



**A complex  
international context  
and the 2030 Agenda  
The Latin American  
and Caribbean  
perspective**



UNITED NATIONS



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EXECUTIVE SECRETARY

*Meeting of Minister of Foreign Affairs of CELAC*  
Santo Domingo, April 2016

# Cyclical and structural challenges facing the region

## More complex global context

- Slowdown, deterioration in foreign trade and FDI
- Sharper recessionary bias in the world economy
- Tectonic shifts

## The region is at a standstill on the economic and social fronts

- Worst export performance in decades
- Low productivity, high structural heterogeneity, reprimarization and little innovation
- Insufficient and narrowing fiscal space: tax collection is low and poorly implemented
- Progress on social issues at a standstill
- Environmental and climate vulnerability (US\$ 350 billion)
- Little intraregional trade and value chain integration

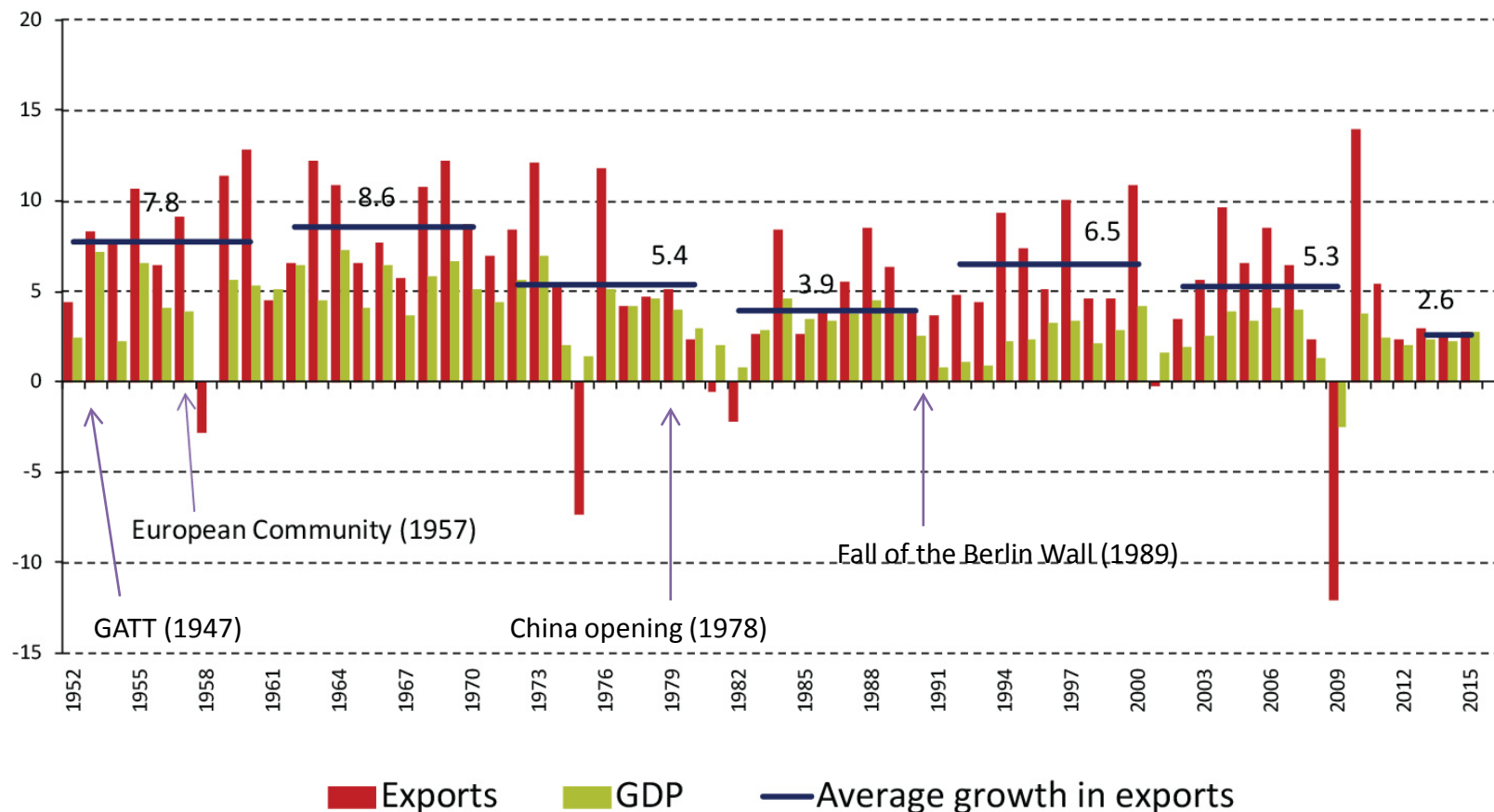
**2030 Agenda: an opportunity to shift the pattern of development towards equality and sustainability**

# Slowdown in growth across the board

- The **global economy** has not expanded as expected. Growth projections for 2016 (2.9%) are only slightly higher than 2015 (2.4%).
- Slow recovery of growth in the **United States** (around 2.0% in 2016) *with positive impacts for Mexico, Central America and the Caribbean through remittances, tourism and trade.*
- Fiscal imbalances and lack of competitiveness in the **eurozone** with high unemployment and 2016 growth of around 1.5% *with impacts through the downturn in global trade.*
- Slowdown in **China** from 9.2% in 2011, to less than 6.5% in 2016 *with impacts on countries that export natural resources.*
- **End of QE** in the United States and QE in Europe, which could create *more volatile financial conditions.*

# Global trade grew more than output during the post-war period

WORLD: ANNUAL VARIATION IN VOLUMES OF GOODS EXPORTS AND GDP, 1952-2014  
(Percentages)



Source: ECLAC, *Latin America and the Caribbean in the World Economy*, 2015.

# Tectonic shifts

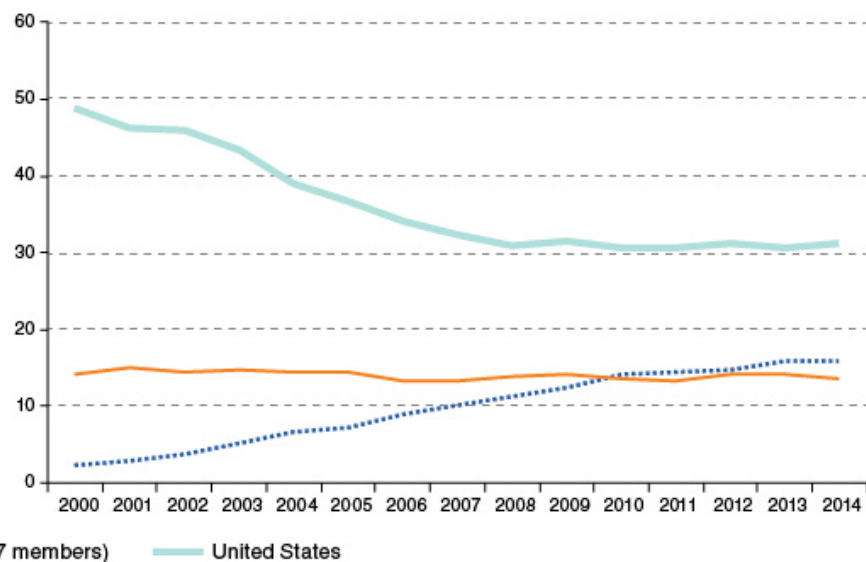
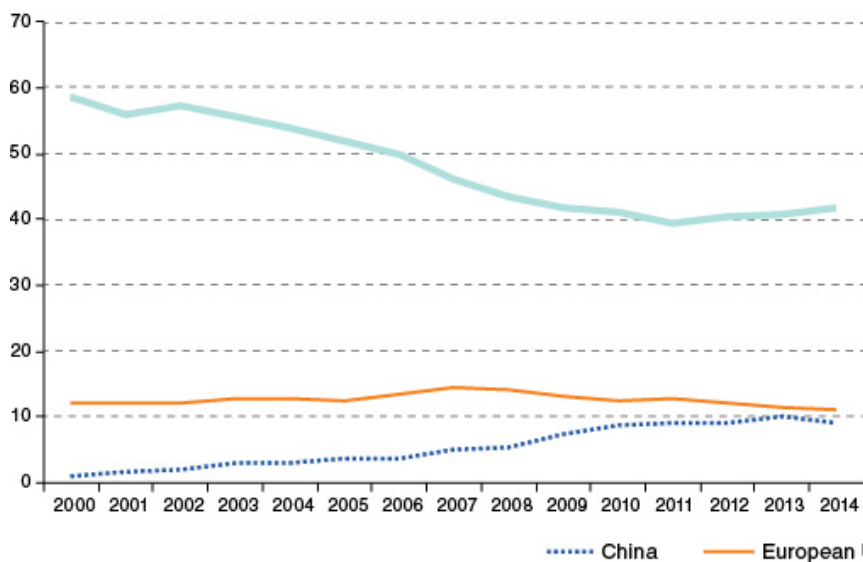
- The rise of **China**.
- Reorganization of the global economy and of international policy into **trade blocs**: TPP, TTIP, RCEP, BRICS.
- Decoupling of the financial economy from the real economy.
- Unprecedented technological revolution.
- **Trend towards global inequality.**
- **Demographic transition a different rates.** Heterogeneous demographic dividend but ageing populations in all countries.
- **Urbanization**: 80% of the population lives in cities.
- Vulnerability to natural disasters (US\$ 350 billion)
- **Climate change** could instigate a shift to an economic paradigm with a low-carbon growth path.
- **2030 Agenda**: opportunity for a new development pattern.

# China now equals the European Union as a trading partner with Latin America and the Caribbean

**LATIN AMERICA AND THE CARIBBEAN: SHARE OF SELECTED PARTNERS IN TOTAL GOODS EXPORTS AND IMPORTS, 2000-2014**  
(Percentages)

## A. Exports by destination

## B. Imports by origin

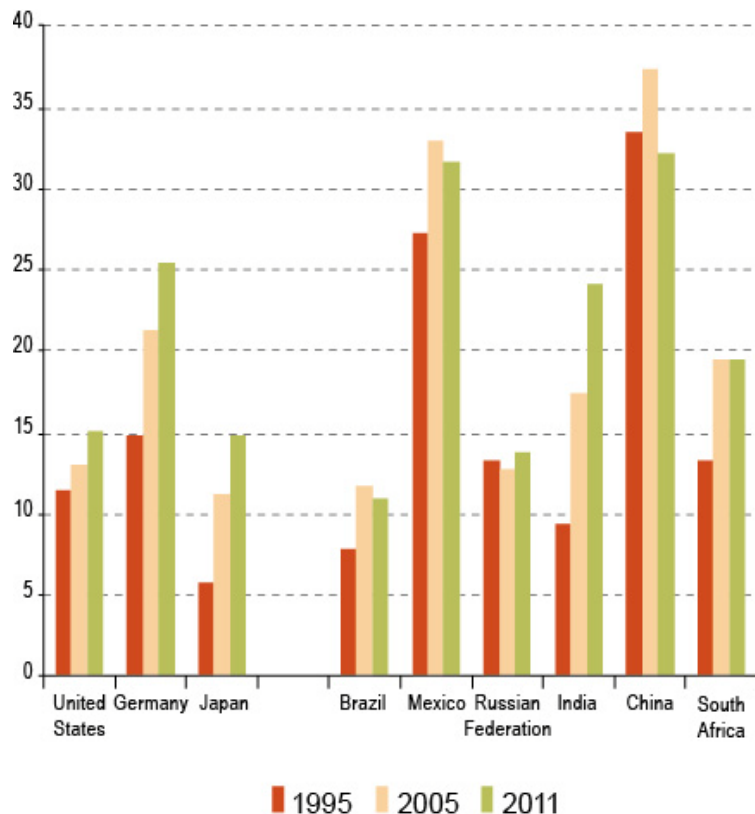


Source: ECLAC, on the basis of the United Nations Commodity Trade Database. Data for 2014 were provided by the countries of the region and are preliminary.

# China reduces the import content of its exports and positions itself as a global manufacturer of processed commodities

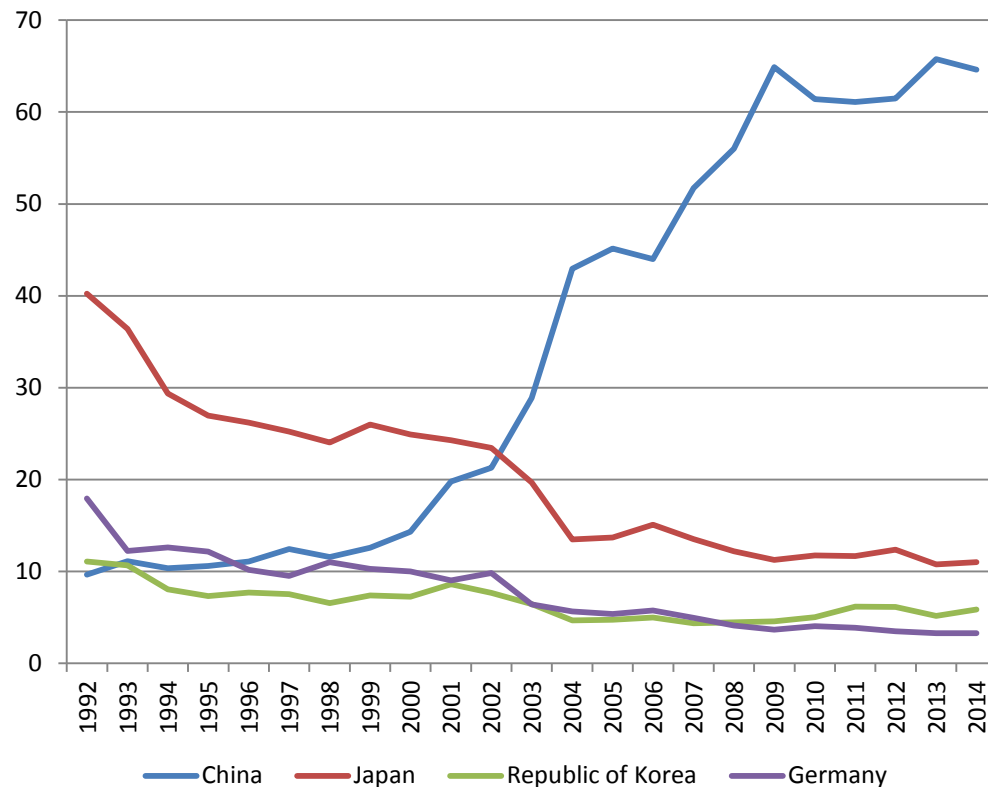
**SELECTED COUNTRIES: IMPORTED CONTENT IN GOODS AND SERVICES EXPORTS, 1995, 2005 AND 2011**

(Percentages)



**MAIN IMPORTING COUNTRIES' SHARE IN GLOBAL IMPORTS OF IRON ORE, 1992-2014**

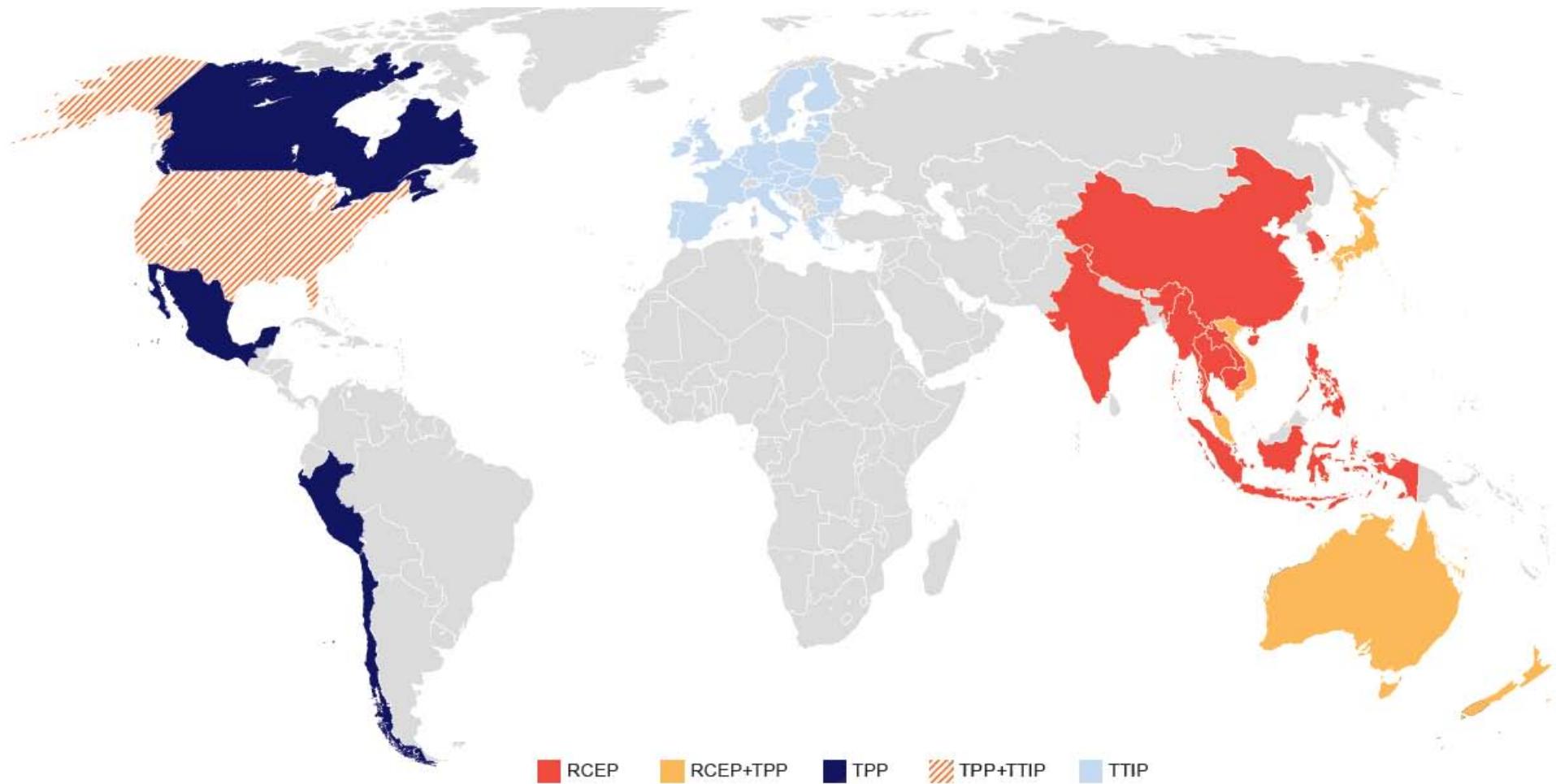
(Percentages)



Source: ECLAC, *Latin America and the Caribbean in the World Economy*, 2015.

Source: ECLAC, on the basis of COMTRADE and TradeMap.

# Mega-agreements in the international economy

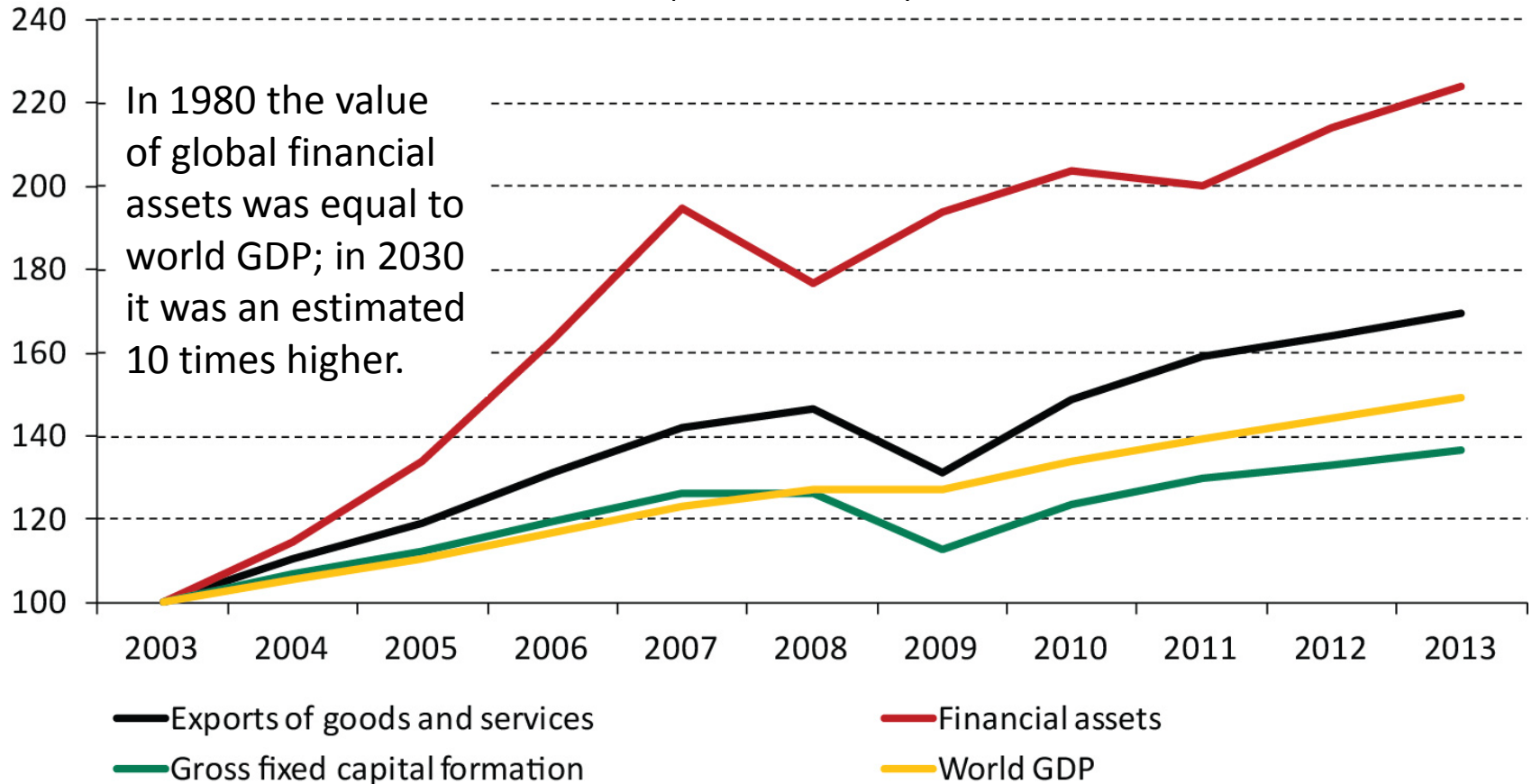


Source: ECLAC, on the basis of official information.



# A growing financial sector has decoupled from the real economy

GLOBAL VARIATION IN EXTERNAL FINANCIAL ASSETS  
AND SELECTED REAL VARIABLES, 2003-2013  
(Index: 100=2003)

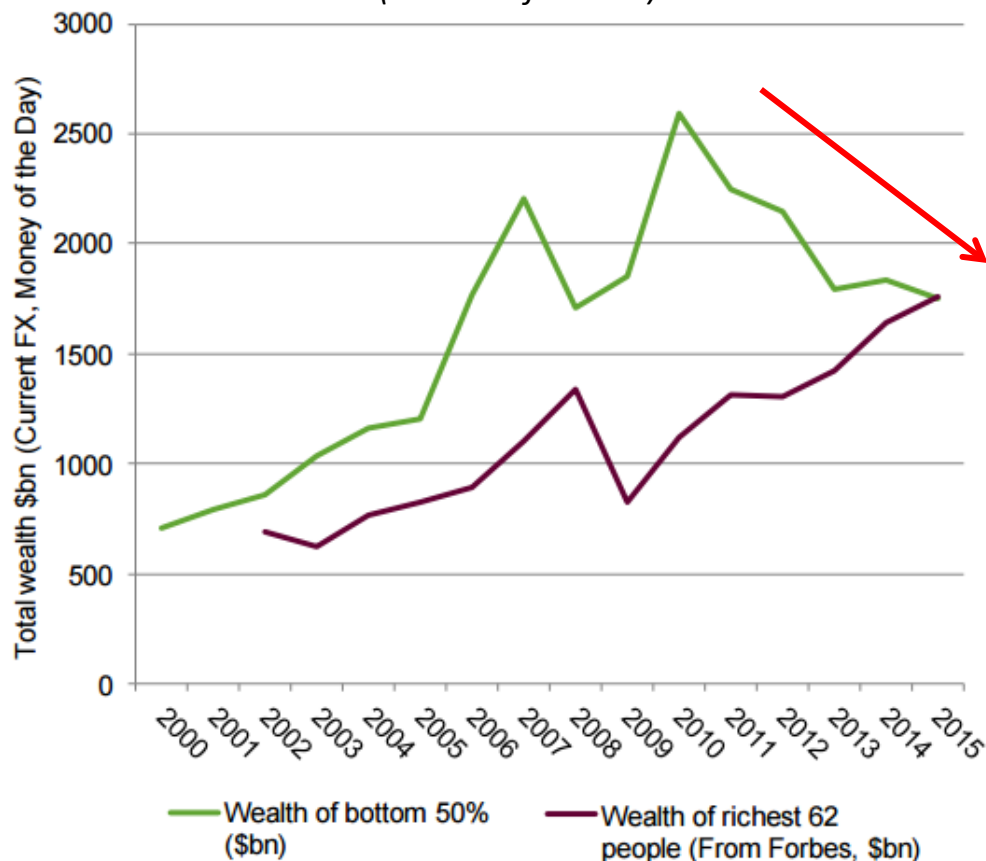


Source: ECLAC, *Latin America and the Caribbean in the World Economy*, 2015.

# The world's 62 wealthiest people become wealthier, while the poorest 50% become poorer

## WORLD: VARIATION IN THE WEALTH OF THE POOREST 50% AND THE RICHEST 62 INDIVIDUALS

(Billions of dollars)

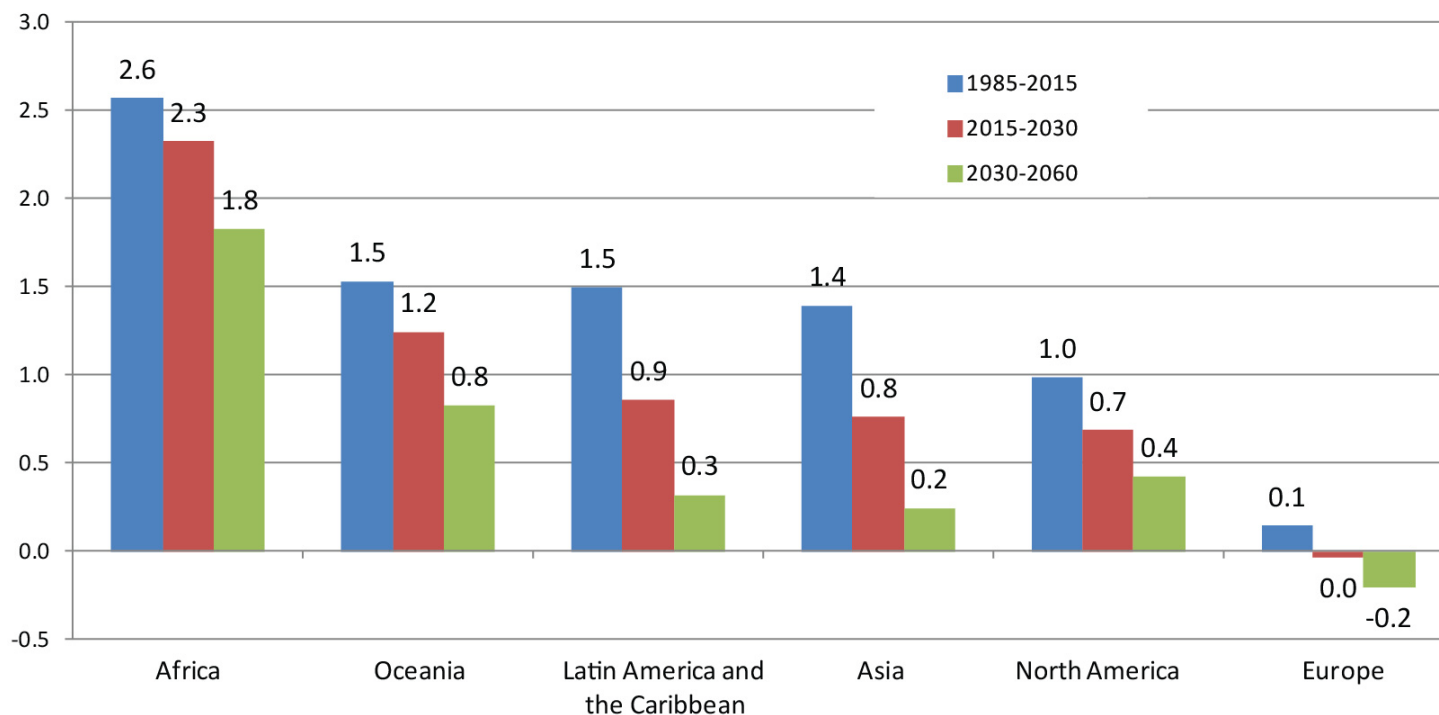


Source: OXFAM, "An Economy for the 1%", 2016 [online]

[https://www.oxfam.org/sites/www.oxfam.org/files/file\\_attachments/bp210-economy-one-percent-tax-havens-180116-en\\_0.pdf](https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/bp210-economy-one-percent-tax-havens-180116-en_0.pdf)

# The population is ageing and growing more slowly

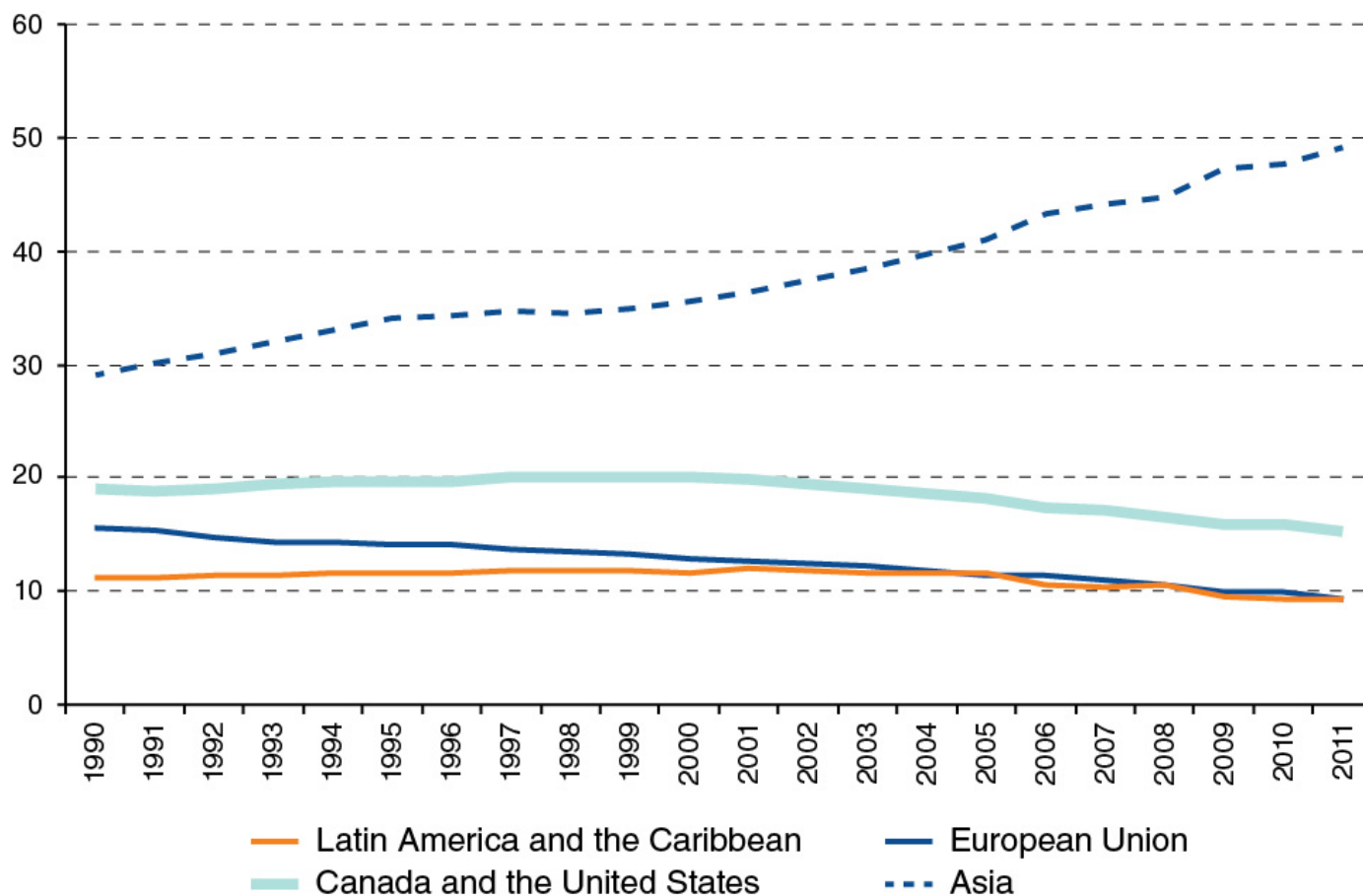
POPULATION GROWTH BY REGION, 1985-2015, 2015-2030 AND 2030-2060  
(Percentages)



Source: ECLAC, on the basis of United Nations, World Population Prospects: The 2015 Revision [online] <http://esa.un.org/unpd/wpp/>.

# Climate change: an opportunity to change the development pattern and drive an environmental big push

**WORLD: GREENHOUSE GAS EMISSIONS BY REGION, 1990-2011**  
(Percentages of worldwide total)



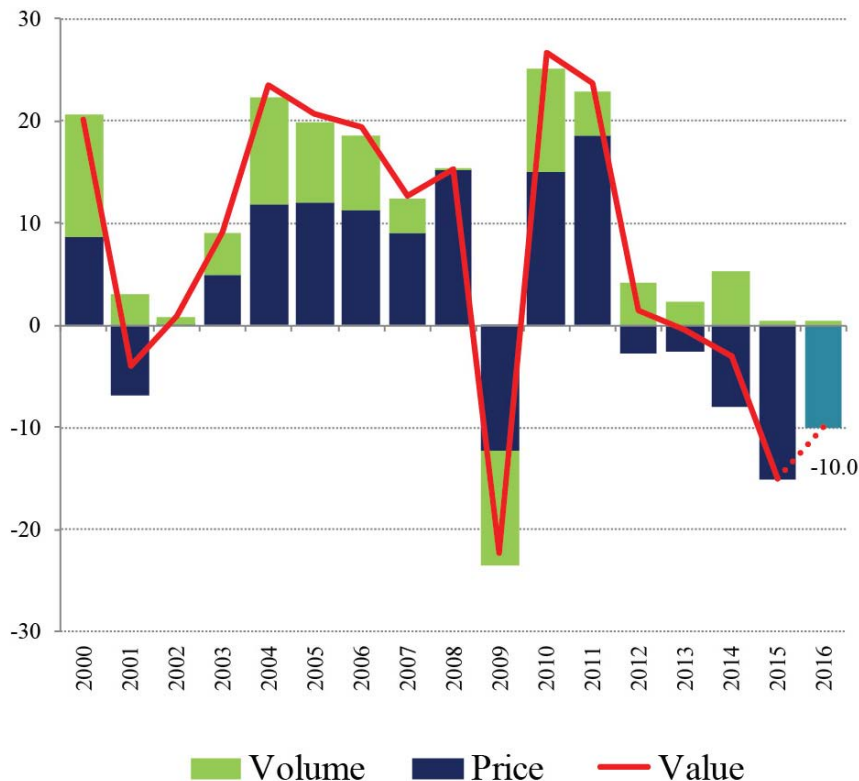
Source: ECLAC, *The European Union and Latin America and the Caribbean in the new economic and social context*, 2015.

# The region is at a standstill on the economic and social fronts

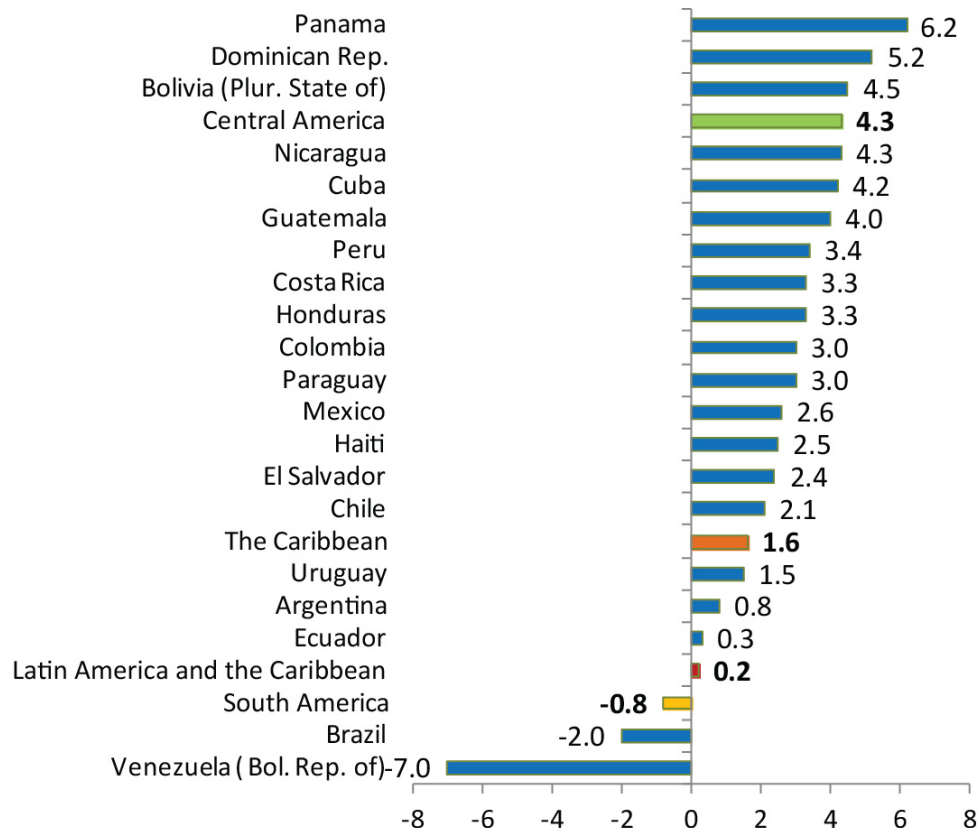
- Worst export performance in decades with low-growth scenarios
- Lack of investment and changing FDI trends
- Poor productivity, high structural heterogeneity, reprimarization and little innovation
- Low public debt
- Insufficient and narrowing fiscal space
- Progress on social issues at a standstill
- Population ageing and growing more slowly
- Little intraregional trade or value chain integration

# The economic and trade slowdown point to low growth prospects for the future

**LATIN AMERICAN AND THE CARIBBEAN : ANNUAL VARIATION IN EXPORTS, 2000-2016 <sup>a</sup>**  
(Percentages)



**LATIN AMERICAN AND THE CARIBBEAN : VARIATION IN GDP, 2016**  
(Percentages, constant 2010 dollars)



Source: ECLAC, on the basis of official information from the central banks, customs offices and national statistics institutes of the respective countries.

Source: ECLAC, on the basis of official information official figures and budgets and estimates.

<sup>a</sup> The figures for 2016 are projections.

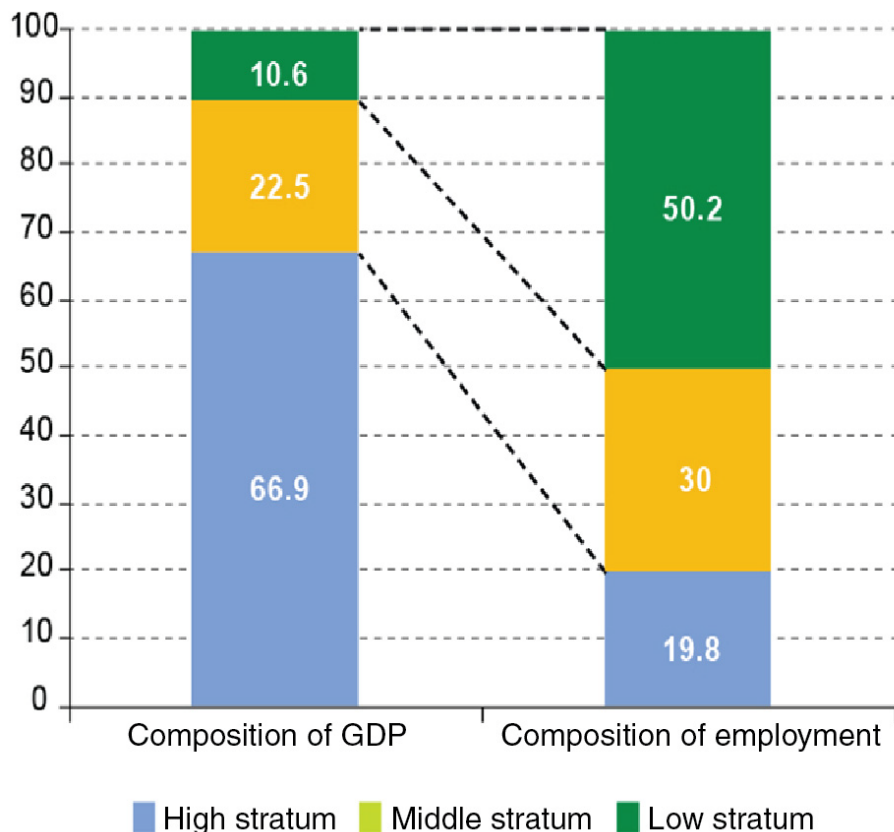
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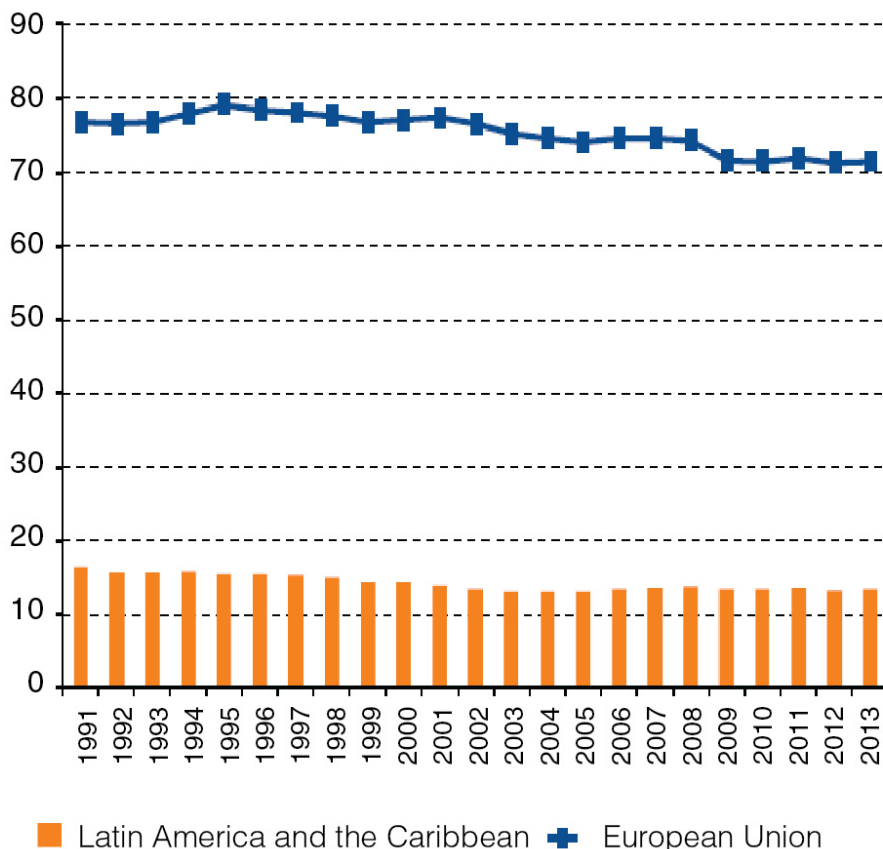


# Structural heterogeneity and low productivity

LATIN AMERICA (18 COUNTRIES): INDICATORS OF STRUCTURAL HETEROGENEITY, AROUND 2009  
(Percentages)



LATIN AMERICA AND THE CARIBBEAN AND EUROPEAN UNION: PRODUCTIVITY RELATIVE TO THE UNITED STATES, 1991-2013  
(Percentages)

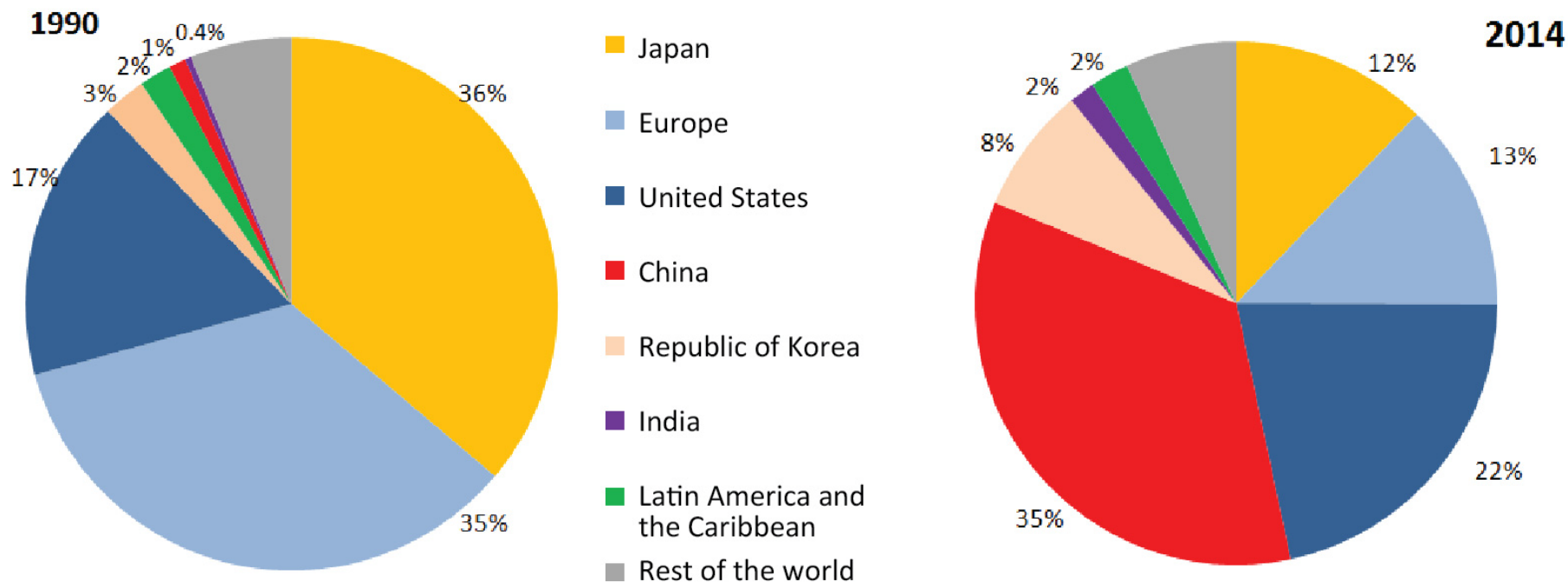


Source: ECLAC, on the basis of R. Infante, "América Latina en el 'umbral del desarrollo'. Un ejercicio de convergencia productiva", Working document, N° 14, Santiago, June 2011, unpublished.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), "The European Union and Latin America and the Caribbean in the new economic and social context", 2015.

# Little innovation and technological progress

SHARE IN GLOBAL PATENT APPLICATIONS, RESIDENTS AND NON-RESIDENTS  
(Percentages)



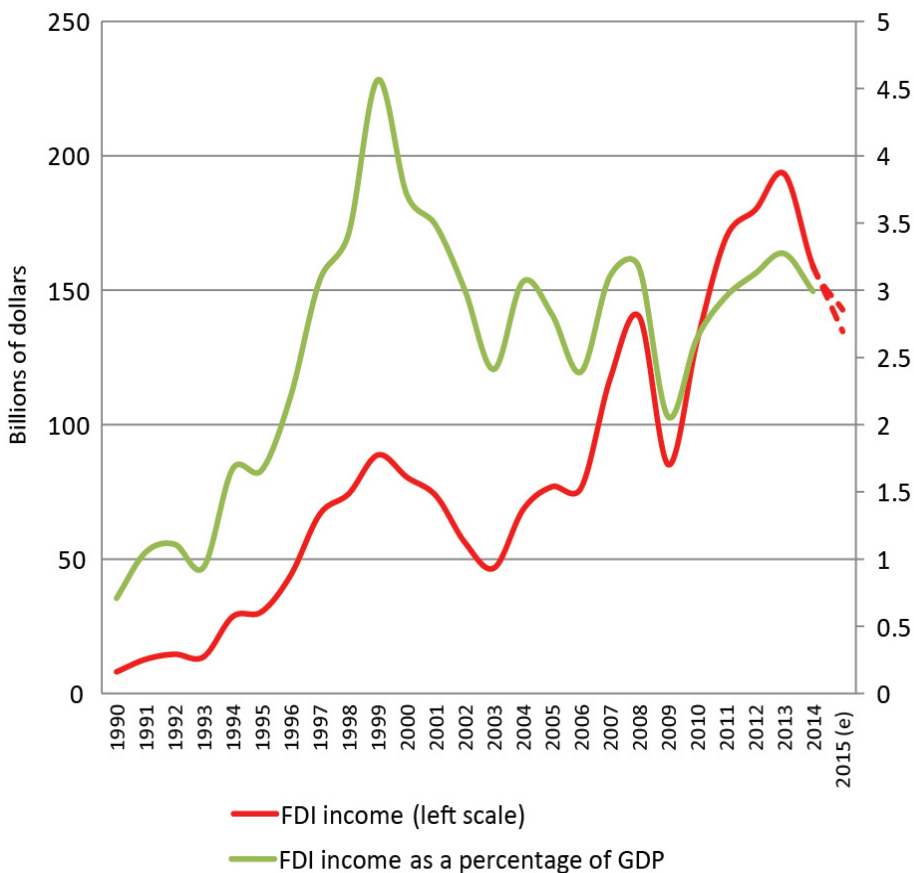
Source: ECLAC, on the basis of statistical information from the World Intellectual Property Organization (WIPO).



# Not enough investment: 2015 brought a cyclical shift in global FDI flows and public and private investment

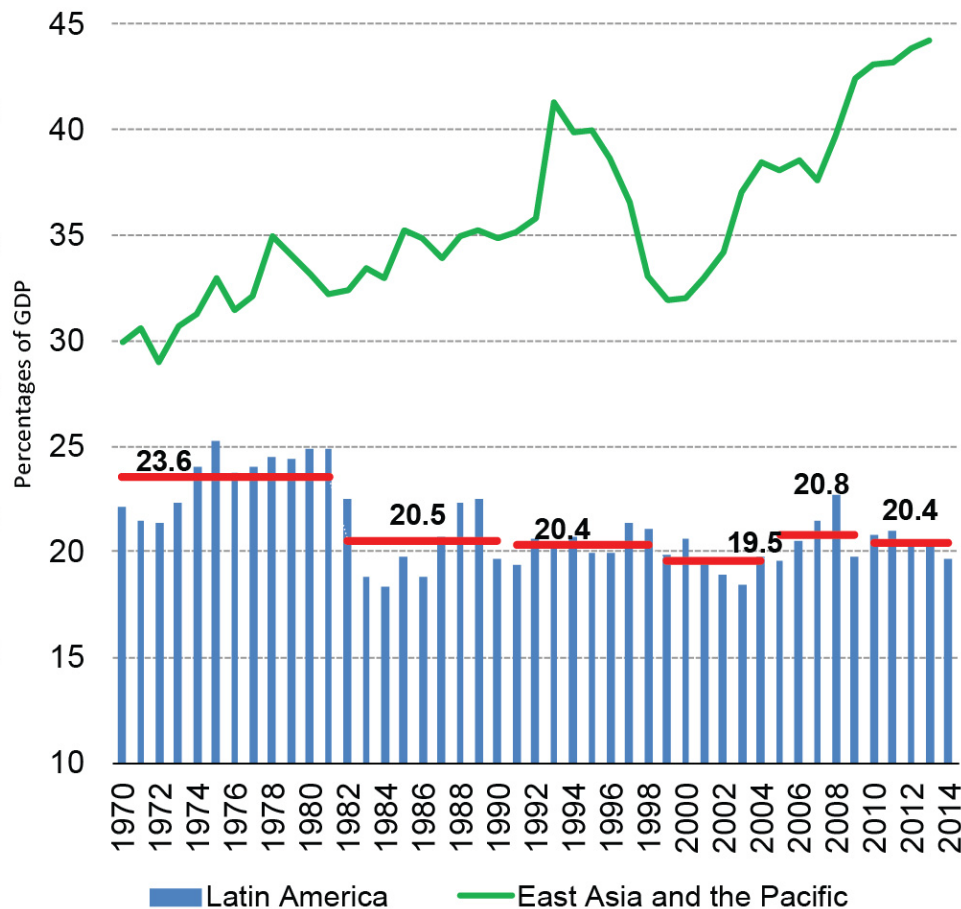
## LATIN AMERICA AND THE CARIBBEAN: FDI FLOWS, 1990-2015

(Billions of dollars and percentages of GDP)



## GROSS FIXED CAPITAL FORMATION, 1950-2014

(Percentages of GDP, constant 2005 dollars)



Source: ECLAC, *Foreign Direct Investment in Latin America and the Caribbean 2015* and estimates as at January 2016.

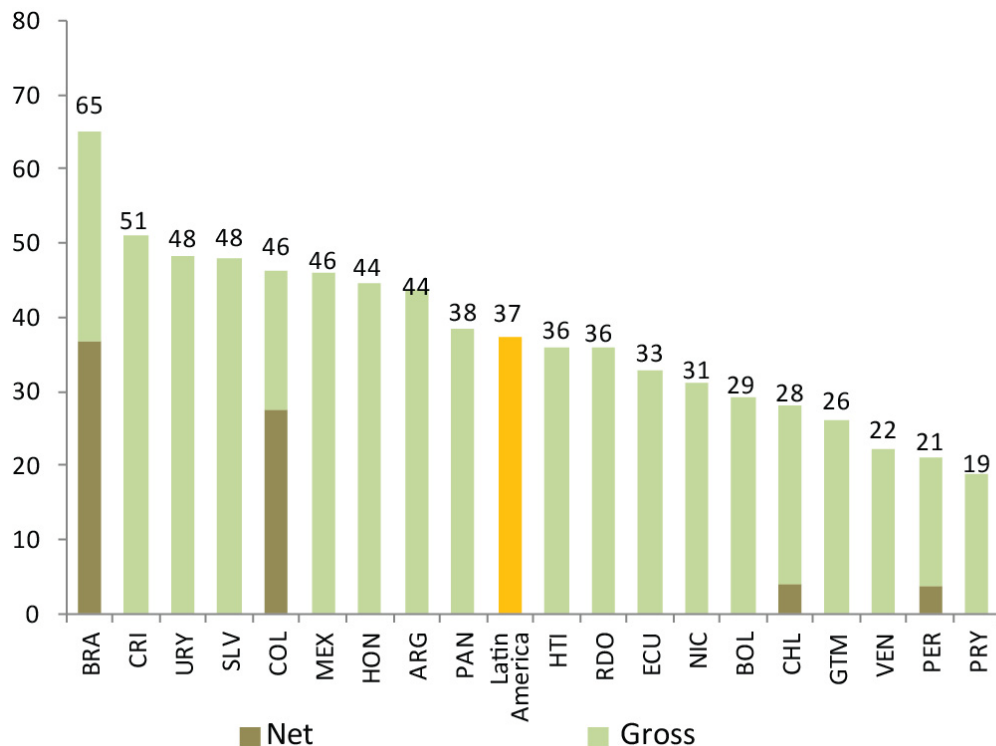
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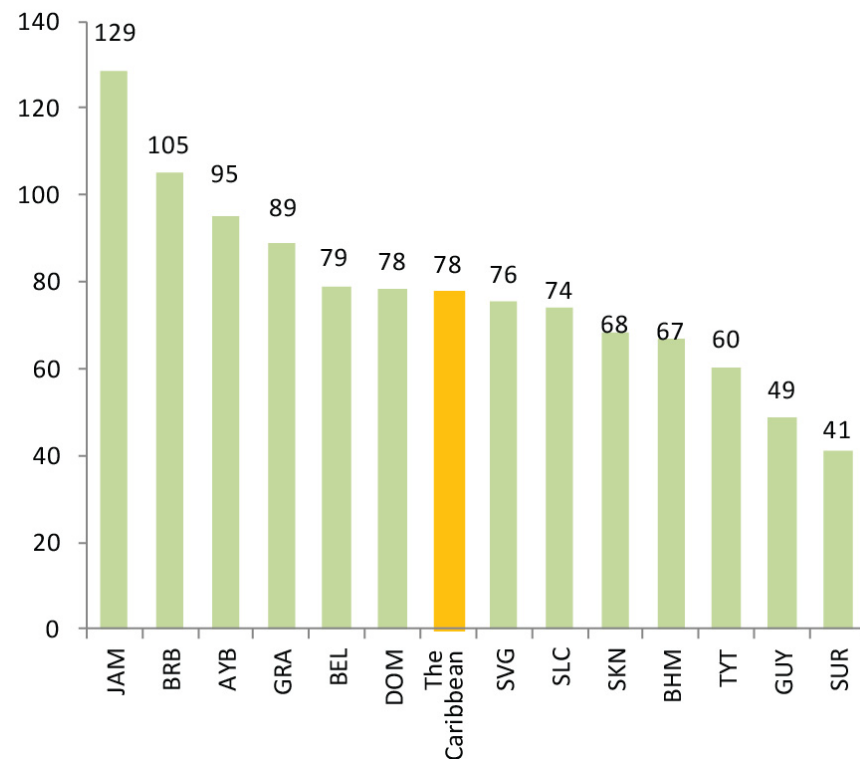


# Public debt exhibits varying levels of vulnerability

**LATIN AMERICA: GROSS AND NET PUBLIC DEBT, NON-FINANCIAL PUBLIC SECTOR, 2015**  
(Percentages of GDP)



**THE CARIBBEAN: NON-FINANCIAL PUBLIC SECTOR GROSS PUBLIC DEBT, 2015**  
(Percentages of GDP)

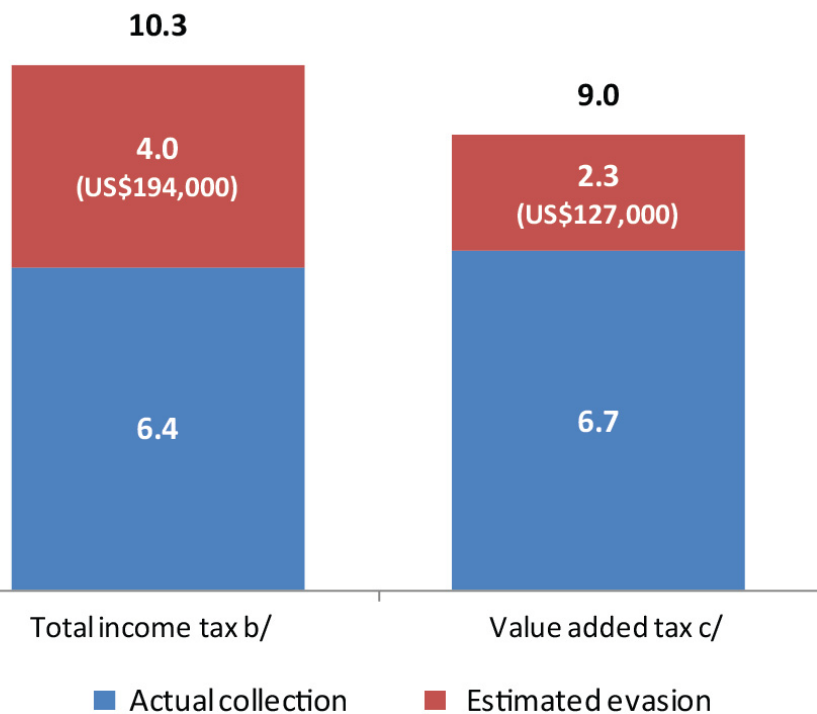


Note: Data are for the general government for Brazil; central government for the Dominican Republic, Haiti and Honduras.

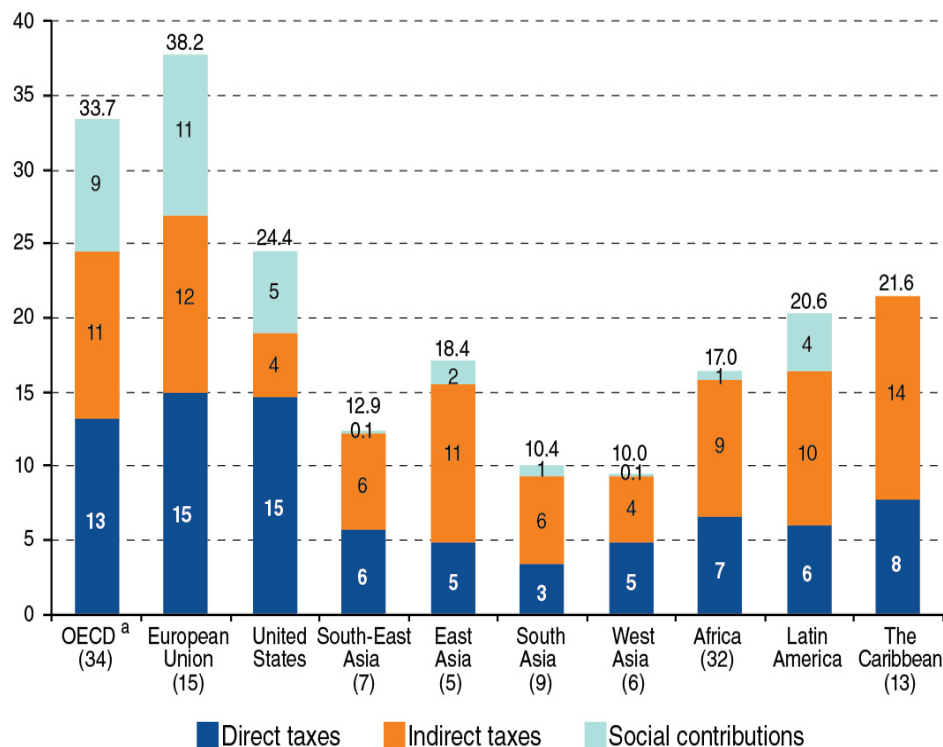
Source: ECLAC, on the basis of official figures.

# Tax collection is low and poorly implemented in the region

**LATIN AMERICA (SELECTED COUNTRIES): INCOME TAX AND VALUE ADDED TAX COLLECTED AND UNPAID, 2014 <sup>a</sup>**  
*(Percentages of GDP and millions of dollars)*



**SELECTED REGIONS AND COUNTRIES: STRUCTURE OF THE TAX BURDEN, 2012-2013**  
*(Percentages of GDP)*



Source: ECLAC.

<sup>a</sup> Organization for Economic Cooperation and Development.

a/ Weighted averages.

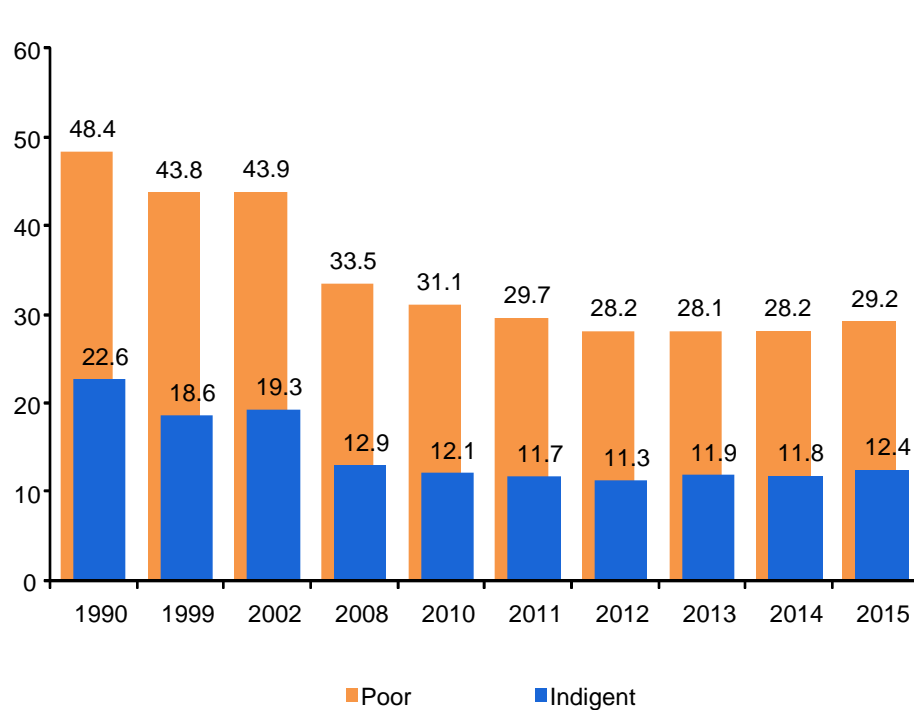
b/ Estimate for Argentina, Brazil, Chile, Costa Rica, Ecuador, El Salvador, Guatemala, Mexico and Peru.

c/ Estimate for Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua, Panama, Peru, Plurinational State of Bolivia and Uruguay.

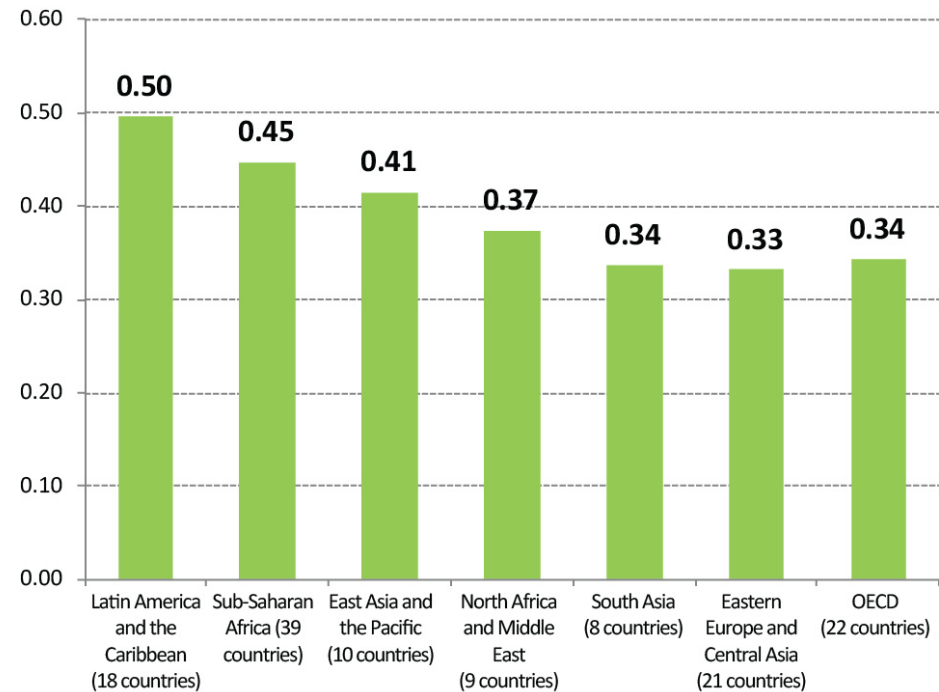
Source: ECLAC.

# Progress in poverty reduction has plateaued since 2012

**LATIN AMERICA: <sup>a</sup> POVERTY AND INDIGENCE, 1990-2015 <sup>b</sup>**  
(Percentages of people)



**LATIN AMERICA AND THE CARIBBEAN AND OTHER WORLD REGIONS: GINI COEFFICIENT, AROUND 2010**



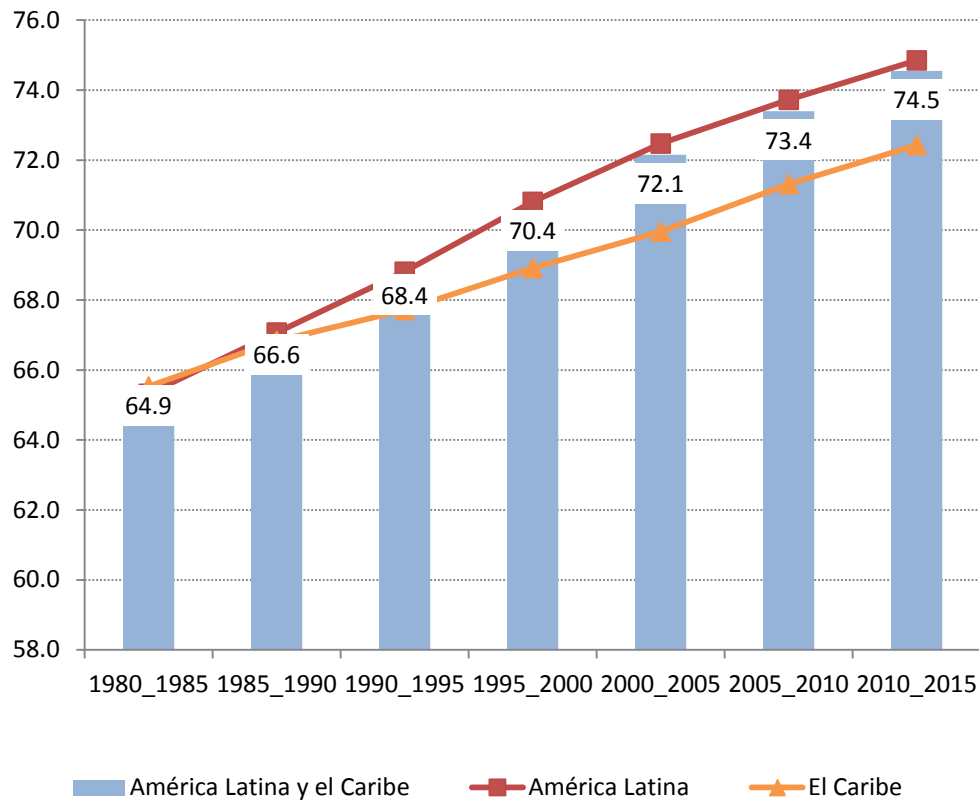
**Source:** ECLAC, on the basis of special tabulations of household surveys in the respective countries.

a/ Estimate refers to 19 countries (including Haiti).

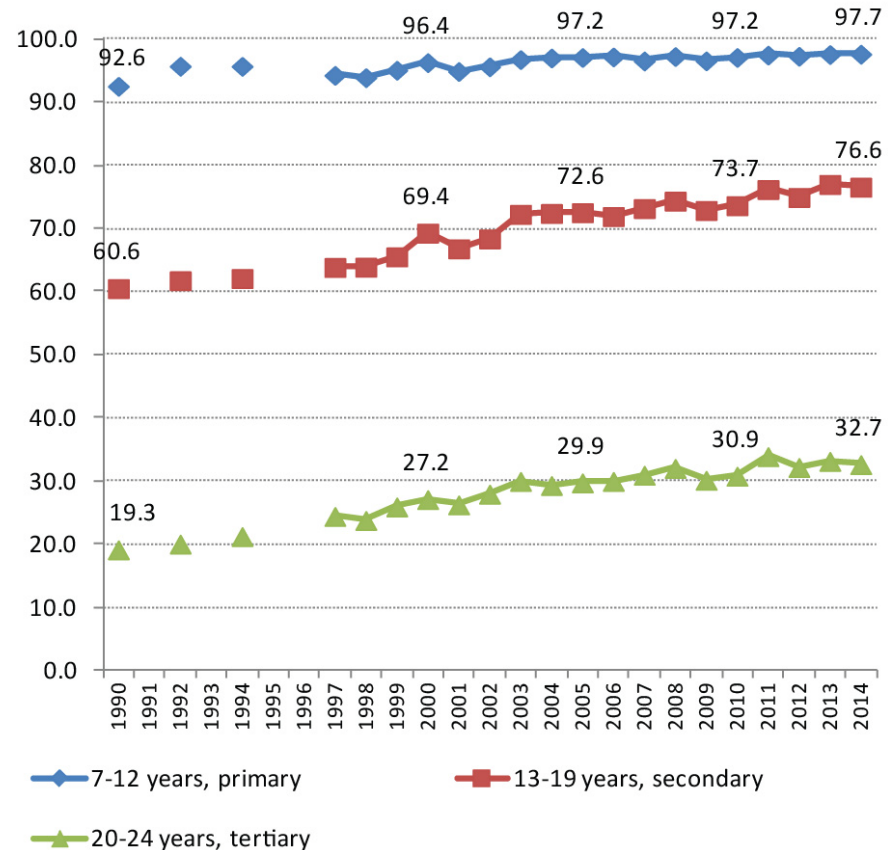
b/ The data for 2015 are projections.

# Significant social achievements in the last three decades

## LATIN AMERICA: LIFE EXPECTANCY AT BIRTH, 1980-2015



## LATIN AMERICA: ACCESS TO EDUCATION BY LEVEL AND AGE GROUP, 1980-2014



Source: ECLAC, on the basis of official information from the countries.

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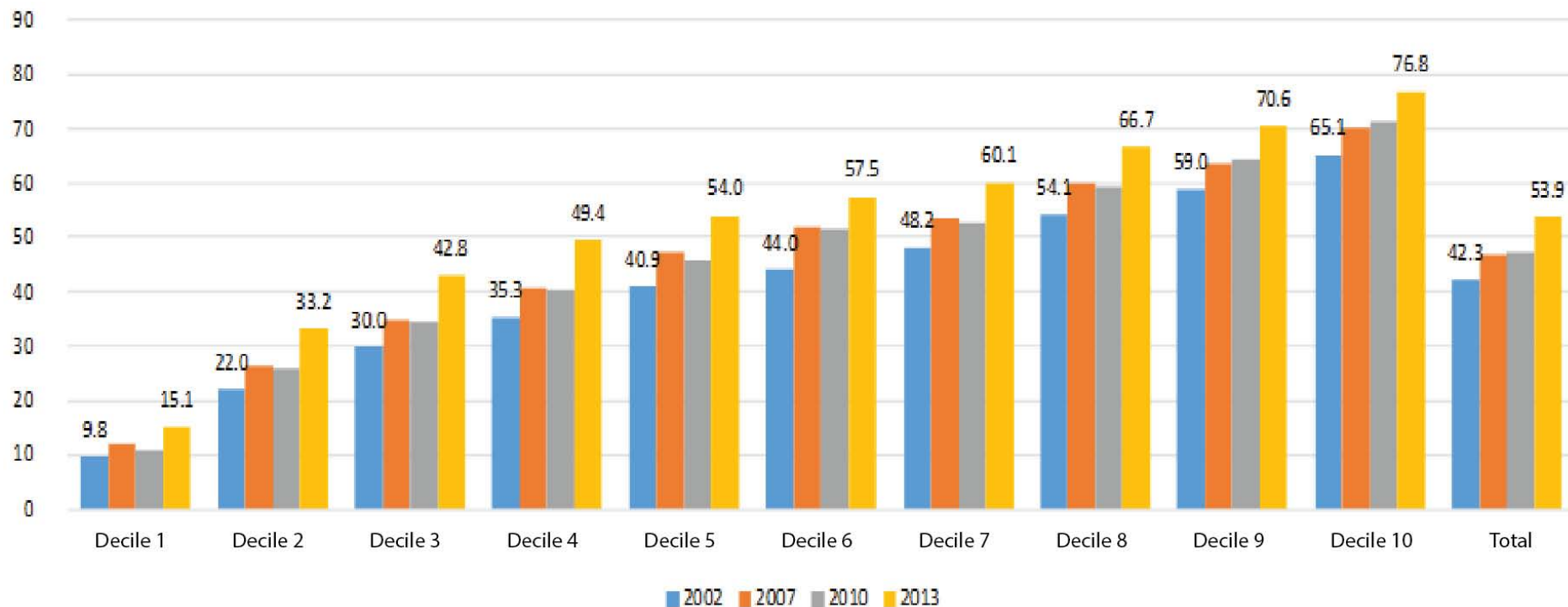
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# Employment: the master key for equality and central to the reduction in poverty and inequality between 2002 and 2013

- The unemployment rate fell from 9% to 6.1%
- The participation rate for women rose from 50.5% to 53.3%
- Labour income increased from 4.1 to 4.9 times the poverty line
- Minimum wages were raised
- Expansion in formalization of the workforce and social protection:
  - ✓ The proportion of the labour force employed in low productivity sectors fell from 54% to 49.3%
  - ✓ The proportion of wage earners with a contract rose from 53.4% to 57.2%
  - ✓ The percentage of workers affiliated to a pension scheme increased from 42.3% to 53.9% and those with health coverage from 43.1% to 73.5%

***Progress has been made, but the large gaps that remain represent a key obstacle to moving towards the eradication of poverty and inequality***

# Gaps in access to rights and social protection: two thirds of workers were not affiliated to a pension system in 2013

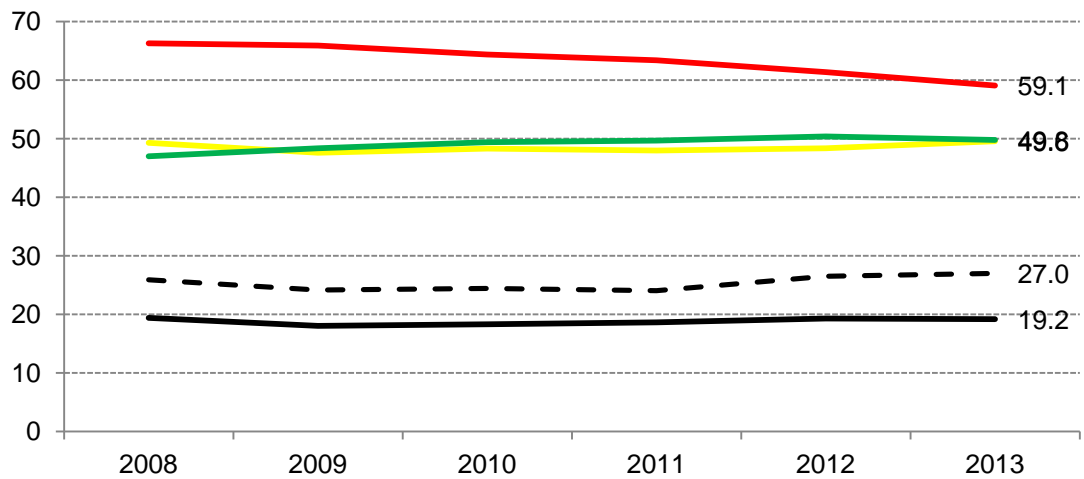


Source: ECLAC, on the basis of special tabulations of household surveys in the respective countries.

<sup>a</sup> Weighted average on the basis of information from Bolivia (Plur.State of) (departmental capital cities and El Alto), Brazil, Chile, Colombia, Costa Rica, Ecuador (urban areas), El Salvador, Honduras, Nicaragua, Paraguay (Asunción metropolitan area), Peru and Uruguay (urban areas).

# Intraregional trade is too limited

**SELECTED GROUPINGS: INTRA-GROUP EXPORTS AS A SHARE OF TOTAL EXPORTS, 2008-2013**  
(Percentages)



- European Union
- NAFTA
- ASEAN+5 a
- Latin America and the Caribbean
- - Latin America and the Caribbean (excluding Mexico)

**PARTS AND COMPONENTS AS A SHARE OF INTRA-GROUP EXPORTS, 2013**  
(Percentages)

Grouping	Percentage
ASEAN+5	34
NAFTA	19
European Union	17
Latin America and the Caribbean	10

**Source:** ECLAC, on the basis of the data from the United Nations Commodity Trade Database (COMTRADE).

<sup>a</sup> Includes the 10 member countries of the Association of Southeast Asian Nations (ASEAN) and China, Japan, the Republic of Korea, Hong Kong Special Administrative Region of China and Taiwan Province of China.



# Some examples of potential intraregional chains

## Central America and Mexico

### Agro-industry

- Dairy products
- Meat products
- Cereals and animal feed
- Fruits and vegetables
- Unmanufactured tobacco

### Metal products

- Wire products
- Iron and aluminium structures
- Metal manufactures

### Renewable energy

- Solar and wind projects
- Transmission structures
- Manufactures for solar panels, conductors, smart grids

## South America

### Chemical products

- Polymers and copolymers
- Heterocyclic components
- Cosmetics
- Wood pulp

### Agro-industry

- Fruits and nuts
- Oil seeds
- Leather manufactures

### Metal manufactures

- Precious metalwork
- Gold, silver and copper



# RETHINKING DEVELOPMENT PATTERNS IN THE LIGHT OF THE 2030 AGENDA

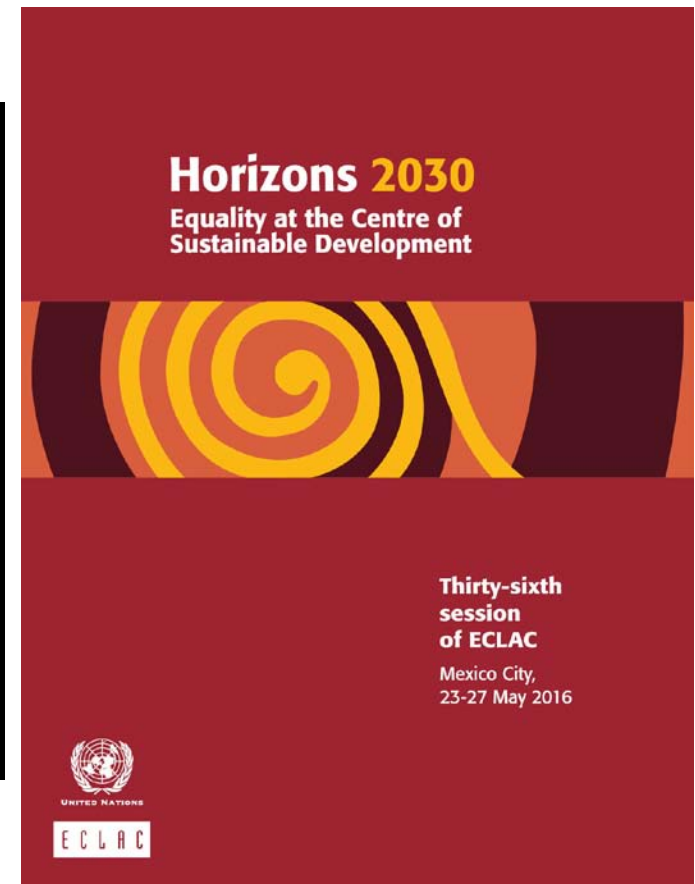
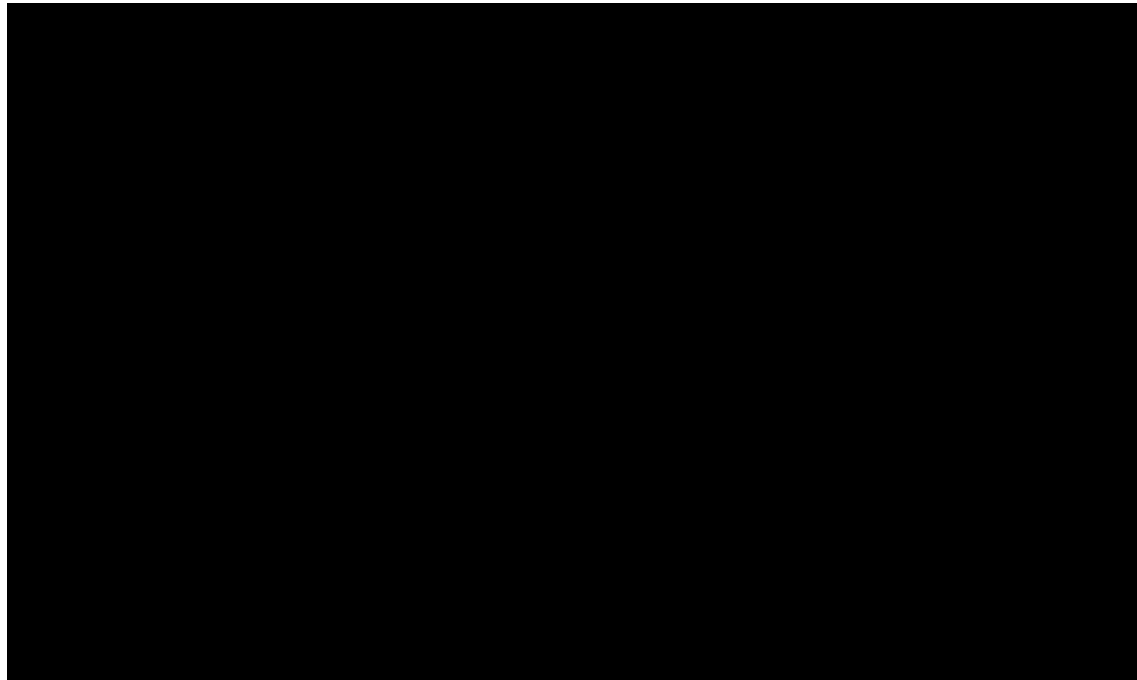
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# The 2030 Agenda: 17 Goals and 169 targets



A new development pattern: ***progressive structural change*** for equality and sustainability

# A new development pattern: the 2030 Agenda

- **A civilizing agenda that places people at the centre and seeks to care for the planet and achieve shared prosperity**
- **A universal agenda that proposes growth for equality and equality for growth, aiming beyond minimum levels of well-being**
  - Fully eradicate extreme poverty and hunger by 2030
  - Universalize rights, social protection, education and health
  - Promote inclusion in labour markets and decent work
  - Increase equality by developing human capacities
  - Protect the integrity of terrestrial and marine ecosystems
  - Global collective action to protect the biosphere (halting climate change) and shared resources (oceans, forests and biodiversity)
  - Gender equality
  - Holistic vision and linkages between peace, security, rights and development
  - Address information asymmetries through modern institutions
  - Global agreement on financing and technology transfer

# Proposal to achieve economic, social and environmental inclusion

***Economic inclusion:*** structural change and production development

- Production and technology gaps
- Full employment with quality jobs
- Gaps in infrastructure and access to assets, goods and services
- Knowledge gaps: education, science and technology

***Social inclusion:*** universal access to social protection

- Rights-based approach
- Basic social aspirations: security, health and well-being
- Eradication of poverty, food and nutrition security

***Environmental inclusion:*** access to public goods

- Equitable distribution of rents and productivity gains from natural resources
- Environmental protection
- Public services, quality of life and the urban environment

# Trilogy: macroeconomic, industrial (environmental big push) and social policy

- Coordinated management of economic growth and aggregate demand (new Keynesianism)
- Industrial policy for progressive structural change (Schumpeterian approach)
- A coalition for the environmental big push
- Selective adjustment to protect social policy
- Design a universal basic income

# ECLAC proposals: an environmental big push for equality and development sustainability

## Global action for sustainable development

- Change the international financial system
- Coordination of fiscal, exchange-rate and financial policies to give an expansionary bias to the global economy and support employment
- International coordination to reduce tax evasion and avoidance
- Climate security and implementation of the Paris Agreement of 2015
- Creation of funds for adaptation and transfer of environmental technologies
- Improve rules on trade, investment and intellectual property
- Engage with the data revolution and Internet governance

# ECLAC proposals: an environmental big push for equality and development sustainability

## A renewed production architecture

- Fiscal space, planning and public investment
- Afford priority to nominal and financial stability in monetary policy
- Smart cities: expand the public transport and social integration system
- Renewable energies in the energy mix
- Develop clean technology capacities
- Gradually withdraw fossil fuel subsidies
- Include environmental costs in the cost of bank loans
- Achieve universal social protection
- Achieve universal health and education coverage



# ECLAC proposals: an environmental big push for equality and development sustainability

## A consolidated regional approach

- Complementarity between global and regional institutions
- Greater sense of belonging at the regional and subregional levels
- Stronger production integration
- Create financial safety nets : FLAR, development banks, payments clearing system
- Create a digital common market
- Develop regional value chains in environmental goods and services
- Create a regional fund for the purchase and licensing of patents
- Debt relief in the Caribbean and creation of a resilience fund to finance investment in climate changes adaptation and mitigation



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