

Foreword

Recent economic developments in Latin America show a mixed scenario. As elsewhere, globalisation has been a powerful engine for economic development and growth. Structural reforms adopted over the past decades in the region's countries have contributed to market opening and improved macroeconomic management. In 2006, Latin America received a record \$72.5 billion in foreign direct investments and growth rates in some countries are now catching up with those of Asian countries.

As Latin America's role in the world economy increases, the region is becoming a major partner for the OECD. Mexico was the first Latin American country to join the OECD in 1994; now Chile is in the process of accession to the OECD and Brazil is a candidate for enhanced engagement with the organisation, with a view to possible membership in the future.

This first edition of the new annual series *Latin American Economic Outlook*, published by the OECD Development Centre, is a tribute to Latin America and a further step for the OECD in fulfilling its mandate to act as a hub for the discussion of global issues. The OECD has a key role to play in understanding and explaining globalisation and offers a wealth of information and analysis to policy makers based on the experience countries share in addressing common economic and social challenges.

In spite of the positive outlook, the challenges to achieve a much higher and sustainable growth rate remain substantial. Growth in Latin America has been too low and overall performance sub-optimal. There are many opportunities to take advantage of the huge potential of this region. Its two main economic engines, Mexico and Brazil, are losing ground to their Asian competitors. Over the past decade, China and India have been taking off with average economic growth rates of 9 and almost 7 per cent, respectively, while Mexico grew at 3.5 percent and Brazil recorded only 2.5 per cent. Inequality remains high in Latin America and poverty is still widespread. To improve this outlook will require a sound understanding of the challenges and a combination of good policy design and effective implementation.

Four key policy areas are addressed in this first edition of the *Latin American Economic Outlook*: fiscal policy; pension funds and financial-sector development; foreign investment and telecommunications; and the growing trade relation with China and India. Fiscal reforms in the 1980s and 1990s have produced first results and need to be carried further. Latin American countries are worldwide pioneers in pension reform, but the reforms need to be refined. The telecommunication sector has attracted a major share of total foreign direct investment inflows in Latin America; establishing appropriate regulatory frameworks to promote competition should now be a priority. A close look at the impact of the world's rapidly growing trade with China and India reveals that the region has more to gain than to lose, provided that the right measures are taken to enhance competitiveness.

The policy dialogue between the OECD and Latin America has a long tradition. It will intensify further over the coming years as new members join the organisation and the region's countries are drawn closer into the global debate. The OECD Development Centre hopes to contribute to such dialogue with this new publication.

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