Trade and financial resilience, rather than exposure, will allow countries to emerge from the crisis stronger. The OECD Latin American Economic Outlook 2010 provides a fresh analysis of economic trends in the region with a particular focus on the role that international migration and remittances play in fostering development.
PROMOTE OPEN AND RESILIENT ECONOMIES

Latin American countries that opened their markets to international competition during the last decade have not been more vulnerable to the global economic crisis. Instead, trade and financial openness have been accompanied by the creation of resilience mechanisms that allow more space to fund counter-cyclical policies. Fiscal and monetary measures, however, should be sustainable and not compromise macroeconomic fundamentals; nor should they reverse the progress made during the past five years in reducing poverty.

DID YOU KNOW?
Trade of goods and services as a percentage of GDP has almost tripled in Latin America in the last 25 years

EXTEND SOCIAL PROTECTION FOR MIGRANTS

Changing patterns of international migration will affect the depth of the crisis and its impact in Latin America. International migration can help curb unemployment and boost economic dynamism in the region if destination countries promote legal and flexible access for migrants to their labour markets better aligned with their labour demand. Mobility can be encouraged through programmes that provide the right incentives and that guarantee the portability of social benefits across borders.

DID YOU KNOW?
While only 15% Latin American immigrants are covered by social security agreements between origin and destination countries, 98% of workers moving within OECD high-income countries enjoy such portability benefits.

Fiscal and Monetary Resilience has improved in Latin America: 1981 vs. 2007

Volatility of External Flows
Latin American and Caribbean countries, Percentage of GDP (1993-2007)

BOOST COMPETITION TO LOWER REMITTANCE COSTS

Despite recent progress, the costs of remittance transfers to Latin America can and should be further reduced. Even a small cutback in the cost can yield substantial benefits for migrants and their families. More competition and a clearer regulatory framework for operators transferring remittances via mobile phone payments could help lower the cost and be an incentive for sending remittances through formal channels

DID YOU KNOW?
A reduction of just 1% in the average transfer cost of remittances could shift up to USD 800 million from transfer companies to migrants’ families.

TAP REMITTANCES’ POTENTIAL FOR FINANCING

As consumption and investment are affected by the crisis, remittances can provide an important boost to domestic demand and financial development in Latin America. Despite their recent slowdown, remittances are far less volatile than other external flows; they also tend to benefit poorest families hardest hit by the crisis. Policies must capitalise on the ability of remittances to expand access to financial services among those traditionally excluded, lower investors’ perception of risk associated with investing in the region and help fund development projects that spur investments in human capital.

DID YOU KNOW?
Remittances to Latin America were ten times larger than the official development aid the region received in 2007.

Volatility is calculated as the average of the variance of each flow as a proportion of GDP.

Source: OECD Development Centre (2009).