Chapter 7

Latin America: a region of shared loyalties and persistent dependencies

A. G. Aguilar and B. Graizbord[1]

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INTRODUCTION

The concept of globalization is generally associated with the ease with which goods, capital and information cross international boundaries, leading to an integration of economies around the world (Cyr, 2001; Allen and Thompson, 1997). Factors such as the increasing integration of the global economic space, the effect of the demographic transition on the economic environment in the developed world, and pressure on communities to survive in the developing world, combined with an increase in the mobility of people in many parts of the world while others lag behind, have caused significant changes in the flows of capital and labour over the past three decades at national, regional and international scales.

A new international division of labour was established where labour-intensive production processes were moved from high labour cost core areas to low-wage countries with quality labour and good infrastructure (Fröbel et al., 1981). The global division of labour has now entered a new phase of transition, the dispersion of production processes to what Wallerstein (1974) calls semi-peripheral areas, causing the replication of core labour markets in such peripheral regions. Although some of the economies in Latin America have only entered the global economic arena very recently, they are becoming more open and should be influenced more directly by global trends in the future. Despite these changes, some still believe that large parts of the global periphery have been, and are still being disadvantaged by the process of globalization and the policies of international funding organizations (Amin,

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2001), such as the World Bank (WB) and the International Monetary Fund (IMF).

It is the aim of this chapter to analyse development trends in Latin America over the past few decades in the context of an open free world market. The analysis focuses on the broad changes in urbanization, migration and economic flows between the core and peripheral areas inside and between Latin America and the global regions of the world over the past three decades. In short: the opening of the national economies to foreign trade and investment, and the irruption of global forces in terms of the new international division of labour (Fröbel, et al., 1981), have changed core-periphery relations within and between regions of the world and reflect, among others, the process of 'differential urbanization' (Geyer, 2002). The emphasis will be on social, economic and political factors that are currently causing certain regions to lag behind, while at the same time emphasizing the region's connectedness to the rest of the world.

In the chapter we start off with a brief historical description of the region. Next, we delimit our study area by looking at its inter-regional connectedness in a global context. We use export and import figures of selected countries to and from other regions of the world to demonstrate the region's global connectedness. We then proceed by identifying our region's main core areas in terms of their demographic and economic importance. We look at the share of core areas with or within the region's commercial links with the world. We also look at foreign direct investment (FDI) in order to demonstrate the relative importance of receiving countries and to show the presence of transnational corporations (TNCs) in the region's economy. Finally, we look at the urbanization process and population growth, the direction of migration flows in terms of concentrating and deconcentrating tendencies to and from main metropolitan centres. We intend to emphasize the importance of central or core regions or countries and that of secondary or regional large economies *viz-a-viz.* smaller or peripheral areas (countries) within the Latin American subcontinent.

A BRIEF HISTORY OF THE REGION

THE COLONIAL PERIOD

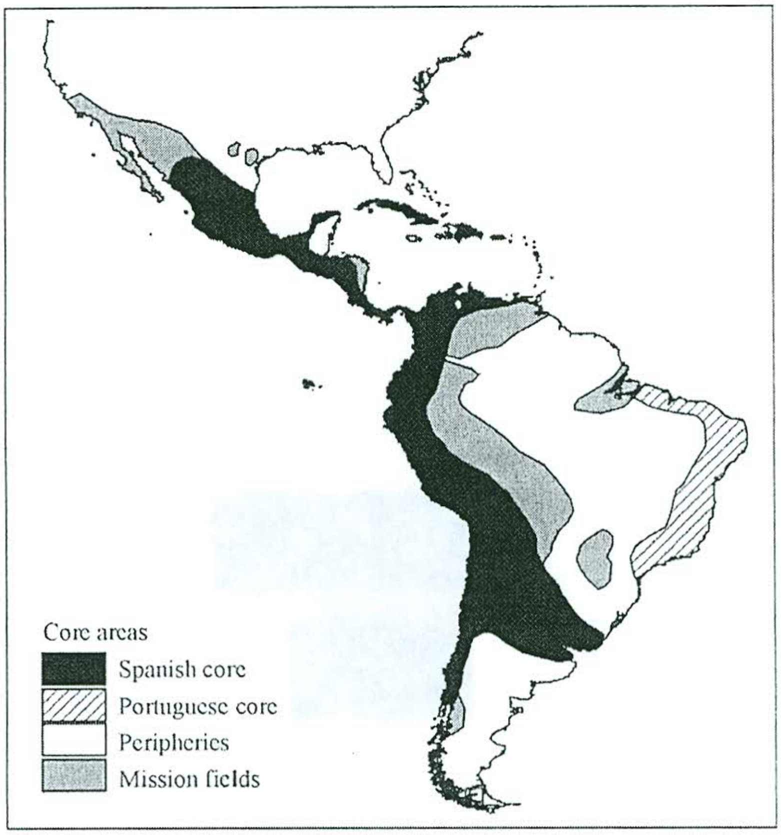
Colonial occupation in Latin America was aimed not only at the establishment of an administration but also at colonial control. Prime motives of the Spanish and Portuguese occupation in America were to 'civilize' and convert the native population, as well as to exploit the region's natural resources as sources of profit. *Conquistadores* and colonists were mostly interested in enhancing their wealth and improving their social positions. The initial focus was on areas which were either densely inhabited by Indians or which possessed easily exploitable deposits of gold. Subsequently, colonists turned their attention to economic activities which required greater investments in time and capital, and led to permanent settlements (Newson, 1996, p.18). Silver and gold mining became the driving force of the colonial economy, while agriculture developed to meet European demands for tropical crops, but above all, to supply growing domestic markets in the towns and mining areas.

The earliest industries were limited to the processing of agricultural and mining products for export and to the manufacturing of food and clothes and the construction of housing necessary to sustain the local population. As a consequence, industrial development only occurred in a few locations such as the sugar zone of northeast Brazil and the mines of Mexico, Upper Peru and Minas Gerais, the ports of Veracruz, Portobello and Salvador, and the cities in the highlands of Mexico and the Central Andes. Urban growth stimulated a range of activities such as woodworking, lime, tile and brick making, tanning, flour milling, metal-working, and clothing and footwear (Dickenson, 1996, pp.42-43).

Latin America, during the colonial period, can be divided into the core areas, where European enterprises and the native population were concentrated, and the largely uncolonized peripheries (Newson, 1996, p.20) (see Figure 7.1). Firstly, core areas were closely linked to towns and cities that, particularly in Spanish America, were regarded as symbols of territorial possession from which the surrounding countryside could be controlled and exploited. Political and cultural centres were the most important urban settlements in colonial Latin America. As the capitals of the viceroyalties which housed the seats of archbishops, universities, convents and hospitals, Mexico City and Lima remained the most important cities in the region throughout the colonial period. Apart from the main cities, few other settlements developed, and those that did were mostly mining centres such as Potosi in Peru. Other cities that developed into important centres were the major ports on the Atlantic coast that were used for the export for minerals and tropical products and the import of European wares. The most important of these centres were those that were regularly used by the Spanish fleet, such as Veracruz, Portobello and Cartagena, and on the Pacific coast, Guayaquil, Lima/Callao and Arica (which were used for the exporting of silver from Potosi). A striking thing is that the major administrative and cultural centres, rather than the prominent economic centres of the colonial period, are still the major centres of Spanish America.

Because they were largely uninhabited the peripheries remained outside effective administration of the colonial powers. Two activities that did occur there were hunting (especially in the grasslands of Argentina, southern Brazil, and southern Venezuela where wild life abounded in the nineteenth century) and mission work. Otherwise they merely served as buffer zones against possible foreign invaders.

Figure 7.1 Core and peripheries in the late colonial period



POST-COLONIAL PERIOD

Most of Latin America secured its political independence before 1830 but this did not bring an end to the region's economic independence. In fact, the economic dependency of countries in the region increased after independence. The composition of the colonial economic system and the international division of labour accentuated Latin America's role as a supplier of primary products to Europe (and later also North America), and as a recipient of their manufactured goods. This relationship stimulated the processing of export-commodities and gradually led to industrial development in the region – a process that brought 'progress' to the subcontinent in return for commodities such as temperate agricultural products, tropical crops and basic minerals (Dickenson, 1996: 45).

A crucial element in the exploitation of Latin America was the improvement of transport. In the early post-colonial period its deficiencies tended to perpetuate the pattern of concentration of economic activities close to the coast, and in the principal cities such as Rio de Janeiro, Buenos Aires, Santiago and Lima. The introduction of the railway, however, brought profound changes, facilitating the opening of interior areas and resources.[2] Foreign capital was also significant in improving ports and shipping, providing urban services such as transport and electricity, and direct investment in mining and some industries. These developments facilitated Latin America's role as a supplier of primary products, to such an extent that by 1914 this region was a major supplier of sugar, cereals, coffee, cacao, livestock products, rubber, fertilizers and minerals such as tin and copper in the world.

These activities speeded up urbanization in the region. By 1870, Mexico City, Havana, Buenos Aires and Rio de Janeiro all had more than 200,000 inhabitants each. Lima, Montevideo, Recife, Salvador and Santiago, had more than 100,000 inhabitants. Port cities such as Guayaquil and Valparaiso also expanded significantly. Basic needs of the inhabitants were met by industries producing food, beer, cigarettes, leather goods, wood products, clothing and footwear.

It was during the late nineteenth and early twentieth century that the subcontinent became firmly enmeshed into the world economy. The inflow of foreign capital and the expansion of markets, transport systems, technological capabilities and communication networks played a significant role in this. The export of commodities increased, but so did the import of foreign goods and services. By 1913 Latin America accounted for 10 per cent of Britain's foreign trade and 20 per cent of its investment. Investment only occurred in certain sectors and countries, however. For example, around 1900, 75 per cent of British investment occurred in Argentina, Brazil and Mexico, and a further 18 per cent in Chile, Cuba and Peru, mainly in the form of government loans, earmarked for the building of railway lines and public utilities. Eighty per cent of American investment occurred in Mexico and Cuba, mainly in railway building and in the precious metal and sugar industry (Dickenson, 1996, p.51) (see Figures 7.2 and 7.3).

THE TWENTIETH CENTURY

The Great Depression played a major role in stimulating industrial develop-

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[2] The first significant railway development took place in Cuba in 1837; the completion of other railways, for example, the Santos-Sao Paulo (1868), Veracruz-Mexico City (1873) and Mollendo-Puno (1877), were of major significance for resource exploitation and development (Dickenson, 1996: 46).

Figure 7.2 Principal cities by 1900

Source: Dickenson, 1966, p.55.

ment. The crisis clearly revealed the vulnerability of the region and its export-dependency and made the case for economic diversification and greater self-sufficiency through the expansion of the manufacturing sector. This prompted moves towards import substitution industrialization (ISI). In the process, countries in Latin America changed from free trade to highly protected economies. This process started in the 1930s and gained momentum during the Second World War.

By 1945 the region's industrial base had broadened considerably, in terms of both the range of products and the level and nature of industrialization. In the post-1945 period, countries such as Argentina, Brazil and Mexico had achieved a 'take-off' leading to rapid industrial growth. These countries had developed a fairly substantial and diverse industrial structure, with a range of

Figure 7.3 Principal cities in 2000

Source: United Nations, 2001, p.120.

consumer durable and non-durable goods, and some heavy industry (see Gwynne, 1996, pp.218-219). Although some countries of Latin America had begun the process of import-substitution, industrial development was limited to modest production of foodstuffs, clothing and building materials in others. 'Modern' manufacturing activities were mostly concentrated in the capital cities and ports. Further away from these cores, the location of some export-processing industries created industrial enclaves in rural areas and areas with harsh climates or environments. This pattern of concentration was destined to become of considerable significance in terms of urban growth, patterns of migration and regional development strategies in the post-1945 period.

The success of inward-oriented industrialization partly depended on the size of the national market. In large markets where competition between producers occurred and where reasonable economies of scale could be achieved, manufacturing industry could approach international levels of competitiveness. Large countries recorded higher rates of manufacturing growth than smaller countries, particularly from 1965 to 1973 when average growth rates of 12 per cent in Brazil and 8 per cent in Mexico were achieved. As a proportion of Latin American manufacturing production, Brazil and Mexico increased their combined weight from 43 per cent in 1950 to 62 per cent in 1978. In this respect the ISI policy led to a significant increase in manufacturing activities in only two Latin American countries (Gwynne, 1996, p.220). It is worth mentioning that the inward orientation of manufacturing was reinforced by the reliance of many countries on minerals or fuel exports. Mineral export-driven economies included two main categories, the hydrocarbon producers (such as Venezuela, Mexico and Ecuador) and the hard minerals exporters, such as Chile (copper), Bolivia (tin) and Peru (copper, zinc).

By the 1970s, the more successful manufacturing and extractive (minerals) economies became the recipients of large international commercial bank loans, but due to their misfortune a debt crisis developed a decade later. The debt crisis revealed the long-term economic unsustainability of ISI and of a narrow range of exports. The external accounts of all countries were in serious trouble. Exports declined in value and quantity, interest payments and loans soared, and national debt increased rapidly without any sign of how and when that could come to an end, unless fundamental economic policy changes were to occur.

RECENT CHANGES: THE OPEN ECONOMIES

Free market policies were strongly recommended by international organizations such as the International Monetary Fund (IMF), the World Bank (WB) and the Inter-American Development Bank (IDB). The IMF particularly favoured structural adjustment policies which involved among others: macroeconomic stability, deregulation, privatization, openness to trade and a poverty programme. Such policies were supposed to be more realistic at the time of progressive internationalization of the world economy. It was precisely those countries (Mexico and Chile) which quickly turned to free market policies that after the debt crisis in the late 1980s showed signs of rapid economic growth. The shift to a free market economy had logical but contrasting results in terms of sectoral development: the immediate decline of one set of economic sectors that was not internationally competitive and the delayed growth of a set of sectors that was able to operate successfully in global markets meant that the shift to those neo-liberal policies involved significant short-term difficulties such as a delayed growth of export-oriented sectors. In fact, it took ten years after the North America Free Trade Agreement for

Mexico, for instance, to become competitive in certain sectors in the global market (Gwynne, 1996, p.225).

URBANIZATION AND ECONOMIC DEVELOPMENT

A persistent issue in the study of urbanization has been the question of the degree of spatial concentration of population and economic activities following economic development processes. But recently, in the context of globalization, Krugman and Livas (1996) argued that international trade and urban primacy are inversely related and that the urban hierarchies of developing countries will flatten as their economies liberalize. On the other hand, Pernia and Quising (2003) have stated that trade and foreign direct investment (FDI) reinforce urban primacy. Firms located in the larger metropolises, they argue, have advantages in exporting activities because the necessary infrastructure is not always available in the rest of the national urban system.

This is not a new issue, however. Patterns in the spatial distribution of population were linked to foreign trade and have been highlighted in historical studies of the Latin American cities by Morse (1971). In an extensive study, Morse and his colleagues looked at culture, the institutions that the Latin American subcontinent inherited from Europe (mainly from the Iberian peninsula) during the colonization period, and the formation of nation-states. They focused on the way in which Latin American industrial metropolises were subjected to economic and geographic forces. Morse (1971). described extensively the development of Latin American national urban systems from 1750 to 1920 in the case of eight of the largest countries: Argentina, Brazil, Colombia, Cuba, Chile, Mexico, Peru and Venezuela.

It is important here to recapture the most important conclusions Morse reached in his extraordinary work: while there was no clear tendency in terms of centrifugal and centripetal forces in the different countries, capitals such as Santiago, Mexico City and Caracas grew at rates much above their respective countries' average, contrary to Buenos Aires that experienced a slower growth than the rest of Argentina as a whole after independence (nineteenth century). These tendencies were related to the opening of cultivated land, the production of export goods, the expansion of forestry, and the centralization of national political power following the expansion of foreign trade. Another variable favouring the acquired hegemonic role played by the national capitals was the introduction of communication technology (railroads and telegraph networks). Generally, tendencies of high concentration of people, economic activities and political power in the capital cities persisted, even increased in the eight countries (Morse, 1971, pp.26-35). This was true for Argentina (Buenos Aires), Chile (Santiago), Cuba (Havana), Mexico (Mexico City) and Peru (Lima). Countries that showed a weakening of the position of their capital cities relative to the rest of the urban system were Brazil (Sao Paulo), Colombia (Bogota) and Venezuela (Caracas).

It was obvious, according to Morse (1971, pp.37, 47), that neither diffusion nor economic dependency was universal. On the other hand, commercial determinism, according to this author, was a reasonable argument to explain Latin America's urban development.

URBAN CONCENTRATION AND TRADE

In an outstanding pioneering study McGreevey (1973) looked at the quantitative relationship between lognormality in city size distribution and trade. The development of the urban system in the eight Latin American countries between 1750 and 1960 showed a tendency of concentration and a 'hyper-cephalic' pattern. McGreevey questioned the possibility of considering independent or autonomous systems of cities by country, as he concluded that there was a fragmented administrative and transport network prevalent in Latin America during the two centuries from post-colonial to the middle of the twentieth century.

According to McGreevey (1971) export value was an explanatory variable. National export sectors were developed as enclaves in areas far removed from the largest cities in the countries (usually their capitals) during the period. Examples of this phenomenon are tobacco production in Magdalena Valley in Colombia, sugar production in Central and Eastern Cuba, and nitrate production in the North of Chile. However, he concluded that exports, imports and tax revenues still mostly benefited the capital cities due to their historical growth and development momentum between 1870 and 1920.

Before looking into the transition period of modernization prior to the new globalization period, it is important to mention McGreevey's (1971) conclusions. First, according to him, only Mexico experienced 'excessive' concentration in its capital city by the end of the colonial period. But by the end of the Second World War 'hyper-cephalic' urban systems were common in all Latin American countries. Second, none of the urban systems in the countries were lognormal, except in Mexico, and in cases where there were signs of this condition developing it was caused by several factors. Third, all eight of the countries' national urban systems became essentially hegemonic by the end of the nineteenth and the first half of the twentieth centuries. The opening of their economies was probably the main cause of change in the urban system from lognormality to capital city hegemony. The higher the per capita exports the more the city size distributions moved away from lognormal distributions. Fourth, Mexico's case was an exception. With small values of exports per capita the country's urban system did not show a lognormal distribution. Fifth, exports per capita form only one of many variables explaining these patterns. He suggested other factors explaining the rise of the capital city's hegemony, such as the expansion of the public sector, concentration of services in capital cities, economies of scale in manufacturing, and growth in banking and wholesale.

CONSOLIDATION OF THE URBAN ECONOMY: 1920-60

The latter factors referred to above explain the consolidation of the national urban economies in most Latin American countries during the first half and part of the second half of the twentieth century. An excellent paper by Durand and Pelaez (1972) provides information applicable to our analysis. Pertinent data of 15 countries (containing more than 80 per cent of the estimated 1960 population of the Latin American region) are arranged from 1920 to 1960. The authors looked at urbanization trends and provided census data on cities according to size.

Since 1920, Latin America on the whole was considerably more urbanized than Africa and Asia and even somewhat more urbanized than Southern Europe. These authors point out, though, that individual Latin American countries differed greatly in degrees of urbanization. In terms of population in cities of 100,000 or more, Latin America did not appear less urbanized than more developed global regions. But the situation changes when one compares settlements of 20,000 or more. During the nineteenth and early twentieth centuries a large share of the population lived in major agglomerations and as a result a majority of countries were 'megalo-cephalic' (Durand and Pelaez, 1972, p.184). According to data presented by Durand and Pelaez (1972) at least half of the urban populations in 16 of the 22 countries were living in the primate cities of those countries. In fact, more than 60 per cent of the total urban populations of 20 of the 22 countries were living in cities of 100,000 or more. This proportion holds today (see Table 7.1).

According to Durand and Pelaez (1972, p.184) 'a trend of decreasing dominance of principal cities [was] apparent in the majority of the Latin America countries' by the 1960s, while at the same time 'there [was] a general trend of increasing percentages of total population in cities of 100,000 or more inhabitants'. Three additional but interrelated features were identified by the authors. First, the growth rate of the total population in Latin America from 1950 to 1960, estimated at an average of 2.7 per cent per annum, exceeded the estimated rates of growth in all other regions of the world. Second, the growth rate of the urban population in Latin America was almost twice high as that of the total population. Third, despite the increasing rate of urbanization in the 1950s and in spite of the increasing flow of migration to the cities, the rate of growth of the rural population was still higher during that decade than in the intercensal period which immediately preceded it in the majority of the cases.

METROPOLITAN GROWTH: 1950-70

In 1950 Mexico City was number 21 in a list of major cities with a popula tion of 3.05 million. Sao Paulo was 19th with 3.16 million, Rio de Janeiro 17th with 3.22 and Buenos Aires fifth with 7.0 million (Davis, 1965). By 1962, Mexico City had no rival in Central America and was ranked twelfth in a list

Table 7.1 Population and its urban distribution by city-size as percentage of total population in selected countries, 1980-2005

	Population in (at mid year '000)								Urban population[b] (percentage of total)			
	1980	%	1990	%	2000	%	2004[a]	%	1980	1990	2000	2005
Argentina	28,094	7.8	32,527	7.4	37,032	7.1	38,854	7.1	83.0	86.9	89.6	90.6
Brazil	121,672	33.7	148,030	33.7	170,693	32.9	179,443	32.6	67.3	74.7	79.9	81.7
Chile	11,147	3.1	13,100	3.0	15,211	2.9	15,956	2.9	79.0	82.8	85.7	86.9
Colombia	28,447	7.9	34,970	7.9	42,321	8.2	45,302	8.2	64.4	69.4	74.5	76.6
Cuba	9,710	2.7	10,628	2.4	11,199	2.2	11,338	2.1	68.0	74.8	79.9	81.9
Mexico	67,570	18.7	83,226	18.9	98,881	19.1	104,735	19.0	65.5	71.4	75.4	77.2
Peru	17,324	4.8	21,753	4.9	25,939	5.0	27,547	5.0	64.2	68.7	72.3	73.5
Venezuela	15,091	4.2	19,502	4.4	24,170	4.7	26,012	4.7	78.9	83.9	87.4	88.8
Subtotal	299,055	82.9	363,736	82.7	425,446	82.0	449,187	81.7	-	-	-	-
Rest	61,661	17.1	76,152	17.3	93,418	18.0	100,809	18.3	-	-	-	-
Latin America	360,716	100.0	439,888	100.0	518,864	100.0	549,996	100.0	65.3	71.0	74.9	76.5

Table 7.1 Population and its urban distribution by city-size as percentage of total population in selected countries, 1980-2005 (continue)

	Population in localities 20 000 or more			Population in localities 100 000 or more			Population in main metropolitan area[c]			
	1980	1990	2000	1980	1990	2000	1990	(d)	2000	(d)
Argentina	71.0	74.7	nd	58.7	61.7	nd	34.5	(38.2)	32.3	(36.9)
Brazil	52.1	61.8	64.5	41.8	47.3	49.6	10.2	(16.9)	10.1	(16.6)
Chile	68.6	72.3	nd	55.7	60.7	nd	35.4	(40.7)	36.0	(40.8)
Colombia	55.1	59.2	nd	46.2	49.3	nd	15.8	(22.6)	16.3	(21.6)
Cuba	47.9	47.9	nd	34.5	nd	nd	20.0	(nd)	20.2	(nd)
Mexico	51.9	56.4	59.0	44.4	46.5	47.3	18.5	(22.1)	18.2	(21.4)
Peru	49.9	55.2	nd	40.4	45.9	nd	27.9	(30.6)	29.1	(nd)
Venezuela	70.5	71.5	nd	59.7	59.5	nd	15.3	(22.5)	12.9	(20.5)

Notes:
(a) These figures correspond to the recommended projection, which includes the use of an average fertility hypothesis.
(b) The term urban is defined as it is used in each country (but in general it refers to population in localities with 2500 and more inhabitants).
(c) It varies in the subcontinent from 36% in Guyana and lower figures in the small island-nations to 92.6% in Uruguay in 2000.
(d) Percentage in the two main metropolitan areas: Buenos Aires and Rosario; Sao Paulo and Rio de Janeiro; Santiago and Valparaiso; Bogota and Medellin: Havana and Santiago; Mexico city and Guadalajara; Lima and Arequipa; Caracas and Maracaibo, respectively.

Source: Statistical yearbook ECLAC 2003 (Economic commission for Latin America and the Caribbean) (tables 121 and 9).

of major world metropolises. In South America, Buenos Aires with 7.2 million inhabitants was eighth in that list, below New York, Tokyo Yokohama, London, Osaka Kobe, Moscow, Shanghai and Paris with 15.8 million the first in the list and 7.8 million the one above Buenos Aires (Hoyt and Pickard, 1972, p.201). In fact, only Buenos Aires was included in the 'twenty-one great world cities' (Hoyt, 1972, p.205). In 1960, just 125 out of a total of 1374 cities over 100,000 were located in South and Central America. The world at that time supported close to 3, 000 million inhabitants of which only more than 210 million were counted in the Latin American subcontinent.

In 1960, 32 per cent of the world's total population lived in urban areas, growing from only 14 per cent in 1920. But Mexico City – being the fastest-growing city among the largest – increased from less than a million in 1920 to almost 6.5 million by 1960.[3] Only Buenos Aires lay above it with a population of 7 million that year. Following in this category of fast-growing metropolitan areas was Sao Paulo, starting with less than 600,000 in 1920 and reaching 4.4 million in 1960 (UN, 1972, p.33).

In Latin America the rural and small-town population increased by 68 million in 40 years from 77 million in 1920, while the urban population increased by 55 million in the same period from 13 million. But from 1960 to 1980 the increment was 77 million for the rural population and 84 million for the urban population, of which 65 million were concentrated in large cities of 500,000 and over (UN, 1972: 43).

In fact, looking back at this time period (1920-60), all larger countries in the subcontinent reached their peaks in terms of rates of growth of total population. By the early 1970s, however, as the Geyer-Kontuly differential urbanization model would have predicted, some new trends in the distribution of their urban populations started to emerge. A new deconcentration phase emerged which contrasted with the concentration tendencies primarily directed at their primate cities – the preferred destination of internal migration until till then.

An indicator of these trends is the percentages of the urban population in the largest cities. This proportion varied from almost 100 per cent in Costa Rica (San Jose) in 1963 to only 16 per cent in Brazil (Sao Paulo) in 1960; with Argentina close to 60 per cent in Buenos Aires; 47 per cent in Santiago, Chile; 27 per cent in Mexico City; 50 per cent in Lima, Peru; close to 38 per cent in Caracas, Venezuela; and in 1953 Havana, Cuba with slightly more than 51 per cent (Durand and Pelaez, 1972: table 3, pp.170-171) (see Table 7.2).

Since the 1970s and 1980s, a decline in population in the main metropolitan areas in some countries shows a deconcentrating tendency from primate towards secondary cities. This is reported in the literature for Sao Paulo, Bra-

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[3] Including peripheral municipalities as part of incipient metropolitan areas.

zil (Richardson, 1980; Townroe and Keen, 1984) and Mexico City (Graizbord 1984; Aguilar et al., 1996). But it was also true, as Table 7.2 shows, for Buenos Aires, Argentina and Caracas, Venezuela (35.7 per cent in 1980 to 32.3 in 2000 for Buenos Aires and 20.3 in 1970 to 12.9 in 2000 for Caracas).

SECTORAL CHANGES IN THE STRUCTURE OF THE LABOUR FORCE: 1970-90

Latin American countries experienced a remarkable sectoral shift in the structure of their national labour forces between 1970 and 1990. Almost without exception all the countries were transformed from manufacturing to tertiary economies over the two decades. Latin America as a whole lost 16.6 per cent of its workers in the primary sector (42 per cent in 1970 to 25.4 per cent in 1990) while there was a 15.2 per cent gain in the tertiary sector (35.8 per cent in 1970 to 51 per cent in 1990). Certain countries, such as Argentina, Chile and Mexico, even lost manufacturing workers and in all, except in Peru, a half or more of their labour forces was concentrated in the service sector. Peru retained one-third of its labour force in the primary sector while the smallest share of its workforce was in manufacturing, that is only 17.8 per cent of the total. Argentina, on the other hand, retained one-third of its workers in the manufacturing sector while it had the lowest percentage (12.2 per cent) of workers in the primary sector of all the countries (see Table 7.3).

By 2002 those countries that had become service-oriented urban economies tended to focus on the tertiary sector. All of them have reduced the share of their urban population involved in agricultural activities to 11 per cent or less and in manufacturing to 28 per cent or less, but increased the shares of their workers in service activities (commerce, transport, finance and services) to two-thirds or more of the total urban workforce. These structural shifts are associated with changes in the direction, volume and composition of exports, as will become apparent in the following paragraphs (see Table 7.3).

REGIONAL DEVELOPMENT IN THE CONTEXT OF GLOBALIZATION

THE OPEN ECONOMY: CONNECTEDNESS IN A GLOBAL CONTEXT

With 378 thousand million USD in exports and 324 thousand million in imports, Latin American trade (f.o.b.)[4] was a mere 5.4 per cent of global trade in 2003. In a regional context its international trade was even less. It only amounted to 3 per cent of the North American total and 3.4 per cent of

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[4] Free on board values for balance-of-payment purposes in the current account in each economy.

Table 7.2 Population in the main metropolitan area of selected countries as percentage of total population, 1940-2000

Metropolitan areas/country[a]	1940	1950	1960	1970	1980	1990	2000
Great Buenos Aires, Argentina	-	29.7[b]	33.8	35.6	35.7	34.5	32.3
Sao Paulo, Brazil	3.7	4.4	4.5	8.4	10.2	10.2	10.1
Santiago, Chile	18.9	22.8	25.9	32.3	34.8	35.4	36.0
Bogotá, Colombia	3.7	5.5	-	14.0	14.8	15.8	16.3
Havana, Cuba	17.4	18.3	-	20.8	19.8	20.0	20.2
Mexico City, Mexico	7.4	8.7	8.1	18.5	20.8	18.5	18.2
Lima, Peru	8.4	-	14.5	24.4	25.9	27.9	29.1
Caracas, Venezuela	8.6	13.5	17.7	20.3	18.1	15.3	12.9

Notes:
(a) Main metropolitan areas are country's capitals. In other LA countries they reach between 14.9% (Tegucigalpa, Honduras) and 71.4% (Nassau, Bahamas).
(b) 1947.

Source: ECLAC (Ibid 2003) for 1970 to 2000 and Durand and Pelaez (1972: table 2) for 1940 to 1960.

Table 7.3 Structure and change of the economically active population (EAP)[a] by economic sector[b] in selected countries, 1970, 1990 and 2000 (percentage of total EAP)

	1970	*1990*	*Δ1970-1990*	*2000[c]*	*Δ1990-2000*
Argentina	100.0	100.0	—	99.8	—
I	16.0	12.2	-3.8	1.4	-10.8
II	34.3	32.4	-1.9	20.0	-12.4
III	49.7	55.5	+5.7	78.4	+22.9
Brazil	100.0	100.0	—	99.7	—
I	47.2	23.3	-23.9	7.9	-15.4
II	20.0	23.0	+3.0	24.20	+1.2
III	32.8	53.8	+21.0	67.6	+13.8
Chile	100.0	100.0	—	99.8	—
I	24.1	18.8	-5.3	8.7	-10.1
II	29.3	25.4	-3.9	24.2	-1.2
III	46.7	55.8	+9.1	66.9	11.1
Colombia	100.0	100.0	—	99.8	—
I	45.1	26.6	-18.5	6.9	-19.7
II	19.3	22.9	+3.6	21.8	-0.9
III	35.6	50.4	+14.8	71.1	-20.7
Cuba	100.0	100.0	—	—	—
I	30.1	18.2	-11.9	—	—
II	26.4	30.4	+4.0	—	—
III	43.5	51.5	+8.0	—	—
Mexico	100.0	100.0	—	100.0	—
I	43.8	27.8	-16.0	2.4	-25.4
II	24.2	23.7	-0.5	27.9	+4.2
III	32.0	48.5	+16.5	69.7	+21.2
Peru	100.0	100.0	—	100.0	—
I	48.3	35.6	-12.7	11.0	-24.6
II	17.5	17.8	+0.3	18.1	+0.3
III	34.2	46.6	+12.4	70.9	24.3
Venezuela	100.0	100.0	—	99.7	—
I	26.0	12.0	-14.0	10.4	-1.6
II	24.8	27.3	+3.5	20.1	-7.2
III	49.2	60.7	+10.5	69.2	+8.5

Table 7.3(continued) Structure and change of the economically active population (EAP)[a] by economic sector[b] in selected countries, 1970, 1990 and 2000 (percentage of total EAP)

Latin America	100.0	100.0	—	—	—
I	42.0	25.4	-16.6	—	—
II	22.2	23.6	+1.4	—	—
III	35.8	51.0	+15.2	—	—

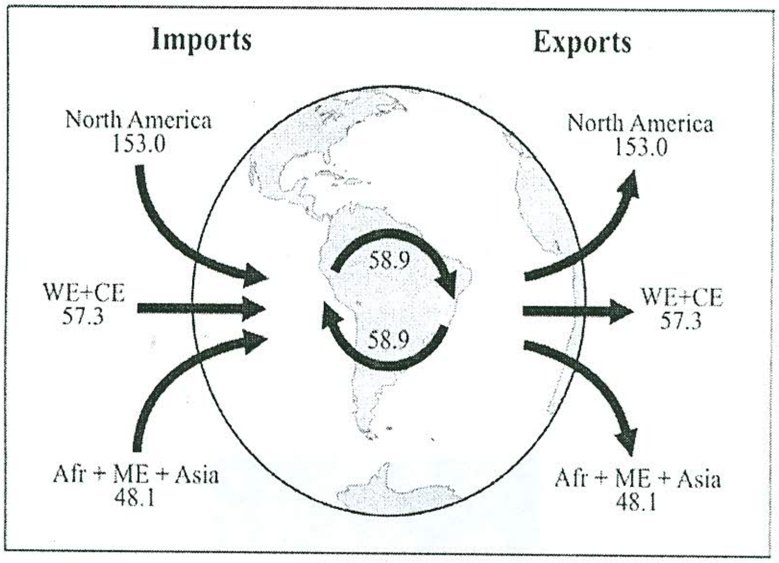
Notes:[a] Refers to ILO estimates on population 10 years and over economically active.
[b] Includes Primary (I): Agriculture, forestry, hunting and fishing, mining and quarrying; Secondary (II): Construction, electricity, gas and water, and manufacturing; Tertiary (III): Commerce, transport, storage, and communications, and services.
[c]Refers to closest year in which census was conducted (1999-2001) and to population 15 years and over economically active.

Source: Statistical Yearbook, ECLAC, 2003 (Table 16).

the Asian total. However, North America (US and Canada) remains Latin America's most important trading partner with 58 per cent of the total exported goods and 47 per cent of the imported goods going to and coming from the region in 2003. Second is Western Europe with 14 per cent of its goods going to that region and 18 per cent coming from there. Asia is the next important trading partner with 13 per cent of its imports coming from, and 7.6 per cent of its exports going to that region. China and other Southeast Asian countries are becoming important partners as almost two-thirds of Asia's trade with Latin America comes and goes to those countries. A positive balance of payments of 53,000 million $ with the world is explained by the positive balance of trade with North America. The region shows a negative balance with Asia and Europe, however (see Figure 7.4).

According to the World Trade Organization (WTO) the increase in exports from Latin America as a whole was 230 per cent from 1993 to 2003. Mexico was the leading exporting country. Its exports increased more than three times over the period, which brought its share of the region's exports as a whole from 32 to 44 per cent. The eight largest countries (Table 7.4) were responsible for almost nine out of each ten US dollars exported in 2003. This affected the rest of the Latin American countries whose share decreased from almost 14 per cent in 1993 to only 11 per cent in 2003. Their GDP amounted to almost 90 per cent of Latin America's total GDP but their combined population was only 38 per cent of the region as a whole in 2000. While the GDPs of these countries are growing faster, the growth of their populations is tapering off compared to the rest of Latin American countries, where the demo

Figure 7.4 Latin America: connectedness in the global context, 2003



	Imports from			Exports to	
	Absolute	%		Absolute	%
N America	153	47.2	N America	218.2	57.8
L America	58.9	18.2	L America	58.9	15.6
W Europe	57.3	17.7	W Europe	51.4	13.6
EU	53.8	16.6	EU	47.5	12.6
Other European	6.9	2.1	Other European	4.5	1.2
Africa	4.3	1.3	Africa	5.5	1.5
M East	2.8	0.9	M East	4.4	1.2
Asia	41	12.6	Asia	28.8	7.6
(Japan)	(10.1)	(3.1)	(Japan)	(6.5)	(1.7)
(Aust & N Zealand)	(1.51)	(0.5)	(Austr & N Zealand)	(0.8)	(0.2)
(Others)	(29.4)	(9.1)	(Others)	(21.4)	(5.7)
Total IMP (mil)	324.2	100	Total EXP (mil)	377.6	100

Table 7.4 Selected countries' share of Latin American exports 1993 and 2003 (Value of exported goods in millions of current US$)

Countries	1993 Absolute	1993 %	2003 Absolute	2003 %	
Mexico	51,886	32.2	165,396	43.8	Main core
Brazil	38,555	23.9	73,084	19.4	
Subtotal	90,441	56.1	238,480	63.2	
Argentina	13,118	8.1	29,350	7.8	Other regional economies
Venezuela	14,686	9.1	23,650	6.3	
Chile	9,198	5.7	21,046	5.6	
Colombia	7,115	4.4	12,671	3.4	
Peru	3,514	2.2	8,954	2.4	
Subtotal	47,631	29.5	95,671	25.5	
Subtotal	138,072	85.6	334,151	88.7	
Cuba	1,000	0.6	1,500	0.4	Periphery
Rest	22,037	13.7	41,949	11	
Latin America	161109	99.9	377600	100.1	

Source: WTO, Commercial Statistics 2004 (Commerce by regions and Appendix).

graphic transition (except in countries like Costa Rica and Uruguay) is still in earlier stages of development.

Over the last 20 years export-oriented activities in most Latin American countries moved from primary products to manufactured goods in general. This shows the countries' new role in the new international division of labour (Fröbel et al., 1981), and in the new world economic order. The composition of regional exports changed dramatically over the last two decades from the 1980s to end of the twentieth century and first years of the twenty-first, World Trade Organization statistics show that oil and natural gas, which represented 40 per cent of total exports in 1980, were reduced to less than 14 per cent in 2002; by 1990 auto parts and vehicles started to become one of the leading export products, doubling their share from 4 per cent to more than 9 per cent in 2002. Electric and electronic appliances and machinery have trebled their share from 3 per cent of total exports in 1995 to more than 10 per cent by 2002. On the other hand, and following the trends of all primary products, agricultural products have practically disappeared from the leading export products list by 2000. The same can be said for steel and other minerals. These commodities generated almost one in five dollars of the total export account in 1980 but only 2 per cent in 2000. The changing composition of leading export products also implied a diversification of the region's economy. While the leading products' share of the total exports was still almost 60 per cent in 1980, it was reduced to one-third in 2002 (see World Trade Organization, 2004).

It is worth looking at the four larger economies (according to their GDP in thousand million dollars): Brazil (1371.6), Mexico (934.5), Argentina (444.6) and Colombia (301.2). In fact, Mexico is first in its contribution to per capita trade value (US$3,580 /pc) and also in its trade to the GDP ratio (57.1). It ranks 13th in exports in world trade and 14th in imports. Brazil is 25th in exports and 30th in imports. Both of the largest economies (Mexico and Brazil) are exporting manufacturing goods and Argentina and Colombia, agriculture and mining products, while importing manufactured goods. The USA is Mexico and Colombia's main trading partner in imports and exports, while Brazil and Argentina mainly trade with the European bloc. On the other hand, Brazil's main exports are manufactured goods, amounting to more than half of its total exports, while agricultural products amount to one-third of its total. This country imports mainly manufactured goods, almost 70 per cent of its total imports. The main origin and destination of these imports and exports are countries in the European Union. On the other hand, Mexico's origin and destination of its imports (62 per cent of its total imports) and its exports (89 per cent) is the US. No other country in Latin America matches this level of business with the US which shows the impact NAFTA (North America Free Trade Agreement) has on Mexican business relationships (see Table 7.5).

Commercial service trade is becoming an increasingly important ingredient in Latin America's economic development. Among these are travel services (tourism), which represent 55 per cent of total commercial services exported and 27 per cent of total commercial services imported. This high percentage in total exports is only comparable with Africa's 49.3 per cent (WTO, 2004, Table IV.76). Exports of travel services in other regions in the world reach less than 30 per cent of their total exports in commercial services. For Mexico, travel services represent more than 75 per cent of all its exports in commercial services. Brazil on the other hand shows other commercial services rather than transportation and travel as its main service sector export.

The result of regional integration in the national economies is ambivalent. While Mexico's participation in NAFTA (Canada, Mexico and USA) has made the country more dependent, as total Mexican exports within the bloc grew from 42.6 per cent in 1990 to 55.7 per cent in 2000 and 56.1 per cent in 2003, the tendency in the MERCOSUR (Mercado Común del Sur, or Southern Common Market) trading bloc has been different. In fact, Argentina, Brazil, Paraguay and Uruguay as a regional bloc exported 91 per cent of its total export goods to destinations outside the region in 1990, but by 2000 extra-regional exports went down to 79 per cent and increased again to 88 per cent

Table 7.5 Trade in goods and commercial services by selected countries, 2003 (in million of US$)

	Merchandise trade			
	Exports	(Destination)	Imports	(Origin)
Mexico	165,396	(US) 89%	178,503	(US) 62%
Brazil	73,084	(EU) 25%	50,665	(EU) 26%
Argentina	29,350	(EU) 20%	13,813	(nd)
Colombia	12,671	(US) 47%	13,892	(US) 30%
	Share in world totals			
	Exports	(Commodity) %	Imports	(Commodity) %
Mexico	2.2	(Mfg.) 81%	2.3	(Mfg.) 86%
Brazil	1.0	(Mfg.) 51%	0.7	(Mfg.) 69%
Argentina	0.4	(Agr.) 47%	0.2	(Mfg.) 55%
Colombia	0.2	(Min.) 40%	0.2	(Mfg.) 81%
	Commercial services trade			
	Exports	(Service) %	Imports	(Service) %
Mexico	12,572	(Travel) 75	17,671	(Other) 54
Brazil	9,606	(Other) 55	14,531	(Other) 60
Argentina	3,815	(Travel) 55	5,150	(Travel) 50
Colombia	1,724	(Travel) 47	3,232	(Trans.) 39

Notes: Mnf= Manufacturing, Agr= Agricultural, Trans= Transport
Other= Other commercial services

Source: OECD (2004) in 2003 (WTO, 2004, Table I.10).

Export flows between countries and among trading associations within Latin America increased dramatically between 1990 and 2000. New partners in bilateral trade emerged within the region. As Table 7.6 shows, trade flows between Argentina and Chile increased more than four times in both directions, while increasing seven and ten times between Brazil and Argentina and Brazil and Colombia respectively, and almost five times between Chile and Venezuela and Colombia and Venezuela. These large economies have more than doubled their total trade within ALADI (Asociación Latinoamericana de

Table 7.6 Latin America's intra-regional and world trade by country and trade association, 1990 and 2000 (based on exports FOB in millions of constant US$ of 1995)[a]

	Year	1	2	3	4	5	6	7	8	9	10	11	12
1. Argentina	1990	0	1,660	539	85	374	218	168	3,648	48	55	3,751	14,406
	2000	0	6,187	2.366	116	288	261	193	10,961	97	201	11,171	23,310
2. Brazil	1990	752	0	564	190	589	170	313	3,725	133	292	4,150	36,634
	2000	5.516	0	1,103	456	1,514	312	665	11,334	247	372	11,952	48,747
3. Chile	1990	132	574	0	93	68	86	42	1,188	42	27	1,257	9,939
	2000	565	858	0	209	722	388	202	3,327	94	75	3,496	16.119
4. Colombia	1990	31	35	191	0	48	104	238	760	68	441	1,269	7,890
	2000	50	250	169	0	204	329	1,149	2,604	225	490	3,319	11,606
5. Mexico	1990	129	192	105	127	0	75	157	1,011	483	359	1,853	30,724
	2000	256	458	381	409	0	186	459	2,372	1,206	919	4,497	147,291
6. Peru	1990	14	124	66	110	47	0	68	503	28	33	563	3,864
	2000	24	196	233	127	134	0	98	986	39	75	1,100	6,076
7. Venezuela	1990	34	355	162	425	196	42	0	1,254	229	295	1,777	19,963
	2000	20	999	132	756	243	471	0	2,937	669	1,717	5,323	27,388

Table 7.6 Latin America's intra-regional and world trade by country and trade association. 1990 and 2000 (based on exports FOB in millions of constant US$ of 1995)[a] (continue)

	Year	1	2	3	4	5	6	7	8	9	10	11	12
8. Total ALADI	1990	1,541	3,992	1,811	1,088	1,376	934	1,016	14,192	1,090	1,751	17,033	130,772
	2000	7,014	9,880	4,704	2,493	3,235	2,288	2,938	37,700	2,723	4,058	44,481	289,007
9. Total MCCA	1990	1	10	1	9	90	1	3	138	752	183	1,073	4,578
	2000	4	12	15	29	228	12	34	352	2,348	381	3,081	10,158
10. Rest of LA	1990	0	66	6	10	29	2	58	181	55	423	659	7,594
	2000	4	35	3	25	86	7	36	210	260	986	1,456	5,918
11. Total Region	1990	1,542	4,069	1,818	1,108	1,495	938	1,078	14,511	1,898	2,357	18,765	142,943
	2000	7,022	9,927	4,721	2,547	3,549	2,308	3,008	38,262	5,331	5,425	49,018	305,083
12. Total World	1990	5,798	24,832	7,779	6,004	46,806	2,831	8,672	109,405	7,727	20,666	137,798	3,943,870
	2000	19,904	50,547	14,464	8,988	126,905	5,633	12,808	249,848	18,464	32,994	301,305	5,629,788

Notes: US$85.74 of 1990 and US$113.00 of 2000 equal US$100.00 of 1995.

Source: Statistical yearbook ECLAC 2003 (Economic commission for Latin America and the Caribbean) (tables 295 and 302).

Table 7.6 Latin America's intra-regional and world trade by country and trade association, 1990 and 2000 (based on exports FOB in millions of constant US$ of 1995)[a] (continue)

	1	2	3	4	5	6	7	8	9	10	11	12
1. Argentina	-	3.7	4.4	1.4	0.8	1.2	1.1	3.0	2.0	3.7	3.0	1.6
2. Brazil	7.3	-	2.0	2.4	2.6	1.8	2.1	3.0	1.9	1.3	2.9	1.3
3. Chile	4.3	1.5	-	2.2	10.6	4.5	4.8	2.8	2.2	2.8	2.8	1.6
4. Colombia	1.6	7.1	0.9	-	4.3	3.2	4.8	3.4	3.3	1.1	2.6	1.5
5. Mexico	2.0	2.4	3.6	3.2	-	2.5	2.9	2.3	2.5	2.6	2.4	4.8
6. Peru	1.7	1.6	3.5	1.2	2.9	-	1.4	2.0	1.4	2.3	2.0	1.6
7. Venezuela	0.6	2.8	0.8	1.8	1.2	11.2	-	2.3	2.9	5.8	3.0	1.4
8. Total ALADI	4.6	2.5	2.6	2.3	2.4	2.4	2.9	2.7	2.5	2.3	2.6	2.2
9. Total MCCA	4.0	1.2	15.0	3.2	2.5	12.0	11.3	2.6	3.1	2.1	2.9	2.2
10. Rest of LA	0.0	0.5	0.5	2.5	3.0	3.5	0.6	1.2	4.7	2.3	2.2	0.8
11. Total region	4.6	2.4	2.6	2.3	2.4	2.5	2.8	2.6	2.8	2.3	2.6	2.1
12. Total world	3.4	2.0	1.9	1.5	2.7	2.0	1.5	2.3	2.4	1.6	2.2	1.4

Source: Table 8.4.

Integración, or Latin American Integration Association) and, in the case of Argentina, almost five times. Some countries in the MCCA (Mercado Común Centro Americano, or Central American Common Market) found those large economies to be viable partners, increasing their exports 15 times to Chile, 12 times to Peru and more than 11 times to Venezuela. This decade has been favourable in almost all cases. A reduction in trade was only experienced between Venezuela and Argentina, and Venezuela and Chile, and also between the rest of Latin America with Brazil, Chile and Venezuela. In absolute terms these reversed trends represented only very small amounts, however.

FOREIGN DIRECT INVESTMENT

Another indicator showing international linkages in the new interdependent global economy is foreign direct investment (FDI). Countries in Latin America have always been net recipients of FDI. On average, nine out of ten dollars of foreign direct investment go to the seven largest national economies: Mexico in Central America, and Argentina, Brazil, Chile, Colombia, Peru, and Venezuela in South America.

In recent years, FDI amounted to more than 25,00 million dollars in 1995 reaching more than 68,000 million in 2000 but then tapered off to close to 40,000 million in 2002. Over this period Mexico received an average of 10 thousand million per year (16,400 million in 2000) and became a major destination of FDI amongst large Latin American economies (see Table 7.7).

During 1995-99, as an average, 65 per cent of total FDI coming into Latin America went to South American countries – almost 22 per cent to Mexico, Central America and the Caribbean and 13 per cent to financial centres.[5] In 2001, close to 48 per cent went to South America countries, 35 per cent to Mexico, Central America and the Caribbean and the remaining 17 per cent to financial centres (CEPAL 2003: Graphic 1.2 p.26). In the case of Mexico, in 1995, the manufacturing sector received most of the FDI (almost 60 per cent) and other sectors close to 30 per cent while financial services received more than 10 per cent. By 2001 FDI to the manufacturing sector was reduced to 20 per cent of the total while financial services reached more than half of the total. Other sectors received around 30 per cent. This change in favour of financial services was due to Citigroup buying BANAMEX (the second-largest commercial bank) for 12,500 billion $ that year. That same year, FDI was distributed in Brazil as follows: 33 per cent to manufacturing, 10 per cent to financial services, almost 50 per cent to other services and the remaining 7 per cent to the primary sector (mostly oil extraction).

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[5] Banks have been very active in penetrating the Latin American economies. Among the 50 most important banks in the region 29 are privately foreign-owned, only 7 are state-owned, and the remainder are privately owned locally (CEPAL, 2002, p.159, Table IIIA.1).

Table 7.7 Net foreign direct investment in selected countries, 1995, 2000 and 2002 (millions of US$)

Countries	*1995*	*2000*	*2002*
Argentina	4,112	10,654	1,741
Brazil	3,475	30,497	14,084
Chile	2,205	-348	1,139
Colombia	712	1,973	1,171
Mexico	9,526	16,405	14,435
Peru	2,550	662	2,391
Venezuela	894	4,180	-241
Subtotal	23,474	64,023	34,720
Latin America	25,789	68,862	39,169

The presence of transnational corporations (TNC) subsidiaries in Latin America is impressive. Net sales of the main 100 amounted to 232,406 million $. It is worth presenting a summary by country according to net sales, countries of origin and economic activity. Table 7.8 shows Mexico in first place with 42 TNC subsidiaries with sales of more than $110,000 million; followed by Brazil with $31 and $80,000 million in sales; and third and by a long way is Argentina with only 14 subsidiaries and $24,000 million. Main sectors include autoparts, chemical, electronic and telecommunications among others; there are 17 countries of origin but only one (Mexico) from within the region.

TECHNOLOGICAL LINKS

Trade is generally associated with urban population growth and shifts in the labour force by economic sector in all countries. It is also related to an expansion of e-commerce and information and communication technology being adopted by most countries but this is still at levels much below other regions in the world. The digital world and its spread in all kinds of social activities (and decoupling of economic growth from resources), is perhaps the most challenging growth factor for Latin American countries.

Some indicators look better for Latin America than for the world as a whole. With only 4 per cent of the total world surface, its population in 2000 represented 8 per cent (520 million) of the world's more than six thousand million, while its exports accounted for 5.4 per cent of total world exports. At the same time, Latin America's illiterate population reached 13.7 per cent of its total population, while the world's proportion was 24 per cent. The region's total GDP reached $2,000 billion in 2000, almost 7 per cent of the

Table 7.8 Latin America: distribution of the 100 Larger TNC subsidiaries, 2001

Country	*Number of subsidiaries*	*Sales in MUS$*[1]	*Economic sector*[2]	*Country of origin*[3]
Mexico	42	110,520.6	Auto, Cem, Chem, Com, Electro, F&B, Mach, Pap, Photog, Tbcco	Be, Ch, De, Fi, Jp, Kr, Lu, Mx, Nl, Se, Uk, Us
Brazil	31	80,615.4	Auto, Chem, Com, Elec, Electro, F&B, Fuel, Mach, Metal, Oil, Tbcco, Telecom	Be, Ch, De, Es, Fr, It, Jp, Lu, Nl, Pt, Se, Uk, Us
Argentina	14	24,038.7	Auto, Com, Elec, F&B, Oil, Telecom	De, Es, Fr, It, Lu, Nl, Uk, Us
Chile	5	8,563.1	Com, Elec, Min, Telecom	Es, It, Jp, Nl, Us
Venezuela	3	4,413.7	Cem, Elec, Telecom	Es, Mx, Us
Colombia	2	2,563.1	Fuel, Oil	Us
Peru	2	1,690.9	Min, Telecom	Es, Mx

Notes:[1] MUS$: Millions of US$.

[2] Economic sector: Auto (Motor vehicles); Cem (Cement); Chem (Chemicals); Com (Commerce); Elec (Electricity); Electro (Electronic); F&B (Food and beverages); Fuel (Fuel distribution); Mach (Machinery); Metal (Metallurgy); Min (Mining); Oil (Oil); Pap (Paper); Photog (Photography); Telecom (Telecommunications); Tbcco (Tobacco).

[3] Country of origin: At (Australia); Be (Belgium); Ch (Switzerland); De (Germany); Es (Spain); Fi (Finland); Fr (France); It (Italy); Jp (Japan); Kr (Republic of Korea); Lu (Luxembourg); Mx (Mexico); Nl (Netherlands); Pt (Portugal); Se (Sweden); Uk (United Kingdom); Us (United States of America).

Source: CEPAL, 2003, Table I.A.4, pp. 59-60.

world's $30,000 billion. At the same time, while the world GDP experienced a positive growth of 2.8 per cent between 1989 and 1999, Latin America showed a negative growth of -0.3 per cent.

In 2001, almost 12 per 100 people in Latin America had access to a telephone line compared to 14.3 in the world; and there were 4.3 cellphones per 100 people while there were 5.6 per 100 people for the world. Four of the selected larger countries were better off *viz a viz* the world figure of 5.7 in terms of PCs per 100 people: Mexico (6.9), Argentina (8.0) Brazil (6.3) and Chile (10.6). As for Internet users there were almost 15 million in Latin America with Brazil being on top with almost 9 million. Mexico had only 1.4 million. On average that year, one out of three Internet users bought goods and services online through the Internet (Table 7.9).

MIGRATION: HUMAN FLOWS

During the twentieth century, migration proved to be a major factor in urban development in Latin America. We distinguish between international and internal migration (at country level). International migration trends in the region in the twentieth century are briefly examined. In this category there are two main patterns: immigration from other regions in the world and intraregional migration. These patterns have co-existed over time, with variations in their characteristics and relative significance (Villa and Martinez Pizarro, 2001).

INTERNATIONAL MIGRATION

Immigration from outside the region

From the second half of the nineteenth century to the first half of the twentieth century there was quite a high, but fluctuating, level of immigration from abroad. This had a strong quantitative and qualitative impact on the social configuration of various countries in the region, especially in the countries on the Atlantic shore, where conditions were favourable for the social and economic integration of migrants, the majority of whom came from Southern Europe. For example, Argentina, which had a population of 1.2 million in 1860, received 2.5 million immigrants in the next 50 years and by 1910 three out of every four adults in Buenos Aires was European-born (Preston, 1996, p.170).

After the Second World War these migration flows to the region tapered off substantially and were followed by significant return migration to the old continent. Since the 1970s and due to the lack of renewal of the inflows, immigrants from outside the region are now much older. Because of this, mortality and return migration resulted in a gradual decline in the number of European-born immigrants, which fell from about 4 million persons in 1970 to less than 2.5 million in 1990. This declining trend indicates that in the second half of the twentieth century the region was losing its traditional attraction for the population of other regions. Latin American countries became net exporters of population to North America, and the United States in particular (see Table 7.10).

Table 7.9 Latin America: Indicators for selected countries by subregion, 2000

Subregions / country	Geographic	Demographic					Economic	
	Size (sq km)	Population ('000,000)	Pop growth 1990-2000 (%)	Illiterate (% pop)	Poverty (% pop)	Unemploy-ment (% active pop)	GDP (billion US$)	GDP growth 1989-1999 (%)
Middle America[a]	2,496,324	136.9	-	-	-	-	534.0	-
Mexico	1,972,550	100.3	1.5	10.4	27.5	2.5	474.9	3.4
Caribbean	234,187	36.6	-	-	-	-	116.8	-
Cuba	110,860	11.1	0.4	4.3	-	6.0	18.6	6.2
South America	17,806,335	346.5	-	-	-	-	1,421.7	-
Argentina	2,766,890	36.9	1.1	3.8	36.0	15.4	281.9	-3.5
Brazil	8,511,965	172.9	0.9	16.7	17.4	7.2	760.3	0.0
Chile	756,950	15.2	1.1	4.8	22.0	10.7	71.1	-1.0
Colombia	1,138,910	39.7	1.7	8.7	17.7	20.5	88.6	-4.5
Peru	1,285,220	27.0	1.8	11.3	54.0	8.0	57.3	2.3
Venezuela	912,050	23.5	1.6	8.9	67.0	18.0	103.9	-6.0
Latin America	20,536,847	520.1	0.2	13.7	-	-	2,072.6	-0.3
World	510,072,000	6,080.7	1.3	24.0	-	30.0	31,212.0	2.8

Table 7.9 Latin America: indicators for selected countries by subregion, 2000 (continue)

Subregions / country	Exports[b]		Technology[c]						E-commerce
	% of GDP		Telephone and cell phones (100 people)		Personal computers (100 people)		TV ('000)	Internet users ('000)	Have bought (as % of users) 1999
	1990	2000	1990	2001	1990	2001			
Middle America[a]	-	-	-	-	-	-	28,806	1,603	-
Mexico	14.9	35.2	6.6	35.4	0.8	6.9	25,600	1,350	37
Caribbean	-	-	-	-	-	-	-	-	-
Cuba	7.4	8.8	3.1	5.2	-	2.0	2,640	25	-
South America	-	-	-	-	-	-	63,236	11,290	-
Argentina	10.0	15.2	9.3	41.6	0.7	8.0	7,950	800	31
Brazil	7.5	12.0	6.5	38.5	0.3	6.3	36,500	8650	54
Chile	24.5	34.2	6.7	57.5	0.9	10.6	3,150	300	36
Colombia	13.8	18.1	6.9	24.9	0.9	4.2	4,590	700	38
Peru	11.3	19.3	2.6	13.7	-	4.8	3,060	200	-
Venezuela	26.9	31.8	7.7	37.3	1.0	5.3	4,100	300	44
Latin America	12.5	21.8	-	16.2	-	-	97,059	14,951	-
World	-	-	-	19.9	-	5.7	-	-	-

Notes: (a) Includes Central America.
(b) ECLAC 2003 Table 59 for exports as percentage of GDP.
(c) Data for 1990 and 2001 from Human Development Report, 2003, Millennium Development Goal Indicators.

Source: www.opinamos.com.

Table 7.10 Latin America[a]: immigrant population by origin, 1970, 1980 and 1990[b]

Origin		1970	1980	1990	1970-1980	1980-1990
Rest of the world (im-migration form outside the region)		3873420	3411426	2350441	-1.27	-3.68
%		76.1	63.1	51.2		
Latin America and the Caribbean (intra-regional migration)		1218990	1995149	2242268	4.83	1.17
%		23.9	36.9	48.8		
Total		5092410	5406575	4592709	0.60	-1.63
%		100.0	100.0	100.0		

Notes: [a]The number of countries included as 16 in 1970; 14 in 1980 and 13 in 1990
[b]The dates indicate the years of the national census rounds

Source: Estimates prepared using the IMILA data bank of CELADE, and Villa and Martinez Pizarro (200, p.38)

International out-migration

The United States stands out as the most important destination, mainly for migrants from Mexico and other parts of Central America. Green (1991, p.59) reports that by 1990 an estimated 25 million people in the United States were 'Hispanic', with around half having come from Mexico. Dominicans are another sizeable group in the United States, although undocumented international migration makes it extremely difficult to pinpoint the exact size of migration flows.

Over a long period there has been emigration of natives from the region, with fluctuations associated with economic and socio-political factors as well as changes in United States migration legislation. The novel element is the strong increase in recent years. The stock of Latin American and Caribbean migrants to the United States doubled between 1980 and 1990, reaching a total close to 8.4 million persons or 43 per cent of the total foreign population recorded by that country's 1990 Census. Just over half of these migrants to the US were from Mexico, one-quarter from the Caribbean (mainly from Cuba, Jamaica and the Dominican Republic), and the remaining quarter (in similar proportions) from the other Central American countries and South America (see Table 7.11).

Table 7.11 United States: immigration population of Latin American and Carribean origin. 1970, 1980 and 1990

Origin				Annual growth rates	
	1970	1980	1990	1970-80	1980-90
South America	234,233	493,950	871,678	7.13	5.53
%	13.6	11.3	10.4		
Meso-America	873624	2,530,440	5,391,943	9.73	7.22
%	50.6	57.7	64.4		
Caribbean and others	617,551	1,358,610	2,107,181	7.50	4.32
%	35.8	31	25.2		
Total	1725408	4383000	8370802	8.70	6.25
%	100.0	100.0	100.0		

Source: Estimates prepared using the IMILA data bank of CELADE, and Villa and Martínez Pizarro (2001, p.39)

The number of international migrants from Latin American and the Caribbean to the United States increased to 13.1 million people in 1997. This figure, equivalent to a little over one-half of the total stock of immigrants in that country, shows that regional immigrants increased by approximately 40 per cent between 1990 and 1997. Mexicans, at 7 million, represent 53 per cent of Latin American and Caribbean immigrants (Villa and Martinez Pizarro, 2001, p.28). These figures seem to indicate that the region has become a net exporter of population.

Intra-regional flows

The persistent nature of some intra-regional flows is connected with the links that historically have been established between the labour markets of neighbouring countries, which are similar to migration on the intra-national scale. Other flows, which fluctuate seasonally, are related to shorter-term changes. In 1990, almost two-thirds of Latin Americans who were resident in countries other than their country of birth were concentrated in Argentina and Venezuela. Argentina has been the traditional destination for large numbers of Paraguayans, Chileans, Bolivians and Uruguayans (attracted by work opportunities in agriculture, manufacturing, construction and services), and these immigrants have become more visible as European immigration diminished. In Venezuela, with an economy stimulated by the oil boom, the main inflow of migrants in the 1970s consisted of Colombians, and other immigrants from Southern countries forced to depart due to political reasons.

With regard to total intra-regional emigration around 1990, Colombians accounted for the highest absolute numbers: a little over 600,000 were recorded in the census of other Latin American counties (90 per cent in Venezuela). Chilean and Paraguayan emigrants, with a total of close to 280,000, (over three-quarters of them recorded in the census in Argentina), shared the second place among migrants within Latin America. Despite these high numbers, these figures represented, apart from Paraguay, less than 3 per cent of the population of the countries of origin (Villa and Martinez Pizarro, 2001, pp.26, 27).

INTERNAL MIGRATION

Rural urban migration

From 1940 onwards internal migration became the main source of urban growth. Since then urban populations have been growing rapidly in absolute terms and have also experienced significant socio-economic changes. Characteristics and consequences of migration involving urban locations are of particular importance. Over the years, people have moved from rural areas to the cities because urban living conditions were considered superior. Figures on poverty in urban and rural areas regularly showed that city-dwellers live better than their rural counterparts. The United Nations estimated that in 1990 whereas 34 per cent of city-dwellers lived in poverty, 53 per cent of rural Latin Americans were poor.

The impact of migration was different between countries. The contribution of migration and reclassification to urban growth show, according to estimates by the United Nations (1980), that migration was most important to urban growth in Argentina from 1947 to 1960 (50.8 per cent). The next most important contribution of migration to urban growth was in Brazil from 1950 to 1960 (49.6 per cent) and from 1960 to 1970 (44.9 per cent); in Peru from 1961 to 1972 (41.6 per cent); in Chile from 1952 to 1960 (36.6 per cent) and from 1960 to 1970 (37.4 per cent); in Colombia from 1951 to 1964 (36.6 per cent); and in Mexico from 1960 to 1970 (31.7 per cent).

Differential urbanization

Decline of primacy

The process of migration has clearly changed through time as economic and social conditions changed. Improved transportation, growing rural populations, more jobs in the cities, and a greater awareness of the opportunities available in the cities were bound to affect the kinds of migrants, their destinations and their motives. These interrelationships between migration and socio-economic change became even more visible during the 1980s when severe economic problems hit most of Latin American cities.

The debt crisis severely reduced the chances of obtaining employment in urban areas. Rates of unemployment increased as factories closed down, governments laid off staff and consumer spending fell. Even for those who had work, conditions deteriorated as wages dropped. For the first time in at least three decades many urban areas felt the full impact of recession. Of course, the effect varied from city to city. The removal of import tariffs and customs duties clearly hit employment in cities that were heavily reliant on industries. For example, in Mexico several of Monterrey's major factories closed, and in Mexico City 250,000 industrial jobs were lost as 6,000 companies closed their doors. In contrast Mexico's border cities flourished because export production increased (Gilbert, 1998, p.51).

From the 1970s onwards, the natural growth rate of the population had a more important effect on urban growth in Latin America as a whole than migration, and the biggest cities, which were historically the most likely to gain population through migration are now attracting much less rural urban migrants than before. While rural urban migration has become a less important issue in urban development, inter-urban, intra-urban, and international movements have become much more significant. This tendency has become the most visible in countries that had high levels of urbanization and in which the rural population had declined in absolute numbers, such as Argentina and Mexico.

The net rural urban flow of people, including the effect of international migration and the reclassification of areas, has been diminishing over time in its contribution to the urban growth of the 22 countries in Latin America. By 2000 the net rural urban flow of people had decreased by at least 2 million people. During the 1950s it accounted for 46.4 per cent of urban growth in the region, whereas by the 1990s the proportion declined to 38.4 per cent (see Table 7.12). At the same time the role of migration varied greatly between countries. During the 1990s, for instance, it ranged from 8.8 per cent in Guatemala to 51.7 per cent in Honduras. The case of Mexico (-7.9) and Cuba (-5.4) are explained by the fact that their urban migration balances were affected by international migration (Lattes et al., 2004, p.95).

Data indicate that rural-urban migration was largely responsible for the phase of rapid urbanization in most of the countries in Latin America. Since 1950 until the end of the twentieth century the net rural-urban transfer of people in the region as a whole reached values that explain around to 50 per cent of the urbanization rate (see Table 7.12).

Table 7.12 Rural-urban net transfers as a component of urban growth and urbanization, for the main 22 countries of Latin America, 1959-2000

Country[a]	Urban growth due to rural-urban net transference (%)				
	1950-60	1960-70	1970-80	1980-90	1990-2000
Uruguay	27.8	9.0	-42.2	25.9	24.2
Argentina	51.0	37.9	31.1	30.2	27.6
Venezuela	56.9	39.4	43.2	22.1	13.7
Chile	41.3	33.6	30.2	11.8	16.3
Brazil	49.7	51.6	49.9	42.8	34.5
Cuba	39.2	16.7	43.9	45.7	-5.4
Puerto Rico	-85.1	52.2	47.6	21.2	36.3
Mexico	40.9	36.1	32.1	21.6	-7.9
Colombia	50.5	37.6	36.6	33.0	30.8
Peru	56.8	50.9	37.6	26.2	14.8
Ecuador	48.2	39.0	46.7	48.3	50.5
Dominican	50.2	53.3	51.5	41.9	35.3
Bolivia	8.2	11.1	34.7	48.3	36.2
Panama	36.6	36.6	23.0	25.3	20.4
Nicaragua	31.5	39.8	17.7	1.0	10.3
Jamaica	35.4	19.1	15.8	15.1	12.0
Paraguay	-62.2	-14.4	37.0	45.7	42.2
Honduras	53.3	48.3	44.1	45.5	51.7
Costa Rica	23.3	26.1	35.1	35.8	42.9
El Salvador	10.2	13.0	1.2	-52.2	16.0
Guatemala	28.5	26.1	5.9	-10.9	8.8
Haiti	62.6	58.5	52.6	61.1	50.1
Total	46.4	45.8	42.3	41.6	38.4

Notes:[a] Countries are ordered by level of urbanization in 2000

Source: Lates et al. (2004, p.95)

However, more recent data also point to the growing importance of urban-to-urban migration in the internal population movements in Latin American countries over the period. The trend was already observed in the 1970s and became much more apparent in the 1980s and 1990s (Lattes et al., 2004, p.96). For instance, in 1987-92 almost half of the migrants between the states of Mexico had urban origins and destinations[6] (see CONAPO, 2001). The same applied to Brazil where it is estimated that more than 60 per cent of the 26.9 million inter-municipal migrants in 1981-91 moved from one city to another (see Baeninger, 1997).

Secondary cities

Until the 1970s, most migrants from the countryside tended to settle in large, and particularly primate cities, usually capitals or major ports which contained a disproportionate concentration of the national urban population. However, since the 1980s increasing numbers of migrants started moving from both rural areas and big cities to secondary urban centres. Although the larger proportion of people living in cities of 1 million or more may seem to refute the latter observation about the increase in secondary city growth, this increase is due to an increase in the number of large cities rather than the continued growth of primate centres. Nonetheless, it should be noted that urban deconcentration is more common in larger, more urbanized countries than in smaller ones.

Secondary urbanization has been driven first and foremost by industrial relocation stemming from diseconomies of scale in metropolitan areas and/or the development and expansion of new economic activities associated with restructuring such as international tourism and export manufacturing. Growth in intermediate cities, higher than the principal cities, was most common after the 1980s particularly in those cities between 50,000 and less than 500,000 inhabitants (Jordan and Simioni, 1998, pp.56-64). This is certainly the case in Mexico where there was an occurrence of net out-migration from Mexico City during the 1980s to smaller cities within a 200 km radius, such as Queretaro, Toluca, Cuernavaca and Puebla and to core cities of the *maquiladora* industry on the northern border such as Tijuana and Ciudad Juarez. During the last decade, Mexico City became the major origin of migrants to the rest of the country.

Tendencies towards metropolitan deconcentration in Latin America have become a strong force in urban development. Gilbert (1995, p.322) regards it as a stronger force than past attempts at regional development. According to him, deconcentration achieved in ten years what regional development policies failed to do in 30. There is also evidence to suggest that people are moving towards secondary centres not only for economic reasons but also because of concerns about the environmental conditions and quality of life in the primate cities, that is, the role of 'environmentalism' in the differential urbanization process.

[6] These data refer only to people moving to localities of 20,000 or more inhabitants and exclude the intra-metropolitan movements.

CONCLUSIONS

The historical analysis of Latin America has proved that global economic relations are not new. Through trade, Latin America has been connected to Spain and Portugal since the colonial era. During the colonial period Europeans and their businesses tended to concentrate in Latin America core areas. These core areas were closely linked to towns and cities elsewhere in the region which, particularly in Spanish America, were regarded as symbols of territorial possession and centres from which the country could be administered and exploited. Although in the early post-colonial period deficiencies in transport tended to perpetuate the territorial pattern of concentration, the introduction of the railway system brought profound changes to the region. It facilitated the opening up of interior areas and resources. Foreign capital was also significant in improving ports and shipping, providing urban services such as transport and electricity and direct investment in mining and in certain industries. Such developments reinforced Latin America's role as a supplier of primary products to other regions of the world. During this initial stage trade was regarded as an important starting point of greater economic growth although, the strategy of exporting commodities tended to inhibit the region's development.

It was during the late nineteenth and early twentieth century that the subcontinent became firmly integrated into the world economy through the inflow of foreign capital and technology and the establishment of markets, transport systems and communication networks. More and more commodities were exported and the import of foreign goods and services also increased. The debt crisis of the late 1970s revealed the economic unsustainability of ISI associated with a narrow range of exports. External accounts showed that all the countries were in serious trouble. Exports declined in value and quantity and national debt rapidly increased without any sign of how and when that would come to an end, unless economic policy changes were to occur. Free market policies were strongly recommended by international funding organizations. The latter favoured the implementation of structural adjustment policies which involved steps such as macroeconomic stability, deregulation, privatization, openness to trade and an anti-poverty programme.

The shift to a free market economy had logical but contrasting results in terms of sectoral development – the immediate decline of economic sectors that were not internationally competitive and the delayed growth of sectors which were able to operate successfully in global markets. Despite ISI and the more recent free-market strategies most Latin American states remain only marginally afloat. Specific reasons for this include: foreign control of key sectors, excessive protectionism in import-substituting industries and careless government control of the money supply. But perhaps the most fundamental problem lies in the inability of the modern (industrial and urban) sector to raise the general level of productivity and income in rural areas, which leads to the deepening of economic dualism in the region.

A persistent issue in the study of urbanization in Latin America has been the question of the degree of spatial concentration of population, economic activity and political power in the larger metropolitan areas following the economic development process. The development of the urban system in the eight larger Latin American countries between 1750 and 1960 showed a tendency of concentration and a 'hyper-cephalic' pattern. An explanatory variable was export value. National export sectors during the period were developed as enclaves far away from the largest cities (mainly the country's capital); however, exports, imports and tax revenues mostly benefited the capital cities due to their historical growth and development momentum. In fact, before 1960 all larger countries in the subcontinent reached their peaks in terms of rates of growth of total population. But the early 1970s as Geyer would predict some new trends in the distribution of their urban population started to emerge reflecting a new deconcentrating phase contrary to a concentrated growth tendency in their primate city, the preferred destination of internal migration up to these years. Although a trend of decreasing dominance of principal cities was apparent in the majority of the region's countries, international trade and foreign direct investment reinforced urban primacy.

Latin American countries saw a remarkable shift in their national labour force structure by sectors between 1970 and 1990. These two decades transformed the economic structure from manufacturing economies to tertiary ones in almost all cases. But most important was the region's irruption into the global economy, as Latin America's share total world trade came close to 5.4 per cent in 2003. Export-oriented activities moved from primary products to manufactured products in general. Highest share as destination and as origin of Latin American trade was North America (US and Canada) with more than half of the total exported goods. Latin American states adapted to the possibilities offered by large-scale export import trades because exchange offered tangible material benefits. But if trade was a necessary starting point, it was not by itself a sufficient condition for sustained growth and development: gains from trade have not been exploited to the full to transform the economy as a whole. In fact, only larger countries have an important participation in international trade thus, the rest have a limited degree of economic interconnectedness and a very limited amount of profits from international integration.

Migration explains urban development in the twentieth century. From the second half of the nineteenth century to the first half of the twentieth century there was quite a high, but fluctuating, level of immigration from overseas, and this had a strong quantitative and qualitative impact on the social configuration of various countries in the region. During the second half of the twentieth century all Latin American countries became net exporters of population to North America and the United States in particular. The process of internal migration has clearly changed through time as the wider economic and social environment has changed. The interrelationships between migration and socio-economic change became even more obvious during the 1980s when severe economic problems hit most of Latin America's cities. The net rural urban transference of population, including the effect of international migration and the reclassification of localities, has been diminishing over time in its contribution to urban growth in most countries, small and large. There is now much evidence regarding the growing weight of urban-to-urban migration. This trend was already observed in the 1970s and became much more apparent in the 1980s and 1990s. It has been driven by endogenous as well as exogenous factors. The first stem from the documented differential urbanization process, and the second from economic forces such as industrial relocation stemming from diseconomies of scale in metropolitan areas and/or the development and expansion of new economic activities associated with restructuring such as international tourism and export manufacturing.

We conclude by accepting that Latin America has been dependent on Europe but is now strongly linked to North America. It has increased in recent decades its economic interconnectedness within and among regions. Economically, this new relationship explains, if nothing else, a positive balance of payments for the region; politically, it has been expressed as an uneasy and troubled recent history of foreign intervention, sometimes by military means; and culturally, it has exposed Latin American societies to social debates and confrontation concerning shared loyalties between those defending traditional values held by conservative elite groups mostly anti-American, and the modernizing pro-American industrial forces and secular emerging groups which are trying to consolidate an open market economy and a pluralistic and democratic political system in a global context.

Core and periphery remain very much a fundamental feature of the current world order. Rather than international capital creating 'one world' it has been accompanied by deepening regional inequality through the marginalization of most Latin American countries, as trade and investment flows intensify the exclusion of much of the rest of the region. Despite internationalization and regionalization, the role and position of most Latin American countries in the world economy have changed little over the entire course of the last century. Contemporary economic globalization brings with it increasingly divided nations, a segmented global workforce with winners and losers that affect developed and developing economies.

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