due to the strong improvement of its terms of trade, Latin American export volumes for 2006-2007 will grow by 7-8%, similar to 2005 growth and second only to China.

This is the projection made by the Economic Commission for Latin America and the Caribbean (ECLAC) in its report *Latin America and the Caribbean in the World Economy, 2005-2006*, released recently. According to ECLAC, in terms of current dollars, regional exports and imports should increase by 20% and 17%, respectively, in 2006.

The report states that continued growth in regional trade is based on the positive evolution of the world economy, which in 2006 will have grown by more than 4% for the fourth consecutive year (calculated on the basis of purchasing power parity, PPP). While this dynamism is expected to decrease slightly by late 2006 and 2007, the slowdown should not significantly alter the favourable international outlook.

The emerging global economic giants, especially China, India and Russia, have been the most dynamic players. The combined growth of China and India accounted for one-third of the increase in world GDP in 2005 (calculated on the basis of PPP), overtaking the combined contributions of the United States, the European Union and Japan. For ECLAC, the current dynamism of world economic growth presents an encouraging panorama for Latin American and Caribbean trade.

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**CHINA AND INDIA: NEW OPPORTUNITIES FOR LATIN AMERICAN EXPORTS**

China and India have rapidly risen to rank among the world’s leading economies. Since 2001, the combined growth of these two countries has accounted for more than 30% of the increase in world GDP. In 2005, China became the world’s fourth-largest economy, after the United States, Japan and Germany. India, the second most-populous country on the planet, now ranks as the eighth-largest economy in the world.

With their high growth rates, both countries are helping to maintain the fragile international economic balance by generating a strong and growing demand for commodities. This presents the countries of Latin America and the Caribbean with a huge, and largely unexploited, potential market for the exports of both goods and services, according to ECLAC’s report *Latin America and the Caribbean in the World Economy, 2005-2006*.

The new report emphasizes the importance for Latin America – still a minor trading partner of the Asian giants – of expanding trade with this dynamic region, and particularly with China and India.

(continued on page 3)
ECLAC URGES DEEPENING OF REGIONAL INTEGRATION

José Luis Machinea

In its recent report *Latin America and the Caribbean in the World Economy, 2005-2006*, ECLAC proposes various avenues for deepening regional integration.

ECLAC reiterates that the multilateral arena is the most favourable for meeting the objectives of developing nations and calls for strengthening the commitment of industrialized countries and Latin America and the Caribbean to successfully complete the Doha Round, giving priority to its development objectives and particularly to the liberalization of agriculture trade.

Nevertheless, a series of alternative plans are emerging in the United States, European Union and, more recently, China, which will have a decisive influence on the composition of the global economy.

For this reason, Latin America and the Caribbean should advance toward deeper integration with common disciplines, judicial certainty and initiatives in infrastructure, energy and connectivity that will allow the region to take advantage of trade opportunities, including regional cooperation to facilitate commercial, logistical and technological alliances similar to those found in the Asia-Pacific. However, significant advances in this direction are not evident.

The balance of regional integration is unequal. Central America is taking advantage of trade negotiations with the United States and with the EU to update its integration scheme, as is the Caribbean. Nevertheless, in South America, the differences among trade strategies appear to have become more pronounced and show no sign of drawing closer.

Beyond these differences, the Andean Community (CAN) seeks an extension of its preferential tariffs under the Andean Trade Promotion and Drug Eradication Act (ATPDEA) and Mercosur has begun to address the treatment of asymmetries among its members. Both initiatives merit support.

South America is the region that shows the greatest delay with respect to its institutional and communitarian future. As a result, in this report, ECLAC emphasizes strengthening South American integration and taking advantage of the start of the South American Community of Nations.

There are important differences among South America’s divergent economies, not only of an economic character but in their political focus, and which should be recognized. It is important to understand these differences, acknowledge them with tolerance and persevere in the goal of regional integration.

ECLAC proposes making the norms for integration more flexible and accepting different paces in the process, while maintaining the priority goal of integration in the medium and long term. Independent of bilateral negotiations outside the region, it is possible to stimulate convergence among the trade agreements reached in South America. It is possible to accelerate tariff reductions and create a free trade area within a reasonable time frame. For this to occur, it is necessary to harmonize both rules of origin and customs norms, advancing in the next phase toward the accumulation of all trade agreements within South America.

Improving the credibility of integration initiatives is fundamental. This requires strengthening institutionality and dispute resolution mechanisms, thus advancing toward a single regime for dispute resolution in South America and with the same binding character afforded to World Trade Organization rulings.

ECLAC proposes making progress on Trade Facilitation, examining the subregional application of proposals made by Latin American countries in Doha Round negotiations. These have highlighted the technical assistance criteria for implementing agreements, considering their relationship with special and differential treatment; the binding nature of commitments, linked to secure and adequate financing, as well as improving cooperation in infrastructure, information systems and the creation of human and institutional capabilities. Special emphasis should be given to all initiatives to improve transportation, infrastructure and logistics, particularly for landlocked countries.

The above initiatives would stimulate economic efficiency, reduce trade deviations and reinforce intraregional trade, which is more intense in value-added activity and small and medium-sized enterprises than extraregional trade. Renewing integration efforts is urgent and necessary, and measures such as these can be a useful step in that direction.

The author is the Executive Secretary of ECLAC.
Risks to Global Economy

There are, however, threats on the horizon. The greatest danger is the impact of the surge in oil prices in response to mounting world demand and geopolitical tensions in the Middle East. High petroleum prices are beginning to have an impact not only on general inflation in all countries but also on the higher interest rates set by central banks, which could limit access by regional countries to international financial markets.

At the same time, the Chinese economy has not begun its predicted slowdown and its currency remains pegged to the dollar. This situation and the persistence of high petroleum prices are the main sources of concern for the world economy at present.

The most likely scenario is not a recession but a modest decline in world economic growth, coupled with the gradual correction of economic imbalances. Latin American and Caribbean trade will continue to benefit from strong international demand, especially from China and the greater strength of the European and Japanese economies. South America posted a sharper upswing in exports than did Mexico and Central America because the subregion specializes more heavily in commodities, whose prices have been climbing steadily.

Latin America’s trade success in 2006 is largely linked to improved terms of trade (the relation between export and import prices). In 2005, terms of trade for the region improved again, with a 5.0% rise following the 5.3% upturn recorded in 2004. Oil and copper-exporting countries (Venezuela, Ecuador and Chile) saw the largest 2005 increase, while net oil importers (Central America and the English-speaking Caribbean) experienced deterioration.

For 2006, ECLAC projects an increase of 6% in terms of trade for the region, based on continued international demand for oil and metals. The countries set to benefit most are Chile (a 25% increase), Venezuela (22%), Peru (18%) and Bolivia (14%).

The ECLAC report discusses two additional concerns. One is the uncertain future of the Doha Round of trade talks conducted by the World Trade Organization, and the threat of resurging protectionism. The other is the outbreak of avian flu, with its potentially serious economic impacts given consumer fears about poultry safety. Repercussions in the Americas could be significant, as Brazil and the United States are world leaders in poultry exports.

Regional Integration

Despite recent advances in intraregional trade described in the ECLAC report, the urgent need of countries to position themselves on a competitive basis in the international economy has focused debate on the weaknesses and shortcomings of the regional integration process.

The present assemblage of bilateral, plurilateral and regional trade agreements could result in discrimination against some countries or subregional groups as a consequence of the wide variety of provisions regarding coverage, treatment and depth of commitments. Measures are needed to achieve convergence among these different agreements in order to avoid trade diversion and increased transaction costs for intraregional trade.

ECLAC believes that regional integration is both necessary and a matter of urgency. The current phase of globalization calls for strategic international alliances in the areas of production, logistics, marketing, investment and technology. The competitive leaps taken by China, India and other Asian countries have drastically redrawn the global map of trade flows and comparative advantage. While recognizing the varying sizes and trade orientations among countries, the gains of the integration process must be preserved, fostering convergence on trade and non-trade issues alike.
A adoption of a social capital approach to the implementation of poverty reduction programmes means taking into account from the very start the social relations already existing in target communities and the degree of participation in decision-making by community members.

The conventional sectoral and thematic divisions of public policy tend to ignore the dynamics present on the ground as required by the application of a social capital perspective in poverty programmes. For this reason, the concept of co-participation in programme design and implementation is essential to any approach aimed at bolstering social capital.

Co-production implies an explicit and non-instrumentalizing commitment to work alongside the community in examining the significance and relevance of its problems and their solutions; joint evaluation of alternative costs of options adopted; and the willingness to share responsibility for both successes and failures. The concept of co-production reflects the need to articulate interventions with social dynamics at the territorial level. These relations generate trust and help strengthen the capacity for action.

This article looks at five characteristics of programmes that adopt a social capital approach.

1. **Use participative methodologies that maximize the community’s social capital**

Participatory strategies help increase trust and cooperation among community members, organizations and project partners. They allow people within targeted projects to get to know one another, meet new people and overcome fears and mistrust.

However, the amount of time required for participatory interventions is rarely factored into programme planning. Real community participation can be at loggerheads with the maximum effectiveness and efficiency that rapid application of social programmes demands. It is impossible to maximize both variables simultaneously: a certain balance must be accepted. Failure to reach this equilibrium can produce conflicts that can concentrate power in the hands of the institutional agents most pressed for short-term actions.

Participatory processes also enhance the recognition of community needs as legitimate. They give greater visibility to the spaces where problem-solving can occur and channel community demands to those spaces. This increase in the power of aspiration is a positive and fundamental first step to local empowerment.

2. **Manage conflicts as a community**

Programme advances are never irreversible and even encouraging results can turn into setbacks. These experiences are especially frustrating for programme beneficiaries. It is not enough to install a few appropriate devices in a poor community and expect to watch its social capital grow. All communities have their histories of positive experiences in collaboration and cooperation, as well as episodes of competitiveness, conflict and rivalries. What’s important is to acknowledge these experiences, build from them and make adjustments. In this respect, the creation of mechanisms to manage conflict in a communal fashion is relevant, as are the collective processes that incorporate forms of negotiation.

3. **Integrate gender dimensions into social programmes**

The social impacts of successive economic crises reveal the intensified use being made of family resources and the high price that women have paid as a result. Women’s burden of domestic work has increased with the need to substitute goods and services acquired in the market for those produced in the home.

It is generally assumed that women are naturally predisposed (and willing) to serve their families and community through their reproductive work and through the maintenance of the social networks at the root of social capital. For this reason, it is absolutely necessary to analyze women’s participation in networks of community reciprocity from the start of programme implementation.

Gender is also at the heart of another central issue: the view that domestic work is a natural attribute of the female role. Demands are made of women for activities outside the home without considering the costs of replacing them at home. Domestic work should be viewed as a valid activity, which would be a first step toward claiming its value within the community. If domestic work were viewed as equivalent to paid activity, traditional concepts of domestic work would evolve.
4. Promote synergies between social capital and cultural capital

One difficulty emerging in focused programmes is the lack of training for local organizations and the growing complexity of projects and controls. This affects the on-the-ground capacity to develop projects and negotiate with leaders in other sectors. Organizations must receive greater training resources. Leadership training in particular is needed to minimize traditional reliance on clientelism, or at least generate competition among leaders. Social programmes should include the search for synergy between social and cultural capital among their objectives.

5. Improve local mediation in programmes

In the public sector, the experiences most likely to generate a climate of confidence appear to depend more on the discretion of certain local agents than on policy guidelines or programme specifications. The ways in which mediation between agents and communities occurs is often the determining factor in the results achieved.

A double-edged tension between technical staff and beneficiaries exists: this is linked to the possession of knowledge, on the one hand, and conflicting time frames, on the other. In the area of knowledge, project evaluations reveal that technical staff are often found to fear the role of beneficiaries in project activities and decision-making. One consequence of in-fighting over project control is the reduced transfer of knowledge to communities.

As far as the second source of tension - time frames - is concerned, conflicts arise between the long lead time that participatory strategies require for organization, consultation and implementation versus the pressure for results and time-bound expenditure required by technical staff.

This tension brings with it the risk of clientelism and over-dependency on the role of the local agent or intermediary in articulating the process of generating opportunities for cooperation.

Another type of conflict apparent in programmes to build neighborhood infrastructure is the informal appropriation and exercise of control over infrastructure by groups that block or even exclude access by other groups and individuals. Clear rules and control mechanisms are required to address this.

The role of the development agent is fundamental to programme dynamics. Work with accessible agents in horizontal relations that are open to dialogue and co-production, through support and validation of familiar spaces and management styles, is the foundation of sustained processes of confidence-building.

For in-depth analysis of this issue, see the following ECLAC publications (both in Spanish):

- Lineamientos de Acción para el desarrollo de programas de superación de la pobreza. Guía conceptual y metodológica. CEPAL. Serie Manuales N° 36. www.eclac.cl
- Aprender de la experiencia: el capital social en la superación de la pobreza. Libro de la CEPAL. N° 86. www.eclac.cl

The author is Social Affairs Officer of ECLAC’s Social Development Division.
The Chinese economy grew by nearly 10% in 2005, a rate that increased to 10.9% in the first half of 2006 as a consequence of domestic investment and exports. For its part, India displayed a growth rate of 8.4% for the fiscal year ending 31 March 2006. Combined merchandise exports for both countries in 2005 represented 8.2% of the world total.

The Chinese “Boom”

By 2005, China had become the world’s third-largest merchandise importer and exporter. Its exports jumped by 28% to US$ 760 billion (nearly 1.5 times the external sales of Latin America and the Caribbean). In the case of India, merchandise exports totaled US$ 90 billion (ranked 30th internationally) and its imports US$132 billion (ranked 17th).

China is one of the largest recipients of FDI in the world, with US$ 72.4 billion in FDI inflows for 2005. The acceleration witnessed in 2006 by the already buoyant Chinese economy illustrates the risk involved in unrestrained growth. Its economic expansion is being fuelled by the country’s enormous trade surplus, leading to well-grounded calls for a steeper appreciation of the yuan.

The short-term outlook for India is promising, given its solid economic growth and moderate rates of inflation. Challenges for the medium term include the management of its high levels of public indebtedness, its growing current account deficit and the need to embark on reforms.

Trade between the Latin American Region and China and India

Between 1990 and 2005, trade flows between countries of the region and China and India expanded considerably, especially over the past five years. Trade with China is particularly significant, with regional exports exceeding US$19 billion in 2005 - close to 3.5% of the region’s total exports.

Exports to India stood at just US$3 billion (0.5% of the regional total). The main exporting countries to China are, in order of magnitude, Brazil, Chile, Argentina, Peru and Mexico. The same countries are present for India, except Peru.

Chinese imports from the region are concentrated in primary commodities, providing, for example, more than 60% of soybean imports (chiefly from Brazil and Argentina) 80% of fishmeal (from Peru and Chile), close to 69% of edible poultry offal (from Argentina and Brazil) and 45% of wines and grapes (from Chile).

Trade relations between South America and China tend to be complementary, taking the form of inter-industry trade in which the region exports primary commodities and imports manufactured goods. Trade with Mexico and Central America is more asymmetrical. China buys less than 1% of Mexico’s total exports but is its second-largest supplier of imports. As a result, Mexico and Central America have been building a growing trade deficit with China, and China has supplanted Mexico as the United States’ top trading partner.

For India, Latin America and the Caribbean is still a small, but growing market. As in the case of China, trade patterns between India and the subregion differ from the structure of trade flows between India and Central America and Mexico. India has already concluded trade agreements with Mercosur and Chile.

According to ECLAC, South America should consolidate this trend by further strengthening its trade links based on greater productive complementarity with both China and India, creating the necessary trade and technology partnerships.

For Mexico and Central America to attain more strategic relations with China and India, the ECLAC report suggests increased intra-industry trade. This could open new access routes to Asian markets and foster the incorporation of new technologies, rather than compete face-to-face in third markets like the United States.

For ECLAC, Latin America should take advantage of the opportunities offered by both China and India to enter existing production and distribution chains. One way of achieving this is through trade agreements with both countries. In this respect, the agreement already signed by Chile and China and the agreement negotiated between India and Mercosur are promising, but require more depth and wider scope.
Women want work and need to work, but they are often unable to fully exercise this right. The jobs that women obtain tend to be concentrated in types of employment and labour sectors characterized by low productivity. This is especially true of the health sector, an area of great strategic importance for social and economic development, and one that is both labour-intensive and largely staffed by women.

In health and other sectors, women are under-represented in decision-making posts and have fewer opportunities to build a career within the sector. They earn less than their male counterparts in similar jobs – even when they are better educated. Women are less protected than men under most social security regimes. And no matter what sector of the economy women are employed in, they also face the demands of housework and caring for their families when they come home from work.

In-depth examination from a gender perspective of the labour conditions faced by women and men in diverse economic sectors is hard to come by. A new book from ECLAC addresses this need and presents a new analytical analysis of the link between employment policy and gender realities at the local and national levels.

The publication (forthcoming from ECLAC and Siglo XXI Editores) is entitled *Mujer y empleo: La reforma de la salud y la salud de la reforma en Argentina* (Women and Employment: Reform of the Health Sector and the Health of Sectoral Reform in Argentina) and was coordinated by María Nieves Rico and Flavia Marco of the UN regional commission’s Women and Development Unit. Its studies examine the impact of health sector reforms on gender equity and formulate proposals for labour policies that can advance both the demand for rights and debate about the role of the State and the market.

The studies in this publication show that employment in the health sector is largely female. The labour-intensive nature of employment in the sector means that health care workers are its most important resource, and that human resource management can be a fundamental policy tool in advancing gender equity. Author María Nieves Rico notes how female employment in the health sector in Argentina is largely segregated by job category. Women health care workers lack incentives for professional development. And the implementation of measures to cut labour costs has meant that multiple jobs are often compressed into a single post or that workers hold more than one job, a trend described as “pluri-employment” and one which is taking a negative toll on the health of health workers.

This is the first ECLAC publication to examine human resources in the health sector from a gender perspective. José Luis Machinea, ECLAC Executive Secretary, notes that the studies “make visible the links between public policy and cultural change” and that the complex synergies between economic and social policy – most easily observed where they intersect in the labour market – are most fully revealed when viewed from the vantage point of gender inequality.

The employment situation within the health sector in Argentina, and particularly in the city and province of Córdoba, occurs in a scenario where the general demand for health care has risen sharply while employment conditions for healthcare workers have deteriorated. Accompanying this trend are the local and provincial experiences, conducted with government authorities, legislators, trade unions, academics and NGOs, to bring gender perspectives into sectoral labour policies. ECLAC notes the importance of giving special attention to the historic deficit of access to quality health care services, a deficit evidenced by the scarcity of human and economic resources and the lack of coordination between health and labour systems.

The publication calls attention to this lack of coordination between health and employment policy, and the failure to incorporate gender policies. The authors maintain that the quality of employment for female and male health workers is directly related to the production and delivery of health services, and specifically to the quality of care.

The contributors to this volume present innovative recommendations based on the debates and experiences of governmental and non-governmental actors. These include: i) incorporating gender equity into health service production; ii) guaranteeing job quality by eliminating the gender gap; iii) compiling statistics disaggregated by sex; iv) making use of both public and private initiatives to obtain legislative and institutional changes that can reverse gender discrimination; v) converting political commitments into human, technical and financial resources; and vi) developing institutional capacity and encouraging social participation and dialogue among diverse sectors to extend the widespread incorporation of gender perspectives.

The aim of this publication is to generate debate and raise questions about the formulation of public policies that can raise the visibility of women and their labour conditions, redistribute benefits and responsibilities among health sector employees and incorporate gender equity considerations into sectoral reforms.
1. **Instituciones de la política social: Objetivos, principios y atributos** (Institutions for social policy: Objectives, principles and attributes) by José Luis Machinea and Guillermo Cruces. Series informes y estudios especiales No. 17, July 2006 (LC/L.2573-P/E). The persistent levels of poverty in Latin America and the Caribbean impose limits on the exercise of economic and social rights for broad sectors of the population. To guarantee these rights, this document identifies a series of principles (universality, solidarity and efficiency, among others) and requisites to guide public intervention and strengthen the institutions that frame social policy.

2. **Brechas y barreras (Youth and the labour market: Gaps and barriers)** (FLACSO-Chile) and American Social Science Faculty. “Youth Insertion in the Labour Market,” conducted by ECLAC in conjunction with Germany’s GTZ. The publication summarizes study findings in Chile, a country where youth unemployment rates are twice that of the general populace and where barriers to employment for low-income youth are particularly steep.

3. **Breve guía para la aplicación del enfoque de capital social en los programas de pobreza** (Brief guide to applying a social capital approach to poverty programmes) by Irma Antiajada. July 2006 (LC/R.2135). This is a practical manual aimed at public officials in charge of poverty reduction programmes. Using a social capital approach, this brief guide presents a tool box of techniques, observations on comprehensive programme cycles and a methodological guide to evaluating social capital networks.

4. **RISALC: Hacia una herramienta estratégica para la gestión social** (RISALC: Toward a strategic tool for social management) by María Rebeca Yáñez; Sandra Acuña; Gloria Molina. Serie Políticas Sociales No. 122, August 2006 (LC/L.2585-P/E). This publication describes the work of the first stage of the Network of Latin America Social Institutions (Red de Instituciones Sociales de América Latina y el Caribe, RISALC), an ECLAC initiative to promote application of new information and communications technologies in the area of social policy. The document presents diagnostic approaches to the state of development of social information systems and collaborative networks, and makes recommendations for future actions.

5. **International mobility of talent and its impact on global development: An overview** by Andrés Solimano. Serie Macro-economía del desarrollo No. 52, September 2006 (LC/L.2580-P, English only). Individual talent is both an economic resource and a key source of creative power, and globalization has increased its movement. This publication examines the policies related to the international movement of talent, the types, traits and characteristics of talented individuals who cross borders and the impact of this mobility on both the countries of origin and destination, and on global development.

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**Calendar of Events**

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<tr>
<td>OCTOBER</td>
<td>3 - 4 40th meeting of Presiding Officers of the Regional Conference on Women in Latin America and the Caribbean</td>
<td>ECLAC, Santiago, Chile</td>
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<td>5      Presentation of new publications: “Los jóvenes y el empleo en América Latina. Desafíos y perspectivas ante el nuevo escenario laboral” (“Youth and employment in Latin America: Challenges and perspectives in the new labour panorama”) and “Juventud y mercado laboral.” (“Youth and the labour market”)</td>
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<td>5 - 6  “International Seminar on Gender Parity and Political Participation in Latin America and the Caribbean,” with Chilean President Michelle Bachelet.</td>
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<td>24 - 26 2nd meeting “Macroeconomic Dialogue Network Project (REDIMA II):” Dialogue among three networks: Andean Community, Mercosur and the Central American Common Market.</td>
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<td>NOVEMBER</td>
<td>6      Conference by the President of Costa Rica, Oscar Arias.</td>
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<td>7 - 8  Expert Meeting. “Gender, Poverty, Race, Ethnicity: The Situation in Latin America.”</td>
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<td>8 - 10 Innovation Fair and Awards ceremony of Experiences in Social Innovation contest, organized by ECLAC and the W.K. Kellogg Foundation.</td>
<td>Universidad Autónoma Metropolitana, Xochimilco campus, Mexico City,</td>
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<td>14 - 15 Expert meeting on population and poverty in Latin America and the Caribbean.</td>
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<td>21     Seminar: “Processes of integration at the crossroads: Future perspectives.”</td>
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<td>DECEMBER</td>
<td>12     Presentation ECLAC report: “Preliminary Overview of the Economies of Latin America and the Caribbean, 2006.”</td>
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