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# National Intellectual Capital and the Financial Crisis in Argentina, Brazil, Chile, Colombia, Mexico, and Venezuela

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# Foreword I

The economic crisis is a consequence of many parallel factors which are all related to globalization and digitalization. My main concern, assessing this in more detail from the European perspective, is that revolutionary global forces have not been taken early nor seriously enough by most national and regional decision-makers. The Heads of European States and Governments have once again recalled the importance of fiscal consolidation, structural reform, and targeted investment to put Europe back on the path of smart, sustainable, and inclusive growth. The main question is how capable and ready are the national governments to tackling the complex and manifold issues of crises and to renewing even radically many of our public and private structures and processes.

The first basic requirement is that all the European Union Member States remain fully committed to taking the actions required at the national level to achieve the objectives of the Europe 2020 Strategy. The second basic requirement is that the national and regional governments, as well as people, are ready for radical changes. This booklet, and the other 11 booklets by experienced authors, focus on national intellectual capital and give necessary insights and facts for us the readers and especially for our in-depth systemic thinking of the interrelationships of NIC and economic recovery.

How should the national and regional decision-makers tackle the existing knowledge of intangible capital? The focus needs to be more on the bottom-up approach stressing the developments at local and regional levels. I highlight our recent statements by the EU Committee of Regions. The key priorities are to get more innovations out of research and to encourage mindset change toward open innovation.

The political decision-makers are finally aware that the traditional indicators created for and used in industrial production cannot be applied to a knowledge-intensive, turbulent, and innovativeness-based global enterprise environment. Indicators that perceive the intangible dimensions of competitiveness—knowledge capital, innovation knowledge, and anticipation of the future—have been developed around the world, but their use has not yet become established in practice. This booklet accelerates the development and use of these indicators.

This helps the local and regional, as well as central, governments in taking brave leaps forward on a practical level—giving greater ownership and involving all the stakeholders. This means the need of actions towards increasing the structural and relational capital of regions, both internally in communities of practice and in collaboration with others.

The new generation innovation activities are socially motivated, open, and collectively participated, complex and global by nature. The regions need to move towards open innovation, within a human-centered vision of partnerships between public and private sector actors, with universities playing a crucial role.

Regions should be encouraged to develop regional innovation platforms, which act as demand-based service centres and promote the use of international knowledge to implement the Europe 2020 Strategy, smart specialization and European partnerships according to the interests and needs of regions. For this to happen, we need to apply the new dynamic understanding of regional innovation ecosystems, in which companies, cities, and universities as well as other public and private sector actors (the “Triple Helix”) learn to work together in new and creative ways to fully harness their innovative potential.

New innovative practices do not come about by themselves. One major potential is the use of public procurement. The renewing of the European wide rules must increase the strategic agility and activities of municipalities and other public operators as creators of new solutions. Especially, the execution of pre-commercial procurement should be reinforced even more in combination with open innovation to speed-up the green knowledge society development, i.e., for common re-usable solutions in creating the infrastructures and services modern real-world innovation ecosystems are built upon. Conditions must be created that also allow for extensive development projects which address complex societal challenges and which take the form of risk-taking consortia.

One of our working instruments within the Committee of the Regions is the Europe 2020 Monitoring Platform, which broadly reviews and reflects the opinions and decisions on regional level all around Europe. It gives a flavor of cultural and other socioeconomic differences inside the EU. This brings an important perspective to the intellectual capital, namely the values and attitudes needed for citizens supporting policymakers on appropriate long-term investments and policies.

Emphasizing the importance of these issues, decision makers in all countries and regions worldwide need a deep and broad understanding of the critical success factors affecting the NIC. With all the facts and frames for thinking this booklet gives a valuable insight in today’s challenges.

Markku Markkula  
Advisor to the Aalto University Presidents  
Member of the EU Committee of the Regions  
Former Member of the Parliament of Finland

## Foreword II

Financial crisis—words very much heard today. What is all this about, actually, and how to get a grip on what we experience today? The booklet gives an important insight into the factors affecting competitiveness and productivity in modern knowledge society. We need to see behind the obvious, and we need to have increasingly “qualified guesses” as the character of the society and industry has fundamentally changed.

What is very important to notice is the shift toward intangible value creation beyond the deterministic phenomena we saw very clearly in the industrial era. Cost drivers were the important ones throughout the industry. Mass production, bigger is better; very traditional productivity factors, was the mantra.

However, the production picture is changing. Increasingly, value is created by the intangibles, often services related to the tangible components, and even totally in immaterial value creation, where perceptions and expectations determine the market value of the “extended product.” We also see rapid change in organizational forms, we see new type of entrepreneurship growing besides the traditional industry clusters, we see smart specialization of regions and countries.

This means also that there will be clearly different and complementary roles of the actors in innovation and value creation ecosystems. Large companies, small ones and even microenterprises together with the public sector are traditionally seen as the active partners in such innovation environments. The real issue in the dynamic markets is however that the end users are increasingly to be taken on board as *active subjects* for innovation, and not merely treated as objects, customers. Markets need to be shaped and created in a much more dynamic way than ever before. Open innovation beyond cross-licensing includes the societal capital as an important intangible engine for productivity growth. Innovation happens only when the offering is meeting the demand. Otherwise we can only speak about inventions or ideas.

We need to have a close look at the intellectual capital and the different factors within it when we design our policy approaches. Short-term investments in process capital (infrastructures) and market capital seem to be very important for the manufacturing base as such, but at the same time measures for longer term intellectual capital development and efficiency need to be taken.

Increasingly, important is the *structure* and the open *processes* related to intangible capital and knowledge pools. For sustainable long-term development both the *human capital and renewal capital are crucial*, as they are directly related to the innovation capability of the region. The correlation between these factors and the GDP growth is undisputable. In knowledge intense industries talent is attracting talent, and the connectivity which modern ICT provides makes this talent pool fluid across disciplines, organizations, and geographical settings. It is imperative to modernize the innovation systems enabling the full dynamics needed for success in knowledge intense industries, beyond the traditional boundaries.

Measuring performance of innovation systems becomes increasingly complex due to the mash-up of different disciplines, having new types of actors and interactions between them. Hence, the importance of analysis of the various components of the national intellectual capital (NIC) (and equally on national innovation capability) as done in this booklet cannot be underestimated when making qualified guesses for operational choices to create functioning innovation ecosystems. The only predictable in true innovation is the unpredictability and the surprises. The role of the public sector is to drive strategy and measures enabling the unpredictable, and to catalyze a fluid, seamless, and frictionless innovation system to grow, with strong interplay with the surrounding society.

We need to have the courage to experiment, to prototype in real-world settings, to have all stakeholders involved to find and remove the friction points of innovation, and to achieve sustainable innovation ecosystems for knowledge intense products and services.

I wish you interesting reading with this mind opening report.

Bror Salmelin  
Advisor, Innovation Systems  
European Commission  
DG CONNECT

## Foreword III

The 2008 global financial crisis hit the whole world with unprecedented speed, causing widespread financial panic. Consumer confidence dropped to the lowest level since the Great Depression. Taiwan, with an export-dependent economy, was seriously impacted by the crisis and the unemployment rate hiked while household consumption levels dropped. At the onset of the financial crisis, Prof. Lin was the Dean of Student Affairs here at National Chengchi University in Taipei, Taiwan. She was the dean in charge of financial aid and student loans and thus saw firsthand the direct impact the financial crisis had upon our students. The crisis was so devastating that Prof. Lin, along with the university, was compelled to launch several new initiatives to raise money and help students weather the difficult times.

I am very glad that she took this painful experience to heart and set herself upon the task of investigating the impact of the crisis; trying to look into the causes and consequences for policy implications, not only for Taiwan but for an array of 48 countries. In particular, she approaches the crisis from the perspective of “National Intellectual Capital, (NIC)” which is very important in today’s knowledge-driven economy.

Taiwan is an example of a knowledge economy and has enjoyed the fame of being referred to as a “high-tech island”. Without an abundance of natural resources, Taiwan’s hardworking and highly educated population is the single most precious resource that the island has. Acknowledging the value of such human resources and intellectual capital, we established the Taiwan Intellectual Capital Research Center (TICRC) under my leadership in 2003. Ever since then, Taiwan’s government has continuously funded the university to conduct relevant research projects aimed at enhancing the intellectual capital of Taiwan. Having been thus endowed with the responsibility of nourishing future leaders in the public and private sectors, we have focused on building up our strength in innovation, entrepreneurship, and technology management-related research and education.

To enhance intellectual capital research, we recently formed a joint team of professors for a 4-year project in order to leverage their respective research capabilities. Through this project we hope to provide policy suggestions for the government by exploring the creativity, innovation, and intellectual capital at



national, regional, city, and county levels. The goal is to come up with an intangible assets (IA) agenda for Taiwan's future sustainability. Prof. Lin is an integral member in this research team.

Following her 2011 book *National Intellectual Capital: A Comparison of 40 Countries*, this booklet series is Prof. Lin's second attempt at presenting her research, conducted under the sponsorship of TICRC, to international readers. As the Founding Director of TICRC and her President, I am honored to give a brief introduction of the value of this booklet series.

In comparison to her 2011 book, this series increased the number of countries studied to 48 and particularly focuses on the impact of intellectual capital on the 2008 global financial crisis. Rarely has an economic issue been systematically studied from the view point of IA, particularly at such a large scale of 48 countries. The research results show without a doubt that NIC is indeed an important economic development enhancer. In particular, the fact that countries with higher NIC experienced faster recoveries from the 2008 financial crisis provides a strong message for the policymakers.

In addition to providing insights to national policy, the booklet also summarizes the background of each country before the crisis, the key events during the crisis, economic development afterwards, and future prospects and challenges. Each volume affords readers a holistic picture of what happened in each country in an efficient manner. The linkage between NIC and this financial crisis also provides a different perspective of the crisis.

We are happy that Prof. Lin continues to share her valuable research results with international readers. I sincerely hope that her insights can garner more attention concerning the benefits of developing NIC for the well-being of every nation.

Se-Hwa Wu  
Professor, Graduate Institute of Technology  
and Innovation Management  
President, National Chengchi University  
Taipei, Taiwan

# Preface I

There are “mounting risks of a breakup of the Euro zone.” Such comments are frequent today on how the European leaders are handling the escalating crisis and its potential impact on non-European countries. But few leaders, reporters, or researchers are actually addressing the situation of National Intellectual Capital (NIC) and its signals. In addition to the financial crisis, is there an emerging NIC crisis as well? Why is it emerging? How should policymakers think about NIC? In what way does it need specific attention? When will the outcome and impact of taken NIC policy steps be realized?

In the midst of the European crisis, there are national interventions to address the issues mentioned above. In leading economical nations the investments going into intangibles now exceeds tangibles, and is positively correlated to income per capita. However, these still do not show up clearly in national mapping as well as policy making insights. Therefore the New Club of Paris is focusing the knowledge agenda setting for countries on Societal Innovation (see [www.new-club-of-paris.org](http://www.new-club-of-paris.org)).

Chairman Ben Bernanke of the U.S. Federal Reserve was addressing some of these same aspects in a key note speech in May 2011 hosted by Georgetown University: <http://www.icapitaladvisors.com/2011/05/31/bernanke-on-intangible-capital/>. OECD and the World Bank are developing NIC statistics, often based on the model from Corrado–Hultén. Japan has been developing both NIC and Intangible Assets (IA) at METI for some time now. Their research on IC/IA has resulted in a National IA Week with various key stakeholders, such as government agencies, universities, stock exchange, and enterprises. Japan is so far the only country in the world to hold such activities, and they have been doing so for the last 8 years. Australia, Singapore, South Korea, and China are currently undertaking various NIC initiatives. Other countries are also becoming more and more aware of NIC, with policy rhetoric centered on innovation, education, R&D, and trade. Despite this, the map for a more justified NIC navigation has been missing.

This booklet highlights NIC development for a number of countries, based on 48 different indicators, aggregated into four major NIC components of human capital, market capital, process capital, and renewal capital. The model here is a refined and verified statistical model in comparison to the Corrado–Hultén model. We call it the L–E–S model after the contributors Lin–Edvinsson–Stahle. Based on a deeper understanding and the timeline pattern it sets forth, this model will add to a better NIC navigation, not to mention knowledge agenda setting for countries.

Upon looking at a global cluster NIC map, it is evident that the top leading countries seem to be small countries, especially Singapore, the Nordic countries, Hong Kong, and Taiwan. For the U.S., Finland, and Sweden around 50 % or more of its economical growth is related to NIC aspects. Sweden, Finland, Switzerland, the U.S., Israel, and Denmark are strongly influenced in its GDP growth by focusing on Renewal Capital.

It might be that we will see a clearer map of the NIC ecosystem and drivers for wealth emerge in the extension of this ongoing unique research of NIC. This booklet will present a NIC map for various clusters of countries. It can be used for bench marking as well as bench learning for policy prototyping. The starting point is awareness and thinking of NIC, and its drivers for economic results. Based on this more refined navigation, NIC metrics can be presented.

Deeper understanding will emerge from this research, such as the scaling up of limited skilled human capital in one nation by using the globalized broadband technologies for migration and flow of knowledge (such as tele-medicine or mobile banking in Africa). This is also referred to as the IC multiplier. It might also be the way the old British Commonwealth was constructed, but without the IC taxonomy. In modern taxonomy it might be the shaping of NIC alliances for the migration and flow of IC between nations?

Another understanding that might emerge for policy making is the issue of employment versus unemployment. The critical understanding will be deployment of IC drivers. This will require another networked workforce of value networkers on a global scale, such as volunteering software and apps developers. However such volunteers do not show up in traditional statistics, for the mapping on behalf of policymakers.

On another level, there might be a clear gap analyses between nations to support the vision process of a nation. On a deeper level, it is also a leadership responsibility to address the gap of NIC positions versus potential positions. Such a gap is in fact a liability to the citizens, to be addressed in due time.

This will take us to the need for the continuous renewal of social systems. The so-called Arab Spring is explained by some as resulting from three drivers: lack of renewal of social systems, Internet, and soccer as cross-class interaction space. The lack of social renewal and innovation is most likely critical early warning signals. For Greece, we can see such a tipping point occurred back in 1999.

On a global scale we might see that the concern for the Euro zone crisis should and can be explained by a deeper and supplementary understanding of NIC, in addition to financial capital. So we need to refine our NIC understanding, NIC mapping, NIC metrics, and NIC organizational constructs into societal innovation for the benefit of wealth creation of subsequent generations.

Leif Edvinsson  
The World's First Professor of Intellectual Capital  
Chairman and Co-founder of New Club of Paris

## Preface II

Our first book *National Intellectual Capital: A Comparison of 40 Countries* was published in early 2011, at a time when the 2008 global financial crisis had been declared over yet the European region was still plagued with sovereign debt problems. Before we finalized the book, we were able to retrieve some of our raw data concerning the troubled countries, such as Greece, Iceland, Ireland, Portugal, and Spain. The results of our analysis based on data spanning 1995–2008 revealed some early warning signs of the financial turmoil in those countries. In my preface of that book, I mentioned the warning signs might reveal only the tip of an iceberg. At that time, my co-author, Prof. Edvinsson and I decided to do a follow-up study to trace the development of National Intellectual Capital (NIC) in as many countries as possible, particularly through the lens of the 2008 global financial crisis. This 12-booklet series is the result of that determination.

The 2008 global financial crisis came with unexpected speed and had such a wide-spread effect that surprised many countries far from the epicenter of the initial U.S. sub-prime financial problem, geographically and financially. According to reports, no country was immune from the impact of this financial crisis. Such development clearly signifies how closely connected the world has become and the importance of having a global interdependent view. By reporting what happened during 2005–2010 in 48 major countries throughout the world, this booklet series serves the purpose of uncovering national problems before the crisis, government coping strategies, stimulus plans, potential prospects, and challenges of each individual country, and the interdependence between countries. The 6 years of data allow us to compare NIC and economic development crossing before, during, and after the financial crisis. They are handy booklets for readers to have a quick yet overall view of countries of personal interest. The list of 48 countries in 11 clusters is provided in the appendix of each booklet.

Searching for financial crisis-related literature for 48 countries is itself a very daunting task, not to mention summarizing and analyzing it. For financial crisis-related literature, we mainly relied on the reports and statistics of certain world organizations, including OECD, World Bank, United Nations, International Monetary Fund (IMF), European Commission Office, the US Congressional Research Service, the U.S. Central Intelligence Agency, and International Labor Office (ILO). Some reliable research centers, such as the National Bureau of

Economic Research in the U.S., World Economic Forum, the Heritage Foundation in the U.S., and government websites from each country were also our sources of information. Due to the requirement of more update and comprehensive information, we were not able to use as much academic literature as we would have liked, because it generally covers a very specific topic with time lag and with research methods not easily comprehended by the general public. Therefore, we had to resort to some online news reports for more current information.

In the middle of 2012, the lasting financial troubles caused the European economy to tilt back into a recession, which also slowed down economic growth across the globe. However, almost 4 years have passed since the outbreak of the global financial crisis in late 2008; it is about time to reflect on what happened and the impact of the financial crisis. By comparing so many countries, we came to a preliminary conclusion that countries with faster recovery from the financial crisis have higher NIC than those with slower recovery. In other words, countries that rebounded fast from the crisis generally have solid NIC fundamentals, including human capital, market capital, process capital, and renewal capital. We also found that the higher the NIC, the higher the GDP per capita (ppp). This booklet series provides a different perspective to look beyond the traditional economic indicators for national development.

In an era when IA have become a key competitive advantage, investing in NIC development is investing in future national development and well-being.

Enjoy!

Carol Yeh-Yun Lin  
Professor, Department of Business Administration  
National Chengchi University, Taiwan  
Taiwan Intellectual Capital Research Center (TICRC)

# Executive Summary

*National Intellectual Capital keeps non-oil export countries competitive, as in the case of Chile.*

How can National Intellectual Capital (NIC) act as a policy guideline for national well-being? One of the key causes of the financial crisis was that conventional financial systems failed to detect potential risks due to non-transparent information disclosure, including unsupervised financial activities across national borders. Our earlier NIC research revealed warning signs of impending financial crisis for Greece and Ireland. Such findings indicate that NIC, albeit intangible, can provide valuable insights into risk control and strategy formulation. This booklet looks at the connections between the financial crisis and NIC development for Argentina, Brazil, Chile, Colombia, Mexico, and Venezuela.

In particular, this report attempts to answer the following questions: How did these countries weather the financial crisis? Why are the oil-rich and national resource rich Latin American countries still in great poverty? What are the NIC profiles of these countries? What role has NIC played in the national development of these countries? Why has Chile, as a non-oil-dependent country, developed better than the oil-rich countries in this region?

Data covering 2005–2010 for 48 countries indicate that *the higher the NIC, the higher the GDP per capita (ppp)*, accentuating the value of NIC as a driver in major countries throughout the world. *For the 6-year average of NIC rankings among 48 countries, Argentina ranks 45th, Brazil 42nd, Chile 30th, Colombia 41st, Mexico 43rd, and Venezuela 48th.* In general, these countries are in the last quartile of 48-country NIC, except Chile.

The 2008 financial crisis caused severe impacts across the globe and is considered to be the worst crisis since the Great Depression of the 1930s. The crisis came with unexpected speed and spread into a global economic shock, which resulted in a number of bank failures. During this period, economies worldwide slowed, credits tightened, and international trade declined. In an effort to mitigate the crisis, governments and central banks across the globe responded with unprecedented fiscal stimuli, monetary policy expansions, and institutional bailouts. These measures had its desired impact and the financial crisis was declared over by the end of 2009.

However, the short global recovery in 2010 was overshadowed by the lingering sovereign debt problems in Europe, thus a global economic slowdown recurred in the second half of 2011. Despite the efforts of European leaders to prevent large economies like Italy and Spain from needing bailouts, Spain still asked for external financial assistance in June of 2012. Although the global economic outlook for 2013 will be better than that of 2012, growth in most developed countries is still predicted to be weak.

During the financial crisis, these six Latin American countries were relatively resilient compared to other countries for the following reasons:

First, past crises in the last few decades have prompted these countries to tighten financial regulations and launched structural reforms.

Second, foreign direct investment capital flight was not serious as this region was not yet the most favorable investing place.

Third, abundant international reserves of oil-rich countries plus price increases in oil and commodities allowed most of these countries to have some leeway in dealing with the crisis. In general, relatively sound macroeconomic fundamentals, policy responses by the governments, and international financial support have ameliorated what could have been a deeper and longer regional decline.

The Global Competitiveness Index ranking (GCI, [Fig. 1.1](#)) of these countries (except Brazil) declined in 2011–2012, when compared to their 2005–2006 level. Argentina declined from 72 to 85, Chile from 23 to 31, Colombia from 57 to 68, Mexico from 55 to 58, and Venezuela from 89 to 124. Only Brazil advanced in GCI, from 65 to 53. Between 2005 and 2010, the real *GDP growth* pattern of these countries (except Venezuela) was largely similar—it leveled in 2008, dropped to negative growth in 2009, and then rebounded to positive growth in 2010. However, Mexico experienced an earlier GDP growth decline from 2007 and had the deepest drop in 2009. Venezuela was the only country that did not rebound to positive GDP growth (–2.89 %) in 2010. Venezuela also has the lowest NIC ranking out of any country, 48 out of 48.

In terms of general *government debt*, only Chile and Mexico increased their debt level in 2010 compared to 2005. However, Chile had exceptionally low government debt even in 2010 at only 9.19 % of its GDP. Mexico had government debt of 42.70 % in 2010, still lower than the EU criteria of 60 % GDP. Argentina was able to reduce its government debt to a very large scale, from 85.42 % in 2005 to 47.09 % in 2010, very likely due to a global rise in soy bean prices. In 2010, Brazil had the highest government debt level in this country group, reaching 54.74 % GDP.

Aside from GDP growth and government debt, *unemployment* and its social impact is one of the major concerns of the financial crisis. Except for Mexico, all the other countries had unemployment rate reduction in 2010, compared to 2005. Argentina had the most significant reduction from 11.50 % in 2005 to 7.40 % in 2010, followed by Brazil from 9.80 to 6.70 %, and Venezuela from 8.90 to 6.50 %. Consistently, Colombia had the highest and Mexico the lowest unemployment rate over the years, the former 11.80 % and the latter 5.40 % in 2010. With respect to *Consumer Price Inflation (CPI)*, Venezuela consistently had the highest and



Argentina the second highest CPI reaching 27.20 % and 10.57 % in 2010, respectively. Chile had the lowest CPI, which dropped to 1.41 % only in 2010. The CPI of the other three countries was very close to each other, ranging from 3 to 6 %, with flat development over the 6 years.

For NIC component capitals, over the studied 6 years (2005–2010), Human Capital (HC) did not vary much among these countries before 2008. From 2009, two clusters appeared with Argentina and Chile being the high HC group and the rest four countries the low group. In general, the HC of these six countries was in the last quarter amongst the 48 countries, ranking between 35 and 44. Particularly, their “higher education enrollment” scored very low, ranging from 1.51 to 3.5 on 1–10 scale. Market Capital (MC) scores were spreading, with Chile far ahead of the others; Brazil, Colombia, and Mexico comprised a middle group, and Argentina and Venezuela a low group. For Process Capital (PC), Chile consistently had the highest, Colombia the second highest, and Venezuela the lowest in the group. The other three countries were in the middle.

For Renewal Capital (RC), all the six countries were very low, ranging from 1.2 to 1.8 on a scale of 1–10. Financial capital (based on 1–10 scale) did not show much difference among these six countries. For the overall NIC, Chile consistently had the highest score and Venezuela the lowest, with the other four countries in-between with little score variation, especially in the most recent 2009 and 2010.

For the co-development of NIC-GDP, MC-GDP, and PC-GDP, Chile performed best, whereas Venezuela performed worst. In terms of long-term NIC (HC+RC), Chile was the best performer and Mexico and Venezuela the lowest performer. As for short-term NIC (MC+PC), Chile again outdid the other countries, with Venezuela coming in last.

For *dynamic NIC ranking* changes in three time periods (2005–2006, 2007–2008, 2009–2010), the ranking gains represent increasing international competitiveness (among the 48 countries) after the financial crisis. Argentina gained international competitiveness after the financial crisis in HC, FC, and overall NIC. Brazil gained the largest scale of international competitiveness in MC and RC after the crisis, although it lost one rank each in HC and PC, comparing the most recent period (2009–2010) with 6 years average ranking. Chile lost three ranks of RC comparing the same time periods, which is a warning for this best performer in the group. Colombia lost one rank to two ranks in HC, PC, RC, and overall NIC also comparing the same time periods. Mexico lost two to three ranks in MC, FC, and overall NIC comparing the same time periods. Venezuela did not have much ranking changes over the three time periods.

NIC *3D trajectory analysis* was conducted to detect the enhancing and impeding factors of each country in reaching a targeted GDP per capita (ppp), benchmarking Germany due to its best performance in the Euro area. To reach the GDP level of Germany, Venezuela has the longest distance (–83.29 %) to cover, followed by Argentina (–69.30 %), Colombia (–66.56 %), Mexico (–63.94 %), Brazil (–62.72 %), and Chile (–57.56 %). Interestingly, even though Argentina

weathered this financial crisis better than Colombia, it still had a longer route to reach the target. A likely answer is that Colombia had better MC and PC than Argentina, despite Colombia experiencing more ranking declines during the three time periods. Specifically, transparency of government policies, capital availability, and convenience of establishing new firms are much better in Colombia than Argentina. However, it can be anticipated that Argentina will catch up with Colombia pretty soon, if the latter stands still without further progress for the next few years.

As of early 2013, the world economic recovery has been hampered by the pending debt problems in the Euro zone, the modest growth in the U.S., and the slower growth in Asia. Although these Latin American countries showed their resilience during this financial crisis, challenges still lie ahead as described in [Chap. 5](#).

The 2008 global financial crisis provided an ideal opportunity for nations to examine/renew/innovate the soundness of their economic system and the effectiveness of *national governance related to NIC*. The following implications are drawn from our research findings. Readers can refer to [Chap. 5](#) for the rationale behind these implications.

1. NIC development goes together with the economic development and should be regarded as an enhancer of economic growth.
2. Latin American countries can utilize their relatively good short-term NIC—MC and PC to boost national development.
3. NIC keeps non-oil export countries competitive, as in the case of Chile.
4. Positive NIC ranking changes reflect national competitiveness.
5. Government-related issues constitute a major part of impeding factors in achieving GDP growth in this region.
6. Research and development investment should lead to further national development in this region.
7. Oil and commodity-dependent countries need NIC to facilitate national development and establish better governance systems for a more resilient economy free from the risk of external shock.
8. Argentina's good performance during this global financial crisis may pave the way for its future development.

This report uncovers that Argentina needs to pay more attention to its high inflation and capital flight problems. Although rapidly expanding, Brazil needs to attend to its social and environmental problems as well. Chile, being the best performer in this group tangibly and intangibly, needs to have a coping strategy with respect to its low and declining RC. Colombia, an oil-rich country, can utilize its wealth to upgrade the infrastructure and reduce poverty and inequality. Its declining NIC also sent a warning for the sustainability of the country. Mexico needs to seriously deal with its chronic educational problem and informal economic system. For further progress, its oil technology has to be advanced as well. Contrary to expectation, this oil export country had a relatively large-scale MC

decline over the 6 years. Venezuela's lowest NIC ranking reveals critical societal problems that need to be dealt with. Despite its wealth, Venezuela still performed poorly during and after this financial crisis. First and foremost, its financial system needs to be re-examined for future sustainability.

In an era when the intangible asset has become a key competitive advantage, investing in NIC development is in essence investing in future national development and well-being. NIC should be nourished from both local culture viewpoint and global interconnectivity by social media. Based on emerging new insights of values, societal history, and citizen relationships, a key focus for the future will be on the fusion of NIC and social service innovation as well as societal innovation, for the enabling of a new societal fabric.

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# Abstract

In the first decade of the new millennium, the biggest event that caught worldwide attention was the 2008 global financial crisis, which was brought about primarily by ineffective governance, failed surveillance systems, and implementation flaws. These problems are mainly intangible in nature. Therefore, examining the financial crisis from the viewpoint of intangible asset provides a different perspective from traditional economic approaches. National intellectual capital (NIC), mainly consisting of human capital, market capital, process capital, renewal capital, and financial capital is a valuable intangible asset and a key source of national competitive advantage and well-being in today's knowledge economy. This booklet looks into the connections between the 2008 global financial crisis and NIC development with a special focus on Argentina, Brazil, Chile, Colombia, Mexico, and Venezuela. In addition to the summaries of financial crisis impact, the aftermath, future prospects, and challenges of each individual country, NIC analysis based on data covering 2005–2010 for 48 countries reveal that the higher the NIC, the higher the GDP per capita (ppp). Graphical presentations of various types allow for intra-country and inter-country comparisons to position the reported six countries on a world map of NIC-GDP co-development. By looking into tangible economic development along with intangible NIC development, this booklet provides valuable implications for policymakers.

**Keywords** Competitiveness • Economic policy • Financial capital • Human capital • Innovation • Intangible assets • Intellectual capital • Knowledge management • Research and development (R&D) • Science and technology policy •