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ON THE " LATIN AMERICA DECADE"

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On the "Latin American Decade"[1]

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Abstract

This chapter analyzes Latin American performance in the period 2003-2013 period to evaluate two ideas; whether or not the first decade of the 2000s constituted "Golden Years," and whether or not the 2010s were or will likely to be a "Latin American Decade." We will compare the region's 2003-2013 performance with that in the 1980s and 1990s, evaluate how it performed in sub-periods 2003-2007 and 2008-2013, and compare the region's 2003-2013 indicators with those of other developing regions during the same period. The paper concludes that the period 2003-2013 was a golden decade when compared only with the region's own performance during the previous two decades but not when compared to other developing regions. Furthermore, the "Golden Years" were just the half decade of 2003-2007. Therefore, our conclusion is that there is no indication of a "Latin American Decade" in the past or in the forthcoming periods.
Keywords: Latin America; Economic Performance; Developing Regions.

1- Introduction

Latin America got significant attention in the recent past thanks to its positive economic performance. Some authors claimed that the first decade of the 2000s – or at least part of it - were *golden years* for Latin America. Others suggested that the 2010s were going to be the *Latin American decade.*[5]

Were these analyzes over-optimistic? Does the data corroborate this hypothesis of a golden period or a Latin American decade? This chapter comparatively evaluates Latin America´s recent performance based on a series of economic statistics, namely GDP

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[5] See, for instance, Talvi and Munyo (2013) for the idea of a golden period in the first decade of the 2000s. For the idea of a Latin American decade in the 2010s, see Moreno (2011). Both works will be discussed in section 2.

growth, unemployment, inflation rates, poverty ratios, current account balance (% of GDP) and the net external debt (as % of both GDP and exports). It firstly compares Latin America's performance in the period 2003 – 2013 with its own results in the 1980s and 1990s. It then splits the period 2003-2013 in two sub-periods: i) the pre-North Atlantic crisis[6] years 2003-2007; and ii) the crisis and post-crisis 2008-2013 period. Both sub-periods statistics are then compared with Latin America´s own performance in the 1980s and the 1990s.

Finally, Latin America´s performance in the period 2003-2013 is compared with other developing areas results within the same period. In particular, LA's[7] performance is compared with the following regions, whose composition are indicated in Annex 1: i) Emerging and Developing Asia ("EDA"); ii) Middle East and North Africa ("MENA"); iii) Sub-Saharan Africa ("SSA"); and iv) Commonwealth of Independent States ("CIS"). They will be identified hereafter by their acronyms.

The chapter is divided in five sections, including this Introduction and the Conclusions. The second section briefly summarizes the literature that presented and discussed this idea of the 2010s as a Latin America´s decade and/or the first decade of the 2000s as a golden period for Latin America. The third section compares the period 2003-20013 and the sub-periods 2003-2007 and 2008-2013 with LA's own performance throughout the 1980s and the 1990s. The fourth section consists on the comparison of LA with other developing areas during the period 2003-2013[8].

2 – The idea of a Latin American decade: a summary

Between the 1960s and the 1970s, Latin America grew on average of 5.5% a year[9]. However, during the "Lost Decade" of the 1980s, most countries in the region suffered from a combination of debt crisis, very high inflation rates and very modest economic growth rates. During the 1990s, macroeconomic stabilization was back but growth rates kept modest in general. Moreover, some important countries of the region experienced currency crisis in the second half of that decade.

During the 2000s, and particularly since 2003, Latin American countries faced a very positive external context. (Hence, and for simplicity, we would refer to the period 2003-2013 as the "2000s"). Firstly, commodity prices went up. As Figure 1 shows, there was a commodity price boom during the 2000s. The CRB index first increased by 152.0 %

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[6] Although the 2008-2009 financial crisis had global effects, it concentrated in North America and Western Europe. Hence, the term *North-Atlantic financial crisis* is more appropriate than *global financial crisis*.

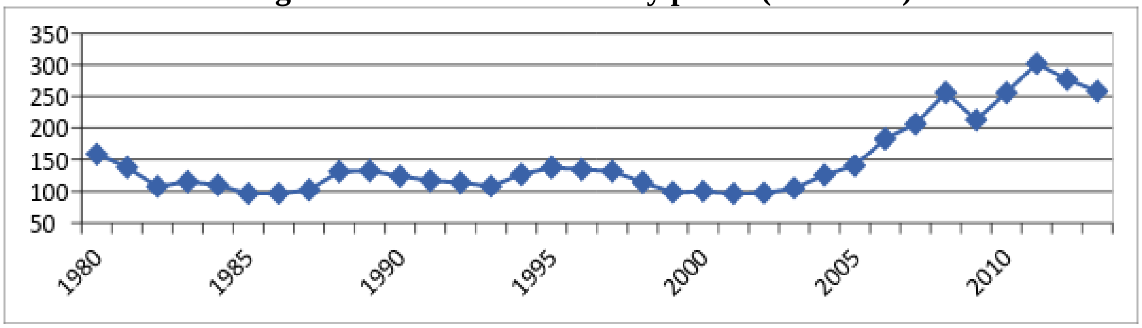
[7] We generally use the acronym LA to refer to Latin America, but some statistics relate to the Caribbean – and hence the use of the acronym LAC, to include the latter. Given the relative size of the Caribbean, the statistics for LAC tend to be fairly similar to those for LA.

[8] Gonçalves (2014) presents a similar structure when analyzing Brazil´s economic performance after 2003 since he compares Brazil´s recent economic performance with its own past performance and also with the recent performance of other countries.

[9] In the 1960s, LAC grew at an average rate of 5.4% and, in the 1970s at 5.6% (Moreno, 2011 p.20).

between 2003-2008[10]. After a fall during the North-Atlantic crisis, it reached another peak in 2011. Although the index fell in 2012-2013, its 2013 level was still around the 2008 peak and thus much above the levels of the early 2000s.

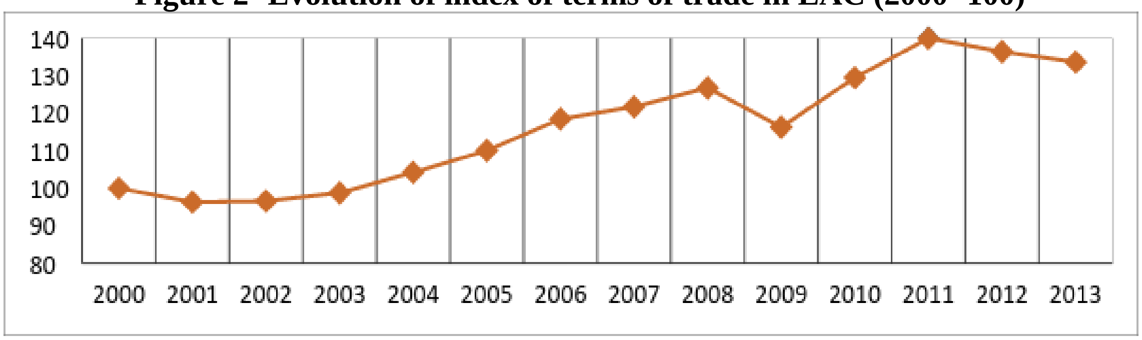
Figure 1- Index of Commodity prices (2000=100)



Source: Authors' elaboration based on data from the UNCTAD

As most countries in the region (and particularly in South America) are commodity exporters, Latin America benefited from this rise in commodity prices. More specifically, the commodity prices boom translated into significant terms of trade increases for the region from 2003 on (see Figure 2). Apart from the 2009 crisis period, terms of trade increased continuously from 2003 to 2011.

Figure 2- Evolution of index of terms of trade in LAC (2000=100)



Source: Authors' elaboration based on data from the UNCTAD

It is important to note that this spike in commodities prices – and hence the improvement of terms of trade – can be attributed, among other things, to the impressive growth of China over the last decade[11]. However, the "Chinese miracle" did not equally affect the countries in the region. For Mexico, Chinese manufacturing competition in the US market led the country to remain below the LA average growth during the decade. Since the entry of China in the WTO, some authors argued that Mexico could be one of the countries that would be negatively affected[12]. Utar and Torres Ruiz (2013) analyzed the

[10] Erten and Ocampo (2013) argue that there were four commodity *super-cycles* of around 30-40 years for the period 1865-2010. They suggest that the fourth super-cycle started precisely in the early 2000s and is still going on, now in its downward phase.

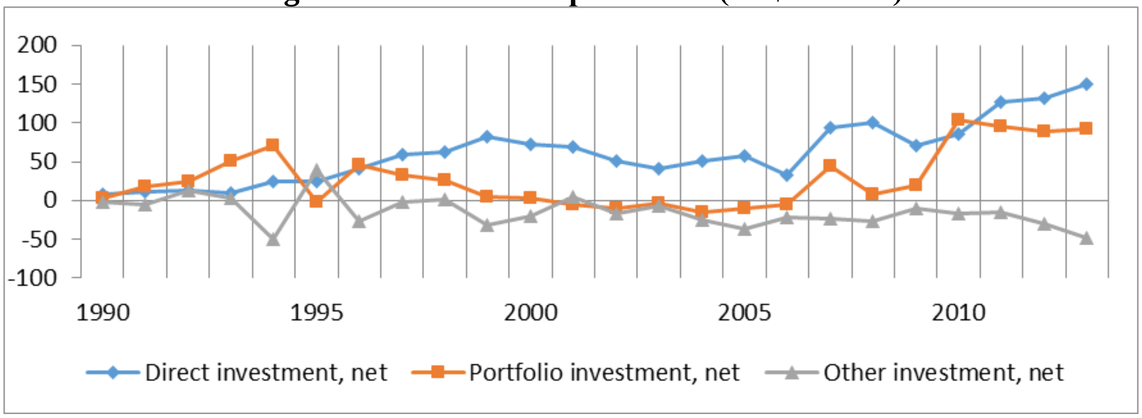
[11] Yu (2011), for instance, analyzed how the composition of growth in China, particularly high investment rates that support industrialization and urbanization, have contributed to a large and growing demand for commodities over the last decade.

[12] Dussel (2005).

effects of the Mexican-Chinese competition in the US market. Using data from 1990 to 2006, their empirical analysis reveals a substantial effect of intensified Chinese competition on the Mexican *"maquiladoras"*.

Moreover, the 2000s were also a period of abundant international liquidity. Therefore, Latin America also benefited from this fact since the period was marked by positive capital inflows (see Figure 3). Net direct investment flows were positive throughout the whole 2000s. Net portfolio investment flows turned positive from 2007 on. Both kept positive even during the peak of the North-Atlantic financial crisis (2008-2009).

Figure 3- LAC's net capital flows (US$ billions)



Source: Authors' elaboration based on data from the IMF

The countries of the region didn´t miss the opportunity provided by such a positive external scenario and experienced a growth upsurge during the 2000s. In most cases, growth acceleration was followed by poverty reduction, better income distribution and low inflation rates. This process led to a growing confidence with Latin America, based on which part of the press, multilateral institutions, and think tanks started to talk of a "Latin American decade."

According to the *Financial Times* and *The Economist*, the label "Latin American decade" was first proposed in 2010 by Sir Martin Sorrell, a British adman. His idea was that the 2010s were going to be the decade of Latin America[13]. Following this idea, *The Economist* made a special report on the region in September 2010. The special report´s articles pointed some problems – like slow productivity growth – and the need of further reforms[14]. However, the tone was mostly positive.

The most important endorsement of the idea of a Latin American decade was perhaps that made by the President of the Inter-American Development Bank, Luis Alberto Moreno. In a 2011 report of 161 pages, Moreno argued that there were plenty of improvements in the region throughout the 2000s and that there were several reasons for optimism for the 2010s. He stressed many times that the Latin American decade was not a certainty and

[13] See Rathbone (2013), and *Nobody´s Backyard*, The Economist, September 9th 2010.

[14] See, for instance, the articles: *A Latin America Decade?*; and *So Near and Yet so Far*, The Economist, September 9th 2010.

that it would only be achieved with good policies. However, he strongly believed that there was a real window of opportunity for this Latin American decade to become a reality and that the continent was prepared for the challenge.

On the one hand, there were internal reasons for optimism. For instance, macroeconomic policies and banking and fiscal institutions were sounder than in the past, meaning that the region was better prepared to face crises (Moreno, 2011: XIII-XVI; 147). On the other hand, the external sector prospects also seemed to be favorable. It was believed that the world demand for natural resources and commodity prices would be kept at high levels. Hence as the region is an important commodity exporter, this meant a positive external scenario (Moreno, 2011: XVI; 34; 147).

A slightly optimistic position was also defended by Cárdenas (2011). He affirmed that it was still an open question whether Latin America would waste or benefit from the then favorable context. Nevertheless, he also believed – as his article´s title suggests - that the 2010s were a *once in a lifetime opportunity for Latin America*. Firstly, he pointed a demographic opportunity thanks to the decline in the dependency ratio until the 2020s. Secondly, he showed a belief that the favorable external scenario of high commodity prices and low-interest rates in the United States would last for a few more years, giving the region countries still a chance to adjust their economies before the scenario changed. These adjustments meant, for instance, increasing savings and investments in human capital and R&D.

However, it is worth noticing that some analysts always remained skeptical about the chances of a Latin American decade in the 2010s. For instance, Velasco (2011) argued that the favorable external scenario was the most important factor for the region´s good performance. Similar euphoria periods happened in the past during favorable external contexts, but they ended in crisis when the scenario reverted. In this regard, he was concerned about the way fiscal policy was being managed during the growth years.

Ocampo (2012) also pointed out that the external scenario was the most important driver of LA's economic growth in the recent past. In this context, he believed that the good external conditions were almost over, especially taken into account that world trade was losing the dynamism, and the upward phase of the commodities *super-cycle* seemed to have reached its peak. More importantly, he argued that – among other things - a model which could foster economic growth would have to focus on productive sector strategies aimed at promoting technological improvements and innovation, but that had not been the case since the 1990s when Latin-American countries adopted the orthodox export-led growth model in.

In fact, contrary to many expectations the external scenario started to change possibly sooner that was believed. In 2012-2013, China's economy slowed down and commodity –particularly non-oil – prices started to decline. As most of the Latin American countries started to decelerate during this period, the chances of a Latin American decade became more and more unlikely. A growing sense of pessimism regarding Latin America has been spreading among the press and academia since then[15].

In the wake of harder times, there was a new way of discussing the idea of a Latin American decade. As the good prospects for the 2010s vanished, it became clearer that the so-called Latin American decade had been perhaps the first decade of the 2000s. Talvi and Munyo (2013) seemed to suggest this point. They named the period from the third quarter of 2003 to the third quarter of 2008 as the *Golden Years* of Latin America. During this pre-Lehman crisis period, the seven largest Latin American economies[16] (LA-7) grew at an average rate of 6.6%. By contrast, they named the 2012-2013 decelerating period as *Cooling-Off* (Talvi and Munyo, 2013: 1; 4-5).

More recently, Talvi (2014) suggested a slightly different version. He divided the 2004-2014 period into two sub-periods: 1) 2004-2011, a phase in which LA-7 grew 6.1% per year on average (excluding the financial crisis interruption); 2) the cooling-off period that started in 2012 (Talvi, 2014). However, in both Talvi and Munyo (2013) and in Talvi (2014) the main idea is closely the same: the 2010s are far from being brilliant and the very good performance period consisted of the years before it, be them just the pre-Lehman crisis period (2003: III – 2008: III) or the entire 2004-2011 period. We suggest another division for this paper: 2003-2007 and 2008-2013. This division is close to the one proposed in Talvi and Munyo (2013) and thus different than the one proposed in Talvi (2014). We believe that using 2008 as the breakdown is the best option because the 2008-2013 period was mostly of slow economic growth. There was high growth in 2010 but only after a strong slowdown in 2008-2009 (even a recession in some countries), with a new slowdown already starting in 2011. The next sections will analyze Latin America's performance during the pre-North-Atlantic financial crisis and the more recent period.

3- Latin America´s performance over the last decades

This section will use only data from LAC countries and aims to: i) compare the recent period (2003-2013) with the Lost Decade (1980-89) and what we will call the Neoliberal Era (1990-2002), and ii) present the indicators for the current decade but also dividing it into two sub-periods: (2003-2007 and 2008-2013). In terms of the data, we will use GDP growth, the unemployment rate, inflation and poverty ratios as performance indicators. Additionally, due to the importance of the external sector, we also use two indicators of external vulnerability: the current account balance (% of GDP) and the net external debt (as both % of GDP and of exports).

We divided the recent decade in two sub-periods due to the North-Atlantic financial crisis that started in mid-2007 with the sub-prime crisis in the U.S. and became severe after the collapse of Lehman Brothers in September 2008. Even though the crisis originated in developed countries, Latin America and other emerging markets also suffered its consequences. Hence, it is interesting to split the last decade in two sub-periods: i) before

[15] See, for instance, Rathbone (2013, 2014).
[16] Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela.

the beginning of the crisis (2003-2007) and; ii) after the outbreak of the crisis (2008-2013).

We analyze the region's performance in selected indicators when compared to its record during the previous two decades, and similarly evaluate the last decade by dividing it in before and after the North-Atlantic financial crisis. We conclude that the region presents better indicators over the past ten years when compared to the previous two periods. Meanwhile, the first half of the last decade presents, in general, better indicators than the aftermath of the North-Atlantic crisis, especially when it comes to the GDP growth rate and external sector indicators.

We start the analysis with the two most common macroeconomic indicators: annual GDP growth rate and the inflation rate. Table 1 presents the relevant information. The most recent period shows a robust increase in GDP growth, which almost doubles that achieved during the Lost Decade and exceeds substantially that of the Neoliberal Era. In addition, population growth decreased significantly from the 1980s to the present: from over 2% per year in the 1980s to 1.2% during 2003-2013. Hence, when analyzed in per capita terms, GDP growth exhibited an even more positive result in the 2000s.

Regarding the two sub-periods within the last decade, the table shows that the first sub-period (2003-2007) showed the best performance. The average growth in the sub-periods was 4.9% and 3.1%, respectively. This represents a significant decline in growth. Indeed, if we compare the second sub-period of the recent decade with average growth during the Neoliberal Era, there is only a small increase, while the first sub-period almost doubles the growth rate achieved at that time.

Inflation, one of the main problems of the first two decades of the sample, remained under control during the recent period. The first and second periods experienced average inflation of 138% and 103%, respectively. It is noteworthy that between 1985 and 1995 the index experienced an enormous peak and reached almost 500% in 1990. In contrast, during the most recent period (2003-2013), the average inflation was 6.8%.

Table 1- GDP growth and Inflation (average for the period)

Period/Indicator	**GDP growth**	**Inflation**
1980-1989	2.1%	138%
1990-2002	2.6%	103%
2003-2013	3.9%	6.8%
2003-2007	4.9%	6.9%
2008-2013	3.1%	6.7%

Source: Authors' elaboration based on data from the IMF

The poverty ratio is the indicator that presents the most remarkable performance during the last decade. Among the many existent poverty measures, we opted to use the World Bank's indicator poverty headcount ratio at $2 a day (PPP) (% of the population). The basic advantage of this indicator is that it can be used for international comparisons, as it is available not only for Latin America but also for the other developing regions; the comparison among them will be presented in the next section. As we will see below, a similar story can be described with the alternative indicator of the poverty headcount ratio of the United Nations Economic Commission for Latin America and the Caribbean (ECLAC/CEPAL)

As Table 2 shows, the poverty ratio indicator remained around 22% during the Neoliberal Era, but declined to 15.5% in the period 2003-10 and 11.2% in the sub-period 2008-2010[17]. On the year 2010 – the last year with data available – the number was 10.4%. In other words, the region experienced a stunning decrease of the poverty ratio of over half in only eight years.

Regarding the two sub-periods, the region successfully reduced the index in both of them. Unfortunately, for the second sub-period there is data only for three years. From 2002 to 2007, the ratio declined by 1.8 percentage points per year. Meanwhile, from 2008 to 2010 the decrease was only of one percentage point per year. This indicates that even though the region kept improving after the crisis, the pace was a much slower one.

In terms of unemployment, there is only data for 1991-2013. The average unemployment rate for the 2000s was only slightly below that of the Neoliberal Era, but there are significant variations in the trends during both periods. While in the 1990s the unemployment rate increased, the indicator experienced a sharp drop during the most recent period. Table 2 presents the average for the periods and in parentheses the change experienced during the periods (difference from the last and first years of the sample).

Regarding the two-sub-periods of the last decade, interestingly, the unemployment rate continued to decline during the second, though at a slower pace. Due to the high initial levels inherited from the Neoliberal Era, the average for the first sub-period is 9.2% but it declines to 7% during the second. Despite a small spike in 2009, due the impacts of the North-Atlantic financial crisis that brought the unemployment from 7.3% in the previous year to 8.1%, there is no other year where unemployment rose. However, as indicated, the pace of improvement of employment decreased significantly after the crisis.

Table 2- Poverty Ratio and Unemployment (average and percentage change in the period)

Period/Indicator	**Poverty Ratio (average and %change in the period)**	**Unemployment** (average and %change in the period)**
1980-1989	See table 3 and footnote 18	**-**
1990-2002	21.8% (-1.7%)	9.7% (+49%)
2003-2013	15.5% (-54%)*	8.5% (-45%)
2003-2007	19.4% (-1.8% PY)	9.2% (-35%)
2008-2013	11.2% (-1% PY)*	7.0% (-15%)

Source: Authors' elaboration based on data from the World Bank and the IMF
*2010 is the last available data. **There is no unemployment indicator for the region before 1991.

[17] We eliminated from Table 2 the World Bank estimates for the 1980s, as they showed a decline of poverty in the midst of the Latin American debt crisis. In contrast, the ECLAC numbers shown in Table 3 indicate a significant increase in poverty during that decade.

As pointed before, we used the poverty indicator that allowed us to compare Latin America with other regions. Alternatively, ECLAC provides its own estimates for the regions' poverty and extreme poverty[18]. In Table 3, we present the data – together with unemployment data from the World Bank – for selected years. It can be noted that the region experienced a peak in both poverty and extreme poverty in 1990, at the end of the Lost Decade. During the following decade, the indicators remained at a very high level – with unemployment peaking in 1999 – and then started to decrease when LA started to recover in 2002-2003, achieving its best observations in the last available year, 2013.

Table 3- Poverty Ratio and Unemployment (selected years)

Period/Indicator	Poverty Ratio	Extreme Poverty	Unemployment
1980	40.5%	18.6%	**-**
1986	43.3%	20.7%	-
1990	48.4%	22.6%	7.5%
1994	45.8%	20.9%	8.4%
1999	43.8%	18.6%	11.2%
2005	39.7%	15.4%	9.0%
2009	32.9%	13.0%	8.1%
2013	28.1%	11.7%	6.2%

Source: Authors' elaboration based on data from the ECLAC (poverty) and the World Bank (unemployment)

Table 4 presents the external sector indicators. The current account balance presents a negative result in all periods. In the first two, it reached -1.9% and -2.2% of GDP, respectively. The 2000s were better but not good enough to present a positive result (-0.4%). Hence, even in a period with a very strong increase in the terms of trade (Figure 2) the region could not keep the current account positive, making it dependent on external capital flows.

The difference is clear, however, when the two sub-periods of the 2000s are differentiated. The averages are 0.8% and -1.5% respectively. Therefore, the indicator was positive during the first sub-period, but became negative during the second sub-period, moving closer to the levels observed in previous decades.

We use two different indicators for the foreign debt: external debt as a percentage of both GDP and exports. The external debt declined significantly according to both measures. The average for the three periods were 43%, 36% and 28% respectively for the exports as percent of GDP, and 323%, 235% and 126% when estimating it as a percentage of exports.

There was a slight improvement from the first sub-period for the second. The external debt as a percentage of exports dropped from 135% to 118%, whereas the external debt as a percentage of GDP fell from 31% to 25%. However, in both cases the lowest point of the series is 2008. After that, the series starts to rise again.

[18] Differently from the World Bank and other official indicators that are defined in terms of dollar value, identical for all countries in terms of purchasing power parity, the ECLAC´s index considers each countries' specific "food basket" and respect the prevailing consumption structures (United Nations, 2010).

Table 4- External indicators (average for the period)

Period/Indicator	Current account (% of GDP)	External Debt (% of GDP)	External Debt (% of exports)
1980-1989	-1.9%	43%	323%
1990-2002	-2.2%	36%	235%
2003-2013	-0.4%	28%	126%
2003-2007	0.8%	31%	135%
2008-2013	-1.5%	25%	118%

Source: Authors' elaboration based on data from the IMF

In conclusion, the region experienced a positive decade in the selected indicators. In terms of GDP growth, the decade was significantly better than the previous ones and the inflation rate, unlike the past two periods, remained under control.

Unemployment levels and poverty ratio were the indicators that showed the best performance. There has been a downward trajectory in unemployment rates since 2003 – from 11.2% to 6.2% in 2013 – that continued even after the North-Atlantic financial crisis. In addition, the poverty rate decreased by over half during the 2000s, whereas it had remained quite stable during the Neoliberal Era and had increased during the Lost Decade, according in the latter case to ECLAC.

Regarding the sub-periods within the last decade, GDP growth performance declined significantly during the second sub-period, though inflation remained stable. Unemployment and poverty continued to decrease during the second sub-period, but the pace of improvement slowed down significantly, indicating the effects of the growth slowdown experienced after the North-Atlantic financial crisis.

The current account balance result for the last decade was negative but considerably better than in the other periods, and the external debt decreased significantly. Breaking down the 2000s, the current account displayed a positive result during the first sub-period but a negative one during the second. And although the external debt averages were better in the second sub-period, they started to increase right after the crisis and remained in an upward trajectory during the entire second sub-period, indicating a negative trend.

4- Developing regions performance during the last decade

The previous section brought us two main conclusions. The record of Latin America during 2003-2013 was much better than during the previous two decades. However, when this decade is divided into two sub-decades, it is clear that there is a noticeable worsening of economic conditions in the aftermath of the North-Atlantic crisis, indicating that the Golden Years were behind.

To answer the questions posed in the introduction to this paper, we must not only look at the data for Latin America but also compare them with other emerging/developing regions over the past decade. This section compares, therefore, the performance of LAC using the same indicators analyzed previously but this time for four other developing regions. The objective is to analyze if the past decade was good for LAC relatively to other regions or if the positive indicators exhibited by the region were only part of a phenomenon that took place in all emerging markets.

Looking only at the data for LAC – as in the last section – would be misleading because we would be missing the bigger picture. Analyzing other developing regions' performance allows us then to figure out whether the last decade was good for all emerging markets and not just for Latin America. Additionally, it makes possible to evaluate if LAC underperformed within the group of developing regions.

In this regard, Velasco (2013) has pointed out how the well-known development economist Carlos Diaz-Alejandro remarked in the 1970s that the combination of high commodity prices, low international interest rates, and abundant international liquidity would amount to economic nirvana for developing countries.

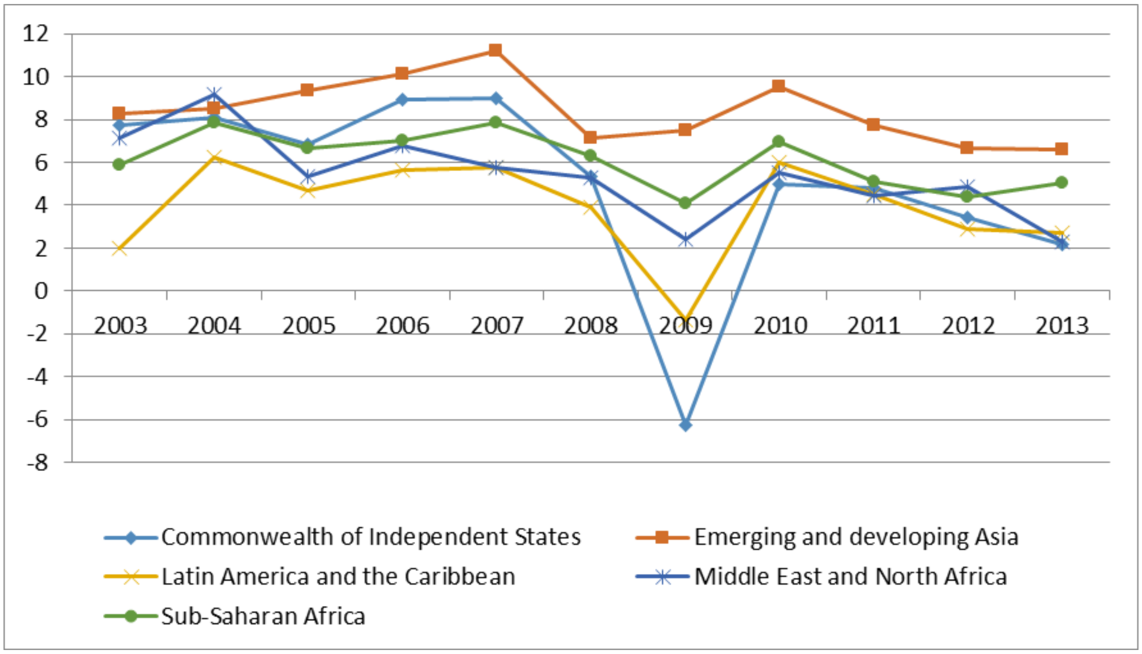
This was exactly the scenario experienced by the emerging markets during the period 2003-2013. The very low interest rates in the developed countries also allowed the emerging economies to experience lower rates and primarily to benefit from the inflow of capital looking for better returns. Besides, as indicated in section 2, commodity prices showed a significant improvement during the decade. Hence, all the elements in the dreamed "nirvana" described by Diaz-Alejandro were present, so that the external context was favorable not only to LAC but also to other emerging/developing regions.

Turning back to the indicators, we found some limitations in the international databases for some of the regions. Particularly, the data on unemployment and poverty were incomplete for some countries (see Annex 2 for details). In order to make them comparable between the regions, we weighted the numbers by population in the countries to construct regional averages with the available data.

As Figure 4 shows, in terms of economic growth the analyzed decade was splendid for the emerging countries. In decreasing order, the GDP average growth for the decade was very good in all regions: EDA (8.4%), SSA (6.1%), MENA (5.4%), CIS (5.0%) and LAC (3.9%).

Arguably, LAC's performance was far from remarkable. The region presented less than half of the average GDP growth than EDA and almost a fourth less than the penultimate in the list, the CIS. Hence, at least in the growth perspective the decade was relatively bad for LAC since all the other developing regions exhibited significantly higher growth rates.

Figure 4- GDP growth (2003-2013)



Source: Authors' elaboration based on data from the IMF

Table 5 shows that LAC presented the second best result regarding inflation: 6.8%, right after EDA's 4.8%. All the other three regions showed results above 8%, with CIS being the highest. This indicates that in terms of price stability, the region achieved an excellent result.

Table 5 also shows data for unemployment. Unfortunately, there was no sufficient data to construct an index for sub-Saharan Africa. LAC was the region that most successfully reduced unemployment rates, from 10.5% in 2003 to almost half of that level in 2013, 6.1%. However, all the regions experienced a decrease in this indicator. EDA experienced the lowest decrease, but this reflects the fact that the initial rate was already very low, and the region succeeded in keeping the lowest unemployment rate among all developing regions during the whole period. CIS presented a considerable decrease, from 8.9% to 6.1%, while MENA also diminished its rates in about two percentage points, from 13.0% to 11.0%.

Regarding the poverty ratio, we used the same indicator as in previous section, the percentage of population living on less than $2 per day. Unfortunately, there was no sufficient data for many countries. Based on available data, EDA was the most successful region in decreasing the poverty rate, from 38% in 2005 to 22.7% in 2011, the last year for which there are available estimates. This success must be directly linked to the incredible pace of growth presented by the region during this period. The CIS maintained the lowest poverty ratio among all regions. In the meanwhile, LAC and EDA diminished by almost 40% and MENA by 33%. The outlier was SSA with only a small reduction. As indicated above, the lack of data for some countries may have biased the estimates.

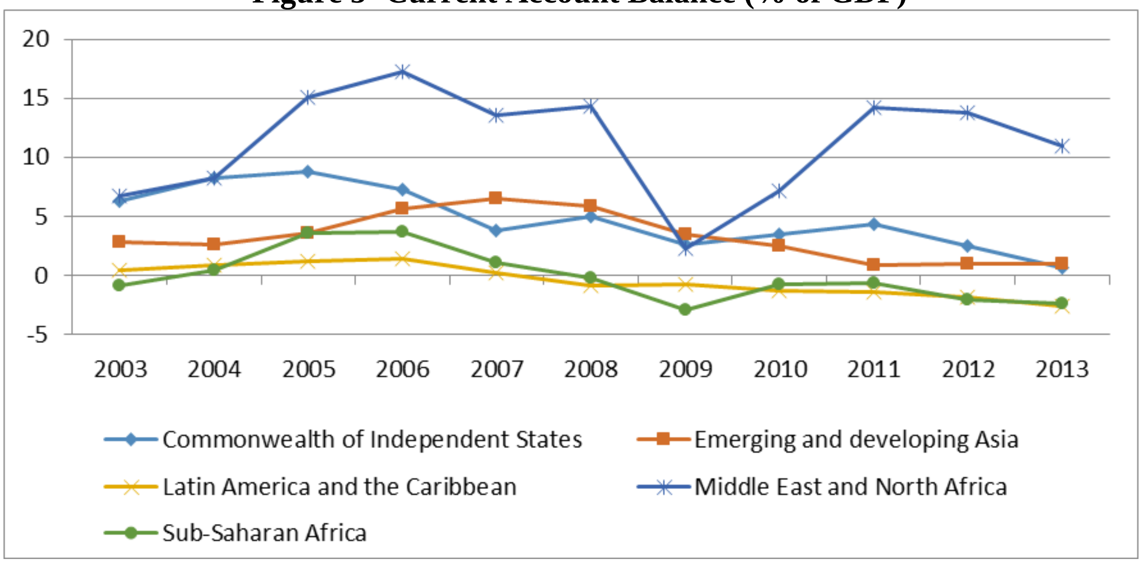
Table 5- Inflation, Unemployment and Poverty ratio for Developing Regions (2003-2013)

Region/Indicator	Inflation (average)	Unemployment (average and %change in the period)	Poverty Ratio (2005 and 2011)
CIS	10%	7.3% (-33%)	3.4% / 1.3%
EDA	4.8%	4.9% (-16%)	38.4% / 22.7%
LAC	6.8%	7.8% (-42%)	15.2% / 9.28%
MENA	8%	11.3% (-15%)	17.2% / 11.6%
SSA	8.9%	Not enough data	74.5% / 69.5%

Source: Authors´ elaboration based on data from IMF and World Bank

Looking now at the external sector, Figure 5 shows that the boom in the commodity prices experienced over the decade was very favorable for the developing regions that are rich in natural resources. MENA and CIS, areas with high reserves of oil and gas obtained superb current account balances: 11.2% and 4.8% of GDP, respectively. EDA kept a substantial positive result (3.3%), even lacking the natural resources in abundance like other emerging peers. In contrast, SSA and LAC were not capable of achieving positive outcomes despite the terms of trade boom. The first presented an average of -0.1% of GDP while LAC showed the worst indicator, -0.4%.

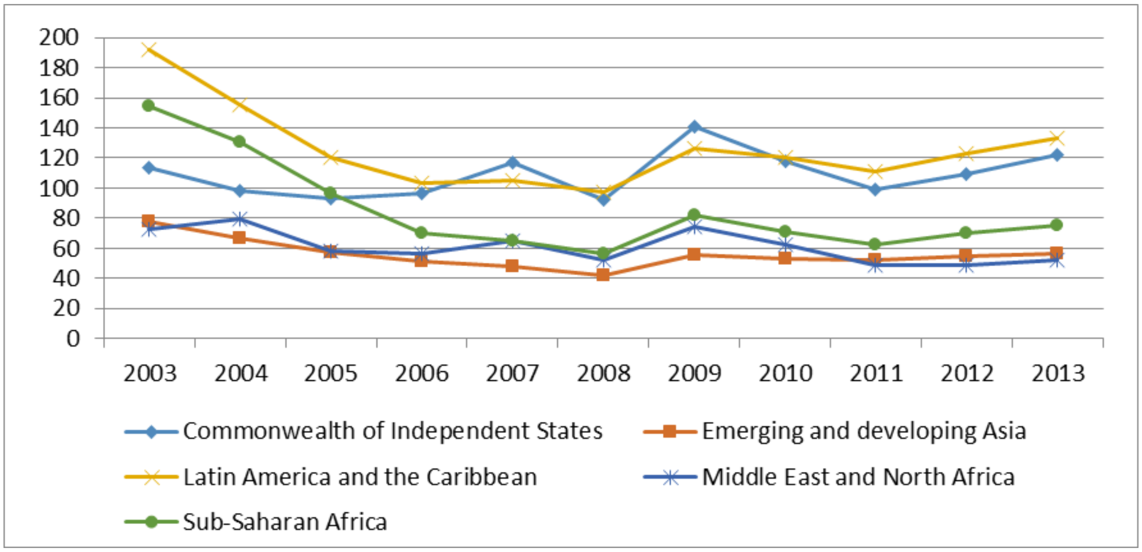
Figure 5- Current Account Balance (% of GDP)



Source: Authors' elaboration based on data from the IMF

Regarding the external debt, Figure 6, shows that all regions – except for the CIS – succeeded in diminishing their external debt as a percentage of exports during the decade. While LAC, EDA, and MENA successfully reduced the indicator by about a third, SSA did it by more than half, largely because it benefitted from the debt write-offs agreed under the Highly-Indebted Poor Countries (HIPC) Initiative. LAC remained, however, as the region with the highest debt ratio (133%) of the sample.

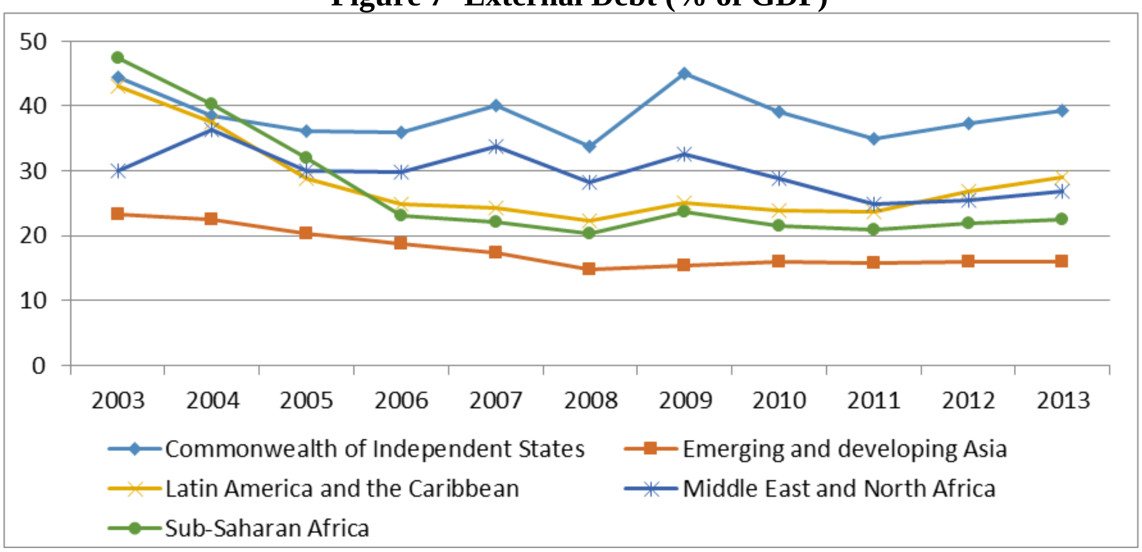
Figure 6- External Debt (% of exports)



Source: Authors' elaboration based on data from the IMF

When measured as a percent of GDP, the evolution of external debt presents somewhat different results. Again, all the regions were successful in diminishing the debt ratio. The pace, however, was not the same. SSA was once more the most successful region, with a decline of over half. LAC and EDA diminished its ratio by around a third while the other two regions did it only by a tenth. In terms of average for the period, the order is: CIS (38%), MENA (29%), LAC (28%), SSA (27%) and EDA (17%).

Figure 7- External Debt (% of GDP)



Source: Authors' elaboration based on data from the IMF.

In sum, it can be concluded that, in terms of economic performance over the last decade, Latin America certainly did not excel when compared with other emerging/developing regions. When it comes to economic growth, it had the worst result. On average, it experienced less than half the growth rate of Emerging and Developing Asia and remained more than one percentage points below the region with the second worst record, the Commonwealth of Independent States.

Regarding inflation, LAC's result was good, being the second best among the five regions. However, the indicator was relatively low in all regions despite a small peak during the 2008 food crisis that led to two-digit inflation in some. On the other hand, LAC showed remarkable indicators in terms of reducing unemployment rates, presenting the highest drop on this critical variable among the four regions analyzed.

The poverty rate decreased in all the regions from 2005 to 2011. Unfortunately, there is a lack of observations for many countries. Nevertheless, our analysis showed that CIS levels remained very low and at decreasing rates, while LAC and EDA reduced their poverty rates by two-fifths. It is interesting to note that LAC was highly successful in reducing the poverty ratio despite the fact that it experienced the worst GDP growth rate of all regions.

Finally, in the current account balance, LAC presented again the worst performance among all regions. Only two regions of the sample showed a negative average during the decade that was marked by a boom in commodities prices: SSA and LAC, with LAC exhibiting the worst results. LAC was successful in reducing the external debt ratios, both as a proportion of GDP and exports, but it remained the region with the highest external debt as a share of exports, and with the second highest external debt ratio as a proportion of GDP. Therefore, LAC had an overall poor external sector performance when compared to other developing regions during the period analyzed.

5- Concluding Remarks

Latin America got much attention in the recent past thanks to its excellent economic performance. Some authors claimed that the first decade of the 2000s — or at least part of it — was a golden period for Latin American countries. Others suggested that the 2010s were going to be Latin America's decade. The paper aimed to discuss if these visions were over-optimistic or if the region did indeed experience an outstanding period.

Section 2 explored the concept of a "Latin American Decade". It showed that the region experienced over the last decade a very significant increase in the terms of trade generated by a commodity price boom. Moreover, there was a capital flows boom to Latin America. These aspects led some authors to state that the region was about to experience, or was already experiencing a brilliant decade. However, this was not a consensus, and other authors disagreed with this vision by arguing – among other things - that the golden years might end, as in the past, with a crisis.

Section 3 analyzed LAC indicators over the last decade and compared them with the region's past record. It concluded that the past ten years were highly positive for Latin America when compared with the two previous periods: the Lost Decade and the Neoliberal Era. However, a closer look at the recent decade brought some interesting conclusions. When we made a division between two sub-periods and observed economic performance before and after the 2008 North-Atlantic financial crisis, the results for the latter were disappointing. The GDP growth was lower, the external results much worse and the pace of improvements in poverty and unemployment slowed down significantly, indicating that the boom years were already in the past.

Finally, section 4 compared LAC's performance over the last decade with other emerging/developing regions. Instead of over-performing other regions as predicted by the *Golden Years* hypothesis, the region under-performed in almost all indicators, experiencing in particular the worst performance in terms of GDP growth and external sector variables among all five regions. However, LAC did very well in terms of unemployment, being the region that achieved the higher reduction, and presented a slightly above average result regarding the poverty ratio.

Hence, the analysis of the data showed that it is true that the region experienced a good decade when compared to the previous two ones. However, its best performance was achieved in the five years that preceded the 2008 North-Atlantic financial crisis, after which performance worsened and the rate of improvement of several indicators slowed down significantly. Moreover, when compared to other developing regions, Latin America's performance was poorer in most indicators.

In other words, the period 2003-2013 was a Latin American decade only when compared with the region´s own past. Furthermore, these "Golden years" did not even last a decade, since they concentrated in the 2003-2007 sub-period. The less favorable external context for the upcoming years, which was already evident in 2014, also undermine the hypothesis that the 2011-2020 period could be the "Latin American Decade." Therefore, we conclude that there is neither indication of a Latin American Decade in the recent past nor in the current decade[19].

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[19] The paper did not intend to discuss why the region underperformed other emerging markets, especially regarding the GDP growth and the external sector. Future works can explore this subject. In addition, it is important to note that we work with aggregate data. In this way, some countries will be more representative in the sample than others will. In LAC, this is clearly the case for Brazil and Mexico. According to data from 2013, these countries together are responsible for 52% of the population and 57% of the GDP of the region. Future works can also explore this point and analyze the results within the region.

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ANNEX 1- COMPOSITION OF GROUPS

Commonwealth of Independent States
Composed of 12 countries: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.

Emerging and developing Asia
Composed of 29 countries: Bangladesh, Bhutan, Brunei Darussalam, Cambodia, China, Fiji, India, Indonesia, Kiribati, Lao P.D.R., Malaysia, Maldives, Marshall Islands, Micronesia, Mongolia, Myanmar, Nepal, Palau, Papua New Guinea, Philippines, Samoa, Solomon Islands, Sri Lanka, Thailand, Timor-Leste, Tonga, Tuvalu, Vanuatu, and Vietnam.

Latin America and the Caribbean
Composed of 32 countries: Antigua and Barbuda, Argentina, The Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haití, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago, Uruguay, and Venezuela.

Middle East and North Africa
Composed of 20 countries: Algeria, Bahrain, Djibouti, Egypt, Iran, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates, and Yemen.

Sub-Saharan Africa
Composed of 45 countries: Angola, Benin, Botswana, Burkina Faso, Burundi, Cabo Verde, Cameroon, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Republic of Congo, Côte d'Ivoire, Equatorial Guinea, Eritrea, Ethiopia, Gabon, The Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, São Tomé and Príncipe, Senegal, Seychelles, Sierra Leone, South Africa, South Sudan, Swaziland, Tanzania, Togo, Uganda, Zambia, and Zimbabwe.

ANNEX 2- COUNTRIES EXCLUDED DUE INSUFFICIENT DATA

Unemployment

Antigua e Barbuda, Bahrain, Bangladesh, Cambodia, Djibouti, Dominica, Grenada, Guatemala, Guyana, Haiti, India, Iraq, Kiribati, Lao, Lebanon, Libya, Maldives, Marshall Islands, Mauritania, Micronesia, Nepal, Oman, Palau, Qatar, Samoa, Solomon Islands, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines, Syria, Tajikistan, Timor-leste, Tonga, Tuvalu, Turkmenistan, United Arab Emirates, Uzbekistan, Vanuatu and Yemen.

Poverty

We used World Bank aggregate data for all regions except for the Commonwealth of Independent States. In this group, there was no data for the selected years for Tajikistan and Turkmenistan.