

## 2.23. LATIN AMERICA: A NEW WAVE OF REFORMS

A decade of market-opening measures has altered the region's appearance. The continent has **unshackled** its trade, reconstructed its **rickety** banks and tightened its fiscal belt. Thousands of bumbling, state-owned companies have been sold to private groups-adding billions to government **coffers**.

Now comes the hard part – **garnering** political support for what the International Monetary Fund calls a “second generation” of reforms. They include **streamlining** bureaucracies, educating the work force and strengthening regulatory agencies. If those steps are taken, the continent will have positioned itself for an extended period of prosperity. “Latin America is doing well,” says Geoffrey Scott of the Institute for International Economics in Washington, “but there is lots more work to do.” The InterAmerican Development Bank, in its latest report agrees. “Despite the favourable trends, the economic performance of Latin America should be greeted with caution, not **euphoria**. “In 1999, every Latin American country will achieve positive economic growth – the first time that's happened in 30 years. Mexico, Chile and Peru are all expected to grow to more than 6%, while Argentina has a projected growth of 8%. Even more, Latin America's average inflation rate this year will be 12% – the lowest level in half a century. Brazil will **rake** in some \$18 billion in privatization receipts over the next two years.

### Argentina

Argentina is the region's current star. The country's once crippling inflation rate is virtually nonexistent. The country has produced record grain harvests. Mining firms project that exports, led by copper, and gold, will grow from \$30 million this year to \$1.8 billion by the turn of the century. Oil and gas output has doubled; multinational companies ranging from DOW to ROYAL DUTCH / SHELL PETROLIUM to MERCEDES are investing huge sums in the country.

### Venezuela

The new mood stretches even to Venezuela, until recently **shunned** by foreign investors. A banking crisis in 1994 sent Venezuela into a **tailspin**. But prompted by IMF, it has enacted a series of reforms – chief among them to open the country's huge oil sector to foreign investment. Venezuela aims to double its oil production by the year 2006, becoming the world's second largest exporter (after Saudi Arabia). Last month foreign investors snatched up \$4 billion in long – term Venezuela bonds – more than double the projected amount.