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SOCIAL RESPONSIBILITY OF THE COLOMBIAN SMES BEFORE THE GLOBALIZATION*

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ABSTRACT

This article focuses on analyzing the situation of small and medium enterprises (SMEs) in Colombia before the challenges that are coming for a series of treaties and international trade agreements under the premise that corporate social responsibility of companies & business people starts on the durability of themselves, due to the implications of the closure of companies have for different social and economic aggregates such as employment, exports, investment and contribution to National and Regional Domestic Product.

KEY WORDS:

Integral social responsibility, corporate sustainability, globalization, treaties and international trade agreements.

JEL CLASSIFICATION:

M14, F13, F36.

RESUMEN

RESPONSABILIDAD SOCIAL DE LAS MIPYMES ANTES DE LA GLOBALIZACIÓN

Este artículo se enfoca en analizar la situación de las Mipymes en Colombia antes de los retos que vienen de una serie de acuerdos y tratados de libre comercio bajo la premisa de que la responsabilidad social corporativa de empresas y las personas de negocios empieza con la duración de las mismas y debido a la implicación del tesón que las empresas tienen por

* Product of the research article corresponding to the line of research in corporate social responsibility.

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temas sociales y económicos como empleo, exportaciones, inversión y contribución al Producto Interno.

Palabras clave: Responsabilidad social integral, sostenibilidad corporativa, globalización, acuerdos y tratados de libre comercio.

Clasificación JEL M14, F13, F36.

RESUMO

RESPONSABILIDADE DAS PYME NA COLÔMBIA ANTES DA GLOBALIZAÇÃO

Este artigo centra-se na análise da situação das pequenas e medias empresas (PYME) na Colômbia diante dos desafios que vêm por uma série de tratados e acordos internacionais de comércio sob a premissa de que a responsabilidade social das empresas e dos empresários inicia-se na durabilidade dos mesmos, devido às consequências que o fechamento das empresas tem para distintos agregados sociais e econômicos como o emprego, as exportações, o investimento e sua contribuição ao produto Interno Nacional e regional.

Palavras-chave: Responsabilidade social integral, a sustentabilidade corporativa, a globalização, os tratados e acordos internacionais de comércio.

Classificação JEL: M14, F13, F36.

RÉSUMÉ

LA RESPONSABILITÉ SOCIALE DES PME COLOMBIENNES AVANT LA MONDIALISATION

Cet article se concentre sur l'analyse de la situation des petites et moyennes entreprises (PME) en Colombie avant les défis qui sont à venir pour une série de traités et d'accords commerciaux internationaux en vertu du principe que la responsabilité sociale des entreprises commence avec la durabilité d'eux-mêmes, en raison à les implications que la fermeture d'entreprises a pour les différents agrégats économiques et sociaux tels que l'emploi, les exportations, l'investissement et la contribution au produit intérieur national et régional.

Mots clés: Responsabilité sociale Intégrale, la durabilité des entreprises, la mondialisation, les traités et les accords commerciaux internationaux.

Classification JEL: M14, F13, F36.

1 . INTRODUCTION

Colombia is experiencing a period of profound transformations that come from the 1991 Constitution, the economic opening which was also launched this year with the signing of a series of treaties and international trade agreements such as being a full member of the World Trade Organization (WTO) which in turn results from the various rounds of GATT negotiations that began in the late forties and ended in 1994, the signing of the G-3 with Mexico and Venezuela that following the withdrawal of the Venezuela, it became a G-2, the active participation with several countries in the 3 American continents to materialize the initiative proposed in Miami in December 1994 that was intended to establish a Free Trade Area of the Americas stretching from Canada to Tierra del Fuego including all Caribbean countries except Cuba. This idea was rejected by the presidents of Brazil & Venezuela four years ago, to who the other presidents and heads of state in the region joined; the encouragement of the Andean Community of Nations (Bolivia, Colombia, Ecuador and Peru), the solidarity with the idea of integrating the CAN and MERCOSUR, which is composed of Argentina, Brazil, Paraguay and Uruguay with Chile and Venezuela as Associates, the signing of the Free Trade Area (FTA) with Chile as well as three other Treaties of Free Trade: the recent one signed with three Central American countries: El Salvador, Guatemala and Honduras, The one that was signed with Canada and that

is still in negotiations with the United States, which after fourteen rounds of negotiations was signed by Presidents George W. Bush of U.S.A and Alvaro Uribe of Colombia and endorsed by the Congress of Colombia; this treaty is awaiting ratification by the new United States government and Congress, but following the Fifth Summit of the Americas held in Trinidad and Tobago in April 2009 attended by 34 Presidents and Heads of State including President Barack Obama of the United States, he told the Colombian President Uribe that he was willing to review the treaty with Colombia and ordered his team to initiate talks with the government of Colombia.

All these trading strategies have been reflected in significant growth in trade flows and especially in exports, which in turn have contributed to the country's economy to make sustainable growth for a relatively long period, however, a number of structural problems remain which have prevented these growths to be reflected in social development that the country needs because unemployment rates remain high as well as underemployment, poverty and extreme poverty levels among both exceed 50%, the unequal distribution of wealth is a phenomenon that, as Stiglitz says in three of his last pieces of work is what has prevented the Globalization to give fruits (Stiglitz, October 2006, August 2007 and October 2007)¹.

2 . THE SOCIAL RESPONSIBILITY OF SMALL FIRMS

The public and private companies, at all levels, have responsibilities that go beyond generating a profit or

reward in the shortest possible time investment to its shareholders, or branding in the market or new markets.

¹ Stiglitz, Joseph E. *Making Globalization Work*. Publishing House Nomos S.A., October 2006, Bogotá, Colombia. Stiglitz, Joseph E.; Carlton, Andrew. *Fair Trade for All*. Nomos printers. August 2007, Bogotá. Stiglitz, Joseph E. *Globalization and its Discontents*. Graphics Workshops: Palgraphic, S.A. Madrid, Spain. October 2007.

The dynamic business world demands from companies something that has been known, from the thirties has been known, as “*Social Responsibility*”². The aim of this article is to analyze a series of situations of small and medium enterprises (SMEs) in Colombia to identify the degree of commitment to society in different aspects such as environmental preservation, continuous improvement of working conditions including the provision of workplace, labor-management relations, respect for public spaces, training and human capital development, integrating displaced and demobilized from the different groups that for decades have been threaten as a way to contribute to peace and political, social & economic stability, and obviously a fair and equitable remuneration of labor.

For Colombia and specifically as it relates to this article, we start from a premise which is that “corporate social responsibility” starts from achieving sustainability over time as numbers in this aspect is impressive: more than 90% of enterprises are SMEs in Colombia and is the second country in the world in which most SMEs are created annually; from that point of view is very positive but the downside is that also ranks second in companies disappearing each year. This is very important for two reasons: first, when companies disappear, it increases the level of unemployment and underemployment as was indicated above, which is already too high, discouraging inventiveness of Colombians and makes thousands of people and families lose the savings of a lifetime trying to build a dream which is to have their own company; and second this whole issue of globalization and the signing of treaties and international agreements that are previously mentioned, demand highly competitive businesses which can not be achieved if the levels

“*The public and private companies, at all levels, have responsibilities that go beyond generating a profit or reward in the shortest possible time investment to its shareholders, or branding in the market or new markets.*”

² Barnard, C. *The Functions of the Executive*, Harvard University Press, Cambridge M.A, 1938. Cited by: Rute, Abreu; Fátima David, and David Crowther, *Corporate Social Responsibility in Portugal: Empirical Evidence of Corporate Behavior*, Corporate Governance, 2005, ABI/INFORM Global.

“This is crucial in the case of SMEs in Colombia and that is why the academy must demand from the state and, specifically, the Government to formulate and implement policies which contain strategies and tools to address the different faces of the domestic activity for their importance in employment and the generation of value-added so that their presence in international markets is increasingly sustainable.”

of sustainability on average go no more than three years as evidenced by a series of studies have been conducted in this regard. This second aspect is of concern for the reason that if SMEs can not stand the local competition, then much less they will be able to face the threats that these treaties and agreements involve and it is therefore required an analysis by sectors and industries to detect strengths and weaknesses as well as opportunities and threats to develop strategic frameworks that reduce mortality and drive to the reconstruction of an entire production system whose participation in the national aggregates is significant (40% of GDP, 70% of direct employment and 20% total exports).

In a study conducted in 2006 by the Colombian Center for Corporate Responsibility, found that public companies are the largest contributor to the betterment of society (20%), the food and beverages companies (17%) and the cardboard companies and paper (11%). This contribution is given in: employment generation, promoting education, and support to people with higher levels of vulnerability, protecting the environment and promoting community welfare³.

The issue of corporate social responsibility is being studied for several decades as noted earlier. Barnard in 1938, when the World War II was about to start, that eventually would devastate the European productive apparatus and, after him, a number of researchers who discuss the topic from different perspectives and often attached to their disciplinary training.

Barnard (1938) cited by Abreu⁴ and others believe that *“Corporate Social Responsibility, discusses the economic, moral, legal, social and physical aspects of the environment”* and the Nobel Prize for Economics, Professor Milton Friedman in his works of 1962 and 1970⁵ indicates: *“there is*

³ Colombian Center for Corporate Responsibility, *Survey on Corporate Responsibility*, Bogotá, 2006.

⁴ Abreu, *Ibid*.

⁵ Friedman, M. *Capitalism and Freedom*, University of Chicago Press, Chicago, Illinois, 1962. Friedman, M.

only and just one social responsibility of business which is to use its resources and availability in activities designed to increase profits within the rules, which means it is to stay and compete within the rules without any type of fraud". Carroll (1979, p. 500) also quoted by Abreu argues "that businesses combine the economic, legal, ethical and discretionary outlook that society has of organizations at a given point in time".

Druker (1984, p. 62) argues that social responsibility of organizations is about "focusing a social issue to turn it into a business opportunity with economic benefits which should result in improved production capacity, competition of human resource and better-paying jobs that generate better welfare for the community"⁶.

The Corporate Social Responsibility should be seen in a broader context, this can not be seen as a problem only belonging to entrepreneurs but in a globalized world is the Triple Helix as Etzkowitz H (2001)⁷ said: it is the State, the Academy and the private sector to take the lead in achieving to minimize the harmful effects of globalization as Joseph Stiglitz puts it in his book *Making Globalization Work*⁸ and exploit the opportunities it itself presents. This is crucial in the case of SMEs in Colombia and that is why the academy must demand from the state and, specifically, the Government to formulate and implement policies which contain strategies and tools to address the different faces of the domestic activity for their importance in employment and the generation of value-added so that their presence in international markets is increasingly sustainable.

In Stiglitz's works cited above which are related to globalization, some believe that he just talks

about the disadvantages of it, but that's not the truth, he believes in the goodness of his philosophical framework and so he states, and what he does not agree with and he reflects this according to experiences lived in over 100 countries. It is in its implementation that has enabled rich countries growing richer and the poor poorer. There has been a great inequity in the application of international politics; in recent decades, this has greatly increased the gap between rich and poor countries which in turn creates pockets of instability in global security. One of these inequalities is under the pretext of trade liberalization, multilateral organizations like the International Monetary Fund (IMF) and the World Bank demand poor countries to eliminate subsidies given to their productive sectors such as agriculture, while rich countries increase domestic support and subsidies to exorbitant levels which in 2005 reached US\$ 330,000 million among the United States, the European Union and Japan; this amount has kept on growing, by 2008 it exceeded US\$ 380,000 million by adding the resources from the new Farm Bill & Food Security of the U.S. signed by then President Bush in August 2008 that increases subsidies and domestic support in relation to the 2002 Farm Bill to go from US\$ 180,000 million to US\$ 314,000 million; and European Union Agricultural Law in the background was the response to the American Farm Bill, and allocates subsidies and domestic support to agriculture for the not inconsiderable sum of \$ 50,000 million euros per year (about US\$ 65,000 million) as well as Japan's grants which are also very high.

Subsidies and domestic support that the world power countries give to their agricultural sectors depresses the production of medium and small

Cont. nota 5

"A Friedman Doctrine – The Social Responsibility of Business is to increase its profits", *The New York Times Magazine*, 13 September 1970, p. 32. Both articles & book cited by RUTE Abreu and others.

⁶ Druker, P (1984). "The New meaning of corporate social responsibility", *California Management Review*. vol. 26, No. 2, winter, pp. 53–63.

⁷ Etzkowitz, Henry. "The Second Academic Revolution and the Rise of Entrepreneurial Science", *IEEE Technology and Society Magazine*, Summer 2001.

⁸ Stiglitz, Joseph E. *How to make globalization work*.

scale in developing countries and according to the World Bank itself this sends the poverty and extreme poverty to millions of people in Africa, Asia, the Caribbean and Latin America and therefore raises a number of questions such as where the action here comes the World Trade Organization (WTO)?, where is the Social Responsibility of Governments?, what are all those treaties and agreements of international trade for if they contribute to widen the gap between rich and poor -this is one of the arguments of Professor Stiglitz, indeed, in his book *How to make globalization work* (p. 33) presents a phrase that calls for reflection: “The concern is that globalization may be creating rich countries with poor population”.

The SR must come from the States, so that, to provide equal, opportunities for entrepreneurs of all levels (not just the big ones) to develop their ideas and turn them into productive projects that generate benefits for society, respecting the environment, well paid & fair working conditions so that virtual circles are built gradually, with more and better opportunities for education, health and entertainment so as to increase the collective welfare as happens in some countries of Asia, like Singapore to mention just one example where companies in specific and strategic sectors (tourism, construction, transport, services) and its various sub-sectors; in the last 30 years, they have achieved significant developments that have resulted in: a) over 95% of Singaporeans own a home; b) illiteracy levels have been reduced to almost 0%; c) life expectancy at birth has increased significantly every five years; d) income per capita is located in the highest in the world (about US\$ 40,000 dollars); e) involvement of enterprises and entrepreneurs with society; f) an

academy committed to human capital formation with high quality standards including high quality research centers; g) a society committed to the environment to the point that no one thinks of throwing garbage on the street, among others, that if he does then he will be put in jail. This policy resulted in clear and stable government⁹. This example speaks of the *Integral Social Responsibility* (ISR)¹⁰ which combines the Triple Helix of Etzkowitz¹¹, The State, the Academy and the private sector.

Going back to the “globalization” topic, apart from reducing or eliminating trade barriers in search of a more equitable market, it has enabled the mobilization of budget between countries, which has led to more and better investments that have contributed to increase the country’s production capacity, efficiency levels at different stages of production processes and value chains which is good, but on the other hand, and Colombia is no exception, the so-called ephemeral budget that comes in and out of the countries and also some easy repatriation of budget from sources that are not always licit which has had negative effects on some economies that have even affected the circulating flows with the effects this brings to the economy in areas such as inflation, revaluation of currencies that have a significant impact on export prices and hence exports, in imports, on external debt (public and private), etc., especially when the volume is on a scale not easily controllable by the monetary authorities. Here in these phenomena that are affordable but that directly affect positively or negatively the welfare of the population there is a deep content of Social Responsibility of the State, Private Sector and, off course, the Academy, given that, as forming human capital and processes through

⁹ Importantly, the system of government for nearly three decades was at the head of a dictator who ran the country in an strict way but unlike other dictators this was a man of great vision who was able to transform an underdeveloped country without natural resources into a country that has one of the best airports in the world, some highly technical seaports, the best passenger airline in the world and have managed to move their income per capita from U.S.\$ 400.00 (25 years ago) to U.S.\$40,000.00.

¹⁰ Word used by the article author.

¹¹ Etzkowitz, *Op. cit.*

objective research community should provide tools for decision making in public and private sectors that result in continuous improvement of living conditions of the inhabitants.

By observing what is happening with the enterprises in Colombia today and what comes with all these international treaties and agreements that are being signed by countries in different continents, you can see that the topic about the SR (Social Responsibility) becomes very important, and more when it comes to SMEs for several reasons: a) this type of companies usually become suppliers of parts or supplies for larger companies and this makes them important in the production lines, b) given the conditions that the SMEs have worked in Colombia which is similar to other countries (see Chilean case)¹² there is a high level of uncertainty about the future of the business and therefore job security of employees at various levels. This uncertainty is serious since it reduces the productivity levels of this factor and this is crucial, especially in those companies in labor-intensive and obviously this low productivity of factors negatively affect the competitiveness of products and/or services which in turn creates nervousness in the management, higher levels of distrust and therefore greater levels of uncertainty which results in vicious circles which need smart strategies to be broken. c) although as noted in the opening paragraphs of this article, Social Responsibility is a concept that is operated from the late thirties of last century; in Colombia, this concept is not so old and much less within small and medium businesses where it is just being introduced through lectures and messages from the Colombian Association of Small and Medium Enterprises (ACOPI) and even thousands of SMEs that do not yet know the concept. Here the state and especially the Government with the support of the Academy should do a thorough work to get it into a more general view of the implications that it entails in the development of the country.

“The SR must come from the States, so that, to provide equal, opportunities for entrepreneurs of all levels (not just the big ones) to develop their ideas and turn them into productive projects that generate benefits for society, respecting the environment, well paid & fair working conditions so that virtual circles are built gradually, with more and better opportunities for education, health and entertainment so as to increase the collective welfare...”

¹² Confederation of Industry and Commerce. Prehuman Foundation, *Handbook of Social Responsibility for SMEs*, Santiago de Chile, 2007.

“Colombia is the second country in the world where most businesses are closed annually and where the average durability is three years”

In management as a discipline, there are a number of *unsolvable paradoxes*¹³, such as: a) longevity with good quality of life, b) uncertainty; c) unpredictability d) the complexity of organizations as an open system. Well, for the case of the SMEs in Colombia face before the globalization, these unsolvable paradoxes become more obvious as previously reported: Colombia is the second country in the world where most businesses are closed annually and where the average durability is three years. Who is responsible of this situation? On one side, It belongs to the companies themselves when they firstly were created without proper analysis and studies in various aspects to be taken into account when setting up a company, which at the high levels of uncertainty (second paradox) in a globalized world become more complex (fourth paradox).

On the other hand, it also belongs to the state and the government that, although, in recent years has been making efforts to give employers better conditions including significantly improving the support services to foreign trade (exports and imports) through an entity, PROEXPORT, that has been modernized, but its spatial and sectoral coverage is not complete enough and so are many companies that are excluded from the process; and finally, it also belongs to the academy because, with few exceptions, it has put the SMEs sector as strategic on their research and extensive work. In this aspect, the Faculty of Management of the University of Rosario in Bogotá, Colombia, for several years has been working with various SMEs and in conjunction with the Center for Business Innovation and Development (CIDEM) from the Faculty of Management of the above mentioned university and PROEXPORT of Colombia have developed a series of projects, research, consultancies with companies from different sectors and regions of the country aiming to analyze case by case their internal and external situations facing the internationalization

¹³ Restrepo, Luis Fernando. “Business School Dean at the University of Rosario in Bogota”; In: *Reflections on the evolution of internal discipline*.

of these companies, having within the elements of analysis how they understand and apply social accountability to internal departments within the organization and how their organizations are taking it before these processes involved in globalization among which include signing and putting into operation a series of agreements and international treaties like the indicated in the first paragraph of this article.

The attached diagram presents a summary of the interrelationships in a globalized world of Social Responsibility, on the premise of the sustainability of the different actors of society, taken for the Colombian case, which can be a replica of any other Latin American country. These relationships are among the State, the Private Sector and the Academy; and all those intertwined with the Treaties and international agreements (Figure 1).

The State, with its various powers should regulate the processes of living of its citizens and ensure

good practice and safety for residents and their property, has large flaws that range from having a slow unethical and unfair justice. The trial are delayed to the point that criminals are released due to expiration of terms like what is happening in these days with some officers of the national army who have been involved in serious process of disappearance that occurred 24 years ago in the Courthouse, and they are already out there; here it is where the State has a responsibility to the national and international community. Justice is not fair. A clear example of this is the case of the man who moved by the anxiety touched a woman's buttocks, and a judge sentenced him to pay four years of jail, and it did not matter this man was married, had a daughter and a wife, who publicly, forgave him for that fact that did not deserve such a sentence of that nature while in the same week some paramilitaries members were given eight years in prison after confessing crimes of torturing & dismembering their victims with chainsaws until they bleed to

Figure 1¹⁴.



¹⁴ Source: taken from Etzkowitz, Henry. The Second Academic Revolution and the Rise of Entrepreneurial Science. *IEEE Technology and Society Magazine*, Summer 2001.

death; the international community knew about it and did nothing.

The 1/3 of *the Colombian Congress* is involved in what has been termed as “Para-Politics”, that is, politicians who have made any kind of agreement with the paramilitaries groups; and before this we find an undaunted country that does not react and by means of a referendum requests the closure of the Congress and call for new elections, conditioned by none of the current members could run as a candidate because if they win again it will be due to electoral controlling and this would bring the country to waste dollars without the results the people expect. This situation has even delayed the ratification of the Free Trade Area (FTA) with the United States on the Democratic Party, arguing three points: the murders of trade unionists, although the number has been decreased in the government of President Alvaro Uribe, but there are still some cases like enforced disappearances and *false positives* putting the country on the spot right now.

The Congress (or rather some unscrupulous congressmen) bribe some government officials to obtain shares of power, what is even more serious, to profit or benefit relatives or friends with public work contracts. To penetrate this powerful mafia is almost impossible and the media, the public and the international community know about it all; but the question that ordinary Colombians wonder is why nothing is done about it; but the risk & interest is so high so nobody does anything. What does this have to do with the companies and, especially, the SMEs? they simply do not participate in public bidding because they know that they have no chance of winning and they are not organized in bigger groups as cooperatives or other forms of association that could give them a chance to compete with larger companies “equally” and about this, the government does nothing to support small and medium enterprises which are in principle also labor intensive that is abundant in a country with a double-digit unemployment rate and high levels of underemployment, and with levels poverty and extreme poverty that exceeds 50%. To further clarify this point about the social responsibility, a clear

example can be taken: the military, with more than 300,000 men and women in it, public schools, hospitals and health centers and other institutions such as utility companies, autonomous development corporations, ministries, etc., require some of its members, specifically women, to wear a uniform.

Why, to be fair and support to small and medium businesses, at least a portion of this type of bidding is granted to small and medium individual or associations? This would show a big rate of “Social Responsibility” that involves the state and particularly the government and the private sector.

The Private Sector, as indicated in the preceding paragraph, is responsible for allowing discriminatory practices against themselves, for bribing officials to get revenues from government or local authority (Congress, Departmental Assemblies and Municipal Councils) that legislates; such bribes that in many cases have been known and there are officers in jail or facing trial for what is called embezzlement by ownership should include and punish to those who offer bribes as there is a principle known since the beginning of humanity that says “*it is as sinner who make others sin as the doer of the sin himself*”.

The Academy (the University) has a responsibility to society in these issues. This is about being critical. This does not refer back to the University in the sixties and seventies, especially in Latin America, in protesting and generating chaos; what is involved here is a further reflection on the future of nations and society to give proposals to solve major problems and make their research impact the society. The university, especially Colombian universities, is very passive. It seems to have lost the ability to argue and advise the country, not only the government, about ways to redirect the path to change the nation. On the sustainability side, companies that have a significant impact on large aggregates to GDP, employment, household income, aggregate demand, etc., could be count with our fingers as well as those universities doing something or at least trying to do something to help. The University participates in projects but

these are not carried out in conjunction with the government nor the private sector, as it is done by several universities in the United States and Europe in which all phases and responsibilities are shared as well as the resources. This is a path we should set on, but for this, a number of paradigms should be eliminated, such as the private sector sees the university as a left-side stone shooters who can not work with; and on the other side, the university sees entrepreneurs as those who think of themselves as better to whom it is best not to approach, and some government officials as incompetent, insensitive bureaucrats who are better to keep from for not polluting the academy. All these are bad habits, found in developing countries, which need a lot of work to correct them and banish them to be able to speak about "Integral Social Responsibility".

Considering the case of Colombia, one aspect that some call the "High Politics" that directly affects all businesses, industries and sectors of the country: On November 5th, a day after the presidential elections in the United States, the winning candidate and ex-senator Barack Obama was interviewed by the international media, among the topics discussed, he mentioned that he would put every effort in reviving the U.S. economy and cope with the crisis that was affecting considerably the global stock markets based on New York and therefore his priority was to organize the internal issues and then they would look into the other scenarios to do with economic policies.

Referring to international trade agreements (ITA), he said that he would respect those already running but he would stop all those that were under negotiation or that have not been ratified by the United States Congress as the case of the Free Trade Agreement (FTA) between U.S. and Colombia; and he said he would stop the Plan Colombia which represents a military aid of US \$ 800 million annually and as if that were not enough, he would also stop the APTDEA, which is the Andean Trade Preference Act through some exemptions which are granted to imports of an important block of tariff which may enter the U.S.

“Why, to be fair and support to small and medium businesses, at least a portion of this type of bidding is granted to small and medium individual or associations? This would show a big rate of «Social Responsibility» that involves the state and particularly the government and the private sector.”

“According to the World Economics Forum, in a sample of 134 countries, Colombia is ranked in the 74th place in competitiveness, the 89th place for GDP per capita out of 180 countries, and the 71st place in productivity per worker out of 128 countries.”

without paying taxes in return for the fight against the production and distribution of illicit drugs. This law protects four coca leaf producer countries: Bolivia, Colombia, Ecuador and Peru.

Now the question that an unwary reader might do in relation to the two preceding paragraphs and the focus of this article is: so what? What does all this have to do with the Social Responsibility and/or Corporate Social Responsibility? And the answer, behind all this, relates to the “ethics”, or the operation of ethics, which is, behaving correctly with society; and at this moment there is not reactions from the government, nor from entrepreneurs, nor from the academy to the words of President of the United States; this is not a reaction against him, because his words are wise, he was elected by his people to head for the next four years the destiny of the United States and it is that people whom he must protect in the first instance and then support other countries and region. What really concerns is the passivity of Colombia to a situation which if it becomes reality, it could take out of business an undetermined number of companies that obviously will have to fire thousands of people and obviously this will affect negatively household income, consumption, domestic demand and finally a series of social and economic aggregates.

It is important to remember that, by far, the U.S. is the main trading partner for Colombia since it participates with 40% of our trade flows; the direct foreign investment in high measure comes from the northern country and if the FTA fails to materialize and the APTDEA is stopped, Colombia will be in a situation of large disadvantage compared to their competitors for that market which do have a running FTA such as: Mexico, with the TLCAN, Chile, Peru, four Central American countries and other Asian and African countries which would obviously have advantages to enter their products into the United States.

To retake the aim of this document which is Corporate Social Responsibility, it all starts from trying to achieve their sustainability; the country must do a series of reflections at different levels to

respond to society on future to come and correct a number of shortcomings that will allow us in an increasingly globalized and competitive world to improve its indicators so to guarantee or, at least, provides us with better opportunities for generations to come.

In the second national report of competitiveness¹⁵, a set of indicators was presented related to the competitiveness of Colombia compared with the so-called developed countries, and with another set of countries that might be in the same level of development as Colombia, that is good to highlight because it generates a number of concerns related to the signing of all these international treaties which on a priori view it could be said this is good for the country but, on the other hand, as the President of the U.S. said: will it not be better to fix up the inner problems and then help others?

According to the World Economic Forum, in a sample of 134 countries, Colombia is ranked in the 74th place in competitiveness, the 89th place for GDP per capita out of 180 countries, and the 71st place in productivity per worker out of 128 countries.

In a sample of 55 countries, the International Institute for Management Development (IMD) ranked Colombia: in the 41st in the overall index of competitiveness, given its economic performance Colombia was ranked in 46th, 35th in government efficiency, 39th in business efficiency and 44th in infrastructure.

In the World Bank's "Doing Business" indicator, according to the report and a sample of 83 countries, Colombia has improved significantly in recent years to move from position 83rd to 66th place in 2007, and to 53rd in 2008, and puts the

country in the Second place in all of Latin America; besides the report says on page 16: for the past two years, it has been listed by the World Bank as one of ten great reformers, that for the facilities that have been given to the opening and closing of enterprises, implementing a single integrated payroll contributions (PILA), reduced time in handling building permits and customs reforms that have reduced the time of import and export.

The level of labor informality is widespread in various sectors of the Colombian economy and it affects negatively in the regions the competitiveness of the country and this entails a high level of social responsibility from the State on one hand, and from the private sector on the other. The phenomena of violence that have affected the country during the last decades have substantially affected this informality because thousands of families have had to stop their activities and, especially, rural areas to move to the cities and once there, they must seek a way of living for their families carrying out unproductive activities bringing these cities into a series of unscheduled costs in housing, education and other public services like water, energy etc. This situation, that is somewhat usual for Colombia, affects the different indicators.

In a study, that was led by Dr. Hans-Peter Knudsen¹⁶, was found that the levels of informality reach 76% in trade and service sector, 73% in construction, 69% in agriculture, 66% transport, storage and communication, 55% in services, 54 in industry. These high levels of informality require appropriate public policies to improve working conditions of all those people, teaching them to do productive activities as several Asian countries have done.

Finally, I will contextualize some expressions of Professor Stiglitz in his book *Making Globalization*

¹⁵ Competitiveness Private Council, *National Competitiveness Report 2008 to 2009. Path to Collective Prosperity*, Bogotá, October 2008.

¹⁶ Knudsen, Hans-Peter. *Competitiveness and Education. Challenge... Opportunity... Obligation?* Lecture presented at the Universidad del Rosario, Bogotá, October 2008.

Work¹⁷ in which he says: “If the developing countries had solved their problems in a better way, if they had counted on more honest governments and on less influence by a few, if they had counted on more productive companies, better-educated workers -in brief, had they not

suffered the evils that come with being poor, then they might have been able to better manage this unjust and dysfunctional globalization process” and later on he states: “A greater stability and security in the developing world will contribute to stability and security in the developed world”.

CONCLUSIONS

The ISR is by all and for all. It takes into account important aspects and subjects such as ethics, the environment, preservation of natural resources, investment, savings, dignified and well-paid employment, justice, inclusion and sustainability of companies in the demanding international markets and for companies to achieve this is necessary but not sufficient for sustainability.

The globalization imply structural reforms in the State, private sector and the academy that start with learn how work together, to look

common purposes, to rethink the country. It is an opportunity that can not lost and for the case of countries like Colombia it is important to analyze that happening with the countries of the European Union and also some Asian Countries like Korea, China, India, Indonesia, Japan, Singapore and Taiwan and in the case of Latin America the example that calls for the reflexion is Chile that has achieved important levels of sustainable growth for the last 25 years with economical and social development in the urban areas and in the rural sector.

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¹⁷ Stiglitz, Joseph E. *Making Globalization Work*, Op. cit., p. 91.

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