

# GLOBALIZATION AND DEVELOPMENT



**ECLAC**  
**UNITED NATIONS**

**JOSÉ ANTONIO OCAMPO**  
**EXECUTIVE SECRETARY**

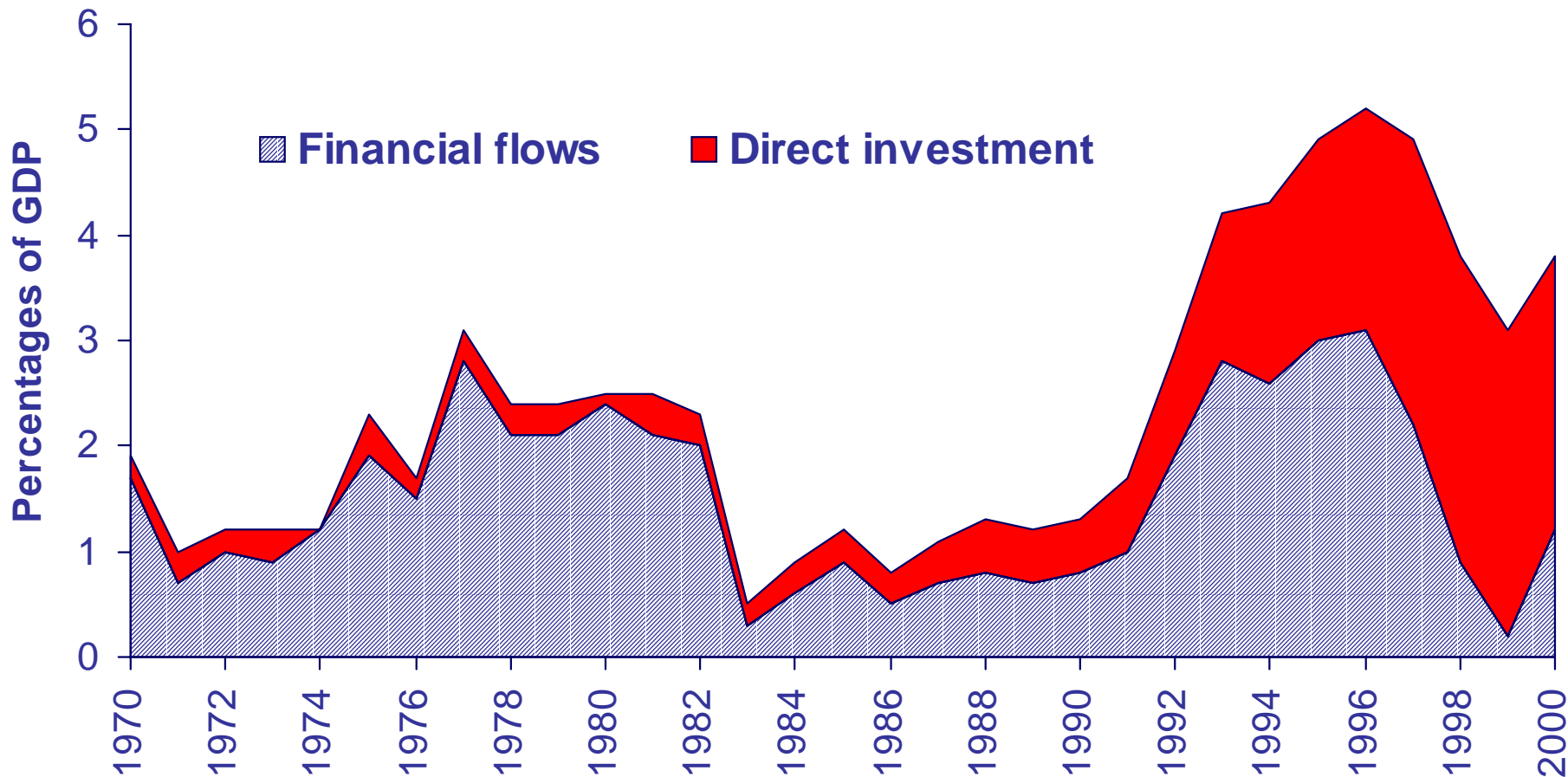
- **The economic dimensions of globalization are highly significant**
- **But so are others which are not determined by economic factors**
- **One such dimension is the "globalization of values", in whose development the various "internationalist" movements have played an important role**

# THREE PHASES OF THE GLOBALIZATION PROCESS

	1870-1913	1945-1973	From 1974
Capital mobility	High	Low	High
Labour mobility	High	Low	Low
Free trade	Limited	Limited	Extensive
Global institutions	Non-existent	Creation	Lagging
National institutions	Heterogeneity	Heterogeneity	Homogeneity

**SOME PROMINENT  
CHARACTERISTICS AT THE  
GLOBAL LEVEL:**

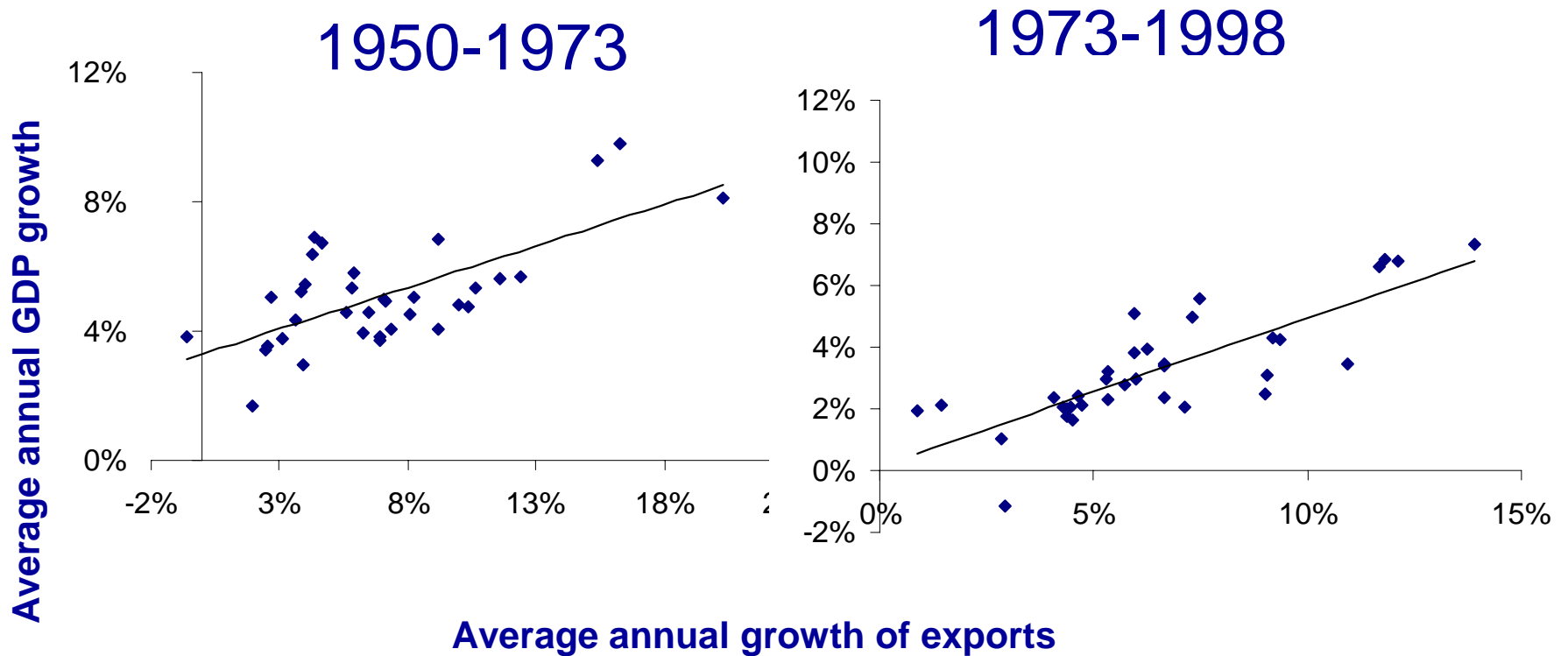
# VOLATILITY OF FINANCIAL CAPITAL AND BOOM IN FDI



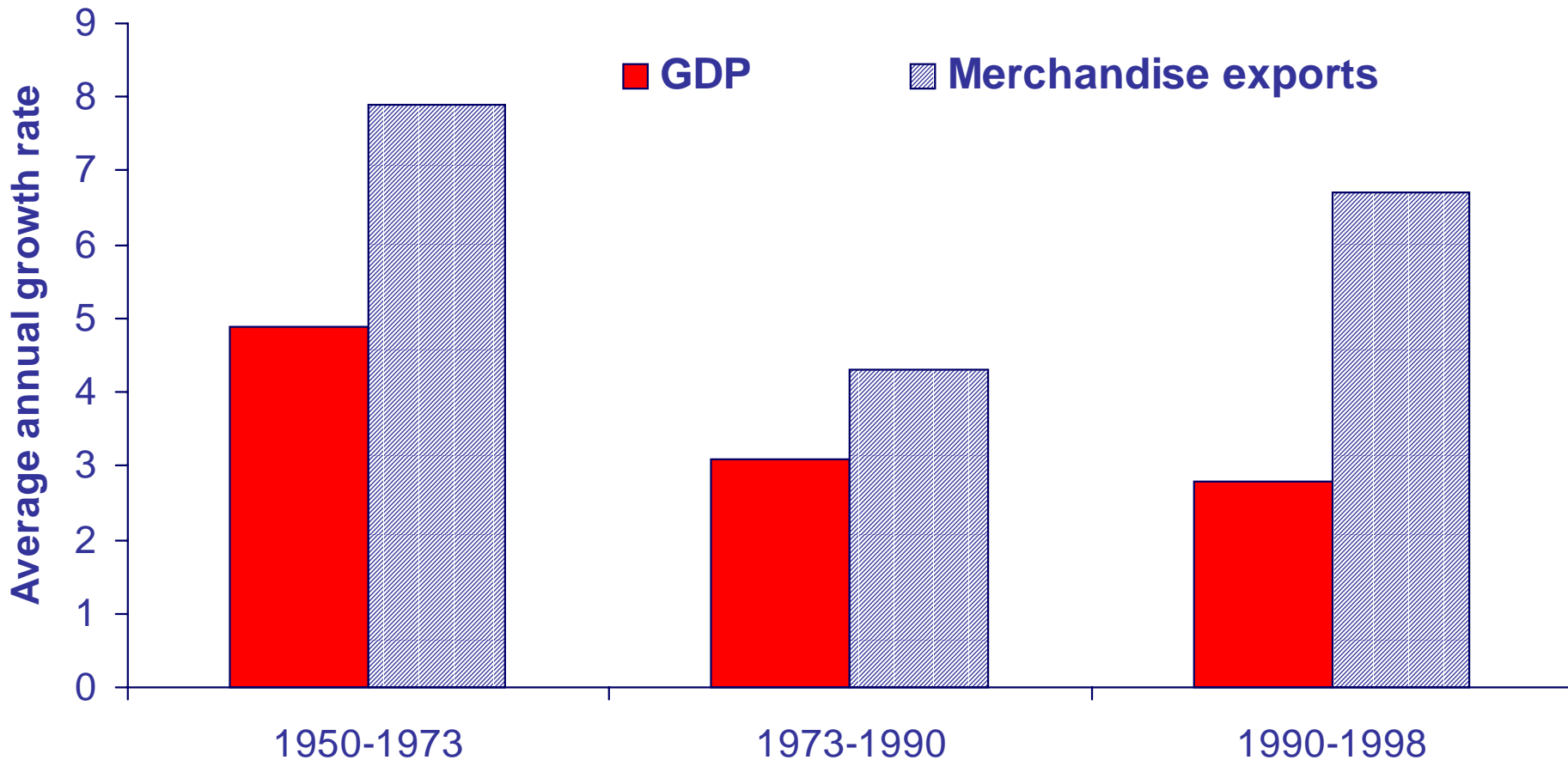
# FAR-REACHING RESTRUCTURING OF PRODUCTION, TRADE AND TECHNOLOGY

- Changes in intrafirm labour specialization: internationally integrated production systems
- Close relationship between trade and investment
- Within global networks, specialization of the more developed economies in services activities and the creation of knowledge

# INDIVIDUAL COUNTRIES' GROWTH HAS BEEN CLOSELY ASSOCIATED WITH THEIR SUCCESS AS EXPORTERS...

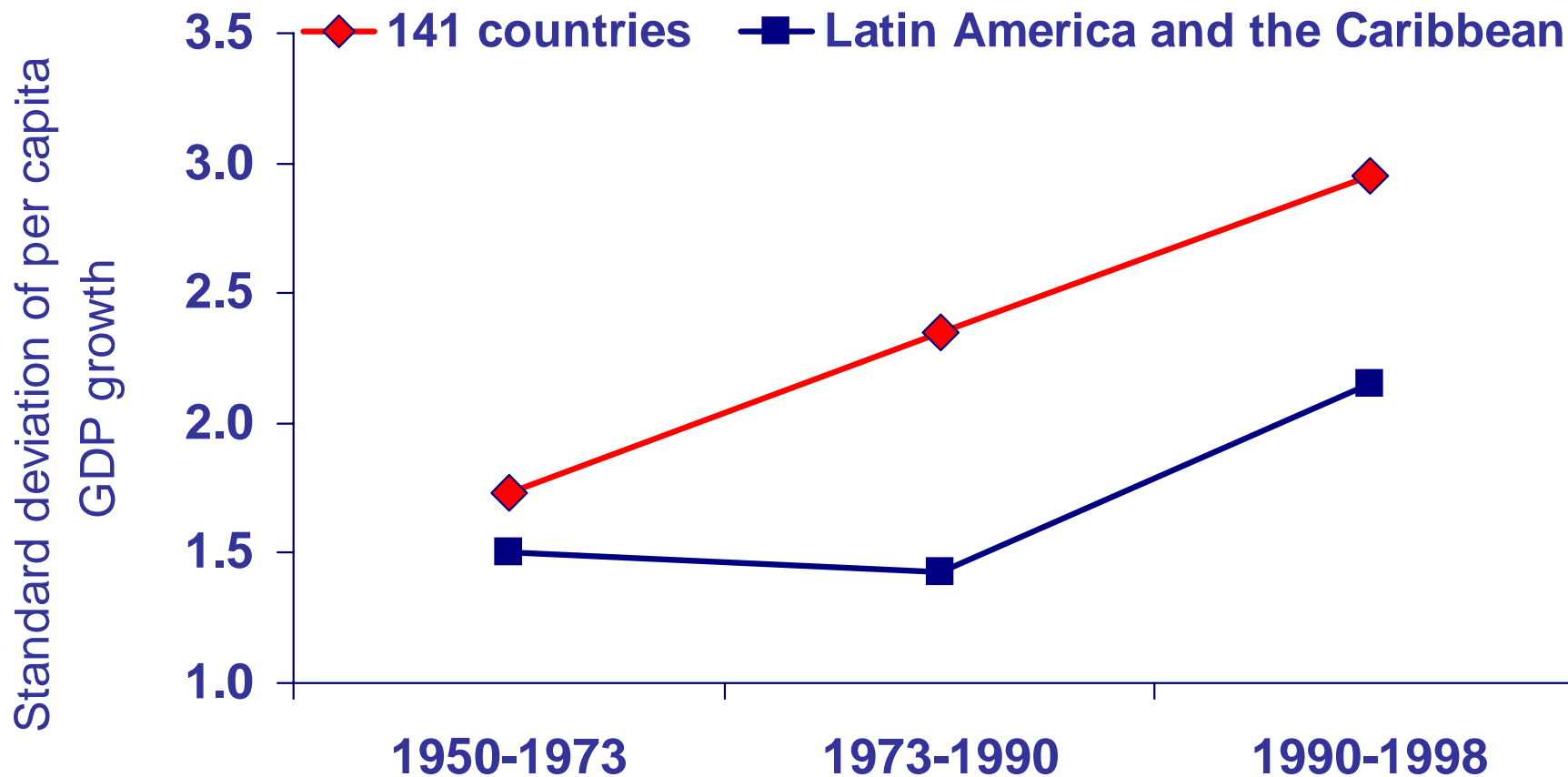


# ...BUT RAPID GROWTH OF TRADE HAS NOT TRANSLATED INTO DYNAMIC GLOBAL ECONOMIC GROWTH



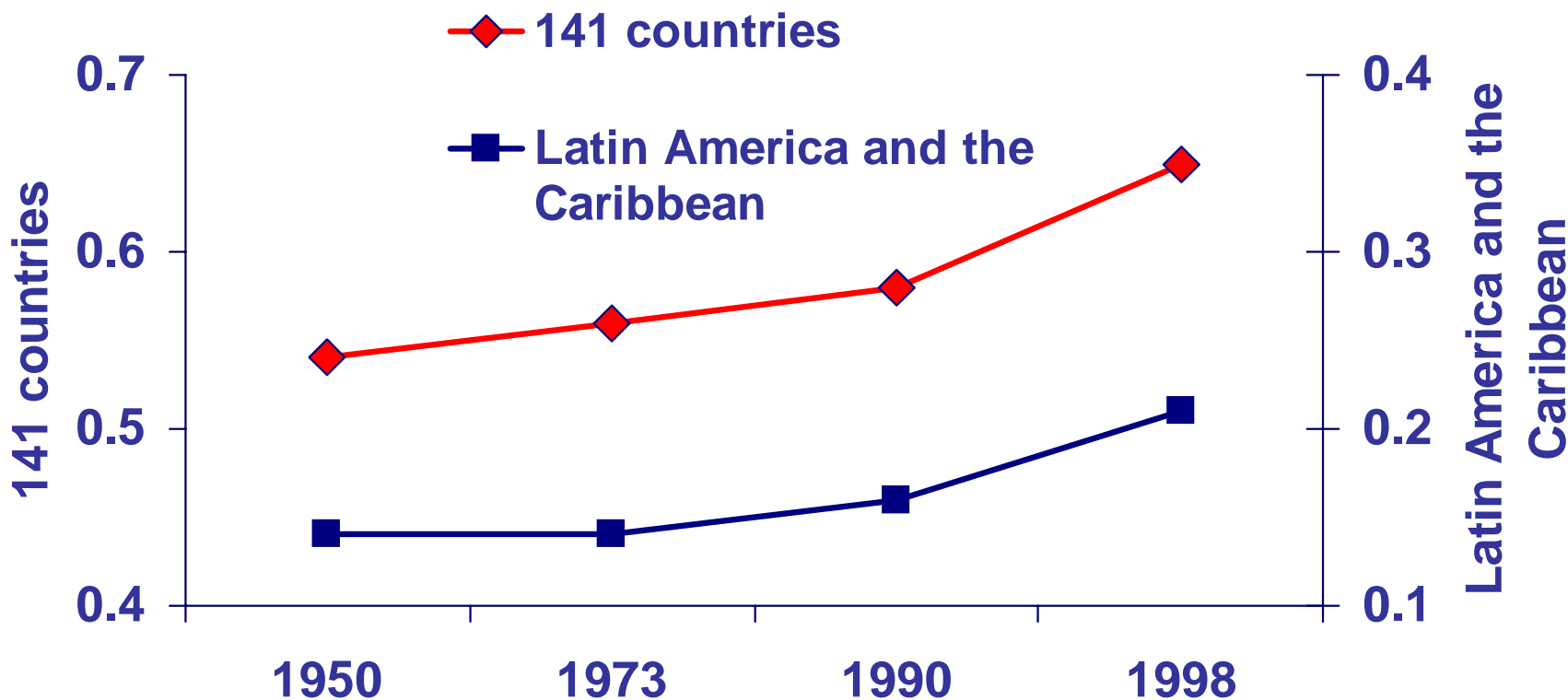


# GROWING FREQUENCY OF WINNERS AND LOSERS...



# ...AND INCREASING INTERNATIONAL INEQUALITY

Average logarithmic deviation of per capita GDP



# A BASIC EXPLANATION: ASYMMETRIES IN THE GLOBAL ORDER

- Macroeconomic and financial
- In technology and production
- Limitations on labour mobility

In this context, “levelling the playing field” can result in greater inequality

**SOME PROMINENT  
CHARACTERISTICS IN LATIN  
AMERICA AND THE  
CARIBBEAN:**

# BASIC PATTERNS OF LATIN AMERICAN AND CARIBBEAN INTEGRATION INTO THE GLOBAL ECONOMY

- Rapid growth of exports and FDI
- Three basic patterns of specialization
  - Imported-input-intensive manufactures
  - Natural resources and natural-resource-intensive manufactures
  - Services
- Relative drawbacks of the second pattern, especially in job creation

➤ **But growth is volatile...**

- Dependence on external financing and procyclical macroeconomic policies

➤ **... and mediocre**

- Slow growth of productivity
- Weak technological and production linkages
- Large external deficits and, consequently, high financing requirements

➤ **Growing internal structural heterogeneity  
(dualism)**

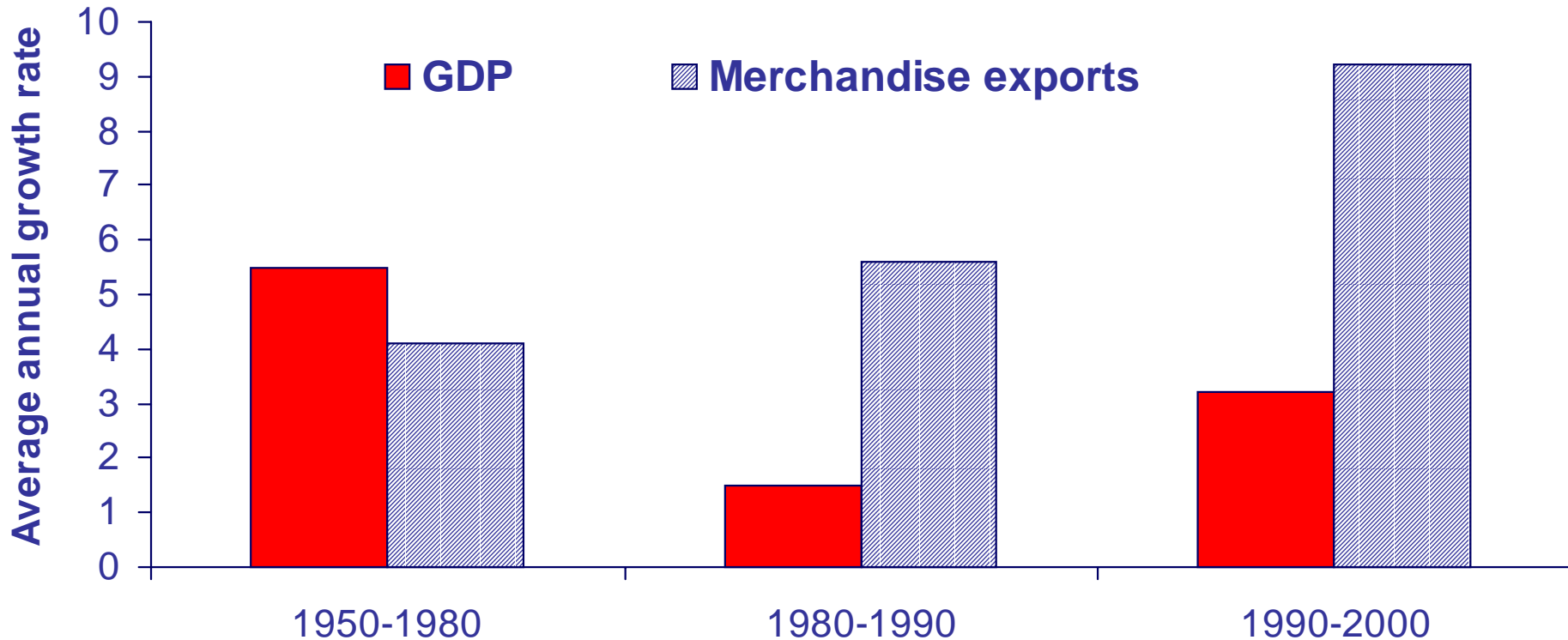
**IN THE AGGREGATE, LAC EXPORT GROWTH HAS  
BEEN CONCENTRATED IN SLOW-GROWTH  
PRODUCTS IN WORLD TRADE FLOWS**

**Export structure, 2000**

<b>MARKET SHARE:</b>	<b>FAST- GROWTH PRODUCTS</b>	<b>SLOW- GROWTH PRODUCTS</b>
<b>EXPANDING</b>	<b>37.0%</b>	<b>49.8%</b>
<b>SHRINKING</b>	<b>2.2%</b>	<b>11.1%</b>

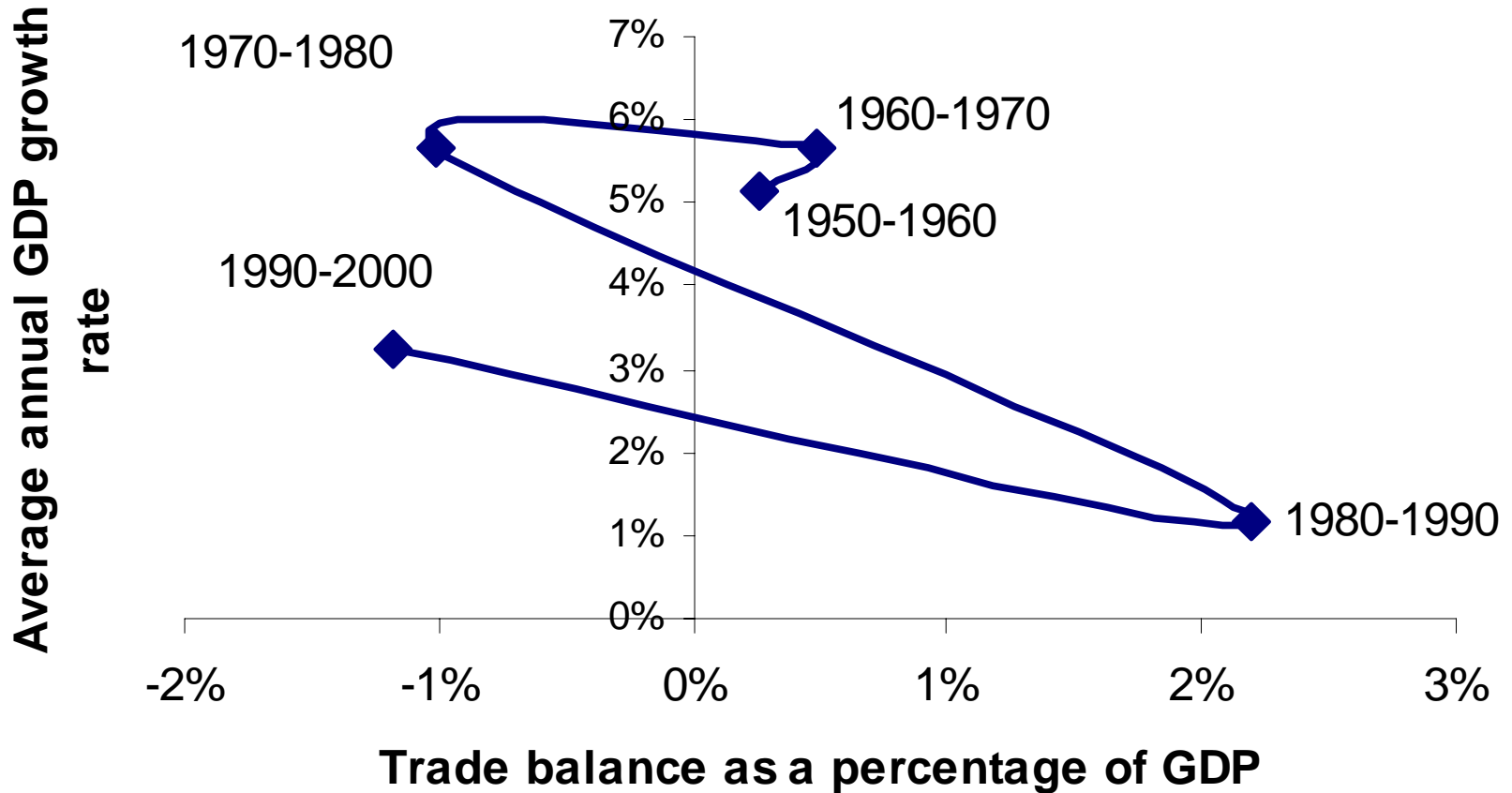
# WEAK CORRELATION BETWEEN EXPORTS AND GROWTH

## LATIN AMERICA AND THE CARIBBEAN





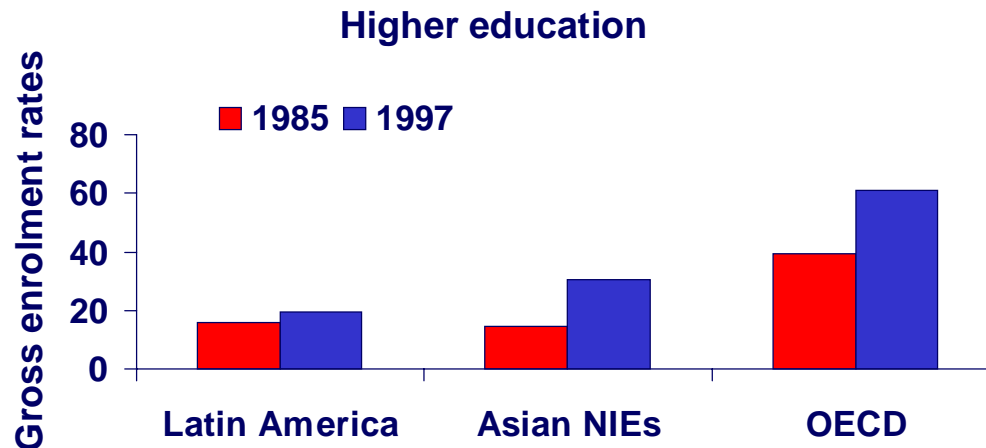
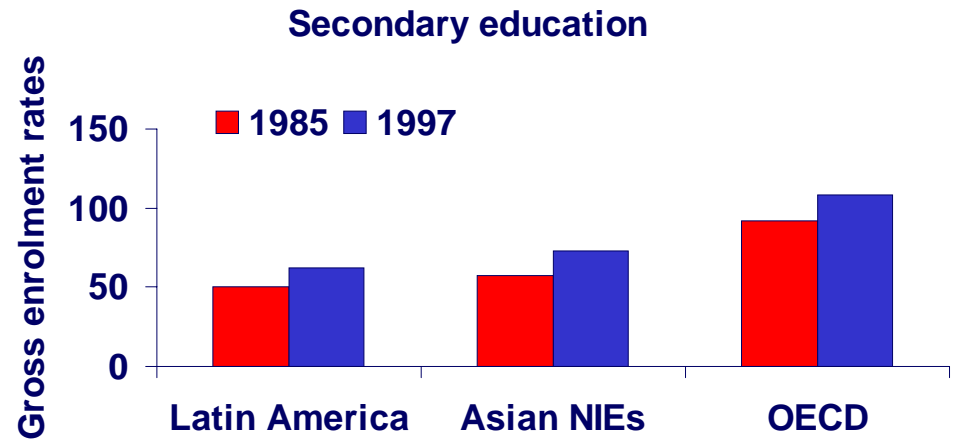
# HIGH FINANCING REQUIREMENTS



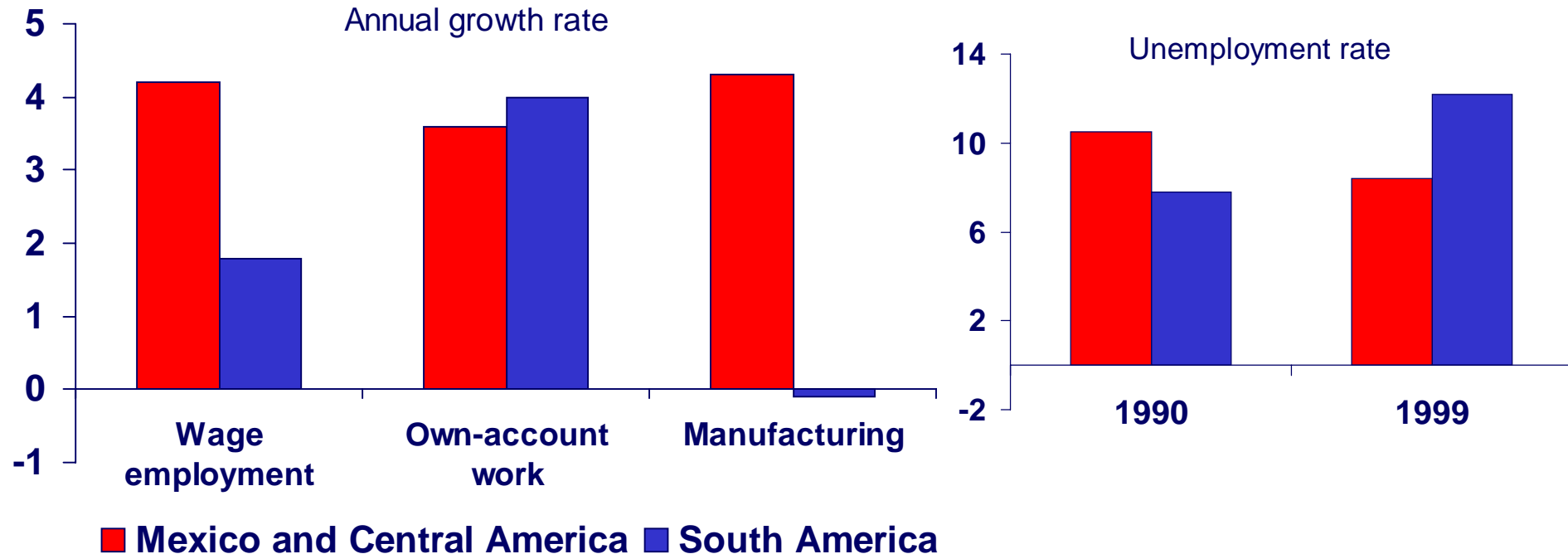
# IN THE SOCIAL SPHERE

- Education
- Employment
- Social protection

# EDUCATIONAL COVERAGE IS EXPANDING, BUT LAGS BEHIND ASIA AND OECD



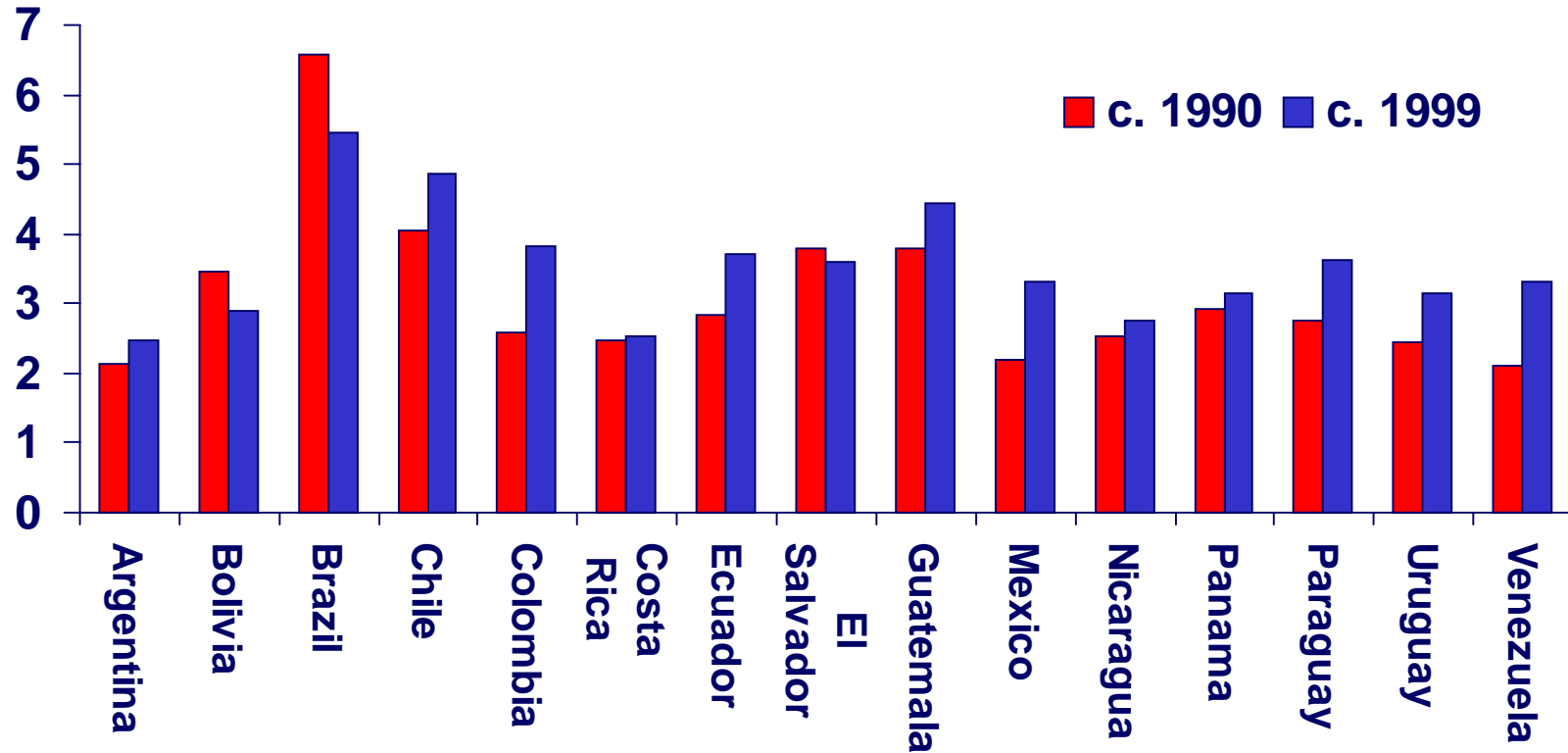
# UNEMPLOYMENT HAS BECOME DISSOCIATED FROM ECONOMIC GROWTH - THIS PROBLEM IS PARTICULARLY SEVERE IN SOUTH AMERICA



**AND POSES NEW CHALLENGES IN TERMS OF SOCIAL PROTECTION**

# INCOME DIFFERENTIALS BY SKILL LEVELS HAVE WIDENED

Private wage earners



Quotient between the average incomes of wage earners aged 25-59 who work 20 or more hours per week and have completed 17 years or more of schooling and those who have completed between 6 and 9 years of schooling

# THE AGENDA

# PRINCIPLES

- Global institutions and rules that are respectful of national democratic processes and, hence, of diversity
- Complementarity among international, regional and national institutions
- More equitable participation and appropriate rules for governance

# PILLARS FOR NATIONAL STRATEGIES IN THE GLOBAL ERA

- Solid, democratic social covenants to ensure political stability
- Non-discretionary local systems and behavioral patterns that provide security regarding contract compliance
- Establishment of an impartial and efficient State bureaucracy



# A BROAD VIEW OF MACROECONOMIC STABILITY

- Avoid unsustainable public and private deficits
- Avert financial disequilibria in both flows and balance sheets
- Control inflation and instability in real economic variables
- Design policies encompassing the entire economic cycle
- Prudent management of flexibility

# ENHANCING SYSTEMIC COMPETITIVENESS

- Innovation systems that accelerate the accumulation of technological capacities
- Support for transformation of productive structures
  - Diversification of the export base
  - Production linkages of exports and activities in which there is an FDI presence
  - Formation of production clusters
- High quality infrastructure

# ENVIRONMENTAL SUSTAINABILITY

- Moving from a reactive economic/ environmental agenda to a proactive one
- Stable public expenditure and synergies with international finance and private investment
- Reorientation of specialization patterns
- A new generation of instruments for the integration of economic and environmental dimensions
- Creation of national and regional markets for environmental services

# **SOCIAL STRATEGY**

## ➤ **Education**

- Universal coverage up to complete secondary education
- Reduction of differences in quality based on socio-economic origin

## ➤ **Employment**

- Adaptability to technological change and the economic cycle
- Prevention of deterioration in job quality

## ➤ **Social protection**

- Universality, solidarity, efficiency and integrality
- Still incomplete coverage of traditional insurance schemes
- New challenges associated with the vulnerability of employment and income

# KEY ROLE OF THE REGIONAL DIMENSION ("OPEN REGIONALISM")

- Defence of the weakest players
  - Greater ownership of regional and subregional institutions
  - In a context of interdependence, autonomy shifts to the subregional and regional spheres
- ⇒ Provision of public goods through a network of global and regional institutions

# KEY ROLE OF THE REGIONAL DIMENSION ("OPEN REGIONALISM")

- Consolidation of trade integration
- Macroeconomic and financial cooperation
- Harmonization of rules and regulations
- Integration of physical infrastructure
- Cooperation for sustainable development
- Greater social and political integration

# GLOBAL AGENDA

- **Adequate supply of global public goods (services)**
  - Global macroeconomic and financial stability
  - Environmental sustainability
- **Correction of international asymmetries**
  - Macroeconomic and financial
  - In production and technology
  - Factor mobility
- **Building a rights-based international social agenda**

# MACROECONOMIC AND FINANCIAL STABILITY AS A GLOBAL PUBLIC SERVICE

- Coherence of industrialized economies' macroeconomic policies
- Macroeconomic surveillance of all economies
- Regulation of capital flows
- International cooperation in the field of taxation



# SUSTAINABLE DEVELOPMENT AS A GLOBAL PUBLIC SERVICE

- Two priorities: climate change and biodiversity
- Mobilization of international resources:
  - International levies
  - Creation of markets for environmental services
- Coherence with the international trading system

# CORRECTION OF MACROECONOMIC AND FINANCIAL ASYMMETRIES

- Reduction of instability at its source
- Preventive macroeconomic surveillance
- IMF as quasi-lender of last resort
- Multilateral schemes for dealing with solvency problems
- Strengthening of multilateral development banks
- Consensus on scope of conditionality

# CORRECTION OF TECHNOLOGICAL AND PRODUCTION ASYMMETRIES

- Transmission of production impulses from industrialized world to developing countries
- Appropriate degrees of freedom for competitiveness strategies, with priority assigned to export diversification (“infant export industries”)
- WTO trade agenda
- Intellectual property and other global issues
- FTAA agenda

# FULL INCLUSION OF MIGRATION ON THE INTERNATIONAL AGENDA

- Global agreement on migration policies
- Ratification of the International Convention on the Protection of the Rights of All Migrant Workers (1990)
- Inclusion on the hemispheric, European-Latin American, regional and subregional agendas
- Policies for integrating migrants into their host and home societies

# ECONOMIC, SOCIAL AND CULTURAL RIGHTS AS THE FOUNDATION FOR “GLOBAL CITIZENSHIP”

- Assessments that enhance the political enforceability of international commitments and rights
- Gradual shift towards the legal enforceability of rights
- International social funds to backstop this process

# GLOBALIZATION AND DEVELOPMENT



**ECLAC**  
**UNITED NATIONS**

**JOSÉ ANTONIO OCAMPO**  
**EXECUTIVE SECRETARY**