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Latin America and the Caribbean: A long-term vision of development. Trends, challenges and policy options

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F O R E W O R D

The Permanent Secretariat is submitting this document entitled "Latin America and the Caribbean: A long-term vision of development. Trends, challenges and policy options" in compliance with Activity I.1.7 of the Work Programme for 2013, as approved in Decision 535 of the XXXVIII Latin American Council, which envisages a prospective analysis of the economic and social development of the region, in order to provide a long-term strategic perspective.

After the introduction, the second chapter describes the situation of Latin America and the Caribbean within the context of the recent economic crisis. The third chapter presents the main prospects for regional economic growth in the near future (2013-2020) and lists the risks that could have a negative influence during the period under study.

The fourth chapter analyzes the current debate on macroeconomic matters and policy options for Latin American and Caribbean countries. Chapter five presents the long term vision for the region (2050) and its main determinants. And the sixth chapter offers important economic policy guidelines for the medium and long terms, which include the possibility of changing the centres of economic power which are being forged at present.

Finally, chapter seven concludes by making some recommendations about the elements that should be included as priority in the agendas of the region's governments.

The Permanent Secretariat expresses its gratitude to Ambassador Jorge Eduardo Navarrete for his valuable efforts in drafting this study.

EXECUTIVE SUMMARY

From mid-2012 at least, there has been a fairly widespread recognition that Latin America and the Caribbean (LAC) is one of the regions that have gotten around the Great Recession in comparatively better conditions and now show promising prospects for long-term development. There are also formidable obstacles to reach this promising future. Many of them are derived from the negative impact of the crisis, leading to a long period of sluggish growth and a notoriously inadequate creation of jobs, as well as a productive and technological backwardness which is difficult to compensate for. Others result from the pending structural reforms that have to do with the productive transformation for equality; that is, the fundamental renewal of paradigms of development in the region. This document, which should be viewed as a tentative approach, refers to the complex and interconnected series of issues related to the region and its insertion into the world economy within a time frame extending from the second third of the second decade of this century until mid-century.

By mid-century, in 2050, population in Latin America and the Caribbean will have exceeded 750 million people, compared to 603 million in 2012. This represents the biggest challenge for the region as well as its best opportunity to promote its development in the first half of the 21st century. During the first half of the century, the demographic impetus for regional development will be depleted in terms of the contributions of a growing labour force.

If Latin America and the Caribbean had held, during the five years of the crisis (2008-2012), the same economic growth rate achieved during the previous period (2003-2007), the value of its GDP, measured at current prices and purchasing power parity (PPP), would have been US$ 1.2 billion higher than the one recorded; i.e. around US$ 8.4 billion instead of US$ 7.2 billion, which represents a difference of 16.5%. This is a hint of the magnitude of the loss provoked by the Great Recession in the region.

Referring to the prospect that the global economy is entering a period of greater stability but slower growth, a senior official of the Bank World spoke of a "new normality" in which it would be difficult to surpass the growth levels foreseen for the rest of the decade, which are very modest for advanced economies and higher but insufficient for the developing world and most of the regions comprising it, especially for Latin America and the Caribbean.

The annual average growth rates expected for the period 2013-2020 in 31 of the 32 Latin American and Caribbean countries included in the projections are lower – and in some cases significantly lower – than those recorded during the period 2000-2008. Latin America and the Caribbean will continue to lose ground within the group of emerging and developing economies (down from 17.1% in 2013 to 15.1% in 2020), though less markedly within the global economy (down from 8.7% to 8.5%).

This expectation is far from encouraging. A policy effort seems to be advisable in order to achieve higher growth rates before 2020 in the majority of Latin American and Caribbean economies. Such effort should reach, *inter alia*, the following areas: structural balance of public finances, active policies in favour of growth and employment, a review of the mandate and status of central banks, and regulation and control of capital movements. These four aspects can maximize the benefits from collective action and represent inter-governmental cooperation options which would dramatically boost the influence of emerging countries within the global economy and in international political relations. Latin America and the Caribbean can make some headway in this regard.

The average annual growth rate expected in 2020-2030 for the whole of Latin America and the Caribbean is around half a point lower than the one projected for the period 2013-2020, because the medium scenario foresees continuity of policies and, consequently, the absence of new growth factors. As a result, the total output of Latin America and the Caribbean in 2030 will be 2.5% lower than in 2020, over the total output of emerging and developing economies and only five-tenths of a percentage point lower in the global economy, remaining at 8%.

In 2020-2030, an average annual real growth rate of 4% or above should be considered high, given the general conditions of moderate growth. Six countries in the region with medium-sized and small economies except one, will reach such high growth rate, to a large extent as a result of the continuation of the dynamic behaviour of the preceding period. Thirteen countries – i.e. about one-third of the total – will grow with average rates, redefined within the range of 2.0% to 3.9%. They include the largest economies of the region. The remaining thirteen are expected to show a low growth rate: less than 2.5%.

The high and low scenarios offer alternative but not very different visions. The high scenario foresees a modestly faster growth resulting mainly from a greater emphasis of national economic policies on growth. In this scenario, the regional economy of Latin America and the Caribbean would gain around one percentage point in their participation both in the group of developing and emerging countries and in the global economy. The second scenario, in addition to the absence of such emphasis, foresees a greater influence of recessive factors from the global environment, which would aggravate the deterioration of the position of Latin America and the Caribbean in both sets: among developing and emerging countries and the global economy. With a relative weight in the world economy of less than one-tenth, the region could hardly claim to have a significant global role.

The value of the projections to 2040 and 2050 is merely illustrative. There are no sufficient elements to substantiate a projection based on anything else than a more or less general continuation of the trends seen in the first three decades. In the tentative projection to 2050, the number of economies of the region with a globally systemic importance rises to six, whereas the number of small and very small economies decreases to sixteen.

Some adjustments and changes with a global scope have been felt for several years now. The two most recent and, potentially, most transformative are the "reorientation to the Pacific" in the U.S. foreign policy and the rebirth of the initiative of a cooperation scheme across the North Atlantic, based on the idea of a free trade agreement between the United States and the European Union. The lesson to be learnt by Latin America and the Caribbean from these developments is the urgent need to strengthen its own regional integration. Without strengthening schemes such as CELAC the region would have fewer opportunities in the world of the 21st century.

The consolidation of emerging countries, including those in Latin America, as global players entails the construction of new balances of power in the world. It would be necessary to prioritize at least six areas in which individual and concerted actions undertaken by Latin American and Caribbean countries, together with other developing and emerging countries may be determining: the revitalization and reorientation of world trade, the incorporation of the region into the new world of the digital economy, the reform of the international financial system, the expected change in the map of the world of energy, the new industrial systems in the world, and the confrontation of environmental challenges – particularly but not exclusively global warming.

I. INTRODUCTION

At least since mid-2012, it has been widely recognized that Latin America and the Caribbean is one of the regions that, on the first hand, has escaped unharmed of the crisis in comparative terms, and on the second hand, has promising long-term development prospects. Such recognition is based on the various regional responses to the challenges posed by the Great Recession –a host of calamities that hit the economy, trade, finance, and labour markets worldwide since the second half of 2008, and which five years later continues to affect global performance.

This perception about the region is based on some considerations, including the fact that in comparative terms it has favourable demographic conditions – from the standpoint of labour supply – and extensive resources. Furthermore, while incipiently, the region has made headway towards laying the foundations of the vital components of the key to the future: the knowledge-based society, namely human resources training, systematic promotion of scientific and technological development and innovation.

Obviously, formidable obstacles – many of them stemming directly from the negative legacy of the crisis – will have to be overcome to achieve that promising future. Consequently, this will lead to a long period – perhaps a decade or more of manifestly inadequate growth and job creation, as well as productive and technological backwardness difficult to offset – where the levels of productivity, efficiency, and social progress that had been attained will have to be restored.

Other challenges, entailing a wider scope, involve some pending structural reforms[1]: changing production patterns in order to bolster equality. This means a comprehensive overhaul of development paradigms in the region and its nations.

This document should be viewed as a first tentative approach. It highlights the complex and intertwined set of topics related to the region, its nations, and insertion into the world, from the second third of the second decade of the century to the middle of the century.

Particularly, this document intends to provide:

- An approach to the major trends that will harness long-term economic and social development in Latin America and the Caribbean, emphasizing economic issues, having in mind the diversity of national and subregional experiences, and envisaging alternative scenarios, when convenient;

- A comprehensive analysis of the two types of challenge mentioned above. On the one hand, the challenges arising in the aftermath of the Great Recession in the last five years, particularly the need to improve the immediate economy and employment outlook in the whole region. On the other hand, the more far-reaching challenges, in order to consolidate a dynamic and participatory region within a reasonably dynamic, sustainable and peaceful global framework.

[1] The term "structural reforms" has not only been used but abused. In general, it should be avoided unless used in its strict sense, as in this document. Paul Krugman has made this warning by noting some of the misuses of the term. It has been used, he stresses, as a formula to mask reforms intended to dismantle various aspects of universal social protection policies. The term has also been used, especially in the years of the Great Recession, an undefined expression, whose real content is often unclear, as opposed to countercyclical actions and active policies to encourage economic growth and job creation. (See Paul Krugman, "*Structural Excuses*", *The New York Times*, 18 June 2013, online article: http://krugman.blogs.nytimes.com/page/2/).

- Closely intertwined with this diagnosis, a very general approach to public policies that are functional – given the national differences and peculiarities – both to meet effectively the challenges and opportunities and to build the long-term future the region aspires: a different economic dynamic, eradication of poverty and inequality, environmental sustainability and multilateral cooperation for progress and peace. In this sense, in order to achieve such far-reaching objectives, functional institutions are required in the region.

1. Trends: Latin America and the Caribbean in the global economy in the first half of the century

The paper examines the expected evolution of the economies in the region in two terms. The first and most immediate term covers the five years from 2013-2018. Formal projections by the United Nations (DESA/UNCTAD) and some international financial institutions, especially the IMF, as well as studies based on equivalent information provided by regional bodies, particularly the Economic Commission for Latin America and the Caribbean of the United Nations, are assessed. Further, based on the expected growth dynamics and the announced economic policy guidelines, the scope of these formal projections was extended until 2020. Therefore, this document outlines the likely status of the region at the end of the second decade of the century, marked by the Great Recession, which started in 2008, and its widespread and prolonged consequences. It has been suggested that this decade – the second decade of the 21st century – is characterized by a very low-profile performance of the global economy, or flat growth, and it may well be known as the "flat teens."

The second and longer term of this projection covers up to the mid-century. The assessment is based on a number of existing studies, prioritizing the latest ones, especially those prepared after the outbreak of the crisis, such as the OECD paper called *Looking to 2060: long-term global growth prospects*, released in November 2012. As is known, the most widespread consequence of the crisis has been the fact that uncertainty has increased in at least two ways: first, compared to the pre-crisis, mid-2010s, at the present time there is a higher number of variables providing an uncertain, often unpredictable outlook; second, the range of uncertainty about the behaviour of a given variable is also now much wider than before. Therefore, serious precautions need to be taken with the numerical results of the different scenarios and projections. Efforts were made to counterweight such results with their underlying policy assumptions, but they are not always explicit enough.

Unlike the nearest prospective period (the present decade), in the longer term, attention focused almost exclusively on growth rates and expected economic aggregates, as the limited information available prevents breaking down growth and sectoral and regional differences within each national economy, as well as assessing complementary indicators.

2. Cyclical and structural challenges

Aimed at outlining policy options, this document prioritizes the challenges that need to be addressed within different terms. In accordance with the two prospective terms listed above, two types of challenges are assessed below:

A document aimed at analyzing policies, such as this one, must pay priority attention to the challenges to be faced on different time scales. In correspondence with the two prospective periods indicated above, two types of challenges are examined:

The cyclical or short-term challenges involve policy actions that are required in the aftermath of the Great Recession. Contrary to what was naively believed at the

beginning of the decade, such consequences are far from over. For the rest of the decade, Latin America and the Caribbean will face a global environment in the advanced sector of the world economy that will be marked by slow or at least insufficient growth, high unemployment rates – very far from the long-term target of full employment – and policy guidelines issued by the transnationalized financial sectors – whose massive influence went virtually unharmed by the regulatory efforts adopted as part of the response to the crisis. Greater growth dynamics will be seen undoubtedly in emerging and developing economies, but measures will have to be adopted to cope with the vulnerabilities associated with the cycle of commodity prices, which will record significant fluctuations. Further, actions will have to be taken against the risk of sudden speculative capital outflows that have hit these economies, given the broadly permissive monetary policies implemented by a large number of advanced countries on both sides of the Atlantic.

In the long-term horizon, faced with well-known structural challenges, the focus is on fundamental changes in their nature and scope. Therefore, this document identifies the challenges related to demographics – from changes in the ratio of dependent population to economically active population to the new requirements of human resource training for knowledge societies and innovation. It also notes the challenges related to natural resources – both in terms of availability, the increasing demands associated with sustainable use, and the rate of replacement with synthetic materials. The document also highlights the challenges related to the new global maps of energy and industrial activities. Such maps are based on the varying resource endowments, the emergence of energy sources viable in terms of technological change and global industrial redeployment. These elements, rather than displacing activities among countries, organize them in terms of global chains of production, complementation and value creation, as well as challenges associated with the redesign of food production in non-traditional agricultural lands, among others.

3. Policy options: substantive and institutional considerations

The two sets of challenges identified above require a broad, diverse range of substantive policy responses – in the fiscal, monetary, exchange, labour, production and financial areas, only in the field of economics. Such responses largely depend on specific national, sub-regional, and regional situations. This document assesses a wide range of policy options: those related to short-term challenges, including a review of the mandate of central banks, and the use of effective measures regulating or controlling destabilizing movements of capital; and the long-term policy options to face structural challenges, including formulation and implementation of modern industrial policies, based on a strong regional integration.

4. Demographic background

By the middle of this century, in 2050, Latin America and the Caribbean will have passed the mark of 750 million inhabitants, compared to 603 million in 2012.[2] The nearly 150 million people in the region who will join in 2013 and the next thirty-seven years – a number equivalent to about two-thirds of Brazilian population or one and half times the current number of inhabitants in Mexico – represent the greatest challenge and the greatest opportunity to transform the development of the region in the first half of the 21st century. In 2050, the population will have entered a phase of decline in most of the countries deemed advanced nations in the first decade of the century, some of which will no longer be among the largest economies in the world. Such decline will have

[2] Population figures and projections were taken from ECLAC, Statistical Yearbook for Latin America and the Caribbean, Santiago, December 2012 (online edition: http://interwp.cepal.org/anuario_estadistico/anuario_2012/).

started as well in a large number of nations deemed developing countries in such first decade, including some in our region, which will stand higher among advanced economies.

As a whole, the population dynamics in Latin America and the Caribbean will remain positive, yet in a declining phase. For example, in the five-year term from 2040-2045, the population growth rate in the region (0.3% annually) will be barely a third of that from 2010-2015 (0.9%). In the last decade of the first half of the century, the total population will fall in eighteen of the forty-two countries and territories in the region identified in the statistics. In this sense, the regional development driven by the demographic momentum will run out in the first half of the century in terms of the contributions from a growing workforce.

The Caribbean, largely comprised of island nations, with small territory and population, has a population dynamics different, somehow anticipated, from that in Latin America. In the Caribbean the decline of population growth occurs earlier and more rapidly. For example, in 2020 the population will decline only in one country in Latin America and the Caribbean compared to 2010: a Caribbean country. Meanwhile, in 2030, population will decline in three countries, all of them in the Caribbean (Cuba, Virgin Islands and Trinidad and Tobago), versus 2020. In 2040, relative to 2030, eleven countries and territories, all of them in Caribbean, will have less population. In this respect, it has been said that in 2050 eighteen countries and territories in the region will have a smaller population than at the end of the previous decade, including fifteen in the Caribbean. In this way, the Caribbean faces a more rapid depletion of the demographic bonus, and at the same time, reduced social pressure and economic demands associated with population growth.

Overall, in Latin America and the Caribbean, from 2010-2040 at least one of the elements comprising the demographic bonus will continue in place: the reduction in the share of children in the economically inactive population. Such share will decrease by 14 percentage points over the three decades, at a decreasing rate. Particularly in the 2010s and 2020s – the second and third decades of the century, respectively – this reduction compensates for the increase in the other segment of the inactive population, the elderly, whose share rises by 13.7 percentage points between extremes. Therefore, the inactive or dependent population fluctuates discretely, remaining around 50% throughout the period. Thus, at least until mid-century, the region will not suffer the drastic increases in dependent population that characterize advanced countries and some developing countries, with sharp declines in the birth rate.

This phenomenon, however, will continue to be present in some countries in the region. By 2040, the demographic dependency ratio will be above 70% in one country and one territory (Cuba and the U.S. Virgin Islands) and will hit 60% or more in other four (former Netherlands Antilles, Aruba, Barbados and Chile). At the other end, the demographic bonus will continue, with the dependent population at 48% or less, in three countries (Grenada, Honduras and St. Lucia). The rest of the region is very close to the regional average, estimated at 52.3% by 2040, surprisingly only one percentage point lower than in 2010.

Obviously, the other side of this coin is the evolution of the workforce. Between 2010 and 2040, nearly 140 million people will join the active population in Latin America, almost equally by gender. Its share in the total population will grow by four percentage points in said period, from 66% in 2010 to almost 70% in 2040. This labour force will require appropriate jobs – "*decent jobs*" as per the ILO formula – i.e. formal, productive, well-paid

jobs within the framework of a universal social security system. This labour force will play the leading role in the productive transformation of the regional economy.

The other major demographic issue in Latin America and the Caribbean in the first half of the century is the definitive consolidation of urbanization. In 2010, almost eight (7.9) in ten Latin American and Caribbean people lived in urban areas. In 2040, they will increase to eight and a half in ten. In addition to the island countries and territories with full urbanization, in 2040, rates above the average, near or above 90%, will be recorded in five continental countries: Argentina, Brazil, Chile, Uruguay and Venezuela. An existing phenomenon known as large and very large urban areas – megacities – will also increase in these and other nations. Some of the most amazing and innovative phenomena of a new, information and knowledge centred economy will concentrate in these large urban areas. Latin America and the Caribbean will experience the changes that come with the trend towards urban mega-concentrations, expected to be one of the defining events of the first half of the century and beyond.

II. NAVIGATING THROUGH THE CRISIS

As noted in the Introduction, there is a widely accepted view that Latin America and the Caribbean, in comparative terms, was one of the regions of the world that escaped unharmed or at least was less affected by the Great recession. It is also estimated that by mid-2013, along with most, if not all, of the emerging and developing countries, as defined by the IMF,[3] the Latin American and Caribbean countries have left behind this crisis, the most severe since the Great Depression of the 1930s.[4] Both views require clarification.

Upon a deeper analysis of the behaviour of the economy in the region, the World Bank highlights the following elements:

- After quickly recovering from the global economic crisis in 2010, when regional production grew by 6%, growth in Latin America and the Caribbean slowed down significantly, to an estimated rate of 3% in 2012.
- Supply constraints were apparent in some of the larger economies, with products near or above potential in the recovery phase. This contributed to relatively high inflation and deteriorated the current account results.
- Despite the sharp decline in growth, regional output is now aligned with the potential GDP.
- Growth was also affected by cyclical factors, such as lower prices of commodities and more or less depressed overall economic activity, particularly in high-income countries.
- [Among the growth drivers,] private consumption remained relatively robust, while the share of investment and exports weakened considerably.

[3] It is advisable to keep in mind the general features of the different classifications used by international organizations. The Bretton Woods institutions use two major groups: advanced countries or economies and emerging and developing countries and economies. These are classified by region or by income. UNCTAD and the United Nations Department of Economic and Social Affairs use three main groups: developed countries, economies in transition – formerly known as State-planned countries – and developing countries, which include the least developed countries. Developing countries are also classified by geographic region.

[4] "[…] the majority of developing countries have more-or-less fully recovered from the 2008 financial crisis. For many of these countries, current and projected growth is broadly in line with underlying potential growth, leaving little room for acceleration." World Bank, *Global Economic Prospects. June 2013*, (www.worldbank.org/GEP2013b_full_report.pdf), page 9.

The IMF statistics confirm this view, with some adjustments. The IMF included an updated database in its updated *World Economic Outlook*, released in April 2013:

TABLE A
ANNUAL REAL ECONOMIC GROWTH RATES (%)

	2007	2008	2009	2010	2011	2012
Global economy	5.4	2.8	- 0.6	5.2	4.0	3.2
Advanced countries	2.8	0.1	- 3.5	3.0	1.6	1.2
Emerging and developing countries	8.8	6.1	2.7	7.6	6.4	5.1
Developing Asia	11.6	7.9	6.9	10.0	8.1	6.6
Sub-Saharan Africa	7.0	5.6	2.7	5.4	5.3	4.8
Middle East	6.3	5.0	2.9	5.3	3.9	4.7
Latin America and the Caribbean	5.8	4.2	- 1.5	6.1	4.6	3.0
Central and Eastern Europe	5.4	3.1	- 3.6	4.6	5.2	1.6

NOTE: Percentages of inter-annual variation of GDP at constant prices.
Source: IMF, *World Economic Outlook April 2012*,
Database (http://www.imf.org/external/ns/cs.aspx?id=28)

Note that:

- Besides the advanced economies, in terms of slowdown in the economic growth rate, the crisis had a direct impact on two regions of the developing world. The impact was most serious in Central Europe, which recorded a contraction of 6.7 percentage points from 2008-2009. It was less severe in Latin America and the Caribbean, where the contraction was 5.7 percentage points of real GDP. Both exceeded, in comparative terms, the shrinkage recorded in advanced countries.

- Recovery in 2010 was much stronger in Central-East Europe than in Latin America and the Caribbean. However, recovery was not sustained in the two following years in Latin America and the Caribbean, the other regions in the developing world and in the advanced economies.

As it has been pointed out many times, it was a frustrated recovery. There is now broad consensus that the revival was thwarted by the premature and hasty lift of countercyclical policies and other stimulus measures to spur growth and jobs as agreed by the Group of Twenty at meetings in London and Pittsburgh (April and September 2009, respectively) The G20 started to dismantle such policies in its Summit of Toronto, in May 2010. Some paragraphs of the final declarations of the G20 leaders in Pittsburgh and Toronto are transcribed below: [5]

[5] The full documentary collection of the Group of 20, including the texts of declarations of Pittsburgh and Toronto, is available on the official Web site of the current Russian presidency of the Group: www.g20.org/documents/.

PITTSBURGH (September 2009)	TORONTO (June 2010)
Our forceful response helped stop the dangerous, sharp decline in global activity and stabilize financial markets. Industrial output is now rising in nearly all our economies. International trade is starting to recover. Our financial institutions are raising needed capital, financial markets are showing a willingness to invest and lend, and confidence has improved. […] Our national commitments to restore growth resulted in the largest and most coordinated fiscal and monetary stimulus ever undertaken. We acted together to increase dramatically the resources necessary to stop the crisis from spreading around the world. We took steps to fix the broken regulatory system and started to implement sweeping reforms to reduce the risk that financial excesses will again destabilize the global economy.	Recent events highlight the importance of sustainable public finances and the need for our countries to put in place credible, properly phased and growth-friendly fiscal consolidation plans […] Those countries with serious fiscal challenges need to accelerate the pace of consolidation. There is a risk that synchronized fiscal adjustment across several major economies could adversely impact the recovery. There is also a risk that the failure to implement consolidation where necessary would undermine confidence and hamper growth. Reflecting this balance, advanced economies have committed to fiscal plans that will at least halve deficits by 2013 and stabilize or reduce government debt-to-GDP ratios by 2016.

The response to the crisis in very different emerging and developing countries –including quite a few in Latin America and the Caribbean- was thwarted by an environment unfriendly to growth and job creation. This resulted from the decision, made in Toronto by the alliance of conservative governments and financial interests of transnational companies, to favour fiscal consolidation.

If Latin America and the Caribbean had kept in the five-year period of the crisis (2008-2012) the economic growth rate recorded in the pre-crisis period (2003-2007), the value of GDP, as measured at current prices and purchasing power parity (PPP), would have been U.S.$ 1.2 trillion higher than that recorded during the crisis -around U.S.$ 8.4 trillion. During the crisis, the GDP was U.S. $ 7.2 trillion,[6] 16.5% down from that in 2003-2007. This is just an example of the magnitude of the losses in the region due to the Great Recession.

Some national cases

A closer look at the crisis in the countries of Latin America and the Caribbean requires looking at quarterly statistics and additional indicators others than economic growth, such as the unemployment rate and the behaviour of consumer prices.

Three tables in the statistical annex and the corresponding charts, identified as 1, 2 and 3, show the quarterly performance of economic growth, the unemployment rate and the inflation rate in six Latin American countries: Argentina, Brazil, Colombia, Chile, Mexico and Venezuela. They are among the countries in the region with the largest territorial size, population and economy in the region. Their behaviour largely determines regional trends.

The five-year period of the Great Recession is often divided into three phases:

[6] Numbers taken from the database of the April 2013 WEO of the IMF, cited as the source in Table A.

- the *contraction phase*, which spans from the second half of 2008 to a year or a year and a half later, that is, until mid to late 2010 and, in some cases, early 2011;
- the *recovery phase*, which was thwarted, as it was said above, takes from one to four or five quarters, from late 2010 to late 2011, and finally,
- the *relapse phase*, in the second half of 2011 or early 2012; it generally extends to the end of this year, with significant ups and downs, without regaining the levels attained in the recovery phase or in the years before the crisis.

In the case of the six Latin American countries examined, these phases took place in the following quarters:

TABLE B

	Contraction Phase	Recovery Phase	Relapse Phase
Argentina	Q4 2008 to Q2 2009	Q1 2010 to Q3 2011	Q4 2011 to Q3 2012
Brazil	Q1 to Q3 2009	Q4 2009 to Q3 2010	Q4 2010 to Q3 2012
Colombia	Q4 2008 to Q3 2009	Q4 2009 to Q3 2011	Q4 2011 to Q4 2012
Chile	Q1 to Q3 2009 and Q3 2010	Q4 2010 to Q2 2011	Q3 2011
Mexico	Q4 2008 to Q4 2009	Q1 to Q2 2010	Q3 2010 to Q2 2011
Venezuela	Q2 2009 to Q3 2010	Q1 to QIV 2012	-----

Note that sometimes the phases took place discontinuously and the behaviour varied after the end of the brief revival: in several cases, the relapse phase is a period of slowdown and instability that runs until the end of 2012.

Overall, the behaviour of unemployment, as measured by the quarterly jobless rates, is similar to that of the economic activity. During the contraction phase, unemployment soared in all the countries examined, with the exception of Venezuela, where the trend continues to be uncertain. The increase in unemployment slowed down, but it was not really reversed in the brief quarters of the recovery phase. Unemployment tends to fluctuate at high levels, depending on the respective national experience, during the quarters of relapse and the following. The recovery of the employment is uncertain but, in general, in 2012, the jobless rates ended lower than in the quarters immediately preceding the crisis in 2008.

Inflation rates, as measured by consumer prices, fluctuated significantly during the contraction phase, but later on they were in line with the pre-crisis national levels. Note that Chile recorded two deflationary quarters. In addition, the increase in inflation was more associated to shrinkage than to the brief subsequent reactivation – a behaviour somewhat counterintuitive.

Another study on the position and prospects of the emerging economies provides a measurement, at least rudimentary, of the Great Recession and its consequences based on statistical information similar to that included here. This study calculated two indices: the crisis severity index and the recovery strength index. For both calculations, the length of the period (number of quarters of contraction and recovery) was combined with the extent of the phenomenon (slowdown and increase in GDP, unemployment and inflation, as measured by the respective series of quarterly rates between 2008 and 2010).[7] In the crisis severity index, the higher the index, the worse is the crisis – longer duration and greater impact on growth, employment and prices. In the recovery strength index, the

[7] Jorge Eduardo Navarrete, *Las economías emergentes en los* flat teens, being edited by the Mexico Office of the Friedrich Ebert Foundation.

higher the index, the stronger is the recovery – longer duration, stronger recovery and positive reactions in employment and prices.

The figures for the six Latin American countries examined here are the following:

TABLE C

	Crisis severity index	Recovery strength index
Argentina	42.7	29.9
Brazil	27.4	14.8
Colombia	21.1	39.6
Chile	30.3	24.8
Mexico	81.2	19.5
Venezuela	74.7	8.5

Both indices are consistent with the intuitive experience. In Latin America and the Caribbean, Mexico was the worst affected country in the contractionary phase of the crisis, due to its close dependence of the U.S. economy, particularly the manufacturing sector. Mexico's countercyclical actions were late and timid. Venezuela's high index reflects the country's domestic situations. The relative weakness of the Brazilian recovery mirrors the long period of stagnation in 2011-2012. The country only began to overcome the crisis in the last quarter of the period. Among the countries included in the index, Colombia fared the best from the crisis, both in terms of a smaller impact from the recession and a relatively strong recovery.

III. LATIN AMERICA AND THE CARIBBEAN IN THE FLAT TEENS

For the period until 2015 or 2018, i.e. for most of the remainder of this decade, international financial institutions forecast a rather moderate economic behaviour. They concede, implicitly, that the aftermath of the Great Recession will continue, as they refer to lingering headwinds that will slow down the growth rate. Therefore, regaining the pre-crisis employment rates will not be an easy task. Further, they admit that full restoration and consolidation of the financing circuits of productive activity, and the timeliness and adequacy of credit will take time. Meanwhile, UNCTAD and the regional economic commissions of the United Nations are somewhat more cautious:

WORLD BANK, JUNE 2013	INTERNATIONAL MONETARY FUND, JULY 2013
The global economy appears to be transitioning toward a period of more stable, but slower growth. High-income countries continue to face challenges to restore financial sector health, reform institutions, and get fiscal policy onto a sustainable path. However, the likelihood that these challenges provoke a major crisis has declined. In developing countries, GDP is expected to consolidate somewhat. Less volatile external conditions, a recovery of capital flows to levels that support growth, the relaxation of capacity constraints in some middle-income countries, and stronger growth in high-income countries are expected to yield a gradual acceleration of developing-country growth until 2015. In many of these countries, growth is already more or less aligned with the underlying potential rate. Therefore, there is no leeway for acceleration. In Latin America, growth is expected to pick up in 2013 and then to stabilize in the following two years. Although the projected growth rates are satisfactory and are above those in the 1990s, they are one or two points lower than in the pre-crisis boom period. "While there are markers of hope in the financial sector, the slowdown in the real economy is turning out to be unusually protracted. This is reflected in the stubbornly high unemployment in industrialized nations, with unemployment in the Eurozone actually rising, and in the slowing growth in emerging economies". Kaushik Basu, Senior Vice President and Chief Economist at the World Bank.	Global growth is projected to remain subdued at slightly above 3 percent in 2013, the same as in 2012. This is less (down 0.2 percentage points) than forecast in April 2013, driven to a large extent by appreciably weaker domestic demand and slower growth in several key emerging market economies –Russia, China, India, Brazil, Mexico and South Africa, as well as by a more protracted recession in the euro area –spreading to France, Spain and Italy, among other key economies. The contraction is also driven by the fact that the U.S. economy expanded at a weaker pace, as stronger fiscal contraction weighed on improving private demand. By contrast, growth was strong in Japan, bolstered by consumption and trade plus [as well as the stimulus actions implemented at the end of 2012]. Financial market volatility increased globally after a period of calm since mid-2012. In advanced economies, longer-term interest rates have risen. Sovereign spreads in the euro area periphery have widened again after a period of sustained declines. Emerging market economies have generally been hit hardest, as recent increases in advanced economy interest rates and asset price volatility, combined with weaker domestic activity have led to some capital outflows, equity price declines, rising local yields, and currency depreciation. In Latin America and the Caribbean slower growth is expected in the two largest economies in 2013 and a weaker recovery in 2014. Headwinds continue to dominate the outlook. Known risks persist and others have emerged, including the possibility of a deeper and more protracted slowdown in emerging economies.
Source: World Bank, Global Economic Prospects June 2013, pages 1-3, and "World Bank Expects Muted Economic Growth Led by Developing Countries", Press release, 12 June 2013.	Source: IMF, World Economic Outlook: Growing Pains, July 2013, pages 1-3.

UNITED NATIONS UNCTAD / DESA, MAY 2013
Despite improved global financial conditions and reduced short-term risks, the world economy continues to expand at a subdued pace. Most world regions are likely to see a moderate pick-up in activity from the second half of 2013, but growth will continue to be below potential. Key risks and uncertainties remain, and if not mitigated, they have the potential to derail once again the global growth, as it happened over the last years. Developing countries and economies in transition continue to register much stronger growth than developed economies. In response to the economic slowdown in 2012, many of them, including some large countries in East Asia, South Asia and Latin America, adopted more expansionary monetary and – to a lesser extent – fiscal policies to strengthen domestic demand. The pick-up in growth will, however, be slower than previously estimated as many large economies in this group, including Brazil, China, India and Russia face significant structural challenges. Potential growth in many developing countries is likely lower than before the global financial crisis. Key messages: • The employment situation remains a key policy challenge in a large number of economies, particularly in Europe, but also in developing countries, especially in Africa. • Growth in international trade is projected to pick up moderately, while commodity prices are to face downward pressures. • Global inflation continues to slow down and it will decline in most developing regions s international commodity prices ease. The acceleration of economic growth in Latin America and the Caribbean until 2014 will mainly be driven by a strengthening of domestic demand, in particular investment spending. The regional unemployment rate is likely to remain low in the short term, while the inflation outlook is fairly stable. Many countries, especially in South America, retain space for countercyclical policies.

Source: UN Department of Economic and Social Affairs (DESA) – UN Conference on Trade and Development, *World Economic Situation and Prospects 2013. Update at mid-2013*, May 2013, pages 1-6.

As noted, while important coincidences are found in the approaches of the three institutions, there are remarkable, significant differences of nuance, as noted below, for policy options. After presenting the World Bank report, a senior official, referring to the main conclusion of the study – that the global economy was now entering a period of greater stability but slower growth – spoke of a "new normality." It implied that it would be difficult to overcome anticipated growth levels for the remainder of the decade: very modest for the advanced sector of the global economy and faster but insufficient for the developing world and most of the regions that comprise it, especially for Latin America and the Caribbean.

TABLE D
SUMMARY OF ECONOMIC GROWTH PROJECTIONS IN 2014, 2015 and 2018 [a]

	2012	*2013*	*2014*	**UNCTAD – DESA**				
Global economy	2.3	2.3	3.1					
Advanced economies	1.2	1.0	2.0					
Transition economies	3.2	3.1	3.7					
Developing countries	4.6	5.0	5.4					
LAC	3.0	3.6	4.2					
Global trade [b]	2.7	3.5	5.0					
				2015	**WORLD BANK**			
Global economy[c]	2.3	2.2	3.0	3.3				
High-income countries	1.3	1.2	2.0	2.3				
Developing countries	5.0	5.1	5.6	5.7				
LAC	3.0	3.3	3.9	3.8				
Global trade[d]	2.7	4.0	5.7	5.4				
					2016	*2017*	*2018*	*IMF*
Global economy[e]	3.2	3.1	3.8	4.4	4.5	4.5	4.5	
Advanced economies	1.2	1.2	2.1	2.6	2.6	2.6	2.5	
EDE	5.1	5.0	5.4	6.0	6.1	6.1	6.2	
ALC	3.0	3.4	3.0	3.4	3.9	3.9	3.9	
Global trade[f]	2.5	3.6	5.3	6.1	6.2	6.4	6.5	

EDE—emerging markets and developing economies
[a] Annual growth rates (%)
[b] Goods and services
[c] Annual real growth rates, prices of 2005
[d] Volume
[e] Annual growth rate of GDP, constant prices
[f] Volume in goods and services

As noted in Table D, there are not significant differences in the numbers provided by the three entities. In the same year, the numbers differ, at most, by one percentage point. This mirrors the so-called "new normality." [8]

Note that for all developing countries the projected growth rates for the remainder of the decade amount to 5% per year and 3% for Latin America and the Caribbean. Clearly, such levels are insufficient for developing economies, in light of all kinds of demands from growing populations.

[8] Or, in the words of a renowned analyst: "Eventually, that slow economic growth is associated with rising unemployment rate, and also with social and political unrest. That's the situation we're facing right now – is unstable disequilibrium, is the new abnormal. We're ahead of decade of very low economic growth." Nouriel Roubini, "Unveiling the New Abnormal", *Economic Monitor*, (http://www.economonitor.com/nouriel/2013/06/27/roubini-and-bremmer-on-charlie-rose-unveiling-new-abnormal/?utm_source=contactology&utm_medium=email&utm_campaign=EconoMonitor%20Highlights:%20Beyond%20Normal#sthash.MLphxSP2.clLLRoW0.dpuf).

1. Projections for Latin America and the Caribbean: 2013-2020[9]

For the purposes of this document, based on the database of the April 2013 edition of the IMF's *Global Economic Prospects,* the projections for 2018 therein have been extended to 2020, taking into account the headwinds that are supposed to continue throughout the decade. The results are shown in Tables 4 and 5 (included in the statistical annex).

Note the following highlights:

- The average annual growth rate expected for 2013-2020 in 31 out the 32 countries included in the projections are lower – and, in some cases significantly lower – than those recorded in the period 2000-2008. The only exception, resulting from the medium-term consequences of the reconstruction effort, is Haiti. Lower rates in the second half of the decade mirror both country-specific factors and persistent contractionary consequences arising from the aftermath of the Great Recession.
- The slowdown in 2013-2020, compared to 2000-2008, affects indeed the entire region. In eight cases, the expected slowdown is quite significant, amounting to three percentage points or more, and in seven others it is more significant: between 2 and 3 percentage points.
- In terms of the magnitude of the economies in the region, this projection indicates that by 2020 only two economies in the region will generate real GDP, as measured in purchasing power parity-PPP, over US$ 1 trillion. This level defines large economies or with a global systemic importance. Without the crisis, at least one more would have reached that level.
- In 2020, GDP in three Latin American economies will hit US$ 1-1.5 trillion, compared to only two in 2013.
- On the other side of the scale, in 16 countries GDP in 2020 will be below US$ 50 billion, compared to US$ 18 billion in 2013.
- In other words, development gaps across regions are not expected to narrow significantly in the current decade. Conversely, gaps are expected to widen. Projections show that in larger economies – with real GDP over US$ 100 billion in 2013 – the average annual growth rate will be 0.40 percentage points higher than in intermediate economies – with real GDP at US$ 10 billion – US$ 100 billion in 2013, and in 0.90 percentage points higher than small economies – with real GDP under US$ 10 billion in 2013.
- In terms of the growth rates expected in 2013-2020, it is estimated that three in the 33 countries in the region are to record very high rates of 5% or higher; eleven will keep their high rates unchanged –at some 4-4.9 percent-; eight will hit average rates from 3-3.9%, and other eleven will record low rates, below 3 percent.
- Latin America and Caribbean countries will continue to lose ground within the group of emerging and developing economies, as their contribution to the total product of this group will drop from 17.1% in 2013 to 15.1% in 2020, and much less markedly in the world economy – falling from 8.7% to 8.5%.

Further, as regards projections, the World Bank has a specific section for Latin America and the Caribbean. The body highlights the significant drop in growth rate expected in Venezuela – one of the large economies in the region, with a projected GDP near half a trillion in 2020. Such decline stems from the lift of expansionist policies in recent years. The driving factors for the economies of the region will be the "increased inflows, especially

[9] It should be borne in mind that projections are not predictions. Projections point to one in several possible behaviours and should be read as signs of trends or, in any case, order of magnitude, rather than attainable values. The use of projections does not depend on whether at the end of the relevant period they prove accurate or not, but on whether they helped better understand various angles of a reality, for adequate decision-making.

flows of FDI, the gradual recovery in external demand and structural reforms in some of the bigger economies."[10] These factors may contribute to maintain growth in the context of weak economic activity in major regional trade partners.

The expected growth rates shown in the tables – discussed above and included in the annex – are standard or basic forecasts. They are therefore subject to downward revision if some of the risks assessed in the cited documents or mentioned in other sources, discussed in the following section, actually materialize.

2. Nature and scope of the risks

Three major risks are commonly mentioned: a) recession in the Eurozone and its enormous destabilizing potential; b) the worsening political and legislative impasse on tax and budget in the U.S. and c) the possibility of a sudden slowdown in some large emerging economies, particularly China, that have played a role as drivers of global growth in recent years. A closer look is necessary.

In the **Eurozone**, various policy measures adopted since 2012 have greatly minimized the danger of collapse -especially the announcement of the so-called outright monetary transactions (OMT) by the European Central Bank. The institution said it was willing to do "whatever is necessary" to prevent further financial collapses. However, it has not succeeded in reopening the road to sustained recovery of growth, a phenomenon that directly affects the economies linked to Europe through trade and investment, particularly among developing countries. The European banking and financial sectors are still facing difficulties. This prevents a faster resumption of normal functioning of global financial circuits.

The **United States** has not completely left behind the risks of the so-called fiscal cliff. Given the continuing political tensions in the Congress, there is no guarantee that the arbitrary, generalized cuts spending – resulting from the lack of agreement in late 2012 – will end in the fall of 2013. Such tensions have had a high cost in terms of growth for the U.S. economy –"a major obstacle to growth," as described by the IMF.[11] Failure to reach consensus again would translate into protracted reduction of public spending across-the-board, with additional negative consequences for growth and a wider contractionary impact abroad.

The weaker pace of recovery in several large emerging economies was apparent in 2011 and 2012, particularly in Brazil, China, India and Russia. The slowdown largely continues in the largest economy in this group: China. Upon the slowdown in the first quarter of 2013, fears and prejudices of a sharp growth decline in the world's second economy have increased and exacerbated. The most commonly mentioned risks are the overflow of informal financial activities – the so-called shadow banks; adjustments associated with the decadal change in the leadership of the Party and government, between November 2012 and March 2013; the explosion of the housing and construction bubble; the excess capacity in many industries; and the need to change and update the reform and opening policies behind the pre-crisis extraordinary growth and the extraordinary recovery in 2010. Although the growth rate is expected to remain at some 7-8%, "a drop in China's growth, UNCTAD says, to about 5% would have a measurable impact on economic activity, especially in commodity-exporting developing countries."[12]

Besides the three other risks assessed above, the UNCTAD/DESA study points to other risks

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[10] World Bank, *Global Economic Prospects June 2013, p 16.*

[11] IMF, *Regional Economic Outlook: Western Hemisphere May 2013*, p 4.

[12] UN Department of Economic and Social Affairs – UN Conference on Trade and Development, *World Economic Situation and Prospects 2013. Update at mid-2013*, May 2013, p 12.

that should be borne in mind: a) monetary easing by advanced economies could hit significantly the perspective of global financial stability, given the effects on both the exchange rates misalignment and the magnitude and direction of cross-border capital movements, and b) a prolonged period of subdued growth in many economies with high unemployment and inadequate investment – in parallel with a growing share of long-time jobless people, largely comprised by youth – may led to noticeably lower potential output in the world in the medium term. These factors and other risks, including those beyond the economic domain (such as geopolitical risks and natural disasters) have the potential to derail the still feeble global recovery. This could lead to much lower growth in the world economy than what is projected in the baseline outlook. [13]

The overall prospects, therefore, are far from encouraging. From every point of view, it seems advisable to implement policy efforts aimed at achieving higher growth rates in most Latin American and Caribbean economies by 2020.

IV. IMMEDIATE REORIENTATION OF MACROECONOMIC POLICIES[14]

Concurrently with the Great Recession − especially since late 2009, when the first signs of reactivation appeared, termed "green shots," following the recessive effect of financial setbacks − an intense debate on the orientation of the economic policy has taken place. The debate deals, on the one hand, with an alleged dilemma between financial balance and fiscal consolidation; and, on the other hand, with boost for growth and employment. It also considers the role of the State in the economy, especially the reach and limits of the financial sector regulation; indebtedness and public deficits, and the consequences of growing inequality, among other topics. This debate has taken place both in developed and developing countries, in the academic sphere, international organizations, the governments, and broad sectors of civil society.[15]

Among others, an outstanding contribution to this aspect of debate has been made by Joseph E Stiglitz, a former World Bank Chief Economist and Nobel Economy prize, who wrote a very relevant book examining how macroeconomic policies, and in particular monetary policy − with emphasis upon inflation control as the touchstone for economic prosperity, and independence from the central bank to ensure stability − have weakened the functioning of national economies and increased inequality. The book also outlines "an alternative set of policies and institutional agreements promising better and more stable growth and, at the same time, a more equitable distribution of its profits."[16]

During the years of the crisis, several emerging economies − including some Latin American and Caribbean economies − consistently applied policies with a clear counter-cyclical orientation, which prevented some of those economies from suffering

[13] *Ibidem*, p 12.
[14] This section is partially based on a recent study prepared by the consultant, quoted above in footnote 7.
[15] Several citizen demonstrations on different scales and reaches have taken place. The Occupy Wall Street movement and its European counterpart "the indignant" have drawn attention. These movements are in favour of fighting against the abuses of financialism, promoting further State intervention, and a resolute social and redistributive orientation of the policies. The issue of equality − focused on claims concerning the increasing concentration of economic, financial, and political power at the top of the wealth pyramid − has recovered its long-lost nature in the debate on economic policy. These debates have reproduced in several developing countries that share some of the causes of the movements that have been mentioned, plus some other inherent causes of the countries' circumstances. The demonstrations that have taken place in Istanbul and other Turkish cities; and also in São Paulo and other large Brazilian conurbations in 2013 should be underscored. Demonstrations in Brazil have generated countless analyses and comments. Note, for instance, Slavov Žižek, "Trouble in Paradise", London Review of Books, online edition, 28 June 2013 (http://www.lrb.co.uk/2013/06/28/slavoj-zizek/trouble-in-paradise).
[16] Joseph E Stiglitz, "*The Price of Inequality: How today's divided society endangers our future*", W W Norton and Company, New York, 2011, p. 240.

contraction periods, or at least contributed to make such periods less serious or shorter. The disappointing growth outlook expected for the rest of the decade, plus the discouraging unemployment prospects for the same period, should lead, in an immediate future, to a reorientation of the economic policies of Latin America and the Caribbean in order to promote growth and employment. Such reorientation should cover, at least, the aspects that will be mentioned hereinafter.

1. Structural balance of public finance

The first aspect of this reorientation would be the adoption of the structural balance rule in the management of public finances. Spurred by the staunch supporters of budget balance − one of the opinion segments participating in the debate on economic police that has been mentioned above − some countries, including some emerging economies, have decided to offer certainties that they would not incur deficit under any circumstance, by establishing budget balance as a constitutional mandate. Many others have noted that such policy is absurd and harmful, especially in the current situation, which features, generally speaking and in the best scenario, insufficient growth, high or persistent unemployment levels, lack of inflationary pressures, and idle productive capacity.

A structural balance rule − which has already been implemented in some emerging economies − would widen the margin for the instrumentation of suitable and satisfactory counter-cyclical policies. The incurred deficit to counteract the downturn or contraction caused by the cycle are compensated afterwards, when growing economic activity and employment allow an increase in government income without causing persistent increments in the stock of government debt or excessive pressure on interest rates.

Wider flexibility resulting from the implementation of a rule of that nature, far from jeopardizing long-term stability of fiscal accounts, it strengthens them. Using Europe's case to illustrate his point, Martín Wolf has provided impeccable arguments in favour of long-term orientations in the management of public finances, including expenditure, indebtedness, and income policies, in order to counteract a financial crisis and its consequences: "The right approach to a crisis of this kind is to use everything: policies that strengthen the banking system; policies that increase private sector incentives to invest; expansionary monetary policies; and, last but not least, the government's capacity to borrow and spend."[17]

2. Active policies in favour of growth and employment

In the review of the alternative visions of the economic outlook in this decade offered by three international organizations − the World Bank, the IMF, and the UNCTAD/ Department of Economic and Social Affairs (DESA) − featured in the previous section, it was noted that one point of disagreement was the fiscal space currently available in the national economies, especially in the developing counties, to adopt active policies in favour of growth and employment, which generally entails the State fulfilling a more active role, and an exceptional recourse to public expenditure in order to boost demand. The World Bank asserted that "in many of these countries, growth has managed to roughly line-up with the underlying potential rate; therefore, there is not a wide margin of acceleration." Implicitly, the IMF seems to agree with this point of view. In contrast, the study prepared by UNCTAD/DESA states that "many countries of the region have space to adopt counter-cyclical policies, especially in South America."

The fiscal space allowing for the adoption of active economic policies in favour of growth and employment widens as long as accumulated indebtedness is not excessive (lower

[17] See, Martin Wolf, "How the Austerity has Failed", *The New York Review of Books*, Vol 60, Num 12, 11 July 2013 (online version: htpp://www.nybooks.com/articles/archives/2013/jul/11/how-austerity-has-failed/).

than 40% or 50% of GDP, for instance); there are not significant inflationary pressures (on the order of two digits); there is a reasonable interest rate in terms of the offer of lendable funds; and the balance of payments is not faced to a tense situation, evidenced in deficit levels close to about 10 points of the product.

TABLE E
FISCAL SPACE INDICATORS IN LAC ECONOMIES

IMF /GROSS DEBT OF THE CENTRAL GOVERNMENT / 2013 (estimate) / % GDP				
0 to 20	21 to 40	41 to 60	61 to 70	> 71
CL 11 PG 12 PE 18 EC 20	GT 26 CO 31 BL 34 CR 37 PN 37	TT 41 AG 42 MX 44 VZ 56	BR 67	JA 136

IMF / BUDGET BALANCE / 2013 (estimate) / potential % GDP				
Positive	0 to -2.9	-3 to -6.9	-7 to -9.9	> -10
CL 0.9 PE 8.1	PN 0.6 CO 1.1 BR 1.2 AG 2.5	MX 3.1	VZ 7.0	

IMF / INFLATION (annual rate of increase in consumer prices) / 2013 / %				
0 to 3	3.1 to 5	5.1 to 7	7.1 to 9	> 9.1
EC 2.1 PE 2.1 CO 2.4 CL 3.0	MX 3.3 TT 4.0 BL 4.6 GT 4.5 PN 4.9 CR 5.0	PG 5.0 BR 5.5 JA 6.2		AG 9.8 VZ 22.8

EIU / INTEREST RATES (3-month, latest) / Mar13 / %				
0 to 3	3.1 to 5	5.1 to 7	7.1 to 9	> 9.1
CL 0.8	MX4.3 CO 4.6		BR 7.1	VZ 14.5 AG 15.6

IMF /CURRENT ACCOUNT BALANCE / 2013 (estimate) / % GDP				
Positive	Negative			
	0 to -2	-2.1 to -4	-4.1 to -6	> -6.1
BL 4.8 VZ 5.6 TT 11.2	AG 0.1 MX 1.0 EC 1.3	PG 2.4 BR 2.4 CO 2.9 PE 3.7 GT 3.7	CL 4.0 CR 5.4	PN 8.9 JA 10.3

AG-Argentina, BL-Bolivia, BR-Brazil, CO-Colombia, CR-Costa Rica, CL-Chile, EC-Ecuador, GT-Guatemala, JA-Jamaica, MX-Mexico, PN-Panama, PG-Paraguay, PE Peru, TT Trinidad and Tobago, and VZ-Venezuela.

Source: Data from the IMF, *World Economic Outlook*, March 2013, "Database", *loc cit*, and "Output, prices and jobs, *The Economist*, 2 April 2013 (online version).

The table above shows, as for early 2013, some indicators of the extent of fiscal space that Latin American and Caribbean economies have to adopt or maintain policies to boost economic activity and employment, intended to counteract contraction risks resulting from an overall situation of slow growth in the advanced sector of the world economy. Even though determining the fiscal space for a given economy requires detailed calculations, the following conclusions can be drawn from the table:

- A remarkable number of the region's economies (12 out of 15 under consideration) have levels of public indebtedness lower than 50% of GDP, and one under 60% of GDP;

- In five of these economies, a structural budget deficit of less of four points of potential GDP is expected this year, and surplus is expected in two more years;
- The inflation rate recorded at the beginning of the year shows that at least in ten of these economies there are no significant pressures on prices, and only one economy records a two-digit inflation rate;
- Although interest rates are much higher than those in the developed economies, in half of the economies of which data were available, interest rates stand bellow 5%, and in almost all these economies, there is a margin for monetary stimulus actions, such as the one recently implemented in Mexico;[18] and
- This year, three economies of the region included in the table will reach a surplus position in the bank account of their balance of payments; while in nine economies, the deficit will be less than five points of GDP.

In brief, it would be reasonable to state that, in general terms, there are conditions for the region's economies to tackle the deterioration of the economic situation worldwide − especially, the slowdown in the developed economies, which will deduct external dynamic impulses for their economies − by implementing properly designed policies to promote economic activity and employment. In principle, there is enough fiscal space for the adoption of such policies.

3. Revision of the mandate and status of the central banks

The central banks in the developed countries − especially the Federal Reserve System and the European Central Bank − have adopted active policies that, along with their responsibility of ensuring the stability of currency and prices, have been crucial to alleviate some harmful consequences of the crisis and to continue recovering the economic activity and promoting the creation of jobs. The FRS, in addition to maintaining interest rates close to zero until unemployment rates are dropped to at least 6%, has also undertaken a monetary liberalization programme entitled *quantitative easing QE,* which is intended to boost the recovery of credits for productive activities.[19] The Bank of England has also implemented a similar programme of monetary expansion, unfortunately counterbalanced with restrictive measures to reduce expenditure and other austerity actions.[20] For its part, the European Central Bank announced since 2012 a program of *outright monetary transactions, OMT,* which has been widely credited as the key element that, at least temporarily, managed to curb the problems of sovereign debt in Europe.[21] More recently, the Bank of Japan − whose chairman was appointed by the government of Shinto Abe, and was invested with the responsibility of boosting demand by establishing an inflation goal of 2% − has undertaken a dramatic policy to promote economic activity and employment, aimed at rescuing the Japanese economy from a long deflation period. [22]

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[18] The Bank of Mexico's Board of Governors decided to "reduce by 50 base points the goal for the daily inter-bank interest rate to a level of 4.0%." (See Bank of Mexico, "Minutes N°18 – Meeting if the Board of Governors of the Bank of Mexico, on the occasion of the decision on the monetary policy announced on 8 March 2013" www.banxico.org.mx).

[19] See, Board of Governors of the Federal Reserve System, Press Release, 19 June 2013 (www.federalreserve.gov/newsevents/press/monetary/20130619a.htm). For an analysis of the consequences of a possible withdraw from the QE, especially concerning the developing countries, see Robin Wigglesworth y Stefan Wagstyl, "Quantitative easing: End of the line." *Financial Times*, 23 June 2013 (online version www.ft.com).

[20] The article by Martín Wolf quoted above outlines a comprehensive assessment of the austerity policy implemented by the British government.

[21] An updated view of the nature, objectives and reach of the OMT is found in "Introductory statement by the ECB in the proceedings before the Federal Constitutional Court" (of Germany), presented by Jörg Asmussen, Member of the Executive Board of the ECB, on 11 June 2013 (www.ecb.int/press/key/date/2013/html/sp130611.en.html).

[22] A brief and relevant analysis of the economic reactivation policies of the Abe administration − nicknamed *Abeconomics* − is found in David Piling, "Japan is not ready for the fourth of Shinzo Abe's arrows", *Financial Times*, 3 June 2013 (online edition: htpp://inferno.t.ft.com/api3).

Even though, as usual, a general recipe cannot be prescribed, it might be appropriate that every economy of Latin America and the Caribbean − in case the central bank has the only goal of controlling inflation − assess the convenience of a dual mandate, as it already occurs in many countries, in order to also take on the responsibility of maintaining acceptable levels of economic growth and occupation of workforce. In some cases, it might also be reasonable to review the status of the autonomy of the central bank when it constitutes an obstacle for the coherence of the whole economic policy towards growth and employment.

4. Regulation and control of capital movements

A third element for the reorientation of the economic policies has to do with regulation and control of cross-border capital movements. In this regard, the United Nations Department of Economic and Social Affairs, the UNCTAD, and the regional economic committees of the UN have pointed out, in the aforementioned report on global economic perspectives, as follows:

> Global financial vulnerabilities remain unabatedly high. […] Financial conditions are likely to remain very fragile over the near term [and beyond, it could be added] because of the time it will take to implement a solution to the Euro area crisis and the shadow being cast over the recovery of the United States economy by the fiscal cliff. Most emerging markets are likely to continue experiencing volatile capital flows as they have over the past few years, strongly influenced by fragility in financial markets and QE policies in developed countries [in the second half of 2012.] Slower growth in China and a few other Asian economies has lowered exchange-rate adjusted rate-of-return expectations of international investors. In North Africa and the Middle East, uncertainties remain in the wake of political transformations and, in some cases, ongoing conflicts, creating an adverse environment for stronger capital inflows. Several Latin American countries, such as Brazil, have introduced more rigorous capital account regulation to limit short-term capital inflows and mitigate capital-flow and exchange-rate volatility.[23]

In spite of these discouraging factors, in 2012, net private capital inflows to the emerging economies, including those of Latin America and the Caribbean, are expected to reach about one trillion dollars, after amounting to US$ 1.1 trillion the previous year.

From October 2012, after disclosing its annual report on global financial stability, the IMF acknowledged – reluctantly – some of the risks that capital movements entail for emerging economies:

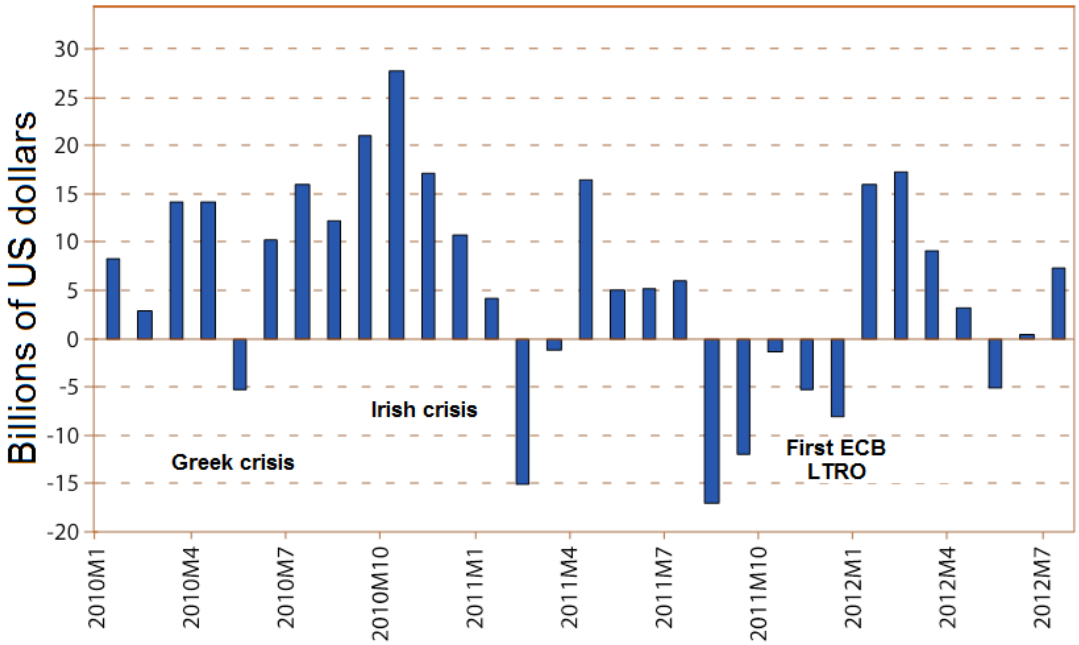
> Emerging market economies need to guard against potential further shockwaves from the Euro area while managing a slowdown in growth that could expose home-grown financial stability risks. So far, inflows to local bond markets have continued even as sovereign fears in the euro area have escalated. However, markets could come under strain if a bout of acute global stress precipitated large-scale capital outflows. Overall, vulnerabilities are most pronounced in many central and eastern European economies because of their high direct exposures to the euro area and some similarities with the euro area periphery. Asia and Latin America generally appear more resilient, but several key economies in those regions are prone to late-cycle credit risks in the wake of an extended period of rising debt and property prices. Meanwhile, the scope to provide fresh policy stimulus is somewhat constrained in several economies. Policymakers, therefore,

[23] See DESA/UNCTAD, *World Economic Situation and Prospects 2013*, *loc cit*, pp 15-16.

need to deftly navigate country-specific challenges to safeguard financial stability.[24]

It is clearly noticeable that the intention is to reduce the risk linked to sudden capital outflows; and that emphasis is being made on financial stability, rather than on growth perspectives. To a large extent, the IMF keeps overlooking the risks associated with the volatility of capital movements.

Net capital flows to emerging countries



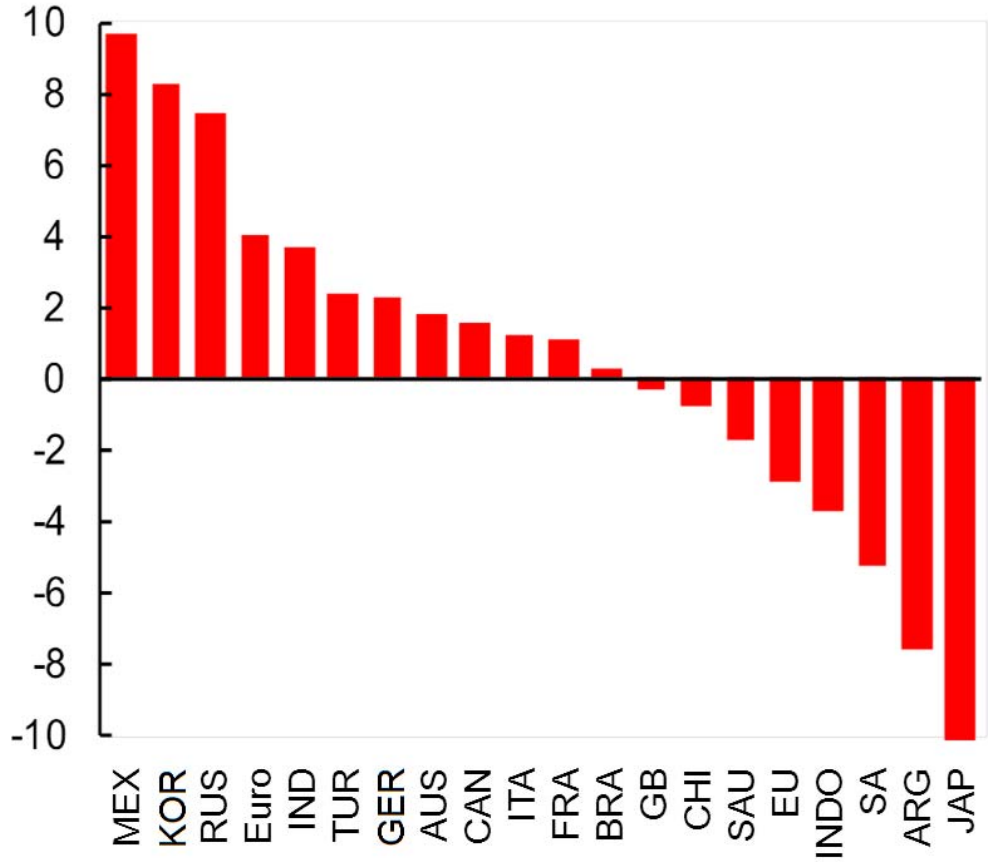
Taken from DESA/UNCTAD, *World Economic Situation and Prospects 2013*, p 19.

For instance, a recent memorandum for the G20[25] does not mention capital movements risks, despite the fact the memorandum included a "key downside risk" section commenting that "lower expectations for medium-term growth for some emerging economies could come with further cutbacks in investment and capital outflows [overseas direct investments], reducing short-term growth."

Almost inconspicuously, this document highlights one of the most negative consequences of inflow of speculative financial funds to emerging economies: the appreciation of their exchange rates.

[24] IMF, *Global Financial Stability Report, Restoring Confidence and Progressing in Reforms*, October 2012, online version, p 55.
[25] IMF, *Global Prospects and Policy Challenges*, Meetings of G-20 Finance Ministers and Central Bank Governors, February 15-16, 2013, Moscow (online version).

Real Effective Exchange Rate
(Percent change, second half of 2012)



Taken from the IMF's "Group of Twenty – Global Prospects and Policy Challenges", Moscow, Feb 2013, p 5.

The figure showing these changes (p. 5 of the memorandum) indicate that 12 economies have registered revaluations of up to 10% of the real effective exchange rate since June 2012, meaning, over a seven-month period. Out of these 12 economies, six (Mexico, Korea, Russia, India, Turkey, and Brazil, listed in declining order) are emerging economies, two of them in Latin America and the Caribbean. Conversely, among the eight countries with revaluations of similar extent, are included, in declining order, United Kingdom, United States, and Japan.[26] It might be exaggerated to talk about a "currency war" or competitive devaluations, but the figure speaks for itself.

A recommendation for the emerging economies is to be prepared to tackle the problems arising from short-term capital inflows, usually speculative, and the risk of sudden and numerous outflows of funds of the same kind ought to be taken into account immediately, especially in Latin America.

Since the beginning of the decade, the IMF has developed a reference framework to enable policy actions adopted by the countries to manage capital inflows, by establishing a sort of menu of measures for the management of capital inflows, including taxes, some prudent measures, and controls on capital movements.[27]

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[26] Certainly, before the daring package of expansionist measures adopted by Japan in 2013, termed *Abeconomics* by the international press.

[27] This paper was triggered by a statement issued by former Managing Director Dominique Strauss-Khan in the Executive Board Meeting held on 21 March 2011. He asserted that management of capital inflows, covering a

It is acknowledged that "surges in inflows can pose challenges such as rapid currency appreciation and a build-up in financial sector fragilities, such as those stemming from asset price bubbles or rapid credit growth, or the risk of a sudden stop or reversal of inflows". Particularly, it was underscored that, "until last year, capital controls were not seen as part of the policy toolkit, now they are."[28]

TOOLKIT TO MANAGE SURGES IN CAPITAL INFLOWS
FX-related prudential measures Limits on banks' open FX position (as a proportion of their capital) Limits on banks' investments in FX assets Differential reserve requirements on liabilities in local currency and FX
Other prudential measures Maximum loan-to-value (LTV) ratios Limits on domestic credit growth Asset classification and provisioning rules Sectoral limits on loan concentration Dynamic loan-loss provisions Counter-cyclical capital requirements
Capital controls Taxes on flows from non-residents Unremunerated reserve requirements (URR) on such flows Establishment of licensing, limits, or prohibition of such flows (Measures may apply to all flows, or may differentiate by type or duration of the flow: (debt, equity, direct investment; short-term vs. medium- and long-term)
Source: Derived from Jonathan D Ostry *et al*, "Managing Capital Inflows: What Tools to Use", IMF Staff Discussion Note, 5 April 2011, SDN/11/06.[29]

As noted, the menu of policy options is wide. It is up to the relevant countries themselves to assess the opportunities to use one or more tools, which are no longer deemed a taboo.

In the context of the current crisis, the four different aspects examined as options to reorient the economic policy of Latin American and Caribbean countries, especially the emerging economies, are those maximizing the benefits obtained from collective actions among those countries. These aspects represent options for intergovernmental cooperation that deserve to be considered and discussed. They would extraordinarily boost the influence of the emerging countries over the global economy and international political relations. They also pose a challenge: so far, no bloc of countries of the South has brought forward such an ambitious cooperation agenda, which is complemented by considerations and proposals presented in the following sections, in terms of new global geopolitical balances and international cooperation for development. Latin America can pave the way in this regard.

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whole swath of economic policies, constitutes an area "where the benefits of getting it right are significant, the economic and financial risks of getting it wrong are large, and the potential global gains from internalizing multilateral considerations are substantial." (www.imf.org/external/np/pp/eng/2011/030811c.pdf) *Memo item*: DSK resigned on 18 May 2011.

[28] "IMF Develops Framework to Manage Capital Inflows", *IMF Survey Magazine*, 5 April 2011 (online version).

[29] Another document from this series examines, among other subjects, the experiences with controls over short-term capital flows of Brazil, Colombia, Croatia, Chile, Malaysia and Thailand. Jonathan D Ostry *et al*, "Capital Inflows: The Role of Controls", *IMF Staff Position Note*, 19 February 2010, SPN/10/04.

V. LATIN AMERICA AND THE CARIBBEAN: LOOKING TO 2050

Just as the magicians who used to apologize in advance for any possible failure in their performance, it is not uncommon to read some type of warning in the initial paragraph of prospective analyses, especially long-term ones. Here is a very recent example, taken from a World Bank document:

> Very long-run forecasting is a hazardous activity because the uncertainties and imponderables of life have plenty of time to intrude, and bend and buck the charted path. At the same time, to craft policy that is rooted in reason and reality, we need to peer into the future with the best information, statistics, and models that we have. That is what we have tried to do in *Global Development Horizons*. We have marshalled some of our best analysts and researchers to undertake this task. Let me thank them for taking on this hazardous and somewhat thankless job, but also remind them that one advantage they have is that, by the time the accuracy of their forecasts becomes known, most of them will have moved on to other pursuits.[30]

Long-term economic prospects, usually referred to foreseen growth, are usually limited to global and regional aggregates and certain organizations or groups. When the figures are disaggregated at a national scale, they are usually limited to the biggest countries in each region or development level, understood as general trends that need to be discovered. It is also frequent to find projections that concentrate on an *ad hoc* group and make detailed examinations of various elements of a possible future behaviour, but they do not shed light on the expected results of the region or the categories to which those countries belong.

We need to keep in mind what the limitations and assumptions of each study mean for the reach and relevance of the results they offer. Let's see some examples:

In 2012, the OECD released an important prospective study titled *Looking to 2060: Long-term global growth prospects*, which individualizes the projections for each member of the organization and eight non-members. In one of the charts, a footnote reads: "World GDP is taken as sum of GDP for 34 OECD and 8 non-OECD countries."[31] Of course, the aggregate GDP of these 38 countries offers a very considerable proportion of the global GDP, both now and in 2060. However, the study specifically mentions only four countries of Latin America and the Caribbean: two members and two non-members of the organization; beyond their economic importance in the region, this is insufficient for their tendencies to be considered equivalent to the regional totals.

The second example is probably better known, as it has been in circulation for a longer time. The version that we use here, prepared by a transnational company, dates back to 2007: *BRICs and Beyond*.[32] It examines 15 countries: four BRIC and the "next 11," which are supposed to concentrate the best growth opportunities (and investment) in this and the next few decades. During such a period, they will − as a group and some individually

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[30] Basu, Kaushick (2013). "Foreword". In *Global Development Horizons. Capital for the Future: Saving and Investment in an Interdependent World*. Washington: World Bank. p. xii

[31] Organization for Economic Cooperation and Development (2012). "Looking to 2060: Long Term Global Growth Prospects". *OECD Economic Policy Papers* No 3, 31 (Table A.1) (www.oecd.org/eco/outlook/2060%20policy%20paper%20FINAL.pdf).

[32] Goldman Sachs Global Economic Research (2007). *BRICs and Beyond*, The Goldman Sachs Inc. (http://www.goldmansachs.com/our-thinking/archive/archive-pdfs/brics-book/brics-full-book.pdf).

− exceed the contribution of the Group of Seven and most of its members to the world's economy. Among the 14 economies studied by Goldman Sachs, there are only two from Latin America and the Caribbean. Using the information offered on those two economies included for making a picture of the region is impossible.

OECD and Goldman Sachs, obviously, did not aim at examining the prospects of the Latin American and Caribbean region. The examples are shown only to indicate the difficulties of making a coherent and representative image of the regional prospective.

1. Determinants of growth

Every exercise in economic prospective should start by defining the determinant variables of growth in the given field (global, regional or national spheres, for example). When examining the future, it is important to quantify the expected behaviour of those variables, ranging from the general ones − such as the dynamics and characteristics of manpower and the evolution of saving and investments rates − to the peculiar and specific ones − such as the evolution of the degree of inequality in Latin America and the migration currents in Mexico.

Thus, among others, the markers that Goldman Sachs used in its renowned series of prospective studies on the BRICs[33] include the *growth environment scores* (GES). The GES is an indicator that concentrates in one single figure a wide range of conditions leading to an environment that favours or stimulates growth. Goldman Sachs calculated the GES of almost all the countries, 170 in 2006, including Latin America and the Caribbean, except for the very small economies.

The only complete GES table with information on the 170 countries (28 of them from Latin America and the Caribbean) in the Goldman Sachs reports refers to the middle years of the first decade of the century and compares the evolution of one year to that of the following. Note that the indicators correspond to a period prior to the Great Recession and, additionally, to the evolution of one single year. The statistical annex includes a chart (number 6) on the Latin American and Caribbean countries for which the data is presented. It allows for the following considerations:

- The Latin American and Caribbean countries show a GES figure that is lower than the world 170-country average, except for Barbados, with a GES estimated at 6.4, the same as the world's average.
- Eleven of the 28 countries from Latin America and the Caribbean hold positions in the upper half of the table, while the remaining 17 are distributed along the lower half.
- Nineteen of the 28 countries reported a rise in their GES; four remained stable, and five saw falls.
- The GES for the Latin America and Caribbean countries, in general, are lower than that of the advanced countries and the Asia Pacific countries.
- Within the region, five of the highest GES figures are from Caribbean nations.

[33] See Goldman Sachs Global Economic Research (2007), especially pp. 87-89.

The components of the GES are as follows:

Inflation	High inflation demotivates investment and deteriorates the operation of economy.
Government deficit	High and long-time public deficits may affect the economic stability and rise debt costs
External debt	An excessive and sustained debt increases the risk of external shocks and rises real interest rates
Investment rates	The formation of fixed productive capital at a high and sustained pace favours the formation of capital and enhances growth
Economic openness	It tends to favour convergence of the growth rates in higher levels
ICTs penetration	The incorporation of the information and communication technologies − measured in terms of penetration of telephone, computer and Internet connections − is an evidence of the capacity to absorb technologies promoting growth
Educational level	Measured in years of high-school studies. The extension and quality of education are crucial elements in development
Life expectancy	Generic indicator of the general conditions of health. It is directly associated to the functioning of the economy
Political stability	It promotes confidence and facilitates investment and growth. It is measured in terms of the perception of destabilization probability or institutional or violent change of government
Rule of law	Generalized and effective acceptance of legal norms, with an emphasis on those directly related to the operation of the economy, such as property rights and dependable institutions
Corruption	It has a negative impact on the growth by disturbing economic incentives. It is measured according to the use of public power to favour private interests and the degree to which the State is held by elites or private groups

The message derived from the estimations of growth environment indicators is not really an encouraging one for Latin America. The region appears fairly behind not only the most advanced countries but also other regions of the developing regions.

The World Bank has recently offered a different view on the factors that favour economic growth in the long run, concentrating them in saving and investment.[34] This essay, which offers the relatively close horizon of 2030, shows some innovating and suggesting elements and, regarding the expected economic growth, offers conclusions consistent with those of the projections of this study. Here are some elements:

- Seen as a whole, the developing countries have experienced a notorious long-term transformation in the behaviour of their saving and investment rates. Aggregate saving rates went from the equivalent of a fifth of their total product in 1970 to a little more than one-third in 2010, while investment rates grew from 22% to 33% in the same period. The developed countries now contribute almost half of the global savings, over twice as much as half a century ago.
- The convergence between the developed and developing worlds, which did not actually occur in the last century, is now real. It has been stimulated by such

[34] See World Bank (2013). *Global Development Horizons. Capital for the Future: Saving and Investment in an Interdependent World*. Washington: World Bank (http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTDECPROSPECTS/0,,contentMDK:23413150~pagePK:64165401~piPK:64).

factors as a saving and investment effort, advances in education and health, the emergence of economic, commercial and financial interdependence in the traditional North-South polarity and the swift expansion of ICTs.

- By 2030, half the world's capital stocks will be in the developing countries, and the highest proportions will be concentrated in eastern Asia and Latin America. Twenty years before that date, in 2010, the developing world's share in the capital stocks was below the third of the total.
- The advance of the regions of the developing countries in the holding of the capital stocks will be unequal. Eastern Asia and the Pacific, measured in absolute numbers, will have gone from US$ 21.5 trillion in 2010 to US$ 89.1 trillion in 2030 (more than a fourfold increase). Meanwhile, the capitals in Latin America will go from US$ 11 trillion to US$ 23.3 trillion (barely twice in only two decades).
- Additionally, the sector-by-sector distribution of expected investments will also show enormous differences. According to the figures projected for 2030, 34% of the total investment will be destined to the manufacturing industry, with the stake of Latin America and the Caribbean being barely 19%.
- Also in the pace of investment growth Eastern Asia and the Pacific enjoy an advantage. Between 2010 and 2030, the investment in manufacturing will grow at an average rate of 7.1% in the region every year, while the equivalent rate for Latin America and the Caribbean will stand at three percent.
- Relative population dynamics in the two regions are so, that investment demand in Latin America and the Caribbean, from 2030 on, is likely to weaken as a result of the increasingly slow growth of the work force (an issue already addressed in this essay).

Under such circumstances, the economic dynamics foreseen in the long-term horizon for Latin America are explicably below the one expected for the Asia Pacific region.

In general, for the developing world, tendencies as those described in the World Bank report confirm the hypothesis that the present developing world moves toward the dominion of the world's economy. As the latter is expected to expand between 2.6% and 3% from the year 2010 to 2030, the emerging and developing countries will do so between 4.8% and 5.5%. Under these conditions, the increase in the contribution of the developing countries to the global development will be impressive. Calculated in about 73% in 2015, it will jump to somewhere between 87% and 93% by 2030.[35]

Another study, published by OECD − and cited here in the note 31 − meticulously examines the issue of the determinants of growth. It is worthwhile to summarize it, as it contains important elements for the evaluation of the long-term projections presented in this essay.

Just as Goldman Sachs offers one single indicator, the GES, for a whole series of economic, social, and cultural factors that determine the existence of a fertile environment for a sustained growth of the economy, the OECD attributes that main role to *Multifactor Productivity* (MFP). The speed of growth and, therefore, the differences between the paces of advance of the regions and countries directly depend on the evolution of this factor.

Multifactor productivity and its evolution are, in turn, determined by a very wide series of factors, and those associated more closely to the evolution expected for the period 2030-2050 are:

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[35] See World Bank (2013), *Global Development Horizons…*, *loc cit*, pp 1-2. Unfortunately, the study does not include a regional breakdown on this point or, in general, national disaggregates for Latin America and the Caribbean. It only mentions some examples and references on Brazil and Mexico.

Aging of population	This tendency will persistently increase in the whole world, with some significant differences and, limiting the proportion of the active share (15 to 64 years of age) within the total population. In the long run, there might be a rise of five (perhaps ten) years in the active age, which would reduce or even rule out the rate of dependence. The average age of the active workers is not an important factor in the calculation of the MFP, bringing about an increasing predominance of the services industry in the economies.
Net migration	The net migratory movement to high-income countries is expected to continue; this would delay the shrinking of the population, raise fertility rates and reduce the increase in the dependence rate. These effects will be modest, and, as a result, net migration is not estimated to reach such levels that modify the main population trends.
Occupation of labour force	The occupation of the labour force needs to grow in comparison to the decade affected by the crisis. In other words, it needs to return to the unemployment levels registered before the crisis. The persistence of unemployment − especially among the youngest workers, which delays and deteriorates their incorporation to the labour market, which lasts for long periods of time − becomes a burden for the improvement of the MFP and affects the conditions for reincorporation.
Education and professional training	The crucial importance of the general level, coverage and quality of education for the long-term evolution of the MFP is a universally accepted fact. In the first half of the century, the tendency toward the universal coverage of high school instruction, which tends to a gradually growing higher education, is expected to strengthen. The approaches and varied orientations towards a professional training according to the labour demand are also foreseeable.

The OECD hopes that, in the year 2060, the horizon studied by the document, the following tendencies and phenomena manifest themselves as a result of the above mentioned and other determinants of growth:

Global growth will be sustained by emerging countries, though at a declining rate. A global, relatively stable and modest growth is expected. It will be stable because the dynamic countries are making rising contributions to the total product; and it will be modest because various countries will see declining rates after recovering from the crisis.

The relative size of economies will change dramatically over the next half century. As a proportion of a global economy formed by the 32 members of the OECD and eight non-members, the estimated relative sizes, expressed in percentages of the total, are as follows:

TABLE F

	2010	2030	2060
China	17	28	28
India	7	11	18
United States	23	18	16
Euro Zone	17	12	9
Japan	7	4	3
Other OECD countries	18	15	14
Non-OECD countries	11	12	12

GDP per capita gaps will shrink but significant cross-country differences will persist. The narrowing of the product-per-inhabitant gap reflects a rise in the GDP per capita outside the OECD, which almost doubles the expected figure for 2060. Wide gaps will remain the same because of the differences appeared in the initial years of the projected period. By 2060, China will have exceeded the present level of product per inhabitant of the United States by 25%, while India will remain at no more than half the current level of the United States.

2. Prospects for 2050

Growth prospects for the Latin American and Caribbean economies prepared for this essay on the basis of the data for the current decade − presented and commented above − were divided into two periods: the third decade of the century (the 2020s) and the two following decades (until 2050).

Based on the expected behaviour of the determinants of growth studied in the text and the global trends pointed out in the exercises of global prospective commented until here, both in the case of the region and in the emerging and developing countries as a whole, the result suggests to build three scenarios for the first of the periods and only one for the second − with a more pronounced uncertainty in the latter case.

The results of the projections for 2030, including the three scenarios, are shown in the Table 7 of the Statistical Annex.

The average scenario is based on the basic assumptions of the projection for the period 2013-2020, which has been presented and commented above. This leads to some considerations:

- The average annual growth rate expected for 2020-2030 for the entire Latin America and the Caribbean is about half a percentage lower than that projected for the period 2013-2020, as the average scenario includes the continuation of policies and, thus, the absence of new factors promoting growth. Following the hypothesis of continuity, the constant loss of dynamism in the advanced economies and the continually dynamic behaviour of the emerging and developing economies imply the need for an upper limit to the growth of Latin America and the Caribbean. In fact, the developed economies will grow in 2020-2030 almost at the same pace as in 2013-2020, and the rise of the developing world is no longer outstanding.
- As a result, in 2030 the total product of Latin America and the Caribbean will stand for a share 2.5 percentage points lower than in 2020 of the total of the emerging and developing economies. Within the whole world economy, this loss will be much more modest (0.5 percentage points), staying around eight percent.
- In 2020-2030, an average annual real growth rate of four percent or more should be considered a high one, given the general conditions of moderate growth. Six

countries of the region − medium and small economies, except for one − will reach that accelerated pace of growth, in a large extent as a result of the dynamic behaviour continued in the previous period.

- Thirteen countries − about a third of the total − will rise at intermediate rates, that is, between two and 3.9%. Among them are the biggest economies of the region. Another 13 will exhibit a low growth, under 2.5%.
- Following the criterion of economic magnitude, in 2030 two Latin American nations will have joined the largest economies, with real GDPs measured with PPP over one trillion dollars. In other words, in the 2020s the number of large global economies (or, as they are occasionally called, systemic importance economies) in Latin America will double. Except for one, these four countries will observe a medium growth, with their economies representing three quarters of the region's GDP; that is, staying virtually unchanged.
- In 2030, three Latin American economies will be in the group of the global intermediate magnitude, with a real GDP measured with a PPP over US$ 500 billion but below US$ 1 trillion. Two of the economies in this rank by 2020 will cross the line in the following decade and one more is expected to remain unchanged. Other two will reach that limit. These three economies, in 2030, will contribute about 15% of the region's GDP.
- Also in the year 2030, seven economies of the region will find themselves in the following rank of the global magnitude: With real GDP (calculated with PPP), between US$ 100,000 and US$ 500,000. Four of them will have reached such a rank in the 2020s. As a whole, they will contribute eight percent to the regional product.
- However, at the end of the third decade of this century, Latin America and the Caribbean will continue to be a region of predominantly small economies, with GDPs ranging between US$ 10 billion and US$ 100 billion, or even under US$ 10 billion. These 18 economies will represent in 2030 less than one-twentieth of the region's GDP: 3.7%.

The best and the worse scenarios offer alternative visions of the situation but actually they are not too different. The first implies a modestly more accelerated growth, mainly resulting from a stronger emphasis on the growth of national economic policies, incorporating some of the policy elements mentioned in the section "Immediate reorientation of the macroeconomic policies." In this scenario, the regional economy of Latin America and the Caribbean would gain about one percentage in its share both as part of the group of developing and emerging countries and as part of the global economy. The second scenario implies not only the absence of that more intense emphasis, but a deeper influence on the deterioration of the position of Latin America and the Caribbean in both fields: the developing and emerging countries and the global economy. The number of countries of the region with a systemic importance will stand at three, while the region as a whole, with a relative weight clearly below a tenth in the world's economy, will hardly be able to claim a significant role.

The value of the projections to 2040 and 2050 is merely illustrative. No existing element is enough to support a projection based on anything but the rather generalized continuity of the tendencies of the first three decades.

In any case, the tentative projection for 2050 shown here (see Table 8 of the statistical annex) raises the number of economies considered big in the region to six (from the global point of view), while, on the other extreme, the number of small or very small economies drops to 16.

VI. ECONOMIC POLICY ORIENTATIONS FOR THE MEDIUM AND LONG TERM

As noted before, the outlook emerging from the forecasts discussed in the preceding section is not particularly promising for Latin America and the Caribbean. The continued decline of the region as a whole in the global economy is indeed a matter of concern, indicative of widespread vulnerability. The development of new economic policy orientations is thus clearly needed to help tackle such a daunting prospect. Some proposals for immediate action have already been put forward earlier in this document to cope with the aftermath of the Great Recession, which seemingly will continue to hit hard at least for the remaining years of this decade, referred to by some as the "flat teens". So, outlined below is a series of suggested economic policy orientations for the medium and long term.

These orientations make sense if they are understood not only in the light of the regional prospects, but more broadly in the context of the new set of emerging and developing economies in the global economy which Latin America and the Caribbean must join fully. They should also be seen against the background of the process of global change prompted by the Great Recession and its aftermath, which is transforming both global economy and international political relations.

It is therefore appropriate to identify some of the most important changes that can be expected to occur by the mid-century in the realm of international relations.

Changes in the centre of gravity of international relations

Some global adjustments and changes have been occurring for several years now, and their final configuration and development may span five-year periods or even decades. They have been greatly influenced and/or accelerated by the Great Recession and its aftermath, and have resulted in new orientations for the underlying axes of international relations.

Discussed below are the two most recent – and probably most transforming – among such new orientations, where the second one seems to be closer to become a reality than the first: the "change of course" of the U.S. foreign policy towards the Pacific Region and the re-launch of an initiative for a cooperation scheme across the North Atlantic based on a proposed free trade agreement between the United States and the European Union.

Both initiatives reveal the new roles for emerging and developed economies, quite deviated now from the historical relations along the North-South axis. First of all, it should be noted that the two initiatives are aimed at modulating both the speed and the reach of what seemed to be an unstoppable shift of the global economic, trade and financial centre of gravity towards Asia-Pacific as fuelled by the spectacular growth of China.

1. The TransPacific Partnership (TPP)

Referring only to the recent past, we can say that the starting point of the U.S. shift towards the Pacific Region was marked by an article released in November 2011 by then Secretary of State, Hillary Clinton. Looking into the next ten years, Mrs. Clinton wondered where the United States should invest their time and efforts to better "maintain their leadership, ensure the protection of their national interests and promote their values." The answer seemed predictable: "to direct investments – whether diplomatic, economic, strategic or otherwise – to the Asia-Pacific Region."[36]

[36] Hillary Clinton, "America's Pacific Century," on *Foreign Policy*, November 2011 (http://www.foreignpolicy.com/articles/2011/10/11/americas_pacific_century).

Thus, at the 2011 Summit of the APEC (Asia-Pacific Economic Cooperation), the United States chose the TransPacific Partnership (TPP) to focus their immediate efforts on. According to a document released by the White House, which summarizes the basis and contents of this initiative, it is intended to reach an ambitious, next-generation trade agreement,

> "that reflects U.S. priorities and values [while serving as a means to] boost U.S. economic growth and support the creation and retention of high-quality jobs by increasing American exports to a region that includes some of the world's most robust economies and that represents more than 40% of global trade."[37]

With the initial participation of Australia, Brunei Darussalam, Chile, the United States, Malaysia, New Zealand, Peru, Singapore and Viet Nam, and later joined by Canada, Japan (which is still to complete its incorporation into a negotiation process that is expected to conclude this year) and Mexico, the TPP would include:

- *Core Issues:* Traditionally included in free trade agreements, core issues encompass trade in industrial goods, agriculture products and textiles, as well as regulations on intellectual property, technical barriers to trade, labour and environment.
- *Cross-cutting Issues:* Excluded from traditional trade agreements, cross-cutting issues may consist, among other things, of making the regulatory frameworks of the TPP countries compatible, so that U.S. companies can operate with lower barriers in TPP markets.
- *New and Emerging Trade Issues:* Examples of these kinds of issues are those relating to trade and investment in innovative products and services, including digital technologies, and to the provision of assurances that State-owned enterprises will compete fairly with private companies and will not distort competition, thus creating disadvantages for U.S. companies and workers.

An aspect requiring special consideration within the framework of the TPP project is the one related to intellectual property issues. According to the limited available information about what is happening in the backstage of the negotiations, the TPP would establish a very restrictive regime of intellectual property rights, much more restrictive than the regulations contained, for example, in the provisions of the World Trade Organization on this matter. In contrast with a rather widespread trend towards liberalization of the criteria and rules for intellectual property protection, which has opened up additional spaces for the participation of developing countries – as has been the case with the pharmaceutical industry – the TPP regime under consideration would counteract this trend. In this specific regard, Joseph E. Stiglitz wrote:

> "America has attempted to foist its intellectual property regime on others, through the World Trade Organization and bilateral and other multilateral trade regimes. It is doing so now in negotiations as part of the so-called Trans-Pacific Partnership [...] Attempts by the office of the United States Trade Representative to persuade others that, in effect, corporate profits are more important than human lives undermines America's international standing [...] Economic power often speaks louder, though, than moral values; and in the many instances in which American corporate interests

[37] The White House, "Fact Sheet: The United States in the Trans-Pacific Partnership - Increasing American exports, supporting American jobs" (http://www.whitehouse.gov/the-press-office/2011/11/12/fact-sheet-united-states-trans-pacific-partnership).

> prevail in intellectual property rights, our policies help increase inequality abroad."[38]

Another relevant aspect is the one concerning foreign direct investment (FDI). In this regard, the draft agreement being discussed by the TPP countries would provide for equality of treatment and other provisions limiting national policies with respect to FDI.[39]

It has been reiterated that the TPP negotiations, notwithstanding their complexity, should be completed by October 2013. The tight deadline seems to be based on well-defined motivations. The goal is to establish the TPP before other free trade agreement negotiation processes and/or other cooperation agreements being negotiated can be concluded. One such agreement is the tripartite free trade agreement between South Korea, China and Japan, the first round of negotiations of which was expected to occur during the spring of 2013 but the current trilateral political environment – affected by disputes between China and Japan over island territories and maritime boundaries and by the impact of the nuclear vagaries of North Korea – is far from being the most conducive.[40]

It has been questioned repeatedly whether the TPP is not actually a scheme designed to exclude China and restrict its growth. The consistent response has been that China will be welcomed as long as it is willing to acknowledge and abide by the rules established for the TPP negotiations. This would require an unrestricted opening up to direct foreign investment in all sectors, free currency convertibility and the adoption of a fluctuating exchange rate regime, as well as full trade liberalization. Under such conditions, it seems clear that a long time will have to pass before China may express an interest in adhering the TPP[41] and the TPP members themselves can reach consensus to accept it.

Should the trans-Pacific cooperation agreement be finally approved, implemented and enforced, it would lead to a further acceleration of efforts previously made – with very limited results in recent decades – towards greater openness, liberalization and privatization of trade, investment and management relations of the economies of its member countries. It would result in greater predominance of both productive and financial corporate interests over the long-term need for an equitable and inclusive economic development. Given the weight of its partner countries in the global economy, mainly based on the participation of the United States and Japan, the TPP would have an impact on other regional and subregional initiatives and processes and, of course, in the field of political relations. For Latin America, it would result in the consolidation of an additional dividing line – separating countries with Pacific coastline – prefigured by the

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[38] Joseph E Stiglitz, "How Intellectual Property Increases Inequality," The New York Times, 15 July 2013 (Online Edition: http://opinionator.blogs.nytimes.com/2013/07/14/how-intellectual-property-reinforces-inequality/?nl=opinion&emc=edit_ty_20130715).

[39] "The TPP gives pharmaceutical and medical device corporations the ability to 'evergreen' their patents and prevents governments from negotiating fair prices. This keeps the price of medications and other necessary health goods high and prevents generics. It includes a provision which will allow 'foreign' investors to sue a nation if their laws interfere with trade, allowing corporations to sue in trade tribunals for loss of "expected profits." Margaret Flowers *et al*, "Stopping the Trans-Pacific Partnership", *Truthout*, 10 July 2013 (http://truthout.org/news/item/17472).

[40] See Anthony Fenson, "EU-US Free Trade Agreement: End of the Asian Century?" *The Diplomat*, 20 February 2013 (online version).

[41] At a meeting held at Sunnylands (California) in June 2013 between Presidents Barack Obama and Xi Jinping, the latter raised some questions with respect to the nature and scope of the TPP negotiations. Obama – implicitly admitting the negotiating process had not been transparent enough – promised to provide information to China and other interested parties on a regular basis. It was agreed that the TPP theme would be incorporated into the agenda of the bilateral U.S.-China strategic and Economic Dialogue. See the statement made by the then U.S. National Security Advisor Tom Donilon at the end of the discussions. (http://www.whitehouse.gov/the-press-office/2013/06/08/press-briefing-national-security-advisor-tom-donilon).

[Latin American] Alliance of the Pacific (AP), which already brings together four of these countries.[42]

The TPP suggests a perspective that is difficult to see with optimism. One of the lessons of the Great Recession and its aftermath is that it can be very easy for open, liberalized –and poorly regulated – trade and financial circuits to act as transmitters of recession-related factors, while increasing the vulnerability of economies.

2. The Transatlantic Trade and Investment Partnership (TTIP)

In the midst of very negative circumstances, or rather coinciding with the emergence of severe tensions in the political relations between the parties,[43] formal talks began in July 2013 aimed at negotiating and concluding – within an imperative deadline of just one year and a half, or by the end of 2014 – the agreement establishing the Trans-Atlantic Trade and Investment Partnership (TTIP), referred to as "the world's largest economic relationship, accounting for half of global economic output and nearly one trillion dollars in goods and services trade and supporting millions of jobs on both sides of the [North] Atlantic."[44] The most relevant recent background[45] for this initiative can be summarized as follows:

- In his Annual Report for 2013,[46] two years after announcing the "American pivot towards the Pacific," President Obama offered a renewed Trans-Atlantic partnership between the United States and the European Union, predicated on both an updated version of free trade with implications for all aspects of global economic relations and on a series of political objectives which at that time were left implicit, but which are not unknown to allied countries that have long collaborated within the framework of the North Atlantic Treaty Organization (NATO), for example.
- This announcement was complemented by a Joint Declaration made on 13 February by the President of the United States and the Presidents of the European Council and the European Commission, which proclaimed a common decision to

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[42] Three Latin American countries – Chile, Mexico and Peru – are part of the group involved in the TPP negotiations. Presumably, Colombia, which together with the three countries previously mentioned forms the Latin American Pacific Alliance, would be interested in joining as well but has been prevented from doing so – at least at the current stage of the project – by its non-APEC member status.

[43] The turmoil came after the disclosure of espionage activities conducted by the U.S. on European Union offices with diplomatic status and various European governments as part of a worldwide, secret scheme to capture sensitive information. The initial reaction by the European governments was very strong and even jeopardized the already scheduled start of the TTIP negotiations. A number of initial reactions to these developments have been published, including "Rethinking Surveillance" by Kenneth Roth, *The New York Review of Books*, 2 July 2013 (www.nybooks.com/blogs/nyrblog/2013/jul /2/electronic-surveillance-missing-laws/); "Transatlantic espionage: the lives of others," *The Economist*, 6-12 July 2013, Editor's Note (www.economist.com); and "Even Le Carré's latest fiction can't do justice to Snowden" by Simon Jenkings, *The Guardian*, 9 July 2013 (www. guardian.co.uk).

[44] "Joint U.S.-EU Statement on the High Level Working Group on Jobs and Growth," The White House, Office of the Press Secretary, 19 July 2013 (http://www.whitehouse.gov/the-press-office/2012/06/19/joint-us-eu-statement-high-level-working-group-jobs-and-growth) Such an assertion claiming the largest or one of the largest global weights has also been expressed in relation to the TTP. It is indeed quite probable that any regional or cross-regional initiative or agreement involving the United States--currently the largest economy on the planet--will become "the largest" or be counted "among the largest" in the world. The real question seems to be which initiative will be joined more actively by the U.S., will it be TPP, TTIP, NAFTA or all of them?

[45] North Atlantic economic cooperation efforts have a long history. When circumscribed to the post-Cold War era, worth noting developments are the 1995 New TransAtlantic Agenda, which included a Joint Plan for Action; the 1998 Transatlantic Economic Partnership, stemming from a UK-US initiative; and the 2007 Framework Agreement establishing a Transatlantic Economic Council. The above documents can be found, respectively, at: http://eeas.europa.eu/us/docs/new_transatlantic_agenda_en.pdf; http://eeas.europa.eu/us/docs/trans_econ_partner_11_98_en.pdf, and http://ec.europa.eu/enterprise/policies/international/files/tec_framework_en.pdf.

[46] "Remarks by the President in the State of the Union Address," The White House, Office of the Press Secretary, 12 February 2013 (http://www.whitehouse.gov/the-press-office/2013/02/12/remarks-president-state-union-address)

"initiate the internal procedures necessary to launch negotiations on a Transatlantic Trade and Investment Partnership."[47] The established objective was to start negotiations before the 2013 summer break.

- On the sidelines of the annual meeting of the Group of Eight (G8), held in June 2013 in Northern Ireland, the formal announcement of the start of the TTIP negotiations was made by the leaders of the European Union and the United States, accompanied by the British Prime Minister David Cameron, who hailed the agreement as a "a once in a generation prize, and potentially the biggest bilateral trade deal in history – worth hundreds of billions of pounds."[48]

Presented by the same dignitaries who had made the original announcement days earlier at the G8 Summit with the exception of the British leader, a second formal announcement of the start of the negotiations came on June 17. They chose 8 July 2013 and Washington DC as the date and location for the launch event. In the resulting document, the White House stated that the TTIP "will be an ambitious, comprehensive, and high-standard trade and investment agreement that offers significant benefits in terms of promoting U.S. international competitiveness, jobs, and growth in the United States [and] will aim to boost economic growth in the United States and the EU and add to the more than 13 million American and EU jobs already supported by transatlantic trade and investment."[49]

Identified in the same document are eight specific objectives of the TTIP, namely:

- To "further open EU markets, increasing the $458 billion in goods and private services the United States exported in 2012 to the EU, our largest export market."
- To "strengthen rules-based investment to grow the world's largest investment relationship. The United States and the EU already maintain a total of nearly US$ 3.7 trillion in investment in each other's economies (as of 2011)."
- To "eliminate all tariffs on trade."
- To "tackle costly 'behind the border' non-tariff barriers that impede the flow of goods, including agricultural goods."
- To "obtain improved market access on trade in services."
- To "significantly reduce the cost of differences in regulations and standards by promoting greater compatibility, transparency, and cooperation, while maintaining our high levels of health, safety, and environmental protection."
- To "develop rules, principles, and new modes of cooperation on issues of global concern, including intellectual property and market-based disciplines addressing state-owned enterprises and discriminatory localization barriers to trade."
- To "promote the global competitiveness of small- and medium-sized enterprises."[50]

There seems to be a clear intention to reaffirm that while the centre of gravity of the world economy and of international relations may indeed be shifting towards Asia-Pacific, the two largest economies in the World – the European Union and the United States – are determined to move it back to its traditional *locus*: the North Atlantic.

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[47] "Statement from United States President Barack Obama, European Council President Herman Van Rompuy and European Commission President José Manuel Barroso," The White House, Office of the Press Secretary, 13 February 2013 (http://www.whitehouse.gov/the-press-office/2013/02/13/statement-united-states-president-barack-obama-european-council-president-herman-van-rompuy-and-european-commission-president-jose-manuel-barroso/)

[48] "The first major result of the summit is out", 8 June 2013 (http://storify.com/number10gov/g8-summit-round-up)

[49] "FACT SHEET: Transatlantic Trade and Investment Partnership (T-TIP)," The White House, Office of the Press Secretary, 17 June 2013 (http://www.whitehouse.gov/the-press-office/2013/06/17/fact-sheet-transatlantic-trade-and-investment-partnership-t-tip).

[50] *Ibid*.

But the initial enthusiasm was soon tempered. The first round of negotiations took place from 8 to 12 July amidst the mist of the so-called Snowden *affaire*, which has proven to be thicker and more difficult to dissipate than thought. Probably as a way to emphasize that these issues are not disconnected at all, the news that the European Parliament has entrusted its Civil Liberties Committee with the task to further investigate U.S. surveillance programmes – including malicious eavesdropping and other forms of espionage on EU offices – and to present their findings before the end of 2013,[51] was included by the European Union on its official Web site (www.europa.eu) together with information on the TTIP talks.

Moreover, the negotiations themselves have revealed that the contentious issues and the areas of disagreement seem to be wider and more numerous than expected. Meanwhile, the end of 2014 is no longer mentioned as the deadline for the expected conclusion of the negotiations. It was announced that the second round of negotiations will take place in October 2013 in Brussels, signalling a much faster frequency than that of the TTP negotiation process, with meetings scheduled at least quarterly.

According to a press release from the European Commission, the first round of negotiations allowed for identifying about twenty different areas to be covered by the agreement, including, among others, market access for agricultural and industrial goods; Government procurement; investment; energy and raw materials; regulation issues; sanitary and phytosanitary measures (SPS); services; intellectual property rights; sustainable development, small and medium-sized enterprises; settlement of disputes; competition; customs and trade facilitation, and State-owned companies. "Negotiators identified certain areas of convergence across various components of the negotiation and – in areas of divergence – begun to explore possibilities to bridge the gaps."[52]

An attempt to summarize the main areas of divergence is available on the web portal of the European Commission's Representation in Ireland, which held the Presidency of the Council for the first half of 2013. It can be read as a formal – if not official – description of what those differences are from the European point of view:

- Audio-visual services: The French support and subsidize its audio-visual sector and argued for this to be excluded from the negotiations. The European Commission has proposed to come back to the Council for a mandate on this at a later stage after the EU has further discussed legislation on digital media so it can be part of the TTIP negotiations.
- Genetically Modified Organisms (GMOs): GM crops are permitted in the US but some EU Member States restrict or prohibit GMO products. EU law allows GMOs but only after strict safety assessment by the European Food Safety Authority (EFSA). The European Commission says negotiations won't be about compromising the health of consumers for commercial gains and wants EU risk management procedures to remain unchanged.
- Agriculture: The European Commission says any ambitious EU-US trade agreement would have to provide for substantial opening of agriculture markets. Some EU foods are currently banned in the US while others are subject to high tariffs, such as the 139% imposed on dairy products.[53]

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[51] "Parliament to launch in-depth inquiry into US surveillance programmes," European Parliament/News, 8 July 2013 (http://www.europarl.europa.eu/news/en/pressroom/content/20130701IPR14770/html/Parliament-to-launch-in-depth-inquiry-into-US-surveillance-programmes).
[52] "EU and US conclude first round of TTIP negotiations in Washington," European Commission Press Release, Brussels, 12 July 2013 (http://trade.ec.europa.eu/doclib/press/index.cfm?id=941).
[53] "The EU-US Transatlantic Trade and Investment Partnership," European Commission Representation in Ireland (http://ec.europa.eu/ireland/key-eu-policy-areas/transatlantic-trade-investment-partnership/index_en.htm).

It is certainly too early to tell whether the TTIP initiative will fare better than its predecessors mentioned above. In those cases, difficulties do not seem to have been associated with the negotiation processes themselves, although none of the cited precedents even remotely involved the complexity of the current process. The real challenge has been about actually putting agreements into practice, for which the appropriate economic incentives or sustained political will, or both, have seemingly been missing. The framework agreement to establish the Transatlantic Economic Council, for example, was entered into in 2007 – later in George W Bush's second term in office – which explains why such initiative was not embraced with enthusiasm by the Clinton Administration. That said, should the TTIP negotiations extend well into the second half of Obama's second term, thought should be given to whether the Republicans would meet the resulting commitments.

Now there is a new element that was not present in those earlier, essentially frustrated episodes: China's presence and projection on the global stage. And, like those coming from the TPP, messages sent from the TTIP appear to have one particular recipient: China.[54] Therefore, some has seen the revival of economic cooperation through the North Atlantic as the announcement of an unexpected end of the American "pivot" towards the Pacific. However, it does not seem to be the case. It might be preferable to speak of a parallel boost to the TransPacific Partnership, which is a core element of the policy for the containment of China, whereas the Transatlantic Partnership provides an instrument to reaffirm the dominance of the most advanced nations--led by the United States and the core of the European Union--in the world economy and international trade. These are the types of geopolitical changes associated with the emergence of China and other emerging countries as major international players.

If any lesson is to be learnt by Latin America and the Caribbean from developments such as those previously described – both in the Pacific and in the North Atlantic – it would be that there is an urgent need to strengthen their own regional integration. Failure to strengthen schemes such as CELAC would leave the region with a much smaller window of opportunity to prosper in the competitive world of the 21st century.

VII. REORIENTING INTERNATIONAL COOPERATION FOR DEVELOPMENT

The consolidation of emerging countries, including Latin American countries, as global players, involves the construction of a new balance of power in the world. One area in which this balance has started to become evident is international cooperation for development. We must examine, in general, at least six areas in which individual and concerted actions of Latin American and the Caribbean countries, together with other developing and emerging countries, may prove to be decisive: the revival and reorientation of world trade, the incorporation of the region into the new world of the digital economy, the reform of the international financial system, the expected change in the world energy outlook, a new industrial order in the world, and environmental challenges, particularly but not exclusively, global warming.

Issues such as these require more immediate actions than others, such as the full consolidation of knowledge economies and societies at a global level, or the conversion of large urban concentrations in the determining *locus*, beyond national borders, from the emerging global society, to those discussed in a more tentative manner.

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[54] "A robust trade and investment deal would give the United States and Europe greater leverage in the coming decades to push back against China and reaffirm the liberal international order," Tyson Barker, "For Transatlantic Trade, This Time is Different," Foreign *Affairs*, February 2013 (http://www.foreignaffairs.com/articles/139027/tyson-barker/for-transatlantic-trade-this-time-is-different).

1. Reactivating and reorienting international trade

The inability to reach an acceptable conclusion at the Doha Round of the WTO – which has prevailed for at least two decades – has led to the proliferation of free trade agreements and other commercial understandings with many ramifications, largely discriminatory, and certainly under par in a multilateral trading system of global scope that is functional and properly regulated. It all points out that this trend will prevail for the rest of this decade and several more until mid-century.

It has been suggested that one possible–not openly declared–objective of the TTIP is for the United States and the European Union to assume the task of defining the set of rules applicable in the 21st century, not only to international exchange of goods and services, but to all economic, technological and financial relations. As discussed in a recent paper[55], we must start with the recognition that global supply chains are now the distinctive and dominant element of world trade, since the commodities and components being traded through these chains account for more than half of the global trade in goods and just under three quarters of that in services.

This tendency has dramatically furthered the importance of the growing and increasingly complex set of applicable regulations. Since the operation of global supply chains multiply the international movements of intermediate goods and productive services, the feasibility of said operation "depends on the adequacy, predictability and efficiency of the regulatory schemes of the countries involved." So far, exporters, both in developed countries and in emerging markets, have chosen to comply with the regulations established in dominant markets – the United States and the European Union – with the assurance that the goods and services that meet those regulations will not face any problems in accessing third markets.

Thus, "the EU regulations on privacy and competition have become global standards, which has also happened to U.S. regulations on financial services." With the growing importance of emerging countries in production and trade, and the growing attractiveness and importance of their import markets, the authors add, "the ability of the U.S. and the EU to ensure high standards and trade based on rules tends to erode."

Apart from the merits of Bollky and Bradford's argument itself, their main conclusion is very important: "The negotiations of the TTIP include the opportunity for the United States and the EU to reverse that trend and, based on the combined influence of their consumption markets, to ensure that producers worldwide continue to comply with the regulations established by both. [Moreover,] the TTIP is the best – and perhaps last – opportunity for the United States and the EU to establish global regulatory models, which constitute the basis on which other trade agreements can be negotiated."

We should not lose sight, however, of the central role of the WTO in trade liberalization proposals and the negotiation of new trade rules demanded by the increasingly internationalised conditions of production and trade. It is clear that these cannot simply replicate traditional patterns of trade liberalisation, but should aim to establish dynamic links between trade expansion and productive development. The definition of the legal and regulatory framework of international trade in the 21st century is a task of a truly global scope, which should not be assumed by, or relegated to – existing or emerging – regional schemes, regardless of their importance.

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[55] Thomas J Bollky and Anu Bradford, "Getting to Yes on Transatlantic Trade," *Foreign Affairs*, 10 July 2013 (www.foreignaffairs.com/articles/139569/thomas-j-bollyky-and-anu-bradford/getting-to-yes-on-transatlantic-trade?page=show).

Among the issues that must be addressed there is the contribution of trade to global food security, the promotion of green growth, by facilitating international transfers of environmentally-friendly goods and services, and the expansion of the use of Internet as a facilitator of trade.

With a new general director from one of the largest emerging economies (Brazil), the WTO has an urgent need to update its agenda, with new global trade issues, which of course, go far beyond trade liberalization.

2. The incorporation of Latin America and the Caribbean in the new world of the digital economy

In early 2013, ECLAC released a groundbreaking study, developed in collaboration with the European Union, which "holds that, in a context of economic growth and poverty reduction in most countries of Latin America, these countries must address the challenge of articulating and consolidating their digital economy, which requires answers to questions about how to identify and exploit new opportunities that arise in a phase of technological convergence to advance economic development and equality."[56]

The concluding chapter of this paper explains guidelines that the region as a whole and the individual countries should incorporate into their integration projects and development strategies. Following is a brief summary of those conclusions and recommendations:

- ICTs have a positive impact on the economic growth in Latin America, a development that takes place in a context of dissemination of new technologies worldwide, of acceleration of the transition towards economies based on advanced manufacturing and sophisticated services, changing business processes, and promoting regional and international development of the software and applications industry.
- This process is possible thanks to the convergence of devices, Internet-based applications, networks and platforms. In this context, we see great progress in the interaction between mobile technologies, cloud computing services, large data analysis, globalisation and diversification of the use of social networks and the ubiquity of remote sensors.
- At the same time, given the speed of the current technological revolution, Latin American countries have not been able to reduce significantly the digital divide between them and more developed economies, a particularly severe phenomenon in terms of the most advanced technologies, such as optical fibre connections and mobile high-speed broadband.
- This problem is more acute for countries with slower development in such a dissimilar region as Latin America. The old and new gaps are warning signs to address the growing digital gap between and within countries, and it is at the same time an opportunity for regional cooperation and coordination in the field of digital economy.
- Advancing the structural change necessary for development and the reduction of inequality in the region requires formulating and implementing a new phase of strategies for ICTs focusing on the comprehensive development of the digital economy, defined as the ICT industry sectors (telecommunications, hardware, software and ICT services) and the network of internet-based economic and social activities.

[56] Economic Commission for Latin America and the Caribbean, *Economía digital para el cambio estructural y la igualdad*, Santiago, March 2013 (http://www.eclac.org/publicaciones/xml/5/49395/Economia_digital_para__cambio_estryigualdad.pdf).

- The digital economy is a source of increased productivity, economic growth and sustainable development. To realise this potential, countries need institutions and policies to ensure the generation of synergies between the dissemination of new technologies and changes in the production structure towards sectors that are more focused on digitalization and knowledge.
- To promote a digital economy for structural change we should act simultaneously on complementary factors of supply – such as broadband infrastructure and the ICT industry – and demand – access, affordability, usability.
- ECLAC sees the digital economy as part of a new vision of development that can act as a catalyst for structural change, promoting long-term investment, diversification of the productive structure and greater convergence in productivity levels of the economy as a whole.
- The strategies for the digital economy in the region should be multipurpose, as they should seek to increase the impact on growth and social inclusion in countries with more developed ICTs, and to reduce the digital divide affecting those countries lagging behind in this area.
- We propose an institutional framework for the digital economy that integrates ICT policies for structural change and ICT policies for equality and social inclusion. The former should include national broadband policies and industrial policies for the digital economy as main components.
- The national broadband policy should be devised at the highest political level, incorporating strategic objectives that turn into real state policies. Its components should include, at least, international coordination, regulation, public infrastructure development, ICT capacity building, financial institutions and the promotion of research and technological development.
- Industrial policy for the digital economy should consider, as a starting point, the development of the software and applications industry to create new high-productivity sectors and develop digital skills in the productive sector, mainly in small and medium enterprises.
- The deep inequalities in the distribution of income and access to public services in the region determine the pattern of access to and use of Internet. That is why it is important, as an alternative to access at home or at the workplace, to have public access networks (internet cafés, free Wi-Fi hot spots).
- State intervention is necessary to ensure equality in access to and use of ICTs; in particular, it is necessary to consider them as a service in the public interest because they facilitate the provision of social services such as health, education and e-government.[57]

3. New momentum of the industry and rethinking industrial policies

The world is witnessing a different distribution of industrial activities and a general reassessment of industrial development policies. Based on the above, the *Grupo Nuevo Curso de Desarrollo*, from the National Autonomous University of Mexico, concluded that the current successful cases of industrialization combined efficiently in meeting the demands of rapidly expanding domestic markets, due to the sustained increase in employment and income per capita, with use of the opportunities offered by foreign markets and diversification of export markets and products. This defines a new industrial paradigm vis-à-vis the economic and demographic change. The result has been a rapid growth in the generation of global manufacturing added value and its shift towards emerging economies.[58]

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[57] See also *United Nations E-Government Survey, 2012*, United Nations, Department of Economic and Social Affairs, New York, 2012 (http://workspace.upan.org/sites/Internet/Documents/EGovSurvey2012_Spanish.pdf).
[58] UNAM, Grupo Nuevo Curso de Desarrollo, *Lineamientos de política para el crecimiento sustentable y la protección social universal*, UNAM, Mexico, 2012, p 117.

On the other hand, the Great Recession severely affected the industrial sector, and especially manufacturing. A recent snapshot of UNIDO on the situation of the industry highlights the following:

- Global industrial production recorded a further slowdown in the fourth quarter of 2012, mainly in advanced economies, particularly in Europe.
- While global manufacturing output grew by only 1.2 % in the quarter, the lowest quarterly rate in the last three years, this sector in developed economies contracted by 1.8 % over the last quarter of 2011.
- On the other hand, developing economies prevented a further deterioration in the expansion of manufacturing, among other factors due to the growth of the Chinese economy in the last months of 2012.
- The growth estimated by UNIDO for manufacturing production in the developing world in the fourth quarter of 2012 rose to 7.6 % from the same period last year.[59]

It is clear that, fuelled by the crisis, the dynamic hub of industrial activities has shifted to the dynamic emerging economies which have a new responsibility to sustain a continuous expansion of their industrial sectors.

In a comprehensive study on the new international conditions of industrialization, Isaac Minian examines four determining trends: a growth of manufacturing value added based on knowledge rather than on traditional factors; a combination of geographic dispersion and administrative proximity, which leads to the integration of international networks of suppliers; the third trend refers to the international value-added networks as the locus of competition in manufacturing activities, with profound implications for the integration of productive processes and industrial strategies; and finally, there is a clear trend towards re-concentration of manufacturing activities in a few countries.[60]

It is difficult to overstate the challenge facing emerging economies, especially those in Latin America and the Caribbean, some of which were at the forefront of the industrialization processes of import substitution in the last century, to find a place in the so-called new map of industrial activities in the world.

4. Governance reforms of International Financial Institutions

Had it not been for the insistence of the emerging economies, especially those in the BRICS, the first and limited reforms achieved so far in the governance of international financial organisations, the Bretton Woods institutions, would not have been attained. The need for this type of reform was established and was widely recognised at least since the beginning of the century and it became increasingly evident over time. It was increasingly clear that there was a blatant divergence between the growing importance of emerging economies in the global economy, as measured by their contribution to global output, and in international trade, as reflected in the share of exports and imports of goods and services in their respective GDPs and international financial transactions on the one hand, and their relative size of their quotas in the IMF or their shares in the capital of the World Bank and, consequently, their influence in making decisions in both institutions, as determined by their voting power.

The obvious need to implement modifications, however, found resistance, and it was required, among other things, for BRICS to make this reform their flagship mission at their first summits – in Yekaterinburg in 2009 and in Brasilia in 2010 – and for the G20, where

[59] UNIDO, "Global manufacturing registers further slowdown due to prolonged recession in Europe", Media Centre, Vienna, 8 March 2013.
[60] Isaac Minian, "Nuevas condicionantes internacionales de la industrialización", in Jorge Eduardo Navarrete (ed), *Miscelánea global: tareas internacionales de México*, UNAM, Mexico, 2008, pp 335-386.

emerging economies play a no less important role than that of other countries, to be proclaimed as the prime forum for international economic and financial cooperation. The purpose was to achieve the approval, in 2010, of the first reforms. Limited and inadequate as they were, they proved that it was possible to implement reforms even at the main bastions of the order established in post-war period, in the mid-twentieth century.

On 15 December 2010, after the G20 Summit in Seoul, the IMF Board of Governors, upon recommendation of the Board of Directors, approved a reform package on quotas and governance. The Board approved doubling the amount of quotas, raising to SDR 476,800 million (US$ 733,900 million) as well as a realignment of quota distribution among members, which, once implemented, "will result in a change of more than 6% in quotas for emerging market economies and developing countries, i.e. from over-represented to under-represented countries, while protecting the quotas and voting power of the poorest members."[61] With the reform, consequently, eight of the twenty members with the largest voting power are emerging economies. The G20 also approved an amendment to establish a more representative, fully elected Board. This will reduce by two the number of chairs of advanced European countries and will increase by two the number of those of emerging countries.

For the entry into force in the Executive Board, the reform requires a majority of three fifths of the 188 members (113) with 85% of the vote. As of December 2012, 129 members had ratified with 70.2 % of the vote. The quota reform requires the approval of the reform to the Board and the ratification of members which hold no less than 70% of the quotas. As of December, it had received support equivalent to 77.1% of the quotas.[62]

Still pending is the ratification by the United States, which would complete the 85 % of the vote and, since the minimum number of members is already covered, it would imply the implementation of the reform to the Board. This will result in the automatic approval of the reform on quotas, which already reached the required percentage. However, the ratification of the United States Congress is at lockdown due to the endless divergence between Democrats and Republicans.[63]

There are no favourable auspices for the reform of the IMF, which includes a new change in the quotas, the 15th revision expected by January 2014, and the adoption of a new calculation formula and, of course, to continue strengthening the decisions taken so far.

Later on, towards the end of this decade or beginning of the third decade of the century, a more essential reform of the international financial architecture will be required, one that reflects the changes that will have taken place by then in the global economy.

5. Towards a different type of global energy transition

If we look at the forecasts and analyses issued throughout 2012 by the International Energy Agency (IEA), a fundamental alteration of the global energy map is about to take place, in unprecedented ways and time frames.[64] This modification will be the result of

[61] IMF, Press Release No. 10/477, 16 December 2010.
[62] IMF, Press Release No. 12/499, 20 December 2012
[63] *The New York Times* devoted an editorial (30Mar13) on the subject, expressing its astonishment at the failure of the U.S. to ratify, because, apart from the intrinsic advantages of the quota and governance reform, it also represents clear advantages for the United States itself: "The reforms will achieve all this [increasing the Fund's capacity for action and the legitimacy of its decisions] without increasing the U.S. financial commitment to the organisation and preserving Washington's power to veto any substantive changes to the way it operates."
[64] This section is based on one of the author's works, "Nuclear power in the new global energy environment," presented at the Nuclear Forum organized, among others, by the Nuclear Research Centre at UNAM to mark the International Year of Sustainable Energy for All, sponsored by the United Nations. The papers of the Forum will be published in the fall of 2013.

four factors, three of which were not present or were not considered as relevant a few years ago, at the end of the last decade. These are:

a) the resurgence of oil and gas production in the United States,
b) the withdrawal from the use of nuclear power in some countries;
c) the continued and rapid growth of the use of wind and solar technologies, and
d) the [worldwide] widespread production of unconventional gas.[65]

If we review the annual reports as recent as 2008 or 2009, we can note that these issues are not included – in those years the talk was of a promising future, a kind of resurrection of nuclear power, and analysts did not forecast such a rapid drop in costs of generation, equipment and technological services associated with solar and wind power – or they were mentioned only tentatively: the projection of the shale liquids as primary energy source of global importance.

The rise in oil and gas production in the U.S. is recent. It started, in fact, in 2008-2009, during the global financial and economic crisis. So far, the global economic downturn caused by the crisis has led to three consecutive years of reduced total energy consumption in the OECD countries, of around 2.5% each year according to estimates by British Petroleum. In contrast, growth in non-OECD consumption has remained very similar to the average of the last ten years, about 5% annually. Such a phenomenon was expected since – as noted above – the economic downturn associated with the crisis, the consequences of which are still being felt, affected more intensely the advanced countries in North America and Europe and those closely related to them such as Mexico and Turkey, than the large emerging economies such as China and India, who escaped the crisis in the sense that they did not suffer recession episodes and acted as drivers of growth for economies such as Southeast Asia and Oceania, as well as some in South America.

The IEA notes–in the report cited above —that the rise in oil production is primarily associated with exploration and production technologies that extract light oil from tight formations, and shale gas. BP confirmed this information by stating that, in 2011, the United States recorded, for the third consecutive year, the largest increase among non-OPEC producers (+285,000 b/d) "driven by a continued strong increase in onshore production of shale liquids, which means the highest level in U.S. production since 1998", i.e. almost three decades.

A continuation of this trend would turn the United States into the world's largest oil producer at some point during next decade, larger than Saudi Arabia, and a net exporter by the end of the 2030s – assuming that, in face of the increased production, barriers to exports are eliminated, which date back to a time dominated by fears over sufficiency and security on the supply side.

This is the revolution in the world of energy that the Agency expects: a shift towards self-sufficiency – and even net exporting – of the large American market, which now covers a fifth of its total energy demand with imported supplies, with subsequent changes in cross-border transportation of oil, altering thus the balance of geopolitical risks.

We must remember that the purpose of the so-called energy independence has been proclaimed, with different types of rhetoric, by all U.S. presidents since the 37th, Richard Nixon. The current president is the 44th. We should note the historical irony that the United

[65] International Energy Agency, *Global Energy Outlook*, Paris, November 2012 (online version: http://www.worldenergyoutlook.org/). The most common form of unconventional natural gas is shale gas.

States may eventually become the world's largest producer of oil, at the time when it will cease to be the largest economy in terms of the magnitude of its GDP.

The biggest energy-related controversy in recent years, especially in the U.S. but with repercussions around the world, refers to what some consider a new resource: shale oil and shale gas. The controversy pits supporters of natural gas as the fuel *par excellence* in the energy transition and main substitute of oil and coal, against those who call attention to the economic, social and environmental impacts of shale gas as the most dynamic component in the increased supply of natural gas and, at least marginally, of the total energy supply.

Though still behind oil and coal, natural gas now accounts for a quarter (24.8%) of the total primary energy supply (5.3 million tons of oil equivalent, Mtoe), i.e. about 1.3 Mtoe. Forty years ago, in 1973 – the historic year when OPEC set international oil prices – it accounted for less than one-fifth (18.9%) out of a much lower total (3.4 Mtoe). The forecast of a 50% increase by 2035 is based on very large total recoverable reserves, equivalent to 250 years of consumption, half of which would be of unconventional gas, much of which will be shale gas. This accounts now for one third of unconventional gas production in the world, still concentrated in the U.S., which "grew elevenfold in the last ten years", and marks a controversial trend in the world of energy.

There are not-so-trivial concerns about the high costs of the exploitation of shale gas and, most importantly, environmental concerns, related to the technology of hydraulic fracturing used for extraction. These range from destruction of geological structures, enormous water demand, use of sand and chemical pollutants, emissions of methane, groundwater pollution, and soil degradation, among others. The IEA recognizes that there are concerns about the environmental impact of unconventional gas production, especially in terms of land use, water use and potential pollution of fresh water reservoirs and emissions of methane, among others.

Another risk element is often overlooked: the displacement of development of zero-carbon energy projects, e.g. solar, wind as well as other renewable sources such as nuclear power. The prospect of a golden age of gas, announced by the IEA and enthusiastically welcomed by the industry, is based on relative prices of natural gas – conventional and unconventional – which encourage fuel substitution of coal and oil, but can also mean a shift from carbon-free sources. If so, we would witness a transition from a fossil fuel to other fossil fuels, in conditions where the environmental impact of the exploitation of unconventional gas, particularly shale gas, has not been clarified or measured.

This is a perspective that no one – especially the emerging and developing economies, including Latin America and the Caribbean, whose recovery and continued growth requires the highest degree of energy and environmental security − can look at calmly from the point of view of the environmental outlook.

6. Environmental imperatives

The emerging and developing economies − because of their more rapid relative economic growth, the process of catching-up to advanced economies in the field of technological activities, their dependence in many cases on the production and export of commodities, and their exceptional biodiversity in many cases − face environmental requirements, challenges and opportunities that may be even larger than in other sectors of the international economy. Without them, as a whole, or without several of them, individually, it is difficult to make significant progress in key global environmental issues, from global warming, of course, to issues related to the spread of deserts and soil

degradation or the use and preservation of water resources. At the same time, emerging economies, especially those that are most dynamic, are under a very severe and sometimes biased environmental scrutiny.[66]

An approach to the demands, challenges and opportunities that environmental issues pose to developing and emerging economies can be seen through a quick review of the six major activity areas of the United Nations Environment Programme, as reflected in its Annual Report for 2012.[67]

The most prominent issue, of course, is global warming, but it is by no means the only one. With carbon emissions above levels that should have been reached in 2020 in order to maintain the feasibility of the 2-degree-Celcius-goal, it is clear that emerging economies, including those in Latin America and the Caribbean, will have to double their efforts to contain and reduce emissions. It is no longer possible to hide behind the argument of low per capita emissions. The developing and emerging countries must now give high priority to their environmental efforts, an area where opportunities for cooperation among them offer tremendous potential.

[66] We must remember when, in relatively recent years, the most dynamic and most populated emerging economy became the largest emitter of greenhouse gases. This country was suddenly treated in many media as the main culprit of global warming. People seemed to have forgotten the long process of accumulation of these gases in the atmosphere emitted by many other countries, especially the developed economies.

[67] Available online at http://www.unep.org/pdf/UNEP_ANNUAL_REPORT_2012.pdf.

A N N E X

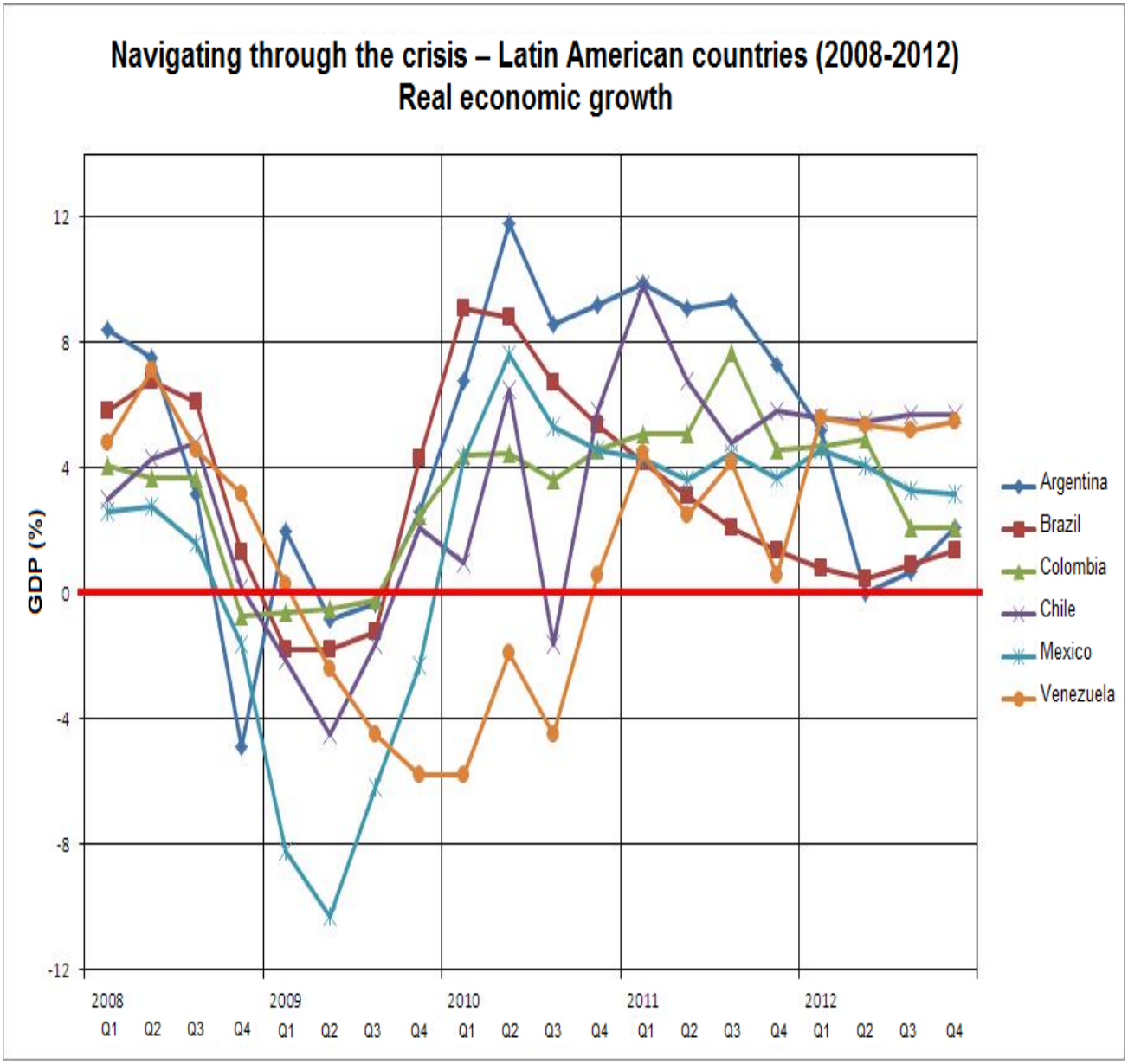
Statistical Annex

TABLE 1
Navigating through the crisis – Latin American countries (2008-2012)

	Real economic growth – Annual rates per quarter					
	Argentina	**Brazil**	**Colombia**	**Chile**	**Mexico**	**Venezuela**
2008 Q I	8.4	5.8	4.1	3.0	2.6	4.8
Q II	7.5	6.8	3.7	4.3	2.8	7.1
Q III	3.2	6.1	3.7	4.8	1.6	4.6
Q IV	- 4.9	1.3	- 0.7	0.2	- 1.6	3.2
2009 Q I	2.0	- 1.8	- 0.6	- 2.1	- 8.2	0.3
Q II	- 0.8	- 1.8	- 0.5	- 4.5	-10.3	- 2.4
Q III	- 0.3	- 1.2	- 0.2	- 1.6	- 6.2	- 4.5
Q IV	2.6	4.3	2.5	2.1	- 2.3	- 5.8
2010 Q I	6.8	9.1	4.4	1.0	4.3	- 5.8
Q II	11.8	8.8	4.5	6.5	7.6	- 1.9
Q III	8.6	6.7	3.6	- 1.6	5.3	- 4.5
Q IV	9.2	5.4	4.6	5.8	4.6	0.6
2011 Q I	9.9	4.2	5.1	9.8	4.3	4.5
Q II	9.1	3.1	5.1	6.8	3.6	2.5
Q III	9.3	2.1	7.7	4.8	4.5	4.2
Q IV	7.3	1.4	4.6	5.8	3.7	0.6
2012 Q I	5.2	0.8	4.7	5.6	4.6	5.6
Q II	0.0	0.5	4.9	5.5	4.1	5.4
Q III	0.7	0.9	2.1	5.7	3.3	5.2
Q IV	2.1	1.4	2.1	5.7	3.2	5.5

Source: "Output, prices and jobs", *The Economist*, London; various issues from 2008 to 2013.

CHART 1



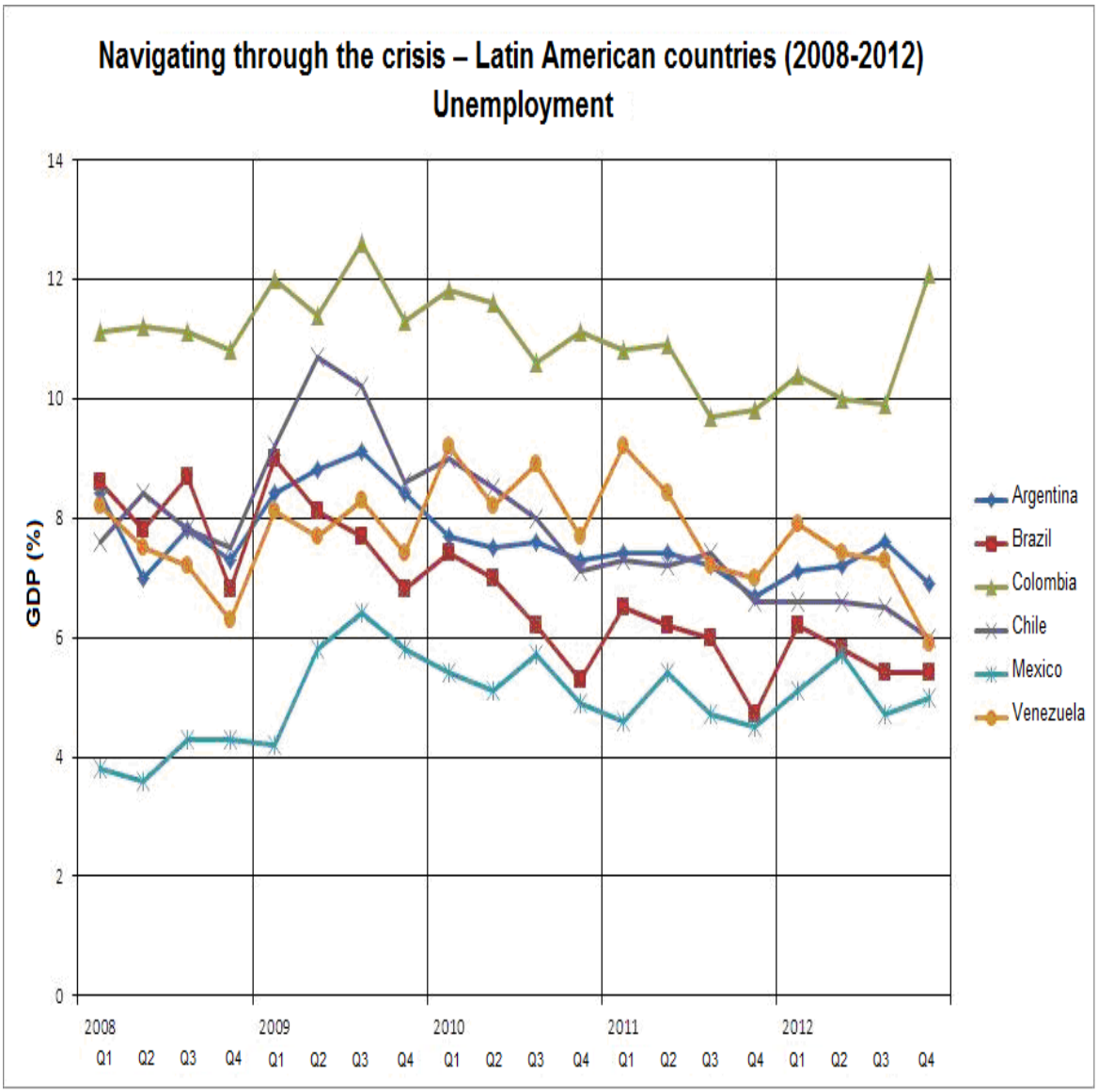
Source: Based on Table 1.

TABLE 2
Navigating through the crisis – Latin American countries (2008-2012)

	Unemployment – quarterly rates					
	Argentina	**Brazil**	**Colombia**	**Chile**	**Mexico**	**Venezuela**
2008 Q I	8.4	8.6	11.1	7.6	3.8	8.2
Q II	7.0	7.8	11.2	8.4	3.6	7.5
Q III	7.8	8.7	11.1	7.8	4.3	7.2
Q IV	7.3	6.8	10.8	7.5	4.3	6.3
2009 Q I	8.4	9.0	12.0	9.2	4.2	8.1
Q II	8.8	8.1	11.4	10.7	5.8	7.7
Q III	9.1	7.7	12.6	10.2	6.4	8.3
Q IV	8.4	6.8	11.3	8.6	5.8	7.4
2010 Q I	7.7	7.4	11.8	9.0	5.4	9.2
Q II	7.5	7.0	11.6	8.5	5.1	8.2
Q III	7.6	6.2	10.6	8.0	5.7	8.9
Q IV	7.3	5.3	11.1	7.1	4.9	7.7
2011 Q I	7.4	6.5	10.8	7.3	4.6	9.2
Q II	7.4	6.2	10.9	7.2	5.4	8.4
Q III	7.2	6.0	9.7	7.4	4.7	7.2
Q IV	6.7	4.7	9.8	6.6	4.5	7.0
2012 Q I	7.1	6.2	10.4	6.6	5.1	7.9
Q II	7.2	5.8	10.0	6.6	5.7	7.4
Q III	7.6	5.4	9.9	6.5	4.7	7.3
Q IV	6.9	5.4	12.1	6.0	5.0	5.9

Source: "Output, prices and jobs", *The Economist*, London; various issues from 2008 to 2013.

CHART 2



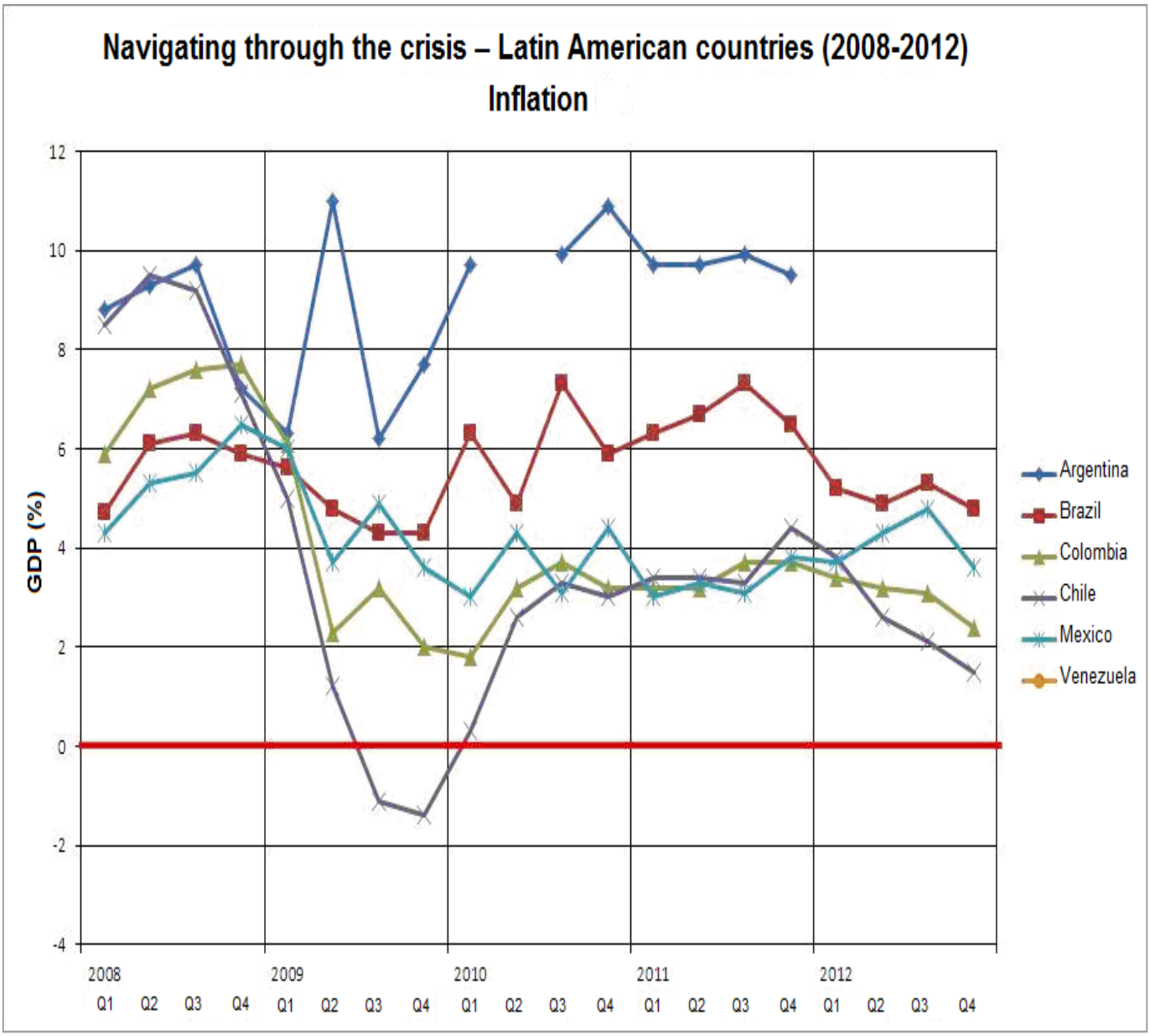
Source: Based on Table 2.

TABLE 3
Navigating through the crisis – Latin American countries (2008-2012)

	Inflation – Annual increase in consumer prices, per quarter					
	Argentina	**Brazil**	**Colombia**	**Chile**	**Mexico**	**Venezuela**
2008 Q I	8.8	4.7	5.9	8.5	4.3	29.1
Q II	9.3	6.1	7.2	9.5	5.3	32.2
Q III	9.7	6.3	7.6	9.2	5.5	36.0
Q IV	7.2	5.9	7.7	7.1	6.5	30.9
2009 Q I	6.3	5.6	6.1	5.0	6.0	28.6
Q II	11.0	4.8	2.3	1.2	3.7	31.8
Q III	6.2	4.3	3.2	-1.1	4.9	28.9
Q IV	7.7	4.3	2.0	- 1.4	3.6	26.9
2010 Q I	9.7	6.3	1.8	0.3	3.0	26.2
Q II	n.a.	4.9	3.2	2.6	4.3	21.3
Q III	9.9	7.3	3.7	3.3	3.1	26.7
Q IV	10.9	5.9	3.2	3.0	4.4	27.4
2011 Q I	9.7	6.3	3.2	3.4	3.0	28.7
Q II	9.7	6.7	3.2	3.4	3.3	25.1
Q III	9.9	7.3	3.7	3.3	3.1	26.7
Q IV	9.5	6.5	3.7	4.4	3.8	29.0
2012 Q I	n.a.	5.2	3.4	3.8	3.7	24.6
Q II	n.a.	4.9	3.2	2.6	4.3	21.3
Q III	n.a.	5.3	3.1	2.1	4.8	18.0
Q IV	n.a.	4.8	2.4	1.5	3.6	20.1

Source: "Output, prices and jobs", *The Economist*, London; various issues from 2008 to 2013.

CHART 3



Source: Based on Table 3.

TABLE 4

Latin America and the Caribbean:
Observed and expected real growth rates
Annual average growth rate (%)

	2000-2008	2008-2012	2013-2020
LAC	5.44	3.59	3.89
Antigua and Barbuda	6.92	-3.07	3.47
Argentina	6.02	5.35	3.17
Bahamas	3.61	1.08	2.62
Barbados	3.88	1.96	1.99
Belize	6.51	3.21	2.62
Bolivia	5.81	4.83	4.95
Brazil	5.48	3.37	4.14
Chile	6.20	4.47	4.58
Colombia	6.15	4.49	4.48
Costa Rica	6.71	3.79	4.46
Cuba	7.34	1.90	3.60
Dominica	5.07	1.68	1.94
Dominican Rep.	6.27	5.16	4.57
Ecuador	6.47	4.68	3.73
El Salvador	4.56	1.57	1.99
Grenada	4.53	-0.19	1.92
Guatemala	5.29	3.35	3.53
Guyana	4.55	4.54	4.43
Haiti	2.60	2.34	5.72
Honduras	6.22	2.87	3.09
Jamaica	3.73	0.62	2.18
Mexico	4.24	2.59	3.39
Nicaragua	5.35	3.63	4.02
Panama	8.05	7.79	6.33
Paraguay	5.32	3.54	4.64
Peru	7.58	5.79	7.01
St. Kitts and Nevis	4.71	-0.19	3.42
St. Lucia	5.29	1.53	2.51
St. Vincent & Grenadines	6.33	0.47	2.99
Suriname	7.66	4.51	4.75
Trinidad and Tobago	8.36	-0.08	2.64
Uruguay	4.9	5.39	4.02
Venezuela	6.39	2.19	2.54

	2000-2008	2008-2012	2013-2020
Memorandum			
World	5.79	3.41	5.67
Advanced economies	4.15	1.67	4.02
Emerging and developing economies	8.17	5.36	7.10

Rates estimated on real GDP, PPP

Based on data from:
2013-2018 IMF, *WEO June 2013* Database
2019-2020. Estimates by the author
Cuba – ECLAC Statistical Yearbook LAC, 2007 and 2012

TABLE 5
Latin America and the Caribbean: Growth projection, 2013 -2020

	GDP 2013	Real 2020	AARG % 2013-2020
Antigua and Barbuda	1.63	2.07	3.47
Argentina	776.284	965.95	3.17
Bahamas	11.54	13.83	2.62
Barbados	7.21	8.27	1.99
Belize	3.13	3.74	2.62
Bolivia	58.83	82.48	4.95
Brazil	2,466.57	3,275.46	4.14
Chile	341.91	467.71	4.58
Colombia	532.06	722.86	4.48
Costa Rica	62.30	84.56	4.46
Cuba	60.06	76.93	3.60
Dominica	1.03	1.18	1.94
Dominican Rep.	102.61	140.26	4.57
Ecuador	162.68	210.24	3.73
El Salvador	47.85	54.91	1.99
Grenada	1.47	1.68	1.92
Guatemala	82.61	105.33	3.53
Guyana	6.60	8.94	4.43
Haiti	14.01	20.69	5.72
Honduras	39.69	49.10	3.09
Jamaica	25.76	29.95	2.18
Mexico	1,848.42	2,334.79	3.39
Nicaragua	28.19	37.13	4.02
Panama	63.23	97.19	6.33
Paraguay	46.12	63.38	4.65
Peru	352.88	527.38	5.91
St. Kitts and Nevis	0.97	1.22	3.42
St. Lucia	2.26	2.69	2.51
St. Vincent & Grenadines	1.33	1.63	2.99

	GDP 2013	Real 2020	AARG % 2013-2020
Suriname	7.18	9.94	4.75
Trinidad and Tobago	27.69	33.23	2.64
Uruguay	56.75	74.78	4.02
Venezuela	408.81	487.13	2.54
Total LAC	7,589.59	9,996.63	3.89
Memorandum			
World	87,209.74	117,323.66	4.33
Advanced economies	42,813.17	51,273.34	2.61
Emerging and developing economies	44,396.57	66,050.32	5.84

Real GDP – Billions of dollars, constant, PPP

AARG - Annual average real growth rate (%)

Based on data from:

2013-2018 IMF *WEO June 2013* Database

2019-2020 Estimates by the author

Cuba - ECLAC Statistical Yearbook LAC, 2007 and 2012

TABLE 6
Growth Environment Score (GES) for Latin American and Caribbean countries

	GES	Rank	Change
Barbados	6.4	26	>>>
Chile	5.6	38	>>>
Costa Rica	5.1	49	---
Trinidad and Tobago	4.9	60	---
Suriname	4.8	61	>>>
Dominica	4.7	66	>>>
Uruguay	4.6	67	>>>
Mexico	4.6	68	---
Granada	4.6	70	<<<
Panama	4.4	76	<<<
Belize	4.4	78	---
Dominican Rep.	4.2	86	>>>
Brazil	4.2	88	>>>
Jamaica	4.0	96	<<<
Peru	3.9	97	>>>
Argentina	3.9	98	>>>
Guyana	3.9	100	>>>
Colombia	3.9	101	>>>
El Salvador	3.8	105	>>>
Ecuador	3.8	106	>>>
Paraguay	3.7	112	>>>
Guatemala	3.5	121	>>>
Nicaragua	3.4	124	>>>
Venezuela	3.4	125	>>>
Honduras	3.4	126	>>>
Cuba	3.3	127	<<<
Bolivia	3.0	140	<<<
Haiti	2.8	145	>>>
Memorandum			
World average	6.4		
LAC average	4.2		
World top GES (Sweden)	7.9	1	>>>
World top developing country (Singapore)	7.7	4	>>>

NOTES: The GES ranking goes from 0.0 to 10.0 - A higher value indicates a better environment for growth – The GES calculation covers 170 countries – Notation for Change: <<< downwards; --- no change; >>> upwards.

Source: Goldman Sachs, Global Economic Research, *BRICs and Beyond*, The Goldman Sachs Inc., 2007. (http://www.goldmansachs.com/our-thinking/archive/archive-pdfs/brics-book/brics-full-book.pdf).

TABLE 7
Latin America and the Caribbean: Growth projection, 2020-2030 - Three scenarios

		High scenario		Medium scenario		Low scenario	
	GDP	**Real**	**AARG %**	**Real GDP**	**AARG %**	**Real GDP**	**AARG %**
	2020	*2030*	*2020-2030*	*2030*	*2020-2030*	*2030*	*2020-2030*
Antigua and Barbuda	2.07	2.76	2.90	2.56	2.15	2.44	1.65
Argentina	965.95	1,603.66	5.20	1,429.93	4.45	1,422.98	3.95
Bahamas	13.83	17.36	2.30	16.13	1.55	15.35	1.05
Barbados	8.27	12.88	4.53	11.99	3.78	11.42	3.28
Belize	3.74	5.25	3.45	4.88	2.7	4.65	2.20
Bolivia	82.48	117.48	3.60	109.24	2.85	104.05	2.35
Brazil	3,275.46	4,862.49	4.03	4,523.08	3.28	4,308.82	2.78
Chile	467.71	827.38	5.87	770.60	5.12	734.72	4.62
Colombia	722.86	1,076.20	4.06	1,001.10	3.31	953.69	2.81
Costa Rica	84.56	141.19	5.26	131.44	4.51	125.29	4.01
Dominica	1.18	1.34	1.30	1.25	0.55	1.19	0.05
Cuba	76.93	102.49	2.91	95.26	2.16	90.70	1.66
Dominican Rep.	140.26	215.74	4.40	200.74	3.65	191.26	3.15
Ecuador	210.24	290.88	3.30	270.44	2.55	257.74	2.05
El Salvador	54.91	64.61	1.64	60.00	0.89	57.09	0.39
Grenada	1.68	2.19	2.67	2.03	1.92	1.93	1.42
Guatemala	105.33	138.69	2.79	128.90	2.04	122.72	1.54
Guyana	8.94	13.30	4.05	12.37	3.3	11.78	2.80
Haiti	20.69	31.07	4.15	28.90	3.4	27.54	2.90
Honduras	49.10	61.52	2.28	37.15	1.53	54.40	1.03
Jamaica	29.95	37.63	2.31	34.96	1.56	33.28	1.06
Mexico	2,334.79	3,377.13	3.76	3,140.81	3.01	2,991.65	2.51

		High scenario		Medium scenario		Low scenario	
	GDP	**Real**	**AARG%**	**Real GDP**	**AARG%**	**Real GDP**	**AARG%**
	2020	*2030*	*2020-2030*	*2030*	*2020-2030*	*2030*	*2020-2030*
Nicaragua	37.13	50.58	3.14	47.02	2.39	44.78	1.89
Panama	97.19	180.05	6.36	167.75	5.61	159.98	5.11
Paraguay	63.38	95.45	4.18	88.80	3.43	84.60	2.93
Peru	527.38	893.19	5.41	861.63	4.66	792.74	4.16
St. Kitts and Nevis	1.22	1.33	0.90	1.24	0.15	1.24	0.15
St. Lucia	2.69	3.31	2.10	3.08	1.35	2.93	0.85
St. Vincent & Grenadines	1.63	2.05	2.30	1.90	1.55	1.81	1.05
Suriname	9.94	18.02	6.13	16.79	5.38	16.01	4.88
Trinidad and Tobago	33.23	47.74	3.69	44.40	2.94	42.29	2.44
Uruguay	74.78	114.37	4.34	106.41	3.59	101.38	3.09
Venezuela	487.13	576.57	1.70	535.44	0.95	509.90	0.45
Total LAC	9,996.63	14,985.90	4.13	13,888.22	3.34	13,282.35	2.88
Memorandum							
World	117,323.66	171,737.11	3.88	171,737.11	3.88	171,737.11	3.88
Advanced countries	51,273.34	61,558.83	1.85	61,558.83	1.85	61,558.83	1.85
Emerging and developing economies	66,050.32	110,178.28	5.25	110,178.28	5.25	110,178.28	5.25

Note: Based on the projections for 2013-2020 presented on Tables 4 and 5.

TABLE 8
Latin America and the Caribbean: Growth projection, 2030-2050

	Real GDP	AARG %	Real GDP	AARG %	Real GDP	AARG %
	2030	2030-2040	2040	2040-2050	2050	2030-2050
Antigua and Barbuda	2.56	1.85	3.08	1.75	3.66	1.80
Argentina	1,429.93	4.15	2,147.37	4.05	3,193.95	4.10
Bahamas	16.13	1.25	18.26	1.15	20.48	1.20
Barbados	11.99	3.48	16.88	3.38	23.54	3.43
Belize	4.88	2.40	6.19	2.30	7.77	2.35
Bolivia	109.24	2.55	140.52	2.45	179.00	2.50
Brazil	4,523.08	2.98	6,066.85	2.88	8,058.84	2.93
Chile	770.60	4.82	1,233.87	4.72	1,956.89	4.77
Colombia	1,001.10	3.01	1,346.70	2.91	1,794.10	2.96
Costa Rica	131.44	4.21	198.53	4.11	296.99	4.16
Dominica	1.25	0.25	1.28	0.15	1.30	0.20
Cuba	95.26	1.86	114.54	1.76	136.37	1.81
Dominican Rep.	200.74	3.35	279.09	3.25	384.27	3.30
Ecuador	270.44	2.25	337.83	2.15	417.91	2.20
El Salvador	60.00	0.59	63.64	0.49	66.82	0.54
Grenada	2.03	1.62	2.38	1.52	2.77	1.57
Guatemala	128.90	1.74	153.17	1.64	180.23	1.69
Guyana	12.37	3.00	16.62	2.90	22.13	2.95
Haiti	28.90	3.10	39.22	3.00	52.71	3.05
Honduras	37.15	1.23	41.98	1.13	46.97	1.18

	Real GDP	AARG %	Real GDP	AARG %	Real GDP	AARG %
Jamaica	34.96	1.26	39.62	1.16	44.47	1.21
Mexico	3,140.81	2.71	4,103.64	2.61	5,309.65	2.66
Nicaragua	47.02	2.09	57.82	1.99	70.42	2.04
Panama	167.75	5.31	281.42	5.21	467.66	5.26
Paraguay	88.80	3.13	120.85	3.03	162.89	3.08
Peru	861.63	4.36	1,320.27	4.26	2,003.73	4.31
St. Kitts and Nevis	1.24	0.15	1.25	0.15	1.27	0.12
St Lucia	3.08	1.05	3.42	0.95	3.76	1.00
St Vincent & Grenadines	1.90	1.25	2.15	1.15	2.41	1.20
Suriname	16.79	5.08	27.56	4.98	44.80	5.03
Trinidad and Tobago	44.40	2.64	57.62	2.54	74.04	2.59
Uruguay	106.41	3.29	147.08	3.19	201.35	3.24
Venezuela	535.44	0.65	571.28	0.55	603.49	0.60
Total LAC	13,888.22	3.16	18,961.99	2.94	25,335.27	3.05
Memorandum						
World	171,737.11	3.62	244,959.42	3.55	347,212.36	3.58
Advanced countries	61,558.83	1.95	74,672.84	1.45	86,234.92	1.70
Emerging and developing economies	110,178.28	4.45	170,286.58	4.85	273,441.72	4.65

Note: Based on the projections for 2013-2020 and the average projections for 2020-2030, presented on tables 4, 5 and 7.

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