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E-Commerce Operations using Econometric Modeling to Combat Currency Wars

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Abstract

The objective of the article is to identify E-Commerce operations to face own actions in currency war. The devaluation of national currencies is beneficial for exporting companies operating in countries where their currencies hold less than the dollar. Companies with E-Commerce business models, gather competitive facilitators for search and negotiation with suppliers of nations in which the difference between the value of their currencies of origin against the dollar, It promotes the generation of significant profits that benefit not only businesses but also local economies. Faced with a globalized economy, taking advantage of the opportunities of foreign exchange markets, allows the observation of actions that allow to execute operations, in the case of this article, through companies with E-operationsCommerce, directed to the adaptation and benefit of the policies established by the central banks of the nations and the same Federal Reserve of the United States, The Committee of the Regions is of the opinion that the European Parliament should be consulted on this issue.

Keywords: *Currency war, devaluation, revaluation, E-Commerce, competitive advantage.*

Introduction

Preserving financial resources and even increasing them in accordance with the guidelines of risk and particular interests of each investor requires knowledge of market movements, assessment of risks and profits, returns and possible losses. Even, outline the decisions of other investors interested in the same placements, among other factors, to make responsible decisions, informed and in line with the expectations initially raised by the investor.

When an investment is made, it bears a direct opportunity cost because, by refraining from using these resources in the immediate future, it is intended to achieve a future benefit, whenever an investment of resources is made is also acquiring a level of risk, either higher or lower but is always immersed, in addition to having required a saving or an income previously to have resources that can be invested (Fuentes Cetina, 2020). In the midst of globalisation the internet has been playing a very important role in opening up the world of investment and above all in providing the opportunity to access individual investors, having at hand the tools that until a while ago had only professional access dedicated to this field, creating an opening worldwide. (López, 2018)

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There are different investments according to their timing. Short-term investments are those that are expected to yield returns almost at any time or those that offer availability of resources in a short time; on the other hand, long-term investments have a slightly higher risk in the market. (Habitat, 2021)

Usually no investment is fully guaranteed because all depend on the behavior of the economy and according to what we have seen today, no one, not even government entities or financial institutions can guarantee the investor full protection of their invested resources or guarantee the resources they expect to receive in the future.

It is also important to clarify the disparity between making an investment and saving that portion of capital, saving is the action of marginalizing a part of the income when it is intended not have them in a time, this portion can be increased or not, depending on the instruments that the investor decides to use and of course that the market offers at that time. (Central Bank of the Argentine Republic, 2017). However, the saving does not represent a risk for the initial capital because that portion saved does not diminish, this without neglecting that when the money is still there is the inflationary effect, It follows that the purchasing power of this initial saving decreases over time considering that money loses value over time. In this sense the investment if it runs a risk on the invested portion, this risk can vary according to the instruments that are used which will allow to increase or decrease this capital. (Faculty of Economics - Universidad Nacional Autonoma de México)

Establishing the actions that E-Commerce companies can use as a benefit in a foreign exchange war scenario, implies understanding the alternatives to take advantage of and generate growth in such situations. Initially it involves understanding that it is a foreign exchange war in reverse, what are the factors that generate it, and its effect on E-Commerce companies. Then, set up mechanisms to face a foreign exchange war in reverse. Finally, evaluate the different actions of the E-Commerce sector against a reverse currency war to identify success stories.

Literature review

A currency is a currency that can be traded in any country by being accepted by the parties for the purchase of goods and services, that is, the monetary unit of each country.

International economic relations, whatever the way in which they can develop (exchange of goods and services, capital, transfers, etc.), require the establishment of a measure accepted by all the parties involved in order to be able to carry out the transactions with guarantee of balance. This accepted measure is the currency. The concept of currency is broader than that of foreign currency, in fact, can be any means of payment and positions in foreign currency (Educatio Humanum ISO).

However, for a country that accepts as exchange currency the dollar where the currency depreciates against the dollar, what is expected is an effect on imports negative, while in the case of exports companies will receive more dollars for their goods and services generating a profit for their companies and improving the country’s trade balance.

In convertible currencies there are no restrictions on the convertibility of the currency since the market establishes its value in the face of the free supply and demand of currencies. In non-convertible economies, restrictions may be placed on the amount and exchange control is presented.

National currencies have an acceptance of the currency of the country with which

trades mainly because it is easy for an entrepreneur to make an exchange or trade this currency with others. For (Vargas L. F., 2018):

They are those currencies accepted only by the parties involved in an external transaction. An example is when a Colombian company decides to export to Guatemala and accepts that the importing firm cancels it in the local currency, the Quetzal. The reason for accepting it as a means of payment is that the Colombian firm intends to cancel obligations it has contracted in Guatemala.

International or reserve currencies are accepted in global negotiations.

According to this concept we can relate it to the appreciation of Jeison Balaguera, executive director of Values AAA who says "Countries where currencies are issued are places that are considered low risk for investment because they are countries that pay their debts or do not have them. Politically they are stable, without abrupt changes in governments and so on" (Portfolio, 2022). This means that not all currencies can become internationally accepted currencies because countries must meet certain characteristics in order for their currency to be freely accepted worldwide.

You can state that there are five (5) universally accepted currencies which were chosen by the IMF, these are the US dollar (USD), the euro (EUR), the pound sterling (UK, GBP), the yen (Japan, JPY), and the yuan or renminbi (China, CNY). According to (Fernández, 2017): The most representative is the US dollar, in which more than 60% of central bank reserves are denominated. The euro is followed by 24% of international reserves. Meanwhile, the Japanese yen and the pound represent 5.4% yuan 5.6%, respectively".

The dollar began to have a strength from World War II because of the U.S. . was the main country that at this time helped the nations that participated in the conflict; so the Federal Reserve had the largest reserve of gold because the countries became indebted to the US. The U.S. and left without reserves opted for the purchase of dollars as a mechanism to pay their debts.

Likewise (Goodman, 2019) in his article Why does the dollar remain the currency of everyone? The answer is simple and it is because the central banks in the world have most of their reserves in dollars, despite the Financial Crisis of 2008 countries trust that this currency represents a solidity that no other has managed to prove over time.

The International Monetary Fund (Vargas L. F., 2018) chooses which currencies will be accepted worldwide, considering the following aspects:

1. Economic stability of the issuing country.
2. Strength of the financial system and its other institutions
3. Exchange rate stability
4. Volume of the country’s trade and transactions with the rest of the world

For the above, being the U.S. . As the world’s leading power, the stability of its economy and policies, the main trading and capital partner of industrial and emerging economies, countries accept the US dollar as their main currency.

Devaluation

One currency is devalued against another when more monetary units are to be delivered against one unit of the other currency.

In the case of a devaluation of the currency with a fixed exchange rate, the central bank decides the change in the value of that currency. While a currency with a flexible exchange rate depends on the behavior of supply and demand, this is achieved through a higher issuance of the currency, a fall in interest rates or the purchase of foreign assets (Martín, 2019). The ideal is that the currency market is not manipulated because always with these stocks there are winners as well as losers.

Therefore, a currency can be devalued by both external and internal factors of the economy. Although Colombia has been affected by internal events in the face of the uncertainty of the presidential elections and now the positioning of a leftist government, International events have also had an important impact on the devaluation of the Colombian peso in the face of rising prices for energy, gas, the war in Ukraine, high inflation in the US. In the U.S. the Federal Bank is seeking to fight through the rise in interest rates.

In the face of a possible recession in the US, a greater demand for dollars has been generated than having this Russian currency strengthen, what is more, the dollar reached a parity against the euro that was not presented 20 years ago, mainly due to the uncertainty that is going through a war between the government Against Ukraine.

"With a devaluation of 11% since the second round of the presidential elections, the Colombian peso is one of the most punished emerging currencies in the region" (Arévalo N. M., La República, 2022). As initially indicated, national losses and the confidence generated by governments have an effect on the decisions and behavior of citizens where many take refuge in the purchase of the dollar, making it more scarce in the country, for which people must pay more pesos. for one dollar as a result of the uncertainty in the economic and social policies that may be presented and the political announcements that are made due to the appointments and the orientation of the different directions that the incoming government will take, mainly for the Colombian economy.

On the other hand, an increase of $640 in the peso against the dollar this year has caused the profits of entrepreneurs who export to disappear, mainly because the inputs and raw materials come from foreign markets, for which their importation makes the costs of national goods increase (Hamburguesa, 2022) .

In turn, it is necessary to establish to what extent it is better for a country that its currency is devalued and establish by national companies as importers actions that favor their company and are not left out of the economic benefits and challenges in reinvention that it can represent change in its form of operation.

Currency Convertibility

In the 19th century in England, the gold standard was established as a mechanism for accepting the exchange of goods and services, by which the value of currencies was backed by gold and the exchange rate remained fixed. This changed after the First World War where the gold standard disappeared with the prohibition of gold exports and its convertibility. So the countries did not have the financing to pay for the war, for which they were forced to print new currencies that led to a drastic increase in inflation, unemployment increased and production fell.

For 1922 with the Geneva Conference whose participants were England, Italy, France and Japan, they established the gold exchange standard that consisted of the smaller countries using the currencies of the world powers as reserves that indicated that their currency was backed by gold; this finally did not turn out positive, displacing the USA to England as leader of the SMI due to the revaluation of the English pound, the restrictive monetary policies, the growing unemployment generating mistrust in this currency, causing the countries to demand that they be given gold that backed the currency which finally caused England to abandon the gold standard in 1931.

Beginning with the Great Depression in 1931, fluctuations in exchange rates have been perceptible; On the one hand, England, by abandoning the gold standard, caused its currency to depreciate and its exports were cheaper, therefore its production more competitive compared to that of other nations, and on the other, the USA manipulated the exchange rate to devalue their currency against gold in 1933, forcing countries such as France, Italy, Belgium, the Netherlands, Switzerland, and Luxembourg to devalue their currencies (Sánchez-Ocaña, 2014).

However, the new objective in the international context was to use "beggar-thy-neighbor policies" by devaluing its currency and establishing restrictions on imported products through tariff policies, which greatly affected international trade as nations used the same actions that the US was carrying out at the time where it was characterized by a lack of cooperation between countries.

Then the Bretton Woods System appears in 1944 with the Second World War where the exchange rates did not fluctuate due to their control and the articulation of actions between the allied countries (mainly the USA and England) achieving stability in terms of through the creation of the International Monetary Fund, the convertibility of currencies and the creation of a new system that would allow flexibility in exchange rates. This fund was created by the International Monetary System which currently has among its functions:

- Facilitate adjustment, understood as the way to resolve balance of payments imbalances through exchange rates.
- Provide liquidity through means of payment so that transactions can be carried out between the actors of the countries.
- Generate trust through the signals emitted by financial instruments.

By 1967, England decided to act against the Bretton Woods System, which was based on cooperation and the integration of the policies defined by the IMF. This country chose to devalue its currency against the dollar, causing an appreciation of the latter. Therefore, for the US, its gold reserves as backing disproportionately exceeded the number of dollars in the international economy, forcing US President Richard Nixon in 1971 to declare that the dollar would no longer be convertible into gold and to impose tariffs on imports generating a devaluation of the dollar that contributed to the trade balance of that country.

Then, in 1973, a free floating of currencies began to be presented and it was formally established in 1976 at the Kingston Conference that took place in Jamaica, which eliminated gold as the standard of the dollar and that is how the dollar does not have an endorsement and an era begins where the foreign exchange market is governed by the laws of supply and demand.

Free market

It is the place where goods and services are offered, where there are no restrictions or controls by the government that restrict their free commercialization, that is, it is regulated by the invisible hand, a concept used by Adam Smith in his book The Wealth of Nations. However, this type of free market affirmation is not real in this type of capitalist economy where competition prevails and the strongest take the weakest out of the market, likewise it is known that the large multinationals, cartels use techniques to make a product scarce in the search for higher prices that translate into higher profits through supply manipulation.

It is also clear that governments tend to regulate the economy through laws, policies, taxes and restriction programs in some sectors and for the benefit of others according to the interests of the government and its allies "the business sector in the case of right-wing governments.

Foreign exchange market

It is the place where different currencies can be exchanged as a payment mechanism for which prices are established for that change to be made.

In every market there are always bidders and demanders for this reason the bidders are the people and Intermediaries of the IMC Exchange Market who sell foreign currency, among which are the exporting companies, the income of remittances from nationals who are abroad and the sale of foreign currency of the Central Bank; In the face of an increase in the supply of foreign currency, the national currency appreciates, causing the exchange rate to fall by generating an increase in the value of the national currency against the foreign currency.

With respect to the demand for foreign currency, it is generated by the importation of goods and services, the sending of foreign currency abroad, the purchase of foreign currency by the Central Bank, the outflow of Foreign Direct Investment and the payment of international credits. (Vargas L.F., 2018)

In the case of an increase in the demand for foreign currency, it causes a depreciation of the currency, causing it to have to pay more for goods, services and foreign debts, this is because the exchange rate increases.

Exchange rates

It is the amount of currencies that a country receives against its convertibility with another foreign currency and the variations of these exchange rates are known as appreciation, devaluation and stability. Likewise, when there is uncertainty in an economy, volatility can occur and it is the supply and demand in the foreign exchange market that establish its price.

For example, according to information from (datosmacro.com, 2022) the exchange rates against the US dollar - USD for July 15, 2022 for the 4 main currencies show an annual devaluation against the dollar, however, the yuan is devalued in a smaller proportion.

Types of foreign exchange operations

Import of goods. Through the foreign exchange market, residents of a country carry out payment operations for imports and must also use this market to deal with payments for returns of imported products.

In the case of payments for exports, these are usually given in a term and depending on the TRM of the day and can usually be pre-financed by credits from abroad and by the foreign buyer(s).

Differentiation between the dollar Spot, Next Day, TRM and in exchange houses

There is differentiation in these concepts and an article by (Portfolio, 2022) will clarify them:

- Spot Dollar: It is managed by the Colombian Stock Exchange BVC and is traded daily only on business days from 8:00 a.m. to 5:00 p.m. to 1:00 p.m. where its behavior depends on the market of the day and is used to buy and sell large amounts of currency, generally by the business sector.

- Next Day: Allows transactions to be made on holidays that will be reflected within the following day, maximum in two days.

- TRM: It is the price established within a regulated market that depends on the amount of dollars in the market, for which it is intended to be within certain ranges and it does not change on weekends.

- Exchange Houses: The price is not regulated and its price depends on each exchange house and if they operate only during the week or also on weekends and even holidays.

Developing

Currency war

In the development of this work, it has been said that since 1973 the current SMI has as its main function the economic, commercial and financial stability worldwide, controlling in turn inflation through the relaxation of exchange rates that is known. as a free floating regime where there is no manipulation of exchange rates because it is governed by the law of supply and demand.

On the other hand, central banks have shown that they have among their powers the intervention on exchange rates by carrying out actions that generate imbalances in their behavior against the exchange market, this is known as "fear of floating" a term created by (Calvo & Reinhart, 2002). Despite belonging to the fact that the great economic powers are the countries that declare that they are participating in a free exchange market, they act in reverse in the search for an economic objective through the "devaluation of their currency" to promote exports and discourage imports having a positive effect on the internal trade balance in the short term, which in turn has a negative effect on the countries with which it maintains a commercial relationship.

It should be clarified that the other countries can behave in the same way, for which the effect of the devaluation of the currency of the first country tends to disappear, affecting it, given that the price of domestic production will tend to rise, affecting exports, or it may even present the scenario in which imports do not fall despite the fact that they are more expensive given that the substitution effect compared to national products is zero.

This concept has been used since 2010 by the Brazilian finance minister, Guido Mantega, who points to the US, through the Quantitative Easing QE or Quantitative Flexibility program, of manipulating exchange rates by causing the currencies of other countries to appreciate against the dollar to devalue their currency and make it more competitive, as well as the implementation of protectionist measures to protect themselves from foreign products that are offered at lower prices than those of their internal production (Sánchez-Ocaña, 2014). Currency warfare is simply the manipulation of a country's currency to devalue it and gain a competitive advantage over other currencies.

There are countries that have adopted Quantitative Easing as a currency devaluation mechanism to achieve growth in their economy even to avoid deflationary risk.

It can be concluded that when the value of a currency falls in relation to others, it contributes to an improvement in the economy because national entrepreneurs export at competitive prices; on the other hand, the increase in imported goods increases thus promoting domestic consumption. For (Steinberg, 2013):

Faced with a high level of accumulated debt in advanced countries, it reduces the dynamism of consumption, no one is unaware that everyone will try to generate growth through exports. And making the currency cheaper is the easiest and fastest way to improve the price-competitiveness of foreign sales.

That is why mainly emerging countries tend to receive a greater impact from changes in the dollar and are attentive to possible changes in the monetary and exchange policy of the world power.

According to the approaches of (Krugman, 1995) the decisions of a nation in search of internal growth have a global effect because a change in monetary, fiscal or exchange rate policy generates an impact mainly in the nations. with which they have a commercial exchange. Among the objectives are to achieve full employment of resources, price stability avoiding high inflation and maintain a balanced balance of payments.

However, more recently the picture seems to be different: the president of the United States, Donald Trump, has accused the Chinese Federal Reserve (FED) of being responsible for the fact that the dollar is currently "very strong" by keeping interest rates high. interest. The article by (Treanor, BBC News, 2019) of BBC News indicates that China has been establishing actions that have generated an appreciation of the dollar in order to generate a competitive advantage over the exchange rate between the dollar and the yuan, promoting exports. of Chinese products as they are cheaper than American ones.

It is said that the relationship of the G-20 in which the US and China participate has no basis since the countries intervene in the exchange rate policy for their benefit and not under cooperative actions.

Moreover, according to statements from the Asian country, the US enjoys issuing the main global currency and employing expansionary monetary and fiscal policies by exporting inflation; while the United States points to China for manipulating its exchange rate, avoiding the appreciation of the yuan, reducing the competitiveness of other countries that could offer products at competitive prices according to (Otero-Iglesias & Steinberg, 2013).

On the other hand, (Goodman, 2019) that Tony Cenicola stated that it is important to remember that in times of crisis, countries prefer to take refuge with deposits in dollars, at the same time that it is the most traded and most easily accepted currency worldwide, mainly in foreign trade of raw materials.

In the government of Donald Trump, it was even thought that the hegemony of the dollar as a refuge currency would end due to the policies established in his mandate where international trade relations were faltering and it was believed that buyers of savings bonds would lose confidence in this currency. , as well as the sanctioning measures it imposed against Iran and Venezuela. Thanks to the strength of the currency represented for decades and the actions of the US Department of the Treasury to promote the purchase of savings bonds offered by the American country to different nations.

In this type of scenario, countries can manipulate their currency in search of having a greater commercial presence in other countries by making their products and services cheaper. “A currency war refers to the deliberate movement of a country to manipulate the price of its currency in order to adapt it to its economic policy” (Treanor, BBC News, 2019).

The Asian country is proof of how a nation through the manipulation of exchange rates has managed to position itself in the world with a relatively cheaper production than other nations. The approach of (Treanor, BBC News, 2019) is:

China is not the only country that has sought to have a competitive advantage of its currency against others through the devaluation mechanism. “So have countries like Japan, South Korea and Taiwan according to Guido Mantega, former Minister of the Economy of Brazil.

Now, the US, to combat this type of currency manipulation measures caused by China, decided to establish tariffs on imports of products from the Asian country, which meant that imported products had to pay when entering the US country. a higher value.

In turn, the United States. To combat the increase in its currency in 2019 compared to other currencies in the space, the yuan has used tactics such as reducing interest rates, seeking to make its value more competitive. Another mechanism is that the Federal Reserve uses its reserves to buy other currencies, that is, it must sell dollars to buy other currencies to deteriorate the value of its currency (Treanor, BBC News, 2019).

According to (El Financiero Economía, Mercados y Negocios in alliance with Bloomberg, 2021) indicates that during the pandemic China was one of the economies that gained the most by being the largest commercial channel in the world and being a country known for its competitiveness. in terms of prices by generating production with growing economies of scale, low wages due to the high labor supply, the price of its raw materials and by flooding the world with its low-cost products offering better prices to the rest of the world.

Reserves in dollars

Countries since 1930 have switched from the gold standard to the dollar as a transaction mechanism through a currency that is accepted worldwide. According to (El Financiero Economía, Mercados y Negocios in alliance with Bloomberg, 2021):

However, since more than 60% of foreign exchange reserves are in dollars, the trend is that dollar holdings have been falling compared to 1996, which has had an appreciation effect on currencies such as the euro, pound, yen and the yuan.

This indicates that this is why the dollar is considered the world reserve currency for hundreds of countries that see the dollar as the refuge currency and long-term investment.

Counterweight of the yuan against the dollar

The Chinese government sees the use of the devaluation of its currency as a mechanism to promote investment in its country, since it is more attractive for foreign economies to buy cheaper products, increasing their exports, supporting the country's entrepreneurs by having a competitive advantage over prices.

Now, when reviewing some macroeconomic variables in this country, there has been significant growth since the 1990s, where GDP per capita went from 317.88 thousand dollars to 10,500.40 thousand dollars for the year 2020 according to (Data Commons, 2020), which has an impact on economic growth that can be seen reflected by:

1. Reducing the infant mortality rate from 4.21% in 1090 to 0.68% in 2019, which translates into more labor, lower salary costs and higher production.

2. Population growth from 1,135,185,000 to 1,402,112,000

3. Energy consumption 766.99 kg of oil equivalent per capita to 2,236.73 which can be seen as an increase in the country's production to meet the high international demand for Chinese products.

4. Variation of the exchange rate, for the month of May 2015 the trend was a devaluation of the renminbi yuan against the dollar until mid-October 2016 as well as for the period from January 2018 to March 2019.

The central Bank of China through its actions intends to have control over the appreciation of the currency for the benefit of exporters by having a competitive currency that allows relatively cheaper products to be offered to the world. However, from August 2020 to June 2022, the trend was for its currency to appreciate against the dollar due to the number of commercial transactions that occurred during the pandemic, where this country was the main world pantry in many sectors worldwide. in part due to the good handling of the pandemic that allowed them to continue operating without affecting their production, while many other countries were in complete confinement, affecting the world economy.

The exports of the Asian and Pacific countries, although they have been growing, do not do so as in 2012, while the euro zone has been evident for the year 2021 with respect to the figures of 2012. On the other hand, the figures In the face of a currency war, the poorest countries are, countries in the Middle East and North Africa, South Asia and South Africa are the most affected because their products lose price competitiveness.

Now, China has been a country that has sought to be the world power and that is why, through investments in its currency, the renminbi seeks to finance infrastructure projects such as the Silk Road and seeks that its currency be accepted as a recurring currency of transactions, for which it has been promoting with Brazil, Canada, the United Kingdom, among others, the exchange of their currencies.

In this case, the figures show how China comes from a slowdown in its exports as a result of the growing debts to finance its infrastructure projects, as well as the mistrust that has arisen between the countries where the Silk Road passes to the to think that although this mega project can bring great economic benefit in the medium term, it may be that China is developing a plan to colonize territories, which has been seen as a possible threat to these nations.

Factors that generate a currency war

A currency war is generated mainly in times of crisis where countries seek to obtain a competitive advantage to stimulate exports through lower prices in response to the action of devaluing their currency.

Among the most iconic events in which the great powers used the devaluation of their currency as a protection mechanism in the face of a crisis are:

- The Great Depression of the 1930s, so known because on October 29, 1929, the biggest drop in the New York stock market occurred.
- The financial crisis of 2008 due to the collapse of the housing bubble in the US.

From another point of view, not only is it a measure used by countries to get out of a crisis, but they have seen the devaluation of their currency as a way of stimulating their growth through the export of relatively cheaper products abroad.

The other point of view is that the devaluation of their currencies promotes domestic production because it becomes more competitive against the price of imported products and/or services, encouraging domestic consumption of national goods and having a growing effect on the GDP of the nation.

Unfavourable implications of competitive devaluations The experience of the 20th century and part of the 21st century has shown that a competitive devaluation not only brings advantages but also disadvantages as it points out (Martínez, 2016):

1. Given the increase in the price of imports and the inflationary effect, purchasing power is lost.

2. Greater value to pay for debt contracted under foreign currency as the debt level is automatically increased.

3. In a scenario where countries imitate the decisions to devalue their currencies, it would cause an international conflict, affecting foreign trade by being motivated to establish restrictions on foreign goods by tightening and/or creating tariffs.

Foreign exchange war in reverse This concept comes from the currency war and it is, as its word indicates, the opposition of the devaluation that in a reverse currency war would be known as the revaluation of the currency or strengthening against others promoting imports as a mechanism of supply of an economy of goods and services that can be relatively cheaper.

A clear example is the fall of 15% of the Japanese yen against the dollar this year; The Bank of Japan has sought to devalue its currency with the idea of stimulating the economy, even so, the governor of the Bank of Japan, Mr. Haruhiko Kuroda, admitted that this decision has not had the expected effects and they are in a disadvantageous position for their economy. (The Republic, 2022). Apparently devaluing the currency does not favor all the economies that apply it.

In this case, one might think that countries would currently be betting on a reverse currency war; In other words, several are leaning towards the option of strengthening their currency, as the US has been doing for several years, by increasing their interest rates, arguing that it corresponds to a control measure for inflation, allowing imported products to enter the country. cheaper. However, we believe that this type of currency war in reverse would not be a strategy to be used by China because its economy is based on exports, for which making its currency stronger would make it lose competitiveness in price and its current trading partners would be motivated to seek agreements with other countries with the aim of creating new trade relations with countries that can offer the same products at lower prices.

The position of Jerome Powell president of the Federal Reserve against the strengthening of the dollar who indicates that "price stability has strengthened confidence as a store of value" (La República, 2022). In other words, it is that the objective of the Federal Reserve is to control inflation and its mechanism is interest rates, which in the end will have a bullish effect on the dollar.

This strategy is beneficial for the United States, since the business of its economy is focused on debt, offering treasury bonds so that countries become indebted and they see the arrival of imported goods as beneficial for their economy, since they are not characterized for having an absolute or competitive advantage in the production of manufactured goods, for which imports are clearly the best way for its citizens to acquire cheaper products instead of producing them in the country.

Electronic Commerce

It is the virtual place where buyers and sellers interrelate for the acquisition of goods and services. It is a channel that allows transactions to be carried out through purchase without the need for face-to-face presence between the parties, but rather it is carried out through ICTs where the use of the internet is vital for its purpose to be carried out.

Modalities of Electronic Commerce

According to (Tobar, 2015) electronic commerce is developed with 4 types of modalities to establish the relationship that exists between users and providers:

• From business to consumer (Business to consumer, B2C: Companies offer their products to different users.

• From business to business (Business to business, B2B): Two-way, both the company is a buyer and a seller, allowing the development of the value chain to be more agile, where purchase orders, contracts, returns, payments are made in an electronics.

• From business to government (business to government, B2G) where both companies and individuals can offer their products and/or services through platforms that the government creates to supply all of its institutions, in addition to an advantage that this type provides. of platforms with systematization is transparency in the expenses that governments make and under what concepts.

• From client to client (consumer to consumer, C2C) where natural persons come together selling and buying products.

Globalization

The world is more interconnected than ever and the effects on the economies respond to the decisions and external factors of other countries, mainly with those in which they have commercial, economic, social and even environmental interests, making the economies more dynamic and presenting a free market where the countries that have a competitive advantage will be the winners. For the (International Monetary Fund, 2000):

The increase in international capital flows and the globalization of financial markets is also a result of the revolution in telecommunications and information technology, which has sharply reduced transaction costs in financial markets and encouraged the continuation of the liberalization and deregulation of international financial transactions.

Countries have greater opportunities for business and the exchange of goods and services by accepting foreign currency as a means of payment. In the same way, telecommunications have generated worldwide communication facilities that almost in an instant can hold meetings, negotiations, and commercial closings from anywhere in the world. Likewise, technologies have increased productivity, competitiveness and have even facilitated the means of payment through payment platforms and e-commerce have been a radical change in the way in which products and services are marketed from anywhere.

Currently, in the Colombian case, we see how the Colombian peso has tended to appreciate against the dollar in the face of market shortages and a growing demand for this currency due to the nation's electoral uncertainty, as well as the behavior of the TRM at the international level. . In general, for the general public (meaning natural and legal persons) they can acquire the currency in exchange houses, as well as in the following banks: Bancolombia, Banco de Occidente, Banco Caja Social, Itaú and Bbva Colombia, Scotiabank Colpatria according to (Arévalo N. M., 2022).

The foregoing shows us how the current international context moves on the appreciation of the dollar against weak currencies such as the Colombian peso, having a positive effect for exporting entrepreneurs and affecting those who are importers of goods and services by having to pay more pesos. Now, through globalization it is easier to carry out transactions in other currencies through the national bank, facilitating negotiations; however, there is still a long way to go before banks make it easier for anyone to sell foreign currency without it being relevant if they are a client of the entity, since Scotiabank is the only banking entity that allows transfers abroad without the need for be a customer

In relation to what is happening internationally between the conflict between Ukraine and Russia, it has caused the dollar to appreciate, promoted by the uncertainty of the war that affects the international community, for which countries, companies and people see treasures, gold and dollar as assets to shelter from the consequences of widespread inflation. For Juan David Ballén, director of analysis and strategy at the Casa de Bolsa, "When risk aversion increases, the demand for refuge assets such as treasures, gold and the dollar increases, and interest in risky assets such as shares decreases" (Vargas N., 2022).

On the other hand, this war between Russia and Ukraine has brought a sharp decrease in gas supply due to Russian restrictions as a counterattack to the US due to restrictions on access to capital that this country has in that nation, exacerbating the general malaise and having an even more noticeable impact on the European community, who have seen how their currency is devalued due to the preference of the rest of the world to seek other haven assets other than the euro.

E-commerce type companies are the ones who, in a scenario of divide wars, can use it to their advantage mainly because, being goods platforms, they can offer any type of product for sale, anywhere in the world according to where they are operating and take advantage of to look for mainly local “merchant” business partners because the products of the national economy would tend to compete on price, also benefiting consumers with relatively lower prices.

Online shopping has been in this 21st century a tool for many companies to grow and become known internationally, offering their products on different platforms such as Amazon, Mercado Libre, Ebay, Alibaba, Wal Markt, Shopping, to name a few. , where thousands of transactions can be recorded daily, ranging from travel, technology and all kinds of products. This has also happened thanks to advances in technology and telecommunications. In the Colombian case we can mention Linio, Dafiti and Groupon as the leading national companies.

The pandemic boosted purchases through electronic commerce platforms worldwide, showing figures of 26.7 billion dollars for 2019, this represents 30% of world GDP. The Republic of Korea's retail e-commerce grew the most in 2020, registering 25.9%, followed by China with 24.9% and the United Kingdom with 23.3% (UNCTAD, 2021).

On the other hand, small platforms that are sectored and offer very specific services such as travel platforms are the ones that have been most affected by Covid 19 due to mobility restrictions worldwide. On the one hand, there is the great Alibaba of China. that grew presented sales for 2020 of $1.145 billion dollars and Amazon a US company with $575 billion dollars, while travel companies such as Booking from the US only reached sales of 35 billion dollars (UNCTAD , 2021).

In the Colombian case, online sales for the third quarter were 71.4 million transactions and according to (Arévalo N. M., 2021) they could reach a growth of 31% due to the fact that consumers are changing the way they acquire goods and services. and they see e-commerce as the most useful space to search and obtain what they want. In addition, it indicates that the largest form of payment is debit to a savings account with 62.1%, 33.1% through payments with debit and credit cards and only 4.8% is paid in cash.

We can conclude that the business in this century is for the large e-commerce companies that offer thousands of references, categories and lines that make it attractive for the consumer to use this channel of commerce to obtain the products they want and they will get it at their doorstep. home through secure electronic means of payment and this is offered mostly by Chinese and American e-commerce companies with a scope of their trade where there are no borders but challenges in terms of how to take advantage of the externalities of each country and the currency behaviors to set strategies that allow them to obtain an advantage of situations mainly in economic matters.

Colombian Context

The Colombian country faces one of the great challenges in recent years, in addition to having faced the pandemic for more than 2 years, now it must overcome the high inflation rates, the devaluation of the Colombian peso and the changes mainly in tax matters that according to Statements by President-elect Gustavo Petro will face from his government.

Faced with the uncertainty of a left-wing government that in a few weeks will take office, Colombian businessmen and investors, as well as the general public, see the increase as a risk to their assets, and have decided to protect themselves by buying dollars as a protection mechanism against the different statements that keep the Colombian market in uncertainty. The president-elect made a call on Twitter in the face of this situation "To those who are buying dollars in Colombia, with the greatest respect I have to announce that, when I put them up for sale again, they will be worth less at that time. Be careful! Don't lose your money" (Portfolio, 2022).

The dollar is the refuge asset that Colombians usually use in the face of a peso so devalued that it has caused demand to increase in the face of the inflation that the country is going through, causing a significant loss of purchasing power. Notes (Portfolio, 2022):

“This call was made in the face of the depreciation that the Colombian peso has been suffering against the dollar, where on July 11 it was the currency that suffered the greatest drop worldwide, where it was traded at an average price of $4,515.76 where the TRM had was $4,388.27, for which an increase of 127.49 pesos per dollar”.

Now, the devaluation of the Colombian peso is not only due to a national context but to what is happening in the world with lower imports, production shortages, the world is just coming out of a pandemic that left a fragmented economy, high rates of inflation, a container crisis, gas shortages, a war caused by Russia that Ukraine is unfortunately experiencing and has left destruction, loss of its population and millions of economic losses, all of the above has generated a snowball that has increased inflation in all the countries of the world and that the central banks are trying to control with high inflation rates and avoiding sowing the panic of a globalized economic crisis.

Success stories

Evaluate the different actions of the e-commerce sector in the face of a reverse currency war to identify success stories.

In recent years, e-commerce companies have evolved and have acquired a relevant position in this type of commerce, generating dynamism in the markets, increasing consumption and contributing to the growth of the economy of their countries.

The figures observed from the page of (UNCTAD, 2021) indicate a growth trend in online retail sales in the following countries: Australia, going from 14.4 in 2019 to 22.9; China from 1,233.6 to 1,414.3; Republic of Korea from 84.3 to 104.4 and USA from 598 to 891.7; These figures are expressed in billions of dollars. The interesting thing about this information is to see how the world powers see this type of channel as the new way of doing business.

Amazon

Data from (UNCTAD, 2021) show Amazon (headquarters in the US, founded in 1994) as the second E-Commerce worldwide, having as a reference the gross value of merchandise in billions of dollars, going from 417 to 575, figures corresponding to the years 2019 and 2020 respectively, which represents an increase of 38%, in part due to its great recognition and use by users in Latin America.

Among its strategies is the diversification of its portfolio, its fulfillment of the promise of value for users, generating trust, as well as the immediacy of delivering the products purchased to the user within the established times. On the other hand, it has been commissioned to be first in search engines, which makes the use of digital marketing a tool with global reach, the use of social networks and reminders and information sent to users is another of the tools to promote purchase intention.

Alibaba

It is the number one E-Commerce in the world, its headquarters are in China. The figures prove it, only between 2019 and 2020 the gross value of merchandise grew by 20.1%, going from 954 to 1,145 billion dollars.

Conclusions

In recent times, the participation of various countries in world markets has increased considerably, due to the reduction of trade restrictions and the opening of markets. Colombia has not been left behind, it has been a country that presents great opportunities that many investors are able to identify, but although it is true despite its great potential, it also presents a challenging panorama due to various economic, political and security aspects, added to that the world economy is currently facing the negative consequences of a pandemic that has generated an increase in the poverty rate, a crisis in the health systems, and in general a global economic crisis.

Starting in 2022, there has been an increase in foreign investment compared to the previous year, taking into account the health emergency decreed by the national government, which caused foreign investment to be paralyzed or withdrawn during the crisis, added to the pre-election period that is going on Currently the country, which gives a feeling of uncertainty for many investors, despite this, the analyzes carried out show more positive than negative perspectives, as reported by Moody's analysts, who raise the projection of the economy between 4.5% and 5.4 % conceiving either of the two possible administrations of the strongest presidential candidates, however investors, in general, do not like political uncertainties and may choose to wait and see before investing in the country.

Colombia increased the gross domestic product by 8.5%, this was not only higher than expected but it is expected to continue to increase for the rest of the year, compared to that reported for 2021 which was 0.9%, this gives a good outlook for investors foreign. On the other hand, the most representative risks that arise at this time are mainly inflation, which reaches 9.23%, being the highest in the last 21 years, and the interest rate, which has risen to 6% and is expected to continue to rise. increase to about 8%. (BLOOMBERGLINEA LINEA, 2022).

Colombia currently focuses its segments with opportunities for foreign investment in agribusiness, information technology, tourism, metalworking, service outsourcing, and non-conventional energy, with the development of renewable energy being one of the fields that represents the greatest economic openness and that has with important incentives such as deduction of 50% of income tax for 15 years, among others, even so, attracting investment is an ongoing task because it represents a very important growth and development link for the country, without leaving sustainability behind of the environment and the conservation of the territories.

Likewise, the work ahead of the government is to strengthen the economy, reduce the fiscal deficit and public debt to achieve an increase in the rating by reducing the country risk, in order to enhance the degree of profitable and safe investment.

Taking into account the research carried out, our proposal as researchers and students is to provide knowledge so that in addition to the large investors, who delve into the subject due to their activity and have their own market studies, anyone knows the broad portfolio that Colombia offers due to that there is a tendency to think that there are only basic and known investments since time immemorial, which make people tend to keep their capital as savings and not as investment.

In the development of the investigation, we were also able to demonstrate and as a proposal to generate a general alert to the Colombian population, which has traditional knowledge that foreign investment is harmful to a country because all the profits are "taken" to their countries of origin. , which is a myth, given that foreign investment in Colombia has allowed a sustained development of the economy, its inhabitants and general welfare, giving opportunity to the generation of jobs, tax payments for social investment, which in this country they are quite high and in general supporting Colombia, giving a commitment of confidence to invest their resources and efforts in our country.

Likewise, we can conclude from this research that Colombia is a country with high potential for both foreign and local investors and despite the difficulties, it is an attractive region for investors in different sectors. Likewise, this research allowed us both to identify the factors that determine the risk rating in investments in Colombia and to delve into and specify the available investments and the strong sectors to invest.

Finally, the results of the research carried out show some warnings regarding the attraction of investors, but it shows the high potential of Colombia in a variety of fields that will allow it to guide the country economically by attracting development.

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