**Workshop in Contemporary Economic Issues in Latin America**

**Prof. Chong-Sup Kim**

 **Course Objective**

    This course is aimed at providing students with the comprehensive understanding of contemporary economic situations and issues in Latin America. In particular, it will deal with the big issues in Latin America such as structural reforms, currency crisis, dollarization, financial liberalization, regional integration. In addition, this course will examine the backgrounds or causes of the economic crisis in several Latin American countries such as Mexico, Brazil, their countermeasures to cope with the crisis, and the results.

 **Teaching Methods**

 Lectures by the professor

 Group and individual assignments

 Presentations by the students

 Discussions

 **Evaluation**

 Final exam: 70%

 Assignments: 20%

 Attendance and class participation: 10%

 **Questions Explored**

How far have the economic reforms gone in Latin America?

Have structural reforms contributed to higher growth rates? If not, what other factors are important for economic growth?

What is the level of competitiveness of the Latin American countries, and what measures can be taken to improve it?

Why banking crisis and currency crisis happened so frequently in Latin America?

 **Textbooks**

[1] [IPES 2001: Competitiveness: The Business of Growth](http://www.iadb.org/res/index.cfm?fuseaction=Publications.View&pub_id=B-2001E)

[2] [IPES 2002 - Beyond Borders: The New Regionalism in Latin America](http://www.iadb.org/res/index.cfm?fuseaction=Publications.View&pub_id=B-2002E)

[3] Edwards, Sebastian, *Crisis and Reform in Latin America - From Despair to Hope,* Oxford University Press, 1995.

 **Class Sequence**

 Week 1. Structural Reform and Competitiveness

Lora, Eduardo, (2001), ["Structural Reforms in Latin America: What has been Reformed and How to Measure it."](http://www.iadb.org/res/publications/pubfiles/pubWP-466.pdf) Research Department Working Paper 466. Inter-American Development Bank.

Lora, Eduardo, & Ugo Panizza, (2002), ["Structural Reforms in Latin America Under Scrutiny,"](http://www.iadb.org/res/publications/pubfiles/pubS-126.pdf) prepared for the Seminar "Reforming Reforms".

|  |
| --- |
| Assignment: Take any Latin American country whose political tendency has turned to the left, and investigate the reason of this turn.  |

 Week 2. Competitiveness and Growth

[1] Ch 1. [Growth, Productivity and Competitiveness in Latin America](http://www.iadb.org/res/publications/pubfiles/pubB-2001E_235.pdf)

Sachs, Jeffrey, and John Mcarthur, (2001), ["The Growth Competitiveness Index: Measuring Technological Advancement and the Stages of Development."](http://www.cid.harvard.edu/cr/pdf/2001Growth_Competitiveness.pdf)  in Global Competitiveness Report 2001-2002.

Sachs, Jeffrey, & Joaquin Vial, ["Can Latin America Compete?"](http://www.cid.harvard.edu/cr/pdf/lacr_ch1.pdf) in Latin American Competitiveness Report 2001-2002.

Cornelius, Peter, Jennifer Blanke, & Fiona Paua, ["The Growth Competitiveness Index: Recent Economic Developments and the Prospects for a Sustained Recovery"](http://www.weforum.org/pdf/gcr/GCR_2002_2003/GCR_GCI.pdf).

Lall, Sanjaya, (2001), ["Comparing National Competitive Performance: An Economic Analysis of World Economic Forum's Competitiveness Index"](http://www3.qeh.ox.ac.uk/RePEc/qeh/qehwps/qehwps61.pdf), QEH Working Paper - QEHWPS61.

|  |
| --- |
| Assignment: Decompose the GDP growth of Korea and Mexico into the contribution of capital, labor, education, and total factor productivity for the periods of 1967~77 and 1977~87. ([1] Chapter 1, Table 1.2)Data: [Nehru and Dhareshwa Data Set](http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/0%2C%2CcontentMDK%3A20699834~pagePK%3A64214825~piPK%3A64214943~theSitePK%3A469382%2C00.html) |

 Week 3. Exports and Competitiveness

[1] Ch 4. [Exports and Competitiveness](http://www.iadb.org/res/publications/pubfiles/pubB-2001E_8842.pdf)

UNCTAD, (2002), "Export Dynamism and Industrialization in Developing Countries," and "Competition and the Fallacy of Composition," [Trade and Development Report 2002](http://www.unctad.org/en/docs/tdr2002_en.pdf), Ch. 3 & 4.

|  |
| --- |
| Assignment: Decompose Korean's export growth into world export growth effect, commodity effect, and competitiveness effect. (Constant Market Share Analysis)Data: COMTRADE database |

 Week 4. Financial Liberalization

[3] Ch 7. Capital Market Deregulation, Savings, and Investment

[1] Ch 5. [Financial Regulation and Supervision](http://www.iadb.org/res/publications/pubfiles/pubB-2001E_4339.pdf)

[2] Ch 5. [Financial Integration](http://www.iadb.org/res/publications/pubfiles/pubB-2002E_7384.pdf)

Demirguc-Kunt, Asli, and Enrica Detragiache, (1998), ["Financial Liberalization and Financial Fragility"](http://econ.worldbank.org/docs/468.pdf), IMF Working Paper WP/98/83

|  |
| --- |
| Assignment: For any two years calculate the ratio of broadly defined money (or private credit) to GDP for the countries that appear in IFS. Show the relationship of this ratio and GDP per capita with a graph.  |

 Week 5. Currency Crisis and Banking Crisis in Latin America

[3] Ch 9. "The Mexican Crisis of 1994 and the Future of the Latin American Reforms"

Gavin, Michael and Ricardo Hausmann, (1998), [The Roots of Banking Crises: The Macroeconomic Context](http://www.iadb.org/res/publications/pubfiles/pubWP-318.pdf)

Kaminsky, Graciela L., and Carmen M. Reinhart, (1988), ["The Twin Crises: The Causes of Banking and Balance-of-Payments Problems"](http://www.federalreserve.gov/pubs/ifdp/1996/544/ifdp544.pdf), Board of Governors of the Federal Reserve System, International Finance Discussion Paper No. 544.

 Week 6. Group Presentation: The Emergence of China and Latin America

|  |
| --- |
| Take one Latin American country, and analyze the effects of the emergence of China on its trade and economy.  |

■ This class will take the form of a seminar. Students are expected to raise discussion topics, look for the relevant papers, make a short presentation, make comments on the other presentations, ask questions, and answer them. ■

 Week 7. Labor Market Liberalization

[1] Ch 9. [Labor Costs and Competitiveness](http://www.iadb.org/res/publications/pubfiles/pubB-2001E_7162.pdf)

[1] Ch 10. [Removing Barriers to Improved Labor Productivity](http://www.iadb.org/res/publications/pubfiles/pubB-2001E_4053.pdf)

[3] Ch 8. Poverty, Income Distribution, and Human Resources

 Week 8. Labor Supply in Latin America

IPES 2003: Good Jobs Wanted: Labor Markets in Latin America, Chapter 3. [Changing Patterns in the Supply of Labor](http://www.iadb.org/res/publications/pubfiles/pubB-2004E_6266.pdf)

|  |
| --- |
| Assignment: Draw the dependency ratio of Korea for 1960~2050. Draw the population pyramids of Korea for 1960, 1970, ..., 2050.Data source: [통계청](http://www.nso.go.kr/) |

 Week 9. Infrastructure and Competitiveness

[1] Ch 11. [Ports and Transport](http://www.iadb.org/res/publications/pubfiles/pubB-2001E_3850.pdf)

[1] Ch 12. [Electricity](http://www.iadb.org/res/publications/pubfiles/pubB-2001E_7992.pdf)

[1] Ch 13. [Telecommunications](http://www.iadb.org/res/publications/pubfiles/pubB-2001E_1496.pdf)

[3] Ch 6. Privatization and Deregulation

Limao, Nuno, and Anthony J. Venables, ["Infrastructure, Geographical Disadvantage, and Transport Costs"](http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2000/01/15/000094946_99123006244552/Rendered/PDF/multi_page.pdf), World Bank, Policy Research Working Paper #2257.

 Week 10. Technological Competitiveness of Latin America

[1] Ch 15. [The Ability to Innovate and Use New Technologies](http://www.iadb.org/res/publications/pubfiles/pubB-2001E_1420.pdf)

[1] Ch 16.   [Innovation Systems in Latin America](http://www.iadb.org/res/publications/pubfiles/pubB-2001E_1777.pdf)

Melo, Alberto, (2001), ["The Innovating Systems of Latin America and the Caribbean."](http://www.iadb.org/res/publications/pubfiles/pubWP-460.pdf) IDB.

Huang and Miozzo, (2004), ["Patterns of Technological Specialization in Latin American and East Asian Countries: an Analysis of Patents and Trade Flows"](http://gsis1.snu.ac.kr/cskim/latinissues/techno1.pdf)

|  |
| --- |
| Assignment: Calculate the RTA(Revealed Technological Advantage) index for any country (or countries) for any sector(s). Interpret. Data sourse: [U.S. PATENT AND TRADEMARK OFFICE](http://www.uspto.gov/web/offices/ac/ido/oeip/taf/brochure.htm)  |

 Week 11. Foreign Direct Investment in Latin America

[1] Ch 18.   [Foreign Direct Investment Policies](http://www.iadb.org/res/publications/pubfiles/pubB-2001E_8110.pdf)

[2] Ch 10.  [Regional Integration and Foreign Direct Investment](http://www.iadb.org/res/publications/pubfiles/pubB-2002E_18.pdf)

Levy, Eduardo, Ernesto Stein, Christian Daude, (2003), ["Regional Integration and the Location of FDI,"](http://www.iadb.org/res/publications/pubfiles/pubWP-492.pdf) IDB, Research Department Working Paper #492.

 Week 12. The New Regionalism in Latin America

[2] Ch 1.  [Regional Integration: Summary and Agenda](http://www.iadb.org/res/publications/pubfiles/pubB-2002E_1486.pdf)

[2] Ch 2.  [The New Regionalism in Latin America](http://www.iadb.org/res/publications/pubfiles/pubB-2002E_732.pdf)

 Week 13. Regional Trade Arrangements in Latin America: Trade Creation and Trade Diversion

Yeats, S. (1997), "Does MERCOSUR's Trade Performance Raise Concerns about the Effects of Regional Trade Arrangements?" World Bank Policy Research Working Paper #1729.

Cernat, Lucian (2001) "Assessing Regional Trade Arrangements: Are South-South RTAs More Trade Diverting?" United Nations

[2] Ch 7. [Macroeconomic Coordination in the Region](http://gsis1.snu.ac.kr/res/publications/pubfiles/pubB-2002E_3642.pdf)

[2] Ch 8. [Trade Agreements, Exchange Rate Disagreements](http://gsis1.snu.ac.kr/res/publications/pubfiles/pubB-2002E_7545.pdf)

 Week 14. International Migration and Remittances: Implications to Latin American Economies

Adams, Richard H., Jr., (2003), “International Migration, Remittances, and the Brain Drain – A Study of 24 Labor-Exporting Countries,” World Bank Policy Research Working Paper No. 3069.

Buch, Claudia, and Anja Kuckulenz, (2004), “Worker Remittances and Capital Flows to Developing Countries,” ZEW Discussion Paper No. 04-31.

Acosta, Pablo, Cesar Calderon, Pablo Fajnzylber and Humberto Lopez, (2008), “What is the Impact of International Remittances on Poverty and Inequality in Latin America?” *World Development* Vol. 36, No. 1, pp. 89-114.

 Week 15. Final Exam