LATIN AMERICA IN THE ERA OF GLOBALIZATION

With some exceptions, the economic performance of Latin American countries in the last thirty years has been disappointing. In a period of increasing global integration, the apparent fall of Latin American countries through the ladder of development contrasts sharply with the improvement in the well being of many people around the world, specially in Asia. What is special about Latin America?

The three papers that follow present different and non-competing answers to this question. Peter Schott presents an empirical comparison of Latin America’s and Asia’s exports structure to the United States. He finds that Latin American manufacturing exports receive a higher price than Asian exports in product markets where the two regions compete directly. He argues that greater productive efficiency of Asian countries is a possible explanation, raising doubts on ability of Latin American countries to continue competing with Asian products in U.S. markets without technology improvements.

Bernardo Blum argues that geography—resources, location and climate—is the main determinant of the wealth level and income distribution of countries. He shows evidence that income per capita is positively related to the structure of exports. Far-away labor-abundant countries have difficulties attracting manufacturing production, and countries exporting capital-intensive manufactures show lower inequality because a large fraction of their wealth is invested in human capital. These features imply that geographical characteristics can explain a big part of the cross-country variability of income per capita and income distribution, suggesting that the role for governments is smaller than usually thought.

Finally, Sebastián Claro argues that part of the poor economic performance of Latin American countries can be associated with their fear to embrace global integration. In a world dominated by international technology differences, integration in product and capital markets push countries toward specialization. The introduction of policy distortions to avoid specialization can generate important output and employment costs, as well as disruption of capital inflows. Rather than confronting globalization, encouraging technological innovations is key to improve the standards of living.

Keywords: Trade, Unit Values, Globalization, Technology Differences, Geography, Wage Inequality.
JEL Classification: F1, F2, F32, F4.

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