

Latin America and the Caribbean: integration and strategies for social cohesion

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Executive Secretary of ECLAC

Conference: Economic Integration and Social
Cohesion: Lessons Learned and Perspectives

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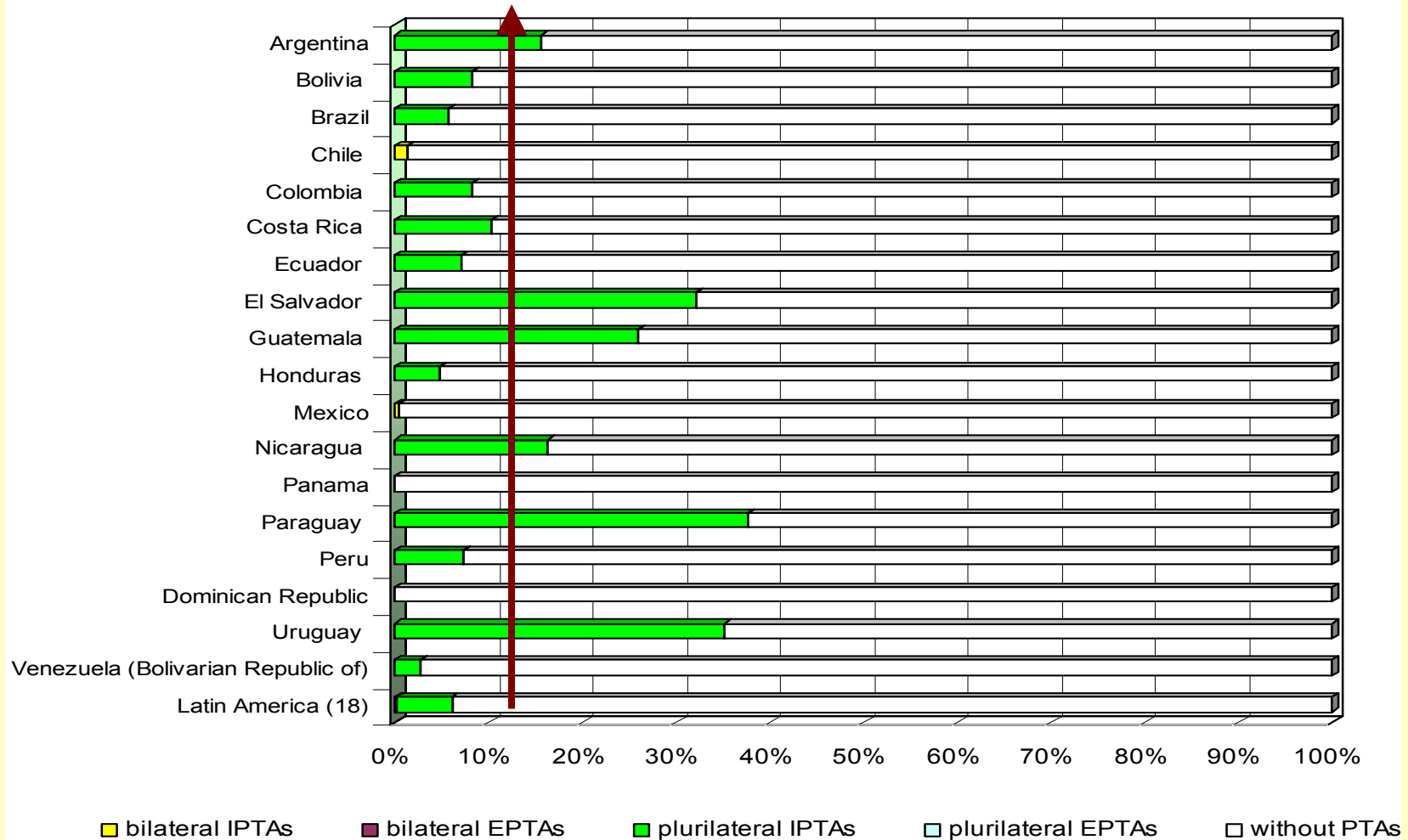
Latin America and the Caribbean: integration and strategies for social cohesion

- The regional integration process and how it differs from the European process
- Social cohesion: its importance for the region
- Social cohesion in the context of globalization and integration
- Instruments for social cohesion
 - The experience of Europe
 - The lack of convergence in the region
 - Structural and social cohesion funds: their feasibility in the region
- The need to improve social policy
- Latin America and the Caribbean: areas of progress
- Latin America and the Caribbean: the deepening of integration and social cohesion

The regional integration process and how it differs from the European process

- The regional experience: initial dynamism and current doubts
- The importance of subregional agreements
- The hemispheric agreement: stalled progress
- Shortcomings in the multilateral scheme
- Bilateral North-South agreements: their growing importance

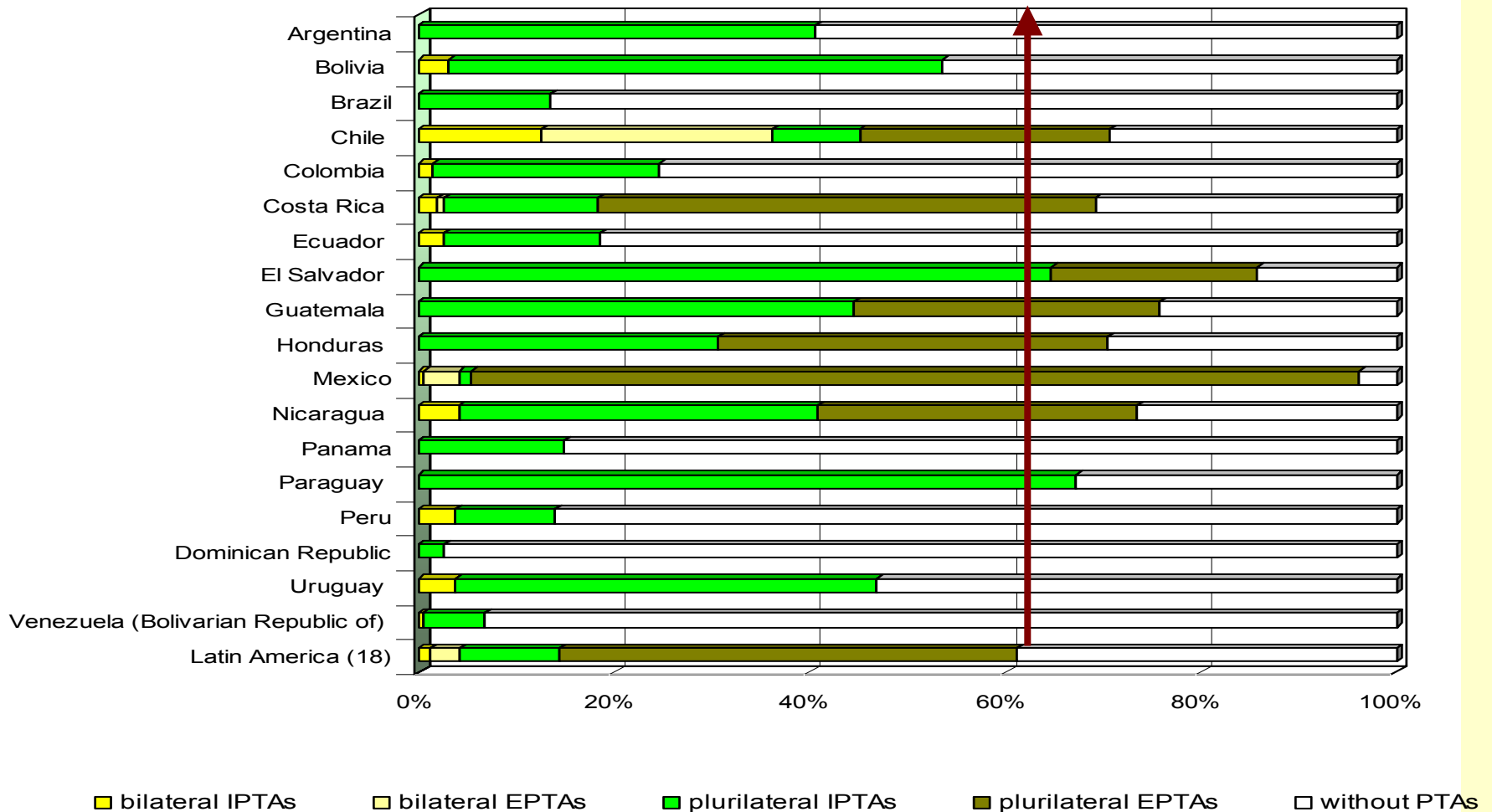
Exports under preferential trade agreements, 1991



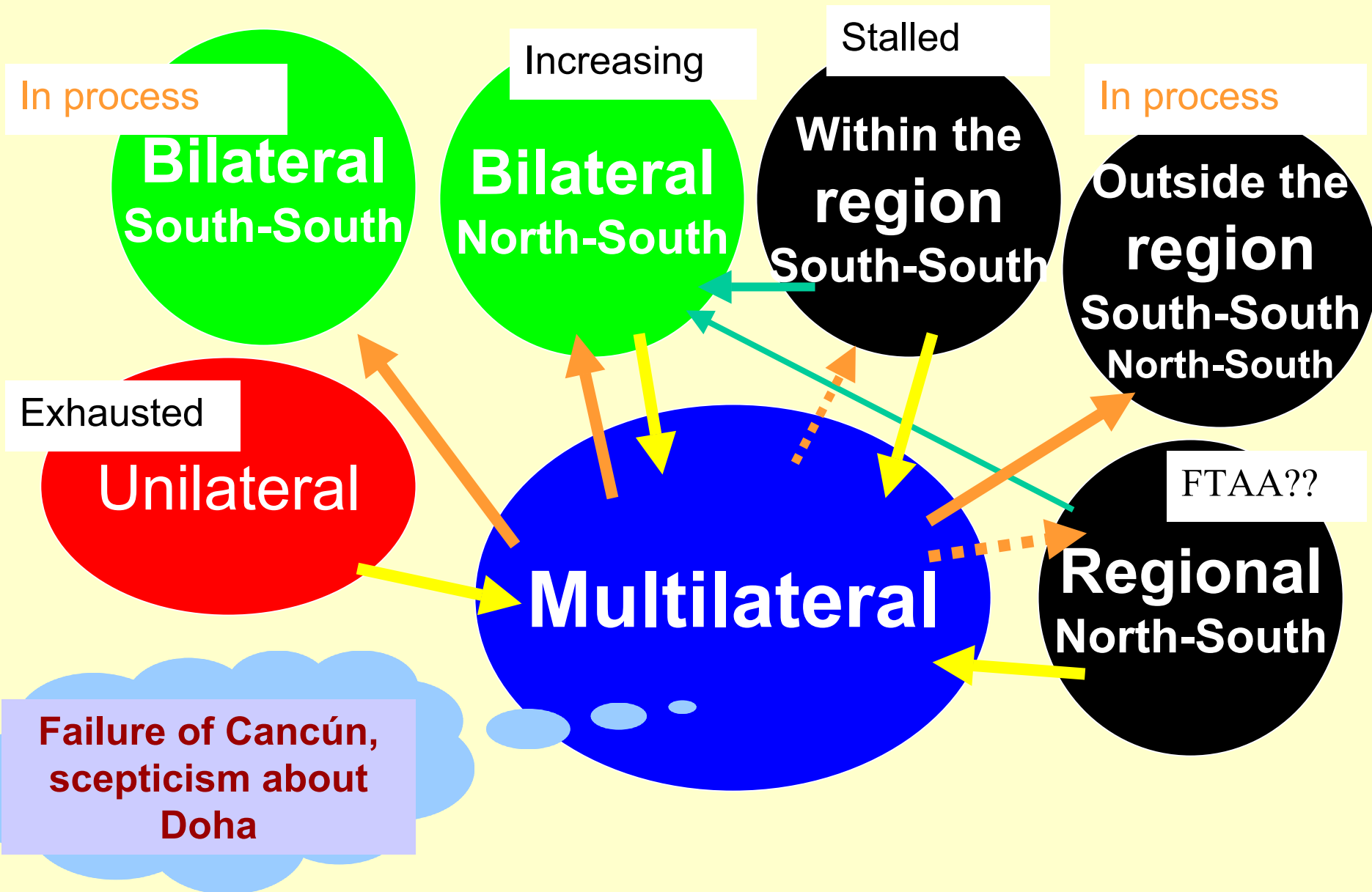
IPTA= intraregional preferential trade agreements

EPTA= extraregional preferential trade agreements

Exports under preferential trade agreements, 2004



LAC: global integration alternatives



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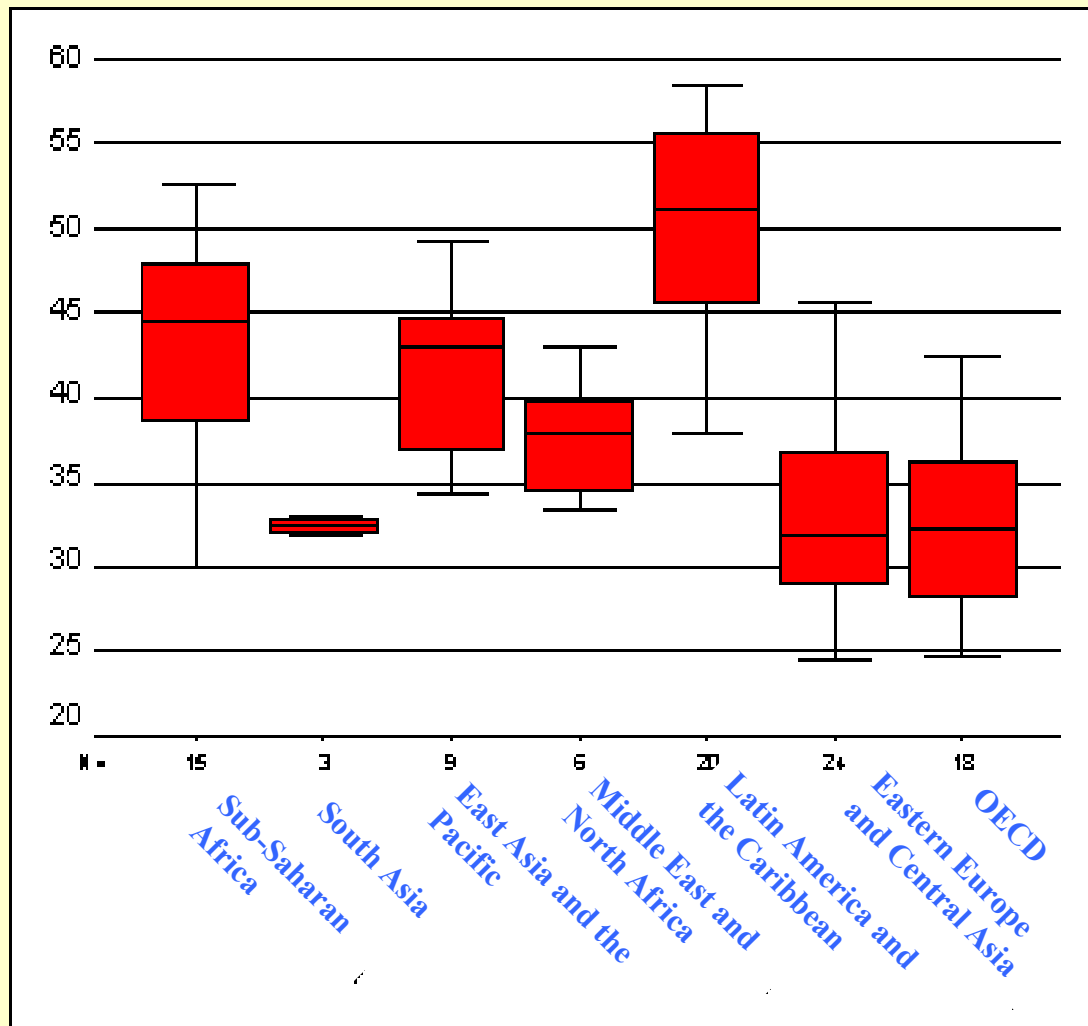
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Social cohesion: its importance for the region

- Social cohesion: a joint endeavour. Equity as the cornerstone of development strategy
- The great lesson from Europe
- Regional inequality
 - An unfortunate distinction

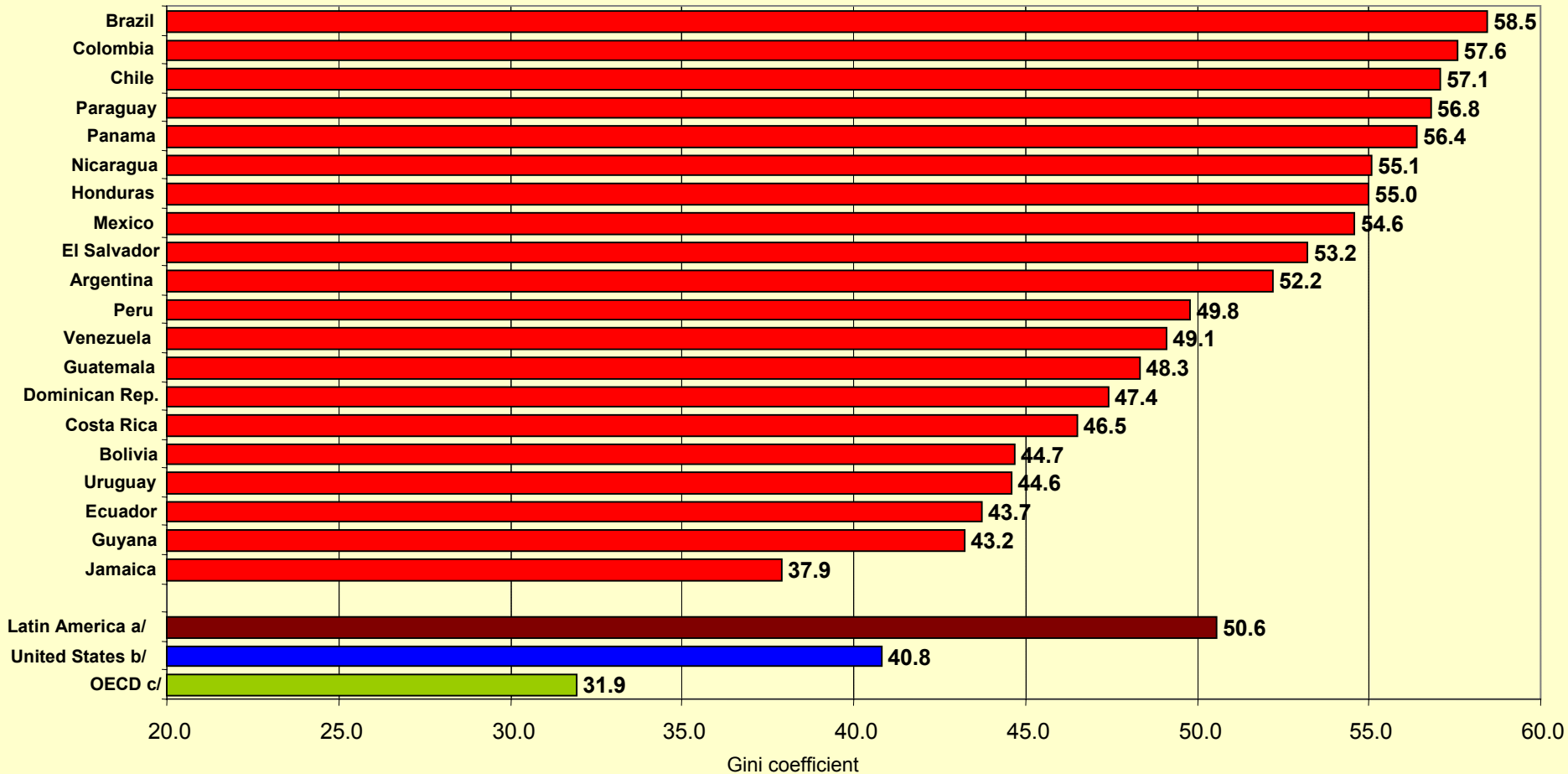
REGIONS OF THE WORLD: GINI COEFFICIENTS, 1997-2002

(Concentration of per capita income, by income decile)



LATIN AMERICA AND THE CARIBBEAN IS STILL THE REGION WITH THE WORLD'S HIGHEST LEVELS OF INEQUALITY

GINI COEFFICIENTS, 1997-2002
(Gini coefficient expressed as a percentage)

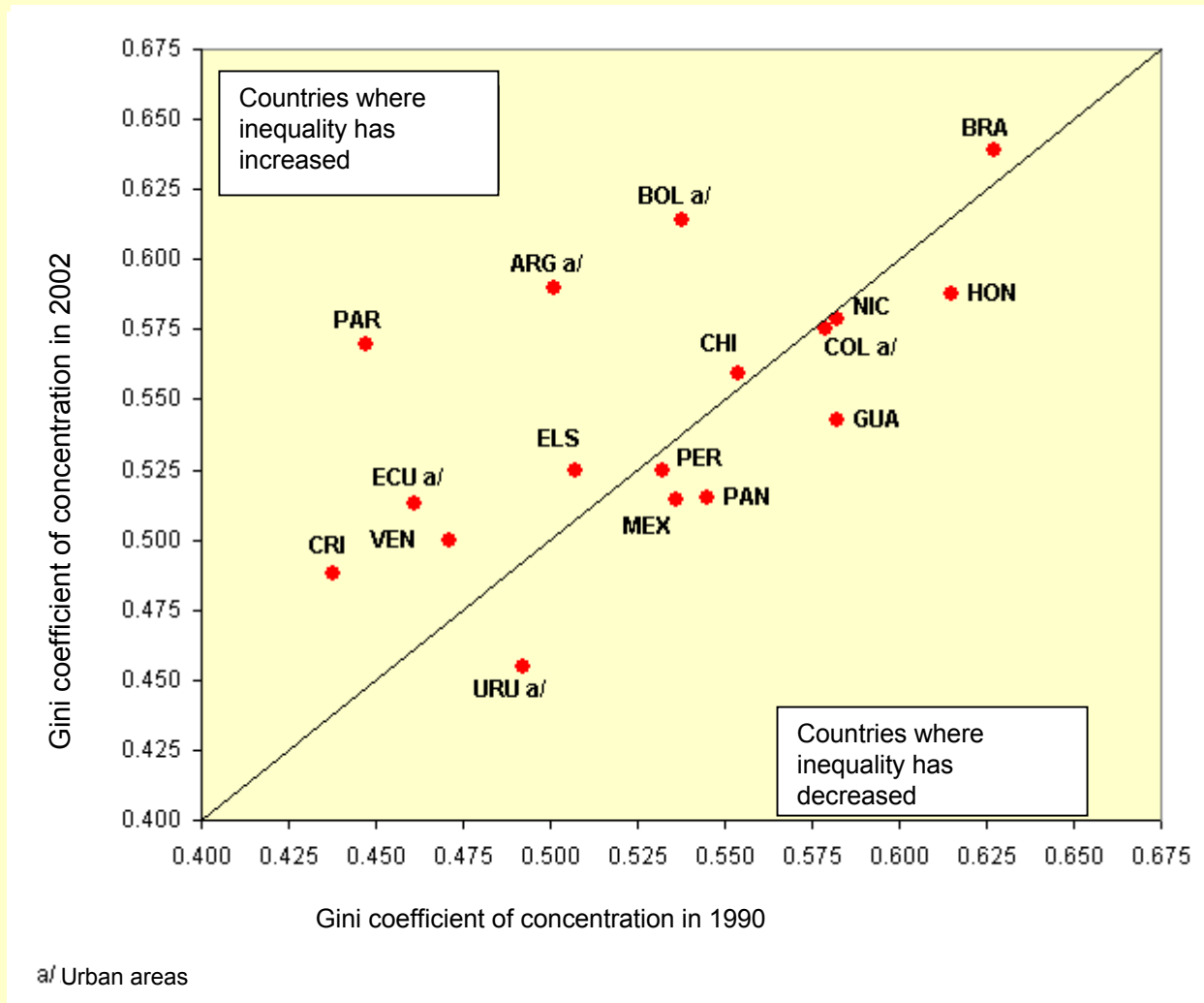


Source: World Bank, *World Development Indicators*, Washington, D.C.

a/ Simple average of the countries. b/ Country with the highest level of inequality in the group of high-income countries. c/ Simple average of 24 countries, including the United States.

INEQUALITY HAS NOT DIMINISHED OVER THE PAST DECADE

LATIN AMERICA (17 COUNTRIES): GINI COEFFICIENT NATIONAL TOTAL, 1990 - 2002

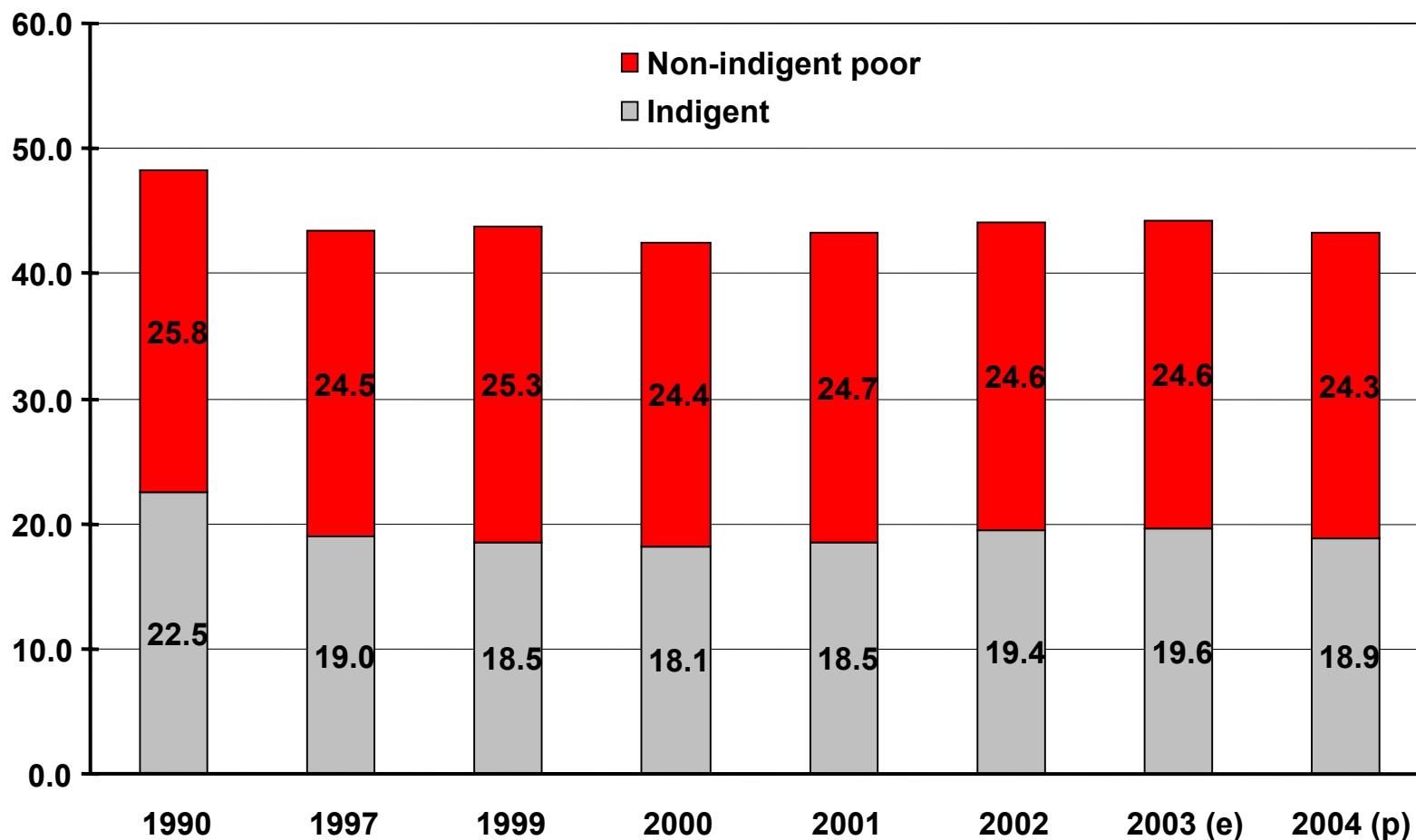


Social cohesion: its importance for the region

- Social cohesion: a joint endeavour. Equity as the cornerstone of development strategy
- The great lesson from Europe
- Regional inequality
 - An unfortunate distinction
 - Lack of access to assets
 - Impact on growth and governance
 - Impact on poverty
- The extent of poverty in Latin America and the Caribbean

POVERTY IS HIGH IN LATIN AMERICA: more than 43% of the population is poor

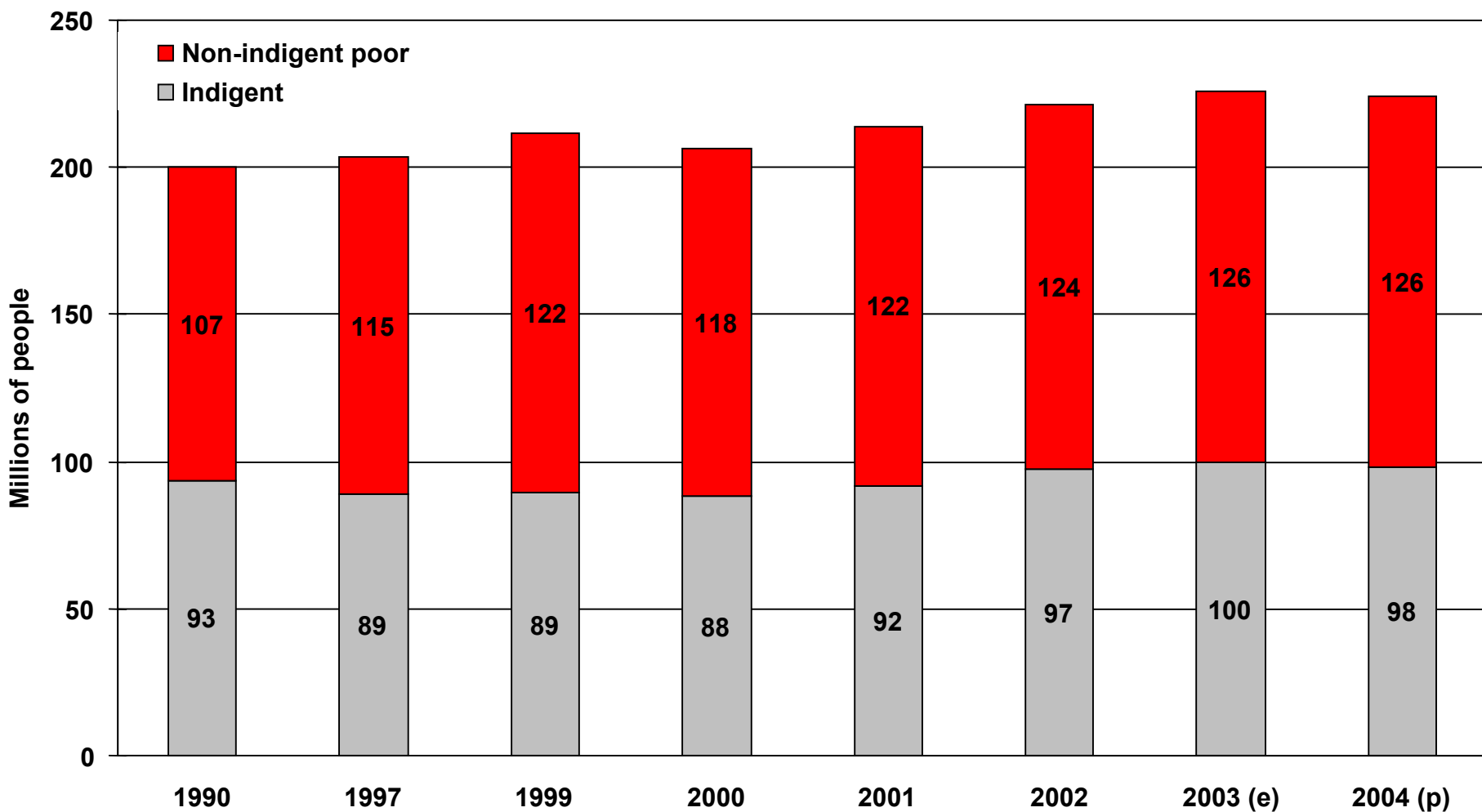
LATIN AMERICA: PERCENTAGE OF POOR AND INDIGENT PEOPLE, 1990-2003



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in some of the countries (18 countries of the region plus Haiti).

POVERTY IS HIGH IN LATIN AMERICA: 224 MILLION PEOPLE ARE POOR

LATIN AMERICA: SIZE OF THE POOR AND INDIGENT POPULATION, 1990-2003



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in some of the countries (18 countries of the region plus Haiti).

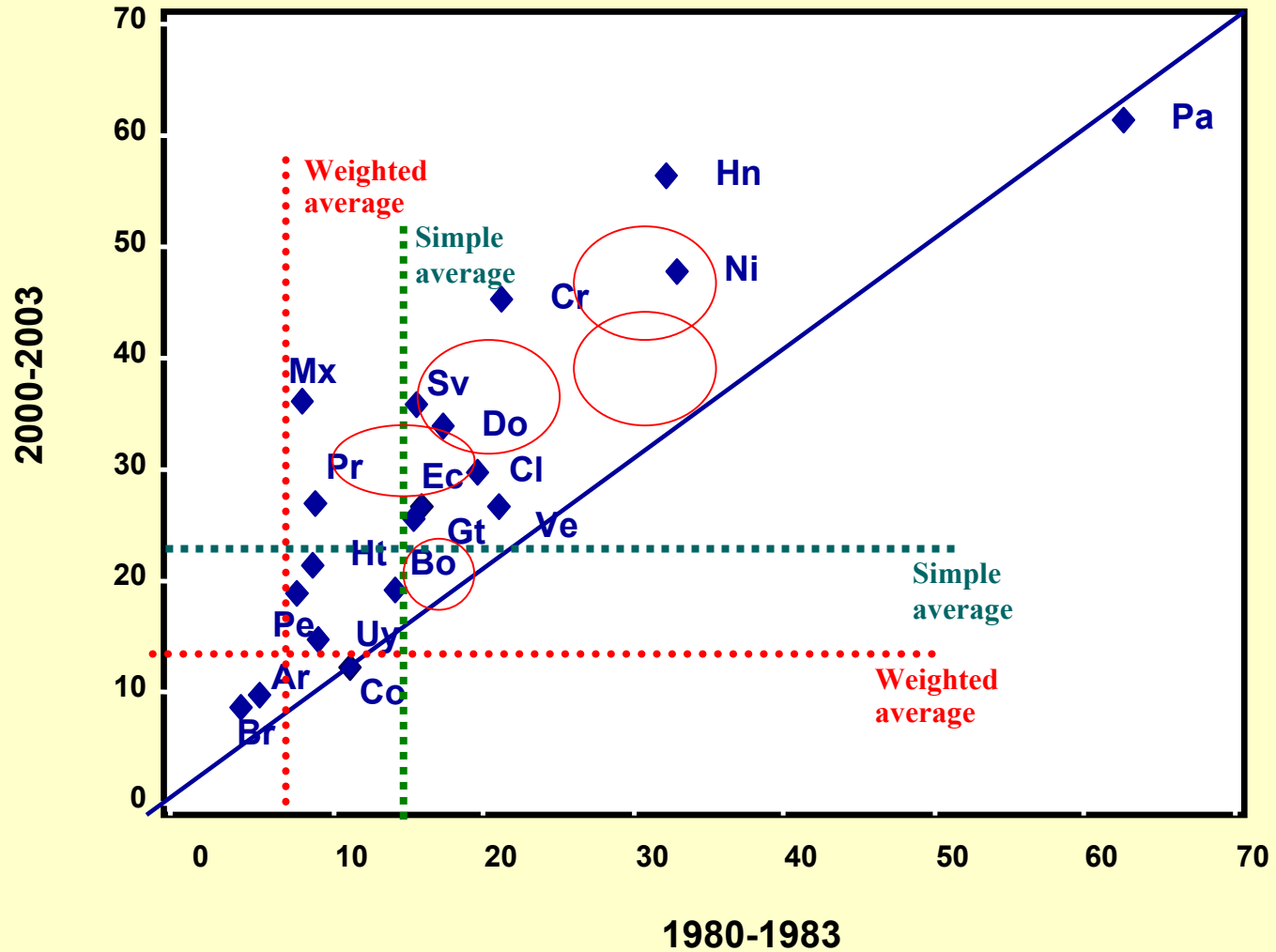
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Social cohesion in the context of globalization and integration

- Globalization and openness in Latin America and the Caribbean

Trade openness



Social cohesion in the context of globalization and integration

- Globalization and openness in Latin America and the Caribbean
- Winners and losers
 - Socio-economic
 - Sectoral
 - Geographical
 - Size
- The need to distribute the benefits
- The sustainability of openness

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Instruments for social cohesion: the experience of Europe

- Harmonious growth: the importance of integration
 - Macroeconomic convergence
 - Structural funds (regions)
 - Cohesion funds (human resources, infrastructure, etc.)
- Social protection: the importance of domestic policies and the contribution of convergence mechanisms
- Development policies had no limits other than those imposed by the EC

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Macroeconomic convergence in Latin America: far from Europe

- De facto convergence
- FTAA: its importance for the macroeconomy
- Subregional agreements
 - Political will
 - Domestic and external incentives
 - Even so... convergence would help
- Dollarization: a false analogy
 - Participation
 - Different external shocks
 - Seigniorage

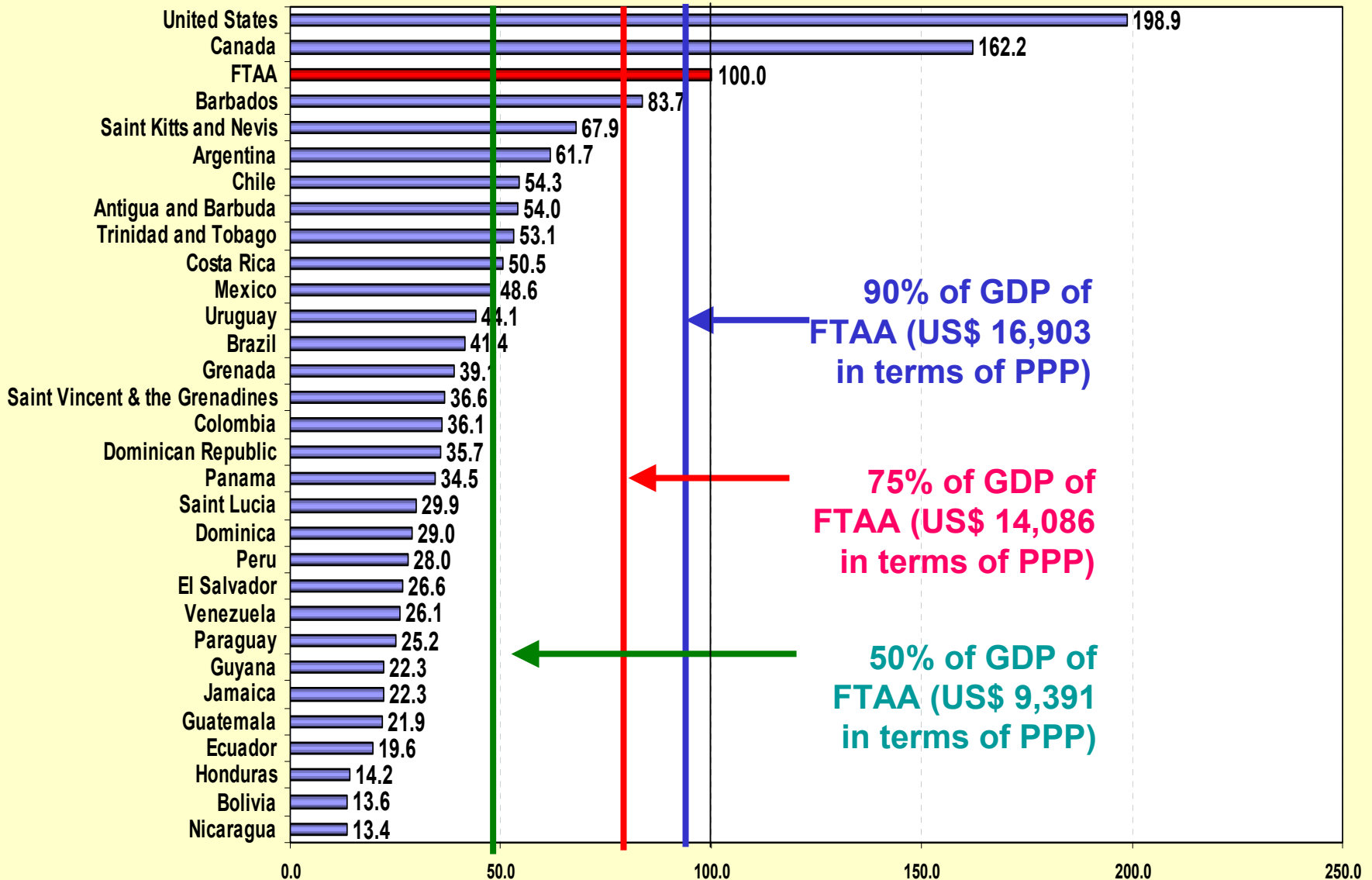
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Structural funds: their feasibility in the region

- Financing
 - FTAA

Per capita GDP in 2003, by country, in relation to FTAA



Structural funds: their viability in the region

- Financing
 - FTAA
 - Latin American and Caribbean agreement

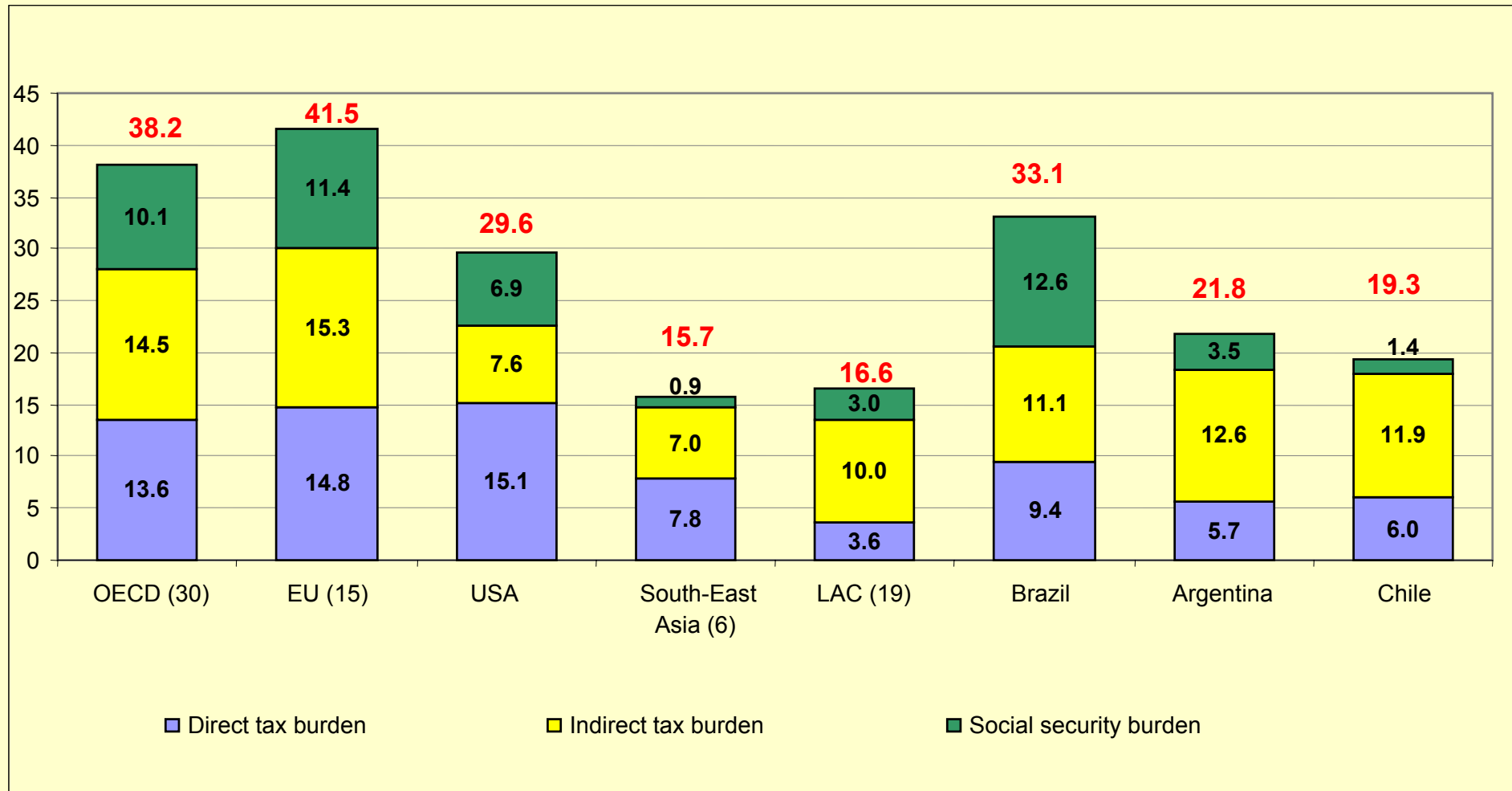
Latin America: per capita GDP in relation to that of the region, 2003

- Trinidad and Tobago
- Brazil
- Latin America
- Saint Vincent and the Grenadines
- Dominican Republic
- Saint Lucia

Structural funds: their feasibility in the region

- Financing
 - FTAA
 - Regional agreement
 - Income and size differences: an obstacle and an opportunity
- The limits of assistance between countries: regional diversity and social demands
- Differences in the tax burden

International comparison of the tax burden, 1999-2000 (percentages of GDP)

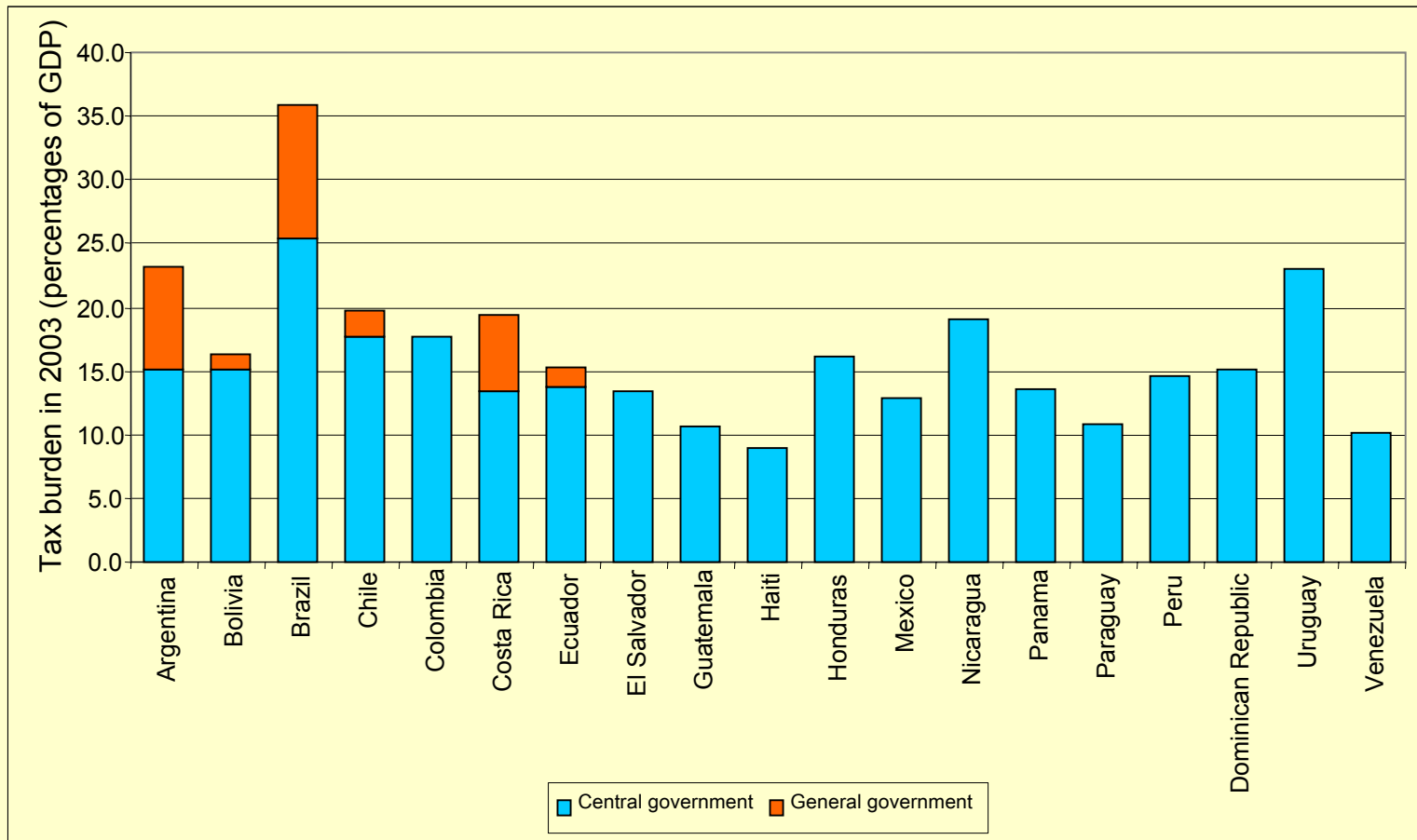


Source: Latin American and Caribbean Institute for Economic and Social Planning (ILPES), *Panorama de la gestión pública* (LC/IP.243), Santiago, Chile, Economic Commission for Latin America and the Caribbean, May 2004.

Notes: The coverage of the figures for OECD, Argentina, Brazil and Chile encompasses the general government. The coverage of the other figures encompasses the central government.

Tax burden in 2003

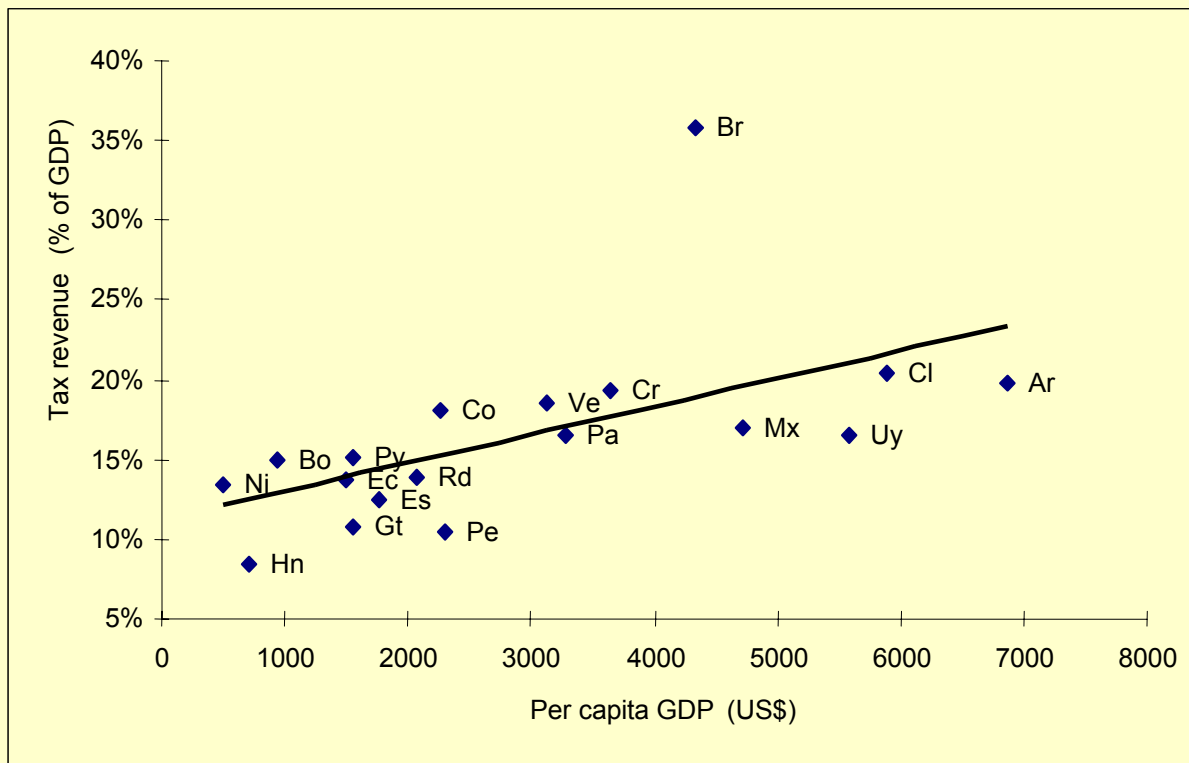
(percentages of GDP)



Source: Latin American and Caribbean Institute for Economic and Social Planning/Economic Commission for Latin America and the Caribbean (ILPES/ECLAC), on the basis of official figures.

Note: The tax burden includes social security contributions. General government figures for Chile and Ecuador refer to 2002.

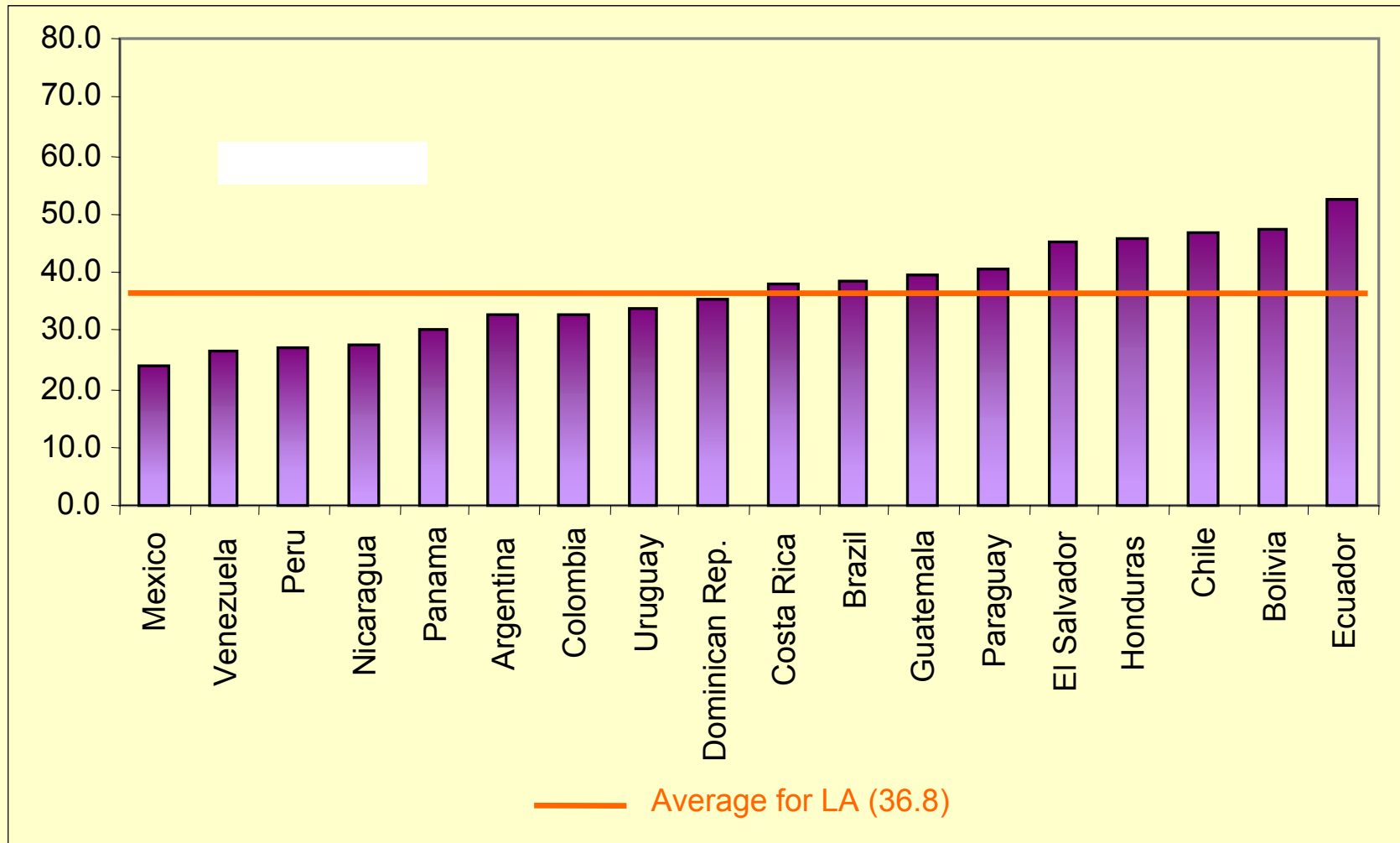
Tax burden and per capita GDP, 2002



Source: GDP figures: Economic Commission for Latin America and the Caribbean (ECLAC); tax revenue: prepared by the author on the basis of official figures from the countries.

Notes: GDP is expressed at constant 1995 prices. The figures for tax revenue include social security contributions and their coverage encompasses the general government in Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico and Panama.

Latin America: VAT productivity, 2002



Source: Latin American and Caribbean Institute for Economic and Social Planning/Economic Commission for Latin America and the Caribbean (ILPES/ECLAC), on the basis of official figures from the countries.

Note: The figures for Argentina include VAT intake under revenue-sharing arrangements; those for Brazil refer to states' receipts. The figures for Peru and Panama refer to 2000; those for Colombia, El Salvador and Venezuela refer to 2001.

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The need to improve social policy

- The importance of social policies
 - Social protection
 - Education
 - Protection against poverty
- The objectives of social policy
 - Universality, solidarity and efficiency
- The attributes of the new institutional framework
 - Continuity
 - Better management (stability and information)
 - Coordination
 - Participation
 - Appropriate decentralization
 - Regulation of the private sector in the provision and financing of social protection services

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Latin America and the Caribbean: areas of progress

- Regional funds and banks for facilitating and fostering regional integration
- The ability of subregional agreements to weather crises
- The quest for political consensus

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Latin America and the Caribbean: the deepening of integration and social cohesion

- The deepening of subregional agreements
 - Infrastructure integration
 - Elimination of restrictions on trade in goods
 - Facilitation of trade in services
 - Harmonization of rules and regulations
 - Macroeconomic coordination
- Regional financing mechanisms
- Latin America and the Caribbean free trade area
- Political agreements to improve the institutions of globalization
- Improvement of national social protection mechanisms: social cohesion covenant