




REGIONAL INTEGRATION IN THE AMERICAS: THE IMPACT OF THE GLOBAL ECONOMIC CRISIS

Conclusions, inter-regional comparisons, and the
way forward

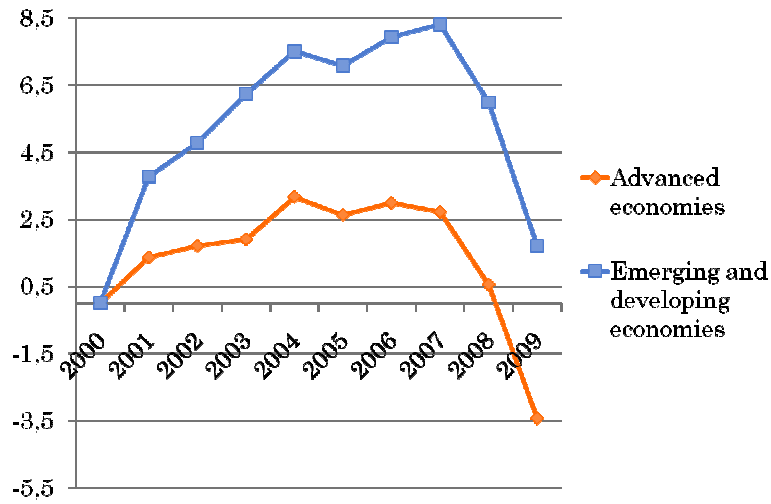
Barbara Kotschwar, Peterson Institute for
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LAC HAS BEEN HARD HIT, BUT IS NOT THE HARDEST HIT REGION

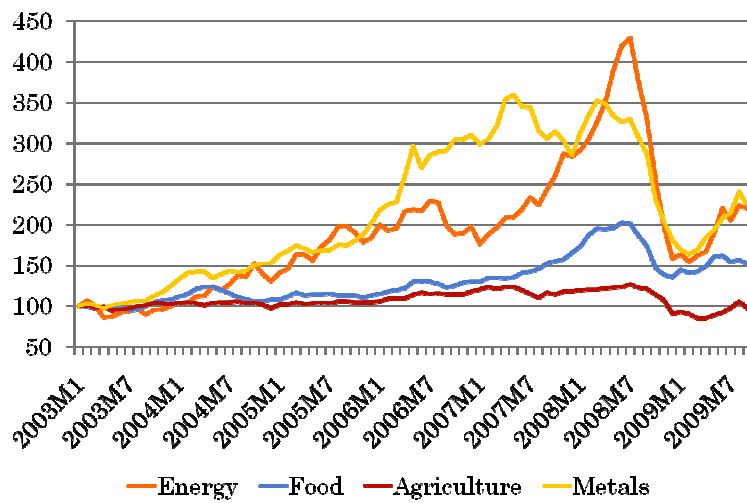
LAC has benefitted from:

- Favorable external conditions in the form of high commodity prices and rising demand from primary commodities from Asia
 - Strong macroeconomic fundamentals
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WORLD GDP GROWTH 2000-2009

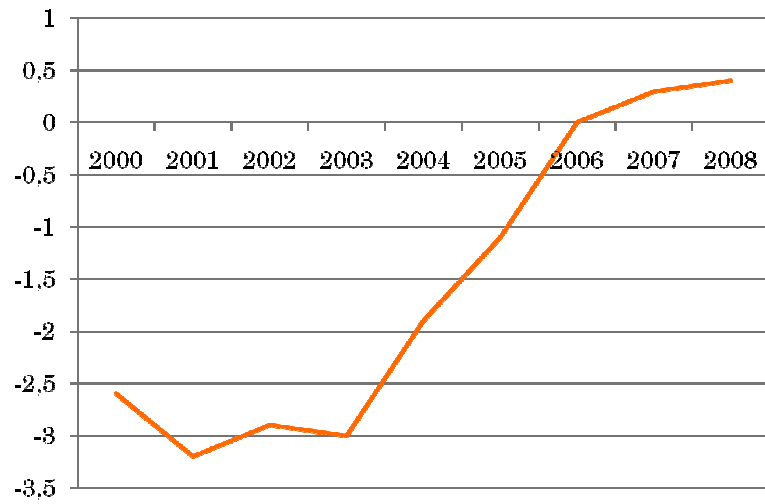


COMMODITY PRICES (2003=100)

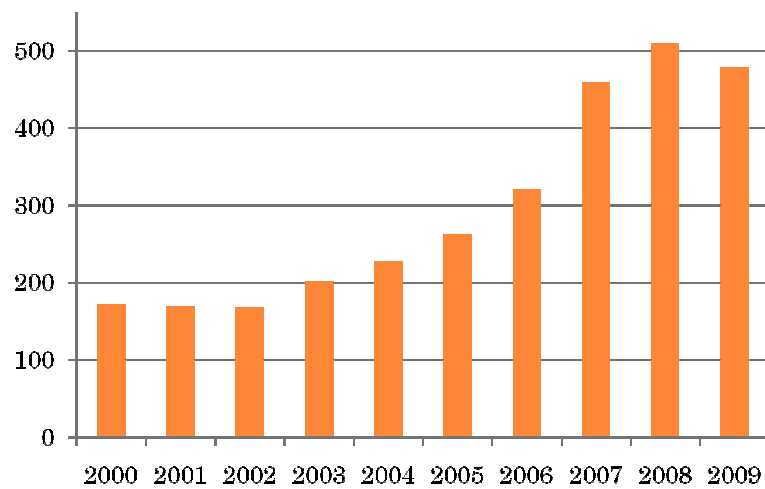


Source = IMF WEO database

LAC: FISCAL BALANCE (% OF GDP)



LAC: INTERNATIONAL RESERVES (BILLIONS OF DOLLARS)



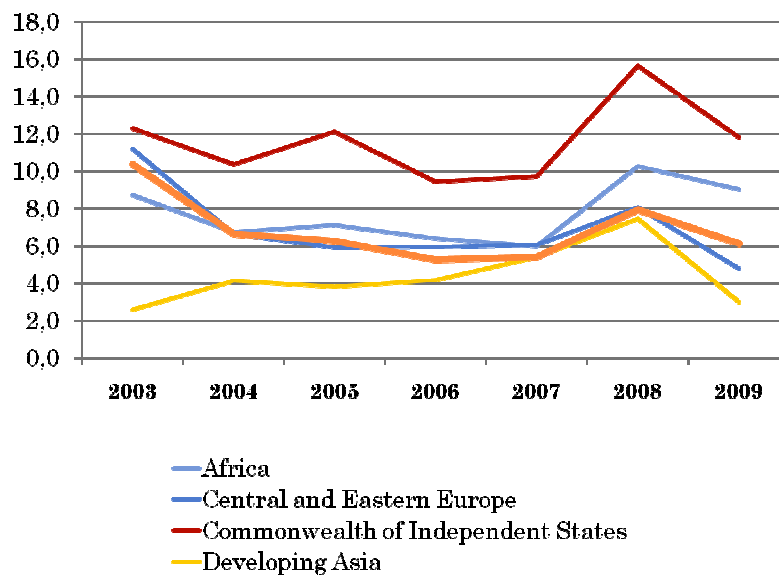
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Economic growth difference between 2009 and 2007, major geographic areas

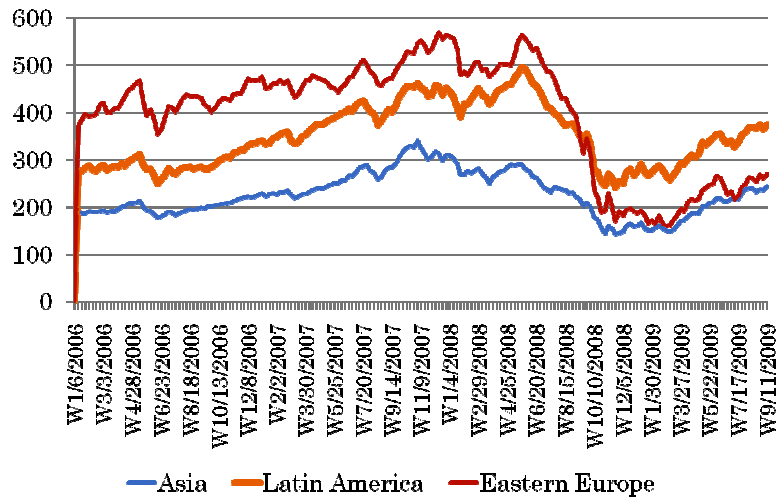
	2007	2008	2009	2009-2007
CIS and Mongolia	8.6	5.5	-5.8	-14.4
Asian NICs	5.7	1.6	-5.2	-10.9
Central and Eastern Europe	5.4	2.9	-5.0	-10.4
LAC	5.7	4.2	-2.6	-8.3
Developing Asia	10.6	7.7	5.5	-5.1
Middle East	6.3	5.9	2.0	-4.3
<i>World</i>	5.2	3.2	-1.4	-6.6

Source: IMF and Goldstein and Xie (2009)

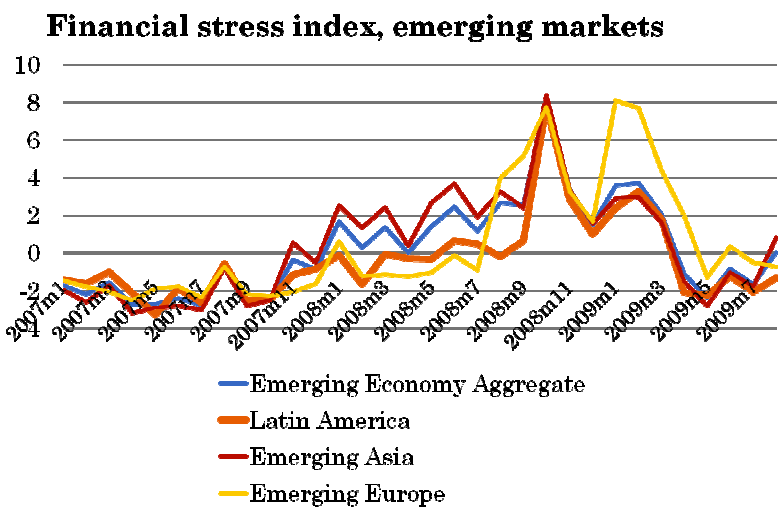
LAC ALSO PERFORMS RELATIVELY WELL WITH REGARD TO INFLATION



EQUITY MARKETS ARE PICKING UP IN DEVELOPING COUNTRIES

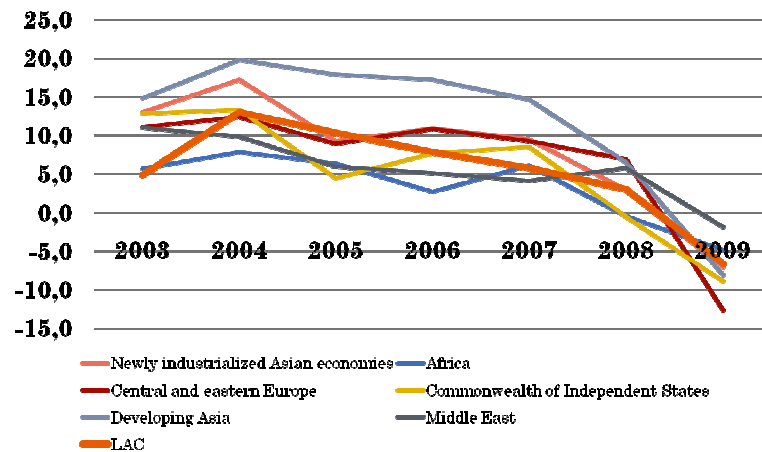


FINANCIAL STRESS INDEX: EMERGING MARKETS BEFORE AND AFTER CRISIS



LAS HAS BEEN HIT RELATIVELY HARD BY THE TRADE EFFECTS

Growth of export volume 2003-2009



FACTOR: HETEROGENEITY OF REGION UNDERSCORES DIFFERENT RESULTS OF CRISIS

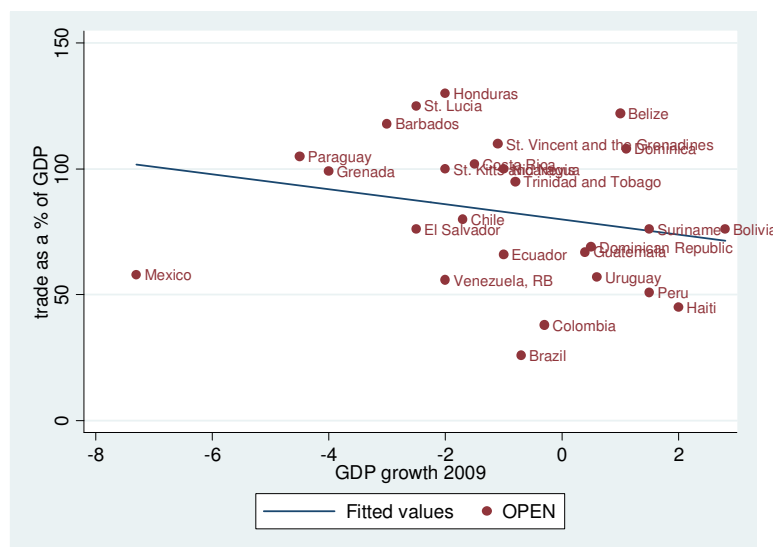
- Countries that are more integrated into international markets, open to trade have fared worse in terms of drop in GDP

SOME LAC COUNTRIES WERE HIT HARDER THAN OTHERS

Economic growth 2009 and 2009-2007, selected LAC countries (ranked by performance in 2009)			
Country	2007	2009	2009-2007
Mexico	3.3	-7.3	-10.7
Paraguay	6.8	-4.5	-11.3
Jamaica	1.5	-3.6	-5.1
Argentina	8.7	-2.5	-11.2
El Salvador	4.7	-2.5	-7.2
Honduras	6.3	-2.0	-8.3
Venezuela	8.4	-2.0	-10.4
Chile	4.7	-1.7	-6.4
Ecuador	2.5	-1.0	-3.5
Brazil	5.7	-0.7	-6.3
Colombia	7.5	-0.3	-7.8
Guatemala	6.3	0.4	-5.9
Dominican Republic	8.5	0.5	-8.0
Uruguay	7.6	0.6	-7.0
Peru	8.9	1.5	-7.4
Bolivia	4.6	2.8	-1.8



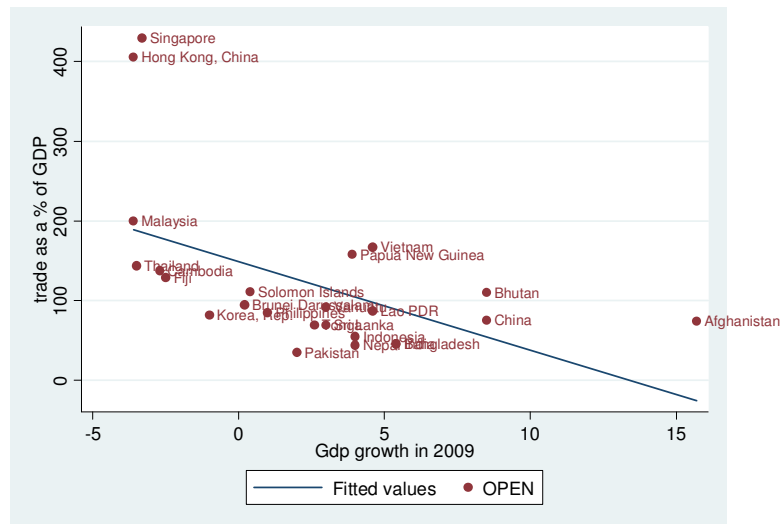
BETWEEN COUNTRIES THAT ARE VERY OPEN TO TRADE AND THOSE MOST AFFECTED BY THE CRISIS



Source: IMF WEO and World Bank



IN DEVELOPING ASIA THIS CORRELATION IS EVEN MORE PRONOUNCED:

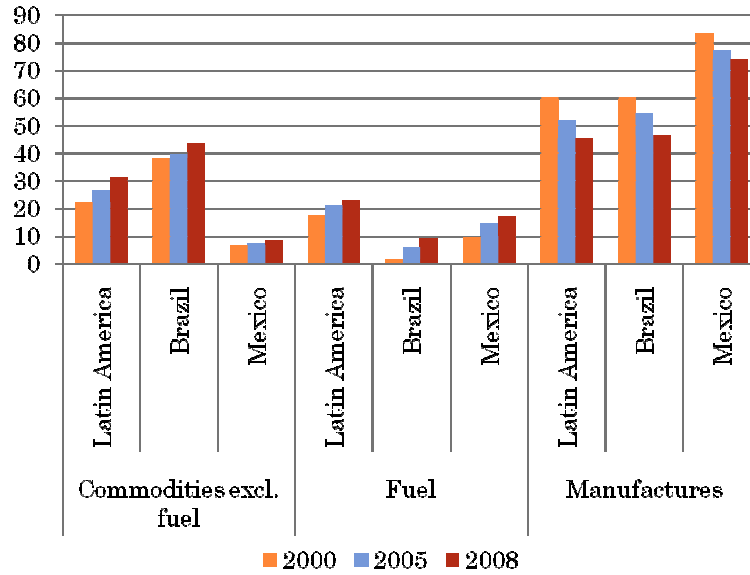


FACTOR: HETEROGENEITY OF REGION UNDERSCORES DIFFERENT RESULTS OF CRISIS

- Countries with greater trade and investment links with the United States have done worst

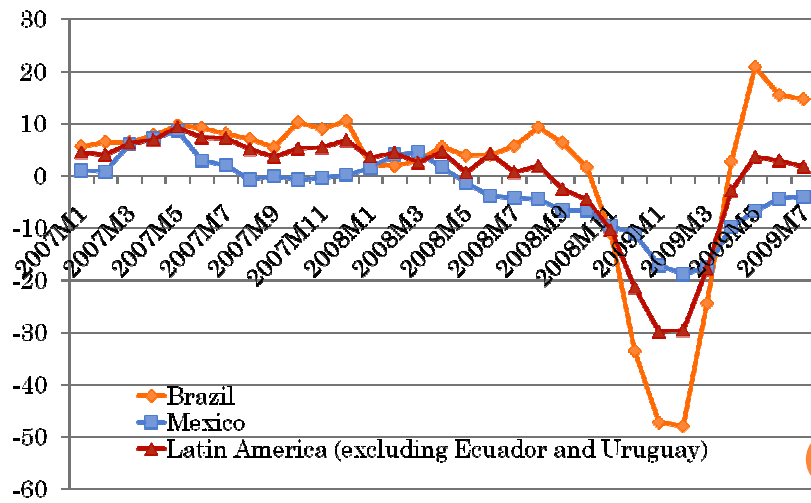
COMPOSITION OF EXPORTS 2000-2008

(PERCENT OF TOTAL EXPORTS)

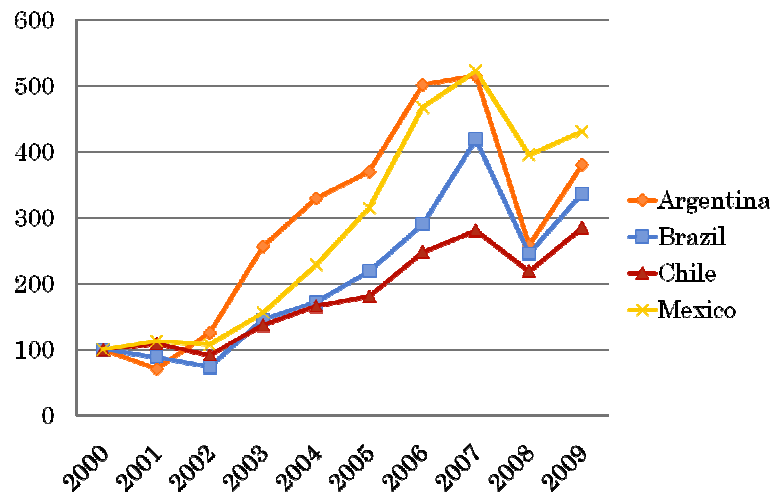


LAC INDUSTRIAL PRODUCTION: CRISIS AND RECOVERY 2007-PRESENT

(ANNUALIZED THREE-MONTH PERCENT CHANGE OF THREE-MONTH MOVING AVERAGE)



STOCK MARKET INDEXES, SELECTED LAC COUNTRIES (2000=100)



Source ECLAC 2009

THE WAY FORWARD

- Concerns: will countries be able to keep up if more fiscal stimulus is needed?
- Will countries be able to sustain anti-poverty programs? **ECLAC tells us that 9 million people in LAC have already fallen into poverty as a result of the crisis**
- Will inequality get worse (has the crisis already caused it to get worse?)
- What are the implications for the heterogeneous impact of the crisis on regional politics?

SCENARIOS FOR THE RECOVERY

- Rose-colored recovery: The US has a V shaped recovery and China and developing Asia continue to grow and demand LAC products. Doha is completed and countries restrain themselves from protectionism
 - Stagnation scenario: The US stumbles along, barely growing and China begins to feel the heat. No go on Doha and increasing protectionism.
 - Asia rising: Asia continues to grow but the US stumbles along.
- What roles for US policy in the region?



COMMODITY PRICES: BEHAVIOR IN CURRENT CRISIS VERSUS PAST CRISES (5 PAST RECESSIONS)

