SPECIAL REPORT

Reforms 2.0 in Latin America: achieving growth through development

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PRESENTATION

This May (23 and 24), in the distinctive and cosmopolitan city of Lisbon, international personalities, prominent figures of the diplomatic scene, company directors, members and former members of the Government of Portugal and other countries, the current head of state of Portugal and the former head of state of Chile, researchers, foundations and NGOs, have gathered to jointly discuss the 'Strategic Triangle' of the moment and the near future: Latin America – Europe – Africa.

On top of almost 900 years of history, Portugal also has a deft geographical position, being located on the west coast of Europe and therefore at a point to favourable Europe, the Americas and Africa, in addition to having individual islands in the Atlantic Ocean, therefore making it a key player in this game.

We know how the world has changed and how globalisation has help to shorten distances, showing us now how the continents are closer, presenting new challenges, new priorities and new markets. In addition to the symbols that unite (and unify) a country, there are also characteristics that bring continents, and in the specific case of this triangle, the Portuguese and Spanish languages are the true mark that brings them closer.

The Portuguese spoken by Portugal, Brazil and some African countries, totalling more than 200 million speakers, and the Spanish spoken in Spain and in other countries of Latin America are generators of dialogues, conversation and business, and enhancers of new relationships and openness to other worlds.

Despite the privileged geographical locations, investment in technology, development of infrastructure, monitoring of the market, and the value of the people and their skills, not all countries have the same rate of growth, as is normal, or the same socially responsible State, as would be desirable.

It is common knowledge that the crisis also changed the world by changing prisms and visions, allowing the emergence of new powers –such as China, for example, whose tourists in Portugal increased by approximately 36 %, and some Latin American countries– and changing the routines of people who sought new business and new geographies to work and (re)start their businesses.

On a recent visit to Portugal, Nobel Prize-winning economist Paul Krugman affirmed that Portugal has gone through severe austerity, but shows signs of improvement, which allow it to now soften the measures implemented. He also stressed that, in general, the good news goes throughout the European economy, which is recovering, as well as consumer demand which is increasing, slowly, but growing.

Based on this context, these meetings are occurring with a view to promoting political and business dialogue, with use of economic diplomacy, which in turn help to promote the affirmation of the countries abroad, establishing their reputation as a country and as a market.

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REFORMS 2.0 IN LATIN AMERICA: ACHIEVING GROWTH THROUGH DEVELOPMENT

1. INTRODUCTION

The analysis about the economic situation in Latin America has radically changed in very little time. The scenario is now very different from what until very recently was considered as the "golden" or "miraculous" decade. Facing an unprecedented period of growth and prosperity from 2003 to 2013, the current situation is considered by international organizations as "very concerning."

The decade's continued prosperity was reflected in the Latin American indexes of growth for each country. If the regional average was significant, with a growth rate of 5.4 % for the period, it is even more impressive when compared to the OECD's average, which did not exceed 2.3 %.

Contrary to that situation, regional economies have reported relatively low growth rates in recent years, averaging 2 % and 2.5 % of the GDP. This tendency has continued a downward trend, given that 2015 is the third consecutive year of decline and 2016 looks equally bad or worse, as stated by the IMF, which, for the second time this year has lowered its forecast for Latin America. According to the IMF, the total GDP for the region as a whole will shrink by 0.5 % in 2016[1].

The difference in data is significant but not surprising. On the contrary, it was a predictable problem. The reasons behind it are "an unfavorable international environment in the last five years caused by the low prices of commodities, China´s economic slowdown, the rising cost of external financing and the limited capital inflows because of monetary policies in the United States[2]. It is the worst possible scenario for economies that depend on the prices of international markets, specifically on the prices of commodities, since their productive model is based on agricultural exports of one or two products in one or two markets at the most. As a result of this extreme dependency and the fluctuation of international markets, Latin American economies have become extremely vulnerable, which has led to a predictable sharp decline in demand that has had disastrous consequences on these economies. The situation can further deteriorate depending on the state of

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[1] Growth forecast IMF, 16/04/2016, http://www.imf.org/external/spanish/pubs/ft/survey/so/2016/NEW041216AS.htm.

[2] Perspectives for Latin America in 2015 in education, skills and innovation, http://repositorio.cepal.org/bitstream/handle/11362/37445/S1420759_é.pdf?sequence=1.

"The challenge is not to restore last decade's growth but to achieve development"

international markets, on which Latin American economies depend to a large extent, now that "Latin America´s economic growth could be even lower due to China´s slowdown and, to a lesser extent, to the tightening of the financial situation in the United States."[3]

The main problem is that the economic boom did not bring along any structural reforms that would force a progressive modification of Latin America´s production model. Far from it, there has actually been a re-primarization of said economies.

The challenge is not to restore last decade's growth but to achieve development. A structural change in the development model is needed, based on the competitiveness that can be attained through qualified education, infrastructure and technological investment. The goal is to diversify the production model, adding greater value to commodities.

Faced with these challenges, this report will show that the debate is not necessarily based on implementing industrialization, as has been said in recent months. In fact, the industry is not necessarily the answer. What is crucial for any sector is to promote competitiveness, productivity and innovation by investing in human capital (education) and physical activity (infrastructure).

[3] Ibidem.

2. DIFFERENT SCENARIOS WITHIN THE REGION

Despite regional data, the truth is that the regional averages do not illustrate the diversity of the whole picture. While there are countries that find themselves immersed in a recession, others continue to grow, although at a slower pace.

Before showing the data by country, at the sub-regional level it seems evident that those countries that are more dependent on China are particularly affected by the crisis. Changes in its economic model have prompted a decline in the demand of commodities that has affected South American economies. This would explain why the South American countries reveal the worst data, since the dependency on China is greater. The difference with Mexico and Central America is that they heavily rely on the North American market, which shows signs of recovery.

This is why even those economies that show a better performance, such as Chile, Colombia, Peru and Uruguay, are also experiencing an important deceleration. Paraguay is also being particularly affected by the recession, along with Ecuador, whose dollarization represents a barrier to growth given the strong devaluation of its neighbors´ currencies.

“The ones that lead the most pessimistic forecasts are Venezuela and Brazil”

However, the ones that lead the most pessimistic forecasts are Venezuela and Brazil, two countries that are already in a recession and whose negative results affect the regional average.

In the case of Venezuela, the drastic fall in the price of oil has generated a catastrophic economic situation, given that the country's income depends almost exclusively on this resource. The significant drop in oil revenues proves the contradictions and mistakes of the current government, which is being questioned both at the national and international level. The combination of these factors have generated an economic situation that has been described as a humanitarian disaster.

In regards to Brazil, the political factor is key to understand the critical situation that the government faces. Petrobras' corruption scandal has triggered a domino effect that has reached the President, Dilma Rousseff, and former president, Lula Da Silva. The political uncertainty generated by this crisis directly affects the economic situation, as shown in the abovementioned report, which estimates that the Brazilian economy will drop 3.5 % in 2016 and will recover up to 0.0 % in 2017. The new data represents a downward correction of the projection made in October of 2.5 % and 2.3 %, respectively.

As for Argentina, it will face an important recession in 2016 as a result of the economic management mistakes made by the former government and the readjustments that the current administration will need to make. The overall situation of the region, and of Brazil and Venezuela in particular, explains the negative regional average in 2015 (-0.4 %) and the expectations of virtually zero or negative growth in 2016, according to the forecasts.

The economies further north are also experiencing a downward trend, although there has been some growth. Mexico, the other great economy of the region, displays a slowdown of -0.2 %, although it will grow at a 2.6 % in 2016 and 2.9 % in 2017. As for Central America, Cuba, and Dominican Republic, they have had an average growth of 4 % in 2015.

In conclusion, the entire region has been affected by the commodity crisis, since this is the dominant economic model. The re-primarization experienced in South America, a region especially dependent on the Chinese demand, explains why it has been particularly affected. In this regard, there are economies with greater and lesser levels of diversification, a factor that influences their ability to face the crisis. At the same time, depending on how much they export there will be economies more or less affected. The decline in the price of minerals and fossil fuels with respect to food, gives way for countries to be particularly

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affected by this issue. This explains the difficult situation of countries that export fossil fuels, whose prices are reaching record lows, such as Venezuela, Ecuador, Colombia, and Bolivia. Mining countries such as Peru and Chile are also going to suffer in this new scenario.

Likewise, countries with more diversified economies, such as Brazil, will be better positioned to face the crisis, once it overcomes the political crisis, as opposed to those countries that lack an industrial fabric and practically rely on only one product for their exports, such as Venezuela.

3. ACHIEVEMENTS AND CHALLENGES. SUCCESSES AND FAILURES. LESSONS LEARNED AND PENDING SUBJECTS

The question is why are we talking about a difficult situation, a slowdown and even a recession, when truthfully all international organizations agree that "Latin America has experienced notable progress in social and economic terms. It has been a prosperous economic cycle as we hadn´t seen in many decades. We must admit that the region's economy is emergent within its heterogeneity. The region has changed much over the past 15 years: the poverty level has significantly decreased and there have been investments in traditional infrastructure and telecommunications. Most importantly, a middle class has emerged and educational coverage has doubled. The region is much better prepared than it used to be."[4]

The response is found in the way growth has been achieved. Certainly, important lessons have been learned and accomplishments made throughout the 20th century, following situations that were difficult to manage. Thus, despite the difficult situation the region faces, the Latin American reality is different. Even though there have been important advances, they are not enough, either quantitatively or qualitatively. A structural change is needed. Indeed, these advances have been achieved thanks to the income generated by a favorable scenario from a primarily extractive economic model.

Nevertheless, only by shifting towards a new productive model will the region be able to compete with other emerging powers such as Asia. To do so it is necessary to achieve economic diversification by investing in knowledge and technology, infrastructure, logistics and services with added value, thus reproducing a circular economy. To the extent that there have been no structural changes, one of the major fears is that

[4] Infolatam, *Mario Castillo, Head of Innovation Unit and new ECLAC Technologies,* http://www.infolatam.com/2015/10/01/mario-castillo-cepal-la-ralentizacion-economica-va-a-favorecer-la-innovacion-tecnologica/,

> "There are still Latin American governments that consider the commodities market inexhaustible"

the welfare and social changes that have already been achieved cannot be sustained, thus leading to a recession.

Now that commodity prices have declined as a result of the international situation and, more recently, of the Chinese situation, the structural problems of non-diversified economies, whose export products have no added value and where there is barely any local industrial production, have once again become evident. The consequences of this new chapter began to be visible in 2012, when the prices of primary products began to drop, generating a practically mechanical effect characterized by the drastic decline of growth rates in the countries exporting these products, including Latin American ones.

It is not the first time that Latin America faces such a crisis. In reality, these are cyclic crises that have taken place since the second half of the 19th century, when its productive model was configured. The most important alternative approach was the industrialization attempt to replace imports, adopted in the region after the Second World War and in effect until the 1990s. This model showed few results and gave way to an industry subsidized by the state and barely competitive.

Nevertheless, although the limitations of the agro exporting model and the historic experience allowed us to foresee what would happen once the prices of the international market would drop, there are still Latin American governments that consider the commodities market inexhaustible and think they will always be in demand and, therefore, will continue to be a source of income[5]. According to this vision, it was a real "temptation" to take advantage of said resources to reduce poverty and inequality in the short-term through social policies, as it was actually achieved. These initiatives and policies have been carried out by all governments without exception, whether right or left-wing. The main problem is that this process has not hindered the re-primarization of Latin American economies, and, as a result, the so-much needed structural reforms have been delayed. The consequence is that, while there has been growth, there has not been development. Therefore, despite achievements, the effects have been positive in the short term, but, ultimately, represent a setback in the mid and long term.

The inevitable option is to change the production model. It is not possible to intend to continue living off commodities. Even if there is some will, no economy would allow it. It wouldn't be the most realistic or best option. First, because in the short term, no power will demand the volume

[5] Eduardo Gudynas, *Estado compensador y nuevos extractivismos. Las ambivalencias del progresismo sudamericano*, Nueva Sociedad, nº 237, January-February, 2012.

"The dominant short-term vision has made it more difficult to address the reforms"

of commodities China has demanded in the past decade. Secondly, because, to the extent that this economic model is not sustainable, even in the unlikely event that there was a similar new power, sooner or later a new crisis would erupt, with an added problem, that the rest of the world would have advanced while the Latin American region would lag behind, because of the characteristics of this economic model.

THE PROJECT OF CHANGE: ACHIEVING DEVELOPMENT

It is a slow process that requires an active role from the public policies that point towards a more competitive sector. At this time the challenge is to transform the economic model of the 19th century in order to face a 21st century crisis, and there is no room for delaying the reforms. It is essential to build more productive and competitive economies in which innovation primes and where there is diversification of products. In order to guarantee the diversification of the economy, it is necessary to invest in knowledge and new technologies.

The dominant short-term vision has made it more difficult to address the reforms, since they should have taken advantage of the resources when they were available to make investments aimed at modifying the productive model. The opportunities for growth and progress are tied to the need of putting an end to a system that exports commodities with no added value. This has been the key failure of the traditional system, that is why all the improvements have had limitations. According to Mario Castillo, "the region has been able to use the surplus created during the economic boom and reinvest it in funding social policies, education and infrastructures (...) The main problem is that the development of a sector based on the export of natural resources has not been made compatible with a technology sector that adds significant value."[6]

Once again, the reason has to do with a short-term vision, both from the government as well as the private sector. In regards to the public policies that have been implemented, it is the government who has pushed the re-primarization of the economy. On the other hand, considering that natural resources have had such high returns without technological investment, the incentive to create technology-based businesses has been minimal.

This is currently being reinvented, and technology-based initiatives are being developed, particularly in certain countries. For example,

[6] Infolatam, Mario Castillo, *Head of Innovation Unit and new ECLAC Technologies*, 30/09/2015,. http://www.infolatam.com/2015/10/01/mario-castillo-cepal-la-ralentizacion-economica-va-a-favorecer-la-innovacion-tecnologica/.

Chile has implemented a specialization strategy in high added-value sectors, by applying new technologies to traditional sectors and making use of the Internet in the industrial sector and in new sectors associated with biotechnology and manufacturing. Argentina has also made advances in information technology and Mexico and Brazil have important technology clusters in the automotive and aeronautics industry[7]. Without a doubt, these are important developments, yet they fail to apply an integral and sustainable vision that governments and society can adopt as a new production model.

ALTERNATIVE MODEL BASED ON COMPETITIVENESS TO OBTAIN GREATER PRODUCTIVITY

The limitations of the model hereby described are made evident by looking at competitiveness data. The Global Competition Report, 2015-2016, shows that the region has been stagnant for the last five years. However, once again we need to insist on the heterogeneity of the region, and how the competiveness gap between countries continues to widen. Nevertheless, the majority of the countries in the region are in the middle group, in between the positions 50 and 100, with Argentina slightly outside this range at 106.[8]

In reality, the index of competiveness did not vary much during the years of economic bonanza. As indicated, the problems weighing on the region are structural in nature. There has been some growth, but "a weak functioning of the institutions, deficient infrastructures and the inefficiency in the allocation of production factors" have persisted. These deficiencies, that are common to all Latin American economies, explain the competitiveness data, due to a gap in training, technology and innovation, "which limits the advancement of companies and nations towards activities of greater added value[9]."

In order to improve this situation, we must analyze the international market and develop the production activities it demands. We must undertake an economic transformation adapted to this new market and the opportunities it presents. This transformation can very well take place without having to change the production matrix, but, in order to ensure diversification, added value and the processing of agricultural products, it will require knowledge, technology, productive infrastructure,

[7] Ibidem.

[8] INCAE Business School *Informe Global de Competitividad*, 2015-2016, http://www.incae.edu/es/nuestros-proyectos/clacds/informe-global-de-competitividad-2015-2016.php.

[9] INCAE Business School *Informe Global de Competitividad*, 2013-2014, http://www.incae.edu/es/clacds/informe-competitividad-global-2013-2014.php

environmental security, energy efficiency, transportation and logistics.

The vision and concept of development goes beyond where to focus the economic activity but, rather, on how it should be done. That is why we need to insist that, in order to implement structural change it is not necessary to abandon exports, or production activity in the primary sector, or concentrating on the secondary sector and achieving a national industry. Economic activity may still be linked to agricultural exports, as long as these products have added value and cover the needs of diverse markets.

“Perhaps the key lies in the concept of circular economy”

Perhaps the key lies in the concept of circular economy, more than in the productive area where it is necessary to invest. Indeed, it is necessary to implement this economic concept in order to ensure a better use of the region´s natural resources. By investing in the abovementioned areas it is possible to prevent natural resources and minerals, such as gold, copper and silver, from leaving the region the way they are extracted. The result is not only to avoid the risk of depletion, but also to avoid using them in other sectors to ensure the creation of a circular economy, since everything is exported the way it is extracted. This economic model will put an end to a debate that up to this moment has not contributed great solutions, since until not so long ago the discussion revolved around economic activity and whether the path to development should focus on agricultural or industrial activity.

In this sense, the challenge is not to dump all efforts in creating an industrial fabric and conducting a systematic process of industrialization, as has been emphatically pointed out. The key is not whether the economic activity concentrates on agriculture, industry or services, but whether it is applied under the criteria of a circular economy fed through knowledge, technology, infrastructure, etc., thus allowing any economic activity to be sustainable. In other words, the changes to be implemented do not necessarily involve the transformation of the production matrix, but rather, its reform. This means Latin America can be competitive and develop a sustainable economy while maintaining predominantly agricultural and mining economies. No matter what the economic activity is, it is vital to add significant value to products and guarantee margins of diversification, and for that, knowledge, technology and the qualification of the labor force are fundamental.

Another key aspect in this regard, as recognized by Alicia Bárcena, Executive Secretary of ECLAC, is regional integration, which multiplies the possibilities of expanding markets and provides negotiating power to the region before extra-regional powers such as China, which has been the

"Diversifying products and markets for exports and creating greater added value is a fundamental task"

region´s most important client throughout the past decade.

However, despite the advances made in reaching numerous bilateral commercial agreements and agreements between subgroups of the countries, the region has not been able to integrate more deeply. The potential of the regional market has not been developed yet, and only a few companies participate in the value chains of the region, which, in turn, limits their participation in global value chains. The interregional commerce is currently 17 %, whereas in Europe it is at 68 %, in Asia at 52 % and in Africa at 10 %.

One of the reasons is the problem of connectivity, due to the lack of infrastructure. It is necessary to improve airports, ports, road and railway transportation, as well as other infrastructures such as waterways and sanitation. The development of a common regional market allows companies to exploit at a larger scale, allowing them to effectively compete with global actors.

THE INTERNATIONAL MARKET MUST KEEP ITS CENTRAL ROLE IN THE REGIONAL ECONOMY

It is not necessary to give up the primary sector or exports, but it is vital to end the productive mono-dependency as well as the "Chinese dependency." This requirement forces Latin American countries to be more competitive, productive and innovative, for which it is imperative to invest in human capital (education) and physical capital (infrastructures). These investments demand partners, which is why they cannot ignore extra-regional powers. Therefore, Latin American economies must continue to be immersed in international commerce and follow the demand of potential extra regional clients, whether they be China, Europe or the United States.

The key lies in modifying the terms of commercial relations. "What we have learned up to now is that world trade or receiving direct foreign investments is not enough." The advantage is that the relationship between Latin America and possible partners, such as China, becomes "more symmetric". Under this new relationship, "a model that is more competitive, introducing global chains that create more added value, more technology, more innovation and better jobs" is favored, as stated by Enrique Garcia, Chairman of the Development Bank of Latin America (CAF).

Diversifying products and markets for exports and creating greater added value is a fundamental task. Under these criteria it is necessary to analyze the international market and to develop productive activities according to each market. In this regard, agricultural production should not be given up, because under these criteria it can be a competitive alternative.

Therefore, agriculture and agroindustry is a market

"A more effective State. Capacities for the design, implementation and learning of public policies"

filled with opportunities for the Latin American region, especially for societies with a consolidated middle class, or those where it is growing, as in emerging economies, and it is mostly urban. This social group demands a diverse and quality diet. That is why we observe an increase in the demand for proteins and processed foods, greater quality requirements and special properties.

The service sector is another area of great opportunity that the region cannot miss, as is the case of tourism focused towards the middle class. It has an extraordinary potential that has barely begun to be exploited.

Thanks to this new market and the numerous opportunities it presents, we can understand the economic transformation that can take place without changing the productive matrix, yet ensuring diversification, adding value and processing agricultural products, which will require knowledge, technology, production infrastructure, transport and logistics.

THE COMPLEXITY OF CHANGE. INSTITUTIONAL REFORM

The reform the region needs to carry out is extraordinarily complex and transcends the strictly economic environment. Its implications call for institutional reforms that strengthen the institutions, along with low levels of corruption, an efficient government, and macroeconomic stability, key factors that explain why Chile is the most competitive country in the region and "enjoys sound accounts and low levels of public debt."[10]

State reform is essential to guarantee the functioning of public policies in Latin America, given its lack of appropriate skills[11]. According to the report "A more effective State. Capacities for the design, implementation and learning of public policies," the reality shows that there is a lack of efficiency in some initiatives implemented by the state and that public policies are a failure. They fail because of the way public policies are implemented and because of the state´s lack of required capabilities." The same report indicates certain capabilities that guarantee the process of design, implementation and policy learning:

- A bureaucracy that acts as a transversal actor in the design and implementation of policies, which requires able, honest and motivated employees.
- Public purchases systems must act as a crucial tool in the implementation stage. A

[10] *Informe Global de Competitividad* 2013-2014.

[11] Pablo Sanguinetti, *Un Estado más efectivo. Capacidades para el diseño, la implementación y el aprendizaje de políticas públicas* http://www.scioteca.caf.com/bitstream/handle/123456789/755/reporte_economia_desarrollo_caf_2015_estado_politicas_publicas.pdf?sequence=1&isAllowed=y

"In a moment as crucial as this for the region, Portugal and Spain may find new opportunities, directly and indirectly"

good system is required, one that provides the necessary supplies both in quantity and quality and at the right time.

- Ensure a direct and constant relationship between the citizens and the bureaucracy in order to promote accountability.

- Transform policy experiences into knowledge and learning experiences that increase effectiveness. To achieve this, monitoring and evaluating public policies becomes key to understand the potential for change of the implemented initiative.

The state´s reform is as important as economic reform to bind the efficiency of its operation. So much so that, if the governmental reform is not efficient, the results of the economic reform will not be complete.

4. THE IBERIAN PENINSULA FACING THE CHALLENGE OF ECONOMIC TRANSFORMATION OF LATIN AMERICA

In a moment as crucial as this for the region, Portugal and Spain may find new opportunities, directly and indirectly. At this time of reforms, Latin America needs services to carry out this process, which can be understood as a new opportunity, in many ways. Indirectly, it means contemplating the opportunities that exist, especially in Portugal, in order to become an intermediary between Latin America and the Pacific region. Certainly, for many analysts, it appears that the future America is in the Pacific. There are several relationship pathways with the Asiatic continent, from Latin American countries to the Pacific basin, either through the Pacific Alliance, or through the TPP – Trans-Pacific Partnership, or a more mature business and value-added relationship with China. This is a space that the Iberian Peninsula can take advantage of, particularly with regard to relations between China and Latin America.

Everything indicates that relations between both regions will be solid, intense and long-lasting. The change of the Chinese development model and its orientation toward domestic demand and toward the service sector clearly affected the Latin American region, with decreasing demand for raw materials and commodities in general. However, the Asian giant continues to represent an opportunity for Latin America in the face of the possible new markets that may open in this new stage of China's growth.

This Eastern presence in the region undoubtedly affects the Iberian Peninsula. But it is no reason to fail to see new opportunities that arise. China's increased presence can contribute to the development of the region and has generated opportunities for collaboration and synergies with Portuguese and Spanish stakeholders, both

"In Portuguese, entrepreneurs analyse business opportunities abroad, particularly in Latin America"

public and private, on multiple levels. Knowledge of the reality, language and culture of Latin America, as well as the presence of Portuguese and Spanish companies in the region, can be a great help to increasing the prosperity of Chinese investments.

However, opportunities should not be seen only through China, but in directly competing with this giant. In Portuguese, entrepreneurs analyse business opportunities abroad, particularly in Latin America, most recently seeking to deepen the markets of Cuba and Mexico, just as examples. In this sense, in the country, the Agência para o Investimento e Comércio Externo de Portugal [Portuguese Agency for Foreign Investment and Commerce] helps to promote internationalisation of Portuguese businesses, by sharing information and synergies about the markets in which to invest, especially for various Latin American countries. Given the recession in Brazil or Venezuela, there are countries that have substantial growth data, especially if we compare them with those of the eurozone. The countries of the Pacific Alliance, to which we must add Bolivia (whose economy will grow approximately 3.8 % this year) manage to maintain their indices (Mexico will grow 2.4 %, Colombia 2.5 %, Peru 3.7 % and Chile 1.5 %). These are economic areas that continue to present business opportunities, even in cases where China's presence is very substantial.

At this crucial moment of necessary transformation of structures, the region, in accordance with its needs, must seek to equip itself with infrastructures, qualified training and technology, tools and sectors in which we can be particularly competitive. If we add the use of common languages to this, Portuguese for Brazil and Spanish for the other Latin American countries, the advantages increase, especially in the field of education.

5. CONCLUSIONS

The outlook has deteriorated, the problem has been diagnosed and the solutions are clear, according to all international organizations. Therefore, it is urgent to assume the abovementioned structural reforms, although we must carefully consider how they will be applied[12]. It would be a serious mistake not to give importance to the need of minimizing the social costs adjustment policies will entail in the short term, as it can be counterproductive. It could generate a wave of social and political opposition that could deactivate the viability of the reforms.

[12] BID, *Informe Macroeconómico de América Latina y El Caribe, 2016*, http://www.iadb.org/es/investigacion-y-datos/detalles-de-publicacion,3169.html?pub_id=IDB-AR-120.

"It involves reconciling social and economic concerns in the short term with growth objectives in the long term"

The goal is to maintain a balance that is difficult to achieve, as it involves reconciling social and economic concerns in the short term with growth objectives in the long term. This balance could be achieved by gradually implementing the reforms and guaranteeing the safety of the most vulnerable social sectors, who, thanks to the commodities boom, had managed to improve their situation. The problem is that not all states have the same margins or possibilities of implementing structural reforms. These are urgent for the region as a whole, but particularly for those countries that are in recession, making it impossible to cushion the social costs that will ensue. The challenges are numerous and extremely complex, but unavoidable. Latin America must find a solution for a burden that has managed to provide prosperity in the short term, but is a bona fide problem in the medium and long term.

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