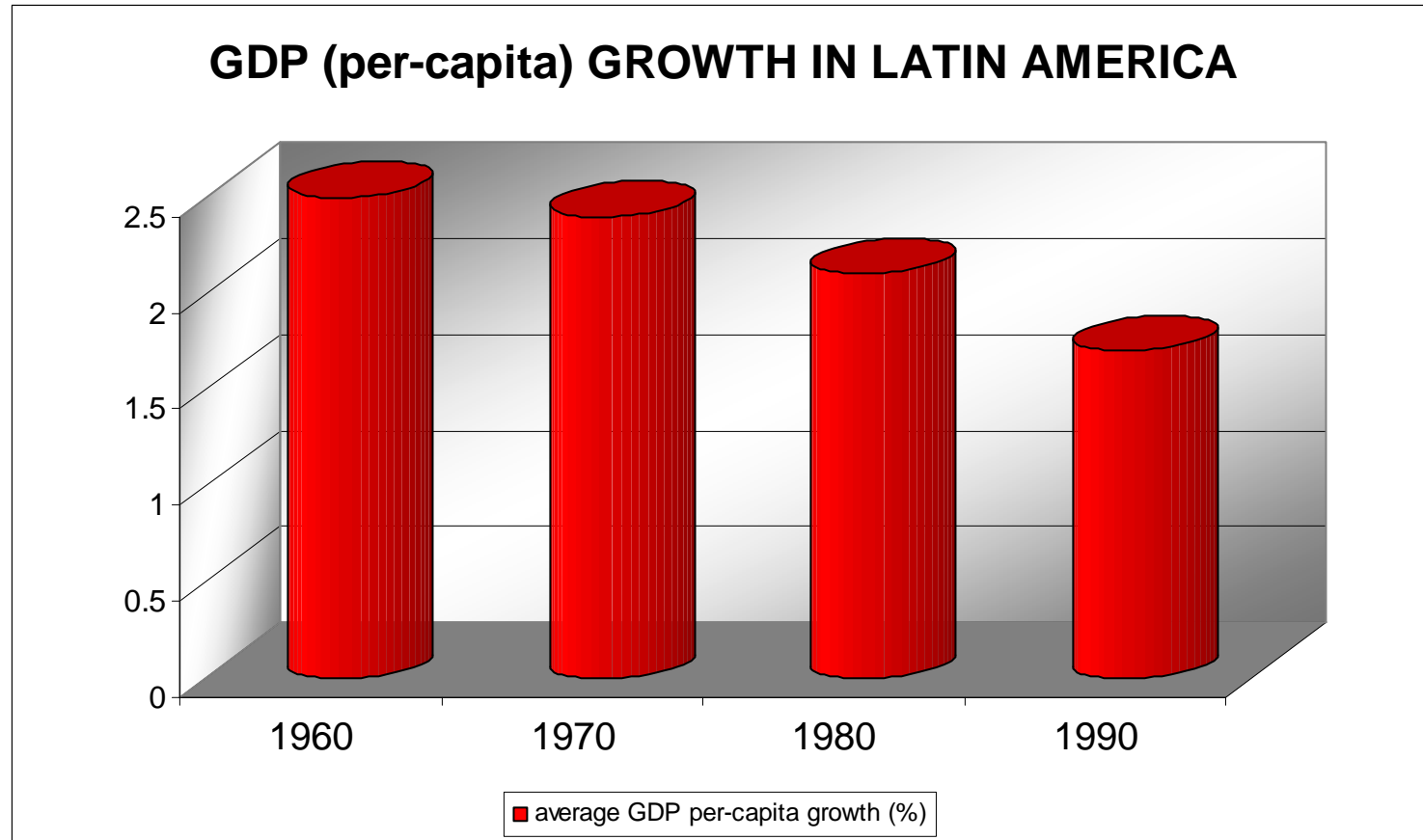


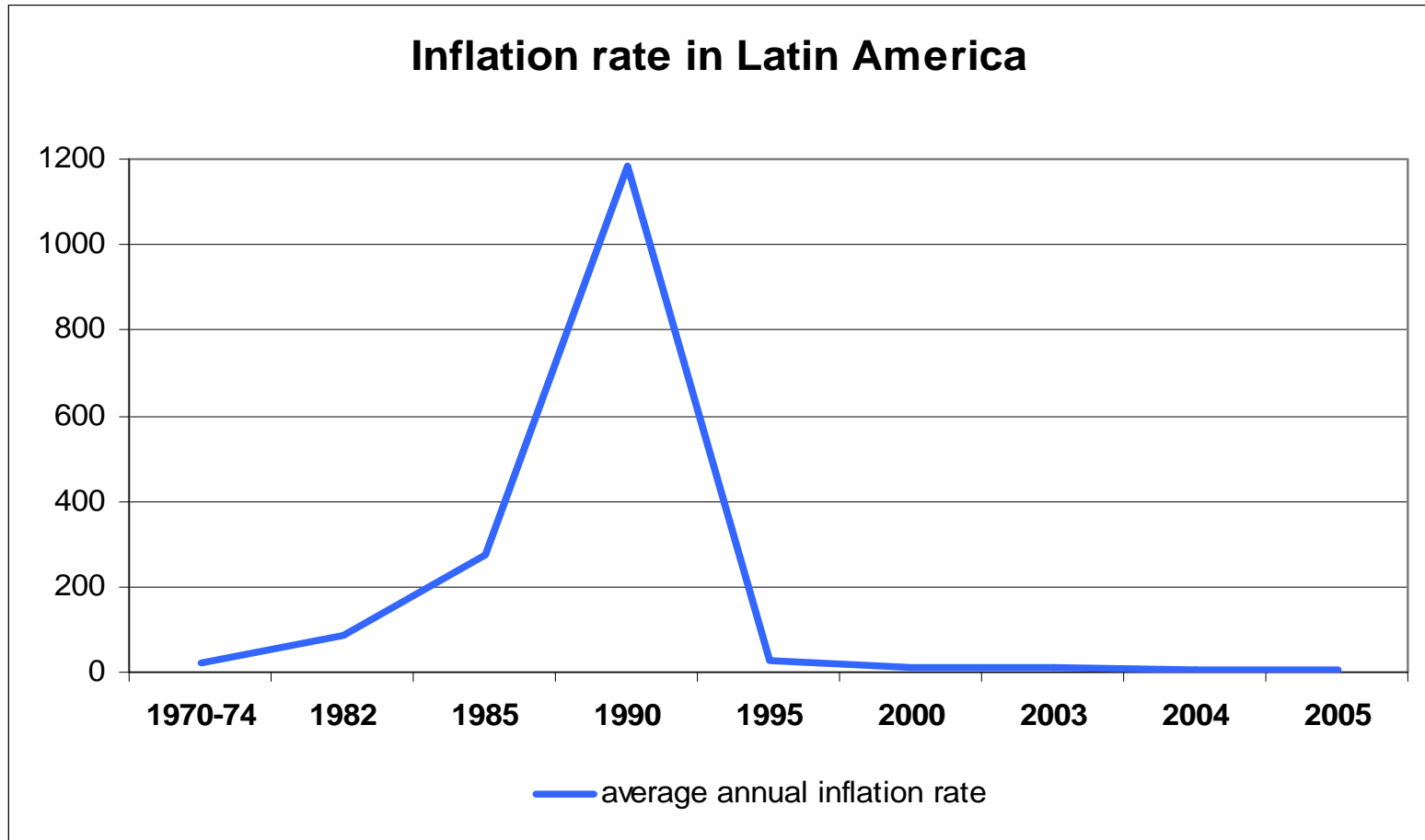
THE STATE OF THE LATINAMERICAN REGION

Prof. Luis A. Riveros
Chile

Low & Declining Economic Growth: a Reality for Decades.



Low growth usually accompanied by relatively high inflation

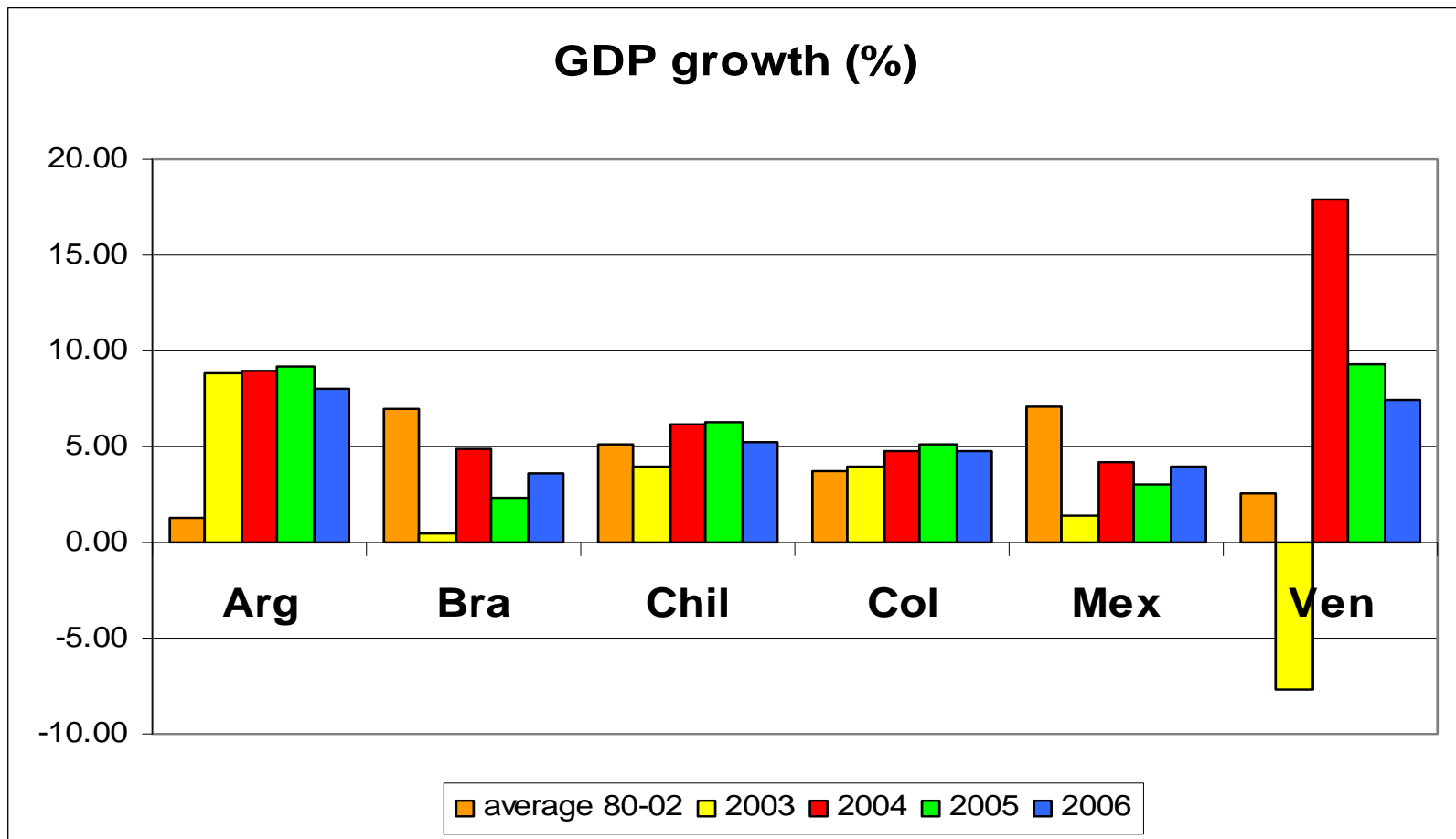


SUCCESSFUL PAT 4 YEARS

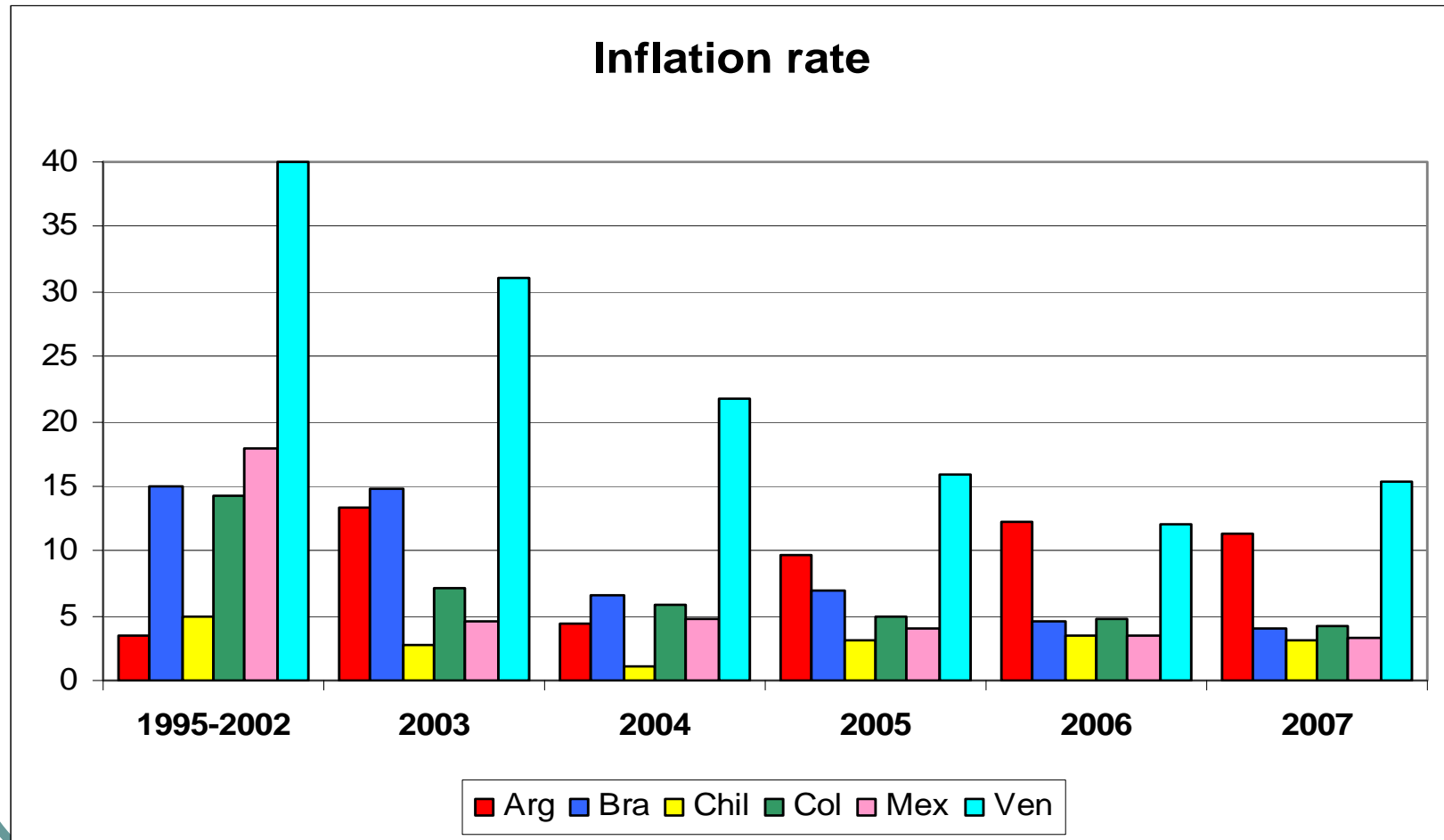
As a result of booming commodity prices, growth has reached almost 3% p.a. in 2002-2006.

- * This has occurred altogether with domestic and external equilibria.**
- * Questions remain as to how sustainable is this economic expansion.**

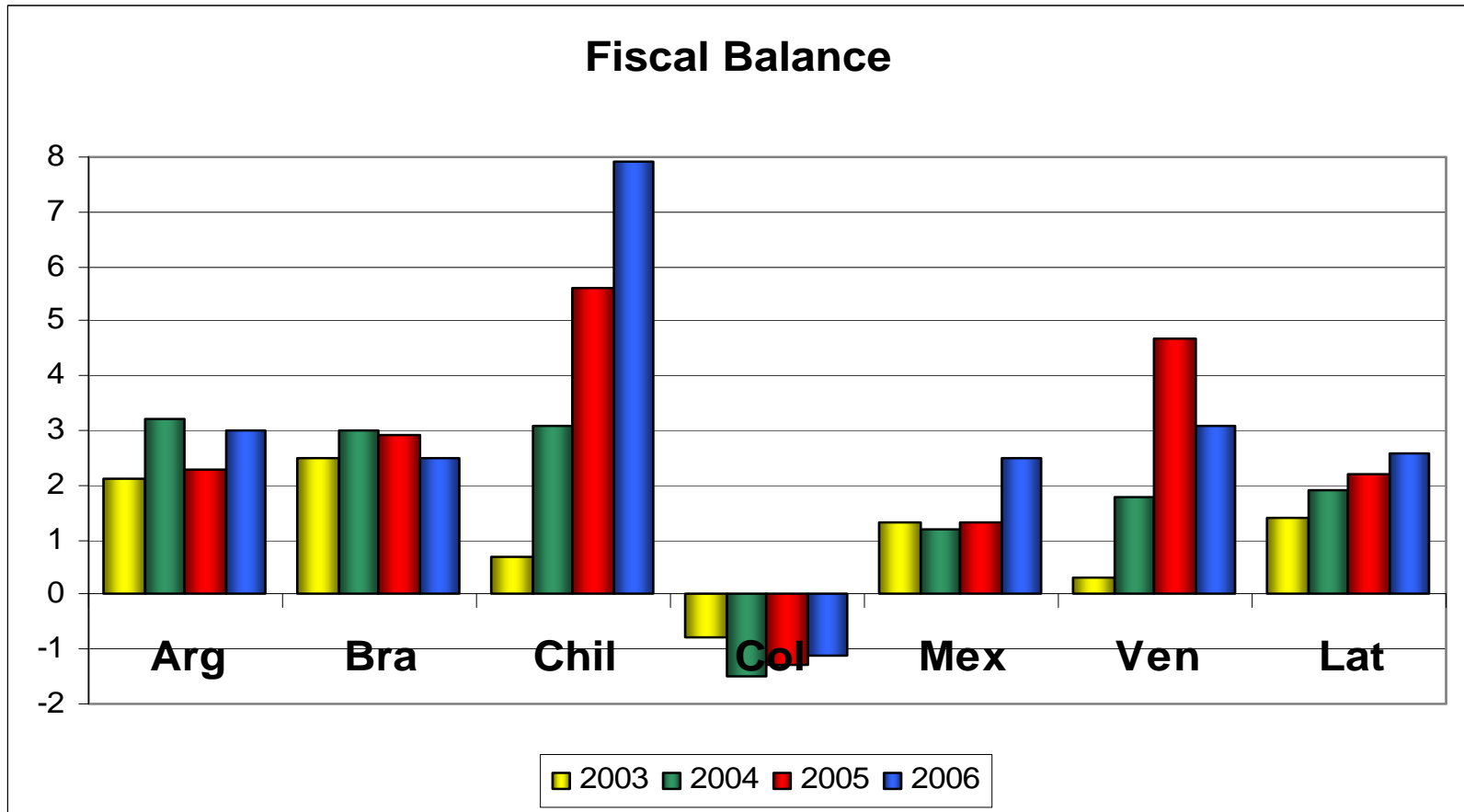
The past four years have been featured by relatively high growth



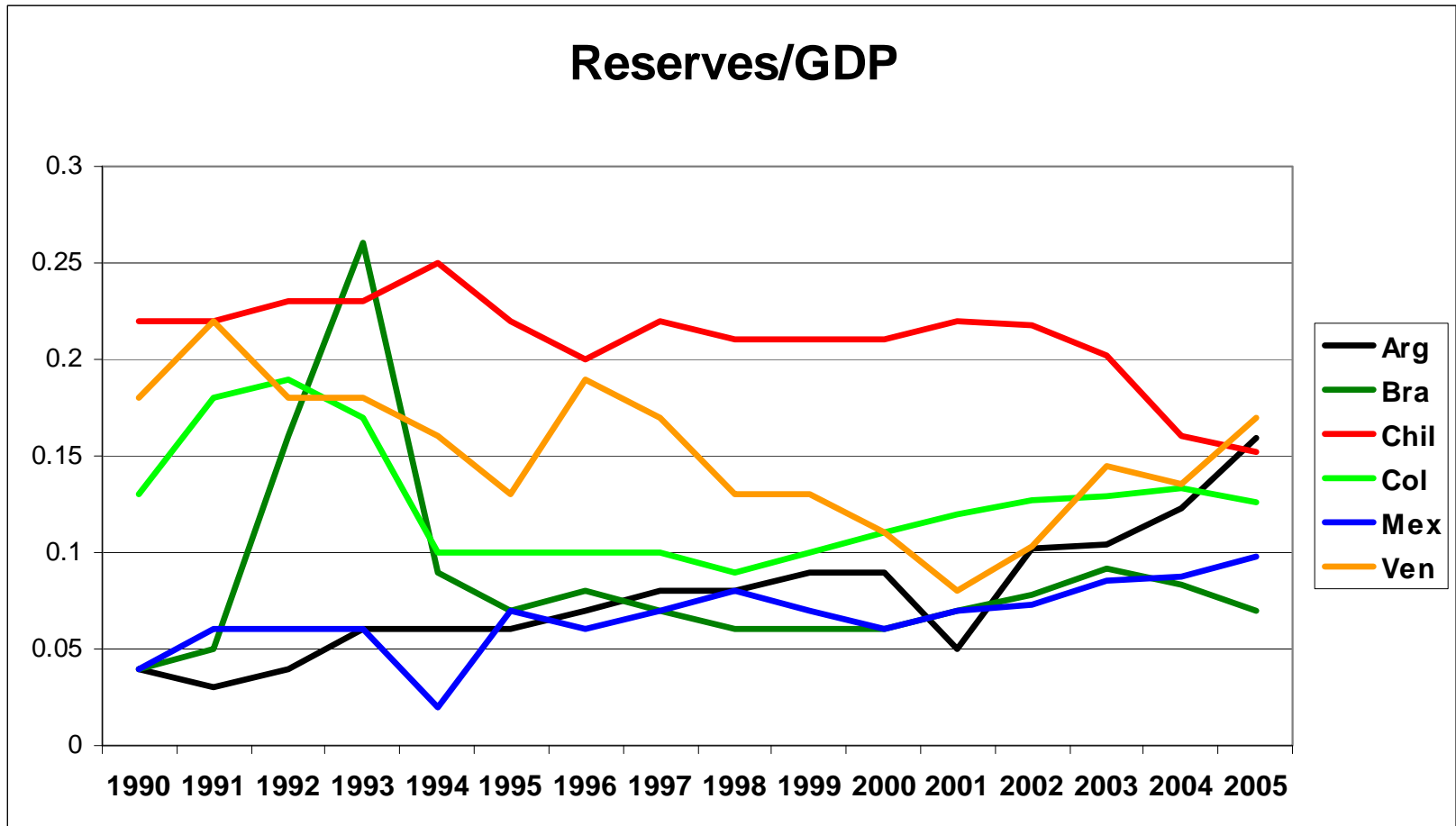
Also by macroeconomic stability as shown by lower inflation



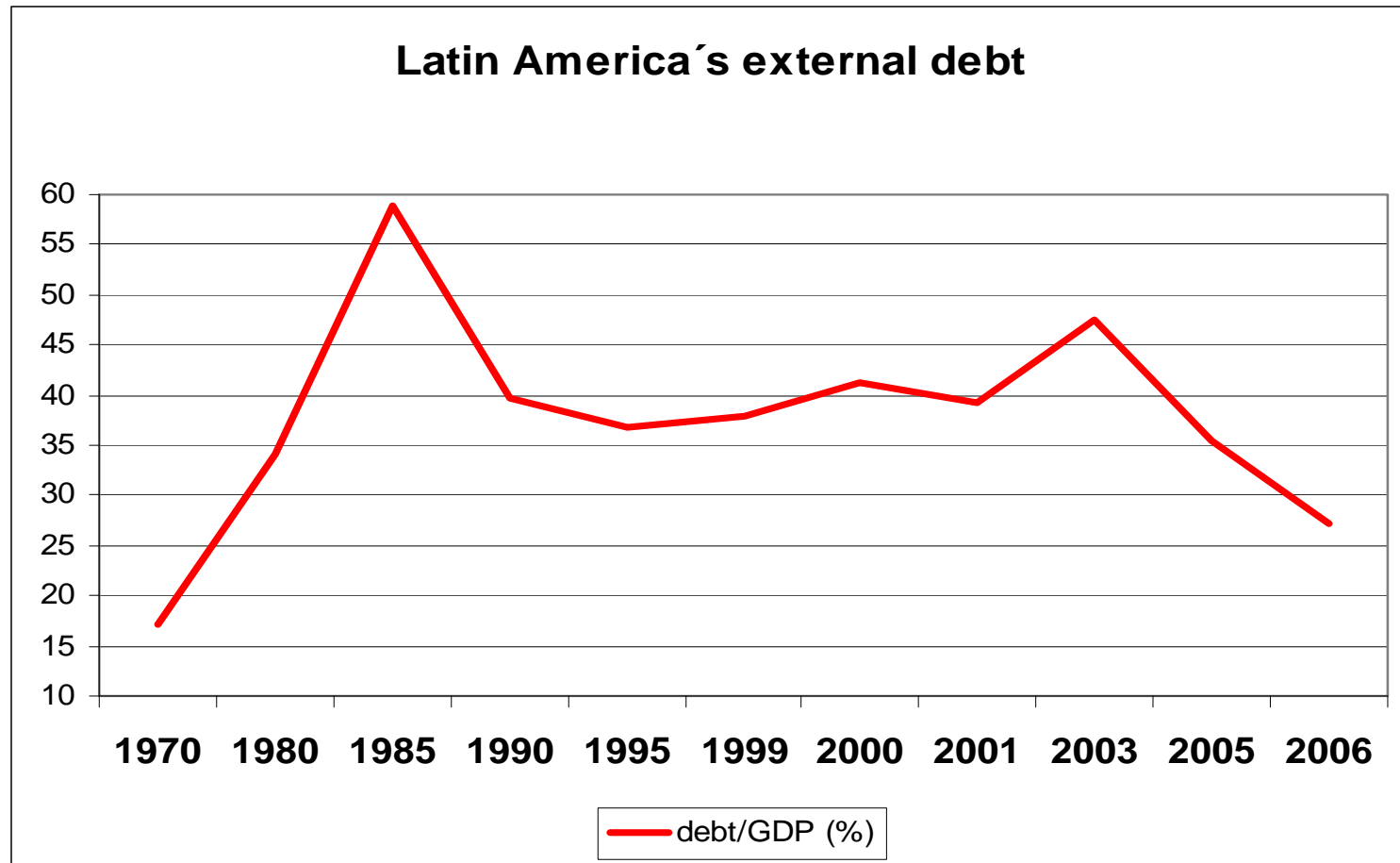
Fiscal balance has notably improved during the recent expansion



With a better reserves position

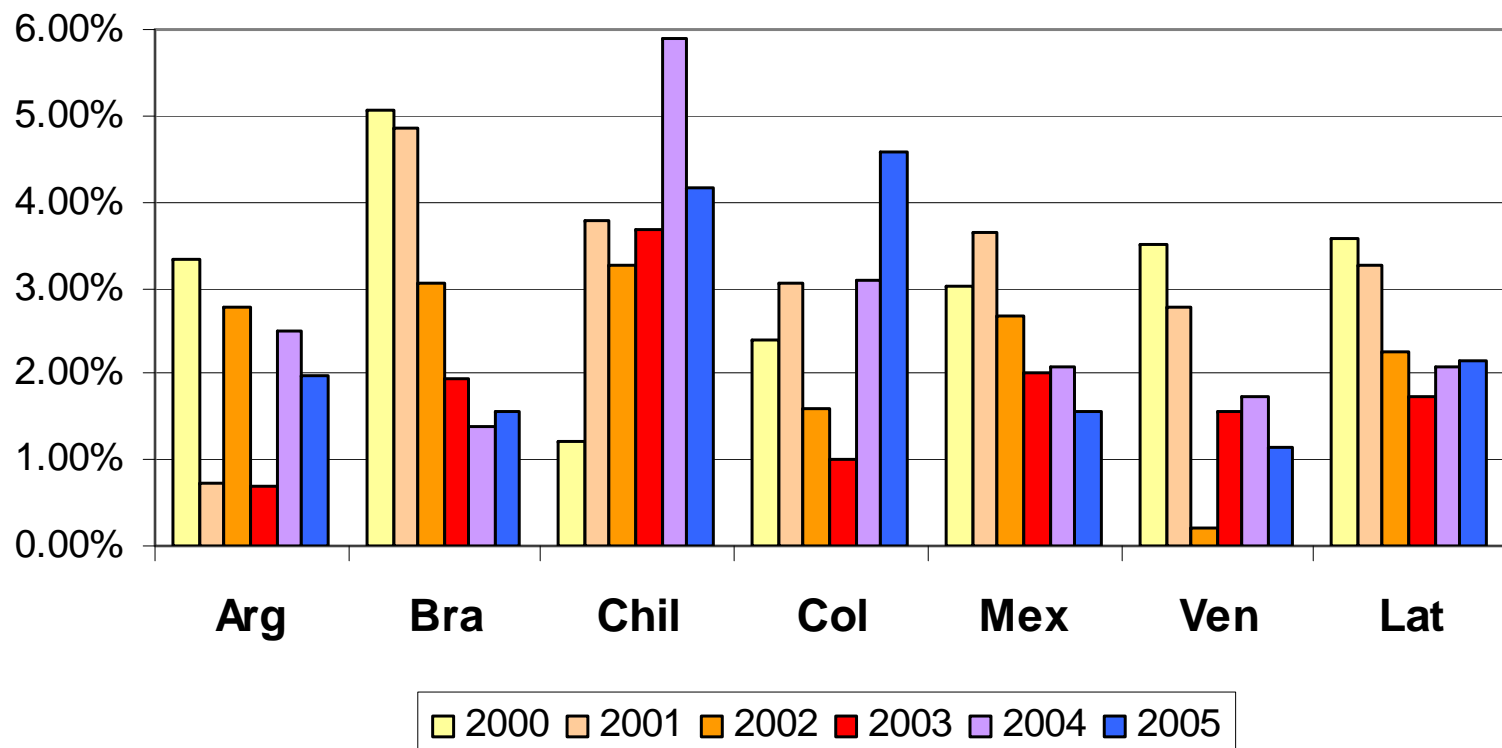


And a declining debt (as % of GDP)



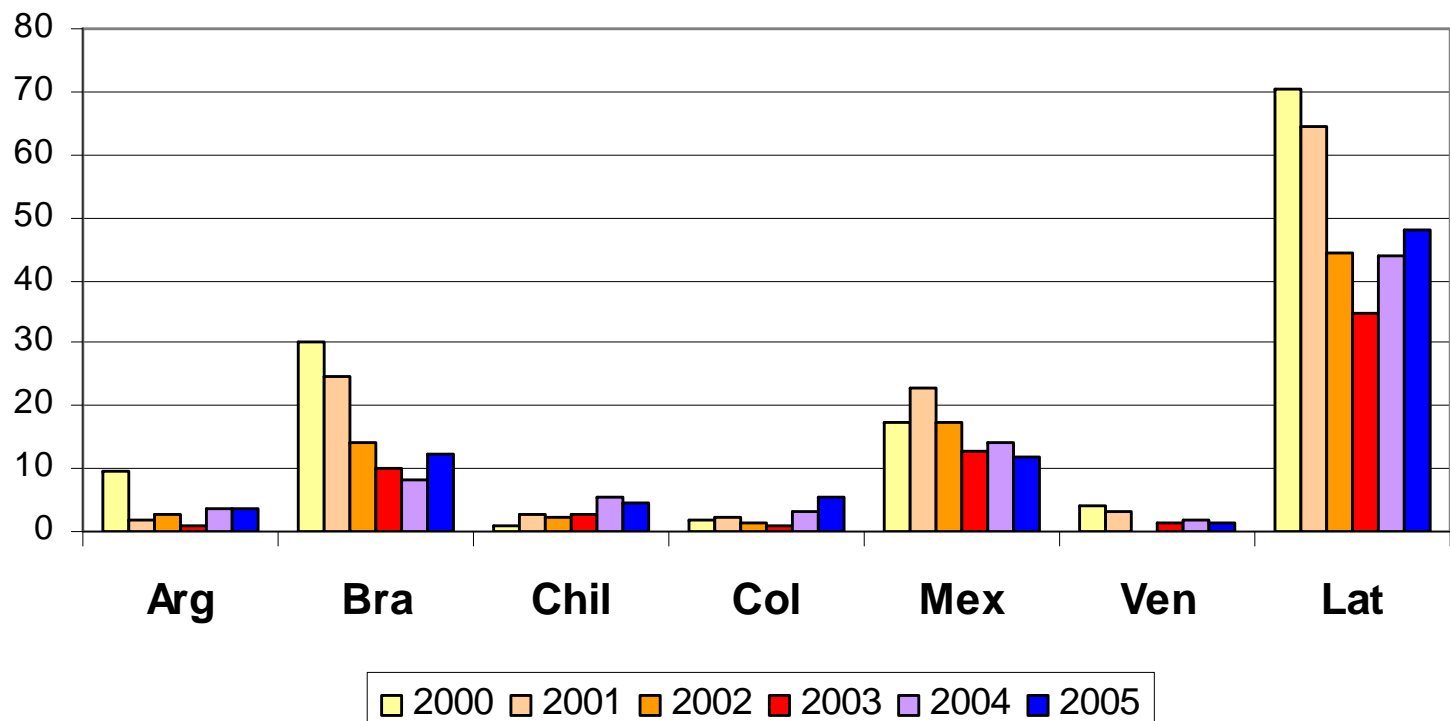
WARNING SIGNAL: FDI

Foreing Direct Investment (% GDP)

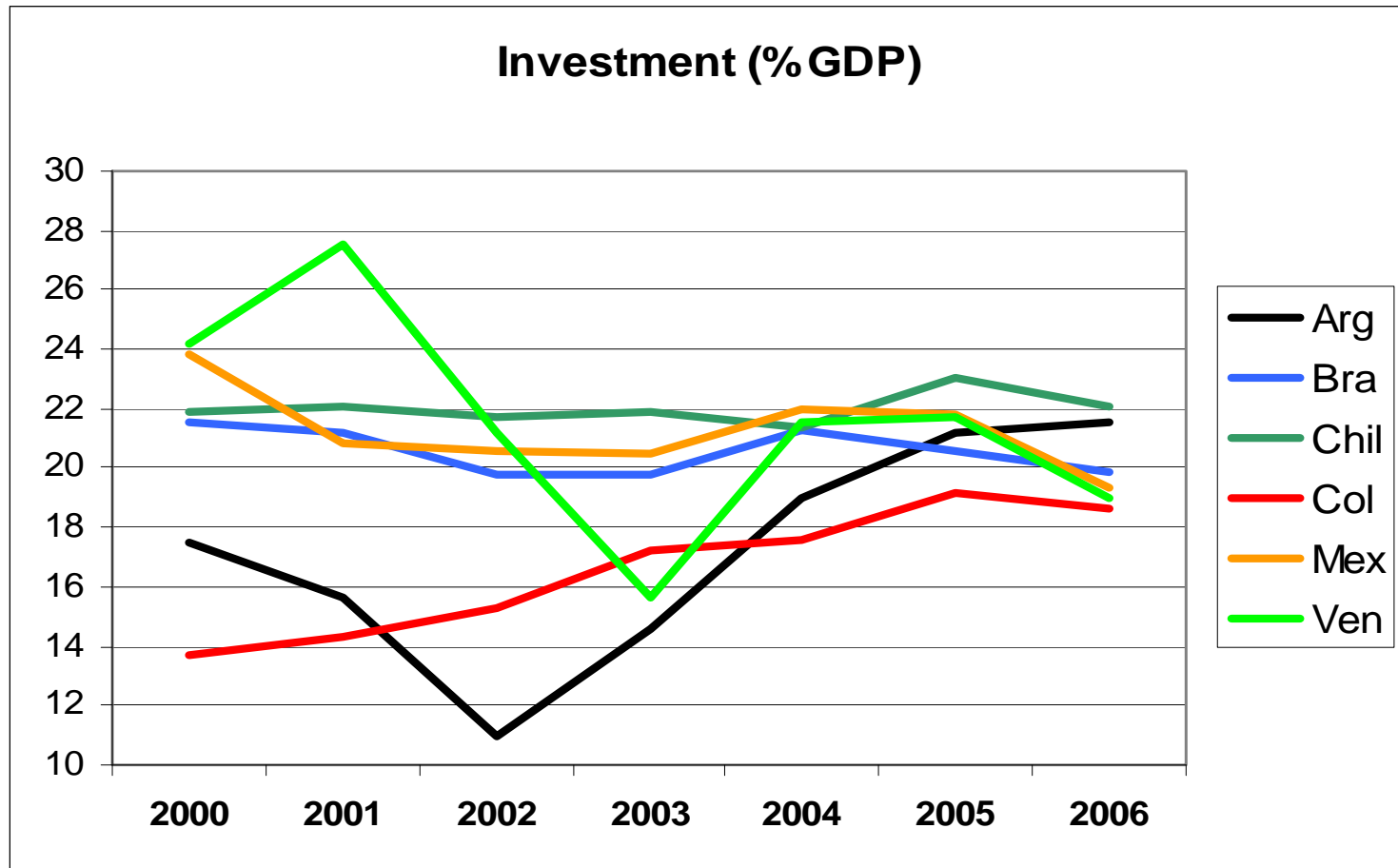


WARNING SIGNAL: FDI

Foreign Direct Investment (US\$bill)

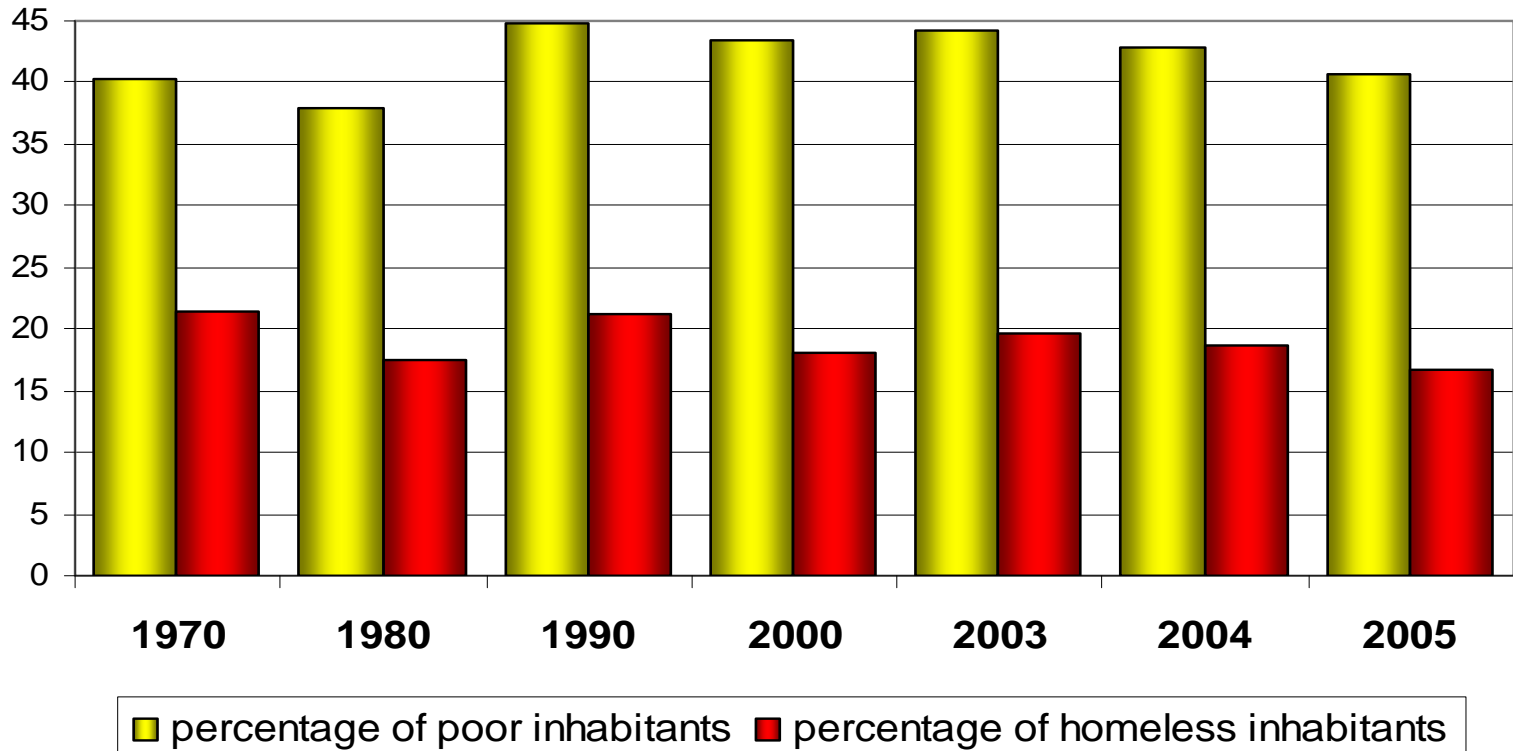


AND A STILL LOW INVESTMENT RATE



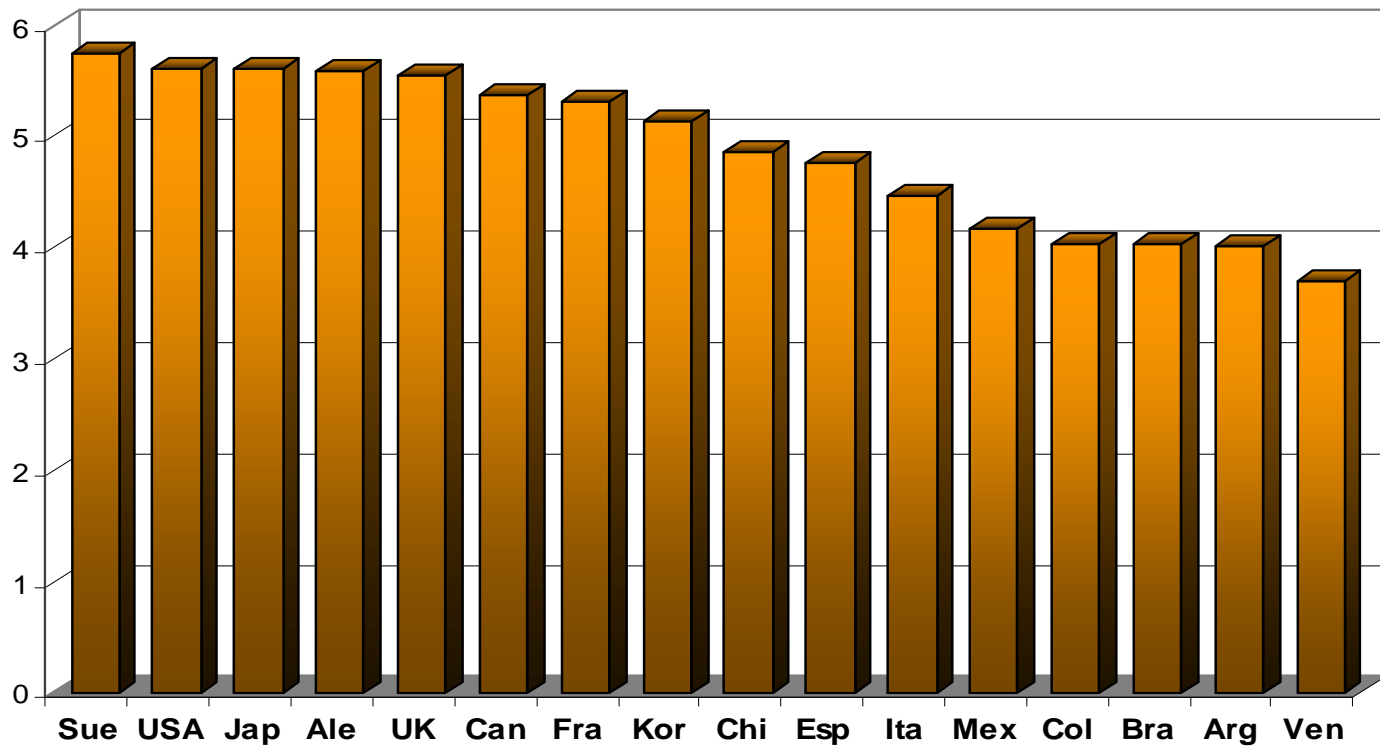
Warning signal: High and stagnant poverty

Poverty in Latin America



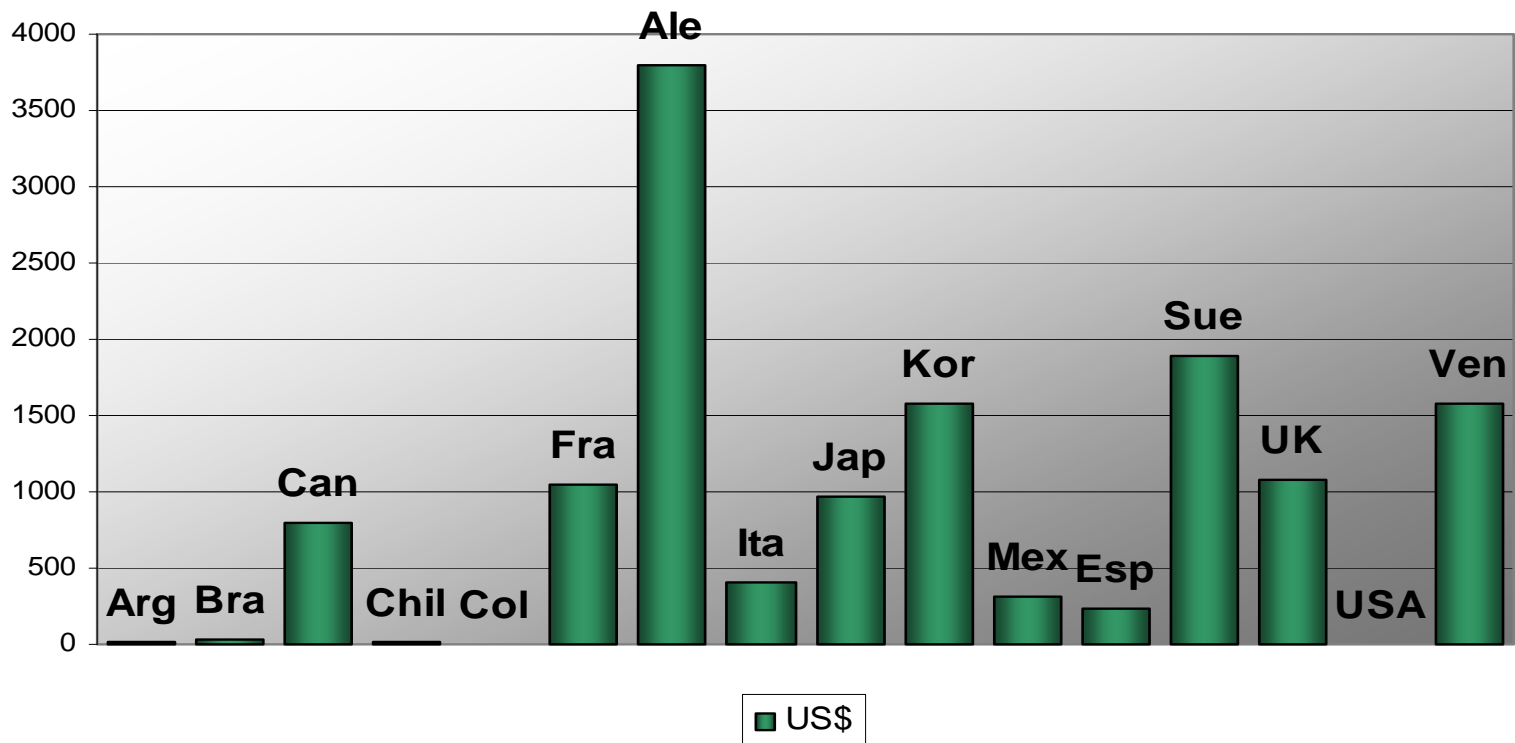
Warning signal: Low competitiveness of LAC 's production

GLOBAL COMPETITIVENESS INDEX (2005)

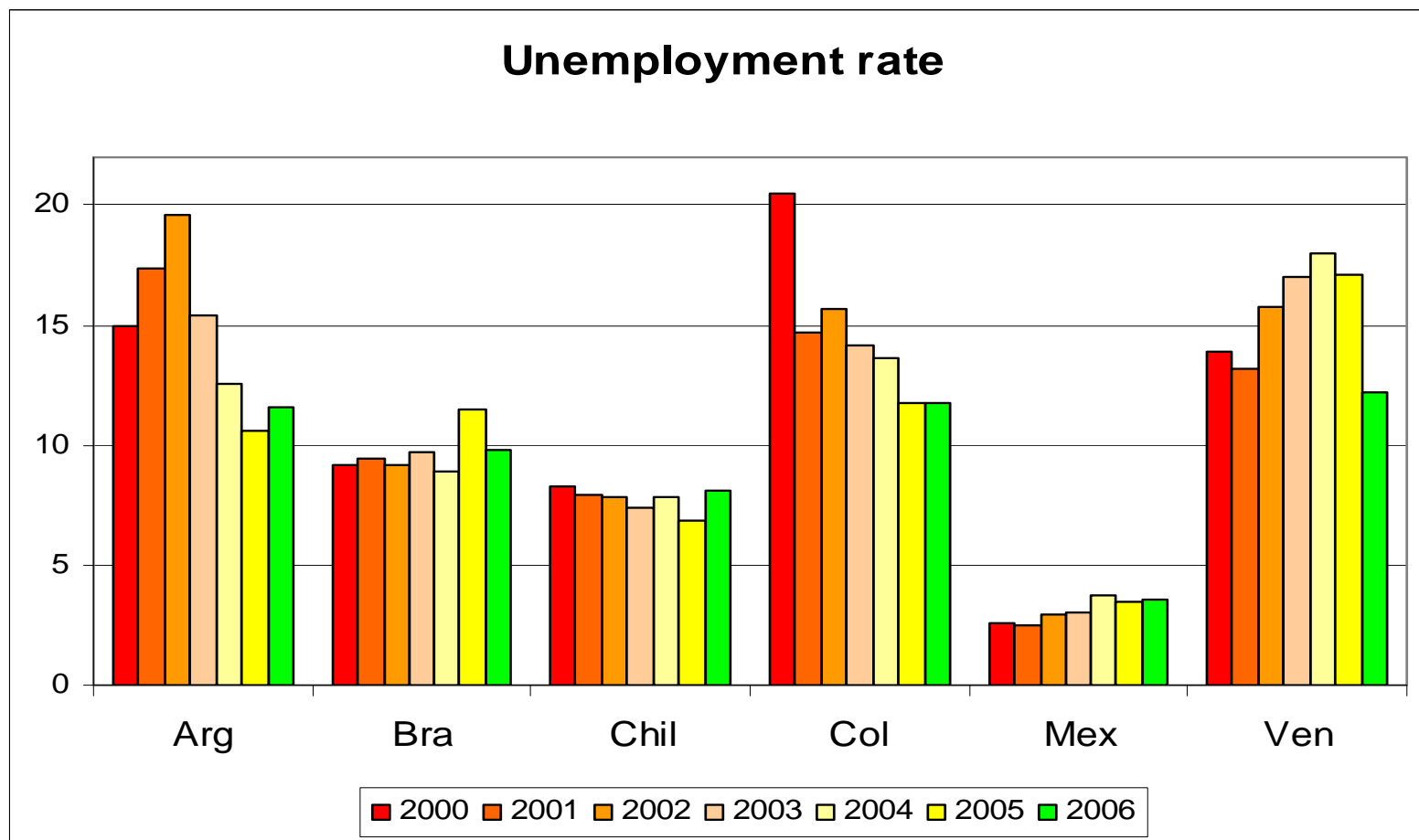


Very far from competing in world markets for industrial exports

**PER CAPITA EXPORTS WITH HIGH TECHNOLOGY
(2004)**

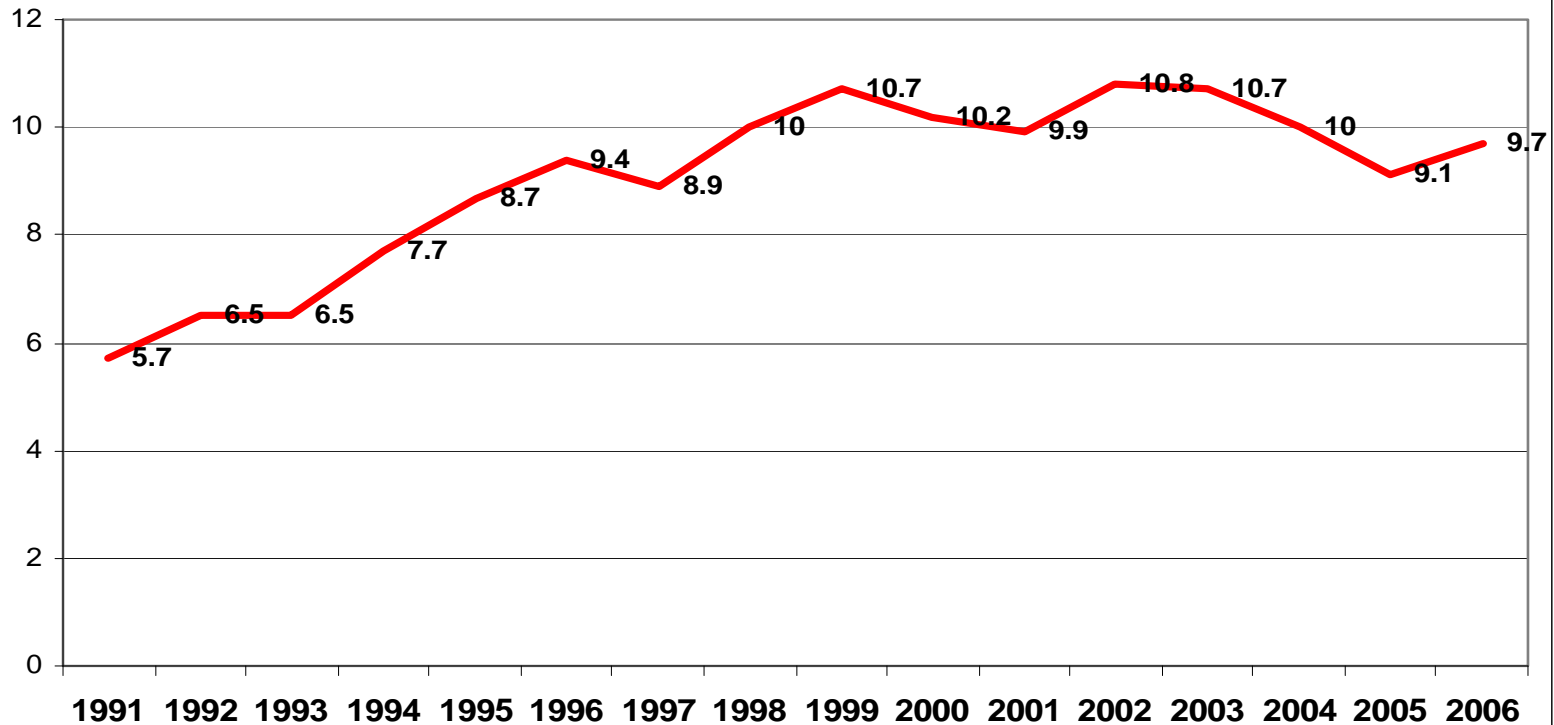


Stubborn unemployment rates

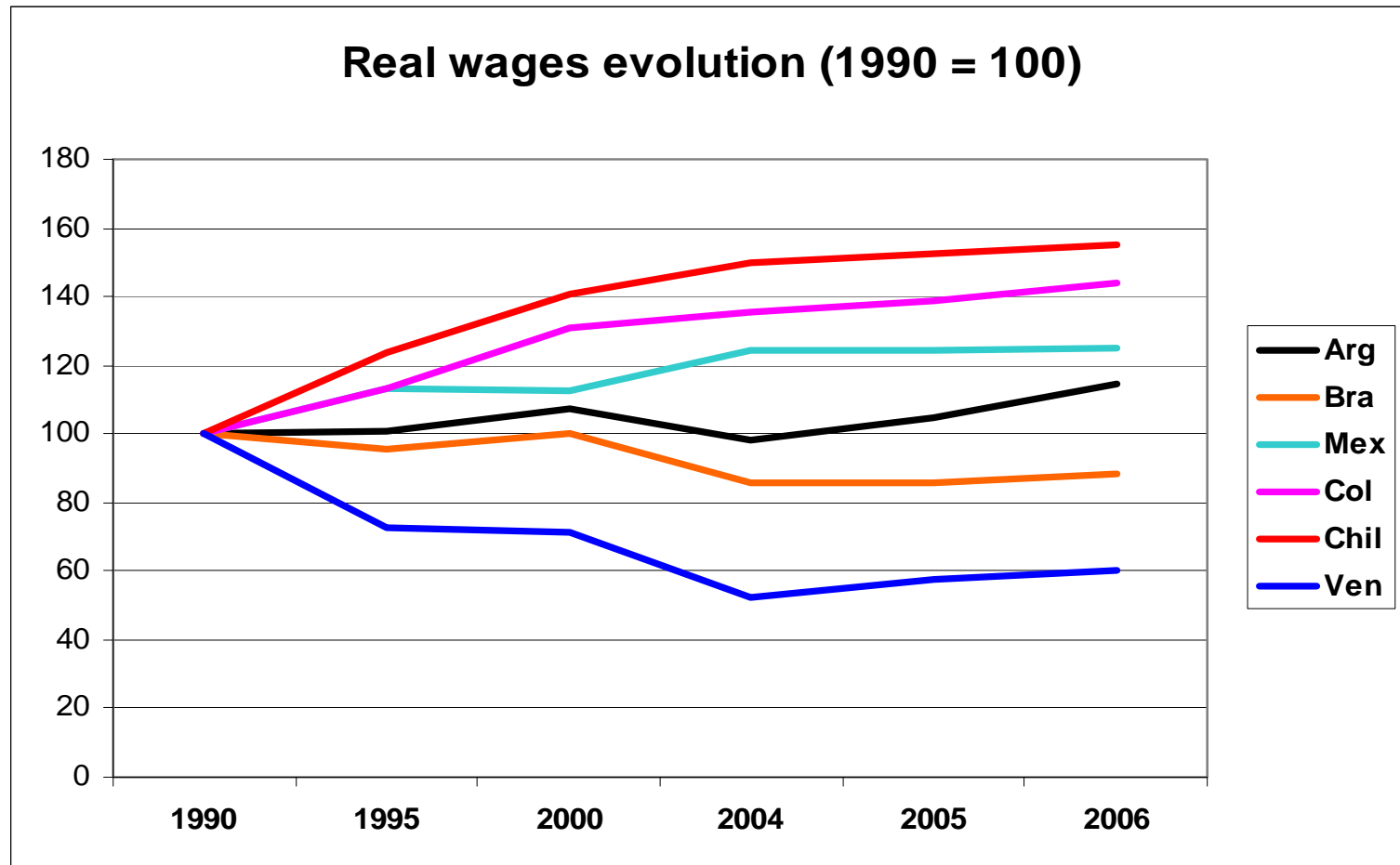


Unemployment high in spite of the economic expansion: social unrest

Urban unemployment rate in Latin América (%)



Real wages have grown little or have fallen in past 15 years



MAIN MESSAGE

HIGH INTERNATIONAL PRICES ARE A TRANSITORY OUTCOME.

*** TO ATTAIN SUSTAINABLE ECONOMIC GROWTH LATIN AMERICA NEEDS TO INVEST IN TWO FUNDAMENTAL ASPECTS:**

(A) IMPROVE SOCIAL CONDITION.

(B) RESEARCH AND DEVELOPMENT AND INNOVATION (R&D+I)

BIG CHALLENGE

- **Increase labor productivity**
- **Attain higher investment rates**
- **Attract more Foreign Direct Investment**
- **Encourage Exports and Competitiveness**
- **Improve social condition**
- **Avoid populist temptations**