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UNITED NATIONS

ECLAC

Economic Commission for Latin America and the Caribbean

GLOBALIZATION AND DEVELOPMENT

Globalization is not a new phenomenon, but today's version is different from previous ones. The process of internationalization that the world's economy has undergone has profound historical roots. Today, however, it requires a different approach from the past, due to drastic political changes, and the communications and information technology revolution, which have added a dizzying new spin to its most recent phase. This led the region's countries to request that the Economic Commission for Latin America and the Caribbean (ECLAC) focus its **29th Session** held 6-10 May in Brasilia, on the twin issues of globalization and development.

At the meeting, ECLAC presented its paper, *Globalization and Development*, which defines globalization as "the growing influence exerted at the local, national and regional levels by economic, social and cultural processes that are global in scope". ECLAC suggests that national strategies should be designed as a function of the possibilities that this process offers, to deal with the demands inherent in greater involvement in the world economy.

ECLAC has warned governments about new financial and trade instability, the risk of possible exclusion of countries that are poorly prepared for the strong demands of competitiveness in today's world, and the risk of further deepening existing differences between companies, social sectors and regions in countries that participate in a segmented and marginal fashion in the global economy.

Globalization is a multi-faceted process and does not follow any version of economic determinism. ECLAC highlights, for example, the "globalization of values", evident in human rights declarations, which deal with civil, political, economic, social and cultural rights, as expressed in the declarations produced by the United Nations' World Summits. Other signs of progress are new international judicial principles, such as the "Rio Declaration", regarding "common but differentiated responsibilities", which recognizes the environmental debt that some countries have accrued with the rest of the world as a result of their industrialization.

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GDP Growth: World and Largest Regions, 1820-1998

(Weighted average annual growth rates)

	1820-1870	1870-1913	1913-1950	1950-1973	1973-1998
Western Europe	1.65	2.1	1.19	4.81	2.11
United States, Australia, New Zealand and Canada	4.33	3.92	2.81	4.03	2.98
Japan	0.41	2.44	2.21	9.29	2.97
Asia (not including Japan)	0.03	0.94	0.9	5.18	5.46
Latin America and the Caribbean	1.37	3.48	3.43	5.33	3.02
Eastern Europe and the former Soviet Union	1.52	2.37	1.84	4.84	-0.56
Africa	0.52	1.4	2.69	4.45	2.74
World	0.93	2.11	1.85	4.91	3.01

Source: ECLAC, calculations based on Angus Maddison, *The World Economy. A Millennial Perspective*, Paris, Organisation for Economic Co-operation and Development (OECD), 2001.

LATIN AMERICA IN THE GLOBAL ERA

JOSÉ ANTONIO OCAMPO

In the economic sphere, the most recent phase of globalization is characterized by mass, real-time access to information; the global planning of production by transnational corporations; the spread of free trade, although still limited by many forms of protectionism in the industrial world; the contradictory combination of a high degree of capital mobility with tight restrictions on labour migration; the increasing environmental vulnerability and interdependence; and an unprecedented trend towards institutional homogenization.

But globalization it is not driven by economic factors alone. One of its dimensions, which ECLAC has denominated the “globalization of values”, involves the gradual spread of shared ethical principles, which are reflected most clearly in the principles endorsed at United Nations World Summits. These processes are the product of a long history of international civil society movements advocating human rights, social equity, equality for women, environmental protection and, more recently, the “globalization of solidarity” and the “right to be different”.

The greatest paradox in this process is that there has been no corresponding trend towards political internationalization. The contrast between worldwide problems and national political processes has resulted in a lack of global governance which has heightened the tension between the

opportunities and risks generated by globalization. The only reasonable response is to adopt a proactive agenda, since history shows that efforts to simply resist processes whose roots run so deep will inevitably fail in the end. The aim of such agenda should be to create a better institutional structure that will ensure that globalization becomes a positive force for all the world’s people.


“...history shows that efforts to simply resist processes whose roots run so deep will inevitably fail in the end.”

With that goal in mind, ECLAC underscores in its document *Globalization and Development*, that progress must be made towards three objectives:

- Guaranteeing an adequate supply of public goods or, more precisely, global public services;
- Progressively correcting the sharp asymmetries existing in the world economic order; and
- Gradually building a rights-based international social agenda.

The achievement of these objectives must be based on a virtuous circle of complementary global, regional and national institution-building - that is, on a network of institutions rather than a handful of global agencies. This type of

arrangement is more efficient and balanced in terms of power relationships. Institutional schemes must also be respectful of diversity. This is the only principle that is consistent with efforts to promote democracy worldwide. Such efforts are meaningless unless national representative and participatory processes are allowed to influence the definition of development strategies and to mediate the tensions inherent in the globalization process. Lastly, the international order must guarantee the equitable participation of the developing countries and establish appropriate rules of governance.

Two concepts that have been extensively used in recent international debates as basic criteria for restructuring the institutional global order. The first one is the “level playing field”, which has guided efforts to shape the international economic order. The second is the principle of “common but differentiated responsibilities”, as set forth at the **Earth Summit** in Rio de Janeiro in 1992. In a world so fraught with inequality as ours, the application of the first of these concepts may perpetuate or even accentuate the global order’s existing asymmetries and inequalities. Thus, this second principle stands out as the basic concept to face the new challenges of globalization. 


The author is ECLAC’s Executive Secretary.

In the past 130 years, the process of globalization has gone through three stages. The first (1870-1913) was marked by the enormous mobility of capital and labour, along with rising trade based on a sharp reduction in transport costs rather than free trade principles. After World War II, a new stage of global integration began (1945-1973), in which international institutions for technical, financial and commercial cooperation developed, while trade in manufactured goods expanded between developed countries. During this period a great range of economic organizational models along with limited mobility of capital and labour co-existed.

Eventually, the final quarter of the twentieth century ushered in a third phase of globalization, with the gradual spread of free trade, the growing presence of transnational corporations operating as integrated production systems, the expansion and notable mobility of capital, and a shift towards the standardization of development models. At the same time, restrictions on the movement of labour persisted, access to information in “real

time” became more massive, thanks to the development of communications and information technology, and there was a clear trend toward more homogeneous models for economic development.

In part one, *Globalization and Development* provides an overview of the issue, analyzing the historical and multi-faceted nature of this phenomenon. It then proposes a pro-active agenda for Latin America and the Caribbean.

Part two of the document provides a regional overview and deals with more specific issues: external vulnerability and macroeconomic policy; Latin America and the Caribbean’s participation in global productive and trade circuits; strengthening of systems for technological development and innovation; international migration; environmental sustainability; social development; the effects of globalization on the economies of the Caribbean. Each chapter provides a series of measures that should be adopted at the national, regional and international levels, which are detailed in the proposed agenda. 



SOCIAL VULNERABILITY

phase of globalization.

Education, employment and social protection are the pillars of a proactive social policy, **ECLAC** believes, because globalization increases the need to develop international competitiveness and brings with it new sources of social risk. These are the three critical areas, it suggests, “in which virtuous circles can be generated that enhance capacity for participating in the globalized world and for constructing and benefiting from economic development.”

The educational gap between this region, developed and developing economies in Asia, which started further behind, has widened in terms of the coverage of secondary and higher education and learned skills. This has occurred despite the progress made by Latin American and Caribbean countries toward universalizing primary education and improving secondary education coverage to reach an average 70%, although with some disparities (90% in Chile and less than 45% in some Central American countries).

ECLAC finds it worrisome that the gaps in coverage and quality in secondary and higher education among high- and low-income groups within the region continue to widen: “Highly stratified access to education reproduces income inequalities,

instead of correcting them; and this, together with its effects on labour market participation and potential for upward mobility, partly explains the high degree of rigidity that exists in the region’s current social structure.”

Along with recognizing that many countries have made an effort to provide their schools with information technology support, these efforts must redouble, because school has become key to overcoming the “domestic digital divide”, which is even more threatening than the international gap.



Education to Reduce Productivity Differences

Public expenditure on education, estimated as a percentage of GDP, rose from 2.9% in 1990-1991 to 4% in 1998-1999, but is still not enough if compared to the investment in education made by OECD countries, which stands at around 5% of GDP.

It is important to increase resources for education and ensure they are sustained during crises so that future workers can increase productivity. New technologies and working methods require more and more creativity, initiative and versatility, and less specialization. The development of basic competencies, rather than specific skills, will give workers a knowledge base that will enable them to adapt more easily to the demands of new jobs.

These considerations imply associating the contents of formal education with the demand for skills on the labour market and

improving the quality of primary education, where basic skills are developed. International disparities in learning, achievements and technical training alternatives urgently need to be overcome in order to narrow the productivity gap.

Employment is the most important link between economic and social development, accounting for 80% of household income in Latin America and the Caribbean. Creating quality jobs is a serious problem in the region, as is demonstrated by growth in open unemployment, and above all, in informal sector employment.

According to ECLAC, faced with globalization “the creation of new jobs is only sustainable when economic activities are competitive in the long run.” This makes it necessary to raise productivity, come up with strategies to increase investment in human resources, and avoid boosting productivity simply by reducing labour costs or having wage increases concentrate solely in areas posting stronger growth or with more organized workers.

Changes in the structure of production and employment reveal differentiated effects in the two main patterns of specialization in Latin America. Employment in Mexico and Central American and Caribbean countries rose more rapidly (3.7% per year during the 1990s) in countries specializing in manufactured exports, than in South American countries (2.9% per year in the same period), where exports of natural resource-based products were more important. This shows that job creation opportunities depend on countries’ specialization: in those of the north, wage-earning

employment rose more than independent labour. That contrasts with weak labour demand in the countries of the south, where job creation focused more on independent labour.

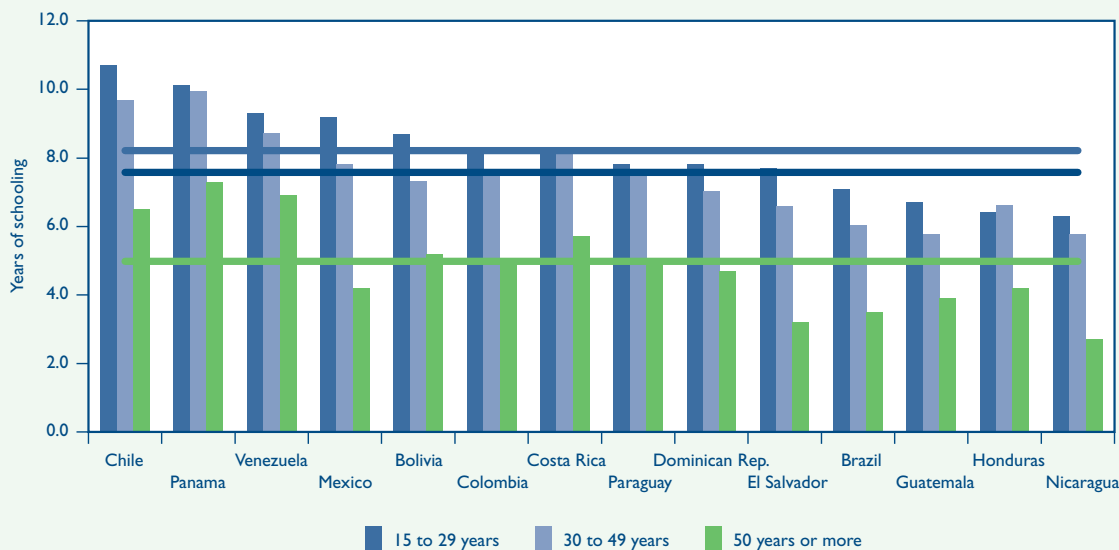
The wage gap between the least and the most educated workers also widened, due to changes brought by communications and information technologies and productive patterns. Service restructuring and expansion generated demand for highly skilled personnel.

ECLAC notes that globalization generates demand for more flexible working systems as a requirement for job creation. The downside is that it encourages and permits the creation of poor quality employment, which is reflected in the increase in jobs in the informal sector and temporary jobs, along with a reduction in social security coverage of workers employed in small firms. In some countries the number of workers without contracts has also risen.

Deficient Social Protection

Social protection also presents some deficiencies in terms of coverage and the new risk structure that has come with globalization. The region’s backwardness in terms of traditional risk coverage (for illness, old age, disability and death, and even nutrition, housing and education) has worsened due to the need to provide protection from new problems, among them job and income insecurity.

Average Years of Schooling of Total Economically Active Population (EAP), by Age Groups, 1999




Source: ECLAC, on the basis of special tabulations of household surveys conducted in the respective countries.

ECLAC considers the vulnerability of poor sectors or those close to the poverty line in the face of precarious employment and household income to be “extremely high”. One out of every three households, that is 44% of the population of Latin America and the Caribbean, live in poverty, and in most countries some 25% to 30% are at very high risk of falling into poverty.

Pronounced economic cycles and rigid wages, worsened by inflation controls, translate into greater vulnerability for wage earners facing variations in the economic cycle. As most protection systems are based on wage-paying employment, it is necessary to organize a social protection program that does not depend on having a formal job and create a more universal form of unemployment insurance.

The extent and depth of social and economic risk in the region raises doubts about its fiscal capacity to meet the requirements of social risk management. Faced with fiscal constraints, social protection must be financed through systems that give priority to the benefit-contribution ratio (insurance schemes). When this is the general practice, it limits the system’s redistributive potential, generating negative effects on equity.

ECLAC proposes active social policy combined with national social strategies ranging from universal coverage through secondary education, and including efforts to reduce differences in quality. In terms of employment, it suggests several measures for avoiding a decline in wages and working conditions. In terms of social protection, it encourages the region’s countries to be ruled by the principles of universal coverage, solidarity, efficiency and integration. Because the extent of informal employment and unemployment impose limits on universalizing social protection based on traditional schemes, one priority is to create combined and complementary insurance programs that are consistent with the many different kinds of links to the workforce. 



INTERNATIONAL MIGRATION IS EXCLUDED FROM GLOBALIZATION

In a world that is more interconnected than ever, in which financial and trade flows have been liberalized, the mobility of persons runs up against severe barriers. The difficulties placed in the way of migration reveal the asymmetrical aspects of a form of globalization which includes some individuals, population groups, countries and regions but at the same time excludes others. **ECLAC** compares the enormous mobility of capital to restrictions on the international movement of labour in this third phase of the globalization process.

A POSITIVE AGENDA

“Latin America and the Caribbean must adopt a positive agenda for the construction of a new international order and make a firm commitment to its implementation,” the Economic Commission for Latin America and the Caribbean (**ECLAC**) is proposing, based on an essential lesson from history: mere resistance to processes as profound as the current phase of globalization will fail in the long term.

In its paper *Globalization and Development*, **ECLAC** proposes some desirable alternatives for a more solid and equitable form of globalization, and better participation in the process. Its agenda seeks to overcome the deficit in global governance in order to ensure that “globalization becomes a positive force for all...”

In the absence of suitable institutions, globalization is proving to be a disintegrative force, which makes “a virtuous circle of complementary global, regional and national institution-building” necessary to cope with these forces,” the paper points out. The current international order consists of great gaps that make it necessary to base any effort at strengthening this system on the development of “global institutions that respect diversity” and guarantee “equitable participation in accordance with suitable rules of governance” for all developing countries.

In summary, its global agenda includes:

- Provision of general public goods of a macroeconomic and financial nature;
- Recognition of sustainable development as a general public good;
- Correcting financial and macroeconomic imbalances;
- Overcoming productive and technological imbalances;
- Including labour migration within the international agenda;
- Progressing toward the consolidation of human rights, in the civil, political, economic, social and cultural sense within the general concept of global citizenship.

Unequal development levels are decisive factors in these movements, and international migration is “a multi-faceted phenomenon” that requires the adoption of multilateral measures based on cooperation between States to bring an end to single countries applying unilateral policies. **ECLAC** underscores the need to join forces in the struggle against “trafficking in immigrants, which is a source of illicit profit for organizations that operate on an international scale.” It proposes the inclusion of migration on the regional and international agendas to deal with issues involving the governance of migration, links with emigrants, and measures to prevent some of the risks associated with it.



More Restrictions

The study points out that at the start of this new century, legislation is much more restrictive than in the past and focuses increasingly on achieving greater control of illegal immigration. Free movement of individuals is limited to certain regions, mainly the countries of the OECD (Organization for Economic Cooperation and Development), and is most prevalent among skilled workers, producing a “brain drain” from developing countries.

Nonetheless, “the individuals most likely to emigrate are relatively low-skilled workers wishing to move from South to North.” In the past decade, irregular immigration into the OECD countries rose significantly, leading them to reinforce controls at borders, and on residency and employment of foreigners.

Today, one of every ten of the 150 million migrants worldwide was born in a Latin American or Caribbean country. This figure doesn’t include the fraction that does so (and works) in irregular or undocumented conditions. Thus, in 2000, almost 20 million Latin Americans and Caribbeans lived outside their own countries. Seven of every ten migrants reside, legally or otherwise, in the United States. Of the rest, about half live in some other country in Latin American and the Caribbean, while the other half live in other regions of the world. Canada (with over one-half million immigrants) and countries such as Spain,

Latin America and the Caribbean: Main Countries Receiving Remittances, 1990 and 2000 a/

	Millions of dollars		Average annual variation 1990-2000 (%)	% of GDP		% of exports	
	1990	2000		1990	2000	1990	2000
Latin America and the Caribbean	4 766	17 334	13.8	0.4	0.9	2.7	4.2
Mexico	2 492	6 573	10.2	0.9	1.1	5.1	3.6
El Salvador	357	1 751	17.2	7.9	13.6	36.7	47.8
Dominican Rep.	315	1 689	18.3	4.5	8.5	17.2	18.8
Colombia	488	1 118	8.6	1.2	1.3	5.6	7.2
Brazil	527	1 113	7.8	0.1	0.2	1.5	1.7
Ecuador	50	1 084 b/	36.0	0.5	8.0	1.5	18.7
Jamaica	136	789	19.2	3.2	10.8	6.1	23.3 c/
Cuba	-	720	-	-	2.5	-	15.0
Peru	87	718	23.5	0.2	1.3	2.1	8.4
Guatemala	107	563	18.1	1.4	3.0	6.8	14.9
Honduras	50	410	23.4	1.6	6.9	4.8	16.3
Nicaragua	10 d/	320	41.4	0.9	13.4	2.6	34.0
Other	147	487	12.7	0.1	0.1	0.2	0.4

Source: **ECLAC**, on the basis of figures from the International Monetary Fund (IMF), *Balance of Payments Statistics. 2001 Yearbook*, Washington, D.C., 2001; Cuba: estimates by the country.

a/ Only the inflows of remittances declared by the country in question are taken into account. b/ Figure for 1999. c/ Figure for 1998. d/ Figure for 1992.

Italy, the Netherlands, the United Kingdom, Australia and Japan are the main receiving countries.

Most recently, migration within the region has fallen, associated in part with the decline in the attractiveness of the main destination countries (Argentina and Venezuela), which has not been offset by an increase in new poles of attraction (Costa Rica, Chile, the Dominican Republic).



United States: A Major Attraction

According to the US census in 2000, the population that identifies itself as “Latino” has reached 35.3 million people, including both immigrants and the native born, that is, 13%, making this the largest ethnic minority in the country. This is perceived as a very significant social phenomenon in the US and an issue of the first order in its relations with the region’s countries.

Immigrants from this region to the United States form a heterogeneous group. With over seven million people in 1997, the Mexicans were the largest group: no other contingent from the Caribbean (mainly Cubans and Dominicans) or Central America (especially Salvadorans) has reached over one million people. Most are men with low skill levels, but higher than average educational levels compared to their population of origin.

Among South American and Caribbean immigrants, people with medium to high skills levels are more common. In 1990, some 300,000 Latin American and Caribbean tradespeople, about 3% of

Latin America: Number of Persons Born Abroad, by Region of Origin and Country Where Present, Around 1990

(Thousands)

Country where present	Year	Region of origin				Total	%
		Latin America	%	Rest of world	%		
Argentina	1991	807	50.2	799	49.8	1 606	100.0
Bolivia	1992	46	24.7	140	75.3	186	100.0
Brazil	1991	115	15.0	652	85.0	767	100.0
Chile	1992	66	57.9	48	42.1	114	100.0
Colombia	1993	67	62.6	40	37.4	107	100.0
Costa Rica		-		-			
Cuba		-		-			
Dominican Rep.	1993	-		-			
Ecuador	1990	53	69.7	23	30.3	76	100.0
El Salvador	1992	19	73.1	7	26.9	26	100.0
Guatemala	1994	31	75.6	10	24.4	41	100.0
Haiti		-		-			
Honduras	1988	30	88.2	4	11.8	34	100.0
Mexico	1990	85	24.9	256	75.1	341	100.0
Nicaragua	1995	20	76.9	6	23.1	26	
Panama	1990	38	61.3	24	38.7	62	100.0
Paraguay	1992	166	88.8	21	11.2	187	100.0
Peru	1993	23	43.4	30	56.6	53	100.0
Uruguay	1995	46	53.5	40	46.5	86	100.0
Venezuela	1990	660	64.5	364	35.5	1 024	100.0
Total		2 272	48.0	2 464	52.0	4 736	100.0

Source: CELADE, IMILA Project.

those available in the region, resided in countries other than where they were born. More than two-thirds lived in the United States.

An economic phenomenon associated with migration and one that is increasingly important is the remittance of funds. It is estimated that the total amount of monetary transfers from emigrants to their countries of origin reached over US\$17 billion in 2000. Mexico is the main receiving country in the region, with almost US\$7 billion. This source provides more income than that generated by most export sectors, although its impact on the national economy is relatively low (1.1% of GDP). Its impact is much greater in El Salvador, Nicaragua, the Dominican Republic, Ecuador and Jamaica (where it accounts for from 8% to 14% of GDP). For El Salvador this amounts to 48% of exports, by value. Amounts sent to Brazil, Colombia and Peru are also high, although their impact on GDP is lower (0.2%, 1.3% and 1.3%, respectively).

United States: Immigrants Admitted from Selected Countries of Latin America and the Caribbean, 1971-1998 (thousands)				
Country of origin	Period			
	1971-1980	1981-1990	1991-1994	1995-1998
Mexico	640	1656	1400	531
Caribbean	741	872	437	385
Cuba	265	145	48	89
Dominican Rep.	148	252	180	120
Haiti	56	138	81	60
Jamaica	138	208	72	67
Other Caribbean countries	134	129	56	49
Central America	135	469	267	156
El Salvador	35	214	117	62
Other Central American countries	100	255	150	94
South America	297	461	237	206
Argentina	30	27	14	9
Colombia	78	123	54	50
Ecuador	50	56	31	29
Other South American countries	139	255	138	118
Total, whole region	1,813	3,458	2,341	1,278

Source: United States Immigration and Naturalization Service (INS), *1998 Statistical Yearbook of the Immigration and Naturalization Service*, Washington, D.C., United States Department of Justice, 2000.

ECLAC suggests that there is an enormous field open to exploring the promotion of the productive use of remittances and proposes several ideas in this sense.

Although the displacement of people in recent decades is significant, the study shows that this is not the period in which the most people have migrated in modern times. From 1870 to 1920, a period also known as the “mass migration era”, the United States received 26 million people, mostly from Europe, which

NATIONAL AND REGIONAL STRATEGIES

The positive agenda proposed by ECLAC to build a new international order underlines the importance of national strategies, proposes changes to global institutions to limit external vulnerability, and calls for broader margins for the design and instrumentation of national policies. It also underscores the importance of sub-regional and regional bodies to articulate actions in both these areas.

According to ECLAC, in a global era national strategies must be based on social pacts that guarantee political stability, on agents' behaving consistently to ensure contract reliability, and on the creation of an efficient, impartial state bureaucracy. The region's countries must deal with at least four policy areas that aim to:

- Reduce macroeconomic and financial stability and stimulate productive investment;
- Develop systemic competitiveness;
- Recognize environmental agenda priorities;
- Provide more education, employment and social protection.


Recent experiences demonstrate the need for a broad approach to stability, given that macroeconomic imbalances are costly in economic and social terms. The strategy should focus on avoiding unsustainable private and public deficits, watching over mismatches in financial balance sheets, controlling inflation and avoiding instability in the economy's real indicators. To do so, it is vital that countries adopt counter-cyclic policies that take into consideration the entire economic cycle and expand the timeframe covered by macroeconomic management. In the long run, the prudent management of flexibility is a better instrument than the application of rigid rules as a way of creating confidence in authorities.

Economic growth is inseparable from the constant transformation of the structures of production in pursuit of ever greater systemic competitiveness. One component of this is the development of systems for innovation that accelerate the accumulation of technological skills. Another is support for a more diverse productive structure, which requires broadening products and export destinations, deepening productive links around the export base and foreign direct investment, and consolidating productive conglomerates. The third component requires the provision of quality infrastructure services.

In terms of the environment, countries must link economic development and environmental sustainability more closely, as well as creating instruments on regional and national markets that incorporate globally useful environmental services. In the social field, national strategies must look to three main issues that reinforce each other: education, employment and social protection.

Similarly, in the regional and sub-regional sphere, intermediation between the global order and national realities should be based on four basic ideas:

- The increased efficiency of a network of regional and global institutions compared to a handful operative worldwide;
- The inequality among the players participating in global processes, making a “regional voice” essential;
- The greater “sense of belonging” that regional institutions awaken;
- The fact that autonomy in some areas has shifted more into the regional sphere.

amounted to over 10% of its population. The current migration into the United States consists primarily of Latin Americans and Caribbeans (46%) and Asians (34%). In the case of the European Union, internal migration accounts for two-thirds of the total (66.2%). Other important regions of origin are Africa (16.2%) and Asia (10.6%). Almost three-quarters of migration into Japan comes from Asia (53.3%), Latin America (10.2%) and the United States (8.8%). 

THE WIDENING DIGITAL DIVIDE

More liberal trade, investment and technological flows in recent decades have brought many benefits to the countries of Latin America and the Caribbean. Nonetheless, simply achieving countries' macroeconomic stability has not been enough to capture and absorb the full benefits in the region. The process of creating technological abilities at the national level and of reducing productivity gaps compared to more developed economies has not been satisfactory.

The region's expenditure on science and technology remains low, hovering around 0.5% of GDP in most countries (with some noteworthy exceptions, such as Brazil and Cuba). Private sector participation is very low and there is an enormous gap between academic research and productive activity.

Moreover, the document points out that there is a lag in the ability to adopt and disseminate information technology, biotechnology and genetic engineering, which is noticeable when examining the transformation in innovation systems innovation in Latin America and the Caribbean.

This panorama is even more discouraging given the fact that in recent years, the region's connectivity growth has been the world's fastest. Unequal access of different social sectors to this new technology is a concern. ECLAC warns that the risk of widening the domestic digital divide is greater within the region, than the threat of increasing the gap between the region and the developed world.

The report adds that an important group of these countries enjoy levels of connectivity that are higher than might be expected for their per capita income. That they have to some degree reduced the gap separating them from countries that are leaders in Information and Communication Technology (ICT) does not guarantee that in the coming years they will automatically integrate into the digital era, nor that it will become that it will become sufficiently widespread.

Although service costs have fallen, they remain an access barrier for most of the population of Latin America and the Caribbean. The still relatively low telephone connectivity among the lowest income strata and service costs are factors that block active participation in Internet for both poor households and small firms. The costs of purchasing computer equipment also remain high for lower income households and small and very small firms.

To prevent the digital divide from widening between developing and developed countries in light of slow and unstable regional growth, countries must make a special effort to avoid a situation where the economic cycle determines investment in technological capacities and infrastructure, causing obsolescence or a stagnation in this field of rapid global change.

Countries need an active approach that aims to maintain and expand competitiveness, to deal with globalization. This strategy must bring together efforts to develop technological capabilities, support for the transformation of productive structures, the development of productive chains and the building of quality infrastructure.

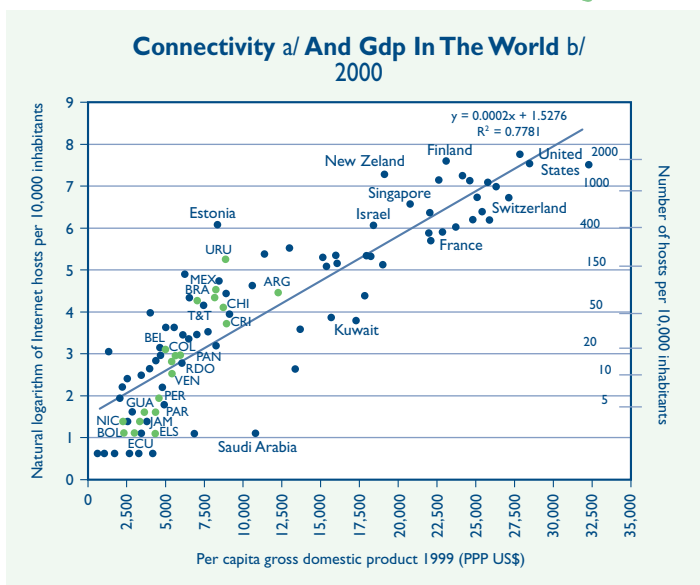
Strengthening national innovation systems must be one of the main objectives of any policy to systematically strengthen competitiveness, involving both the public sector and private companies. Companies producing goods and services must

deepen their commitment to new technology development and to financing and carrying out research and development activities, while the public sector must ensure sufficient funding is available for basic research.

At the same time, it is not only important to have world-class technologies in export sectors and to advance toward regional and national productive chains that are denser and more sophisticated in terms of national excellence. Latin American and Caribbean countries must also improve average productivity throughout the economy, an area in which they are far behind developed countries. Digitalization of productive processes and a rapid and smooth transition toward computerized production is an urgent need throughout the region, allowing governments to take advantage of new ICT opportunities. The same occurs in the field of biotechnology, which would permit the rational, environmentally sustainable exploitation of natural resources. To do so, spending on research and development tasks should rise significantly, more technology information should be distributed, and incentives should be created to stimulate private spending in this area.

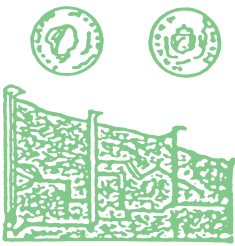
Other measures are also necessary, such as the provision of low-cost telecommunications services and easier access to digital networks and to computer infrastructure, to improve equity in the transition toward an information society. Countries must ensure universal access by avoiding new forms of economic and social exclusion - the domestic digital divide. They should also speed up the creation of the critical mass needed to ensure that the digital organization of production is profitable. "The concept of digitalization is not limited to Internet. It is essential to find cheap alternatives for access in order to connect the masses of Latin America and the Caribbean," ECLAC points out.

Moreover, the entire ICT area is well-suited to regional cooperation, in particular through joint mechanisms for developing, consolidating and selling high-tech products and services, such as computer programs and long-distance education, along with the development of regional networks.



Source: United Nations Development Programme (UNDP), *Human Development Report, 2001. Making New Technologies Work for Human Development*, New York, 2001.

a/ Number of Internet hosts per 10,000 inhabitants. b/ For 96 countries. Excludes those with 0-1 hosts per 10,000 inhabitants in the year 2000 and countries for which no data were available.



TRADE AND INVESTMENT: TWO CRITICAL ASPECTS OF GLOBALIZATION

The close link between international trade and foreign direct investment has been an outstanding feature of the globalization process the world has experienced in recent decades. Nonetheless, expanding trade and reduced investment flows have not brought strong economic growth to the region's countries.

The changing relationship between development strategy, foreign trade and economic growth demonstrates that trade policy has played an important role in countries' development, but also that there is no simple relationship that can be applied in every country at every time or even in a single country during different periods.

In Latin America and the Caribbean, the speedy internationalization of markets and production typical of the current phase of globalization has come with intensive structural reforms that in turn generated drastic changes in incentive regimes aimed at production and trade, and the strategies and methods employed by transnational companies to participate in the region's economies. It is evident that Latin America and the Caribbean have managed to strengthen their export sectors and become important magnets for foreign direct investment (FDI). Despite general progress and undisputable advances achieved by specific countries and productive sectors, however, the region as a whole has been unable to reduce the productivity gap with the developed world and, at the same time, the enormous structural differences among companies, regions and social groups have increased.

FDI has soared, and with it the weight of international production on the world economy. The motor driving this growth has been the operations of more than 60,000 transnational companies with almost 800,000 subsidiaries abroad. Developed countries remain the main source and destination of FDI, but flows into developing countries have risen significantly. In the 1990s, Mexico, Brazil and Argentina were the main destinations for FDI in Latin America.

Meanwhile, the World Trade Organization (WTO) has facilitated trade conflict resolution through cooperation among countries and, as a result, has contributed to creating a more stable and predictable framework of rules than that of the past. Nonetheless, the main beneficiaries of more liberal conditions for trade in goods and services continue to be the developed countries. In contrast, the opening up of sectors that interest developing countries has brought with it new forms of protectionism, such as anti-dumping measures, among others.

World experience indicates that there is no single development model for market economies, and no single way of

participating in international networks involving investment, production and marketing of goods and services. How companies and countries participate depends on a range of factors: some stem specifically from the nature of companies themselves (their assets and capacities), others are specific to the branch of manufacturing (market organization), and finally some are associated with the specific characteristics of each country.




Latin America and the Caribbean's Agenda for Trade and Investment

1. The National Agenda: to Support the Transformation of Production. Countries must make an effort to expand their export base and develop more destination markets. A competitive exchange rate is key to this strategy, combined with active trade diplomacy. Both should be complemented by an integrated policy for encouraging and developing exports.

2. The Regional Agenda: to Deepen Integration within a Framework of Open Regionalism. The enormous vulnerability that regional agreements have revealed when faced with crises in South American economies in recent years is undoubtedly worrisome. This means that the agenda for integration must very decisively deal with long-debated issues with regard to international financial architecture, without forgetting those that are specific to productive integration and trade.

3. The International Agenda: Correction of Productive and Technological Imbalances. Multilateral rules have tended to establish a uniform regulatory framework based on the idea of a level playing field, without recognizing the imbalances that characterize the different players within the world's economy. Not only is this approach inappropriate, but also it ignores aspects key to economic convergence among developed countries themselves. The main concerns of the countries of Latin America and the Caribbean about the current multi-lateral negotiating process have to do with serious limitations in terms of market access for sectors critical to the development of the region's countries and the fear that recognizing legitimate demands in terms of the right to work and environmental protection may become barriers to trade and obstacles to a more balanced integration of developing countries into world markets, among others.

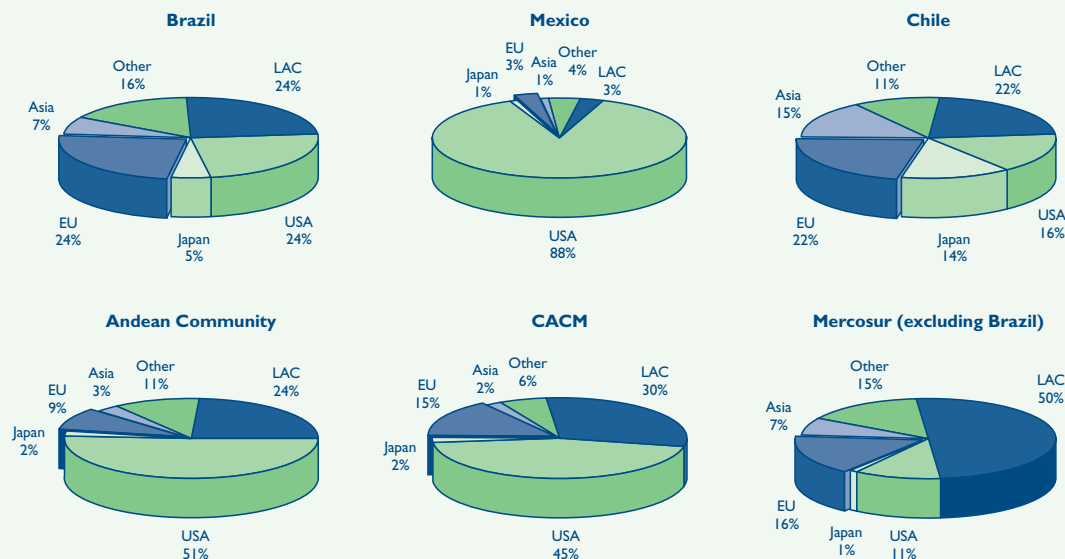
Free trade alone is not enough to guarantee countries enjoy increasingly high levels of development. This makes greater international mobility of labour and resource transfers from the most advanced to the most backward regions absolutely vital. 

Latin America and the Caribbean: Destination of Exports, 1990 and 2000

A. In millions of current dollars



B. In percentages of total exports in current dollars, 2000



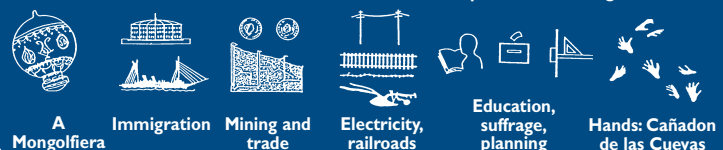
Source: ECLAC, on the basis of United Nations COMTRADE data.

Produced by ECLAC Information Services

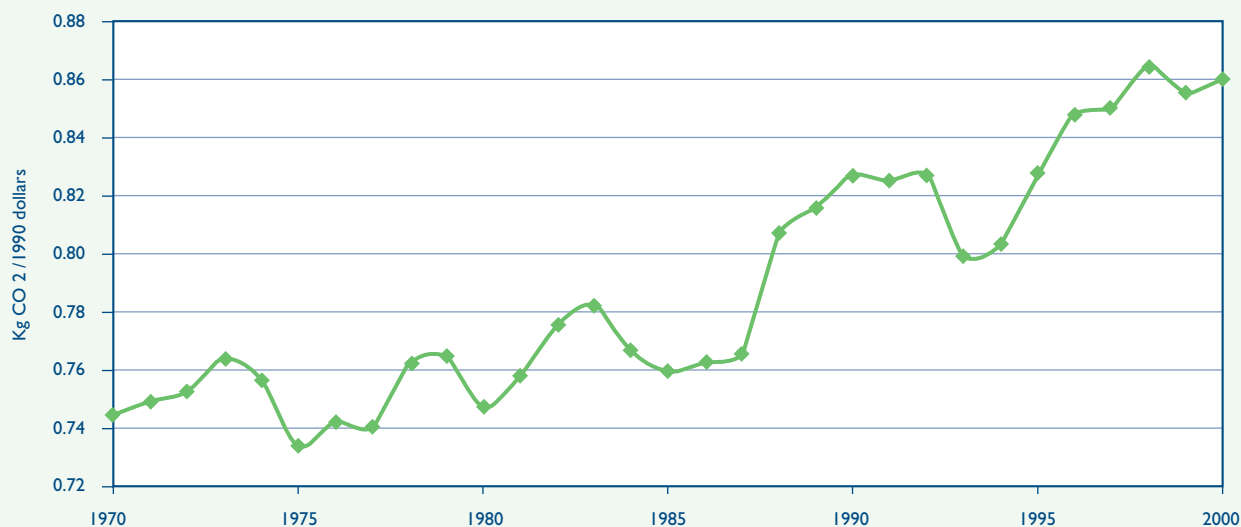
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The symbols used in this newsletter represent the various indigenous cultures of the Americas and some of the milestones in the region's history. The symbols are engraved on the outside of the conference rooms at ECLAC headquarters in Santiago, Chile.



Ratio Of CO₂ Emissions to GDP in Latin America and the Caribbean



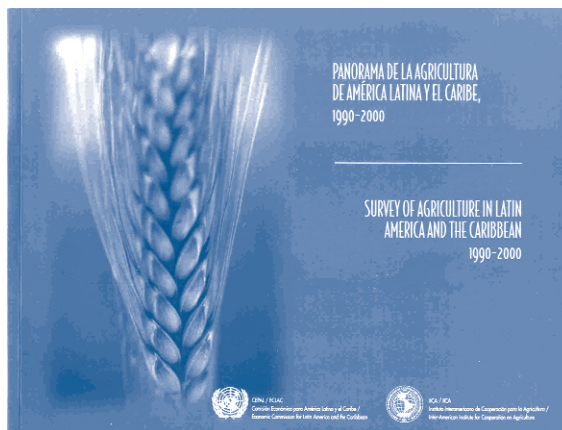
Source: Based on OLADE/ECLAC.

Latin America and the Caribbean: Exchange Rate Regimes, 2002

Fixed, quasi-fixed or dollarized	Crawling peg or flotation band	Floating a/
Barbados	Bolivia	Argentina
Belice	Costa Rica	Brazil
Ecuador	Dominican Rep.	Chile
El Salvador	Honduras	Colombia
Eastern Caribbean States	Nicaragua	Guatemala
Panamá	Uruguay	Guyana
		Haiti
		Jamaica
		Mexico
		Paraguay
		Peru
		Trinidad and Tobago
		Venezuela

Source: ECLAC, *Luces y sombras: América Latina y el Caribe en los noventa*, Santiago, Chile, 2000.
 a/ Floating regimes usually involve some degree of central-bank intervention (dirty floating).

1 Survey of Agriculture in Latin America and the Caribbean 1990-2000. Jointly prepared by the Economic Commission for Latin America and the Caribbean (ECLAC) and the Inter-American Institute for Cooperation on Agriculture, January 2002. (LC/G. 2154-P, English and Spanish, US\$25). This country-by-country analysis, the second of its nature, examines the farming sector in Latin America at a time when prices lined up with the rest of the world's and farmers bore the brunt of profound institutional changes. [www](#)



2 Políticas de concesión vial: análisis de las experiencias de Chile, Colombia y Perú (*Roadworks Concession Policies: An Analysis of Experiences in Chile, Colombia and Peru*), by Dolores María Ruffián Lizana. Gestión Pública Series No. 16, January 2002 (LC/L. 1701-P, Spanish, US\$10). This study describes concessions systems in three Latin American countries and

summarizes results to date of their attempts to secure private financing for major infrastructure projects. [www](#)

3 Microfinanzas en países pequeños de América Latina: Bolivia, Ecuador y El Salvador (*Micro-finance in Small Latin American Countries: Bolivia, Ecuador and El Salvador*), by Francesco Biciatto, Laura Foschi, Elisabetta Bottaro, Filippo

Ivardi Ganapini. Desarrollo Productivo Series No. 121, February 2002 (LC/L.1710-P, Spanish, US\$10). Micro-firms have demonstrated their worth in creating jobs and improving the quality of life of many Latin Americans. This study examines a vital companion, micro-credits, the financing essential to strengthen this sector and improve operating conditions. [www](#)

And, from ECLAC's Macroeconomía del Desarrollo Series:

4 Financial Regulation and Supervision in Emerging Markets: The Experience of Latin America since the Tequila Crisis, by Barbara Stallings and Rogerio Studart. December 2001. (LC/L.1670-P, English, US\$10). [www](#)

5 Euro and the financial relations between Latin America and Europe: Medium-and Long-Term Implications, by Luis Miotti, Dominique Plihon, Carlos Quenan. (LC/L.1716-P, English, US\$10). [www](#)

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MONTH	EVENT	VENUE
MAY		
6 - 10	29th Session, ECLAC	Brasilia, Brazil
10	Meeting, Ecuadorian and Bolivian mining firms, ECLAC / Ministry of Economic Development, Bolivia	ECLAC
15 - 16	Seminar, "Hemispheric Cooperation on Competition," ECLAC / International Trade Unit, Organization of American States (OAS)	ECLAC
16 - 17	Regional Discussion Forum, "The Role of Unconventional Energy Sources in Securing the Energy Supply in Southern Cone Countries," ECLAC / Government of Chile	ECLAC
23 - 24	Seminar, Social Policy and Divides, ECLAC / Ministry of Planning and Development (<i>Ministerio de Planificación y Desarrollo, MIDEPLAN</i>)	ECLAC
23 - 24	Seminar, "Agribusiness Districts: Local Identity as the Basis for Territorial Development in Chile, Latin American and Caribbean Institute for Economic and Social Planning (ILPES)/ Bolivariana University	ECLAC
28 - 29	Regional Seminar: Comparative Experiences with Integrated Development Frameworks, ILPES/ World Bank	ECLAC
30 - 31	The Role of Dialogue in Social Policy: Implications for the Inter-American Development Bank's Social Strategy (IDB), ECLAC / IDB	ECLAC
JUNE		
3 - 14	Course on Managing Local Development Projects, AECI/ ILPES	Santa Cruz de la Sierra, Bolivia
10	Seminar "New Visions for Strategic Management of the Public Sector and State Finances," ACHAFF/ ILPES	ECLAC
18 - 19	Economic Development and Formation, ECLAC / GTZ	ECLAC
JULY		
1 - 12	Course, The Use of Socio-Economic Indicators to Evaluate the Impact of Anti-Poverty Projects and Programmes, AECI/ ILPES	Cartagena de Indias, Colombia

