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Every month so far this year, the World Bank and UN agencies have made note of moderately positive economic indicators reported in the Latin American-Caribbean region. Meanwhile, the global crisis has become increasingly complicated by serious problems in countries that are traditional consumers of Latin American and Caribbean products.

Although the region is still far from meeting the UN Millennium Development Goals (MDGs) set in 2000 for fulfillment by 2015, experts laud regional progress toward reaching the first of those goals—reducing hunger and poverty. The UN and the World Bank attribute progress to increased employment and social inclusion throughout most of the region in recent years.

Correspondents from the Argentine daily Tiempo who, in early May, went to Lima, Peru, for the 35th session of the Economic Commission for Latin America and the Caribbean (ECLAC) reported that delegates focused on the "vigorous policy of social inclusion that reversed trends of the previous period and permitted the reduction of the scourges" of hunger and poverty (NotiCen, May 1, 2014). Simultaneous to ECLAC discussions, the UN held its 33rd Regional Conference of the Food and Agriculture Organization (FAO) in Santiago, Chile, calling it "a great opportunity" to further Latin American and Caribbean efforts to end those twin evils.

Argentine Agriculture Minister Carlos Casamiquela, president of the FAO conference, said that, although the region has made more progress in ending hunger than other parts of the world in the last 20 years, 47 million people in the region are still undernourished. "That's one of every 13 of us, which is a truly dreadful statistic," he said.

The FAO had already acknowledged regional progress toward ending poverty and hunger in its "The State of Food Insecurity in the World 2013" report published March 27. Undernourishment in Argentina had dropped to 5%, according to the report, and, like Uruguay before, Argentina had reached the goal of zero hunger based on FAO indicators. In addition, it had the lowest rate of population with unmet needs, followed by Uruguay at 5.9%; Costa Rica, 17.8; and Brazil, 18.6%.

"Social Gains in the Balance" and other World Bank reports offered similar information. The Social Gains report published in February highlighted the decline in poverty and inequality in the region in the past decade and specifically called attention to Southern Cone countries (Argentina, Brazil, Chile, Paraguay, and Uruguay) as leaders in the effort to reduce poverty in 2012 and 2013. It notes, however, that meanwhile the number of poor remained relatively unchanged in Central America and Mexico (NotiSur, Sept. 3, 2010).

Addressing a gathering of permanent Organization of American States ambassadors in April, World Bank President Jim Yong Kim, a Korean-American, distanced himself from the philosophy of the International Monetary Fund (IMF), which pushes major economic adjustments despite previous failures. "The region’s continued reliance on indirect taxation, such as value added taxes, has undermined some of its gains in equity," he said. "The good news is that there’s still room to use fiscal policy to promote a more equitable society."
The World Bank president also noted, "Over the past decade, Latin America and the Caribbean have made tremendous progress in reducing poverty and in boosting shared prosperity. Poverty has fallen by half to 12.3%. The middle class—currently 34% of the population—is growing. Meanwhile, inequality in Latin America—historically the world’s highest—has fallen, even as it rises in practically every other part of the globe. For the first time, the number of people in the middle class surpasses those living in poverty."

"Fiscal policy can be used to sustain and deepen the region’s significant social gains—and over the last decade, Latin America has increasingly used this strategy," Kim said.

The Fome cero (Zero Hunger) policy President Luiz Inácio Lula da Silva (2003-2011) set in place in Brazil in 2002, and which his successor President Dilma Rousseff has maintained, has been decisive in such progress (NotiSur, April 11, 2003).

During the Lima meeting, ECLAC representatives concluded that, given the limitations to the continued economic and social progress of the past decade, the region should implement social pacts that promote development with equality and environmental sustainability in mind. In a document titled "Compacts for Equality: towards a Sustainable Future," ECLAC estimated that these mechanisms should result in agreements that ensure, among other goals, a redistributive tax structure, an increase in productivity, improved public goods and services, and better governance of natural resources.

The report implied Latin America and the Caribbean stand at a crossroad where external restrictions—declining demand and a less dynamic international trade situation—plus problems stemming from domestic limitations on development including high rates of the informal labor sector, low levels of investment, as well as lagging internal structures and technological progress, public service deficits, and pressure on the environment limit development.

Nevertheless, the main problem the region faces is the decline in international demand and a dependence on just one market, an issue illustrated by repeated mention that the four members of the Southern Cone Common Market (MERCOSUR)—Argentina, Brazil, Paraguay, and Uruguay—are all major producers of soybeans and tightly tied to demand in China.

"The Southern Cone is China-dependent," wrote a columnist on the Brazilian Web site Carta Maior to give an idea of how tied the economies of these countries are to the needs of the Asian giant (NotiSur, Aug. 5, 1993, Dec. 9, 1993, May 28, 2004, and Sept. 9, 2011).

More regional integration needed

From the ECLAC perspective, Latin American and Caribbean countries must make greater progress in regional integration through increased production linkages capable of responding to present conditions marked by rapid technological innovation, repositioning of various actors in the world economy, and the creation of broader regional markets.

In "Regional integration: towards an inclusive value chain strategy," another document ECLAC presented prior to the meeting in Lima, the UN agency highlighted the validity of integration in the current international context as a basic component of productive transformation and on strategies of equitable growth.
In conversations with business people in Santiago, ECLAC executive secretary Alicia Bárcena suggested the private sector work to build regional value chains that would drive manufacturing trade, intraindustry trade, internationalization of small and medium-sized firms—major contributors to job creation—and increased numbers of export firms and exports.

During the meeting with various Chilean business groups as well as the Cámara de Integración Chileno–Mexicana, Bárcena said, "Successful export companies make a major contribution to the GDP but not such a great contribution to employment," and she said that "small and medium-sized firms generate nearly 80% of jobs, but of a low professional level and low productivity."

The ECLAC document was written to remind Latin American and Caribbean countries of their heavy economic dependence on external cycles. Delegates acknowledged the message but barely discussed it during debates.

UN experts emphasized the importance of reflecting on how regional integration could play a role in improving Latin America’s global insertion, especially given that there is now a less favorable international economic environment than that experienced in the decade between 2003 and 2013. Faced with difficult prospects on the horizon, ECLAC predicted that it will be hard for the region to achieve sustained growth, reduce poverty and economic inequality, and become more innovative without diversifying its productive and export structures.

Experts suggested governments move toward common regulatory frameworks aimed at encouraging companies in each country to coordinate operations with counterparts beyond national borders. ECLAC also urged the region to consider integration as "a state policy that would seek ways of working together by finding ways to make differences manageable rather than seeking to eliminate them."

In a region as diverse as Latin America and the Caribbean, the main challenge is to achieve integration that drives necessary structural change while allowing countries to work toward the Millennium Development Goals without being expected to meet specific deadlines. The MDGs are filled with expressions of good wishes while goals seem increasingly unobtainable.

The next ECLAC meeting, to be held in Mexico, was scheduled for 2016.

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