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CHALLENGES AND OPPORTUNITIES FOR SUSTAINABLE DEVELOPMENT

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UNITED NATIONS

ECLAC

Economic Commission for Latin America and the Caribbean

“Almost ten years after the Earth Summit, Latin America and the Caribbean have barely started out along the road to sustainable development,” state two organizations of the United Nations in a joint report, *The Sustainability of Development in Latin America and the Caribbean: Challenges and Opportunities*.

Presented in Rio de Janeiro, Brazil in October at the **Regional Preparatory Conference for the World Summit on Sustainable Development** (Johannesburg, South Africa, 2002), the text was prepared by the Economic Commission for Latin America and the Caribbean (ECLAC) and the United Nations Environmental Program (UNEP).

“Achievements remain insufficient” regarding sustainable

development in the region since the **Earth Summit**, held in Rio de Janeiro in 1992, although the report, *Financing for Sustainable Development in Latin America and the Caribbean*, recognizes the great enthusiasm with which countries assumed commitments in Rio, and the numerous initiatives they developed as part of applying the **Rio Declaration and Program 21** (Plan of Action for Sustainable Development).

After a complete review of the region’s economic and social performance during the 1990s, the paper analyzes the environmental situation in detail, describing the region as being at a contradictory stage in this sense.

Productive transformations over the past decade have arisen directly from globalization.

But while the importance of the primary sector to total production fell, the expansion of the agricultural frontier continues and extraction of mining and oil resources is still rising.

The volume of exports from sectors known to have significant environmental impacts (aluminium, paper, wood pulp) rose at least threefold in most countries. Thanks to cleaner production systems, primary activities could cause less environmental damage per product unit, but at the cost of the ongoing exhaustion of the resource base, particularly in those countries whose insertion abroad is based primarily on natural resource based exports.

In the secondary sector of the economy, structural changes

(continued on page 3 ➡)

REFORMS TO HEALTH CARE SYSTEMS IN LATIN AMERICA AND THE CARIBBEAN

In almost every country in the world, health care systems are undergoing significant reforms. Policymakers everywhere face similar challenges: to create a socially balanced health care system, in terms of both financing and service provision; improve the efficiency of sector spending; improve the quality of health care services; and successfully create systems that are viable from both the political and the financial points of view.

In Latin America and the Caribbean, several countries are deeply involved in reforming their health care systems, and every one must deal with their own particular characteristics.

The *Financiamiento del Desarrollo* (Development Financing) Series, published by ECLAC, has dedicated recent issues to analyzing health reforms in Colombia, Costa Rica and Venezuela.



Health Care Equity in Colombia

In *Evolución de la Equidad en el Sistema Colombiano de Salud*, (*The Evolution of Equity in Colombia’s Health System*, *Financiamiento del Desarrollo* Series N° 108, April 2001),

(continued on page 6 ➡)

TO GOVERN IN HARD TIMES

MANUEL MARFÁN

Governing is not easy. Those who do it must maintain a series of equilibriums, all at the same time. On one hand, they are asked to represent the will of those who are governed, something that isn't always consistent. A government that only tries to remain popular tends to fall into a pattern of short-term practices, with high social costs in the medium- and long-term, which, ironically, lead to a loss of that very popularity. On the other hand, they are asked to lead the way into a better future that will allow society to achieve structural goals, which often require sacrifices in the short-term. If those who govern only worry about their structural agenda without dealing with short-term emergencies, they become extremely unpopular, aborting any chance of reaching the "promised land".

Governments "withdraw" from their political capital to deal with their long-term structural agenda and "accumulate" political capital with their short-term agenda. In economic terms, the order tends to be the other way round: the short-term political agenda involves withdrawing from budgetary accounts, while the structural agenda requires the accumulation of fiscal capacity to be sustainable. Combining political and economic consistency is one of the complexities of the art of governance and requires a delicate ordering of priorities and, above all, ongoing coordination between political and economic criteria. The simple imposition on the part of some and the subordination of others can

lead to populist or authoritarian practices, according to the specific situation, producing a latent desire for revenge that can only lead to ingovernability.

In hard times, governments may lose their political capital as short-term economic emergencies are perceived to be overwhelmingly important, or see their structural agenda erased from the priority list, or a combination of the two. They suffer from every missed opportunity, when they could have accumulated more political and economic capacity during


"Transforming the crisis into an opportunity, however difficult that may be, is a good path to follow."

the "time of plenty" and, too late, all the advantages of prudent management of booms come to the fore.

True leadership is tested in favourable conditions, when governments remember that the world is in constant flux. It is also tested in adversity, when the authorities manage to survive the storm, without losing sight of their destination or values. When the short term becomes overly dominant, the authorities are forced into a strategy to regain their capacity for good governance. Transforming the crisis into an opportunity, however difficult that may be, is a good path to follow. Seeking broad agreements, which always require the sacrificing of some objectives in

exchange for support for others, is also wise advice in hard times. "Compromise" is the basis for any successful negotiation. The only non-negotiable limit is respect for the basic rights of all those involved.

A pillar of good governance is respect for basic rights. Formal, representative democracy follows this pattern: the hegemony of the majority, limited by the rights of minorities. This also represents the pattern of corporate governance: administrative hegemony and control by majority shareholders, limited by respect for the rights of other shareholders and creditors. Respect for basic political and civil rights, along with those involving economic, social and cultural aspects, form part of good governance. In hard times it is tempting to cross the threshold and impose disproportionate costs on those who are weaker and less organized. Or, at the other extreme, to unilaterally impose expropriatory measures or force compliance with drastic contractual clauses.

There are some exceptional conditions under which a national effort alone is not enough to ensure governance based on respect for these basic rights. In these exceptional situations, the international community must not remain unmoved. On the contrary, it must get involved through calculated and intelligent efforts to restore governance based on respect for political and civil rights, along with basic social and economic rights. 

The author is an economist at ECLAC.

are taking effect that have positive implications for the environment. Improved processes, quality requirements, environmental administration systems, other characteristics associated with new technologies and globalization, have had a synergic effect.

Some facts on the environmental reality of Latin America and the Caribbean:

- Forestry plantations rose in the past two decades, but nonetheless almost all wood still comes from native forests, except in Chile, where 84% comes from forestry plantations. Argentina, Brazil, Costa Rica, Cuba, Peru and Uruguay began planting programs, which by 2010 should be providing 40% of wood.

- Almost half of the region's natural eco-systems are dedicated to agriculture and cattle ranching. If countries can't extract products that generate income and employment for their inhabitants, they change the land use to farming activities.

- Despite severe deforestation processes, the region still has the highest vegetation cover and bio-diversity on the planet.

- It also has the largest available water resources in the world, but the extraction and consumption of water is rising very quickly. If current trends continue, there will be scarcity and general problems with pollution.

- In general terms, the pollution problem shows signs of worsening, the result of economic and population growth, and the deepening of certain patterns of production and consumption.

- Considerable urban growth has meant that a large part of the population suffers the consequences of declining air quality, pollution due to dangerous and solid wastes, damaged coastal areas and water pollution.

- With 8.5% of the world's population, Latin America now contributes 5.4% of world emissions associated with the greenhouse effect. Mexico is the largest polluter, followed by Brazil. Together the two countries account for 53% of the region's emissions by volume.

Socio-environmental vulnerability also seems to have risen. Preventing and mitigating natural disasters constitutes one of the region's main challenges. One dollar spent on disaster prevention can save at least US\$ 7 spent on the resulting damages.

ECLAC has developed a methodology for estimating the direct and indirect, short, medium and long-term costs. In Central America, the total of economic damage caused by natural disasters since 1972 represents an annual average of almost US\$800 million, that is, 2% of the area's GDP.



Financing for Sustainable Development

Five agreements to establish an international cooperation system to bring the environmental dimension into development policies and establish the financial mechanisms for sustainable development were adopted at the **Earth Summit**. ECLAC's report evaluates progress in implementing these agreements. After reviewing case studies in Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico and Trinidad and Tobago, it recommends a more integrated, coordinated regional effort to ensure that multilateral cooperation brings more results and the region's countries can achieve a more sustainable level of participation in the world's economy.

Prevailing trends, according to the study, include:


- Flows of official aid for development (OAD) have declined

and now represent less than one-third of the commitments assumed in Rio. The target placed financing from developed countries at 0.7% of GNP, but the OAD fell during this period. The region received around 0.4% of its GNP in OAD, reaching US\$ 14 per capita.

- Private financial flows, however, rose. Volatility is worrisome and its concentration in developed countries or emerging economies excludes the poorest. International trade became an essential factor to economic growth and sustainable development.

- Financial contributions from international bodies going to support environmental management rose and countries started to apply environmental criteria in their project evaluations.

- International multilateral funds of a concessional nature started to operate, although with limited resources.

- Domestic financing policies for sustainable development, expressed in both public and private environmental expenditure evolved slowly, reflecting the weakness of institutions belonging to state apparatuses. With national differences, total environmental spending in the region is no more than 1% of GDP. 

Latin America and the Caribbean (33 Countries): Area of Forests and Other Wooded Areas

(Thousands of hectares)

Country	Land area b/	Population density (inhabitants/km ²), 1999 b/	Forests and other wooded areas, 1990 a/		Total forested area, 1995 c/	Total forested area 2000 b/	
			Total	Other wooded areas, 1990 a/		Total	Plantations
Central America and Mexico	241 942		160 150	89 863	75 018	73 029	729
Belize	2 280	10.3	2 117	119	1 962	1 348	3
Costa Rica	5 106	77.0	1 569	113	1 248	1 968	178
El Salvador	2 072	297.0	890	763	105	121	14
Guatemala	10 843	102.3	9 465	5 212	3 841	2 850	133
Honduras	11 189	56.4	6 054	1 446	4 115	5 383	48
Mexico	190 869	51.0	129 057	80 362	55 387	55 205	267
Nicaragua	12 140	40.7	7 732	1 705	5 560	3 278	46
Panama	7 443	37.8	3 266	143	2 800	2 876	40
Caribbean	21 505		6 168	2 396	4 025	5 319	557
Antigua and Barbuda	44	152.3	26	16	9	9	-
Bahamas	1 001	30.1	186	0	158	842	-
Barbados	43	625.6	5	5	0	2	0.0
Cuba	10 982	101.6	3 262	1 302	1 842	2 348	482
Dominica	75	94.7	50	6	46	46	0.1
Dominican Rep.	4,838	172.9	1 530	446	1 582	1 376	30
Grenada	34	273.5	11	5	4	5	0.0
Haiti	2 756	293.4	139	108	21	88	20
Jamaica	1 083	236.4	653	399	175	325	9
Saint Kitts y Nevis	36	108.3	24	11	11	4	-
Saint Vincent and the Grenadines	39	289.7	12	1	11	6	-
Saint Lucia	61	249.2	34	29	5	9	1
Trinidad and Tobago	513	251.3	236	68	161	259	15
South America	1 744 709		1 084 541	199 609	862 604	877 692	10 456
Argentina	273 669	13.4	50 936	16 500	33 942	34 648	926
Bolivia	108 438	7.5	57 977	8 632	48 310	53 068	46
Brazil	845 651	19.9	671 921	105 914	551 139	543 905	4 982
Colombia	103 871	40.0	63 231	9 041	52 988	49 601	141
Chile	74 881	20.1	16 583	8 550	7 892	15 536	2 017
Ecuador	27 684	44.8	15 576	3 569	11 137	10 557	167
Guyana	21 498	4.3	18 755	331	18 577	16 879	12
Paraguay	39 730	13.5	19 256	6 388	11 527	23 372	27
Peru	128 000	19.7	84 844	16 754	67 562	65 215	640
Suriname	15 600	2.7	15 093	317	14 721	14 113	13
Uruguay	17 481	19.0	933	120	814	1 292	622
Venezuela	88 206	26.9	69 436	23 493	43 995	49 506	863
Total (Latin America and the Caribbean)	2 008 156		1 250 859	291 868	941 647	956 040	11 742

Source: a/ Food and Agriculture Organization of the United Nations (FAO), Forest Resources Assessment 1990, 1995, Global Synthesis; b/ Food and Agriculture Organization of the United Nations (FAO), State of the World's Forests, 1999; c/ Food and Agriculture Organization of the United Nations (FAO), Forest Resources Assessment, 2000, 2001.

THE FUTURE OF HUMAN RESOURCE TRAINING

GUILLERMO LABARCA

Few issues are the subject of so much agreement in the region as the need for training to improve labour productivity and promote equity, as we have found while researching job training and companies in recent years at **ECLAC**.

If we review industrial policy proposals, declarations from business people, union leaders and the general population, we can conclude that training is considered one of the pillars for economic growth. Some have even suggested that it be extended to sectors that have received few of its benefits, such as small and medium-sized companies (SMEs). There are constant calls to substantially increase the resources available for training and to improve existing systems or, where necessary, create new institutions and technologies.

Some of the paradoxes found are rather remarkable. In the first place, even when public spending on this activity is considered very low, not all the funds available are spent, or they go to finance activities that aren't strictly educational. Secondly, with the exception of Mexico, often a substantial part of the reforms and modifications to training led by governments go more to supporting companies that are already well positioned on the market rather than those that are most vulnerable. This would appear to go against the intentions of policies

themselves and the possibilities for improving the performance of less productive companies, especially (SMEs). Thirdly, reforms or changes introduced have proven to work better in theory than in practice.

On the other hand, several successful experiences with training stand out, among them Brazil's experience with Centros Nacionales de Tecnología del SENAI (a national industrial apprenticeship service), Jamaica's HEART (Human Employment and Resources Training Trust) policies, and the strategies of some companies, such as Volkswagen, Ford or Siemens, or company clusters, such as the La Rafaela cluster in Argentina or the Valle dos Sinos in Rio Grande do Sul, Brazil.

It is worth asking why this happens. In my opinion, successful strategies have followed specific demands generated by the productive apparatus very closely. And less successful ones have not managed to incorporate some key elements, among them sectoral differences, which lead to very different demands for human resources, the cyclical nature of the economy, or the characteristics involved in technological change. Moreover, they reflect confusion between industrial development policies and social policies, which often leads to resources for supporting higher productivity being used to offset situations that will negatively affect economic development.

Key Factors for Successful Training Programs

Keep in mind	This consideration applies when it	It doesn't apply in the case of
This is an ongoing, permanent process	Builds learning Helps people to learn to learn Motivates	High-cost, isolated efforts Selective training When it doesn't improve the company's competitive position
It is important to recognize company members' knowledge	Optimises the functions of different company members Increases motivation Favours innovation	If it makes learning too vertical, where flexibility is a priority If it makes innovation within the company difficult
It is important to create mechanisms that make some kinds of tacit knowledge explicit	Values experiences Socializes problem-solving Spreads knowledge horizontally through the organization Generates learning	Errors and poor behaviours may be repeated May prevent normalization of non-standard processes
It is important to include on-the-job training	Generates a shared language Unifies tacit and codified knowledge Improves performance Optimises learning	If it values only formal knowledge

Source: Novick, Marta "Experiencias exitosas de capacitación de empresas innovadoras en América Latina y el Caribe" in Labarca, G (ed) "Formación y Empresa", **ECLAC** – GTZ- CINTERFOR, Montevideo 1999

INDICATORS

Improvements introduced into training systems for the workforce during the past decade were based on an assumption that may be valid in the long term but restricts the impact of training actions in the short term. The assumption is that the development pattern, and therefore the demand for human resources, of the companies closest to the technological frontier is the universal pattern for the whole economy. This ignores the enormous heterogeneity of this demand, due to inequality among sectors, the development level of different economic activities and the enormous range of paths that technologies may follow. As this diversity rose in the past decade, so did the discrepancy between human resources supply and demand.

Another constant is that training policies are invariably designed during the expansive phase of the cycle, when demand for skilled labour is rising and public and private resources are available for this. During this phase the institutions responsible for applying them are created or reformed. But neither crises nor contractions in production have been considered, which often frustrates or cuts short implementation, and/or starts to generate contingents of skilled unemployed.

Another neglected aspect has been the inclusion of the very individuals who are in training in making decisions about the process. There are no incentives for them to dedicate time and resources to training, nor is there any institutional recognition of the skills acquired in work itself, nor is their experience put to use when educators develop diagnoses or design new curricula.



What then, to do with training?

Successful job training experiences in and out of this region provide useful pointers in designing policies and strategies. Beyond the close relationship between production and training, pointed out by policy analysts and implementers and confirmed by practice, other aspects must be considered. Among those that deserve special attention:

- Creation of compensatory funds for job preparation and training that ensure the continuity of these activities during recessive or critical periods.
- Skill certification systems that guarantee to employees and employers the value of the skills and abilities so acquired, independently of how they were acquired.
- Organization of training and definition of contents, taking into consideration sectoral differences.
- Links between training institutions, regional business organizations and local governments (municipal, regional).
- More flexible structures for training systems, so they can respond to changing demands.
- Encourage workers' participation in training decisions through incentives, access to public funds, and the definition of training needs.



The author is a Human Resources expert in ECLAC's Production, Productivity and Management Division.

Latin America and the Caribbean: Main Export Prices and 1995 Base Indices for Products Groups

	Jan - Sept	2000		2001		2001			2001 Sept
		2000	2001	III	IV	I	II	III	
Agricultural & Livestock products									
Food		76.6	77.4	74.8	76.8	78.5	77.1	77.6	76.7
Sugar	cents/lb	8.2	9.0	10.0	10.2	9.8	9.1	8.2	7.6
Bananas	cents/lb	19.0	28.3	16.3	18.0	26.6	26.8	31.5	32.1
Shrimp	cents/lb	6.9	7.3	6.8	7.0	7.4	7.5	6.9	6.2
Beef	cents/lb	87.8	93.8	85.3	86.9	88.8	92.0	100.4	101.4
Corn	US\$/mt	109.4	114.2	100.3	109.6	117.1	113.9	111.6	109.2
Wheat	US\$/mt	119.1	130.9	118.0	130.7	132.7	132.7	127.4	127.1
Bebidas									
Coffee 1	cents/lb	60.0	45.6	56.0	50.7	48.6	46.5	41.7	41.2
Coffee 2	cents/lb	102.6	75.2	94.5	83.4	76.3	77.9	71.5	71.4
Cocoa	cents/lb	79.9	54.0	73.9	68.5	61.7	54.7	45.5	43.7
		40.3	47.4	40.8	37.5	49.1	47.4	45.8	46.5
Oil, flour and oily seeds									
Soy	US\$/mt	84.1	82.6	80.6	86.8	83.1	78.4	86.4	86.2
Soy flour	US\$/mt	211.8	199.6	201.3	208.7	201.7	186.0	211.0	213.0
Soy oil	US\$/mt	199.7	200.2	192.0	215.0	204.0	193.3	203.3	203.0
		338.1	342.9	327.0	316.7	312.3	310.3	406.0	387.0
Forestry and agricultural commodities									
Cotton	cents/lb	71.3	70.9	73.6	75.4	74.2	69.7	68.6	68.1
Leather	US\$/100kg	59.2	50.9	60.3	64.2	59.7	49.5	43.4	41.3
Fishmeal	US\$/mt	87.8	93.8	85.3	86.9	88.8	92.0	100.4	101.4
Wool	cents/lb	413.0	468.3	419.7	430.0	462.3	443.7	499.0	507.0
Wood pulp	US\$/mt	169.5	135.8	166.5	150.1	145.3	135.6	126.5	123.7
Tobacco	US\$/mt	625.9	452.1	659.0	642.3	572.0	423.0	361.3	354.0
		136.0	136.5	133.7	134.8	134.4	137.4	137.7	137.7
Metals and ores									
Aluminium	cents/lb	78.5	73.1	80.2	78.1	76.7	73.3	69.1	68.1
Copper	cents/lb	70.3	67.4	71.0	68.7	71.5	68.1	62.6	61.0
Tin	cents/lb	82.3	73.9	84.9	83.8	80.0	74.9	66.8	64.7
Iron ore	cents/lb	246.5	211.6	243.7	238.6	231.8	222.5	180.4	167.5
Silver	US\$/onza t	27.7	28.9	27.7	27.7	28.9	28.9	28.9	28.9
Lead	cents/lb	499.9	441.4	496.4	475.5	455.8	439.9	428.5	439.2
Zinc	cents/lb	20.6	21.6	21.4	21.4	22.4	21.0	21.3	21.1
		51.2	42.0	53.4	48.6	46.3	42.4	37.5	36.3
Oil and derivatives									
Crude oil	US\$/b	168.4	138.0	176.1	180.4	143.5	141.9	128.5	128.0
Derivatives	US\$/b	26.8	21.5	28.2	28.7	22.4	21.6	20.4	20.3
		36.6	32.9	37.4	39.7	34.2	36.3	28.2	28.1
Total		114.9	101.2	117.9	119.8	104.9	102.8	96.4	95.7
Total without oil		77.4	75.5	77.1	77.4	77.8	75.5	74.0	73.0

Source: ECLAC, using figures from UNCTAD, the World Bank and OPEC.

Note: Soy oil from all sources, FOB Rotterdam. Cotton, American Memphis USA, M1-3/32, CIF Northern Europe. Aluminium, high grade, London Metal Exchange. Sugar, FOB Caribbean ports. Bananas, from Central America and Ecuador, FOB, United States. Cocoa beans, London. Coffee 1, Arabic-style Colombian mild, ex-dock New York. Coffee 2, Brazil and other Arabics, ex-dock New York. Shrimp, US prices. Beef, frozen and deboned, all sources, US ports. Copper, London Metal Exchange. Leather, United Kingdom, average import prices. Tin, London Metal Exchange. Soy flour, 44.45% Hamburg. Fishmeal, all sources, 64-65% proteins, CIF Hamburg. Iron, Brazil c.64.5% Fe, FOB. Wool, clean, combed quality 64's. Corn, United States, No 3, yellow, CIF Rotterdam. Silver, 99% refined, New York. Lead, London Metal Exchange. Wood pulp, Chile, bleached. Soy, United States, No. 2, yellow, bulk, CIF Rotterdam. Tobacco, United States, all markets. Wheat, FOB, United States, No. 2, red, Zinc, London Metal Exchange. Crude oil, Venezuela, Tia Juana light. Oil derivatives, regular 87 unleaded gasoline, United States.

Latin America and the Caribbean: Total Exports and Main Commodities in 2000

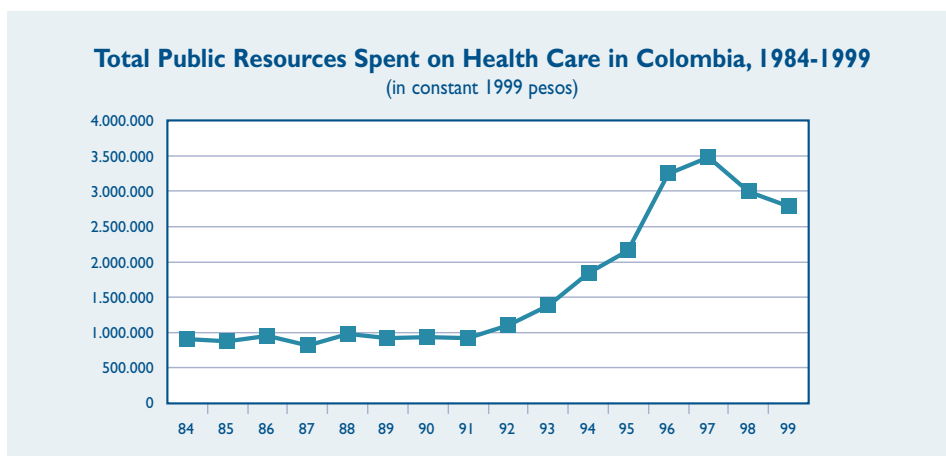
	Exports (US\$ million)	Share (percentage)
Total exports	357,543	100.0
Main commodities	85,720	24.0
Crude oil	44,081	12.3
Oil derivatives	9,493	2.7
Refined copper	6,921	1.9
Coffee	6,355	1.8
Iron and steel	4,962	1.4
Bananas	3,472	1.0
Sugar	2,497	0.7
Wood pulp	2,087	0.6
Soy flour	1,711	0.5
Soy oil	1,551	0.4
Aluminium	1,532	0.4
Shrimp	1,057	0.3

Source: ECLAC, Statistics and Economic Projections Division.

authors Ramón Castaño, José J. Arbelaez, Ursula Giedion and Luis Gonzalo Morales analyze fiscal spending on health care in Colombia and household spending on health services, to identify positive or negative changes in terms of equity.

According to this study, although insurance coverage in Colombia rose significantly during the six-year lifespan of the new health care system, with households in the lowest income quintile gaining the most, it isn't clear that actual access to health services has improved to the same extent or that reforms have positively affected out-of-pocket household spending or trends in private insurance.

The authors conclude that distribution of resources for health subsidies to the poor population has improved, as has insurance coverage.



Source: Authors' calculations using National Planning Department data, Health Ministry and DANE.

dissatisfaction with national institutions responsible for covering pensions and health care.

According to the authors of the study, the Health Sector Reform Program, in process now for several years, has proven incapable of dealing with key issues directly and through consensus-building, among them the foundations for the system in the future, the private sector's role, and the institutions necessary to maintain and improve the country's health indices. To do so, they propose exploring several policy issues in more depth, to ensure the future development of this area.

Author Marino González, describes the main characteristics of the Venezuelan health care system, its organization, and features specific to the public and private sectors. He looks at reforms during this period and examines the conditions contained in the new constitutional framework and country policy, especially with the Constitution approved in December 1999, and above all the constitutional foundations for the health care sector and its implications for the new legislation.

He concludes that historical experience with health sector reforms in Venezuela reveals that their extreme technical complexity and the introduction of innovations that aren't closely matched to the country's specific conditions don't favour the sustainability of institutions, nor do they guarantee success.

The Private Sector in Costa Rica

In *El sector privado en el sistema de salud de Costa Rica*, (*The Private Sector in Costa Rica's Health System*, Financiamiento del Desarrollo Series N° 109, April 2001), Fernando Herrero and Fabio Durán examine private sector participation in Costa Rica's health care system.

There, the system is organized around state insurance, which covers practically the whole population. The private sector, however, became increasingly important during the 1990s, particularly for high-income users. As a result, today around 30% of health spending is provided by the private sector and is financed primarily out of the pockets of users themselves. In any case, this growth in the private sector has not been the result of policy decisions made by consensus but rather user

Health in Venezuela

Meanwhile, the study *Reformas del sistema de salud en Venezuela (1987-1999): balance y perspectivas*, (*Reforms in Venezuela's Health System 1987-1999: Overview and Perspectives*, Financiamiento del Desarrollo Series N° 111, June 2001) analyzes the current status of the health care system in that country, emphasizing the effects of reforms implemented from 1987 to 1999.

These papers are available on ECLAC's website under the Financiamiento del Desarrollo Series, Nos. 108, 109 and 111, respectively. Printed copies can be requested from our Distribution Unit.

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

Electricity, Railroads Kukulcan Temple Fishing Villages The European Immigration Nahua Glyphs



CHILEAN WINE ATTRACTS FOREIGN INVESTORS

In the past decade, Chile has consolidated its position as an important receiver of foreign direct investment (FDI) in Latin America, investment that has focused mainly on two areas: extracting, processing and exporting natural resources, and service provision. FDI flows linked to extracting and processing natural resources have concentrated mainly on mining activities and, to a lesser degree, forestry, fishing and agri-business. In recent years, however, a new trend has appeared in the Chilean economy, where investment has gradually moved from commodity-linked production sectors toward those involving the production of higher value added goods, for which the place of origin has become important. The case of the wine industry is an example of this new FDI trend and is also linked to some of the most dynamic products in world trade.

In the report, *El mercado vitivinícola mundial y el flujo de inversión extranjera a Chile*, (The Global Wine Market and Foreign Investment Flows to Chile), published as Desarrollo Productivo Series

N° 102 by ECLAC, Sebastián Vergara analyses this phenomenon, revealing the factors that explain this boom in Chilean wines among business people elsewhere in the world.

The author points out that the increase in foreign investment has been channelled through the creation of autonomous foreign companies, as well as through alliances or joint-ventures with local companies.

This process has come about in a context shaped by several elements. In the first place, in terms of the world market, growing competition and the rise in new production sites have encouraged diversification of winemaking companies' productive activities. Second, in terms of local manufacturing, the existence of significant comparative advantages and the export boom have turned Chile into an important magnet in this field. Finally, in terms of national policies, another major element has been the export-based development model favouring sectors with comparative advantages, combined with a regulatory framework that is safe and reliable from investors' point of view.

The study indicates that Chile has offered ideal conditions for the expansion of foreign companies' activities. On one hand, natural conditions - both geographic and climatic - offer a wide range of comparative advantages for the development of this activity. Moreover, the country enjoys relatively low production costs, compared to the United States and Europe. At the same time, the development in recent years of its image as a wine-producing country has reinforced interest among foreign firms. Finally, the country has a regulatory framework governing FDI that is favourable to investors.

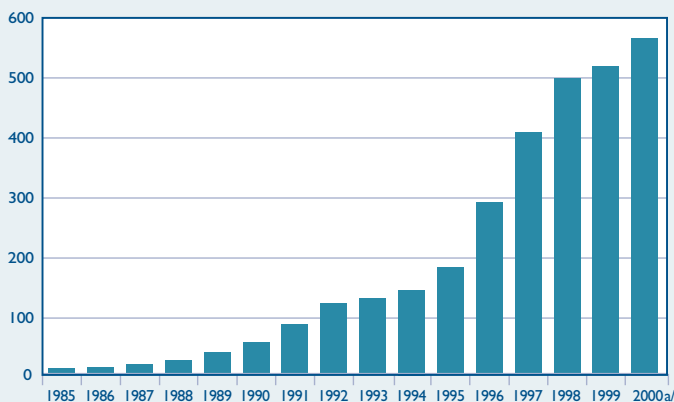
During the 1990s, FDI flows associated with this industry rose substantially. Foreign companies interested in producing in Chile were primarily from France, Spain and the United States. They didn't come to compete locally with domestic firms, but rather to produce fine wine and sell it in markets abroad. The impact of foreign companies' presence in the sector is mainly reflected in the product's improved positioning in foreign markets, thanks to the prestige of its brands and distribution channels.

According to the author, in the future one of the great challenges facing the Chilean wine industry will be to move more solidly into the end stage of the business: distribution. This is where one can accumulate the most bargaining power and a higher price margin.

At the same time, he emphasizes that at the business level, development strategies must focus on increasing the production of fine wines, strategic planning for market penetration and positioning, and active marketing campaigns. Moreover, Chile must improve its image as a wine-producing company, to the point where it becomes a more consistent, prestigious country of origin worldwide.

The report is available on our website under the Desarrollo Productivo Series, N° 102.

Chile: Wine Exports
(In US\$ millions)



Source: Asociación de Viñas de Chile AG (Chilean winemakers association)
a/ Estimate

1 A Territorial Perspective, Towards the Consolidation of Human Settlements in Latin America and the Caribbean.

Published jointly by **ECLAC** and the United Nations Centre for Human Settlements (Habitat): July 2001 (LC/G.2116/Re.1-P, English US\$25, Spanish US\$20). Part of a review of the Habitat Agenda, this book examines spatial configuration, social integration, economic progress, quality of life, and



the creation of citizenship, particularly its relationship to violence throughout the region.

2 Apertura Económica y (Des)encadenamientos Productivos, Reflexiones Sobre el Complejo Lácteo en América Latina,

edited by Martine Dirven. Published by **ECLAC**, July 2001 (LC/G.2122-P, Spanish, US\$20). Is Latin America moving toward or away from the mature production complexes that are supposed to bring more balanced and socially just development? This book examines the relevant data and the ideas, applying them to milk and related industries in several of the region's countries, with comparative information from Europe. [www](http://www.eclac.org)

The working papers described below offer provocative new insight into poverty as it relates to social mores, family violence, and



reproductive and sexual health, advocating major governmental campaigns to raise awareness and change attitudes throughout the region. Press releases providing a summary of their contents are available, in Spanish, on our website.

3 Diagnóstico Sobre Educación Reproductiva y Paternidad Responsable en Panamá, July 2001 (LC/MEX/L.481, Spanish).

4 La Paternidad Responsable en Costa Rica: Una Tarea Pendiente, July 2001 (LC/MEX/L.480, Spanish).

5 Educación Reproductiva y Paternidad Responsable en Nicaragua, July 2001 (LC/MEX/L.479, Spanish).

6 Diagnóstico Sobre Educación Reproductiva y Paternidad Responsable en Honduras, July 2001. (LC/MEX/L.478, Spanish).

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MONTH	EVENT	VENUE
2001		
NOVEMBER		
2 - 30	9th International Course - Economic Reforms and Strategic Public Management, ILPES/ ECLAC	ECLAC headquarters Santiago, Chile
12 - 15	Regional Seminar on the Use of National Accounts, ECLAC /Central Bank of Chile	ECLAC
28 - 30	Experts Seminar - Latin America's Path to the Digital Age, ECLAC	ECLAC
29 - 30	Experts Meeting about Sustainable Development Indicators, ECLAC	ECLAC
29 - 30	Technical Meeting about Development Financing, ECLAC /United Nations Development Program (UNDP)	ECLAC
5 November 7 December	4th International Course - Strategic Management of Regional and Local Development, ILPES/ ECLAC	ECLAC
DECEMBER		
3 - 5	Experts Meeting on Responsible Fisheries and the Marine Eco-System, ECLAC	ECLAC
4 - 5	Expanded Meeting of the Presiding Officers of the Special Committee on Population and Development for the ECLAC Session, Latin American Demographic Centre, (CELADE)/ ECLAC	ECLAC
6 - 7	Seminar on Financing for Sustainable Development in Southern Cone Cities, ECLAC	ECLAC
19	Launch, <i>Preliminary Overview of the Economies of Latin America and the Caribbean</i> , ECLAC	ECLAC
2002		
To be defined	Third Coordinating Meeting of United Nations Organisations in Latin America and the Caribbean, ECLAC	
JANUARY	Regional Meeting of Experts on Financing for Development, ECLAC	
MARCH	Meeting of the Executive Committee of the ECLAC Statistical Conference of the Americas	Rio de Janeiro, Brazil
MAY		
6 - 10	29th Session, ECLAC	Brasilia, Brazil