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#BTColum – Transforming the development model in Latin America and the Caribbean

- by Barbados Today October 20, 2022

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By José Manuel Salazar-Xirinachs

In 2022, Latin American and Caribbean countries are facing the effects of a series of shocks that have deteriorated their investment and production conditions, including the global financial crisis, economic tensions between major poles of the global economy, the COVID-19 pandemic, the war in Ukraine and the resurgence of inflation, in a context in which the environmental emergency is worsening and the technological revolution is accelerating. Numerous analysts and international organizations talk about a series of cascading crises, citing among them the crises related to the climate, health, employment, social matters, education, food security, energy and the cost of living – all of which have impacts of varying intensity and characteristics on numerous countries, including those in Latin America and the Caribbean.

The fight against inflation has toughened global financial conditions and increased volatility in financial markets and risk aversion. This has raised the cost of debt service, further reducing fiscal space and increasing the risk of a recession in the global economy in 2023. The growth rates estimated for the vast majority of the world's countries in 2023 have been revised downward recently by various organizations.



In the region, the combination of external and domestic factors stemming from the policy decisions made, or from the absence of such decisions, has reduced the capacity for economic growth and quality job creation and hampered its fight against poverty and extreme poverty. Its economic and social structures have weakened and have fallen into situations that reinforce the inertia of a weak economic performance.

Faced with this reality, ECLAC advocates for Latin America and the Caribbean to redouble its efforts to both reactivate its economies as well as to transform countries' development models, centering these efforts around policies for productive transformation and diversification along with a big, public and private investment push, which would allow for accelerating structural change and technological and digital transformation to achieve high, sustained growth and sustainable and inclusive development.

In that strategy, the sectoral dimension is crucial, because that is where company strategies, business models, and processes of capital formation and job creation are defined. Although the specific sectors should be defined in each national context, ECLAC proposes ten sectors or areas that are particularly promising: the energy transition, electromobility, the circular economy, the bioeconomy, the healthcare-manufacturing industry, and the digital transformation – which are at the center of innovation processes – while the care economy, tourism, Micro, Small and Medium-sized Enterprises, and the social economy are great generators of employment, with the ensuing effects on income and the inclusion of disadvantaged social sectors.

Harnessing the potential in these areas entails transforming the region's development model to create favorable conditions for investment, growth, inclusion and sustainability.

Transformation of this model requires decisive action in multiple areas: development planning in order to coordinate policies; improvement in governance and the institutional quality of the institutions in charge of the different areas; macroeconomic policies to accelerate growth and tackle inflation; the construction of welfare states; strengthening care systems as a pillar of a rights-based social state; guaranteeing the rights of especially vulnerable populations; mitigation and adaptation vis-à-vis the environmental emergency; new governance of natural resources; implementation of industrial and technological policies; and regional integration in the face of the new geopolitics of globalization.

This is an ambitious agenda, but the reality is that this is not a time for gradual or tepid changes – ambitious and transformational changes are needed. Only by boosting the level of ambition can we respond to this quantity of simultaneous challenges and shocks, and to the complexity of our region's economies and societies. In order to articulate the proposed strategies and policies, and to ensure their effective implementation and adjustments to new realities over time, new forms of experimentalist governance are needed, based on iterative and participatory processes for policy formulation and implementation. In some cases, new fiscal, productive, social and environmental compacts will be necessary to surmount the problems of this current juncture and move in the long term towards societies that are sustainable, cohesive and resilient – characteristics that entail advancing towards the realization of welfare states in the framework of more efficient and productive economies.

At this time of action for overcoming limitations and harnessing opportunities, ECLAC will present the analyses and proposals summarized in these lines at its most important biennial meeting: the thirty-ninth session, which will take place on October 24-26 in Buenos Aires, Argentina, with the participation of senior authorities from throughout our region. We invite all those who are committed to working for the progress of Latin America and the Caribbean to participate in the debates.

José Manuel Salazar-Xirinachs is executive secretary of the Economic Commission for Latin America and the Caribbean (ECLAC), of the United Nations.

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