# Areas for cooperation in the Americas

## Building opportunities for inclusive development

UNITED NATIONS

ECLAC

VII CUMBRE DE LAS AMÉRICAS
Panamá, 2015

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## Foreword

This work is a contribution made by the Economic Commission for Latin America and the Caribbean (ECLAC) to the Seventh Summit of the Americas, held in Panama City on 10 and 11 April 2015, at the request of the Summit Chair. It summarizes the most salient economic ties between the countries of the Americas and highlights the importance of cooperation for progress towards realizing the shared aspiration of greater well-being for all.

ECLAC has had the opportunity to be part of the summits of the Americas process ever since it began in Miami in 1994. Over 20 years later, and for the first time in the history of the summits, all the nations of the Americas will be sitting around the same table in Panama City. The announcement by the Governments of Cuba and the United States of their agreement to normalize diplomatic relations that had been severed for half a century is a historic development, opening up a path which we hope will soon lead to the ending of the economic, trade and financial blockade against Cuba.

This openness to dialogue means not only that the lingering after-effects of the Cold War can be left behind in the hemisphere, but that a constructive attempt can be made at renewed cooperation among all the countries to address the pressing challenges facing them. Despite considerable progress on a number of fronts in recent years, the Latin America and Caribbean region still requires far-reaching structural change if it is to move along a path towards equality and prosperity for all. There is an urgent need to encourage and support a transformation in production structures, technology investment and knowledge, thereby accelerating economic growth. We note with concern an incipient fall-off in the pace of poverty reduction and the fact that, despite substantial progress, the region still presents the world's highest indices of inequality. For their part, notwithstanding the differences that set them apart and their high levels of social welfare and progress, Canada and the United States share a common concern about growing inequality in their economies and the need to strengthen the middle class.

The globalized world economy is demanding more and more internationalization and competitiveness, making it urgent to move towards knowledge-based economies. Alongside national efforts, the revitalization of hemispheric relationships offers worthwhile opportunities for progress in this direction and towards a role in the international economy that is conducive to structural change. Greater hemispheric cooperation in pursuit of more competitive and inclusive economies —economies capable of reducing the persistent equality gaps that plague the region— will help to shape a response to these challenges that benefits all.

**Alicia Bárcena**
Executive Secretary
Economic Commission for Latin America
and the Caribbean (ECLAC)

# I. The global economic environment

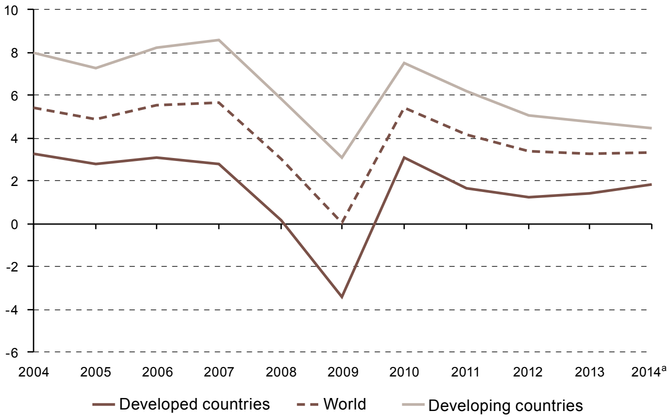
## A. Growth, poverty and income distribution

- In 2014, world economic growth picked up slightly in a context of uneven performance among developed countries and a slowdown in emerging economies. Nonetheless, the world economy has yet to surpass the growth rates seen before the global crisis of 2008 and 2009. Whereas world output growth averaged 5.4% a year between 2004 and 2007, the rate of expansion slowed to 3.5% a year in the period from 2011 to 2014. According to International Monetary Fund (IMF) projections, global growth in 2015 and 2016 will be 3.5% and 3.7%, respectively (IMF, 2014).
- The current situation reflects the weak performance of the developed countries, which have grown only half as quickly in the period since the crisis (1.5%) as in the period before it (3.0%), and which are projected to grow more slowly in 2015 (2.4%) than emerging and developing economies (4.3%). However, the United States is projected to grow more strongly (3.6%) than most advanced economies. It is estimated that Canada will grow by 2.3% in 2015.
- Since 2012, there has also been a slowdown in developing economies as a group. Growth in the Chinese economy gradually fell from that year after being sustained at 10% annually for three decades, and in 2014 was 7.4%. This decline is expected to continue in 2015 and 2016, with growth projected at 6.8% and 6.3%, respectively.
- In Latin America and the Caribbean, high growth between 2003 and 2008 was driven by a favourable external environment, with an expanding world economy, high commodity prices and major improvements in the terms of trade for countries that were net commodity exporters, especially in South America. After falling in 2009 against the backdrop of the global economic crisis, regional output expanded substantially again in 2010 and 2011, supported by strong growth in China and expansionary monetary policies in the United States and other industrialized countries. Growth began to slow rapidly in the region from 2012 as the world economy lost dynamism, declining on average from 2.8% in 2013 to 1.1% in 2014, the lowest rate since 2009. The region's performance was very heterogeneous, with some countries growing at about 6% while output in others actually fell. ECLAC puts regional growth in 2015 no higher than 2.2%.

**Figure I.1**

**World and country groupings by development level: GDP growth, 2004-2014**

*(Percentages)*



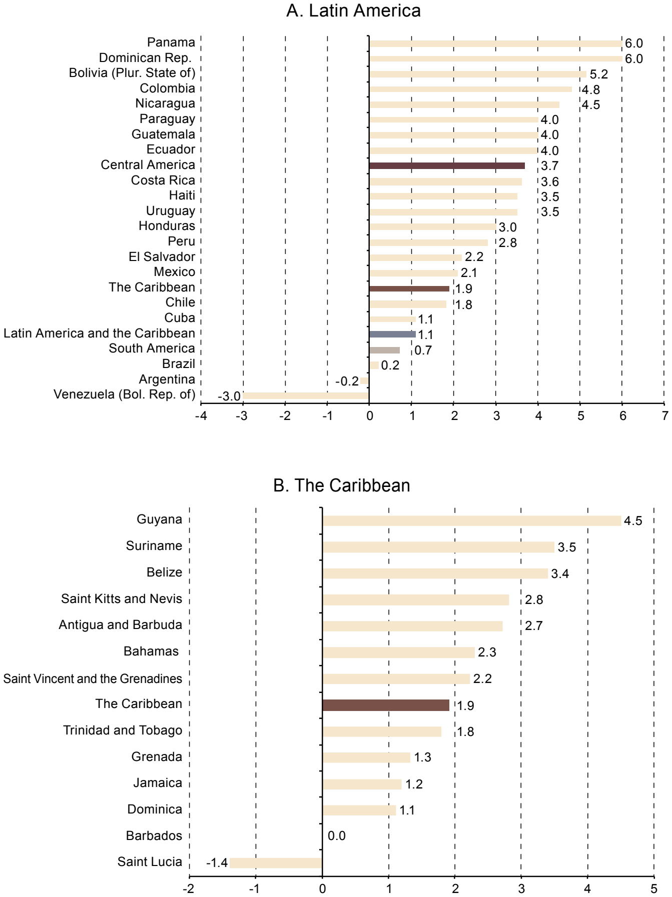

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF), *World Economic Outlook*, October 2014.
[a] Projections.

- One of the region's most significant achievements in the past few years has been the reduction of poverty, extreme poverty and inequality. The percentage of poor dropped from 43.9% in 2002 to 28.0% in 2014, meaning that about 58 million people in the region exited poverty in just over a decade. Extreme poverty also declined substantially, from 19.3% in 2002 to 12.0% in 2014.
- Regional estimates show that the downward trend in poverty and extreme poverty rates has slowed and even reversed in the early years of the present decade, a situation that, in combination with population growth, has led to a rise in the number of people living in extreme poverty.

**■ Figure I.2 ■**

**Latin America and the Caribbean: GDP growth rates, preliminary figures, 2014**

*(Percentages based on constant 2010 dollars)*

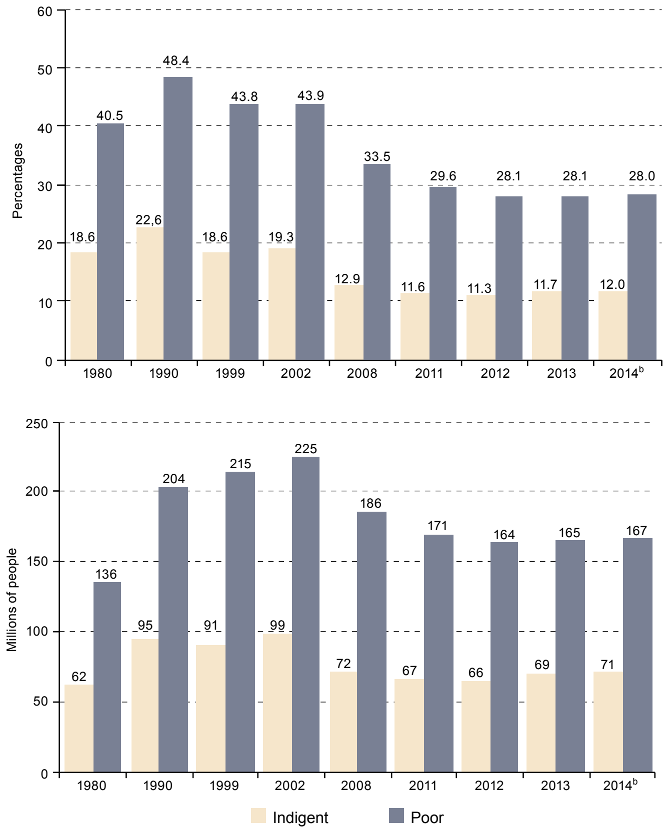



**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

**■ Figure I.3 ■**

**Latin America: poverty and indigence, 1980-2014** [a]

*(Percentages and millions of people)*




**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in the respective countries.

[a] Estimates for 19 countries of Latin America, including Haiti. Cuba is not included.

[b] Projections.

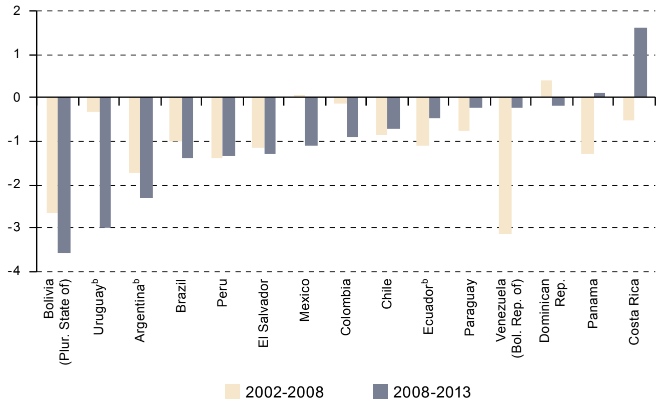
- Alongside progress with poverty reduction, inequality began to decline in most of the region's countries in the early 2000s, and the process continues. Between 2002 and 2013, the average Gini index fell by approximately 10%, from 0.542 to 0.486.

- With respect to income distribution between different population groups , the average share of the poorest 20% of households increased from 5.2% to 5.6% of the total between 2008 and 2013. By contrast, the total income share of the top quintile fell from 48.4% in 2008 to 46.7% in 2013.

**■ Figure I.4 ■**

**Latin America (15 countries): annual change in Gini coefficients, 2002-2008 and 2008-2013** [a]

*(Percentages)*




**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in the respective countries.

[a] Only countries with information available on the period from 2011 to 2013 are included. They are ranked by the size of the change in the second subperiod (2008-2013).

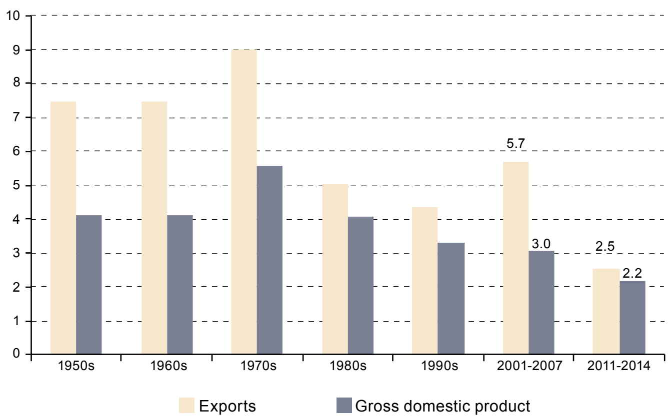
[b] Urban areas.

- In the United States, according to the United States Census Bureau, the poverty rate was 14.5% in 2013, which represented a decline on the previous year for the first time since 2006, taking it back to the same level as in 1994. The poverty rate had fallen gradually from 1995 to 2001, reaching 11.7% in the latter year, before climbing back up, also gradually at first but then more quickly after the 2007 economic crisis.
- Meanwhile, income concentration has been increasing steadily in the United States. According to population census data, in 2000 the top quintile received 49.8% of all income and the bottom quintile 3.6%, while in 2013 the figures were 51% and 3.2%, respectively. The Gini coefficient stood at 0.476 in 2013, as against 0.462 in 2000. This trend has been described as the most sustained rise in income inequality since the nineteenth century.[1]
- In Canada, according to the Canadian Income Survey (CIS), 13.8% of the population lived below the low-income threshold in 2012, using the after-tax Low Income Measure. The most vulnerable groups are single people who are not part of economic families, with rates almost twice the average; children living in female-headed single-parent households, with a rate of 44.5%; and older people living alone, with a rate of 28.5%.
- According to the Statistics Canada figures, income disparities worsened between 1995 and 2011. Average after-tax incomes rose by 12.7% for families in the bottom income quintile and 37.2% for those in the top quintile, so that the gap between top and bottom quintile incomes increased by 40.9%.
- Not only did world output grow by less in the period after the 2008-2009 crisis than in the one immediately before it, but so did world trade. In fact, world trade growth slowed by more than output growth. It is worth emphasizing that the strong expansion of world trade in the period from 2001 to 2007 coincided with the entry of China into the World Trade Organization (WTO) and the proliferation of value chains. This loss of world trade dynamism has affected the region's exports, with Latin American and Caribbean exports stagnating for the third year running in 2014.

**■ Figure I.5 ■**

**World: average changes in exports and GDP, selected periods**

*(Percentages)*




**Source**: World Trade Organization (WTO).

[1] Janet Yellen, "Perspectives on Inequality and Opportunity from the Survey of Consumer Finances", presentation at the Conference on Economic Opportunity and Inequality, Boston, Massachusetts, Federal Reserve Bank of Boston, 17 October 2014.

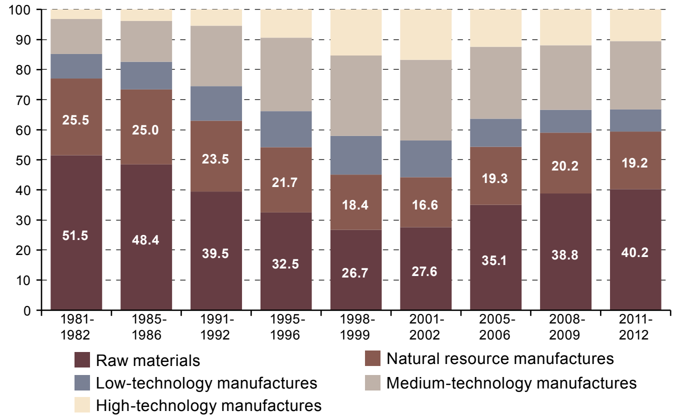
# B. Major global transformations

- There have been major transformations in the global economy in the past few years, including fast-paced technological change, the growing economic significance of Asia and emerging economies generally, the rapid rise of value chains and the tendency towards the creation of macroregions. These shifts call for an urgent reassessment of the countries' position in the international economy and, specifically, of the issue of production integration.
- The current economic context is characterized by a shift of global wealth towards emerging economies, which have become the main drivers of global growth. The contribution of advanced economies to world economic growth fell from 50% in the period from 1990 to 1995 to just over 30% in the period from 2005 to 2012.[2]
- The huge growth of China and its burgeoning links with the rest of Asia and with Africa and Latin America have transmitted economic dynamism to these regions, as the country has become an increasingly important market for their exports. This also holds true for the economies of the United States and Canada, as Asia and the Pacific, and China particularly, are now among their leading trading partners.
- The role of primary sectors in the total exports of Latin America and the Caribbean has grown steadily over the last 10 years, reversing the trend seen in the 1980s and 1990s. While raw materials and natural-resource-based manufactures together represented 77% of regional exports by value in 1980-1982, that share fell to about 45% between 1998 and 2002, but then began rising again and now stands at 60%. This is mainly due to China's economic growth and strong demand for the raw materials that the region exports, such as copper, iron ore, oil and soybean.

■ Figure I.6 ■

**Latin America and the Caribbean: distribution of total exports by technology intensity, 1981-2013**

*(Percentages)*




**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the United Nations Commodity Trade Database (COMTRADE).

- This relative increase was at the expense of exports of textiles and other manufactures, particularly in the commodity-exporting economies of South America. Conversely, the economies of Central America, Mexico and the Caribbean have been less affected, since their exports include a larger component of manufactures and mainly go to the United States market.
- Asia and the Pacific, and China in particular, also increased their share of the external trade of the United States and Canada.

2 Economic Commission for Latin America and the Caribbean (ECLAC), *Regional integration: Towards a strategy for inclusive value chains* (LC/G.2594(SES.35/11)), Santiago, Chile, 2014.

- In the last 10 years, China has been one of the fastest-growing export markets for the United States, with the latter's exports to China rising by 349% from 2004 to 2013. China is now the second-largest trading partner of the United States after Canada, being its largest source of imports and its third-largest export market after Canada and Mexico.
- The main United States merchandise exports to China in 2013 included oilseeds and grains, aircraft and their parts, motor vehicles, and navigation, measuring, electro-medical and control instruments. The five largest product group categories for United States imports from China that year were information technology equipment, communications equipment, miscellaneous manufactures (such as toys and games), clothes, and semiconductors and other electronic components. China was also the third-largest source of agricultural imports into the United States and the seventh-largest source of service imports.[3]
- In Canada, imports from Asia and the Pacific represented 19.2% of the total in 2013, up from 18.1% in 2007. Canada's exports to Asia and the Pacific rose from 6.7% of its export total in 2007 to 9.6% in 2013. These developments were generally at the expense of trade with the European Union.[4]
- In 2013, China was the second-ranking global destination for Canadian exports and its second-ranking import source after the United States. Between 2008 and 2013, the value of Canadian exports to China rose at an average annual rate of 14.4%, at a time when Canada's exports to the world were dropping by an average of 0.5% a year. In that period, the value of Canadian imports from China rose by an average of 4.3% a year, as against a figure of 1.8% for worldwide imports. The share of natural resource-based goods exports in Canada's total exports to China increased from 32.7% in 2008 to 46.2% in 2013. Canola seed, iron ore and its concentrates and wood pulp between them represented 24.7% of Canada's exports to China by value. Conversely, 99% of Canadian imports from China by value are manufactures, with just 1% being natural resource-based goods.

**Table I.1**

**Trade between Canada and China, 1998-2013**

*(Billions of dollars and percentages)*

| | Exports | Imports | Exports | Imports |
|---|---|---|---|---|
| | *(billions of dollars)* | | *(percentages)* | |
| 1998 | 2.50 | 7.65 | 0.78 | 2.56 |
| 2003 | 4.81 | 18.58 | 1.26 | 5.53 |
| 2007 | 9.51 | 38.33 | | |
| 2008 | 10.47 | 42.63 | 2.17 | 9.82 |
| 2013 | 20.49 | 52.73 | 4.34 | 11.09 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the Parliament of Canada.

3 Wayne Morrison, "China-US Trade Issues", *Congressional Research Service Report*, Washington, D.C., Library of Congress, 2014.

4 Latin American and Caribbean Economic System (SELA).

# II. Trade and investment links in the Americas

## A. The search for new markets

- The prolonged deadlock in the WTO Doha Round negotiations has been a factor leading countries to seek new markets via a proliferation of free trade agreements and an upsurge in megaregional negotiations such as those taking place over the Transatlantic Trade and Investment Partnership (TTIP) between the United States and the European Union and the Trans-Pacific Partnership (TPP) between the United States and 11 Pacific economies.
- In addition, a number of countries in the region have concluded or are negotiating partnership and free trade agreements with partners such as China, Japan and the Republic of Korea, among other Asian countries.
- Recently, Central America, Colombia and Peru, as well as the Caribbean Forum of African, Caribbean and Pacific States (CARIFORUM), have signed partnership agreements with the European Union. These come on top of existing agreements with Mexico and Chile and the relaunching of negotiations with the Southern Common Market (MERCOSUR).
- Free trade agreements between the United States and countries in the region include the North American Free Trade Agreement (NAFTA) between Canada, Mexico and the United States, the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) and treaties with Chile, Colombia, Panama and Peru.
- Canada has also sought to enhance trade and investment relationships in the region through bilateral trade and investment agreements. In the region, it has free trade agreements with Chile, Colombia, Costa Rica, Honduras, Panama and Peru.

**Table II.1**

**Trade agreements in the Americas** [a]

| | |
|---|---|
| Andean Community - Southern Common Market (MERCOSUR) | 1991 |
| Bolivia (Plurinational State of) - Southern Common Market (MERCOSUR) | 1997 |
| Bolivia (Plurinational State of) - Mexico | 1995 |
| Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) | 2005 |
| Canada - Chile | 1997 |
| Canada - Colombia | 2011 |
| Canada - Costa Rica | 2002 |
| Canada - European Free Trade Association (EFTA) | 2009 |
| Canada - Honduras | 2014 |
| Canada - Israel | 1997 |
| Canada - Jordan | 2012 |
| Canada - Panama | 2013 |
| Canada - Peru | 2009 |
| Caribbean Community (CARICOM) | 1973 |
| Caribbean Community (CARICOM) - Costa Rica | 2005 |
| Caribbean Community (CARICOM) - Dominican Republic | 2001 |
| Caribbean Forum of African, Caribbean and Pacific States (CARIFORUM) - European Community | 2008 |
| Central America - Chile | 2002 |
| Central America - Mexico | 2012 |
| Central America - Panama | 2002 |
| Central America - Dominican Republic | 2001 |
| Central America - European Union | 2013 |
| Chile - European Free Trade Association (EFTA) | 2004 |
| Chile - Australia | 2009 |
| Chile - China | 2006 |
| Chile - Colombia | 2009 |
| Chile - Republic of Korea | 2004 |
| Chile - United States | 2004 |
| Chile - Hong Kong Special Administrative Region of China | 2014 |

**Table II.1 (concluded)**

| | |
|---|---|
| Chile - Japan | 2007 |
| Chile - Malaysia | 2012 |
| Chile - Southern Common Market (MERCOSUR) | 1996 |
| Chile - Mexico | 1999 |
| Chile - New Zealand, Singapore and Brunei Darussalam (P4 Agreement) | 2006 |
| Chile - Panama | 2008 |
| Chile - Peru | 2009 |
| Chile - Turkey | 2011 |
| Chile - European Union | 2003 |
| Chile - Viet Nam | 2014 |
| Colombia - European Free Trade Association (EFTA) | 2011 |
| Colombia - United States | 2012 |
| Colombia - Mexico | 1995 |
| Colombia - Northern Triangle of Central America (El Salvador, Guatemala, Honduras) | 2009 |
| Colombia, Peru - European Union | 2013 |
| Andean Community | 1969 |
| Costa Rica - China | 2011 |
| Costa Rica - Peru | 2013 |
| Costa Rica - Singapore | 2013 |
| El Salvador - Taiwan Province of China | 2008 |
| United States - Australia | 2005 |
| United States - Bahrain | 2006 |
| United States - Republic of Korea | 2012 |
| United States - Israel | 1985 |
| United States - Jordan | 2001 |
| United States - Morocco | 2006 |
| United States - Oman | 2009 |
| United States - Panama | 2012 |
| United States - Peru | 2009 |
| United States - Singapore | 2004 |
| Guatemala - Taiwan Province of China | 2006 |
| Honduras - Taiwan Province of China | 2008 |
| Central American Common Market (CACM) | 1960 |
| Southern Common Market (MERCOSUR) | 1991 |
| Southern Common Market (MERCOSUR) - Israel | 2009 |
| Southern Common Market (MERCOSUR) - Peru | 2005 |
| Mexico - European Free Trade Association (EFTA) | 2001 |
| Mexico - Israel | 2001 |
| Mexico - Japan | 2005 |
| Mexico - Peru | 2012 |
| Mexico - European Union | 2000 |
| Mexico - Uruguay | 2004 |
| Nicaragua - Taiwan Province of China | 2008 |
| Panama - Peru | 2012 |
| Panama - Singapore | 2006 |
| Panama - Taiwan Province of China | 2004 |
| Peru - European Free Trade Association (EFTA) | 2010 |
| Peru - China | 2010 |
| Peru - Republic of Korea | 2011 |
| Peru - Japan | 2012 |
| Peru - Singapore | 2009 |
| Peru - Thailand | 2005 |
| Peru - European Union | 2013 |
| North American Free Trade Agreement (Canada, Mexico, United States) | 1994 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Foreign Trade Information System (SICE).
[a] The year the agreement came into force is given in each case.

## B. Trade

- Trade relations in the Americas have evolved as a result of the major global transformations taking place.
- The United States share of regional trade remains high, despite falling over the past decade as the economic weight of Asia has continued to grow.
- Latin America and the Caribbean accounts for a fifth of total United States trade.

**Table II.2**

**United States: breakdown of trade by main countries and regions (1980-2013) and annual rates of trade growth (1990-2013)**

*(Percentages of total United States trade and percentages)*

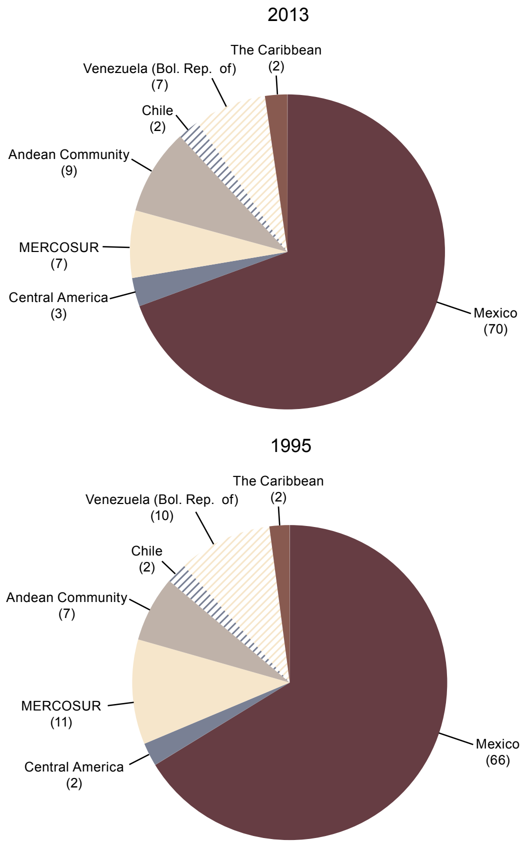
| | Region/country | 1980 | 1990 | 2000 | 2010 | 2013 | 1990-2013 *(annual growth rate)* |
|---|---|---|---|---|---|---|---|
| Exports | Canada | 16.0 | 21.1 | 22.6 | 18.4 | 18.3 | 4.7 |
| | Latin America and the Caribbean | 17.1 | 13.3 | 21.6 | 22.4 | 24.9 | 8.2 |
| | European Union | 28.7 | 26.6 | 21.6 | 19.4 | 17.0 | 3.7 |
| | Asia | 19.6 | 24.5 | 21.9 | 23.7 | 22.7 | 5.2 |
| | China | 1.7 | 1.2 | 2.1 | 7.6 | 8.3 | 15.5 |
| | Japan | 9.4 | 12.4 | 8.4 | 5.0 | 4.4 | 0.7 |
| | Rest of world | 18.5 | 14.4 | 12.2 | 16.2 | 10.0 | 6.0 |
| Imports | Canada | 16.6 | 18.1 | 18.5 | 14.2 | 14.5 | 5.6 |
| | Latin America and the Caribbean | 14.2 | 12.9 | 16.9 | 18.1 | 19.2 | 8.9 |
| | European Union | 17.2 | 20.2 | 18.7 | 17.9 | 17.0 | 5.9 |
| | Asia | 21.9 | 31.7 | 31.9 | 34.6 | 34.9 | 7.4 |
| | China | 0.5 | 3.1 | 8.6 | 19.3 | 19.8 | 17.1 |
| | Japan | 13.0 | 18.1 | 12.0 | 6.1 | 6.1 | 1.4 |
| | Rest of world | 30.1 | 17.1 | 14.1 | 15.2 | 9.0 | 6.0 |
| Total trade | Canada | 16.3 | 19.6 | 20.6 | 16.3 | 16.4 | 5.1 |
| | Latin America and the Caribbean | 15.7 | 13.1 | 19.3 | 20.2 | 22.0 | 8.5 |
| | European Union | 22.9 | 23.4 | 20.1 | 18.7 | 17.0 | 4.8 |
| | Asia | 20.7 | 28.1 | 26.9 | 29.1 | 28.8 | 6.3 |
| | China | 1.1 | 2.2 | 5.3 | 13.5 | 14.0 | 16.3 |
| | Japan | 11.2 | 15.3 | 10.2 | 5.6 | 5.2 | 1.0 |
| | Rest of world | 24.3 | 15.8 | 13.2 | 15.7 | 9.5 | 6.0 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the United Nations Commodity Trade Database (COMTRADE).

■ **Figure II.1** ■

**United States: breakdown of imports from Latin America and the Caribbean by origin, 1995 and 2013**

*(Percentages of the total)*

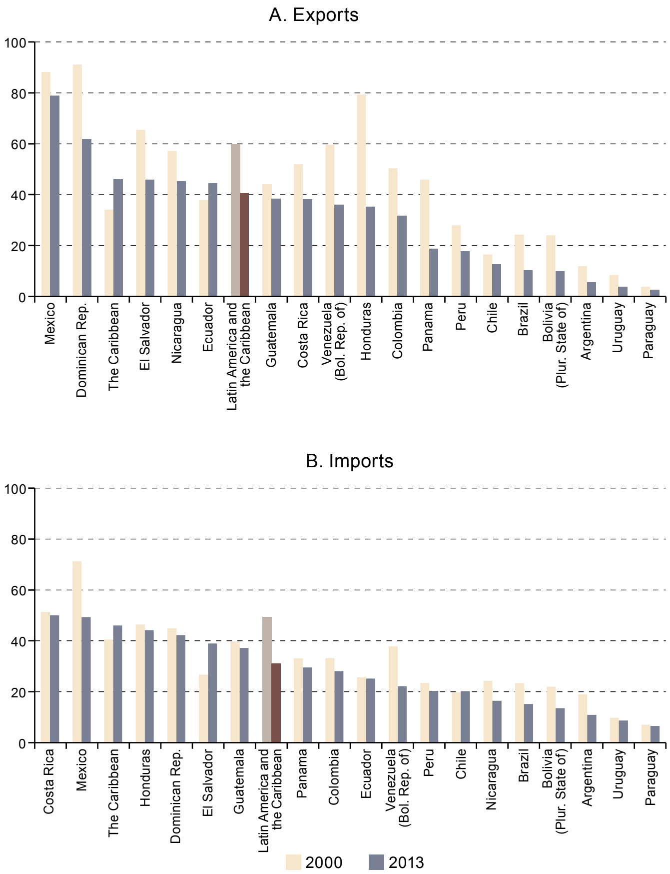



**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the United Nations Commodity Trade Database (COMTRADE) and data from the United States International Trade Commission (USITC).

■ **Figure II.2** ■

**Latin America and the Caribbean: United States share of total trade, 2000 and 2013**

*(Percentages)*



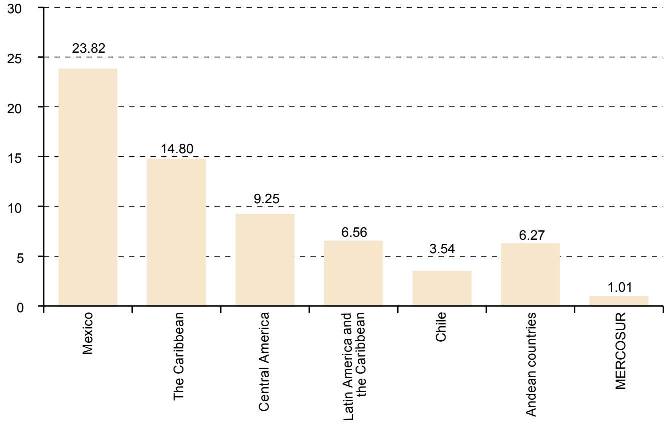

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the United Nations Commodity Trade Database (COMTRADE).

- The United States is a particularly important trading partner for Mexico and the countries of Central America and the Caribbean. Imports from Mexico represent over two thirds of United States imports from the region, while Mexico and MERCOSUR combined account for 77% of that total.
- Within the region, exports to the United States as a share of GDP are highest in Mexico, the Caribbean and Central America.
- Exports from Latin America and the Caribbean to the United States include a larger proportion of manufactures than those going to the European Union and China. This is particularly true of Mexico and Central America.
- On average, Latin America and the Caribbean exports more products to the United States than to the European Union or Asia, but the largest number of products is exported within the region itself.

■ **Figure II.3** ■

**Latin America and the Caribbean (selected countries and subregions): exports to the United States as a share of GDP, 2013**

*(Percentages)*




**Source**: Economic Commission for Latin America and the Caribbean (ECLAC).

- Bilateral trade between the United States, Canada and the countries of Latin America and the Caribbean shows potential for increased intra-industry trade.
- Trade and investment flows between Canada and Latin America and the Caribbean are still growing steadily. In the past decade, Canadian trade with the region grew twice as fast as that with the rest of the world.
- In 2012, 3.07% of Canada's total exports went to the region. That same year, 9.15% of Canada's total imports came from the region.
- The United States is Canada's main trading partner, accounting for over two thirds of Canadian trade. Mexico and Brazil are among the top 10 Canadian export markets, while Mexico, Peru and Brazil are among the top 15 suppliers of imports to the country.

■ **Table II.3** ■

**Latin America and the Caribbean (selected countries): number of products exported to selected markets, 2012-2013 average**

*(Using the six-digit Harmonized Commodity Description and Coding System)*

| | United States | European Union | Latin America and the Caribbean | Asia | China |
|---|---|---|---|---|---|
| Argentina | 1 725 | 2 079 | 3 836 | 1 507 | 577 |
| Bolivia (Plurinational State of) | 390 | 324 | 818 | 170 | 70 |
| Brazil | 3 164 | 3 401 | 4 176 | 2 823 | 1 731 |
| Chile | 1 644 | 1 712 | 3 383 | 1 172 | 530 |
| Colombia | 2 146 | 1 703 | 3 581 | 967 | 385 |
| Costa Rica | 2 144 | 1 385 | 3 254 | 960 | 412 |
| Dominican Republic | 1 933 | 909 | 2 048 | 313 | 127 |
| Ecuador | 1 332 | 1 122 | 2 449 | 501 | 155 |
| El Salvador | 1 331 | 559 | 2 925 | 376 | 93 |
| Guatemala | 1 778 | 1 006 | 3 629 | 702 | 278 |
| Honduras | 1 456 | 542 | 1 528 | 391 | 590 |
| Mexico | 4 428 | 3 316 | 4 156 | 2 657 | 1 785 |
| Nicaragua | 326 | 194 | 415 | 173 | 57 |
| Panama | 222 | 112 | 379 | 77 | 40 |
| Paraguay | 406 | 469 | 1 229 | 137 | 81 |
| Peru | 2 230 | 1 988 | 3 503 | 1 160 | 397 |
| Uruguay | 615 | 961 | 1 757 | 505 | 160 |
| Venezuela (Bolivarian Republic of) | 533 | 912 | 2 095 | 331 | 114 |
| The Caribbean | 825 | 293 | 955 | 81 | 28 |
| Latin America and the Caribbean | 4 716 | 4 395 | 4 808 | 3 963 | 3 025 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the United Nations Commodity Trade Database (COMTRADE).

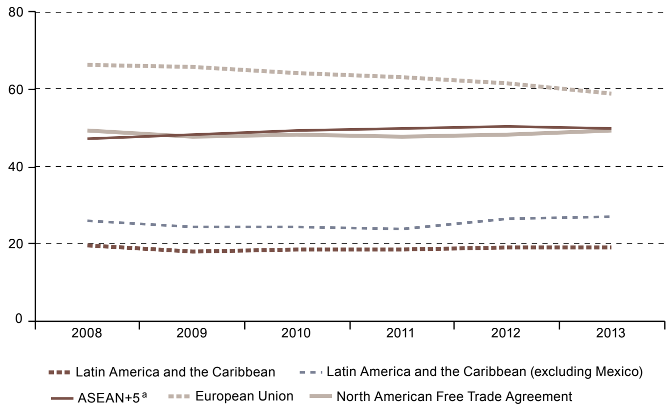
## C. Value chains

- With the exception of Mexico and Central America, Latin America and the Caribbean is integrated to only a limited degree into the three major production networks known as "factory North America", "factory Europe" and "factory Asia". The region is not a major supplier of intermediate or primary goods for these chains, and nor does it play a significant role as an importer of intermediate goods from the countries in them.
- Although the regional market offers huge potential for production and export diversification, the region is not taking advantage of this. In 2013, just 19% of exports from Latin America and the Caribbean remained within the region, a proportion that was basically unchanged from 2008 and was much lower than in the major regions of the world economy.
- The small share of intraregional trade in total exports from Latin America and the Caribbean is compounded by the small share of parts and components in this trade. The exception is Mexico, as medium-technology products make up a substantial share of its intermediate goods exports to its North American Free Trade Agreement (NAFTA) partners; one indicator of the degree of production integration between two or more economies is the share of intermediate goods in the trade between them.

**Figure II.4**

**Selected country groupings: intra-group exports as a share of total exports, 2008-2013**

*(Percentages)*




**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the United Nations Commodity Trade Database (COMTRADE).

[a] Includes the 10 member countries of the Association of Southeast Asian Nations (ASEAN) plus China, Japan, the Republic of Korea, Hong Kong Special Administrative Region of China and Taiwan Province of China.

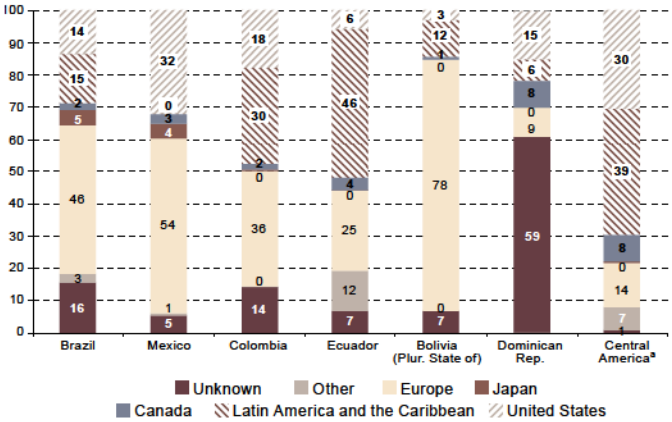
## D. Foreign direct investment

- Foreign direct investment (FDI) in Latin America and the Caribbean reached a new record peak of US$ 181.498 billion in 2013, a rise of 6% on the 2012 figure, which compares with an 11% increase in worldwide FDI over the same period. FDI in transition economies grew by 45%, while the figures were 6% for developing economies and 38% for the European Union, whereas FDI in the United States fell by 5%.
- The largest recipient of FDI in Latin America and the Caribbean is Brazil, which received US$ 64.045 billion, followed by Mexico with US$ 35.188 billion and Chile with US$ 20.258 billion. In 2013, the largest share of FDI in the region went into the service sector (38%), followed by manufacturing (36%) and natural resources (26%), although the proportion of FDI going into natural resources is over 50% in a number of countries, such as the Plurinational State of Bolivia, where it is 70%.
- In the last decade, about a third of all FDI inflows into Latin America and the Caribbean came from the United States, which remains the largest individual foreign investor in the region. United States investment represents 30% of all inflows in Central America and 32% in Mexico.

**Figure II.5**

**Latin America and the Caribbean (selected countries and subregions): foreign direct investment by origin, 2013**

*(Percentages)*




**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and estimates as of 8 May 2014.

[a] Central America includes Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua.

- Foreign direct investment by Canada in Latin America and the Caribbean has been growing since the late 1980s, when it represented just 8% of all that country's outward FDI. In 2012, 24% of all Canadian investment abroad went to the region.
- Since the mid-twentieth century, Canadian FDI flows into the region have progressively shifted towards the service sector, particularly finance and insurance, which account for over a third of the total. The mining, oil and gas sector ranks second with 18.8% of all Canadian FDI, while 11.2% goes into manufacturing.
- Between 2003 and 2013, the developing-country share of total outward investment rose from 10% to 39%. The most active regions are East and South-East Asia, which between them are the sources of over 50% of these capital outflows, and Latin America and the Caribbean, although the amounts are much smaller in this case. Thus, South-South FDI has increased particularly fast in the last 20 years.
- One variable that reveals the quality of the FDI received by the region is the percentage of research and development projects in the total announced. Figure II.6 compares this variable in different regions over a number of years. The main change seen is that Asia as a whole is proving more and more attractive for research and development investments. The United States, meanwhile, has maintained a 13% share of international research and development investment. There has also been a small upward trend in the percentage of worldwide research and development investment going to Latin America and the Caribbean, although this fell back in 2013.
- A growing number of firms in the region (Latin American and Caribbean transnationals) are beginning to invest outside their home countries. International expansion was focused on nearby markets in an initial stage, but then spread to more distant markets, first in North America and later, albeit on a smaller scale, in the European Union, Asia, Oceania and, in some cases, Africa. Trans-Latins with operations in Canada and the United States include Grupo Alfa (a diversified firm in terms of the sectors operated in), Vale (mining), Gerdau (iron and steel), Votorantim (diversified), Techint (iron and steel), Arauco (forestry) and Sigdo Koppers (construction).

**Figure II.6**

**Foreign direct investment in research and development, number of projects announced by destination region, 2003-2007, 2008-2012 and 2013**

*(Percentages)*

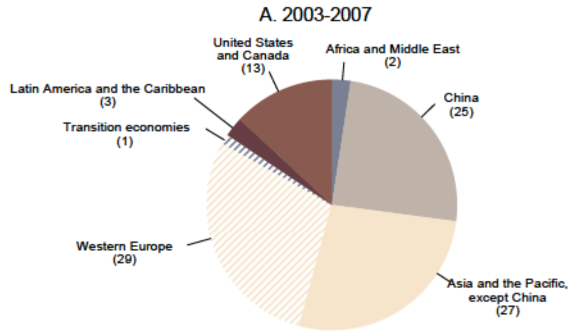
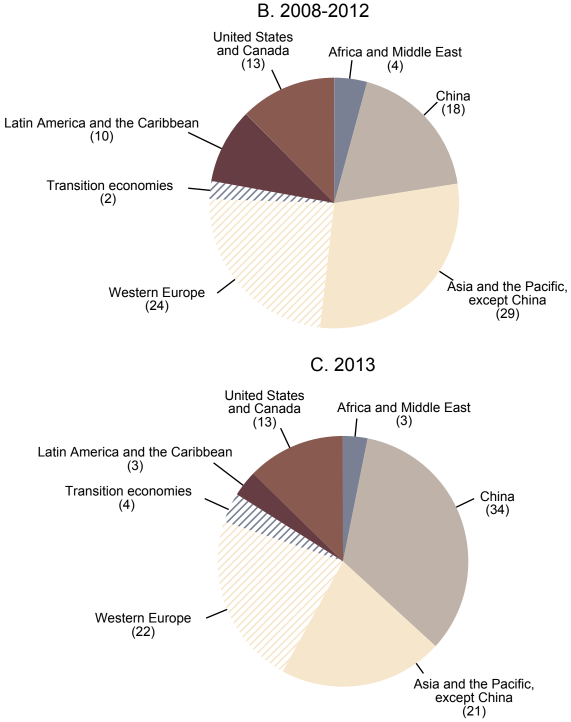


**Figure II.6 (concluded)**

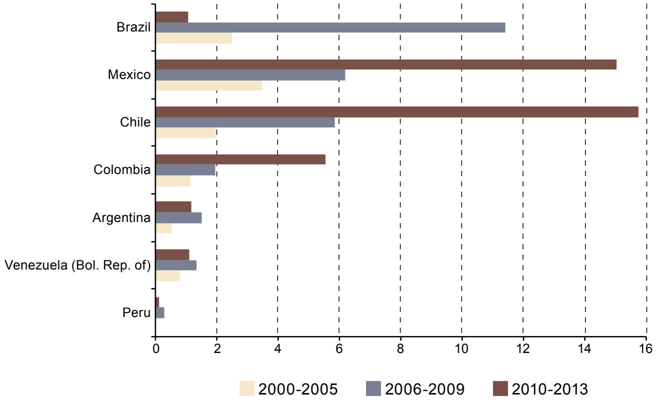



**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of investment announcements reported by fDi Markets.

**Figure II.7**

**Latin America and the Caribbean: foreign direct investment from leading investor countries, annual averages, 2000-2013** [a]

*(Billions of dollars)*




**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information.

[a] The information on Argentina and Colombia goes up to the third quarter of 2013.

# III. Migration [5]

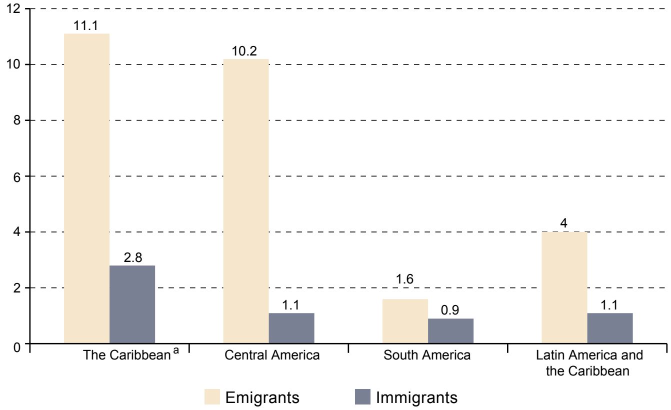
[5] This section is based on a document by Jorge Martínez, Verónica Cano and Magdalena Soffia Contrucci, "Tendencias y patrones de la migración latinoamericana y caribeña hacia 2010 y desafíos para una agenda regional", *Población y Desarrollo series*, No. 109 (LC/L.3914), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC).

- International migration has been very important in the history of the Americas, and remains very important today. At present, according to ECLAC, about 30 million people from Latin America and the Caribbean live in a country other than that of birth, an increase on the 26 million recorded in the 2000 census round. This number of emigrants represents about 4% of the total population of Latin America and the Caribbean. Meanwhile, the total foreign population (whether from countries in the region or beyond) living in Latin America and the Caribbean is 7.6 million, i.e., 1.1% of the regional population.
- Emigration from Latin American and Caribbean countries has been a dominant feature of the past few decades, although it manifests itself in different ways and presents wide variations in each subregion. Emigration from the Caribbean and Central America represents a particularly large share of the populations concerned.

**■ Figure III.1 ■**

**Latin America and the Caribbean: emigrants and immigrants as a share of countries' populations, by subregion, around 2010**

*(Percentages)*




**Source**: Latin American and Caribbean Demographic Centre (CELADE)-Population Division of ECLAC, Investigation of International Migration in Latin America (IMILA) research project and United Nations Population Division (UNPD).

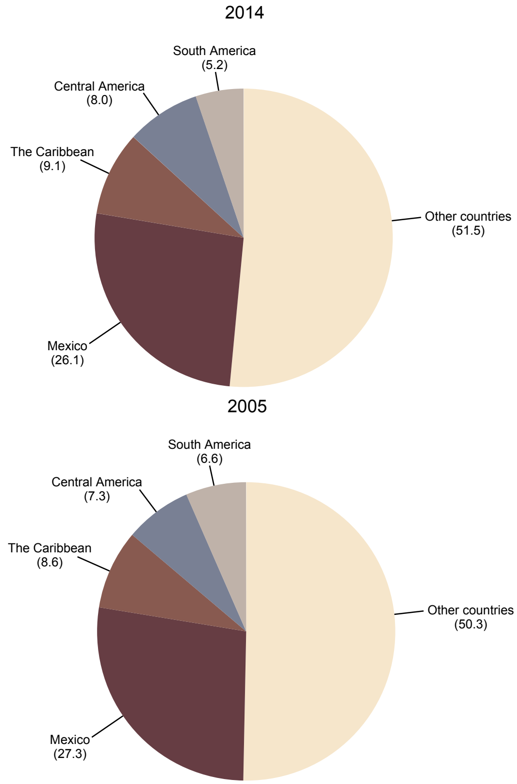
[a] Excludes Anguilla, Antigua and Barbuda, Aruba, Bermuda, British Virgin Islands, Cayman Islands, Dominica, Grenada, Montserrat, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Turks and Caicos Islands and United States Virgin Islands.

- The destinations for Latin American migration flows have progressively expanded and diversified. While there are signs of a drop in flows to developed-country destinations (and a considerable rise in intraregional migration, mainly between neighbouring countries), the United States is still the main destination for the region's migrants, and most Latin Americans emigrating to the country are from Central America and Mexico.
- In 2010, the United States was home to about 70% of Latin American and Caribbean emigrants, some 20.8 million people. Another 15% of migrants live in Latin America and the Caribbean and 2% in Canada. Figures for 2011 put the migrant population of Canada at 20.6% of the total, with 11.7% of this population having originated in Latin America and the Caribbean.

**■ Figure III.2 ■**

**United States: share of immigrants by country of birth, 2005 and 2014**

*(Percentages)*



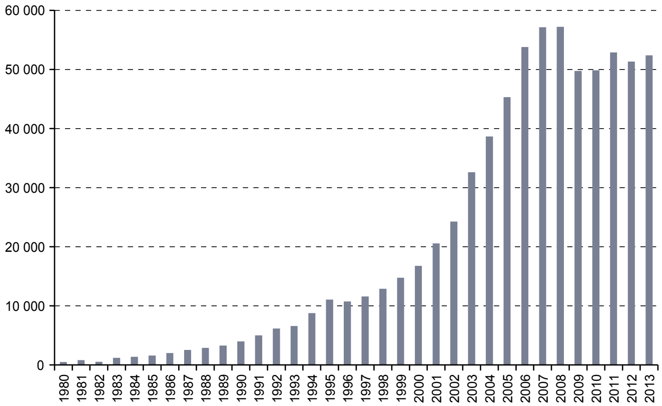

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the Current Population Survey of the United States.

- The sociodemographic characteristics of migrants from Latin America and the Caribbean living in the United States are heterogeneous, and cannot be grouped under a common set of traits. Their employment situations correlate primarily with their education levels, and these in turn with their countries of origin. Immigrants from South America and the Caribbean, for example, have the best employment indicators, as measured by participation in technical and professional occupations.
- There is now consensus about the potential contribution of migrants' labour to the growth and development of origin and destination countries. Migration leads, for example, to flows of remittances and transfers of capital, knowledge and technology. Migration processes can lead to new forms of female autonomy. At the same time, emigration also entails costs, including the loss of skilled human resources in the countries of origin and the disturbing discrimination some people are subject to because of where they come from, their sex, their skill level or their age. As for destination countries, demand for workers is rising both in jobs requiring little training and in others that call for skills.
- The volume of remittances received in Latin America and the Caribbean rose by 4% in 2014, the strongest growth since the 2009 global crisis, to US$ 62.3 billion.[6] This increase can mainly be attributed to the improvement in the United States labour market, the persistence of ties between emigrants and their families, communities and countries, new migration patterns and new methods of sending remittances. Mexico and Central America have been leading the growth. Remittances have dropped in some South American countries because they often originate in Spain, which has yet to recover from the crisis.

**Figure III.3**

**Latin America: remittances received, 1980-2013**

*(Billions of dollars at current prices)*




**Source**: International Monetary Fund (IMF), *Balance of Payments Statistics 2013* [online] http://elibrary-data.imf.org/ViewData.aspx?qb=d2f1b3bdde7c30fb88adb4a07cc6a5d2.

6 Inter-American Dialogue, *Trends in Remittances to Latin America and the Caribbean in 2014*, February 2015 [online] http://www.thedialogue.org/uploads/Remittances_and_Development/Trendsinremittancesin2014forLatinAmericaandtheCaribbeanFINAL.pdf.

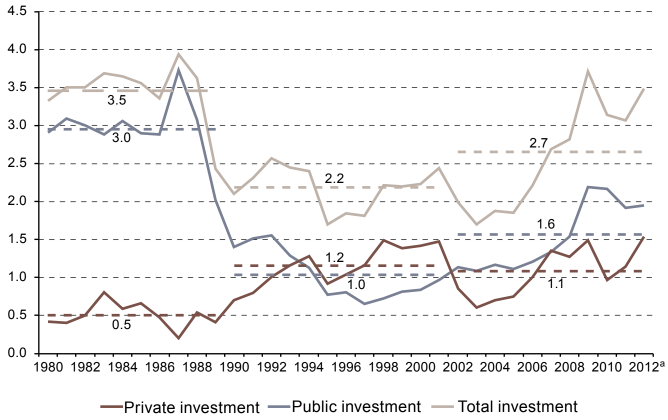
# IV. Infrastructure and energy

- In Latin America and the Caribbean, the infrastructure investment gap in the areas of transport, energy, water, sanitation and telecommunications has severely constrained the region's ability to progress with economic development and regional integration. The conclusion from estimates carried out by ECLAC is that Latin America needs to spend an average of about 6.2% of GDP a year[7] if it is to succeed in financing the infrastructure investment flows required to meet the needs of companies and final consumers between 2012 and 2020. This calculation is an estimation of investment needs rather than a firm recommendation, as it is based on the assumption that past investment patterns will continue in the future.
- Infrastructure investment in the region averaged 3.5% of GDP in the 1980s, a considerable fiscal effort that became unsustainable, with the result that public investment fell off sharply in the following decade. The years from 2002 to 2012, with the exception of 2009, were a time of steady economic growth for the region in which infrastructure investment partially recovered to average 2.7% of GDP (see figure IV.1). The average figures by sector of activity, expressed as percentages of GDP, were 1.1% for transport, 0.9% for energy, 0.6% for telecommunications and 0.2% for water and sanitation.[8]
- In the United States, total spending on transport infrastructure as a percentage of GDP has been on a downward trend since the 1960s;[9] nonetheless, the United States has a larger stock of transport infrastructure than the average Latin American country.[10]

**■ Figure IV.1 ■**

**Latin America: infrastructure investment by sector, 1980-2012**

*(Percentages of GDP)*




**Source**: Economic Commission for Latin America and the Caribbean (ECLAC).
[a] The 2012 data are preliminary.

- In the energy sector, the reforms introduced meant that from the mid-1980s to the mid-2000s in some countries, and up to the present day in others, the State ceased to control decisions about when, how and in what to invest. Thus, the growth and orientation of the energy sector began to depend increasingly on investment decisions taken by the private sector (which became increasingly atomized into national and regional actors including, in many countries, firms from outside the region, mainly the United States and Spain), with only weak State coordination and planning. This process took place at a time when international investment capital was plentiful and the oil price was expected to remain low in the medium and long term.
- Now that many years have passed since the start of the reform process, the effects on key sustainable development factors can be summarized as follows:

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7 Calculated on the basis of data from the document by Daniel Perrotti and Ricardo Sánchez, "La brecha de infraestructura en América Latina y el Caribe", *Recursos Naturales e Infraestructura series*, No. 153 (LC/L.3342-P/E), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), 2011, updated on the basis of joint research work by ECLAC and the Development Bank of Latin America (CAF).

8 These averages are preliminary figures. The figures for the period from 1980 to 2001 cover a sample of six countries, namely Argentina, Brazil, Chile, Colombia, Mexico and Peru, while a sample of 10 countries was used for the period from 2002 to 2012, namely Argentina, Brazil, Chile, Colombia, Ecuador, Guatemala, Mexico, Peru, the Plurinational State of Bolivia and Uruguay. Infrastructure investment in the rest of the region's countries was assumed to track the average for the countries in the sample.

9 The White House, *An Economic Analysis of Transportation Infrastructure Investment*, Washington, D.C., July 2014.

10 See McKinsey Global Institute, *Infrastructure Productivity: How to save $1 trillion a year*, January 2013, according to which the United States has a stock equivalent to 64% of its GDP, while in Brazil the figure is just 16%. These estimates cover the sectors of transport (road and rail, ports and airports), energy, water and telecommunications.

- Economically, while some progress has been made, it must be said that little has been achieved in terms of greater efficiency. This has been due to the progressive concentration of the industry and certain practices associated with dominant market positions, to difficulties with pricing and information transparency, and to certain barriers preventing efficiency gains from being passed on to users and society as a whole, these problems being most apparent in the electricity industry.
- Socially, and with respect to achievement of the Millennium Development Goals, while solid fuels have been progressively replaced by liquid petroleum gas (LPG) and electrification has continued steadily, situations of energy poverty persist, particularly as regards access to the more efficient and modern sources of energy needed to provide people with high-quality energy in both periurban and rural areas.[11]
- Environmentally, a rise in the international price of crude oil has the same effect on the economies of almost all net hydrocarbon-importing countries as the sudden imposition of a carbon emissions tax, revealing their vulnerability and limited capacity for adjusting to a scenario of high oil, natural gas and coal prices. In the current situation of sharply lower commodity prices, the ideal course would be to lower emissions while steadily increasing energy efficiency and bringing non-fossil fuels progressively into the region's energy mix, in a context of economic vigour and poverty reduction.
- Institutionally, two issues continue to interest the public authorities: the strengths of the regulatory bodies responsible for supervising, monitoring and regulating public services provided by both private and public enterprises; and the proper administration of revenues from the exploitation of natural energy resources, be they hydrocarbons, coal or hydropower.

- In addition, the hemisphere's energy outlook has been changing significantly because of increased oil and gas production in the United States and the exploration of tar sands in Canada, opening up the prospect of energy self-sufficiency and diversification and making this an auspicious time to promote energy integration. In this respect,, Canada, the United States and Mexico have agreed to strengthen ties and implement joint actions to move ahead with trilateral cooperation in strategic areas such as modernizing energy infrastructure both physically and institutionally, including policies, regulation, innovation and practices to promote goods and services produced energy-efficiently and with sustainable technologies.

11 See Economic Commission for Latin America and the Caribbean (ECLAC)/United Nations Development Programme (UNDP)/Club of Madrid, "Contribución de los servicios energéticos a los Objetivos de Desarrollo del Milenio y a la mitigación de la pobreza en América Latina y el Caribe. Síntesis ejecutiva", *Project Documents*, No. 278 (LC/W.278), Santiago, Chile, October 2009.

# V. Final reflections

- The revitalization of hemispheric relationships opens valuable opportunities to move forward in developing competitive economies and forging an international economic role and position conducive to structural change. The hemisphere offers ample opportunities for progress in areas such as science and technology, innovation, infrastructure, the integration of production chains and support for intraregional trade, as well as participation in global value chains. Greater hemispheric cooperation in a bid to develop more competitive and inclusive knowledge-based economies will help meet these challenges in a way that benefits all.
- It is well known that science, technology and innovation are essential factors in an economy's potential to grow, compete in the global economy and enhance its development prospects. This has been articulated in many of the development agendas of advanced and emerging economies alike, including countries in the region. The challenges of the new knowledge economy call for a sense of urgency and the development of a long-term vision that includes the goals aimed at and their associated costs and benefits.[12] Under current conditions, it is imperative for the region's economies to substantially increase their research and development activities and move forward with the design of mechanisms that bring science and innovation closer together.
- ECLAC has been pointing to the urgent need to develop dynamic comparative advantages in the region to improve its position in the global economy. This means increasing investment in technology and knowledge, implementing joint actions to promote innovation and technology diffusion and close the digital divide, supporting the development of clusters and internationally competitive and environmentally sustainable value chains, and backing regional or subregional initiatives to increase the presence of firms and technology centres from the region in global knowledge and technology networks.[13] Also needed are actions to bring about the institutional changes required for greater investment in science, technology, knowledge and innovation.
- An education for the twenty-first century and skilled human resources are what are needed to incorporate more knowledge into the production structure, thereby enhancing the region's position in the international economy. This means strengthening the relationship between the education and production systems so that the former provides the latter with the capabilities it needs. Thus, long-term strategies and action plans for education and capacity-building are required.
- The research and development activities being carried out jointly among Latin American and Caribbean countries and with Canada and the United States have a vital part to play in spurring innovation and competitiveness in the region. It is recommended that these activities should be expanded and strengthened, with particular emphasis on knowledge transfer.
- With a view to enhancing science and technology capabilities, it is important for ties between universities in the Americas to be strengthened and for joint projects to be carried out between universities and firms. This would not only strengthen local capabilities via technology transfer but would also spread the risk and reduce the costs associated with research and development.

[12] Economic Commission for Latin America and the Caribbean (ECLAC), *Ciencia y tecnología en el Arco del Pacífico Latinoamericano: espacios para innovar y competir* (LC/L.3251), Santiago, Chile, October 2010.

[13] Economic Commission for Latin America and the Caribbean (ECLAC), *Regional integration: Towards a strategy for inclusive value chains* (LC/G.2594(SES.35/11)), Santiago, Chile.

## A. Trade and investment

- Trade is an essential tool to promote growth, employment and development. The obvious differences in size and starting conditions notwithstanding, the countries of the Americas need to continue engaging with the global economy in a way that leads to high-quality job creation and improved living standards, while at the same time reducing inequalities in their respective societies.
- The rapid pace of technological innovation and the tendency towards the creation of large regional markets and geographically widespread value chains make it necessary to increase productive linkages in the region and improve its international positioning. As ECLAC has argued,[14] there is a direct link between a strategy of growth with equality and enhancement of the regional economic space.
- In this context, convergence between the different Latin American and Caribbean integration schemes is urgent and necessary. The region is where the benefits of integration, such as increased scale and capitalization on the different complementarities among countries, are most likely to be realized. Intraregional trade tends to be more diversified and manufacturing-intensive, have a higher technology content, be more accessible to small and medium-sized enterprises and create more employment than trade with other regions.
- Hemispheric collaboration efforts should address outstanding trade issues and those that will be essential to the competitiveness of the Americas in future.
- Bilateral trade between the United States, Canada and the countries of Latin America and the Caribbean shows potential for increased intra-industry trade with greater value added and for productive integration.
- Trade facilitation, which involves reducing bureaucratic hurdles in the countries of Latin America and the Caribbean and helping them meet current security requirements, is one of the pending challenges. Trade both within the region and between it and the rest of the world is affected by high logistics costs. This is the result of a number of factors, including deficiencies in transport infrastructure and logistics services and a lack of progress in simplifying and rationalizing international trade bureaucracy. High logistics costs in some of the region's countries affect not just their current trade but their opportunities for participating in regional or global value chains.
- To maximize the benefits and minimize the risks of value chains, policies need to strengthen the synergy between trade and investment policies, deal with infrastructure bottlenecks limiting these chains' potential and promote the production capacities of local firms and build the capabilities of local workers. Regional cooperation and policies shared by a number of countries in the region will always be better than heterogeneous or less far-reaching national policies working in isolation.
- Active policies should be developed to provide incentives for innovation and for production and export diversification. In particular, there should be encouragement for measures to add value to natural resource exports, for example by incorporating technological know-how and exports of high value added services associated with the exploitation of these resources (such as mining exploration or oil prospecting services, in which the region has acquired a great deal of experience).
- Megaregional negotiations will probably have a large impact on the geographical distribution and governance of world trade and investment flows if they can be successfully completed. The implications for Latin America and the Caribbean are manifold and complex. The effects will be felt differently in each country, depending on the composition and geographical structure of its trade, its degree of participation in regional or global value chains and its network of trade agreements, among other factors. With respect to trade negotiations, it is important to promote the participation of all the countries of the Americas that have expressed an interest and promote cumulation of origin among all participating countries.

[14] Economic Commission for Latin America and the Caribbean (ECLAC), *Regional integration: Towards a strategy for inclusive value chains* (LC/G.2594(SES.35/11)), Santiago, Chile.

- As has been seen, foreign direct investment from the United States and Canada is very important in the region. However, large FDI inflows do not necessarily translate into a large positive impact on economic growth or development. Not all types of FDI have the same impact. For example, a large proportion of inward FDI goes on acquisitions of firms that do not provide the economy with new capabilities, and it is even possible that entirely new investments may do no more than replace local ones. The challenge is to attract the kind of FDI that helps to develop new sectors or has the potential to improve the productivity and performance of existing ones. United States and Canadian transnationals have huge technological and productive capabilities that the countries in the region could draw on to develop new sectors or expand existing ones. The development of solar energy in Chile and the large expansion of automotive production capacity in Brazil and Mexico are two recent examples.

## B. Migration

- Without a doubt, migration creates challenges and opportunities for individuals as well as for countries of origin, transit, return and destination, which is why it features prominently on the national and international agendas of the countries of the Americas. At the first session of the Regional Conference on Population and Development in Latin America and the Caribbean, held in Montevideo in August 2013, the countries participating approved the Montevideo Consensus on Population and Development, which reaffirms their commitment to redoubling efforts to address these challenges from a perspective of human rights, development and shared responsibility.
- Strengthened cooperation is vital if migration is to take place in safe, orderly and humane conditions under bilateral arrangements for labour force mobility, ensuring protection for the human rights of migrants. It was agreed at the Montevideo Conference that concrete results would be achieved through international cooperation and dialogue in existing forums within Latin America and the Caribbean and in those that connect with other regions of the world, particularly North America and the European Union. In the Montevideo Consensus, following a Latin American and Caribbean initiative, the countries concurred in the need to provide all migrant persons with protection, whatever their migration status. They also agreed to eradicate violence against women migrants, illegal migration and the trafficking and migration of unaccompanied children. This last situation calls for novel forms of cooperation; one example are initiatives whereby countries such as the United States have collaborated with countries of origin in a ground-breaking experiment to provide humanitarian assistance.
- The idea of migration governance is also taking shape as a promising shared initiative in the Americas, conferring legitimacy upon the agreements, standards and policies that each country has pursued independently. This idea needs to be followed up on, as it establishes shared responsibility between countries of origin, transit, return and destination, ensuring the participation of civil society. Alongside national efforts, a key factor in progress with migration governance is appropriate cooperation that contributes to the creation of more and better employment opportunities, decent wages and productive investments. The opportunities offered by initiatives such as the Montevideo Consensus on Population and Development, the Summit of the Americas and the Community of Latin American and Caribbean States (CELAC) are very relevant to efforts to move forward with dialogue, cooperation and the facilitation of legal migration. The Southern Common Market (MERCOSUR) and the Andean Community have already taken steps in this direction in the form of agreements and decisions aimed at facilitating residence and work.

## C. Energy

- The heterogeneity of the region's natural resource endowment and production structure creates energy challenges for both the short and the long term. Some of these challenges, including those arising from the structural shift in global energy demand because of rapid economic growth in China, India and other emerging economies and from the new international regime for combating global climate change in the next decade are exogenous and beyond the power of national public policies to influence directly.[15] However, they have been raising the priority given to the energy policy goals broadly identified across the region. In order to foster sustainable and more inclusive development, the short- and medium-term energy policy agenda needs to include:
  - improving energy security by consolidating the energy integration process at different levels: binational, subregional and/or regional;
  - diversifying the energy mix via the penetration of renewable sources and fomenting social equity in energy access and consumption by correcting price distortions that currently affect the sustainable management of demand growth, which means targeting subsidies on poor sectors and doing away with blanket subsidies for natural gas and petrol, as well as other price distortions that are very widespread in the region;
  - removing barriers to the penetration of renewable sources and increasing their share of the regional energy supply;
  - bringing in new investment policies and technologies to accelerate the changeover and rolling out infrastructure and capital and consumption goods with greater inbuilt energy efficiency; and
  - redesigning urban infrastructure and land-use planning policies to deal with rapid growth in demand for personal transport in the region, something that has brought rising consumption of liquid fossil fuels and derivatives, and altering the distribution of cargo transport methods to reduce fuel consumption and pollution.

## D. Infrastructure

- Levels of infrastructure investment remain inadequate, despite improving from 2002 to 2012. One of the main challenges faced by the countries of Latin America and the Caribbean, then, is to raise infrastructure investment and improve quality and efficiency in the provision of services associated with infrastructure use to respond to long-term growth and development needs. In practice, infrastructure is increasingly being included as a strategic issue on many of the development agendas of the region's countries. Infrastructure funds are also being created, examples being the National Infrastructure Fund (FONADIN) in Mexico and the Promotion of Public Regional and Local Investment Fund (FONIPREL) in Peru.
- The most recent budgetary announcement by the White House[16] proposed a six-year transport infrastructure investment plan worth US$ 478 billion, equivalent to expenditure of about 0.5% of GDP a year.[17] It should be noted that this budget is federal and so does not include whatever the different states may invest with their own funds, although it includes funding for a Department of Transportation investment programme, the Transportation Investment Generating Economic Recovery (TIGER) Grant Program, aimed at state and local governments, as well as funds for the creation of a new programme, the America Fast Forward Bond, to provide state and local governments with a taxable bond option.

[15] See Economic Commission for Latin America and the Caribbean (ECLAC), *Natural resources: Status and trends towards a regional development agenda in Latin America and the Caribbean* (LC/L.3748), Santiago, Chile, December 2013, and, in respect of the UNASUR countries, Economic Commission for Latin America and the Caribbean (ECLAC), *Natural resources within the Union of South American Nations: Status and trends for a regional development agenda* (LC/L.3627), Santiago, Chile, May 2013.

[16] See "The President's Budget for Fiscal Year 2016" [online] http://www.whitehouse.gov/omb/budget/, budget presented on 2 February 2015.

[17] Authors' estimates based on 2013 GDP figures published by IMF.

The budget likewise includes resources for a road building fund, the Highway Trust Fund, and for an inter-agency programme aimed at increasing infrastructure investment in different sectors, the Build America Investment Initiative (BAII). This budgetary announcement treated infrastructure investment as one of the most vital kinds for accelerating and maintaining long-run economic growth.

- Infrastructure investment remains a priority in Canada, where unprecedented sums have been spent on improving infrastructure throughout the country. The Economic Action Plan 2013 earmarked 70 billion dollars for public infrastructure over the coming decade, including 53 billion for a provincial, territorial and municipal infrastructure programme, the New Building Canada Plan.
- Canada and the United States have collaborated actively on an integrated approach to investment at the border. In June 2013, they announced the Joint Border Infrastructure Investment Plan. This is the first binational joint plan between the United States and Canada, and is expected to reduce border delays and speed up trade and travel between the two countries. It is an inter-agency and binational planning mechanism created to establish a mutual understanding on border infrastructure investment.
- The current state of infrastructure investment in the Americas indicates a need to review the historical pattern of investment decision-making so that it is oriented towards more and better infrastructure. As ECLAC has pointed out, such investment needs to be sustainable, inclusive and equality-oriented. To this end, in the case of transport, for example, priority should be given to investment decisions that promote co-modality rather than the preference being given to a single mode of transport (mainly highway transport), as has been done hitherto in many cases to meet almost all logistics and mobility needs in the region's countries. Future infrastructure investment decisions in all areas should follow similar criteria. The point has been made that it is essential to take a comprehensive approach to infrastructure policies, move public-sector intervention towards more effective and efficient regulations, promote sustainability and, most particularly, improve the quality of institutions in a new equation of State, market and society.[18]
- ECLAC has argued that a lack of appropriate infrastructure and inefficiency in the services provided over it are major obstacles to effective public policy implementation, full attainment of development goals and achievement of integration objectives. In this context, regional integration of economic infrastructure represents an alternative and lower-cost solution, as some infrastructure can be specialized to provide regional services. Such cooperation would make it possible to obtain a given level of service, in terms of coverage and quality, with less investment and lower running costs as a result of network economies, thus freeing up public resources for social spending or other sectors of the national economy. It would also make it possible to provide and safeguard a continuous and secure supply to the countries participating, at a cost they would hardly be able to achieve on their own.
- The region has been formulating different proposals since the 1950s, mainly involving economic and trade collaboration and coordination, including regional infrastructure integration. Although major subregional or hemispheric physical interconnection measures have been taken, these efforts have focused more on the construction of infrastructure than on institutional coordination actions such as the facilitation of services or the establishment of technical and economic regulations, a factor that could explain why the region has not been able to move towards higher levels of integration. In this regard, ECLAC has emphasized the need to align the conception, design, execution and follow-up, and likewise the oversight and evaluation, of policies on infrastructure and allied services in a way that maximizes the development effects, by way of an integrated and sustainable logistics policy. This effort needs to be pursued with a regional perspective that makes it possible not only to solve infrastructure and service provision problems but also, and most particularly, to deal with institutional and regulatory failings or obstacles (both in policy implementation and in market organization) that arise as a consequence of the great variation and multiplicity of approaches towards economic infrastructure and the services provided over it in the different processes involved (conception, design, implementation, follow-up, oversight and evaluation).

[18] Daniel Perrotti and Ricardo Sánchez, "La brecha de infraestructura en América Latina y el Caribe", *Recursos Naturales e Infraestructura series*, No. 153 (LC/L.3342-P/E), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), 2011.

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