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Summary

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Globalization and Development is a study prepared by the ECLAC secretariat for the twenty-ninth session of the Commission (Brasilia, May 2002).

This publication summarizes the contents of that document.

I. The history and multidimensionality of globalization

The world of today bears the imprint of a process that has come to be known as globalization –i.e., the progressively greater influence being exerted by worldwide economic, social and cultural processes over national or regional ones. This is not a new process. Its historical roots run deep. Yet the dramatic changes in terms of space and time being brought about by the communications and information revolution have endowed it with new dimensions that represent a qualitative break with the past.

Modern historians distinguish a number of stages in the last 130 years of globalization. The first phase, from 1870 to 1913, was marked by great capital and labour mobility, together with a trade boom which was the result of dramatically reduced transport costs rather than of free trade. This phase ended with the outbreak of the First World War, which led to a period characterized by difficulties in resuming previous trends and then, in the 1930s, by an outright reversal of the globalization process.

After the Second World War, a new stage of global integration began. This period consisted of two different phases. The watershed events of the early 1970s that marked the changeover from one to the other included the disintegration of the macroeconomic regulatory regime established in 1944 in Bretton Woods, the first oil crisis, the increasing mobility of private capital –which was heightened by the first two phenomena– and the end of the "golden age" of growth in the industrialized countries. If the early 1970s are taken as the turning point, then it becomes possible to identify a second phase of globalization, which lasted from 1945 to 1973. This period was characterized by a major effort to develop international institutions for trade, financial and technical cooperation and by a significant expansion of trade in manufactures among developed countries. It was also, however, marked by widely varying models of economic organization and limitations on the mobility of both capital and labour.

The last quarter of the twentieth century ushered in a third phase of globalization, with the gradual spread of free trade, the growing presence on the international scene of transnational corporations operating as internationally integrated production systems, the expansion and considerable mobility of capital mixed with persistent restrictions on labour mobility and mass real-time access to information, thanks to the development of information and communications technologies. At the same time, a strong tendency towards the standardization of development models became evident. Hence, the present phase of the globalization process exhibits unique facets that differentiate it from earlier phases of the world economy's internationalization in a number of areas, as shown in table 1.

Table 1
The phases of globalization

	1870-1913	1945-1973	From 1974
Capital mobility	High	Low	High
Labour mobility	High	Low	Low
Free trade	Limited	Limited	Extensive
Global institutions	Non-existent	Created	Lagging
National institutions	Heterogeneity	Heterogeneity	Standarization

The way in which the term "globalization" is used in this document also highlights the multidimensional nature of this process. Indeed, although the economic facets of globalization are the most commonly referred to, they are evolving concomitantly with non-economic processes, which have a momentum of their own.

Some of these processes are linked to economic activity, however. One of them is the spread of global environmental problems. In the past three decades it has become clear –and has been scientifically documented– that the planet is facing an unprecedented situation due to the increasing scale and cumulative effect of human activity. The impacts are worldwide and include global warming, the thinning of the ozone layer, the decline in biodiversity and the spread of desertification and drought, which have taken on the perverse dimension of "global public bads". This has brought to light the countries' increasing environmental vulnerability and interdependence, which has become one of the characteristics of the third phase of globalization.

In contrast with the multilateral trading system, the institutional structure for international environmental management is weak and fragmented. Over the past 20 years, the growing number of multilateral environmental treaties and the proliferation of intergovernmental institutions both within and outside the United Nations system have drawn attention to the need to rationalize the international management of sustainable development. Developing countries are also coming under mounting pressure to incorporate environmental provisions into trade agreements. The ministerial declaration recently issued in Doha both broadens and deepens the range of environmental issues that will be considered within the framework of the World Trade Organization.

The greatest inroads made during the 1990s have been in the development of new international legal principles. The most important of these new provisions is Principle 7 of the Rio Declaration on Environment and Development regarding "common but differentiated responsibilities". This principle implicitly acknowledges the environmental debt that the developed countries have built up with the rest of the international community as a consequence of the array of cumulative externalities and impacts generated during their industrialization process. Principle 7 lays the political foundations for the developed countries' assumption of greater commitments than developing countries within the framework of multilateral environmental agreements. It should be stressed that this principle signifies an explicit acknowledgement of the fact that –in contrast to the principles applying to the economic dimensions of the international order– it is neither possible nor desirable to "level the playing field" with regard to enviromental matters.

Other processes have a dynamic that is relatively independent of the economic globalization process. One of the most positive of these is what ECLAC has termed the "globalization of values". This concept refers to the gradual spread of shared ethical principles whose clearest manifestations are the declarations on the two main dimensions of human rights –civil and political rights, and economic, social and cultural rights– and the declarations issued at world summits held by the United Nations, including, most notably, the Millennium Declaration. Like the economic globalization process, this "globalization of values" has a long history that stretches back to many of the struggles waged early on by international civil society. Whereas the civil and political rights enshrined in the United Nations Universal Declaration of Human Rights are rooted in the liberal movements of the late eighteenth century, the International Covenant on Economic, Social and Cultural Rights is an outcome of the social movements of the nineteenth and twentieth centuries, and the principles of gender equality are the product of the protracted struggle of international women's movements.

The long history of the world's social movements now includes an additional dimension that has arisen in recent years: the struggle by peoples and social groups for the right to maintain their identity in the face of the cultural homogenization associated with globalization. This "right to be different" is interrelated in various ways with human rights in the traditional sense, which uphold the equality of citizens, both among themselves and with the State. Thus, at the global level, equality and identity are interrelated in quite complex ways. On the one hand, the current dynamism of the globalization process threatens to turn the enriching dialogue of cultures into a monologue. On the other, interaction opens up cultural opportunities, including those offered by the mixture of different cultures, to new and varied groups and individuals. This process, which works through participatory and exclusionary mechanisms, has given rise to new networks, virtual or otherwise, which are taking the place of protest movements' traditional modes of organization.

International political relations have also undergone far-reaching changes in recent decades. The end of the cold war produced a dramatic change in the climate prevailing among sovereign States. The growing predominance of the United States, European efforts to form a bloc capable of playing a leading role in global economic and political affairs, the setbacks suffered by Japan, the increased prominence of China and India, and the sudden transition experienced in the former socialist countries were the most salient features of this period. These sweeping political changes also had the effect of placing representative democracy in a position of unprecedented primacy.

These political developments stand in contrast to the acknowledged lack of global governance in today's world. This deficit, in its turn, reflects another deep-rooted conflict: the disparity between global problems and local political processes. As a result, there are no decision-making mechanisms at the global level to ensure that the interests of the least powerful countries and social sectors are adequately represented. This situation gives rise to tensions because the exercise of citizenship and democracy remains confined to the national and local spheres.

II. Prominent features of the current economic globalization process

1. Financial volatility

There is nothing new about the volatility that has marked international financial markets during the past three decades, but some features of today's markets have tended to accentuate it. Its chief manifestation has been the marked frequency of financial crises in both industrialized and developing countries since the start of the 1970s. Because the majority of transactions on financial markets are conducted on an intertemporal basis, the lack of accurate information about the future constitutes the essential "market failure" which accounts for this volatility. Markets are thus vulnerable to changes in opinions and expectations, which swing back and forth between optimism and pessimism as investors' "appetite for risk" varies. The repercussions of these shifts are then magnified by the "contagion effects" generated as opinions and expectations spread from one market to another.

Information asymmetries between debtors and creditors represent another market failure, since they generate a bias in favour of borrowers considered to be low-risk debtors and make markets highly sensitive due to a lack of confidence in creditors' imperfect information about the rest of their borrowers, especially the highest-risk ones. Since market confidence also behaves procyclically, spreads on the market's highest-risk loans are procyclical as well, which gives rise to alternating periods of "appetite" for high-risk activities and "flight to quality assets".

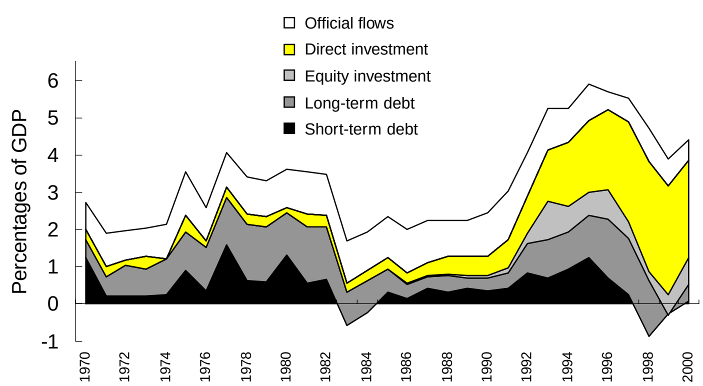
One of the features that has tended to exacerbate the volatility of contemporary financial markets is the insufficient regulation of the banking sector, institutional investors and agents operating in derivatives markets. This situation is aggravated by the procyclical bias of existing regulations. A second such feature is the contagion which occurs when institutional investors face liquidity constraints in several markets simultaneously; clearly, the larger the stake of highly leveraged institutions in the market, the greater this contagion effect will be. A third element is the tendency for several different agents to employ the same risk assessment system and to base its use on a short time horizon, which accentuates the contagion effect further. Yet another element is the procyclical behaviour of rating agencies.

Unlike the situation in previous decades, foreign direct investment (FDI) and bond sales were the chief sources of financing in the 1990s. FDI growth was strong throughout the decade, contributing an average of three fourths of net capital flows to developing countries. Generally speaking, it maintained an upward trend and exhibited very little volatility. A substantial portion of FDI has taken the form of mergers and acquisitions rather than the direct creation of new production capacity.

In sharp contrast to FDI, bond issues fluctuated and their financing conditions were higly sensitive to ups and downs in international markets. Net flows of commercial bank funds behaved in much the same way. Portfolio equity flows and placements of international depositary receipts (ADRs and similar instruments) have proved to be the most unstable. Unlike FDI, in the aggregate all of these sources of financing were markedly procyclical in the 1990s (see figure 1).

Figure 1

Net capital flows to developing countries

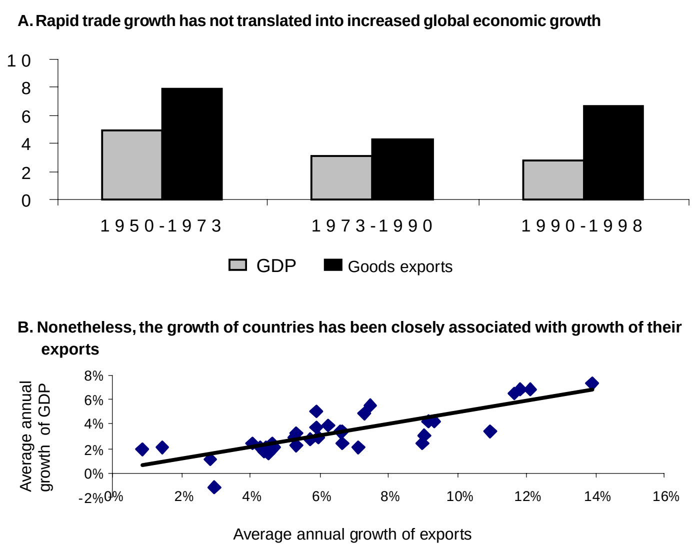


Source: ECLAC, on the basis of World Bank, *Global Development Finance, 2001*, CD-ROM version.

2. Productive and technological restructuring

The relationship between development strategy, external trade and economic growth has been variable since the end of the Second World War. Comparative analyses demonstrate that trade policy has played an important role in development strategies, but also that there is no simple correlation applicable to all countries in all time periods or to any one country in different periods. Specifically, during the current phase of the globalization process, the liberalization and expansion of world trade has **not** led to more rapid growth at the global level, but the success of individual countries **has** been closely linked with their ability to position themselves successfully in world trade flows (see figure 2). Nevertheless, the successfulness of trade strategies is not determined by the use of

Figure 2
Exports and growth



Source: Calculated by ECLAC on the basis of data from Maddison (2001).

one particular model but instead depends on varying combinations of economic orthodoxy and economic "heresies".

The composition of world trade by category of goods has changed substantially over the past 15 years. The slow growth of trade in commodities and natural-resource-based manufactures is one of the most striking trends in this regard. Moreover, increasing market competition has severely hurt raw material prices. Among manufactures, those based on the use of advanced technology show a much higher growth rate than manufactures as a whole. The largest increases are found in the category of machinery and equipment, especially electrical equipment and equipment associated with the information and communications industry.

An analysis of the growth of international trade can be combined with an analysis of the "revealed competitiveness" of various regions, as reflected in their share of the markets for different types of products. Two criteria can be used for this analysis: the growth of demand for each product (above or below average) and each country's market share (rising or falling). The combination of these two criteria gives rise to four categories, as shown in table 2. The United States and Canada, together with the developing countries of Asia, tend to specialize in exports of fast-growing product categories. Latin America and the Caribbean, on the other hand, are conspicuous for the importance of slow-growth categories, which represented more than two thirds of their total exports during the 1990s.

Table 2

Fast-growth products as a share of total exports in different regions of the world

(According to world growth patterns for 1990-2000)

		Fast-growth products	Stagnant products
Western Europe	1990	40.6	59.4
	2000	50.5	49.5
United States and Canada	1990	44.6	55.4
	2000	58.0	42.0
Latin America and the Caribbean	1990	20.8	79.2
	2000	39.1	60.9
Developing Asia	1990	35.3	64.7
	2000	53.1	46.9
Africa	1990	11.1	88.9
	2000	15.7	84.3

Source: ECLAC, CAN 2001, on the basis of COMTRADE data.

The close relationship between international trade and FDI has been another salient feature of recent decades. The participation of transnational firms in international trade is hardly new, but this phenomenon took on considerably greater significance after the Second World War. The restructuring of the international economy has been associated, on the one hand, with the adoption of a corporate and industrial mindset by all sectors of the economy, and, on the other, with the increasing intrafirm specialization of labour and changes in firms' growth strategies. The trend towards globalization in some industries and the establishment of internationally integrated production systems (i.e., "global factories") mirror, at the world level, the specialization and outsourcing practised by individual firms in local markets.

Increasing competition among business enterprises, the technological advances that have made it possible to establish real-time long-distance linkages, and the liberalization of external trade policies have resulted in a greater geographical dispersion of all business functions. In these complex systems, the simplest tasks, such as assembly functions, are assigned to less industrialized areas, while functions requiring specialized know-how and technology are transferred to more industrially advanced areas, with specific patterns of internationalization being determined by the characteristics of each product and its market. In the most science-intensive sectors (e.g., pharmaceuticals), intrafirm trade tends to predominate, whereas in scale-intensive industries relying on more mature technologies (the automotive and consumer electronics industries, for example), assembly operations and intraregional trade are more prevalent. Levels of intrafirm trade in natural-resource-intensive products are generally quite low, and international integration in these sectors tends to be horizontal, since it is based on trade in commodities.

The mobility afforded by technological advances is transforming the affiliates of transnational corporations, which used to operate in a geographically dispersed manner but with self-contained production processes, into integrated production and distribution networks at the regional and global levels. Within these networks, firms can purchase the inputs they need and produce for the local or regional market, or they can integrate economic activities scattered among different regions. From this standpoint, the regionalization of the world economy is, paradoxically, a corollary of globalization.

In terms of major sectors of economic activity, the most striking feature is the significant growth in services, which have come to account for more than half of the existing stock of FDI. This process has taken place in parallel with the restructuring of the industrialized economies. As a result, the share of manufacturing activities as such in the final price of goods has declined to less than a quarter of the total, while the rest correpsonds to the service activities that come into play throughout the production process, starting with the product's design and ending with its final marketing. This has prompted some authors to speak of services' "encapsulation" in manufactures. Together with the expanding share of services and the shrinkage, in relative terms, of the manufacturing sector, a pattern characterized by a high degree of geographical concentration of technology-intensive industrial production processes is being propagated. The resulting picture is very clear: the more advanced the industry's technology, the greater its geographical concentration in a small number of countries.

3. Inequalities and asymmetries in the global order

Globalization has not only engendered growing interdependence; it has also given rise to sharp international inequalities. In contrast to a metaphor widely employed in recent debates, the world economy can be described as an essentially “**uneven** playing field,” whose hallmarks are a concentration of capital and technology generation in developed countries and the strong influence of those countries on trade in goods and services. These asymmetries in the global order are at the root of profound international inequalities in income distribution.

The widening gap between different regions and countries has been a feature of the world economy for the past two centuries. Indeed, although the very swift expansion of the gap in per capita GDP between the more and less developed countries seen during the nineteenth century and the first half of the twentieth was checked during the second phase of the globalization process, the upward trend in this differential has resumed during the third phase, and the increase was particularly rapid during the 1990s (see figure 3a).

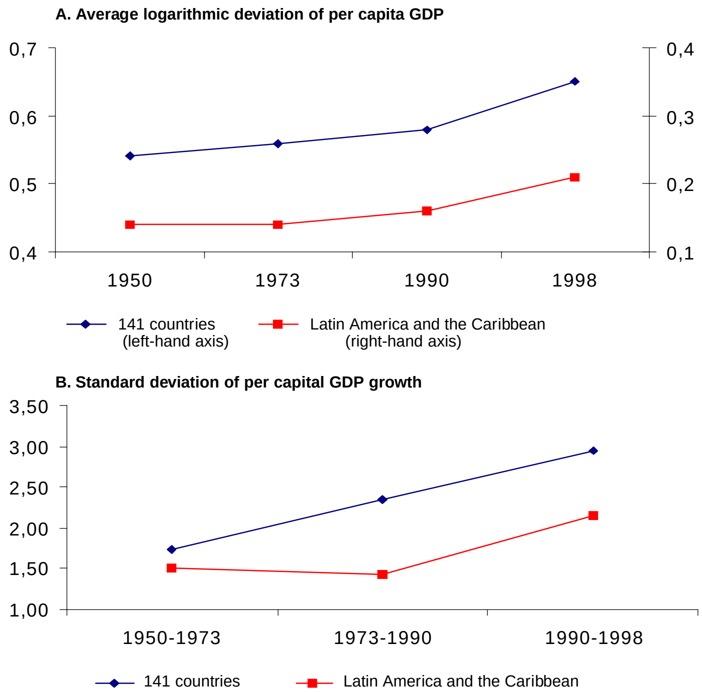
This long-standing trend has been accompanied by two others which have been particularly strong during the third phase of globalization. The first is a marked and growing dispersion of growth rates among developing countries during the last quarter of the twentieth century –in other words, the coexistence of “winners” and “losers” in all groups of countries, low- and middle-income alike (see figure 3b). The second is the significant increase in inequalities within countries. In point of fact, in the period 1975-1995, 57% of the population in a sample of 77 nations were living in countries in which income distribution was becoming increasingly unequal. Only 16% lived in nations in which inequality was declining. (The remainder lived in countries with stable levels of inequality or ones in which no clear trend could be identified.)

Thus, no trend whatsoever towards the convergence of countries’ income levels can be discerned. When convergence has occurred, it has done so only in developed countries and only at specific stages in the evolution of the world economy. Trends towards divergence in development levels, “truncated convergence” and stagnation at middle-income levels have been much more common.

Just as redistributive action by the State is essential at the national level to ensure equality of opportunity, national efforts can fully succeed at the global level only if they are complemented by equitable and stable rules of the game and by international cooperation designed to eliminate the basic **asymmetries** of the global order.

Figure 3

Inequality in countries' per capita incomes and frequency of winners and losers



Source: Calculated by ECLAC, on the basis of data from Maddison (2001).

These asymmetries fall into three basic categories. The first is the extreme concentration of technical progress in developed countries. The spread of technical progress from the originating countries to the rest of the world has been relatively slow and irregular and has been subject to the payment of innovation rents, which are being afforded increasingly greater protection by the spread of strict regulations on intellectual property rights. It is because of the combined effect of these factors that, at the world level, the production structure has continued to exhibit a high degree of concentration of technical progress in the industrialized countries, which thus maintain their predominant position in the fastest-growing branches of international trade and their hegemony in the formation of major transnational corporations.

The second type of asymmetry is associated with developing countries' greater macroeconomic vulnerability to external shocks, which also strain these countries' very limited means of coping with them. The net effect of this situation is that, whereas industrialized countries have greater manoeuvring room to adopt countercyclical policies and elicit a stabilizing repsonse from financial markets, the developing economies have almost no such room at all, since financial markets tend to accentuate cyclical variations, and market agents expect national authorities to behave procyclically as well.

There is also a third type of asymmetry associated with the contrast between the high degree of capital mobility and the limited international mobility of labour, especially among low-skilled workers. This asymmetry is a distinctive feature of the third stage of globalization, since it was not observed in the first stage (when this factor of production was highly mobile) or the second (when both factors showed little mobility). Asymmetries such as this in the mobility of production factors skews the distribution of income, placing the less mobile factors at a disadvantage.

"Levelling the playing field" by regulatory means will not correct these asymmetries; on the contrary, it may end up by making them worse, both because of the very uneven levels of the different countries' institutional capacity for assimilating and enforcing such regulations (the cost of institution-building) and because of the unequal distribution of their costs and benefits (as a result, among other factors, of the protection of intellectual property and financial regulations' differential effects on what the market judges to be high- and low-risk countries and agents). Recent international debates and negotiations suggest, however, that a new stage is beginning, although its exact nature is not yet entirely clear. Hence, this is a particularly good time for a constructive debate on development cooperation. Such cooperation should be focused on correcting the basic asymmetries of the international economic order within the framework of a world economy that is much more open today than it was during the debates on development cooperation of the 1960s and 1970s.

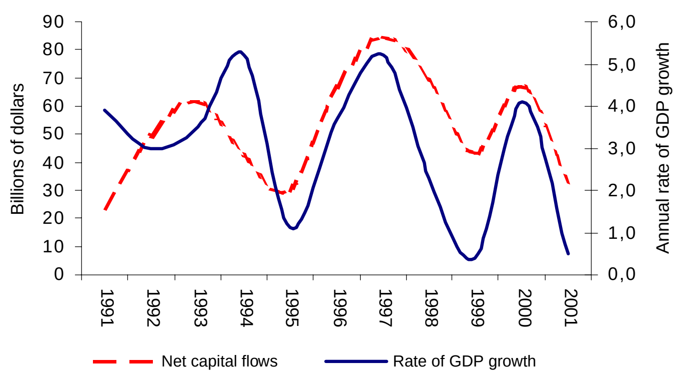
III. Notable developments in Latin America and the Caribbean

1. Macroeconomic vulnerability

The volatility of capital flows has undermined the stability of economic growth in the Latin American and Caribbean region, and the authorities have found it hard to reconcile fluctuations in liquidity with effective stabilization policies. Substantial progress has been made in controlling inflation, but the instability of the real economy has been quite marked. During the 1970s, the expansion of international credit allowed economies to grow on the back of large trade deficits and unsustainable expenditure and price structures, which ultimately triggered the debt crisis. In the 1980s, net resource transfers turned negative, thereby curbing economic activity and growth. In the 1990s, renewed access to international capital flows permitted the region's growth rate to rebound to an annual average of 2.7% for the period from 1990 to 2001.

This outcome is not only disappointing when compared to average growth rates before the debt crisis; it also represents the net result of much greater volatility, since during this period phases of rapid growth were punctuated by slowdowns or outright recession. The close link between the economic cycle and net resource transfers is forged by a series of mechanisms that operate through national financial systems. During periods when capital inflows are booming, domestic credit and liquidity grow too rapidly. During recessions, just the opposite occurs, and liquidity is reduced too sharply. These powerful financial amplifiers tend to heighten booms and to deepen recessions (see figure 4).

Figure 4
Latin America and the Caribbean: GDP growth and net capital flows



Source: ECLAC.

Changes in sovereign risk and the resulting perception of an economy's vulnerability without reference to its macroeconomic fundamentals provide an illustration of how contagion works in both booms and busts. The lessons to be drawn from an analysis of the crises experienced by a number of countries in the second half of the 1990s suggest that short-term liquidity requirements and the level of liquid international reserves that countries have at their disposal to cover these commitments have come to be regarded as important indicators of vulnerability.

The instability of private capital flows during this period undermined the real economy's ability to react to crisis situations, as trade-protection and export-promotion instruments lost importance and the exchange rate became the key determinant of competitiveness. Because they discouraged technological development and the conquest of markets, exchange-rate lags led to a loss of production capacity and marketing networks which, as indicated in the literature on the "Dutch disease", have proven to be quite long-lasting in many cases. Instability in capital flows also hurt investment, as demonstrated by the fact that investment rates remain below their pre-crisis levels. In retrospect, it can be seen that the slight increase in investment observed in the 1990s was attributable to the use of a greater supply of external financing which was unaccompanied by any complementary increase in national saving or in domestic (especially medium- and small-scale) investors' access to long-term domestic or external financing.

Moreover, using exchange-rate policy as a nominal anchor at times when external finance was in abundant supply resulted in sharply lower inflation rates, but at the cost of an increasing appreciation of the real exchange rate, thereby generating significant –but ultimately ephemeral– "wealth effects". In the absence of ready acccess to external resources, the use of the exchange rate as a stabilizing anchor proved difficult to sustain. In the long run, after capital flows eventually dried up, the appreciation of the currency turned into the Achilles heel of these types of stabilization strategies.

In the late 1980s, stabilization programmes placed a high priority on reducing the fiscal deficit. A great deal of headway was made, particularly during the first half of the 1990s, when the region as a whole actually managed, on average, to bring its fiscal accounts into balance. The development of fiscal responsibility laws represents another step forward in recent years. The practice of using an annual time horizon for fiscal programming functions has, however, resulted in a highly procyclical pattern of fiscal expenditure. The establishment of structural targets for public finances and the expansion of public revenue stabilization funds in recent years are certainly steps towards correcting the procyclical bias of fiscal policy.

During crisis periods, a number of the region's governments have been obliged to intervene in their national financial systems and to serve as the lender of last resort for their central banks. This means that the public sector is assuming the risks incurred by private agents that borrowed abroad or the risks associated with external borrowing by non-financial agents, which invariably translate into large fiscal or quasi-fiscal losses.

2. Trade and investment and technological development patterns

The rapid internationalization of markets and production characteristic of the current phase of globalization has been accompanied in Latin America and the Caribbean by far-reaching changes in investment, production and trade incentives. More than a decade after the emergence of these new patterns of integration with the global economy, the region has clearly succeeded in boosting its export sectors and becoming a magnet for FDI.

In the 1990s, Latin America and the Caribbean had one of the world's highest growth rates for merchandise trade in terms of both volume and value. Between 1990 and 2001, the average annual increase in merchandise exports amounted to 8.5% in terms of volume and 9.2% in value. These rates were surpassed only by China and the more buoyant Asian economies. However, imports into the region grew at even higher rates (12.0% in volume and 11.9% in value). These figures were far higher than those posted elsewhere, except for China, where the rate was nearly as high as it was for the Latin American and Caribbean region. Both exports and imports grew much faster than GDP, which showed only a modest increase (just one third as much as exports and one quarter as much as imports).

Meanwhile, FDI flows to the region were growing at an unprecedented rate. In fact, these flows increased more than fivefold, if the average for 1990-1994 is compared to the peak level recorded in 1999, although they fell in both 2000 and 2001. Even so, those inflows were still three times as high as those recorded in the first half of the 1990s. The cumulative effect of these flows marks a profound change in foreign investment patterns in the region. These emerging patterns clearly differ from the pattern prevailing between the early decades of the post-war era and the late 1980s, when FDI was mainly channeled into manufacturing activities geared to supplying protected domestic markets. In the past decade, in contrast, transnational corporations have helped pave the way for the Latin American and Caribbean countries to position themselves more successfully in the international economy. They have also contributed to the modernization of some sectors of infrastructure that are key factors in building systemic competitiveness. There is no sign, however, that transnational corporations are employing tactics aimed at seeking out strategic capacities (e.g., research and development) as they are in the OECD countries and some Asian economies.

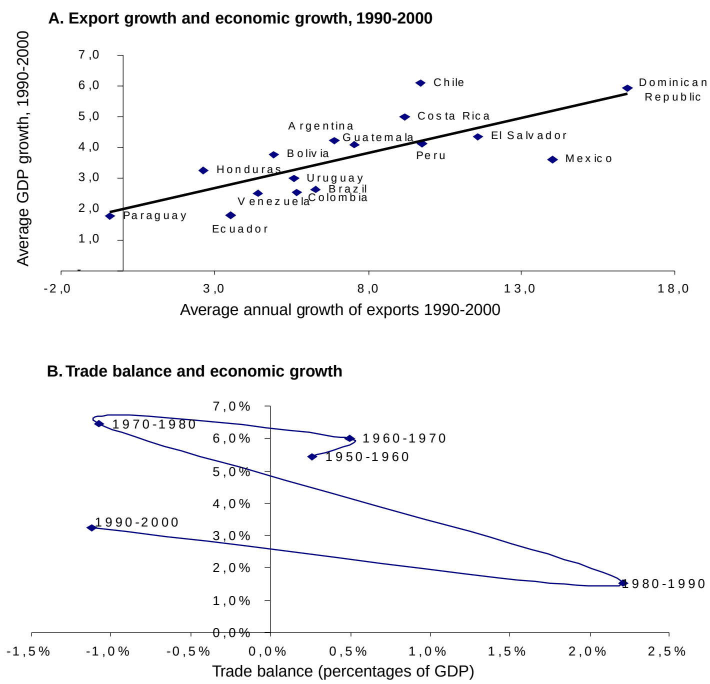
The strength of export performance and the orientation of FDI have varied in the different countries of Latin America and the Caribbean. Export specialization in the region followed three basic patterns during the last decade. In the first, which has been exhibited primarily by Mexico but also by some countries of Central America and the Caribbean, countries began to join in the vertical flows of trade in manufactures engaged in by a number of internationally integrated production systems centred chiefly in the United States market. In the second, which has mainly been seen in South America, the countries belong to horizontal global production and marketing networks, chiefly for natural-resource-based commodities. This group is also characterized by highly diversified intraregional trading activity in which transnational corporations are heavily involved and by a lower concentration of destination markets. The third pattern is based on the export of services, mainly for tourism, but also financial and transport services, and is the predominant pattern in some countries of the Caribbean and Panama.

One of the notable features of the region's situation during the last decade was undoubtedly the contrast between its strong export performance and success in attracting FDI, on the one hand, and the weakness of overall production activity, on the other. In the aggregate, this result can be seen as the net effect of the opposing impacts on total demand of export growth and a sharp increase in the import coefficient. On balance, however, although a positive correlation can clearly be discerned between the region's export performance and its rate of economic growth (see figure 5a), the unprecedented pace of import penetration has tended to prevail over the effect of stronger export growth. One of the consequences of this has been a structural deterioration in the relationship between economic growth and the trade balance (see figure 5b). This has also been a factor in keeping external borrowing requirements high even in times of recession.

Even though the region succeeded in increasing its share in world markets and attracting FDI in the 1990s, production linkages with these fast-growth activities have been weak. In addition, the increasingly frequent use of imported capital and intermediate goods (a trait of internationally integrated production systems) has weakened the production linkages and national innovation systems inherited from the

Figure 5

Latin America: exports, trade balance and economic growth



Source: ECLAC.

preceding stage of development, and these linkages and systems have not been replaced with new ones –at least not at a comparable pace. In fact, as a consequence of the transition to these internationally integrated production systems, engineering functions and research and development (R&D) that used to be performed by local firms are being transferred out of the region. This situation is exacerbated by the low level of spending on science and technology, which has hovered around half a point of GDP (with some notable exceptions, such as Brazil and Cuba), as well as by the fact that the private sector participates very little in this field and by a lack of interaction between academic research and production activity. An opposing and very conspicuous trend during recent years has been the rapid growth of connectivity, thanks to which the region has exibited the fastest-growing Internet community in the world in recent years. The inequality of the various social sectors' access to new technologies is a cause of concern, however. In fact, there is a greater risk of a further increase in the "domestic digital divide" within Latin America and the Caribbean than in the digital divide between the region and the developed world.

As a result of these factors, the multiplier effect and the technological externalities generated by the fast-growth activities associated with exports and FDI have been weak. In a context in which expanding sectors are having an insufficient knock-on effect and world economic growth is sluggish, the structural heterogeneity (economic dualism) of production sectors has become more marked: there are now many more "world-class" firms, most of which are subsidiaries of transnational corporations, but, at the same time, a growing proportion of employment is being concentrated in low-productivity informal-sector activities, which account for seven out of every 10 new jobs created in Latin American urban areas in the last decade.

3. Environmental sustainability

In Latin America and the Caribbean, the relationship between the restructuring of production and environmental sustainability has been determined by patterns of natural resource extraction, the export profile and the growing importance of FDI. Within this context, the region continues to witness a build-up of the pressures being generated by outdated production processes and land settlement patterns. In many countries, there was also an increase in the volume of environmentally sensitive exports during the 1990s, and in cases where countries have chosen a strategy of export–based growth and liberalization, they are under pressure to adapt their production systems to meet the environmental standards of their main export markets. Consumer behaviour is also helping to turn environmental excellence into a new factor of competitiveness. In view of these trends, the region will need to make major changes in its environmental regimes and practices, not only in order to heed the signals being sent by international markets but also in order to ensure the continuity of its production base.

It is difficult to determine the environmental impact of FDI with any accuracy since, on the one hand, FDI plays an important role in major projects for the exploitation of natural resources while, on the other, foreign firms can facilitate the transfer and use of environmentally-friendly technologies and improvements in environmental management. Its impact will also depend on the strategy being used by investor firms and on the host country's environmental legislation and institutional structure. In any event, the scant evidence available on the subject provides some positive signs as to the impact of FDI on environmental management.

The environmental implications of productive and technological restructuring are generally felt over the medium and long terms and involve dynamic, cumulative characteristics that are difficult to measure. Major environmental impacts are generated by the use of new technologies, by the development of hitherto untapped renewable and non-renewable natural resources, by the creation and dispersion of new life forms and by the release of new substances into the environment. At the same time, the technical potential for achieving a sustainable form of environmental management, controlling environmental pollution, adapting technologies to local ecological and social conditions, and attaining an exponential increase in the production of goods and services to meet people's needs is greater now than ever before. In addition, some economic and technological trends are beginning to show signs of being conducive to environmental protection. This is especially the case in the manufacturing and services sectors, but includes some emerging activities in the primary sector as well.

The Latin American and Caribbean region is highly exposed to potentially destructive natural phenomena. The weather-related natural disasters that have occurred over the past four years provide evidence of just how vulnerable many countries are, given their lack of preparedness and limited response capacity. This is especially true of the island States in the region. The development pattern of most of the countries, which is associated with high levels of poverty, inadequate infrastructure, socio-economic exclusion and environmental degradation, is one of the main reasons for this high degree of vulnerability.

The Latin American and Caribbean countries' institution-building and environmental management capabilities have not been strong enough to mitigate the environmental costs of economic expansion and urban concentration on the scale seen in the region during recent years. The countries need to fortify their institutional platforms and capabilities if they are to achieve effective control over negative externalities. Public-sector environmental budgets reflect the fragility and discontinuity of environmental governance in the region. Donations and international credit provide a fairly limited and declining share of environmental funding, especially in the larger nations. In the smaller countries, especially in the Caribbean, external assistance is of fundamental importance.

4. International migration

Migration flows have gained momentum during the third phase of globalization, following more than half a century of very limited labour mobility. During this period migratory flows to almost all the OECD countries have expanded, but even so they have been smaller than they were during the first phase of the globalization process (1870-1913), which is also referred to as an era of mass migration. Major changes are also taking place in terms of immigrants' regions and countries of origin (a growing proportion of which are developing countries), but the most outstanding feature of these migratory movements is the accompanying legislative changes, which have introduced much greater restrictions than in the past and show a clear bias towards the migration of skilled labour. Special programmes have also been set up to facilitate temporary residence, generally in connection with labour permits for employment in specific areas, either to make the labour market more flexible or to deal with shortages of supply in certain segments.

The combination of the high propensity to migrate exhibited by the populations of developing countries and the restrictions placed on the mobility of labour led to a sharp increase in undocumented migration to OECD countries in the 1990s. These types of flows are by definition impossible to measure accurately. Estimates for the United States indicate that there are a total of 5 million undocumented immigrants, of whom three fourths are natives of Latin America and the Caribbean. The persistence of undocumented migratory flows have led almost all the OECD countries to reinforce their controls on the entry, residence and employment of foreigners. In some cases, these controls have been combined with various sorts of programmes to regularize the status of undocumented residents.

Two patterns of international migration can be identified in Latin America and the Caribbean: flows directed outside the region and intraregional migration. The first pattern is the predominant one. The main destination for these flows is the United States, where a total of nearly 15 million Latin Americans and Caribbeans –half of all immigrants in the United States– are now living. Taking both types of migration into account, it is estimated that almost 20 million Latin Americans and Caribbeans (equivalent to 13% of migrants worldwide) live outside their country of birth.

Emigration to the United States has continued to grow in the midst of incessant reviews and amendments of that country's migratory regulations and policies. This is an issue of prime importance in relations between the United States and the countries of the region. Immigrants of Latin American origin constitute a heterogeneous group. Totalling over 7 million (equivalent to 7% of Mexico's total population), Mexicans are a clear majority; other nationalities whose immigrants total somewhat less than one million persons each include Cubans, Dominicans and Salvadorans (equivalent, in this case, to over 10% of El Salvador's population). Migrant populations from Mexico and Central America contain a large percentage of low-skilled persons; migrant populations from South America and the Caribbean tend to have a different profile, which accounts for their greater representation in professional service activities and the existence of fewer differences between them and the native population. Emigration to other destinations accounts for a total of slightly over two million people. The main such destinations include Canada (with more than half a million), various European countries (the United Kingdom, the Netherlands, Spain and Italy), Australia and Japan.

Migratory flows between countries within the region are smaller and have been even more so during the last two decades. These trends are associated with the declining attractiveness of two of the main destination countries (Argentina and Venezuela, which formerly were the destinations for nearly two thirds of all intraregional migrants), which has not been counterbalanced by the emergence of new poles of attraction (notably Costa Rica, Chile and the Dominican Republic). One of the distinctive traits of the pattern of intraregional migration is the existence of transit territories along northward routes in some Central American countries and Mexico. There is also a high level of circulation among the island territories of the Caribbean.

For a number of countries in the region, these major migratory flows have heightened the importance of the remittances sent back by emigrants. These remittances totalled more than US$ 17 billion in 2000 and have been climbing very sharply. In absolute terms, the highest level of remittances is received by Mexico and, in terms of GDP or exports, the highest levels are sent to El Salvador, Nicaragua, the Dominican Republic, Ecuador and Jamaica.

5. Educational lags, substandard employment conditions and social vulnerability

The social lags existing in the region have become more apparent owing to the growing demands of competitiveness, various characteristics of the current phase of the globalization process and the new risks generated by macroeconomic instability and productive restructuring.

The lags that are the most serious hindrance as the region strives to improve its position in the international economy are those relating to education, employment and social protection.

The countries of the region continue to make progress towards achieving universal coverage for primary education and have expanded the coverage of secondary education to an average of 70%, although with sharp differences across countries (national figures range from 90% for Chile to 45% for some Central American countries). This progress notwithstanding, the education gap –in terms of both secondary and higher education coverage and educational attainment– separating Latin America and the Caribbean from the developed economies and the emerging economies of Asia has actually widened (see table 3). In an equally disturbing trend, the gap in secondary- and higher-education coverage separating high-income groups from low-income groups has also tended to widen during recent decades in most countries.

Access to information networks and audiovisual media has become more and more crucial for the production of knowledge and the development of capacities that are key to success in the information society. These media also make it possible to place more importance on fostering learning capacities than on acquired knowledge. Although a

Table 3

Enrolment in secondary and tertiary education, 1985-1997

Groups of countries	Gross enrolment rates					
	Secondary education			Tertiary education		
	1985	1997	Increase in enrolment rate (in percent-age points)	1985	1997	Increase in enrolment rate (in percent-age points)
Latin America and the Caribbean	50.2	62.2	12.0	15.8	19.4	3.6
OECD countries	92.3	108.0	15.7	39.3	61.1	21.8
Newly industrialized Asian economies [a]	57.3	73.1	15.8	14.8	30.5	15.7
East and South-East Asia [b]	41.5	66.3	24.8	5.4	10.8	5.4

Source: Carlson (2001).

[a] Newly industrialized Asian economies (NIEs): China, Hong Kong SAR, Malaysia, Republic of Korea, Singapore and Thailand.

[b] Developing countries only, including the Asian NIEs.

number of countries have made an effort to provide students and teachers with media and computer resources as part of school infrastructure, the rate of introduction has been too slow. These efforts should be stepped up, particularly since schools have become one of the main tools for overcoming the "domestic digital divide".

An analysis of changes in the structure of production and employment reveals the different types of effects being produced by the specialization patterns existing in the region. In particular, employment has grown much more rapidly in Mexico and the countries of Central America and the Caribbean (3.7% per annum during the 1990s as a whole), which have been specializing in exports of manufactures, than in the South American countries (2.9% per year over the same period), where natural-resource-intensive exports have been relatively more important. This pattern is even clearer in job creation trends in tradables and, especially, industrial sectors, which have been dynamic in the first group of countries but have stagnated or declined in the second (see table 4). In line with this pattern, increases in open unemployment have mainly been occurring in South American countries. Nonetheless, quality job creation has been a widespread problem throughout the region, as can be seen from trends in open unemployment and, especially, informal labour.

Table 4
Latin America (16 countries): total and wage employment, 1990-1999
(Average annual rates of variation)

Country	Total employment			Wage employment		
	Total	Tradables sector [c]	Non-tradables sector [d]	Total	Tradables sector [c]	Non-tradables sector [d]
Mexico and Central America [a]	3.7	2.3 (4.0)	4.8 (2.8)	3.7	3.5 (4.8)	3.7 (2.9)
South America [b]	2.9	1.2 (1.1)	3.6 (3.0)	2.9	0.9 (0.7)	3.6 (3.2)
Total Latin America	3.3	1.7 (2.3)	4.1 (3.0)	3.2	2.0 (2.4)	3.7 (3.1)

Source: ECLAC, on the basis of special tabulations of household surveys in the respective countries.
[a] Includes Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua and Panama.
[b] Includes Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Uruguay and Venezuela.
[c] The figures in brackets refer to the manufacturing industry.
[d] The figures in brackets refer to government, social, community and personal serivces.

These changes have been accompanied by an increase in the wage gap between workers having high and low levels of education. This pattern is fairly widespread and does not, therefore, derive from patterns of specialization. It is instead accounted for by a combination of changes related to the continuing development of information and communications technologies and other changes in production structures. These changes include, in particular, the restructuring and expansion of certain services (especially financial and business services, but also social, community and personal services), which have generated a demand for highly skilled personnel.

The most recent phase of the globalization process has also created a demand for more flexible labour systems, since the reorganization of production processes has engendered a wide variety of different employment relationships. As a result, flexibility is becoming one of the requirements for job creation. This process also reflects a recognition of the need to find ways of adapting labour standards and regulations to the actual way that labour markets in the region function, which involves a large proportion of informal activities. Its main drawback is that it has not only led to a recognition of this need but has actually promoted the creation of poor-quality jobs, as is demonstrated by the increasingly steep upward trend in informal employment, the increase in temporary employment, the decline in social security coverage of workers employed in small businesses and, in some countries, increases in the percentage of workers who lack employment contracts.

Social safety (security and welfare) nets in the region are having to cope both with the problems created by the insufficient coverage of the systems developed in the past and with the new challenges posed by demographic and epidemiological patterns and by the macroeconomic volatility and the job and wage instability associated with globalization. Increased levels of macro- and micro-economic risk have thus translated into greater social risks and greater demands for social protection from underdeveloped systems.

Sectors of the population living below or near the poverty line are extremely vulnerable to instability in employment and household income levels. In addition to the 35% of all households (44% of the population) that are already poor, in most of the countries many other households (between 25% and 30%) are at risk of becoming poor, since their incomes range between the equivalent of one and two poverty lines. The generally adverse distributional trends that continue to predominate in the region have hurt poor sectors in some cases and middle-income sectors in others (and occasionally both).

The extent and depth of social and economic risk in the region raises doubts as to its fiscal capacity to manage that risk successfully. As fiscal constraints are tighter in an open economic context, social protection has increasingly been financed through arrangements aimed at maximizing the benefit-contribution ratio (insurance schemes). This undermines the system's redistributive potential and thus has a negative effect on equity. A number of countries have set up special employment and income-support programmes to cope with the critical problems faced by the poorest social sectors during times of macroeconomic uncertainty and instability in the labour market. However, unemployment insurance schemes –the best-known system for dealing with such problems in the industrialized countries– are just beginning to appear in the region.

IV. An agenda for the global era

The basic assumption underlying the proposals made in this document is that Latin America and the Caribbean should adopt a positive agenda for the construction of a new international order and make a firm commitment to its implementation. This view is founded upon an essential lesson of history: that efforts to simply resist any process as powerful as the current globalization process will eventually fail. Finding ways to build a sounder and more equitable form of globalization and to achieve the best possible position within that process are, consequently, the best option. The agenda proposed here seeks to overcome the shortcomings of existing institutions. Only then will it be possible, as stated in the United Nations Millennium Declaration, "to ensure that globalization becomes a positive force for all the world's people".

The globalization process has demonstrated the need to work towards three key objectives: **guarantee an adequate supply of global public goods, gradually overcome global asymmetries and establish a rights-based international social agenda**. With respect to the first of these objectives, it is important to note that there is a huge gap between the recognition of the growing importance of global public goods and the weakness of the existing international structures to supply these goods. Because of the strong trend towards inequality generated by international asymmetries, attempts to apply the same measures to different situations may only serve to heighten existing inequalities. The principle of "common but differentiated responsibilities" enshrined in the Rio Declaration on Environment and Development is therefore a more appropriate guideline for building a better global order than the idea of "levelling the playing field," which has guided efforts to revamp the international economic order in recent years. The development of an international social agenda demands that all members of global society be recognized as world citizens and, hence, as possessing certain rights. This agenda must also meet the challenge of reconciling principles of equality with the "right to be different".

The existing international order suffers from serious shortcomings in terms of its capacity to achieve these three objectives. Its reinforcement must be based on the development of **global institutions that respect diversity**. Consequently, the objective of these global institutions should be the articulation of interdependence. Ultimately, however, these institutions rely on national responsibilities and policies, as sovereignty continues to be a feature of the nation-State. This is also a corollary to the promotion of democracy on a worldwide scale. Promoting democracy as a universal value entails ensuring that national processes providing for representation and participation are allowed to influence the definition of economic and social development strategies and to mediate the tensions inherent in the globalization process. This principle is embodied in the more recent thinking on cooperation for development, which emphasizes that its effectiveness will depend on there being a sense of national policy ownership.

In the absence of suitable institutions, globalization is proving to be a disintegrative force, and **a virtuous circle of complementary global, regional and national institution-building** is therefore needed in order to cope with that force. There is now a broad consensus as to the decisive role played by national strategies in determining how successful a country will be in forming linkages with the world economy. Without a suitable international framework, however, the insufficient supply of global public goods and the inequality-generating forces spawned by international asymmetries will hinder national development. This framework should be based on a **network** of world and regional institutions, rather than being limited to one or a few international institutions, however. A system of this type can be made to function efficiently and may prove to be more balanced in terms of power relations. Action at the regional and subregional levels plays a critical role as a midway point between the global and national orders for four main reasons: the complementarity existing between global and regional institutions in a heterogeneous international community; the unequal size of the actors involved in global processes, which means that in order for the countries' voices to be heard they must be blended into a regional voice; the greater sense of ownership induced by regional and subregional institutions; and the fact that the scope for effective economic policy autonomy has shifted in some areas (e.g., macroeconomic policy) from the national arena to subregional or regional levels.

Finally, steps taken to restructure the international order should also ensure the **participation of developing countries on an equitable basis and the adoption of appropriate rules of governance**. Achieving this will require positive discrimination in favour of poor and small countries on the part of the international community, as well as requiring an effort on the part of those countries to organize themselves within the framework of regional or subregional institutions. Another implication of this principle is that preference should be given to institutional schemes having the largest possible number of active participants. Finally, the adoption of appropriate rules of governance is another essential element in ensuring the basic rights of developing countries –especially of the smaller ones– in the international order, institutionalizing accountability and strengthening auditing functions carried out by institutions that enjoy credibility with all relevant actors. This approach involves placing certain limits on the power of the countries having the most influence over international institutions, but this is the only way to improve the governance of the globalization process. It will also lead to a greater commitment to the global institutional order on the part of developing countries by increasing their sense of ownership of that order.

1. National strategies for dealing with globalization

Any national development strategy in the global era must be founded upon solid, democratically defined social covenants to ensure political stability, together with non-discretionary local systems and modes of behaviour that provide security as to contract performance and the formation of an impartial, relatively efficient State bureaucracy. These are also basic components of a pro-investment environment. These general sorts of institutional elements are the backdrop for the development process, but they neither account for the specific forces that drive growth in developing countries nor provide means of dealing with old and new forms of social and environmental vulnerability. The strategies adopted by the countries should therefore incorporate at least four core elements: macroeconomic policies designed to reduce vulnerability and facilitate productive investment; strategies for developing systemic competitiveness; recognition of the priorities of the environmental agenda; and highly active social policies, especially in the fields of education, employment and social protection. There are no universally valid models in any of these areas, and there is consequently a great deal of scope for institutional learning and, most importantly, for the exercise of democracy.

(a) Macroeconomic strategy

The experiences of Latin America and the Caribbean during the final quarter of the twentieth century demonstrate that all forms of macroeconomic disequilibrium are economically and socially costly. Macroeconomic strategy should be directed towards avoiding unsustainable public or private deficits, guarding against financial disequilibria in both flows and balance sheets, controlling inflation and curbing instability in real economic variables. In order to achieve these objectives, some important policy trade-offs will have to be dealt with, and, there is, therefore, no simple way of defining stability or any universally valid system of macroeconomic management. Recent events leave no doubt as to the fact that, in the long run, macroeconomic authorities' credibility can be strengthened more effectively through prudently managed flexibility than through the adoption of overly rigid rules.

Within this framework, one of the authorities' key objectives should be to lengthen the time horizon for macroeconomic management. In order to do this, the entire business cycle must be used as a frame of reference. This, in turn, means that there must be enough manoeuvring room for the adoption of countercyclical macroeconomic policies based on pluriannual fiscal policies that set targets for public-sector deficits or borrowing of a structural nature. In addition, it calls for a countercyclical management of interest rates, facilitated by an appropriate degree of exchange-rate flexibility (with the degree varying according to the country's size and the depth of its capital market) and an equally countercyclical management of the prudential regulations governing financial sectors and international capital flows. This type of macroeconomic management should be explicitly supported by international financial institutions. The short- and long-term objectives of macroeconomic policy are, in large part, complementary, since more stable economic growth is one of the best incentives for fixed capital investment.

In the long run, economic growth hinges on a combination of sound fiscal systems that provide the necessary resources for the public sector to do its job, a competitive exchange rate, moderate real interest rates and the development of deep financial markets. Macroeconomic policy should be focused on ensuring the first three elements. The objective of financial deepening is to provide suitably priced investment finance with sufficiently long maturities. The liberalization of financial systems in Latin America and the Caribbean has not deepened financial markets or reduced the region's high intermediation costs as much as had been expected. Consequently, the public sector still has an important role to play in furnishing financial services (since the private sector does not provide a sufficient supply) and, in particular, promoting the emergence of new agents and new segments in capital markets. Meanwhile, efforts to increase public-sector saving, the creation of corporate savings incentives (especially to encourage firms to retain profits) and special mechanisms to foster household saving (for retirement, in particular) may be useful means of raising national savings rates.

(b) Building systemic competitiveness

Economic growth necessarily entails a constant transformation of production structures. This process is not an automatic result of a strong macroeconomic performance, nor does it come about in a harmonious fashion, since the expansion of new sectors involves the development of a complementary set of activities, technological learning processes and the creation of commercial networks, all of which involves significant coordination costs. The transformation of production structures must therefore be an explicit priority of any competitiveness strategy. The core objective here should be to build systemic competitiveness based on three fundamental pillars: the creation of innovation systems to speed up the accumulation of technological capacities; support for diversification and the formation of production linkages; and the provision of quality infrastructure services.

Given the key role of knowledge, any competitiveness strategy must be based on increased public and private investment in education, vocational and business training, and science and technology. These investments should form part of a strategy that is led by the public sector, but business associations should also be actively involved. The strategy should be implemented through many different forms of collaboration between the State and the private sector, all of which are focused on creating dynamic innovation systems. In view of the intrinsic importance and cross-cutting nature of new information and communication technologies, efforts to promote their active use throughout the economic, social and even political structure are of vital importance in contemporary innovation systems.

Given existing conditions in the economies of the region, the strategy for diversifying production has three clear-cut priorities: the diversification of the export base and markets, which calls for very active commercial diplomacy and the development of a competitive, high-quality service infrastructure to back up export activities in the areas of finance, insurance, promotion and certification; the implementation of programmes to broaden linkages with national production activities catering to the international market or in which FDI is a major factor (i.e., the implementation of "linkage policies"); and support for the formation of production clusters in response to the growing dynamism of local spheres of economic activity and the need to integrate small and medium-sized enterprises into production for the international market.

The other core aspect of competition policy is the provision of quality infrastructure services. In a number of countries, various public-private partnerships have succeeded in making significant progress in this regard, particularly in telecommunications, port services and maritime transport, and –to a lesser extent and with wider differences across countries– in energy services (electricity and gas). The priorities in this area are to bring about substantial improvements in overland transport infrastructure, to fill in regulatory gaps in the provision of the corresponding services and to increase the efficiency of State enterprises in areas where the State continues to furnish services directly.

Progress on all these fronts will require the formation of new institutions, which will no doubt require an intensive learning process. A public-private partnership is essential to fill in the information gaps found in each of these sectors (i.e., the former's limited microeconomic information and the insufficient information on multisectoral processes possessed by the latter). The instruments to be developed for this purpose should be based on a clear link between incentives and results in order to preclude rent-seeking behaviour on the part of beneficiary firms. As a practical measure, various combinations of horizontal and selective instruments should be chosen on the basis of shared public-private strategic visions.

(c) Priorities on the environmental agenda

The agenda for environmental sustainability has gradually made its way into the institutions, public policies and business practices of the countries of the region. The concept of sustainable development is also being gradually incorporated into educational systems, and the change in society's perception of environmental issues has strengthened citizens' awareness and has motivated them to become more commited to environmental sustainability. The primary hurdles that remain in this area have to do with institutional and financial considerations and with the fact that some business circles in the region view environmental sustainability as a cost rather than as an opportunity.

With respect to institutional mechanisms, steps should be taken to set up clear and consistent regulatory systems and to achieve a stable level of public expenditure with a view to generating significant synergies with international financing and private investment. On the basis of existing management processes, it is essential to develop a new generation of more effective and prevention-oriented instruments for the integration of economic and environmental dimensions. One of the most promising lines of action in this area is the creation of genuine domestic and regional markets for environmental services, following the pioneering example of the Kyoto Protocol's clean development mechanism.

A more dynamic sustainable development strategy will require the allocation of more public-sector resources. One option is to introduce "green taxes," as has been done in some industrialized countries. The reduction of government subsidies for polluting industries is another important area for action. In addition, steps need to be taken to integrate explicit environmental policies with implicit ones and to link them with sectoral economic policies and with the patterns of structural change that they set in motion in, among other areas, the field of energy efficiency.

The formation of effective linkages between the economic and environmental agendas also requires a shift from a reactive agenda to one that takes a proactive approach to the relationship between environmental sustainability and economic development. To this end, it is important to identify the opportunities offered by the global environmental agenda, particularly as regards the provision of global environmental services, the opportunities afforded by the clean development mechanism, and opportunities to expedite scientific and technological progress through the sustainable use of biotic resources, a better understanding of the region's natural resources and the development of the region's own technologies for tapping these resources in sustainable ways. This approach also involves the active use of foreign investment as a channel for the transfer of clean technologies, the exportation of goods and services having a high environmental content, and the promotion of the international certification mechanisms increasingly demanded by developed-country consumers.

Types of production that rely on an abundant supply of natural resources but are slow in leading to the diffusion of technical progress are being eclipsed by economies that are successfully developing knowledge-based forms of production. Thus, in addition to raising the value added to the region's existing exports, it is important to reorient the region's model of competitiveness towards new activities. Strong operational links with local authorities will also need to be forged in order to set the stage for the solution of high-priority environmental problems in such areas as water resources and solid waste management and for the implementation of environmentally sound forms of land use and urban management. The achievement of progress in all these areas will require the decentralization of environmental management policies and instruments along with a more balanced distribution of public expenditure and private investment at the district and local levels.

(d) Active social policy

Globalization has made it even more necessary than before to develop more competitive economic systems, to be mindful of the relationship between competitiveness and employment, and to cope with new types of social risks. Social strategies should therefore focus on three areas: education, employment and social protection. Advances in these three areas build upon one another. Education is the primary means of halting the intergenerational reproduction of poverty and inequality and has become all the more important because the globalization process has increased the need for human resources capable of engaging in new modes of production, competition and harmonious coexistence. Employment is a key factor in social integration by virtue of its importance in terms of social fulfilment and as a source of income, which determines individuals' opportunities for consumption. The risks faced by the population include those associated with macroeconomic volatility, the adaptation of new technologies and ways of organizing work, and the deterioration in the employment situation in many sectors as a result of international competition.

In education, efforts should focus on achieving universal coverage, preferably up to the end of secondary school, and on reducing differences in the quality of the education provided to different socio-economic groups. A variety of measures will be needed to accomplish this, including more relevant curricula; large-scale use of new technological resources;

the empowerment of local communities so that they can help achieve these goals; targeted programmes in areas where educational performance is poor; and the allocation of at least as high a level of public funds as in OECD countries (5% of GDP). The principle of social inclusiveness requires the development of new approaches to learning. Today, these approaches mainly involve access to knowledge, networking and the use of information and communications technologies. The modernization of educational tools is not enough, however. It is even more important, in conjunction with these new tools, to develop higher cognitive functions by orienting the learning process towards problem-identification and problem-solving, an increased capacity for reflection, creativity, the ability to distinguish between what is relevant and what is not, and planning and research skills, since these functions are vital in an information-saturated world.

The primary challenge in the area of employment is to ensure fulfilment of the precepts set forth in the ILO Declaration on Fundamental Principles and Rights at Work. Proactive labour policies must be based on an awareness of the fact that job creation is sustainable only when the economic activities concerned are competitive in the long term. The retooling of production activities and increased labour mobility make it necessary to implement aggressive labour training policies that will give workers opportunities to learn how to adapt to new conditions and support the modernization of small and medium-sized enterprises. In addition, ministries of labour should adopt labour policies that help foster self-regulation by social actors (social dialogue) and that devote special attention to the workers who have not gained entry to modern sectors (unemployed and informal-sector workers). To these ends, these ministries' role as policy-setting bodies should be restored.

The development of social protection systems should be guided by the principles of universality, solidarity, efficiency and integrality. Progress cannot be made towards universality unless the sharp inequities in access to services and in their quality are corrected. Solidarity should be ensured through a combination of compulsory contributions, public transfers, and cross-subsidies between different income strata and risk groups. Social protection systems in the region are seriously flawed. The countries of the region, with their chronic shortcomings in the coverage of traditional risks, now face the additional burden of protecting their populations from the effects of such risks as vulnerability in terms of employment and income. The extent of informal-sector employment and unemployment limit the feasibility of attaining universal coverage by means of the traditional forms of social protection, however. Accordingly, emphasis should be placed on the implementation of blended and complementary insurance mechanisms that are in keeping with the wide range of employment arrangements in use today. These types of arrangements should be designed to promote labour mobility and provide protection against both external and domestic shocks.

2. The key role of the regional dimension

Latin America and the Caribbean have progressed further in terms of regional integration than any other region in the developing world. It is now imperative for the countries to renew their political commitment to integration. This is not incompatible with broader trade negotiations –such as those directed towards the formation of the Free Trade Area of the Americas or global negotiations– but the fact remains that regional integration processes will need to be deepened if they are to remain relevant within the context of a hemispheric free trade area or, for that matter, the globalization process itself.

Macroeconomic cooperation has become essential in order to consolidate trade integration processes. Observable progress has been made by all the existing subregional schemes, and these initiatives should continue to move forward on the basis of dialogue, information exchange and the adoption of common macroeconomic rules that will further the institutionalization of peer review oriented towards prevention and the design of stricter forms of macroeconomic coordination and of the prudential regulation and supervision of national financial systems.

Attention also needs to be devoted to strengthening regional and subregional financial institutions. Latin America and the Caribbean already have major assets of this type, including a wide network of multilateral development banks: the Inter-American Development Bank (IDB), the Andean Development Corporation (ADC), the Central American Bank for Economic Integration (CABEI), the Caribbean Development Bank (CDB) and the Financial Fund for the Development of the River Plate Basin (FONPLATA). The Latin American Reserve Fund has built up a stock of experience which could serve as a basis for using regional resources to provide an increased level of exceptional financing for countries in severe economic difficulties. This could be accomplished either by significantly increasing the Fund's resources and membership or by means of mutual support agreements (foreign-exchange swaps) between central banks.

In addition, the expansion of trade creates a greater need for the *harmonization of different regulatory schemes*. Several of these areas have already seen some progress, but it is important to move forward in such fields as rules on competition and the regulation of public utilities. As common markets are consolidated and as intraregional investment becomes more active, agreements on competition issues and, eventually, the adoption of a common competition policy will have distinct advantages over the unfair competition rules that now govern external trade. A system of this nature would also deal more effectively with any unfair trading practices used by transnational corporations.

The fact that goods having a higher technological content account for a large percentage of intraregional trade demonstrates the importance of taking joint action to develop these sectors. Measures designed for this purpose should be aimed at generating regional and subregional innovation systems and creating broader schemes for cooperation in education and in technological research and development. The establishment of regional funds to facilitate these efforts, following the lead of the Science and Technology Fund created at the initiative of Brazil, should be part of this process.

In the area of *physical infrastructure*, in addition to harmonized standards on transport, energy and telecommunications, it is important to set up infrastructural networks and regulatory systems geared to the demands of regional integration. The physical integration plans agreed upon at the South American Summit of 2000 and the Puebla-Panama Plan represent the most important advances in this direction. The various border-area development plans that have been devised are a further example of the major shift in spatial perception brought about by integration.

In the area of *sustainable development*, the unique position of the Latin American and Caribbean region stems not only from its natural resource wealth and the global importance of the environmental services it provides, but also from the global hazards inherent in the region's rapid environmental deterioration. Special mention should be made in this connection of the potential valuation of the environmental services generated by the region's ecosystems. Projecting the region's uniqueness, consolidating the regional effort to protect strategic ecosystems and obtaining worldwide support for this initiative represent the starting point for a regional agenda focused on strengthening the stability of the most important and valuable ecosystems from a global standpoint. The existing structure of the region's environmental institutions needs to be gradually reformed, so that regional and subregional positions can be pooled and presented within the context of global debates on sustainable development.

In the *social* sphere, it appears preferable to set more limited and concrete objectives having a thorough-going impact. Two areas are particularly important in this respect. The first is to protect migrant workers and their families by concluding agreements that will allow social security coverage to be transferred from one country to another. The second is the area of education. Progress can be achieved in this domain by promoting regional exchanges and creating networks of experts, governments and organizations that can share best practices and standards. In addition to contributing to the development of the region's educational systems, these initiatives would facilitate the establishment of regional accreditation systems and would contribute to the reciprocal recognition of professional qualifications. It is also important to educate people about regional integration and thus increase their awareness of the fact that they belong to a region that shares a culture, a history and perhaps a common fate.

Finally, it should be underscored that the "democratic clauses" included in integration agreements, the various forums for the region's Heads of State, and subregional and Latin American parliaments provide the foundations for a broad agenda of political integration that is as yet in its infancy.

3. The global agenda

The analysis of global public goods presented in this study focuses on two issues: the international macroeconomic order and sustainable development. These are far from being the only topics on this broad agenda, of course, since it also encompasses the defence of civil and political rights, peace and security, the struggle to eliminate pandemics, the war against international crime, and many other issues. The importance accorded by ECLAC to the correction of international asymmetries provides a basis for a more exhaustive study of its three main dimensions: financial and macroeconomic aspects, production and technology, and the international mobility of labour. The proposal concludes with a series of observations regarding the development of a rights-based international social agenda.

(a) Provision of global macroeconomic public goods

In recent years there has been a growing awareness of the fact that international financial and macroeconomic stability is a global public good which generates positive externalities for all international market participants and precludes negative externalities associated with contagion. Hence the importance of the global processes taking place on a number of fronts. The first is the development of institutions capable of ensuring the global coherence of the major economies' macroeconomic policies. The lack of mechanisms for fully internalizing the effects that those policies have on the rest of the world is one of the main defects of the existing international order. When policy inconsistencies are manifested in the volatility of exchange rates for the major currencies, they generate additional adverse spillovers for developing countries. The International Monetary Fund (IMF) should play a central role in efforts to coordinate the major economies' macroeconomic policies, above and beyond the dialogues being conducted in more restricted arenas, such as the G-7.

The second area is macroeconomic surveillance of all economies with a preventive focus and the formulation of codes of good practice for macroeconomic management (more specifically, fiscal and monetary policy, public and external debt management, and management of international reserves). A great deal of headway has been made in recent years, and this is reflected in the greater emphasis that is being placed on prevention (monitoring of financial markets and the construction of vulnerability indicators or early warning systems).

Work on the formulation of international standards for the prudential regulation and supervision of financial markets and on the provision of market information has also been moving ahead. One complex question that arises in this connection is how to ensure that any new regulatory measures that are adopted do not exacerbate the existing system's discrimination against capital flows to developing countries. Because of the residual nature of these flows in global terms, they tend to be covered by general standards that penalize high-risk investments. These types of standards could have the effect of drastically reducing these flows and/or raising developing countries' borrowing costs unduly, especially in times of crisis. The idea of giving rating agencies a major role in the industrialized countries' regulatory systems by extending the application of a rule now used for institutional investors to include commercial banks could create similar difficulties, given the procyclical nature of risk ratings.

An even more complex issue is the lack of initiatives for the design of international standards with respect to capital flows to developing countries. Competition for footloose investment has tended to result in the reduction of capital taxes and this, in turn, has either diminished the public sector's ability to generate resources or driven up the direct or indirect tax burden for less mobile factors of production, especially labour. International institutional mechanisms are virtually non-existent in this area. Consequently, in addition to new agreements, it may be necessary to create a new organization to foster international tax cooperation. Subregional or hemispheric agreements and the extension of cooperation activities already being pursued by OECD to include non-member countries are intermediate options that should also be explored.

(b) Sustainable development as a global public good

A decade after the United Nations Conference on Environment and Development was held in Rio de Janeiro, the principles that were defined there are still very much alive. Some of the most critical items for inclusion in the global agenda are the need to modify unsustainable consumption and production patterns in both developed and developing countries. In this connection, energy efficiency is certainly one of the core issues on the agenda. Clearly, one of the goals here has to be the formation of a world alliance for the use of renewable energy sources and clean, energy-efficient conventional technologies. The Kyoto Protocol can help drive this strategy forward, since it represents the first material expression of a market for global environmental services, which should be expanded upon in this and other fields in the future.

Another important sphere of action is the sustainable management of ecosystems and biodiversity. In this case the idea would be to form a global partnership to build a stronger worldwide commitment to the conservation of biodiversity and the relevant ecosystems. The efforts of such a partnership should be based on quantitative targets and specified means of meeting them. In relation to the issue of genetic resources, steps should be taken to promote ratification of the Cartagena Protocol on Biosafety, and the approved mechanisms should be employed to assess the possible risk to biodiversity posed by the introduction of genetically engineered living organisms.

Such mechanisms can only be developed if adequate financing for sustainable development is provided. To this end, operational strategies are needed for mobilizing global resources to address global problems based on the principle of common but differentiated responsibilities. The possibility of imposing international levies on environmentally harmful activities that are global in scope should be explored; the revenues obtained from such levies could be paid into special funds that could then be used to find multilateral solutions for those problems. The guiding principle in this regard should be that the "polluter pays," but it is important to permit mitigation actions to be carried out in geographical locations other than the pollution site.

Education, research, development, technology transfer and adaptation, and information access will play an increasingly substantive role in the achievement of sustainability. Given the existing evidence of the world's increasing ecological fragility owing to cumulative environmental damage on a variety of scales, the precautionary principle is taking on new meaning. A time will come when environmental protection efforts are no longer enough, while the need for adaptation and mitigation and, above all, for scientific and technological developments to meet new challenges will increase relentlessly. Within this context, mechanisms for protecting intellectual property –including both formal knowledge and the informal information that forms part of traditional knowledge– are of particular importance.

The foregoing considerations underscore the need for greater coherence and compatibility between the international trading system (including the protection of intellectual property) and sustainable development. The WTO declaration issued at Doha represents a major stride forward in this respect, since it explicitly acknowledges the need to analyse the interrelationship between WTO rules and multilateral environmental agreements. It states in no uncertain terms that countries that wish to adopt measures to protect the environment and the health of humans, animals and plants may do so provided that the provisions in question do not constitute discriminatory trade practices or hidden protectionism. In addition, it identifies priority issues such as the analysis of environmental measures' impact on market access, provisions referring to the agreement for the protection of intellectual property and environmental labelling.

(c) The correction of financial and macroeconomic asymmetries

Apart from the relevant "systemic" issues as such, international financial reform efforts should focus on correcting basic financial and macroeconomic asymmetries in the global economic system. This task should be undertaken using a comprehensive approach and should be aimed at reducing the segmentation and volatility of developing countries' access to international financial resources and providing them with more scope for the adoption of countercyclical macroeconomic policies.

To this end, IMF and regional institutions should undertake macroeconomic surveillance actions oriented towards preventing the accumulation of imbalances and high-risk debt profiles during economic booms. Clear incentives should also be provided for compliance with strict, preventively-oriented macroeconomic and financial standards, with automatic access to IMF contingent credit lines during crises being a particularly interesting option in this respect. For development banks, this approach will entail the design of credit lines for the express purpose of encouraging developing countries to adopt countercyclical forms of economic management.

From a regulatory standpoint, the main objective should be to reduce the risk associated with operations involving countries whose net borrowings (especially of short-term resources) are disproportionate to the size of their economies and financial sectors. The object here is to discourage high-risk financing at its source. While developing countries should maintain full autonomy in the management of their capital accounts, international financial agencies should encourage countries to take steps to constrain external borrowing during booms whenever it becomes apparent that their borrowings or their current account deficits are unsustainable.

Meanwhile, IMF should gradually evolve into a quasi-lender of last resort at the international level. This would entail the use of special drawing rights (SDRs) as the main instrument for financing its operations rather than existing special arrangements to borrow, which are at the discretion of a handful of industrialized countries. In implementing adjustment programmes during crises, the authorities should take account of how they will impact the most vulnerable sectors of the population. The application of this principle, which has gained growing international acceptance in recent years, should extend beyond the creation of social safety nets to include the mainstreaming of this principle in the design of macroeconomic adjustment policies. The aim here would be to choose the policy mix that will have the least possible social impact on the poorer sectors of the population.

Dealing with problems of moral hazard requires preventive macroeconomic surveillance and a sound regulatory scheme. An additional element that is not yet part of the international order would be a suitable mechanism for handling debt overhangs. The chief components of such a mechanism should be: comprehensive collective action clauses to facilitate negotiations with creditors; the option of an internationally sanctioned standstill, which could perhaps be declared by the Fund; voluntary negotiations among the relevant parties, which could be backed up with mediation –and possibly international arbitration– mechanisms; preference for creditors that provide fresh resources during crisis periods and, in some cases, a requirement that creditors provide additional resources; and credit from multilateral lending agencies during the renegotiation phase and the period immediately following its conclusion. In this last case, the focus should be on expediting the countries' re-entry into private capital markets. The most suitable instrument for this purpose may be a system of guarantees backed up by a special fund to be managed by the major development banks.

Maintaining a strong multilateral development banking system is another component of this strategy. These banks have proven to be essential not only in guaranteeing financing to countries lacking access to private markets, especially the poorer nations, but also in providing long-term financing to middle-income countries when credit dries up on those markets. In addition to this macroeconomic role, multilateral lenders perform a number of other functions as well: the promotion of innovative social development activities, especially those focused on reducing poverty; support for new forms of private participation in infrastructure projects; the promotion of financial deepening in developing countries and, in particular, of national development banks' efforts to further that process; technical assistance in general; and support for the provision of global public goods in coordination with United Nations bodies.

The final element in this integral approach would be a new international agreement concerning the scope of conditionality. The aim here is to provide a strong foundation in international practices for macroeconomic and development policy ownership.

(d) Overcoming production and technological asymmetries

The transmission of technological and production impulses from the industrialized world to developing countries involves two basic processes: the gradual transfer of raw material production, mature industries and demand for the more standardized services to developing countries; and technology transfer and developing countries' increasing participation in its generation and in higher-technology branches of production. The international trade agenda should be directed towards the first of these aims, but in the long run, it is the second process that will lead to the actual elimination of international asymmetries.

The main items on the trade agenda are well known: liberalization of world agricultural trade on a major scale; dismantlement of the Multifibre Agreement, together with the reduction of tariff peaks and tariff escalation based on processing levels; liberalization by the industrialized countries of services that make intensive use of low-skilled labour, including appropriate mechanisms for the temporary migration of workers in that skill category; and the establishment of stricter multilateral antidumping disciplines and guarantees for full observance of the ban on voluntary export restrictions. In addition to these priority objectives, steps need to be taken to ensure broader participation by developing countries in the design of technical standards of all sorts and to facilitate their use of WTO dispute settlement mechanisms, whose development is one of the most important improvements made in the multilateral order during the past decade.

Above and beyond all these considerations, the international community must realize that strategies for creating systemic competitiveness are a fundamental component of development processes. One of the main priorities in this sphere is the creation of the necessary conditions for the adoption of policies oriented towards the active promotion of "infant export industries" as a means of galvanizing the export diversification process. The discussion of the policy options available to the countries for promoting such industries and, more generally, for diversifying their production activities should be accorded a high priority in the development round that was launched in Doha.

Multilateral talks on trade in goods and services are being pursued in Latin America and the Caribbean in parallel with a number of other negotiation processes involving industrialized countries. These negotiations are particularly important because they are directed towards ensuring unhindered access to major world markets. The Free Trade Area of the Americas is the most ambitious initiative in this area, since its goal is not only to create the world's largest zone of this type, but also one which will encompass countries of widely varying levels of development and size. From a commercial standpoint, since the average tariff levels of the United States are already quite low (under 2%), the greatest potential gains for the Latin American and Caribbean countries would be the exclusion of some heavily protected products (agricultural goods, textiles and wearing apparel, in particular) and, most importantly, the elimination of non-tariff barriers, such as the discretionary use of antidumping provisions. The inclusion of means of dealing with the widely varying levels of development and sizes of the economies covered by this agreement will be of prime importance, both during the transition period and once it is fully implemented. In the first case, a decisive element will be the provision of technical assistance and funding for the reengineering of production activities so that they can meet the challenges posed by the agreement. In the second, it is very important for the countries of the region to maintain the necessary autonomy to adopt active competition policies.

Be this as it may, free trade is not in itself enough to guarantee convergence of the countries' levels of development. Past experience suggests that at least two other types of policies are also necessary: policies to promote greater international mobility of labour (this subject will be discussed at greater length later on); and policies designed to transfer resources from the more advanced regions to the less developed ones for the express purpose of bringing about a convergence of development levels. This type of initiative could be modeled on the cohesion funds of the European Union. The possibility of setting up a cohesion or integration fund to provide the necessary backing for hemispheric agreements –a proposal put forward by a number of Heads of State at the Summit of the Americas held in Quebec in April 2001– warrants special attention.

The expansion of the WTO negotiating agenda to include new issues has been the subject of a great deal of debate. A multilateral investment agreement could help to simplify the complex network of bilateral and regional accords now in effect, but it would need to meet three requirements: its scope would have to be confined to protecting investment; it would have to uphold the developing countries' autonomy in regulating their capital accounts for macroeconomic purposes; and it would have to maintain their autonomy in adopting active investment policies, including policies designed to improve the linkages between FDI and national production. It would also be useful to work towards a global competition agreement that would rein in the strong trend towards international concentration in some branches of activity, as well as the anti-competitive practices of some large transnational corporations. In the long run, a mechanism of this type might also serve as a framework for the development of substitutes for more discretionary forms of intervention (such as antidumping provisions). It is not certain, however, that WTO would be the most suitable framework for the conclusion of multilateral investment or competition agreements, and it is even more debatable whether it would be the appropriate agency to implement agreements in these fields. It would be preferable to create a new international organization which, in addition to agreements in these two areas, could also be responsible for implementing agreements on intellectual property and trade-related investment measures. WTO could then focus its full attention on the regulation of trade in goods and services. In the case of intellectual property, another option would be to concentrate all action in this field in the World Intellectual Property Organization (WIPO).

Another controversial aspect of the Uruguay Round agreements has been the application of multilateral intellectual property disciplines to all WTO members. While this agreement may appear to be important to ensure the provision of a global public good (the creation of knowledge), the fact remains that this can only be accomplished through the concession of a temporary monopoly, i.e., by defining what is potentially a public good as a private good. Since technological development is the activity that is most highly concentrated in industrialized countries, this form of protection –and the redistribution of resources that it entails– reinforces one of the basic asymmetries existing in the international economy.

The agreements regarding public health issues reached at the WTO meeting in Doha represent a major stride forward, especially because they illustrate the more general principle that the public good represented by knowledge should, under certain circumstances, prevail over the private good whose intellectual property is being protected. This has opened the door for a broader discussion of fields in which the definition of knowledge as a public good should predominate. Some of the most obvious cases are those in which potentially patentable knowledge can in some sense be regarded as scientific knowledge (some types of knowledge about genetics, for example) or in which access to certain types of knowledge provides the basis for the acquisition of new knowledge (e.g., secondary innovations). In such instances, as in the case of public health, either a new consensus has to be reached regarding the limitations that should be placed on the protection of intellectual property, or more comprehensive regulations need to be designed regarding the use of compulsory licenses or the exhaustion of intellectual property rights.

Other issues raised by various aspects of the intellectual property rights agenda are of interest to developing countries but have not yet been properly applied or set down in agreements. In view of this situation, there is a pressing need for the countries of the region to take an inventory of the resources they wish to protect at the international level in order to defend their cultural, intellectual, genetic and geographic heritage.

(e) Full inclusion of migration on the international agenda

There is no theoretical justification for liberalizing goods, services and capital markets while continuing to apply stringent restrictions to the international mobility of labour. Moreover, asymmetric market liberalization has a regressive impact, since it works to the benefit of the more mobile factors of production and to the detriment of the less mobile factors (such as unskilled labour). In addition, placing greater restrictions on the mobility of unskilled labour selectively siphons off human capital from developing countries, tends to accentuate skills-based income inequalities, and sets the stage for one of the most harmful industries in the world of today: the trafficking of migrants and other persons. Apart from its significance as an economic factor, migration is a very important source of mutual cultural enrichment and contributes to the formation of a cosmopolitan society.

One of the priority items on the international agenda should therefore be to forge agreements that will increase labour mobility and strengthen the governance of international migration. The main objective here should be the conclusion of a global agreement on migration policy. The scope of existing instruments is, for the most part, quite limited. The broadest instrument of this type (but one that is still awaiting ratification) is the International Convention on the Protection of the Rights of All Migrant Workers and Members of their Families, which was approved by the United Nations General Assembly in 1990. The importance of securing the ratification of this convention lies in the fact that it would provide States with a legal instrument for facilitating the development of uniform systems of national legislation. A closely related element is the reduction of the risks associated with discrimination and xenophobia through ratification of the relevant international instruments and compliance with the plan of action signed at the World Conference against Racism, Racial Discrimination, Xenophobia and Related Intolerance.

Migration issues should be included on the hemispheric agenda, in multilateral agreements reached between the Latin American and Caribbean region and the European Union, and in regional integration processes. There is also a wide range of bilateral conventions and negotiations that can help to provide greater opportunities for international migration. One promising example is the recent commencement of a dialogue between Mexico and the United States on this subject. All of these multilateral and bilateral agreements should seek to increase temporary and permanent labour mobility and to move forward on issues closely related to migration, such as social security and the recognition of individuals' academic and professional or vocational qualifications.

Host-country governments should take steps to help migrants become fully integrated into society. To this end, States should set up mechanisms to facilitate immigrants' access to, among other things, public education and social services in order to ensure their integration and help give them greater economic and social rights. The home countries of migrants can also benefit from this process in various ways. One way in which they can benefit is through the receipt of remittances, which have become an important source of resource flows for many countries of the region. Another is the use of links with emigrants to give their home countries the benefit of their scientific, professional and entrepreneurial skills, as well as to create a market for idiosyncratic products. The countries of the region should also recognize the right of emigrants to take part in their home countries' political processes. Finally, it is the responsibility of home and host countries alike to work together to combat the trafficking of migrants.

(f) Economic, social and cultural rights: the foundations for global citizenship

One of the main advances associated with the globalization process in recent decades has been the worldwide propagation of values and principles such as human rights, equity, democracy, and respect for ethnic and cultural diversity. Some of the most important principles relating specifically to social development are those set forth in the International Covenant on Economic, Social and Cultural Rights, whose signatories are committed to guaranteeing their citizens a set of goods and services regarded as essential in order for them to lead decent lives. The Covenant identifies the formulation of an international social agenda with the recognition of all members of global society as citizens and, hence, as possessing certain rights.

Economic, social and cultural rights, together with civil and political rights, form an indivisible, interdependent whole. It is recognized, however, that the exercise of economic, social and cultural rights is not automatic and that their progressive enforcement will require a determined economic and political effort. This necessarily entails a political process leading to the formation of national –yet increasingly global– social and fiscal covenants in which access to such goods is seen as the result of a political decision regarding the allocation of resources for guaranteeing citizens' civil rights.

Upholding these rights continues to be an essentially national responsibility, however. Consequently, the enforceability of economic, social and cultural rights needs to gradually move from regional and national evaluations to a much more clearly defined political enforceability within the context of international forums and, most importantly, representative national forums where international assessments of the countries' fulfilment of their commitments can be discussed. This political enforceability can gradually lead, under certain conditions, to a legal enforceability within the context of the corresponding national and international courts. The commitments undertaken and their enforceability must at all times be commensurate with each country's level of development in order to preclude the emergence of voluntarism or populism.

Given the sharp inequalities and asymmetries of the global order, a central element in the material expression of such rights is the fulfilment of official development assistance (ODA) commitments made within the framework of the United Nations. Development cooperation should be regarded as a means of supporting a rights-based approach for building democracy, promoting civil and political rights, and eliminating poverty.

The responsibility for upholding rights and for their development and application transcends national boundaries and the purview of the State, however. Partnerships will therefore have to be formed with many different actors. The United Nations' awareness of this fact has led it to formulate the Global Compact, which calls upon the entrepreneurial sector in all countries to uphold human rights in business practices. This type of initiative, and others undertakings on the part of civil society, can contribute to the consolidation of a genuine rights-based culture, which is the very essence of global citizenship.