



Latin American Economic Outlook 2008

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- Brasilia, 4th March 2008 ■
Banco Central do Brasil

The OECD and Latin America: An emerging commitment

- Latin American market democracies matter for the OECD and its member countries
- The Latin American dimension at the OECD:
 - Mexico: Member since 1994; Chile: candidate since May 2007; Brazil: enhanced cooperation, May 2007
 - Economic Surveys:



1992, 1995, 1997, 1998, 1999
2000, 2002, 2003, 2005, 2007



2003, 2005, 2007



2000, 2005, 2006



➤ **Latin American Economic Outlook 2008**

The Development Centre: A bridge between the OECD and emerging regions



- **Membership of the Development Centre**

With a Governing Board open to OECD non-member countries, the Development Centre provides a framework for dialogue and experience sharing with emerging regions all over the world.

- **Three Latin American countries are members of the Centre:**

- Mexico
- Chile
- Brazil

Latin American Economic Outlook: The key tools

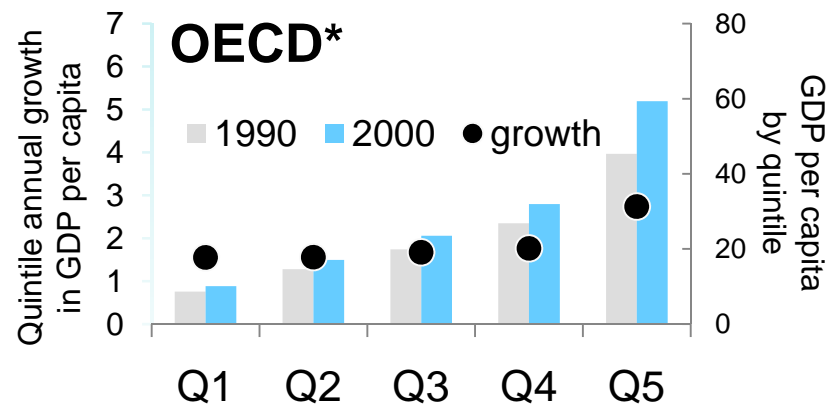
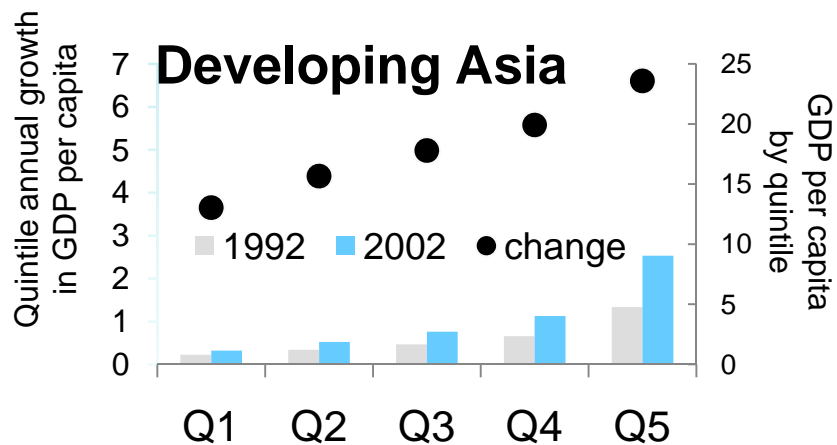
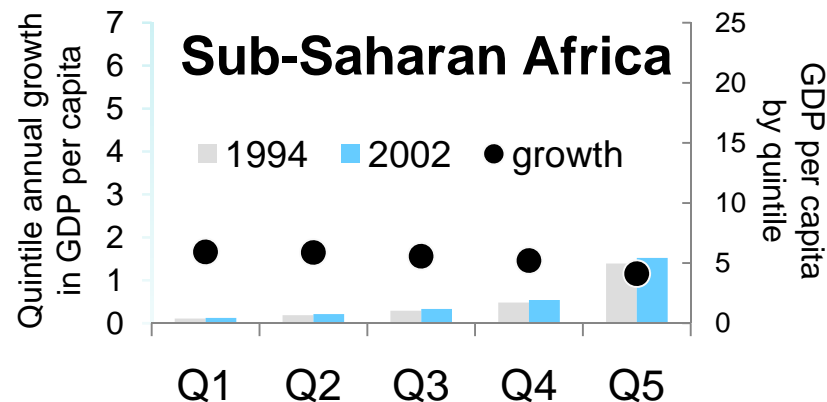
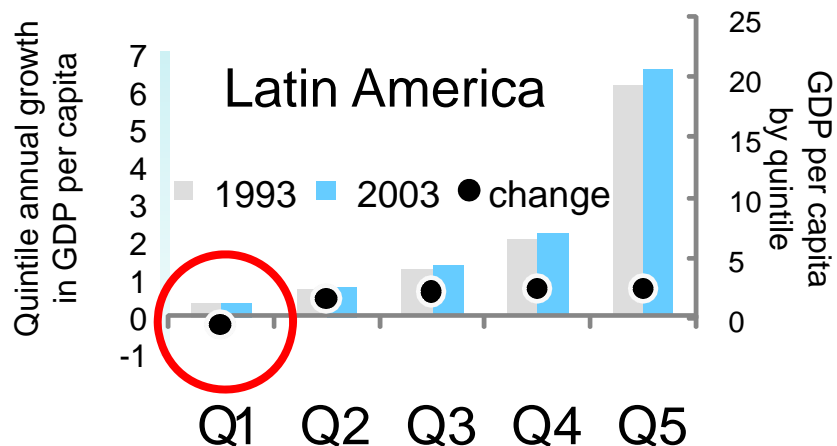
- **Informal Advisory Board:** Scholars and policy makers from Latin America and OECD countries enrich the analytical work of the project.
- **Research and Publications:** The Development Centre collaborates with OECD experts, international organisations and various Latin American think-tanks.
- **Dialogue Forum:** Key government officials from OECD and Latin American countries share experiences about the design and implementation of public policies.

I **Fiscal Policy and Legitimacy**

II **Multinationals, Telecommunications and Development**

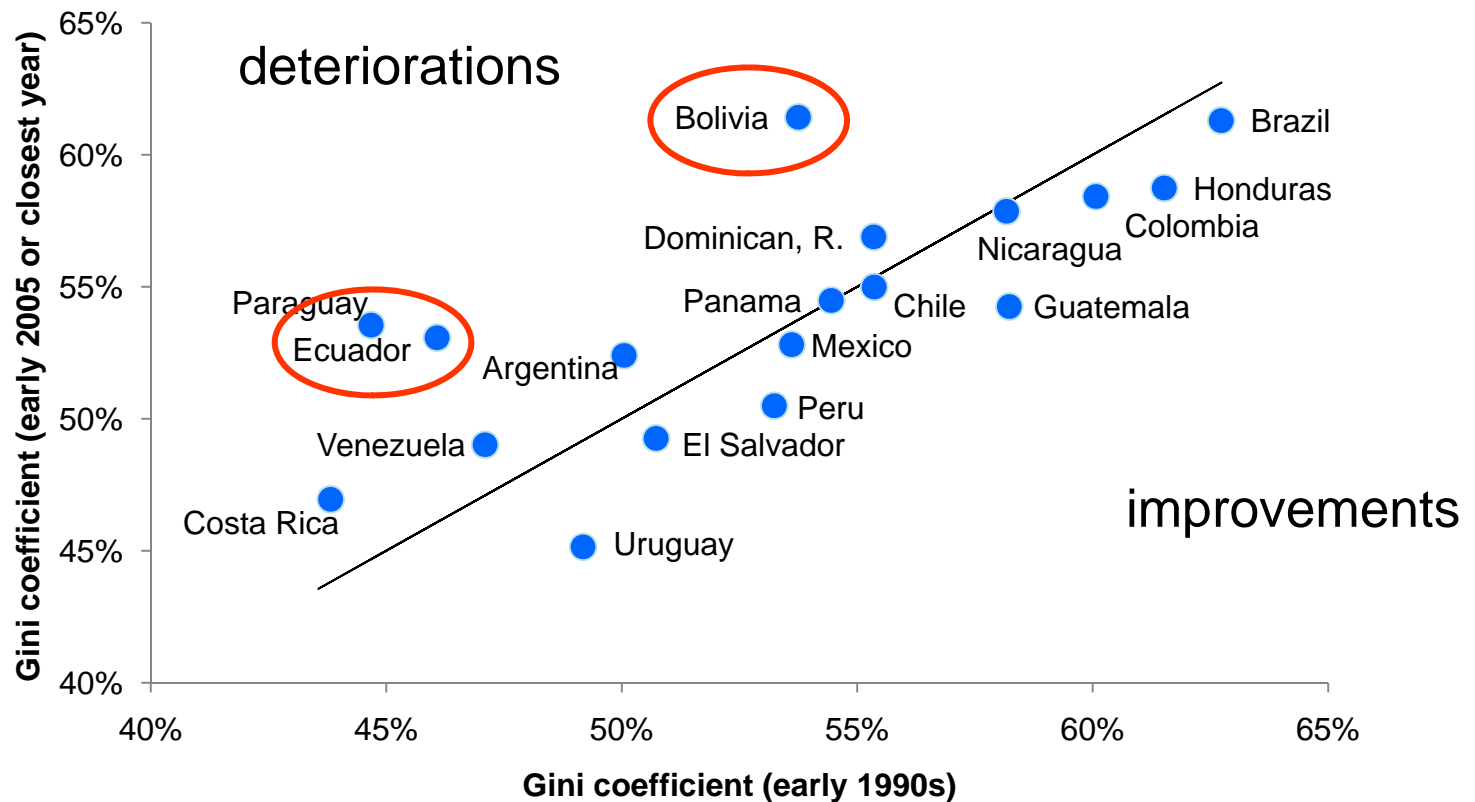
III **China, India and the Challenge of Specialisation**

Economic growth is slower than in other regions and it has left out the poor



Improvements in inequality are slight or non-existent

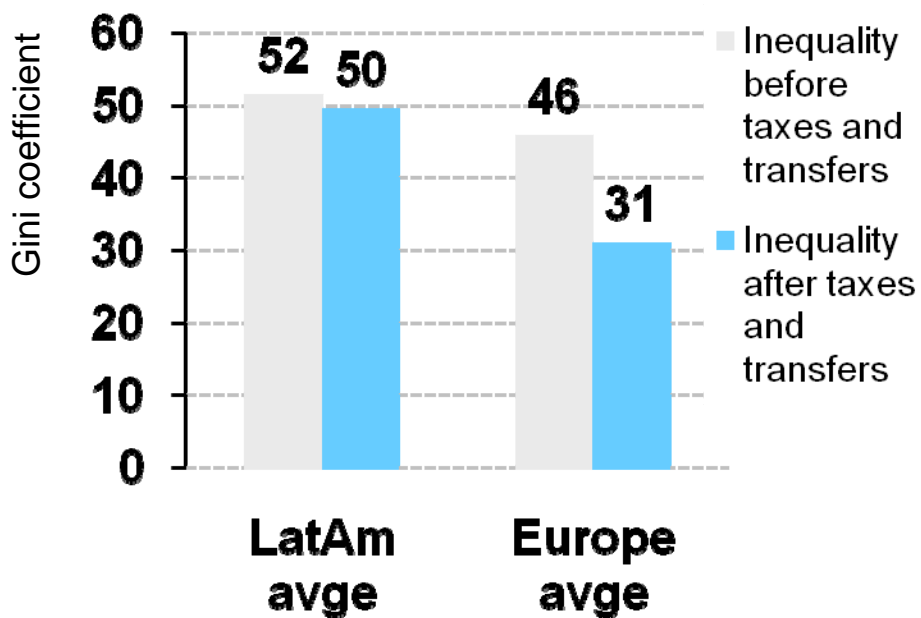
Changes in inequality during the last decade



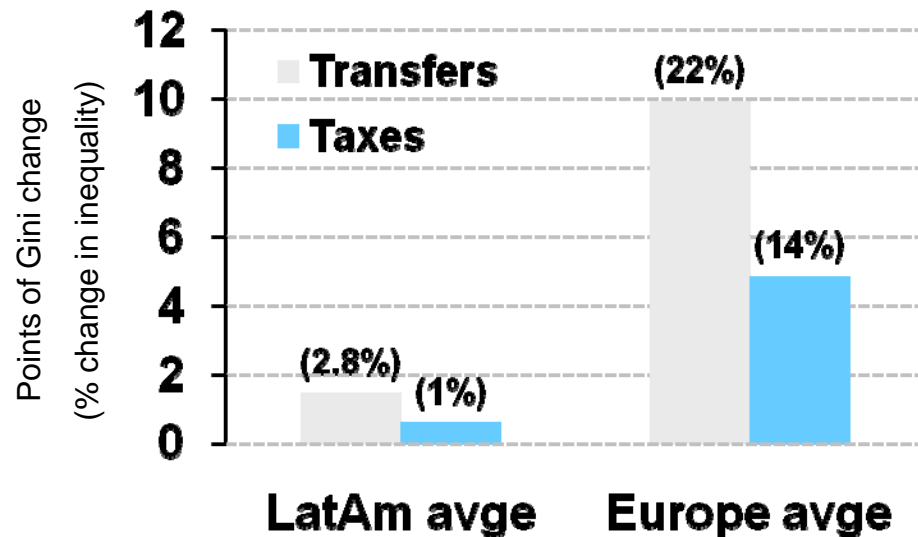
Fiscal policy plays a very limited redistributive role, especially taxation

Public spending is a key instrument for tackling inequality

Inequality before and after taxes and transfers



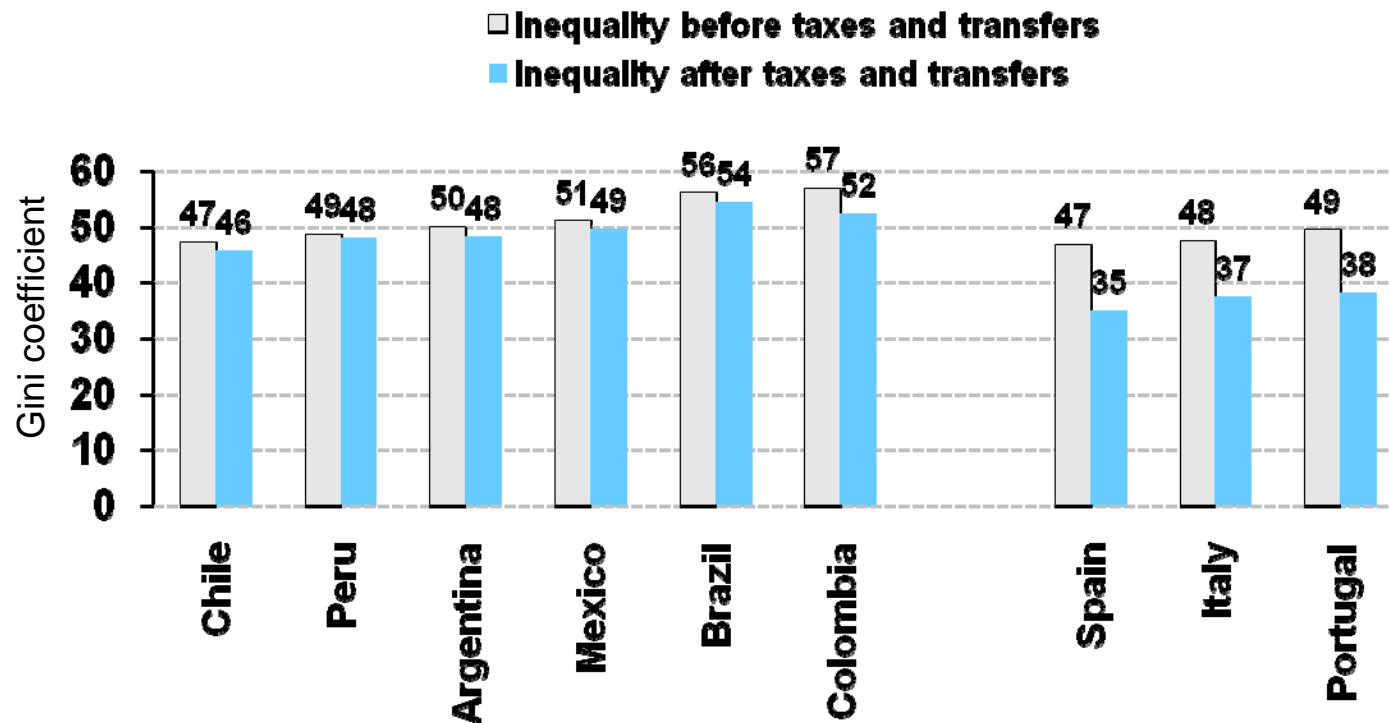
The effects of taxes and transfers



There is no Latin curse: Quality of fiscal policy is not a matter of DNA

**Fiscal policy is more efficient in Europe (even in its Latin countries)
in reducing inequalities and stimulating social cohesion**

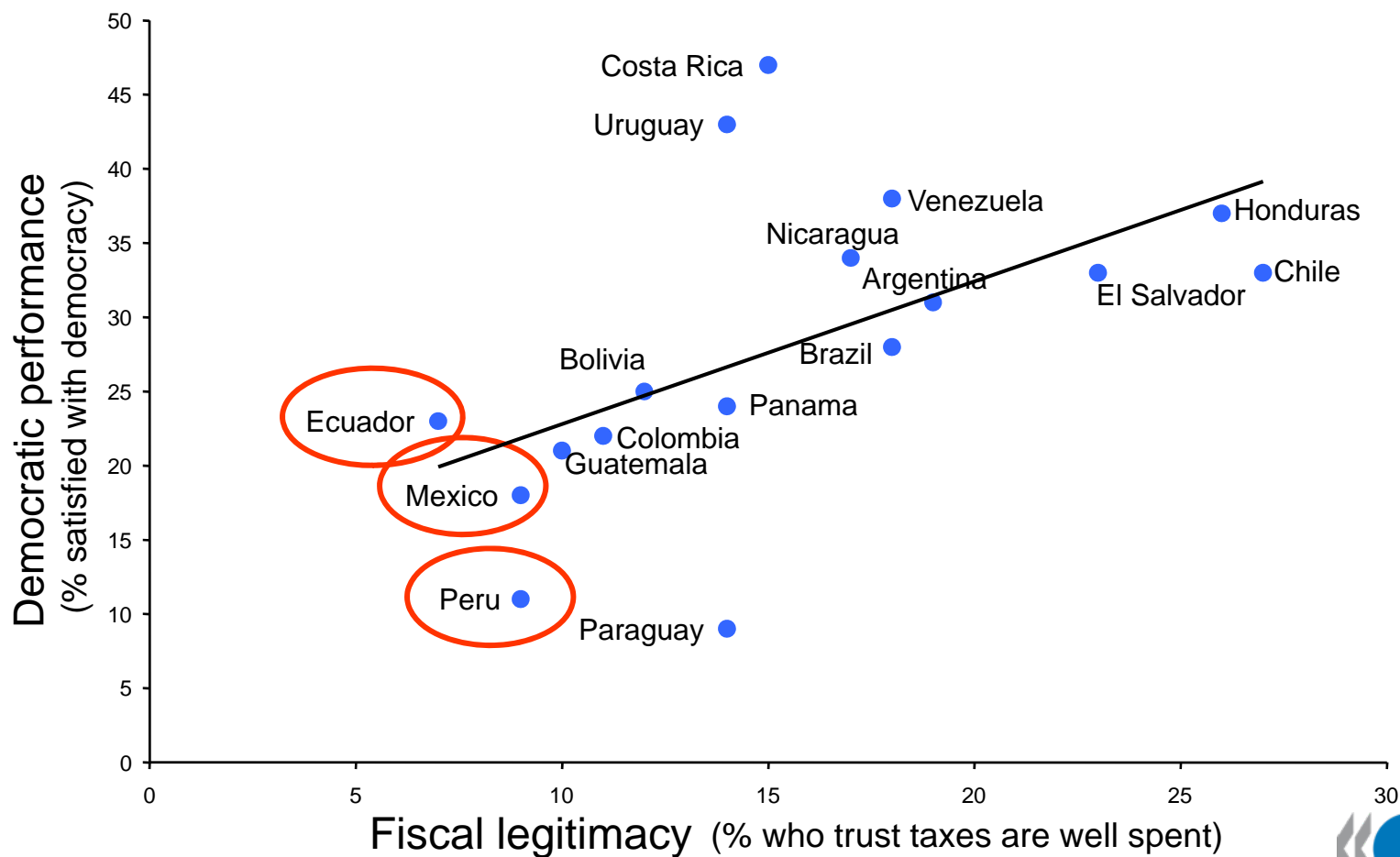
Inequality before and after taxes and transfers



Source: OECD Development Centre, 2007. Based on data by Goñi, López, and Servén (2006).

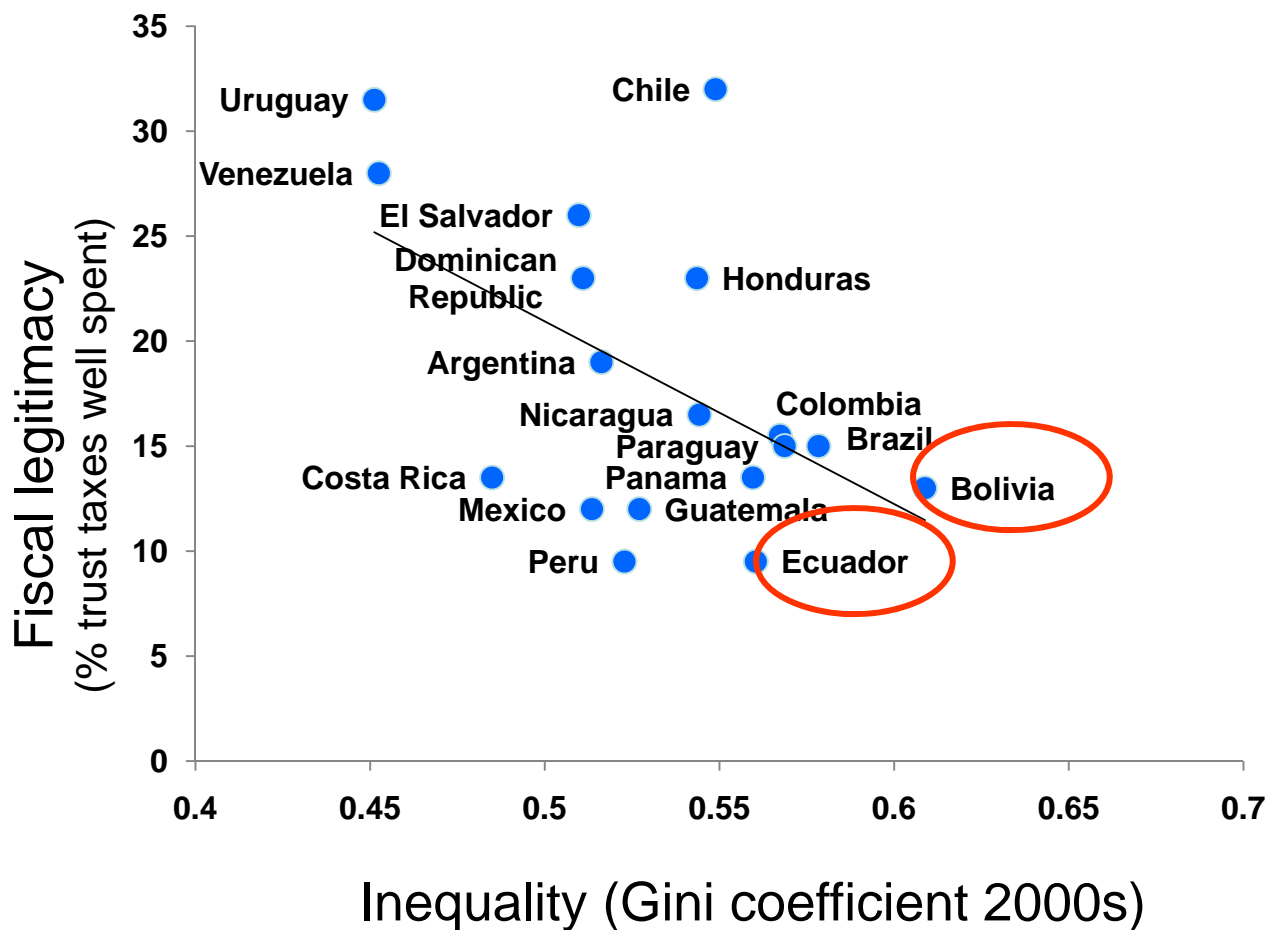
Fiscal policy can help democratic consolidation in Latin America

It is not simply a technical matter



Source: OECD Development Centre, 2007. Based on Latinobarómetro (2003).

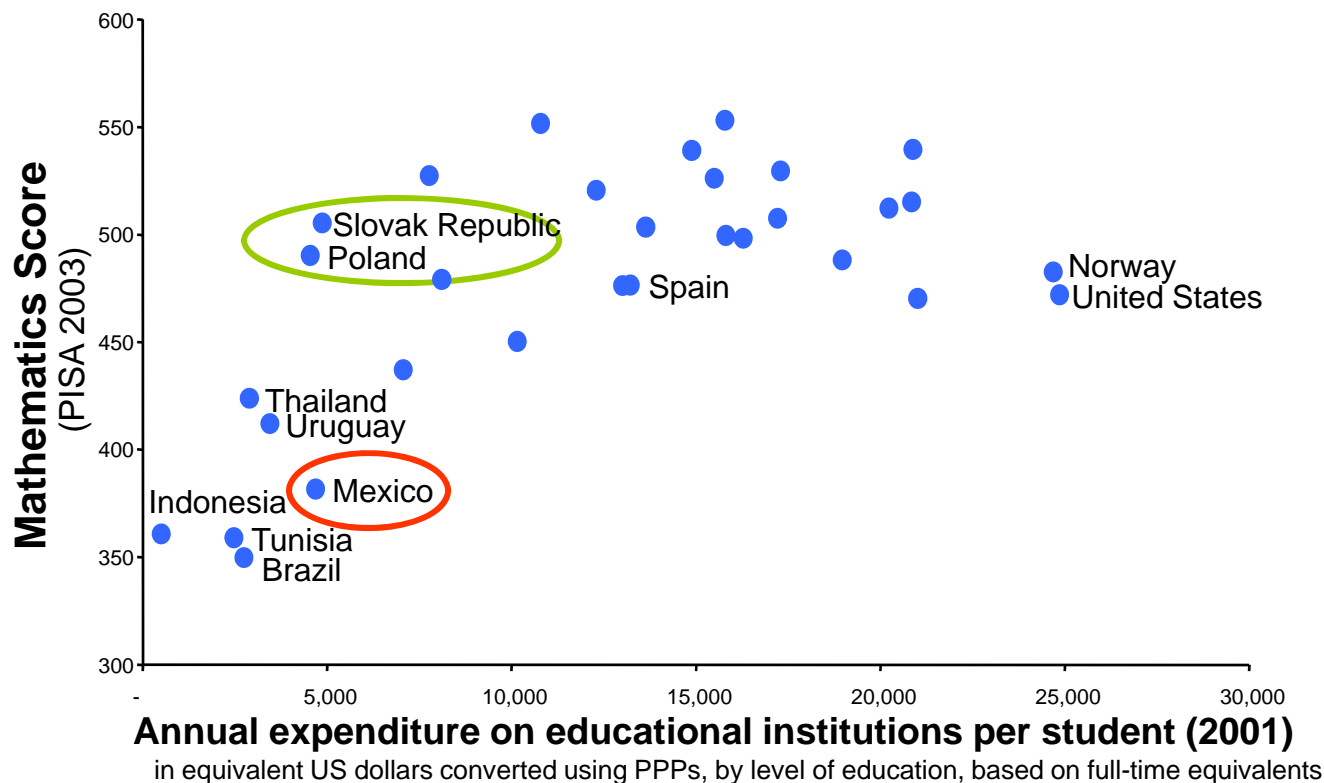
Social cohesion is becoming an increasingly important issue in the region



Improving public spending is crucial (efficiency and progressivity)

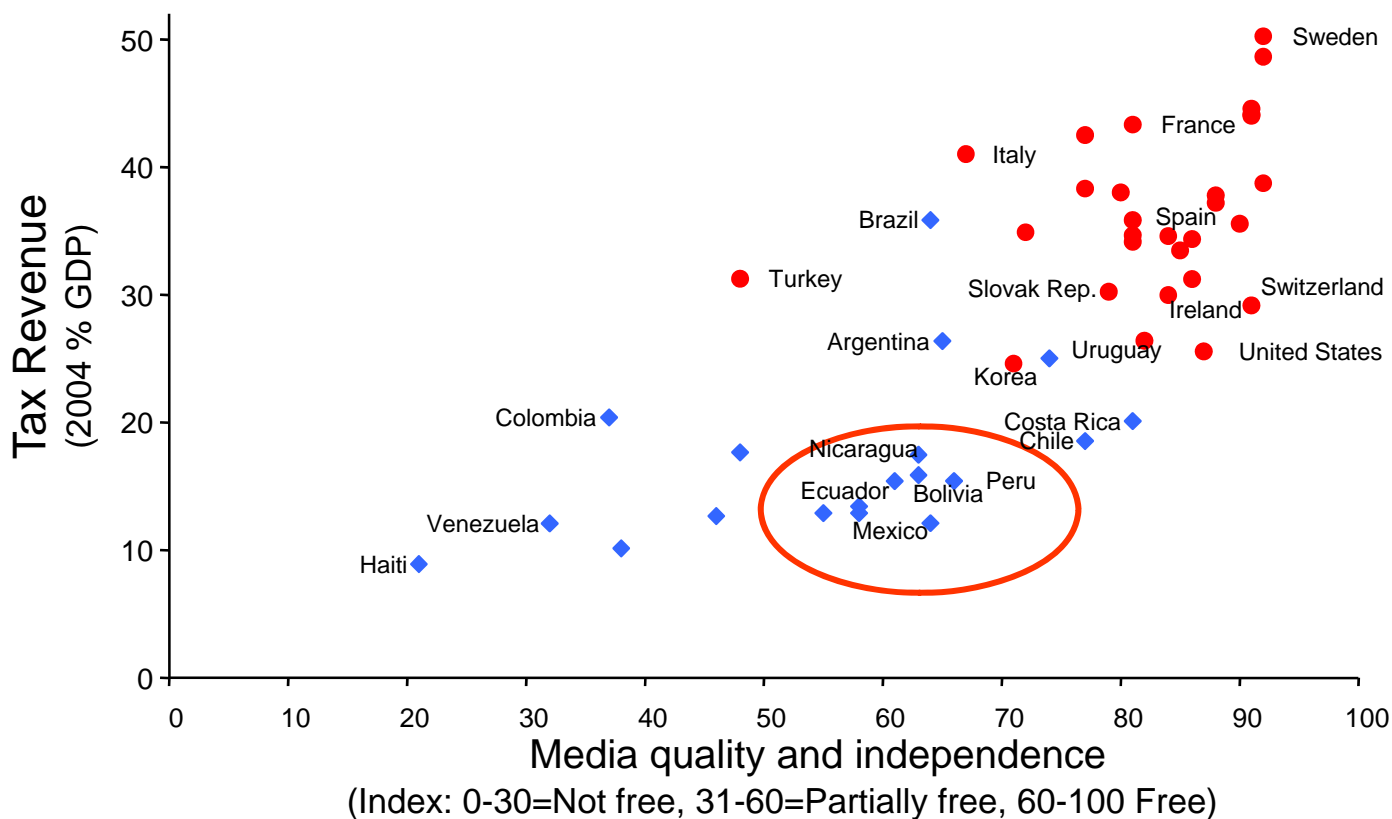
Improving the efficiency and equity of public spending is a crucial challenge for the region

Education Expenditures and Performance



Transparency can lead towards more consistent policies

In democratic societies debate, dialogue and compromise are key elements for policy



Source: OECD Development Centre, 2007. Based on Freedom House (2007) and ECLAC and OECD Revenue Statistics (2007).

I **Fiscal Policy and Legitimacy**

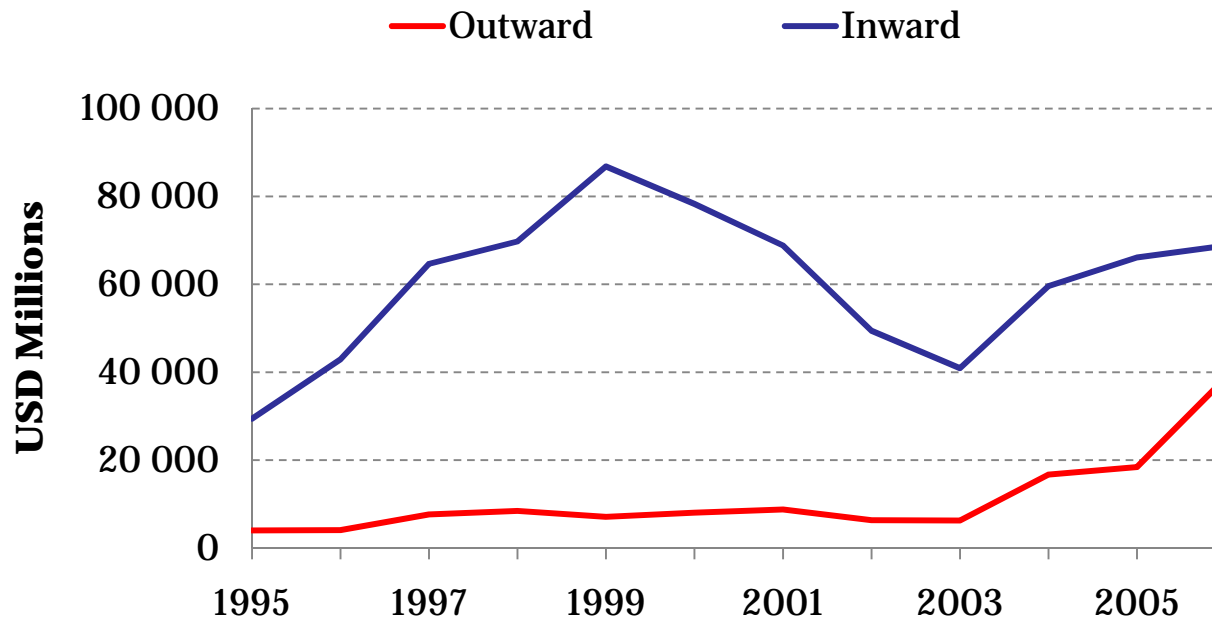
II **Multinationals, Telecommunications and Development**

III **China, India and the Challenge of Specialisation**

Latin American economies are becoming global financial actors

Some countries, like Brazil, have more outward than inward flows of FDI

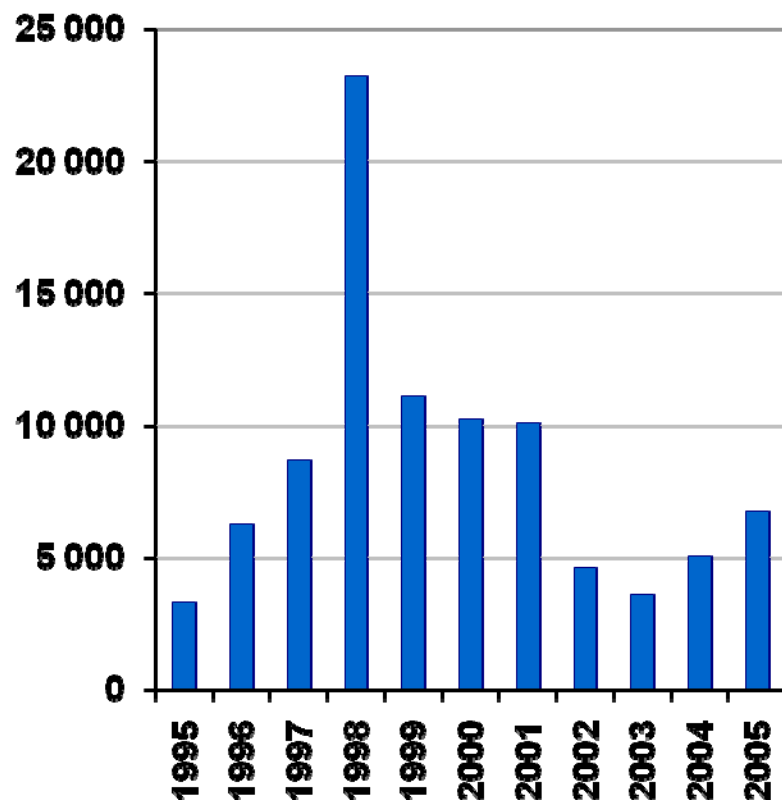
Foreign Direct Investment Flows in Latin America



Source: OECD Development Centre, 2007. Based on UNCTAD *World Investment Report 2006*, CEPAL *La inversión extranjera en América Latina y el Caribe 2006* and Economist Intelligence Unit estimations.

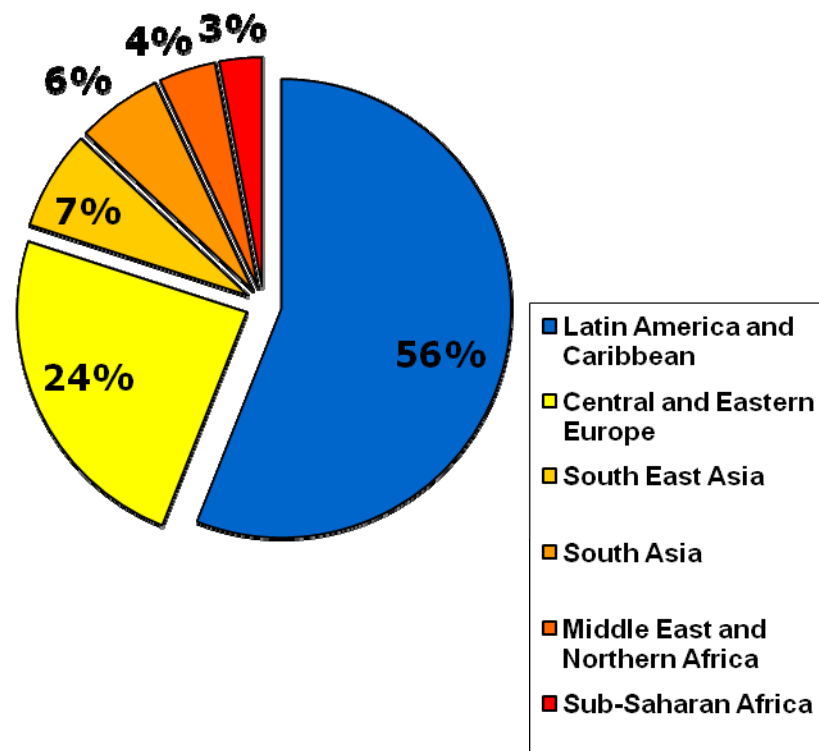
Latin America is the world's first destination for FDI in telecommunications

FDI in telecommunications toward Latin America
Millions of US dollars



Source: OECD Development Centre, based on PPI Database, World Bank

FDI in telecommunications, by region



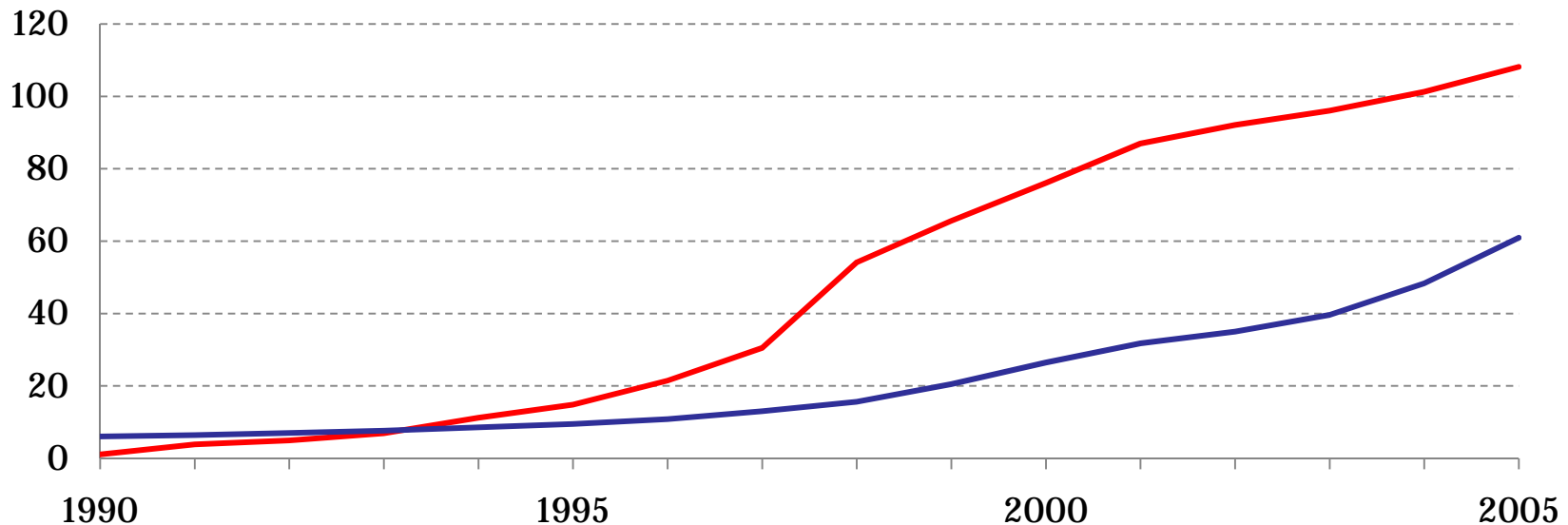
Source: Information and Communications for Development 2006, World Bank

Investment in telecommunications has accompanied a marked increase in connectivity

The number of telephone lines has multiplied by 10 in Latin America, to some extent because of foreign investment

Foreign Investment in Telecommunications and connectivity

- Cumulative Foreign Investment in Telecommunications (in USD billion)
- Telephones per 100 inhabitants

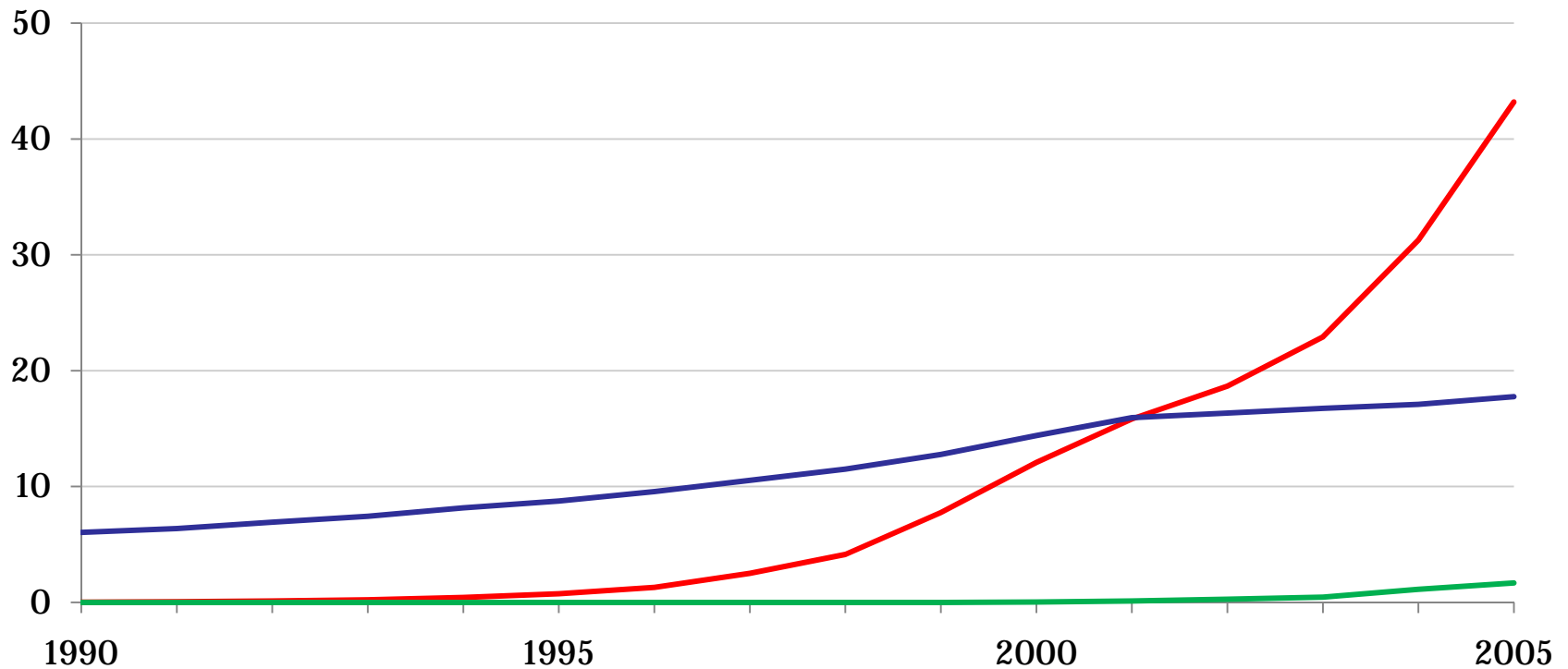


Source: OECD Development Centre, based on SEDLAC (2007) and IADB (2007) data.

Mobile telephony has played a key role in increasing coverage

Lines per 100 inhabitants

— Mobile — Landline — Broadband

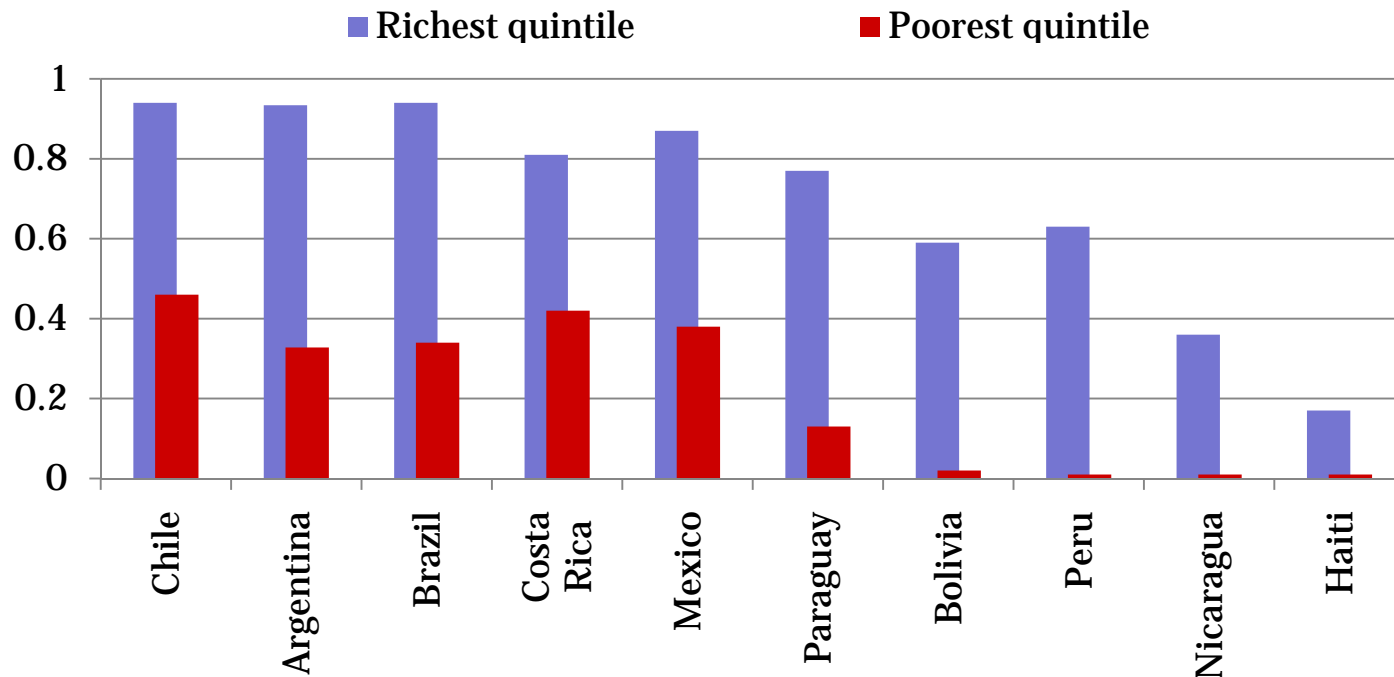


Source: OECD Development Centre, based on ITU, 2006, World Telecommunications Database

However, the connectivity boom has not benefited all in the same way

Inequality is high: a quarter of poor households have a telephone at home, 3 times less than high-income households

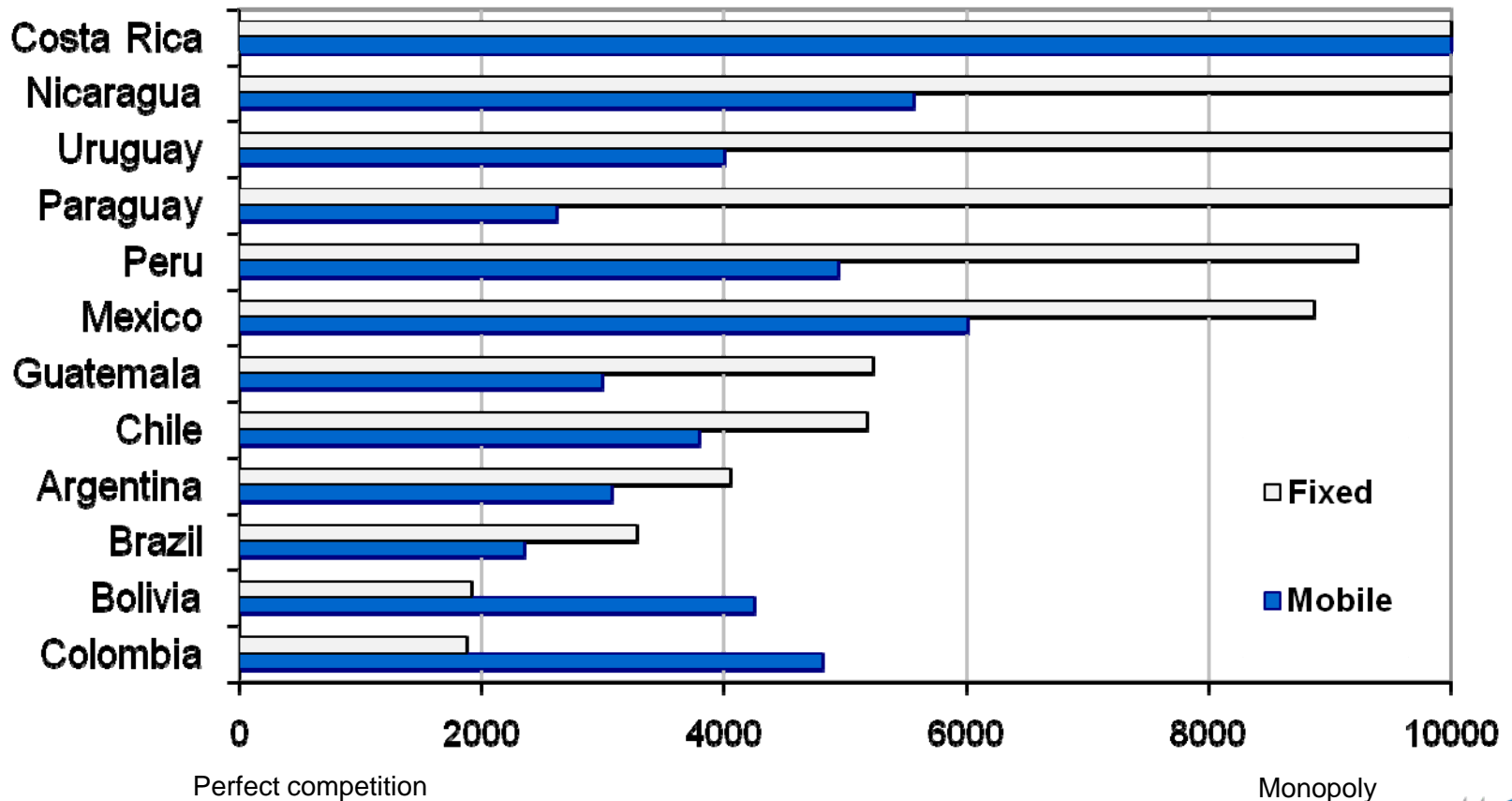
Proportion of the population with a telephone at home



Source: OECD Development Centre, based on SEDLAC surveys.

Much remains to be done in order to guarantee contestable markets...

**Index (Herfindahl-Hirschman) of concentration on the telephone market
Telephone lines, by segment**



Source: OECD Development Centre, based on companies' data.

I Fiscal Policy and Legitimacy

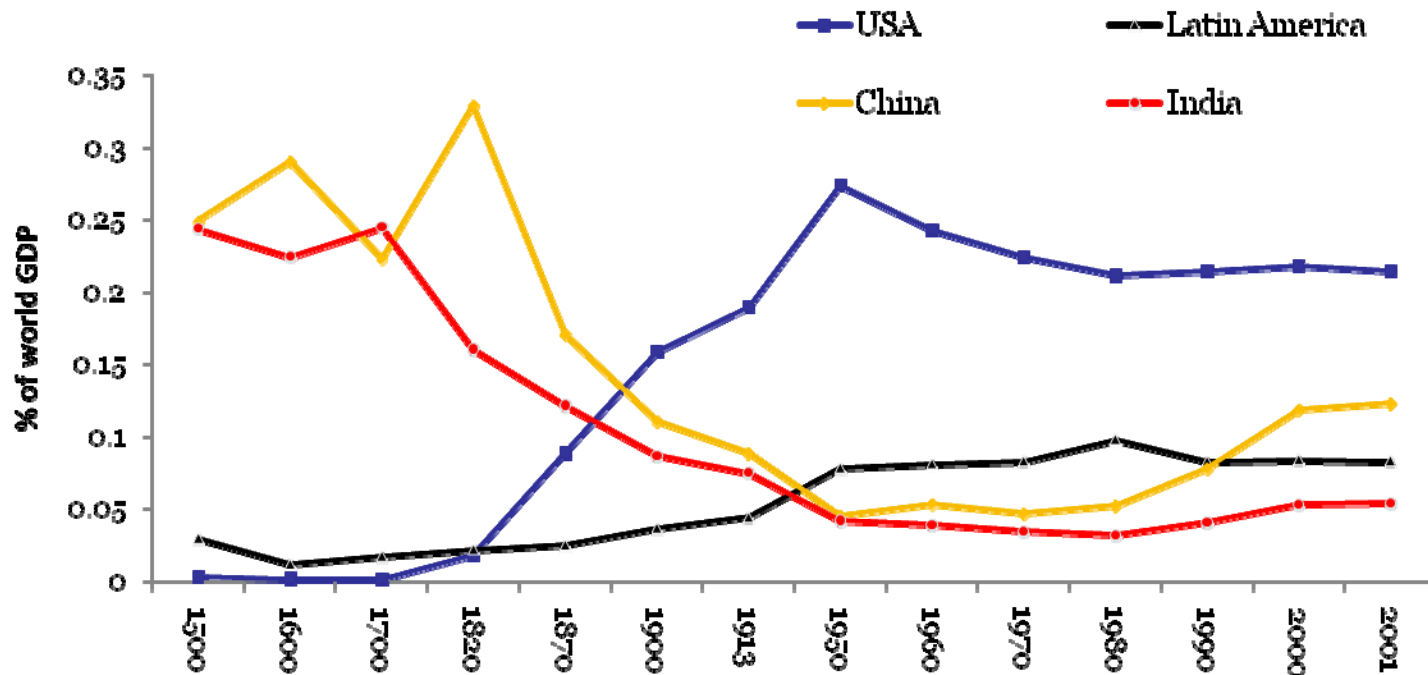
II Multinationals, Telecommunications and Development

III China, India and the Challenge of Specialisation

Emerging economies are increasingly present on the global scene

When the OECD was founded, its member countries accounted for 75% of world GDP, today they represent 55% of world GDP

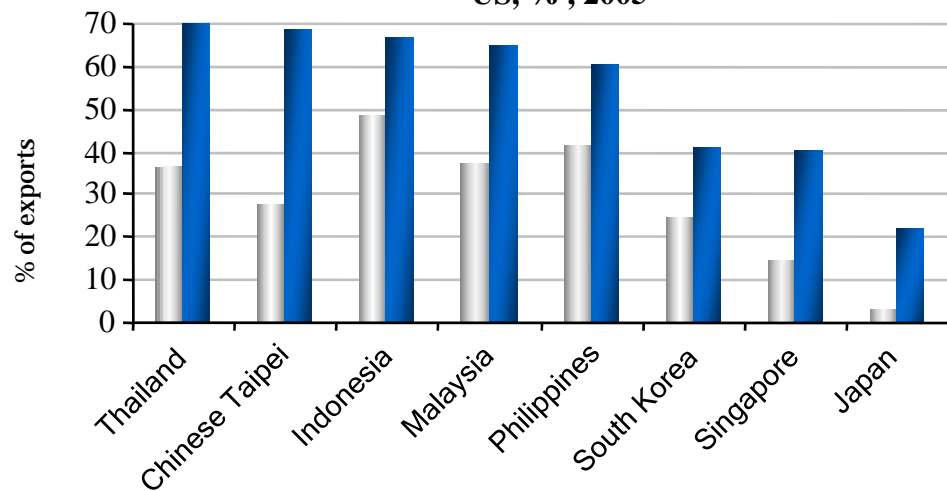
Evolution of share in world GDP



Source: OECD Development Centre, based on Maddison (2003) "The World Economy Historical Statistics"

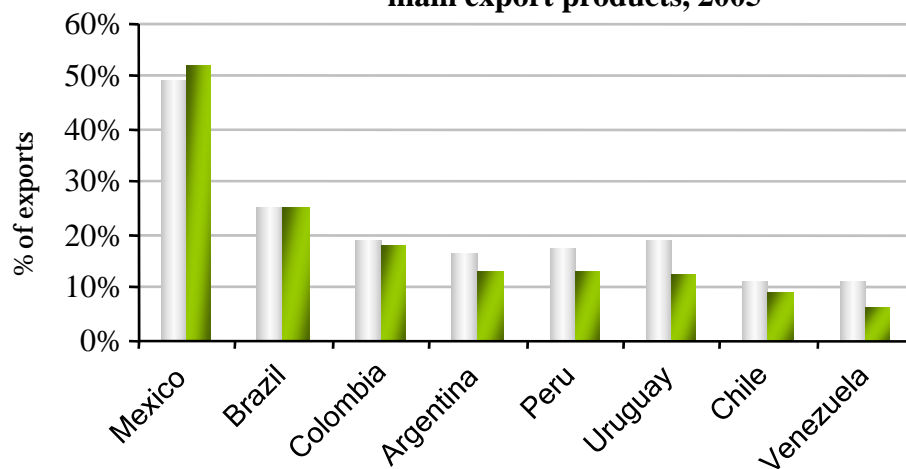
China and India could be angels rather than demons for Latin America's commercial development

Asian countries competition* vs. Chinese exports to US, % , 2005



*Value of exports to US from China in same product categories as country's exports, as % of country's total exports to US

Latin American countries competition* vs. Chinese main export products, 2005



Arithmetic average of the following indexes: $CC = \frac{\sum_i a_{it}^ a_{jt}^*}{\sqrt{\sum_i (a_{it}^*)^2 \sum_j (a_{jt}^*)^2}}$ and $CS = 1 - \frac{1}{2} \sum_n |a_{it}^n - a_{jt}^n|$

where a_{jt} and a_{it} equals the share of item "n" over total exports of countries j (China) and i in time t.

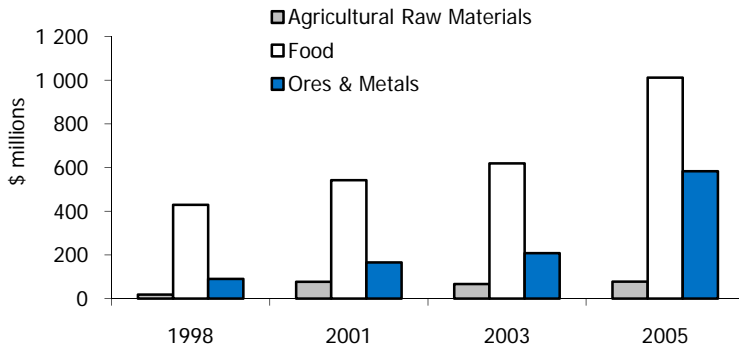
Source: C.HJ.Kwan, Nomura Institute of Capital Markets Research

Source: OECD Development Centre, 2006

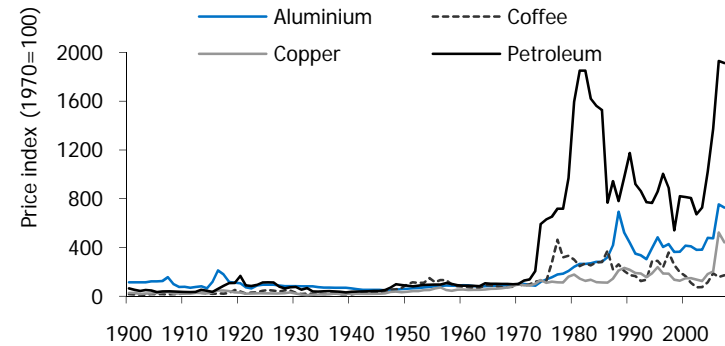
Based on Working Paper by Blázquez, Rodríguez and Santiso, 2006

The Asian boom has had a strong impact on the trade balance of several Latin American countries

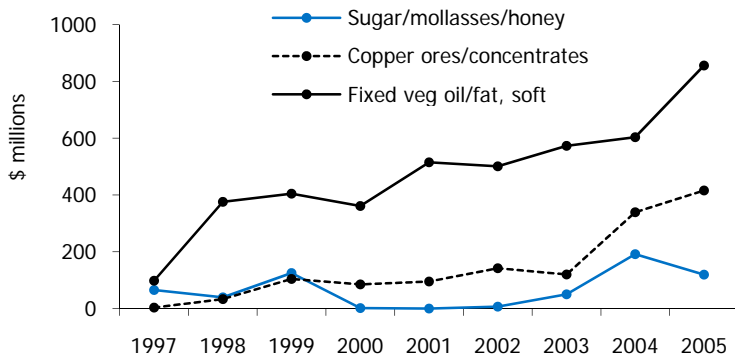
China's and India's rising demand for Latin American commodities (1998-2005)



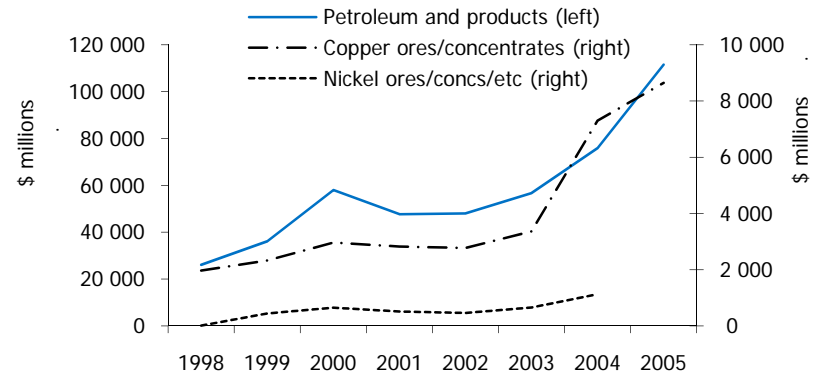
Increasing commodities prices (1900-2005)



Rise in Indian imports from Latin America (1997-2005)



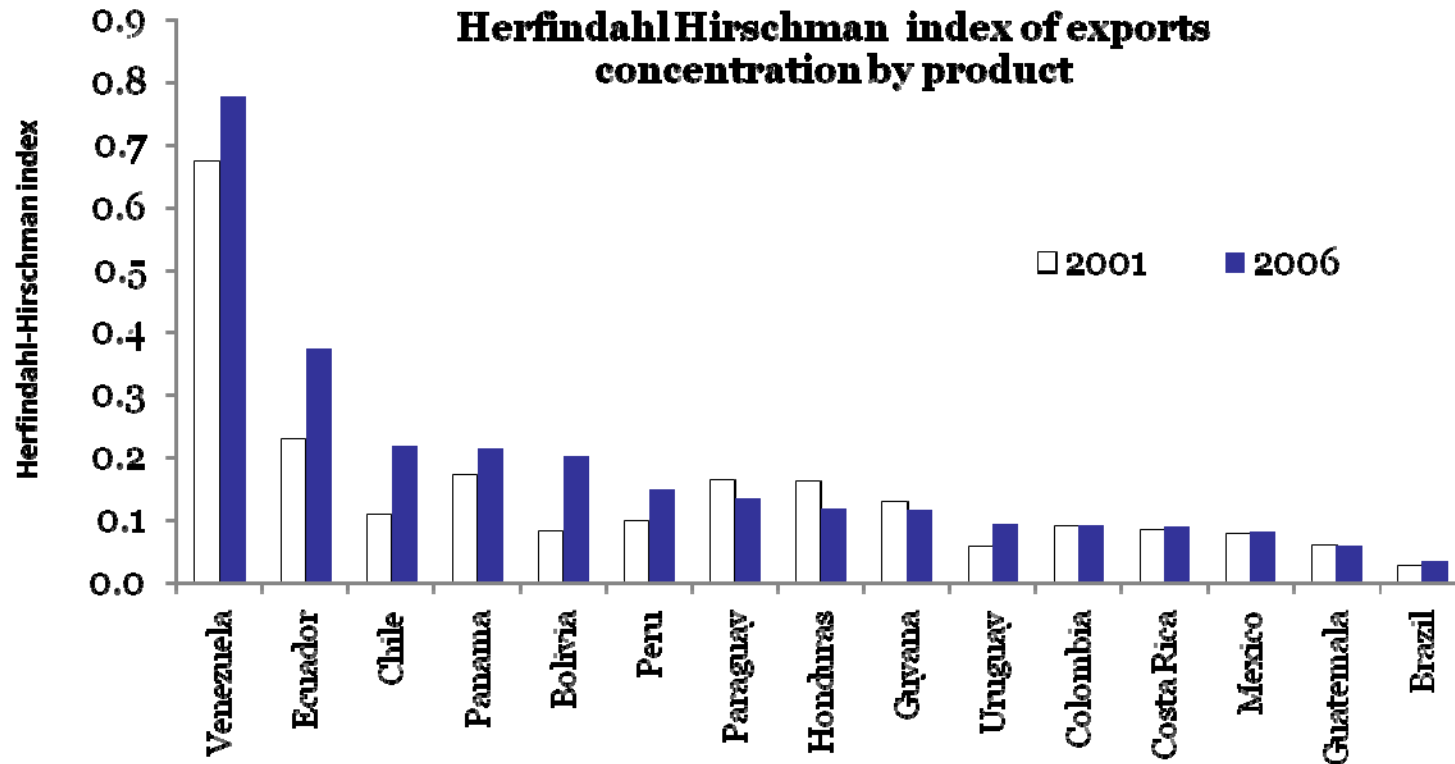
Rise in mineral exports from Latin America (1998-2005)



Source: OECD Development Centre, based on WITS Database, 2007.

The rise of China and India also represents a wake-up call: The challenges of specialisation

Latin America risks to fall on an excessive raw-material specialisation



Source: OECD Development Centre, 2007. Based on WITS and Comtrade data.

Exploiting comparative advantages: The proximity to export markets

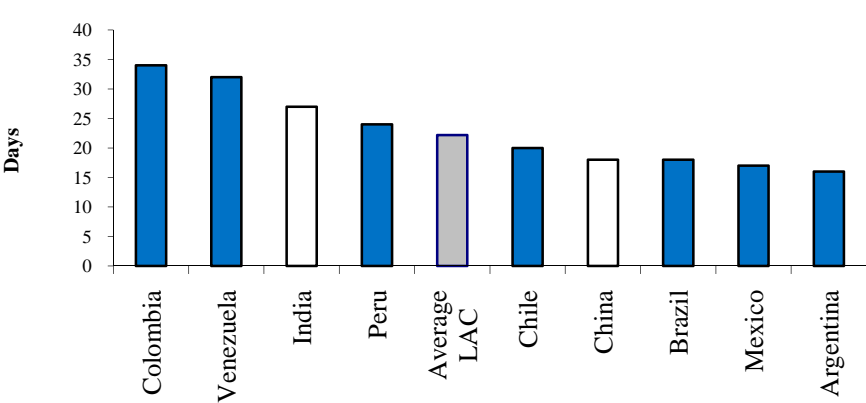
Mexico benefits from its geographic proximity to its major export markets



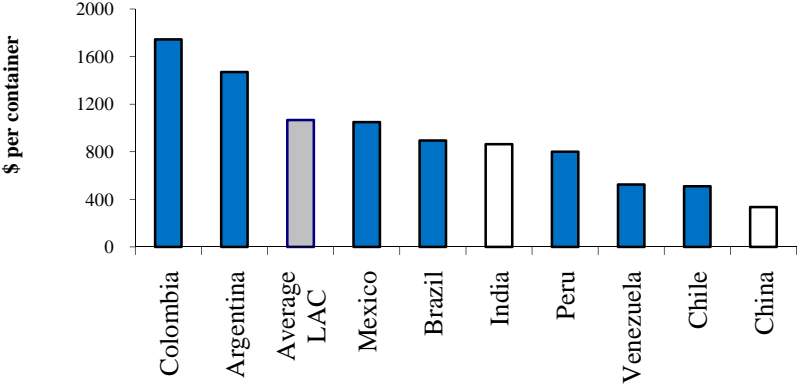
Mexico is more competitive in manufacturing more sophisticated products which require short delivery times

Infrastructure is a serious drawback for Latin America's trade development

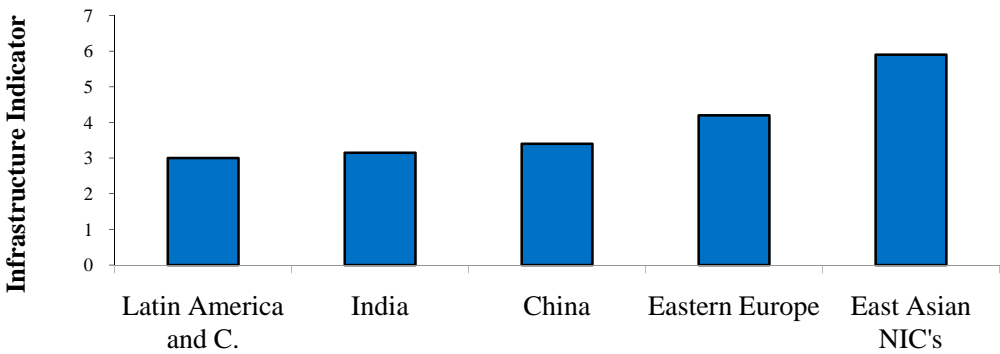
Time for exports



Cost of exports



Regional performance in the infrastructure pillar



Source: Doing Business Report. World Bank, 2007.

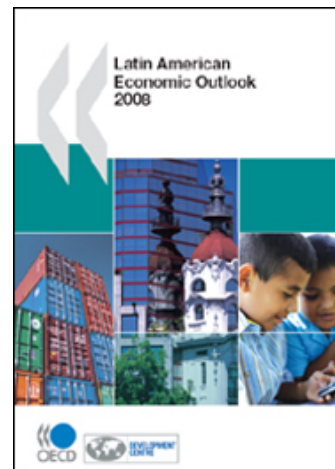


Latin American Economic Outlook 2009 and more

- **Fiscal Policy and development.**
- **Migration and development.**
- **Innovation and development.**

Latin American Economic Outlook 2008

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Thank you
Merci
Obrigado
Gracias