

The Globalization Paradigm and Latin America's Digital Gap

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INTRODUCTION

The Andean Community of Nations (CAN) and others countries in Latin America (LA), as any less developed countries (LDCs), are located by inception on the wrong side of the "digital gap". Therefore, these countries confront an enormous challenge from the network revolution that is unfolding. Globalization represents a new paradigm composed of integrated and interdependent economies. The Globalization Index (GI) determines the rank of the countries within the model. This index is composed of several variables in which economic integration and technology, among others, play a very important role in country classifications. Currently, a diminishing trend of FDIs is preponderant in the region, and this affects the knowledge-based society and also the efforts to make these countries members of the new globalization paradigm.

Dessler (2004) stated that globalization is the tendency of firms to augment their sales, ownership, and manufacturing facilities to new markets located abroad. The research literature is consistent with the definition of globalization. Hill (2003), among others, agreed that the term *globalization* refers to a new paradigm in which the world economy is more integrated and interdependent. Therefore, this integration demands new methodologies and mechanisms to allow countries to perform their new roles within this emerging framework. A preponderant element in this new array is the convergence of computer-based power and telecommunications. These parameters are interrelated to computing infrastructure, new communication technology, and governmental policies that will make the old telecommunication model, a monopoly, obsolete; therefore, a new paradigm will evolve that makes this technology accessible to everyone through a new system that promotes and encourages competition within the private sector (Ochoa-Morales, 2003c).

Also, convergence that is taking place with computing and telecommunication demonstrates the importance of the development of this sector and the socioeconomic impact on the economic perspective and to the stimulus of economic growth (Ochoa-Morales, 2003a).

Kearney (2003) classified countries using a Globalization Index (GI), which determines the rank of the country as a more global country. Sixty-two countries that represent 85% of the world's population compose the sample used. The index is epitomized by 13 variables grouped in four baskets: (1) economic integration, (2) personal contact, (3) technology, and (4) political engagement. Economic integration is represented by trade, foreign direct investments (FDIs) and portfolio capital flows, and income payments and receipts. Personal contact consists of international travel and tourism, international telephone traffic, and cross-border transfers. Technology is characterized by number of Internet users, Internet hosts, and secure servers; and political engagement is characterized by number of memberships in international organizations, UN Security Council missions in which each country participates, and the quantity of foreign embassies hosted by the countries. The ranking for the year 2003 shows Ireland as number one, Switzerland number two, and the United States as eleventh. Ireland has large investments in high-tech and information technology. Its Internet infrastructure is still growing, and the number of secure servers has increased 32.6% from 337 to 500 in 2002. Also, it has been the most talkative country in the world, included heavy domestic and international traffic. The above is unequivocal proof of the high correlation that exists between technology, a parameter of the new paradigm, and access to new markets that will be the cornerstone of globalization.

According to Kearney (2003), one variable is economic integration in Latin America (LA), and the

Caribbean economic integration is extant. Numerous regional and multilateral agreements are present such as the Andean Community of Nations (CAN), composed of Bolivia, Ecuador, Colombia, Peru, and Venezuela; MERCOSUR, composed of Brazil, Paraguay, Uruguay, and Argentina; The Group of Three (3), composed of Colombia, Mexico, and Venezuela; and the CARICOM, composed of English speaking countries (Islands) within the Caribbean Basin (Secretaria, 1998). Ochoa-Morales (2001) stated that, from an economic perspective, the outcome is trade and therefore stimulus to economic growth. Foreign direct investments (FDIs) can greatly contribute to a host country's economy providing the required factors of production are present, making the countries more competitive within the globalization framework. Schuler and Brown (1999) emphasized that the most important occurrence in the location of the FDIs is the support or impediment exercised by the institutions in the host country.

Another important factor within the GI is technology characterized among other parameters by Internet users and Internet hosts. In LA, the growth rate of the Internet has been the highest in the world, and the number of users has increased 14-fold within the 1995 to 1999 period (UIT, 2000). The literature defines teledensity as the number of main telephone lines for every 100 inhabitants, excluding wireless access. This term is also used as a parameter to measure the level of telecommunication infrastructure of any country. A review of the literature also shows the existence of a high correlation between teledensity and economic development, and a negative one between teledensity and population size has been found (Mbarika, Byrd & Raymond, 2002).

PURPOSE

Globalization is a new paradigm within the world's economies. The less developed countries (LDCs) such as in LA, the Andean Community of Nations (CAN), are marginal to such a model as a consequence of the digital gap. The quest of the article is to demonstrate some of the variables that compose the GI that would negatively affect this geographical region to acquire the necessary rank within the paradigm framework to be considered a global country.

BACKGROUND

Based on Kearney's (2003) GI, the four main realms will be analyzed: economic integration, personal contact, technology, and political engagement and, within them, the variables that compose them. Technology and FDIs represent the primary factors because both are interrelated and have a high correlation with computer-based power and telecommunication convergence. Economic integration is extant in LA and the Caribbean Basin, not only under the model of regional agreements, but also as multilateral ones. By the year 2000, LA's regional agreements, CAN and MERCOSUR without considering other regional pacts with Chile, have a potential market of 310 million consumers (UN-CEPAL, 1999). Chile's contribution alone is 15.2 million potential customers. The latter represents a very large concentration of population very well suited to be penetrated and to be converted in a market expansion. Ochoa-Morales (2003b) stated that, under the scheme of regional integration, theoretically, an unrestricted no trade tariff or barriers to a high flow of goods, services, and investment among the countries will be originated. From an economic perspective, the outcome is greater comparative advantage to the countries and, consequently, stimulus to economic growth. Also, a high correlation exists between economic growth and the demand for capital, technology, and management resources. In the telecommunications domain, the development of new technologies has performed a critical role in the process. Cellular phones and cable television are, among others, new technologies imbedded in the new paradigm. As a result, more people are interconnected and better informed. In Venezuela and Paraguay, there are more cell phones than conventional ones (UIT, 2000). The privatization of the communication industry within the telephony subsector in LA has increased the parameters that reflect teledensity. Therefore, the domestic and international telephone traffic has grown accordingly. Ochoa-Morales (2002a) stated that the privatization and deregulation of the communication sector act, as an incentive to bring to the LDCs foreign direct investments, not only provide the financing required to develop the industry, but also provide the know-how embedded therein. It is critical to accentuate the fact that, to attract these

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