TPO NETWORK
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KEYNOTE ADDRESSES

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COMPETITIVENESS IN LATIN AMERICA – A VIEW

Speaker:

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Latin America's competitiveness is important when it comes to reviewing the role and responsibilities of TPOs in their respective countries.

There are many definitions of 'competitiveness': this concept is based on various factors drawing on the level of productivity of a country. More productivity leads to higher returns on investments and more income is generated. As a result, the country enjoys more prosperity.

There are many determinants of the competitiveness of a country, all being quite complex to assess: access to education, training of human resources, transparency of regulations and policies, labour division, level of investment in infrastructure, access to credit and capital, etc.

The World Economic Forum produces the annual Global Competitiveness Report, a comparative analysis across 139 countries using indices based on indicators calculated for all countries. The report is based on 12 main pillars to create an index of competitiveness, and analyses, among other issues, the relationship between GDP per capita and the global index of competitiveness.

The main findings for Latin American countries are homogenous. All countries appear to have a stable level of competitiveness, although only one country is among the top 50 rated in the Report. The level of regional integration varies across Latin America, with several obstacles, including logistics and trade facilitation, that negatively impact the general level of the countries' competitiveness. At the same time, the Latin American region is one of the most open in the world for trade and investment. The attractive investment environment and fiscal prudence continue to be the main attributes of most countries.

There is much work to be done to enhance the competitiveness of countries in Latin America. TPOs play a critical role. They should promote openness and regional integration, both key drivers of competitiveness. For example, tariff barriers have been decreasing in most countries of the region over the last five to 10 years.

TPOs can also support and promote technological innovations in their countries as many governments are investing more in research and development.

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As Mr. Umaña explained, tariffs across the region are low: ‘Tariffs are low, at less than 8% for all countries. Yet despite this aggressive tariff reduction, trade in the region is limited. A major barrier cited by CEOs interviewed for the Report is customs procedures.’

At the same time, it is important to ensure that non-tariff measures do not become obstacles to trade.

Latin America’s challenges in enhancing competitiveness are similar from one country to the other, including:

- Red tape and bureaucracy exacerbate unstable policies and policy variability across the region;
- Limited access to financial services;
- The need for a better trained workforce and capacity building;
- Rigid labour regulations make it difficult for companies to operate;
- The risk of crime and corruption; and,
- Insufficient protection of intellectual property rights, which hampers innovation.

‘There is a role for TPOs to understand domestic trade liberalization processes and communicate them. TPOs should focus on how to better communicate the value chain of products and inputs necessary to increase companies’ productivity,’ Mr. Umaña added, noting that inter-regional trade should be also be fostered.