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2015 and the South: Preparing for a Year of Uncertainty and International Summits

The case of Latin America

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SOUTH CENTRE 2015

The case of LAC

BULLET POINTS

- 1) Sustained Growth because of
 - a) Prices of Raw Materials
 - b) Very important positive Capital Flows
 - c) Appreciation of currencies – Dutch Disease – Virtual flooding of imported goods (fake modernization)

This resulted in an increased dependence on raw materials for exports, fiscal revenues and GDP growth.

LAC: Export Revenues of Mining and Hydrocarbons (in % of total Export Revenues)

País	Proporción de las exportaciones mineras en el total de exportaciones		
	2000 - 2003	2004 - 2009	2010 - 2013
Chile	43.0	61.0	59.9
Perú	32.9	44.4	58.0
Brasil	18.1	20.5	24.9
Bolivia	20.1	24.9	21.0
Colombia	16.4	22.6	19.0
Argentina	7.6	8.0	7.0
Ecuador	1.3	1.6	1.4
Mexico	0.3	0.7	1.3

País	Proporción de las exportaciones de hidrocarburos en las exportaciones totales		
	2000 - 2003	2004 - 2009	2010 - 2013
Venezuela	74.2	82.4	96.0
Trinidad y Tobago	60.4	65.9	62.2
Ecuador	43.2	57.5	53.0
Colombia	29.2	28.3	50.5
Bolivia	27	53.5	46.9
Brasil	3.9	7.7	14.7
Mexico	9.4	14.9	12.5
Perú	6.4	8.2	10.5
Argentina	16.9	12	3.6

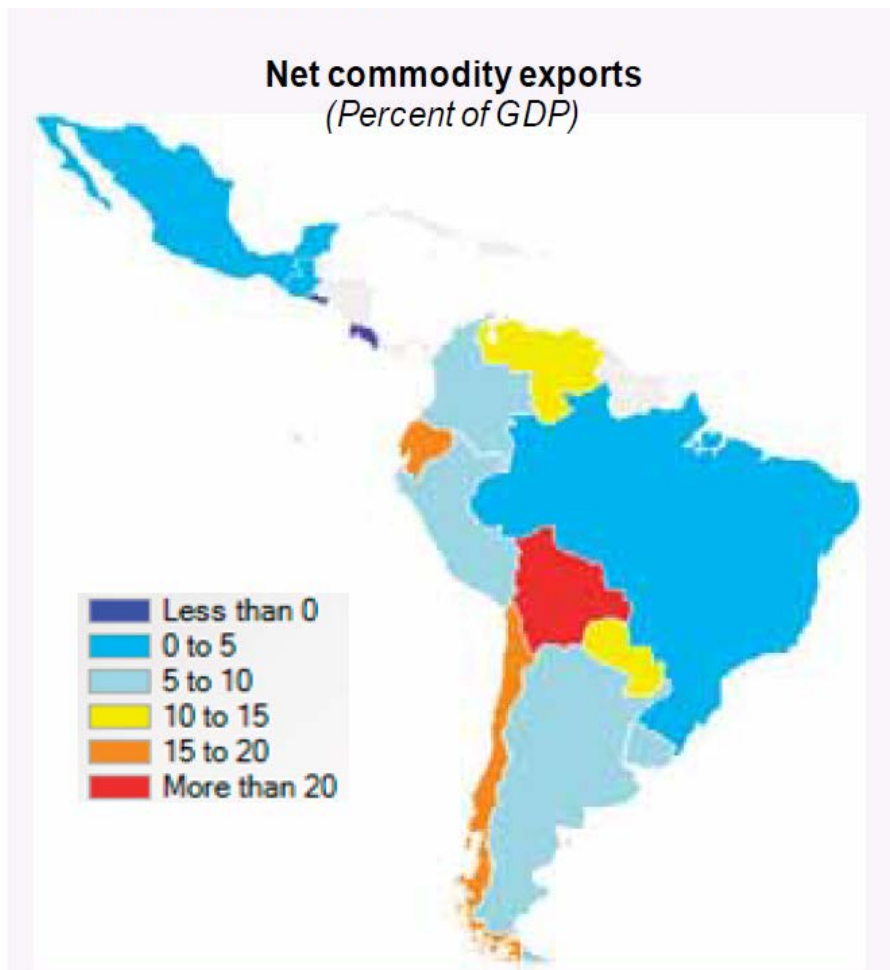
LAC: Fiscal Revenues of Mining and Hydrocarbons (in % of total revenues)

País	Proporción de los ingresos fiscales por hidrocarburos en el total de ingresos		
	2000 - 2003	2004 - 2009	2010 - 2013
	Venezuela	48.0	47.8	44.5
Ecuador	30.0	33.5	42.1
Trinidad y Tobago	31.6	51.5	40.7
Bolivia	11.9	28.9	32.7
Mexico	19.8	33.4	30.3
Colombia	5.4	9.6	13.9
Perú	3.2	5.5	8.7
Argentina	8.7	7.9	7.1
Brasil	2.3	3.5	4.8

País	Proporción de los ingresos fiscales por minería en el total de ingresos		
	2000 - 2003	2004 - 2009	2010 - 2013
	Chile	4.3	25.8	27.6
Perú	1.3	10.9	11.7
Bolivia	0.5	2.2	2.3
Colombia	0.6	1.6	1.3
Mexico	0.3	0.8	1.0
Brasil	0.3	0.5	0.4
Argentina	0.0	0.6	0.2

Commodity Dependence and Export Diversification in Latin America, 2010

IMF, Regional Economic Outlook, Oct. 2011



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The case of LAC

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The problem is that most governments (we cannot generalize) thought that their policies were responsible of this growth. Some others added that the signing of FTAs and increased market access shielded our economies from cyclical crises.

Poverty was reduced. Employment grew.

The middle classes were now the majority of societies.

Ocampo: Two different kinds of Export Led Growth

BULLET POINTS

Natural Resources

Resource Curse or Good Governance

Inexistent discussion about saving or investing (spending)

Chile and Peru: Business as usual

Other countries, like Bolivia, Ecuador, Colombia and Venezuela did:

- Reinforcement of legislation
- Boost of national oil companies (Good Governance, but PDVSA)
- New contracts
- Important Decentralization of revenues to subnational governments
- Mostly investment in fixed capital and not in current expenses
- Inexistent legislation assessing impact of decentralized revenues

BULLET POINTS

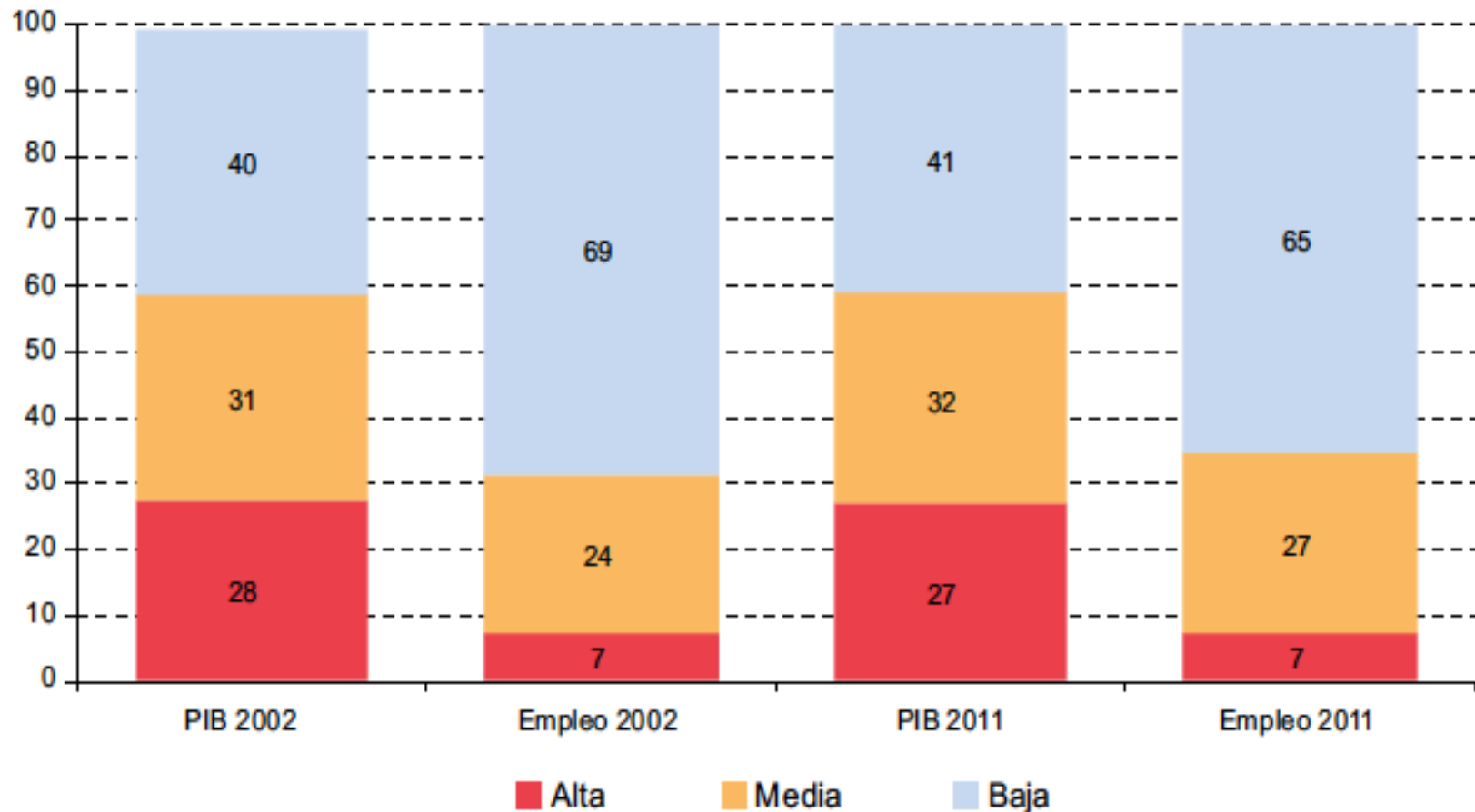
- 2) What is the economic apparatus after the “boom” ?
 - a) Productivity down
 - b) Investment very low
 - c) Premature De-Industrialization
 - d) Structural Heterogeneity (Peru is an exemple)
 - e) Poverty can come back. Vulnerability has grown.
 - f) Inequality

ECLAC: Structure of GDP and employment by productivity levels
did not change much during the boom

Gráfico III.11

América Latina (18 países): composición del PIB y el empleo según nivel de productividad de los sectores de actividad, 2002 y 2011

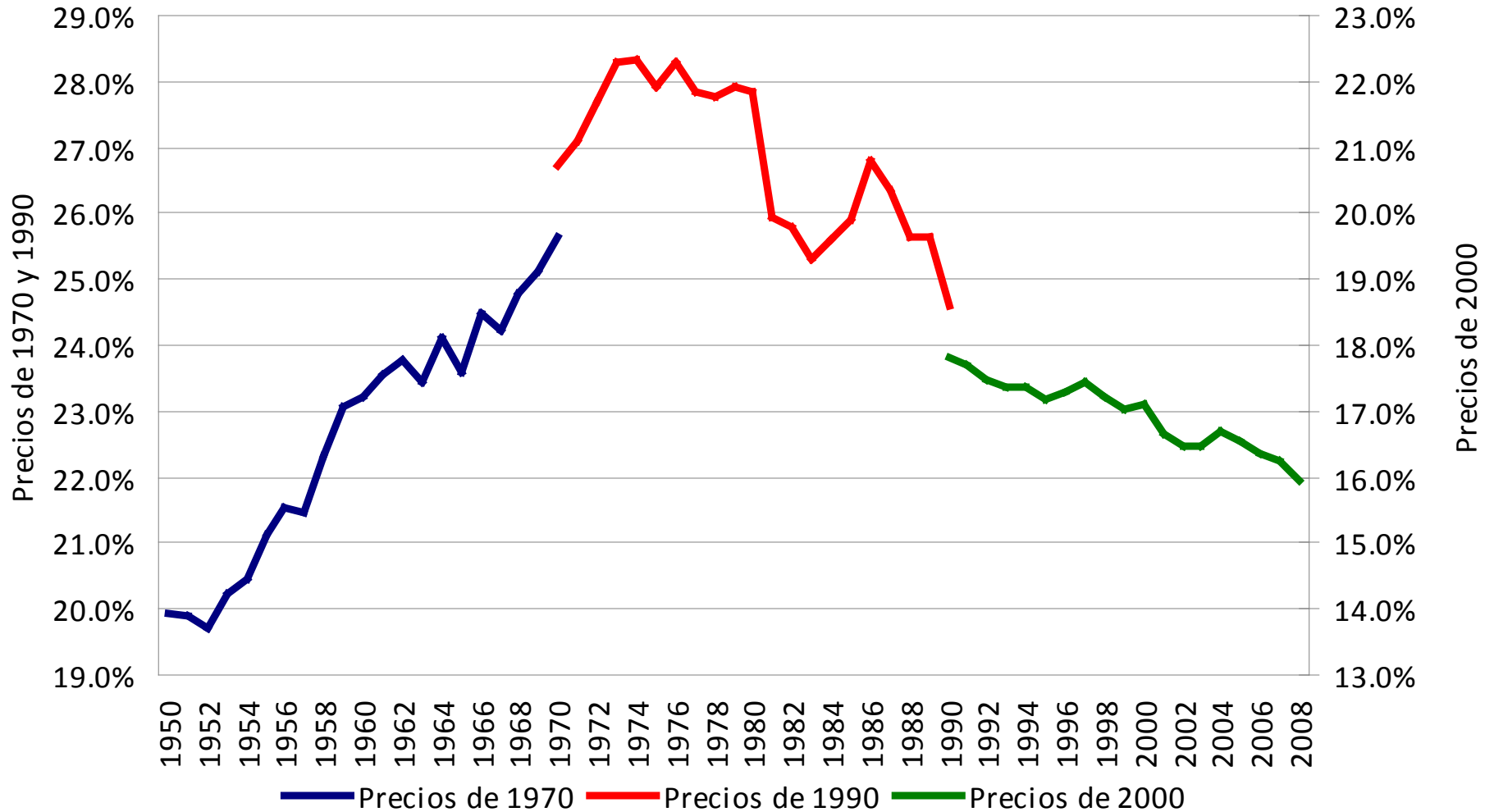
(En porcentajes)



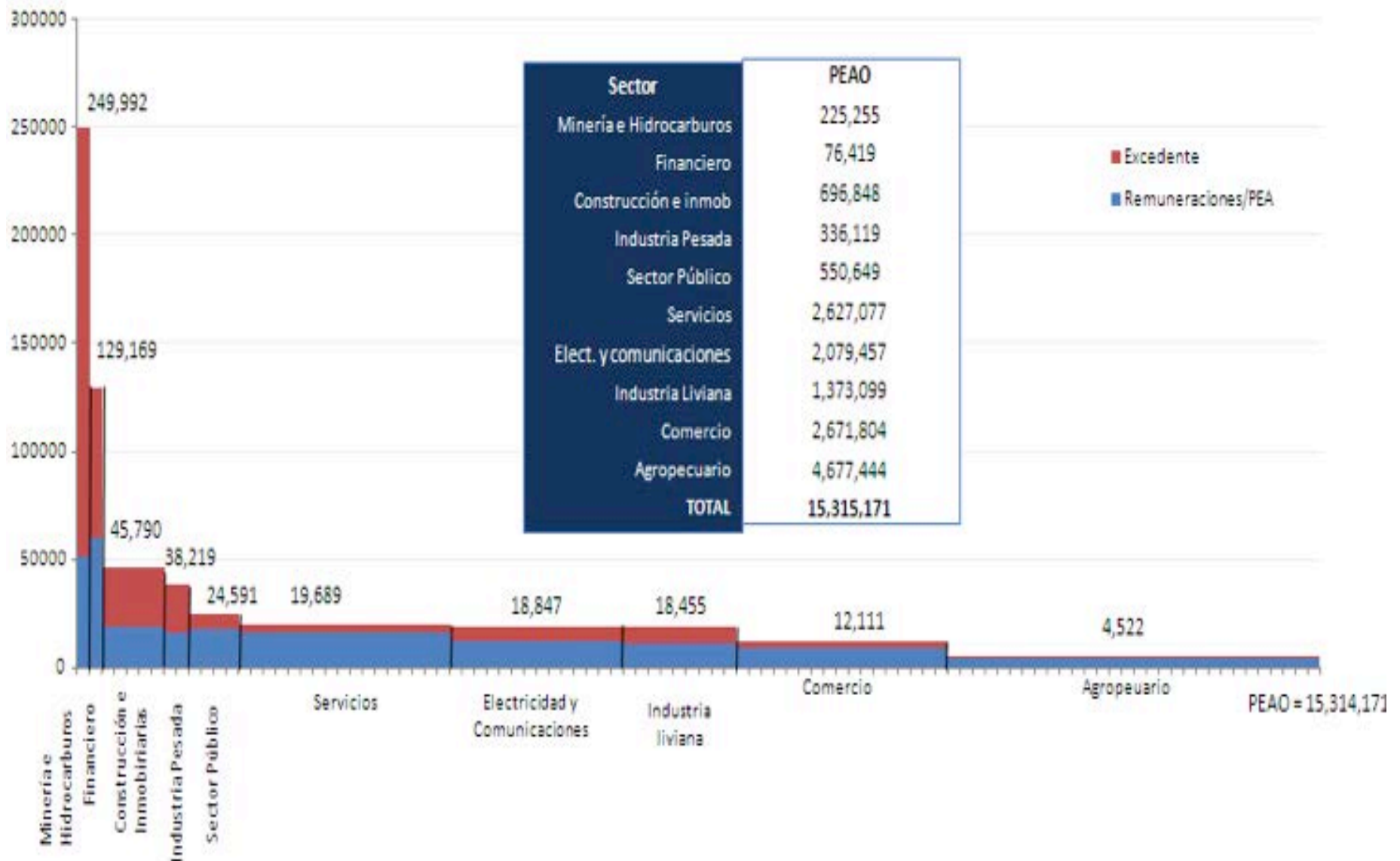
Gross Capital Formation is low compared to World Standards (in % of GDP)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 ^b
América Latina y el Caribe	17,0	18,0	19,1	20,3	18,9	19,9	20,7	20,6	20,4	19,3
Argentina	15,8	17,1	18,0	18,9	16,1	17,9	19,5	18,3	18,3	17,2
Bahamas	23,1	27,8	26,6	24,7	24,3	24,0	25,6	26,7	26,1	...
Belice	20,2	19,6	20,0	24,9	20,1	15,3	14,9	15,7	18,1	...
Bolivia (Estado Plurinacional de)	12,8	13,4	14,4	16,1	16,1	16,6	19,5	18,8	19,9	20,4
Brasil	15,1	15,9	17,1	18,4	17,2	19,5	19,8	18,9	19,3	18,0
Chile	18,7	18,3	19,4	22,4	19,9	21,1	22,8	24,3	23,4	21,1
Colombia	17,8	19,6	21,0	22,3	21,7	21,9	24,4	24,5	24,8	25,9
Costa Rica	18,2	18,6	20,3	22,0	19,7	19,8	20,7	21,2	22,9	23,0
Cuba	7,8	10,0	9,6	9,9	9,1	8,6	8,8	9,1	9,4	...
Ecuador	21,7	21,8	22,1	24,1	23,1	24,6	26,1	27,4	29,0	29,5
El Salvador	15,1	16,3	16,9	15,8	13,2	13,3	14,8	14,3	15,5	15,2
Guatemala	18,2	20,0	19,7	18,0	15,6	14,8	15,2	15,3	15,0	14,6
Haití	25,2	25,2	25,1	25,6	25,7	25,4	26,4	27,2	27,7	...
Honduras	26,2	27,9	32,7	33,3	22,1	21,6	24,3	24,2	24,6	22,6
México	21,0	21,7	22,3	23,1	22,0	21,2	21,9	22,1	21,5	21,1
Nicaragua	22,7	22,2	23,9	24,1	19,5	18,4	20,8	23,6	22,3	20,2
Panamá	13,5	14,5	18,3	23,0	26,5	24,6	24,5	26,1	27,5	29,8
Paraguay	13,0	12,9	13,7	15,2	14,7	15,9	16,9	15,8	15,4	15,4
Perú	15,0	16,6	18,7	21,9	20,4	23,2	23,9	25,9	25,8	25,5
República Dominicana	23,1	25,3	26,3	27,1	22,9	25,0	23,6	22,3	21,3	21,1
Trinidad y Tabago	...	...	...	...	...	...	...	...	...	...
Uruguay	16,3	17,9	18,3	20,4	19,0	19,9	19,7	22,7	23,1	22,8
Venezuela (República Bolivariana de)	15,7	18,5	21,3	20,7	19,6	18,7	18,7	21,9	16,2	12,5

... Y UN YA LARGO PROCESO DE DESINDUSTRIALIZACIÓN (Ocampo)

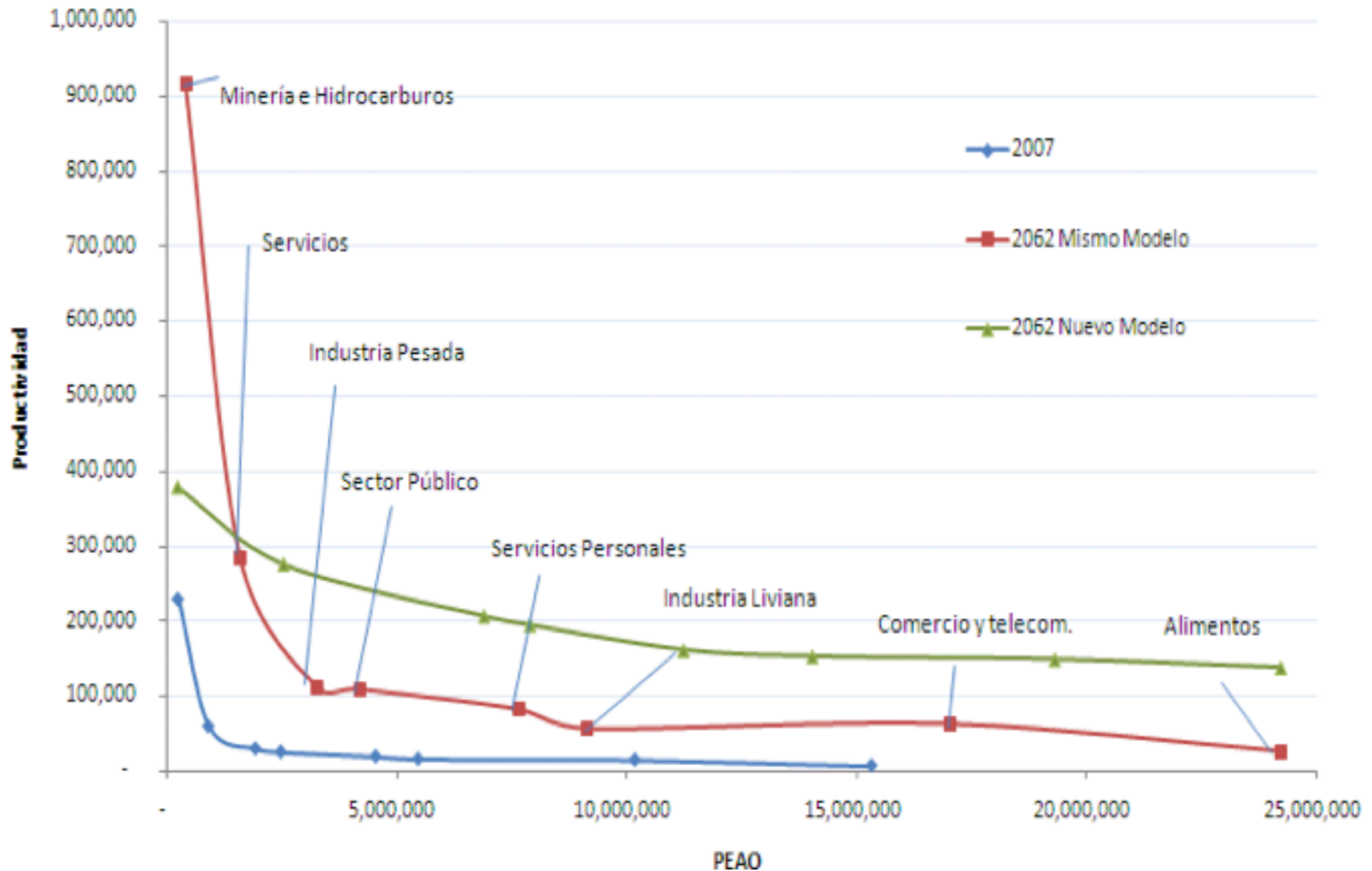


PERU: Productivity (GVA/Worker) and Salaries per worker by economic sector, 2007 (in millions of soles)



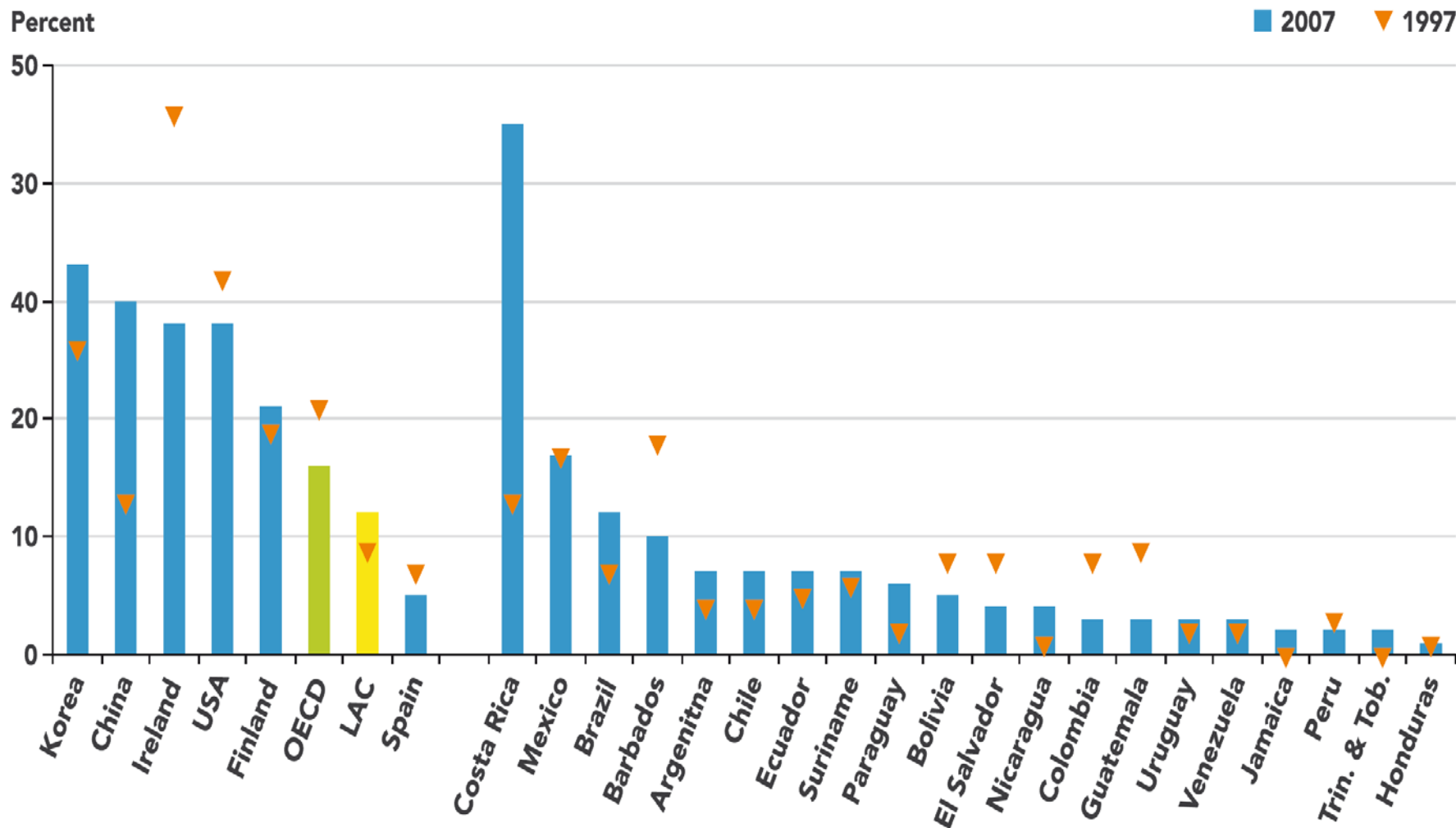
Perú 2012-2062:

Productividad y Empleo: 3 escenarios (Jurgen Schuldt)



IDB: The imperative of innovation, 2011

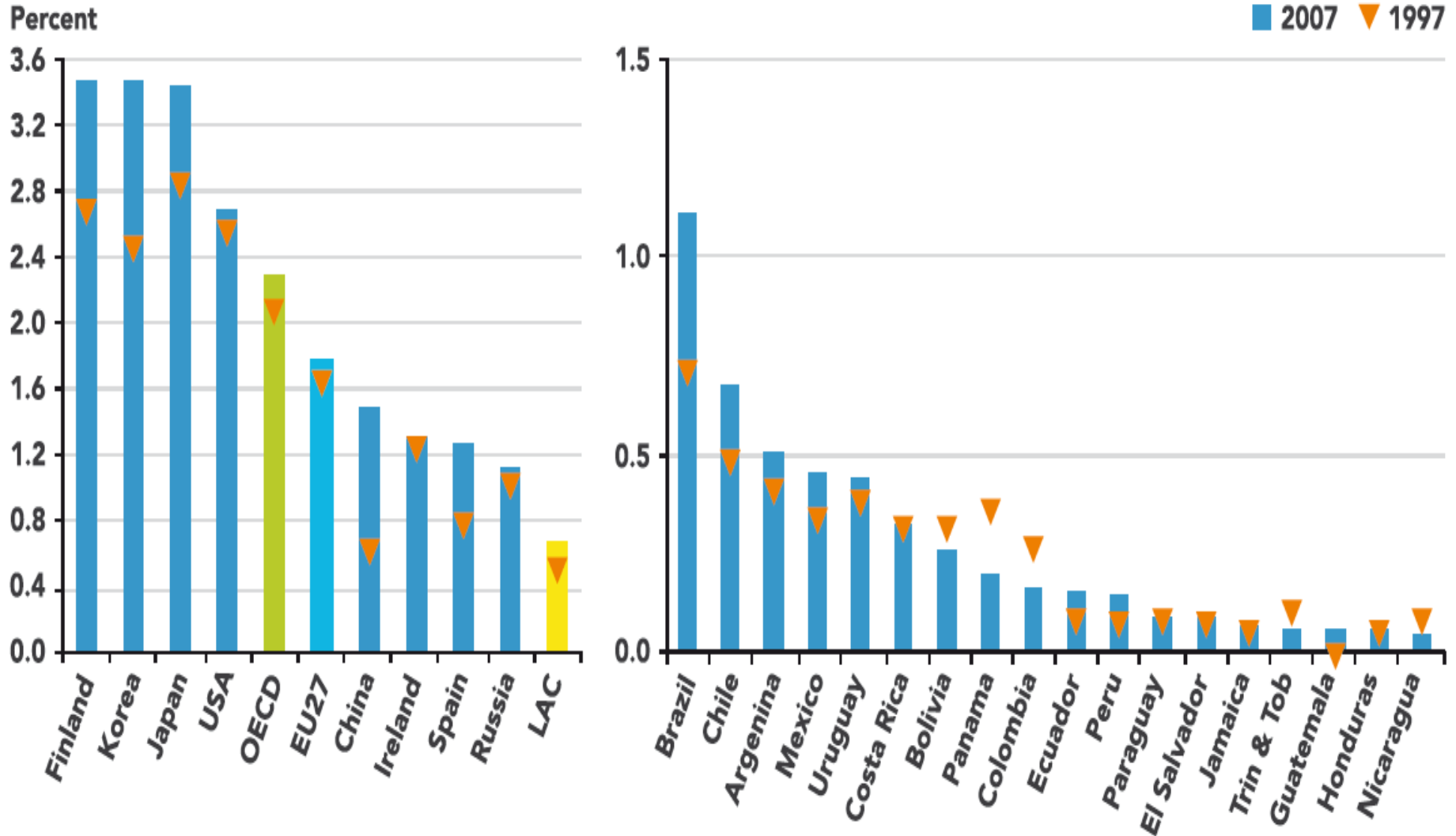
High Technology Exports (as % of Manufactured Exports) 1997 and 2007 (or Latest Available)



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 % of GDP 1997 (or Nearest Available) and 2007 (or Latest Available)



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

BULLET POINTS

3) Increased integration in the financial system

Yilmaz Akyuz has pointed it out.

We will only add:

- Tequila crisis in 1994 was the first sign.
- Private debt is more than the public debt. It has grown 10% per year in 2010-2013. And faster since 2008.
- Perfect Storm: more global economic slowdown, devaluation of national currency, high interest rates,

BULLET POINTS

Problems and constraints for going forward

1 The ongoing global economic crises

2 The possibility of the aggravation of economic situations in latin american countries – Not only deceleration but recession

- raw materials down

- capitals flight to safety because of interest rate in the US

- Reduced Policy Space because of Bilateral Investment Treaties and Free Trade Agreements (Colombia, Chile, Peru, CAFTA and Dominican Republic)

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