

ECLAC Notes

MAY 2001

No 16

FOREIGN INVESTMENT IN LATIN AMERICA AND THE CARIBBEAN, 2000

- 1 Foreign Investment in Latin America and the Caribbean, 2000
- 1 New Dilemmas Join the Old in Agricultural Development
- 2 **OPINION**
Rethinking the Development Agenda
- 4 **HIGHLIGHTS**
The Region's Precarious International Competitiveness
- 5 **INDICATORS**
- 7 Opportunities and Challenges for Youth in Latin America and the Caribbean
- 8 **RECENT TITLES**
- 8 **CALENDAR**

This publication is also available in Spanish and on the Internet: www.eclac.cl or www.eclac.org.



United Nations

ECLAC

Economic Commission for Latin America and the Caribbean

After tripling during the second half of the 1990s, annual flows of foreign direct investment (FDI) into Latin America and the Caribbean fell during the first year of the new century. The US\$ 74 billion in inflows represent a decline of over 20%, compared to the US\$ 93 billion that entered the region in 1999.

In its *Report on Foreign Investment in Latin America and the Caribbean, 2000*, ECLAC estimates that this step backward is the result of a specific situation and not a sign of shifting trends, given

that the difference can be explained by foreign companies' purchase of just three large Latin American firms in 1999. Moreover, the volumes of FDI now reaching the region are of a magnitude undreamed of just a decade ago.

ECLAC believes that strong competition to attract foreign direct investment has led to a plethora of agreements that promote and guarantee the security of FDI, but the policy of trying to attract the largest volume possible ("more is better") shows some deficiencies. Now the region faces a double

challenge: to insert this policy into countries' broader development plans and establish a modern and effective regulatory framework for recently liberalized service sectors, which are attracting growing amounts of FDI.

In 2000, the drive toward global expansion on the part of transnational companies was reflected in FDI flows, which reached over US\$ 1.1 trillion. FDI flows into the developing world remained stable compared to 1999, at around US\$ 190 billion dollars. Asian countries (especially China) and Latin

(continued on page 3 ➡)

NEW DILEMMAS JOIN THE OLD IN AGRICULTURAL DEVELOPMENT

Expectations for rapid and vigorous growth of agriculture in Latin America and the Caribbean remain far from realization, now that market-oriented reforms have been put into place. New dilemmas, such as technological dependence and international negotiations, along with old problems, such as rural poverty, indigence, concentration of land ownership and rural-urban migration, challenge the sustainability of the current agricultural and rural development model in the region.

Agricultural production is growing less today than in the past, imports are growing faster than exports, employment has stagnated,

poverty levels have become practically unmoveable, and the rural-urban migration of youth continues.

The book *Rural Development in Latin America and the Caribbean: Building a New Model?*, edited by Maria Beatriz de A. David and jointly published by ECLAC and Alfaomega, brings together the Commission's reflections on the impact of structural adjustment, in four chapters written by ECLAC Executive Secretary José Antonio Ocampo; M. Beatriz de A. David, César Morales and Mónica Rodríguez; Pedro Tejo and Max Spoor.

(continued on page 6 ➡)

RETHINKING THE DEVELOPMENT AGENDA

JOSÉ ANTONIO OCAMPO

Liberalization was presented to the developing world as a way out of inefficient strategies associated with trade protection, high levels of State intervention, and as the means to fully exploit opportunities generated by globalization. This view represented a significant break with the idea that “late industrialization” required a significant degree of State intervention to succeed. The “Washington Consensus” provided one of the best summaries of this reform agenda. It was also a manifestation of the optimism that the reform agenda generated a decade ago.

The last few years, however, have questioned the wisdom of this vision. The Asian crisis represented probably the hardest blow, making it patently clear that financial liberalization without an adequate institutional setting might be the source of severe macroeconomic instability. The strong manifestation of a “global civil society” since the events in Seattle has indicated that globalization itself is now being questioned, reflecting discontent in the industrialized world. In developing countries, disenchantment with reforms is also growing but its political manifestations are more disorganized and its agenda unclear.

Across the board, dissatisfaction with the results of reforms is rising. Trade and foreign direct investment have boomed, but the “Promised Land” of high rates of

growth is increasingly regarded as a mirage. In Latin America, where reforms have gone the farthest, growth in the 1990s was only 3.2% a year on average, far below the record of the three decades of State-led development from the 1950s to the 1970s (5.5%). Distributive tensions are high and income disparities between developed and the least developed countries continue to rise. Debate continues on whether such tensions are the result of trade liberalization, technological trends or weakening institutions of social protection.

“Across the board, dissatisfaction with the results of reforms is rising.”

The asymmetry between factors (capital, highly skilled labor) that cross international borders and those that cannot (low-skilled labor) and the increasing difficulty for governments to provide social insurance are certainly part of the explanation.

This turn of events has spawned a new debate on the development agenda, with an emphasis on institution building, social safety nets and the “ownership” of development policies, to name a few. Among the key goals that should be sought, as part of this agenda, are:


- A more balanced globalization with an effective respect for diversity. There is a need to “civilize” the global economy, to ensure that globalization becomes a positive force for all.

- A wider view of macroeconomic stability and the role of anti-cyclical policies, keeping in mind that real instability is very costly and that private deficits are as costly as public sector imbalances.

- Increased role of productive development strategies to generate dynamic growth.

- Improved social linkages that include a long-term social policy, economic growth that generates quality employment in adequate quantities, and the reduction of structural heterogeneity of productive sectors.

- Broader objectives that take into consideration global ideas and values such as human rights, social development, gender equity, respect for ethnic and cultural diversity, and environmental protection.

Reaching these goals presents enormous intellectual and practical challenges that are intensified by the unsatisfactory results of past reforms and by growing social discontent. Nonetheless, the time is ripe to rethink anew the development agenda today and continue to evaluate it in the future. 

The author is ECLAC’s Executive Secretary.

America and the Caribbean attracted 95% of these resources. In the latter region, the main receiving countries were Brazil, with US\$ 30 billion going mainly into restructuring services, and Mexico, with US\$ 13 billion going primarily into manufacturing and financial sector purchases. Argentina and Chile suffered significant declines and despite the fact that these are due to three major operations (Repsol's purchase of YPF in Argentina, and Endesa España's purchase of Endesa and Enersis in Chile), some elements raise doubts about the future dynamism of FDI.

Inflows into some Andean countries, such as Colombia and Peru, were lower than the average for previous years, reflecting recent political and economic instability, while flows into Venezuela rose, due to significant purchases in the service sector. In Central America and the Caribbean, the main receiving country was the Dominican Republic, with 25% of the sub-regional total.



Two Distinct Worlds

The ECLAC report explores transformations affecting the region's competitive capacity as a result of FDI in the 1990s and discovers two distinct worlds. In Mexico and the Caribbean Basin, manufacturing multinationals' strategy sought greater efficiency by integrating local production facilities into their regional systems. The result was that dynamic industries involved in world trade saw an increase in their international competitiveness, among them car, electronics and clothing manufacturers targeting the market in the United States.

In South America, however, foreign investors focused on traditional activities based on natural resources or manufactured goods produced for local markets. As a result, FDI did not generate significant improvements in the international competitiveness of countries. In any case, recently significant amounts of FDI have flowed into service activities, translating into greater systemic competitiveness for these economies.


At the same time, the structure of industrial ownership became increasingly transnational during the past decade. Transnationals' share of the total sales of the region's top 500 companies rose from 27% in 1990-1992 to 43% in 1998-1999. During the same period, private national companies' share remained under 40%, while State companies' share fell from 33% to 19%. As for the 2000 largest exporting countries, transnationals' share rose from 29% in 1995 to 41% in 1999; while that of private national companies fell from 37% to 33%, and State companies' share fell from 34% to 26%.



Mergers and Acquisitions

In the past two years, the global economy was dominated by a wave of mergers and acquisitions (M&A), which focused on developed countries, but also reached Latin America. Resources dedicated to private company M&A in 1999-2000 went mainly into services, with the primary sector receiving a somewhat smaller share and manufacturing a very small share. The largest operations included the so-called *Operación Verónica*, during which Telefónica de España increased its share of subsidiaries in Argentina, Brazil and Peru to almost 100%. In the financial sector, Spanish banking operations in Argentina, Brazil, Chile and Mexico stood out. In the electrical sector, there were also important purchases: by Endesa España in Chile, and by the US AES Corporation in Argentina, Brazil, Chile and Venezuela. In the primary sector, resources went mainly to Repsol's purchase, in 1999, of privately held YPF shares.

ECLAC's report expresses doubts about the potential effects of the current merger and acquisition process on improving the region's international competitiveness and considers worrying the virtually non-existent participation of the manufacturing sector in this process. It recommends that the region's countries seek to actively attract transnational companies that can strengthen leading industries in the area of international trade.

The report dedicates special chapters to a receiving country (Chile), an investing country (Japan) and an industry where FDI is particularly important (telecommunications). 

Latin America and the Caribbean: Net income from foreign direct investment, by sub-regions, 1990-2000
(In US\$ million)

	1990-1994a/	1995	1996	1997	1998	1999	1995-1999a/	2000b/
ALADI	14 250	27 789	41 301	61 125	66 025	85 571	56 362	68 471
(Brazil)	1 703	4 859	11 200	19 650	31 913	32 659	20 056	30 250
(Mexico)	5 430	9 526	9 186	12 831	11 312	11 786	10 928	12 950
Central America and the Caribbean	1 406	1 984	2 106	4 212	6 112	5 351	3 953	4 500
Financial Centres	2 506	2 427	3 119	4 513	6 398	2 599	3 811	2 500
Total	18 162	32 200	46 526	69 850	78 535	93 521	64 126	75 661

Source: ECLAC, Investment and Corporate Strategies Unit of the Production, Productivity and Management Division, based on information provided by the International Monetary Fund and World Investment Report, 2000, the United Nations Conference on Trade and Development (UNCTAD) and central banks from each country.

a/ Annual Average. b/ Estimates by ECLAC's Investment and Corporate Strategies Unit, based on information from the central banks of each country.

THE REGION'S PRECARIOUS INTERNATIONAL COMPETITIVENESS

MICHAEL MORTIMORE

In March, Wilson Peres, Chief of ECLAC's Industrial and Technological Development Unit, and I delivered a presentation to the joint ECLAC-Inter-American Development Bank seminar **The Road to Competitiveness: The Meso- and Microeconomic Level**, in Santiago, Chile. In it, we emphasized the fact that towards the end of the 20th Century, a very important opportunity to use international trade in manufactures as a motor of growth became available. The table below uses ECLAC's **Competitive Analysis of Nations** (CAN) computer software to precisely define the dimension of that opportunity and indicate the group of countries that best took advantage of it.

Between 1985 and 1998, developing countries managed to improve their overall import market shares of world imports by only 3% overall. Developing countries in Asia improved their shares from 16% to 21.5% while Latin American and Caribbean countries remained stuck at 5.7%. In manufactures not based on natural resources, developing countries increased their import market shares by almost 13% (from 17.5 to 30.3) and that represented the great opportunity available in international trade. Developing Asian countries captured more than 10% while Latin America and the Caribbean picked up only 1.8%. The set of 10 countries that most improved their market shares of the group of the 50 most dynamic products in international trade (at 3 digits of the SITC, Rev 2) consisted of seven Asian countries (China, Japan, Korea, Malaysia, Singapore, Taiwan and Thailand), two

European (Spain and Ireland) and one Latin American (Mexico) countries. The trade performance of developing Asia, in spite of the possible negative effects of the Asian crisis, was far superior to that of Latin America.

Why didn't Latin America do better?

Only eight countries from the region improved their international competitiveness. Mexico increased its market share appreciably from 1.55% in 1985 to 2.24% in 1998 and that explains why it is among the 10 global winners. Argentina and Chile made significant advances from small bases and several small countries of the Caribbean basin (Costa Rica, Dominican Republic, El Salvador, Guatemala and Honduras) made significant relative advances. Seventeen other countries made no gain at all or actually lost ground; the cases of Brazil and Venezuela are particularly dramatic in this regard.

There exist two very different worlds for international competitiveness in the region: north of Panama and south of Panama. In Mexico and the Caribbean basin (north of Panama) the success in gaining market shares clearly was related to the fact that they shifted their exports toward what was dynamic in international trade (between 1985 and 1998 the share of manufactures not based on natural resources jumped from 30.7 to 71.6 percent). Six of their ten principal exports were dynamic ones and these countries gained market share in eight of the ten. In South America (south of Panama) the poor trade performance

Great Opportunity on the World Market

(Market shares for world imports by category and group of country by percentage)

	Industrialized countries		Developing countries		Developing Asia		Latin America	
	1985	1998	1985	1998	1985	1998	1985	1998
Natural resources	37.8	43.2	62.1	56.8	29.7	27.4	12.3	13.8
Manufactured goods based on natural resources	68.1	69.5	31.3	30.5	12.4	14.4	6.5	6.2
Manufactured goods not based on natural resources	82.4	69.7	17.5	30.3	11.6	22.1	2.5	4.3
- Low technology	51.5	35.5	48.5	64.5	39.1	49.8	4.0	6.7
- Medium technology	89.4	80.3	10.6	19.7	5.2	11.6	2.4	4.5
- High technology	83.0	66.4	17.0	33.6	11.3	27.6	2.0	3.0
Other	71.1	62.2	28.9	37.7	6.4	11.0	4.1	4.1
Total	68.7	65.8	31.1	34.2	16.0	21.5	5.6	5.7


Source: Calculated using the ECLAC's CAN 2000 computer program.

INDICATORS

was related to the fact that they continued to specialize in what was not dynamic in international trade (in 1985 more than three quarters of their trade was found in natural resources and manufactures based on natural resources, and in 1998 almost 70 percent still were), and none of their 10 principal exports were dynamic ones, although they did manage to gain market share in seven of them. Even after they shifted somewhat toward manufactures not based on natural resources, they failed to gain market shares.

One should not conclude that simply exporting dynamic goods is the road to success. Most of the success of Mexico and the Caribbean basin is a consequence of their ability to attract efficiency-seeking foreign direct investment, mainly that of US corporations establishing or expanding their international systems of integrated production in the automotive, electronics and apparel industries in order to better compete in their home market against Asian imports. As a consequence, many of these corporations have taken advantage of the geographic proximity, relatively low wages and convenient national policies (tax and tariff free operations in the Mexican *maquiladora* or Caribbean basin export processing zones) to establish modern plants in Mexico (automotive, electronics and apparel industries) and the Caribbean basin (apparel and electronics).

Passive national policies in Mexico and the Caribbean basin, however, have resulted in relatively limited local benefits from this improvement in international competitiveness. One major difference between the situation of Mexico and that of the Caribbean basin is that the rules of origin of the North American Free Trade Area work to Mexico's advantage because Mexican inputs to exports count as North American inputs and are not taxed at the US border, while Caribbean basin countries operate under the US production sharing mechanism which offers privileged access to the US market but taxes non-US inputs.

Unlike many of the Asian countries that best took advantage of the foreign trade opportunity, and especially the surprising success of two small countries, that is, Ireland and Singapore, Latin American countries have not established national strategies that define developmental priorities and that actively attempt to channel the efficiency-seeking foreign direct investment associated with the establishment of international systems of integrated production towards those priorities, thereby facilitating a greater coincidence between corporate objectives and national goals. That would, undoubtedly, help them do better. 

Michael Mortimore is the Chief of ECLAC's Investment and Corporate Strategy Unit.

South America: Competitiveness in World Imports, 1985-1998 (percentage)

	1985	1990	1995	1998		
I. Market share	3.34	2.73	2.73	2.81		
Natural resources 1/	7.12	7.59	8.93	10.03		
Manufactured goods based on natural resources 2/	5.03	4.33	4.55	4.59		
Manufactured goods not based on natural resources 3/	1.21	1.13	1.11	1.17		
- Low technology 4/	1.93	1.73	1.66	1.53		
- Medium technology 5/	1.16	1.18	1.32	1.51		
- High technology 6/	0.45	0.35	0.28	0.38		
Other 7/	2.08	1.14	1.33	1.42		
II. Export structure	100.0	100.0	100.0	100.0		
Natural resources 1/	49.2	44.3	43.6	44.0		
Manufactured goods based on natural resources 2/	29.2	28.3	27.6	25.7		
Manufactured goods not based on natural resources 3/	19.7	26.0	27.1	28.5		
- Low technology 4/	8.2	10.6	10.1	9.0		
- Medium technology 5/	9.9	13.5	15.1	16.7		
- High technology 6/	1.6	1.9	2.0	2.8		
Other 7/	1.9	1.4	1.7	1.8		
III. 10 main exports by importance	a/	b/	52.3	44.6	40.8	41.1
333 Crude oil	+	12.3	10.0	11.2	11.1	
081 Animal Fodder (except unmilled cereals)	+	4.4	4.4	4.7	4.3	
334 Refined oil derivatives	-	10.7	7.2	4.4	4.3	
071 Coffee and coffee-based products	-	9.9	4.6	4.1	4.1	
682 Copper	-	3.2	4.5	3.7	3.6	
057 Fruit and nuts (except oleaginous), fresh or dry	+	2.9	3.9	3.6	3.6	
281 Iron mining and concentrates	+	4.1	4.4	3.3	3.1	
222 Oleaginous seeds and fruit	+	2.2	2.4	2.1	2.5	
781 Passenger cars	+	0.6	0.7	1.2	2.3	
287 Common metal ores and concentrates	+	2.1	2.4	2.4	2.3	

Source: Authors, based on the CAN 2000 computer program. Goods grouped according to Standard International Trade Classification (SITC2). 1/ Consists of 45 basic products involving simple processing, including concentrates. 2/ Consists of 65 elements: 37 farming and forestry groups and 28 others (mainly metals, except steel, oil products, cement, glass, etc.). 3/ Consists of 120 groups representing the sum of 4/ + 5/ + 6/. 4/ Consists of 44 elements: 20 groups from the textile and clothing cluster, plus 24 others (paper products, glass and steel, jewels). 5/ Consists of 58 elements: 5 groups from the car industry, 22 from manufacturing, and 31 from the engineering industry. 6/ Consists of 18 elements: 11 groups from the electronics cluster, plus 7 others (pharmaceuticals, turbines, aircraft, instruments). 7/ Consists of 9 unclassified groups (mostly from section 9). a/ Groups corresponding to the 50 most dynamic in world imports (*), 1985-1998. b/ Groups that gain (+) or lose (-) market share in world imports, 1985-1998.

Mexico and the Caribbean Basin: Aspects of Competitiveness in World Imports, 1985-1998 (percentage)

	1985	1990	1995	1998		
I. Market share	2.13	1.73	2.21	2.80		
Natural Resources 1/	5.01	3.61	3.31	3.69		
Manufactured goods based on natural resources 2/	1.43	1.15	1.30	1.53		
Manufactured goods not based on natural resources 3/	1.17	1.41	2.22	2.95		
- Low technology 4/	1.06	1.44	2.40	3.40		
- Medium technology 5/	1.09	1.43	2.35	2.97		
- High technology 6/	1.50	1.34	1.84	2.55		
Other 7/	1.83	1.84	2.18	2.60		
II. Export structure	100.0	100.0	100.0	100.0		
Natural Resources 1/	54.4	33.3	20.0	16.2		
Manufactured goods based on natural resources 2/	13.1	11.9	9.7	8.6		
Manufactured goods not based on natural resources 3/	29.9	51.3	66.9	71.9		
- Low technology 4/	7.1	13.8	18.0	20.1		
- Medium technology 5/	14.6	25.7	33.1	32.8		
- High technology 6/	8.2	8	15.8	9		
Other 7/	2.7	3.6	3.4	3.3		
III. 10 main exports by importance	a/	b/	43.3	36.2	37.0	38.9
781 Passenger cars	+	0.6	4.4	7.6	7.5	
333 Crude oil	-	33.2	15.6	7.6	6.2	
773 Electrical distribution materials	*	+	1.8	3.3	3.8	3.9
846 Knitted and crocheted underwear	*	+	0.6	1.2	2.4	3.2
761 Television receivers	*	+	0.4	1.8	2.7	3.2
764 Telecommunications equipment, parts and accessories	*	-	2.4	2.2	2.9	3.2
752 Machines for automatic data processing	*	+	0.1	1.3	1.9	3.1
782 Trucks for moving merchandise	+	+	0.4	0.4	2.2	2.9
931 Unclassified operations and special merchandise	*	+	1.9	2.9	2.8	2.8
784 Car parts and accessories	+	+	1.9	3.1	3.0	2.8

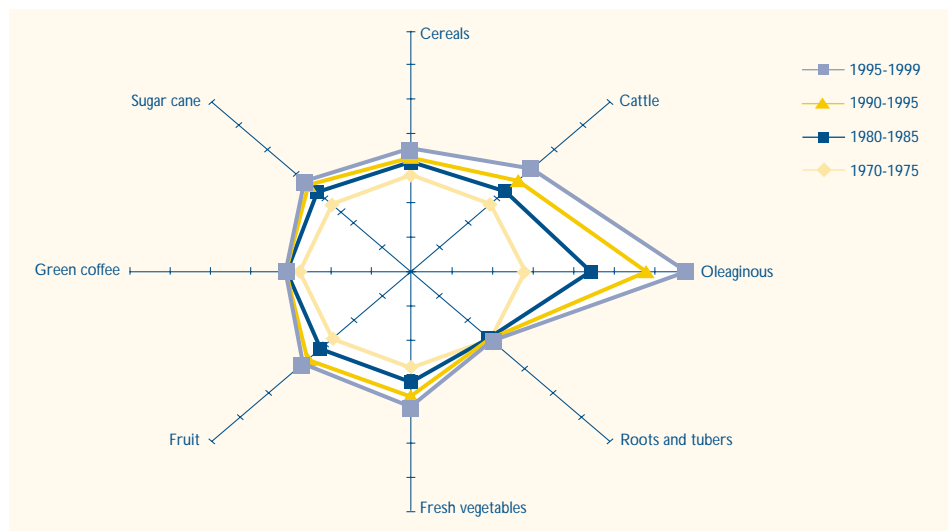
Source: Authors, based on the CAN 2000 computer program. Goods grouped according to Standard International Trade Classification (SITC2). 1/ Consists of 45 basic products involving simple processing, including concentrates. 2/ Consists of 65 elements: 37 farming and forestry groups and 28 others (mainly metals, except steel, oil products, cement, glass, etc.). 3/ Consists of 120 groups representing the sum of 4/ + 5/ + 6/. 4/ Consists of 44 elements: 20 groups from the textile and clothing cluster, plus 24 others (paper products, glass and steel, jewels). 5/ Consists of 58 elements: 5 groups from the car industry, 22 from manufacturing, and 31 from the engineering industry. 6/ Consists of 18 elements: 11 groups from the electronics cluster, plus 7 others (pharmaceuticals, turbines, aircraft, instruments). 7/ Consists of 9 unclassified groups (mostly from section 9). a/ Groups corresponding to the 50 most dynamic in world imports (*), 1985-1998. b/ Groups that gain (+) or lose (-) market share in world imports, 1985-1998.

The growth rates of agriculture's Gross Domestic Product (GDP) and total regional GDP reached 3.5% and 5.6% respectively, during the 1970s; then fell to 2.1% and 1.0% in the 1980s, reaching just 2.3% and 3.5% from 1990 to 1998. Performance, of course, varied by country. In Argentina, Chile, Nicaragua, Peru and Uruguay agricultural growth increased, while in seven countries (Bolivia, Brazil, Colombia, Ecuador, Guatemala, Mexico and Paraguay) it moved in the opposite direction.

A profound change in the structure of agricultural sector growth also occurred during the past three decades, due more to changes in world trade consumption patterns and technological changes than to reforms themselves. Sub-sectors producing oleaginous seeds, fruit and vegetables, and money-generating products expanded, while roots and tubers stagnated during the last quarter century, as did coffee from the mid-80s on. Today, a small group of producers is very dynamic, while the majority, particularly small and less-capitalized sectors, have grown weaker.

According to Ocampo, this poor performance is due mainly to the fact that two key prices within the economy, the exchange rate and the interest rate, do not permit the robust development that was hoped for. Moreover, the dismantling of sector support instruments and policies was not offset by the private sector, not even those incentives provided during the second phase of sector reforms.

The elimination of subsidies and the reduction or disappearance of agricultural services such as credit, technology and continuing education had a negative impact. In some cases, early public intervention within the framework of market-oriented modernization was positive (Chile and Costa Rica). In others, where long-term public support was followed by liberalization and market deregulation, recovery was due to the reintroduction, at different moments, of regulations



Source: Developed by the ECLAC Agricultural Development Unit, based on figures from the United Nations Food and Agriculture Organization (FAO).

(for example, in Bolivia, Brazil, Chile and Colombia).

The new model of development, however, has turned out to be rather exclusive. Growth occurred mostly in commercial centres linked with domestic and international agri-business, associated with transnational companies. Initial optimism about modernization of small producers thanks to their contractual integration into agri-business does not appear to have been justified. There are indications that the technological, productivity and income gaps between commercial producers and farming companies, on one hand, and so-called "non-viable" campesinos, on the other, are now larger than ever. Agricultural policies to integrate these "non-viable" campesinos into modernization processes are necessary, and social policies to mitigate the human costs of economic adjustment must be put into practice. High levels of rural poverty have raised the stakes even higher.

ECLAC's latest papers on agricultural and forestry issues, published in the *Serie Desarrollo Productivo* (Productive Development Series), include:

No 77: *El mercado de tierras rurales en Paraguay*, by José R. Molinas Vega

No 81: *Two decades of adjustment and agricultural development in Latin America and the Caribbean*, by Max Spoor

No 85: *Perspectivas y restricciones al desarrollo sustentable de la producción forestal en América Latina*, by María Beatriz de Alburquerque David, Violette Brustlein and Phillipe Waniez

No 94: *El impacto de las reformas estructurales en la agricultura colombiana*, by Santiago Perry

No 95: *Costa Rica: el nuevo marco regulatorio y el sector agrícola*, by Luis Fernando Fernández Alvarado and Evelio Granados Carvajal

No 97: *La pobreza rural, una preocupación permanente en el pensamiento de la CEPAL*, by Pedro Tejo

No 98: *Incidencia de las reformas estructurales sobre la agricultura boliviana*, by Fernando Crespo Valdivia

No 99: *Mudanças estruturais na agricultura brasileira: 1980-1998*, by Guilherme Leite da Silva Dias and Cicely Moitinho Amaral.

Produced by ECLAC Information Services
 ■ EDITOR: Laura López, assisted by Pilar Bascuñán, Lucía Contesse, Félix Ibáñez and Lake Sagaris
 ■ GRAPHIC PRODUCTION: Alvaro Muñoz

■ ADDRESS: Av. Dag Hammarskjöld s/n, Vitacura, Santiago, Chile.
 ■ TELEPHONE: (562) 210-2380 or (562) 210-2000.
 ■ FAX: (562) 228-1947. ■ WEBSITE: www.eclac.cl or www.eclac.org
 ■ E-MAIL: dpisantiago@eclac.cl

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.

Immigration Ecuadorean Raft Weapons Corn Nahua glyphs



OPPORTUNITIES AND CHALLENGES FOR YOUTH IN LATIN AMERICA AND THE CARIBBEAN

Young people in Latin America today have the historic opportunity of achieving a major goal that has eluded previous generations. They can now lead a process of social and economic development that reduces poverty and inequality, promotes growth based on developing sustainable and competitive long-term foundations at a world level, and improves the quality of life in the region's countries.

Despite the apparent difficulty of that goal, the youth of today have several advantages, among them higher education levels than their parents. Moreover, they are familiar with the new technologies of production, communications, information management and processing, and they are comfortable with the rapid pace of change, which makes them more flexible and quick to adapt. They also face a more relaxed demographic scenario. High degrees of social exclusion continue to affect young people, however, and they are at high risk for being involved in hazardous, illicit, violent or escapist behaviour. Furthermore, there is no sign that their participation in decision-making has become greater.

These conclusions are reached by CELADE (the Population Division of the

Economic Commission for Latin America and the Caribbean, **ECLAC**) in its study *Youth, Population and Development in Latin America and the Caribbean. Problems, Opportunities and Challenges*, which examines to what extent this situation and the particular conditions affecting the region's youth could allow the unfolding of their potential contribution to a more balanced society in economic, social and political terms.


To define that contribution and to identify the barriers that prevent it from being realized, the study analyses two contrary trends: one involves potential advantages and the other the real difficulties that young people face, with an emphasis on the importance of socio-demographic decisions (migratory behaviour and sexual, marital and socio-demographic behaviour) as they affect young people's social mobility and the accumulation of both assets and skills. The role of youth-oriented public policies also receives special attention.

Youth-focused public policies have been able to deal with these challenges only partially. Those with a generational focus have the best impact, and should be included in all program initiatives. For the next

decade, policy priorities should focus on:

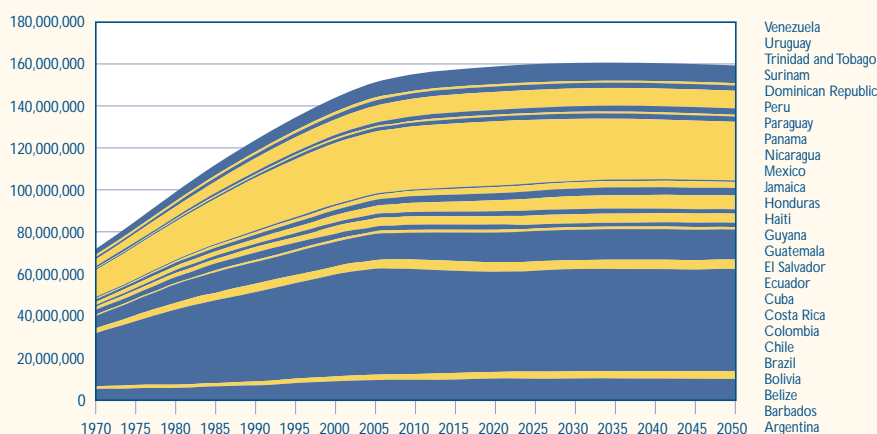
- Education and health care as pillars in forming human capital
- Reproductive health care as key to adolescents' development
- Social integration as the main challenge for the future
- Young people's participation in the workforce as essential to social integration
- The prevention of youth violence, as a requirement for peaceful coexistence
- Citizens' participation as a contribution to strengthening democracy
- Youth volunteers.

Another study from CELADE, *Vulnerability and Vulnerable Groups: a Conceptual Framework Looking at Young People*, emphasizes how reproductive behaviour has become an emerging source of vulnerability among young people. This is because at the social level it consolidates a pattern of later marriages and reproduction that is functional to performance and social mobility, but at the cultural level fails to provide the elements (information, education, norms, strategic vision, effective opportunities of social mobility) necessary to achieve this pattern. The paper concludes that to reduce the vulnerability of young people, public policy must promote their participation in the society to which they belong. In terms of integration processes, CELADE proposes acting by sector on four basic issues: education, work, health care and the home.

It is important to underline that in Latin America the growth rate of the population 15 to 29 years of age went from 3.4% in 1970-1995 to 1.4% in 1995-2000. In absolute terms, however, the number of young people doubled, rising from 72 to 44 million. 

The book, *Youth, Population and Development in Latin America and the Caribbean. Problems, Opportunities and Challenges*, code LC/G.2113-P, is presently available in Spanish on **ECLAC's** web site: www.eclac.cl or www.eclac.org, or from **ECLAC's** Distribution Unit, at publications@eclac.cl.

Latin America and the Caribbean: Number of Young People, 15-29 years old, 1970-2050



Source: **ECLAC**, Population Division CELADE, "Latin America: Population Projections, 1970-2050", Demographic Bulletin, No. 62 (LC/DEM/G.180), Santiago, Chile, July 1998.

The following publications measure the performance of recent structural reforms against expectations. Published jointly by the Fondo de Cultura Económica and **ECLAC**, they are available in Spanish at bookstores in Chile, or can be purchased electronically through our website or at www.jungla.com.

1 Reformas estructurales, productividad y conducta tecnológica en América Latina, by Jorge Katz.

The past 10-15 years of structural reforms have brought more imports of technology and equipment, at the expense of domestic "innovation systems", with Mexico and Central America increasingly tied to the US market, while Southern Cone countries have specialized in exporting natural resources to Europe and Asia.



2 Reformas económicas, crecimiento y empleo, by Jürgen Weller.

The author uses sector and aggregate data to examine how structural reforms have transformed Latin America's labour markets during the past decade and finds results have not lived up to expectations. Reforms tended to favour more educated workers, thus widening the wage gap. To overcome inequality, economies must create more - and better - jobs.

3 La distribución del ingreso en América Latina y el Caribe, by Samuel Morley.

In this nine-country study, the author uses an econometric model to conclude that reforms worsened income distribution somewhat, with negative impacts of more open trade and tax reforms cancelling out more positive results from liberalization of the capital account. Morley also explores



why inequality is so deeply rooted in Latin America.

4 Inversión y reformas económicas en América Latina, by Graciela Moguillansky and Ricardo Bielschowsky.

The authors use a new approach to look at investment, integrating sector, micro-, macro-, and institutional variables, in the evaluation of the successive investment cycles that followed reforms, which nonetheless failed to bring the investment levels necessary for higher GDP growth.

To order:

Distribution Unit, **ECLAC**
 Casilla 179-D,
 Santiago, Chile
 Fax: (56-2) 210 - 2069
 e-mail: publications@eclac.cl
[www](http://www.eclac.cl) : available at websites
www.eclac.cl or www.eclac.org.

MONTH	EVENT	VENUE
MAY		
7 May - 1 June	II International Course -Transport Policies and Projects, Latin American and Caribbean Institute for Economic and Social Planning (ILPES)/ ECLAC	ECLAC headquarters Santiago, Chile
8	Session on Censuses Round 2000, Population Division – Latin American and Caribbean Demographic Centre (CELADE)/ ECLAC	ECLAC
9 - 11	Americas Statistics Conference of the Economic Commission for Latin America and the Caribbean (ECLAC)	ECLAC
22 - 23	Seminar - Private Education in Latin America, ECLAC /Inter-American Development Bank (IDB)	ECLAC
24 - 25	International Seminar - Ecotourism: Local Policies and Global Opportunities, ECLAC /Corporación de Fomento de la Producción (National Development Corporation, CORFO, Chile)	ECLAC
30 May - 1 June	Third Ibero-American Conference of Ministers and High Officials Responsible for Infancy, Government of Peru/ ECLAC /United Nations Children's Fund (UNICEF)	Lima, Peru
JUNE		
14 - 15	Sub-Regional Southern Cone Preparatory Meeting for the World Summit on Sustainable Development (Johannesburg 2002), ECLAC /Comisión Nacional del Medio Ambiente, CONAMA, Chile, (National Environment Commission)/United Nations Environment Program (UNEP)	ECLAC
20 - 21	International Seminar - Different Expressions of Social Vulnerability in Latin America and the Caribbean, Population Division - CELADE/ ECLAC	ECLAC
27 - 29	Sub-Regional Preparatory Meeting of the Caribbean for the World Summit on Sustainable Development (Johannesburg 2002), ECLAC /UNEP	Havana, Cuba
AUGUST		
28 - 29	Seminar in honour of Raúl Prebisch, ECLAC	ECLAC
SEPTEMBER		
24 - 26	Conference on Social Capital, ECLAC /University of Michigan	ECLAC

