

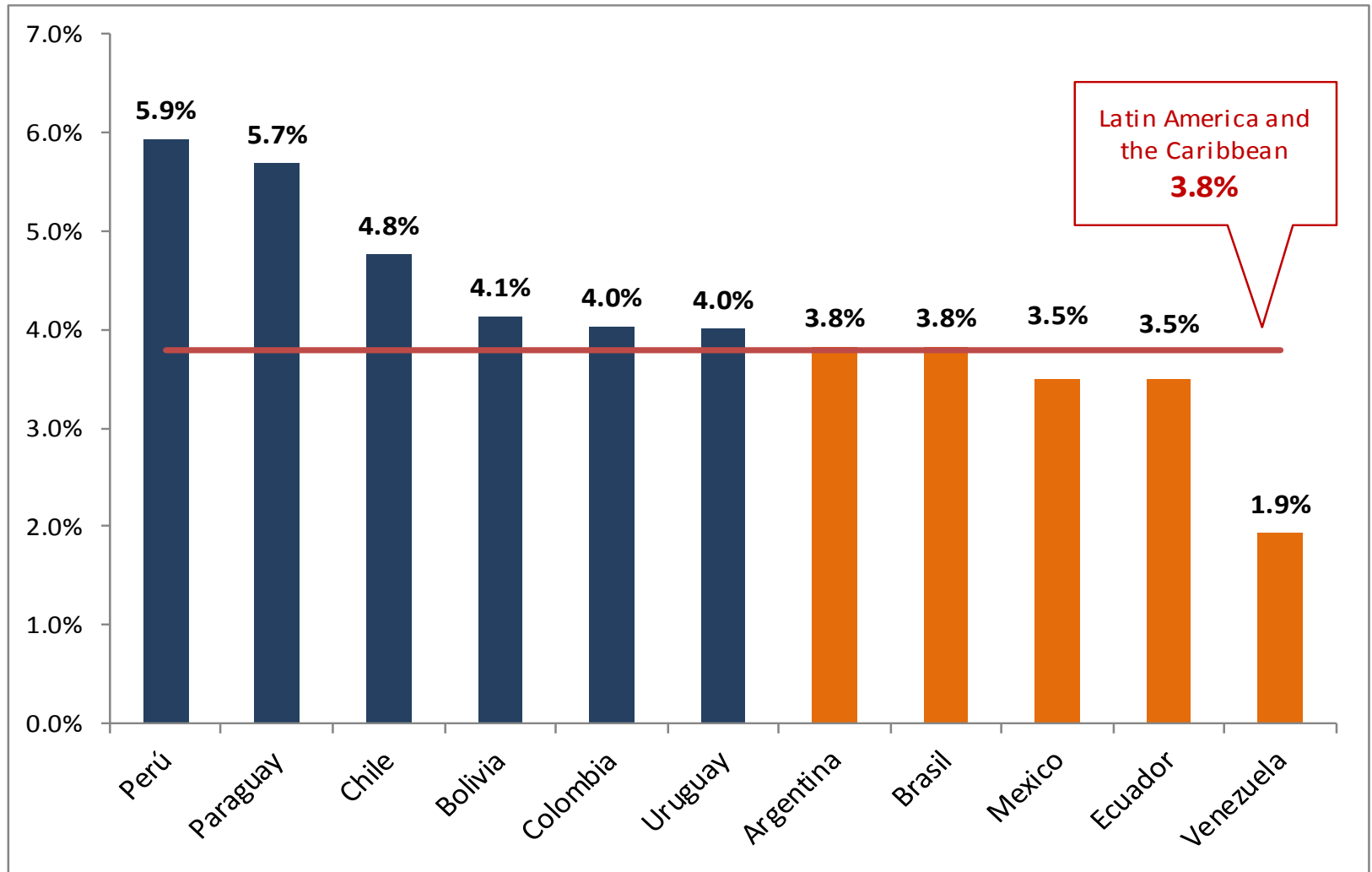
- **The South in the Global Economic Crisis and Reviewing Multilateral Negotiations**
- **Latin America and the Caribbean and the Global crisis – Highlight on Trade and Integration**

- South Centre, Geneva – January 31, February 1, 2013.
- Humberto Campodonico - Peru

# Latin America country forecasts 2013 - 2015

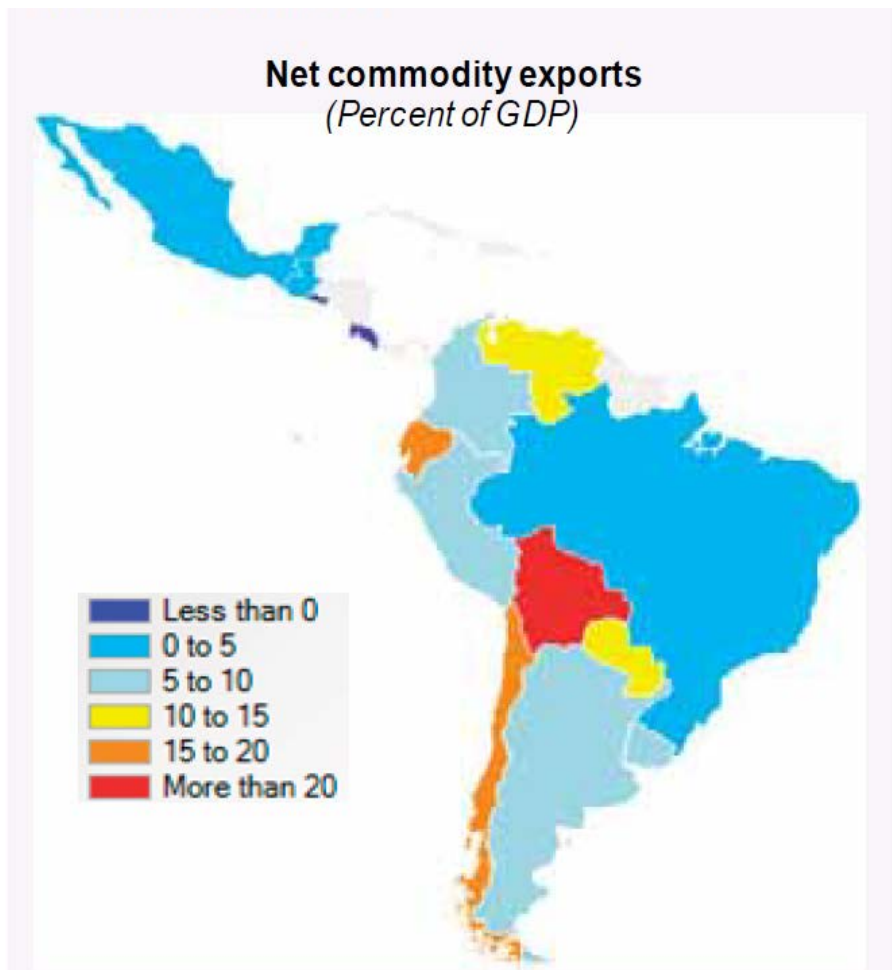
## GDP at market prices, % annual growth

WB, GEP 2013



Source: World Bank, Global Economic Prospects, January 2013, Latin America & the Caribbean region.

# Commodity Dependence and Export Diversification in Latin America, 2010



## **OELG, The development implications of external integration in Latin America, by Jose Antonio Ocampo**

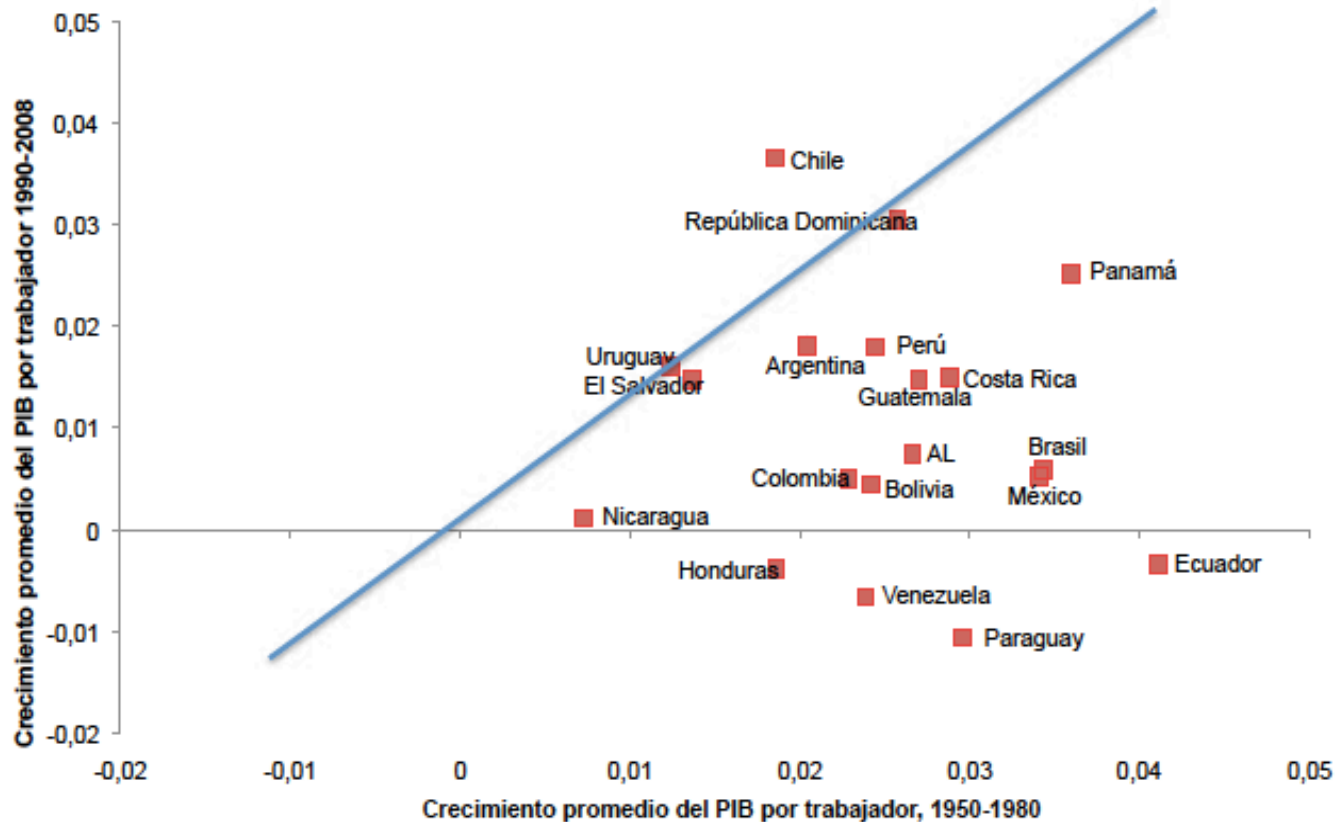
The addition of the adjective —orthodox to the concept of —export-led growth is meant to differentiate the strategy followed by the majority of LACs from that which is equally export-led but involves active state intervention, which has been more characteristic of East Asia, and notably China in recent decades.

With national variations, such interventions include industrial policies (or, more broadly, production sector policies, as they do not always focus narrowly on manufacturing), active technology policies, strategic trade interventions, some selectivity in the attraction of foreign direct investment (FDI) and the support to the expansion abroad of domestic firms.

Such interventions can be said to focus mainly on improving export —quality , meaning by this concept the technological contents and domestic value added of export activities.

So, the essential feature of orthodox export-led growth followed by Latin America is that such objective is generally absent and it relies much more on market forces to guarantee dynamic economic growth. This strategy was proposed as the alternative to the perceived inefficiency associated with state-led industrialization, which in the view of the reformers had been blocking not only static efficiency but also technical change and, thus, economic growth.

# Labor Productivity: 1990-2008 versus 1950-1980



Fuente: Series históricas de la CEPAL. Población económicamente activa: 1950-1980 según OIT; 1990-2008 según

# Integration and Trade

- Long latin american dream
- Different integration bodies until the 80´ s
- Washington Consensus and Structural Adjustment since 1990
- Gatt, Uruguay Round and the WTO
- Crisis of WTO and the launching of FTA´ s: first NAFTA with Mexico, then Chile with the US. In the new millenium Peru, Colombia, Central America and the DR.
- FTAs with Asian countries and with the EU.
- Mercosur countries do not enter that policy

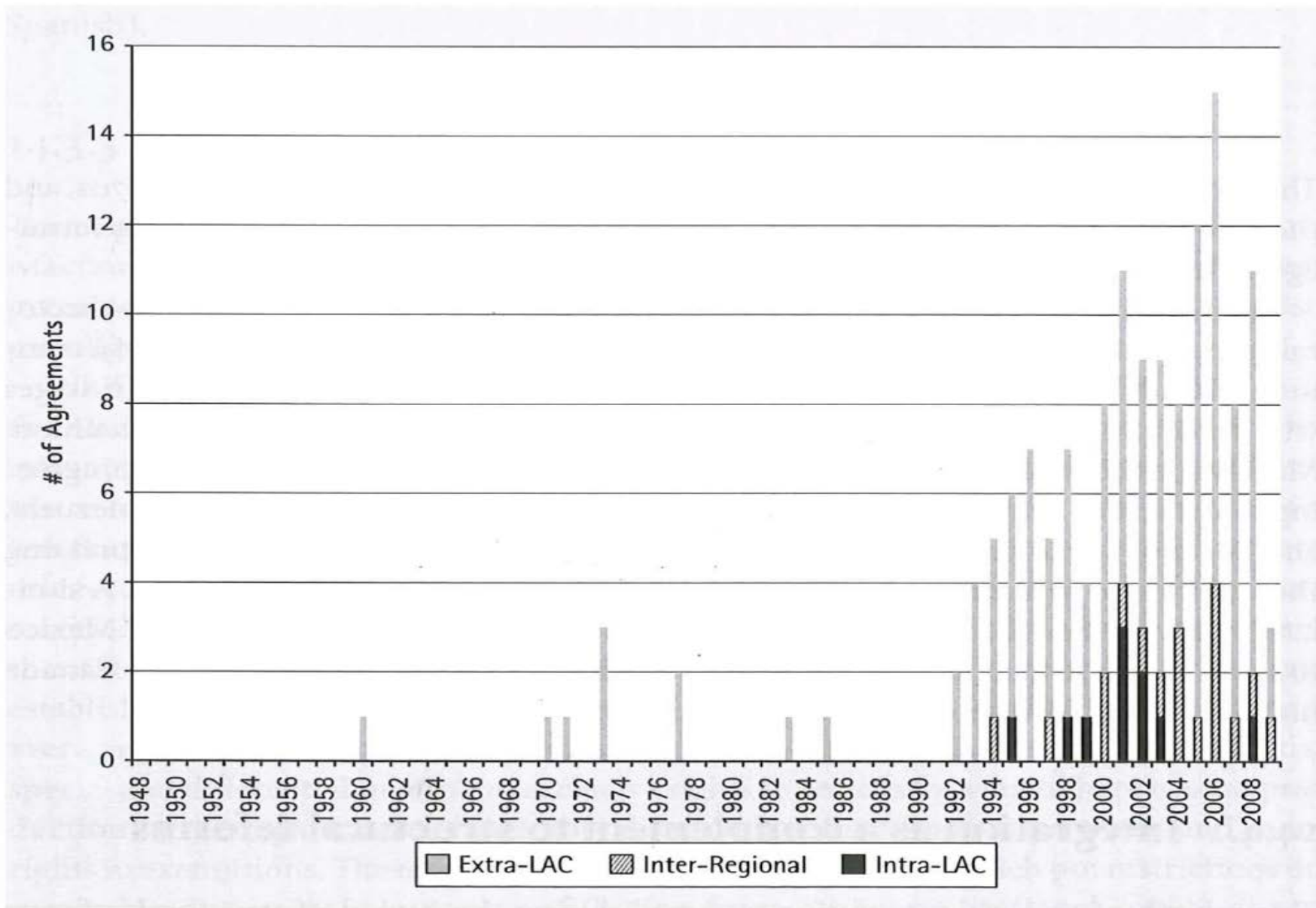
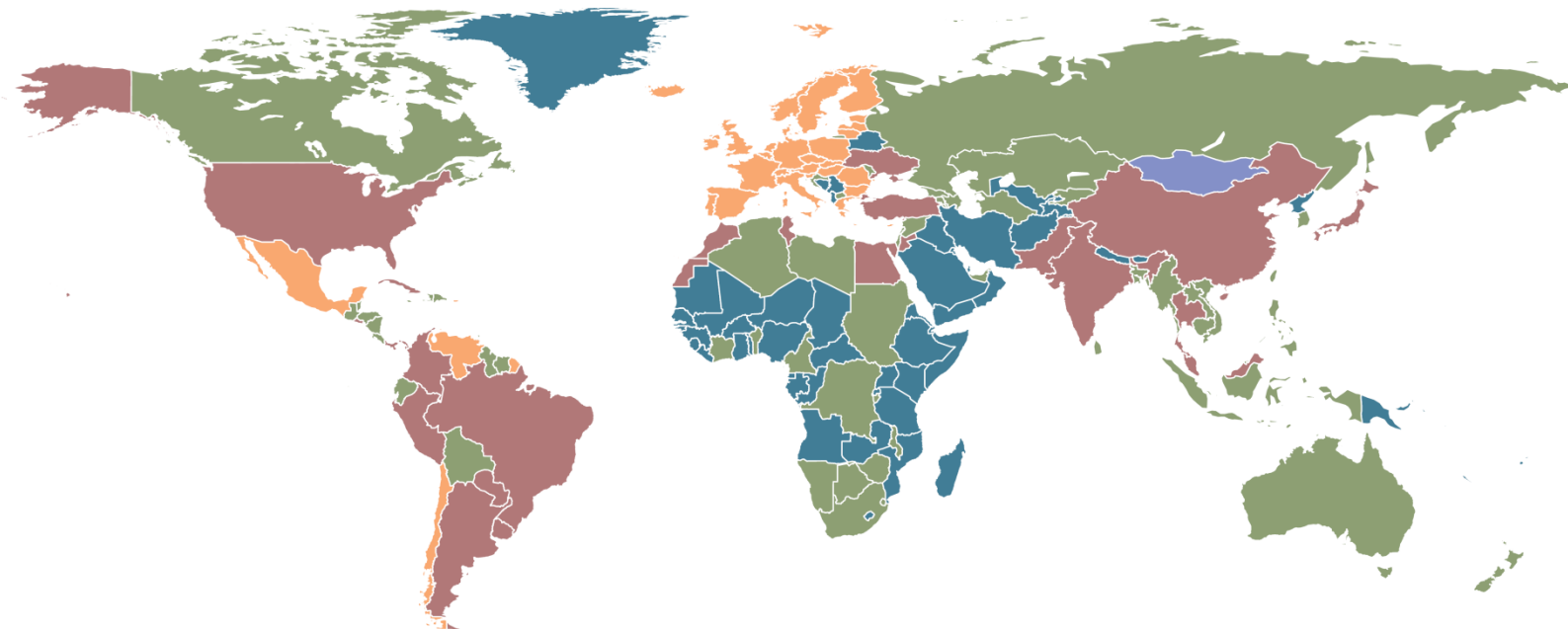


FIGURE 14.1 Date of implementation of Latin American trading agreements

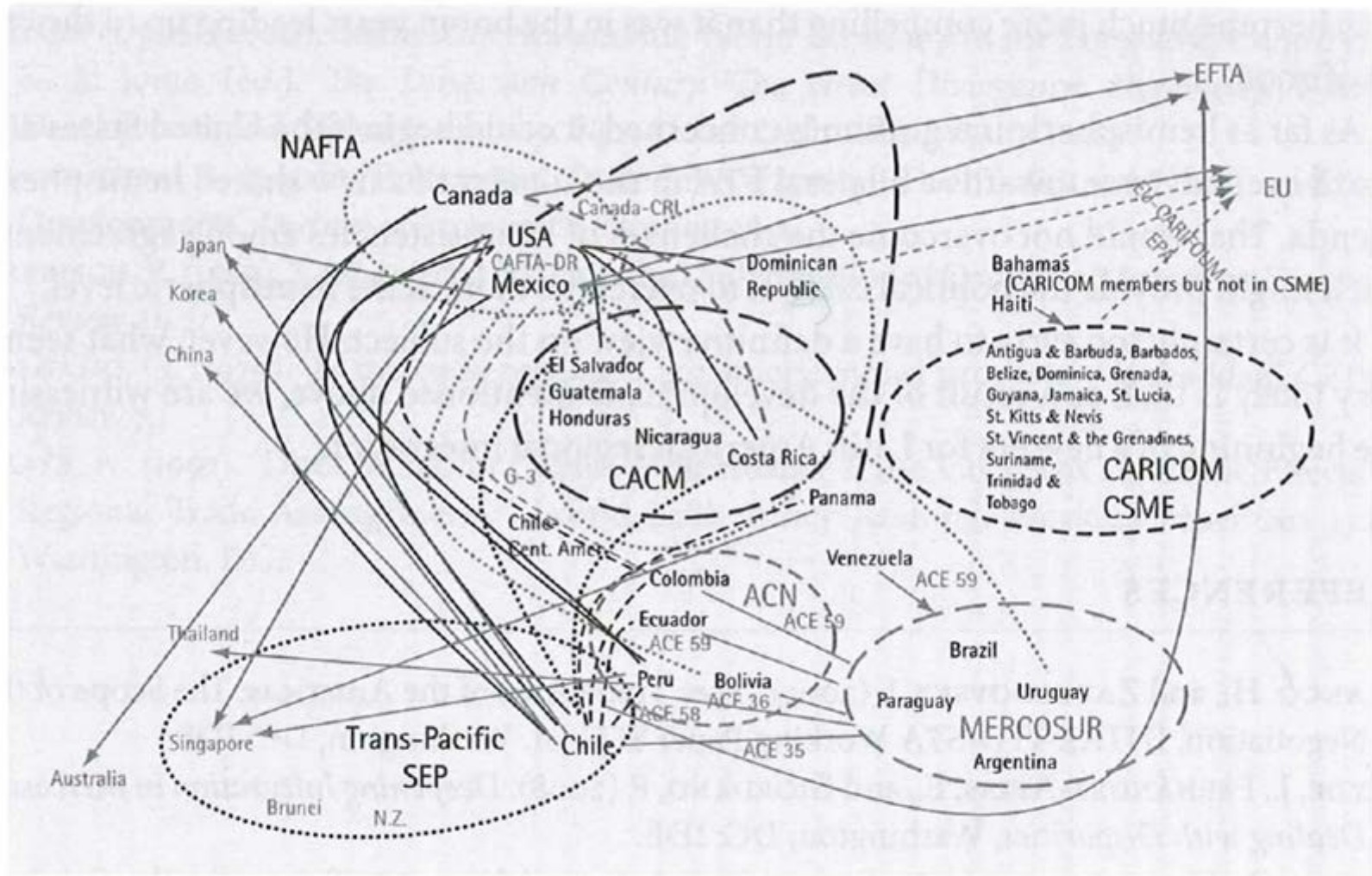
Source: IDB, Integration and Trade Sector (INT).

# Membership in PTAs in force, 2010, notified and non-notified PTAs by country



Source: WTO Secretariat.





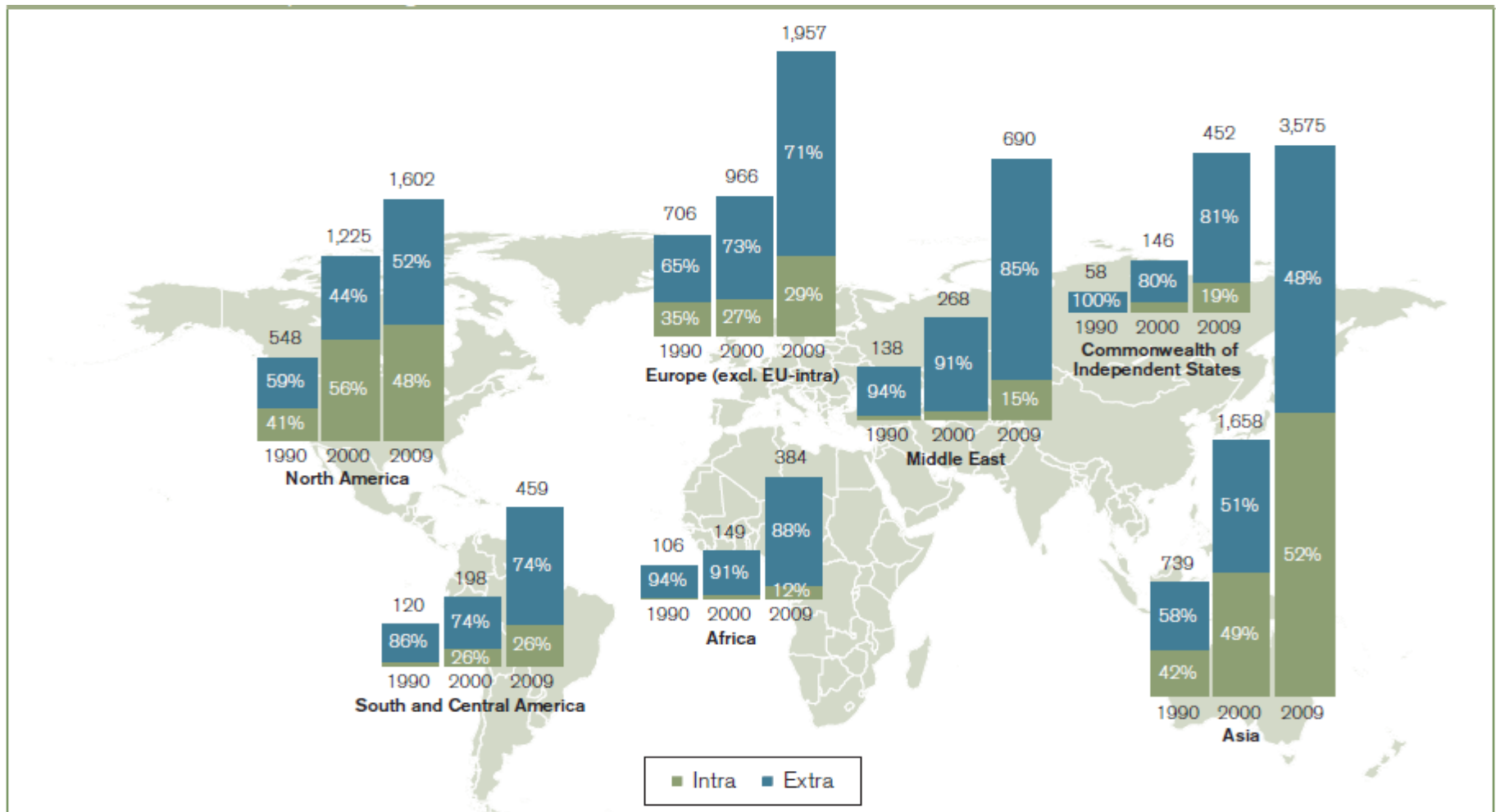
**FIGURE 14.4** The proliferation of trade agreements in the Americas

Source: IDB, Integration and Trade Sector (INT).

# Latin-america only integration?

- The proliferation of FTAs makes it impossible to draw sharp lines around trade blocs. As the worldwide trend shows, these boundaries are “fuzzy”. Snowballing bilateral agreements make boundaries indeterminate and in constant reconfiguration.
- Traditional blocs once envisaged as fixed are now in a state of flux, and come under varying degrees of stress as newcomers join and old members defect. To sum up, we are no longer in the presence of a fixed one-stop shop.
- Trade blocs are fuzzy since the geographical boundaries shift constantly due to FTAs proliferation. They are also “leaky” in the sense that the bloc’s tariff wall has several holes due to associations with other blocs around the world.
- Thus, are the days of Latin America-only integration over ?
- **Diana Tussie, Latin America in the World Trade System, OUP, 2011.**

# Intra-regional and extra-regional merchandise exports of WTO regions, 1990-2009 (Billion dollars and percentage)



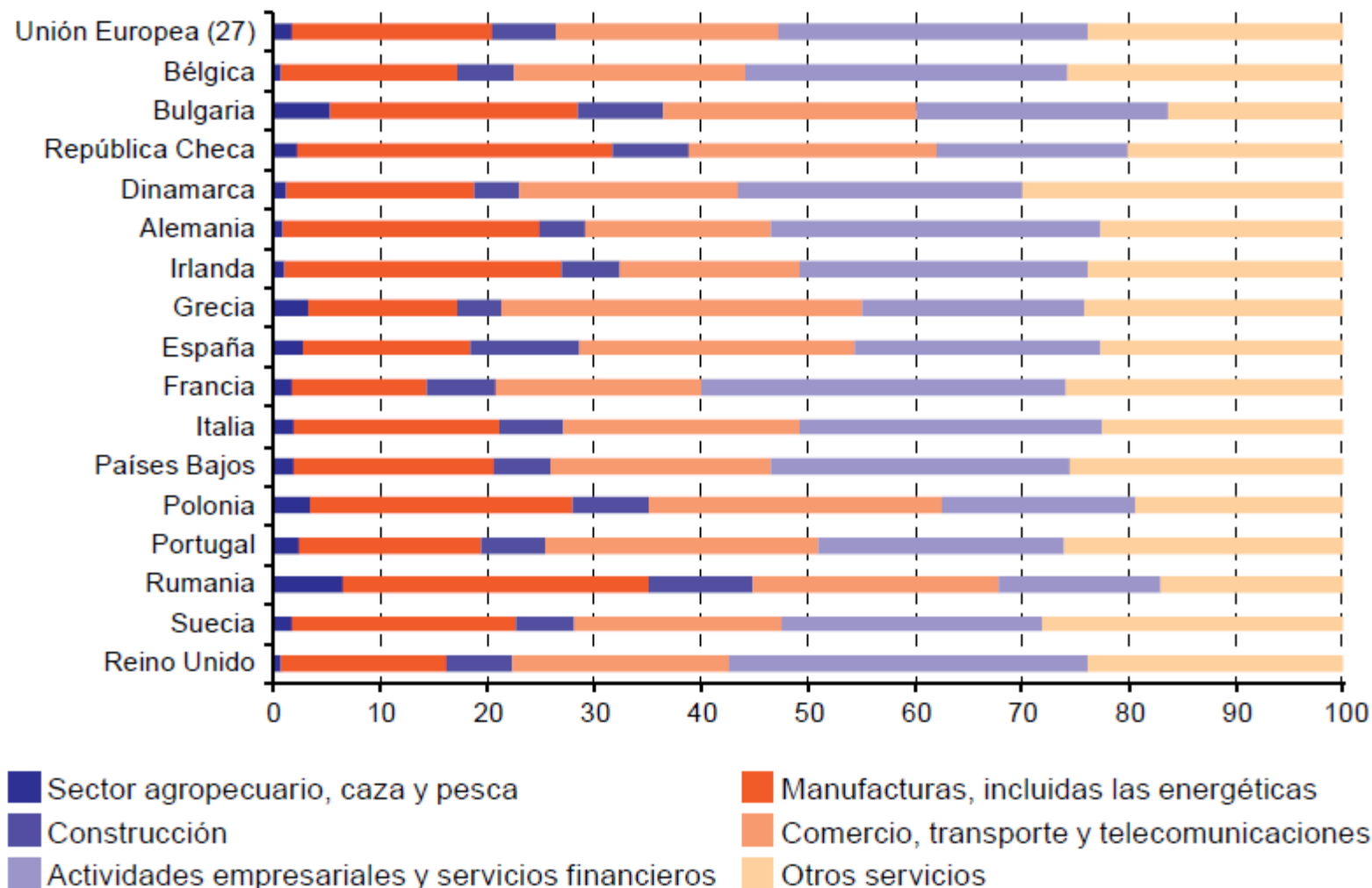
*Note:* Graphs for regions are not shown to scale. Colours and boundaries do not imply any judgement on the part of WTO as to the legal status of any frontier or territory.

*Source:* Network of world merchandise trade tables from WTO International Trade Statistics 2010, supplemented with older network tables and Secretariat estimates prior to 2000.



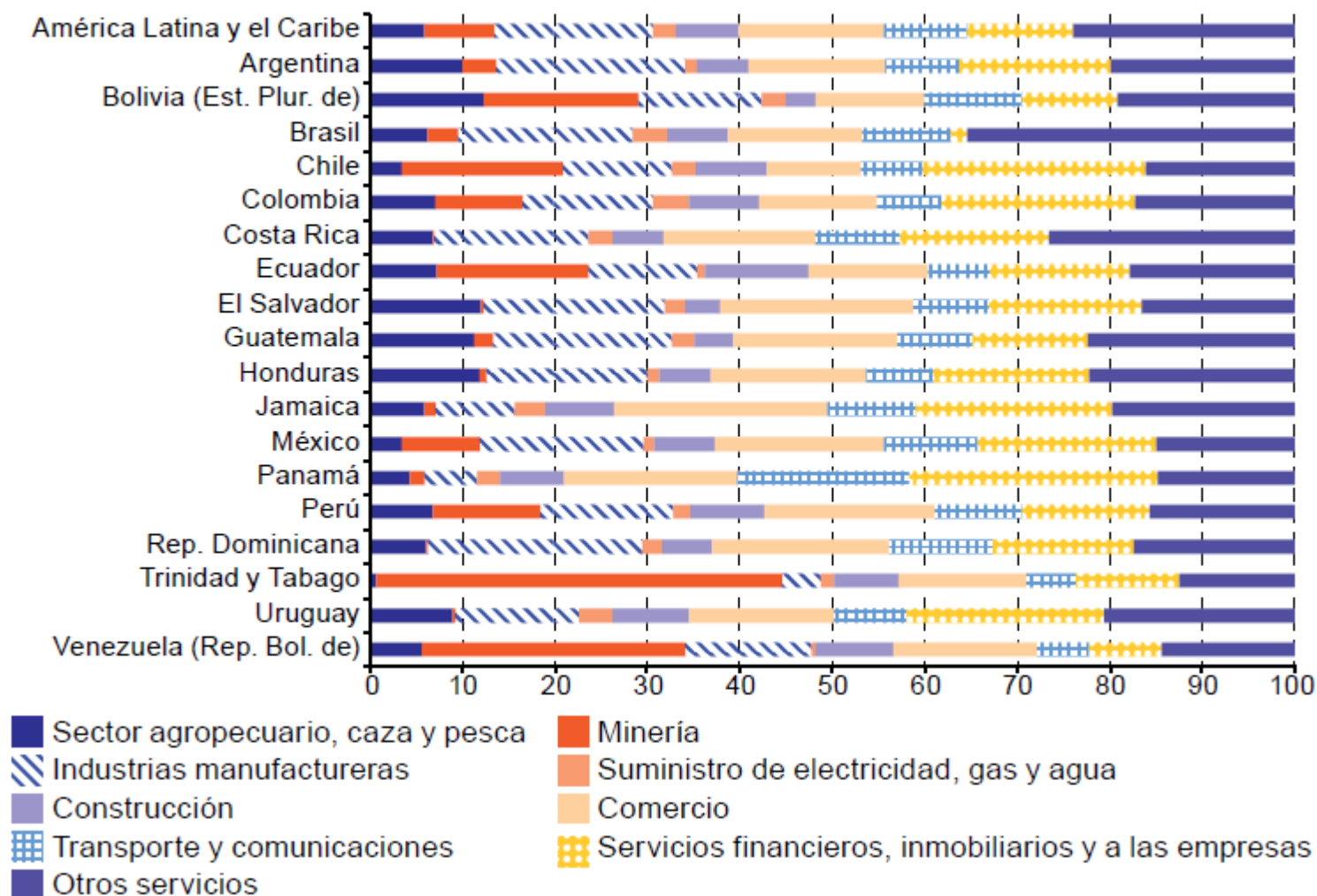
# Unión Europea (países seleccionados): valor agregado bruto por rama de actividad, 2010

(En porcentajes del valor agregado bruto total)



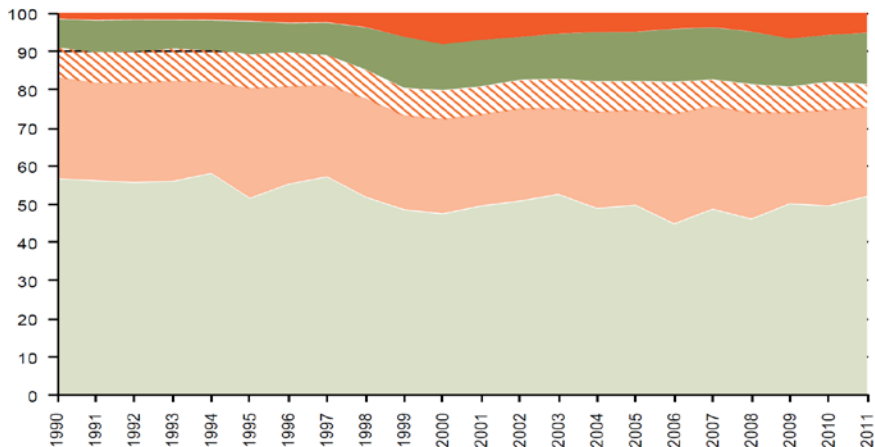
# América Latina (países seleccionados): valor agregado bruto por rama de actividad, 2010

(En porcentajes del valor agregado bruto total)

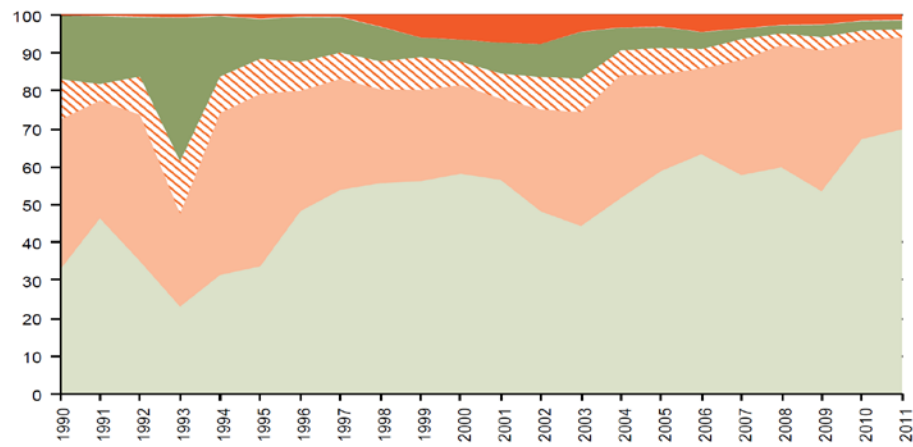


# América Latina y el Caribe: composición de las exportaciones a socios comerciales seleccionados, por contenido tecnológico, 1990-2011 - (En porcentajes)

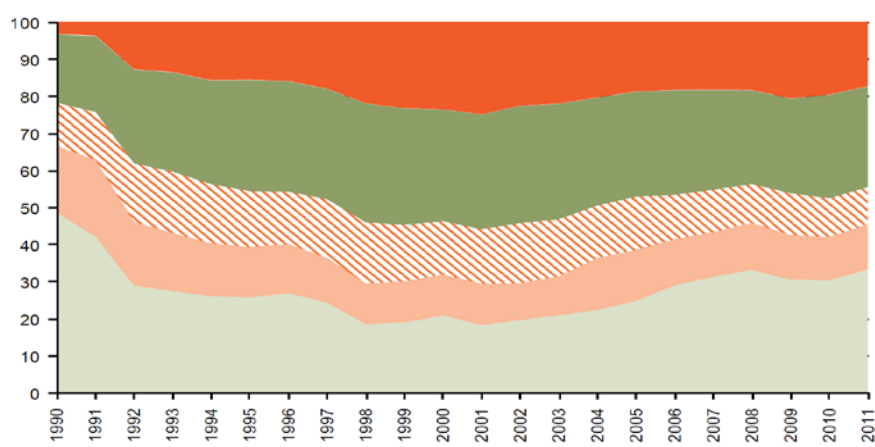
A. Unión Europea



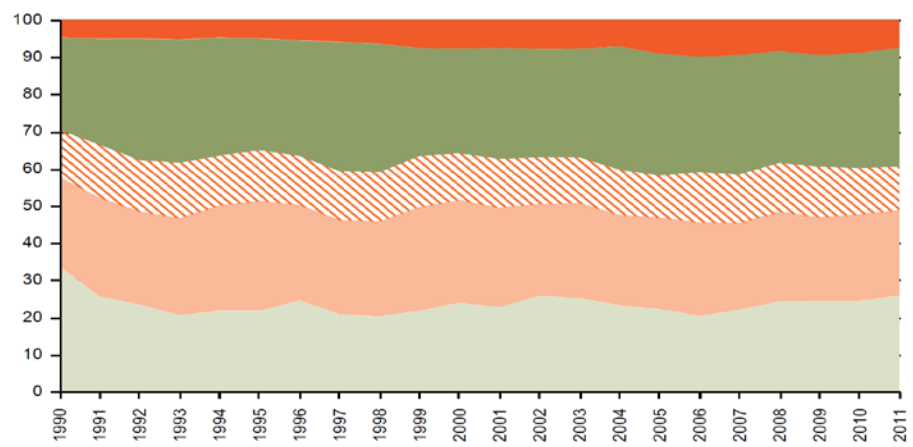
B. China



C. Estados Unidos



D. América Latina y el Caribe



■ Productos primarios 
 ■ Manufacturas basadas en recursos naturales 
 ■ Manufacturas de tecnología baja 
 ■ Manufacturas de tecnología media 
 ■ Manufacturas de tecnología alta

# Productivity and OELG

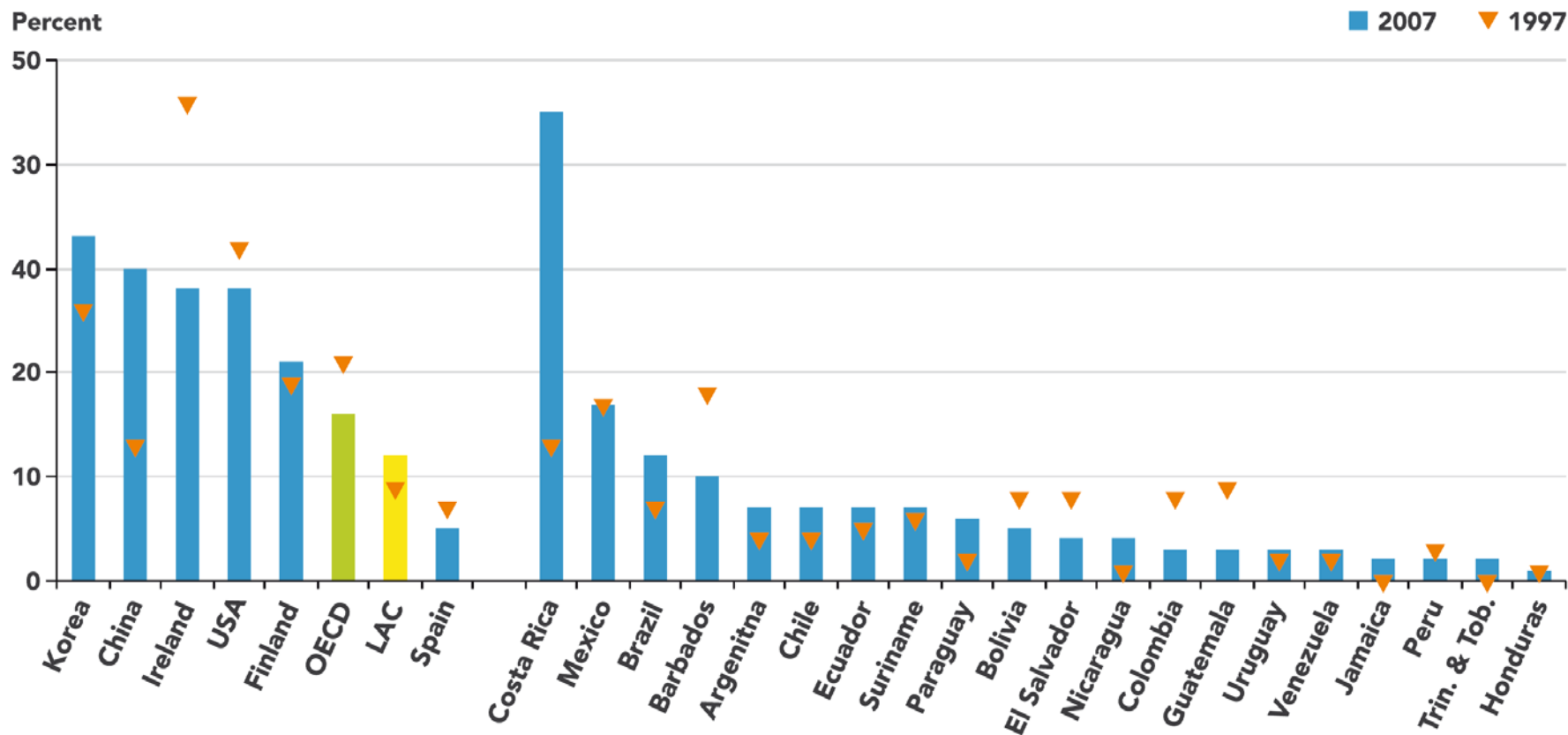
- In terms of productivity growth, the orthodox export-led model ignored the fact that there is a link between growth and production structures, associated to the very different technological content of alternative economic activities.
- It also ignored that, although access to foreign capital and intermediate goods may enhance the competitiveness of export activities, the strength or weakness of *domestic* linkages matter in terms of the multiplier effect of orthodox export growth.
- In other words, low technological content and domestic value added led to poor export —quality— and to weak linkages between export and GDP growth. This is in sharp contrast with East Asia, where exports have a rising technological content and are part of a regional technology cluster, so that even if the local contents in a specific location is low, the regional contents is high.
- **The development implications of external integration in Latin America, by Jose Antonio Ocampo, 2012.**



# De-industrialization of LAC?

- The problems generated by Latin America's patterns of specialization in inducing poor growth and productivity performance are now clear. The associated problems include a premature de-industrialization and abandonment of production sector policies.
- The region specialized according to its static comparative advantages in sectors that offered fewer opportunities for diversification and improvements in product quality.
- As ECLAC has illustrated, the technological gap widened, not only in relation with the dynamic Asian economies, but also with the more developed natural-resource-intensive economies. This is reflected in a lower share of engineering-intensive industries, the meager resources used for research and development, and a near absence of patenting in relation to these groups of economies.
- **The development implications of external integration in Latin America, by Jose Antonio Ocampo, 2012.**

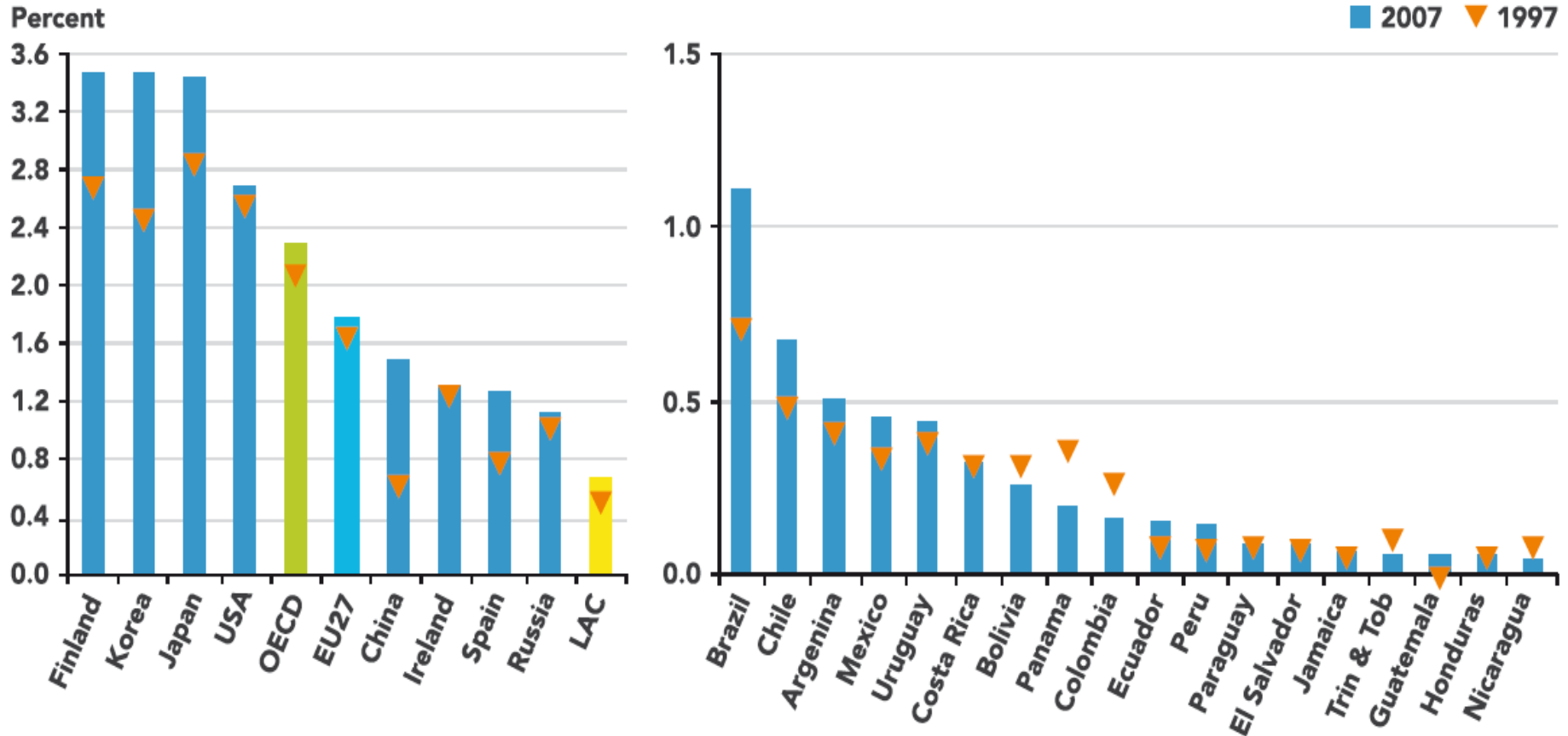
## High Technology Exports (as a Percent of Manufactured Exports) 1997 and 2007 (or Latest Available)



Source: World Development Indicators.

Notes: Latest available data for Suriname are 2001, and for Chile, Costa Rica, Guyana and Venezuela are 2006. Data for LAC and high income OECD countries (referred to as OECD in the figure) are provided in the WDI database.

## R&D Expenditure as a Percentage of GDP 1997 (or Nearest Available) and 2007 (or Latest Available)



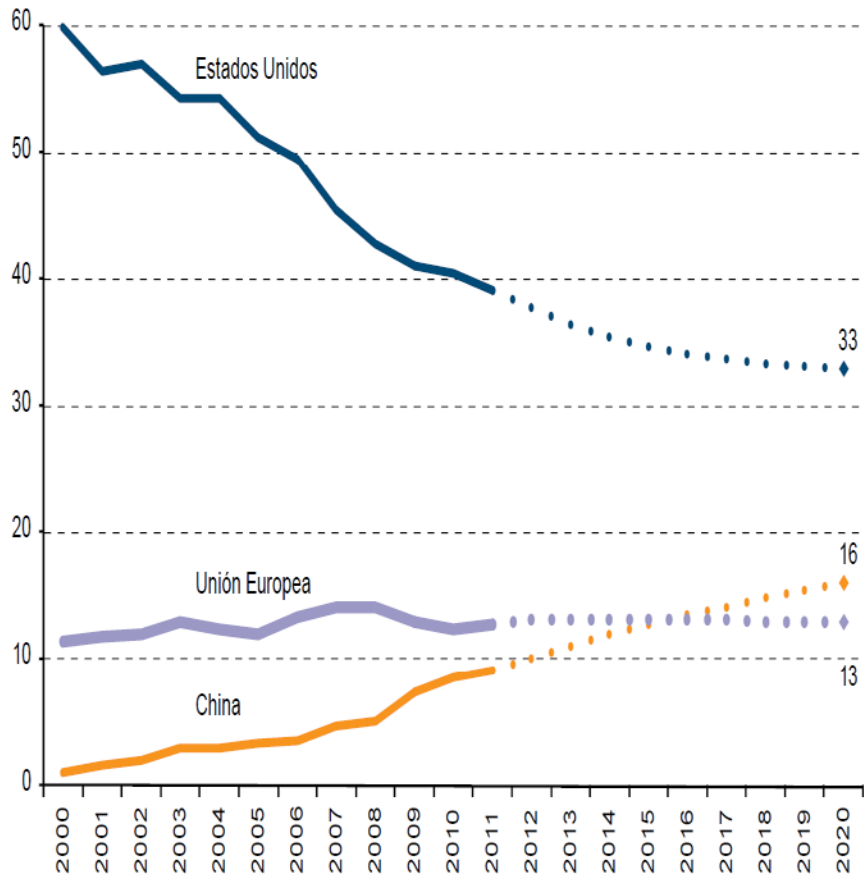
Sources: OECD Main Science and Technology Indicators 2009-1; (MSTI) and RICYT.

## The importance of China, and the challenges

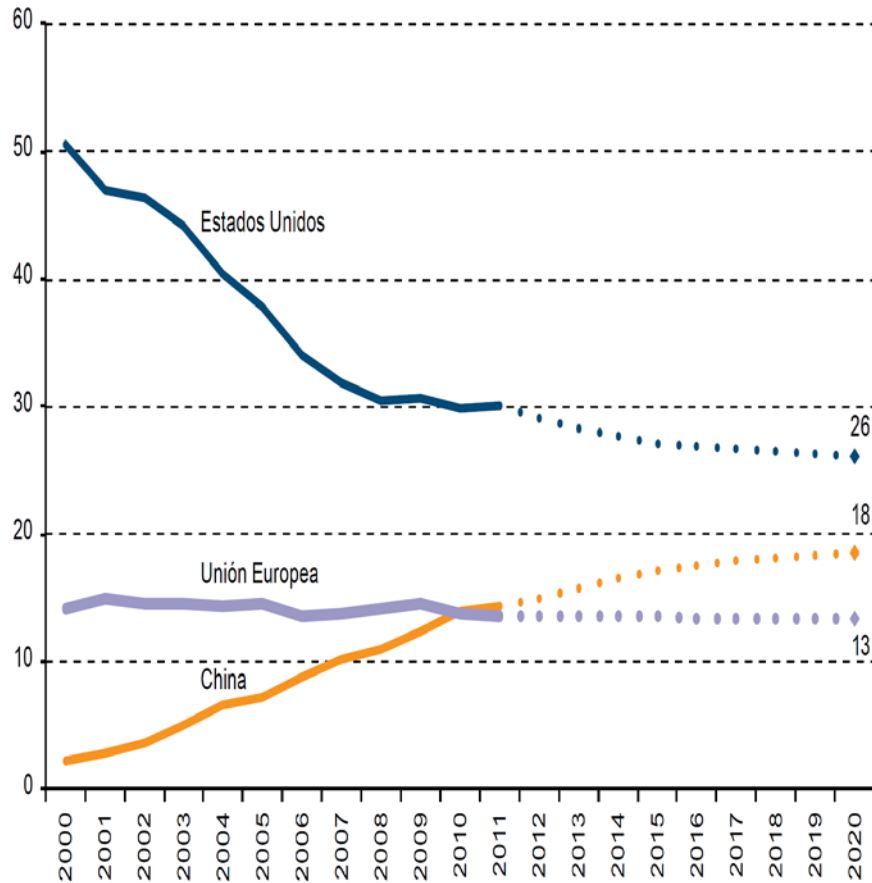
- The entry of China into the WTO has shaken policies as well as beliefs. While China's low labor costs and strong competitiveness pose risks to the manufactured exports, its appetite for raw materials and foodstuffs has favored LA's commodity endowments.
- Trade with China, is, however, very much concentrated on a small basket of commodities, copper, oil, iron ore, soybeans and wood. The new engine of growth may deepen the historical trade specialization towards commodities –goods usually characterized by strong price volatility.
- Unless an effort to deepen specialization is mustered, and over-reliance on a single engine of growth is tempered, dependence on a few commodities will intensify; countries will remain overexposed to trade shocks, and the inequality generating forces of international asymmetries will not be tamed.
- Diana Tussie, Latin America in the World Trade System, OUP, 2011.

# LAC (16 countries): Participación de exports and imports in Total Transactions, 2000-2020 (In percentages)

## A. Exportaciones (por destino)



## B. Importaciones (por origen)



# Perspectives

- There is, therefore, a need to return to more active production sector strategies. It is true that these policies involve risks of failure and rent seeking, but these problems are not unique to them. Developing such new activities is a learning process in which “winners” are in a sense created rather than chosen ex ante.
- The new activities that should be promoted depend on domestic capacities, must be done in close partnership with the private sector, and should have technological upgrading as the central criteria. And they must be accompanied by competitive exchange rates. This is the component that has been missing in the only country that has recently returned to active production sector strategies: Brazil.
- Needless to say, the need for a clear attention on technological upgrading is critical, given the prospects of lack of dynamism of world trade and the clear evidence that Latin America has ceased to be a region of abundant low-skilled labor.
- **The development implications of external integration in Latin America, Jose Antonio Ocampo, 2012.**

# Ocampo and the Latin American decade

- The triangle of technological upgrading, significantly diversifying its trade with China and betting on strong integration processes would deliver a Latin American decade. But we are far from there.