by the coffee exporters, then the countries was submitted by a populist and military government and finally with the civil power the industrial and agricultural sector growth through the

exploitation of natural resources, one of the first in the area to begin an economic recovery.

- **Country name conventional long form:** Federative Republic of Brazil.
- **Population:** 202.656.788.
- **Capital:** Brasilia.
- **Legal system:** Civil law.
- **Gross domestic product:** 3.073 trillion US dollar.
- **GDP real growth rate:** 0,3%
- **Unemployment:** 5,5%
- **Labor force:** 110.9 million.
- **Poverty:** 21,4%
- **Taxes for the GDP:** 38,4%
- **Current account balance:** - \$80.92 billion US dollar.
- **Imports:** 241.9 billion US dollar.
- **Exports:** 242.7 billion US dollar.
- **Public debt:** 59,3% of GDP.
- **Inflation:** 6,3%
- **Exchange rates:** 2.36 reals (BRA) per US dollar.

On July of 2014, Brazil already had 202.656.788 Brazilians this population locates the country on the 6<sup>th</sup> place, with the major urban area in Sao Paulo although its capital is Brasilia and its administrative division are compose by 26 states apart from the capital, The federative Republic of Brazil is governed with a civil law, the last civil law code was enacted in 2002.

According to The Central Intelligence Agency (CIA) Brazil has a develop and extensive agricultural, mining, manufacturing and services sector, this is the competitive and differential factor about the rest of Latin America, also, they are characterized by their stability in macroeconomics aspects and this item attracting foreign direct investment. After the economic world crisis in 2008 Brazil was one of the first on recovery its economic situation, currently the Brazilians' GDP is 8<sup>th</sup> around the world but the 1<sup>st</sup> in the region with 3.073 trillion US dollar, ironically its GDP real growth rate in 2014 was 0,3% occupying the 198<sup>th</sup> position on the world comparison and the 18<sup>th</sup> place in America.

The big Brazilian population contributes with a labor force compose by 110.9 million of people to economically active population and the GDP per capita is

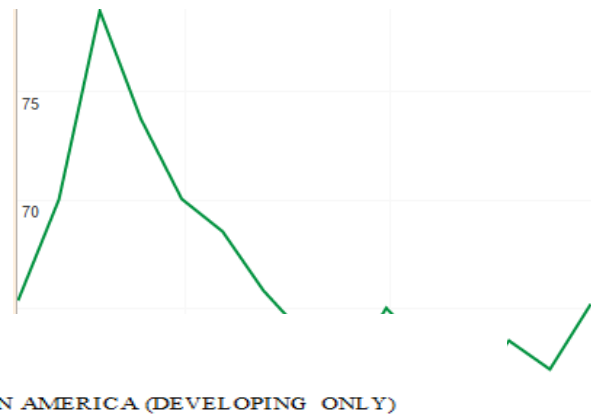
15.200 US dollar occupying with these the 101<sup>th</sup> place and beating countries like Colombia, Peru and Costa Rica. The 5,5% of its EAP was unemployment on 2014 and Brazil comparison on the world was the 57<sup>th</sup> and in comparison on Latin Americas was the 2<sup>nd</sup> being overtaken only by Ecuador (5%) as is expressed on the graphic 1 (The world bank. Unemployment total).

One of the main problems in Brazil is poverty, the last studies in 2009 reflected that 21,4% of population is poverty. According to The World Bank the poverty gap is 3,3% and this percent survive with \$2 US dollar a day. The fiscal policy in Brazil contributed to the GDP with 38.4% being the 46<sup>th</sup> country on the world that more taxes and other revenues, although its imports on 2014 was 241.9 billion US dollar and its exports in the same year was 242.7

management to achieve a balance between public debt and gross domestic product” (CEPAL, 2008).

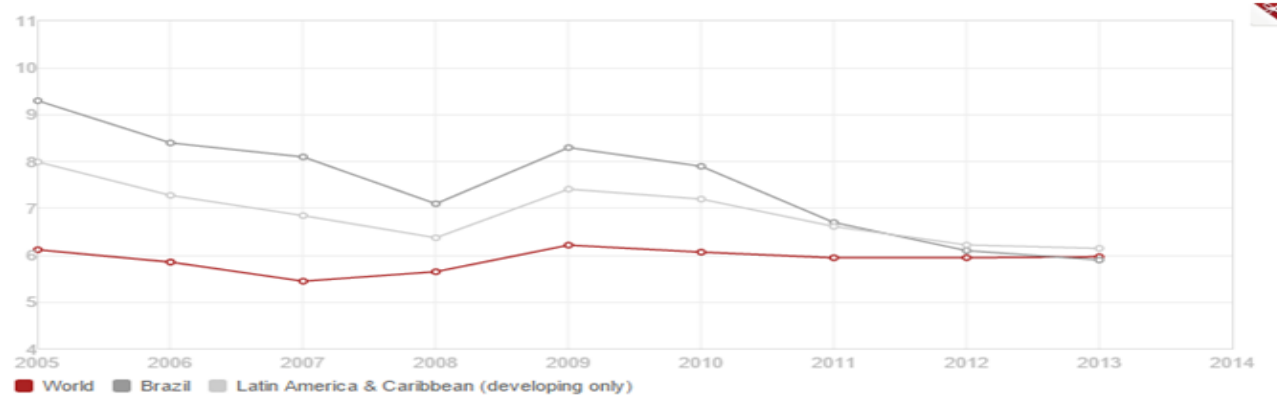
**GRAPHIC 2**

**PUBLIC DEBT ON BRAZIL**



**GRAPHIC 1**

**BRAZIL UNEMPLOYMENT COMPARISON ON THE WORLD AND LATIN AMERICA (DEVELOPING ONLY)**



**Source: The World Bank, unemployment total (% of total labor force)**

billion US dollar, but Brazil had a current account balance with a deficit equivalent to -\$80.92 billion US dollar.

The Brazilians public debt reflect a general vision of the public finances, in 2014 the public debt reach the 59,3% of GDP, and that positioning to Brazil on the 56<sup>th</sup> place on the ranking, “since 2004 Brazil adopted a public debt

The macroeconomic data show an inflation of 6.3% in 2014 on the customer prices, but the monthly growth was 0.7%, mainly on medicine, apartment, food and non-alcoholic beverages (1.2, 1.0 and 1.0 respectively). On 2014, one US dollar represents 2.36 reals (BRA), this badge was devalued on

**Source: Datasmacro.com**



1.37% and it is the most devalue badge. Currently, invest on the exchange market to avoid the increase in the US dollar price.

## **GLOBALIZATION**

### **Economic Globalization**

Brazil is the world's seventh largest economy. After a period of strong growth, the Brazilian economy started showing signs of a slowdown due to the stagnation of prices of raw commodities in exports, a drop in domestic demand caused by high levels of household debt and a decline in investments. Affected by a decline in household consumption and in industrial activity and investment, the Brazilian economy entered a recession in the first half of 2014 and only emerged from it in the third quarter. Over the whole year, growth was estimated at 0.3%. A slight recovery is expected in 2015.

Although foreign trade only represents one fourth of its GDP, Brazil is amongst the world's 22 largest exporters and has an enormous economic potential. The country's main trade partners are China, the United States, the countries of Mercosur and the EU.

“Trade is the sum of exports and imports of goods and services measured as a

share of gross domestic product” (The World Bank)

Brazil's trade balance was structurally positive, but has declined in recent years due to a drop in the prices of raw materials, an increase in energy imports and a decline in the competitiveness of Brazilian products. In 2014, for the first time since 2000, the country registered a trade deficit of USD 3.93 billion. Exports fell by 7% compared to 2013, while imports declined by 4.4% Brazil in the KOF index of globalization occupies the position 113 with 51.59 points, the total export of goods and services (% of GDP) 12.6% and total Imports of goods and services (% of GDP) 15.0 % by 2013. (CIA)

In terms of Foreign Direct Investment, stocks (US \$ million) 64 045 in 2013. The Portfolio Investment in 2014 was (US \$ million) 443 110, income payments to foreigners were (USD million) 25.37114311

Restrictions in Brazil according to the Global Competitiveness Report ranks the 115 position regarding trade barriers and tariffs is in position 118.

### **Political Globalization**

Political globalization is a process of integration of national policies and global political institution.

Political globalization is divided into Embassies in Country, Membership in International Organizations, Participation in U.N. Security Council Missions and International Treaties.

Brazil has 69 embassies in their country and a member of the following international organizations:

“AfDB (nonregional member), BIS, BRICS, CAN (associate), CD, CELAC, CPLP, FAO, FATF, G-15, G-20, G-24, G-5, G-77, IADB, IAEA, IBRD, ICAO, ICC (national committees), ICCT, ICRM, IDA, IFAD, IFC, IFRCS, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC (NGOs), LAES, LAIA, LAS (observer), Mercosur, MIGA, MINURSO, MINUSTAH, MONUSCO, NAM (observer), NSG, OAS, OECD (Enhanced Engagement, OPANAL, OPCW, Paris Club (associate), PCA, SICA (observer), UN, UNASUR, UNCTAD, UNESCO, UNFICYP, UNHCR, UNIDO, UNIFIL, Union Latina, UNISFA, UNITAR, UNMIL, UNMISS, UNOCI, UNRWA, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO”

Participation in the missions of U.N. Security Council in 2014 was 1697. Brazil has 62 international treaties.

### **Social Globalization**

Brazil, the giant of Latin America, has been rocked by a series of economic, social and political problems. To this day has not really improved as expected, poverty is a factor that every day becomes more visible. Moreover education is also a problem affecting Brazilian since for the government is much more important to invest in education infrastructure. Then we can see the role of globalization in Brazil through data and analysis of factors that influence the development of this country. In the same way, the economic, social and political globalization discloses the strengths and weaknesses are there in this country.

### **Social Globalization**

\* Data on Personal Contact

Telephone Traffic

Transfers (percent of GDP)

International Tourism

Foreign Population (percent of total population)

International letters (per capita)

**GRAPHIC 3**

(25%)

**Social globalization index**

\* Data on Information Flows

Internet Users (per 1000 people)

Television (per 1000 people)

Trade in Newspapers (percent of GDP)

\* Data on Cultural Proximity

Number of McDonald's Restaurants (per capita)

Number of Ikea (per capita)

Trade in books (percent of GDP)

country	Social Globalization	
92. China	52.42	(35%)
93. Korea, Rep.	52.05	
94. Mexico	51.79	(36%)
95. Palau	51.02	
96. Azerbaijan	50.72	
97. South Africa	50.06	
98. St. Vincent and the Grenadines	50.04	(38%)
99. Thailand	49.97	
100. Venezuela, RB	49.01	
101. St. Kitts and Nevis	48.69	(26%)
102. El Salvador	48.55	
103. Paraguay	47.51	
104. Jamaica	47.07	
105. Ecuador	47.02	
106. Colombia	46.62	
107. Guatemala	46.50	(32%)
108. Belize	46.39	
109. Nicaragua	45.21	
110. Armenia	45.08	
111. Maldives	45.03	(44%)
112. Dominica	44.94	
113. Honduras	44.60	
114. Swaziland	44.44	
115. Brazil	43.61	(44%)
116. Sri Lanka	43.36	
117. Kazakhstan	43.13	

**Source:** 2014 KOF index of globalization (11%)

Of 207 countries, Brazil is in 115th with a percentage of 43.61 in social globalization.

Globalization has led to a gap between rich and poor that has generated inequality, a clear example of what happens in Brazil, where we talk about the difference between classes to talk of globalization, it is true that Brazil has adopted globalization but this belongs only the upper class part; disinterest and coldness are the protagonists of modern society that are directed toward poverty.

On the other hand, education and poverty are a vicious circle in which the lack of preparation was really alarming figures thrown by the literacy rate confirms that most Brazilians eligible to vote, only distinguish words and short sentences.

Brazil with over the years in this case take period 2005-2013 has maintained a level not so favorable for the country, in places such as Tax revenue (% of GDP) Brazil has had a range that has not been as significant changes to the economy. Moreover, we can see that in Brazil social globalization has not had major indices that endanger the country even if they are expected different results.

### COMPETITIVENESS

“The competitiveness is the ability of a country to create, produce and distribute goods and services on the international market, maintaining growing earnings of its resources” (Harvard Business School Rivkin, Porter & Kanterr).

The global competitiveness index was published by the World Economic Forum since 1979, and it measured the ability of each country to provide high levels of prosperity.

### GRAPHIC 4

#### Latin America Top 10 of Globalization

Latin America Top 10	
The Global Competitiveness Index 2014-2015	Global rank*
Chile	33
Panama	48
Costa Rica	51
Brazil	57
Mexico	61
Peru	65
Colombia	66
Guatemala	78
Uruguay	80
El Salvador	84

Source: The Global Competitiveness Report 2014-2015  
Note: \* 2014-2015 rank out of 144 economies

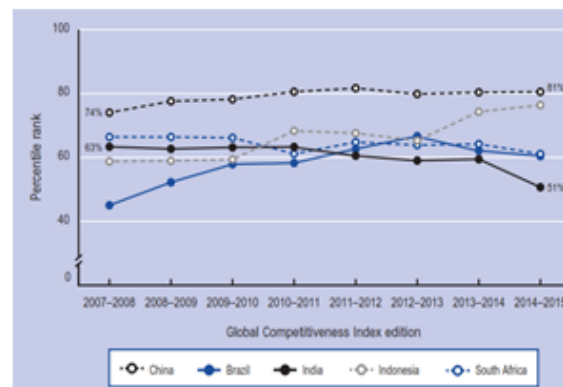
**Source:** World Economic Forum, The global competitiveness report 2014-2015, Infographics

The global competitiveness index 2014-2015 ranked to Brazil on the 57<sup>th</sup> according to studies about each pillar (institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness, market size, business sophistication and innovation) Brazil has a score of 4.34 in general. In general the region has an estimated growth rate for 2,5% on 2014 where the most competitiveness economy is Chile on the 33<sup>rd</sup> for their stable profile. In comparison with the global competitiveness index 2013-2014 decline and the main reason is the insufficient progress.

On the first pillar, Brazil ranked 94<sup>th</sup> and according to the evaluated items the worst was “Business cost of terrorism” and the best was “Burden of government regulation”. In order to infrastructure, it’s ranked 76<sup>th</sup> protruding quality of port infrastructure, “Brazil has 37 important ports, we would mention Puerto de Paranagua, Puerto de Rio Grande, Puerto de Santos” (Roman), and quality of roads, currently Brazil has 1.580.964 kilometers of roadways and it positioning to Brazil on the fourth place on the country comparison on the world, but only the 13,46% was paved, to increase this competitiveness index the Interamerican Development Bank (IDB) created the Brazilian Infrastructure Investment Found (BIIF) on 2004: “The investments was directed to infrastructure’s project of private sector and public companies of energy, transport, networks and water and sanitation” (Interamerican Development Bank IDB) . this found arise as an answer to the little funding in long term to infrastructural projects, also the program has created 1.439 jobs, in the last year the Rousseff government has oriented to the development and 7.000 concessions was granted to build new highways.

#### GRAPHIC 4

#### Historical performance of BRICS in the Global Competitiveness Index



Source: India’s competitiveness crisis, The Global Competitiveness Report 2014-2015, p. 30.

The macroeconomic environment in Brazil are marked by a good level inflationary, on 2014 was 6,13%, the second one on comparison on the BRICS group, the government budget balance was a deficit of 2% of the GDP on 2012, the gross national saving on 2013 was 3.000 billion US dollar, the general government debt ascend to 482.469.814.000 US dollar, this items are reflected on the competitiveness index where Brazil is positioning on the 85<sup>th</sup> place.

The state is support by a high taxation and it improves the economy and the social balance but it decrease the global competitiveness because it’s really different to its competitors like Chile, Mexico and China. Currently, the local currency is highly revalued on

comparison with the dollar by the highest demand, the increase in the foreign direct investment in the new development center of Latin America and the high interest rate to controlling the inflation. The public debt has improved by the increase in the GDP in the last year and the revalued of the reals and although the country improve constantly in items like employment, prices of exports commodities and foreign direct investment, Brazil has a public deficit so it indicate that if someone of this items change the public deficit would increase.

Taking part in social aspect, we would talk about the fourth pillar, health and primary education, in this index the main problem is the quality and enrollment of primary education, although “The Brazil’s matriculate rate in primary education is within the average of the region (95,3%)” (UNESCO). The health index in Brazil are good present good indicators about malaria, in the last year the averages of cases was 530.000 and they are concentrate in the Amazon Region because the changes in the extractive economic activities, internal migration and transient rural settlements but the business aren’t affect by this disease, so Brazil is the 5<sup>th</sup> country less affected by the Malaria on the world. During 2011, Brazil presented 20.2 HIV

cases per 100.000 people, the mortality rate was 5,6 per 100.000 people and Brazilian business are the 63<sup>th</sup> country most affected by HIV rates.

The higher education and training had improved during 2000 and 2008, in 2008 the 81% of expect students was studying, on comparison with the region Brazil has better indicator, because the average is 72.8%., but this only was the matriculate rate but the conclusion rate was 55%, and this rate remains better on comparison with the region. In Brazil the poverty finish the primary and secondary education less than the rest of population, so the level education depends of the socioeconomic stratum. Evaluating subjects like math and lecture the students present better indicators in lecture, because the 47% of Brazilian students don’t reach the basic level according to Latin American Laboratory for Assessments of Educational Quality (LALAEQ). With respect to internet, Brazil has 75.982 million of internet users, and the internet access in school was in 2014 the 98<sup>th</sup> highest level of internet in schools, taking into account this information, Brazil occupying the 41<sup>th</sup> place in comparison on the world.

The life expectancy in 2013 was 74 years, but the women life expectancy in the same year was 77,58 years and a man

live in average 70,36 years and occupying the 78<sup>th</sup> place in the ranking, its infant mortality is 20.5 deaths per 1.000 births, in proportions 2,3% of women and 1,6% of men under one year death each year.

Taking part in the topic of economy, we have to talk about markets, goods, services and commodities where Brazil is characterized by its emerging market and its economic openness, the foreign trade is open with partners like China, United States, Argentina and Netherlands and its principal exports are iron ore and crude oil, in the imports the principal business partners are similar and only change the order, the principal is United States with petroleum oils and medicines, the second one is China with parts for audio and video and parts for laptops and finally, the third is Argentina with cars. The GDP is composed principally by agriculture, industry and services, in 2014 these sectors contributed to the GDP 5,8%, 23.8% and 70,4% respectively, in the first economics' sector, Brazil has an advantage because is characterized by its biodiversity but the agricultural sector don't contribute a the main products are coffee, cereals, soy, meat and sugar, in the second economics' sector, the industry, Brazil has progressed in

metallurgical products, machinery and equipment, irons and steel and cars, and finally, the third economics' sector, the services, where excel tourism, business services, international travels, transport and financial services, the tourism would be an important item by the Brazil's characteristics but it's attack for the insecurity, infrastructures and low levels of capacitation in tourism, in 2011, the principal source markets are Argentina (1.593.775 tourists), United States (594.947 tourists), Uruguay (261.204 tourists) and Germany (241.739 tourists). The labor market in Brazil is extensive by its population, its labor force is 110.9 million of people, the 6<sup>th</sup> biggest on the world, this comparison is led by China and India and Brazil is the biggest on the region (Latin America) but United States appears in the 4<sup>th</sup> position as the first biggest labor force in America. In 2012, the average real income of workers reached a historical rate, overcoming the rate of 1800 reals per month and in the next year this record figure was overcome with 1.862,40 reals per month. The labor market is divided by the formal and informal jobs; the informality represents 30% of the labor market and incomes for 578.400 reals per year, in the Global Competitiveness Index qualified this pillar in the 109<sup>th</sup> place because the efficiency is affected

by high tax burden, corruption and an excessive regulation.

The financial market development is beneficiary by prospects like economic stability, diversify and dynamic economic, big and solid financial and capital markets. The financial market has governed by laws, resolutions of National Monetary Council and releases of Central Bank of Brazil, this institute also control banking and non-banking institutions. Moreover institutions like National Monetary Council establish criteria to monetary policy, credit policy and exchange rates policy, other function is regular access conditions, performance and financial institutions' supervision. The general framework for financial market isn't only established by laws, to make it looser as financial innovation, include also growing convergence with international standards.

The banking development is one of the better on the region, the most important commercial bank is "Banco do Brasil" and the most important state bank is "Bradesco", and the foreign banks don't lead the market as happen in other countries in the region and that only represents 4% on the market, the banking system is strongly capitalized.

In the aspect of networks, Brazil has 248.324 million of mobile cellular, is the 6<sup>th</sup> country with more mobiles in comparison on the world, 75.982 million of Brazilians use internet and the government want to expand this rates and they designed networks policy where different goals has being achieved as the Brazilian networks model where they demand universal service provision and quality assurance of fixed telephony, the public policy (decree 4733/2003) has as objectives: ensure the individual access to each citizen to at least one network, guarantee access to each citizen to internet, meet the needs on networks in rural population, fair and reasonable rates of access to networks and organize networks' services emphasis on social inclusion; terrestrial digital television model ( decree 4901/2003 and 5820/2006) which want to introduce radio and television digital transmission and Broadband National Program (decree 7175), it arise to implement the communication network to public federal administration, support public policy to connection to broadband internet, provide infrastructure and support's networks to telecommunication services.

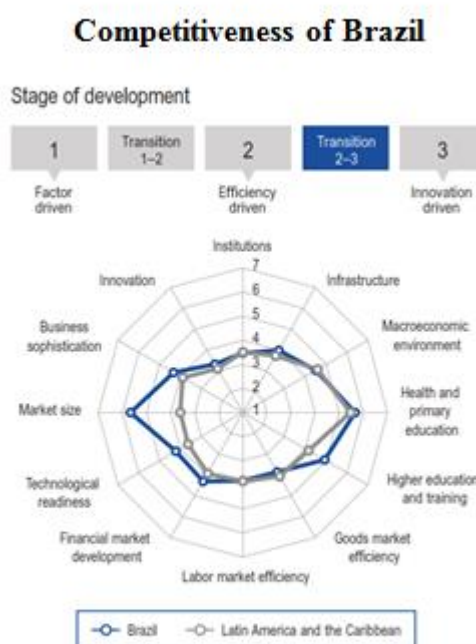
The Brazilian market is emerging, its domestic market is the 6<sup>th</sup> biggest on the



world, and this size was the reason how Brazil overcame economic crisis on 2008, the domestic market represent three quarters of gross domestic product, this increase purchasing power of Brazilians and this move the offer and demand therefore the economic change so Brazil is a good place to produce and market goods and services: “Brazil today is the second economic and political power in the American continent, also the second democracy and the second population in America after United States” (Catedra Nebrija-Grupo Santander ). Brazil is the first receiver of foreign direct investment in Latin America, in 2008 received the half of investments intended to the region; Brazil already has excellent multinational companies, it’s the 4<sup>th</sup> exporter of commercial airplanes, the fifth global steel producer, the sixth automaker and the 7<sup>th</sup> chemical industry on the world. Brazil is the 12<sup>th</sup> receiver economy of foreign direct investment, the investments are received in sectors like mining of metal ores, metallurgy, financial services and manufacture of food products, also has institutions to support and commercial policy are important items to the internationalization process, and the biggest investors are United States, Netherlands and Spain. The business in

Brazil are affected by factors like tax regulations, restrictive labor regulations, inadequate supply of infrastructure, tax rates, inefficiency government bureaucracy and corruption. Brazil are strong in topics like cluster, local supplier quantify but don’t quality and extent of marketing, and its business are the 47<sup>th</sup> more sophisticate on the world. Finally, the last pillar is the innovation where Brazil receives the 44<sup>th</sup> place.

#### GRAPHIC 4



**Source:** Country/ Economy profiles, The Global Competitiveness Report 2014-2015, p. 134.

Globalization is the growing integration between countries; dare trade, investment and cultural and technological exchanges.

On trade Brazil has experienced tremendous growth which has allowed

him to become the first economy in Latin America and the sixth largest economy in 2011 with a GDP of 2,473 billion dollars, in recent years Brazil's trade balance has a surplus but this indicator has declined.

Exports of goods and services for 2011 represented 11.9% of GDP for a total of 292.474 million dollars; its main trading partners are China and the United States 18.0% 12.1% of total exports.

These exports are mainly divided into iron ores accounted for 11.5%, 10.3% agricultural products and oil and petroleum products by 7.3%. The main services exported 53.37% were business services, travel and transportation 16.67% 13.60%.

As for imports of goods and services account for 12.6% of GDP for a total of 309.94 million dollars, these imports come mainly from China and the United States 16.3% 15.4%, the main products imported They are oil and petroleum products 18.2% and automobiles 3.4%. The main imported services other business services were 35.03%, 27.48% and transportation travel 17.54%.

Brazil is the main destination of foreign direct investment in Latin America and fifth worldwide because it has a large population and potential markets, a

growing economy, a lot of raw materials, skilled labor and a strategic position in the region. Among the factors that negatively affect foreign direct investment this bureaucracy and Brazilian law.

In 2011 the flow of foreign direct investment was 66,660 million this investment comes mainly from the United States 20.2%, Belgium 11.1%, Spain 10.7% and the UK 7.3%.

The main sectors for investment in Brazil are the Financial Services 14.0%, chemical industry 12.0%, 12.0% beverage industry and oil and gas with 6.0%.

The investment portfolio in Brazil was \$ 35 billion, mainly to the United States 201 243 000 dollars and the UK 76.392 million dollars.

Taxes on international trade include import duties, export duties, Brazil accounted for \$ 27 million in 2011 and with respect to revenue was 2.69%

The number of tourists arriving in Brazil is 55 million in 2011 this number is ascent because the organization of the World Cup Brazil 2015.

The total number of foreign residents in Brazil according to the Brazilian Institute of Geography and Statistics

(IBGE) is 431 319 people of which 53.6% are men.

Cellular subscriptions in 2000 was 23,188,171 and for 2013 this number Hacienda to 271 099 799.

The percentage of Internet use in 2000 was 2.87% and for 2013 is 51.60%.

Number of restaurants McDonald's is 812 this indicator is part of the social globalization.

### **RELATIONSHIP BETWEEN GLOBALIZATION AND COMPETITIVENESS**

The international economic environment in recent years has increasingly identified by its dynamism and globalization. Trends such as the growing interdependence among countries, the rise of emerging economies and the amazing technological advances around the world, shape an increasingly competitive and changing global environment.

As a result of these trends, globalization and competitiveness of a country have increased even more. Therefore, it is necessary for Brazil to have an international vision of economic activity and consider economic strategies within an open economy model.

In the midst of these features internationalization appears as a necessity for Brazil.

However, this is a difficult, complex and costly process, which may even harm Brazil if not previously performed a strategic analysis before making such a decision.

According to V. Donoso (1997) explains "as a phenomenon, globalization has its basic thrust in technical progress and, particularly, in the latter's capacity to reduce the cost of moving goods, services, money, people and information. This phenomenon of "reducing the economic distance" has enabled exploit opportunities in markets for goods, services and factors diminishing, if not eliminating, the importance of trade barriers. "(P. 108)

Moreover, research and development are elements that influence in favor of globalization. Therefore, technological change is an important part in the competitiveness of entire sectors of a country, as an important part requires innovation. Indeed, Brazil is not self-sufficient from a technological standpoint.

furthermore, the increase in trade around the world, has prompted Brazil to participate in a greater

internationalization; Also the existence of multinational competitors and the very globalization of competition creates a strong need to increase competitiveness encourages businesses to operate in larger markets, cooperating and competing in a game that is perceived mutually beneficial.

In contrast, economic globalization is forcing companies to compete in global markets and hence the interest in international competitiveness. According Forsner, Ballance (1990) "if the economy is globalizing, companies have the need to operate in because foreign markets are supporting the action of third country competitors. In this way confronted with the necessity to expand their markets or exporting, establishing agreements or manufacturing products abroad"

Finally, the economic strength of a country depends on their own abilities, advantages and level to compete. In an open world economy as the current, competitiveness is therefore a key variable to ensure business success.

## **WHAT IS THE RECOMMENDATION THAT A COUNTRY IS GLOBALIZED AND COMPETITIVE?**

- To carry forward the globalization of Brazil requires a continuous development of a stronger public opinion. It is also important that efforts to prepare Brazil to discuss new opportunities facing the world as they are of great benefit to the country are made. Decisions at the time for action has to be clear and concise, may thus reach a consensus and decide on what should be done, how it should be done and who should do it.
- A vibrant civil society, empowered by freedom of association and expression that reflects and voices the full diversity of views and interests. The existence of organizations representing the public interests, the poor and other disadvantaged groups are also essential in order to ensure a participatory and socially just governance.
- An essential requirement for improved global governance is that all organizations more accountable to the public at large for the policies they pursue. The Governor of Brazil should contribute to this process by regularly reviewing decisions

taken by their countries' representatives to these organizations.

### **HOW GLOBALIZATION AFFECTS ECONOMIC COMPETITIVENESS?**

The theme of globalization has taken on special importance in the global economic discussion, the point considered a model of the reality of the market that integrates the dimensions in the way you think, act and grow.

Competitiveness by economic globalization affected because not all economically active population will be globally competitive, and not the entire planet's population remains excluded from the benefits of modernization progress.

Therefore, Brazil to impose a dynamic new markets, have to design specific projects aimed to other dimensions, identification of the role of the state must focus on the formation of a competitive human resources to respond to the demands of a dynamic economy as a force for economic growth and wealth generation for Brazil.

### **DOES THE GLOBALIZATION OF COMPETITIVENESS DEPEND?**

Globalization hardly occurs without competition, fails to start the

internationalization process if the company isn't competitive at the national level. In the same way, internationalization makes the country more competitive to be able to produce larger quantities. Also allow you to benefit from economies of scale because they are factors that complement each other.

### **RECOMMENDATIONS AND CONCLUSION**

Globalization is a process that has been taking more and more strength, developed countries are those that have made progress in every sense, but also developing countries have benefited from these advances that have been taking place in the world,

Today it is already talking about a common market in a borderless world to be seized, but also concern the standardization of certain specific aspects of each country, then we have to ask ourselves how can we speak of a homogeneous culture Globalization ?, It has its advantages, but also disadvantages for poor countries.

Economic globalization has affected not only the relationship between the competitive strategies of low cost or differentiation, but has also been introduced as a new element to consider

in studies of strategic direction, resulting in a jump from strategic programs towards designs a fully strategic international and global level.

Brazil as an emerging country has a great potential to be among the top 22 exporters in the world thanks to its vast availability of natural resources (raw materials).

Increase production and export of manufactured goods and finished products and raw materials exploiting the low cost of labor.

Reducing administrative barriers or bureaucracy to reduce costs to businesses and encouraging foreign direct investment.

Controlling the exchange rate of the real against the dollar to not reduce the competitiveness of some economic sectors. Cut red tape for start-ups to encourage investment.

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## CHILE



Source: CIA The World Fact book,  
South America: Chile

**Introduction:** Chile declared its independence in 1810; decisive victory over the Spanish was not achieved until 1818. In the War of the Pacific (1879-83), Chile defeated Peru and Bolivia and won its present northern regions. It was not until the 1880s that the Mapuche were brought under central government control. After a series of elected governments, the three-year-old Marxist government of Salvador ALLENDE was overthrown in 1973 by a military coup led by General Augusto PINOCHET, who ruled until a freely elected president was inaugurated in 1990. Sound economic policies, maintained consistently since the 1980s, contributed to steady growth, reduced poverty rates by over half, and helped secure the

country's commitment to democratic and representative government. Chile has increasingly assumed regional and international leadership roles befitting its status as a stable, democratic nation. In January 2014, Chile assumed a two-year nonpermanent seat on the UN Security Council.

### **Geography**

**Location:** Southern South America, bordering the South Pacific Ocean, between Argentina and Peru

**Area:** total: 756,102 sq km, land: 743,812 sq km, water: 12,290 sq km, note: includes Easter Island (Isla de Pascua) and Isla Sala y Gomez, country comparison to the world: 38 the longest north-south trending country in the world, extending across 38 degrees of latitude; strategic location relative to sea lanes between the Atlantic and Pacific Oceans (Strait of Magellan, Beagle Channel, Drake Passage); Atacama Desert - the driest desert in the world - spreads across the northern part of the country; the crater lake of Ojos del Salado is the world's highest lake (at 6,390 m)

**Population:** 17,363,894 (July 2014 est.)  
country comparisons to the world: 65

### **Country name:**

**Conventional long form:** Republic of Chile.

**Local short form:** Chile

**Capital city** Santiago; note - Valparaiso is the seat of the national legislature

**Legal system:** civil law system influenced by several West European civil legal systems; judicial review of legislative acts by the Constitutional Tribunal

**International organization participation:**

APEC, BIS, CAN (associate), CD, CELAC, FAO, G-15, G-77, IADB, IAEA, IBRD, ICAO, ICC (national committees), ICCt, ICRM, IDA, IFAD, IFC, IFRCs, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC (NGOs), LAES, LAIA, Mercosur (associate), MIGA, MINUSTAH, NAM, OAS, OECD (Enhanced Engagement, OPANAL, OPCW, Pacific Alliance, PCA, SICA (observer), UN, UN Security Council (temporary), UNASUR, UNCTAD, UNESCO, UNFICYP, UNHCR, UNIDO, Union Latina, UNMOGIP, UNTSO, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO

**Economy:**

Chile has a market-oriented economy characterized by a high level of foreign trade and a reputation for strong financial institutions and sound policy that have given it the strongest sovereign bond rating in South America. From 2003 through 2013, real growth averaged almost 5% per year, despite the slight contraction in 2009 that resulted from the global financial crisis. Growth slowed to 4.2% in 2014. Chile deepened its longstanding commitment to trade liberalization with the signing of a free trade agreement with the US, which took effect on 1 January 2004. Chile has 22 trade agreements covering 60 countries including agreements with the European Union, Mercosur, China, India, South Korea, and Mexico.

**GDP:** \$410.3 billion USD(2014) country comparison to the world: 44 in terms of GDP

**GDP - real growth rate:** 2% (2014) country comparison to the world: 151 in terms of GDP Real

**GDP - per capita:** \$23,200 USD (2014)

**GDP - composition, by sector of origin:**

**Agriculture:** 3.5%

**Industry:** 35.5%

**Services:** 61.1% (2014)

**Labor force:** 8.514 million (2014)

**Unemployment rate:** 6.5% (2014)

**Population below poverty line:** 15.1% (2009)

**Taxes and other revenues:** 19.2% of GDP (2014)

**Public debt:** 16.5% of GDP (2014)

**Inflation rate:** 4.3% (2014)

**Current account balance:**

\*Exports: \$76.98 billion (2014) country comparison to the world: 48

Exports - commodities: copper, fruit, fish products, paper and pulp, chemicals, wine

Exports - partners: China 24.9%, US 12.8%, Japan 9.9%, Brazil 5.8%, South Korea 5.5% (2013)

\*Imports: \$70.67 billion (2014) country comparison to the world: 43

Imports - commodities: petroleum and petroleum products, chemicals, electrical and telecommunications equipment, industrial machinery, vehicles, natural gas

Imports - partners: US 20.3%, China 19.7%, Brazil 6.5%, Argentina 5%, Germany 4% (2013)

**Exchange rates:**

Chilean pesos (CLP) per US dollar - 568 (2014)

**Chile: Analysis of the country**

Chile is today the South American country that perhaps holds a lesser degree participation in regional integration organizations. In this sense, it is not part as a full member of any organizations in the subcontinent. Thus, the Republic of Chile has only participated fully in the Organization of American States of which he is a founding member. However, this sort of reticence towards regional integration bodies, which reached its zenith with the withdrawal from the Andean Community in 1976, has begun to change. Today integration is viewed favorably and foreign policy of democratic governments after 1990 was to foster collaboration with neighboring

countries and participation in regional forums and institutions.

Thus, a major milestone in this process was the ratification in October 1990 of the Inter-American Convention on Human Rights, which represented a real point of involution from the previous period, where the country had become authentic island on international cooperation, and the time was an important progress in the development of a culture of respect for human rights, which enabled display for the first time the enormous contribution that can mean an international organization in the institutional development of the country.

Well, as Chile pointed out he has participated in the Organization of American States since its earliest origins, whose first record dates back to the First International American Conference, held in Washington DC, the day October 2, 1889 to April 19 1890. In the same way that was one of the countries that in 1948, adopted the Charter of the Organization of American States, the American Treaty on Peaceful Settlement and the American Declaration of the Rights and Duties of Man. On the other hand, in economic matters, the country

has fostered a sustained liberalization policy which has resulted in the conclusion of numerous free trade agreements with several countries. In this context, Chile has served since the beginning of the ALADI, and even since the days of its predecessor ALALC. However, the policy of free trade promoted from the 1980s has had major successes outside the subcontinent. Thus today Chile has free trade agreements concluded with the United States, Japan or the European Union.

Therefore, there was a sort of distrust toward American integration processes such as the Andean Community and MERCOSUR during the 1990s. Indeed, for Chile was the first of its founding members, relationship stops abruptly in 1976 with the denunciation of the treaty. This situation has begun to change in recent times. Chile now has the status of associate member in respect of both institutions, even to ratify certain instruments obliging towards these institutions. For example, Chile in its capacity as an associate member of MERCOSUR has signed the Protocol of Ushuaia on Democratic Commitment 1998 or some commercial agreements, which have undoubtedly boosted

relations between Chile and MERCOSUR.

In terms of GDP we are going to analyze the next table taken from the ECLAC (Economic Commission for Latin America and the Caribbean) (2015):

CHILE [A] <sup>a</sup>
Item
Agriculture, hunting, forestry and fishing
Agriculture, hunting and forestry
Fishing
Mining and quarrying
Manufacturing
Electricity, gas and water supply
Construction
Wholesale and retail trade, repair of goods, and hotels and restaurants
Wholesale and retail trade, and repair of goods
Hotels and restaurants
Transport, storage and communications
Transport and supporting and auxiliary activities
Post and telecommunications
Financial intermediation, real estate, renting and business activities
Public administration, defence, compulsory social security, education, health and social work, and other community, social and housing
Financial intermediation services indirectly measured (FISIM)
Total value added
Taxes on products less subsidies on products
Statistical discrepancy of GDP by economic activity
Gross domestic product (GDP)

Source: ECLAC: Economic Commission for Latin America and the Caribbean (2015).

As we can see on the table the most representative sector for Chile is mining that since 2011 has have a decreasing of 8.55% in 2012 and 9.67% in 2013; the main reason for this decreasing could be specially in the lower production of cobber and the change in terms of production that Chile is having, it means that as we can appreciate in the table specially in manufacturing, it has increased since 2010 to 2013 a 23,58%, increasing that can be explained mainly because Chile in spite of the fact that mining keeps being the main economic

Table 1:

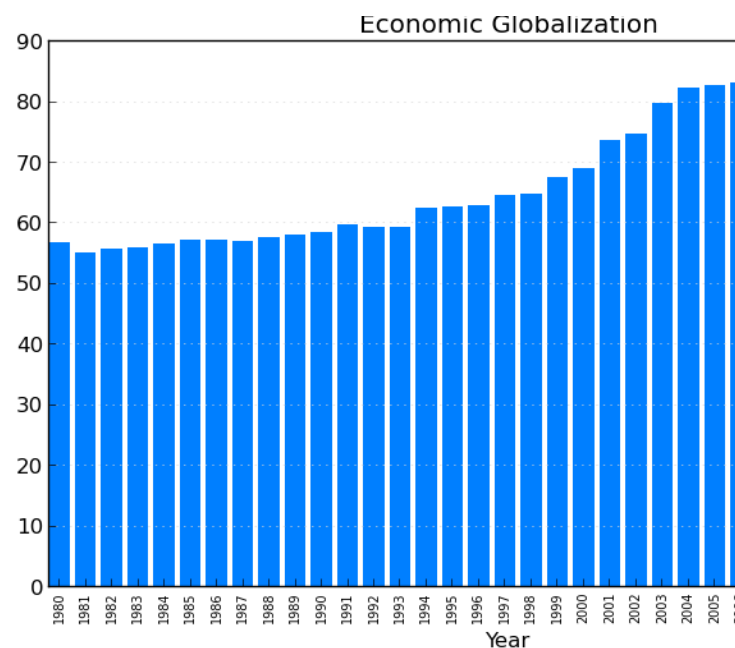
Annual Gross Domestic Product (GDP) by activity at current prices (Millions of dollars)

activity, the manufacturer of products derivative of mining is taking an important role in the Chilean economy and shows how the country is industrializing its production and integrating vertically the value chain and it means a possible reason why the labor hand and capital is moving into manufacture processes; other factors as agriculture, services, financial and energy are also important in the economy of the country and have had a growth and evidence an important projection about the Chilean market internally and specially how the internal structure of Chile is improving in terms of infrastructure, social and economic growth.

Analisis in terms of globalization:

The first item to analyze is the economic globalization, in the next graphic we will show some data to explain how has globalized economically:

Graphic 1



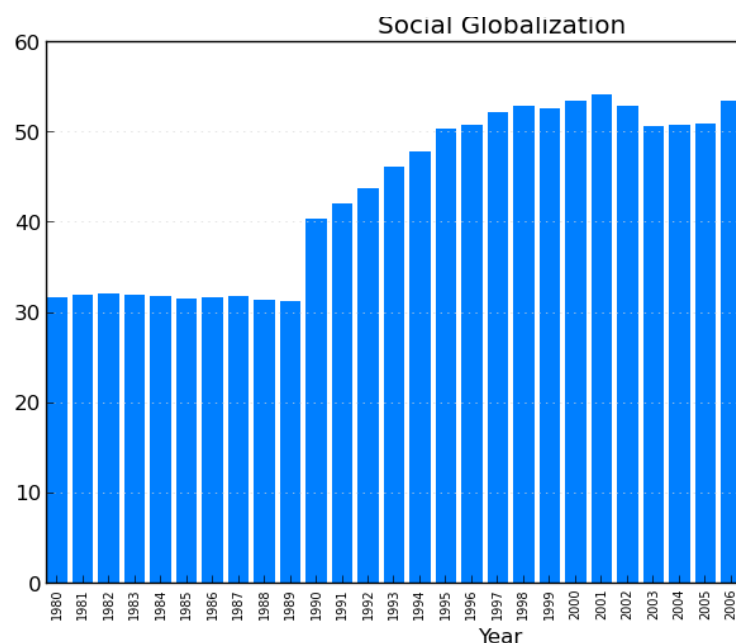
As we can see in the graphic Chile since the 80's until the 2000's had a progressive growth given by the ending of the socialist government that was dominating in the 70's, indeed the change in the economic model , on the next years gave an economic openness due that Chile adopted a neo-liberalist model and guided by the Pinochet's policies there was a reduction on the public spends, privatization of the state enterprises, improvement in the central bank autonomy and the control of the interest ratios by the central bank and finally the crisis that countries in the north(USA and Europe) and Asia give to LATAM and specially to Chile the opportunity to expand its market and improve the external sector; now the graphic shows after the 2000 a higher

growth ratio given by the performance of the external sector in Chile that is given specially by the economic integration processes signing treats and becoming member of blocs like MERCOSUR, UNASUR or The Pacific Alliance and the improvement of the mining sector in the country that was high demanded specially in the USA market, also the economic globalization was given by the increasing of imports of transformed goods and raw material from the neighbor countries and USA, finally after 2009 there is a decreasing in the economic globalization that is given as we said before because of the change in the production model, it means that Chile doesn't export mining in the same level that years before due that the labor hand and capital were transferred to the manufacturing sector based on copper or minerals; the final factor to analyze of the decreasing is the restrictive monetary policies implemented by the central bank characterized by the high interest ratio and the revaluation of the national currency giving a result of the detriment of the trade terms becoming them negatives and indeed making that the commercial balance stays negative.

Now is important to analyze also the social globalization of Chile shows in the next graphic:

Graphic

2



How socially globalized Chile is dependent on many factors, but among them is that Chile had a military regime which receives the name by which the period of Chilean history between the September 11, 1973 and 11 March 1990, during which a military dictatorship led by General Augusto Pinochet. This period began with the coup that overthrew the government of President Salvador Allende.

During this period systematic violations of human rights, with at least 28 259 victims of political imprisonment and torture, executed 2298 and 1209 disappeared detainees were committed, this meant the domain without counterweight to the business sector, the sustained increase in income inequality

were committed along with an increase in precarious and unstable sectors employees. Culturally, it resulted in the so-called "cultural blackout", characterized by repression and self-repression of certain cultural events considered contrary to the official line.

In early 2010 a 20-year cycle of four governments of the Concentration was completed, the political coalition that has made growth with equity a central element of his program, and managed to give continuity to an important set of social policies used precisely for this purpose.

Social policy played a major role in the politics of growth with equity, which opened in 1990 with the return to democracy in the government of President Patricio Aylwin. He started to improve conditions for workers resulting on reforms in the labor market and the benefits to be channeled to the poorest according to expenditure social governance.

Also socially Chile has achieved a equality grade that allows him to become more competitive making many of its population increase real incomes and purchasing power, indeed the Chilean economy has become one of the most important factors to describe the social globalization due to the protectionist policies aimed first to fortify the local industry and second to establish a life standard for population in Chile that allow it to have a high quality of life in comparison with its neighbors as we can see in the next table which describes how Chile has overcome poverty of people and decrease the poverty ratios in 5 years. Poverty and homeless ratio 1996-2006

year	Poor people	homeless	GDP participation poor people
1996	38,4	12,8	4,09
2000	23,1	2,8	1,36



2003	18,7	4,7	0,95
2006	13,7	3,2	0,49

This decline in poverty is the result of the increase in the income received by these households reflects a rise in their salaries and better job opportunities. To a lesser degree, also they contributed cash subsidies granted by the State.

Five factors contributed to this shift of resources:

1. Investment in infrastructure was done with private funds, which freed the state to finance essential investment in projects for the development of the country. Investment in energy infrastructure (electricity) and telecommunications was in private hands as a result of privatization of the 80 Investment in water and sanitation works, road, port and airport infrastructure, was conducted by private investors as a result of the new concession system created in the 90s and / or new privatizations. Often it

overlooked the important contribution of this factor to increase social spending. With the transfer to the private sector investments in infrastructure, the state could release substantial resources in the traditional way would have to finance investments necessary for growth.

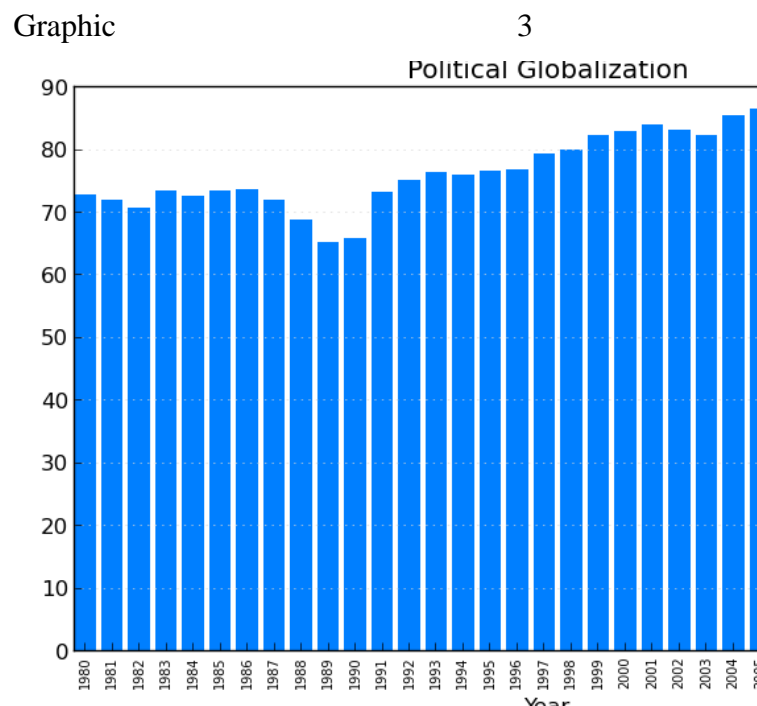
2. A second factor that allowed to open more space for social spending was lower defense spending. Peace conditions possible to maintain this spending without growth, thereby reducing their relative importance. Defense expenditure of the general government increased from 2.2% of GDP in the late 80s, to 1.2% in 2005-2009
3. The third factor contributing to expand social spending was also a direct result of fiscal policy. The first budget surplus allowed reducing public debt and in the super cycle of high copper prices the years 2006-08, accumulate assets.
4. A fourth factor that raised funds for social programs was the mobilization of private resources

that joined the public effort. This "leverage" of private resources in various social programs are conducted primarily through the financial system. For example, a new micro-credit system in which the state only pays the subsidy and the credit is granted by financial institutions was introduced; in the case of housing, it was used further the mechanism of housing subsidies and less direct engagement by the State; credit systems were created for higher education.

5. Finally, a fifth factor which increased social investment was the contribution of the beneficiaries' ability to pay. In several programs the contribution of stakeholders is promoted, allowing the state to concentrate its efforts on the neediest and / or expand the favored population. Examples of these initiatives are participatory payments, where neighbors contribute to financing the cost of paving streets or passages, and shared funding in the case of primary and secondary education, supplementing the grant of State with input from families.

Those factors allowed Chile to overcome social challenges and socially became one the most stable countries although the education sector became a challenge for the country due to the bad policies of the government and the attempt of the government to privatize it that has caused struggles among students and teachers and has initiated an educational crisis in the country.

Now is important to analyze also the political globalization of Chile shows in the next graphic



Pinochet's dictatorship used the institution of the plebiscite to achieve

legitimacy of certain decisions, or simply to generate an image of citizen support, or as a propaganda instrument. Pinochet never resorted to fraudulent elections—even to designate municipal or parliamentary authorities. Only used the plebiscite, but blocked its use under democratic governments.

In 1989 the coalition, with the support of the sectors of supporter's left "popular rebellion" triumphed at the polls and elected President Patricio Aylwin. Presidency that lasted exceptionally constitutionally four years and was followed by six years led by Eduardo Frei and then, in 2000, for the presidency of Ricardo Lagos.

All this political evolution of Chile begins with the emerging force called "social issue" is about the emergence of a mining and industrial proletariat organized the first solidarity, union and political institutions aspiring to represent the interests of poor and working layers, the political history of Chile shows, in general, a relatively orderly political parties box whose names tend to correspond quite clearly identifiable ideological options.

In the first half of the eighties the country suffered a serious economic crisis that hit with particular force to the working

sectors. On the one hand the population felt that the antidictatorial force was respectable and capable of undermining the stability of the current system and the functioning of the economy. The check dictator was evident. But at the same time and to the extent that a significant part of that force was guided by a strategy of "rebellion" without excluding forms of violent struggle, the "protests" generated fear in areas of central and other advocacy groups democratization growth of the strength of the Communist Party and the Patriotic Front.

Result of it as we can see on the graphic after the dictatorship, politically Chile became globalized specially because started to adopt international standards to guarantee the fulfillment of a respectable democracy, also is important to stand out the importance of the integration processes where in spite of the fact that Chile is the less participative country in the region those attempts to integrate the economy into a supra national regulation allowed Chile adopt policies that guarantee an equal participation first of the population and second by politician that consequently turn the country into one of the less corrupt in LATAM, therefore by the hand of the democratic parties the influence of dictatorships and

its ideology were decreasing among peoples and the form how the country was directed.

### **Conclusion:**

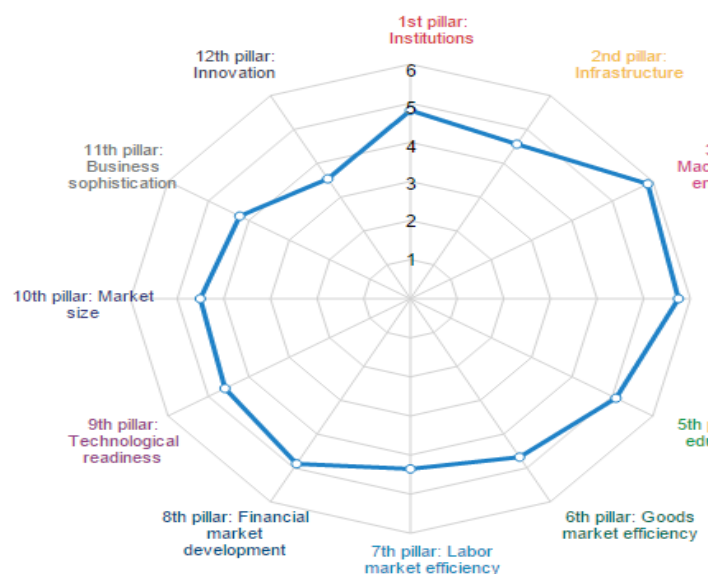
In terms of globalization Chile is ranked in the 39<sup>th</sup> place which make it the most globalized country in Latin America in spite of the fact that is the less participative country in terms of regional integration and agreements with other countries; this globalization process of Chile was given thanks to the military dictatorships since the 70's that reformed the political, economic and social system

giving as a result the implementation of a democratic society.

Therefore as we could analyze socially, economically and politically Chile has taken a main role in the international participation first because of its location that has given to the country a competitive advantage becoming the main one where income of goods from the pacific countries arrive, second because the country is attractive to invest due to the reduction of poverty that has meant an improving in the social conditions in the country that means more educated and effective people in the labor market; third the change from a dictatorship to a democracy gave credibility to the country facing the international organizations and specially in terms of human rights and finally the changes given in the GDP spend wherein most of it started to be invested in the productive sector and the creation of clusters that made the country easier to travel and move goods and services and competitive to trade specially in maritime areas.

Ending, the globalization of Chile was given in the last 30 years and the most important benefits of the country have been the creation of commercial relation

especially with the NAFTA and China , the institutionalization of Chile as a credible government and recognized by the international community and internally in the improvement on the quality of life of citizens that is a result of the state policies aimed to become the country as one of the leaders in the regional context, finally Chile nowadays is a globalized country that in some years will trend to change to be the one of the less integrated countries to become a main participant in the global participation with a potential to become in the best country to love, work and trade in LATAM even over Brazil.



## PILLARS

## INSTITUTIONS

Despite the reform effort of past decades, the economic and social performance of Latin American countries during the 1990s was quite disappointing. The exception was Chile, which grew at a rate near 7% for most of the decade and reduced its poverty rate quite significantly. This paper tries to explain this striking difference. Following the most recent literature that highlights the role played by institutions and policies on growth, we argue that Chile's better performance was due to the country undertaking reforms that were much deeper and broader in scope than those in other Latin American countries. In the

### Global competitiveness report 2014-2015

#### Graphic 4: competitiveness pillars (2014-2015)

process, Chile ended up with stronger macro fundamentals and, most important, better institutions, all of which allowed it to face in a better way the adverse shocks of the 1990s. This is based on the most recent literature on economic growth that suggests that the ultimate cause of a country's growth lies on the quality of its institutions. Better institutions –property rights protection, governance, lack of corruption and bureaucracy, rule of law, and the like– lead to the design of better policies, and enhance the support, credibility and effectiveness of implemented policies, therefore, allowing countries to attain faster economic growth. Thus, the argument follows, Chile has been able to grow faster than other Latin American countries since the mid- 1980s, although facing the same external environment and shocks, mainly thanks to its better institutions.

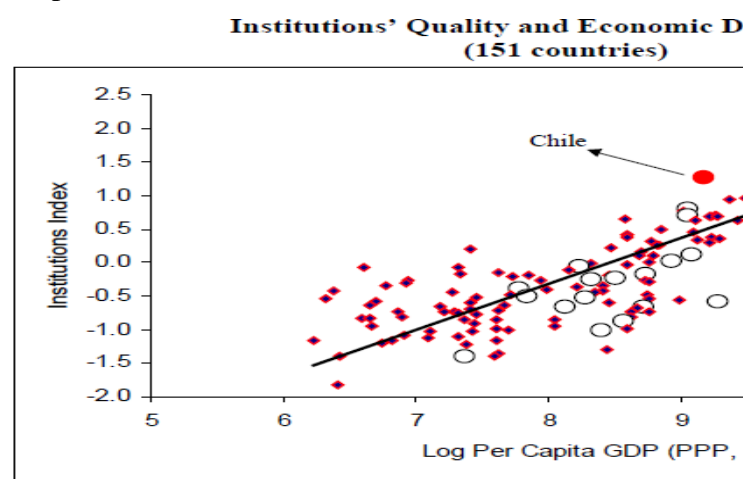
In sum, macro stability, financial system development and the timing of the structural reforms are important elements that made Chile set a stable group of institutions specially to generate welfare, equality and a considerable reduction of the corruption inside the country; also the high investment of the country in its

institutions allows it to control them more efficiently and achieving a high ratio of transparency in comparison with other countries.

The role of institutions is clearly illustrated in the figure, which shows a scatter for 151 countries between per capita GDP (as of 2002) and the quality of the countries' institutions:

Graphic

5



Sources: World Bank, and Kaufmann et al. (2003)

As we can see on the graphic Chile is the best country in terms of the quality of institutions and GDP ; the importance of the country is that is the most developed in LATAM in terms of institution and is over even Argentina and –Brazil which are considered the next two most important institutions in the region, also in terms of GDP the impact of the institution in Chile is highly important specially as we said before the country have one of the largest investments in

government direction and indeed because of that reason Chile has a better performance in the form how its institutions work through the country specially with the central bank that is considered the most respectable institution in the country.

## INFRASTRUCTURE

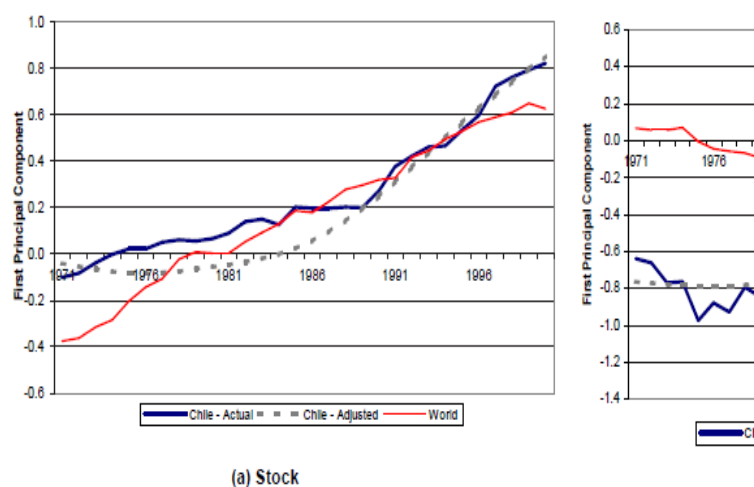
The composition of government expenditure in Chile is tilted in favor of growth. In the case of capital expenditure, a negative relationship with income per capita, and Chile is about where its level of income would predict; the fact that Chile has an ambitious program of road privatization, implemented in the second half of the 1990s, suggests that total investment in infrastructure is much higher than public investment reveal.

The stock and quality of infrastructure are indeed important determinants of the rate of economic growth. The main variables that must be considered are indicators of telecommunications, energy, and roads; consequently an increasing on the investment in that factors make that inequality and poverty decreasing in a long term of time.

Thus the next graphic shows in terms of these indicator de improvement on the quality of infraestructure in Chile since 1971 and compare it with the world averages:

Graphic

6



(a) Stock

As we can see in the graphic 6 Chile in terms of stock (value) in the 70's decade had an important growth specially given by the improvement of sea ports which demand the country create new railroads and more efficient forms of transportation that is traduces in a large investment on internal infrastructure specially in energy and airports that were introduced a few years ago in that country; later we can see that Chile had a constant growth until the 90's result of the social and economic changes that the country had on that period of time explained in the previous chapters that

made Chile one of the most important economies in LATAM even comparing the value of its infrastructure as equal in the world.

Thus Chile has seen notable improvements in its infrastructure over time in summary, the evidence indicates that the decade of the 1990s was marked by an extraordinary increase in infrastructure in Chile in terms of quality and also in value. This growth involved not only public investment, but also substantial private sector involvement, which fostered a surge in foreign direct investment. The surge in investment, in turn, not only affected Chile's long-term growth potential, but also gave a short-term boost to domestic activity. From an international perspective, this effort helped Chile catch up with the world average after a long period of weakness in infrastructure. International comparison also reveals, however, that a gap remains between Chile and the more advanced developing countries, such as the East Asian economies, in terms of both the stock and the quality of infrastructure. For this reason, the pick-up of investment was a strength in the 90s, but still the stock can be improved now specially in terms of movement of people, services and goods due to the

integration processes that the country is having nowadays.

## **MACROECONOMIC ENVIRONMENT**

The macroeconomic environment in Chile has been favorable in the last years. The economy grew at a good pace thanks to strong investment and domestic demand. In the past few years, GDP is expected to grow slightly above 5%. As we can see in the in the graphic 4 the macroeconomic environment is the most important competitiveness item for Chile, on the other hand as we argued the isolation of the country on integration processes make him to become more strategic and selective with its trade partners, so if we analyze USA and China are the most important commercial associates of Chile in the last years, indeed Chile has taken advantage in comparison with other countries specially in ports and the maritime transportation of its products on the Pacific sea despite of the fact that its integration processes are just a few, regionally the most important integration process in this moment is the Pacific alliance that is an evidence of we argued before that Chile choose just the most strategic partners to trade and till to be in the attempt to create a supranational



process to move freely goods, people and capital with the countries member of the alliance.

Nevertheless, the economic outlook for the next years continues to be favorable, with growth rates expected to once again reach 5% and inflation well within the Central Bank's target range (3%). The monetary policy rate should remain at current levels (5%).

In an environment of strong economic activity, the financial system has seen a significant expansion in lending in 2014, concentrated mainly in consumer finance and mortgage loans. According to the Superintendence of Banks and Financial Institutions, lending is growing year-on-year at 14.3% (at constant exchange rates), with strong activity in the consumer portfolio (up 17.7%) and accelerating growth in corporate loans (up 15.6%). The earnings posted by the local banks show a 1.1% contraction compared with the previous year (2013) due in part to the negative impact of the increase in expenses (up 10.3%) and loan-loss provisions (up 14.2%). The levels of return on equity have therefore been adjusted downward: from 17.4% as of November 2013 to 15.1% as of November 2014.

Chile despite its emerging status, ranks alongside the most developed economies in the world. It has one of the world's most business-friendly environments and has attracted a number of well-known multinational and foreign investors with its open and competitive economy. The reason for this superior performance is due to the success of its reforms and the strength of its institutions, which have allowed Chile to build a robust macroeconomic framework.

Chile's macroeconomic policy rests on three pillars:

- (i) A monetary policy geared towards achieving inflation targets;
- (ii) Exchange flexibility; and
- (iii) Prudent tax policy design, based on the structural surplus rule.

Thanks to these policies and to the transparency of its institutions, an open trade regime and sound banking systems, Chile has been able to maintain its stability and a reasonable economic growth rate despite the difficult external

situation created by the international financial crisis.

## **HEALTH AND PRIMARY EDUCATION-HIGGER EDUCATION AND TRAINING**

Chile has made tremendous progress over the last decade in terms of improving the quality of life of its citizens. Since the 1990s, the country has seen a track record of robust growth and poverty reduction. Chile performs well in only a few measures of well-being relative to most other countries in the Better Life Index. Chile ranks close to the average in subjective well-being, and ranks below the average in civic engagement, health status, jobs and earnings, social connections, work-life balance, housing, income and wealth, personal security, education and skills, and environmental quality.

In terms of health, life expectancy at birth in Chile is almost 79 years, one year lower than the OECD average of 80 years. Life expectancy for women is 81 years, compared with 76 for men. The level of atmospheric PM10 – tiny air

pollutant particles small enough to enter and cause damage to the lungs –is 46.2 micrograms per cubic meter in large urban areas, considerably higher than the OECD average of 20.1 micrograms per cubic meter. Chile could perform better in terms of water quality, as 73% of people say they are satisfied with the quality of their water, lower than the OECD average of 81%.

Higher life expectancy is generally associated with higher health care spending per person, although many other factors such as living standards, lifestyles, education and environmental factors have an impact on life expectancy.

The Bono Auge programme (launched in 2010) reduces long waiting lists in public hospitals and ensures fast treatment for publicly insured patients in case of high risk diseases. The programme establishes a system of universal access and explicit guarantees for health care services by law. It means that people can obtain health care in the private sector via a voucher (bono) if public care is not available. The programme sets a maximum time limit to get medical

attention to patients with one of 80 high-mortality pathological conditions. Patients who do not get prompt treatment in a public facility will be assigned to a different, public or private, provider through a Bono Auge voucher within two days.

Health sector reform was redirected starting in 1990 and in 1994 was included in the government's proposal on modernization of the State. Since that time, the Health Sector agenda covers three stages:

- i) Recovery of the public health system (1990-1994)
- ii) Modernization of the public health system (1994-2000)
- iii) Reform of social security in health (2000 and beyond).

In the course of Health Sector, hospitals have reduced the average length of stay, increased the number of discharges per bed, increased the use of surgical wings, and know costs per day for hospitalization and outpatient care. Development and Employer-Employee Committees have been created to strengthen social participation. The medium- and long-term sustainability of

programs and services is guaranteed in terms of both health and financial policy decisions.

Those changes had the process in after the military regime where the governors set a strategy based in education on the idea to create a society with a basis on social and economic welfare and equality doing intensive investment in the education and health sector in collaboration with the private sector; one of the most important changes was in the teaching profession wherein the idea was to promote it and improve the standards to become a teacher, indeed the educational process would be enhanced and the knowledge of the students would be higher allowing them to face the professional market in more competitive form, therefore the students took a main role in the Chilean education taking the next four pillars as the basis to develop it(OCDE 2014):

- i) Access to education
- ii) Teaching practices
- iii) Legal framework for educational institutions

- iv) Establish a superior quality of institutes since the primary education

### **GOODS MARKETS EFFICIENCY**

Chile has developed as we argued before a high level of infrastructure that allows the country transport easily good throughout the country, indeed Chile has one of the most competitive markets specially because of the importance that its maritime ports have for trading in LATAM; also the support of the government to entrepreneurship and the programs of it to stimulate job creation, capacitation, scholarships given by enterprises and advices to natural and juridical people to create, establish and expand business in the country and later in foreign markets.

Therefore the country has developed good conditions to trade internally and externally and due to the antimonopoly laws of the country the share of the market is distributed equitably, other important factor is the adoption by the country of the harmonized system for tariff classification wherein control bad business practices like dumping is easier for the government doing that enterprises

compete in equal conditions, finally is important to stand out the taxes in Chile that has a VAT of 19% which for the consumer is one of the most expensive on the region and most of its tariffs specially with favored nation which has a kind of treaty is around the 6% ad valorem that could be considered a low ratio in term of tariffs.

### **TECHNOLOGICAL READINES**

(INTERNATIONAL TRADE ORGANIZATION 2010) The World Economic Forum's Global Competitiveness Report for 2009 ranked Chile 42nd out of 134 economies in terms of technological readiness, placing it 2nd among ranked Latin America and Caribbean nations. Its closest competitors were Barbados at 41st and Brazil at 46th.

In the Technology Readiness Index 2013, published by the World Economic Forum, Chile ranked 34th among 144 countries, with 4.59 points, position that leads Latin America. Chile stands out in the top twenty countries in indicators such as mobile phone coverage, government online and virtual participation. This index measures the degree of preparedness of countries to

benefit from the development of ICT based on its regulatory and economic climate, their readiness, their levels of use and the socio-economic impact.

### **MARKET SIZE AND BUSINESS SOPHISTICATION**

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.

Chile has one of the smallest markets of the region (around 17 million of people), in spite of that fact the production processes in the country specially in terms of supply is one of the highest of the region due to the integration of the clusters that the country has had in the last decade, also is a friendly country to do business due to the stability of the national economy which make the country more attractive for foreign investment, finally in terms of the value chains is one of the most integrated, that reason makes doing business easier and more attractive because the production and logistic processes to trade a good have a short and cheap time until the final consumer.

### **INNOVATION**

Is the lowest pillar for Chile specially because its economy is characterized for producing raw material although according to the economy ministry the country is moving from an economy based on efficiency into a economy based on innovation, unfortunately Chile has a low ration of investment on innovation and only 0,35% of the GDP is spent on that fact in comparison with the OCDE that has an average of 2,4% of the GDP, indeed the government is working by the hand of the innovation department to develop the next point to be in the vanguard ECONOMY MINISTRY 2015 :

- (i) selectivity
- (ii) institutional Strengthening
- (iii) Boost innovative SMEs
- (iv) Ecosystem and culture of entrepreneurship and innovation
- (v) Innovation for inclusive growth
- (vi) Comprehensive vision and strengthening human capital , science and technology

So, those factors are the basis that the country will develop to lead the innovation in the region although is important to stand out that Chile is one

of the most innovative countries in LATAM just behind Mexico and Brazil.

### **FINANCIAL MARKET**

#### **DEVELOPMENT:**

In terms of the financial market Chile has a high performance in comparison with its neighbors, although is considered a small market in comparison with Mexico and Brazil, the country has a high ratio of availability in terms of financial services and an easy access to them; the legal framework is highly regulated by the government and the central bank making Chile a safe place to move money and capital, in terms of development Chile has growth considerably due to the privatization of banks that in the 80's most of them were property of the state, nowadays the Chilean financial sector growth is based in to encourage savings, deregulation of mutual funds and corporative governance in the stock markets, however the size of the financial market in Chile is smaller in comparison with advanced economies like Japan, Singapore or China.

### **LABOR MARKET EFFICIENCY**

Facing the unemployment that is one of the most important challenges for the government, that's because 58% of employment in Chile is temporal, so the most important challenge would be to create and promote stable jobs for population in a long term duration, indeed for the next years the government's objective is to reduce the unemployment ratio from 6,6%, unfortunately the country is facing an economic slowdown that could increase the ratio, as a conclusion Chile must improve the quality of jobs in the country in a long term to reduce first the unemployment ratio and secondly to reduce the temporal jobs and move them into a stable jobs.

**Conclusion:**

In term of competitiveness Chile has many challenges specially in terms of innovation due to the low ratio of investment on that sector; although the macroeconomic environment and the education are the two most important pillars where Chile is basing its growth, indeed the economy of the country is the second one most competitive in LATAM after Puerto Rico and is 33<sup>th</sup> in a global level and in the future will be higher that position due that those pillars are the basis of development for any country, so the other pillars have an equal of importance due that are the cause of Chile stay leading in terms of macroeconomics and education, to stand out is important to conclude that the pillar of infrastructure has turned into a main factor for the country to develop itself in terms of competitiveness because that improvement in infrastructure will make first that the goods will be transported easily and cheaper, also the movement of people will create an interconnected country opening the doors to the access to new

education, better health and an increasing of jobs opportunities for people in the country, second the strength of the country in financial terms that make Chile a confinable country to do businesses and consequently shows a stable economy with a high potential for foreign investment, third the integration of technological processes each day the country is increasing the adoption of new processes making trade and living easier and doing that time of any operation turn lower than a few years ago, finally as a fourth point is the regulation of the state that is effective in the country giving to it the opportunity and the necessary funds to invest in social infrastructure like health, education , railroads and stimulation of new employment.

Concluding the market size of Chile in spite of the fact that is small is one of the most dynamic in the south region due to the integration of the value chain in its process of production which gives to the country a high ration in the business sophistication and consequently make it a friendly and comfortable place to do business.

### **Competitiveness and globalization:**

As we could see on this draft Chile became globalized by the hand of competitiveness, first in spite that the innovation pillar is the lowest the basis of fortify it since the 70s gave to the country the opportunity to show itself to the world thus to the improvement of infrastructure, political and economic model and finally the production process that required an important form to innovate and become competitive; second the most educated people opened to the country the access to education from other part of the world and the protection of the government to avoid the brain drain allowing to the country apply international standards of production, trade, taxes and rights, finally the connection of competitiveness and globalization and the success of the country's performance was given by the estate intervention which with the population struggles allowed the country achieve a consensus in terms of politic and economic development, also that Chile started its globalization process with protective policies choosing carefully its commercial partners ( ex. Chile went away from MERCOSUR because weren't a good growing

opportunity marker for the country, also corruption and bureaucracy wasn't objectives of the country) that would gave to the country a form to develop as competitive and international one.

Nowadays Chile must improve substantially its innovation processes because if the country keeps with the same policies probably in a short term its level of competitiveness will be lesser and will occupy a lower place in the rankings, evidence of it is the slowdown of the economy which keeps growing but in a lower ratio, it means that Chile should change the mentality of primary production into an intermediate and final goods production and establish a value added to their product in terms of differentiation and quality.

Finally each day the country is becoming more and more globalized, evidence of it is the initiative of the Pacific Alliance where the main objective is to achieve a level of integration like the European Union so in a long term we will conclude that Chile will become the most globalized country in LATAM thanks to improvement of its performance in the international market and internally thanks to the growing quality of the condition for population and enterprises.

### **Recommendations**



- 1) Chile must to invest more money on innovation processes specially because it is causing a slowdown in the national economy and is making the country less competitive in the markets.
- 2) Is important to change the production model from exploiting raw material to create new industries on this chase products derivative of copper.
- 3) To achieve the second point is important for the country to take advantage of the integration processes like the pacific alliance to expand the value chain and consequently to integrate its production process with other countries that as a result would give a more specialized industry for the country.
- 4) There is a necessity to create more stable employments, so the government have to stimulate and give benefits to the enterprise that earn people in a long term and those ones that improve the working conditions to keep reducing poverty.
- 5) In terms of education the country needs to send more people to other countries to learn engineering or sciences that allows the country to produce

new knowledge and new ideas to become the country more competitive

- 6) Infrastructure must be improved in maritime ports to import and export more goods in bigger ships and quantities, it with the objective to become Chile the center of the commerce in LATAM.

Finally from this summary about the situation in Chile is important to make ourselves the next three questions

- Would Chile adopt an Industrialization throughout export substitution like Japan, Korea or Singapore to achieve a high performance in terms of globalization and competitiveness?
- If the country achieve a high level of innovation will it to transform all its industries into a final product industry?
- If is true the last answer would Chile become more important economically than Brazil o Mexico?

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## COLOMBIA



### GEOGRAPHY:

**Total:** 1,138,910 sq km

**Land:** 1,038,700 sq km

**Water:** 100,210 sq km

**Country comparison to the world:** 26

**POPULATION:** 46,245,297 (July 2014)

**Country comparison to the world:** 30

**Conventional long form:** Republic of Colombia

**Legal system:** Civil law system influenced by the Spanish and French civil codes.

**GDP (purchasing power parity):**

\$642.7 billion (2014 est.)

**Country comparison to the world:** 32

**GDP real growth rate:** 5% (2014 est.)

**Country comparison to the world:** 54

**GDP per capita (PPP):** \$13,500 (2014)

**Country comparison to the world:** 111

**Labor force:** 23.67 million (2014 Est.)

**Unemployment rate:** 9.2% (2014 Est.)

**Country comparison to the world:** 105

**Population below poverty line:** 32.7% (2012 Est.)

**Taxes and other revenues:** 28.5% of GDP (2014 Est.)

**Country comparison to the world:** 99

**Public debt:** 41.9% of GDP (2014 est.)

**Inflation rate (consumer prices):** 2.9% (2014 est.)

**Current account balance:** \$16.08 billion (2014 est.)

**Country comparison to the world:** 181

**Exchange rates:** Colombian pesos (COP) per US dollar 1,992 (2014 est.)

### ABSTRACT

Colombia is an important economic country that emerged from the collapse of Gran Colombia in 1830. This country has been characterized by long conflict in the nearly five-decade. This conflict is between government forces and anti government

insurgent groups, principally FARC (the revolutionary armed forces of Colombia). For this reason, the drug trade was funded during the 1990's. This problem continues today but in the large areas of the countryside are under guerrilla are contested by security forces both are in specific cases.

In 2012, the Colombian government started the peace negotiations with the FARC including a definitive bilateral ceasefire to achieve introduce demobilized FARC's people into society and politics.

It's clear that Colombian's people has fear because Colombia is characterized by their democratic institutions are funded in pillars as peace, transparent elections and the protection of civil liberties. This is one of the causes by which Colombia has an efficiency economic policies and aggressive promotion of free trade agreements. This helps to the real GDP which has growth more than 4% per year for the past 4 years. All the three major ratings agencies have upgraded Colombian's government debt to investment grade.

## **INTRODUCTION**

In 2013 and 2014 also the level of foreign inversion mostly in hydrocarbons sector. For this reason Colombia depends heavily on energy and mining exports, making it vulnerable to a drop in a commodity prices. Colombia is the world's fourth largest coal exporter and Latin America's fourth largest oil producer. The problem to export only commodities are that Colombia doesn't have an adequate infrastructure, this produce inequality poverty, narco trafficking and uncertain situation Moreover, the unemployment rate of 9.2% in 2014 is still one of Latin America's highest. The SANTOS Administration's foreign policy has focused on bolstering Colombia's commercial ties and boosting investment at home. Colombia has signed or is negotiating Free Trade Agreements (FTA) with more than a dozen countries; the US-Colombia FTA went into force on May 2012. Colombia is also a founding member of the Pacific Alliance - a regional grouping formed in 2012 by Chile, Colombia, Mexico, and Peru to promote regional trade and economic integration. In 2013, Colombia began its ascension

process to the OECD. In 2014, Colombia passed a tax reform bill to offset the lost revenue from the global drop in oil prices. The SANTOS administration is also using tax reform to help finance implementation of a peace deal, in the event FARC and the government reach an agreement in 2015. Colombian officials estimate a peace deal may bolster economic growth by almost 2%.

### **GLOBALIZATION IN COLOMBIA**

The Colombian economy is among the five largest in Latin America (Table 1). In the early 1990s, as happened in several Latin American countries, the Colombian government undertook a number of economic reforms aimed at strengthening the country's ties with the world economy. Two decades after that shift in the economic model, however, Colombia lags behind other Latin American countries in its internationalization process in several dimensions (Table 2). The impact of globalization on Colombia has been uneven. It has been particularly high in areas like security and energy, and low in areas such as economic development, politics and social issues.

Some important changes have taken place in the past few years. By the late nineties, the country had experienced an escalation of violence, an erosion of institutions and isolationism. The security conditions prompted Colombia to be placed in some 'Failed States' rankings published in 2005. Today, however, Colombia is seen by some as a rising star because of the improvement in security conditions in recent years. This result, coupled with the country's political and economic stability, has made the economy attractive for foreign investment, despite its low level of globalization. At the same time, the Colombian government has accelerated several trade negotiations, an area in which the country had remained almost stagnant through the last part of the 1990s.

**Table 1**  
**Main Latin American economies**

	<b>GDP</b>	<b>Population</b>
	<b>Current USD Billions</b>	<b>Millions</b>
<b>Total</b>	4,983	583
<b>Brazil</b>	2,088	195
<b>México</b>	1,036	113
<b>Colombia</b>	289	46
<b>Argentina</b>	369	40
<b>Perú</b>	157	29
<b>Venezuela</b>	392	29
<b>Chile</b>	213	17
<b>Source: World Bank</b>		

**Table 2**  
**Globalization Ranking 2011**

Position of Latin American Countries	
33	Chile
48	Uruguay
51	El Salvador
55	Perú
61	Costa Rica
69	Honduras
70	Guatemala
72	Argentina
74	México
77	Brazil
<b>78</b>	<b>Colombia</b>
86	Paraguay
89	Dominican Republic
91	Ecuador
95	Bolivia
99	Venezuela

Source: KOF Index of Globalization. (<http://globalization.kof.ethz.ch>)

Although Colombia may be at a turning point in its internationalization process, big challenges remain in order for the country to be able to take advantage of the opportunities that globalization offers. In the following sections, we present the historical reasons for the low degree of openness to the international market. The impact that the internal conflict, both with guerrilla and drug-trafficking groups, had on preventing the country from a shift towards greater globalization, is also analyzed. The paper concludes by highlighting the main challenges that the Colombian economy faces in order for it to become a real rising star in the regional context.

## **HISTORICAL BACKGROUND**

In the second half of the 20th century, the restrictions imposed by geographical conditions were exacerbated by the

adoption of the so-called ‘Import Substitution Industrialization’ (ISI) model, which was common in several countries in Latin America during the 1960s and 1970s. Under ISI, the development of domestic industry was based on strong state intervention in the economy through the subsidy of new industries, price controls, high import tariffs and quotas, administered interest rates and directed credit, among others mechanisms.<sup>2</sup> The high cost of imports under ISI made production based on foreign raw materials more expensive, thus generating an anti-export bias in the economy. This policy virtually closed the economy, even for foreign investment, and favored the development of a lobbying culture among business people, that in some cases, still plays a major role in the formulation of trade policy. Thus, in the seventies, Colombia came to be called the Tibet of Latin America. The policy of economic liberalization implemented in the late eighties and early nineties, and the evolution of regional integration in the early nineties, both due to the affinity of the Colombian technocrats with the so-called ‘Washington Consensus’ ideas, laid the foundation for changing the ISI development model. Between 1991 and 1994, Colombia reduced tariff and nontariff barriers and deepened trade



integration with Andean countries, leading to the formation of a customs union, known as the 'Andean Community,' which included Venezuela, Colombia, Ecuador, Perú and Bolivia. Furthermore, in 1994 the Colombian government signed an Economic Complementation Agreement with Chile within the Latin American Integration Association (LAIA) framework, a 1995 free trade agreement with Mexico, and the treaty that created the World Trade Organization (WTO) in that same year. These were the formal means used by Colombia to search for a better insertion into the international economy. Meanwhile, Colombia had strengthened its links with the rest of the world in other areas. The integration in security had its origin in the non-formal integration process initiated in the 1980s through drug-trafficking. Likewise, the guerrilla movement had historically generated links with other leftist movements in Latin America, especially Cuba. The reformist trends of the nineties, especially in economic policy, was reversed at the end of the decade as a result of the institutional crisis stemming from allegations of involvement of drug money in the presidential campaign of 1994. The impact on the economy of the 1998 Asian financial crisis also stopped the

reform momentum. At that time, Colombia experienced its worst economic crisis in 30 years: in 1999 its GDP fell by 4.2%. Along with the economic crisis, strong pressure emerged from the private sector against the liberalization policy, especially in the area of trade policy, due to the increasing competition of imports to domestic production. The resulting return to protectionist trade policies included the attempt to increase the tariffs of certain productive sectors, such as textiles, apparel and shoes, and also the application of non-tariff barriers in those sectors such as ports-of-entry restrictions on imports, and the widespread use of trade defense instruments, such as anti-dumping duties and safeguards. Much of the anti-dumping investigations have occurred in the industrial sector (textiles, garments, chemicals and petrochemicals, and metalworking sectors), and especially against China. In contrast, safeguards investigations have been concentrated mainly in the Andean Community countries and on agricultural products.

Subsequently, the first administration of President Alvaro Uribe (2002-2006) implemented the Democratic Security Policy, which focused on improving public safety and restoring confidence in Colombia. The government found an ally

in the United States and framed its foreign policy in accordance with the proposed war on terrorism of the administration of President George W. Bush. The dynamics of armed conflict continued to determine Colombia's international agenda. As a result, the role of the Colombian president and the Ministry of Defense became increasingly important in the design and implementation of the country's foreign policy.

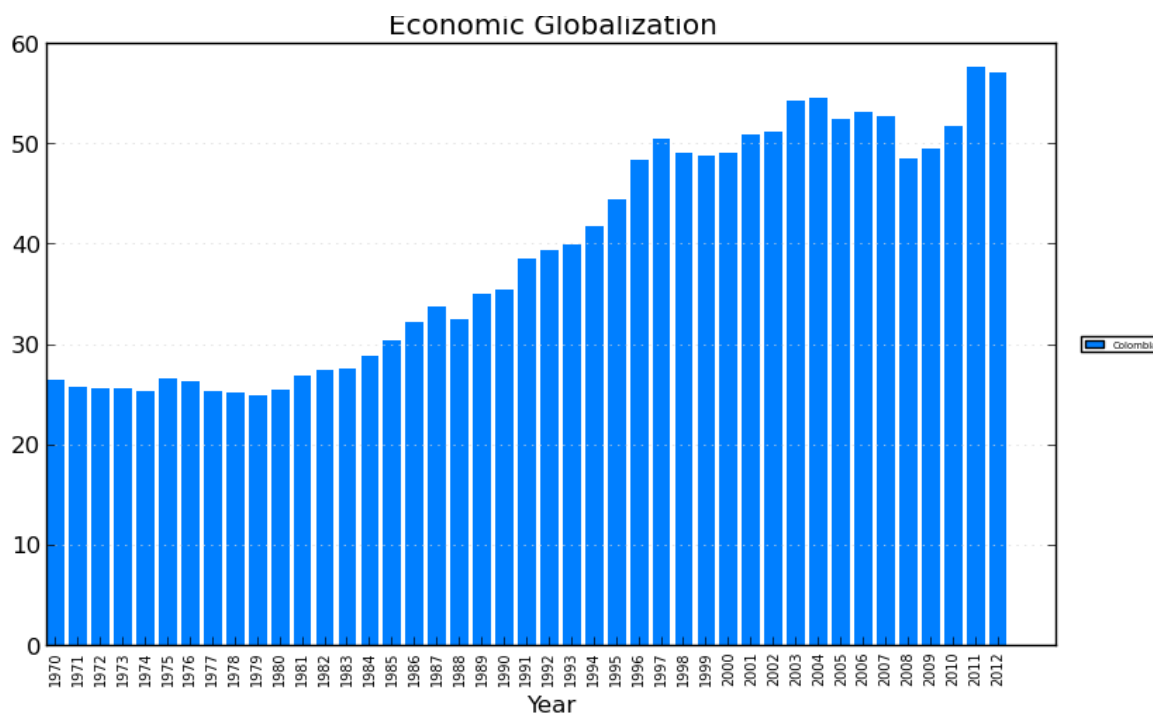
Colombia's economic integration agenda therefore became subordinated to its security agenda. While Mexico, Chile and the Central American countries were able to ratify free trade agreements with the United States prior to 2006, Colombia signed a similar agreement that year, and then had to wait six more years to put it into effect.

In addition, Colombia's foreign policy approach during 2002-2008 faced a very complex regional context. Political polarization in the region led some countries to reject the role of the free-market and outward-oriented growth strategy fostered by the so-called Washington Consensus, as well as the Bush-era, foreign-policy unilateralism. This trend resulted in a rethinking of Open Regionalism (that is, the combination of a general reduction of tariffs and a deepening of the regional

integration) as integration strategy, mainly led by Venezuela and Brazil. In 2004, Venezuela led the creation of The Bolivarian Alliance for the Peoples of Our America-Peoples' Trade Treaty (ALBA-TCP), and in 2008, The Constitutive Treaty of the Union of South American Nations (UNASUR) was signed.

This context of regional polarization was further complicated by political instability in some countries in the region, and by the distrust generated by the expansion of Colombian drug traffickers and guerrillas beyond the country's borders. The effect of the fumigation of illicit crops along Colombia's borders, and episodes such as the bombing of a Revolutionary Armed Forces of Colombia (FARC) guerrilla camp in Ecuador in 2008, further increased regional distrust of the Colombian government. (Zuluaga, 2012)

experienced by Colombia in the last 30



The model of import substitution industrialization occurred in Colombia and the rest of Latin America from the 60s, as a result the management of the exchange rate with the progressive devaluation was altered, trade integration began with the Andean countries and spent a growth inward to outward growth based on the diversification and expansion of exports ". In the mid-70s they began to introduce sweeping reforms of liberalization and

deregulation of economic management. Finally, since the early 80s, decentralization made its appearance strongly from that date. Thus, economic openness, liberalization and decentralization became the axis of the deep socioeconomic transformation

years. Since opening, the weight of foreign trade in GDP has increased considerably, not only for the expansion of exports, but also by the growth of imports. Besides coffee as export product until 1993, featured a varied basket of goods and services exported from those found in manufacturing, mining products (coal, oil, ferronickel and emeralds), agroindustrial goods (flowers, sugar and banana) and various illicit substances such as marijuana,

cocaine and heroin especially Europe, United States, Venezuela and Ecuador. In its component of liberalization, foreign trade is more open and less regulated today; economic management is done without resorting to complicated system of incentives and punishments

sector of the past, attempts to provide general terms of exchange, monetary and financial stability for the most competitive activities stand out without public support. It tries nevertheless hold an active social policy based on the location of vulnerable groups and the granting of demand subsidies. Decentralization meant greater political autonomy of municipalities and governors who are currently elected by the vote for their leaders. Additionally, in the case of municipalities, social spending and investment is executed by them, it is financed through a fund transfer redistributed assigned to social criteria. Amid these general transformations, the Colombian economy has managed to sustain an annual growth rate of 4% low compared to the world but acceptable concert in the rest of Latin America. The per capita income achieved an annual average of 2%, contrary to what happened in most of the neighboring countries, the economy grew considerably, going from 10% to about 30% of GDP; However Colombia is the only country in the region that struggles amid a deep political crisis marked by dispersion and radicalization of the opposing forces and expressed in 30 000 violent deaths per year.

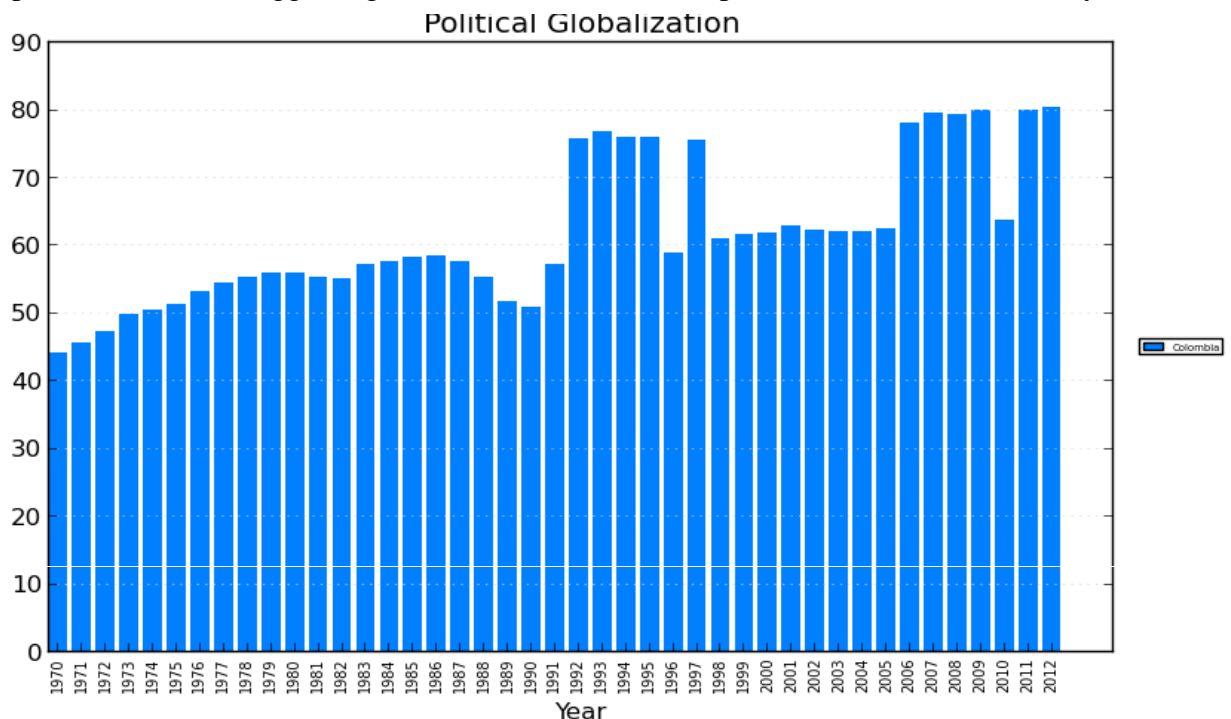
The Colombian economy of the nineties the protectionist economic development model, interventionist regulator, the welfare state is changed from the nineties by the liberalization model of free trade, privatization and capitalist who started in 1990 with a vigorous program modernization of the economy, with an exchange status to maintain and consolidate levels of change that will give competitiveness to Colombian products abroad, in addition to mobilizing resources for private investment and industrial restructuring, as well as development of science and technology, linked to other policies in key sectors such as agriculture, urbanization, industrialization, telecommunications and information technology, health and education to achieve modernization. To comply with the above was chosen in 1991 a Constituent Assembly to reform the constitution, but the country was not prepared for these changes so fast, being affected by the new open economic model the agricultural sector, small and medium enterprises and the social sector in employment, housing and subsidies in general. From that model Colombia recorded in the period accelerated rate of outsourcing since activities such as agriculture, mining and manufacturing fell to its participation in the generation

of value added, while public services residential, trade, transport, finance and personal and social services increased. Indeed, the first group of sectors went from 47.5% in 1990 to 34.5% in 1996, while the second one increased from 49.7% to 59.7% By grouping the data in tables It shows that in Colombian imports by sector (thousands of US \$) trade liberalization of the economy grew rapidly even at a faster pace in imports than exports; so the total imports in 1996 was 13,681 million dollars; in 1997 15.334; in 1998 to 14 677; in 1999 to 10 659; in 2000 from 11,757 in 2001 to 12,821 in 2002 and 11,637. (Cubides, 2010)

For the 70 's relations between Colombia and the United States they took a special character, because it speaks of the struggle against new

guerrilla groups that were born at that time, in order to prevent the spread of

communist wave. "It is also for this time that drug trafficking has become the main problem of bilateral relations with the United States." This particular issue allowed the takeoff of the Colombian / US relations, and from this point the US interest in supporting Colombia's internal problems and that in one way or



another affected the internal situation in that country is in sight.

In years 80's internal problems Colombian conflict intensified arming and drug trafficking; which affected the Colombian elite that at this point no one knows for sure how to guide national and international policies to address the situation. With the advent of the years 90s and the economic opening a new trend of foreign policy known as *Respice Mercatum*<sup>15</sup> ran, this trend shifted topics as political and security issues previously prevailed on the agenda of Colombian foreign policy, passed to the background.

In 1994 Colombia was in a crisis due to the scandals awarded to the government of the day, this was reflected in a lack of confidence in Colombia by governments worldwide, reaching even for the first time to deny a visa for a Colombian president. No doubt this serious internal situation the country was led to reflect on the world and how Colombia should look inward to thereby achieve better insertion in the international system. At first glance what happened during the Samper government is involved in purely negative aspects that hindered the actions of Colombia internationally. But should I take into account the Samper government's foreign policy remained on the margin of the traditional principles of

Colombian foreign policy. Also I will continue with the intention of promoting a Latin American and Caribbean integration, adding linking non-traditional foreign policy issues such as trade, economic, environmental issues and respect for human rights issues.

However, the diversification of international relations was also a major topic during this period, whereas Colombia's main market is the United States, held this status although at slightly reduced rates; according to the political perspective of the moment diplomatic relations with countries in Africa and Asia widened, adding a strengthening of diplomatic relations with the European Union on trade issues. No doubt one can say that during previous governments 1998 the management of foreign policy had a different guideline depending on the situation and the needs when establishing and defining international policies; each of the governments then left a legacy of principles that constitute the evolution and actions of Colombia to the world.

In the first decade of the century XXI Colombian foreign policy was characterized by the deepening of the traditional alignment of Colombia with United

States, from the priority given to the military dimension and the issue of security in international relations. This feature is adopted according to the interaction of internal and external conditions

The closer relations with the Colombian government US

States caused discomfort of neighboring countries will increase, especially after the terrorist attacks of September 11, 2001 in

New York. From that event, the Colombian government decided to join the crusade that George W. Bush, president of the United States declared against terrorism, also giving that character to illegal armed groups in Colombia.

Thus formal internationalization of the Colombian armed conflict deepened, with the addition of Plan Colombia, initiated by the government of Andres Pastrana Arango, the Democratic Security Policy of the government of Alvaro Uribe

But after two years of government of Juan Manuel Santos, there are signs of change in Colombian foreign policy at the beginning of the second decade of the century: since August 2010, when Santos assumed the presidency, have received some leeway in the management of international relations, which seem to

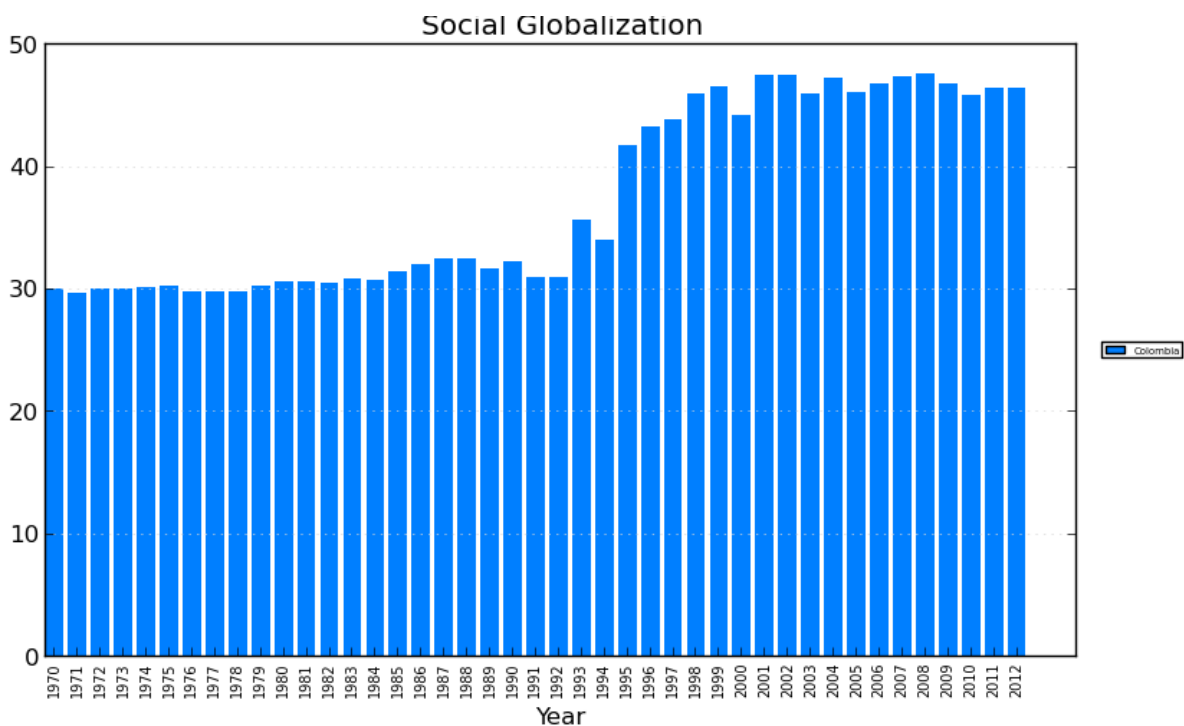
suggest a return to Colombia to prominence in the Latin American concert. From the first months of his government, Santos was interested in restoring relations with Ecuador and Venezuela, which were damaged in the last four years of the Uribe administration

Velez. They had said Santos in his inaugural speech: "[...] One of my fundamental purposes as President will be to rebuild relations with Venezuela and Ecuador, restore confidence and privilege diplomacy and prudence"

It is worth remembering that during the second term of two neighboring governments Uribe broke off diplomatic relations with Colombia: The government of Ecuador in March 2008 after Operation Phoenix that struck the member of the FARC "Raul Reyes" on a FARC camp located in the territory of the neighboring country; while the government of Venezuela took the same decision in July 2010 in response to Colombia's decision to report to the Permanent Council of the OAS the presence of FARC camps in Venezuela. These disagreements led to, at the end of the Uribe government, the country will be in one of the moments of greatest isolation as it pertains to their regional environment.

A fact that contributed to strengthen the approach to South America Santos was the decision of August 10, 2010 of the Colombian Constitutional Court, which declared nonexistent this agreement with the US allowing the use of seven Colombian military bases by that country. The agreement was invalid for failing to pass before Congress. Therefore, the fall of the agreement and the fact that the government did not try to revive Santos facilitated the recovery of the Latin American regional confidence in Colombia, without affecting relations with the United States. The question of military bases had generated much controversy in different scenarios for dialogue with the

American Nations, Unasur, as they perceived as a threat to the security of the region. (Herrera, 2010)



South American countries and specifically in the Union of South

The Colombia Migration Profile illustrates the current status of migration



in this country. Colombia is a multicultural country with a projected population for 2010 of 45,508,208 inhabitants, of which 49.37 per cent are male and 50.63 per cent are female. In Colombia, migration flows from the dynamic of a society that transforms itself according to context, economic fluctuations and the variable conditions that characterize Latin American countries. Colombia is considered one of the countries with the most migration in the region. Data on emigration comes from the 2005 Census. The census takers identified the number of persons in each census household who had gone to live abroad permanently, inquiring about destination and period of emigration. The 2009 report prepared by the National Department of Statistics (DANE) states that the total number of Colombians living abroad is 3,378,345.

According to the various information sources, the causes of Colombian migration abroad are mainly economic, followed by family-related causes, and, less frequently, by security considerations. This profile evidences a loss of human capital and shows how a significant number of educationally qualified Colombians have emigrated from the country. Moreover, as seen in the Medina and Posso study (2009), there are minimal opportunities for

return of highly qualified personnel. The probability of return increases as the training level and type of employment enters the second tier: a labour force or range of people engaged in different tasks that do not require advanced training.

Historically, mobility has been a characteristic of the people of Colombia. It took place in three waves the decades of the sixties and seventies (the first wave principally to the United States), the eighties (the second wave to Venezuela) and the nineties (third wave to Spain). (MIGRATION, 2010). Colombian emigration to the United States took place in the sixties and seventies and reappeared in the nineties, in particular for economic reasons – the possibility of finding work and augmenting income - and, to a certain extent, for political reasons, such as the threat of illegal armed groups. Typical of this migration was the level of education of the migrants, good knowledge of the English language, a larger proportion of women than men and a considerable presence of middle and upper class migrants.

In the case of emigration to Spain, it increased considerably as of 1998, which was largely the result of Colombia's economic crisis in the years 1998-1999, especially in certain regions, such as the

coffee growing country and because of Spain's attraction as a place in which to join the collective immigrant workforce, as well as the advantage of the language for Colombians. At present, the population of Colombians is the fourth most numerous in Spain after Moroccan, Ecuadorean and Romanian immigrants. The majority of Colombian migrants in Spain are women, who have a medium educational level and belong to the middle and lower middle classes. (CANCILLERIA, 2012)

### **ANALYSIS OF GLOBALIZATION IN COLOMBIA**

Globalization in Colombia has had several much economic political and social events to be in the current position. Over time Colombia had an overall growth from 1995 with an index of 40-60 and was previously at a rate of 20-40. In spite of the internal problems of Colombia globalization, companies in fast-growing markets are intervening and innovating and continue its global expansion is not stopped.

Government efforts have been reflected over time with commercial impulses implemented free trade agreements, is looking to motivate the strengthening of culture and knowledge and acquisition of new and better technologies to continue to grow and position Colombia as a

market that takes advantage of opportunities.

### **ECONOMIC**

Colombian and Latin American trade integration starts from the 60s, trade union begins with the Andean countries, starting with an internal progress and expand based on diversification and export of products and services.

In the 70s I had an approximate rate of 28% in which there were significant changes, major reforms of liberation and deregulation of economic management were introduced equally Colombia has also failed to find a path of growth, transformation and modernization of production to achieve stand against the other countries.

At the beginning of the 80 Colombia grew strongly giving an economic opening, liberalization and decentralization became the two most important pillars for socio-economic transformation of Colombia. GDP increased by exports and imports, the average growth rate in the period of 70-80 was 5.99% Colombia achievement identify leaders and most dynamic sectors and thus potentially eligible for successful integration into the international market.

From the 90s there was a vigorous program of modernization in the economy, indicating from industrial

restructuring, technological advances, linked to other policies in key sectors such as agriculture, urbanization, industrialization, computer telecommunications, health and education to achieve Colombia modernize and be more competent compared to other countries.

Faced with all these rapid changes was chosen to implement the Constituent Assembly in 1991 ordering the construction of reform but since Colombia was not ready was affected the various economic sectors.

In this decade the Washington consensus as regards political reforms and was drafted in 1990 to deepen trade integration with the Andean countries was formed, reduced tariff and nontariff barriers to potentiate the beginning. It will also be devoted to economic treaties as agreements completeness chili, ALADI, among others. The impact of the Colombian economy in 1991 due to the Asian economic crisis experienced its worst crisis since its GDP fell by 4.2%.

From former President Alvaro Uribe Velez was commissioned to restore confidence in Colombia, implementing security policies. He allied with the United States with President George. W. Bush.

In 2006, while Latin American countries ratified the FTA with USA. Colombia

signed up at that time and took place six years later.

In 2008 a distrust generated in the Colombian government since it had strong confrontations with the government of Ecuador and Venezuela by bombing in international land to the FARC.

In the government of president holy silt fences with those two governments achieving sovereignty borders. In the financial crisis of 2008 began to receive increasing foreign direct investment especially in the oil and mining period. This investment was more a result of Colombia's new political stability and abundance of raw materials than levels of integration with world markets.

### **POLITICAL**

In the 70's Colombia was developing bilateral relations with the USA with a specific objective was to fight against armed groups that were born at that time, in order to avoid the spread of communism. Another important issue was the drug that became over time in their primary problem.

In the 80's became an obstacle the internal armed conflict and drug trafficking, which affected national and international policies.

From the 90's had the index of political globalization an estimated 58% to 78%, is due to the inclusion of Colombia in the

Association of Caribbean States in which a free trade zone is between countries the region, coordination of policies on third parties and promoting functional cooperation in various areas.

In 1996 there was a political crisis since former President Samper was involved in a drug scandal, many government delegates were in favor of his resignation, and thus worsened the crisis of legitimacy of the government. Direct relations with President Samper completely excluded.

In 1997 the Colombian-US relations began to slowly return to normal. The American state recognized that Colombia had accomplished effectively and decisively in the war against drugs.

In 1998 the government of Andres Pastrana opened a new era in international relations. This period could be considered that it was a government in which he was given via the FARC because I create a demilitarized zone with 45km to the guerrillas and over time were strengthened.

Had the same rate until 2005, in 2006 Colombia implemented the planning and execution of Colombian foreign policy, meanwhile the strategic plan of the Ministry of Foreign Affairs consolidation of bilateral strategies is the diversification of relations and issues on

the international agenda, strengthening links Colombians abroad.

In 2010 there were political changes that began with the new administration in the possession of the current president Juan Manuel Santos. The main evidence of change in perception of the world on foreign policy was the fact that the country obtained a multilateral international triumph.

Since 2011 Colombia went into effect the free trade agreement with USA and so had a you trade, political and social openness.

## **SOCIAL**

In the 70's, 80's and mid 90 had no significant changes in social globalization, from the year 1995 had a cultural and demographic growth thanks to the inclusion of Colombia in a globalized world.

Colombian migration is divided by decades, beginning of the Colombian migration starting from the 60's to the USA to meet the happy American dream, Colombians were especially economic factors.

In the 90s the Colombian migration in Spain was significant, Colombian immigrants were the third population group of extracted non-EU residents in Spain.

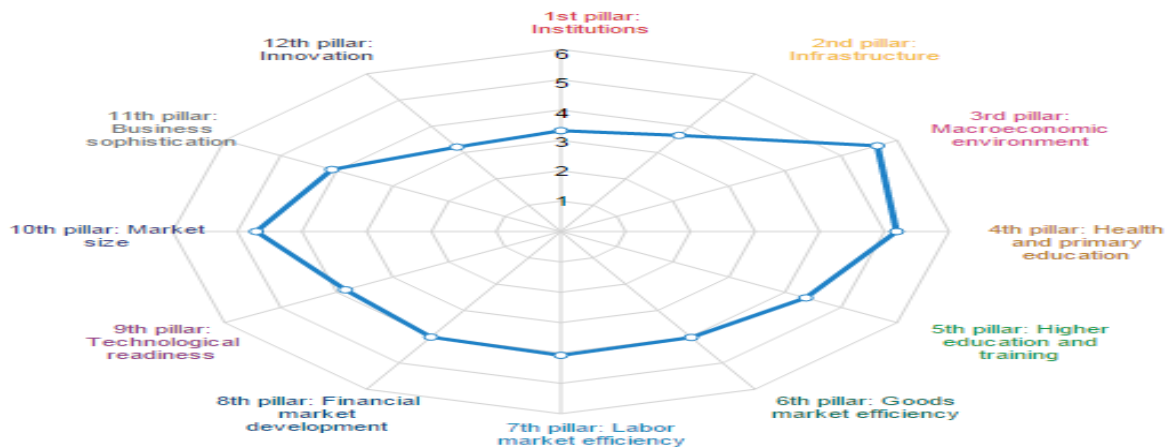
Spain experiencing the Spanish economy came at a good time and

Colombia going through a crisis of armed conflict and economic crisis, the Colombians were emigrated in search of employment opportunities for the sustenance of the family, family reunification were also found in search of better life and finally the provision of higher education.

technology, market size, business and innovation.

Colombia has climbed three places in world ranking of competitiveness, thus leaving for 66th with a score of 4.2 (the same as last year). Although you can clearly see how

## COMPETITIVENESS



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various pillars of competitiveness have been affected by this change of position.

The GCI (Global Competitiveness Index) is based on 12 pillars that provide a way to visualize the landscape of international competitiveness for countries; in this case Colombia. The pillars are: institutions, infrastructure, macroeconomy, health and primary education, higher education, efficiency of goods market efficiency of the work market, financial market development,

INDICATOR	VALUE	RANK/144
<b>1st pillar: Institutions</b>		
1.01 Property rights .....	3.9	84
1.02 Intellectual property protection .....	3.2	96
1.03 Diversion of public funds .....	2.2	128
1.04 Public trust in politicians .....	2.0	125
1.05 Irregular payments and bribes .....	3.3	105
1.06 Judicial independence .....	2.8	112
1.07 Favoritism in decisions of government officials .....	2.6	107
1.08 Wastefulness of government spending .....	2.6	101
1.09 Burden of government regulation .....	2.8	122
1.10 Efficiency of legal framework in settling disputes .....	3.4	91
1.11 Efficiency of legal framework in challenging regs. ....	3.1	91
1.12 Transparency of government policymaking .....	3.8	84
1.13 Business costs of terrorism .....	2.7	138
1.14 Business costs of crime and violence .....	2.7	134
1.15 Organized crime .....	2.8	139
1.16 Reliability of police services .....	4.0	78
1.17 Ethical behavior of firms .....	3.6	110
1.18 Strength of auditing and reporting standards .....	4.5	77
1.19 Efficacy of corporate boards .....	5.0	40
1.20 Protection of minority shareholders' interests .....	4.1	68
1.21 Strength of investor protection, 0-10 (best)* .....	8.3	6

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In the case of institutions we can show the change in different subindexes as organized crime that has a position of 139 on 144 indicating that lost focus by the authorities because vandalism has increased its percentage share, bussiness cost terrorism this subindex has a position of 138 on 144, has increased so glaring that brought peace processes in Havana make these costs increase, bussiness costs of crime and violence this subindex has a position of 134 on 144 noting that at this point the government has other interests less security of its people and diversion of public funds this sub-index with a position of 128 on 144 confirms that the budgets to achieve a competitive country are lost in the process.

**2nd pillar: Infrastructure**

2.01	Quality of overall infrastructure .....	3.4	.....108
2.02	Quality of roads.....	2.7	.....126
2.03	Quality of railroad infrastructure.....	1.5	.....102
2.04	Quality of port infrastructure.....	3.7	.....90
2.05	Quality of air transport infrastructure.....	4.1	.....78
2.06	Available airline seat km/week, millions* .....	563.8	.....39
2.07	Quality of electricity supply .....	5.1	.....60
2.08	Mobile telephone subscriptions/100 pop.* .....	104.1	.....87
2.09	Fixed telephone lines/100 pop.* .....	14.8	.....77

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For infrastructure, the subscript Quality of roads infrastructure with a position 126 on reference 144 makes us how the country does not invest in their

multimodal transport, which implies low competitiveness against time. The subscript overall quality of Infrastructure has a position of 108 on 144 overall reveals as Colombia does not invest in it, and finally Quality of railroad infrastructure with 102 on 144 position shows how this country allows the deterioration of this ancient but primary transport.

**6th pillar: Goods market efficiency**

6.01	Intensity of local competition .....	5.2	.....56
6.02	Extent of market dominance .....	3.4	.....101
6.03	Effectiveness of anti-monopoly policy.....	4.2	.....58
6.04	Effect of taxation on incentives to invest.....	3.0	.....127
6.05	Total tax rate, % profits* .....	76.0	.....139

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In the case of goods market efficiency, the total subscript tax rates% profits from a position of 139 to 144 shows the highest percentage is used to pay taxes without noticing a minimum return, the subscript effect of taxation on incentives to invest in a position of 127 on 144, shows the oblivion into which it was to attract new foreign investors.

**7th pillar: Labor market efficiency**

7.01	Cooperation in labor-employer relations .....	4.6	.....47
7.02	Flexibility of wage determination.....	5.3	.....53
7.03	Hiring and firing practices.....	3.8	.....79
7.04	Redundancy costs, weeks of salary* .....	16.7	.....80
7.05	Effect of taxation on incentives to work.....	2.9	.....122
7.06	Pay and productivity.....	3.7	.....95
7.07	Reliance on professional management.....	4.4	.....57
7.08	Country capacity to retain talent.....	3.4	.....74
7.09	Country capacity to attract talent .....	3.1	.....89
7.10	Women in labor force, ratio to men* .....	0.72	.....95

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In the case of labor market efficiency, with good eyes we can see the subscript cooperation in labor-employer relations to a position of 47 to 144 indicates that it has greatly improved the ability of Colombians have a job with decent conditions enabling it to maintain excellent relations; In addition, the flexibility of wage determination subscript a position 53 on 144 confirms that the conditions and job offers in Colombia has improved positively

**8th pillar: Financial market development**

8.01	Availability of financial services .....	4.8	.....	53
8.02	Affordability of financial services .....	3.6	.....	114
8.03	Financing through local equity market .....	3.4	.....	71
8.04	Ease of access to loans .....	2.8	.....	77
8.05	Venture capital availability .....	2.6	.....	82
8.06	Soundness of banks .....	5.8	.....	<b>30</b>
8.07	Regulation of securities exchanges .....	4.0	.....	75
8.08	Legal rights index, 0-10 (best)* .....	5	.....	85

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In the case of financial market development, we can see a unique subscript that is long forgotten by the Colombian government as it is affordability of financial services affordability of financial services since the financial institutions have high fees and study very rigorous causes all Colombians can not access financial services.

**9th pillar: Technological readiness**

9.01	Availability of latest technologies .....	4.5	.....	84
9.02	Firm-level technology absorption .....	4.4	.....	89
9.03	FDI and technology transfer .....	4.8	.....	54
9.04	Individuals using Internet, %* .....	51.7	.....	63
9.05	Fixed broadband Internet subscriptions/100 pop.* .....	9.3	.....	67
9.06	Int'l Internet bandwidth, kb/s per user* .....	76.1	.....	<b>35</b>
9.07	Mobile broadband subscriptions/100 pop.* .....	7.9	.....	100

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In the case of technological readiness, we see all sub-indices generally show a positive change, making Colombia more competitive with regard to ICT and its implementation in all the labor and social field

**11th pillar: Business sophistication**

11.01	Local supplier quantity .....	5.0	.....	<b>28</b>
11.02	Local supplier quality .....	4.8	.....	<b>41</b>
11.03	State of cluster development .....	3.7	.....	78
11.04	Nature of competitive advantage .....	3.4	.....	73
11.05	Value chain breadth .....	3.9	.....	56
11.06	Control of international distribution .....	4.1	.....	61
11.07	Production process sophistication .....	3.7	.....	77
11.08	Extent of marketing .....	4.0	.....	85
11.09	Willingness to delegate authority .....	3.9	.....	54

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The development of a productive environment That encourages innovation and produce continued Increases in productivity is required. Key to this is the development of competitive but nevertheless those changes have benefited the exchange of information, allowing the integration of Colombian companies into this market. With the creation of the stock exchanges of Bogotá, Medellín and Occidente, Colombian companies began to integrate benefiting national's economy. However, this regional difference generated information problems which allowed opportunities of arbitrage.

<b>12th pillar: Innovation</b>	
12.01 Capacity for innovation.....	3.5 .....85
12.02 Quality of scientific research institutions .....	3.5 .....82
12.03 Company spending on R&D.....	3.0 .....84
12.04 University-industry collaboration in R&D .....	3.9 .....49
12.05 Gov't procurement of advanced tech products.....	3.7 .....50
12.06 Availability of scientists and engineers.....	3.8 .....85
12.07 PCT patents, applications/million pop.*.....	1.2 .....66

**<http://reports.weforum.org/global-competitiveness-report-2014-2015/economies/#economy=COL>**

The sustained Increase Competitiveness and welfare of a nation only requires continuous improvements in productivity, and this is only possible through innovation. Therefore, the strategy following a process of long-term successful growth should be betting on science and applied for the production of sophisticated goods and knowledge-intensive services and technology which benefits fully to Colombia in general aspects.

**ANALYSIS**

Thanks to science called economy countries have gradually adapted to the changes and challenges offered by today's world to compete internationally and to get products and services that are excellent can position themselves in foreign markets achieving a competitive advantage. But to achieve this important differential, countries must develop strategies, policies change social and economic level. These changes can be seen reflected in different multilaterals

and bilateral agreements that countries seeking greater prosperity to celebrate them. For this reason, it is a competitive country is more than necessary in today's world of complex systems generating competitiveness variables to harness their strengths to the maximum to achieve excellent international competitiveness.

Colombia's competitiveness is reduced again this year once sustainability is taken into account. However, Colombia with the passing of time continues without generating significant advances in competitiveness or simply almost imperceptible changes are generated in the latest international rankings have seen a rise of three places in the course of a year, from 2013 to 2014 job had only 69 to 66 maintained the same score indicating that the process of improvement in different pillars running this ranking has remained stagnant.

Many of these problems are reflected in that Colombia specialized in the primary sector such as the mining and energy sector, and has neglected other sectors. For this reason we have seen a slowdown in the industry, because it has not been encouraged. Moreover, despite the rapid economic growth the growth of high oil revenues in recent years, creates the need to diversify its economy, we must improve the quality of the education



system still does not meet the production needs of the increasingly more sophisticated business environment and its capacity for innovation

The inability to move forward in competitiveness should lead to a profound reflection on the efforts that have been implemented. While much is being done on this front, continue with the dynamics bring is possibly the safest way to move forward and not to keep watching how the country is surpassed by other countries reference recipe.

The need to shake the country in this field becomes more prevalent to the extent that seems to be coming to an end "tailwind" representing the upward cycle of commodity prices resulting from the growth in demand from countries like China and India to emerging countries such as Colombia

The terms of trade of the country in the last decade possibly diminished the importance of the competitiveness agenda, he became something of which the country does not necessarily depend to achieve the levels of growth in recent years. However, signs that this may be changing international context should set off the alarms on the country's potential growth in the coming years. If true these signals, the competitiveness agenda of the country will become more urgent than ever.

## STRATEGIES

To make Colombia more competitive should focus on their strengths more opportunities and not limitations. For example,

- In terms of agriculture, Colombia could boost agriculture through agribusiness in the medium term, where farm implements models more technology to improve the process and time. Likewise, the government should ensure continued support to Colombian peasants to provide confidence and safety
- **Infrastructure:** To improve the sector's international competitiveness improved dramatically, since internal transport costs are reduced, which they are of the highest in the world because our industries remain inside.
- **Road Infrastructure:** Increase the number of kilometers of dual carriageway, improve road quality is It has now, and create new routes to have options in moments of landslides and other problems. Here you can have public investment special emphasis on improving road Bogota - Buenaventura and

Bogota Cartagena, alternate routes if necessary.

- **Port infrastructure:** It should expand the docks to take the Panama Canal expansion project and to receive larger vessels. It is a very expensive investment, but will give the opportunity for Colombia to have direct sea routes. This plan should be implemented mainly in the port of Buenaventura and Barranquilla.
- **Railway Infrastructure:** It is important because it is another alternative transportation that reduces costs internal transport and improving international competitiveness. especially in the mining sector.
- **Research:** One of the most important factors is research to develop, without research would be required to be an employee of the other countries that we they impose their processes and inventions. The research should be focused on develop new processes and new products in the agro-industrial sector.
- **Strengthening Colciencias:** Should be the main epicenter of research, so your budget you should increase proportional to

economic growth. You could say that this entity is the country's future, so it will have to be armored politicking, corruption and patronage. It should also be generated a link between companies and Colciencias, not wanting to say that decisions are see affected by the business sector.

- **Institutions:** The state must be committed to create a favorable environment for the agribusiness flourish and shall transmit it to all the Colombian people. but more importantly, we must create the enabling environment for doing business in peace, without intervention.
- **Corruption:** Definitely this is not only a commitment of the current government, but must be a common factor in all of Colombian society. Therefore it should be set a national goal to end corruption by making procedures more transparent and creating a culture of corruption NOT through the media. But most of all must be a national feeling, love for the country any citizen allows.

## QUESTIONS

- What came first to Colombia globalization and competitiveness?

In Colombia came first globalization competitiveness, we wanted to expose to grow like other countries but the pillars that made competent to take the global growth were vacuuming.

Colombia began its process of globalization from the economic sphere; he continued the political arena and finally the social. Colombia to begin to face a i miss global commercial market the technology to progress equal or better quality than other countries, likewise also took innovation to make a difference in the market and the Colombian infrastructure was inadequate for economic progress.

In the political arena there were many setbacks by Colombian institutions as they had to face corruption, drug trafficking and armed conflict. In which they undertook not competitive to address these factors did not help with the growth of globalization skills.

Finally the social sphere would believe that is one of the most affected by lack of the pillars of competitiveness, beginning with the Colombian education that has not been the most favorable to face the pace of globalization compared to other countries, inequality Colombia is clear and infrastructure is inadequate for a

country seeking overall growth and competitively.

He devoted himself to improving globalization but regardless of the pillars of competitiveness makes them more opportunities for growth and competitive advantage over other countries and more commercial, political and social growth in globalization.

Colombia has been improving its pillars of competitiveness over time and so the Colombian globalization grows to occupy top positions clashing with countries worldwide.

In 2006 they created a National Competitiveness System (CNS), to form and consistently integrate the efforts of the institutions and others related to the formulation, implementation and monitoring of policies that affect the country's competitiveness actors.

We entered into a globalized world and Colombia is preparing to be more competent and face the consequences that this process occurs.

- What pillars of competitiveness make globalized Colombia?

All pillars of competitiveness make globalized Colombia; these two terms are maintained on hand for the growth of any country. Here are the most important pillars are appointed:

For example the domestic economy, to the extent that there is more competition

in the domestic economy of a country is no more likely that domestic company more productive and competitive to face a globalized world.

Internationalization: with the opening of international economic activities increases the economic performance of economic globalization.

Government: With minimize direct state intervention in business. Government policies focus on creating a competitive environment for businesses and establishing commercial policies adapt to changes in the international context.

Infrastructure: a developed infrastructure supports economic activity boat availability of natural resources and functional business systems, information technology, transportation, communication and education, and efficient environmental protection.

Science: has a competitive advantage by building efficient and innovative technologies progress of existing ideas. Research and development of technologies are crucial for the country with the growth of the three aspects of globalization.

Education: Education is fundamental to the growth of a country as a skilled workforce, education, technical capacity of labor support economic and social development with high-profile initiatives covering areas of expertise that covers a

globalized world be more competent over others.

In short all the pillars are central to the globalization of a country playing a role of increasing competitiveness and enough productive, efficient and effective

- What are the negative consequences of globalization in Colombia?

Colombia is undergoing policies developed since over time is being overrun by multinationals and countries like the United States increase their profits because of the poverty of the nation countries.

Colombia's economy is unsound and the effects of globalization have led to the opening end literally with Colombian agricultural and industrial companies.

The fall of the welfare of Colombians thanks to plummeting productivity levels. Affecting wages to workers, the per capita consumption, provide health services, education and inequality.

Global capitalism stops the growth of medium and small that eliminates competing companies in the domestic market and is destroying the peripheral capital.

For low-income populations it is harder to get into an employment as it has sufficient resources to prepare for and have sufficient qualifications and

educational and cultural training, since the worker today must be able to handle technology, having at least one foreign language and compete with people from other countries.

The implementation of policies in which deterioration of economic, social and cultural to strengthen the efficiency, productivity, and economic freedom and property rights of rights is reflected companies. From the above shows that the most vulnerable are ignored and do not contribute to human development such as the fight against poverty, unemployment, discrimination, inequality and exploitation.

Abuse multinationals to exploit natural resources of the Colombian state without measure, making scans of land that is affecting the flora and fauna of the country, for the purpose of profiting and ending Colombia's biodiversity.

Globalization is affecting and losing loss Colombian culture. Speaking of us into the Colombian jungle are indigenous populations who left their cultural traditions to fit in a globalized world losing languages and customs.

- What is the projection of Colombia within five years against globalization and competitiveness?

For 2020 Colombia will be one of the most competitive and globalized Latin

American countries have a high level of income through exports of goods and services with high quality and innovation.

Colombia after years of living in armed conflict sprang from the area of peace, by controlling drug trafficking organizations, and negotiation process of rehabilitation and armed groups.

Foreign domestic investment generated an economic movement that will be reflected in more formal employment, less poverty and better quality of life for Colombians.

The ministry of environment and social development establishes policies for the care of the Colombian biodiversity and conservation and wildlife, rescuing and restoring lands exploited by illegal mining.

Based on Colombia made large infrastructure investments for improving the national infrastructure for productivity it.

Concerning globalization in the ranking of Latin America will be positioned among the top three worldwide and in the top 10 being one of the most important economies worldwide.

And finally the competitiveness of Colombia will be the best in Latin America and ranked among the top 10 worldwide.

## **CONCLUSIONS**

- Globalization makes big profits in a country in economic social, political and. Although Colombia has evolved around the time he has tended several clashes and has not acquired the expected benefits. International economic crisis, drug trafficking and internal conflict have greatly harmed the nation, its economy and the social aspect.
- We are in a complex new era of global capitalism, an era that offers great opportunities for economic dynamism, but also represents a high risk of dissatisfaction of the population with less opportunity for social, economic and political development.
- Colombia has to move forward to take advantage of the opportunities and be more competitive and more strength to face the world. Looking reforms of Colombian sovereignty.
- Environmental issues must become cornerstones of Colombian foreign policy. The preservation of a sustainable environment is a key strategic goal of the global agenda. Colombia has a huge potential in this area due to its large biodiversity. To achieve this objective, Colombia should strengthen its domestic environmental policy. The restoration of the Ministry of Environment.
- To mention the development of the globalization of Colombia must clarify that this is a developing country that does not have enough material support in education, technology, infrastructure and scientific. They are however interested in turning Colombia into a competitive country have implemented strategies for growth.
- The country should take advantage of its main comparative advantage is the sector agriculture, since Colombia is intensive land and its geographical position is privileged. Should be the main economic sector of the country, promoting the agribusiness and agricultural export diversification. Competitiveness International should be aimed at making life easier for this sector.
- The main factors to improve the international competitiveness of Colombia they are due to lagging infrastructure in all modes of

transport, because research is not innovating, quality of research is the worst because they are not focused on what the country needs and institutions to ensure optimum business environment that generates FDI.

## ECUADOR



Source: CIA The World Fact book,  
South America: Ecuador.

- **Geography:**

**Area:**

**Total:** 283,561 sq km

**Land:** 276,841 sq km

**Water:** 6,720 sq km

Country comparison to the world: 74

**Population:**

15,654,411 (July 2014 est.)

Country comparison to the world: 68

- **Government:**

**Conventional long form:** Republic of Ecuador

**Conventional short form:** Ecuador

Capital: Quito sistem: civil law based on the Chilean civil code with

modifications; traditional law in indigenous communities

- **Economy:**

Ecuador's economy depends of the natural resources mainly of the petroleum which account more than a half of the country's account exportation. In 1999/ 2000 Ecuador suffered a crisis where the poverty dramatically increased; as consequence of that the government decided to adopt the dollarization, because of this restructure the economy was stabilized and thanks to the oil prices a positive grow came the next years; Under the administration of the current president, Rafael Correa, has generated the economic uncertainty and a disincentive to foreign investment, which is the lowest in the region. Furthermore, the current administration is considering des-dollarizing the economy to allow the government to use monetary policy tools to stabilize growth.

**GDP (purchasing power parity):**

\$182 billion (2014 est.)

\$175 billion (2013 est.)

\$167.4 billion (2012 est.)

**note:** data are in 2014 US dollars

**country comparison to the world:** 64

**GDP (official exchange rate):**



\$100.5 billion (2014 est.)

**GDP - real growth rate:**

4% (2014 est.)

4.5% (2013 est.)

5.1% (2012 est.)

**country comparison to the world: [72](#)**

**GDP - per capita (PPP):**

\$11,400 (2014 est.)

\$11,100 (2013 est.)

\$10,800 (2012 est.)

**note:** data are in 2013 US dollars

**country comparison to the world: [123](#)**

**Labor force:**

7.214 million (2014 est.)

**country comparison to the world: [65](#)**

**Unemployment rate:**

5% (2014 est.)

4.7% (2013 est.)

**country comparison to the world: [50](#)**

**Population below poverty line:**

25.6% (December 2013 est.)

**Taxes and other revenues:**

39.3% of GDP (2014 est.)

**country comparison to the world: [41](#)**

**Public debt:**

30% of GDP (2014 est.)

23.1% of GDP (2013 est.)

**country comparison to the world: [127](#)**

**Inflation rate (consumer prices):**

3.9% (2014 est.)

2.7% (2013 est.)

**Current account balance:**

\$613.4 million (2014 est.)

-\$1.29 billion (2013 est.)

**country comparison to the world: [53](#)**

**Exports:**

\$27.33 billion (2014 est.)

\$25.69 billion (2013 est.)

**country comparison to the world: [69](#)**

**Imports:**

\$26.4 billion (2014 est.)

\$26.33 billion (2013 est.)

**country comparison to the world: [71](#)**

**Ecuador: Analysis of the country**

Ecuador is a South American country which is located in the west coast of the country, borders with Colombia on the North, Peru on the East and South and the Pacific Ocean on the west, it is the fourth smallest country of the region; Ecuador's capital city, is Quito, and it is located in the north central part of the country.

Quito became a seat of Spanish colonial government in 1563 and part of the Viceroyalty of New Granada in 1717. After the Independence between 1819 and 1822, Ecuador formed part of the Gran Colombia, when Quito withdrew in 1830, name changed in to the "Republic of the Equator.",

then the Republic of the Ecuador lost a lot of territories because of the conflicts with their neighbors.

The country has been marked by political instability, the last three of four democratically elected presidents because of protests across the country left their government mid-term, in 2006 the current President Rafael Vicente Correa Delgado was chosen, and was re-elected in February of 2013.

Under the administration of President Correa, Ecuador's economy has been marked by uncertainty also discouragement of private investment, for example in 2009 was intended to end 13 bilateral investment agreements, including one with the United States, and in 2012 rejected a bilateral free trade by the European Union; Thanks to the petroleum prices.

### **Globalization**

Globalization is a phenomenon that is affecting every single country in the world, it is increasing connectivity and global consciousness, learn how to live in a globalized world is a constant challenge for the world's population and adapt themselves to rules that sometimes are unfair is difficult, but it provides to developing countries as Ecuador a lot of opportunities to grow up, they have to

take advantage of these opportunities for sustainable and equitable growth; moreover globalization can help to increase the poverty rate and social inequality in the developing countries as well, it depends in how the government and the local population act to face the problems in the world, and it also depends of the responsibility of the developed countries, that have been taken advantage of them; Its important to understand that we have to work together, developed and developing countries, to reduce the poverty rate around the world.

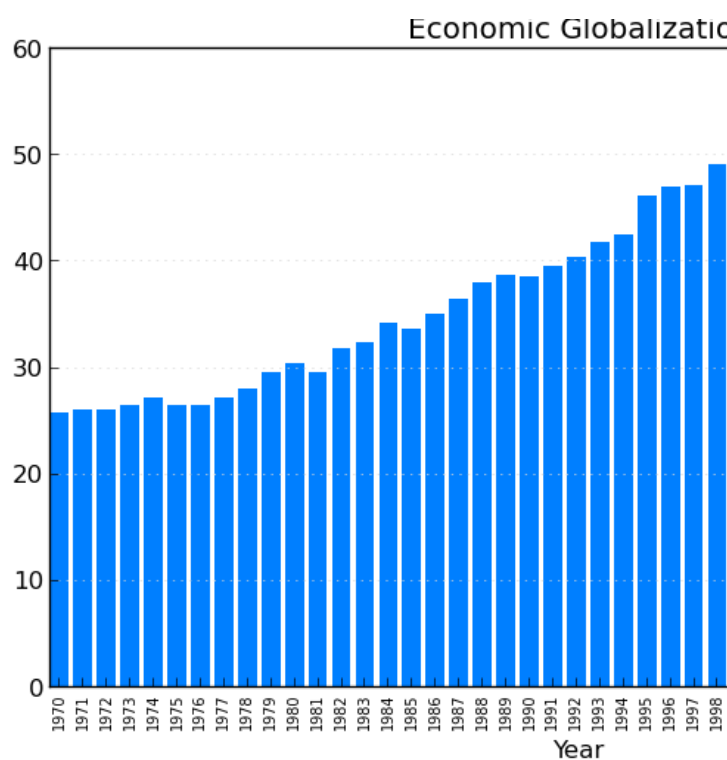
According to the KOF index of globalization, Ecuador this located in the position 92 of 207 countries around the world, globalization can be divided in three main dimensions and the overall index covers the economic, social and political dimensions of globalization.

The economic dimension that according to the KOF index it is measure by the actual flows, where we find the sum of exports and imports of goods and services and the foreign investment measured as a share of gross domestic product, and the restrictions in the international trade it means the taxes on international trade and the capital account restrictions; in the graphic number 1 we can see the behavior that

Ecuador has had in terms of economic globalization over the years, its peak is in 2000; in January of these year the president in that time, Dr. Jamil Mahuad, announced his decision to dollarize Ecuador's economy, in 1999 Ecuador was suffering a huge crisis, it involved macroeconomic instability, underdeveloped financial markets, the lack of credibility in stabilization programs, the history of high inflation and institutional , among others, that's why the government took the decision of adopt the dollar as national currency, it helped a lot to improve the globalization economy, with a currency with credibility the international trade is much better and easier; After the 2000 the dynamics remains relatively stable, without major changes in recent years.

At this point is also important to check how is the country in economic freedom, the rules and laws to operate in this country, according to the economic freedom index the restriction in Ecuador has been increasing a lot the last years for example the tariff rate is 4,3%; additional barriers to trade include export taxes and government promotion of “import substitution”; on the other hand in the index of economic freedom of 2015, Ecuador has a score of 49.2, making its economy the 156 freest in

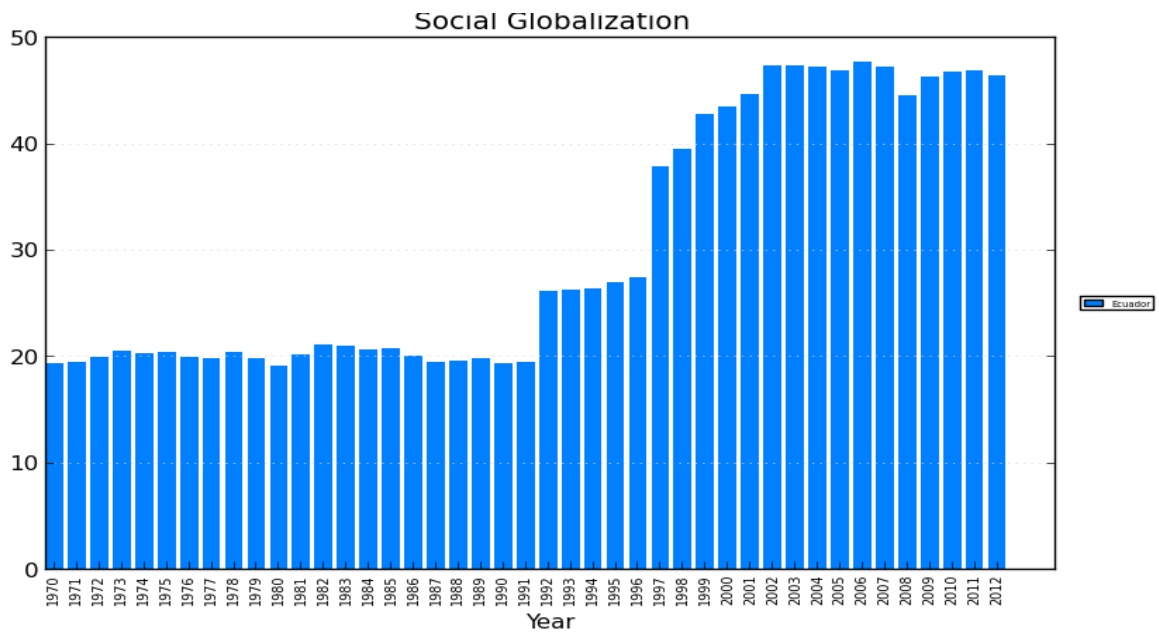
20015, its overall score is far below worlds average, one of the most worrying aspects isthe foreign investment is so restricted mainly the last 10 years, in some economic sectors, the lack of financing options, make so difficult for the private sector to growth, that's why it is difficult to create stable companies that allow generationof employs more and more citizens



The second dimension is the social dimension that according to the KOF index, it is measured by the data on personal contact, where they check the sum of international incoming and outgoing fixed telephone traffic (in minutes per person), the sum of arrivals and departures of international tourists as

a share of population and the number of foreign population living in the county; data on information flows, where they count the number of Internet users in the country and data in cultural proximity that is measured by the number of McDonalds restaurants, number of Ikea and the trade of books, on the graphic number 2 we can appreciate that in recent

years has

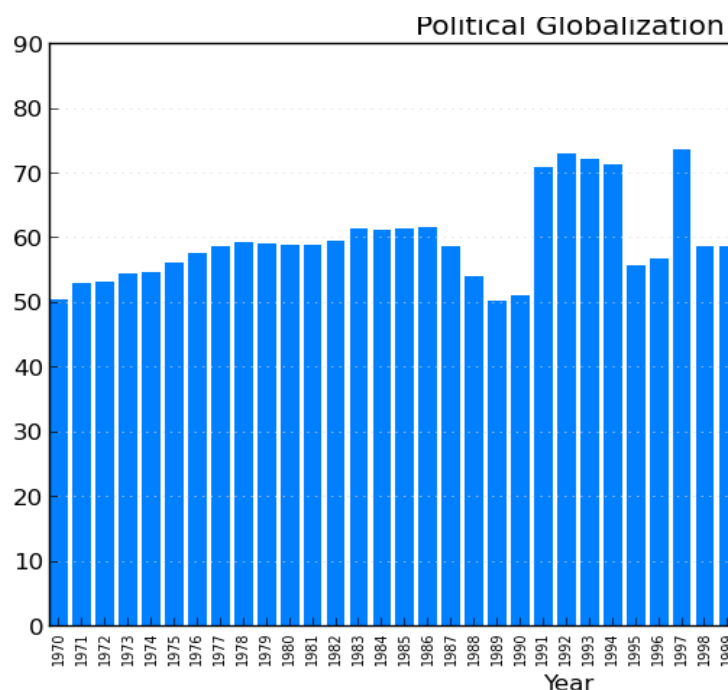


remained steady, peaking in 2006, it has been increasing in a positive way the last years, for many reasons one of the most important is that the government made and effort for make easier the Internet access to all the citizens, according to the Ministry of Telecommunications, in 2012, 66 of every 100 people used the Internet this figure is 11 times higher than in 2006, which were only 6 of 100 users, it shows that the country has a great improvement in terms of data information flows.

Moreover the tourist sector in Ecuador is constantly growing, this is a country that is recognized worldwide for its beauty, it has 1,600 bird species, 150 beaches, recreational activities and extreme sports that with the hard work of the national government generated in 2012, an increase of 84% of sightseeing. The growth of this industry in the country is

very important because it generates employment for too many people, in December of 2013, it had 21,069 establishments dedicated to food and beverage, accommodation, intermediation, operation, transportation and other tourism, generating a total of 113 114 jobs, only food and beverage segment has 14,057 establishments 69,872 people work, it shows the importance of the growth of this sector, and the potential that it has. The third dimension is the political globalization

according to the KOF index, Ecuador is located in the position 58<sup>th</sup> of 207 in the ranking of political globalization, it is measured by the number of embassies in a country, the number of international inter-governmental organizations, the Participation in U.N. Security Council Missions and the International Treaties, on the graphic number 3 we can see the evolution of the political globalization along the years, as we can see in 2004 it has an important improvement on this topic that continue stable the following years; Currently Ecuador is part of the following international organizations: CAN, CD, CELAC, FAO, G-11, G-77, IADB, IAEA, IBRD, ICAO, ICC (national committees), ICCt, ICRM, IDA, IFAD, IFC, IFRCs, IHO, ILO, IMF, IMO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC (NGOs), LAES, LAIA, Mercosur (associate), MIGA, MINUSTAH, NAM, OAS, OPANAL, OPCW, OPEC, Pacific Alliance (observer), PCA, SICA (observer), UN, UNAMID, UNASUR, UNCTAD, UNESCO, UNHCR, UNIDO, Union Latina, UNISFA, UNMIL, UNMISS, UNOCI, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO



Globalization is an inevitable phenomenon, then adapt to the changes that it brings becomes a matter of vital importance, particularly for governments, who with every decision are affecting millions of citizens in their countries. The government of Ecuador decided to address the globalization from two perspectives: the bilateral trade and regional integration. A treaty was signed on May 23, 2008 in Brasilia where was structured and formalized the Organization of the Union of South American Nations, USAN, which aims at regional integration, it favors the trade between member states, the creation of strong blocks with this purpose is a global trend, for example the European Union, ASEAN (Southeast Asia), NAFTA (North America), among

others; On the other hand it is used for construction and consolidation of a South American identity that allows us to be proud of our region, remember the importance of the glocal in each country, so in this way don't forget our own customs in the globalization process.

With the dollarization process which was carried out in 2000, the trade balance has been favored, besides that Ecuadorian exports expanded into new markets, and the number of countries has increased significantly to over the years, despite this the weight of imports and US exports remains relatively high, accounting in 2010 for 35% of exports and 25% of Ecuadorian imports, that is why the importance of a treaty with the United States is high, as neighboring countries like Colombia and Peru have achieved the agreement, it could represent a threat and leave the country in disadvantage on the US market.

Despite the importance of bilateral treaties and that these are exposed as one of its strategies to face globalization; in 2012 the Ecuadorian government, headed by President Rafael Correa rejected the free trade agreement with the European Union, he is arguing that "his government is betting on broad-based economic development that benefits the majority of the population and not just

big corporations and banks"; It is a very radical position and a decision that was widely criticized because Ecuador's exports to the EU may be at a competitive disadvantage with countries like Colombia and Peru, developing countries that signed the agreement.

Moreover the government of Ecuador is working hard to eliminate social inequality in access to information technologies, and this way providing equal opportunities for all citizens, that is why since 2009 has been developing a set of policies, called Digital Ecuador Strategy 2.0, which aims to 75% of the population in 2017 have Internet access; digital strategy is based on four stages: equipment, connectivity, training, applications and content, which are based on an institutional, legal and regulatory framework; in 2015 its priority the educational equipment, in this way reach to the more than 20,000 public schools that exist in Ecuador, training the new generation in information technologies, At the same time it aims to increase broadband connection in all SMEs.

As we saw in adapting to the changes in a world that is increasingly globalized and that we all are more interconnected around the world, is the key to success, it is important for a country to be aware of

that and its government implement strategies that enable it to become competitive in a globalized world; Ecuador is not far behind as we saw they are developing and implementing strategies to deal with this, the position of the current government is quite radical left, which leads to take decisions such as the rejection of some bilateral agreements that can make the country lose competitiveness in the world market.

### **COMPETITIVNESS**

Ecuador in recent years despite not occupy a very high position in the competitiveness ranking has climbed a significant number of positions significantly. noting that although between 2007 and 2010 dropped 10 places to occupy in the last year ranked number 105 among 148 countries of the world studied, in 2011 the decline stopped staying in the same position and in this year in which began this important and so far unstoppable rise starting with 4 seats for 2012 15 posts between 2012 and 2013 and 15 more between 2013 and 2014 which ultimately left him at number 71 with a competitiveness index of 4.18 according to the World

Economic Forum<sup>1</sup>; Switzerland 1.49 points less than that currently occupies first place in this ranking<sup>2</sup>. This tendency to rise in the rankings because she infrastructure improvements, stability in macroeconomic conditions in the country and low inflation that has been presenting and thanks to these conditions set the country has access to financing through equity and loans, which gave him the opportunity to carry out investment projects in education several local companies through factors of efficiency and innovation factors. But despite this leap is important for the Ecuadorian economy, the country is still going through a bad time in terms of legal certainty and besides this target orientation of foreign investment and international relations in terms of trade need improve a lot, in addition to weak institutions and lack of initiatives and projects that help the country to expand its market; in order to counter these and other problems that may be affected the competitiveness of the Ecuadorian country in the short term are announcing proposals that aim to optimize processes which lead to there being a reduction in paperwork, time and costs that normally It must be incurred to start a business and

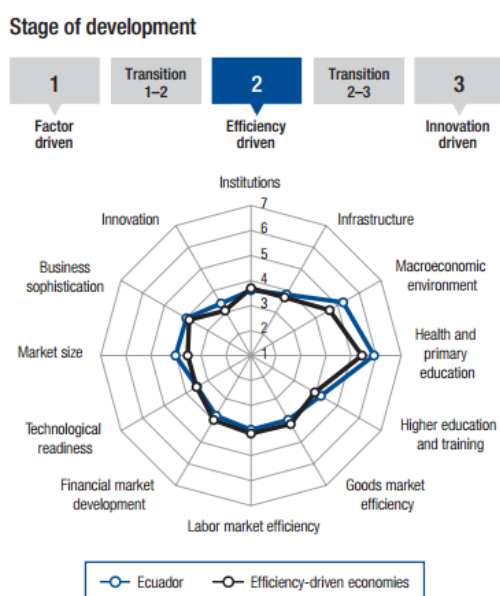
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<sup>1</sup><http://www.datosmacro.com/estado/indice-competitividad-global/ecuador>.

<sup>2</sup>[http://es.wikipedia.org/wiki/%C3%8Dndice\\_de\\_Competitividad\\_Global](http://es.wikipedia.org/wiki/%C3%8Dndice_de_Competitividad_Global).

obtain a permit of operation which will promote local industry and will increase the level of competitiveness.

### **TWELVE PILARS OF COMPETITIVENESS**



As mentioned and analyzed above Ecuador has been one of the Latin-American countries climbing positions in the competitiveness ranking especially since 2010 both general ranking as in each of twelve pillars except technology which in some years their progress has not been significant and elsewhere has shown steady but if the telecommunications infrastructure

has been an increase which has favored indicators such as: The number of Internet users, the number of Internet subscriptions broadband, the Internet bandwidth and the number of mobile phone users even though the latter indicator was taken into account recently. The pillars on which the country has made most progress are those related to efficiency (efficiency in goods markets, labor markets efficiency) but instead other pillars have not been very fortunate such as higher education and training where there have been setbacks or advances and other tiny but no falls we have seen stagnant as in the case of market size.

The increase in these positions has also been given thanks to stable macroeconomic conditions and low inflation that their conditions have enabled the country to access funding through shares and a loan which has helped make further investment in local companies and projects.

The institutions have also been a weak point in the country's competitiveness as it presents low magnification not become very significant addition to these recoveries are followed by falls at times greater than the previous increase.



and speed functions performed to generate a suitable environment to help the development of the country. In Ecuador today can be seen that even though this is one of the pillars that most affect their competitiveness public institutions have improved in every way, excellent service, quick troubleshooting, transparency and efficiency. But there are still several issues to improve as organized crime, the efficiency of the legal framework and judicial independence.

### 1. INSTITUTIONS

INTITUTIONS		
YEAR	RANK	SCORE
2013	92	3,6
2012	131	3,2
2011	125	3,1
2010	128	3,05
2009	125	3
2008	129	2,9
2007	125	2,93
2006	116	2,92

1.

The institutions are the center where people relate to the company and the government, to possess optimum productivity and competitiveness, which contribute to development, public and private institutions should be based on efficiency, transparency, good treatment

### 1. INFRAESTRUCTURE

INFRAESTRUCTURE		
YEAR	RANK	SCORE
2013	79	3,8
2012	90	3,5
2011	94	3,4
2010	96	3,18
2009	100	2,9
2008	108	2,5
2007	97	2,64
2006	94	2,65

1.

An extensive and efficient infrastructure improves the economy, as they can move goods faster and lowers costs for export, besides the expansion of infrastructure shows a more equitable distribution of wealth in the country. Ecuador has progressed and the main thing in the last government was the construction and expansion of roads connecting the entire country, and today it is possible to travel by a modern road network so their positions and their score on the ranking increased significantly. Other investments by the government have been on improving infrastructure in schools and universities. But all in all aspects of the country's infrastructure has been increasing but not to the same extent all have benefited.

*1. MACROECONOMIC ENVIRONMENT*

<b>MACROECONOMIC ENVIRONMENT</b>		
<b>YEAR</b>	<b>RANK</b>	<b>SCORE</b>
2013	44	5,2
2012	37	5,3
2011	40	5,2
2010	55	4,76
2009	44	5

2008	16	5,9
2007	27	5,58
2006	21	5,18

*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. In this respect the country stopped paying a very high external debt, noting that it is one of the countries where inflation rates are very low, compared to worldwide. And besides all Ecuador has been able to overcome global crises, without altering its economic system and although it has had variations in their positions on the ranking has enjoyed one of the most stable macroeconomic indicators which is attributed the great progress that had in that ranking.

*1. HEALTH AND PRIMARY EDUCATION*

<b>HEALTH AND PRIMARY EDUCATION</b>
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YEAR	RANK	SCORE
2013	54	5,9
2012	67	5,7
2011	70	5,7
2010	75	5,61
2009	89	5,1
2008	92	5,1
2007	90	5,12
2006	41	6,59

1.

This pillar is about the health of workers, because if workers are in good health will be more competitive country that will have more productivity and efficiency. It also analyzes the quality of primary education, because this depends on which people can more easily adapt to advanced production processes, techniques and innovations which means rapid growth and increased competitiveness. In health, in Ecuador the government spends a lot of funds in the construction and renovation of health care facilities, life expectancy has increased and as for education have been building schools called millennium which has increased the percentage of children in school.

### 1. HIGHER EDUCATION AND TRAINING

HIGHER EDUCATION AND TRAINING		
YEAR	RANK	SCORE
2013	71	4,2
2012	91	3,8
2011	90	3,8
2010	92	3,65
2009	103	3,2
2008	115	3
2007	111	2,92
2006	97	3,09

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. One of the methods implemented to further this pillar has been building a university

focused on the development of the country, which has a research and development center and business center of the leading private companies in the world, experts in innovation and technology. They have also implemented technical training centers in cities across the country in order to train people with a high degree of technical knowledge.

*1. GOODS MARKET  
EFFICIENCY*

<b>GOODS MARKET EFFICIENCY</b>		
<b>YEAR</b>	<b>RANK</b>	<b>SCORE</b>
2013	106	4
2012	129	3,7
2011	131	3,6
2010	132	3,36
2009	127	3,3
2008	129	3,3
2007	123	3,35
2006	112	3,51

*1.*

This pillar measures the efficiency of markets for domestic products in the country, because to meet demand and to

generate supply can begin to enter international markets. The Ecuadorian government has focused on the manufacturing of finished products, to meet the domestic market and to expand globally, entering the world market with an added value, a brand, a style that identifies it as a developed country.

*1. LABOR MARKETS  
EFFICIENCY*

<b>LABOR MARKETS EFFICIENCY</b>		
<b>YEAR</b>	<b>RANK</b>	<b>SCORE</b>
2013	111	4
2012	135	3,5
2011	138	3,4
2010	137	3,24
2009	130	3,3
2008	122	3,8
2007	116	3,73
2006	112	3,51

*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*

<b>FINANCIAL MARKET DEVELOPMENT</b>		
<b>YEAR</b>	<b>RANK</b>	<b>SCORE</b>
2013	89	3,8
2012	110	3,6
2011	112	3,5
2010	115	3,42
2009	114	3,4
2008	125	3,2
2007	99	3,69
2006	82	3,63

*1.*

The proper functioning of 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*

<b>TENOLOGICAL READINESS</b>		
<b>YEAR</b>	<b>RANK</b>	<b>SCORE</b>
2013	82	3,5
2012	82	3,6
2011	103	3,1
2010	107	2,97
2009	102	2,9
2008	104	2,7
2007	100	2,57
2006	88	2,79

*1.*

In the globalized world we live q 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 . This topic Ecuador is a little late, because being a small country and little known worldwide, the introduction of new technologies the country is very low and it takes quite, preventing rapid growth.

*1. MARKET SIZE*

<b>MARKET SIZE</b>		
<b>YEAR</b>	<b>RANK</b>	<b>SCORE</b>
2013	59	4
2012	60	3,9
2011	60	3,8
2010	61	3,81
2009	60	3,9
2010	61	3,7
2007	68	3,37

1.

The market size directly affects productivity, when a market is limited to small national markets but globalization industries began to reach international markets, why Ecuador has been seeking to bring their products to foreign markets and through this has released and has

increased and improved its relations with different countries it is.

1. BUSINESS SOPHISTICATION

<b>BUSINESS SOPHISTICATION</b>		
<b>YEAR</b>	<b>RANK</b>	<b>SCORE</b>
2013	69	4
2012	84	3,7
2011	93	3,6
2010	107	3,34
2009	105	3,4
2008	99	3,5
2007	93	3,57
2006	82	3,63

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. with this Ecuador seeks negotiations with various countries and not rely on a single country, in

addition to this the government has been seeking greater Expansion in global markets so also it seeks to establish good relations with many countries.

### 1. INNOVATION

INNOVATION		
YEAR	RANK	SCORE
2013	58	3,4
2012	96	3
2011	110	2,8
2010	130	2,43
2009	129	2,3
2008	129	2,4
2007	118	2,56
2006	105	2,65

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. In recent Ecuador years it has been importing a lot of technology and all the means that contribute to innovation and it is working hard to

transform the country into a major exporter of innovation project has progressed slowly but safely.

### CONCLUSION

Ecuador has had the highest and the most important growth in the pillars of infrastructure, education quality and innovation; in the infrastructure with the construction of roads (7.000km), bridges, eight line ways, eight hydropower, airports and the first subway's line started to work in Quito. With the education increased access education through scholarships, closing schools with poor education quality and decreasing educational credits and finally whit the innovation it has invested millions in research projects ... whit everything Ecuador has shown why it's climbed so fast this ranking. But the rating of institutions and new technologies is still low because in the institutions case its work is considerate weak, they don't have independence in their legal system and for this they have lost their reliability and with the technologies case these are necessaries because the country needs is to gain an efficient use of labor for this it needs to increase and strengthen the adoption of new technologies (with this could attract foreign investment and remove many trade barriers) and also it have other

problems like security, corruption, taxes rates, fiscal regulations and labor regulations and these are big challenges that affects the country's competitive potential.

### QUESTIONS:

- What is the relationship between globalization and competitiveness in Ecuador?

These factors are related to productivity, innovation and inflation in each country.

A country is always seeking to be a competitor regarding distinctive aspects. It can achieve this by taking into consideration politics, culture and the economy of the most developed countries that surround it and the ones that could be compared to the respective country.

- How could Ecuador be more competitive in a globalized world?

The world in which we live, increasingly globalized, proposes significant challenges for countries regarding to competitiveness, as for example in international trade due to globalization has been eliminating tariff

barriers that make different countries be equal conditions in certain markets, that is why be productive and competitive is so important right now.

Ecuador has progressed positively in this regard although he needs to improve a lot, in terms of infrastructure, for example, you have made great strides by high investment in highways, hydroelectric plants, airports, urban transport, among others; as well as in their education that continually tries to improve its quality is for this reason that 2013 14 universities were closed, and has taken measures such as low interest in educational credits to more people have access to higher education, despite these efforts still need more people accessing to this education.

Education is very important for improving the competitiveness of a country, educating its citizens, Ecuador can be a more productive and competitive country internationally.

To be more competitive Ecuador should continue increasing its efforts to improve Innovation, investing in research and technology are a good alternative at this moment, which could generate higher value added products that are attractive to the international market; Moreover the free trade agreements are good strategies when



there are wise agreements it can generate many opportunities for growth and many markets where it can be competitive; all goes together, and one thing is not distant from the other, that means, for example, that the opportunity to be competitive thanks to free trade agreements is linked to innovation produced in the country, enabling it to be competitiveness in this new market.

- What aspects of competitiveness have affected the globalization of Ecuador?

La falta de innovación tecnológica es una de las más grandes faltas que ha tenido la competitividad dentro de Ecuador y esto lleva a que el país no pueda ser demasiado competitivo para poder llegar a economías más industrializadas.

The lack of technological innovation is one of the biggest mistakes that has had competitiveness in Ecuador and this leads to that the country can not be too competitive to get more industrialized economies.

- What are the business competencies that make Ecuador globalized?

Nowadays be competitive is one of the most important tasks for Ecuador. The key aspects companies would have are:

- Development of new projects, programs and products that increase productivity.
- Training on the individual and the company that aims to improve and update the company.
- Encourage the importance of human capital within the organization.
- Optimization of resources and improved customer service.

- What is the relationship between globalization and competitiveness in Ecuador?

These factors are related to productivity, innovation and inflation in each country.

A country is always seeking to be a competitor regarding distinctive aspects. It can achieve this by taking into consideration politics, culture and the economy of the most developed countries that surround it and the ones that could be compared to the respective country.

One important factor would be the growth in the level of education in the country that helps companies to have within them people who can become more competent and likewise help to

reach the international economies and increasing globalization from the country.

### **RECOMMENDATIONS:**

- The country has to implement strategies that make it more efficient in comparison to countries that could have competitive advantages over it as, for example, the advantage that Ecuador has over the Netherlands in the exportation of roses when it comes to the best quality at a global level.
- Strategies such as: not only search for specialization in a certain product that could have an Absolut advantage but achieve to not get the dutch disease and search for renewable resources that open new fields of global markets creating productivity in the country as, for example, in the service sector.
- Launch promotions and incentives for new fields of personal development stimulating entrepreneurship to young people and future professionals. The entrepreneurs will be the founders of new companies with probably global ambitions which will automatically increase economic growth and lower unemployment rates.
- Avoid protectionism because this can affect the part of the population that works and lives of imported products such as, for example, the increase of 45% of the customs cost for imported products that was implemented recently forcing people to choose between leaving this job and look for other options or stay.
- When it comes to the reduction of poverty public investments have to increase, national resources have to be liberated, human rights have to be promoted and at the same time social participation of all people; all in collaboration with social organizations, the private sector and external agents.
- Promote mechanisms to govern transparently and decentralize processes in order to reduce corruption that at the moment affects the economic development of the country significantly

- Open the market more with the objective to generate higher incomes and therefore increase the GDP through the export and import of products.
- The country should open the markets.

### CONCLUSIONS:

- Ecuador is a developing country that thanks to the good decisions that the government took such as dollarization, the country improve in some stages now it is so much globalize than years ago and its improving the competitive climbed in the index ranking but the rating of institutions and new technologies is still low because in the institutions case its work is considerate weak, they don't have independence in their legal system and for this they have lost their reliability and with the technologies case these are necessities.
- The Ecuador's government made policies which are specially think it for eliminate the gap of social inequality that gives the same opportunities for the citizens as: - Ecuador digital

plan 2.0 which aims for the 2007 that 65% the population has access to the internet.

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## Paraguay



Paraguay achieved its independence from Spain in 1811. In the disastrous War of the Triple Alliance (1865-70) - between Paraguay and Argentina, Brazil, and Uruguay - Paraguay lost two-thirds of its adult males and much of its territory. The country stagnated economically for the next half century. Following the Chaco War of 1932-35 with Bolivia, Paraguay gained a large part of the Chaco lowland region. The 35-year military dictatorship of Alfredo STROESSNER ended in 1989, and, despite a marked increase in political infighting in recent years, Paraguay has held relatively free and regular presidential elections since the country's return to democracy. (CIA, 2015)

### Geography

#### Area:

**Total:** 406,752 sq km

**land:** 397,302 sq km

**Water:** 9,450 sq km

**Country comparison to the world:** 60

#### People and Society

**Population:** 6,703,860 (July 2014 est.)

**Country comparison to the world:** 105

#### Government

**Country Name:** Republic of Paraguay

**Government type:** constitutional republic

**Capital name:** Asuncion

**Legal system:** civil law system with influences from Argentine, Spanish, Roman, and French civil law models; judicial review of legislative acts in Supreme Court of Justice

#### Economy

**GDP (purchasing power parity):** \$57.87 billion (2014 est.)

**Country comparison to the world:** 104

**GDP (official exchange rate):**

\$31.3 billion (2014 est.)

**Country comparison to the world:** 69

**Unemployment rate:**

7.3% (2014 est.)

**Country comparison to the world: 80****Population below poverty line:**

34.7% (2010 est.)

**Taxes and other revenues:**

16.7% of GDP (2014 est.)

**Country comparison to the world: 184****Inflation rate (consumer prices):**

5.1% (2014 est.)

**Exports:**

\$14.61 billion (2014 est.)

**Imports:**

\$12.37 billion (2014 est.)

**Exchange rates:**

guarani (PYG) per US dollar -

4,451.7 (2014 est.) (CIA, 2015)

**Politics**

Precedents The political system current Paraguayan is the reflection of sixty an years of power of the Party Colorado divided in two stages, thirty five years of the dictatorship of the General

Stroessner and twenty six years of colored continuity. With the victory of the Patriotic Alliance for the Change on April 20, 2008 in the presidential choices way is made to the alternation of the political power and there begins a third stage, The dictatorship of the General Alfredo Stroessner (1954-1989), hegemonic stage of the Party Colorado characterized principally, for the military authoritarianism, the repression, the violence, the institutional corruption, the clientelism, the enrichment of some few ones, the brake to the freedom of expression, social dismantled sectors, a political culture practically, Non-existent and a legitimacy disguised with democratic processes false The democratization and continued colored (1989-2008), stage later to the fall of the dictatorship of Stroessner, it can be identified as a period of democratization of the country (positive aspect), accompanied of the coloured continued (negative aspect), this party stopped being hegemonic to turn in predominantly, because in spite of possessing a new political regime, the Paraguay continued for 19 more years, in hands of coloured leaders and of related businessmen to this party. In this period there were eliminated the violent and repressive actions of the government but they continued the practices of

institutional corruption, clientelism, bad distribution of wealth, between others. The system of State - party gives place slowly to a System of parties very little structured and for especially weak person. (Carmen Carolina Ubaldi Aquino)

### **Social and cultural**

Paraguay possesses a cultural undeniable wealth, fruit of the mixture of Guarani and Spanish; there is much for which recognizing to our country. We must value ours and not to be ashamed to be Paraguayans / Paraguayan, since we are a nation fighter, with claw, people who is not left to win for the circumstances and to see it in having survived two big wars, In Paraguay the poverty is raised and is known fundamentally in the rural area. The total poverty affects 32, 4 % of the population, number of for yes raised that is accentuated in the rural area, where it affects 44, 8 % of the population. (Banco Central del Paraguay, 2015)

### **Economic**

Landlocked Paraguay has a market economy distinguished by a large informal sector, featuring re-export of imported consumer goods to neighboring countries, as well as the activities of thousands of microenterprises and urban street vendors. A large percentage of the population, especially in rural areas, derives its living from agricultural activity, often on a subsistence basis. Because of the importance of the informal sector, accurate economic measures are difficult to obtain. On a per capita basis, real income has stagnated at 1980 levels. The economy grew rapidly between 2003 and 2008 as growing world demand for commodities combined with high prices and favorable weather to support Paraguay's commodity-based export expansion. Paraguay is the sixth largest soy producer in the world. Drought hit in 2008, reducing agricultural exports and slowing the economy even before the onset of the global recession. The economy fell 3.8% in 2009, as lower world demand and commodity prices caused exports to contract. The government reacted by introducing fiscal and monetary stimulus packages. Growth resumed at a 13% level in 2010,



the highest in South America, but slowed in 2011-13 as the stimulus subsided and severe drought and outbreaks of foot-and-mouth disease led to a drop in beef and other agricultural exports. The economy took another leap in 2014, largely due to strong export growth. Political uncertainty, corruption, limited progress on structural reform, and deficient infrastructure are the main obstacles to long-term growth. (CIA, 2015)

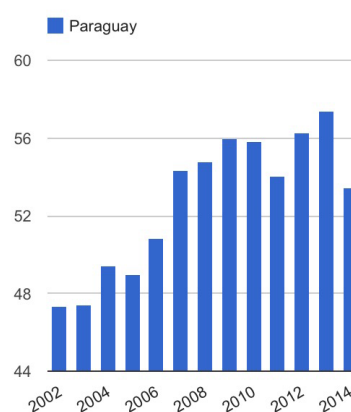
Paraguay is a country that possesses innumerable natural wealths. The production of clean energy is one of the most relevant activities of the country, as well as the highly mechanized agriculture and the ranching, also The Paraguayan economy is small and opened, highly dependently on the agricultural production and the exterior trade, especially of the soybean and the bovine meat that they represented near 40 % of the exports in 2013. (banco mundial)

### 3. Globalization

Paraguay is a slight country, but regarding to aspect to globalization is a country that it's present in almost all to sectors to economics; the economy is small and open, highly dependent on the

agricultural production and the exterior trade. (Wold Bank, 2014)

### 3.1 Economic Globalization:



Source: (*The Global Economy, 2015*)

The growth of the Paraguayan economy from the year 2002 owes to itself to an improvement of regulation and prudential taxation to a macroeconomic environment more stable, One of the reasons for which one has come improving it is that the banks have turned more solvent and profitable. The defaulting of the portfolio of credit one has come diminishing 2%, (Banco Central del Paraguay, 2015).

In the year 2007 the lending's banks to private entities I increase to comparison of previous years but this not happen the following year in the year 2008 for the

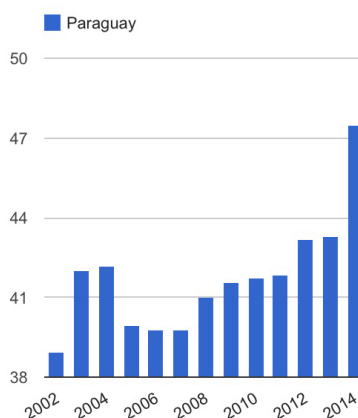
financial crisis of the close conditions the lending's decreased.

The Paraguayan economy has experienced a high volatility in the growth. After a fall of the Internal Brute Product (GDP) near to 1.2 % in 2012, explained principally by a strong drought and an outbreak of foot-and-mouth disease that affected severely the exports, the economy recovered vigorously with an expansion of 13.6 % of the GDP, being this the major rate of growth of Latin America in 2013.

In 2014 a study was done where show that Paraguay was the country with the economy more opened that was very good but in turn he was affected by everything what was happening in the external and mas if one treats of brazil that he is one of his principal partners. (Banco Central del Paraguay, 2015)

### 3.2 Social Globalization

Source: (The Global Economy, 2015)



Año	Area Metropolitana		Resto Urbano		Rural	
	Línea de Pobreza Extrema	Línea de Pobreza Total	Línea de Pobreza Extrema	Línea de Pobreza Total	Línea de Pobreza Extrema	Línea de Pobreza Total
1997-98	94.648	185.968	72.634	130.940	67.211	111.124
1999	104.293	211.175	80.036	148.278	74.060	125.457
2000-01	120.068	242.632	92.142	170.397	85.262	144.200
2002	140.023	288.358	107.456	202.165	99.433	170.763
2003	160.217	311.654	122.953	219.642	113.773	186.594
2004	166.251	322.823	127.583	227.552	118.058	193.349
2005	187.680	358.992	144.028	253.408	133.275	215.654
2006	232.438	409.334	178.376	291.321	165.059	250.123
2007	288.406	450.839	205.978	322.458	190.600	278.326
2008	277.766	474.703	213.162	338.902	197.247	291.948
2009	288.433	489.045	221.348	349.435	204.822	301.290
2010	317.510	525.960	243.662	376.753	225.470	325.707
2011	343.212	562.925	263.386	403.669	243.721	349.375

In 2011 Paraguay registered 49 per cent of the population in situation of poverty. This number diminished in comparison 2010, where it was 54 %, Paraguay has come improving notably the index of poverty since in 2001 It's present an indices of 61 %, In all that the percentage of poverty of 2011 I register 28 % I diminish with regard to 2010 that was presenting an index of 30 %.

In spite of the fact that one has come the poverty improving even their concerns one of every four Paraguayans.

The level of school inscription, primary level like it does not show the information of the World Bank they have come diminishing from the year 2005.

The level of school inscription, primary level like it does not show the information of the World Bank they have come diminishing from the year 2005.

The principal reasons of this phenomenon are: Problems of school performance, this is, a low performance, difficulties of conduct and those related to the age, Problems with the educational offer or the lack of establishments, that is to say, absence of the degree, distance, difficulties of access, absence of the teachers etc...

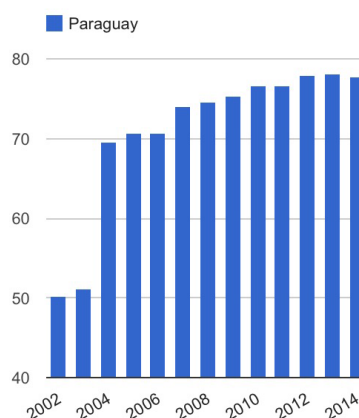
In the year 2012 in Paraguay It's increase the hunger 8, 7 % the growth was from 16, 8 to 25, 5 according to the information of the United Nations Organization for the agriculture and the supply. (Goup of World Bank, 2014)

### 3.3 Political Globalization:

SOURCE: (*The Global Economy, 2015*)

**International organizations participation:**

CAN (associate), CD, CELAC, FAO, G-



11, G-77, IADB, IAEA, IBRD, ICAO, ICC (national committees), ICCT, ICRM, IDA, IFAD, IFC, IFRCS, ILO, IMF, IMO, Interpol, IOC, IOM, IPU, ISO (correspondent), ITSO, ITU, ITUC (NGOs), LAES, LAIA, Mercosur, MIGA, MINURSO, MINUSTAH, MONUSCO, NAM (observer), OAS, OPANAL, OPCW, Pacific Alliance (observer), PCA, UN, UNASUR, UNCTAD, UNESCO, UNFICYP, UNIDO, Union Latina, UNISFA, UNMIL, UNMISS, UNOCI, UNWTO, UPU, WCO, WHO, WIPO, WMO, WTO. (CIA, 2015)

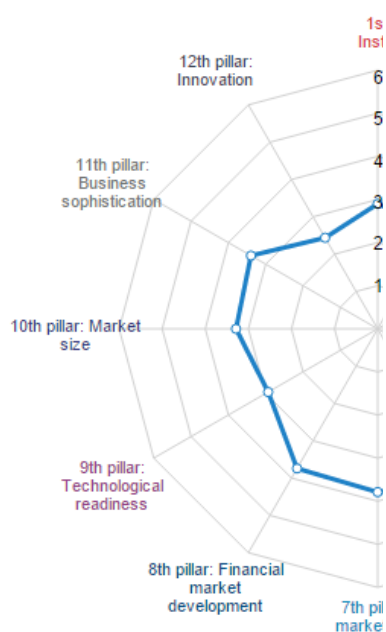
The fiscal politics across the years in Paraguay has come improving increasingly doing that was diminishing the poverty.

One of the events mas important to political level of last years in Paraguay was the crisis of 2012 due to the political judgment against the president at the time Fernando Lugo for the deputies' chamber of Paraguay, they accused the president of evil performance of functions, accusing it for the clashes happened between the peasants and the policemen.

In the year 2005 it had important achievements in the aspects of the technical cooperation offered in the topics of agricultural health, rural sustainable development and institutional modernization. (Banco Central del Paraguay, 2015)

According with the World Economic Forum's annual Global Competitiveness Report they define competitiveness as the set of institutions, policies, and factors that determine the level of productivity of a country. The level of productivity, in turn, sets the level of prosperity that can be reached by an economy. The productivity level also determines the rates of return obtained by investments in an economy, which in turn are the fundamental drivers of its growth rates. In other words, a more competitive economy is one that is likely to grow faster over time. (World Economic Forum)

#### 4. Competitiveness



In that way, Paraguay is located for the last available report (2014-2015) ranked 120 in the ranking of 144 countries. Pillars such as innovation and the infrastructure were those who had the lowest score, which means that the country presents weaknesses in these aspects, however pillars such as macroeconomic development and health and primary education brought high scores.

The global competitiveness index ranks the country in the second stage of the three in which the index classifies the

Fuente: (World Economic Forum)

different countries named stage 2: Efficiency-driven.

With regard to Basic requirements (40.0%) the country was ranked in the 112 position with a score of 3.8. After having assessed the first four pillars.

#### **4.1 First pillar: Institutions**

About Institutions the country was ranked in the 133 position with a score of 2.9.

The institutional environment is determined by the legal and administrative framework within which individuals, firms, and governments interact to generate wealth. The importance of a sound and fair institutional environment has become all the more apparent during the recent economic and financial crisis and is especially crucial for further solidifying the fragile recovery, given the increasing role played by the state at the international level and for the economies of many countries.

The quality of institutions has a strong bearing on competitiveness and growth. It influences investment decisions and the organization of production and plays a key role in the ways in which societies distribute the benefits and bear the costs

of development strategies and policies. For example, owners of land, corporate shares, or intellectual property are unwilling to invest in the improvement and upkeep of their property if their rights as owners are not protected.

The role of institutions goes beyond the legal framework. Government attitudes toward markets and freedoms and the efficiency of its operations are also very important: excessive bureaucracy and red tape, overregulation, corruption, dishonesty in dealing with public contracts, lack of transparency and trustworthiness, inability to provide appropriate services for the business sector, and political dependence of the judicial system impose significant economic costs to businesses and slow the process of economic development.

In addition, the proper management of public finances is critical for ensuring trust in the national business environment. Indicators capturing the quality of government management of public finances are therefore included here to complement the measures of macroeconomic stability captured in pillar 3.

Although the economic literature has focused mainly on public institutions, private institutions are also an important

element in the process of creating wealth. The global financial crisis, along with numerous corporate scandals, has highlighted the relevance of accounting and reporting standards and transparency for preventing fraud and mismanagement, ensuring good governance, and maintaining investor and consumer confidence. An economy is well served by businesses that are run honestly, where managers abide by strong ethical practices in their dealings with the government, other firms, and the public at large. Private-sector transparency is indispensable to business; it can be brought about through the use of standards as well as auditing and accounting practices that ensure access to information in a timely manner. (World Economic Forum)

#### **4.2 Second pillar: Infrastructure**

In Infrastructure the country was ranked in the 117 position with a score of 2.7.

This is one of the pillars with lowest score, in that way, will analyze the situation of the country in this aspect then.

According to official data, in the country there are 32.207 kilometers of roads and

routes, of which are paved 5.474 km, 17% of the total and three times less than what is needed for the country to be minimally competitive, according to the parameters of the World Economic Forum.

In all the countries of the region, the percentage of paved routes is still over 20 %, like the case of Argentina that comes to 32 %, Chile to 34 % and Uruguay to 43 %, to quote two examples. In Paraguay there exist, also, 20.000 linear meters of wooden bridges, which replacement for concrete structures will demand USD 250 million. Till now there are counted by a credit of USD 50 million of the Andean Corporation of Promotion, for 3.000 meters. (Ultima Hora, 2014)

Extensive and efficient infrastructure is critical for ensuring the effective functioning of the economy, as it is an important factor in determining the location of economic activity and the kinds of activities or sectors that can develop within a country. Well-developed infrastructure reduces the effect of distance between regions, integrating the national market and connecting it at low cost to markets in other countries and regions. In addition, the quality and extensiveness of infrastructure networks significantly

impact economic growth and reduce income inequalities and poverty in a variety of ways. A well-developed transport and communications infrastructure network is a prerequisite for the access of less-developed communities to core economic activities and services.

Effective modes of transport—including quality roads, railroads, ports, and air transport—enable entrepreneurs to get their goods and services to market in a secure and timely manner and facilitate the movement of workers to the most suitable jobs. Economies also depend on electricity supplies that are free from interruptions and shortages so that businesses and factories can work unimpeded. Finally, a solid and extensive telecommunications network allows for a rapid and free flow of information, which increases overall economic efficiency by helping to ensure that businesses can communicate and decisions are made by economic actors taking into account all available relevant information. (World Economic Forum)

### **4.3 Third pillar: Macroeconomic environment**

With respect to Macroeconomic environment Paraguay was ranked in the 54 position with a score of 5.0

This is one of the pillars with highest score, in that way, will analyze the situation of the country in this aspect then.

In the last decade, the country has achieved important advances in the macroeconomic aspect, with solid results in the fiscal, monetary ambience and with the beginning of important social reforms. Between the most beetling in the last years, they are the free access to the primary health care of the health and to the basic education monetary, as well as the expansion of the programs of transference determined with impact on the most vulnerable populations. (Wold Bank, 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. Macroeconomic stability captured the attention of the public most recently when some advanced economies, notably the United States and some European countries, needed to take urgent action to prevent macroeconomic instability when their public debt reached unsustainable levels in the wake of the global financial crisis.

It is important to note that this pillar evaluates the stability of the macroeconomic environment, so it does not directly take into account the way in which public accounts are managed by the government. This qualitative dimension is captured in the institutions pillar described above. (World Economic Forum)

#### **4.4 Fourth pillar: Health and primary education**

In the Health and primary education Paraguay was ranked in the 111 position with a score of 4.8

This is another one of the pillars with highest score, in that way, will analyze the situation of the country in this aspect then.

Paraguay has done a great effort to guarantee these aspects and has done an excellent job. This is clear in the results of the index in these aspects.

In a broad sense the health and primary education go hand in hand with development of a Macroeconomic environment of a state. It could explain why this two aspects present the highest scores.

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.

In addition to health, this pillar takes into account the quantity and quality of the basic education received by the population, which is increasingly

important in today's economy. Basic education increases the efficiency of each individual worker. Moreover, often workers who have received little formal education can carry out only simple manual tasks and find it much more difficult to adapt to more advanced production processes and techniques, and therefore they contribute less to devising or executing innovations. In other words, lack of basic education can become a constraint on business development, with firms finding it difficult to move up the value chain by producing more sophisticated or value-intensive products. (World Economic Forum)

In other way, about the Efficiency enhancers (50.0%) the country was ranked in the 112 position with the score of 3.5 after having assessed the second five pillars.

#### **4.5 Fifth pillar: Higher education and training**

Higher education and training was rated in the 112 position with the score of 3.3

Quality higher education and training is crucial for economies that want to move up the value chain beyond simple production processes and products. In particular, today's globalizing economy requires countries to nurture pools of well-educated workers who are able to perform complex tasks and adapt rapidly to their changing environment and the evolving needs of the production system. This pillar measures secondary and tertiary enrollment rates as well as the quality of education as evaluated by business leaders. The extent of staff training is also taken into consideration because of the importance of vocational and continuous on-the-job training—which is neglected in many economies—for ensuring a constant upgrading of workers' skills. (World Economic Forum)

#### **4.6 Sixth pillar: Goods market efficiency**

Goods market efficiency was ranked in the 92 place with the score of 4.2

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. Healthy market competition, both domestic and foreign, is important in driving market efficiency, and thus business productivity, by ensuring that the most efficient firms, producing goods demanded by the market, are those that thrive. The best possible environment for the exchange of goods requires a minimum of government intervention that impedes business activity. For example, competitiveness is hindered by distortionary or burdensome taxes and by restrictive and discriminatory rules on foreign direct investment (FDI)—which limit foreign ownership—as well as on international trade. The recent economic crisis has highlighted the high degree of interdependence of economies worldwide and the degree to which growth depends on open markets. Protectionist measures are counterproductive as they reduce aggregate economic activity.

Market efficiency also depends on demand conditions such as customer orientation and buyer sophistication. For cultural or historical reasons, customers may be more demanding in some countries than in others. This can create an important competitive advantage, as it

forces companies to be more innovative and customer-oriented and thus imposes the discipline necessary for efficiency to be achieved in the market. (World Economic Forum)

#### **4.7 Seventh pillar: Labor market efficiency**

With regard to Labor market efficiency the country was ranked in the 115 position with the score of 3.8

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. Labor markets must therefore have the flexibility to shift workers from one economic activity to another rapidly and at low cost, and to allow for wage fluctuations without much social disruption. The importance of the latter has been dramatically highlighted by events in Arab countries, where rigid labor markets were an important cause of high youth unemployment. Youth unemployment continues to be high in a number of European countries as well, where

important barriers to entry into the labor market remain in place.

Efficient labor markets must also ensure clear strong incentives for employees and efforts to promote meritocracy at the workplace, and they must provide equity in the business environment between women and men. Taken together these factors have a positive effect on worker performance and the attractiveness of the country for talent, two aspects that are growing more important as talent shortages loom on the horizon. (World Economic Forum)

#### **4.8 Eighth pillar: Financial market development**

As the pillar of financial market development Paraguay was ranked in the 93 position with the score of 3.7.

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. It channels resources to those entrepreneurial or investment projects with the highest

expected rates of return rather than to the politically connected. A thorough and proper assessment of risk is therefore a key ingredient of a sound financial market.

Business investment is also critical to productivity. Therefore economies require sophisticated financial markets that can make capital available for private-sector investment from such sources as loans from a sound banking sector, well-regulated securities exchanges, venture capital, and other financial products. In order to fulfill all those functions, the banking sector needs to be trustworthy and transparent, and—as has been made so clear recently—financial markets need appropriate regulation to protect investors and other actors in the economy at large. (World Economic Forum)

#### **4.9 Ninth pillar: Technological readiness**

As many as the pillar of Technological readiness was ranked in the 110 place with the score of 2.9.

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. ICTs have evolved into the “general purpose technology” of our time, given their critical spillovers to other economic sectors and their role as industry-wide enabling infrastructure. Therefore ICT access and usage are key enablers of countries’ overall technological readiness.

Whether the technology used has or has not been developed within national borders is irrelevant for its ability to enhance productivity. The central point is that the firms operating in the country need to have access to advanced products and blueprints and the ability to absorb and use them. Among the main sources of foreign technology, FDI often plays a key role, especially for countries at a less advanced stage of technological development. It is important to note that, in this context, the level of technology available to firms in a country needs to be distinguished from the country’s ability to conduct blue-sky research and

develop new technologies for innovation that expand the frontiers of knowledge. That is why we separate technological readiness from innovation, captured in the 12th pillar, described below. (World Economic Forum)

#### **4.10 Tenth pillar: Market size**

As much as the Market size of the country was ranked in the place 92 with a score of 3.3.

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. 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.

Thus exports can be thought of as a substitute for domestic demand in

determining the size of the market for the firms of a country.

By including both domestic and foreign markets in our measure of market size, we give credit to export-driven economies and geographic areas (such as the European Union) that are divided into many countries but have a single common market. (World Economic Forum)

On the pillars of Innovation and sophistication that are worth (10.0%) the country was located in the place 132 with a score of 2.9

#### **4.11 Eleventh pillar: Business sophistication**

In this pillar, Business sophistication the country was located in the place 121 with a score of 3.4.

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. These factors

are especially important for countries at an advanced stage of development when, to a large extent, the more basic sources of productivity improvements have been exhausted. The quality of a country's business networks and supporting industries, as measured by the quantity and quality of local suppliers and the extent of their interaction, is important for a variety of reasons. When companies and suppliers from a particular sector are interconnected in geographically proximate groups, called *clusters*, efficiency is heightened, greater opportunities for innovation in processes and products are created, and barriers to entry for new firms are reduced. Individual firms' advanced operations and strategies (branding, marketing, distribution, advanced production processes, and the production of unique and sophisticated products) spill over into the economy and lead to sophisticated and modern business processes across the country's business sectors. (World Economic Forum)

#### **4.12 Twelfth pillar: Innovation**

In terms of Innovation Paraguay was ranked on place 134 with a score of 2.4

This is another one of the pillars with lowest score, in that way, will analyze

the situation of the country in this aspect then.

The function that there redeem the persons and the teams in the process of the innovation is fundamental. Included the qualified labor, the intersection of the human, financial and technological capital, the retention of the talent and the persons' mobilization with top formation. The PCT patents implementation, the Quality of scientific research institutions and the Company spending on R&D are some of the factors where in innovation terms the country has major weaknesses.

Innovation can emerge from new technological and non-technological 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 GCI. The final pillar of competitiveness focuses on technological innovation. Although substantial gains can be obtained by improving institutions, building infrastructure, reducing macroeconomic instability, or improving human capital, all these factors

eventually run into diminishing returns. The same is true for the efficiency of the labor, financial, and goods markets. In the long run, standards of living can be largely enhanced by technological innovation. Technological breakthroughs have been at the basis of many of the productivity gains that our economies have historically experienced. These range from the industrial revolution in the 18th century and the invention of the steam engine and the generation of electricity to the more recent digital revolution. The latter is not only transforming the way things are being done, but also opening a wider range of new possibilities in terms of products and services. Innovation is particularly important for economies as they approach the frontiers of knowledge, and the possibility of generating more value by merely integrating and adapting exogenous technologies tends to disappear.

Although less-advanced countries can still improve their productivity by adopting existing technologies or making incremental improvements in other areas, for those that have reached the innovation stage of development this is no longer sufficient for increasing productivity. Firms in these countries must design and develop cutting-edge

products and processes to maintain a competitive edge and move toward even higher value-added activities. This progression requires an environment that is conducive to innovative activity and supported by both the public and the private sectors. In particular, it means sufficient investment in research and development (R&D), especially by the private sector; the presence of high-quality scientific research institutions that can generate the basic knowledge needed to build the new technologies; extensive collaboration in research and technological developments between universities and industry; and the protection of intellectual property, in addition to high levels of competition and access to venture capital and financing that are analyzed in other pillars of the Index. In light of the recent sluggish recovery and rising fiscal pressures faced by advanced economies, it is important that public and private sectors resist pressures to cut back on the R&D spending that will be so critical for sustainable growth into the future. (World Economic Forum)

## **5. Analysis**

### **What aspects of the competitiveness have affected the globalization of Paraguay?**

The relation that exists between globalization and competitiveness in the country is very small it is analyzed to the development of the two aspects separately, almost at all since the Paraguayans with regard to the globalization are well, it has his opened markets and is considered to be one of the economies mas opened of South America.

Exports are mostly of goods that they produce, have good international relations, are being employed at situations that be badly, but in terms of competitiveness are not well at all, in one of the most important items to be highly competitive forehead other countries like innovation. Paraguay is very badly in this, it is one of its biggest weaknesses, needs to invest in innovation if they want to be able to be at the height of other economies and must not be left behind.

This can be done through the creation of a governmental entity that encourages innovation in the economy and to encourage the research and development throughout the country.



**If Paraguay is open to international trade and its economy depends largely on this, what happened with the aspects like innovation, infrastructure and business sophistication in the country?**

The growth of Paraguay has been marked by macroeconomic strengthening of the country, aspects like to guarantee health and primary education has become a priority for the country. However most of the other aspects like innovation, business sophistication have been neglected.

But, the reality is that the country is on the way to development and shows interest to first develop basic aspects like this.

But in a globalized world as the current is necessary find different ways to develop most of the aspects in medium-terms without neglecting those who have achieved significant results.

The country highly dependent on the agricultural production and the exterior trade. In 2005 the country opened its doors to international trade and the impact on their economy were very positive so, if the country now that it's the way to obtain positive results have to do something to improve the aspects like

innovation and business sophistication to see again the results of the 2005 or one better.

According to the World Economic Forum the 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, this includes the well-known clusters where the country might be more efficient when their supply chains can be reduced, reducing costs and production time.

Moreover the infrastructure in the country is poor and in the need to enter to compete on the world market it is recommended to develop this aspect in large proportions, Extensive and efficient infrastructure is critical for ensuring the effective functioning of the economy.

**How Paraguay could be a country more competitively taking advantage the fact of being an open market?**

In addition to develop its innovation, sophistication of business, and infrastructure, Paraguay needs to be

strengthened in terms of technology, the country needs a very good technology to develop and strengthen all the productive sectors because if not, not will be capably of competing with other countries that implement better it tools with specific emphasis on its capacity to develop and fully leverage information and communication technologies.

## 7. Conclusion

Finally we can conclude with the investigation that Paraguay it is well in terms of globalization and opening of markets where they export much of the products that they produce, the country has focused in guaranteeing a strong macroeconomic development for the population However, the country has many shortcomings in terms of competitiveness, its infrastructure is poor its innovation also, they have no major technological developments, in addition its economy mainly is characterized by agriculture and the informal sector, which means that they do not produce goods that generate high added value.

What Paraguay need to do is to develop all these aspects without neglecting those

who has already developed in function to compete in the global market.

We also conclude that there is a relationship between competitiveness and globalization, if we take the example of Paraguay in terms of social globalization grew in large proportions since they guaranteed the health and basic education, one of the pillars of the competitiveness index.

We can see how, in spite of the fact that since its opening to the global market have benefited from, have not developed important aspects in terms of competitiveness that would help them to see better results in all aspects.

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## PERU



Peruvians economy reflects its varied topography - a coastal lowland region arid, high central highlands of the Andes, the dense Amazon jungle, with tropical lands bordering Colombia and Brazil. A wide range of important mineral resources are found in mountainous and coastal areas and Peru's coastal waters provide excellent fishing grounds. Peru is the second largest producer of silver and third largest copper producer.

**Capital:** Lima

**Location:** Western South America, bordering the South Pacific Ocean, between Chile and Ecuador

### **Area:**

Total: 1,285,216 sq km

Land: 1,279,996 sq km

Water: 5,220 sq km

**Country comparison to the world:** 20

**Population:** 30,147,935 (July 2014 est.)

**Country comparison to the world:** 43

**GDP:** \$376.7 billion (2014 est.)

**GDP - real growth rate:** 3.6% (2014 est.)

**Country comparison to the world:** 80

**GDP - per capita (PPP):** \$12,000 (2014 est.)

**Unemployment rate:** 7.6% (2014 EST.)

**Population below poverty line:** 25.8% (2012 est.)

### **Taxes and other revenues:**

30.9% of GDP (2014 est.)

**Public debt:** 15.9% of GDP (2014 est.)

### **Inflation rate (consumer prices):**

3.3% (2014 est.)

### **Current account balance:**

-\$10.63 billion (2014 est.)

**Exchange rates:** Nuevo sol (PEN) per US dollar -2.836 (2014 est.)

## **Introduction**

Ancient Peru was the site of many important Andean civilizations, especially the Incas whose empire was invaded by the Spanish conquistadors in 1533. Peru's independence was declared in 1821 and the remaining Spanish forces were killed in 1824. After a dozen years of military government, Peru returned to democratic leadership in 1980, but went through economic problems and the growth of a violent insurgency. The beginning of a decade that saw a radical change in the economy and progress in reducing guerrilla activity was marked by the election of President Alberto Fujimori in 1990. But an economic recession in late 1990 the president's increasing reliance on authoritarian measures caused mounting discontent with his regime, which led to his resignation in 2000.

In the spring of 2001 a transition government oversaw new elections, which installed Alejandro Toledo Manrique as the new head of state, the first democratically elected president of the indigenous ethnic group of Peru. In 2006, Peru saw the return of Alan Garcia Perez who went through a disappointing presidential term from 1985 to 1990 and then monitor a solid

economic recovery. In June 2011, the former army officer Ollanta Humala was elected president, I've Carried on the sound, market-oriented economic policies of the three PRECEDING administrations.

## **Globalization**

In Peru, globalization is understood as a process of liberalizing the movement of capital, goods and services. Since early 90s a development model based on competition was adopted to seeks economic activity in the country.

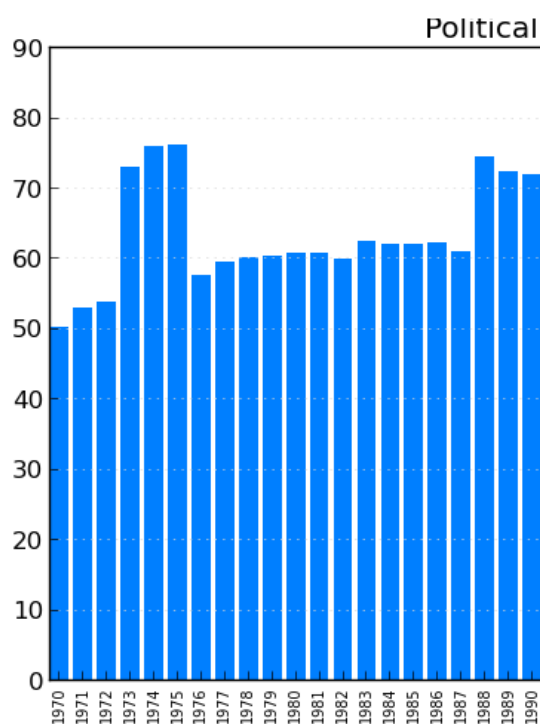
The process continued with the trade agreements and has deepened with the Economic Complementation Agreements and Free Trade Agreements (FTA) signed by Peru, in which goods and services are freely traded.

There are significant advantages in globalization, mainly in the economic and cultural exchanges that enrich the people with information and until recently unexpected opportunities. However, globalization also presents significant degrees of uncertainty and risks as yet unmeasured are the reactions of

excessive nationalism, economic protectionism, etc. All this demand continue analyzing and reviewing the scope of this process in time.

## Political Globalization

Index: Political Globalization



To proxy the degree of political globalization they employ the number of embassies and high commissions in a

country and, the number of international organizations to which the country is a member and the number of UN peace missions a country participated in. In addition, we include the number of treaties signed between two or more states since 1945. These data are taken from the Europa World Yearbook (various years), the CIA World Factbook (various years), the UN Department of Peacekeeping Operations, and the United Nations Treaties Collection.

## Number of embassies

- Embassy of Peru in Germany
- Embassy of Peru in Australia
- Embassy of Peru in Brazil
- Embassy of Peru in Bulgaria
- Embassy of Peru in Canada
- Embassy of Peru in China
- Embassy of Peru in Colombia
- Embassy of Peru in Denmark
- Embassy of Peru in Ecuador
- Embassy of Peru in the United States of America (USA)
- Embassy of Peru in France
- Embassy of Peru in Britain

- Embassy of Peru in Greece
- Embassy of Peru in Honduras
- Peru Embassy in Panama
- Embassy of Peru in Poland
- Embassy of Peru in the UK
- Embassy of Peru in India
- Embassy of Peru in China
- Embassy of Peru in Sweden
- Embassy of Peru in Thailand, Vietnam, Laos and Cambodia
- Embassy of Peru in Uruguay

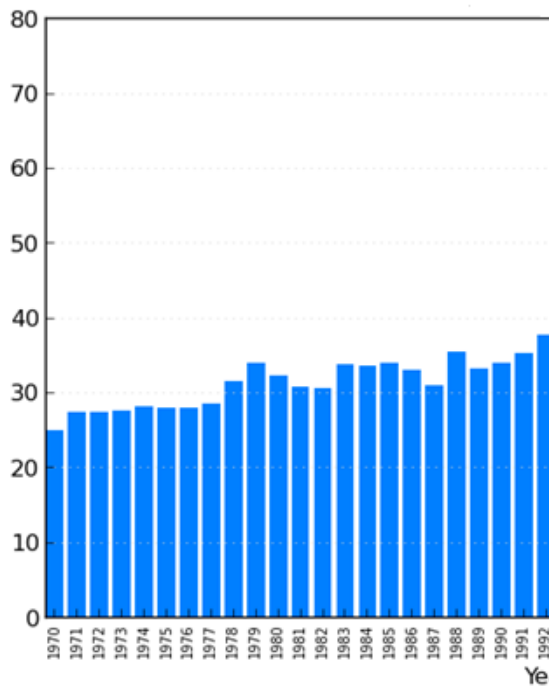
**International organization participation:**

- APEC, BIS, CAN, CD, CELAC, EITI (compliant country), FAO, G-24, G-77, IADB, IAEA, IBRD, ICAO, ICC (NGOs), ICCT, ICRM, IDA, IFAD, IFC, IFRCS, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC (NGOs), LAES, LAIA, Mercosur (associate), MIGA, MINUSTAH, MONUSCO, NAM, OAS, OPANAL, OPCW, Pacific Alliance, PCA, SICA (observer), UN, UNAMID, UNASUR, UNCTAD, UNESCO, UNHCR, UNIDO, Union Latina, UNISFA, UNMISS, UNOCI, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO.

**Foreign embassies IN PERU**

- Consulate General of Spain in Lima
- German Embassy
- Embassy of Chile
- Embassy of El Salvador
- Embassy of Spain
- Embassy of the United States of America
- French Embassy
- Embassy of Israel
- Embassy of Italy
- Embassy of India
- Dutch Embassy
- Embassy of Mexico
- Embassy of Switzerland

**Economic Globalization**



Source: website- KOF- Peru

Broadly speaking, economic globalization has two dimensions. First, actual economic flows are usually taken to be measures of globalization. Second, the previous literature employs proxies for restrictions to trade and capital. Consequently, two indices are constructed that include individual components suggested as proxies for globalization in the previous literature. Actual Flows: The sub-index on actual economic flows includes data on trade, FDI and portfolio investment. Data on trade are provided by the World Bank (2014), stocks of FDI (normalized by GDP) are provided by UNCTAD STAT (2014). Portfolio investment is derived from the IMF's International Financial

Statistics (October 2014). More specifically, trade is the sum of a country's exports and imports and portfolio investment is the sum of a country's stock of assets and liabilities (all normalized by GDP). While these variables are straightforward, income payments to foreign nationals and capital are included to proxy for the extent that a country employs foreign people and capital in its production processes. Restrictions: The second index refers to restrictions on trade and capital using hidden import barriers, mean tariff rates, taxes on international trade (as a share of current revenue) and an index of capital controls. Given a certain level of trade, a country with higher revenues from tariffs is less globalized. To proxy restrictions of the capital account, an index based on data by Gwartney et al. (2014) is employed. This index is based on the IMF's Annual Report on Exchange Arrangements and Exchange Restrictions and includes 13 different types of capital controls. The index is constructed by subtracting the number of restrictions from 13 and multiplying the result by 10. The indices on mean tariff rates and hidden import barriers are also derived from Gwartney et al. (2014). Mean tariff rates originate from various sources. Gwartney et al. allocated a rating of 10 to countries that do not



impose any tariffs. As the mean tariff rate increases, countries are assigned lower ratings. The rating will decline toward zero as the mean tariff rate approaches 50 percent (which is usually not exceeded by most countries among their sample). The original source for hidden import barriers, finally, is the World Economic Forum's Global Competitiveness Report (various issues).

### GDP Indicator

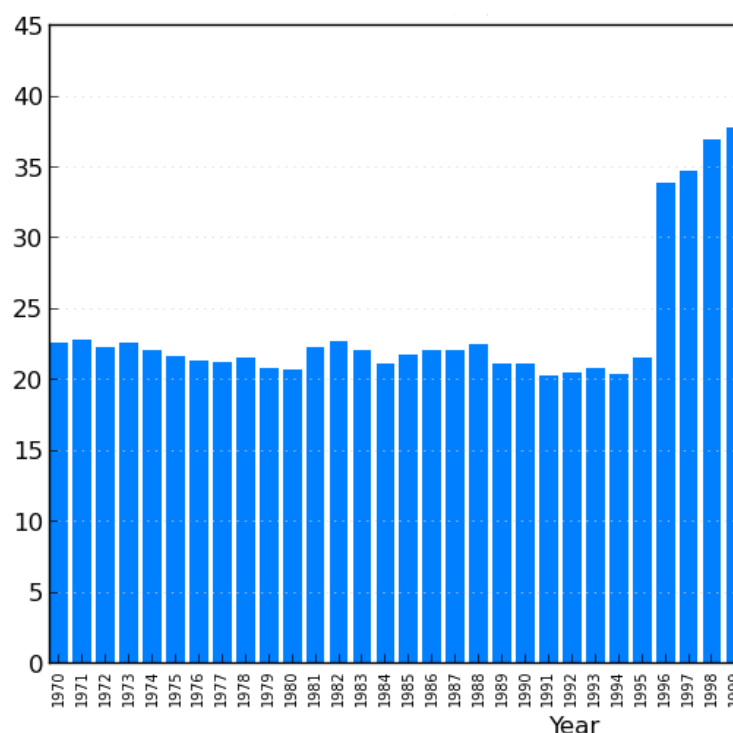
#### Key indicators, 2013

Population (millions).....	30.9	
GDP (US\$ billions).....	206.5	15,000
GDP per capita (US\$).....	6,674	12,000
GDP (PPP) as share (%) of world total.....	0.40	9,000
		6,000
		3,000

Peru's GDP from 1990 to 2012 has shown a significant increase, approaching the average for Latin America and the Caribbean; improving their competitiveness, becoming a more attractive country for business and investment.

### Social

### Globalization



According to the KOF index classifies social globalization in three categories. The first covers personal contacts, the second includes data on information flows and the third measures cultural proximity. Personal Contacts: This index is meant to capture direct interaction among people living in different countries. It includes international telecom traffic (traffic in minutes per person) and the degree of tourism (incoming and outgoing) a country's population is exposed to. Government and workers' transfers received and paid (in percent of GDP) measure whether and to what extent countries interact, while the stock of foreign population is included to capture existing interactions

with people from other countries. The number of international letters sent and received also measure direct interaction among people living in different countries. Telecom traffic is provided by the International Telecommunication Union (2013), while the number of letters is taken from the Universal Postal Union's Postal Statistics Database. The remaining three variables are from the World Bank (2014). Information flows: While personal contact data are meant to capture measurable interactions among people from different countries, the sub-index on information flows is meant to measure the potential flow of ideas and images. It includes the number of internet users (per 100 people), the share of households with a television set, and international newspapers traded (in percent of GDP). All these variables to some extent proxy people's potential for receiving news from other countries – they thus contribute to the global spread of ideas. The variables in this sub-index derive from the World Bank (2014), International Telecommunication Union (2013), the UNESCO (various years), and the United Nations Commodity Trade Statistics Database (2014). Cultural Proximity: Cultural proximity is arguably the dimension of globalization most difficult to grasp. Dreher (2006) suggests the number of English songs in

national hit lists or movies shown in national cinemas that originated in Hollywood. However, these data lack for the majority of countries in our sample. Instead, we thus use imported and exported books (relative to GDP), as suggested in Kluver and Fu (2004). Traded books proxy the extent to which beliefs and values move across national borders, taken from the UNESCO (various years), and the United Nations Commodity Trade Statistics Database (2014). According to Saich (2000, p.209) moreover, cultural globalization mostly refers to the domination of U.S. cultural products. Arguably, the United States is the trend-setter in much of the global socio-cultural realm (see Rosendorf, 2000, p.111). As an additional proxy for cultural proximity we thus include the number of McDonald's restaurants located in a country. For many people, the global spread of McDonald's became a synonym for globalization itself. In a similar vein, we also use the number of Ikea per country.

### **Analysis of Globalization**

Peru has relationship with several countries and has signed economic agreements and free trade agreements that have allowed it to

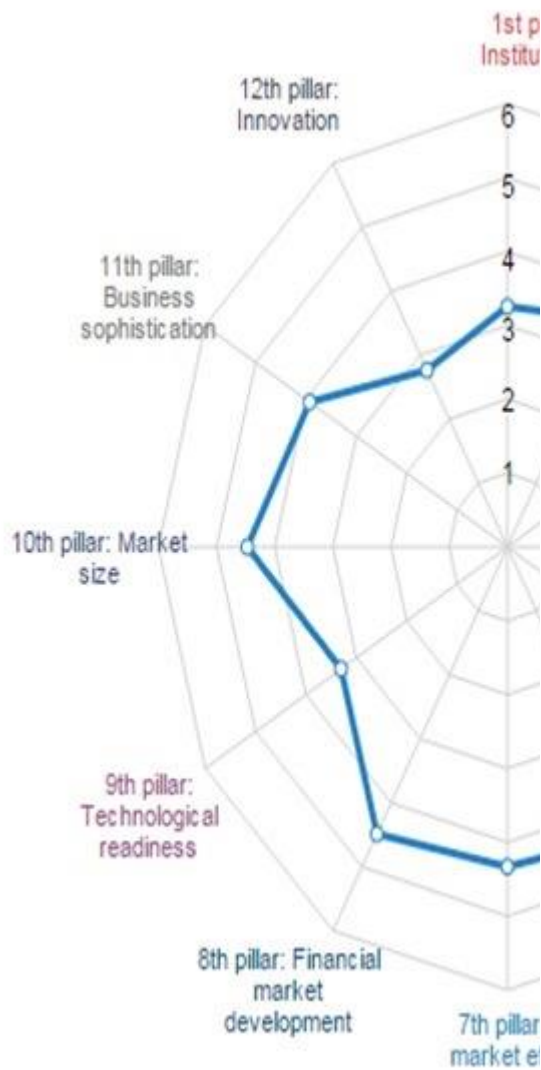
actively participate in international, regional and subregional (Security Council UN Inter-American Commission on Human Rights, among others) instances. It is a very active country in support of international security and the inclusion of the poorest and promoter of initiatives to combat poverty and hunger.

Globalization has been a key factor in structural changes in economic activity, with consequences on the territorial organization. The changes are seen through changes in the sectors of the economy and spatial transformations. Within the limits of continuity in the process of globalization is first the lack of physical and ideological structure to accompany the process, either by physical limitations of space or natural resources and distrust generated by the crisis of the globalized world. One of the main problems arising from globalization is the growing open unemployment and casualization of existing jobs. This massive unemployment affects more strongly to European countries, but is a result of increased competitive advantages and lower costs for

Asian countries, for the production of secondary goods that these European countries need to recover. Allowing activities or industries would be a reduction real wages.

Peru has shown an improvement in their macroeconomic indexes and has come to the fore because of its economic dynamism. Trade liberalization grew 26% in the 200 and 32.7% in 2004; the per capita income of Peruvians has grown between 2005 and 2009, and has also begun to reduce poverty rates.

## Competitiveness



Source: Global competitiveness index-report 2015

## Global Competitiveness Index

	Rank (out of 144)	Score (1-7)
GCI 2014-2015	65	4.2
GCI 2013-2014 (out of 148)	61	4.3
GCI 2012-2013 (out of 144)	61	4.3
GCI 2011-2012 (out of 142)	67	4.2
<b>Basic requirements (40.0%)</b>	<b>74</b>	<b>4.5</b>
Institutions	118	3.3
Infrastructure	88	3.5
Macroeconomic environment	21	5.9
Health and primary education	94	5.4
<b>Efficiency enhancers (50.0%)</b>	<b>62</b>	<b>4.2</b>
Higher education and training	83	4.1
Goods market efficiency	53	4.5
Labor market efficiency	51	4.3
Financial market development	40	4.5
Technological readiness	92	3.3
Market size	43	4.5
<b>Innovation and sophistication factors (10.0%)</b>	<b>99</b>	<b>3.3</b>
Business sophistication	72	3.9
Innovation	117	2.8

Source: Global competitiveness index-report

## The 12 Pillars of Peru

INDICATOR	
<b>2nd pillar: Infrastructure</b>	
2.01	Quality of overall infrastructure .....
2.02	Quality of roads.....
2.03	Quality of railroad infrastructure.....
2.04	Quality of port infrastructure.....
2.05	Quality of air transport infrastructure.....
2.06	Available airline seat km/week, millions* .....
2.07	Quality of electricity supply .....
2.08	Mobile telephone subscriptions/100 pop.* .....
2.09	Fixed telephone lines/100 pop.* .....
<b>4th pillar: Health and primary education</b>	
4.01	Malaria cases/100,000 pop.* .....
4.02	Business impact of malaria .....
4.03	Tuberculosis cases/100,000 pop.* .....
4.04	Business impact of tuberculosis .....
4.05	HIV prevalence, % adult pop.* .....
4.06	Business impact of HIV/AIDS .....
4.07	Infant mortality, deaths/1,000 live births* ....
4.08	Life expectancy, years* .....
4.09	Quality of primary education.....
4.10	Primary education enrollment, net %* .....
<b>5th pillar: Higher education and training</b>	
5.01	Secondary education enrollment, gross %* .....
5.02	Tertiary education enrollment, gross %* .....
5.03	Quality of the education system .....
5.04	Quality of math and science education .....
5.05	Quality of management schools.....
5.06	Internet access in schools.....
5.07	Availability of research and training services .....
5.08	Extent of staff training .....

<b>11th pillar: Business sophistication</b>	
11.01	Local supplier quantity .....
11.02	Local supplier quality.....
11.03	State of cluster development.....
11.04	Nature of competitive advantage.....
11.05	Value chain breadth.....
11.06	Control of international distribution .....
11.07	Production process sophistication.....
11.08	Extent of marketing.....
11.09	Willingness to delegate authority .....

<b>12th pillar: Innovation</b>	
12.01	Capacity for innovation.....
12.02	Quality of scientific research institutions .....
12.03	Company spending on R&D.....
12.04	University-industry collaboration in R&D .....
12.05	Gov't procurement of advanced tech products.....
12.06	Availability of scientists and engineers .....
12.07	PCT patents, applications/million pop.* .....

*Source: website- Globalization  
index – Peru -*

Based on the ranking of global competitiveness report, improvements in the last periods were in infrastructure, health and primary education, secondary education, business sophistication and innovation. Peru has only improved over the five pillars of the 12 that are measured, fell in five and remained his score on two of them over the previous period.

## The pillars that have been falling

<b>1st pillar: Institutions</b>	
1.01	Property rights .....
1.02	Intellectual property protection .....
1.03	Diversion of public funds .....
1.04	Public trust in politicians.....
1.05	Irregular payments and bribes.....
1.06	Judicial independence.....
1.07	Favoritism in decisions of government officials .....
1.08	Wastefulness of government spending.....
1.09	Burden of government regulation .....
1.10	Efficiency of legal framework in settling disputes ..
1.11	Efficiency of legal framework in challenging regs. .
1.12	Transparency of government policymaking.....
1.13	Business costs of terrorism.....
1.14	Business costs of crime and violence.....
1.15	Organized crime.....
1.16	Reliability of police services .....
1.17	Ethical behavior of firms .....
1.18	Strength of auditing and reporting standards .....
1.19	Efficacy of corporate boards .....
1.20	Protection of minority shareholders' interests .....
1.21	Strength of investor protection, 0-10 (best)* .....
<b>3rd pillar: Macroeconomic environment</b>	
3.01	Government budget balance, % GDP*.....
3.02	Gross national savings, % GDP* .....
3.03	Inflation, annual % change*.....
3.04	General government debt, % GDP* .....
3.05	Country credit rating, 0-100 (best)*.....
<b>6th pillar: Goods market efficiency</b>	
6.01	Intensity of local competition .....
6.02	Extent of market dominance .....
6.03	Effectiveness of anti-monopoly policy.....
6.04	Effect of taxation on incentives to invest.....
6.05	Total tax rate, % profits* .....
<b>7th pillar: Labor market efficiency</b>	
7.01	Cooperation in labor-employer relations .....
7.02	Flexibility of wage determination.....
7.03	Hiring and firing practices.....
7.04	Redundancy costs, weeks of salary* .....
7.05	Effect of taxation on incentives to work.....
7.06	Pay and productivity.....
7.07	Reliance on professional management .....
7.08	Country capacity to retain talent.....
7.09	Country capacity to attract talent .....
7.10	Women in labor force, ratio to men*.....

<b>9th pillar: Technological readiness</b>	
9.01	Availability of latest technologies ..... 4.6 ..... 80
9.02	Firm-level technology absorption..... 4.5 ..... 78
9.03	FDI and technology transfer .....
9.04	Individuals using Internet, %* .....
9.05	Fixed broadband Internet subscriptions/100 pop.* ... 5.2 ..... 79
9.06	Int'l Internet bandwidth, kb/s per user* .....
9.07	Mobile broadband subscriptions/100 pop.*..... 2.9 ..... 116

The institutions pillar is worrying because it had a falling nine places and is the worst located of the 12. The pillar of macroeconomic development is the better located in Peru, however it shown a decline in relation to previous years. Also the pillar of financial market development and market size remained the same position.

<b>8th pillar: Financial market development</b>	
8.01	Availability of financial services ..... 4.7 ..... 55
8.02	Affordability of financial services .....
8.03	Financing through local equity market .....
8.04	Ease of access to loans .....
8.05	Venture capital availability.....
8.06	Soundness of banks .....
8.07	Regulation of securities exchanges .....
8.08	Legal rights index, 0-10 (best)* .....
<b>10th pillar: Market size</b>	
10.01	Domestic market size index, 1-7 (best)*..... 4.4 ..... 40
10.02	Foreign market size index, 1-7 (best)*..... 4.8 ..... 58
10.03	GDP (PPP\$ billions)* .....
10.04	Exports as a percentage of GDP* .....

Source: website- Globalization index – Peru -

## Analysis of competitiveness

Perú - Índice de Competitividad Global		
Fecha	Ranking de Competitividad	Índice de Competitividad
2014	61º	4,25
2013	61º	4,28
2012	67º	4,21
2011	73º	4,11
2010	78º	4,01
2009	83º	3,95
2008	86º	3,87
2007	78º	3,90

*The table shows the evolution of the position of Peru in the Global Competitiveness Index. (Source: website Datos Macro-Índice competitividad Peru-)*

Peru has established itself in recent years as one of the countries with the highest growth and development perspective, climbing positions in global competitiveness reports (RCG) issued by the World Economic Forum. The sustained increase in these levels of competitiveness has allowed Peru through the 86th in the ranking since 2007-2008 to 61 in 2013-2014 which shows the success of economic policy and reflect the

confidence, enabling the country be in the top half of the ranking. Peru has 4.25 points competitiveness index, which measures the way a country uses its resources and capacity to provide its citizens a high level of prosperity.

Nevertheless, Peru has fallen four positions in the period 2014-2015 and is now located on the 65th Rank; and in comparison to the region, Peru won the sixth position with what remained in the first half of Latin American economies. Chile is the undisputed leadership position in Latin America as in 33 Rank, while Colombia is closer to Peru occupying position 69. Corruption, restrictive labor regulations and bureaucratic inefficiency of government were the three most relevant factors considered as the most problematic for doing business in the country

- Questions**
- **How globalization can affect the competitiveness in Peru?**
  - **Where Peru aims in terms of globalization and competitiveness?**

- **How should the national companies confront the competitiveness in this world now fully globalized?**

### **Globalization and competitiveness**

Today the world has been becoming a mega-market, where citizens have ceased to exist as such, because the population are seen as consumers and countries as companies. The presence of globalization in Peru and generally throughout the world has shown positive effects, but also negative.

Moreover, competitiveness is understood as the ability of an individual, company, region or country to position itself advantageously in the market, which is constantly evolving. It is true that you cannot develop high levels of competitiveness without a market analysis to establish the best product, good or service.

As for globalization and competitiveness, Peru is focused on the business world, so in general, a company can have a reasonable level of productivity but not necessarily competitive in their

market context, except perhaps in price. Also another company with lower levels of productivity, with a unique product, could become competitive in certain markets. All companies must face the competition of a globalized market and so to survive and develop; the situation is further exacerbated for SMEs (small and medium enterprises), which must face their organizational and structural problems and also the challenge of global competition. On the other hand, globalization has influenced the cultural sphere promoting the cultures of smaller towns disappear because they are classified as primitive or retrograde, affecting cultural diversity.

### **Recommendations**

- One way to improve the country would seek reforms that increase productivity and contribute Peru, stabilizing macroeconomic indicators and improving the business environment with other countries. Although Peru is a progressive



country, it must improve aspects of innovation and strengthening the pillars of institutional and implementation.

The education system, the low level in science, technology and innovation and transformation of the productive system are the most essential for Peru to increase its competitiveness elements. It is also important that companies improve the ability to produce higher levels of wealth and prosperity for those who compete in the global world be the corporations, not the state. This is achieved by implementing policies to improve the economic environment to boost productivity, which is key for citizens to live better.

- La globalización del Perú Available on: [ciga.pucp.edu.pe/index.php?option=com\\_content&task=seccion\\_ciga&sectionid=15&id=389](http://ciga.pucp.edu.pe/index.php?option=com_content&task=seccion_ciga&sectionid=15&id=389)
- Embajadas y consultas de Peru Available on [www.ohperu.com/sociedad/embajada.htm](http://www.ohperu.com/sociedad/embajada.htm)
- Method of Calculation - KOF Index of Globalization Available on: [globalization.kof.ethz.ch/media/filer\\_public/2015/03/04/method\\_2015.pdf](http://globalization.kof.ethz.ch/media/filer_public/2015/03/04/method_2015.pdf)
- Peru's Globalization Problem Available on: [foreignpolicy.com/2009/11/10/perus-globalization-problem/](http://foreignpolicy.com/2009/11/10/perus-globalization-problem/)
- About Peru-Available on: [theworldfactbook.com](http://theworldfactbook.com)

**Peru Globalizacion y Competitividad Available on: [www.uimunicipalistas.org](http://www.uimunicipalistas.org) Uruguay**

## **Bibliography**

**President:**

Tabaré Vázquez

**Location:**

Southern South America, bordering the South Atlantic Ocean, between Argentina and Brazil

**Geographic coordinates:**

33 00 S, 56 00 W

**Area:**

Total: 176,215 sq km

Land: 175,015 sq km

Water: 1,200 sq km

Country comparison to the world: 91

**Population:**

3,332,972 (July 2014 est.)

Country comparison to the world: 135

**Government type:**

Constitutional Republic

**Capital:**

Montevideo

**Legal system:**

Civil law system based on the Spanish civil code

**GDP (purchasing power parity):**

Dollar \$69.78 billion (2014 est.)

Country comparison to the world: 95

**GDP - real growth rate:**

2.8% (2014 est.)

Country comparison to the world: 121

**GDP - per capita (PPP):**

\$20,500 (2014 est.)

Country comparison to the world: 80

**Labor force:**

1.712 million (2014 est.)

Country comparison to the world: 127

**Unemployment rate:**

6.7% (2014 est.)

Country comparison to the world: 70

**Population below poverty line:**

18.6% (2010 est.)

**Taxes and other revenues:**

30.2% of GDP (2014 est.)

Country comparison to the world: 89

**Public debt:**

64.7% of GDP (2014 est.)

Country comparison to the world: 48

**Inflation rate:**

8.8% (2014 est.)

### Exchange rates:

Uruguayan pesos (UYU) per US dollar -

\$ 23.18 (2014 est.)

### Current account balance:

-\$3.067 billion (2014 est.)

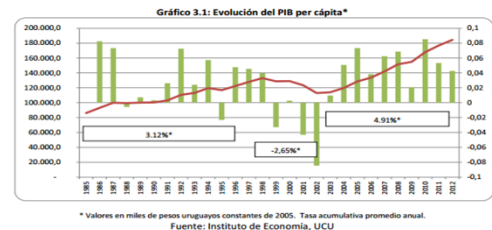
Country comparison to the world: 157  
(Factbook, 2015)

In recent years the Uruguayan economy has grown at an accelerated rate, increased foreign direct investment and commodities. Similarly Uruguay's economic growth in recent years has been improving of welfare and quality of life of citizens.

Due to this change is needed: knowledge, innovation and technology to increase productivity in the country, also, an economic factor contributing is the GDP growth that reflected in the social and environmental aspects.

In the graph 3.1 table we can analyze economic developments in Uruguay between 1985 and 1998 there was a cumulative annual growth rate of 3.12% between 1999 and 2003 shows that there a cumulative negative

annual rate of 2.65% between



2004 and finally 2012 again increased a 4.91% cumulative annual rate.

(Horta, 2011)

Well if it is true, we say that for international comparisons of a country we have to take into account different aspects such as social, cultural and economic part.

What is really important is to be clear that competitiveness and the economy of a country should be based on improving the welfare and quality of its citizens based on GDP this determines how competitive and globalized these are.

According to Tamara Schandy:

Uruguay is accumulating macroeconomic imbalances exposing the country in a vulnerable situation to global change.

In this scenario, despite the slowdown in economic growth, inflation will continue at high levels that must be said is "worrying". Not long this was attributed to the fact that demand was growing faster ago. In this scenario despite slower economic growth, inflation will continue at high levels which must be said is "worrying". Not so long ago this was attributed to the fact that demand was growing faster and the pressure on prices was important. But the economy has cooled and inflation has not yielded.

(Marco Press, 2013)

Uruguay's economic situation has a free market characterized by an export-oriented agriculture, a well-educated work force, and high levels of social spending. Economic growth for Uruguay averaged 8% annually during the period 2004-08 but the 2008-09

global financial crisis affected them and reached 2.6% in 2009. Nevertheless, the country managed to avoid recession mainly through higher public expenditure and investment and GDP growth to 8.9% in 2010. Uruguay's main trade partners are Argentina and Brazil.

The domestic market was also dynamic and responded to opportunities with strong increases in consumption and investment. However, since 2012 when

the economy entered a new phase of the economic cycle, brought a number of problems involving the achieved level and loss of competitiveness. Otherwise, the progress would be achieved in terms of competitiveness, attacking the above factors, would not allow full development of the potentialities of the Uruguayan economy if it fails to obtain favorable access for their products to the widest possible external markets.

**Table 1. Global Competitiveness Index (URUGUAY, 2013)Introduction**

The Uruguayan country has a decade of

Country	ICG 2009-2008	ICG 2010-2009	ICG 2011-2010	ICG 2012-2011	ICG 2013-2012
Switzerland	2	1	1	1	1
Finland	6	6	7	4	2
United States	1	2	4	5	7
New Zealand	24	20	23	25	23
Ireland	22	25	29	29	27
Chile	28	30	30	31	33
Panama	58	59	53	49	40
Brazil	64	56	58	53	48
Costa Rica	59	55	56	61	57
Peru	83	78	73	67	61
Colombia	74	69	68	68	69
Uruguay	75	65	64	63	74
Argentina	88	85	87	85	94

Fuente: World Economic Forum

uninterrupted economic growth in which the productive structure was significantly altered to boost international trade and openness. The domestic market was also dynamic and responded to opportunities with strong increases in consumption and investment. However, when the list of achievements is set up and you start to think about the future, is showing a sense of the economy having difficulties.

The companies' symptoms observed is that of an increasing level of difficulty to

meet the needs of customers to current price levels. It is something that happens to producers of goods and services oriented to the external market and to concentrate on the domestic market. The concept that best suits the purpose of diagnosis for this problem is the loss of competitiveness, applying the term competitiveness to the scope of a country or an economy. One of the definitions most commonly used is made by the OECD (Organization for Economic Cooperation and Development): "Competitiveness is the degree to which a nation can, under conditions of trade and free markets, producing goods and services that support the test of international markets while simultaneously maintaining and expanding the real incomes of the population in the long term" (URUGUAY, 2013, p. 6). Therefore, it is a relative concept to a nation that considers a range of factors that make the macroeconomic environment, the microeconomic conditions of regulations and markets, even the decisions and behavior of those who generate the country's wealth. (URUGUAY, 2013, p. 6)

Also, it is important to mention here the concept of globalization: "The worldwide movement toward economic, financial, trade and communications integration" (businessdictionary, S.F)

In this case the poor growth of globalization in Uruguay affects its capacity to opening local and nationalistic perspectives to a broader outlook of an interconnected and interdependent world with free transfer of capital, goods, and services across national frontiers.

This complexity means that the problem is not a simple solution; many improvements must be achieved simultaneously. At the same time, the challenge is multiplied, because those are relative concepts among nations. Each country has to do better than the rest of the world (particularly with respect to its competitors and those who buy from their).

Today, improving competitiveness and globalization is widespread concern among key players of the national productive sector.

Finally, the purposes of this paper is to analyze and compare the terms of competitiveness and globalization, then, in terms of these concepts make an analysis of those for Uruguay.

## **Politics**

In the course of a few years Uruguay has had to face several changes in the international system and the regional environment that have resulted in changes and adjustments to its foreign policy. This has led to priorities and instruments of integration of the country to the international environment were modified in line with the definition of foreign policy.

The "international" integration, which is the action and effect of inserting, meaning include one thing into another, involves the part of the person who performs the same; in this case the political community of the inhabitants of the territory takes a series of decisions. These decisions concern the action itself, the management of it and where it is addressed, so the inclusion of a country

that is defined by its foreign policy, will be delimited by their own context structure.

The change in the international context post-Second World War is the explanatory factor of adaptation and adjustment of foreign policy from the forties and fifties of last century. The advent of an authoritarian regime in line with the changes of regime in the region and the democratic transition in transitions confluence with Argentina and Brazil provided further adjustments in foreign policy. In the late eighties there was another major change in the structure of the international system with the fall of the Soviet regime and the end of the Cold War. As the contexts that arise from international, regional and global levels have changed in recent decades, a process that began before the turn of the century, it should be inferred that foreign policy has also had to adapt, adjust or change, especially if it turns out to be a small country on the periphery.

The regional distance should be complemented by the political system, to ensure their subsistence, through institutions capable of ensuring internal peace. Since then, from the late nineteenth to mid-twentieth century there was a match between the position-country and the political system in terms of foreign policy and priorities for the country's integration into the international system of that time. Uruguay Maritime Europe articulated both commercially and culturally constituted the axis of Uruguayan foreign policy since the late nineteenth century until the Korean War.

(Serna, scielo, 2013, p. 7)

## **Economy**

As a result of the Investigation made:

“Overall economic policy is maintained. Within government policy it is to promote domestic and foreign investment.”

The existence of differences between two economic trends became apparent notorious in 2011 for the treatment of various projects such as the Tax on Rural Properties Concentration (ICIR) or the law effected several differential IVA rebates. However, since the government has repeatedly said that the government's economic policy is one and that "There is no economic team working behind the scenes."

(Fundación Wikimedia, Inc, 2015)

The analysis aims to show the growing functional diversification and specialization of tasks leaders, as well as the influence of internationalization processes. Distinguishes various components in the economic elite; agricultural elite, in turn, is defined around the concentration and ownership of land and historical trade organizations such as the Association and Rural Federation. The agricultural-livestock and commercial classes are distinguished by family-personal continuity. It also identifies the industrial elite, but in a weaker position due to the decline of import substitution industrialization and increasing foreign ownership, and that I cannot impose an industrialist ideology. It also notes the presence of the elite of the media, but in a dependent relationship with politics and the rest of the economic elites, banking, agricultural and industrial.

These dominance covers of wealth, have concentration of control, the most consistent and secure. The dominant economic elites have the unifying forces of education, lifestyle and share common ideologies. The high economic class has internal mechanisms of socialization, of selected sites and participation of lifestyles and common consumption (housing areas, resort places, clubs and centers, travel, tastes purchasing goods). They note that holders of economic power seek to strengthen their cohesion showing forms of social snobbery associated with social prestige of private wealth.

(Serna, scielo, 2013, p. 4)

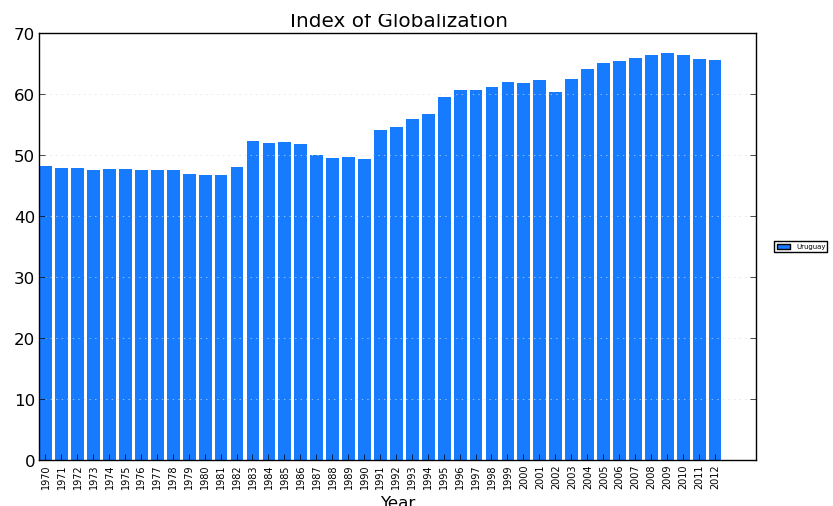
### Social

Considered flagship government of Mujica. It was released by the government on June 15, 2010, as a continuation of the Emergency Plan of its predecessor, Tabare Vazquez. It is supported by solidarity contributions from private companies, with 90% of monthly salary of Mujica and the sale of some of the state properties that have fallen into disuse. The aim of the plan is to give needy families a home to live. The president himself, not a plan, but a plan of ethics and a vision of future defined it. The plan began in mid-2010. The first house was built in the informal settlement May Day. The houses are built with specialists, but also with the interested parties, with its neighbors and volunteers.

(Fundación Wikimedia, Inc, 2015)

The ex-President Jose Mujica, is one of the greatest representative of

the Globalization on Uruguay as he has been recognized since his labor with this country since it was on his first year of work as a President it was something extraordinary as he put himself on a simple citizen working hard as other employees are doing every day, as we notice it's impressive how can he change the image on the World by simply making his cultural and social activities be reflected with having for an example a Volkswagen Car also named the "Escarabajo" from the 1987, that as well he drives, that's not a common act for any president, is showing another side of been president and represent a country on every step possible as the major working on the people side. Mujica also gives the 90% of his salary for charity, which is something another president on other countries don't think about; he is a gentleman and work hard on the matter of Globalization on his country. He was able on the last year he was as a President to legalize the Cannabis or know as Weed, as he states the "Cartels" been fighting, killing, and trying to have a benefit making them "drug trafficking", which is providing the sense of pain and murder on the population such as Mexico, as he said. The reason for him to have the Cannabis legalized is show the



World this is a natural resource that is able to be manage and distribute in a good order of things for the people who fights for it every day.

(Mujica, 2015)

On the following list we show the International organization participation with in the several countries and associations that have been a part of the process of the globalization for Uruguay:

CAN (associate), CD, CELAC, FAO, G-77, IADB, IAEA, IBRD, ICAO, ICC (national committees), ICCt, ICRM, IDA, IFAD, IFC, IFRCs, IHO, ILO, IMF, IMO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, LAES, LAIA, Mercosur, MIGA, MINUSTAH, MONUSCO, NAM (observer), OAS, OIF (observer), OPANAL, OPCW, Pacific Alliance (observer), PCA, SICA (observer), UN, UNASUR, UNCTAD, UNESCO, UNIDO, Union Latina, UNMOGIP, UNOCI, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO.

(Factbook, 2015)

**Table 2. Historic Globalization**  
(Institute, 2012)

### **GLOBALIZATION ANALISYS**

Learning how does the movement of Mujica in regards of Globalization that had established as a significant cultural change within the planet, not just as part of the Uruguayan country but as a single union that perform a "momentous" change in his own words, as well as homelessness and society, instead of managing globalization, this governs us. If the power of humanity focuses on the

essence and by this way begin to think as a species and not as individuals, in some way it's a way to accomplish the subject on life to follow that conqueror dream of that human kind genetic carry on. The dilemma is that we are just fixing consequences and don't think about the causes in the bottom of the line. Uruguay had to show their potential side in the Globalization and thanks to Jose Mujica and his controversy phrase at the ONU "are wasted two billion dollars a minute in military spending worldwide. To say there's no money it's a lie and be without human values" (espejo, 2013). Cause a pretty popular impression in the media and countries who have imposed as a born and capable of displaying a bright side leader, without much profit within their needs, because as clarifies, globalization as part of a military market and as a matter of fact it carries the war for years, more countries involved, more massacres and devastation of land where they could build a future for communities and encourage a level playing field is established, and with hope and strength of will in a government wishing to establish conditions under which the community can make a profit after commercialize or attain knowledge by globalization, resulting in a comprehensive value chain in which it takes every bit of what is learn more mass methods, providing opportunities for a new era of Globalization.

In a big manner the way for the Uruguayan globalization to be effective can't be only by using the Politic or the Power of the government to show their effort for the country by showing the kind and cooperation side of them as



Jose Mujica said, we don't say is bad for taken his country on his hands as a matter of the globalization as actually what we think is that after all the information been evaluated with in the extended search of the records of what's Globalization, takes us to a place where the Industry and the way for the Uruguayan people to look for the income isn't that much recognize as is been hiding behind the comments and Political situations been through.

It's a matter of know how does the Globalization is capable to take place in this country to innovate his options and show every single one of them as a potential opportunity of getting involved into a new economy, new roads, new subjects to be aware as a possible part of their extension available and where we find out are a lot of them by the diversification on the industry labor and as well the way the people on Uruguay can be compromised for a subject on his life style and how this can be a part of the attractiveness on this country.

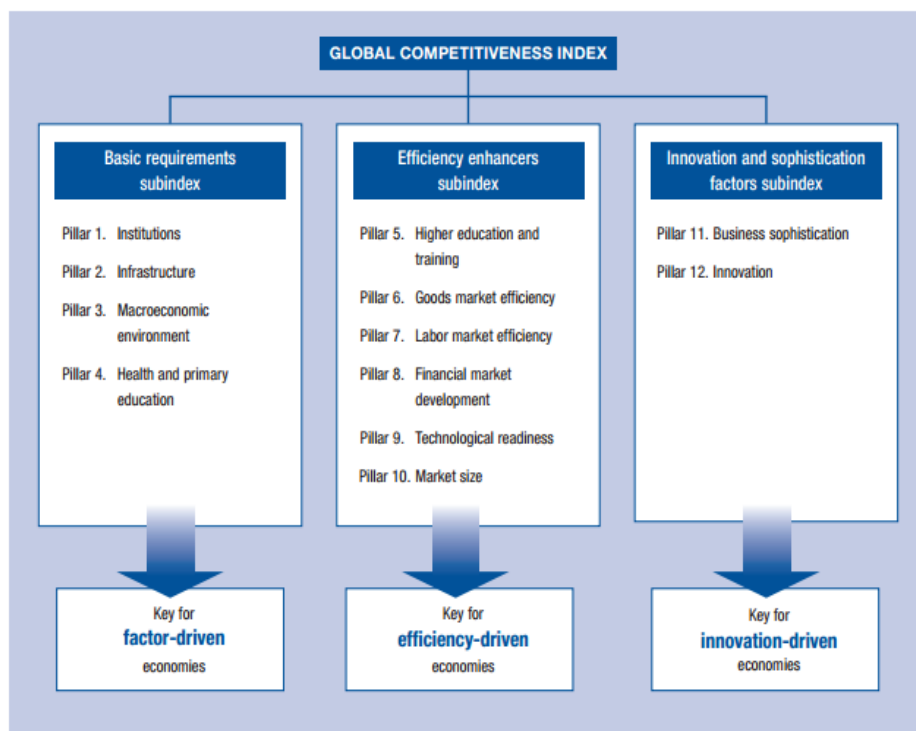
**Table 3. Competitiveness** (World Economic Forum, 2013, p. 6)

12 pillars of competitiveness

First pillar: Institutions:

The institutional environment is determined by its legal and

Figure 1: The Global Competitiveness Index framework



administrative framework within which individuals firms and governments interact to generate wealth. The institutional environment has become all the more apparent during the recent economic and financial crisis and is especially crucial for further solidifying the fragile recovery, given the increasing role played by the state at the international level and for the economies of many countries.

Second pillar: Infrastructure:

Extensive and efficient infrastructure is critical for ensuring the effective functioning of the economy, as it is an important factor in determining the location of economic activity and the kinds of activities or sectors that can develop within a country. Well-developed infrastructure reduces the effect of distance between regions, integrating the national market and connecting it at low cost to markets in other countries and regions. In addition, the quality and extensiveness of

infrastructure networks significantly impact economic growth and reduce income inequalities and poverty in a variety of ways.

Third pillar: Macroeconomic environment:

The stability of the macroeconomic environment is important for business and, therefore, is significant for the overall competitiveness of a country. This Pillar evaluates the stability of the macroeconomic environment.

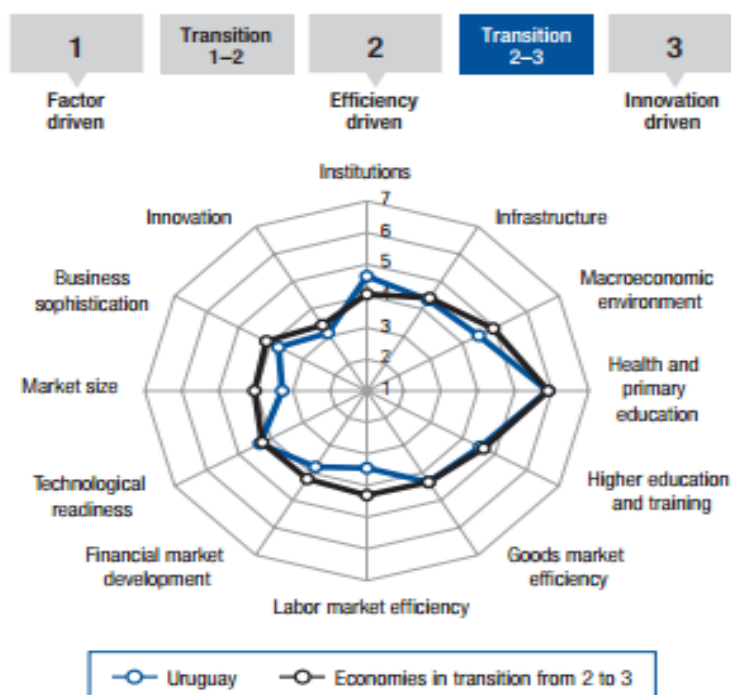
Fourth pillar: Health and primary education a healthy workforce is vital to a country's competitiveness and productivity. Workers who are ill cannot function to their potential and will be less productive. Poor health leads to significant costs to business, as sick workers are often absent or operate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

**Table 4. 12 Pillars Diagram** (World Economic Forum, 2013)

Fifth pillar: Higher education and training Quality is crucial for economies that want to move up the value chain beyond simple production processes and products. In particular, today's globalizing economy requires countries to nurture pools of well-educated workers who are able to perform complex tasks and adapt rapidly to their changing environment and the evolving needs of the production system.

Sixth pillar: Goods market efficiency Countries with efficient goods markets

### Stage of development



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. Healthy market competition, both domestic and foreign, is important in driving market efficiency, and thus business productivity, by ensuring that the most efficient firms, producing goods demanded by the market, are those that thrive.

Seventh pillar: 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. Labor markets must therefore have the flexibility to

shift workers from one economic activity to another rapidly and at low cost, and to allow for wage fluctuations without much social disruption.

**Eighth pillar: 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.

**Ninth pillar: 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 in daily activities and production processes for increased efficiency and enabling innovation for competitiveness.

**Tenth pillar: Market sizes** 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. 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.

**Eleventh pillar: 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. Advanced operations and strategies spill over into the economy and lead to sophisticate and modern business processes across the country's business sectors.

**Twelfth pillar:**

The final pillar of competitiveness focuses on technological innovation. Although substantial gains can be obtained by improving institutions, building infrastructure, reducing macroeconomic instability, or improving human capital, all these factors eventually run into diminishing returns. The same is true for the efficiency of the labor, financial, and goods markets.

(World Economic Forum, 2013, p. 6)

## **COMPETITIVENESS ANALYSIS**

1. **Institutions:** According to statistics from the first indicator of the basic requirements we concluded that the best results were associated with low economic cost associated with a ranking (19), on the other hand, terrorism and

confidence in the political system in the ranking (25), as well as the transparency of public policies is to a position (26).

Furthermore improvement plans for subscribers and property rights (41) and intellectual property protection are developed. (49)

The hardest thing for Uruguay as a country was to develop action plans to develop services that improve the quality of the performance of business (107)

## 2. Infrastructure

Good results were obtained in terms of the number of cell phone users (21) and quality of energy supply. (37)

But they must take initiative to improve the quality of airport infrastructure. (63)

As for the rail infrastructure was a subscriber which for Uruguay was quite marked, the poor quality of public services, this will have to collect data from previous years and to a quality system in which there is a restructuring plan to be a better quality of life. (115)

## 3. Macroeconomic stability

It is the pillar on which Uruguay is worse positioned within the basic requirements, mainly due to the deterioration in the position of the national savings rate (91).

Anyway, it should be noted that although in the last year a relatively unfavorable developments in this pillar is perceived, it is in very higher than those recorded between 2007 and 2010 positions. As results of this pillar Uruguay is in a position, which will have to face to improve its public debt (101) and inflation. (109)

## 4 Health and primary education

In this sub index we can expect in terms of health and primary education, the position worsened, this is due to the low

quality of education (92), it is very important to develop activities in which projects stand out for education and health are parts of future generations.

The Higher Education and Training pillar part of the group of indicators of efficiency enhancers, the drop that has taken the country in the ranking, especially in relation to the factors referred to Quality Education System (position 120) and highlights quality of Mathematics and Science Education (124).

## 6. Goods Market Efficiency

While it is not the pillar on which the best position- was obtained which had better performance compared to 2011, mainly due to better positioning of the number of steps and time required starting a business (29).

## 7. Efficiency of the labor market

A key pillar as is the efficiency in the labor market.

The country is located in the worst ranking positions (position 139).

This pillar is based on two variables that Uruguay ranks last in total countries, which are: Flexibility in Determining Wages and Salaries Productivity Associates. In both cases it is located at position 148.

## 8. Financial market sophistication

In terms of financial market sophistication analyzed it has deteriorated significantly in funding through the local capital market with a post (134) we conclude that from 2007 to 2012 has not improved. On the other hand the attention and strength in banks obtained favorable results in 2012. (44)

## 9. Technological Availability

One of the best things that have Uruguay is the technology that has led to a number of people to have social and telephone networks.

The most important thing is that the technology transfer has a very good location (13); on the other hand these indices have helped to generate economic value to the inputs of the country, since there are so many internet users as well as phone users. (43,45)

#### 10. Market size

As this category is not much to say, we observed a low rate of size of both domestic and foreign markets taking place both a bad overall. (84) (97)

#### 11. Business sophistication

This sub-index, which comprises the distributional behavior for the country, has concluded that the sophistication of business in Uruguay also worsened its position. An unfavorable behavior stands in the control of international distribution (83).

The willingness to delegate authority (96). Observe due to the intervening years it has been the worst result in what refers to the number of local suppliers, characteristic of a small economy like ours. (123)

#### 12. Innovation

The last and most important factor which works in innovative new products and lead the country to make higher profits.

In contrast to the statistics mentioned above for the 3 indices we find that the third indicator was favorable for the country, which concludes that Uruguay has not made decisions seeking to improve the situation, acquire new goods, open trade, developing business vision.

Finally, obtaining results of inefficiency in the research collaboration between universities and industry (61).

(Departamento de Estudios Económicos, 2013)

### **FINAL ANALISYS**

How can the Globalization be manage while the competitiveness is out of control, after verifying how does the Uruguayan Country is able to contribute to different types of situations that affect them all the time and sometimes it can't be control under the margin of the government or the high economic population.

The point of knowing what can we do to improve both topics, well is a chance to have the country rise over a few that doesn't take that advantage, as the Uruguay have the ways to do so. As this is now the position on getting the best of their current goods and services.

We identify that by using the Globalization on the power in the Government hands and how Uruguay can be seen for the rest of the World, that isn't small, is getting bigger, getting into a place to stand as a union and continue be associated with all the current international organizations that can help them and making it more strong taking care of their difficulties, looking forward on the structure on their Airports or even further than that is showing a better side on their national savings rate, since they have a good behavior reputation and eventually will help them on their economy management.

Even making trades with the must extended and better trading countries next to them, they must look forward as Jose Mujica said, and as we think the "Cannabis" is dangerous for some countries that doesn't look the way this President did to prevent more devastation on his lands and his population, shows a good chance to have new areas and countries available to have trades and learn how it can be manage on other countries and as well making them the sense of don't cause anymore pain to the population, no more wars over the world for getting benefits from natural resources, be open mind and take new ideas with all the acknowledge that Globalization can show from Uruguay and vice versa be able to learn how does the other countries are able to keep the goods and needs the way they do in order to have this combined with Uruguayan conscience.

We know the change can be difficult for any country but in this particular one, can be adapt and innovate the competitiveness even if Jose Mujica states it must work as a union with in the countries, it will no be always like that as a lot of countries look less for their population and more into the economy possibilities, everything is manage by the

money that trade benefits them and it's real for everyone that's competitive.

By saying this is just the way the better country with all motivation on the good way of making relations of competitiveness, this creates a sense on the people that marks them and Uruguay knows that all the good effort and good way of manage the international relationship will show his country as the point of where every other country is available to look instead of what the regular common sense does that takes them to Powerful countries like United States or European countries, as they know how does this countries are available to make trades, but it's always a business where negotiate without creating a relationship could Cause problems by making trades and not sharing any knows of what could be better in a matter of Globalize their both countries.

The way we look Uruguay is just a good and simple country that's honest and deserves a well treat for their own hard work.

### **Recommendations**

\* Science, Technology and innovation one of the most important thing to resolve the capacity to innovate a determinate good business competition to enter August 2013 40 sophisticated markets, strengthening the country's capabilities in science, technology and innovation is key to improve competitiveness.

\* The use of knowledge and innovation in companies as a tool for competitive development derives from the interaction between different actors that make up a National Innovation System.

\* Productive and equitable markets. This requires sound institutions that promote opportunity and Companies in a market economy to function properly.

\* As mentioned, a key aspect to consider are the markets that companies can access, as the same point obstacles, roads and incentives to pursue innovation processes.

\* Strengthening centers that facilitate the articulation is considered important between technological supply and demand. Such centers should support companies in troubleshooting, support in finding solutions and access to financing instruments.

\* To achieve higher levels of economic development, to design a model of modern labor relations based on trust and cooperation, as well as the balance between the parties, it is a priority. Furthermore, any institutional framework, labor relations must include the protection of the freedom to work, freedom of enterprise, the power of management of the company by the employer and the right to property.

## Conclusions

The investigation had cover to terms on Uruguay that are the fact of been Globalized and Competitive, therefore with all information been evaluated we can say Uruguay isn't a country that doesn't have different ways to rise up within the both terms as they are rarely making changes over their policies as they are rising them up but isn't been reflected as it should because they hide over the countries that make big changes, they are kind and honest while making trades, exchanges, import, export, foreign investment and the only power that could show they are still there is his President who didn't continue rising his voice over the countries that doesn't respect what is the human kind as a matter of recover his own personal man to man business as we learned from Mujica and his non common way to be a President for his people.

We said there are companies that take more on his hands that even the country does; **¿What are the competitive companies that make my country more globalized?**

As well if we look the technology as a part of been Globalized, Uruguay isn't too strong to innovate or getting into this economic market as could be done by China or United States. Uruguay could be one of the greatest social and cultural politic on earth however this can't be compared and show a Bigger Globalize side or for us it could be an easier way to show the country can be more Globalize and as well keep their own values.

Let's ask us; **¿Is the technology field an important part of my country to be Globalized and Competitive?**

By resolving this question we can find out if in the case of Uruguay could be a way to have this as an opportunity to have less poverty by generating more labor in the task to get the country more technology and innovate the current one that it could be less however could be even bigger and better if there is how to improve this on the people.

Uruguayan people listen to his Government as per their ex-president Jose Mujica had added to them the way to trust in their decisions and follow his movements and we think is a point to show if a country can make by this way, even if takes more than expected will be in results that we think make them a country where everybody wish to be in and invest on it.

As well making the Companies who are been evaluated as small over Uruguay, be a part of the innovation of the technology and infrastructure, getting over that "small" term and show the world they are still making it for their country, getting more involve in trades with more countries, keeping what they already have and as well share it with

countries that agree with different ways to make business, be a part of their own values and keep them like that. This document is a prove of what is one country available to do and change over worldwide, so **¿Can a country be Globalize an Competitive by adapting to other countries different cultural and social work?**

Finally at the end of our investigation, regarding the Uruguayan topics for been involve on the Globalization and part of the Competitiveness that covers our world, the one more important to work on by this country is the competitiveness as all the information find out over the records and historic information, there are pros and contras that may be improve and show another side of his country, this report makes the must necessary points to work on by making it a total innovation. Our final question goes to the way this points can be manage with in making changes on their own economic profile and avoid them; **¿Is better making a change to improve the Globalization or change Globalization to be more competitive?**

Globalization and Competitiveness comes from the internal part on the country is getting more over the systematic and same regular actions taken for all countries, so new ways for making them bigger and better will show with the time.

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## VENEZUELA

### Country



### Background

The Bolivarian Republic of Venezuela is a country on the northern coast of South America bordering the Caribbean Sea and the North Atlantic Ocean, Between Colombia and Guyana. The language spoken in Venezuela is Spanish; although English is widely spoken in the tourism industry and the business environment.

### Geography

- Location:

Northern South America, bordering the Caribbean Sea and the North Atlantic Ocean, between Colombia and Guyana

- Geographic coordinates:

8 00 N, 66 00 W

- Area:
  - Total: 912,050 sq km
  - Land: 882,050 sq km
  - Water: 30,000 sq km
- Country comparison to the world: 33
- Area comparison map:
  - Land boundaries:

Total: 5,267 km

- Border countries (3): Brazil 2,137 km, Colombia 2,341 km, Guyana 789 km
- Coastline: 2,800 km

### Population:

28,868,486 (July 2014 est.)

Country comparison to the world: 46

### Government

- Government type: federal republic
- Independence: 5 July 1811 (from Spain)
- Legal system: civil law system based on the Spanish civil code

### Economy:

- GDP (purchasing power parity):

- \$545.7 billion (2014 est.)
- \$562.6 billion (2013 est.)
- \$555.1 billion (2012 est.)

Note: data are in 2014 US dollars

Country comparison to the world: 35

- GDP (official exchange rate):

\$209.2 billion (2014 est.)

- GDP - real growth rate:
  - -3% (2014 est.)
  - 1.3% (2013 est.)
  - 5.6% (2012 est.)

Country comparison to the world: 213

- GDP - per capita (PPP):
  - \$17,900 (2014 est.)
  - \$18,800 (2013 est.)
  - \$18,800 (2012 est.)

Note: data are in 2013 US dollars

Country comparison to the world: 88

- Labor force: 14.34 million (2014 est.)

Country comparison to the world: 40

- Labor force - by occupation:

- Agriculture: 7.3%

- Industry: 21.8%

- Services: 70.9% (4th quarter, 2011 est.)

- Unemployment rate:

- 7.8% (2014 est.)

- 7.5% (2013 est.)

Country comparison to the world: 86

- Population below poverty line:

31.6% (2011 est.)

- Taxes and other revenues:

68.2% of GDP (2014 est.)

Country comparison to the world: 3

- Inflation rate (consumer prices):

- 69.8% (2014 est.)

- 40.6% (2013 est.)

- Exports:

- \$83.2 billion (2014 est.)

- \$88.76 billion (2013 est.)

Country comparison to the world: 46

- Exports - commodities:

Petroleum and petroleum products, bauxite and aluminum, minerals, chemicals, agricultural products

- Exports - partners:

US 34.3%, India 15.9%, China 14%, Netherlands Antilles 8.4%, Singapore 6%, Cuba 4.9% (2013)

Imports:

- \$50.34 billion (2014 est.)
- \$51.93 billion (2013 est.)

Country comparison to the world: 55

- Imports - commodities:

Agricultural products, livestock, raw materials, machinery and equipment, transport equipment, construction, materials, medical equipment, petroleum products, pharmaceuticals, chemicals, iron and steel products

The Venezuelan currency is the "Bolivar". The exchange rate is fixed by the government who controls currency exchange. The only institution authorized to perform currency exchange activities is the Venezuelan Central Bank through the authorized Banks and other financial institutions. The Law on Foreign Exchange Crimes prohibits and sanctions currency exchange activities outside the authorized financial system. (Betancourt Romulo, 2007)

It is characterized with extremely high biodiversity and in many ways was a leader considered among Latin American nations. Their economic is composing by agriculture, industry and services. Blessed with an abundance of Natural Resources, the main products for exportation are commodities like petroleum, bauxite and aluminum, steel, chemicals, agricultural products, basic manufactures and the industrials They handle products than are construction materials, iron ore mining, food processing, textiles , steel, aluminum, motor vehicle assemble. (CIA, 2014).

However, despite the intention of taking measures to encourage the development of the country through its natural resources and export of these products, Venezuela is currently deeply immersed

into a dark and dense layer of corruption, it has been submerged in a very deep mismanagement and is submerged in a very deep macroeconomic crisis, with high levels of inflation, public debt, deficit and combined with a weak government which does not allow distributing all resources as should be, Venezuela scored 51.63 in globalization index, which has placed it in the 104th position. In economic globalization, Venezuela is placed in 127th position with a score of 43.38. Regarding social to globalization, it is located in 100th spot with 49.01. in terms of political globalization, Venezuela has 66.94 points and is the 95th country in the list respect to other countries in the world. (The global economy, 2014)

Venezuela imports 40% of its needs, making it an attractive market for foreign companies. Venezuela is one of the world's largest producers and exporters of crude oil. It has the largest reserves of crude oil in the world and one of the largest natural gas reserves in the Americas. It is a founder member of the Organization of Petroleum Exporting Countries. The Venezuelan tax system is split into national and local taxes. Tax legislation differs for each tax. (Trade Investment, 2015)

President Maduro's government has faced ongoing protests and civil unrest since the beginning of 2014. There are growing signs that Maduro's support in the region is dwindling, as neighboring countries have expressed concern about his government's response to the crisis, including the aggressive treatment of protesters. (The New York Times, 2015)

Given the changes that had Venezuela due to the oil crisis and the multiple variations of the economy the relationship of the globalization and competitiveness in the country are analyzed in order to identify the strengths and weaknesses facing the country and identify possible tools that allow to increase its economic and political development.

This new competition has accentuated the interdependence of the different levels of globalization, with the globalization process rapidly and intensely spreading, the firm approaches in search of competitiveness within an industry become more and more challenging.

However, it is a high priority to identify what your evolution been economic and social policy level, as well as identify the location within twelve pillars of

competitiveness. Since this has this relationship based on the level of development and productivity can have a country.

Finally, We analyze various factors affecting Venezuela to be competitive, the perspective one way have towards the future of this country and the events that led to that currently is suffering economic and political crisis, will therefore be important to note what is your current position against political, economic, social and cultural issues.

## **GLOBALIZATION**

Globalization in Venezuela is quite difficult to explain, due to their presidents Hugo Chavez and Nicolas Maduro are against western ideas and people can see it reflected in their economy. Event ought globalization is a change that happens in all the countries, Venezuela actually is going backwards.

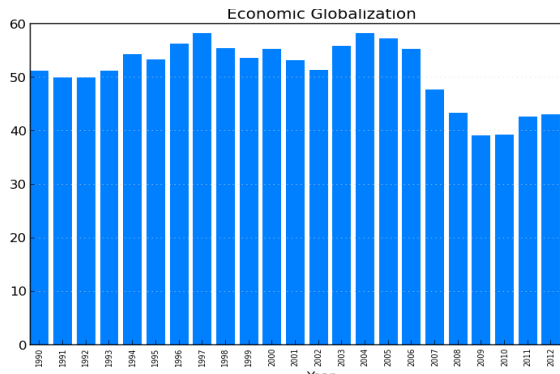
The government of Venezuela thinks that globalization is a western idea, and

its a member of anti-globalization movement, as people know they are anti-western, and this comes because they are oppose to large multi-national corporations having unregulated political power and also the deregulation of financial Market. (sites.google, 2015)

In addition, the government accuses this corporations of seeking maximize their profit, sabotaging work safety, labor hiring standards, environmental conservation principles. Venezuela is moving backward in culture, environment, technological, this is affecting the country.

As many countries globalization is a tool use to develop their economy, productivity and financial growth. Even though Venezuela is trading a lot of products, is not making an advance in the economic and financial growth.

## **ECONOMIC GLOBALIZATION**



**Char1. Venezuela Economic Globalization.** (Globalization.kof)

As it was mention before Venezuela is “remain highly dependent on oil revenues, which account for roughly 96% of export earnings”. (CIA,2015)

One of the issues that the economy of this country has or not to be able to develop is that the governments want to control the economy by nationalizing firms in the agribusiness, financial, construction, oil and steel sector. (CIA,2015)

During the last years what the economy of the country is focus in an economic system that benefits the few and powerful to ordinary people. Besides the economy has complex currency system has led to exorbitant schemes by importers. Right now, what is affecting the most is the drop in the price of oil, being Venezuela major export. This indicated that the currency reserves,

essential for international trade and debt payments has been in their lowest.

After Hugo Chaves dead the country has going on their lowest in all aspects, also entering in a deep economic crisis, marked by recession, clipping inflation and shortages of gods like milk and shampoo. Likewise, corruption has been affected economy due to stolen through import frauds, government agencies and government-run companies had been fraudulent. (Nazemroaya, 2015)

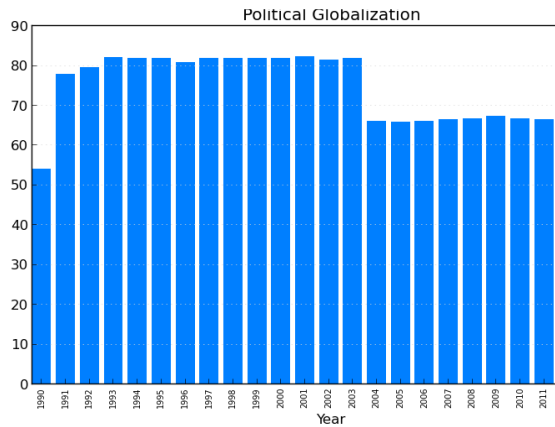
Other aspect that is making Venezuela don’t globalized is that export companies don’t want to trade in Venezuela currency but in dollars, this affect all imports most when Venezuela needs basic goods, food, and raw materials. This affecting businesses and people to get basic supplies.

In addition, for companies to be able to import to Venezuela they will have to obtain a permission to import the product and then apply nation’s currency control, this make inflation goes higher. (Ixxaliu, 2015)

Economic Globalization will not happen soon, first because the country doesn’t even have products besides oil to gain more economical power, second the government is interfering in all

economical process and being corruption.

## POLITICAL GLOBALIZATION



**Char2. Venezuela Economic Globalization.** (Globalization.kof)

Venezuela is a federal republic, for the pass 20 years has a lot of constitution, Globalization in the political has not occurred, first because Venezuela political climate has become increasingly polarized, right now Venezuela is shown as an anti-government. Anyone that is opposing to the “Partido Revolucionario” will be a political prisoner. (Global Exchange, 2015)

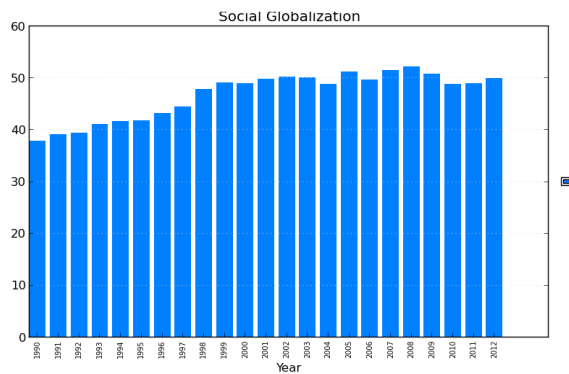
Also, Venezuela has lot issues with other countries and a lot of enemies, in addition doesn't have good relations

ships with countries that can provide help in this moment of crisis. Even though is a democratic country, has struggle for the corruption and a government can look for the benefits of the people.

Venezuela has dysfunctional political systems, they has constantly change their constitution, Venezuela's president has control of the judicial system and the Central Bank. Venezuela politics is incompetent and has a lot of corruption for them to be able to control the country. These politics issues that Venezuela is living inside, also is being reflecting outside, first because Venezuela doesn't have a lot of alliances with other countries, they are getting far from countries that can help them growing with their economy. Their alliances are less and less because they don't want to be a western country, they only want to have alliances with countries that are “against” The United States. (Nazemroaya, 2015)

## SOCIAL GLOBALIZATION





In the administration of Chavez the poverty was reduced nearly 50%, increased school enrollment, and the government has programs for education, nutrition, and healthcare even though this was helping the society. This increase in the sections has helped the country but one of the negatives that has is that it depends on oil.

Nowadays, education and health care spending may increase economic growth and reduce income inequality. Right now, social has gone backward due to corruption and economic financial problems.

For the last 20 years globalization has not happened for many reasons, like it was mentioned before the government was against globalization, so this defines Venezuela as a country that has insufficient integration with the rest of the world, there is social deterioration, economy reform are not being suitable to be competitive, besides these problems

Venezuela is growing in corruption and government blocks communication.

In addition, Venezuela's globalization was never rapid or intense, actually has experienced too little of it, Venezuela has purported to alleviate social ills while at the same time attacking capitalist globalization and existing democratic institutions.

At the present time, Venezuela's economic, political and financial is practically in crisis, right now the people is worried about a weakening of democratic institutions, political polarization, a politicized military, rampant violent crime, overdependence on the petroleum industry with its price fluctuations, foreign exchange controls for private-sector investment, high inflation, and a decline in the quality of human rights (Nazemroaya, 2015).

This document will show how globalization has affected the three main areas in the country, political, economic and social behaviors. Venezuela is known for the production and exportation of oil and the international flows associated with it have always constituted the most powerful link between Venezuela and the rest of the world.

## COMPETITIVENESS

Analyzing the situation in Venezuela compared to emerging economies found that Venezuela is very bad positioning, finding the lack of progress in recent years.



As shown in the report so far Venezuela is in a transition between the Factor-Driven Phase 1 and Phase 2 Efficiency Driven. Keep in mind that each pillar affects every country differently due to the stage of development you are to better understand the location of Venezuela, clarify each of the existing stages; Factor-Driven stage is driven by the factors of production economies they compete based on their factor endowments, primarily unskilled labor and natural resources. The Efficiency stage - Stage of Development Driven Economies Efficiency Driven by the country begins to develop more efficient production processes with higher quality. The Innovation-Driven Economies Stage Driven by Innovation stage is necessary for their companies' products are unique and very innovative. Venezuela is in the transition between Factor-Driven and Efficiency - Driven Stage of Development, however needs major changes to achieve such progress. (The Global Competitiveness Report 2014-2015).

GCI 2014-2015			
Country/Economy	Rank (out of 144)	Score (1-7)	Rank among 2013-2014 economies* GCI 2013-2014 rank (out of 148) <sup>†</sup>
Venezuela	131	3.32	130

According to the World Economic Forum - WEF, Venezuela occupies the 131th place in the competitive compared

to the rest of the world, this means that their situation is poor and has deteriorated since 2013 is ranked at 126th this It is not a good position either. (The Global Competitiveness Report 2014-2015). This classification allows us to see how Venezuela was not successful and did not use its resources efficiently and has provided its inhabitants an improvement in the level of prosperity and quality of life has been unproductive.

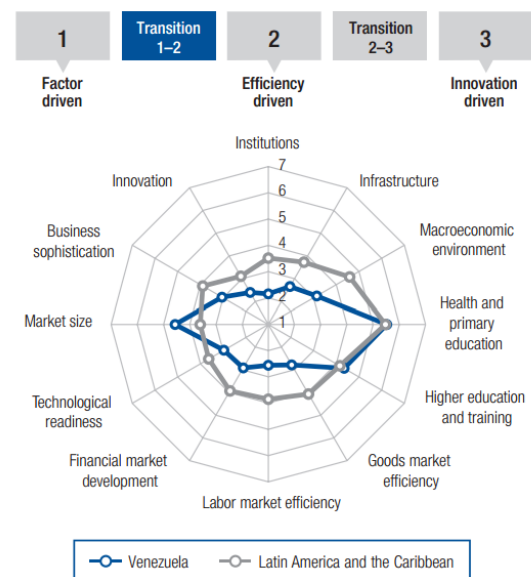
Venezuela was also ranked as the second least competitive economy in Latin America and the Caribbean

The low level of competitiveness that has Venezuela is undoubtedly the result of inflation is very high, a lot of corruption, poor government decisions has been highly inefficient public debt, deficit and misallocation of resources.

World Economic Forum reports that their situation is hampering the positive factors, such as: the high levels of population who are enrolled in the education sector has the 16th place and the use of ICT information technology in the 60th place and Most half the population uses the Internet. (The Global Competitiveness Report, 2015).

## STAGE OF DEVELOPMENT

### VENEZUELA



Taken from Global Competitiveness Report 2014-2015 World Economic Forum

Of the twelve pillars there, the Market size and Health and primary education are strong and valuable as they are in 40th and 74th place respectively. In education there is a high percentage of students enrolled in higher education and a good technological fit with almost half of the population with internet access.

It is important to Venezuela as an emerging country, that is, look for changes by the structural reforms needed to enhance its global competitiveness. That is why Venezuela should work on strengthening the four pillars as institutions, infrastructure, macroeconomic environment and health and primary education, allowing more efficient allocation of resources, and

facilitate the transition to more productive activities.

Venezuela has the worst institutional quality in 144th place because there is very little trust of the business community in the political or judicial independence and have low macroeconomic stability in the 139th place by weak macroeconomic management resulting in higher inflation rates 20% and a budget deficit above 5% of GDP this is due to the instability of its macroeconomic structure precisely the weak macroeconomic management (place 126th) resulting in inflation rates over 20% and a budget deficit above 5% of GDP this is due to poor management of public debt and mismanagement of economic and financial resources, domestic policies also affect its economy because it reduces the chances of attracting foreign direct investment. Additionally place in innovation is low capacity when this is so important in a globalized world.

The main factors that hinder the economy of Venezuela are restrictive labor regulations, inflation, political instability, inefficient government bureaucracy, corruption, insecurity, low work ethic of the workforce.

At this point depending on where each of the pillars of Venezuela, the country is not prepared to compete internationally.

**ANALYSIS** Developing countries are facing major changes arising from both internal and external conditions, such as tighter competition, technological progress, economic changes and globalization of the economy, among others. So that competitiveness has become a requirement for survival and a prerequisite for success.

Improve the environment of globalization and competitiveness, is a task that must be actively involved various sectors of society, such as public administration, the private sector and universities, each in its area of

responsibility, as each one of them has a fundamental task in achieving this goal

Today competitiveness becomes a dynamic concept that is transformed over time, as some factors that played an important role in the past, today are no longer in force, while others arise as a result of globalization and the business dynamics. No doubt the changes generated in the world economy require the State and therefore institutions and organizations to take action to enable them to acquire advantages over their competitors and achieve a better position in global markets.

Latin America "is affected by operation of the weak institutions, poor infrastructure and inefficient allocation of production factors," said in a statement the WEF (World Economic Forum) that is the product of an insufficient level of competition and a gap in education and training, technology and innovation, which prevents many companies move towards higher value activities, everything that represents a scenario of globalization.

Developing countries show enormous difficulty integrating into the world globalization and Venezuela does not escape this. Venezuela does not have a strong competitive economy and get

used to living with the imbalances of the product of decades of inefficient governments macroeconomics alone (the government) are limited to solve the problems superficially and not the real causes of the problem.

Following this Venezuela is losing confidence to generate necessary investments to project the country to the path that leads to economic success and therefore the welfare of the population, although in the last 10 years due to the economic boost that gave oil the Venezuelan economy, the government's sound economic policies, evolved enough, Venezuela is emerging as a promising and hopeful country economically in the region and the world, despite the current crisis.

Index of Competitiveness for Growth is based on three central ideas:

- This is a measurement based on three factors that contribute to creating the conditions for sustained growth: the macroeconomic environment, the quality of public institutions and technology. These factors are the pillars on which rests the process of economic growth.

- The technological factor is regarded as one of the momentous factors for growth, especially in the long term as it is considered closely related to the generation of GDP.

- The index distinguishes between countries that develop the theme of technology and those who do not.

In the case of Venezuela this is at the 94th place with regard to the macroeconomic environment, in terms of public institutions is in the 89th and in the technology index occupies the 58th position in overall terms for the index Competitiveness growth (CGI) is located in Section 82 of 102 countries. (World Economic Forum). The Venezuelan economy as a whole, is not being very welcomed by its international partners, which becomes a momentous event finally as are signals that are sent to international markets to attract investment.

Venezuela's current position is leveraged by favorable and unfavorable factors. The country does not have demographic pressures and still get significant income from a pension, in this case oil. But contrary presents elements of concern such as utilities and violence between groups that live in society; as a result it

has a high incidence of the flight of talent and acts of street and perhaps if these issues are not addressed can undermine the situation in Venezuela and make the state more viable.

In the Global Competitiveness Index 2013-14, prepared by the World Economic Forum, Venezuela descends positions in recent years, evidence presented in several variables, such as institutions, infrastructure, macro economy, health, primary and higher education, efficiency market development of financial and labor markets, business sophistication and innovation, among others.

Venezuela in the last decade faced a number of both political and economic problems (Banking Crisis, Social Strikes, etc.); One of the requirements you are looking Globalization is the balance and financial stability, but this is where the main problem of the Venezuelan nation to maintain a balance in the "globalized world", as is the weakness in its banking, ie The financial crisis facing because when entering the global economy and do not have an effective system of financial regulation and supervision, would aggravate the

situation and drag other financial markets.

In scope of globalization and competitiveness Venezuela perhaps maintains a position concerning the statement above is not the best today despite its situation during recent times, yet the State promises due to its activity higher value such as the oil industry to turn through state economic policies and aimed at economic balance, taking into account strengthening their competitiveness factors.

The current economic model, in which trade liberalization and the flow of exchange of goods and services is increasingly internationalized, requires the Venezuelan government and the sectors where they lie face new challenges and adapt to change that situation involves identifying some strategies that enable competitive sectors obtain an advantageous position in the global world network. Based on this analysis, the goal is to achieve a competitive position in the global market and for that we must establish new patterns of action, such as behavior integration, development of core competencies, cooperation with outside agencies, expertise, solidarity and social contribution.

The economic interdependence between nations resulting from globalization creates the need for the Venezuelan State assumes an economic and productive model that is based on the different structures through further supported by different institutions and organizations to enable them to face the joint environment and get some own competitive advantages of the global context. This situation leads to say that for the sectors are competitive and are located in an advantageous position in a market that is becoming increasingly globalized and where competition is very difficult, it requires readjust to market conditions through a profound structural change.

### **1. What happened in Venezuela in the last 20 years to go back on globalization and competitiveness?**

Clearly, over the last decade Venezuela is facing a crisis in which adopted a political system with high government intervention in all areas of society. The institutional order became highly discretionary to implement populist and clientelist policies, exerting an almost unique power directed to the use of force. The political, economic and civil freedoms have been increasingly restricted, since the authoritarian regime has changed and settled the constitution

and laws to the interests of the ruling group. This has led to abuse of political power, corruption, high levels of insecurity, shortage, inflation, restrictions on the rights of association and expression, among others.

The political division of power between his supporters and his critics has generated the most representative in terms of tissue destruction in which generates a completely unworkable country. Inflation in Venezuela is one of the highest in the world. The product price rose about 54% in 2013, due to the existence of price controls.

In the context of globalization and competitiveness Venezuela's current position is leveraged by favorable and unfavorable factors. The country does not have demographic pressures and still get significant income from a pension, in this case oil. But contrary presents elements of concern such as utilities and violence between groups that live in society; as a result it has a high incidence of the flight of talent and acts of street and maybe if these issues are not addressed can undermine the situation in Venezuela and make the state more viable.

According to a BBC report, the government says inflation is "induced"

by "speculators" that raise prices as part of an "economic war" against Venezuela. However, analysts close to the opposition say the cause of inflation in the big money printed by the Central Bank to meet the huge state spending oil revenue, which is in the hands of the government fail to supply. (BBC report)

Now the country faces an impending shortage commodities regulated by the state as toilet paper, milk and oil are hard to come by. Moreover, in Venezuela there is a black market dollars creates distortions in the economy, generating impact on domestic production and marketing of commodities that caters incredibly basic needs of people, so Venezuela depends on imports. But for that reason it has become a barrier to companies buying dollars, weakening the import, making Venezuela a country with little chance of investment and production because it does not present a scenario of profitability.

The country is surrounded by a Government paradoxically government is not meeting the basic requirements of the rule, which represents a setback for globalization and which places Venezuela in the last position according Indices of competitiveness; your unable to meet the needs of market demand, it



generates that the offer is inadequate and there is a shortage.

Following are some factors affecting the decline of Venezuela in field of globalization and competitiveness:

- Business scenario: Venezuela has deteriorated in the way negotiations take their obstacles, barriers and promoting high unexplained lower investment costs, production, employment generation and wealth ever.

- Money, inflation and price controls: Venezuela's international reserves backing the issue of money have declined in recent years, in recent years the issue of money has increased to the extent that international reserves are reduced, which it has generated a monetary liquidity.

- Oil industry: the oil industry to the Venezuelan economy has become vulnerable due to a society that has the power and subrogated the right to dispose of resources. Weak institutions, discretion, privileges and corruption are part of the operation in the oil industry in which affects all of society.

- Income, expenditure and public debt: The Chavez regime has maintained an irresponsible fiscal policy to the extent

that more deficit spending means more debt to foreign creditors (China) and internally (BCV).

- Unequal access: infrastructure networks and economic development strategies are geographically concentrated and marginalized leave whole areas of the territories.

- Exclusion: part of the population remains outside the sphere of global communications and competitive activities.

## **2. What is the Relation between Globalization and competitiveness In Venezuela?**

In the given context Venezuela has faced strong pressure for years to lead the country to some of the right directions. The current political system and its most representative institutions are questioned and the socioeconomic context. Pro Search will determine the balance. Under current conditions, ensure the effective rule of law, socio-economic equity and stability of the political system have become major challenges facing Venezuelan society.

The relation between globalization and competitiveness in Venezuela is that it hasn't change or develop during the

years. First because Venezuela political history has proven they are against western ideas, they don't want to depend on powerful economic countries, they want to be powerful by their own rules.

Even though Venezuela doesn't want to have western ideas, they have social and cultural globalization; they had been connected to the world. Globalization is not only for trade among countries is bigger than that it is.

Ideas, information even terrorism is a way how world connects.

For Venezuela globalization and competitiveness is hard because for a long period of time they only trade with some countries, they are getting away from globalization and competitiveness itself, this are making it weaker. Because, they only rely in oil production and exports, but there economy is suffering the consequence because oil is in the lowest. They didn't explore more product, markets or create bigger trades with different

Countries, this is making the country to have a political-economic crisis.

Besides this crisis they are having, and being against western ideas, Venezuela is too boring for international analyst, they don't see intellectual challenges, the

hyper inflection, high unemployment, corruption and irresponsible economic management is not making easier Venezuela globalization and competitiveness.

- **What measures can increase the competitiveness of Venezuela?**

The competitive advantage of nations advocates new, constructive, and actionable roles for government and business in the pursuit of competitiveness and prosperity. More importantly, clusters enable innovation and speed productivity growth. Therefore, they can use measures to improve their current situation, Its necessary to diversify its market and increase the added value of export products, as commodities are elastic and their prices tend to fluctuate constantly, this will require rethinking sectorial policies to stimulate economic recovery and generate labor productivity in the agricultural, manufacturing, mining, tourism and technology sectors. In addition, monetary policy should change the Central Bank of Venezuela establishing a new budget with the aim of reducing the public sector deficit, implementing plans of reorganization or financial restructuring.

Based on the states of development Venezuela, it is important to generate a change of mentality in society to restore credibility in the institutions, as well as increase labor market efficient creating better opportunities, increasing FDI and promoting the creation of new businesses

**Considering the historical competitiveness of Venezuela and your current location, It is considered to be the future of Venezuela to level competitiveness?**

Although according to historical competitiveness according to the WEF has been declining over the years cannot say for sure in the future what will be the place that occupies in the ranking of competitiveness a country like Venezuela, many things can happen and important and momentous changes they can make an important twist to his current situation, taking a positive view of the future we may consider some situations that might generate such changes as parliamentary elections are expected by the end of 2015 and in April 2016 elections Communist Party Congress, Venezuela could find a new way even a change in the economic and institutional leadership of the country, this could lead to increased confidence in institutions and macroeconomic

improvement, but these are internal factors They could remain the same. It is noteworthy that Venezuela is a country with great potential, and if routed its efforts on improving political relations and make your workforce more productive could improve its competitive variable. But you can not ignore all the events that are impacting the country and it will continue with the excessive public spending without institutional regulations, rampant corruption, hard price controls and the lack of an economic program with clear goals, among others factors, Venezuela will continue to be one of the nations worst performers.

## **CONCLUSION**

The ability to adapt rapidly and effectively to the changing conditions of the world's economy, national

development strategies now oriented to moving up the industrial ladder, by capturing rapidly shifting advantages in high value-added, skill-intensive manufacturing industries. The use of modern technologies and the creation of stable export networks are an important part of this process.

Despite the controversies regarding globalization and its consequences, the process has encouraged a growing interest in identifying factors that make a country competitive internationally, meaning the ability to produce and market their goods and services in the global market, in order to ensure sustainable sources of prosperity that will allow for a rising standard of living for its inhabitants.

Venezuela is in a context where the legal uncertainty persists and the socio-political crisis deepens. Represented by dissatisfaction among different social groups, it has lost credibility in the elite, together with the connection between economic and political reforms, and between each of them together, negatively impacting the quality of life of Venezuelans

The State seems increasingly smaller and less accountable to their citizens, national references are lost and

participation mediate obviously the issue is troubling trend in the economy of the region, the dynamics of the globalized world imposes new daily rhythms and the growing discontent of the masses, who are repeatedly ignored.

Venezuela shows a centralist policy that dismantles the private sector and undermines public institutions, with very low development in the core areas (Health, Education, Infrastructure), unsustainable production and distribution of a considerable delay in the establishment of technology and innovation. For Venezuela, the recommendation is to invest in all areas of education.

- Moreover, in the field of globalization, there is a lack of depth in areas relevant to the development of a balanced and equitable economy aspects:
- Establish a decentralized state who should be the real starting point of the economy and the national employment.
- Promote and defend an autonomous Central Bank constantly monitors the macroeconomic balance, aiming

to reduce inflation in order to increase competitiveness and productivity through sound policies in exchange and monetary matters.

- Search and foster strategic alliances with international trade and economic agreements such as Mercosur, European Union and other free trade agreements binational integration.
- Locale foster conditions that promote the continued growth of investment, job quality and production capacity.
- Demand legal certainty and respect for the agreements and contracts signed by the country.
- Labor law must be flexible if you want to promote formal employment and industrial productivity focused on improving the quality of life of citizens and guarantee the quality of work.
- Remove any barrier or obstacle exchange and facilitate financial transactions between the local currency and other foreign currencies.

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