UDK:332

Khashimov Pazliddin
professor of NUUz
Khamraeva Sevinch, a student of NUUz

ECONOMIC DEVELOPMENT IN LATIN AMERICAN COUNTRIES: ITS POTENTIAL GROWTH OPPORTUNITIES AND PREVALENT CHALLENGES

Annotation. In this article, the development of the economy of Latin American countries, statistical information about it, key sectors driving growth, prevalent problems, and notable shortcomings impeding progress in economic development of the region have been explored. Additionally, we delve into the exploration of the potential growth opportunities existing in Latin American countries.

Key words: "Latin America's economy", potential possibilities, predominant challenges, significant limitations, "Gross Domestic Product", insights into statistical data and analysis, ways Latin America can improve its economy.

Introduction

Latin America as a region has numerous nation-states of varying economic complexity. The Latin American economy is an export-based economy made up of individual countries from North America, Central America, South America, and the Caribbean. The socioeconomic patterns of what is now known as Latin America were established during the colonial era, when the region was under the control of the Spanish and Portuguese empires[1]. Colonial Latin American regional economies thrived and worked things out until independence in the early nineteenth century. Many parts of the region benefited from precious metal deposits, primarily silver, or from tropical climatic conditions and locations near coasts that allowed for the development of cane sugar plantations.

Today, global events such as the eurozone's poor performance, China's slowing economy, and uncertainty over US monetary policy have caught up with Latin America, resulting in decreased trade, falling commodity prices, and increased concern about external financing.

And many systemic issues persist. Consider commodities. They account for 60% of the region's exports. While the value of these commodities increased during the last decade, higher prices accounted for half of the rise, rather than rising volumes, as in the 1990s. Furthermore, increased commodity export revenue has allowed Latin American economies to replace imported products with locally produced items, resulting in a slowdown in regional manufacturing. This has also stunted innovation and prosperity in Latin America, which still depends mainly on raw material exports rather than more sophisticated finished commodities.

As illustrated by the social instability that seized Brazil earlier this year, the expanding so-called "middle class" poses a variety of concerns. Moreover, despite recent progress, Latin America still comprises some of the world's least egalitarian countries. As a result, government policy must accommodate expanding demand for public services while also promoting long-term growth that improves income distribution in the market. Consolidating this population's economic situation will also include producing more and better employment and increasing productivity. There is also more to be done in education, tax policy, innovation investment, and logistics.

Over the last three decades, Latin America and the Caribbean have made significant progress in macroeconomic resilience, providing greater resilience to shocks such as rising inflationary pressures, global uncertainty, increased debt, and low commodity prices, as well as the convergence of poverty and employment levels to pre-pandemic levels.

Relevance of the topic:

[1] https://en.wikipedia.org/wiki/Latin_American_economy

Under the Constitution of the United Nations in 1945, the international community determined that development is a universal right. Latin American countries recognize their need to raise their standards of living, improve the quality of life for all individuals, and also the need to assist other less developed countries, as agreed in the Alliance for Progress in 1961. The economic development of these countries, and also the efforts of the international community in assisting LDC's, are key issues in the world economy today. The term economic development is very broad in meaning and encapsulates specific goals, nations, and also a world movement. The series of events that have created a turn in the political structure of global economics have led to many definitions and a great focus of study on the concept of development. The resultant understanding has evolved from being a concept purely relating to an increase in real per capita income to encompassing today, an increase in the quality of life of a nation's citizens, and 'development is thus a process of change'[1]. It is for these reasons that we define the development we will be studying as an increase in the quality of life for all citizens within a nation. The goals of the international community as a whole have been set in attempts to better the quality of life for citizens in countries which need to rise out of their current state, and for those citizens of third world nations. The most important of recent events was the setting of eight millennium development goals, by the United Nations Millennium Declaration[2], which are to be achieved by the year 2015. These goals are to erase extreme poverty and hunger, achieve universal primary education, promoting gender equality, empowering women, reduce child mortality, improve maternal health, combating HIV/AIDS, malaria and other diseases, ensuring economic, environmental, social sustainability, and global partnership for development. These goals are a commitment to the people in lesser developed countries, and an attempt to 'globalize hope' for the future. This is particularly the case for Latin American countries and has great meaning especially considering that 'The world as a whole has never had so much knowledge and power, and yet so many people are illiterate and powerless'[3]. It serves to say that this is not an equilibrium that is acceptable and the following will be a discussion of how a variety of methods and systems have driven a change for Latin American countries from the economic and social points.

Objectives:

In essence, the goal is to investigate the Latin American countries' economy and its developing process based on a realist interpretation of past events. An interpretation of what worked, what did not, and why.

What was the role of the state in past development attempts? 2. What were the driving forces behind the development process, and to what extent did these factors limit the range of policy options open to the countries? 3. What are the chances of all, or any, of these countries re-entering a period of sustained growth in the near future, and what policy mix would facilitate this?

The main objective of this research is to analyze the past economic development of Latin American countries as a guide to future development. By doing this, we hope to concretely define steps that the countries analyzed should take or not take in order to both raise their level of economic well-being and increase the sustainability of this growth.

Research design

The research is structured and consisted into two main parts. The first part of the research will consist of a theoretical model aimed at explicating the linkage between specific forms of trade liberalization in Latin America and the patterns of industrialization, investment and ultimately economic growth. This model shall not only seek to provide a comprehensive account of the sequential process through which forms of trade liberalization affect economic development, but it shall endeavor to isolate the necessary and sufficient conditions which must be met at each stage

[1] Gustav Ranis and Frances Stewart, (1999), V-Goods and the Role of the Urban Informal Sector in Development, *Economic Development and Cultural Change*, 47, (2), 259-88

[2] United Nations. (2000). United Nations Millennium Declaration. Retrieved from https://www.ohchr.org/en/instruments-mechanisms/instruments/united-nations-millennium-declaration

[3] Development as freedom (1999), A SenThe globalization and development reader: Perspectives on development and global change 525, 2014

in order for the liberalization to have the intended effect. The second part of the research will consist of a statistical investigation into the direction and impact of the actual and perceived changes in the world economy on Latin American industrialization and development, in accordance with the preconditions and pathways outlined in the theoretical model of section one. Though the statistical analysis using secondary data is the primary method envisioned for this second part of the research. Due to the complexity of the research, it is likely that the second part of the research will take place in multiple countries of Latin America.

The path of challenges and opportunities:

According to the analysis, the regional **Gross Domestic Product (GDP)** expanded by 2% in 2023, somewhat more than the previously estimated 1.4 percent, but still lower than the global average. In 2024 and 2025, growth rates of 2.3 percent and 2.6 percent, respectively, are predicted. These rates, which are similar to those seen in the 2010s, are insufficient to accomplish much-needed progress in inclusion and poverty reduction. Countries must discover strategies to promote inclusivity and growth while also improving governance and fostering social agreement. Digital solutions might be a component of the solution. Expanding digital connection in conjunction with complementing policies has the potential to create more dynamic and inclusive societies.

Although LAC's GDP is now solidly above its pre-pandemic level, the area is anticipated to have more feeble growth in the future than any other region. While GDP in LAC is 11% higher than pre-pandemic (2019) levels, it is 30% higher in East and South Asia and 15% higher in war-torn Eastern Europe.

While GDP in South and Central American nations recovered quickly and surpassed pre-pandemic levels, they are still in the process of returning to pre-pandemic levels. The Caribbean economy went through a separate cycle. They first experienced a greater and more sustained shock as a result of the importance of tourism and remittances in their economies, as well as some early lag in their vaccination programs. As these factors began to normalize, these economies began to recover rapidly and are likely to continue narrowing the gap with their pre-pandemic pattern.

Latin America and the Caribbean (LAC) is an area of stark contrasts, with regions of **great poverty, backwardness, and fragility** coexisting with pockets of riches and success. While LAC's 105 billionaires have a total **net worth** of $446.9 billion, two out of every ten individuals in the region do not have enough food to consume. While some inherit property and networks, attend elite colleges, others struggle to find job with a shaky education. While some individuals possess thousands of hectares of land, millions of people are landless and homeless. The region's contrasts are many and well-known. In recent decades, LAC nations have pulled millions out of poverty, but progress in fighting inequality has been less effective.

However, prior to the COVID-19 epidemic, 7.2 percent of individuals in LAC were living in multidimensional poverty in 2020. Deprivation in home living standards contributed the most to total multidimensional poverty (37.9%), followed by deprivation in health (35.9%) and education (26.2%).Every country with data saw a decrease in multidimensional poverty between 2000 and 2020. Furthermore, the largest absolute declines occurred in some of the countries that initially faced the highest levels: Honduras, by 18 percentage points, from 38 to 20 percent, from 2006 to 2012; Bolivia, by 13 percentage points, from 34 to 21 percent, from 2003 to 2008; and Haiti, by 8 percentage points, from 48 to 40 percent, from 2012 to 2017.

Latin American **health systems** were unprepared for the COVID-19 outbreak. The regional average for public healthcare expenditure is only 3.7 percent of GDP, much below the Pan American Health Organization's (PAHO) recommended 6 percent. The availability of doctors and hospital beds is half that of nations in the Organization for Economic Cooperation and Development (OECD). Meanwhile, despite universal healthcare access, Latin American households pay one-third of healthcare expenditures out of pocket, a significant burden in a poor area. The pandemic highlighted these and other weaknesses, as overburdened health facilities from Manaus to Mexico City ran out of supplies and manpower, jeopardizing care for all COVID-19 patients.

Despite the fact that the epidemic also wreaked havoc on Latin America's economies, there is no time to waste on spending more liberally and wisely on public health, including innovative healthcare technology that might increase efficiency and accessibility. Otherwise, the region will be unprepared for the next public health emergency.

The reason to discuss the health and education sectors of Latin American nations is that they confront a variety of issues, including restricted access to quality services, poor infrastructure, and discrepancies between urban and rural regions.

Many Latin American nations have healthcare challenges such as limited budgets, a scarcity of medical experts, and uneven access to healthcare services. As a result, gaps in health outcomes and access to medical treatment have emerged, particularly among vulnerable populations. Some countries have also had difficulties dealing with public health disasters, such as the COVID-19 pandemic.

Latin American countries have made headway in increasing access to **education**, but there are still substantial discrepancies in quality and fairness. Many pupils in the region, particularly in rural and indigenous communities, do not have access to high-quality education. There are also concerns with teacher training, curriculum development, and educational infrastructure.

Despite these obstacles, Latin American governments have made attempts to enhance healthcare and education. Some countries have adopted changes to increase access to healthcare services and enhance educational quality. There are other measures in place to alleviate inequities and enhance performance in these sectors.

As a whole, Latin American nations' health and education sectors are critical to the development and well-being of their inhabitants. Addressing the difficulties in these sectors is critical to supporting regional social and economic development.

Latin America's present **infrastructure** scenario is unfavorable: the area is short of investment. According to the World Bank, East Asia and the Pacific invest around 8% of their GDP in infrastructure, whereas Latin America and the Caribbean invest about 3% of their GDP.

The existing status of the region's physical infrastructure does not satisfy the region's development or competitiveness demands and is not in line with its inhabitants' aspirations. According to World Bank data, current yearly infrastructure investments vary from 2 to 4 percent of GDP on average, putting Latin America at a disadvantage when compared to most other areas. Current investments, however, vary widely from nation to nation, with the region's average being mostly driven by Argentina, Brazil, and Mexico, which account for almost 80% of Latin America's GDP. Argentina invests about 5% of its GDP in infrastructure, whereas Brazil and Mexico spend less than 1%.[1]

Despite their small size, nations such as Bolivia, Costa Rica, Honduras, Nicaragua, and Panama invest more than 4% of their GDP in infrastructure each year.

To summarize, Latin America's infrastructure is falling behind its expanding upper-middle-income population and economic development projections. Investing in infrastructure is critical for the region's economic growth, inequality reduction, and long-term sustainability. So, how can the region progress? The region has enormous potential, particularly given its history of public-private cooperation. Latin America has the resources to develop its infrastructure, but it must first prioritize its investment requirements and goals, increase the efficiency of government expenditure, and attract cost-effective finance through transparent PPPs and local or international commercial credit.[2] In doing so, Latin America may become more strategic in allocating resources for infrastructure upgrades, achieving a level of infrastructure that can contribute to long-term economic growth.[3]

---

[1] https://www.wilsoncenter.org/article/latin-america-must-prioritize-infrastructure-spur-economic-growth#:~:text=Argentina%20spends%20approximately%205%20percent,GDP%20in%20infrastructure%20every%20year.

[2] https://www.wilsoncenter.org/article/latin-america-must-prioritize-infrastructure-spur-economic-growth

[3] https://www.wilsoncenter.org/article/latin-america-must-prioritize-infrastructure-spur-economic-growth

The business wave has slammed into Latin America and appears to be gaining traction. A new generation of millennials and post-millennials, led by a group of young entrepreneurs aged 30 to 50, believes that by creating new and better solutions to everyday problems, they can improve people's lives.

However, Latin America appears to be at a crossroads. Let's start with **demographics:** the median age is around 27 years old, and in most countries, more than half (or very close to this percentage) of the population is under 30. This stands in stark contrast to the more developed countries, which have fewer young people. However, the demographic advantage will not last forever; by 2050, the average age in the region is expected to rise to 41.

Another critical factor to consider in Latin America is **education**. In the last 15 years, enrollment in higher education has increased from 21% of the population to more than 45%. Even the poorest half of the population attends college, with enrollment increasing from 16% to 25% between 2000 and 2013. This means that there are not only a large number of young people, but many of these young people of working age are also **well educated**.

Another important consideration is the **number of hours** that Latin Americans are accustomed to **working**. According to the most recent OECD data, Mexico, Costa Rica, and Colombia are the three main countries with the most annual work hours, closely followed by Peru, Argentina, and Chile. Of course, this implies that efficiency is a problem, but it is also an educational opportunity.

I believe that anyone would prefer to teach someone to be efficient rather than work more hours. And because salaries are so low in the region, you can get better talent for less.

Finally, I assume that one of the primary reasons why Latin American innovation should be easier to achieve is creativity. People in the region have always had to solve their problems on their own because their institutions are untrustworthy. This is, in my opinion, one of the best educational opportunities in the region.

Furthermore, young people in Latin America hold the world's highest positions in both the entrepreneurial spirit driven by necessity and entrepreneurial perception and intention. Students who graduate from university have changed, as has society.

The funding available to these potential entrepreneurs is the final piece of the puzzle. According to the most recent LAVCA report, the number of **physical education** and **venture capital businesses** in Latin America has grown dramatically over the last decade, from approximately 170 agreements in 2010 to more than 420 in 2017.

In fact, only in Mexico (the region's most important player today), the number of seed and venture capital funds increased from three in 2008 to more than 60 today. The presence of local partners is also attracting American, European, and Asian players to the region.

Where are the opportunities?

If you follow the trends, the main opportunities will end up in specific problem areas that technological advances can quickly address, thereby helping to bridge the digital divide between the developed world and the region's countries. These are some examples:

Fintech: assist those in need by increasing access to capital for a larger segment of society.

Block chain: decentralization of institutional monopolies in areas such as contracts, remittances, ownership, and voting.

Automation and robotics: industry automation and increased access to higher-paying, higher-value jobs.

Internet of Things and Big Data: make data available to all.

Mobile applications: in response to the fact that the majority of Latin Americans access the Internet via mobile devices.

Cleantech and mobility: solve the major cities' pollution and traffic problems.

Social impact: attempting to bridge the socioeconomic class divide; reviving education.

Conclusion:

The main challenges are identified through this research:

1. Latin Americans are culturally risk-averse and most only invest in "safe" businesses such as real estate. A key factor that prevents potential entrepreneurs from succeeding is a lack of financial education.

2. Corruption, a lack of institutional trust, and impunity are likely to be the most difficult barriers to overcome in the coming years. Companies must think globally and compete on a global scale; they cannot cheat or take shortcuts. Governments will need to create a new system that is more meritocratic and accessible to all in order to attract foreign investment.

3. At the moment, there is a lack of trust in the regulatory environment. Although the legal framework appears to exist, the lack of transparency and unequal application of the law make it extremely difficult for businesses to compete on an equal playing field.

4. Another significant impediment is the region's **scarcity of success stories**. With a few exceptions, new companies in Latin America do not appear to have the same growth expectations as their counterparts in Asia, the United States, or Europe. Making an **IPO (initial public offering)** in Latin America is nearly impossible, owing to monopolized stock markets that act more as gatekeepers than promoters, regulating admission to the IPO club rather than encouraging companies to reach a final stage of growth by going public.

5. In Mexico, for example, despite the fact that the regulation requires only USD 3.5 million in market capital to be quoted, no intermediary will make it public with less than USD 500 million in stock market capitalization, and the typical public company has a stock market capitalization of USD 2 billion. Fortunately, countries such as Brazil and Mexico are taking steps to change this: ATS will be BOVESPA’s first competitor in Brazil, and BIVA will compete with the BMV in Mexico.

6. Furthermore, the region's mergers and acquisitions activity for new companies is remarkably low. This is primarily due to the ecosystems' relative youth at the start of the region. Companies simply haven't grown to the point where they're interesting acquisition targets. Exit strategies are essential for continuing to promote investment in startups, and success stories are the fuel that drives the generation of new entrepreneurs.

7. Finally, numerous countries are holding elections this year. Venezuelans re-elected Nicolás Maduro, the elected successor of late former President Hugo Chávez, in a plainly rigged election. In Colombia, the victor of the presidential election was determined by a second round of voting. For the first time, a socialist leader took office in Mexico, and Brazil will decide its fate in October. Left-wing populism appears to be the new standard in the area, which might put any prolonged focus on innovation and entrepreneurship at risk.

Whoever ascends to power in these Latin American behemoths must recognize the value of entrepreneurship and innovation as sources of competitiveness, job creation, and economic progress. They should continue to foster them in this manner, taking advantage of the unprecedented economic opportunity that exists today.

List of literatures used

1.https://www.wilsoncenter.org/article/latin-america-must-prioritize-infrastructure-spur-economic-growth#:~:text=Argentina%20spends%20approximately%205%20percent,GDP%20in%20infrastructure%20every%20year.
2. Statista https://www.statista.com › dis…
3. Latin American Network Information Center http://lanic.utexas.edu › region
4. https://en.wikipedia.org/wiki/Latin_American_economy
5. Google Books https://books.google.com › T… emic https://academic.oup.com › c…
6.United Nations https://www.un.org
7. Inter-American Development Bank
8. World Bank https://www.worldbank.org › ...
9.International Monetary Fund https://www.imf.org › Home