

Europe and Latin America in an ever-changing global economy

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BETTER POLICIES FOR BETTER LIVES

Background

Over recent years, the economic and social dynamics of Latin American and European countries seem to be following different trends. Although economic growth in Latin America is likely to decelerate in 2014, the region has experienced a period of steady expansion since 2002, despite a slowdown following the financial crisis of 2008-2009. In contrast, the European economies have yet to recover in earnest from their most acute economic and social crisis in decades, marked by high unemployment, slow growth, and vulnerabilities in sovereign debt and credit markets.

Although going through different phases of the economic cycle, the two regions have shared the effects of the current stage of globalization, with the emergence of new global players, such as China and other Asian countries, which has led to far-reaching structural changes in employment and production structures.

In line with the recent experiences of financial crisis and recession in Europe versus sustained growth in Latin America, contrasting paths can also be seen in labour and social indicators (particularly, poverty and inequality).

In terms of the outlook for the future, a hesitant recovery in Europe and an expected slowdown in Latin America's growth pose a number of challenges and policy dilemmas, such as industrial delocalization, the engines of employment, the future of the welfare state, the need to rethink regional integration and the appropriate institutions, as well as policy instruments for macroeconomic stability and sustainable and inclusive growth. Given the different structural conditions and dynamics in the two regions, there is ample room for discussing experiences and sharing common knowledge about current and impending challenges. The scope for policy action, both in terms of social protection and redistribution, deserves special consideration.

Against this background, the second Europe-Latin America Economic Forum seeks to deepen the discussions that took place at the Forum held in January 2013 in Santiago, Chile, and jointly organized by ECLAC and the Paris School of Economics (PSE) as a side event of the 2013 Summit of the European Union and the Community of Latin American and Caribbean States (EU-CELAC). The 2014 edition of the Forum will further these discussions.

Tuesday, 20 May 2014

9.30 - 11 a.m.

Opening session

Introductory remarks

Angel Gurría, Secretary-General of OECD

Alicia Bárcena, Executive Secretary of ECLAC

Pierre-Yves Geoffard, Director of the Paris School of Economics

Interactive panel

Moderator: Fiona Mackie, Regional Editor for Latin America, The Economist intelligence Unit

Alicia Bárcena, Executive Secretary of ECLAC

Angel Gurría, Secretary-General of OECD

Jolita Butkeviciene, Director for Latin America and Caribbean, Directorate-General for Development and Cooperation of the European Commission

Pierre-Yves Geoffard, Director of the Paris School of Economics

José Gomez, Deputy Director for the Americas and the Caribbean, Ministry of Foreign Affairs of France

11 - 11.15 a.m.

Coffee break

11.15 a.m. - 1 p.m.

Global economic shocks and macroeconomic policies

01
Session

Moderator: Carlos Winograd, Professor, Paris School of Economics and Université d'Evry

Speakers:

Fernando Lorenzo, former Minister of Economic Affairs of Uruguay

Richard Portes, Professor of Economics, London Business School

Roberto Frenkel, Researcher at Centro de Estudios de Estado y Sociedad (CEDES), Argentina

Benoit Mojon, Director, Monetary and Financial Studies, Banque de France

Christian Kastrop, Director, Policies Studies Branch, Economic Department of OECD

The global economic outlook is evolving in 2014. As a result, European and Latin American and Caribbean countries will face different scenarios and policy challenges. Europe must still address major macroeconomic imbalances in core and peripheral countries. To some extent, the challenge of this adjustment is reminiscent of the experience of Latin America in the 1980s. What lessons can be drawn from the Latin American experience that could be useful to Europe? Reciprocally, what lessons can the European situation offer for managing structural reforms in Latin America and the Caribbean? What institutional mechanisms can be devised not only to reduce the impact of the crisis, but also to prevent the emergence of new crises in the future?

In a period of costly economic cycles and a highly volatile global economy, Latin American and Caribbean countries may not necessarily have the policy space for countercyclical responses to exogenous shocks. On the European side, the discussion would focus on the effectiveness of existing policy instruments, such as unemployment insurance, social assistance and other automatic stabilisers. On the Latin American and Caribbean side, discussions could address the fundamental issues of governance, institutional design and the capacity of the countries in the region to properly manage such instruments, particularly in the wake of a slowdown. In particular, the analysis should include the development of robust governance to handle contingent income transfers and the expected benefits in terms of dampening economic cycles.

Lunch

1 - 2.30 p.m.

Global change, labour market dynamics and the sectoral structure of production

2.30 - 4.15 p.m.

02
Session

The objective of this session is to assess labour market performance and dynamics in Europe and Latin America and the Caribbean, and discuss recent employment trends and their relation with the production structure. Most countries in Europe and Latin America and the Caribbean have been very much affected by competition from emerging Asian countries in manufacturing. This raises the following questions: What policies can governments adopt to reduce vulnerability and improve the competitiveness of their economies in this new scenario? To what extent have these global trends redefined production and technological leads and lags and created imbalances?

Many countries are designing and implementing policies that would make existing sectors more resilient to competition or would help develop new internationally competitive activities. There are two main concerns behind such structural policies: balancing trade and maintaining or expanding formal high-productivity and high-quality employment. In most countries, however, the important issue is the effect of de-industrialization on employment. The optimal policy emphasis might not be on industry per se, but more generally on the diversification of the sectoral structure of production and on the related labour policy tools. In this respect, should Europe and Latin America envisage similar policies? There is room to discuss training, unemployment insurance schemes, informality, flexibility, gender differences, real wages, productivity and the relation between the structure of wages and household income inequality.

Moderator: **Mario Cimoli**, Chief of the Division of Production, Productivity and Management of ECLAC

Speakers:

Giovanni Dosi, Professor of Economics and Director of the Institute of Economics at the Scuola Superiore Sant'Anna in Pisa, Italy

Tilman Altenburg, Head of the Department of Competitiveness and Social Development at the German Development Institute, Bonn, Germany

Xavier Ragot, Professor, Paris School of Economics

Luis Miotti, Professor, Université Paris XIII

Coffee break

4.15 - 4.30 p.m.

Regional integration: European and Latin American uncertainties

4.30 - 6.15 p.m.

03
Session

Regional integration has been an important political and economic objective both in Europe and in Latin America and the Caribbean, although the practice is more recent in the latter. After considerable progress, European integration is facing severe challenges, as the monetary union has met its first severe obstacles deriving from the debt crisis and confronts great uncertainties and new challenges regarding the future integration path. It is not inconceivable today that some sequence of events, together with economic and political fatigue, might lead to new agendas of partial regional disintegration.

In Latin America, the Southern Common Market (MERCOSUR), although less ambitious, is also showing signs of fatigue. Other regional schemes, such as UNASUR and CELAC, have established regional forums. At the same time, part of the region is increasingly looking more to the other side of the Pacific rather than to other Latin American countries, and the more pragmatic approach of the Pacific Alliance is quickly gaining momentum. Lastly, at the global level, the launch of new mega-agreements, such as the Trans-Pacific Partnership (TPP) and the European Union-North America agreement, will create an entirely new scenario for the future of the international trade regime. A question that arises is, then: What are the current status and future challenges of these regional integration efforts?

Moderator: **Mario Pezzini**, Director of the OECD Development Centre

Speakers:

André Sapir, Professor of Economics at Université Libre de Bruxelles, Belgium

Oswaldo Rosales, Chief of the Division of International Trade and Integration of ECLAC

Fabrizio Coricelli, Professor, Paris School of Economics

Marcel Vaillant, Professor of International Trade, Department of Economics, Universidad de la República, Uruguay

Wrap-up of day 1

6.15 - 6.30 p.m.

Mario Cimoli, Chief of the Division of Production, Productivity and Management of ECLAC

Gabriela Ramos, OECD Chief of Staff and Sherpa to the G20

François Bourguignon / Carlos Winograd, Professors, Paris School of Economics

Reception

6.30 p.m.

Wednesday, 21 May 2014

9 - 10.45 a.m.

Income inequality, redistribution and social protection

04
Session

Moderator: François Bourguignon, Professor,
Paris School of Economics

Speakers:

Nora Lustig, Samuel Z. Stone Professor of Latin
American Economics, Department of Economics,
Tulane University

Pierre Pestiau, Professor Emeritus, Université de
Liège, Belgium

Juan Pablo Jiménez, Economic Affairs Officer,
Economic Development Division of ECLAC

Michael Förster, Principal Administrator, Social
Policy Division, Directorate for Employment, Labour
and Social Affairs, OECD

The objective of this session is to analyse recent trends in income inequality and fiscal policy in Europe and Latin America and the Caribbean, which have witnessed different evolutions. From the perspective of Latin America and the Caribbean, the recent reduction in income inequality is a milestone and has mostly relied on favourable evolutions in the labour market and real wages and, to a lesser extent, on social spending and transfers. Yet, inequality is still extremely high in the region. Moreover, it is not unlikely that changes in inequality are underestimated because of fragmentary data at the top of the income distribution. In Europe and several other mature economies, income gaps between rich and poor have actually risen over the past quarter of a century.

Against this background, the session will discuss the role of redistributive fiscal policy, recent reforms and global trends in driving inequality, in one direction or another, in both regions. More ambitiously, speakers will identify policies that could reduce poverty and income inequality in a sustained manner in Latin America, as well as prevent inequality from widening further in Europe. Policy instruments to be considered include taxes, cash and in-kind benefits, and social programmes.

10.45 - 11 a.m.

Coffee break

11 - 12.45 a.m.

Inclusive growth: analysis, drivers and policies

05
Session

Moderator: Luiz de Mello, Deputy Chief
of Staff, OECD

Speakers:

Paul Schreyer, Deputy Director, Statistics
Directorate, OECD

Alain de Serres, Head of Structural Surveillance
Division, Economics Department, OECD

Robert Boyer, Economist, Institut des Amériques

Christian Von Haldenwang, Senior Researcher
and Coordinator for Latin America, German
Development Institute

Tackling inequality goes beyond the distribution of income and encompasses efforts to improve outcomes in other dimensions that matter for people's well-being, including jobs and health. The objective of this session is therefore to analyse recent trends in multidimensional inequalities in Latin America and the Caribbean and Europe, and to discuss the policies that can be put in place to deliver growth together with a better distribution of the benefits of growth. This implies a better understanding of the synergies and trade-offs that exist between growth-friendly and pro-inclusiveness initiatives.

Against this background, speakers will identify the main drivers of inequality from a multidimensional perspective, emphasizing the links that exist between the distribution of income and non-income outcomes that matter for people's well-being. Discussions will focus on the distributional consequences of structural policies and the policy instruments that could deliver improvements in the distribution of income and non-income outcomes, taking into account the experiences and specific needs and circumstances of Latin America and the Caribbean and Europe.

12.45 - 1.30 p.m.

Closing session

François Bourguignon / Carlos Winograd,
Professors, Paris School of Economics

Mario Cimoli, Chief of the Division of Production,
Productivity and Management of ECLAC

Luiz de Mello, Deputy Chief of Staff, OECD

Paul Bornkamm, Regional Development Policy,
Central America, Caribbean German Federal Ministry
for Economic Cooperation and Development (BMZ)



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