ECLAC FORECASTS 5% GROWTH IN 2006 FOR LATIN AMERICA AND THE CARIBBEAN

Latin America and the Caribbean will grow by around 5% this year, according to the Economic Commission for Latin America and the Caribbean (ECLAC). This is the second time in 25 years that the region will see four consecutive years of growth, with the regional GDP posting a cumulative rise of 17.6% (an average annual increase of 4.3%) and per capita GDP, a 12% increase.

Despite substantial improvement over the last quarter-century, Latin America and the Caribbean continue to show less dynamism than the rest of the developing world.

The year 2007 will see regional GDP growth of about 4.5%, within the context of a moderate slowdown of the world economy, according to ECLAC projections.

This economic expansion will be spread across Latin America and the Caribbean, ranging between 3.5% and 6.5% for most countries. The exceptions are Argentina, the Dominican Republic and Venezuela, with growth rates over 7.5%, and Haiti, at about 2.5%.

The Caribbean nations are expected to grow by 6.3%; South America by 5.4%; and Mexico and Central America by some 4.1%.

CHANGING ROLE OF THE FAMILY IN SOCIAL PROTECTION

The family in Latin America has undergone profound transformations over recent decades but maintains its central role in the provision of social protection and welfare.

In the new study entitled *El papel de la familia en la protección social en América Latina* (“The role of the family in social protection in Latin America,”) ECLAC Serie Políticas Sociales No. 120, author Guillermo Sunkel examines the relationship between the family and social protection in the region.

Sunkel notes that, given the weaknesses of social protection systems, families play a critical role in the production and reproduction of well-being.

The 1990s saw the start of increasing social demands on the family, creating an “overload” of functions that it must take responsibility for due to the gaps in social protection systems.

Recent decades have seen major transformations in the structure and composition of the family. The classic model of the nuclear family unit, with the male breadwinner and...
In December 2003, the General Assembly of the United Nations agreed to open a High-Level Dialogue on International Migration and Development, to take place 14 and 15 September 2006 in New York.

This long-awaited initiative is in many ways a global summit on migration issues. It will examine the many facets of international migration and development and determine ways to maximize its benefits and minimize its negative effects. The High-Level Dialogue is intended to focus on policy issues, and especially the task of meeting the Millennium Development Goals.

While migration is a global phenomenon, ECLAC’s work and its participation in the preparatory process to the Dialogue highlight specific regional characteristics that should not be overshadowed by global concerns. Migration has always been an element of social and economic change for the countries in the region. Globalization and related economic and social changes in Latin America and the Caribbean have reversed the historic trend and transformed the region from a destination for immigration to one of out-migration. This new situation presents numerous challenges and opportunities.

Latin America and the Caribbean, home to 8% of the world population, generated in 2005 a total of 26 million migrants, accounting for more than 13% of all international migration. Currently, some 4% of the population of the region has left their country of birth. Many Latin American countries have more than 7% of their population living abroad; in several Caribbean countries, this number exceeds 20%. The United States is the preferred destination for emigration from Latin America and Caribbean and is home to 19 million migrants from the region, who account for more than half the total number of migrants in the US. Together with their US-born descendants, people from Latin America and the Caribbean constitute the largest minority population in the US. The “Latin” community, as it is known there, is diverse both economically and socially. Many of its members are undocumented, placing them in a situation of vulnerability.

At the same time, Latin American and Caribbean emigration is heading to new destinations. The most important example of this trend is Spain, which has become the second-ranking receiving country for migrants from the region, with a total of 1.7 million in 2005. An additional 2 million migrants from the region are found throughout the rest of the world (especially Canada and Japan).

A parallel trend is that of intra-regional migration, which in 2000 accounted for nearly 3 million people.

Contemporary trends in migration impact the region in various ways. An increasing number of women emigrate in search of employment, often as housekeepers. The migration of skilled workers, in turn, continues to constitute an important loss of human capital, as the potential benefits of the circulation and eventual return of skilled workers do not necessarily occur. However, several countries have taken measures to create links with their émigré communities.

Another key issue is the significant increase in, and the considerable amounts of, remittances sent home by migrant workers. Their potential impact as a source of development financing could be very important. The income received by many families from remittances helps raise their levels of consumption and improve their economic situation. The impact of remittances back home is significant and allows an important number of people to overcome indigence and poverty. Remittances contribute to the preservation and accumulation of human capital, and should be a positive influence on growth and equity over the long term. At the same time, while remittances finance a major part of the current accounts deficit in several countries in the region, they can also aggravate this due to the appreciation of exchange rates. Avoiding excessive exchange rate appreciation is relevant from the standpoint of productive development, especially as the volume of remittances cannot be assured over the long run. For this reason, the promotion of incentives to use remittances as a means of financing investment is particularly relevant.

The author is ECLAC Executive Secretary.
The region continues to show a current accounts surplus, albeit with sharp differences among countries. Particularly noteworthy is the negative impact on current accounts in Central America and most Caribbean nations from higher oil prices.

Accompanying this trend in current accounts is an upturn in public sector accounts which makes these economies less vulnerable to possible external shocks, states ECLAC’s Economic Survey of Latin America and the Caribbean, 2005-2006. ECLAC views this reduced vulnerability to external shock as a development of great relevance.

In contrast to previous cycles of growth, governments have avoided expansionary fiscal policies, opting to build up primary surpluses and pay down debt. The current phase is noteworthy for the decreasing dependence of regional countries on external saving and the greater speed with which they are reducing their debt, ECLAC states.

Steady expansion of the world economy and abundant liquidity on international capital markets have helped bring about increased exports and better terms of trade for South America, Mexico, and Trinidad and Tobago. While the remaining Caribbean countries and Central America saw their terms of trade deteriorate, they did benefit from remittances sent by emigrant workers, as did Mexico.

Factors of uncertainty in the world economy – including the greater volatility of markets facing fears of increased inflation, the latent risk of a sharp adjustment of global imbalances, and rising oil prices – could dampen global growth. An additional factor is the concern generated by escalating warfare in the Middle East.

**Labour markets, inflation**

Economic growth has had a favorable impact on labour markets and the employment rate. The 2005 rise of 0.5 points takes the rate up to 53.6% of the working-age population. While this is still below its 1997 level, the good news is that expansion in employment is taking place in the formal sector.

The unemployment rate fell to 9.1% at the end of 2005 and remained under 9% over the first semester of 2006. While the rate is at its lowest since the mid-1990s, 18 million people in the region are jobless.

Keeping inflation (at 6.1% in 2005) under control remained a concern for most central banks. Despite rising international oil prices, appreciation of almost all national currencies in the region has helped rein in the pace of price increases.

While the combination of slightly lower commodity prices and somewhat higher real exchange rates could pose a challenge to public finances, the ECLAC report states, it could also encourage countries to move toward more diversified and knowledge-based patterns of specialization.

ECLAC believes that defining the region’s style of growth over the coming years can open the way for productive policies. At the same time, it is necessary to increase the investment rate that, despite its significant recovery, remains insufficient to guarantee the sustained growth that Latin America and the Caribbean require to alleviate the region’s social needs.
Two factors emerge when we analyze the evolution of net transfers of profits and dividends, income from labour and the net payment of foreign interest by Latin American and Caribbean countries over the past 55 years. The first is that, as of the 1980s, the region doubled its transfers abroad of resources, from some 1.5% of GDP to some 3% of GDP over the 1950-1980 period. This means that the residents of the region sent an additional 1.5% of GDP abroad rather than use this sum to the benefit of national well-being.

The second factor is the sharp increase in interest payments beginning in the 1980s, a consequence of the growing regional debt and rising international interest rates. In the 1990s – and product of the widespread privatization of public enterprises (which were acquired largely by foreign companies) – transfers abroad of profits and dividends also increased.

To measure more precisely the resources available to residents of Latin America and the Caribbean, we must also take into account family remittances and the impact of terms of trade. Before the 1980s, not only was the transfer of resources for payment of income (interests and profits) abroad to productive factors significantly reduced, it was also compensated for by favorable terms of trade for the region from the 1950s on. With the exception of increased oil prices in the 1970s, these terms of trade were clearly negative – a trend that was only reversed in Latin America and the Caribbean in 2004 with the return of more favorable terms. In the second half of the 1980s (the so-called “lost decade”), the region was transferring abroad resources equivalent to some 4% of GDP as a consequence of income payments to productive factors abroad and the deteriorated purchasing power of its exports.

As of the 1980s, and as a result of the growing emigration from the region to developed countries,
remittances sent home by workers abroad grew in importance – a trend that has continued for the past 25 years and now accounts from some 2% of GDP. Given this continuing emigration, it is reasonable to state that resources from remittances constitute, along with net payments to foreign-owned productive factors, the structural component and relatively stable difference between the GDP and the GNY. In contrast, the impact of the terms of trade is more volatile and sporadic.

The combined impacts of resources from family remittances and continuing favorable terms of trade is one of the most notable aspects of the region’s economic performance over the last two years: the available gross national income in Latin America and the Caribbean has increased more than its GDP. In constant dollars for 2000, the available regional gross national income increased by 7.1% in 2004 and 5.9% in 2005, compared to increases in the regional GDP of 5.9% and 4.5%, respectively. For the 2003-2005 period, the available gross national income showed a cumulative increase of 16% over the 12.8% cumulative increase in regional GDP.

Explanations for this increase in income at the national level vary from country to country. For countries that export metals, minerals and hydrocarbons, the increase in income can be attributed to considerable improvements in the terms of trade. In the case of Argentina, this can be attributed to reductions in debt service payments. In Central America, the increase in available gross national income responds primarily to greater current transfers, principally remittances sent home by national residents living abroad.

In conclusion, greater precision in the calculation of the evolution of economic well-being should take into account population growth (to determine the number of national residents among whom income is being distributed) and indicators of income distribution (to determine how this occurs). It is worth noting that per capita income has started to increase again following 25 years of stagnation, over a period in which income distribution deteriorated sharply, with the resulting negative impacts on the residents of our region.

The authors are Officer in Charge and Economic Affairs Official, respectively, of ECLAC’s Economic Development Division.
stay-at-home mom, is no longer predominant. For some, this signals a crisis in the patriarchal family.

Sunkel identifies four main trends beginning in the 1990s:

- **Diversification of family structures.** The nuclear family unit of two parents and their children is still the predominant one (accounting for 46.3% of family types in Latin America in 1990, and dropping to 42.8% in 2002.) This co-exists with the extended family (which accounts for one-quarter of families in Latin America); single-parent families (headed mainly by women, increasing from 9.7% in 1990 to 11.3% in 2002); one-person families (6.7% in 1990 and 8.4% in 2002); nuclear families without children (or with adult children living independently); homes without a conjugal nucleus; and “blended” families.

- **Transformation of the “male breadwinner” model.** This responds to the traditional structure of a two-parent family with children where the parents of those children are married to one another and live together, with the father employed outside the home and the mother a full-time housewife. This model has experienced profound changes due to the widespread entry of women into the labour market.

- **Growing trend toward women-headed households.** Currently, more than one-quarter of the families in the region are headed by women (increasing from 24% in 1994 to 28% in 2002).

- **Reduction in the average size of families and households.** This is a product of inter-related factors, such as decreases in fertility rates, the socio-economic contexts of families, and the increased participation of women in the labour market.

**The family and systems of social protection**

According to the study, in Latin America, the existing systems of social security are a product of a “development-alist” State concerned with improving the social conditions that would provide the population with a better quality of life. Based on concepts of universal access, integration of services and solidarity, these social security systems emphasized redistributive functions to compensate for social inequalities.

But structural reforms implemented in the wake of the economic crisis of the 1980s brought radical changes to this paradigm. The result is the shift toward a model of social security in which the State plays a more limited role. This placed families into the role they did not previously have, of providing primary social support, and thus increased their vulnerability.

Given this vulnerability, families react by adopting a coping strategy of mobilizing their assets. The primary assets of most families are: employment by its female members, employment of its child members, and migration abroad for employment of family members.

Guillermo Sunkel stresses the need for new family-friendly and women-friendly policy options that transcend traditional policies and correspond to changing family structures and diverse composition.

The author cites two key areas in the policy agenda: policies related to the organization of labour, and policies related to the emerging concept of “economy of care.”

Regarding policies focused on the organization of labour, the author proposes a new balance between work and family responsibilities. Policies include regulation of working hours – especially measures to shorten the number of hours worked – and new forms of leave-of-absence for both mothers and fathers.

As regards the economy of care – a term that refers to the sphere of activities, goods and services involved in the day-to-day care of family members (food, education, health, adequate housing) – in Latin America, implementation of these activities rests entirely upon households.

This lack of public policies reinforces the idea – which continues to predominate – that families can shoulder most of the functions related to well-being.
Innovative application of scientific research is a key strategy to growth and participation in world markets for Australia and New Zealand. Through diversification, new products and the creation of new industries, these countries have been able to improve their global value chains, stay competitive and raise the standard of living of their populations.

Among the similarities that Australia and New Zealand share with many of Latin American countries are population size and development based on exploitation of natural resources. These nations’ experiences in moving from natural resource-based economies to knowledge-based economies are of great interest to Latin America and the Caribbean, despite the geographic distance.

In a new study by ECLAC, entitled *Australia y Nueva Zelanda: La innovación como eje de la competitividad* ("Australia and New Zealand: Innovation as a key to competitiveness," Serie Comercio Internacional No. 72), economist Graciela Moguillansky describes successful strategies for innovation, new alliances between productive and academic sectors, and the government policies that underpin this process with resources and a vision for the future.

### Innovation clusters

Both countries give priority to fostering innovation in regional and sector clusters and among industries that process natural resources. Of equal or even greater importance, however, is the support given to creation of new industries, particularly biotechnology and information technologies.

Biotechnology has been the foundation of many innovation successes by adding value to natural resource production through the development and marketing of new agricultural, forestry, fish and mining products. New information and communications technologies are vital to the integrated management and data administration systems that these innovative processes require.

### Integrated approach

Australia and New Zealand take a systemic approach to innovation, with programs and resources designed to meet the needs of industry at all stages of the value chain. This includes research and development, start-up, marketing and incentives to plug into international networks. The approach to support extends beyond financial resources, the study notes, to embrace an “integrated concept of innovation for competitiveness.”

In both countries, national systems to promote innovation are seen as a “complex network of relations and interdependence, and not an isolated collection of agencies and actors.” This comprehensive vision contrasts significantly from the approach to innovative systems common in Latin America, notes Moguillansky.

### Favorable conditions

Communication among the diverse sectors is essential, since “without close collaboration between the business community, the public sector and scientists, it is extremely difficult to put policies into practice,” says the study.

The link between business and universities is particularly important. To encourage application of scientific knowledge to business, incentive programs focus on marketing. At the same time, the business sector must increase its interest in scientific knowledge. “This is one of the relationships most difficult to secure in Latin American countries,” the study states.

Australia and New Zealand have created institutions to facilitate this exchange, such as Australia’s rural research funding agencies, its public-private Cooperative Research Centres, and New Zealand’s technology research consortium. Australia’s Research and Development Corporations (RDCs), for example, invest in the agricultural, fish and forestry industries to achieve the improved productivity and quality that bolster international competitiveness. One example highlighted in the study is integrated fruit production, which has applied scientific innovation to every stage of the production chain, from improved horticultural techniques to sensors in packaging. RDC industries contribute a percentage of their sales (between 1% and 2%) and receive equivalent funding from the government, while reaping the benefits of their innovative successes.

### Interest in Chile

Chile is one of the Latin American countries most interested in using innovation as a strategy for competitiveness and development. At seminar held in August at ECLAC headquarters, representatives of the National Council for Innovation for Competitiveness, Federation of Industry, Academy of Sciences and the National Congress met with experts from Australia and New Zealand to discuss for public-private ventures in innovation and the feasibility of their adoption locally.
### Recent Titles

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<td>Los jóvenes y el empleo en América Latina. Desafíos y perspectivas ante el nuevo escenario laboral</td>
<td>Jürgen Weller, editor. Joint publication of ECLAC, Mayol Ediciones and GTZ (German Cooperation Agency), 2006.</td>
<td>For youth, entry into the labour market is a key step to adulthood. But over the past 15 years, the Latin American job market has been characterized by precarious and poor-quality employment for youths. This publication presents articles from 15 experts on the regional panorama, with case studies and surveys from the business sector. <a href="#">www</a></td>
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<td>Sistemas de emisión y verificación de los certificados de origen en la Comunidad Andina de Naciones</td>
<td>by Miguel Izam</td>
<td>This empirical report includes interviews with public officials within and outside of customs services, with agents responsible for issuing certificates-of-origin and with private sector representatives from all member nations of the Andean Community. Recommendations for improving existing systems are proposed. <a href="#">www</a></td>
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<td>Previniendo la informalidad urbana en América Latina y el Caribe</td>
<td>by Nora Lardé, June 2006</td>
<td>This study examines the outcome of mining sector reforms carried out in the region during the 1980s and ’90s. It analyzes diverse indicators, including the capacity to attract capital for exploration and exploitation, dynamism in regional production, and changes in regional participation in world markets. <a href="#">www</a></td>
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<td>Minería y competitividad internacional en América Latina</td>
<td>by Fernando Sánchez-Albarrá and Jeannette Lardé</td>
<td>The study analyzes the degrees of political commitment to integration among these four countries, the economic asymmetries among them and the changes occurring over this period. <a href="#">www</a></td>
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### Calendar

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<td>VI Meeting, Executive Committee of the ECLAC Statistical Conference of the Americas</td>
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