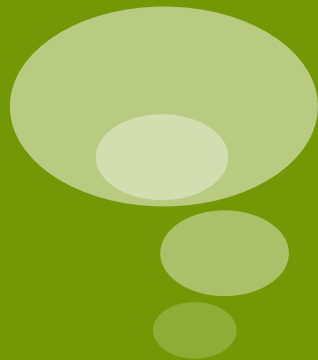


Dr. Elsa-Sofia Morote
Dowling College

Current Status of Competitiveness of the “Resilient” Latino America

Presented at Latin American Trade Forum 2012, New York



What comes to your
mind when we you
heard the word “Latin
America”

Latin America



- Beaches?
- Soccer?
- Salsa?
- Food?



This map shows Central and South America with credit rating callouts. A green box labeled 'B- Credit rating' has an arrow pointing to Mexico. Another green box labeled 'BBB+ credit rating' has an arrow pointing to Peru. A third green box labeled 'AA credit rating' has an arrow pointing to Brazil. The map includes labels for various countries and cities, as well as geographical features like the Gulf of Mexico, Caribbean Sea, and South Atlantic Ocean. A scale bar and projection information are at the bottom.

AAA

AA

A

BBB

BB

B

CCC

CC

C

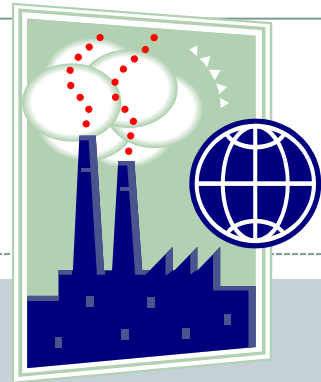
A credit rating

Some facts

- Latin America generates 5.4 trillion dollars of GDP
- GDP for Latin America is expected to growth twice as fast of the [Group of 7](#) and the EU
- Canada is already well behind in the race of Latin America
- Brazil is the world six largest economy



More facts



- Twenty percent of Global Reserves
- Based on data from [OPEC](#) at the beginning of 2011 the highest proved oil reserves including non-conventional oil deposits are in **Venezuela (20% of global reserves)**, Saudi Arabia (18% of global reserves), Canada (13% of global reserves), Iran (9%).[[]
- Major mineral resources in Latin America : Copper, Gold, Silver, Iron

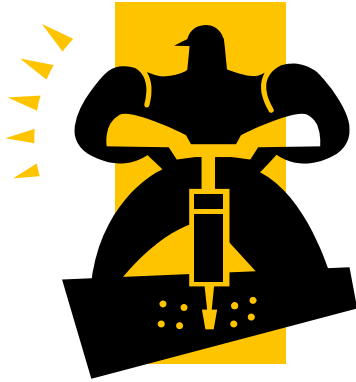
Latin America



What comes to your mind, now?



Resiliency
Emerging Economies
Investment Partners



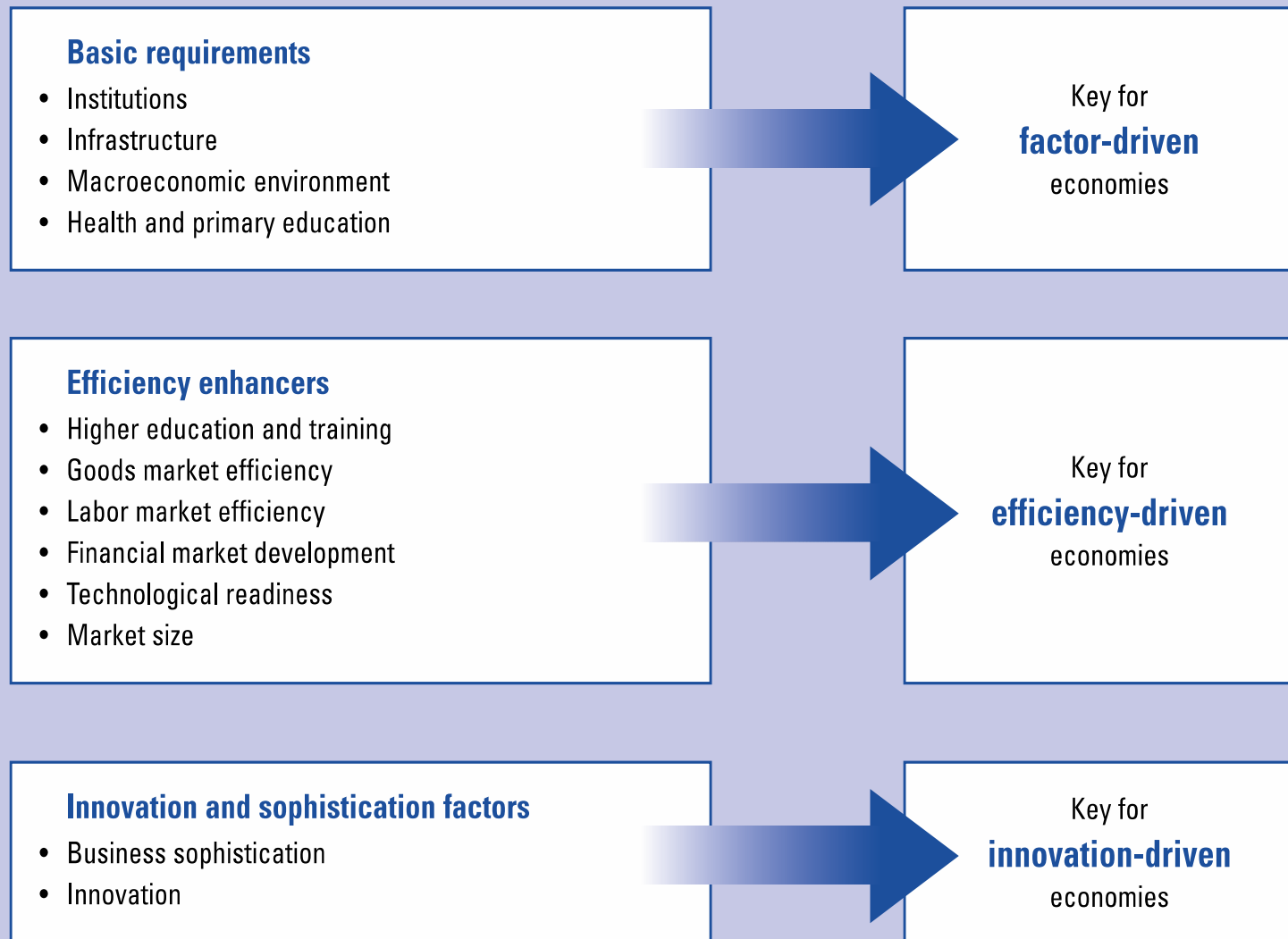
Global Competitiveness



- *Competitiveness is the set of institutions, policies, and factors that determine the level of productivity of a country. The level of productivity, in turn, sets the level of prosperity that can be earned by an economy.*
- LEVEL OF PRODUCTIVITY → LEVEL OF PROSPERITY
- Since 2005, the World Economic Forum has based its competitiveness analysis on the Global Competitiveness Index (GCI), a comprehensive tool that measures the microeconomic and macroeconomic foundations of national competitiveness.



Figure 1: The 12 pillars of competitiveness



Source: The Global Competitiveness Report, 2011-2012

Infrastructure



Institutions



Stage 1:
Key for Factor Driven Economies



Macroeconomic



Health and Primary Education

Stage 1: Bolivia and Nicaragua

Transition from Stage 1 to Stage 2 : Guatemala, Honduras, Paraguay, and Venezuela

Goods Market Efficiency

Market Size



Higher Education and Training

Labor Market Efficiency



Stage 2
Key for Factor Efficiency-Driven
Economies



Technology Readiness

Financial Market development

Stage 2 :Colombia, Costa Rica, Rep. Dominicana, El Salvador, Peru and Panama

Transition from Stage 2 to Stage 3 : Argentina, Brazil, Mexico and Uruguay

Innovation

Business Sophistication



Stage 3:
Key innovation-driven economies

Stage 3: Australia, Canada, United States, Puerto Rico, Spain



INNOVATION

- Although substantial gains can be obtained by improving institutions, building infrastructure, reducing macroeconomic instability, or improving human capital, all these factors eventually seem to run into diminishing returns.
- IN THE LONG RUN, STANDARDS OF LIVING CAN BE ENHANCED ONLY BY TECHNOLOGICAL INNOVATION



Where is Latin America in this framework?

A 3D rendering of a thick, circular ring. The ring is composed of several segments. One segment, located in the upper-left quadrant, is colored a vibrant red. The remaining segments are a light gray. There are two distinct gaps in the ring: one at the top-right and a larger one at the bottom. The ring is set against a plain white background, casting a soft shadow on the surface below it.

Table 1: Innovation investment, conditions, and performance

	OECD		China		Brazil		Chile		Colombia		Mexico		Argentina		Peru	
	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank
INNOVATION PILLAR	4.4	29	3.9	44	3.5	46	3.5	57	3.3	63	3.2	78	3.1	113	2.7	
Enabling environment																
Competition	4.8	66	4.3	132	3.6	23	4.9	128	3.7	103	4.0	141	3.0	59	4.4	
Quality of math and science education	4.6	31	4.7	127	2.7	87	2.8	83	3.7	126	2.7	113	3.2	135	2.4	
Quality of education system	4.4	54	4.0	115	3.0	124	3.4	72	3.7	107	3.1	86	3.4	128	2.6	
ICT use	4.9	74	2.5	63	2.7	56	3.0	78	2.5	73	2.5	55	3.0	82	2.3	
Gov't procurement of advanced tech products	3.9	16	4.4	52	3.9	47	4.0	45	4.0	75	3.6	127	2.8	98	3.3	
Intellectual property protection	4.9	47	4.0	84	3.2	63	3.6	86	3.2	85	3.2	128	2.5	122	2.5	
Venture capital availability	3.1	22	3.5	52	2.8	34	3.1	49	2.9	78	2.5	129	1.9	38	3.0	
Investment																
Company spending on R&D	4.2	23	4.2	30	3.8	60	3.1	76	3.0	79	2.9	72	3.0	118	2.6	
Quality of scientific research institutions	5.0	38	4.3	42	4.1	51	4.0	69	3.6	54	3.9	41	4.2	109	2.9	
University-industry collaboration in R&D	4.7	29	4.5	38	4.2	44	4.1	43	4.1	45	4.0	48	3.9	103	3.2	
Availability of scientists and engineers	4.8	33	4.6	91	3.8	29	4.7	77	4.0	86	3.9	75	4.0	102	3.5	
Performance																
Capacity for innovation	4.3	23	4.2	31	3.8	66	3.0	59	3.2	76	2.9	77	2.9	99	2.7	
Utility patents per million population	89.8	46	2.0	60	0.9	53	1.3	76	0.1	58	0.9	55	1.1	83	0.0	

Note: The score on the innovation pillar is composed of a subset of the variables that appear in the table above.

Source: The Global Competitiveness Report, 2011-2012

Stage 1:
Factor-driven
(37 economies)

Bangladesh
Benin

Bolivia

Cambodia
Cameroon
Chad
Côte d'Ivoire
Ethiopia
Gambia, The
Ghana
Haiti
India
Kenya
Kyrgyz Republic
Lesotho
Madagascar
Malawi
Mali
Mauritania
Moldova
Mozambique
Nepal
Nicaragua

Nicaragua

Rwanda
Senegal
Tajikistan
Tanzania
Timor-Leste
Uganda
Vietnam
Yemen
Zambia
Zimbabwe

Transition from
stage 1 to stage 2
(24 economies)

Algeria
Angola
Armenia
Azerbaijan
Botswana
Brunei Darussalam

Guatemala

Guyana
Honduras

Honduras

Paraguay

Saudi Arabia
Sri Lanka
Syria
Ukraine
Venezuela

Venezuela

Stage 2:
Efficiency-driven
(28 economies)

Albania
Belize
Bosnia and Herzegovina
Bulgaria
Cape Verde
China

**Colombia
Costa Rica
Rep. Dominicana
El Salvador**

Jordan
Macedonia, FYR
Malaysia
Mauritius
Montenegro
Morocco
Namibia
Panama

**Panama
Peru**

Suriname
Swaziland
Thailand
Tunisia

Transition from
stage 2 to stage 3
(18 economies)

Argentina

**Argentina
Brazil
Chile**

Latvia
Lebanon
Lithuania
Mexico

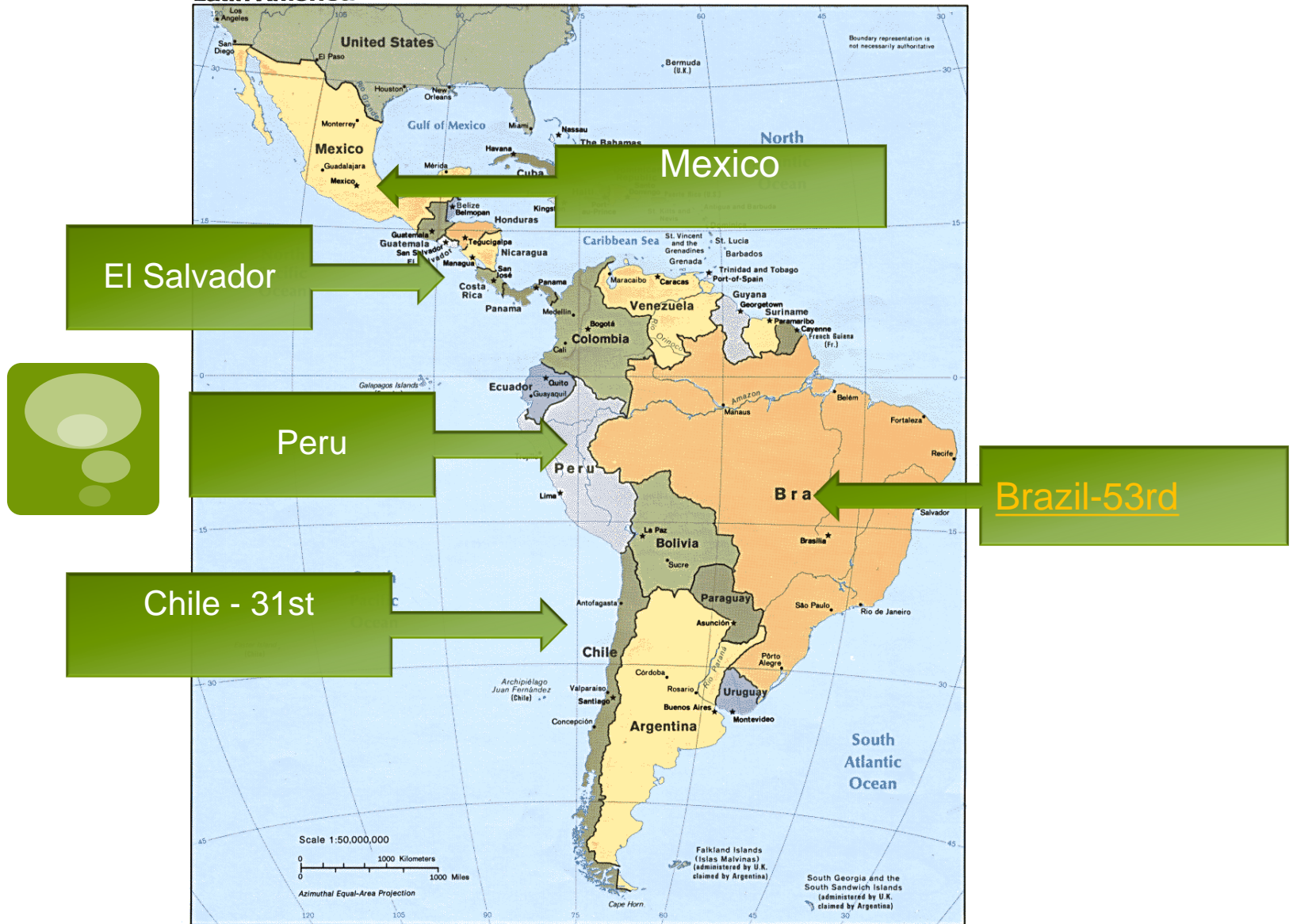
**Mexico
Uruguay**

Trinidad and Tobago
Turkey
Uruguay

Stage 3:
Innovation-driven
(35 economies)

Australia
Austria
Bahrain
Belgium
Canada
Cyprus
Czech Republic
Denmark
Finland
France
Germany
Greece
Hong Kong SAR
Iceland
Ireland
Israel
Italy
Japan
Korea, Rep.
Luxembourg
Malta
Netherlands
New Zealand
Norway
Portugal
Puerto Rico
Singapore
Slovenia
Spain
Sweden
Switzerland
Taiwan, China
United Arab Emirates
United Kingdom
United States

Latin America



Chile is ranked at number 33 in the WEF's Competitiveness Index. Although it is the highest ranked in the region, it is much lower than its 2005 place, when it was ranked number 22.



CHILE

The overall picture for public finances indicates that the year will end better than expected. The budget's balance in the first half of the year was +2% of GDP, higher than expected, **principally thanks to good levels of revenue for the government.** As the Government has made a commitment to keep spending lower than the rate of GDP growth, the fiscal balance is expected to remain positive at year-end, against budget forecasts, which estimated a deficit of 0.3% of GDP.

Stage of development

1

Factor
driven

Transition
1-2

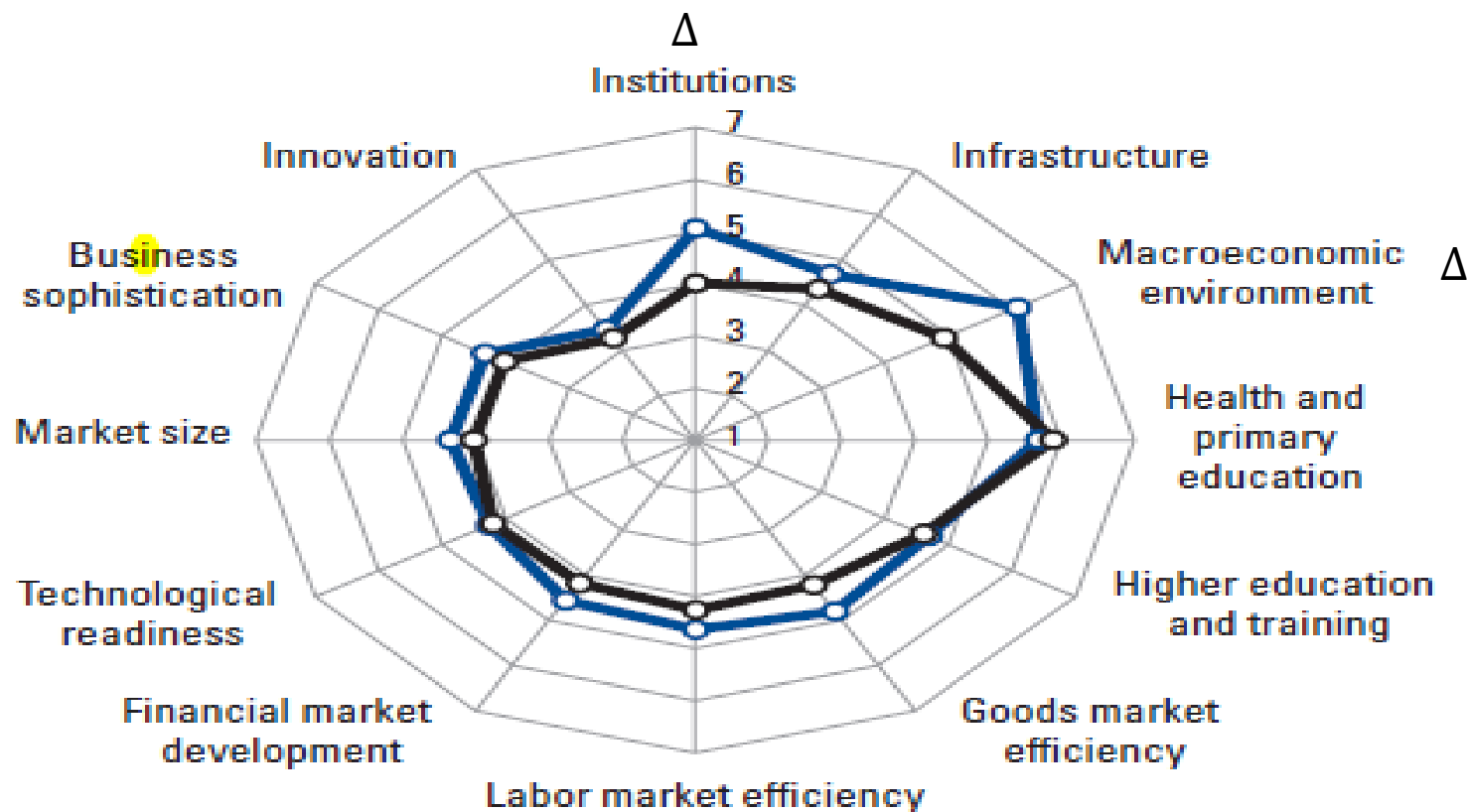
2

Efficiency
driven

Transition
2-3

3

Innovation
driven



Chile



Economies in transition from 2 to 3





Alberto Ramos

Managing Director, Head of Latin America
Economics Research, Global Investment
Research

[READ BIO](#)

“The last decade in Brazil has been truly remarkable. The economy experienced a period of rapid growth and job creation which expanded the middle class and enfranchised millions of people.

- Alberto Ramos

Stage of development

1

Factor
driven

Transition
1–2

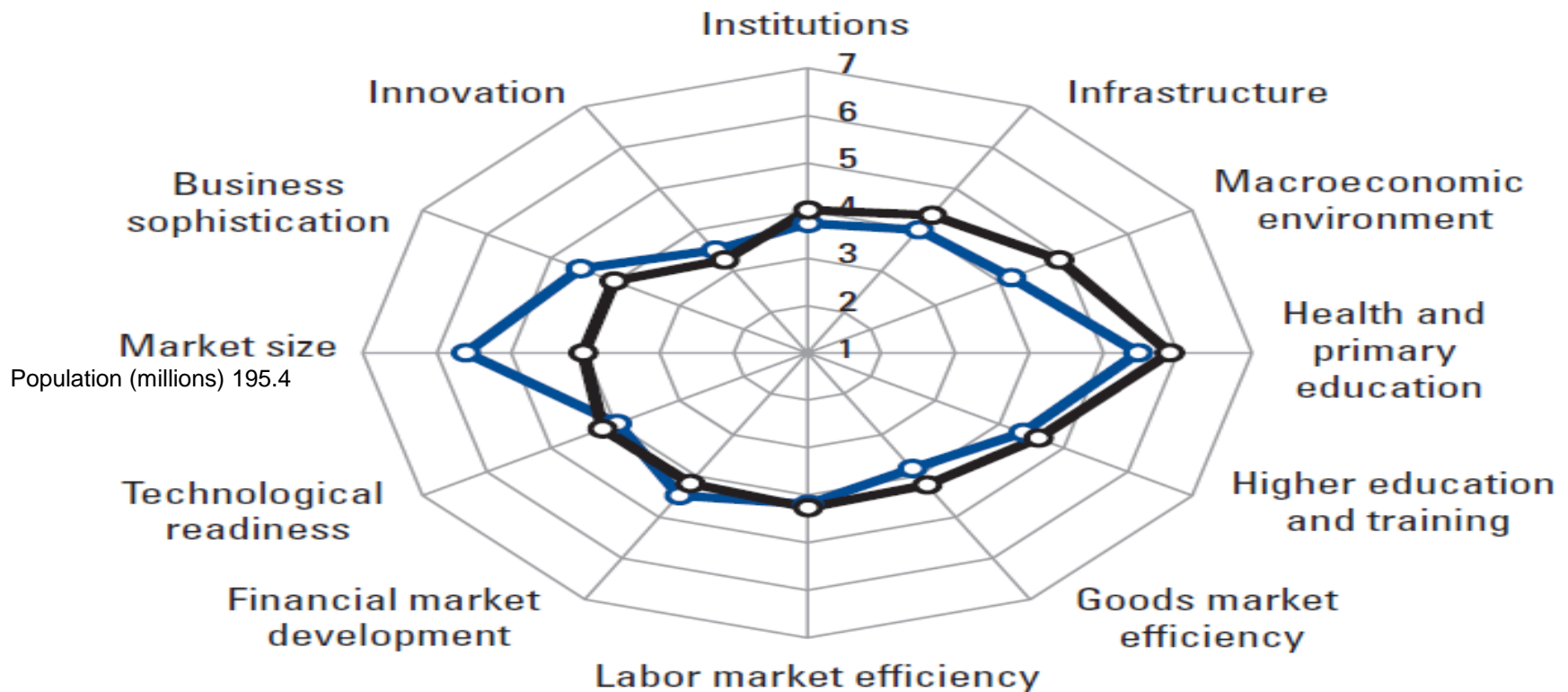
2

Efficiency
driven

Transition
2–3

3

Innovation
driven



—○— Brazil

—○— Economies in transition from 2 to 3

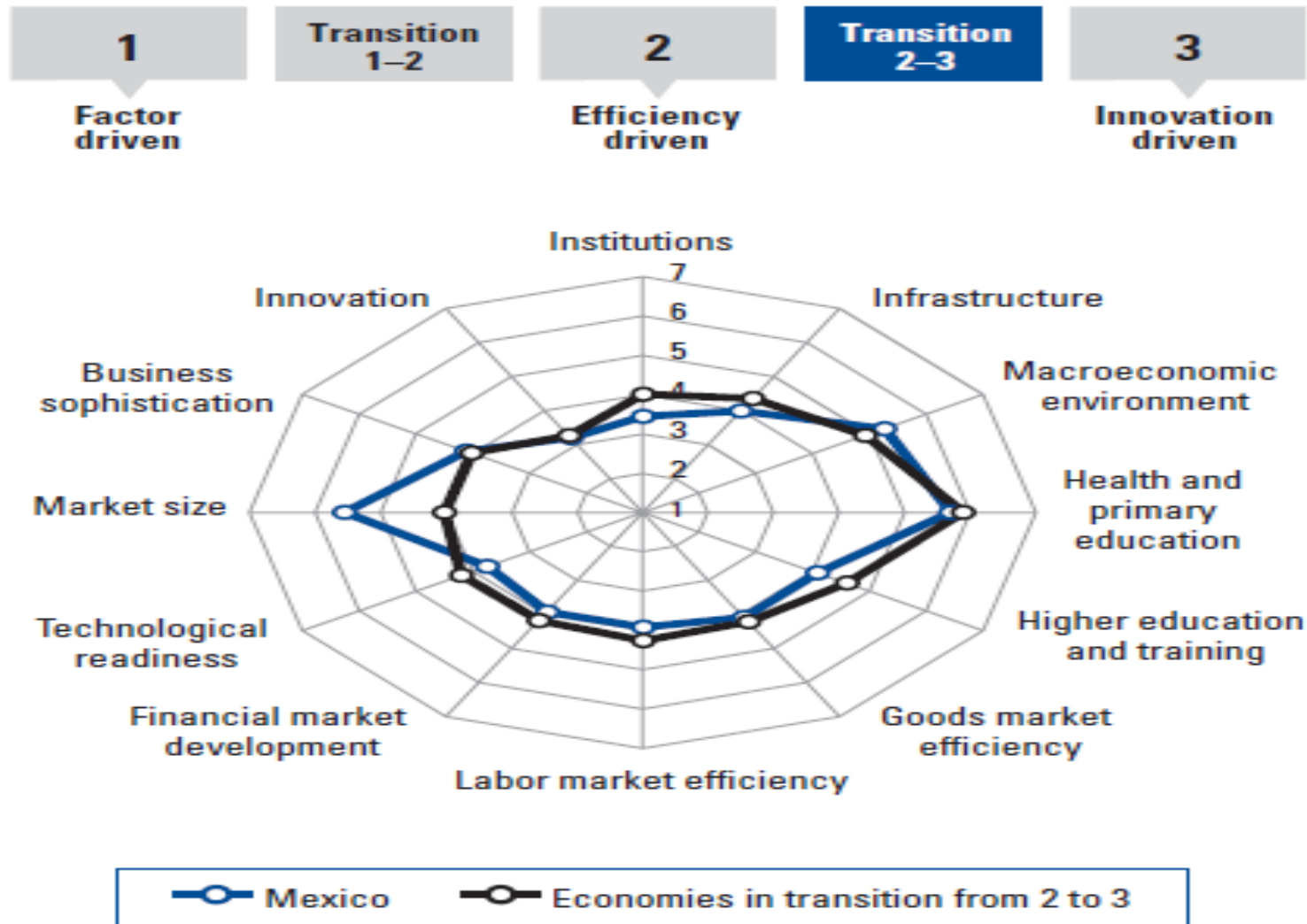


Mexico – New Reforms



- Standard & Poor's (S&P) assess Mexico as having good levels of capitalization, adequate profitability and satisfactory lending, which should allow it to deal with economic uncertainties.
- In order to foster a culture of entrepreneurship from an early age, the Confederation of Employers of the Mexican Republic (Coparmex) has proposed the establishment of the Promotion of Entrepreneurship Law, which will seek to encourage young people to create and consolidate new businesses.

Stage of development

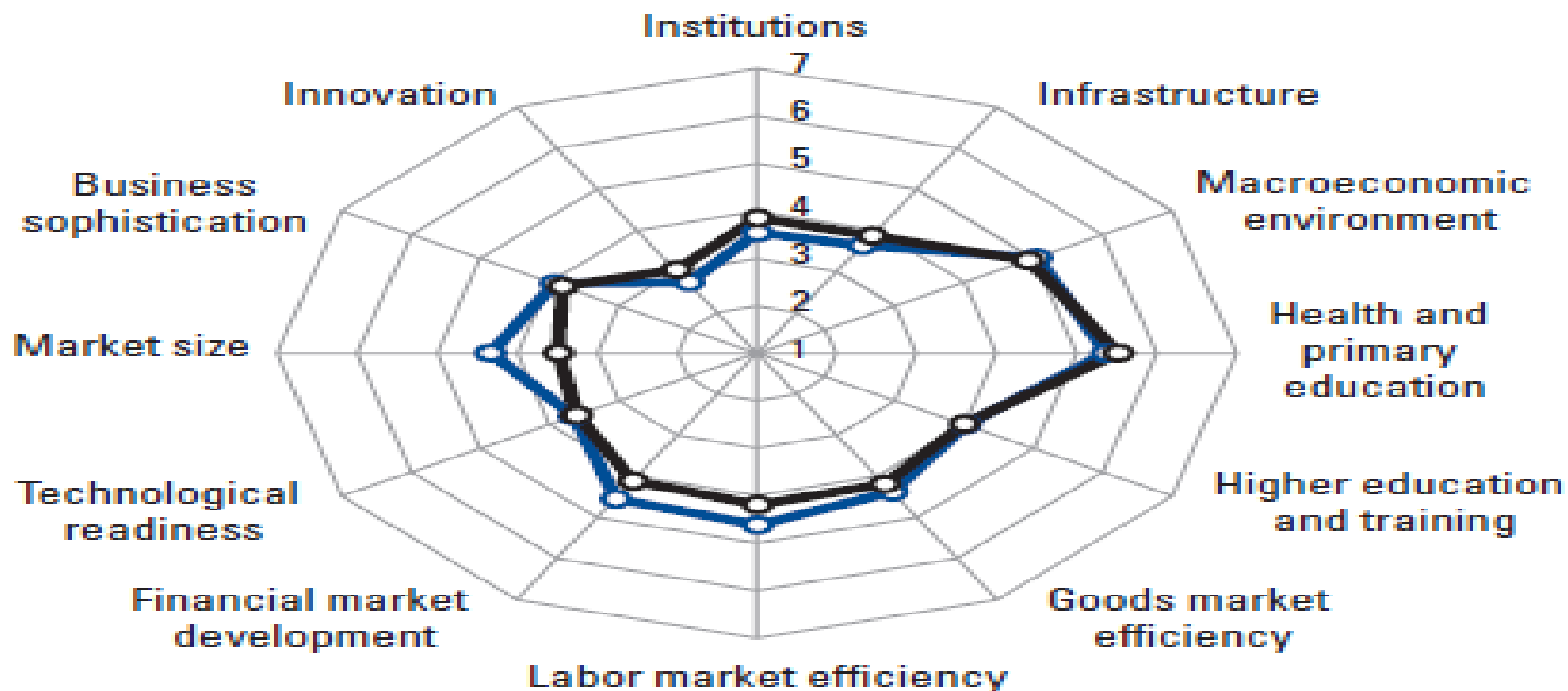


Peru



- **37 months of continuous growth.** In September, the indicator for domestic industry registered growth of 5.9%, slightly lower than the previous month's.
- The credit rating agency Fitch Ratings estimates that Peru's economy will grow by roughly 6% in the next two years, driven by domestic demand.
- The finance minister said that growth in Peru could be affected if China's growth falls below 7%.

Stage of development

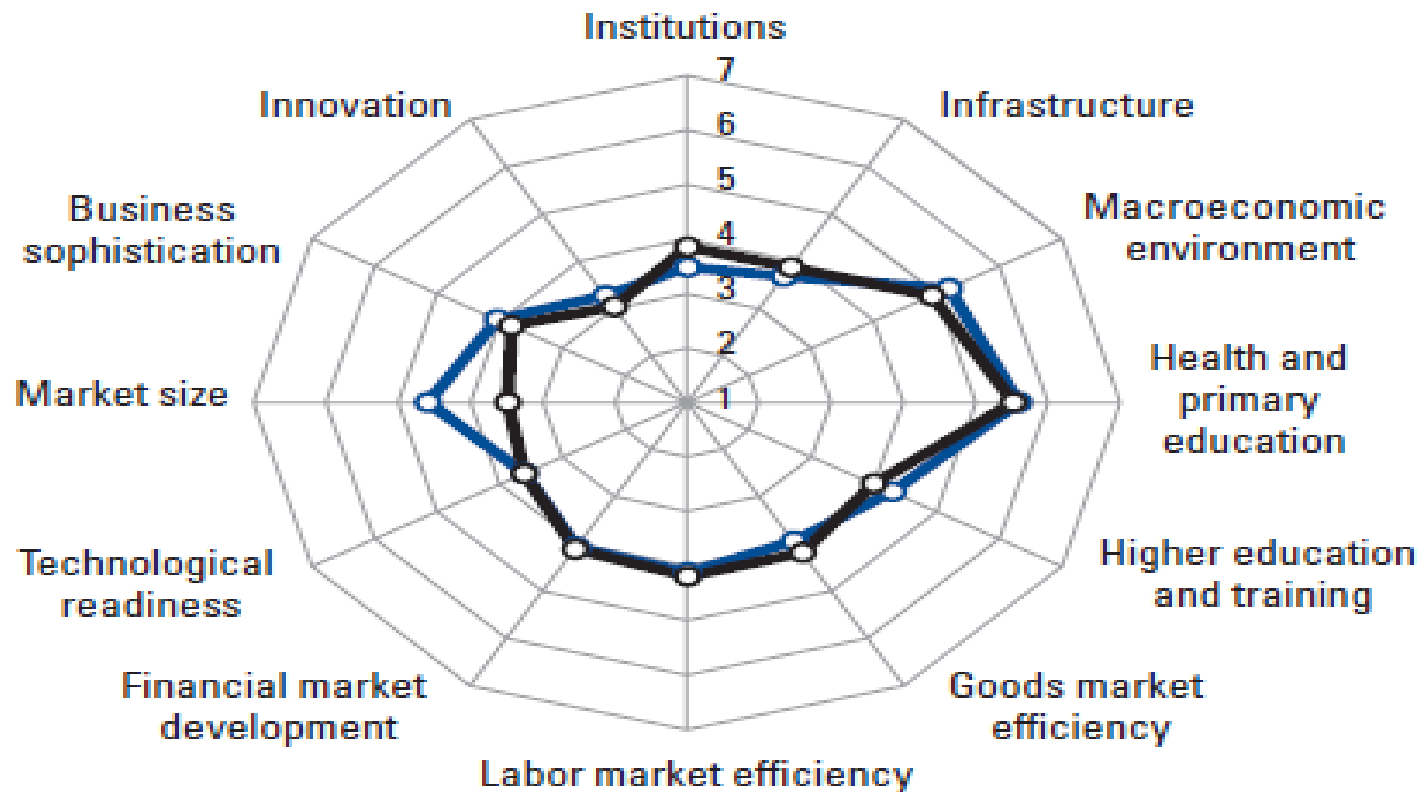


Colombia



- **Effects of the global crisis.** Although the Colombian economy continues to show signs of macroeconomic strength, the latest indicators published, point to a moderating trend in its growth rate.
- Thanks to NAFTA, U.S. industrial sales grew 20% during the first 100 days of the treaty coming into effect.
- The UN is optimistic about the peace process between the government and FARC, but warns that it will be a difficult process.
- The government's budget for next year contains the most extensive investment programme in the country's history.

Stage of development

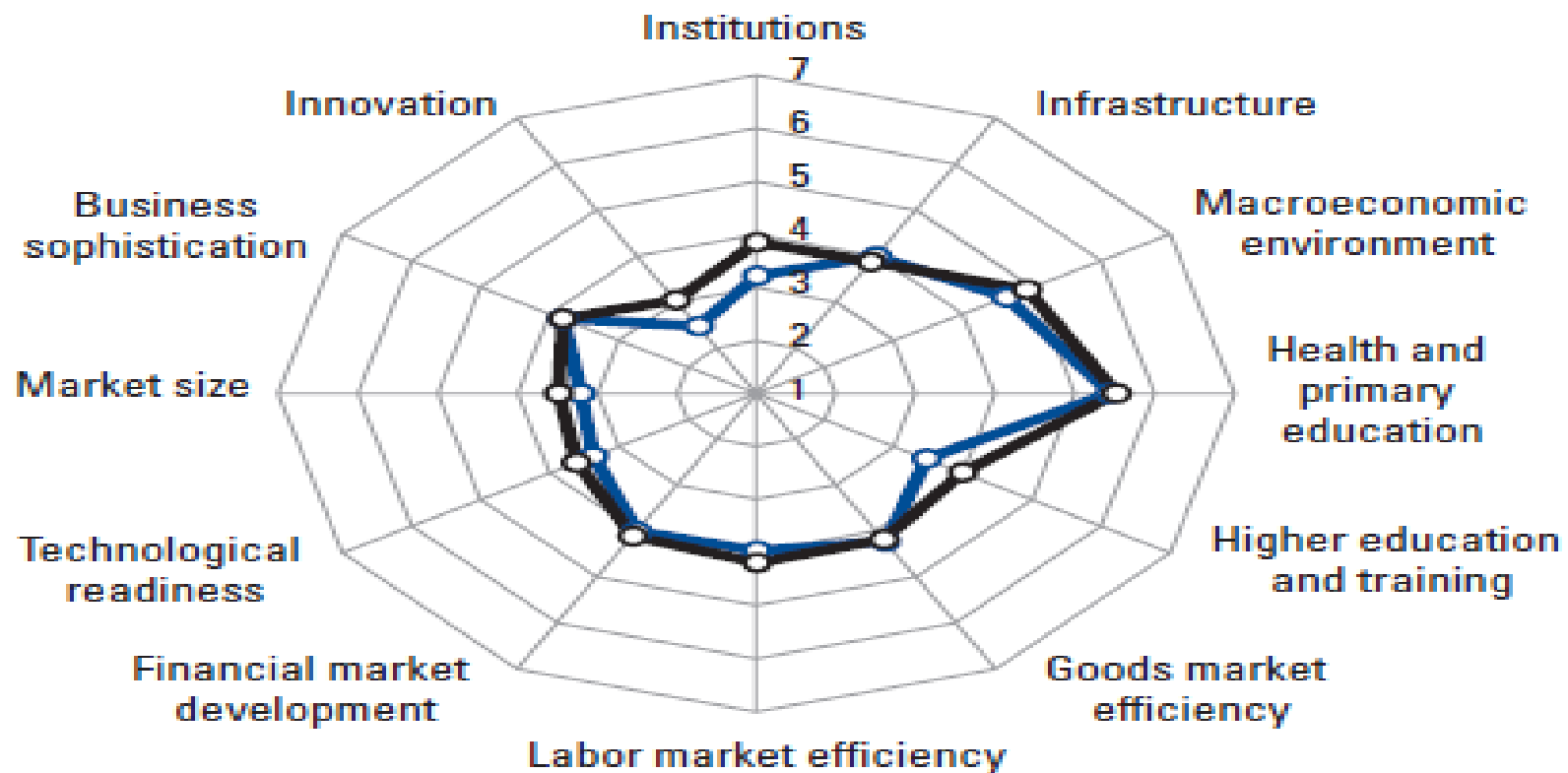


El Salvador

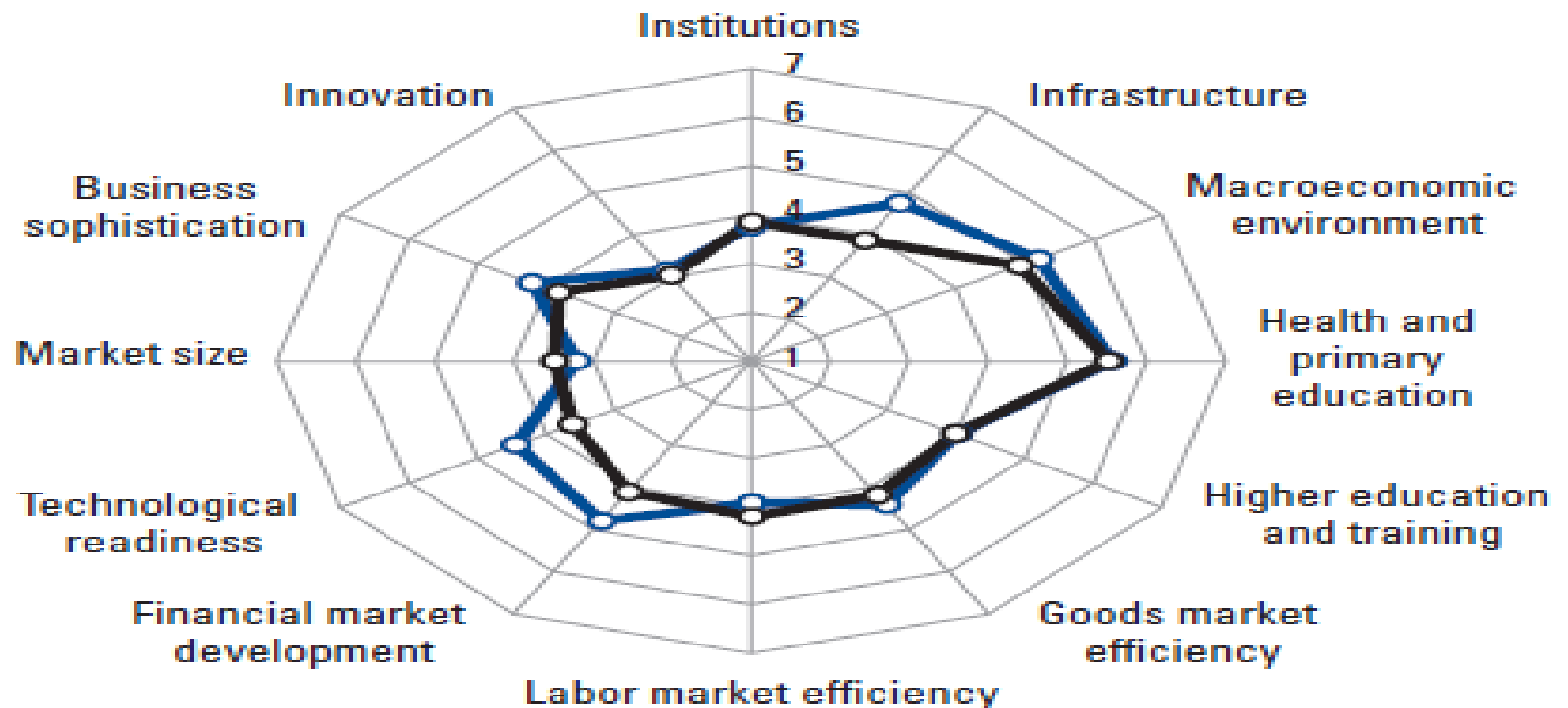


- The smallest country in Central America geographically, El Salvador has the third largest economy in the region. With the global recession in 2009, real GDP contracted by 3.1%. The economy began a slow recovery in 2010 on the back of improved export and remittances figures

Stage of development



Stage of development



—○— Panama

—○— Efficiency-driven economies

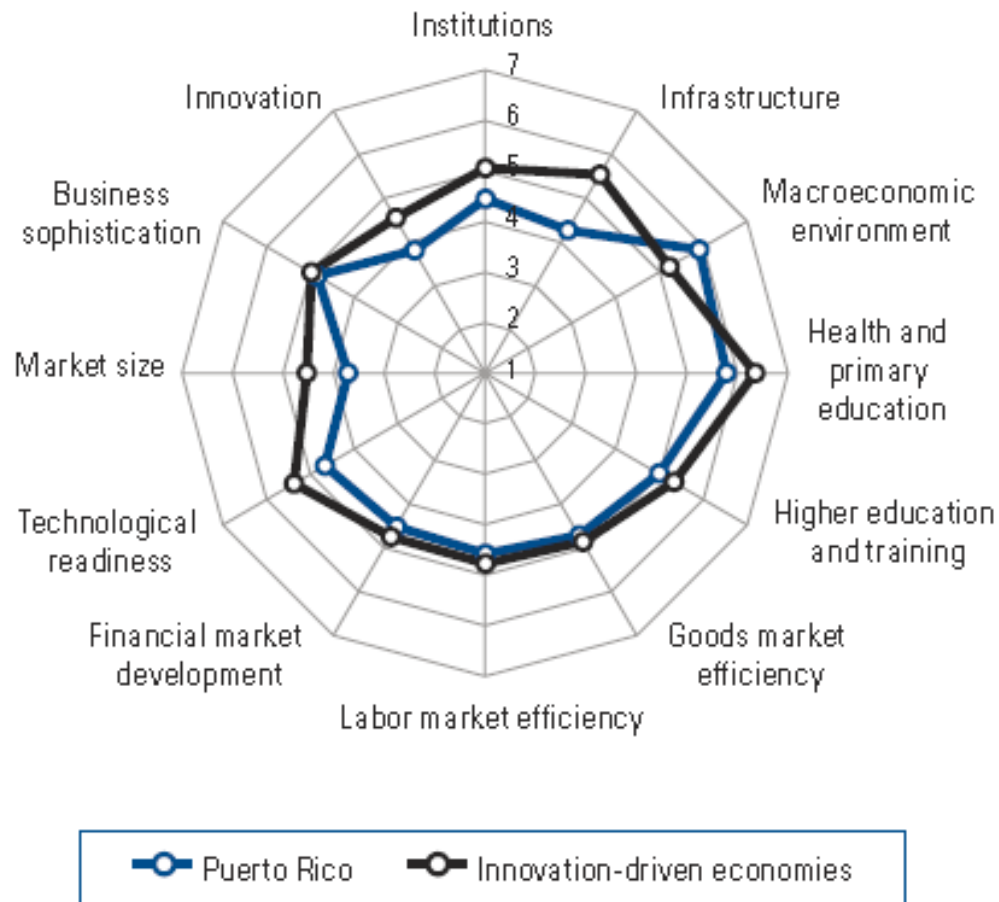


Stage of development




Puerto Rico


Number 35




strong and sustained growth. According to data from the monetary
value of goods and services produced in ... 11/06/2012


results of the first half of the year confirm an economic slowdown in 2012. In
ter, GDP grew by only ... 11/05/2012

 Economic trends Brazil

 Economic trends Chile

 Economic trends Colombia

 Economic trends Mexico


 Economic trends Peru

 Economic trends Venezuela

- The latest "Trends" reports on Latin American Economy November 30, 2012

 ARGENTINA-10/02/2012

GDP growth is negative in the First
quarter....

 BRAZIL-11/05/2012

The results of the first half of the year
confirm an economic slowdown in 2012.
In the second quarter, GDP grew by only
...

 CHILE-09/17/2012


During the first half of 2012 the Chilean
economy grew by 5.4%, compared to
the same period last year, which was
higher...

 COLOMBIA-09/17/2012


Effects of the global crisis. Although the
Colombian economy continues to show
signs of macroeconomic strength, the
lat...

 ECUADOR-10/22/2012

Ecuador's economy has been growing
at a faster pace during the first quarter
of 2012, in comparison to the previous
qua...

 MEXICO-09/21/2012

The growth of GDP slows. The GDP has
exhibited a deceleration of growth
during the second quarter, increasing by
only ...

 PERU-11/19/2012

37 months of continuous growth. In
September, the indicator for domestic
industry registered growth of 5.9%,
slightly lo...

 VENEZUELA-11/06/2012

Strong and sustained growth. According
to data from the monetary authority, the
value of goods and services produced
...

- Daily data on Latin American markets November 30, 2012

Resilient Latin America



In terms of competitiveness, many countries have experienced significant improvements. **Mexico** (up eight positions), **Peru** (up six), **Bolivia** (up five), and **Brazil** (also up five) register the largest improvements, while **Panama** (up four) **Ecuador** (up four), **Argentina** (up two), Barbados (up one), and **Uruguay** (also up one) have seen more moderate progress. The rest of the countries in the region have either remained stable like Colombia, or have slightly declined. The highest drops in the region have been experienced in some countries of Central America—for example, in Costa Rica, Guatemala, El Salvador, Nicaragua, and Jamaica—mainly due to a deterioration of the security conditions.

Table 4.3. Economy Groups

Advanced Economies (AEs)	Emerging Market and Developing Economies (EMDEs)		
	Emerging Market Economies (EMs)		Low-Income Countries (LICs)
	Asia	Latin America	Asia
Australia	China	Argentina	Afghanistan
Austria	Hong Kong SAR	Brazil	Bangladesh
Belgium	India	Chile*	Cambodia
Canada	Indonesia	Colombia	Lao P.D.R.
Denmark	Korea	Costa Rica	Myanmar
Finland	Malaysia	Dominican Republic	Nepal
France	Pakistan	Ecuador*	Papua New Guinea*
Germany	Philippines	El Salvador	Timor-Leste*
Greece	Singapore	Guatemala	Vietnam
Ireland	Sri Lanka	Jamaica	
Italy	Taiwan Province of China	Mexico	Commonwealth of Independent States (CIS)
Japan	Thailand	Panama	
Netherlands		Paraguay	Armenia
New Zealand	Commonwealth of Independent States (CIS)	Peru*	Georgia
Norway	Azerbaijan*	Trinidad and Tobago*	Kyrgyz Republic
Portugal	Belarus	Uruguay	Moldova
Spain	Kazakhstan*	Venezuela*	Mongolia*
Sweden	Russia*		
Switzerland	Ukraine	Middle East and North Africa (MENA)	Latin America
United Kingdom		Algeria*	Bolivia*
United States	Europe	Egypt	Haiti
	Albania	Iran*	Honduras
	Bosnia and Herzegovina	Iraq*	Nicaragua
	Bulgaria	Israel	
	Croatia	Jordan	Middle East and North Africa (MENA)
			Mauritania*
			Sudan*

Note: * denotes a primary commodity and/or fuel exporter, as classified in the WEO Statistical Appendix. All economies in the analysis have an average population over the sample period of 1 million inhabitants or more. Some economies currently classified as advanced by the WEO are classified as emerging markets in this chapter, because over the past 60 years these economies were more like emerging markets than advanced economies and because their experience—especially their ability to grow sufficiently to attain advanced economy status—provides valuable lessons.

Latin American and the Caribbean



- With a growth rate of around 6 percent in 2010 and expected rates of 4.75 percent in 2011 and 4.25 percent in 2012, the region has closed the output gap and the excess of capacity generated during the recession years, outperforming most advanced economies.
- **The region's overall positive performance is linked both to an improvement in some competitiveness fundamentals**, such as sounder fiscal and monetary policies and buoyant internal demand, and to favorable external conditions, including a robust demand for commodities from China and the progressive recovery of importing economies, notably the United States.

Looking into the second half of 2012, we still think the global economy is going to present quite a mixed picture. [We expect] still very slow growth in the United States, and probably ongoing recession in the European periphery, with a somewhat better picture in the core [European] economies... And maybe some improvement at the margin in the emerging world, after a generally disappointing first half of the year.

- Jan Hatzius
Chief Economist
Global Investment Research
Goldman Sachs



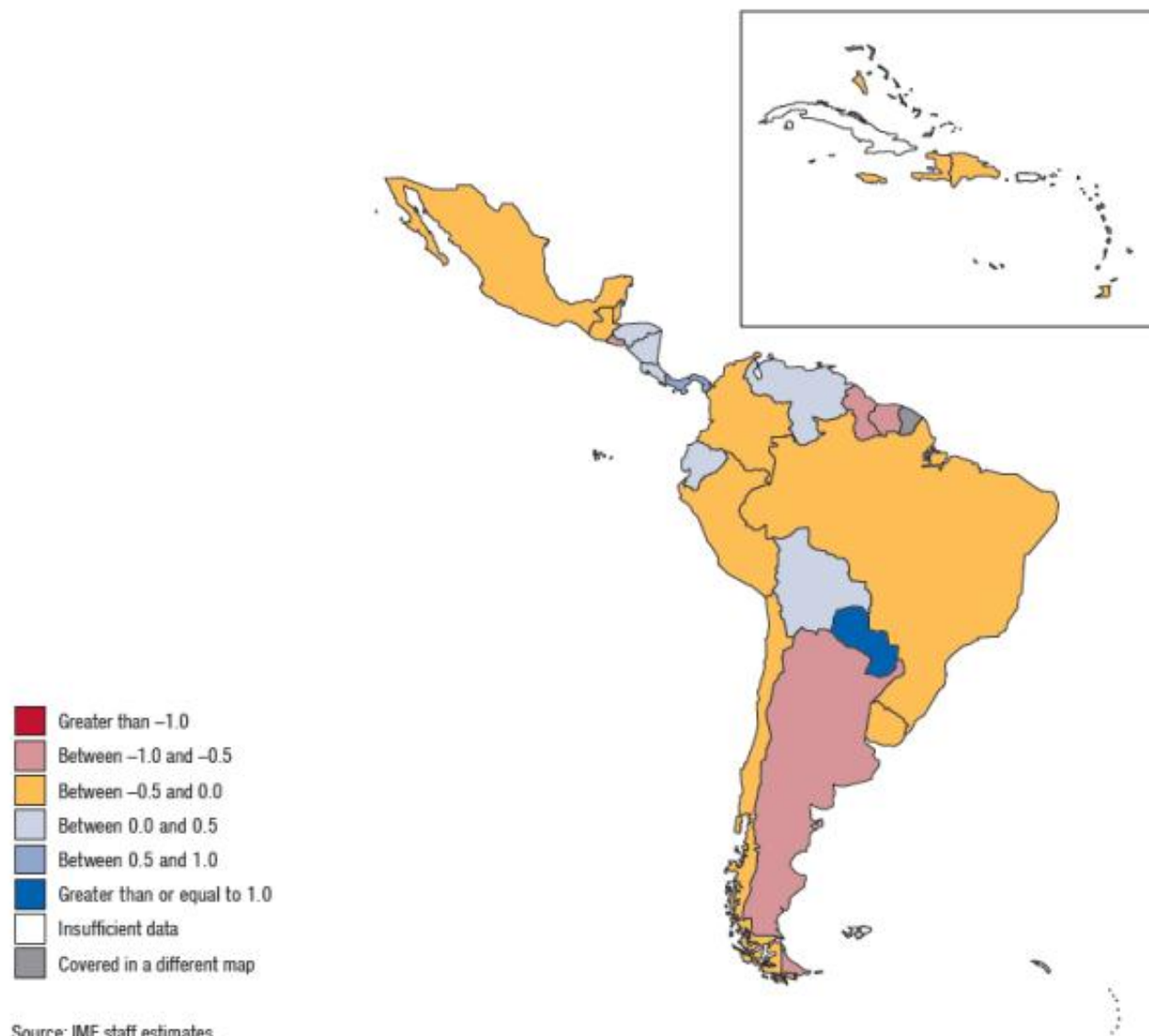
Jan Hatzius

Managing Director, Chief
Economist, Global Investment
Research, Goldman Sachs

[READ BIO](#)

- Hatzius, Chief Economist, Global Investments

Figure 2.10. Latin America and the Caribbean: Revisions to 2013 GDP Growth Forecasts
(Change in percentage points from April 2012 WEO projections)



Source: IMF staff estimates.

Asia Eyes
investment
opportunities in
Latin America

Paying attention
to Latin America
Pay dividends

IMF expect Latin
America to grow
three times higher

Latin American Emerging Markets are resilient



- Resilient: Ability to sustain longer and stronger expansions and to experience shorter and shallower downturns with rapid recovery



Challenge



- *The Global Competitiveness Report 2011–2012* comes out amid multiple challenges to the global economy.
- Much of the Latin American countries is still seeing relatively strong growth, despite some risk of overheating, while most advanced economies continue to experience sluggish recovery, persistent unemployment, and financial vulnerability, with no clear horizon for improvement.