

Handbook of Research on Economic Growth and Technological Change in Latin America

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A volume in the Advances in Finance, Accounting,
and Economics (AFAE) Book Series

BUSINESS SCIENCE
Reference
An Imprint of IGI Global

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Ewa Lechman, Gdansk University of Technology, Poland

The spread of new Information and Communication Technologies (ICTs) has been recognized worldwide. ICTs are broadly perceived as tools facilitating economic growth and development, especially in backward countries. They are easy and cheap to adopt, require minimum skills for effective use, and bring opportunities for disadvantaged societies. They enable education, knowledge dissemination and sharing, and processing and storing of all kinds of information. The existence of causal relationships between technology diffusion and general economy performance is highly probable. This chapter seeks empirical evidence in existing quantitative links between the process of Information and Communication Technologies (ICTs) adoption and dynamics of economic growth and development in Latin American countries. The authors consider ICTs diffusion patterns in Latin American countries, approximating the diffusion process by S-shaped curves. Afterwards, they aim to detect if there is any quantitative relationship between ICTs adoption dynamics and economic growth and development, and they estimate to what extent ICTs contribute to economic growth and development. The authors hypothesize on existing statistically significant and strong links between the two. They use panel data for Latin American economies from the years 1990-2011. All necessary data are derived from World Telecommunication/ICT Indicators Database 2012 (16th edition) and World Development Indicators 2012.

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Andreas M. Hartmann, Tecnologico de Monterrey, Mexico

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This chapter seeks to explain the common features of the ideologies and practices of management in Latin America. Using an institutional approach, the authors show that specific historical, social, and economic conditions have shaped a certain way of management unique to this region. Latin America's colonial heritage and its contemporary institutions have led to a hybrid managerial ideology that defines how firms interact with their local and global environments.

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Yonni Angel Cuero Acosta, University of Leipzig, Germany

Isabel Torres Zapata, Universidad Santiago de Chile, Chile

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The current increase of commodity prices prompts the question regarding the extent to which the growth of primary industries is used as a basis of industrial development. Empirical evidence suggests the development of Technology-Intensive Suppliers (TIS) has played an important role in the industrialization process of the Nordic countries, Canada, and Australia. The development of local TIS may contribute to both reinforcing the industrial base and supporting structural change in developing countries. Therefore, it may provide a way to advance from natural resource dependence towards knowledge-based industrial activities. The TIS products are created under tailor-made concepts, giving solutions to their customers. TIS use knowledge and customer information to create innovation. These firms enhance value chains improving customer's competitive advantages (Dornberger & Torres, 2006). The relationship between the primary sector and its suppliers of technology can be seen as a backward linkage. Sectors with linkages of this kind use inputs from other industries (Hirschman, 1958). Hence, a fundamental goal of research in the context of developing countries is to understand the development of TIS and analysis of their improvement as a result of entrepreneurship intervention. This chapter covers the relevance of TIS firms in developing countries. TIS companies are frequently labeled as Micro-, Small-, and Medium-Sized Enterprises (MSMEs). In conclusion, the findings highlight the need to pay more attention to TIS organizations in developing economies. In Latin America, TIS firms contribute to the employment and diversification of the economic structure of the region through value-added products and services.

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Brazil: Economic Mirage or Jewel in the New Global Economy?55

Eugene Allevato, Woodbury University, USA

Joan Marques, Woodbury University, USA

Brazil is globally known for many reasons, varying from its sizzling Copacabana beach to its immense Maracana stadium. It is revered as the birthplace of world-famous soccer players such as Pele, Garrincha, Tostao, Socrates, and Ronaldo, and envied for its eye-popping carnival suits and mesmerizing samba dancers, but there is much more to this country. When considered from a business perspective, Brazil surfaces as one of the four most promising global economies, along with the other BRIC nations of Russia, India, and China, but how much of this vibrant economic picture is true? Having gained independence in the 19th century, there is much to be said about Brazil's current internal economic climate and social system. This chapter takes a less-traveled road in its review of Brazil. By examining this nation from the inside out, a less frequently presented, vulnerable image of this gigantic country is presented. Brazil's relationships with multinationals and with trading partners are reviewed against the backdrop of its lacking growth in national standard of living and its poor primary education system. Brazil is reviewed as the home of impressive industries, its ongoing technological dependency on other nations, and its performance as a supplier of natural resources to many industrial powers.

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Müslüm Basılgan, Uludağ University, Turkey

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The weight of the state in economic and social life is very important even if it might differ from country to country. The state provides particular public services and needs to the various funding sources to provide these services. Taxes constitute the largest share of financial sources needed by the state to operate effectively. However, taxes are often not welcomed by taxpayers, creating the unwanted behavior of tax evasion. The purpose of this chapter is to reveal the tax structures of Latin American countries and to examine tax morale as an important determinant in shaping the attitudes of taxpayers in Latin America. This chapter shows the most important component of tax revenues in Latin American countries constitutes consumption taxes instead of income taxes, in contrast to developed regions such as those in OECD countries. It shows the tax structure in Latin American countries reflects the typical tax structure in developing countries. It is also observed that average tax morale is higher in South American countries, such as Venezuela, Paraguay, and Argentina, than in other areas, although it has a changing property over time. Moreover, the chapter shows tax morale is associated with financial indicators (satisfaction with income, the present economic situation, income distribution, and the functioning of the market economy), policy indicators (satisfaction with democracy, confidence with government), and demographic indicators (age, education).

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The processes of economic integration in Latin American economies have logic that goes beyond the simple interest of trade creation. The governments focus on the benefit produced by Foreign Direct Investment (FDI) as one of the most important reasons to formalize trade agreements. FDI differs in the way in which this investment relates with the local producer sector and the strategy trade policy followed by local governments. In this sense Latin American economies may receive horizontal or vertical FDI, and this chapter aims to examine the impact of strategic trade policies on the inflows of FDI into two Latin American regions: North Region and South Region. These investment flows come from three economic zones: Asia, America, and European Union. To this end, the gravity equation to compare the weight of variables such as distance, infrastructure, trade openness, and cultural affinity as independent variables and FDI as the dependent variable is estimated. The results obtained show that the strategy trade policy followed in the North Region in the form of trade liberalization, and the strategy trade policy followed in the South Region in the form of a relative closeness with the custom union plus the proposed trade agreements with other regions encouraged inflows of FDI in both regions during the analyzed period. While the gravity hypothesis holds on the South Region, in the North Region it does not hold. In the North Region, vertical FDI is received, and in the South Region it is horizontal FDI.

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Joan Marques, Woodbury University, USA

This chapter focuses on the Caribbean Community and Common Market (CARICOM), a cluster of 15 countries and islands in the Caribbean region that invest ongoing efforts to establish growth and increased well-being. CARICOM is facing its share of challenges, of which two important ones include

a) economic relations and b) education. With their common history as former European colonies, the Caribbean nations have traditionally focused on the USA, Canada, and Europe as their main partners. Now that the global tide is turning, it becomes increasingly important for them to change course. China, as the major global player of our times, is therefore a potential partner that Caribbean nations increasingly embrace. Even so, the challenges of their small scale and their lack of trade complementarity remain dark clouds on the Caribbean horizon. In addition, the education system in many of the member nations needs urgent and radical reinvention. This chapter shines some light on these issues.

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Isabel Cristina Betancur Hinestroza, University of Medellín, Colombia

Innovation and technology, in appropriate business environments, are considered improvement and survival tools directly related to the establishment of competitive advantages. However, this must be accompanied by a growing economy, and, in some cases, governmental policies that encourage the industry. This chapter inquires about several factors involved in the innovation and technological change of the pork industry in Antioquia, Colombia, based on original research results and other contributions of the authors. The managerial assumption is simple: free trade and strategic moves of the biggest competitors indicate that Small- and Medium-Sized Enterprises (SMEs) in the pork industry must accelerate their technological change via innovation management by addressing different factors that are hindering the establishment of competitive advantages. The authors offer a possible path of action from a management perspective to support that the industry will form an oligopoly should innovation management not occur.

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Harish C. Chandan, Argosy University, USA

Some of the major emerging economies in Latin America (LA) include Argentina, Brazil, Chile, Peru, and Mexico. The discussion themes during the 2013 World Economic Forum on Latin America included understanding the private sector's role in safeguarding business ethics, corporate social responsibility, sustainability, and concern for the environment. Inputs into business ethics include individual values, organizational culture, national culture, and local business climate, including level of corruption, ethics legislation, and governmental bureaucracy (Stajkovic & Luthans, 1997). A conceptual model of business ethics in terms of governance, processes, and stakeholders is presented. Various models of ethical decision-making processes, including the social-cognitive theory (Bandura, 1986), are reviewed. Models of ethical behavior and the influence of Hofstede cultural dimensions, religion, Internet, and social media are also reviewed. Various measures of business ethics, including the Business Ethics Index (Tsalikis, et al., 2013), the Corruption Perception Index (Transparency International, 2012), the Freedom from Corruption Index, and the Economic Freedom Index (Heritage Foundation, 2013) for LA countries are reviewed. The Business Ethics Index can be a leading indicator of economic growth (Tsalikis, et al., 2011). Good business ethics generate trust and lead to sustained economic growth (Hunt, 2012).

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As Latin America moves towards 2020, consumer spending is expected to overtake resource extraction as the engine for economic growth. However, the international business community still has only a surface understanding of the peculiarities of Latin American consumers and marketplaces. More importantly, there is little academic or even practitioner-generated guidance for producing meaningful consumer research in the Latin American context. This chapter addresses some of the relevant consumer research issues and challenges in the dynamic marketplace that is Latin America and serves as a useful point of reference for international marketers and investors seeking to explore the opportunities that exist therein. The chapter also gives a brief summary of current consumption trends in Latin America, in an effort to highlight the uniqueness and dynamism that render consumer research a necessity rather than a choice for prospective entrants.

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Jacobo Ramirez, Copenhagen Business School, Denmark

The mass media can play an important role in capturing the dynamic between social groups and the institutional environment. To investigate entrepreneurs' responses to the impact of organized crime and violence on Small and Medium-Sized Enterprises (SMEs) in Monterrey, Mexico, a deductive Content Discourse Analysis (CDA) was developed. The sample was constructed by integrating international newspapers available in the database FACTIVE and Mexican newspapers from 2006 to 2012. The results made it possible to observe the dynamic between informal and formal institutions in the emergence of adaptation of SMEs' business model. The adaptations observed tend to respond to the change in the behavior of social groups in Monterrey, Mexico, as a consequence of organized crime and violence. This chapter explores this CDA.

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Steffen Huth, University of Mannheim, Germany

Due to the strong economic position of Chile within Latin America and the existing deficit of research, this chapter focuses on Emerging Market Multinational Enterprises (EMNEs) from Chile. It draws upon institutional theory to analyze case studies on the internationalization process of 19 Chilean firms with outward Foreign Direct Investments (FDI). The authors find that market-seeking FDI is the major motivation for investing abroad. With respect to the geographical scope of outward FDI, the authors investigate that Latin America is the dominating destination for outward FDI by Chilean firms. Moreover, the results show that acquisitions and joint ventures are popular when investing in developed economies, whereas both greenfield investments and acquisitions are chosen most often when entering other emerging economies. Finally, the authors observe that Chilean firms internationalize rather late in their life cycle (i.e., they need a long time span between foundation and the first outward FDI). However, the authors do not find support for the proposition that Chilean firms enter a second or third foreign market faster when the cultural distance of the market is low.

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The purpose of this chapter is to present the presidency of Sebastián Piñera with an emphasis on his economic policy and development plan for Chile. The chapter begins with an analysis of the 2010 presidential elections and the profile of the latest Chilean president. The chapter also presents the economic and political history of the country since Salvador Allende's rise to power in 1970 through the Pinochet regime and the government of Concertación por la Democracia. Furthermore, the milestone events of the presidency of Piñera are identified and their influence on the approval of the presidents is evaluated. The study conducted in this chapter was based on the analysis of books and scientific journals that dealt with the political and economic history of Chile. The current situation of the country was analyzed on the basis of academic articles as well as press releases and reports.

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This chapter analyses the differentiation strategies of Chinese Multinational Corporations (MNCs) in Latin American (LA) emerging economies. This requires an institutional theory approach (i.e., how the institutional environment in the domestic market shapes the strategies pursued in the host country). The premise is that there is a positive relationship between the home institutional environment and the policies followed in foreign investments. It does this through a qualitative analysis of data collected in in-depth interviews from a theoretical sample of six Chinese MNCs operating in LA. The analysis focuses on three main areas, the informal institutions, the domestic institutional environment as a barrier and/or facilitator, and the strategies in different institutional frameworks. The results show that China's firms in LA are at an early stage in their international marketing and expansion strategies. These companies are leveraging their price competitiveness (based mainly on low cost manufacture at home) on the differentiation and/or market strengths of local partners with whom they have developed networks of Joint Ventures (JVs) in the region. This is also the consequence of a short international experience that has resulted in weak cross-cultural awareness. In addition, at this stage these companies are mainly looking to have better access to the customers in the host market and as such are creating ad-hoc structures in each of the countries where they operate without a clear differentiation strategy. These findings are similar to those in previous works on Chinese MNCs in developed economies.

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The specific aim of this chapter is to examine and describe the impact of CAFTA-DR's environmental provisions on strategy formulation and development decisions of domestic and multinational firms in member countries. This chapter also provides an overview of CAFTA-DR's member countries and the theoretical framework by which the impact of the treaty's environmental provisions are assessed. Finally, the chapter examines how voluntary mechanisms of environmental self-regulation such as ISO 14001 have impacted the strategy of domestic and international firms. The latest trends in the region are presented in charts and tables.

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A Structurationist Analysis of Differing Policies Oriented to the Pharmaceutical Industry: Turkey and Brazil291

Yaşar Serhat Yaşgül, Marmara University, Turkey

This chapter has two purposes closely related to each other. The first one is to analyze why countries that have similar characteristics and benefits to each other develop different strategies in terms of rules that regulate the intellectual property rights in the pharmaceutical industry. The second one is to analyze the factors that determine active participation in global governance processes with regards to the intellectual property rights of countries that are developing, specifically in the pharmaceutical industry. The study used the structurationist approach developed by John M. Hobson, and findings were tested by comparing the examples of two countries: Turkey and Brazil.

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The Central American Clothing Assembly Industry and the Asian Competition313

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Segundo Castro, University of Puerto Rico, Puerto Rico

This chapter examines the export performance of clothing assembly industries in the countries of Central America to the US market. It commences with a brief summary of the history of the growth and limited evolution of the Central American and Caribbean Basin garment export industry in the face of evolving trade liberalization. It then examines how China and other Asian countries have eclipsed the region's clothing exports to the USA as they made inroads into the latter's market. It is argued that China's membership in the World Trade Organization commencing in 2001 and the phasing out of quotas under the Multi-Fiber Agreement in 2005 combined to thwart any expansion that Central American clothing exporters could have achieved in the US market. While US Harmonized Tariff System data for both knitted (HTS 61) and non-knitted (HTS 62) apparel and clothing accessory imports were examined, only the former were presented, as they represent a much more significant share of Central America's overall garment exports to the USA. US imports from Central America under HTS 61 are shown to have either declined or remained stagnant in value terms and in value market share throughout the period examined. In order to zero in on specific categories that are important within the context of the Central American garment export industry, a selection, disaggregated into four digit HTS subcategories, was made of knitted or crocheted apparel and accessories from the region to ascertain its performance over the first decade of the new century. These data are reviewed in comparison with similar data corresponding to imports from China in order to ascertain the performance of Central American exporters. Finally, the work is also placed within the context of the Free Trade Area of Central America and Dominican Republic (CAFTA-DR) in an attempt to discern its possible medium- to long-term impact, since specific provisions of the trade agreement aim precisely at boosting the region's garment assembly sector.

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Ernesto Hernández-Catá, Independent Researcher, USA

This chapter examines the evolution of macroeconomic policies in Cuba during the past 25 years. It analyzes the changes in fiscal policy from its wild gyrations in the early 1990s to the period of stability from 1994 to 2004, and to the crisis of 2008 and its sequel. It then examines the strategy of the Central Bank of Cuba and the tension between its anti-inflationary objective and its obligation to finance a

substantial part of the fiscal deficit. It also emphasizes the need for new, modern instruments of monetary control, and the need to equip the central bank to become a lender of last resort. Finally, the chapter discusses the current multiple exchange rate system, its discriminatory nature, and its harmful effects on resource allocation, equity, and the interpretation of statistics.

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Understanding the Impact of Securities Markets Reform on the Economy of Brazil339

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Rituparna Das, National Law University, India

The economic strength of a country depicts the international standing of a nation and also reflects the significance of the country in moulding the trends of the global economy equally. The Brazilian economy, like many developing economies, has many facets that have developed and matured with time. The Brazilian securities market has undergone much change over the past decade. The reforms that started with the implementation of the “Plano Real” have accelerated the Brazilian market and economy exponentially, thus making the economy one of the major investment destinations, with some calling it the “next superpower.” The fact that the Brazilian economy is a commodities-dominated economy has led the authors to probe into the various nuances related to the securities markets of Brazil, leading to this chapter through which we get a glimpse into the reforms in the securities market and the effect it has on the country as well as the world. The chapter meanders through the development of the Brazilian economy and provides insight into the heart of the Brazilian economy, thereby discussing the effect of the reforms on the economy of the country, how the same strikes the global economy, and the lessons that the country can learn from the other BRICS counterparts, through which it can consolidate its position.

Chapter 20

Lessons Learned from Chilean Model of Innovation and Development350

Juan Rock T., Universidad de Talca, Chile

Gordana Pesakovic, King University, Knoxville, USA

In this chapter, the focus is on the Chilean economy and its development based on the innovation strategies and policies applied in the country in the last 40 years. The country’s performance is compared with others countries in the region and the developed economies. The main lesson learned from the Chilean experience for the small developing countries are that a small economy can use to its benefit, competitive advantages achieved by other countries. In order to do this a country needs an open foreign policy and transparent, safe and fair business policies.

Chapter 21

Inducascos S.A. International Operations for Local Market Leadership364

Cristina Robledo-Ardila, Universidad EAFIT, Colombia

Marcela Velasquez-Montoya, Universidad EAFIT, Colombia

Inducascos S.A. was first established in 1998 in the city of Medellín, Colombia. After a decade of instability and financial bankruptcy due to lack of capital, scarce infrastructure, and insufficient labor not only in number but also in terms of the qualification level, Inducascos became the market leader in the manufacturing and commercialization of helmets in the Colombian market. Its ability to deal with the unstable local market and the fierce competition resulting from the entry of imported products has positioned Inducascos as the leading brand of motorcycle helmets. For the last decade, the company’s

strategy has focused on the internationalization of the manufacturing process and the updating of the commercial strategy in order to consolidate an attractive product portfolio, which manages to offer differentiated products for a segmented market at competitive prices. This chapter explores Inducascos S.A.

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This chapter summarizes the theoretical and empirical literature on the ethics of tax evasion and then proceeds to examine the opinions of 1,483 Brazilians on the issue using the data from the most recent World Values Survey. The study finds that although Brazilians are strongly opposed to tax evasion in general their opposition is less than absolute in many cases. An examination of some demographic variables highlights some of these cases.

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Robert W. McGee, Fayetteville State University, USA

This chapter summarizes the theoretical and empirical literature on attitudes toward bribery and then proceeds to examine the opinions of 1,483 Brazilians on the issue, using the data from the most recent World Values Survey. The study finds that although Brazilians are strongly opposed to bribe-taking in general their opposition is less than absolute in many cases. An examination of some demographic variables highlights some of these cases.

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A Different Kind of Investor? Chinese FDI in Latin America.....417

Gayle Allard, IE Business School, Spain

After decades of limited contact, China's influence in Latin America has soared in the early part of the 21st century. China's presence in Latin America holds potential for transforming regional economies in positive and negative ways. This chapter describes Chinese Foreign Direct Investment (FDI) in Latin America, explores its implications, and tests whether Chinese FDI differs from global FDI in Latin America regarding corruption and resource intensity. It finds that Chinese FDI is more closely associated with countries that are more resource-abundant and are ranked as more corrupt. This could have negative implications for Latin American countries and their development as China expands.

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