

**EMBARGOED: NOT FOR PUBLICATION, BROADCAST, OR
WEB TRANSMISSION UNTIL WEDNESDAY MAY 21, 2008, AT
11.00 GMT/UST; 7.00 AM EDT (MORNING NEWSPAPERS,
THURSDAY MAY 22)**

The Growth Report – Highlights on Latin America

- *'The Growth Report'* examines the distinctive characteristics of the 13 high-growth economies, who were able to grow at more than 7% for periods of more than 25 years since World War II, one country being in Latin America - Brazil. These successful economies shared five things in common – engagement with the global economy, macroeconomic stability, high rates of saving and investment, the market allocation of resources, and credible and capable governments.
- Brazil is identified as an example of a fast growing economy that lost its momentum. Reasons the Commission cites for this include the “second phase” of import substitution after 1974, which went beyond light manufacturing to promote heavy industries and capital-goods production, the appreciation of the exchange rate and its negative effects on exporters, and the interest rate spikes in 1979 which plunged Brazil into debt.
- Latin America should increase its saving rate. In the mid-1970s, South-East Asia and Latin America had similar savings rates. Twenty years later, the Asian rate was about 20 percentage points higher.
- In many Latin American countries, growth has slowed markedly at the middle-income level. Common patterns include the disappearance of surplus labor, increased labor costs and higher wages, and a slowing in the growth of labor-intensive, often export industries. Shortages of high-skilled labor often require the transition to a more knowledge and capital-intensive economy.
- Report recommendations for policy markets in middle income countries, many of them in Latin America, include a better anticipation of this transition --from surplus labor to shortages of high-skilled labor-- and the ability to let go of earlier policies – even the successful ones. Special export zones, heavily managed exchange rates, and other forms of industrial policy, for example, can be pursued for too long.
- In Latin America, countries with incomes as high as \$4,000 per head contain large numbers of poor people, who lack access to formal jobs, capital markets and public services. In such cases, while progress can be made by redistributing income, assets or access to services, it is much easier to carry out a program of redistribution if the country is also growing.