Sistema Económico
Latinoamericano y del Caribe

Latin American and Caribbean
Economic System

Sistema Econômico
Latino-Americano e do Caribe

Système Economique
Latinoaméricain et Caribéen

Prospect for economic growth and long-term development challenges for Latin America and the Caribbean

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Extra-Regional Relations

Permanent Secretaria
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C O N T E N T S

F O R E W O R D

This document of the Permanent Secretariat aims to present a prospective analysis of growth and economic and social development in the long term in Latin America and the Caribbean (LAC). The document must be examined from the perspective of the public policy that should be adopted to "make" the future of the region.

This document consists of five sections. After the introduction, the recent economic dynamics is depicted in the second chapter, including economic growth before the Great Recession of 2008. Subsequently, a description is made of the economic, commercial and social impact of the crisis, both worldwide and in Latin America and the Caribbean, which has led to the decline of all key economic indicators.

The serious consequences of the crisis in the short, medium and long term, as well as the actions adopted around the world and prospects for times of crisis, are detailed in the third section. The fourth section describes the most important regional challenges that should be taken into account when outlining regional public policies and strategies.

The challenges that will be confronted in the future in the fields of economy, demographics, environment, and others, both globally and regionally, are listed in the fifth section.

The sixth and final chapter analyzes the perception of Latin America and the Caribbean (LAC) in some global scenarios, most of them constructed for the 2025-2050 horizon. It studies the place that the region will occupy in the world in the long-term.

The Permanent Secretariat thanks Dr. Jorge Eduardo Navarrete for his invaluable contribution to the preparation of this study.

I. INTRODUCTION

Development is still an elusive goal for most of the South countries, among them, those of Latin America and the Caribbean (LAC). Globalization poses significant challenges for developing countries, and the possible solutions to those challenges exceed the scope of conventional public policies. Among many cases, it should be highlighted the one regarding the asymmetries in value creation and distribution resulting from the operation of global productive chains. The very same outlook of globalization is far from clear. Mostly, globalization uncertainties about its nature and future dimensions have multiplied after the Great Recession, which was considered outdated by the conventional opinion.

Without a doubt, the irruption of what is known as the "new South" in the current global system is a phenomenon associated with successful experiences in terms of economic growth, poverty reduction and progress in promoting exports that some countries had in the last years. However, it is a premature conclusion to consider this phenomenon as an evidence of a trend that will be replicated in the rest of the developing countries. Furthermore, under certain circumstances, the great heterogeneity existing in the South, currently and in economic and social forecasts could also become a source of issues concerning development in many nations.

In turn, the governments of Latin America and the Caribbean require an increasingly comprehensive and in-depth analysis of economic growth and long-term development that could surpass the most common studies and estimations, which are focused almost entirely on the short-term issues faced by the region.

Although these matters bring about great challenges – one of them is the changing situation of the international and regional economy – they are necessary in order to anticipate any commercial, financial, technological and environmental phenomena that could prove to be adverse for the region. Similarly, analyses of this nature are useful to design and implement the strategies and policies of economic and social development that are intended to modify the typical structural trends in the Latin American and Caribbean economies and societies. Moreover, because development in itself is a process and it is not an "event", its challenges are continuously changing. The capacity to adapt to the circumstances, to absorb the changes and to identify weaknesses in order to make policy corrections is a key factor that determines to a certain extent the success in advancing towards development by identifying the medium- and long-term objectives.

In the case of the construction of regional scenarios of medium- and long-term economic growth and development within wider scenarios, related to the evolution of the global economy and the power equilibriums in the world, this analysis gives the countries an idea of the milieu in which their economies and societies will play in the years to come. Obviously, this type of research is particularly useful for public officials responsible for policy design, decision-making and assessment of economic and social performance.

As it has been indicated, the current international economic crisis has corroborated that we live in a world of increasing uncertainty, and in which unexpected events can have undesired effects on our societies. Having this knowledge of reality, it will be very useful for the SELA Member States – whenever advisable – to have a systematic submission of a regional forecasting analysis on long-term economic and social growth and development in Latin America and the Caribbean (LAC) and their subregional levels.

II. RECENT ECONOMIC DYNAMICS

1. The economic boom before the crisis

During the five-year period before the Great Recession, from 2003 through 2007, a widespread economic boom was recorded. In that period, global economy expanded steadily, at an average annual rate of 3.7%. Growth was smaller in high-income economies, which recorded a 2.7% average annual growth rate – one point below the global average. Among these countries, the economy of the United States reached an average growth very similar to that recorded by high-income economies as a whole, while the European Union lagged behind slightly, with an average annual growth rate near 2.5%. This lag was more noticeable in the Euro Zone, where the growth rate was one point and a half below the global average and half a point lower than in advanced economies as a whole.

TABLE 1
Economic growth during the five-year period of economic boom
(Average rates of real GDP growth, %)

	2003	*2004*	*2005*	*2006*	*2007*	*Average*
World	2.7	4.1	3.5	4.0	4.0	3.66
High-income countries	2.0	3.3	2.6	3.0	2.7	2.72
United States	2.5	3.6	3.1	2.7	1.9	2.76
European Union	1.4	2.5	1.9	3.3	3.2	2.46
Euro Zone	0.7	2.2	1.7	3.2	3.0	2.16
Emerging and developing countries	5.6	7.5	7.2	8.1	8.6	7.40
Sub-Saharan Africa	4.1	5.9	5.7	6.3	6.5	5.60
Middle East and North Africa	3.5	6.2	4.7	5.5	5.9	5.16
Latin America and the Caribbean	2.1	6.1	4.9	5.8	5.9	4.96
East Asia and the Pacific	8.8	9.0	9.8	10.9	12.3	10.16
China	10.0	10.1	11.3	12.7	14.2	11.66

Source: World Bank, World Economic Indicators.

On the contrary, during the same five-year period, economic growth was stronger in the emerging countries group, in which the average annual growth rate of the economy rose up to 7.4%, more than three and a half points over global growth. It can be asserted that out of the world developing regions, economic dynamism focused on East Asia and the Pacific, which hit a two-digit average annual growth rate (10.2%), more than doubling the rate recorded by the other large developing regions. The Sub-Saharan African countries showed, however, a substantial annual average growth rate (5.7%), while LAC recorded a 5% annual average growth rate. The outstanding dynamism in the Asian Pacific region was bolstered especially by a high and steady growth in China's economy, which showed an 11.7% average annual growth rate during the five-year boom period prior to the crisis.[1]

As highlighted in Table 2, the average annual growth rate during the five-year boom period in LAC showed noticeable differences regarding national figures and in some cases, remarkable year-on-year fluctuations. In that period, about a quarter of the region's economies – eight of them – grew sharply, over 6% on average, while about half of them – 16 out of 33 – recorded substantial growth, over 4% and up to 6% on average.

[1] The average annual growth rates were calculated based on the information available on the *World Economic Indicators* database prepared by the World Bank (www.worldbank.org/databank).

Out of the remaining nine economies, seven showed small growth, with an annual average growth rate ranging from 1% to 4%, and only two island economies fell to the bottom, with an average annual growth rate below 1% in real terms. It is difficult to assume that, in a foreseeable future, the region would achieve a boom period comparable to the five-year period prior to the crisis.

TABLE 2
Latin America and the Caribbean: the five-year boom period
(Average rates of real GDP growth, %)

	2003	*2004*	*2005*	*2006*	*2007*	*Average*
Antigua and Barbuda	5.1	7.0	4.2	13.3	10.7	8.06
Argentina	8.8	9.0	9.2	8.5	8.7	8.84
Bahamas	-1.3	0.9	3.4	-2.9	1.4	0.30
Barbados	2.0	3.7	3.2	3.4	0.5	2.56
Belize	9.3	4.6	3.0	4.7	1.3	4.68
Bolivia	2.7	4.2	4.4	4.8	4.6	4.14
Brazil	1.1	5.7	3.2	4.0	6.1	4.02
Chile	3.9	6.0	5.6	4.6	4.6	4.94
Colombia	3.9	5.3	4.7	6.7	6.9	5.50
Costa Rica	6.4	4.3	5.9	6.8	7.9	6.26
Cuba	3.8	5.8	11.2	12.1	5.3	7.64
Dominica	7.6	3.3	-0.4	4.6	5.5	4.12
Ecuador	3.3	8.8	5.7	4.8	2.0	4.92
El Salvador	2.3	1.9	3.6	3.9	3.8	3.10
Grenada	8.4	-6.5	12.0	-1.9	5.8	3.56
Guatemala	2.5	3.2	3.3	5.4	6.3	4.14
Guyana	-1.0	3.3	-2.0	5.1	7.0	2.48
Haiti	0.4	-3.5	1.8	2.3	3.3	0.86
Honduras	4.5	6.2	6.1	6.6	6.2	5.92
Jamaica	5.0	2.4	1.0	2.7	1.4	3.50
Mexico	1.4	4.1	3.2	5.2	3.3	3.44
Nicaragua	2.5	5.3	4.3	5.6	4.9	4.52
Panama	4.2	7.5	7.2	8.5	12.1	7.90
Paraguay	3.8	4.1	2.9	4.3	6.8	4.38
Peru	4.0	5.0	6.8	7.7	8.9	6.48
Dominican Republic	-0.3	1.3	9.0	10.7	8.5	5.84
Saint Kitts and Nevis	0.5	7.6	5.6	5.5	6.7	5.18
Saint Vincent and the Grenadines	3.1	6.6	2.1	9.5	3.6	4.98
Saint Lucia	2.0	5.6	4.3	5.9	1.2	3.80
Suriname	6.0	8.7	4.6	3.8	5.2	5.66
Trinidad and Tobago	14.4	7.9	5.8	13.2	4.8	9.22
Uruguay	0.8	5.0	7.5	4.3	7.3	4.98
Venezuela	-7.8	18.3	10.3	9.9	8.8	7.90

SOURCE: *World Bank, World Economic Indicators.*

In order to understand the performance of the key driving force behind the boom period, the gross fixed capital formation rate recorded in the regions and countries listed above is presented in Table 3.

TABLE 3
Gross fixed capital formation (% of GDP)

	2003	*2004*	*2005*	*2006*	*2007*
World	20.3	20.8	21.3	21.7	21.7
High-income countries	19.8	20.0	20.5	20.9	20.7
United States	18.2	18.8	19.7	19.5	18.9
European Union	19.2	19.3	19.6	20.2	20.7
Developing countries	23.2	24.6	25.0	25.8	26.3
Sub-Saharan Africa	17.1	17.3	18.1	18.8	20.2
Latin America and the Caribbean	16.7	18.0	18.7	19.3	20.4
East Asia and the Pacific	34.2	35.4	35.3	35.7	34.7
China	39.4	40.7	40.1	40.7	39.1

SOURCE: *World Bank, World Economic Indicators.*

It should be noted that in the cases of both Sub-Saharan Africa and LAC, a gradual convergence of the rates of gross fixed capital formation towards the average of the developing countries (influenced by the high rates of Asia and the Pacific) and the developed countries is registered throughout the five-year boom. Nevertheless, the investment gap favouring the Asian Pacific economies remains above ten percentage points. This difference partly explains the performance of these groups of countries at the beginning of the second decade of the century, when, after the recovery registered in 2010, there were optimistic views that the Great Recession, or at least its first phase, had been overcome.

During the five-year boom, a sharp growth was also registered in international trade. Annual global exports of goods and services grew 8.6% on average, more than doubling global economic growth in 2003-2007. Regarding international trade, developing countries showed the greatest dynamism, with regular exports increasing at an average annual rate of 13.2% during the five-year period. This was nearly six percentage points over the global average and virtually twice the average in high-income countries (7%). Exports recorded the most accelerated dynamics in the East Asian and Pacific region, with an 18.3% annual average rate. Similarly to growth rates, this performance was mostly propelled by China's exports of goods and services, which recorded an annual average growth rate of 24.5% over the five-year period. The export dynamics in Sub-Saharan Africa and Latin America and the Caribbean lagged way behind the averages recorded by the Asian Pacific region, but it was higher than that of high-income countries.

TABLE 4
Exports of goods and services
(Annual average growth rates, %)

	2003	*2004*	*2005*	*2006*	*2007*
World	5.4	11.3	8.1	10.0	8.0
High-income countries	3.7	9.6	6.4	8.7	6.7
United States	1.6	9.5	6.8	6.8	9.3
European Union	1.7	7.7	5.8	5.8	5.5
Developing countries	11.2	16.8	13.2	13.2	11.2
Sub-Saharan Africa					
Latin America and the Caribbean	4.2	12.3	8.1	7.3	5.9
East Asia and the Pacific	18.1	21.9	18.1	17.9	15.6
China	27.6	27.3	23.7	23.9	19.8

SOURCE: *World Bank, World Economic Indicators.*

It is worth analyzing the performance of employment during the surge period prior to the crisis, with the purpose of completing this concise outlook. The most general indicator of employment levels – total employment to population aged 15 years and over ratio – remained stable in 2003-2007 in both developed countries and developing countries (Table 5).

As expected, that proportion is substantially higher in developing countries (about five to six percentage points) than in the group of high-income countries. Particularly, the United States showed very similar levels to those recorded by developing countries. This high employment-to-population ratio, which increased overall in the five-year period, is one of the factors that explain the leadership of the United States in global productivity, especially in labour productivity.

TABLE 5
Employment to population aged 15 years and over ratio (%)

	2003	*2004*	*2005*	*2006*	*2007*
World	61.1	61.0	61.0	61.2	61.3
High-income countries	56.1	56.2	56.6	57.0	57.4
United States	61.6	61.7	62.0	62.5	62.3
European Union	51.3	51.3	51.8	52.4	53.1
Developing countries	62.3	62.1	62.1	62.1	62.2
Sub-Saharan Africa	64.0	64.3	64.3	64.7	64.9
Latin America and the Caribbean	58.0	59.0	59.7	60.4	60.7
East Asia and the Pacific	71.9	71.3	70.7	70.3	70.1
China	74.5	73.7	73.0	72.4	72.7

SOURCE: *World Bank, World Economic Indicators.*

In developing countries, noteworthy are the high ratios of employment to population aged 15 years and over, especially in East Asia and the Pacific and particularly in China, which exceeded by far the averages of those countries and that of the other two main regions. Note that since that period, there is a downward trend that hints at the relative ageing of the population. The lowest ratios of employment to population aged 15 years and over in developing countries are found in LAC. In the five-year period prior to the crisis, the region's ratios were comparable to those featured by developed countries.

However, a steady upward trend was recorded, as a result of the demographic bonus that many countries in the region started to experience in that period.

Consistently, the boom preceding the crisis showed relatively moderate levels of unemployment, but not among young people. In many cases, unemployment declined. In the group of high-income economies, the unemployment rate declined steadily over the five-year period: from 7.1% in 2003 to 5.6% in 2007. Unemployment rates also dropped in Europe, but not steadily, remaining over the average of the industrialized countries. On the contrary, in the United States, employment had a positive performance, as jobless rates fell steadily from 6% in 2003 to 4.6% in 2007.

In developing countries, a contrast is observed between East Asia and the Pacific and LAC. While in East Asia and the Pacific, unemployment remained at low levels (5% or less, but never below 4%), in LAC, unemployment fell steadily from high levels (from 9.3% in 2003 to 7% in 2007).

In order to conclude the assessment of the five-year economic boom preceding the crisis, it is necessary to analyze the indicator that shows the best overall progress: gross domestic product per capita (GDP per capita).

Worldwide, the economic boom that took place from 2003 through 2007 translated into a 2.4% annual average growth rate of GDP per capita, a very positive rate in comparison with that registered in previous periods during the 1980s.

TABLE 6
Gross domestic product per capita
(Annual average growth rates, %)

	2003	*2004*	*2005*	*2006*	*2007*
World	1.4	2.8	2.3	2.8	2.8
High-income countries	1.3	2.5	1.9	2.2	1.9
United States	1.6	2.6	2.1	1.7	2.0
European Union	1.0	2.1	1.5	2.9	3.7
Developing countries	4.2	6.2	5.9	6.8	7.3
Sub-Saharan Africa	1.6	3.3	3.1	3.7	3.9
Latin America and the Caribbean	0.8	4.7	3.6	4.5	4.7
East Asia and the Pacific	7.9	8.2	8.9	10.1	11.5
China	9.3	9.4	10.6	12.1	13.6

SOURCE: *World Bank, World Economic Indicators.*

Comparing total GDP and GDP per capita, a remarkable contrast in the growth pace of advanced economies versus developing countries is noted. In developed countries, growth was modest, but more or less steady, while in developing countries, growth was substantial and consistent. In the years prior to the Great Recession, it is evident that economic dynamism recorded an upward trend, mainly focused on the developing world: from 2003 through 2007, GDP per capita grew, on average, twice faster in developing countries than in developed countries.

As regards developed countries, the European Union showed a somewhat greater dynamism than the United States in the five-year period prior to the crisis, recording average growth rates of GDP per capita of 2% and 1.8%, respectively.

In the developing world, the differences among regions are much more significant. In the 2003-2007 period, average annual growth rates of GDP per capita in East Asia and the Pacific (9.3%), and especially in China (11%), were outstandingly higher than those in Sub-Saharan Africa (3.1%) and in Latin America and the Caribbean (3.7%). In that five-year period, the South-South gaps widened.

TABLE 7
Latin America and the Caribbean: the five-year boom
(Annual average real growth rate of GDP per capita, %)

	2003	*2004*	*2005*	*2006*	*2007*	*Average*
Antigua and Barbuda	3.5	5.6	2.8	11.9	9.4	6.44
Argentina	7.9	8.1	8.2	7.5	7.7	7.88
Bahamas	-2.7	-0.6	1.9	-4.3	-0.1	-1.16
Barbados	1.9	3.6	3.0	3.2	0.3	2.40
Belize	5.9	1.3	-0.2	1.3	-2.0	1.26
Bolivia	0.7	2.2	2.6	3.0	2.8	2.26
Brazil	-0.2	4.4	2.0	2.9	5.1	2.84
Chile	2.8	4.9	4.5	3.5	3.6	3.86
Colombia	2.3	3.7	3.1	5.1	5.3	3.90
Costa Rica	4.4	2.4	4.1	7.0	6.2	4.82
Cuba	3.5	5.5	11.0	12.0	7.2	7.84
Dominica	7.7	3.5	-0.2	5.0	5.9	4.38
Ecuador	1.5	7.0	4.0	3.1	0.5	3.22
El Salvador	2.0	1.5	3.2	3.5	3.4	2.72
Grenada	8.2	-6.7	11.7	-2.2	5.4	3.28
Guatemala	0.0	0.6	0.7	2.8	3.7	1.56
Guyana	-1.4	2.9	-2.3	4.8	6.8	2.16
Haiti	-1.2	-5.0	0.3	0.8	2.0	-0.62
Honduras	2.5	4.1	4.0	4.5	4.1	3.84
Jamaica	4.7	0.9	0.6	2.2	0.9	1.86
Mexico	0.1	2.8	1.9	3.8	2.0	2.12
Nicaragua	1.2	4.0	3.0	4.3	3.5	3.20
Panama	2.3	5.6	5.3	6.7	10.2	6.02
Paraguay	1.8	2.1	0.9	2.4	4.8	2.40
Peru	2.7	3.7	5.6	6.6	7.7	5.26
Dominican Republic	-1.7	-0.2	7.7	9.1	7.0	2.38
Saint Kitts and Nevis	0.5	3.6	4.3	4.2	5.4	3.60
Saint Vincent and the Grenadines	2.9	6.4	2.0	9.4	3.4	4.82
Saint Lucia	1.1	4.4	2.8	4.6	0.3	2.64
Suriname	4.6	7.3	3.3	2.6	4.1	4.38
Trinidad and Tobago	14.0	7.5	5.4	12.8	4.4	8.82
Uruguay	1.0	5.1	7.3	4.1	7.0	4.90
Venezuela	-9.4	16.2	8.5	8.0	7.0	2.06

SOURCE: *World Bank, World Economic Indicators.*

In the five years preceding the Great Recession, out of the 33 countries of the region, only two recorded negative annual economic growth rates, resulting from specific factors. Three more countries fell behind, featuring an annual average growth rate below 2% over the period studied. Half of the countries (17) did not manage to reach average annual growth rates over 4%; therefore, they did not take part in the boom. Only six countries (little more that the sixth part) recorded growth rates near the regional average (over 4% and up to 6% annually). The substantial economic dynamism registered over the five-year

period was reported in the remaining five countries, which recorded average annual growth rates over 6%, and in some cases exceeded 9% annually (Table 2).

The progress of GDP per capita in the same period shows that in very few cases, the five years preceding the crisis translated into significant increases in production and per capita income (Table 7). In the period 2003-2007, only six countries managed to reach average annual growth rates of GDP per capita over 5%, the minimal rate to achieve substantial improvements in life conditions over a generation. Two cases of decline were registered, and the remaining 21 countries – almost two thirds of the region – posted average annual increases below 5%.

Overall, by the end of 2012, the levels of economic activity and employment showed by a significant number of countries before the Great Recession – among them Latin American and Caribbean countries – had not been restored. Given the prevailing trends, which will be referred to below, the global economy seems unlikely to have an overall boom similar to that experienced in the five-year period prior to the crisis.

2. A view on both the extent and the depth of the crisis

2008-2009: The impact on the activity, trade, and employment

The effects of the Great Recession trace back to 2008 when global economic activity decelerated sharply, thus marking the end of the five-year boom period. The first drop (2.3%) in world gross product (WGP) was reported a year later. It was the first after some 60 or 70 years. The dynamism of the world economy lost 6.3 percentage points during 2008-2009. In this scenario, global contraction emerged.

Both the economic downturn of 2008 and the contraction of 2009 were reported in the advanced sector of the world economy. Developing countries, overall, experienced in 2008 a severe downturn that was even deeper in 2009. For developed countries, the economic downturn accounted for 6.5 percentage points in both years, whereas in developing countries it stood at 6.1 points. As noted in various analyses, the contraction was the most severe of the global economic activity since the Great Depression that took place some 80 years ago.

Table 8
Gross domestic product
(Average growth rates, %)

	2007	*2008*	*2009*	*2010*
World	4.0	1.4	-2.3	4.2
High-income countries	2.7	0.2	-3.8	3.1
United States	1.9	0.0	-3.5	3.0
European Union	3.2	0.2	-4.3	2.1
Developing countries	8.7	5.9	2.6	5.6
Sub-Saharan Africa	6.5	5.0	2.0	5.8
Latina America and the Caribbean	5.9	4.3	-1.8	5.2
East Asia and the Pacific	12.3	8.5	7.5	9.7
China	13.6	9.0	8.6	9.8

SOURCE: *World Bank, World Economic Indicators.*

High-income countries entered recession in 2008 and a heavy contraction a year later. The crisis first hit its place of origin, the U.S., and was more severe in the EU. The downturn in the two-year period amounted to 5.4 and 7.5 percentage points, respectively.

Among world developing regions, only Latin America and the Caribbean reported, upon a slight downturn in 2008, a contraction (-1.8%) below that registered in the world economy and, certainly, that of advanced economies. In the other two regions, the deceleration of 2008 exacerbated a year later. The reduction in the dynamism of the economic activity in the two-year period amounted to 7.7 percentage points in Latin America and the Caribbean, 4.8 points in East Asia and the Pacific (with a five-point slowdown in China), and 4.5 points in Sub-Saharan Africa.

Similar to the five-year boom period, the impact of the Great Recession on the economy of Latin America and the Caribbean was markedly different, as shown in Table 9. The economies suffering the major consequences of the two-year stagnation, either in 2008-2009 or, more frequently, in 2009-2010, were those from the Caribbean, mainly those in insular areas, and continental countries, including Mexico and Venezuela. On the other hand, six countries, nearly one sixth of the region, escaped recession, even though they reported slow economic growth, below the levels prior to the crisis and even significant downturns in some cases. As many as 13 countries went through recession just one year, mostly in 2009, and only two countries reported contraction over 5%. It is because of these two country groups that it is possible to assert that Latin America and the Caribbean was among the world's developing regions less affected by the crisis. Most of these economies are mainly located in South America.

Table 9
Latin America and the Caribbean: contraction and recovery
(Annual average real GDP growth rate, %)

	2007	*2008*	*2009*	*2010*	*Average 08-10*	*Average 03-10*
Antigua & Barbuda	9.4	-0.4	-12.2	-6.2	-6.27	1.59
Argentina	7.7	5.8	-0.2	8.2	4.60	5.68
Bahamas	-0.1	-2.7	-6.7	-0.4	-1.47	-1.23
Barbados	0.3	0.0	-0.5			
Belize	-2.0	0.2	-3.3	-0.5	-1.20	0.94
Bolivia	2.8	4.4	1.7	2.5	2.87	2.78
Brazil	5.1	4.2	-1.5	6.6	3.10	2.94
Chile	3.6	2.7	-2.6	4.2	1.43	3.16
Colombia	5.3	2.0	0.0	2.9	1.63	3.16
Costa Rica	6.2	1.1	-2.8	2.7	0.33	3.26
Cuba	7.2	4.3				
Dominica	5.9	7.0	-0.1	0.3	2.40	2.96
Ecuador	0.5	5.7	-1.1	2.1	2.23	3.21
El Salvador	3.4	0.8	-3.6	0.9	-0.63	1.72
Grenada	5.4	1.1	-8.7	-1.2	-2.93	0.74
Guatemala	3.7	0.8	-1.9	0.2	-0.30	1.25
Guyana	6.8	1.8	3.1	3.4	2.77	1.79
Haiti	2.0	-0.5	1.6	-6.3	-1.73	-0.78
Honduras	4.1	2.2	-4.1	2.7	0.27	2.10
Jamaica	0.9	-1.0	-3.3	-0.8	-1.70	0.66
Mexico	2.0	-0.1	-7.3	4.1	-1.10	1.10
Nicaragua	3.5	2.3	-4.5	6.1	1.30	3.33
Panama	10.2	8.9	0.8	3.2	4.30	4.70
Paraguay	4.8	3.9	-5.5	13.0	3.80	3.29
Peru	7.7	8.7	-0.2	7.6	5.37	5.21
The Dominican Republic	7.0	3.8	2.1	6.3	4.07	4.06
Saint Kitts & Nevis	5.4	4.8	-7.4	-6.2	-2.93	0.90
Saint Vincent & the Grenadines	3.4	1.5	-1.3	-1.3	-0.37	2.49

	2007	*2008*	*2009*	*2010*	*Average 08-10*	*Average 03-10*
Saint Lucia	0.3	4.2	-2.3	2.0	1.30	2.61
Suriname	4.1	3.7	2.1			
Trinidad & Tobago	4.4	2.0	-3.9	-0.3	-0.73	5.56
Uruguay	7.0	8.3	2.3	8.1	6.23	5.40
Venezuela	7.0	3.6	-4.7	-2.0	-1.03	2.53

SOURCE: *World Bank, World Economic Indicators.*

The magnitude of the Great Recession in terms of medium-term growth is evident in the notorious fall of accumulated economic growth in the countries of the region during 2003-2010.

Pivotal in boosting the global economy in the five-year boom preceding the crisis was gross fixed capital formation, which in the subsequent years was similar to that of the economic activity: first slowdown and then open contraction.

Table 10
Gross fixed capital formation
(Average annual growth rate, %)

	2007	*2008*	*2009*	*2010*
World	4.65	0.02	-7.07	4.67
High-income countries	1.83	-2.87	-12.36	1.69
United States	-1.56	-5.78	-15.96	1.76
European Union	5.85	-1.01	-12.06	0.16
Developing countries	12.95	7.86	5.80	10.85
Sub-Saharan Africa	14.01	10.07	4.96	
Latin America and the Caribbean	12.69	9.56	-10.13	12.16
East Asia and the Pacific	12.31	9.01	18.96	11.29
China	13.08	9.72	22.51	11.44

SOURCE: *World Bank, World Economic Indicators.*

Notwithstanding, take account of the disparity of this indicator in high-income countries and, except for Latin America and the Caribbean, in developing countries around the world. Regarding the former, major stagnation of the gross fixed capital formation was accountable for the deepening of recession in 2008-2009 (since 2007 in the U.S.). In turn, East Asia and the Pacific, particularly China, responded to the 2008 slowdown by dramatically expanding capital formation in 2009, thus preventing economy from shrinking and easing the downturn.

This indicator alone clearly mirrors the significant differences in opportunity, scope, and extension of countercyclical policies adopted by different country groups. While in 2010 the formation of fixed capital in Latin America and the Caribbean plummeted to levels that were below those in developed countries, yet similar, in Asia-Pacific (and China) not only did it double the low rate recorded in 2008 but also stood above the level registered in 2007, the last year of the five-year boom period.

The world trade contraction resulting from the Great Recession was much deeper and widespread than that economic shrinkage. During the first year, it was reported as a generalized contraction of growth with respect to the five-year boom preceding the crisis, including the last year: 2007. Slower growth in trade, as measured through the export of goods and services, hit both the developing world and high-income countries.

Table 11
Export of goods and services
(Average annual growth rate, %)

	2007	*2008*	*2009*	*2010*
World	8.0	3.3	-11.0	14.2
High-income countries	6.7	2.3	-11.6	12.6
United States	9.3	6.1	-9.4	11.3
European Union	5.5	1.4	-12.2	10.2
Developing countries	11.2	5.9	-9.3	18.3
Sub-Saharan Africa				
Latin America and the Caribbean	5.9	1.4	-10.2	14.4
East Asia and the Pacific	15.6	7.1	-9.9	24.1
China	19.8	8.4	-10.3	28.4

SOURCE: *World Bank, World Economic Indicators.*

The economic downturn of 2008 was followed by huge contraction in 2009, when negative double-digit rates were recorded in a large number of northern and southern countries and regions. Certainly, world trade was one of the principal vectors through which the crisis spread.

Early in 2011, the United Nations Conference on Trade and Development (UNCTAD) noted that between late 2007, the last year of the boom preceding the crisis, and late 2009, the global crisis sparked off the loss of at least 30 million jobs worldwide.

In high-income countries, structural or long-term unemployment rose. After those two years and upon a rise in employment in the developing world, it was necessary to create 22 million additional jobs just to return to pre-crisis employment levels. At that time, it was believed that only five years were necessary to achieve that goal, that is, by late 2014. Workers in developing countries and transition economies were lashed by the crisis, yet the impact in terms of job cuts was less severe and widespread than that in advanced economies. In the developing world, the expansion of the informal sector mitigated somehow the effect of formal jobs cuts. However, the available options were only underpaid and more vulnerable jobs. Since the second half of 2009, new jobs were created in developing countries, and by the first quarter of 2010, unemployment declined to the levels prior to the crisis in most of the countries.[2] In this scenario, some analysts warned that the 2008-2009 economic and financial crisis was as prominent as the employment crisis.

The impact of the Great Recession can be summarized in a single indicator, as shown in Table 12: GDP per capita.

[2] UNCTAD, World Economic Situation and Prospects 2011, United Nations, New York, 2011, pages vii-viii.

Table12
Gross domestic product per capita
(Average annual growth rate, %)

	2007	*2008*	*2009*	*2010*
World	2.8	0.3	-3.4	3.0
High-income countries	1.9	-0.6	-4.5	2.5
United States	2.0	-1.0	-4.3	2.1
European Union	3.7	-0.2	-4.6	1.8
Developing countries	7.3	4.6	1.5	6.3
Sub-Saharan Africa	3.9	2.4	-0.4	2.3
Latin America and the Caribbean	4.7	3.1	-2.9	5.0
East Asia and the Pacific	11.5	7.7	6.7	8.9
China	13.6	9.0	8.7	9.8

SOURCE: *World Bank, World Economic Indicators.*

The 2009 slowdown in global GDP per capita (estimated at 3.5 percentage points roughly) has been the heaviest over the last seventy years. It was mainly reported in high-income countries, affecting the U.S. and the EU at the same level, and, to a lesser extent, two world developing regions, LAC and Sub-Saharan Africa. In the former, the impact was heavier than in the latter. Meanwhile, the fall in the GDP per capita in East Asia and the Pacific amounted to just one percentage point (and half a point in China).

Latin America and the Caribbean escaped recession in the sense that the GDP per capita did not drop in seven countries: three in South America and four in Central America and the Antilles. In two Caribbean countries and in Mexico the decline in GDP per capita lasted two years, but in general terms it lasted just one year: 2009. In said year, the drop was slight (below 2%) in eight countries, moderate (between 2% and below 5%) in 10 countries, and severe (over 5%) in six other countries. Among high and middle-income economies, while Colombia climbed out of recession with a few scars, Mexico was the most severely affected.

Table 13
Latin America and the Caribbean: contraction and recovery
(Annual average real GDP growth rate, %)

	2007	*2008*	*2009*	*2010*	*Average 08-10*	*Average 03-10*
Antigua and Barbuda	9.4	-0.4	-12.2	-6.2	-6.27	1.59
Argentina	7.7	5.8	-0.2	8.2	4.60	5.68
Bahamas	-0.1	2.7	-6.7	-0.4	-1.47	-1.23
Barbados	0.3	0.0	-0.5			
Belize	-2.0	0.2	-3.3	-0.5	-1.20	0.94
Bolivia	2.8	4.4	1.7	2.5	2.87	2.78
Brazil	5.1	4.4	-1.5	6.6	3.10	2.75
Chile	3.6	2.7	-2.6	4.2	1.43	3.16
Colombia	5.3	2.0	0.0	2.9	1.63	3.16
Costa Rica	6.2	1.1	-2.8	2.7	0.33	3.26
Cuba	7.2	4.3				
Dominica	5.9	7.0	-0.1	0.3	2.40	2.96
Ecuador	0.5	5.7	-1.1	2.1	2.23	3.21
El Salvador	3.4	0.8	-3.6	0.9	-0.63	1.71
Grenada	5.4	1.1	-8.7	-1.2	-2.93	0.74
Guatemala	3.7	0.8	-1.9	0.2	-0.30	1.26
Guyana	6.8	1.8	3.1	3.4	2.77	1.79
Haiti	2.0	-0.5	1.6	-6.3	-1.73	-0.78
Honduras	4.1	2.2	-4.1	2.7	0.27	2.10
Jamaica	0.9	-1.0	-3.3	-0.8	-1.70	0.66
Mexico	2.0	-0.1	-7.3	4.1	-1.10	1.10
Nicaragua	3.5	2.3	-4.5	6.1	1.30	3.33
Panama	10.2	8.9	0.8	3.2	4.30	4.70
Paraguay	4.8	3.9	-5.5	13.0	3.80	3.29
Peru	7.7	8.7	-0.2	7.6	5.37	5.21
Dominican Republic	7.0	3.8	2.1	6.3	4.07	4.06
Saint Kitts and Nevis	5.4	4.8	-7.4	-6.2	-2.93	0.90
Saint Vincent & the Grenadines	3.4	1.5	-1.3	-1.3	-0.37	2.39
Saint Lucia	0.3	4.2	-2.3	2.0	1.30	2.61
Suriname	4.1	3.7	2.1			
Trinidad & Tobago	4.4	2.0	-3.9	-0.3	-0.73	5.56
Uruguay	7.0	8.3	2.3	8.1	6.23	5.40
Venezuela	7.0	3.6	-4.7	-2.0	-1.03	2.53

SOURCE: *World Bank, World Economic Indicators.*

3. 2010-2011: The failed recovery

It has been said that the fragile and faltering recovery achieved hardly allowed going back to pre-crisis production and employment levels. Consequently, 2011 was a terrible year, marked by high financial and economic vulnerability and sluggish economic growth, which stood below the level reported in 2010. Thus, it may be said that failed recovery took place upon the Great Recession.

Table14
Gross domestic product
(Average annual growth rate, %)

	2009	*2010*	*2011*	*2012*
World	-2.4	4.0	2.8	3.2
Developed countries	-4.0	2.7	1.3	1.9
United States	-3.5	3.0	1.7	2.0
European Union	-4.3	2.0	1.6	1.7
Developing countries	2.4	7.5	6.0	5.9
Sub-Saharan Africa	1.7	4.8	4.4	5.0
Latin America and the Caribbean	-2.1	6.0	4.3	4.2
East Asia	5.1	9.2	7.2	6.9
China	9.2	10.4	9.3	8.5

SOURCE: UNCTAD, *Global economic outlook 2012, table 1.1*

This is even more evident in advanced economies, where the recovery in 2010 was insufficient in either side of the North Atlantic to restore output levels to pre-crisis levels. Meanwhile, for the main developing regions of the world that had pulled out of recession, 2010 was a year featuring an important recovery of the economic dynamism in general. Notwithstanding, uncertainty continued and confidence was not enough to bolster a sustainable economic rebound. The following boxes show some of the views published in early 2012 by the IMF, the World Bank, and UNCTAD.

IMF – World Economic Outlook Update. January 24, 2012

The outlook for global growth prospects dimmed and risks sharply escalated during the fourth quarter of 2011, as the Euro Area crisis entered a perilous new phase, which is interacting with financial fragilities elsewhere.

Growth in emerging and developing economies slowed more than forecast, possibly due to a greater-than-expected effect of macroeconomic policy tightening or weaker underlying growth.

The updated WEO projections see global activity decelerating but not collapsing. Most advanced economies avoid falling back into a recession, while activity in emerging and developing economies slows from a high pace.

The World Bank – Global economic prospects: Uncertainties and vulnerabilities, January 2012

The world economy has entered a dangerous period. Some of the financial turmoil in Europe has spread to developing and other high-income countries, which until earlier had been unaffected. This contagion has pushed up borrowing costs in many parts of the world, and pushed down stock markets, while capital flows to developing countries have fallen sharply. Europe appears to have entered recession. At the same time, growth in several major developing countries (Brazil, India and, to a lesser extent, Russia, South Africa and Turkey) is significantly slower than it was earlier in the recovery, mainly reflecting policy tightening initiated in late 2010 and early 2011 in order to combat rising inflationary pressures. As a result, and despite a strengthening of activity in the United States and Japan, global growth and world trade have slowed sharply.

UNCTAD – Global economic prospects for *2012 and 2013.* January 2012

Following two years of anaemic and uneven recovery from the global financial crisis, the world economy is teetering on the brink of another major downturn. Output growth has already slowed considerably during 2011. The baseline forecast foresees continued anaemic growth during 2012 and 2013.

The problems stalking the global economy are multiple and interconnected. The most pressing challenges are the continued jobs crisis and the declining prospects for economic growth, especially in the developed countries. As unemployment remains high, at nearly 9%, and incomes stagnate, the recovery is stalling in the short run because of the lack of aggregate demand. But, as more and more workers remain out of a job for a long period, especially young workers, medium-term growth prospects also suffer because of the detrimental effect on workers' skills and experience.

The rapidly cooling economy is both a cause and an effect of the sovereign debt crises in the euro area, and of fiscal problems elsewhere. The fiscal austerity measures taken in response are further weakening growth and employment prospects, making fiscal adjustment and the repair of financial sector balance sheets all the more challenging. The United States economy is also facing persistent high unemployment, shaken consumer and business confidence, and financial sector fragility. The European Union and the United States form the two largest economies in the world, and they are deeply intertwined. Their problems could easily feed into each other and spread to another global recession. Developing countries, which had rebounded strongly from the global recession of 2009, would be hit through trade and financial channels.

Note the common denominators of the analysis: continued weakness of the financial systems, which offer insufficient support to production activities, which are also hit by lower consumers demand resulting from lingering high unemployment rates and considerable uncertainty; the early abandon of official stimulus policies and the hasty adoption of fiscal consolidation policies based on the pro-cyclical contraction of expenditure; poor coordination of economic policy measures, for instance, expressed in the harmful consequences over the shifting position of the economies emerging from the implementation of expansive monetary policies in some of the major developed economies, bringing in turn controversy rather than cooperation among national and regional key agents of the global economy. Such a controversy may for instance arise from the debate on the relative contributions made by the Euro zone and non-associated actors, from advanced and emerging economies, in an attempt to avoid further contagion during the diffusion of the euro crisis. To sum up, it is a situation that maximizes the risks and renders more difficult the duly adoption of positive actions.

4. Recovery in Latin America and the Caribbean

It is worth taking a closer look to the performance of the Latin American and Caribbean economies in the years of the crisis and their failed recovery. It is compelling to use standardized series of the GDP quarterly progress and monthly or quarterly unemployment rate series. Only those provided by The Economist in its weekly economic indicators section are presented herein, specifically the ones exclusively giving information about six of the strongest economies in the region. Despite this limitation, the analysis is quite illustrative upon the inclusion of emerging economies of the G20. Contrastive information is provided in the same source. (Tables 15-A and 15-B)

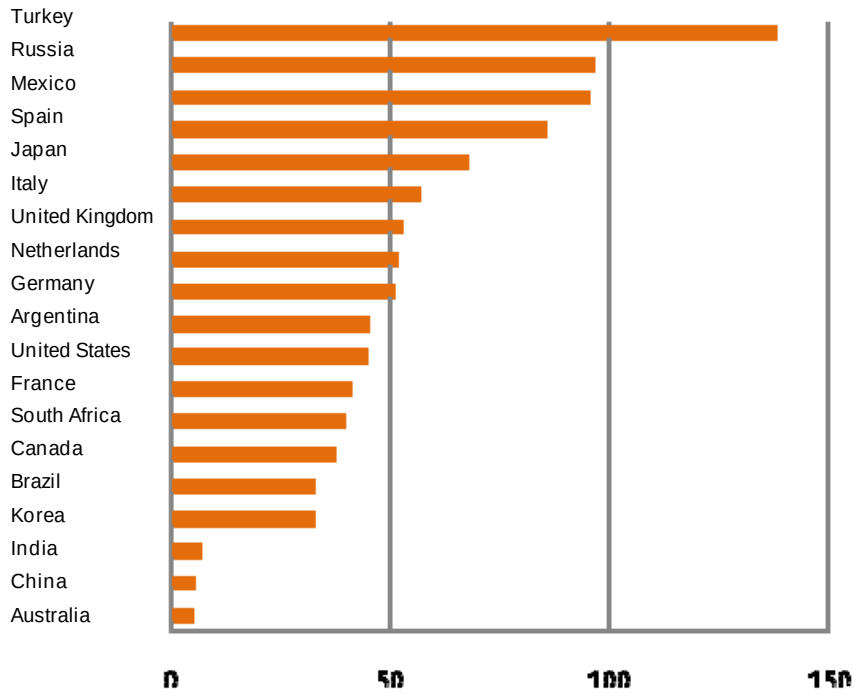
A first look at the quarterly figures of economic growth shows that the six strongest Latin American economies were hit by the crisis, reporting in the two-year period between two

and six quarters of economic contraction. Except for Colombia, which exhibited double-digit unemployment even before the crisis, in the other five countries unemployment hiked for one or more than one quarter during the same years. In other emerging economies of the G20, the recession was similar and revealed the scope of the interregional crisis, yet employment levels dropped at a slower pace.

A report compiled in 2010[3] shows a one-digit figure, which expresses the severity of the crisis in terms of how it lashed economic activity according to a measure of GDP quarterly drop; the duration of the slowdown: number of quarters with negative growth rate, and both job cuts or the absence of new jobs, measured through the rise in unemployment. The highest index implies more severity in terms of loss of economic dynamism, duration of the slowdown, and rise in unemployment. For the eleven countries, the index is as follows:

Table 15-A
Crisis severity index – Emerging countries

Country	*Index*
Russia	96.4
Venezuela	94.8
Turkey	89.2
Mexico	79.5
South Africa	40.0
Chile	37.5
Brazil	35.4
Korea	32.7
Colombia	24.8
Argentina	22.0
Indonesia	0.3



Source: Produced based on "Output, prices and jobs", The Economist, London, Several issues 2009-2012.

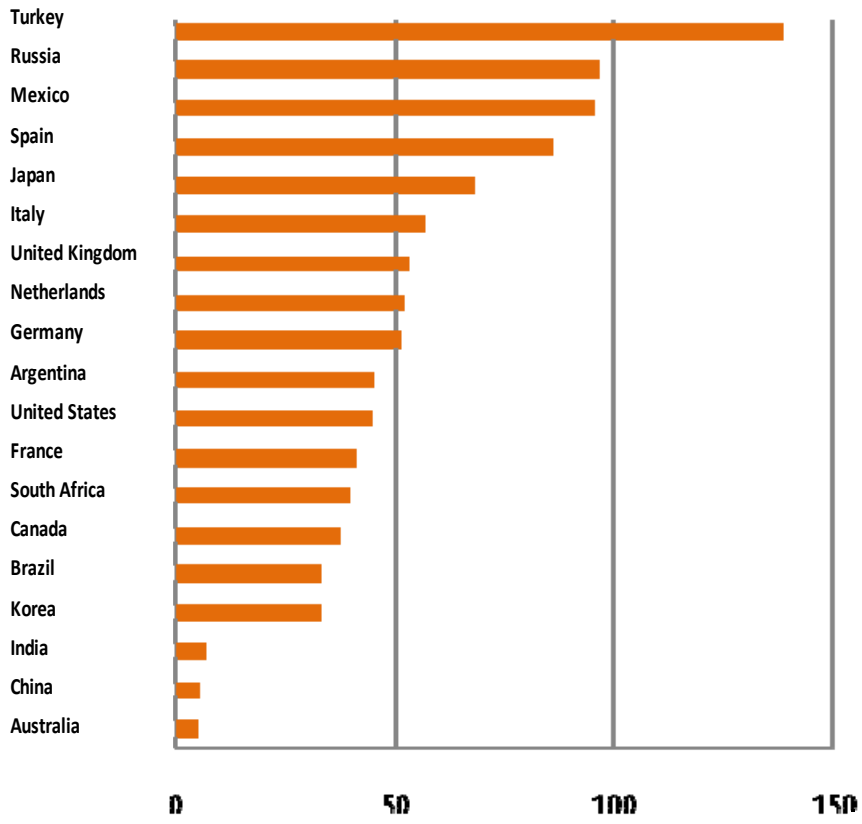
Similarly, this document includes an index measuring the solidity of recovery, which started in the third or fourth quarter of 2009 through the second quarter of 2011.[4] For such a purpose, the quarterly average growth rate of real GDP in the recovery period is added to the drop in the unemployment rate between the maximum attained level during the crisis and the reported level in the second quarter or by the end of June 2011. The result is multiplied times the number of quarters with positive growth rate of GDP from the economic recovery baseline. The higher the result the stronger the recovery attained. In other words, whenever a marked and sustained revival of the economy is achieved,

[3] See Jorge Eduardo Navarrete, "Crisis y reactivación: rumbos y desvíos", ***ECONOMÍA****unam*, Universidad Nacional Autónoma de México, 21, September-December 2010, pages 57-79.
[4] See Jorge Eduardo Navarrete, "La crisis global: las brechas se reducen", *Nueva Sociedad*, Fundación Friedrich Ebert, Buenos Aires, 237, January-February 2012, pages 65-86.

unemployment falls. For the emerging economies of Latin America and other regions, the index of recovery solidity is as follows:

Table 15-B
Index of recovery solidity – Emerging countries

Country	*Index*
Turkey	151.4
Argentina	91.9
Russia	87.7
Brazil	86.0
Chile	79.8
Indonesia	76.1
Korea	59.5
Colombia	57.5
Mexico	50.2
South Africa	26.3
Venezuela	20.7



Source: Produced based on "Output, prices and jobs", The Economist, London, different issues 2009-2012.

It may be said that 6 and 7 August 2011 was the "Euro-US weekend,"[5] marking a watershed in history as the economic recovery, beginning in the second half of 2009 and noticeable throughout 2010, stalled, and the risk for the Euro zone of falling back into recession was clear. Soon after, Standard & Poor's shed to AAplus the rating of the U.S. long-term sovereign debt upon the generalized incredulity of the financial market operators, which found no debt instruments more reliable than those of the U.S., and quickly ran to obtain them to get some relief, and that week many stock exchange indices around the world reported the steepest fall since the worst moments of the financial crisis that led to the Great Recession. This is how the failed recovery initiated in the first phase of the crisis reached its end in mid-2011.

[5] Similar to the "Mexican weekend" of August 1982, which was viewed as the beginning of the Latin American debt crisis that resulted in the lost decade and other calamities.

III. OVERVIEW OF THE LONG PERIOD OF STAGNATION AND HIGH UNEMPLOYMENT

1. The immediate two-year period: 2012-2013

The spring meetings held in Washington in mid-April 2012 by the IMF International Monetary and Financial Committee allowed for updating the outlook of the current situation and short-term prospects for the global economy. Despite some signs of improvement, they did not provide any brighter outlook.

The spring revision of the World Economic Outlook[6] concluded:

After suffering a major setback during 2011, global prospects are gradually strengthening again, but downside risks remain elevated. Improved activity in the United States during the second half of 2011 and better policies in the euro area in response to its deepening economic crisis have reduced the threat of a sharp global slowdown. Accordingly, weak recovery will likely resume in the major advanced economies, and activity is expected to remain relatively solid in most emerging and developing economies. However, the recent improvements are very fragile.

Global growth is projected to drop from about 4% in 2011 to about 3½% in 2012 because of weak activity during the second half of 2011 and the first half of 2012. The reacceleration of activity during the course of 2012 is expected to return global growth to about 4% in 2013.

Table 15
Gross domestic product: Outlook 2012-2017
(Estimated average growth rate, %)

	Average 2003-07	*2011*	*2012*	*2013*	*2017*
World	3.66	3.9	3.5	4.1	4.7
High-income countries	2.72	1.6	1.4	2.0	2.7
United States	2.76	1.7	2.1	2.4	2.3
European Union	2.46	1.6	0.0	1.3	2.1
Euro zone	2.16	1.4	-0.3	1.9	2.7
Developing countries	7.40	6.2	5.7	6.0	6.3
Sub-Saharan Africa	5.60	5.1	5.4	5.3	5.5
Latin America and the Caribbean	4.96	4.5	3.7	4.1	4.0
Asia	10.16*	7.8	7.3	7.9	7.9
China	11.66	9.2	8.2	8.8	8.5

*Relative to East Asia and the Pacific.

SOURCE: *Media 2003.07: World Bank, World Economic Indicators. Annual data: IMF, World Economic Prospects, April 2012.*

Considering the problems in Europe, activity will continue to be disappointing in the case of the advanced economies as a group, in which expansion will only amount to 1½% in 2012 and 2% in 2013 roughly. The creation of jobs in these economies is likely to remain slow, and those unemployed will need both further measures to support their income and help with respect to capacity-building, labour reconversion and job search.

It is estimated that real GDP growth in the emerging and developing economies will slip from 6¼% in 2011 to 5¾% in 2012, but then it will jump to 6% in 2013 upon the adoption of lax macroeconomic policies and the strengthening of foreign demand.

[6] IMF, *World Economic Outlook,* April 2012.

In light of this short-term outlook, it is worth noting some of the major risks and unwanted policies if global economic growth is to be galvanized:

- The main concern continues to be the possibility that the mounting crisis in the Euro Zone pushes investors towards lower risk assets. In this scenario, world gross product and the Euro Zone gross product may shrink 2% and 3½%, respectively, for two years.

- Political uncertainty may push up oil prices: If prices soar by as much as 50%, WGP would plummet 1¼%.

- Estimated economic growth for the years 2011 and 2012 will not be enough to bring about a significant reduction of unemployment. Regarding the levels observed in 2011, unemployment would marginally be lower in advanced economies, as the recovery in the U.S. will be offset by increased unemployment in the EU, particularly in the Euro Zone.

Table 16
Unemployment: Prospects for 2012-2013
(Estimated unemployment rates, %)

	2011	*2012*	*2013*
Advanced countries	7.9	7.9	7.8
United States	9.0	8.2	7.9
European Union	9.0	9.4	9.3
Euro zone	10.1	10.9	10.8
Emerging economies			
Latin America			
Argentina	7.2	6.7	6.3
Brazil	6.0	6.0	6.5
Chile	7.1	6.6	8.9
Colombia	10.8	11.0	10.5
Mexico	5.2	4.8	4.6
Venezuela	8.1	8.0	8.1
Other regions			
Korea	3.4	3.3	3.3
China	4.0	4.0	4.0
Indonesia	6.6	6.4	6.3
Russia	6.5	6.5	6.0
South Africa	24.5	23.8	23.6
Turkey	9.9	10.3	10.5

SOURCE: *IMF, World Economic Prospects, April 2012.*

- No drop in unemployment is expected in the near future in emerging economies. Table 16 foresees a slight drop of unemployment or even a hike above the already high levels recorded in 2011.
- The implementation of highly restrictive macroeconomic policies may lead to sustained deflation or long lasting periods of slack activity. Austerity by itself is unable to solve the economic concerns in major advanced economies.
- Policies need to be strengthened to consolidate the fragile recovery or curb numerous risks as much as possible. In the long run, this will require intensification of the efforts to face the crisis in the Euro Zone, less fiscal austerity responding to the slowdown, continuous adoption of lax monetary policies, and vast liquidity for the financial sector.

- Authorities should not pay much attention to the risks associated with non-conventional policies of monetary support, and should not limit the leeway for central banks to adopt policies.

It is very likely that the most encouraging aspect in connection with the new diagnosis of the situation and the short-term outlook is no other than emphasizing the need for policies favouring economic recovery – as remarked in the above paragraphs. Such policies were hastily abandoned, thus disrupting both the recovery trend of the economy and the slight improvements reported in the creation of new jobs. In the middle run, the outlook may be more optimistic if there is a return to countercyclical policies as the ones previously mentioned. (See below)

2. An approach to Latin America and the Caribbean

To round off this short-term outlook, it is worth noting some views about Latin America and the Caribbean in the World Economic Outlook, April 2012.

This year, economic growth in all regions or country groups included in the report, with the exception of North America (the U.S. and Canada), may be lower (up to 2%) than the expected in September 2011 mainly due to daunting prospects in Europe. Nonetheless, Latin America and the Caribbean were among the 10 regions or groups with the smallest downward revision: 0.25 percentage points.

3. Growth opportunity

Being optimistic, by mid-spring 2012 there were signs of changes in the dominant discourse on the orientation of the national economic policies and coordination among themselves, particularly in the most advanced sector of the world economy. Although fiscal consolidation remains a priority, especially in Europe, the need for additional or rather complementary measures aimed at stimulating the economic activity and creating new jobs has been acknowledged. After nearly two years of emphasis almost exclusively on austerity, it seems growth opportunity is ahead.

A change in emphasis can be found, for instance, in the presentation of a new World Economic Outlook in April 2012 by the IMF Chief Economist, Olivier Blanchard, (www.imf.org /external/ WHAT/whatsnewenglish). He warned about "two main brakes on growth: Fiscal consolidation and bank deleveraging." The former will take off nearly one percentage point from advanced economy growth this year; the latter will have a similar effect in the growth of the Euro zone, therefore being negative during the same period. Both will affect the group of emerging economies, particularly through fewer exports and the volatility of capital flows.

Additionally, Blanchard referred to the creation or expansion of financial funds to face speculative attacks – the so-called *firewalls.* In his view, such firewalls "do not solve, by themselves, the difficult fiscal issues related to competitiveness and growth that some countries are facing."

In the case of the U.S. and Japan, it is compelling to improve the medium and long-term prospects for public finances. For securing the necessary funding, "operations based on the partially public recapitalization of banks" may well be included again in the agenda.

In sum, concluded Blanchard, "perhaps the highest priority, but also the most difficult to achieve, is to durably increase growth in advanced economies, and especially in Europe (...) For the moment, the focus should be on measures that increase demand. Looking forward, however, the focus should also be on measures that increase potential growth (...) The search must be for reforms that help in the long term, but do not depress demand in the short term."

The first approach to a program for the restoration of economic growth and employment expansion in the European Union, with special emphasis on the Euro Area, came from the European Commission. In a document entitled "Towards a job-creating recovery" (ec.europa.eu/news/unemployment/120419_en.htm), the Commission warns, first, that creating jobs is the most pressing need that the EU is facing at a time when unemployment has reached record levels: About 24.5 million jobless people, nearly 11% of the work force.

In view of this challenge, proposals aim at encouraging the creation of jobs, with decent and sustainable salaries, by supporting enterprises, entrepreneurs and self-employees, financed by the existing programmes and focused on activities yielding jobs in health and personal care, environmental restoration and digital economy, among others. Obstacles will be removed so that the unemployed find a job in countries within the EU different to the ones at home. This is to be achieved by making the information about job seekers and employers more available through the borders of member countries.

A spokesperson of then French presidential candidate François Hollande stated that "an agreement exclusively based on the budget will push Europe to bankruptcy. Restoring growth is the only way to mitigate unemployment and, at the same time, start reducing deficits and the debt under acceptable social and political conditions," (*Financial Times*, 24 April 2012). He added that France would not ratify the European Fiscal Treaty unless it is complemented "not with words, but with means to boost growth across Europe and in each one of its countries."

Among other actions, it is about reorienting the EU structural funds towards productive companies and research; channelling the funds of the European Investment Bank to finance projects in infrastructure, even at a continental scale; and "issuing bonds not for the purpose of financing sovereign debt, but investment projects, for instance, in new energy technologies;" "reorienting" the role of the European Central Bank "in favour of growth and employment." And, finally, it is about conceiving the European stabilization mechanism as a bank, in a way that it may seek funding from the European Central Bank when necessary.

The European Commission is expected to finish by mid-2012 its program for restoring economic growth and the expansion of employment, so that the Council can submit it for discussion and eventually adopt it in the summit to be held in June.

In the United States, besides the short-term measures adopted by the government without the need for Congress approval, there is a renewed emphasis on growth and employment, which have weakened once again, featuring a reduced growth of only 2.2% in the first quarter and low figures of new jobs in March and April. This move will have to wait until the result of the presidential election to be held in November.

Clearly, the window of opportunities for growth and employment is really narrow and there is a high risk of failing to adopt the proper measures that allow for seizing those opportunities.

In addition, the IMF warns that in 2012 the probabilities of falling into recession, in other words, of recording a negative growth of GDP, are over 55% in the Euro Zone and between 10% and 15% in Japan and the United States, whereas the probabilities in Latin America and the Caribbean are barely 3%.

In further detail, the analysis of the immediate prospects (2012-2013) prepared by the IMF highlights the following aspects:

- Growth in Latin America and the Caribbean is expected to be moderate (3¾%) in 2012, and it is to increase in 2013 by approximately 4%.

- In raw material exporting countries, the intense growth of domestic demand shrank, as more restrictive macroeconomic policies started to take effect and external conditions weakened.

- Such was the case of Brazil, which recorded a 2¾% growth in 2011, and adopted a more expansive monetary policy. It should be highlighted that unlike the other economies of the southern sub-region, Brazil's economy is mostly boosted by internal factors.

- In Mexico, growth was sharp in 2011, and, like the United States, featured an unexpected upward variation. According to projections, Mexico is to grow between 3½% and 3¾% in 2012 and 2013, respectively. Such rates show a slight slowdown, but they are still over the potential.

- Central America is expected to grow about 4%, whereas the Caribbean is expected to grow some 3½%. High levels of public debt and weak flows of tourism and remittances are still clouding the Caribbean prospects.

- The prospects of Central America and Mexico are closely linked to the progress of the United States.

Table 17
Latin America and the Caribbean: The immediate two-year period: 2012-2013
(Estimated and projected average real growth rate of GDP, %)

	2011	*2012*	*2013*	*Average*
Antigua and Barbuda	-0.5	1.0	2.5	1.00
Argentina	8.9	4.2	4.0	5.70
Bahamas	2.0	2.5	2.7	2.40
Barbados	0.5	0.9	1.6	1.00
Belize	2.5	2.8	2.5	2.60
Bolivia	5.1	5.0	5.0	5.03
Brazil	2.7	3.0	4.1	3.27
Chile	5.9	4.3	4.5	4.90
Colombia	5.9	4.7	4.4	5.00
Costa Rica	4.2	4.0	4.2	4.13
Cuba				
Dominica	0.5	1.5	1.7	1.23
Ecuador	7.8	4.5	3.9	5.40
El Salvador	1.4	2.0	2.5	1.97
Grenada	1.1	1.5	2.0	5.43
Guatemala	3.8	3.1	3.2	3.37
Guyana	4.2	3.9	6.3	4.80
Haiti	5.6	7.8	6.9	6.67
Honduras	3.6	3.5	3.5	3.53
Jamaica	1.5	1.0	1.0	1.17
Mexico	4.0	3.6	3.7	3.77
Nicaragua	4.7	3.7	4.0	4.13
Panama	10.6	7.5	6.6	8.23
Paraguay	3.8	-1.5	8.5	3.60
Peru	6.9	5.5	6.0	6.13
Dominican Republic	4.5	4.5	4.5	4.50
Saint Kitts and Nevis	-2.0	1.0	1.8	0.27
Saint Vincent and the Grenadines	-0.4	2.0	2.0	1.20
Saint Lucia	0.2	1.9	2.4	1.50
Suriname	4.5	4.9	5.4	4.93
Trinidad and Tobago	-1.3	1.7	2.4	0.93
Uruguay	5.7	3.5	4.0	4.40
Venezuela	4.2	4.7	3.2	4.03

Source: IMF, *Economic Outlook: the Americas*, April 2012, table 2.3

The risks linked to the extremely difficult situation in Europe, especially in the Euro Zone, are examined in depth to conclude that the spillover effects, both real and financial, will be probably limited.

The intensification of the European crisis might reduce the regional GDP by ¾% approximately, in comparison with the base scenario. Such reduction would be at the bottom of the expected effects, as trade with Europe is relatively scarce.

Despite a somewhat important presence of European banks in the region, spillover effects passed on through European banks transactions are expected to be moderate.

Conversely, the region, and especially the southern cone, is highly dependent on raw materials prices. Consequently, the region may be adversely affected if the European crisis leads to an overall slowdown, particularly if it hits China and the Asian emerging economies.

The Economic Commission for Latin America and the Caribbean (ECLAC) in its *Preliminary Overview of the Economies of Latin America and the Caribbean, 2011,* assesses in a different way the risks for the region's economic growth in the near future related to the international environment:

- The whole region is expected to grow by 3.7% in 2012, led by Haiti (8.0%), followed by Panama (6.5%), Peru (5.0%), Ecuador (5.0%), and Argentina (4.8%).

- There is a great possibility of a deep crisis in the Euro Zone, which would significantly affect the global economy overall and would impact our region primarily through the real channel (exports, prices, foreign investment, remittances, and tourism) and the financial channel (greater volatility, possible capital outflows and difficulties in accessing credit).

- Labour markets will continue to grow, although at lower rates than those recorded in the previous years. Consequently, unemployment levels would be between 6.6% and 6.8%.

- Current account deficit would register another increase from 1.4% to 1.8% of GDP.

- The extent and reach of global economic deterioration is to influence the progress of growth in LAC in the future. If economic activity drops in developed countries, demand for goods will fall in the region, with negative impacts on its exports and the prices of its main exports products. This process is already happening.

- The region relies on some strengths to partially tackle the global economic crisis, such as high levels of reserves, which would allow it to finance a current account deficit, improved public accounts, and low levels of public debt – except in several Caribbean countries. This opens up the possibility of implementing counter-cyclical fiscal policies. Another strength is a likely decline in inflation, which would allow for an expansive monetary policy.

- However, in many countries, the 2008-2009 crisis undermined the possibilities of implementing such policies. Therefore, the available instruments are less effective than before the crisis. Vis-à-vis a possible global economic slowdown, major economies would have a reduced capacity of coordinated action.

- One of the main economic policy challenges in the region at the present time is preparation for a possible worsening of the international situation.

- Taking into account the possibility of sudden changes in the external outlook and the reduced effectiveness of macroeconomic policies, it is necessary to outline counter-cyclical fiscal policies and ensure their funding for a prompt application, according to the circumstances, in order to preserve employment, protect the most vulnerable social levels and strengthen intra-regional integration.

4. Halfway through the decade and ahead

The *World Economic Outlook 2012* and its statistical appendix presented by the IMF (www.elibrary.imf.org) outline mid-term prospects through 2017.

Table 18
Developing world: Projected real growth
(Annual average rates, %)

Region	*2010-2013*	*2014-2017*
Emerging and developing economies	6.4	6.3
Central and Eastern Europe	3.6	3.9
Asia – developing countries	8.2	7.9
Latin America and the Caribbean	4.6	4.0
Middle East and North Africa	4.1	4.2
Sub-Saharan Africa	5.3	5.5

SOURCE: IMF, *World Economic Outlook*, April 2012, table B27.

A comprehensive analysis outlined by the IMF projections focuses on the economic prospects once regular conditions are restored. For the 2014-2017 period, the IMF projects that economies of the developing and emerging countries would show similar or weaker performances in comparison with the 2010-2013 period. From one period to another, a modest growth is expected in the developing and emerging economies of Central and Eastern Europe – some of them incorporated into the European Union – and also in the economies of Sub-Saharan Africa. According to these projections, growth would shrink in the remaining regions in comparison with the first half of the decade. These projections constitute the base scenario outlined by the IMF.

It is worthwhile examining some prospects regarding the fiscal and economic policies outlined in the IMF projections for some Latin America and Caribbean countries.

- *Argentina*: Continuity of fiscal policies from 2012.
- *Brazil*: Accomplishment of the goal concerning primary deficit and steady increases in public investment according to the goals set by the authorities. The current monetary policy is expected to continue, consistently with the gradual convergence of inflation levels towards the target average by mid-2012.
- *Mexico*: From 2013 on, adherence to a balanced budget is expected to remain. The monetary projections are consistent with the completion of inflation goals.

In 2017, the region's outlook in terms of growth forecast by the IMF features few significant differences in comparison with 2012 and 2013.

The most dynamic economies – Haiti, Panama and Peru – with annual average growth rates of 5% or more will remain within that range, although growth rates will decrease in two countries. In 2017, only the Dominican Republic will join this group.

Five countries – Argentina, Chile, Colombia, Costa Rica and Suriname – will maintain growth rates of at least 4% and up to 4.9%, featuring a substantial dynamism. Four additional countries – Brazil, Honduras, Nicaragua and Uruguay – will enter this group in 2013, whereas Ecuador will leave the group.

More than one third of the region's countries – 12 of them – will show poor growth levels of at least 2% and less than 4% annually. Furthermore, as many as three countries will register substantial stagnation, with annual growth rates below 2%.

In brief, the mid-term growth outlook is rather discouraging. With few exceptions, the economic dynamism reached in the economic boom period prior to the crisis would not be experienced again. The expected growth rates are certainly not enough to overcome the levels of unemployment and underemployment and to pave the way for a substantial increase in per capita income.

Latin America and the Caribbean will be facing the consequences of the Great Recession during most part of the second decade of this century.

Table 19
Latin America and the Caribbean: Prospects for 2017
(Estimated and projected average real growth rate of GDP, %)

	2012	*2013*	*2017*
Antigua and Barbuda	1.0	2.5	3.5
Argentina	4.2	4.0	4.5
Bahamas	2.5	2.7	2.5
Barbados	0.9	1.6	3.1
Belize	2.8	2.5	2.5
Bolivia	5.0	5.0	5.0
Brazil	3.0	4.1	4.1
Chile	4.3	4.5	4.5
Colombia	4.7	4.4	4.5
Costa Rica	4.0	4.2	4.5
Cuba			
Dominica	1.5	1.7	1.9
Ecuador	4.5	3.9	3.4
El Salvador	2.0	2.5	3.5
Grenada	1.5	2.0	2.5
Guatemala	3.1	3.2	3.5
Guyana	3.9	6.3	3.2
Haiti	7.8	6.9	5.0
Honduras	3.5	3.5	4.0
Jamaica	1.0	1.0	1.5
Mexico	3.6	3.7	3.7
Nicaragua	3.7	4.0	4.0
Panama	7.5	6.6	5.1
Paraguay	-1.5	8.5	4.7
Peru	5.5	6.0	6.0
Dominican Republic	4.5	4.5	5.0
Saint Kitts and Nevis	1.0	1.8	3.5
Saint Vincent and the Grenadines	2.0	2.0	3.5
Saint Lucia	1.9	2.4	2.6
Suriname	4.9	5.4	5.5
Trinidad and Tobago	1.7	2.4	2.6
Uruguay	3.5	4.0	4.0
Venezuela	4.7	3.2	2.9

SOURCE: IMF, *World Economic Outlook*, April 2012, table A.4

IV. LONG-TERM DEVELOPMENT IN LATIN AMERICA AND THE CARIBBEAN: REORIENTATION OF REFORMS AND POLICY GUIDELINES

This section summarizes some of the more important challenges for the development of LAC countries, according to regional consensus. They include: considering different dimensions, as well as the reorientation of reforms, and the need to consistently articulate the three pillars for development – economic, social and environmental – in the strategies and policies being implemented in Latin America and the Caribbean.

Obviously, national development strategies must take into account the needs and circumstances of each country, and have specific regulatory instruments for each stage of development. Therefore, the formulation and effective implementation of a national development strategy, and its resulting group of policies (economic, productive, technological, social, cultural and environmental) must be combined with regional and global measures that facilitate the proper performance of national strategies and of regional cooperation programmes.

Here are some of the greatest challenges for the development of Latin America and the Caribbean:

1. Sustainability of economic growth

It is essential to generate satisfactory and sustainable long-term economic growth rates, and for this to happen, permanent bases must be created in a macroeconomic environment that promotes proper levels of investment and savings, and minimizes distortions in relative prices.[7] This is fundamental for job creation, although growth by itself is not always capable of generating a labour force in the quantity and with the quality that LAC requires. Policies leading to macroeconomic stability, although necessary, are not an end in themselves, but only if they contribute to development. Otherwise, there is the risk of replicating general policies that have unwanted consequences, and even produces results that are the opposite of those obtained elsewhere, where the same policy is implemented. On the other hand, the design of macro and microeconomic policies must be consistent with their implementation.

From the point of view of macroeconomic and budget management, at least two complementary issues must be considered: the periods where there is an increase in the price of commodities, like the present, which lead to higher inflows of foreign currency from exports, and a higher fiscal income. In these cases, part of the additional resources can be used to create sovereign investment funds or financing funds. The resources can be used in productive and profitable ways for the country, or they can stay liquid to finance public expenditures, for example, when the quotes of export commodities have a downward trend.

In this regard, as has occurred in the last few years, many of our countries have to review their dominant ideas regarding the time frame of their economic policies. The design and implementation of policies must take into consideration the economic cycle, deliberately incorporating active anti-cyclic policies where long-term growth is acknowledged as an explicit objective of economic policies. “Economic growth is, above all, a structural change, which is the only thing that will allow the countries in our region to successfully face external vulnerabilities. Thus, the key of a good macro economy for development is

[7] This implies the creation of solid fiscal systems, maintaining moderate real interest rates and realistic but competitive foreign exchange rates.

to combine good anti-cyclic policies with an active strategy of productive diversification."[8]

2. Increase in productivity and competitiveness in Latin American and Caribbean countries

Besides all of the above, economic growth must be conceived as the result of the interaction of several factors: the accumulation of capital, the accumulation of knowledge applied to production, structural change, and institutional development. The gap between the income of developed countries and that of Latin American and Caribbean countries has widened, basically due to an increase in productivity differences. Latin America and the Caribbean could accelerate their economic growth and reduce the gap in per capita income with industrialized nations, by implementing policies that promote not only an increase in investments, but also a better use of existing resources. This implies, besides strong investments in infrastructure – which are crucial to close the productivity gap – consistent industrial development and technology update policies, supported by a pragmatic and strategic plan that tends to incorporate investment as a key element in development policies and programmes. These policies, besides helping achieve a more sustainable growth more quickly, and structural and technological change, will also lead to more effective trade integration, by increasing the internal added value of goods and services, through a network of production links nationwide.

3. Social inclusion and enhancement and strengthening of domestic markets

Despite the series of successes achieved in the past few years, there is no room for complacency, particularly considering that LAC is the region with the most uneven income distribution in the world. In most of our countries, there are millions living with incomes of less than one dollar per day, next to some of the richest individuals in the world. Unfortunately education, which is one of the "equalizing" forces *par excellence*, does not fulfil that function in our countries, due to restrictions in the supply and the low quality of basic education for the majorities. Also, despite the progress made in public policies for poverty reduction, a significant part of government expenditures in our countries are still "neutral" or even "regressive" in terms of income distribution. On the other hand, most LAC countries are characterized by their low collection capacity, the lack of a tax culture, reduced levels of fiscal income, and very low taxes on personal income and wealth, which are not usually considered a tax source.

The challenge of equality and the need for growth imply that the benefits of growth have to be more evenly distributed among all population levels. Therefore, a learning process is necessary, as well as a permanent adjustment of government efforts to pay attention to social inclusion programs and policies, in an effective and durable manner. These are essential in uncertain times, like the ones derived from the recent crisis, and from the apparently recurrent trend to a constant increase in food prices.

In this regard, no efficient programs have been created to help the poorest sectors in LAC cope with high food prices.[9] Policies must be directed to protect the most vulnerable, avoiding subsidies as much as possible, which are too costly for the governments and many times distort the distribution of resources. In sum, improving the quality of public services for the poor, particularly education, increasing the supply of secondary and

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[8] Ocampo, José A. (2011). Conference delivered within the framework of the 10th Raúl Prebisch Seminar, ECLAC headquarters, Santiago, Chile. 12 April 2011.

[9] As a region, LAC is a net exporter of food, and represents 10% of global agricultural exports. The region produces more than half of the world's soy exports, one third of corn exports, and 44% of beef. According to the World Bank, it also has almost one-third of the idle cultivable land. Therefore, it is said that LAC could even help solve part of the global food crisis by increasing its agricultural production.

technical-professional education, reducing the gaps in social protection coverage trying to implement universal social security systems that are separate from the labour situation, and financed by the budget, and making the tax structure and public expenditures more progressive, are key elements to build more equitable societies in Latin America and the Caribbean. It is also crucial to expand and strengthen the internal markets of LAC, which would be a fundamental component to modify productive flows, thus providing more autonomy to the region's economic growth.

4. Education revolution and information and knowledge society

Sometimes the effects of inequality are so resilient that it is difficult to try to change that reality. To this end, policy actions can definitely contribute to equity through education, and by fostering and implementing consistent programs and projects, with a view to strengthen information and knowledge societies that promote social inclusion in our region, and a greater insertion in global networks of productive activity, particularly industrial.

There was some progress in public education, specifically basic education in LAC with respect to universal coverage. However, coverage is still lagging behind, at times considerably in secondary and university levels. In general, there are obviously low levels of efficiency in education systems, particularly regarding the goal of equitable access. Several studies show that the region's education system contributes to social segmentation, reflected in the persistently high rates of repetition in students coming from low-income homes, and a strong segmentation between social-economic strata regarding access to quality high-school education. There is also a need to add the intercultural perspective and the promotion of diversity to LAC education systems. These challenges are closely related to lags in the performance and quality of teachers, to limitations in the evaluation of education, and to the very low levels of dissemination and use of information technologies and communication in basic education in Latin America and the Caribbean.

However, providing schools with more computers will not do much to improve the quality of education in Latin America and the Caribbean, unless the countries also invest in training teachers, and in educational software. As a recent study states, our countries cannot think that they will improve learning just by having computers at schools and homes, since quality in the use of such technology is crucial.[10]

Moving towards greater continuity in education in the region, to ensure a better quality education, and gradually strengthening societies that use and own the new information and communications technologies (ICTs) must be considered essential to guarantee sustainable development with social inclusion. This is pertinent, given the positive effects of education and ICTs to have a long-term change in the uneven distribution of income, and to reduce poverty. Also, in a world dominated by increasing challenges due to competitiveness, improving the quality and pertinence of secondary and higher education, and generalizing the use of ICTs by wider sectors of the Latin American and Caribbean population is particularly important.

5. Aging population in Latin America and the Caribbean

The aging of the population is a worldwide issue that affects an increasingly larger number of countries, particularly at a time in which family support and other traditional protection networks have become much less secure, given the world economic crisis. For

[10] IDB (2011), "Development Connections: Impact of the new information technologies", a study prepared by the IDB analysis unit, that will be presented in early May 2011.

example in LAC, life expectancy increased by 22 years in the last fifty years, and the population is predominantly adults in productive age, who have fewer children. The region is facing the perspective of rapid aging, which means that economic growth in the region will be more complicated in those countries with many elderly people, and meeting the needs for healthcare, pensions and others will be particularly difficult for low and middle-income countries. The establishment of proper policies and institutions to adapt to large demographic changes will be essential to safeguard the social and economic future of the region.

At present, the region's population has tripled with respect to 1950 and most people live in cities. Less people die due to diseases, thanks to the progress made in health and education, and 50% less babies are born, since women are taking advantage of education and more work opportunities outside their homes. As a result, the demographic change in LAC in the 21st century will be marked by a rapid aging of the population. This trend will imply a "new social outlook" in which governments and the private sector will have to learn to balance the demands of this rapidly increasing segment of the population, while continuing their investment in educating the youth and in caring for the needs of the poor.

6. Sustainable development

It is necessary to integrate and articulate sustainable production and consumption models with development policies, programmes and strategies in LAC countries. This requires training, educating and informing the population about sustainable production and consumption, and about the protection of natural resources. Similarly, it is necessary to adapt several laws to govern the sustainable use of resources for the benefit of future generations, and for long-term development.

In the area of energy in particular, there is much to be done. Constant increases in international oil prices, and international commitments to reduce the environmental impact of the different sources of energy to prevent the acceleration of climate change, are leading towards the use of renewable energies in LAC, a region with a great potential for hydroelectric, eolian, solar and geothermal projects.

However, the region is still highly dependent on imported hydrocarbons, and in the case of Central America and the Caribbean, it is almost 80%. To consolidate the incipient trend towards replacing hydrocarbons with renewable energies, it is necessary to prioritize the development of investment projects in alternative energy equipments, technologies and facilities, which release less carbon, within the framework of national development strategies in LAC. On the other hand, laws on energy development that stimulate renewable sources must be approved, to motivate the private sector and the State to execute these types of plans. It is also essential that companies empower the communities so that they actively and productively participate in those projects, while truly developing the areas where they are.

But the sustainability of development is also directly related to the capacity of our economies to maintain growth, while production and consumption patterns change, placing inter-generational solidarity at the core of the agenda of equality and social inclusion. In this respect, there are two key economic variables that have historically lagged behind, and are a determining factor to achieve these goals: issues with respect to the capacity and the quality of fiscal collection in our countries, and the relatively low investment level of our economies.

7. Integration and regional cooperation

A greater and more efficient integration and regional cooperation between LAC countries are key elements to strengthen national development strategies and multilateral agreements. If this cooperation is not limited to liberalizing trade, but also includes policies to help growth, stability, productive complementation, and structural change, there will be more policy options for development. Also, regional financing mechanisms can complement international institutions, and offer long-term alternative financing sources, particularly for the small economies of our region, which do not have developed internal financing markets. In this connection, the gradual change towards a new regional architecture that includes a regional development bank, a payment system in national currencies or reciprocal compensation mechanisms that foster intraregional trade, and a gradual consolidation of a Latin American and Caribbean monetary space, would be basic elements in this renewed effort of regional integration and cooperation.

In the economic-trade arena, efforts to deepen regional integration must not only focus on tariff and non-tariff barriers, but also promote consistent macroeconomic and exchange rates policies, together with a convergence of rules, the harmonization of standards, and the development of regional financial centres. This consistency, which should be at the core of foreign affairs policies in LAC countries, is essential to make both globalization and the insertion of our countries in the international arena work towards development. Nevertheless, strengthening cooperation and integration among our countries should not hinder multilateral efforts to transform the present international financial architecture and its coherence with the international trade system. In fact, a deeper and more effective regional cooperation and integration in LAC could be one of the elements of a better governance of globalization.

V. LONG AND VERY LONG TERM VISIONS

1. The region vis-à-vis global challenges

A study titled *State of the Future 2009*, by The Millennium Project, a non-governmental organization established in 1996 by the United Nations University, the Smithsonian Institute, the Futures Group International and the American Council for the United Nations, identified fifteen global challenges, closely interconnected, and examined the strengths and limitations of each of the major regions in the world to confront such challenges. Back then, it was an innovative approach, as it tried to go deeper than the mere construction of quantitative scenarios and the focus on economic projections. The fifteen challenges identified in the study include mostly political, social and cultural issues, depicting a planet with deep national, sectoral, regional and thematic influences.

Based on the version posted on the Internet (www.millennium-project.org/15GlobalChallengesSpanish.doc) some excerpts of the approaches to address each one of the challenges are included below. The summary underlines both the indicators showing whether or not the international community has successfully met the relevant challenge and the Latin American reference for each challenge.

Regarding sustainable development and climate change, CO_2 concentration is now 390 ppm; glaciers are meeting; ice caps are thinning, and one study estimated that climate change is costing the world US$ 125 billion and 300,000 deaths per year. The average annual amount of CO_2 in the atmosphere increased from 1.5 ppm to 2.1 ppm in 1970-2000. It is time to agree on a 10-year goal global research and development strategy to tackle climate change. This would add to the CO_2 tax, CO_2 cap and trade schemes, reduced deforestation, industrial efficiencies, cogeneration, conservation, recycling and a switch of government subsidies from fossil fuels to renewable energy. This challenge will

be addressed seriously when global GDP increases while global greenhouse gas emissions decrease for five years in a row.

In Latin America and the Caribbean, about 27,000 km^2 of forest cover is lost each. South America has 40% of the planet's biodiversity, 26% of drinking water and 25% of forests. Brazil has plans to achieve zero deforestation by 2020, but current trends in agriculture and livestock expansion, fires, drought and logging could eliminate or severely damage nearly 60% of the Amazon rainforest in 2030, with 55.5-96.9 million tonnes of CO_2 emissions. Agriculture for biofuels versus food is debated in Brazil, while new oil reserves are found. The EU will provide € 100 million for forest management, governance, and climate change adaptation projects in Latin America. Concentration of land tenure, breakup of farms into smaller parcels, and conversion of rural areas into new urban settlements are generating irreversible ecological damage in most countries

In addition, nearly 700 million people today are hit by water scarcity (defined as less than 1,000 cubic meters per person per year). The number could jump to 3 billion by 2025 due to climate change, population growth and the increasing demand for water per capita. Unless major policy and technological changes occur, conflicts over trade-offs among agricultural, urban, and ecological uses of water are likely to increase, along with the potential for mass migrations and wars. However, water-sharing agreements have been reached even among people in conflict and have led to cooperation in other areas.

The region has 24,400 meters cubic of water per capita, compared to the world average of 7,000 cubic meters per capita. LAC has 28% of the world's fresh water, yet 50-80 million people in the region, in a population of 554 million people, have no access to safe drinking water, and 125 million lack sanitation services. Water crises might occur in megacities within a generation unless new water supplies are generated, lessons from both successful and unsuccessful approaches to privatization are applied, and legislation is updated for more reliable, transparent, and consistent integrated water resources management. The problems of water and sanitation cost the region an estimated US$ 29 billion a year. About 60% of the region's water is used for irrigation.

The world population is changing from high mortality and high fertility to low mortality and low fertility. A quarter of the world population (except for Africa) will be over 60 years old in 2050. There will be more people over 60 than under 15 in 2045, according to the median forecast of the UN. Consequently, food production should double in 30 years and animal protein should increase by 50% by 2020. This would boost demand for water and land, further increasing prices and competition between rural and urban areas. Currently more than half of humanity lives in urban areas. The number is expected to grow by 80% in 2030. During the same period, the one billion people living in slums today could double.

The elderly population in Latin America is likely to triple from 6.3% in 2005 to 18.5% in 2050. In several Latin American countries, including Brazil, Chile and Mexico, the elderly population could be already larger than in the U.S. The population is expected to grow from 550 million today to 800 million in 2050. About 85% of the region will be urban by 2030, requiring massive urban and agricultural infrastructural investments. At present, Latin American population is growing at 1.3%, while Cuba is losing population.

For policymaking to be more sensitive to global long-term prospects, there is the need for global, national, and local systems for resilience (the capacity to anticipate, respond, and recover from disasters while identifying future technological and social innovations and opportunities). Although there is increasing recognition that accelerating change

requires global longer-term perspectives, decision makers feel little pressure to consider them.

Also, information and communications technology must converge to favour education for lower-income populations. New business models are being created to connect the two billion poorest people to the evolutionary nervous system of civilization. E-government systems can support justice, democratization, education and economic development in order to provide services and means for public feedback, and initiate public-private partnerships. Internet will become a more intelligent partner that has knowledge about the meaning of the information it stores and has the ability to reason with that knowledge (Web 3.0). It is now the most powerful force in history for globalization, democratization, economic growth and education.

Fulfilling the promise of modern technologies for international cooperation and development in Latin America and the Caribbean requires more serious attention to education and training. Curricula should address the underdeveloped use of developed technologies, such as better learning ICT systems.

Reducing the gap between rich and poor by encouraging ethical market economies faces the fact that, although half of the world population has become middle class, the ILO reports that half of the jobs are unsafe, 80% of workers do not have adequate social protection, and global unemployment has been increasing at alarming rates. In the region, foreign direct investment (FDI) hit a record level in 2008, about US$ 129 billion, but it will likely fall by 35-45% due to the financial crisis. ECLAC notes that 10-15 million people could fall below the poverty line, and about 25% of young people are excluded from the labour market and the education system. To reduce the gap between rich and poor, the distribution of the means of production and land tenure must change, including greater participation of low-income people in all stages of development projects and the increase in wages paid by international companies.

The risks associated with new and re-emerging diseases and immune microorganisms threaten nearly half of the world population. In recent years, more than 1,100 epidemics have been verified. Twenty diseases are now drug-resistant (multiresistant germs), including deadly skin infections (MRSA) and food poisoning, which are increasingly difficult to fight. Massive urbanization, increased encroachment on animal territory and concentrated livestock production could trigger new pandemics. Climate change is altering insect and disease patterns. Other problems may come from synthetic biology laboratories. The global shortage of 4.3 million health workers is growing. People are living longer and the costs of health care are increasing, making telemedicine and self-diagnosis via biochip sensors and online expert systems increasingly necessary. Meanwhile, the best ways to address epidemic disease remain early detection, accurate reporting, prompt isolation, and transparent information and communications infrastructure, with increased investment in clean drinking water and sanitation.

Latin America has the highest life expectancy among developing regions (75.7 years in 2008). Neglected tropical diseases affect 200 million people in Latin America (intestinal worms, Chagas, schistosomiasis, trachoma, dengue fever, leishmaniasis, lymphatic filariasis, and onchocerciasis).

Since the world is increasingly interdependent and complex, it is essential to develop decision-making skills that are collaborative and go across political, institutional and cultural boundaries. Many of the decision-making processes in the world are inefficient, slow and uninformed. Systems that are more open, democratization, and interactive media are involving more people in decision-making, which increases complexity.

Fortunately, the world is moving toward ubiquitous computing with institutional and individual collective intelligence for “just-in-time” knowledge to inform decisions.

In Latin America and the Caribbean e-government, transparency could reduce corruption. Data for decision-making are weak in the region. In addition to improving efficiency and transparency, modernization of State decision-making requires the creation of new agencies and new functions to meet public policy objectives, with greater civic control. Latin America needs to bolster people’s political awareness and participation and curb corruption.

No real progress will be made regarding security strategies and reduction of ethnic conflicts, terrorism and the use of weapons of mass destruction, as long as military equipment sales are not cut and certain weapons are effectively controlled, including nuclear weapons. In the region, the lack of policies to give equal opportunities to indigenous peoples and the poor, plus the use of public funds and projects that benefit mostly monopolistic companies increase the risk of social conflict. The narcotics “industry” continues to cause widespread violence and deaths, amidst accusations of collusion among corrupt military, drug cartels and paramilitary groups.

Other issues addressed by the Millennium Project study refer to how the changing status of women can help improve the human condition, how transnational organized crime networks can be stopped from becoming more powerful and sophisticated global enterprises, which affect deeply the societies of the countries in the region, and how growing energy demands can be met safely and efficiently, as it could double by 2030, with China and India accounting for more than half of the increase. The challenges also involve the acceleration of scientific and technological breakthroughs to improve the human condition and the incorporation of ethical considerations to global decisions more routinely.

Obviously, the excerpts that summarize LAC situation mirror the point where the region was immediately before the Great Recession regarding the challenges. The consequences of the crisis have undoubtedly hampered the region’s response to the various challenges and increased its cost.

However, the document of the Millennium Foundation continues to provide criteria and views that are useful in evaluating increasingly complicated situations.

2. The forecasts of the Conference Board

In the latest version of the "World Economic Outlook" for the current year, the Conference Board presents the following vision of world economic growth up to 2025.

Table 20
Estimated average annual economic growth rates and contribution to global economy (%)

		2012 – 2016			*2017 - 2025*			
	A	*X*	*Y*	*Z*	*X*	*Y*	*Z*	*B*
I	100.0	4.8	3.6	2.3	3.6	2.7	2.1	100.0
II	50.4	3.0	1.9	1.1	2.6	1.9	1.3	47.2
III	49.6	6.5	5.1	3.6	4.3	3.3	2.8	52.8
IV	26.6	7.6	5.9	4.1	5.0	4.0	3.5	34.5
V	7.0	4.1	3.6	3.2	3.7	3.2	2.8	7.4

KEY:
I – World II – Developed economies
III – Emerging and developing economies
IV – Asia, developing countries V – Latin America
A – Contribution to world GDP (%) in 2011
B – Contribution to world GDP (%) in 2025
X – Optimistic scenario Y – Base scenario Z – Pessimistic scenario

SOURCE: The Conference Board, "Global Economic Outlook 2012"
(www. conference-board.org/data/globaloutlook.cfm)

Some interesting observations can be made about the most likely scenario – the base scenario:

- For the world economy as a whole, after 2016, the phase of moderate growth that resulted from the Great Recession would last at least until 2025.
- This modest growth reflects particularly less dynamism in the advanced sector, whose growth rates remain depressed, even below the levels recorded early in the decade, marked by instability, and below those observed in the five years preceding the crisis, as discussed earlier in this document.
- As a direct result of it and given a higher dynamism of developing countries, the contribution of advanced countries to world GDP – barely higher than half early in the decade – drops more than 3 points by 2025.
- The economic dynamism of the developing world exceeds by 1-2 percentage points in the mean annual rates that of the developed world. Note that this situation is foreseen in the three scenarios.
- Just like before the Great Recession, Asian developing countries lead growth in nations in the South.
- Economic performance forecasts for Latin America and the Caribbean do not seem to match the growth potential of the region. Estimated growth rates are clearly not enough, 2-3 percentage points lower than those in Asian developing countries.
- Consequently, LAC contribution to world GDP appears quite slow and insufficient: four-tenths of one percent in fifteen years is, of course, unsatisfactory.

According to the Global Scenarios Group (GSG) very long-term prospects, lingering inequality may be the cause of such an inadequate economic performance.

Table 21
Selected very long term prospects

		2005	*2025*	*2050*	*2100*
Population (millions)	LAC	557	678	739	669
	SEA	474	565	608	551
Hungry people (millions)	LAC	55	41	26	6
	LAC	54	24	11	3
Hungry people (%)	LAC	9.9	6.0	3.5	1.0
	SEA	11.3	4.2	1.8	0.5
			2005-25	*2025-50*	*2050-100*
Economic growth (mean annual rate (%)	LAC		2.54	2.29	1.8
	SEA		3.27	2.78	2.29

LAC – Latin America and the Caribbean / SEA – Burma, Brunei, Indonesia, Malaysia and Thailand.

SOURCE: Global Scenarios Group

This comparison of the very long-term prospects for Latin America and the Caribbean as a whole (more than thirty countries) versus six developing nations of Southeast Asia, except for China and the economies and countries under its immediate sphere of influence (Laos, Macao, Taiwan and Vietnam), is extremely revealing, at least for the following reasons:

- The total population differential in favour of Latin America grows until 2050 and decreases slightly in the second half of the century, which indicates the persistence of higher population growth rates in LAC in most of the century.
- Hungry people, a direct indicator of poverty and inequality levels, are nearly identical in both regions at the beginning of the century and steadily falls in both regions during the century.
- However, the rate of decline is different. In Southeast Asia, at the end of the century, the hungry population is about 10% of that in 2005, while in LAC hungry population increases by 10% compared to 95 years earlier.
- Both the absolute number of hungry people in LAC and its share in total population at the end of the century doubled that in Southeast Asia.

Even if it only hits 1% of the population, the persistence of hunger in the early 21st century is a sad testament to the persistence of inequality. It reveals not only the persistence, yet diminished, of poverty, but also the inability to establish effective income distribution policies. Lingering inequality is the main factor behind the lower rates of long-term economic growth in LAC compared to Southeast Asia.

VI. LATIN AMERICA AND THE CARIBBEAN IN GLOBAL SCENARIOS

There are several global scenarios, most of them developed for the 2025-2050 time horizon, which offer qualitative forecasts and analytical estimates about the global position of Latin America and the Caribbean at that time, that is 15 or 40 years from now.

1. Latin America and the Caribbean (and Southeast Asia) in the GSG's scenarios

This is the *Scenarios for the Century Ahead: Searching for Sustainability* Project of the Global Scenario Group. The GSG is a joint project of Boston's Tellus Institute and the Stockholm Environment Institute intended to examine the economic, energy and environment outlook for the 21st century. Different global, regional and national studies

have relied on the GSG work for both the development of scenarios and quantitative forecasts.[11]

In order to analyze demographic, economic, energy and environment trends in the new century, the GSG develops forecasts for three dates and distinguishes four alternative scenarios, prepared based on different political assumptions.

The three dates for which numerical forecasts were developed are 2025, 2050 and 2100, and the periods were 2005-2025, 2025-2050 and 2050-2100. It is explicitly recognized that the viability of these forecasts is inversely proportional to the length of the period they cover.

The four scenarios developed are based on the following assumptions:

- *Scenario1. Market Domain*. The 21st century world would continue to be dominated by markets. Furthermore, demographic, economic, environment and technological trends would not be significantly different from those observed today. Continuity, globalization and convergence would be the global development characteristics; institutions would evolve in a gradual fashion, without substantial divides; international economic integration would continue to move forward; and socioeconomic patterns of poor regions would slowly converge toward the development model of rich nations. Despite economic growth, extreme inequality in revenue levels between rich and poor countries and within countries would still be a critical social issue. Environment degradation and transformation will be an increasingly significant subject in global issues.

- *Scenario 2. Policy Reforms*. This scenario is characterized by a strong political will in favour of the emergence of harmonized and timely actions intended to propitiate a transition toward a more equitable and more responsible future in environmental terms. More than a future forecast, this scenario may be considered a comeback from the future, because it is designed to reach a series of sustainability goals. The challenge is to identify viable routes that lead to these goals. This scenario explains the prerequisites to simultaneously attain goals in terms of environmental sustainability and accelerated economic growth.

- *Scenario 3. Global Strongholds*. The possibility that civilizing paradigms in the economic, social and ethical spheres may be deteriorated is recognized, as tensions and problems overwhelm the action capability of markets and policy reforms. This scenario is dominated by the authoritarian response to the breaking-up and conflict threat. Withdrawn to protected enclaves, the elites will safeguard their privileges through the control of the impoverished majorities and the administration of critical natural resources. Outside the strongholds, repression, environmental destruction and misery spread. This is, in a nutshell, an essentially catastrophic scenario.

- *Scenario 4. The great transition*. This scenario explores farsighted solutions for the sustainability challenge, including new socioeconomic contracts and fundamental value changes. This scenario envisages the transition toward a global society that preserves natural systems, provides high well-being levels, through the presence of enough material and immaterial satisfactors and their

[11] Christi Electris, Paul Raskin, Rich Rosen and John Stutz, *The Century Ahead: Four Global Scenarios,* Tellus Institute, Boston, 2009 (www.tellus.org).

equitable distribution, in an environment of strong solidarity.[12] This is substantially recognized as a Utopian scenario.

As stated, it is worthwhile looking at the results offered by the different forecasts for Latin America and the Caribbean, and comparing them to those for other regions in 2025 and 2050, in terms of the population and economic absolute and relative size, and economic growth rates. For a more detailed analysis, indicators about the magnitude of income per inhabitant are also included, as well as growth rate in the selected projection periods; the evaluation of the income gap in the examined regions with respect to the average income level in advanced countries; the way how income distribution changes, as measured by Gini coefficient; and finally, the evolution of energy balance and carbon emissions. All this for each one of the four scenarios described above, emphasizing the first two, which are considered more feasible. Of the regions included in the study, we will deal with Latin America and the Caribbean and Southeast Asia, for comparison purposes, and the set of developed countries, developing countries, China and world total, for reference purposes.[13]

In addition to direct comparison between these two regions, figures corresponding to world total, advanced countries and the developing world are provided for reference purposes.

As stated before, today, and at least for the time frame until 2025, the greatest feasibility is attributed to scenarios 1 and 2. It is worthwhile remembering that the first one basically entails continuance of current trends, of policies essentially oriented toward and governed by the market. Scenario 2, in turn, implies significant policy changes like those that have been discussed since the Great Recession. It comprises higher State's involvement in regulation and guidance of the economic activity, through active policies oriented to promote growth and expand the number of jobs, not only by means of monetary and fiscal policies, but also financial and exchange policies as well as those intended to directly promote production, specially, industrial policies. Although the feasibility degree of scenarios 3 and 4 is considered much lower, at least in the time horizon until 2025, some of the indicators that are considered illustrative in those cases are referred to.

a) Population dynamics

In two of these scenarios, the world population would exceed 9 billion people by mid-century. Virtually the entire increase will correspond to the developing world. The planet's population mass will continue to be, therefore, a reason for concern and demanding population control policies, above all in the developing world.

[12] Ibid, pp 2-7.

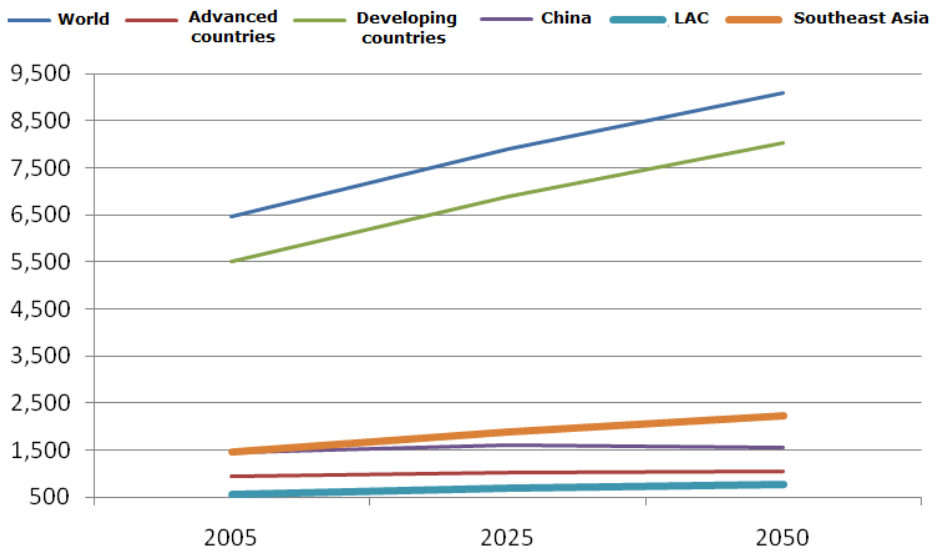
[13] In LAC, the GSG includes 44 countries and territories; in Southeast Asia, 13 countries and territories (Bhutan, Brunei. Philippines, Indonesia, Cambodia, Malaysia, Maldives, Myanmar, Papua-New Guinea, Singapore, Taiwan, Thailand and East Timor). China includes, besides the People's Republic, Hong Kong and Macao, the Democratic People's Republic of Korea (DPRK), Laos, Mongolia and Vietnam.

Table 3
Magnitude of population (millions)

		Scenario 1		*Scenario 2*		*Scenario 3*		*Scenario 4*	
	2005	*2025*	*2050*	*2025*	*2050*	*2025*	*2050*	*2025*	*2050*
World	6,465	7,906	9,077	7,767	8,676	8,065	9,531	7,589	8,078
Advanced countries	950	1,022	1,051	1,022	1,051	1,042	1,104	981	935
Developing countries	5,515	6,884	8,026	6,745	7,625	7,023	8,427	6,608	7,143
China	1,439	1,591	1,558	1,559	1,480	1,623	1,636	1,527	1,387
LAC	557	692	778	678	739	706	817	664	692
Southeast Asia	1,451	1,881	2,215	1,843	2,104	1,919	2,326	1,806	1,971

With respect to 2050, only Southeast Asia increases its share in the total world population in the first half of the century, whereas LAC slightly increases its population in the first quarter and this growth moderates in the rest of the covered period. The remarkable increase in the share of developing countries is explained above all by the population increase in the South of Asia and Africa, whereas already stated, deliberated policies to control population growth are required.

Chart 3
Magnitude of population (millions) – Scenario 1

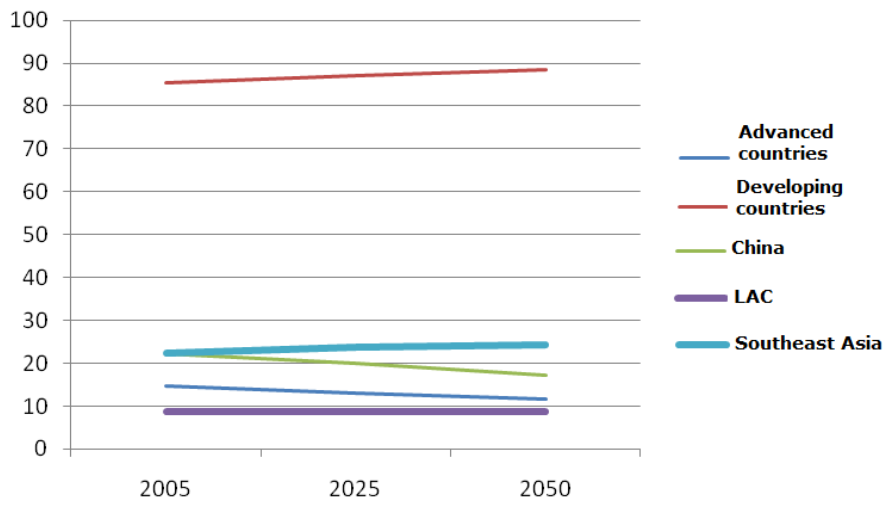


Even in the regions with moderate population growth, some countries will continue to register, especially in Scenario 1, excessive growth rates as a function of their resources and mobilization options. These countries will require active population policies intended to reduce demographic pressure. In the world, it is possible that China makes its policy of only one child per family more flexible in this second decade of the century, with a view to try to reduce the aging rate of its population.

Table 3A
Relative share in world population (%)

		Scenario 1		*Scenario 2*		*Scenario 3*		*Scenario 4*	
	2005	*2025*	*2050*	*2025*	*2050*	*2025*	*2050*	*2025*	*2050*
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Advanced countries	14.7	12.9	11.6	13.2	12.1	12.9	11.6	12.9	11.6
Developing countries	85.3	87.1	88.4	86.8	87.9	87.1	88.4	87.1	88.4
China	22.3	20.1	17.2	20.1	17.1	20.1	17.2	20.1	17.2
LAC	8.6	8.8	8.6	8.7	8.5	8.8	8.6	8.7	8.6
Southeast Asia	22.4	23.8	24.4	23.7	24.3	23.8	24.4	23.8	24.4

Chart 3A
Relative share in world population (%) – Scenario 1



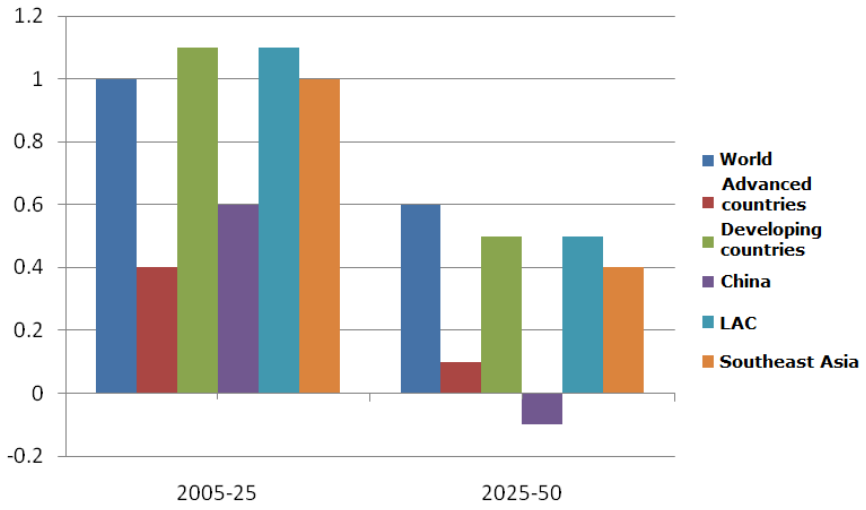
By the same token, annual average rates of population growth will remain positive; however, rates below 1 percent prevail in the different scenarios and regions. China's and advanced countries' population is expected to begin to decline in the second quarter of the century.

Table 3B
Average annual population growth rate (%)

	Scenario 1		*Scenario 2*		*Scenario 3*		*Scenario 4*	
	2005-25	*2025-50*	*2005-25*	*2025-50*	*2005-25*	*2025-50*	*2005-25*	*2025-50*
World	1.0	0.6	0-9	0.4	1.1	0.7	0.8	0.3
Advanced countries	0.4	0.1	0.4	0.1	0.5	0.2	0.2	-0.2
Developing countries	1.1	0.5	1.0	0.5	1.2	0.7	0.9	0.3
China	0.6	-0.1	0.4	-0.2	0.6	0.0	0.3	-0.4
LAC	1.1	0.5	1.0	0.3	1,2	0.6	0,9	0,2
Southeast Asia	1.0	0.4	0.9	0.3	1.1	0.5	0.8	0.1

For Latin America and the Caribbean, decreasing population growth rates are expected, with rates for the second quarter of the century being less than half those of the first quarter in Scenario 1. Other scenarios (2 and 4, for which active demographic policies are expected) would register sharper decreases. The deceleration of the population growth pace would be also pronounced in Southeast Asia.

Chart 3B
Average annual population growth rate (%) – Scenario 1



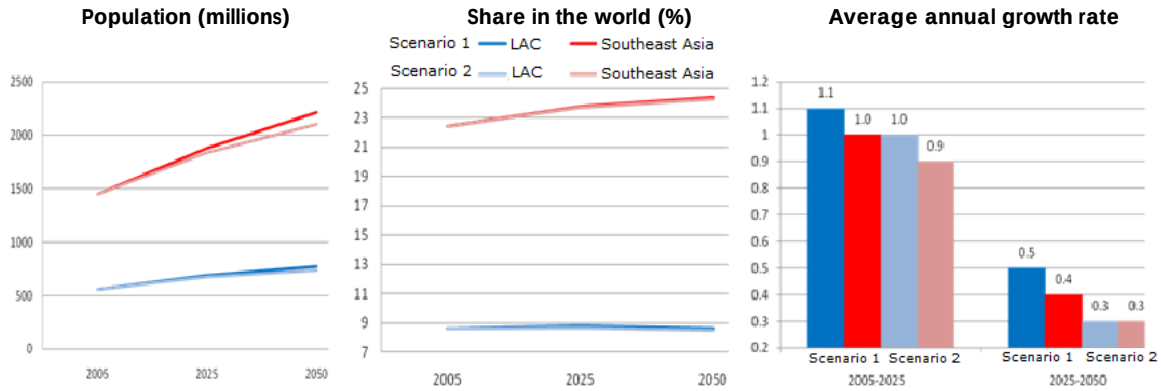
It is worth examining the differences between Scenario 1, policy continuance, and Scenario 2, policy reforms, between LAC and Southeast Asia.

Table 3C
LAC and Southeast Asia: Population / Scenarios 1 and 2

	2005	***Scenario 1***		***Scenario 2***	
		2005 - 2025	*2025 - 2050*	*2005 – 2025*	*2025 - 2050*
Population (millions)					
LAC	557	692	778	678	739
Southeast Asia	1,451	1,881	2,215	1,843	2,104
Share in the world (%)					
LAC	8.6	8.8	8.6	8.7	8.5
Southeast Asia	22.4	23.8	24.4	23.7	24.3
Average annual growth rate (%)					
LAC	-.-	1.1	0.5	1.0	0.3
Southeast Asia	-.-	1.0	0.4	0.9	0.3

No extreme differences are observed between these scenarios. Scenario 2 would include a greater deceleration of population growth in the second quarter of the century. This would be a level of development welcomed in both regions, although it would not substantially modify the significance of the respective population masses. In 2050, less than 10 of every 100 inhabitants of the world would come from LAC, whereas almost one of every four would come from Southeast Asia.

Chart 3C
LAC and Southeast Asia: Population / Scenarios 1 and 2



b) Economic dynamics

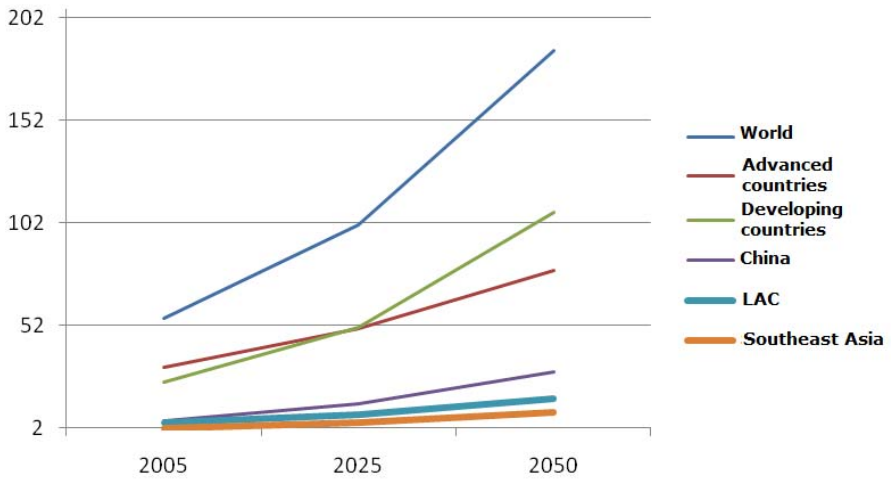
In the four scenarios, the GSG forecasts a permanent expansion in global economy, measured by GDP and purchasing power parity (ppp). In general terms, global economy is expected to double its size every 25 years, i.e. 2025 population would be more or less twice that of the early century and in 2050, population would be about twice that of 2025. However, this increase would be concentrated in developing countries and, above all, in China, whose population would more than double every 25 years.

The basic assumption of these forecasts is the avoidance of risks of shocks, disasters or unexpected crises. Since due to their very own nature, they are unpredictable, they are left out of the forecasts. To somehow include the likelihood of their occurrence, some analysts include a +/- 10% band in the forecast central figure. Therefore, based on figures in Chart 4, the forecast for 2025 would put global GDP between 91.8 and 111.3 trillion dollars of 2005 (ppp) and between 167.5 and 204.7 trillion for 2050. It is clear that this procedure is not very sophisticated.

Table 4
Magnitude of economies (GDP ppp, US$ billion, 2005)

		Scenario 1		*Scenario 2*		*Scenario 3*		*Scenario 4*	
	2005	*2025*	*2050*	*2025*	*2050*	*2025*	*2050*	*2025*	*2050*
World	55.7	101.2	186.1	100.1	180.2	99.2	162.4	109.9	202.2
Advanced countries	31.5	50.3	78.9	45.6	63.2	46.9	61.1	42.6	43.2
Developing countries	24.2	50.9	107.2	54.4	117.0	49.3	101.3	67.3	159.0
China	5.8	13.7	29.3	14.6	32.0	13.3	27.7	17.3	35.1
LAC	4.7	8.8	16.5	9.4	18.1	8.5	15.6	10.3	18.8
Southeast Asia	2.1	4.6	9.5	4.9	10.4	4.4	9.0	5.9	13.1

Chart 4
Magnitude of economies (GDP ppp, US$ billion, 2005)
Scenario 1



The slope in the economic size chart of LAC and Southeast Asia is lower only than that of China. LAC economic size, which is a central element of its global power, would increase moderately, above all if a virtuous combination of policies developed in Scenario 2 is adopted. However, none of these regions would experience a jump-like increase: Latin America and the Caribbean would remain below US$ 20 trillion of regional GDP and Southeast Asia would register no more than US$ 10 trillion at the closing of the first half of the century. More active growth policies are required.

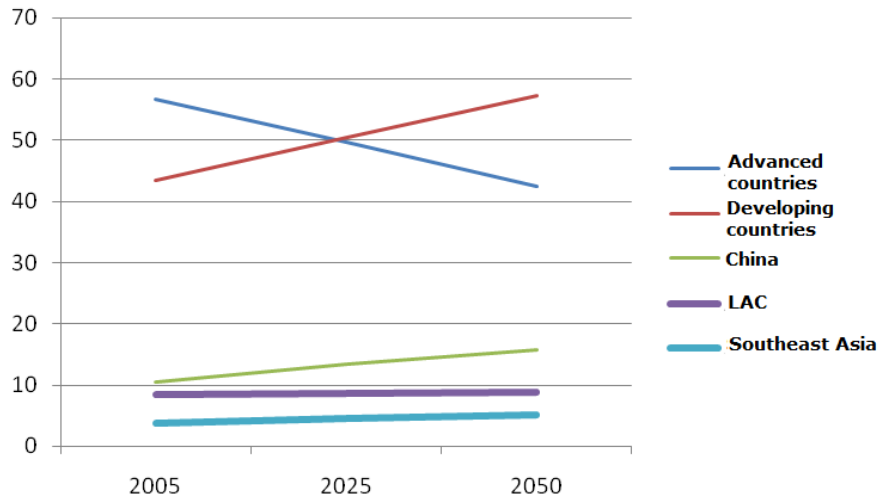
Latin America and the Caribbean stops losing ground in the different scenarios. It only posts an appreciable gain in the second scenario, which entails deliberated policies to promote economic growth. On the contrary, according to all assumptions, Southeast Asia continues to gain ground, albeit moderately, in the global economy.

Table 4A
Relative share in world economy (%)

		Scenario 1		*Scenario 2*		*Scenario 3*		*Scenario 4*	
	2005	*2025*	*2050*	*2025*	*2050*	*2025*	*2050*	*2025*	*2050*
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Advanced countries	56.6	49.7	42.4	45.6	35.1	47.3	37.6	38.8	21.4
Developing countries	43.4	50.5	57.3	54.3	64.9	49.7	62.4	61.2	78.6
China	10.4	13.5	15,7	14.6	17.8	13.4	17.1	15.7	17.4
Latin America and the Caribbean	8.4	8.7	8.9	9.4	10.0	8.6	9.6	9.4	9.3
Southeast Asia	3.8	4,5	5.1	4.9	5.8	4.4	5.5	5.4	6.5

More or less widespread expansion of global economy does not represent the non-existence of significant changes in the relative position of countries and regions. In this regard, the loss seen in advanced countries is particularly remarkable. In the standard scenario (1), this group of countries is below half global GDP in the first 25 years of the century and continues to decline in the second quarter. In the policy reforms scenario (2), these countries' share in global economy drops below one-third for the mid-century.

Chart 4A
Relative share in world economy (%)
Scenario 1



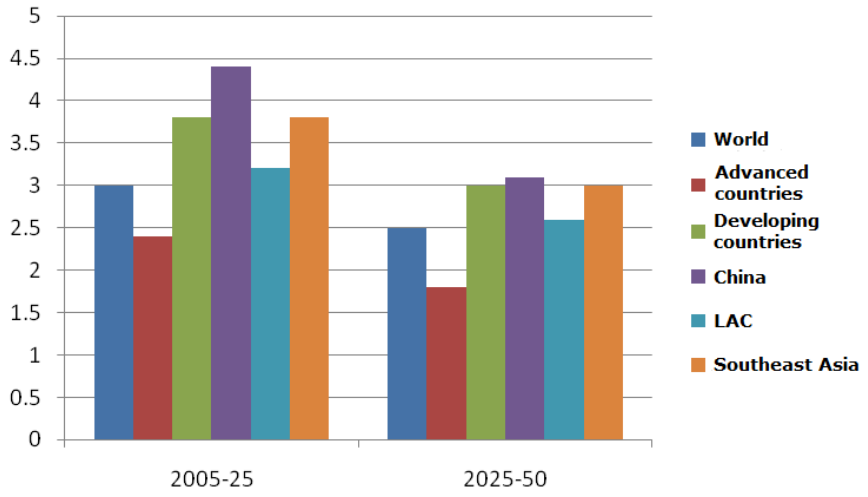
LAC stops losing ground in the various scenarios. But it only posts a noticeable gain in the second scenario, which entails policies deliberately aimed at promoting economic growth. In turn, Southeast Asia continues to gain ground in the global economy, albeit modestly, in all scenarios.

Table 4B
Average annual economic growth rate (GDP ppp, %)

	Scenario 1		Scenario 2		Scenario 3		Scenario 4	
	2005-25	*2025-50*	*2005-25*	*2025-50*	*2005-25*	*2025-50*	*2005-25*	*2025-50*
World	3.0	2.5	3.0	2.4	2.9	2.0	3.2	2.5
Advanced countries	2.4	1.8	1.9	1.3	2.3	0.8	1.5	0.1
Developing countries	3.8	3.0	4.1	3.1	3.6	2.9	5.2	3.5
China	4.4	3.1	4.7	3.2	4.2	3.0	5.6	2.9
LAC	3.2	2.6	3.6	2.6	3.0	2.5	4.0	2.4
Southeast Asia	3.8	3.0	4.2	3.1	3.7	2.9	5.2	3.2

Global economy has entered a long period of slow growth, with yearly rates that seldom surpass 4%. This period will extend over the first half of the century in the four scenarios, but it will be much more moderate in the second quarter of the century, as compared to the first one. This deceleration will be especially appreciable in advanced countries. Surprisingly, the gap between growth rates in China and the rest of the world is expected to close, although this latter continues to be the most dynamic.

Chart 4B
Average annual economic growth rate (GDP ppp, %)
Scenario 1



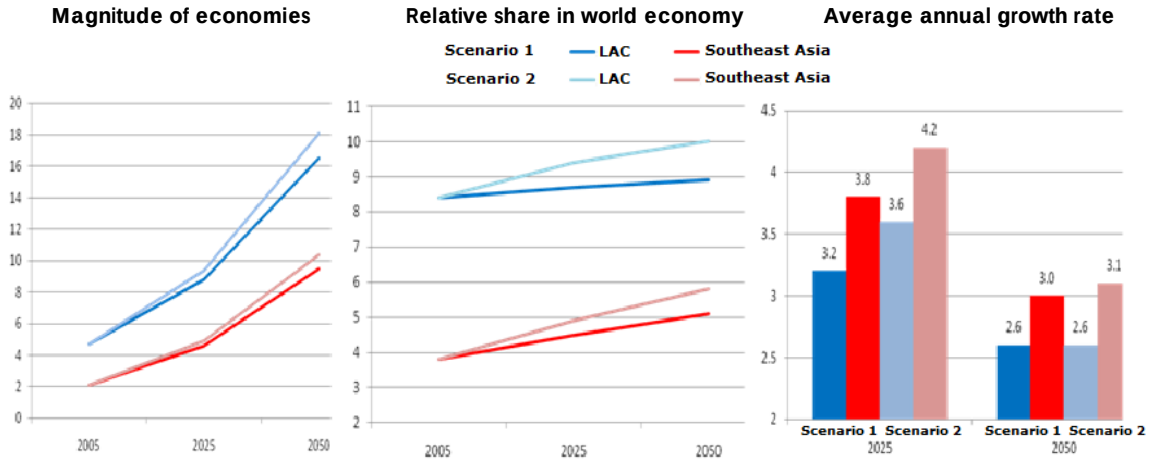
LAC economic growth is estimated to be below average growth in the developing world in all scenarios. This indicator is the one that most clearly requires corrections and reorientation of policies in the region, as already pointed out. Southeast Asia maintains a higher degree of economic dynamism than LAC, although with a little margin of difference. It is important to close this gap with respect to that region, which is the one that competes the most with LAC. This phenomenon can be seen more clearly in Table 6C and Chart 4C.

Table 4C
LAC and Southeast Asia: Economy / Scenarios 1 and 2

		Scenario 1		*Scenario 2*	
	2005	*2005 - 2025*	*2025 - 2050*	*2005 – 2025*	*2025 - 2050*
Magnitude of economies (GDP ppp, US$ billions for 2005)					
LAC	4.7	8.8	16.5	9.4	18.1
Southeast Asia	2.1	4.6	9.5	4.9	10.4
Relative share in world economy (%)					
LAC	8.4	8.7	8.9	9.4	10.0
Southeast Asia	3.8	4,5	5.1	4.9	5.8
Average annual growth rate (%)					
LAC	-.-	3.2	2.6	3.6	2.6
Southeast Asia	-.-	3.8	3.0	4.2	3.1

Both, in the conventional scenario and in the one of policy reforms, Southeast Asia is still ahead of LAC in terms of the different methods of measuring economic performance: whereas the former registers a fivefold increase over the period 2005-2025 in Scenario 1, LAC does not even quadruple and maintains a similar performance until mid-century. While LAC economy share in global economy remains relatively flat in the first half of the century, with a peak gain of only 1.5 percentage points, Southeast Asia shows a higher increase, with higher yearly growth rates, between 0.4 and 0.6 percentage points, throughout the period. In 50 years, this small difference will be substantially smaller.

Chart 4C
LAC and Southeast Asia: Economy / Scenarios 1 and 2



c) Per capita income and distribution

Despite its recognized failures as an indicator of living and well-being standards, per capita income still represents a sensible measurement of the average income levels under conditions of equitable distribution. In accordance with forecasts for economic dynamics and population growth moderation examined above, the GSG estimates a relatively dynamic behaviour of the per capita income level for the first half of the century, with a moderate degree of global convergence.

Table 5
Per capita income (US$ 2005 ppp)

	2005	*Scenario 1*		*Scenario 2*		*Scenario 3*		*Scenario 4*	
		2025	*2050*	*2025*	*2050*	*2025*	*2050*	*2025*	*2050*
World	8,618	12,804	20,498	12,882	20.771	12,203	17,042	14,482	25.032
Advanced countries	33,156	49,250	75,063	44,339	60,147	47,896	55,388	43,410	46,250
Developing countries	4,391	7,393	13,353	8,070	15.343	7.022	12,018	10,187	22,255
China	4.051	8,805	18,835	9,393	21.645	8,164	16,950	11,135	25,319
LAC	8,411	12,718	21,258	13,883	24,433	12,081	19,131	15,500	27,231
Southeast Asia	4,534	7,905	14,898	8,634	17,118	7,504	13,408	10,662	23.044

Chart 5. Per capita income (US$ for 2005 ppp) – Scenario 1

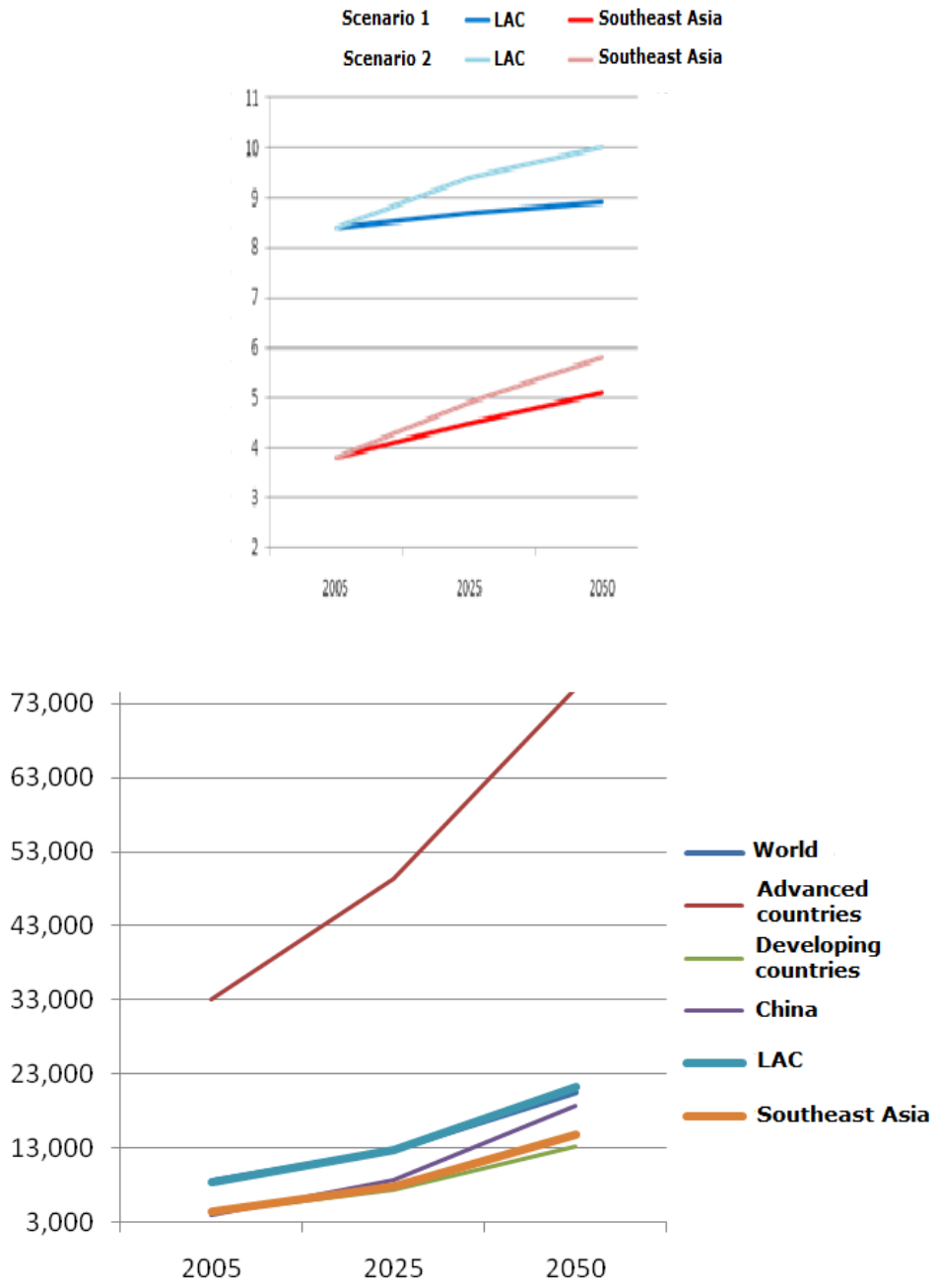
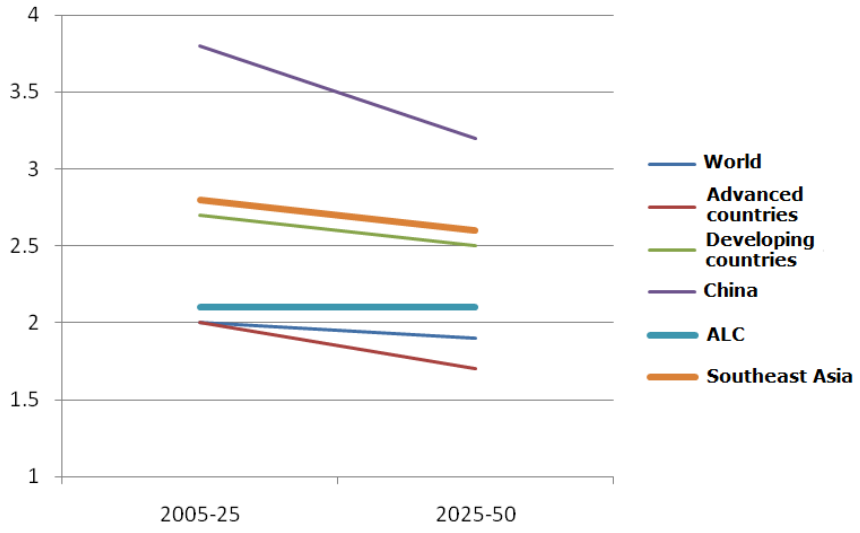


Table 5A
Average annual per capita growth rate (%)

	Scenario 1		*Scenario 2*		*Scenario 3*		*Scenario 4*	
	2005-25	*2025-50*	*2005-25*	*2025-50*	*2005-25*	*2025-50*	*2005-25*	*2025-50*
World	2.0	1.9	2.1	2.0	1.8	1.3	2.4	2.2
Advanced countries	2.0	1.7	1.5	1.2	1.8	0.6	1.3	0.3
Developing countries	2.7	2.5	3.1	2.6	2.4	2.2	5.3	3.3
China	3.8	3.2	4.3	3.4	3.6	3.0	5.3	3.3
LAC	2.1	2.1	2.6	2.3	1.8	1.9	3.1	2.2
Southeast Asia	2.8	2.6	3.3	2.8	2.6	2.4	4.4	3.1

This convergence is expressed in the fact that higher rates of economic growth per inhabitant (derived from subtracting population increase from economic growth) are found in the developing world and, within this, China and in lesser degree, in other regions.

Chart 5A
Average annual per capita growth rate (%)
Scenario 1

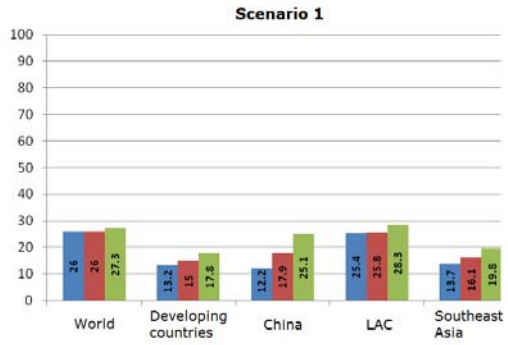


In the different scenarios, the income gap with regard to advanced countries somehow closes but is still significant. In the extreme case, which is represented in Scenario 4, the income gap between advanced and developing countries, which was seven and a half time higher in 2005, closes to only twice for the mid-century. In more feasible scenarios, the gap remains at four.

Table 5B
Per capita income gap (Advanced = 100.0)

	2005	*Scenario 1*		*Scenario 2*		*Scenario 3*		*Scenario 4*	
		2025	*2050*	*2025*	*2050*	*2025*	*2050*	*2025*	*2050*
World	26.0	26.0	27.3	29.1	34.5	25.5	30.8	33.4	54.1
Advanced countries	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Developing countries	13.2	15.0	17.8	18.2	25.5	14.7	21.7	23.5	48.1
China	12.2	17.9	25.1	21.2	36.0	17.0	30.6	25.7	54.7
LAC	25.4	25.8	28.3	31.3	40.6	25.2	34.5	35.7	58.9
Southeast Asia	13.7	16.1	19.8	19.5	28.5	15.7	24.2	24.6	49.8

Chart 5B
Per capita income gap (Advanced = 100.0)
Scenarios 1 and 2

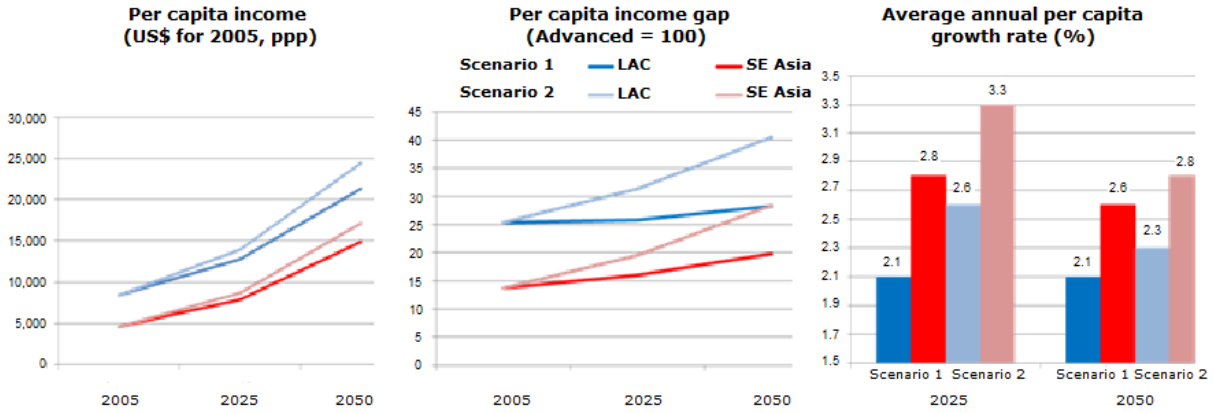


In any of the two most feasible scenarios, income gap between LAC and advanced countries significantly closes. In 2005, that gap, as already noted, was 75%, i.e. average per capita income in LAC was equivalent to about 25% of that prevailing in the advanced world. In the policy continuance scenario, the gap hardly closes, losing less than three percentage points, whereas in the policy reform scenario, the closing is significant, to almost half and it occurs in the two quarters of the first half of the century. In the case of Southeast Asia, a similar, albeit less marked, phenomenon takes place. It is worth finding out the mix of policies comprised in Scenario 2 and the way that they are combined to attain this positive result for the region.

Table 5C
LAC and Southeast Asia: Income / Scenarios 1 and 2

	2005	*Scenario 1*		*Scenario 2*	
		2005 – 2025	*2025 - 2050*	*2005 – 2025*	*2025 - 2050*
Per capita income (US$ for 2005 ppp)					
LAC	8,411	12,718	21,258	13,883	24,433
Southeast Asia	4,534	7,905	14,898	8,634	17,118
Per capita income gap (Advanced = 100.0)					
LAC	25.4	25.8	28.3	31.3	40.6
Southeast Asia	13.7	16.1	19.8	19.5	28.5
Average annual per capita growth rate (%)					
LAC	-.-	2.1	2.1	2.6	2.3
Southeast Asia	-.-	2.8	2.6	3.3	2.8

Chart 5C
LAC and Southeast Asia: Income / Scenarios 1 and 2

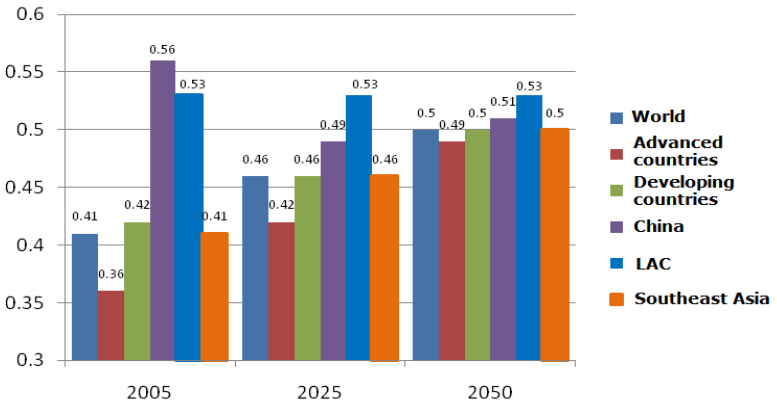


The panorama of a moderate growth in the per capita income becomes complicated when the income distribution trends, as measured by Gini coefficient, are taken into consideration.[14]

Table 5C
Distribution of income: Gini coefficient

	2005	*Scenario 1*		*Scenario 2*		*Scenario 3*		*Scenario 4*	
		2025	*2050*	*2025*	*2050*	*2025*	*2050*	*2025*	*2050*
World	0.41	0.46	0.50	0.41	0.41	0.48	0.58	0.39	0.30
Advanced countries	0.36	0.42	0.49	0.38	0.40	0.44	0.53	0-37	0.31
Developing countries	0.42	0.46	0.50	0.41	0.41	0.48	0.59	0.39	0.30
China	0.56	0.49	0.51	0.44	0.43	0.51	0.59	0.42	0.31
LAC	0.53	0.53	0.53	0.50	0.48	0.54	0.60	0.47	0.34
Southeast Asia	0.41	0.46	0.50	0.41	0.41	0.48	0.60	0.39	0.30

Chart 5b
Distribution of income: Gini coefficient – Scenario 1



[14] Gini index or coefficient is the most used measure to quantify inequality [in the distribution of income, for instance]. Gini coefficient can range between 0, which reflects absolute equality, and 100 that represents absolute inequality (one single individual receives the entire income or has the entire consumption and the other have nothing). (World Bank, "Poverty reduction and equity", http://web.worldbank.org/.

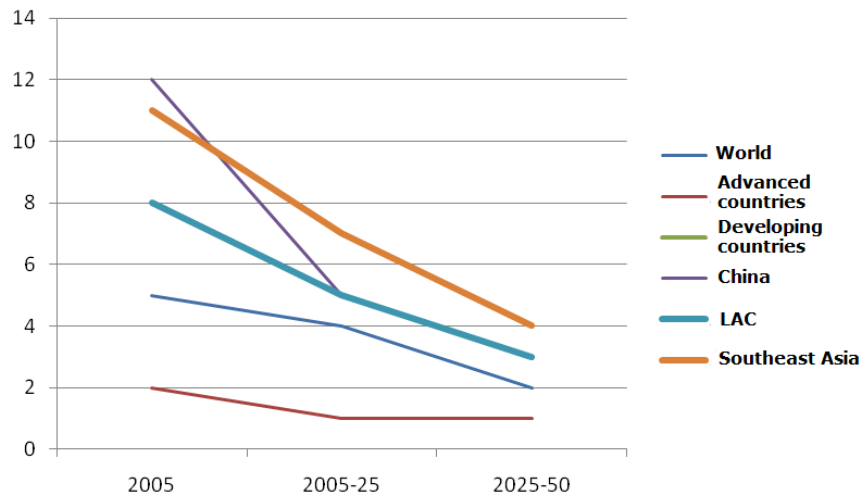
d) Productive sectors

While economies grow, agriculture and other primary activities inexorably continue to follow their relative decreasing trend. The share of productive agricultural activities plummets so markedly in the different scenarios that it makes one wonder how much will this be compatible with the needs for food and commodities, the demand of which, at least in the short term, is clearly increasing. In the most conventional scenario, agricultural production will account for just 4% of GDP in 2025 and 2% in 2050. For those years, the global population will have ballooned by 1.4 and 2.6 billion, respectively; therefore, it is not clear how this additional demand will be met.

Table 6
Share of agriculture in world GDP (%)

	2005	***Scenario 1***		***Scenario 2***		***Scenario 3***		***Scenario 4***	
		2005-25	*2025-50*	*2005-25*	*2025-50*	*2005-25*	*2025-50*	*2005-25*	*2025-50*
World	5	4	2	4	2	4	3	4	3
Advanced countries	2	1	1	1	1	1	1	1	1
Developing countries	11	7	4	6	3	7	4	6	3
China	12	5	3	5	2	6	3	5	3
LAC	8	5	3	5	2	5	3	5	2
Southeast Asia	11	7	4	6	3	7	4	6	3

Chart 6
Share of agriculture in world GDP (%)
Scenario 1

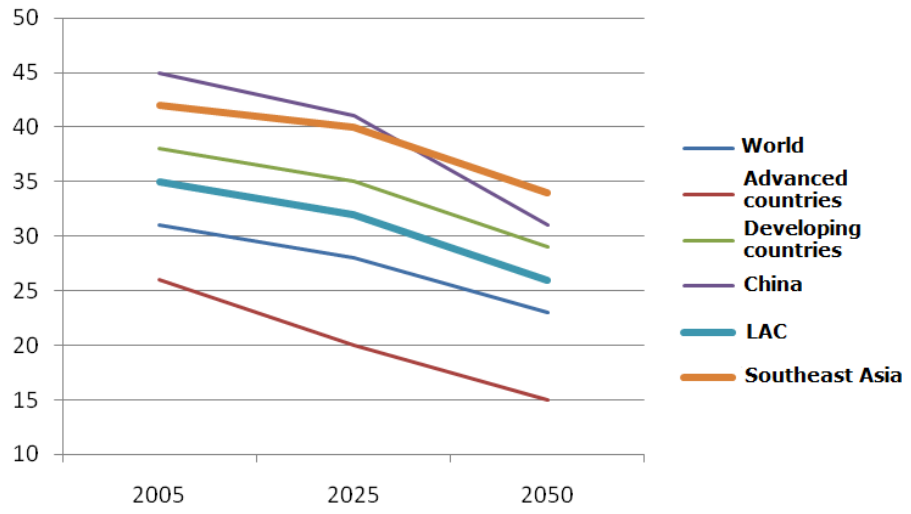


The drop in the share of industrial activities in global GDP is expected to remain a widespread phenomenon, more marked in the advanced world than in the developing countries. In the two first scenarios, only Asian countries – China and Southeast Asia – maintain shares of about 30% or more in their respective GDPs for the mid-century.

Table 6A
Share of industry in world GDP (%)

	2005	Scenario 1		Scenario 2		Scenario 3		Scenario 4	
		2005-25	2025-50	2005-25	2025-50	2005-25	2025-50	2005-25	2025-50
World	31	28	23	29	24	28	25	28	19
Advanced countries	26	20	15	21	17	20	15	20	15
Developing countries	38	35	29	35	28	38	30	33	20
China	45	41	31	40	30	43	30	38	21
LAC	35	32	26	32	25	34	26	30	19
Southeast Asia	42	40	34	39	33	41	31	37	22

Chart 6A
Share of industry in world GDP (%)
Scenario 1



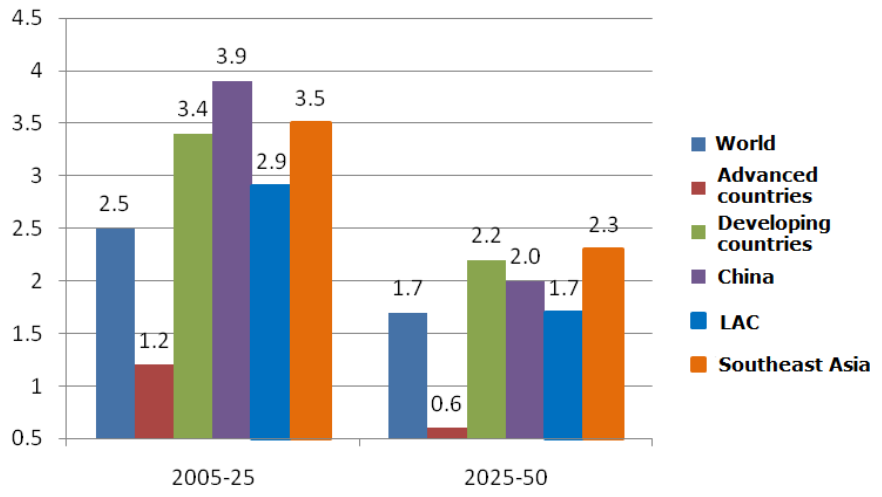
Deindustrialization in Latin America and the Caribbean, which already placed this region at the bottom of the developing economies in the first decade of the century, would intensify, with a small difference in the two first scenarios. This would render the divide of industrial product – and most certainly – productivity with respect to Southeast Asia, greater, because this region's industrial product as a share of the respective GDP, would exceed by about eight percentage points that of LAC in the first half of the century.

In view of the scarce likelihood for Latin America and the Caribbean to successfully engage, in the short and medium term, in advanced, technology and knowledge-intensive industrial activities, very specific measures are required, as well as properly-oriented industrial policies, in order to respond to this challenge.

Table 6B
Average annual growth rate of industrial production (%)

	Scenario 1		*Scenario 2*		*Scenario 3*		*Scenario 4*	
	2005-25	*2025-50*	*2005-25*	*2025-50*	*2005-25*	*2025-50*	*2005-25*	*2025-50*
World	2.5	1.7	2.6	1.7	2.6	1.3	2.9	0.9
Advanced countries	1.2	0.6	1.0	0.5	1.0	-0.3	0.4	-0.2
Developing countries	3.4	2,2	3.7	2.2	3.6	2.0	4.4	1.6
China	3.9	2.0	4.2	2.0	4.0	1.5	4.7	0.5
LAC	2.9	1.7	3.2	1.7	3.0	1.4	3.3	0.5
Southeast Asia	3.5	2,3	3.9	2.3	3.6	1.7	4.5	1.2

Chart 6B
Average annual growth rate of industrial production (%)
Scenario 1



Expected growth rates do nothing but differently telling the story we have already told.

e) Energy and climate change

It is precisely in the chapter about energy uses and their consequences for climate change where the GSG draws a truly remarkable projection that also has repercussions for LAC. Beyond forecasts in terms of gross figures of fossil energy consumption, increasing use of renewable sources and enhancement of energy efficiency, attention is preferably paid to three indirect indicators that tell the story not only of energy options but also of policies adopted to attain the desired outcome.

Indicators related to energy are those that best show the influence of economic, energy, technological, environmental and social policies, because in no other case such dramatic changes, and in the short term and from one scenario to another, are found. It is well known that the difference between the four scenarios lies in the policies on which each one is underpinned.

Let us first consider indicators and their graphic expression, which has been designed for the two regions whose comparison is the most interesting: Latin America and the Caribbean and Southeast Asia.

Table 7
Energy intensity (megajoules/US$ GDP ppp)

	2005	Scenario 1		Scenario 2		Scenario 3		Scenario 4	
		2005-25	2025-50	2005-25	2025-50	2005-25	2025-50	2005-25	2025-50
World	9	7	5	5	3	7	6	5	2
Advanced countries	7	5	3	4	2	5	4	3	2
Developing countries	10	8	7	7	4	9	7	5	2
China	13	10	7	8	4	10	7	7	2
LAC	6	6	6	4	3	6	6	4	2
Southeast Asia	9	8	7	6	4	9	7	6	3

Table 7A
Total CO_2 emissions (gigatonnes of carbon)

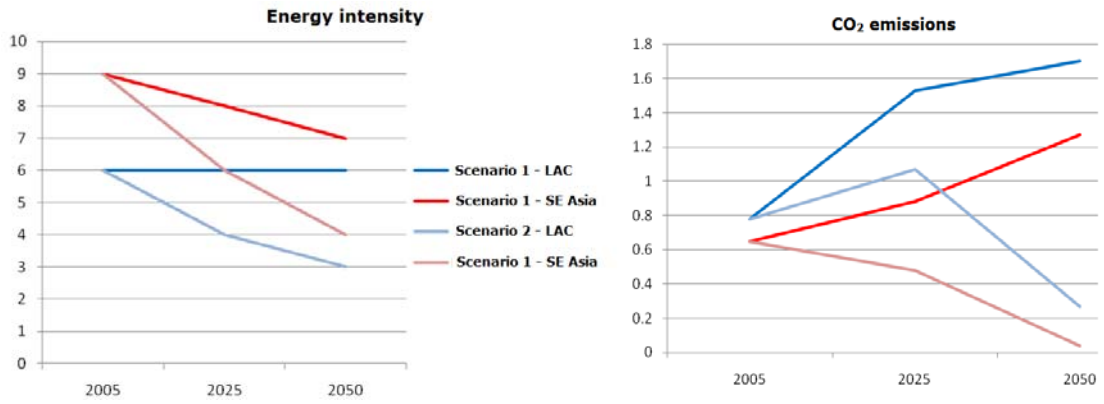
	2005	Scenario 1		Scenario 2		Scenario 3		Scenario 4	
		2005-25	2025-50	2005-25	2025-50	2005-25	2025-50	2005-25	2025-50
World	8.24	12.68	17.10	7.19	2.17	13.04	16.51	6.61	1.13
Advanced countries	3.48	4.11	4.29	1.85	0.44	4.02	3.52	1.57	0.18
Developing countries	4.76	8.57	12.81	5.34	1.74	9.02	12.9	5.04	0.95
China	0.97	2.61	4.05	1.50	0.64	2.66	3.63	1.61	0.38
LAC	0.78	1.53	1.70	1.07	0.27	1.60	1.63	0.97	0.03
Southeast Asia	0.65	0.88	1.27	0.48	0.04	0.95	1.19	0.46	0.03

It is worth noting that in the first scenario, which calls for the maintenance of conventional market policies, energy intensity is slightly moderate with respect to the levels in 2005 and total carbon dioxide emissions considerable increase all over the world, with special intensity in the developing world and in China. However, the new policies in terms of market regulations, promotion of alternative energies and fight against climate change, which, among others, characterize Scenario 2, mark a noticeable difference between both indicators, as shown for Latin America and the Caribbean and Southeast Asia in Table 7B and Chart 7B below.

Table 7B
Energy intensity and CO_2 emissions / Scenarios 1 and 2

	2005	Scenario 1		Scenario 2	
		2005 - 2025	2025 - 2050	2005 – 2025	2025 - 2050
Energy intensity (megajoules/US$ GDP ppp)					
LAC	6	6	6	4	3
Southeast Asia	9	8	7	6	4
Total CO_2 emissions (gigatonnes of carbon)					
LAC	0.78	1.53	1.70	1.07	0.27
Southeast Asia	0.65	0.88	1.27	0.48	0.04

Chart 7B
Energy intensity and CO_2 emissions / Scenarios 1 and 2



It will be necessary to search the databases of this forecast analysis to find the national indicators used to develop LAC regional aggregate, standardizations undertaken in base data and, above all, know and discuss the policy assumptions that underlay each scenario.

2. Latin America and the Caribbean in NIC's "Global Trends for 2025"

The National Intelligence Council (NIC), which reports to the U.S. National Intelligence Director, regularly publishes prospective studies in which, more than the development of quantitative scenarios, which are used as a basis, the holistic analysis of the most relevant "global trends" prevails. NIC's stated aim is to "stimulate strategic thinking about the future by identifying key trends, the factors that drive them, where they seem to be headed, and how they might interact. It uses scenarios to illustrate some of the many ways in which the drivers examined in the study (e.g., globalization, demography, the rise of new powers, the decay of international institutions, climate change, and the geopolitics of energy) may interact to generate challenges and opportunities for future decision makers. The most recent version of this paper is *Global Trends 2025: A Transformed World*, and was released in November, 2008.[15]

Since the study does not deal with regions but with countries and economic blocs or military alliances as players of the examined trends, it does not develop prospective views for Latin America and the Caribbean in the scenarios it covers. It rather offers a provocative comprehensive view that is reproduced below (p. 15) and that, as happens with all documents from the U.S. intelligence community, should be read cautiously and between lines.

[15] National Intelligence Council, *Global Trends 2025: A Transformed World*, Superintendent of Documents, U.S. Government Printing Office, Washington, November 2008, 120 pp. The digital version is available at www.dni.gov/nic/NIC_2005_project.htlm.

Latin America: Moderate economic growth, continued urban violence

Many Latin American countries will have achieved marked progress in democratic consolidation by 2025, and some of these countries will have become middle-income powers. Others, particularly those that have embraced populist policies, will lag behind – and some, such as Haiti, will have become even poorer and still less governable. Public security problems will continue to be intractable – and in some cases unmanageable. Brazil will become the leading regional power, but its efforts to promote South American integration will be realized only in part. Venezuela and Cuba will have some form of vestigial influence in the region in 2025, but their economic problems will limit their appeal. Unless the United States is able to deliver market access on a permanent and meaningful basis, the U.S. could lose its traditionally privileged position in the region, with a concomitant decline in political influence.

Steady economic growth between now and 2025 – perhaps as high as 4 percent – will fuel modest decreases in poverty levels in some countries and a gradual reduction of the informal sector. Progress on critical secondary reforms, such as education, regressive tax systems, weak property rights, and inadequate law enforcement will remain incremental and spotty. The relative growing importance of the region as a producer of oil, natural gas, biofuels, and other alternative energy sources will spur growth in Brazil, Chile, Colombia, and Mexico, but state ownership and political turmoil will impede efficient development of energy resources. The economic competitiveness of Latin America will continue to lag behind Asia and some other fast growing areas.

Population growth in the region will be relatively moderate, but the rural poor and indigenous populations will continue to grow at a faster rate. Latin America will have a graying population as the growth rate of adults aged 60 and over rises.

Parts of Latin America will continue to be among the world's most violent areas. Drug trafficking organizations, sustained in part by increased local drug consumption, transnational criminal cartels, and local crime rings and gangs, will continue to undermine public security. These factors, and persistent weaknesses in the rule of law, will mean that a few small countries, especially in Central America and the Caribbean, will verge on becoming failed states.

Latin America will continue to play a marginal role in the international system, except for its participation in international trade and some peacekeeping efforts.

U.S. influence in the region will diminish somewhat, in part because of Latin America's broadening economic and commercial relations with Asia, Europe, and other blocs. Latins, in general, will look to the United States for guidance both globally and for relations with the region. An increasingly numerous Hispanic population will ensure greater U.S. attention to, and involvement in, the culture, religion, economics, and politics of the region.

3. Latin America and the Caribbean: Snapshots in the European forecasts

Another example of how the region is viewed in the prospective studies conducted in other continents is found in a book on prospective essays published in 2009 by the European Commission. Entitled *The World in 2025: contributions from an expert group*, the book gathers a dozen of works dealing with various issues. None of them is devoted to the region, but infrequent, references to LAC are indicative of how European experts understand some aspects of Latin America and the Caribbean future.

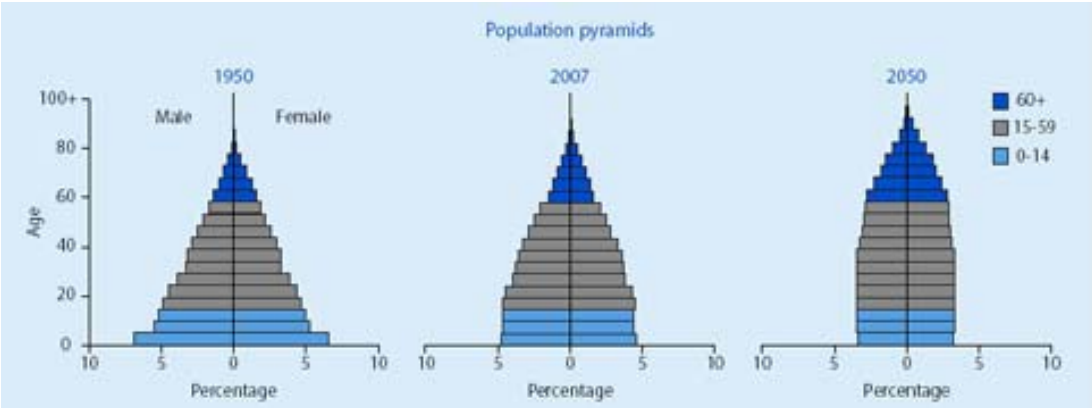
Some snapshots taken from different works contained in the book are presented below.[16]

- On aging

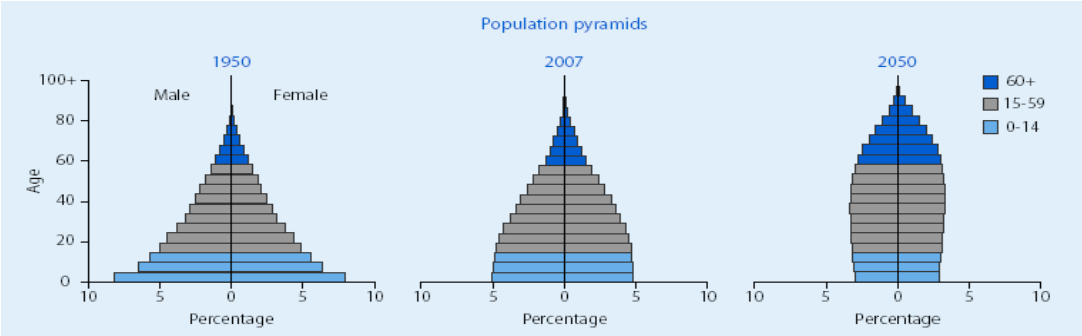
  Of course, this is an almost universal trend with multiple roots: health care advances, which extend life expectancy; innovations in the treatment of age-related illnesses, which improve the standard of living in the elderly; the decrease in fertility and birth rates associated with economic, social and cultural development, among many others. Therefore, it is difficult to accept that this issue is dealt with, as it happens sometimes, in catastrophic terms or as a major challenge.

Aging perspectives in LAC population for the 2050 time horizon is much more manageable than those in other regions, as shown in the charts below:

World

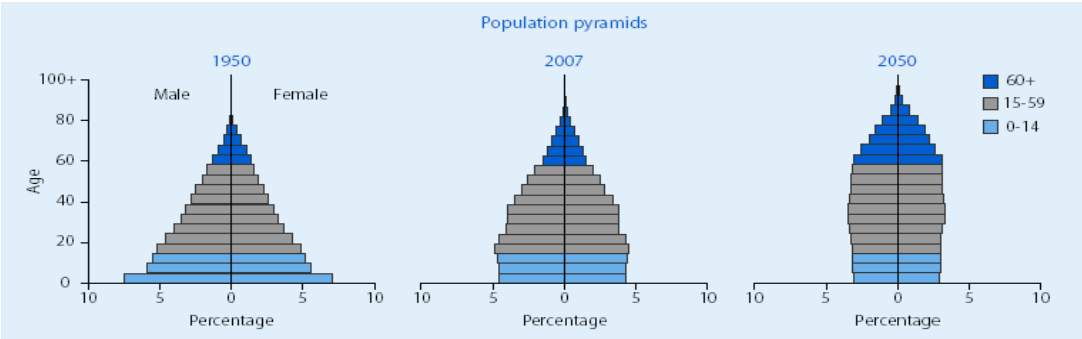


Latin America

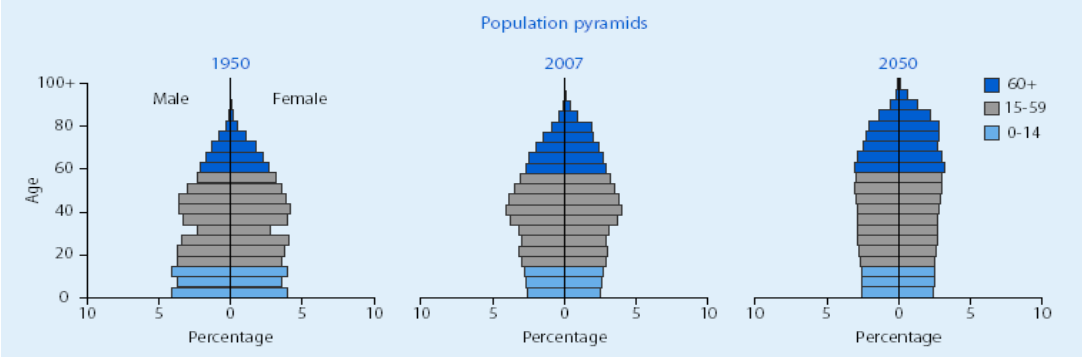


[16] European Commission, *The world in 2025: contributions from an expert group*, edited by Elie Faroult, Directorate-General for Research, Brussels, 2009.

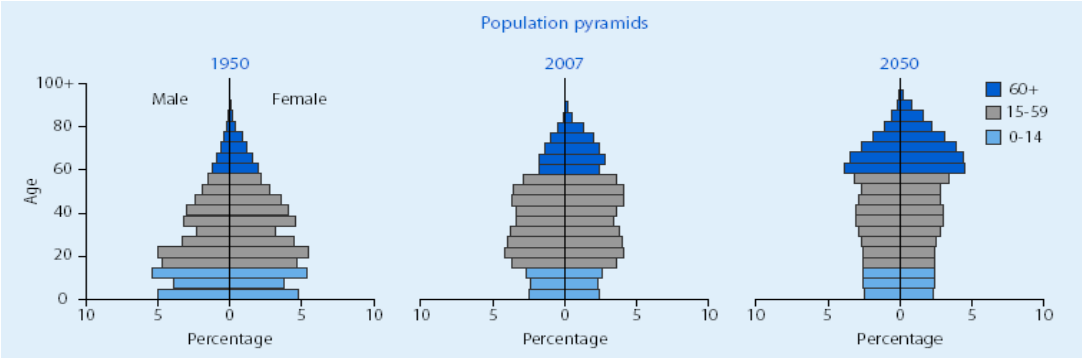
Asia



Western Europe



Eastern Europe



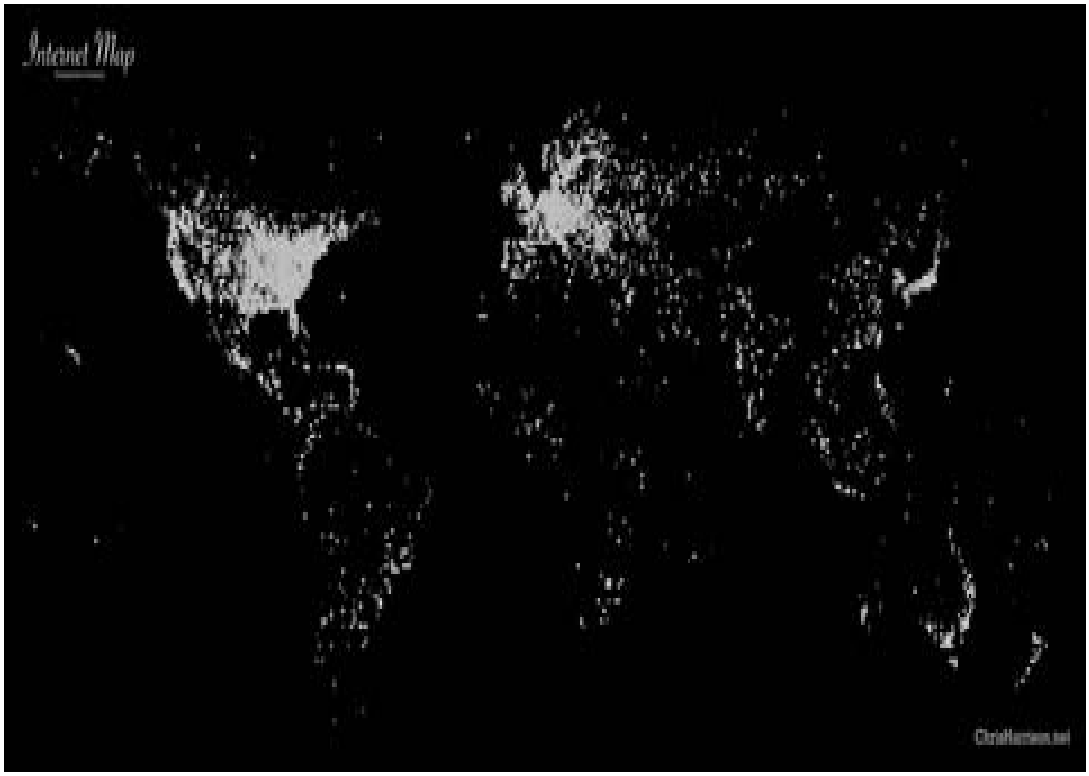
Regardless of the peculiarities of each one of the illustrated regions, the ideas put forward by Professor Beets in the essay where these charts are included can be applied to all of them:

> Population aging and even population decline should not be seen as *problems*, but as *challenges*. We know very well what we should expect every year: a gradually growing proportion of older population. Even though this proportion may double in the upcoming decades, the increase is distributed throughout several years. In fact, in many countries the percentage of population older than

60 years has already doubled in the past half century. Did this cause serious troubles? I believe it did not. It took place gradually and every year there was some kind of adaptation. Given our knowledge about demographic trends, we have the time to better foresee the repercussions on the "political process" of budget development and the necessary social restructuring. The countries that have not started the aging and decline process may learn from those that have already gone through it or are already living it.[17]

On basic equipping for the society of knowledge

LAC is belatedly starting to be equipped in terms of material and human resources for the society of knowledge. A very simple indicator in this regard is the degree of progress in the creation of infrastructure to expand Internet coverage throughout the entire territory, as exposed by Gaudin.[18]



Source: Internet World Map (Dimes project, Chris Harrison, 2007), quoted by Gaudin, op cit, p 90.

Considering 100% as the infrastructure availability that allows for total coverage of a country's territory, the following situation was observed in 2007:

- In the developed world (central OECD countries), this rate surpassed 50% and in some cases even 60%.

[17] Gijs Beets, "The World in 2025: Demographic issues", European Commission, The world in 2025: contributions from an expert group, loc cit, pp 19 and 22.
[18] Thierry Gaudin, "The World in 2025: A Challenge to Reason", European Commission, The world in 2025: contributions from an expert group, loc cit, p 90.

- On European margins, Turkey recorded 23% and Ukraine 12%.

- In Asia, a gap is observed: along with highly equipped countries or economies, in some cases higher than the average in advanced countries, such as Korea (71%), Hong Kong (70%) and Taiwan (67%), there are other very lower levels: Vietnam (21%), Indonesia (9%) and Pakistan (7%).

- In the Middle East, gradation is well defined: Israel (57%), UAE (38%), Iran (27%), Lebanon (24%) and Saudi Arabia (17%).

- Differences are much more pronounced in LAC: Chile (43%), Argentina (40%) and Mexico (22%).

- Finally, Africa registers a continental index of 5%, although there are countries with a higher penetration: Morocco (18%) and Tunisia (17%).

The above explains that the world map of Internet penetration is darker than lighter.

On motivations of trade liberalization

In his essay on the future of Europe, Samir Amin points out:

> "Ultimately, motivations that dominated the views on the expansion of the European Union were not quite different from those on which the U.S. based its project to integrate Latin America into a vast free trade zone of the Americas. These integration modalities are designed to broaden gaps, within the peripheral associates (Latin America, on the one hand, and Eastern Europe, on the other), between small well integrated and developed areas, under the control of the dominating capitalist centres (the U.S., on the one hand, and Germany, on the other) and huge territorial reserves that are left adrift. The discourse according to which convergence will result from the growing flows of private foreign direct investment is not intended for anything else but propaganda. However, as long as Latin American people reject the expansion of the free trade zone at the continental level and oppose to the U.S. in this point, Eastern Europe, with the most moving naivety, welcomed a project that is similar to the former one, conceived in the capitalist centres in Western Europe." [19]

On the emergence of a multipolar world

In the same essay, Amin also refers to global evolution in little conventional terms:

> "So far, economic forces have been the vehicle for the advent of a multipolar system in the globalization world. The unipolarity era that followed the collapse of the Soviet empire will very likely be short-lived. The emergence of new economic powers in Asia and, may be later, in Latin America and Africa, will lead to an increasingly multipolar world where the economic power is translated into political and military power.
> Barring significant turmoil, which, of course, cannot be ruled out, the above might be a long-term trend that will gradually result in a change in the global balance of power, which will move away from the traditional Western hegemony centres. This will not happen overnight. The U.S. military supremacy cannot be rapidly or easily defied. At the same time, hard power limitations are evident, as in Iraq and

[19] Samir Amin, "Is the European Project Viable?" European Commission, *The world in 2025: contributions from an expert group*, loc cit, p. 232.

> Afghanistan. The challenge to technological supremacy of the U.S. and Europe by emerging powers may prove to be faster and, therefore, more painful for those that took it for granted."[20]

So far this brief report on how LAC is seen in some of the global prospective studies that are being consulted today. Although these views are very varied, a common denominator among them may be that they have little encouraging prospects, above all in those scenarios that call for the continuance of policies. Therefore, the unavoidable conclusion is that other approaches and routes for economic and social policies in LAC should be developed if the position of the region in the world during the first half of this century is to be improved.

These scenarios – at least two or three of them – should be assessed in a critical manner. Ideally, such assessment could include the construction of a proprietary prospective scenario, with the same time horizon. For this purpose, help from organizations such as ECLAC and some institutions specialized in prospective studies would be highly valuable, usually associated with universities or research institutes, public and private, in the region.

CAF: Scenarios for Latin America and the Caribbean

As part of an exercise to define a long-term vision to support the economic and social development of Latin America and the Caribbean, the Development Bank of Latin America - CAF conducted a prospective effort together with the Centennial Group, entitled *"Latin America 2040: Breaking away from complacency, an agenda for resurgence,"* published in 2010.

Based on an assessment of the economic and social situation in the last 25 years and until 2040, this medium-term prospective analysis highlights the milestones or turning points occurred in Latin America and the Caribbean in this period. Further, it lays the foundations for future strategies for reform and growth in the region.

This study forecasts that within thirty years, the world economy will be more prosperous than at present, with Asia (China, India and Japan) as the production hub, and likely accounting for more than 60% of world GDP. Asia would be joined by Indonesia, Vietnam, Thailand and Malaysia in order of importance, surpassing in size the economies of France and Italy. These, like other countries that are part of the G-8, would be displaced from their position in today's global economy.

In a status quo scenario, the region would maintain an average performance, lower than the world average, and its relative global importance may dwindle. The gap between the region and other countries may become even wider.

If, conversely, some countries in Latin America and the Caribbean attained the same level as the countries in the convergence scenario, the position of the region would completely change positively, but reforms must be adopted to further growth. The authors note, however, that this scenario is difficult to achieve, but cite three complementary pillars, which could even be considered to enable this scenario: greater inclusion, greater productivity and more competition and openness.

[20] Samir Amin, op cit, p 272.