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Latin America Ranks Last in Economic Growth

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The rate of economic growth in Latin America is slowing down and is the lowest of the world's developing regions, according to international financial institutions. Both the World Bank and the International Monetary Fund (IMF) released reports showing the region has broken out of the zero-growth rate that hit the region in 2002 but has on average lagged behind the rates experienced in the past decade by other developing regions like Africa.

Growth projected to slow down to 4.3% in 2006, 3.6% in 2007

On April 24 the IMF released its World Economic Outlook in which it predicted that the region would grow economically by about 4.3% in 2006 and 3.6% in 2007, following growth rates of 5.4% in 2004 and 5.9% in 2005. The fund publishes its World Economic Outlook reports in April and September of each year. The World Bank confirmed the IMF projections, finding that Latin America has the world's lowest projections for 2006 and 2007 when compared with other regions. For Africa, the region that has historically been considered a no-growth area, the figures for those years are 5.7% and 5.5%, respectively. For Eastern Europe they are 5.2% and 4.8%, and for developing countries in Asia they are 8.2% and 8%. The Western Hemisphere has been undergoing positive growth since 2003, when there was a combined 2.2% upward tendency, beating the zero growth of the prior year, according to the multilateral lending institutions.

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The World Bank says that, in the last 10-year period (1995-2004), Latin America was surpassed even by sub-Saharan African nations, where there was an average development increase of 3.4% and an increase of 0.9% in per capita income. By comparison, Latin America went through a decade of only 2.1% growth and an increase of 0.6% in per capita income, according to figures given by the World Bank Development Committee, which closed its meeting of finance ministers and presidents of central banks from the institution's 184 member nations on April 23.

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Mexico, the region's largest economic power representing about 33% of Latin America's GDP, had the highest annual growth in that decade with an average of 3.6%. Brazil, the region's second-largest economy, saw 2% average growth in the ten-year period, while Argentina barely stayed above zero-growth levels with a 0.1% average. The World Bank noted that the more recent trends have been positive for the region. In 2003 and 2004, Argentine growth was about 9% annually and continued on a sustained upward slant in 2005. Economists have, however, been noting a deceleration of the Argentine economy toward the end of 2005 and early this year.

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In 2004 Brazil's GDP grew 5% and Mexico's more than 4%. Mexico's economy expanded at its fastest pace in almost six years in the first quarter of 2006, spurred to 5.5% higher levels than in the same period in 2005 by record oil prices, falling interest rates, and growing US demand for exports,

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according to a report by financial reporting service Bloomberg. Venezuela, which represents about 5% of Latin America's total economy, also benefited strongly from the rise in petroleum prices and saw 18% growth in 2004. "Irregular growth" Latin American growth has been irregular, with strong setbacks in Argentina between 1999 and 2002 and in Venezuela in 1999, 2002, and 2003, said the World Bank in its annual World Development Indicators (WDI) report, released April 22.

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World Bank chief economist Francois Bourguignon says there are "several explanations" for the "irregular growth" that Latin America undergoes, making it generally "a much more volatile economy than East Asia." One explanation is that Latin America does not compete well in manufacturing while Asian countries, with the world's most rapid growth rate, do. Latin America serves more as a producer of raw materials and natural resources. That scenario, says Bourguignon, applies even "in Chile, which is the first economy in terms of growth" in Latin America and whose exports are strongly concentrated in copper. Chile does, however, use technology to export products of agricultural or marine origin. "In other countries, that kind of exploitation has not been entered into," said Bourguignon. He also says that part of the problem has been the stalling of international agriculture-trade negotiations (see NotiSur, 2003-12-05 and 2005-09-09) and that the outlook could be different for Brazil, Argentina, and Uruguay if rich nations like the US and European countries were to liberalize their agricultural trade.

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Negotiations with the Southern Cone Common Market (MERCOSUR) and the EU as well as US-led efforts to build a hemisphere-encompassing Free Trade Area of the Americas (FTAA) have come to a halt as the richer countries have refused to reduce subsidies to their respective agroindustries. Latin America has advanced in meeting many of the UN Millennium Development Goals (MDGs), according to the World Bank.

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In many Latin American countries, children complete the primary-education process. Mortality rates for children under five years old dropped from 54 per 1,000 children in 1990 to 31 per 1,000 in 2004, meaning the region is closing in on the objective of reducing child mortality by two-thirds by 2015. "However, the instability of growth and elevated levels of inequality in income in many countries still does not allow them to achieve an important reduction of poverty levels," according to the bank. Along with sub-Saharan Africa, Latin America has the worst levels of economic inequality in the world, according to a 2005 UN report on development.

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