COMPETITIVENESS IS THE DRIVING FORCE OF THE WELL-BEING OF LATIN AMERICANS
After reviewing the correlation between competitiveness, economic growth and human development in twenty Latin American and Caribbean countries, with a special emphasis on the latter indicator and during the period from 2006 and 2015, Professors Giovanni Reyes Ortiz and Alejandro Useche Arevalo, of the School of Management and Business of the Universidad del Rosario, found that the countries which offer the best standards of living to their inhabitants are those which are the best in competition. They have also achieved a higher economic growth.

After a year of work, their study shows this in a clear and substantiated way. “In most countries there is a direct relation between competitiveness and human development. The more competitiveness we foment, the stronger we become in international markets and the better able to position ourselves with our products. That is going to lead to more international positioning but at the same time, it also drives growth and creates better conditions of life for the population. That means that the theory of the renowned economist Michael Eugene Porter, director of the Institute of Strategy and Competiveness at the Harvard Business School, applies to our region,” Useche says.

According to the study of Reyes and Useche, Chile, Argentina, Uruguay, Trinidad and Tobago, and Panama are the countries in Latin America and the Caribbean with the highest rates on the Index of Human Development, which, according to the eminent economist from India, Amartya Sen (winner of the Nobel Prize in 1998), means that their citizens are free to choose what they most esteem in their lives since they have the required capacities and options. The way to measure it is with three variables: Life expectancy, incomes and educational levels.

The countries which do not show good results for those variables and are therefore the weakest in human development are Venezuela and those of Central America, with the exception of Costa Rica, that is, Nicaragua, Honduras, Guatemala and El Salvador.

“What are the factors which make some countries function well for their populations in the social field and others, not? There are twelve factors which I would resume in six: 1. Political...

Useche notes that the factor of institutions is directly related to the Rule of Law, with effective and exemplary sanctions and justice. In terms of competitiveness, infrastructure has to do with production centers located near sea coasts, so that the inputs which are needed arrive at the country at a low cost and the products can likewise be exported without cost overruns or complications.

Macroeconomic stability, in turn, has to do with the Gross Domestic Product, the payment of foreign debt, the levels of inflation and hyper-inflation, a stable currency and a developed financial system, especially one that is technologically advanced.

“As for education, in addition to improving the levels in general, it requires people who are trained in the management and development of technology. Costa Rica has had a policy of wagering more on technological development. In the past it was an exporter of pineapples and coffee, but since the 1980’s, it has created conditions for an economy based on technology and thus, it made important investments in education. That is why it comes out so well in the analysis,” Useche adds.

And how is Colombia?

Colombia pertains to the sub-region of countries with a middling economy, in terms of the ranking Professors Reyes and Useche used in their study. In order of development, they are: Argentina, Chile, Colombia and Peru. Up to a few years ago, Venezuela was the last on that list, but its current situation now excludes it.

The analysis of the ten years chosen by the study showed a slight improvement in Colombia’s index of competitiveness – understood as the advantages or disadvantages a country has in placing products on international markets. The same applied to Peru and Panama.

In the case of Colombia, the poor performance of this indicator is directly related to its infrastructure. In contrast with what happens in countries with high indices of competitiveness, Colombia does not have production centers near its ports. It also affected by what some economists call the natural resource curse, which is simply that a country bases its economic development on its natural wealth.

“The worst that can happen to Colombia is that it continues to find more petroleum,” Porter said eight years ago at a forum, entitled “Prosperity for All”, attended by Colombian government officials and business leaders.
Alejandro Useche believes that “the more competitiveness we foment, the stronger we become in international markets and the better able to position ourselves with our products. That is going to lead to more international positioning.”

Giovanni Reyes concludes that all of the efforts are important and the center of them all should be the human being and his society. “We must acknowledge that it is only in companies, production units and organizations where wealth is really produced.”

Despite the slow growth of its competitiveness, the two professors showed that there is a positive relation between competitiveness and human development in Colombia, which also applies to Bolivia, Panama, Paraguay and Peru. However, that is not true of the relation between competitiveness and economic growth and the relation of the latter with human development.

Useche insists that the formulas for overcoming this situation are linked to making stronger efforts to improve the country’s infrastructure and education and strengthening its institutions and, naturally, its culture. In contrast with other countries, Colombia has one enormous advantage and that is its financial stability, its economic environment. “It is the envy of the region. It has never suffered from hyper-inflation or changed its currency. It has not even removed a zero from its bank notes or had trouble in paying off its foreign debt. Only in 1999 did it show a negative growth of its GDP for a whole year. No matter how big they are, its neighbors have had these problems several times,” he points out.

Professor Reyes, for his part, sums up the message of their study: “In the first place, all of the efforts are important and the center of them all should be the human being and his society. In second place, we must acknowledge that it is only in companies, production units and organizations where wealth is really produced.”

The two researchers made those points in December, 2016, when they had the privilege of presenting their study at the plenary meeting of the universities affiliated with the Institute of Strategy and Competitiveness at the Harvard Business School, whose director is Porter. It was one of the six studies presented there and the first from Latin America to be so honored.

It was also published in the March, 2019 issue of the Harvard Competitiveness Review, as a further contribution to the debates on this subject which are taking place on a world level.

HUMAN DEVELOPMENT INDEX

All of the Latin American and Caribbean countries which were analyzed seem to have progressed in terms of human, social and economic development.

Chile, Argentina, Uruguay, Trinidad and Tobago, and Panama are the countries with the highest indices of human development.

Nicaragua, Honduras, Guatemala, El Salvador and Venezuela are the nations with the weakest conditions of human development.

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