

# Economic and Social Panorama of Latin America and the Caribbean



UNITED NATIONS



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*Fifth Summit of Heads of State and Government of the Community  
of Latin American and Caribbean States (CELAC)  
Punta Cana, January 2017*

# Long-term megatrends

- Geopolitical changes and new global roles for China, Europe and the United States
- The fourth industrial revolution: robotics, ICTs, biotechnology and nanotechnology
- The future of work
- Climate change
- Growing inequality
- The demographic transition and migration



# The political economy of hyperglobalization

- A fragmented trading system combined with more protectionism and growing uncertainty about mega agreements
- Greater financialization (financial assets that were similar in size to world GDP in 1980 are today worth 10 times more than GDP)
- An international system with few financial regulations and weak multilateral mechanisms, especially in the international tax system with room for tax avoidance and evasion
  - **Favours more powerful actors (businesses and governments) with greater bargaining and market power**
  - **Middle-class crisis /perception of losers who are angry with globalization's winners**
  - **Future generations have no voice**



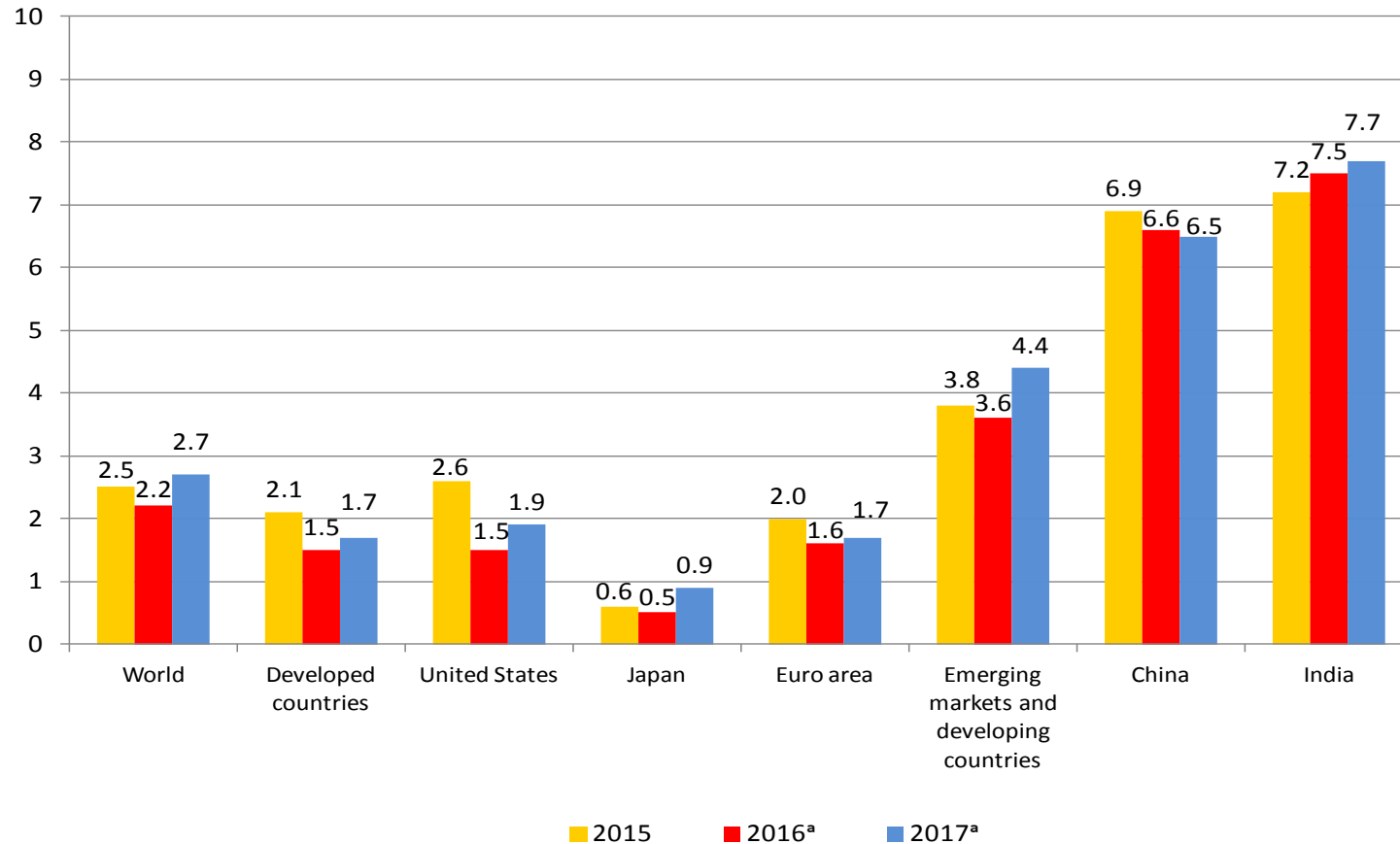
# Complex external conditions (2017)

- Global growth recovered slightly (2.7% v. 2.2% in 2016) and buoyant global trade (growth rates between 1,8% and 3,1% vs. 1,7% in 2016)
- Commodity prices are rising
- Uncertainty about the effects of reviewing free trade treaties and mega agreements (TPP, FTAs, Brexit)
- Greater financial volatility: expansionary monetary policy in Europe and Japan and the normalization of interest rates in the United States



# Slow global growth

SELECTED REGIONS AND COUNTRIES: GDP GROWTH, 2015-2017<sup>a</sup>  
(Percentages)



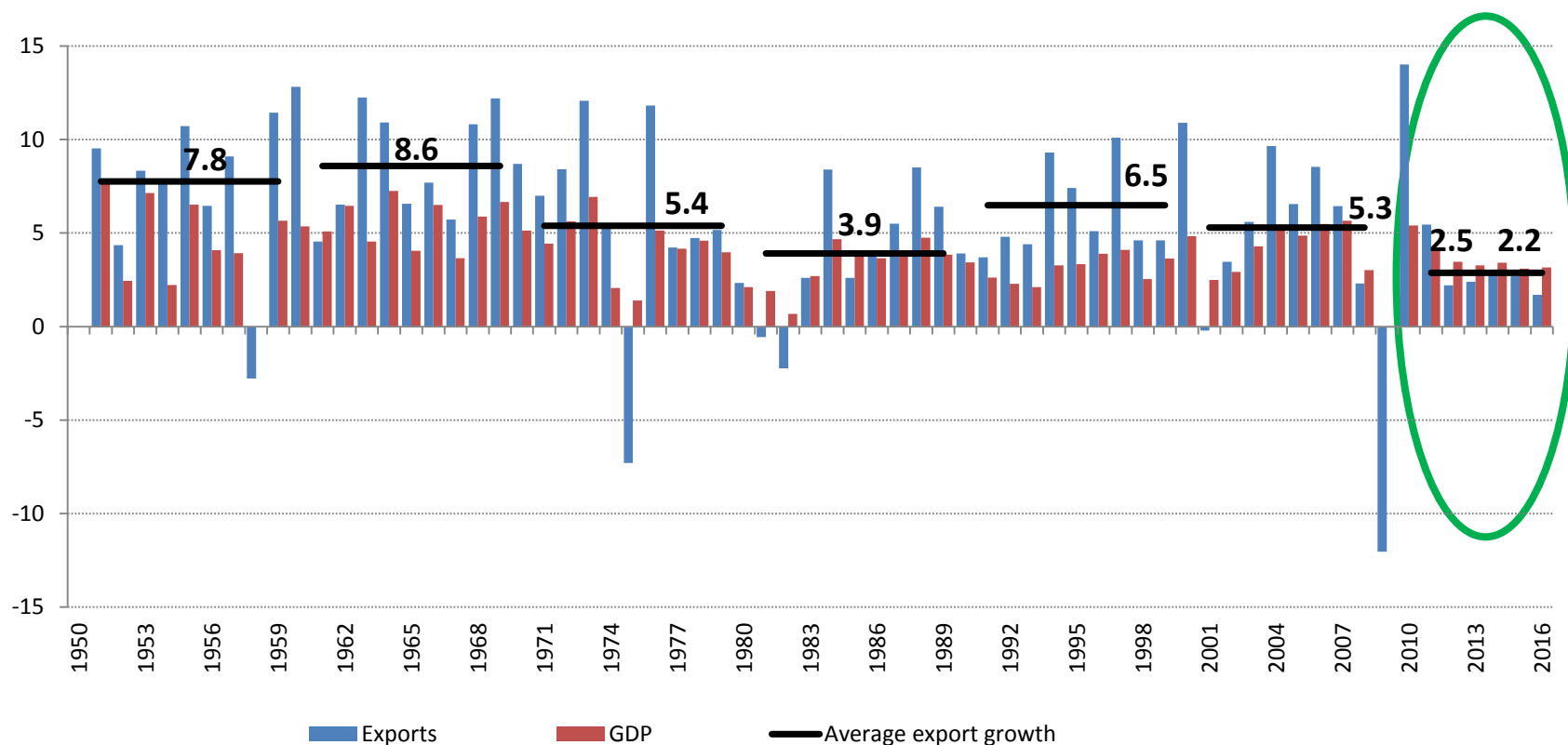
Source: ECLAC, on the basis of United Nations, World Economic Situation and Prospects (WESP) 2015, 2016, 2017 (forthcoming) and WEO (IMF, October 2016).

<sup>a</sup> The figures for 2016 and 2017 are estimates and projections, respectively, both from WESP 2017, forthcoming.



# Global output and trade have picked up in 2017 but have not returned to pre-crisis levels

VARIATION IN THE VOLUME OF GLOBAL MERCHANDISE EXPORTS AND GDP, 1952-2016<sup>a</sup>  
(Percentages)



Source: ECLAC, on the basis of World Trade Organization (WTO) and International Monetary Fund (IMF).

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



# Rate of variation in commodity prices

INTERNATIONAL COMMODITY PRICES, 2015, 2016<sup>a</sup> AND 2017<sup>b</sup>  
(Percentages)

	2015	2016 <sup>a</sup>	2017 <sup>b</sup>
<b>Agricultural products</b>	-16	3	2
<b>Foods, tropical beverages and oils</b>	-18	4	2
<b>Foods</b>	-15	8	2
<b>Tropical beverages</b>	-21	-1	5
<b>Oils and oilseeds</b>	-22	0	2
<b>Raw materials</b>	-6	-1	0
<b>Energy</b>	-42	-16	19
Crude oil	-47	-16	20
<b>Minerals and metals</b>	-23	-4	3
<b>Total primary products</b>	<b>-29</b>	<b>-6</b>	<b>8</b>
<b>Total primary products (excl. Energy)</b>	<b>-19</b>	<b>-0.2</b>	<b>2</b>

Source: ECLAC, on the basis of Bloomberg, World Bank, International Monetary Fund (IMF) and The Economist Intelligence Unit (EIU).

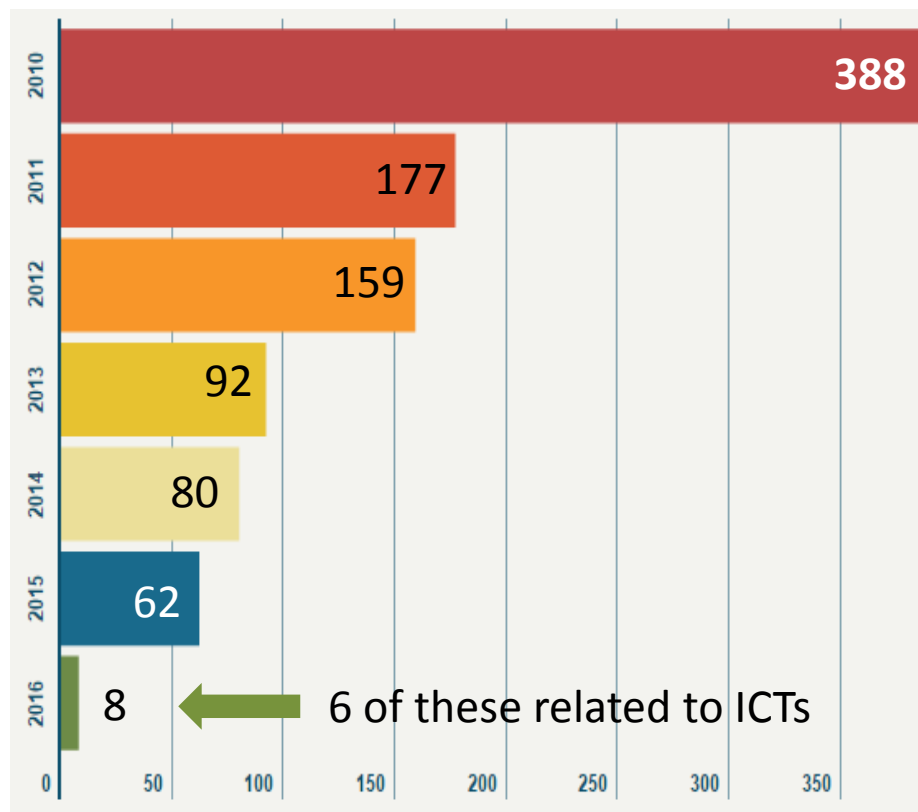
<sup>a</sup> Estimates.

<sup>b</sup> Projections.



# A more integrated —but more unequal— world

WORLD: NUMBER OF MULTIMILLIONAIRES HOLDING THE WEALTH OF THE POOREST 50%, 2010-2016



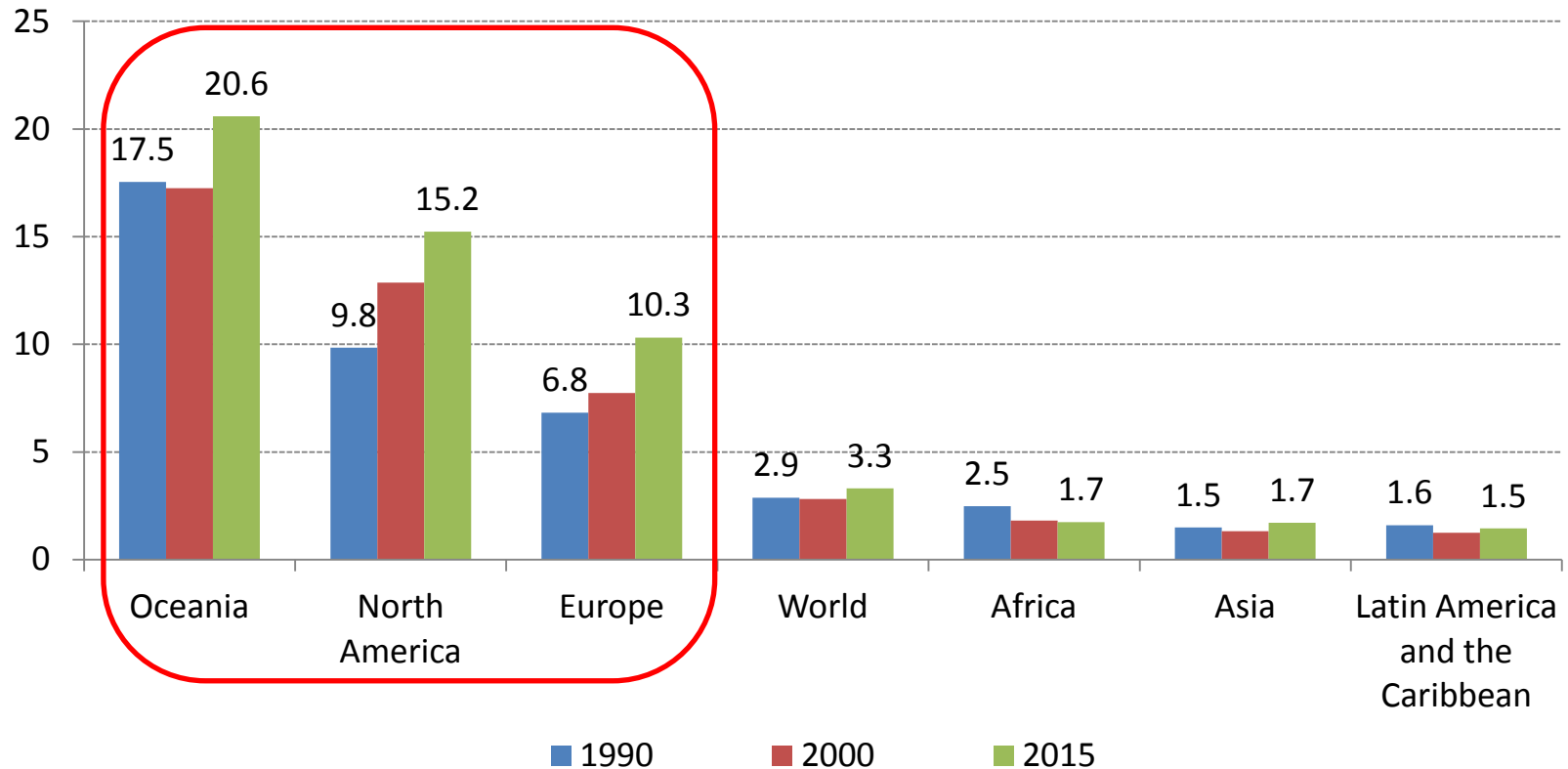
Source: Euronews [online] <http://www.euronews.com/2017/01/16/oxfam-eight-men-own-as-much-wealth-as-poorest-half-of-world-s-population> on the basis of Oxfam, "An Economy for the 1%", 2017 [online] [https://www.oxfam.org/sites/www.oxfam.org/files/file\\_attachments/bp-economy-for-99-percent-160117-en.pdf](https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/bp-economy-for-99-percent-160117-en.pdf)





# Migration to developed regions is on the rise

INTERNATIONAL MIGRANT STOCK AS A SHARE OF THE TOTAL POPULATION, 1990, 2000 AND 2015  
(Percentages)



Source: ECLAC, on the basis of data from United Nations, *Trends in International Migrant Stock: The 2015 Revision* (POP/DB/MIG/Stock/Rev.2015), New York, Department of Economic and Social Affairs (DESA).

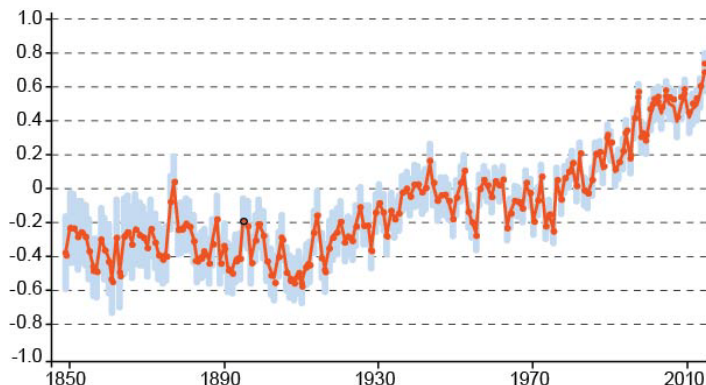


# “The greatest market failure the world has ever seen”

## ENVIRONMENTAL IMPACT OF THE PREVAILING GROWTH PATTERN

A. Anomalies in the combined land and ocean surface temperatures, 1850-2015

(Degrees Celsius, temperature difference every year with respect to the average for 1961-1990)

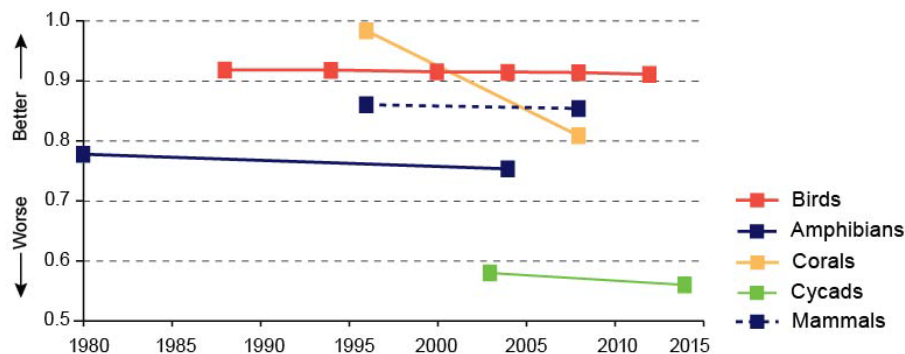


B. Summer Arctic sea ice extent, 1978-2015

(Millions of square kilometres)



C. Index of the Red List of Threatened Species of mammals, birds, amphibians, corals and cycads of the International Union for Conservation of Nature and Natural Resources (IUCN), 1980-2014



Source: ECLAC, on the basis of World Bank, World Development Indicators and International Union for Conservation of Nature (IUCN).



# The region's weaknesses

## The region is falling behind

- Growing less than more dynamic world regions
- Slowdown in trade
- Little investment in physical assets, human capital or R&D
- Persistent external vulnerability

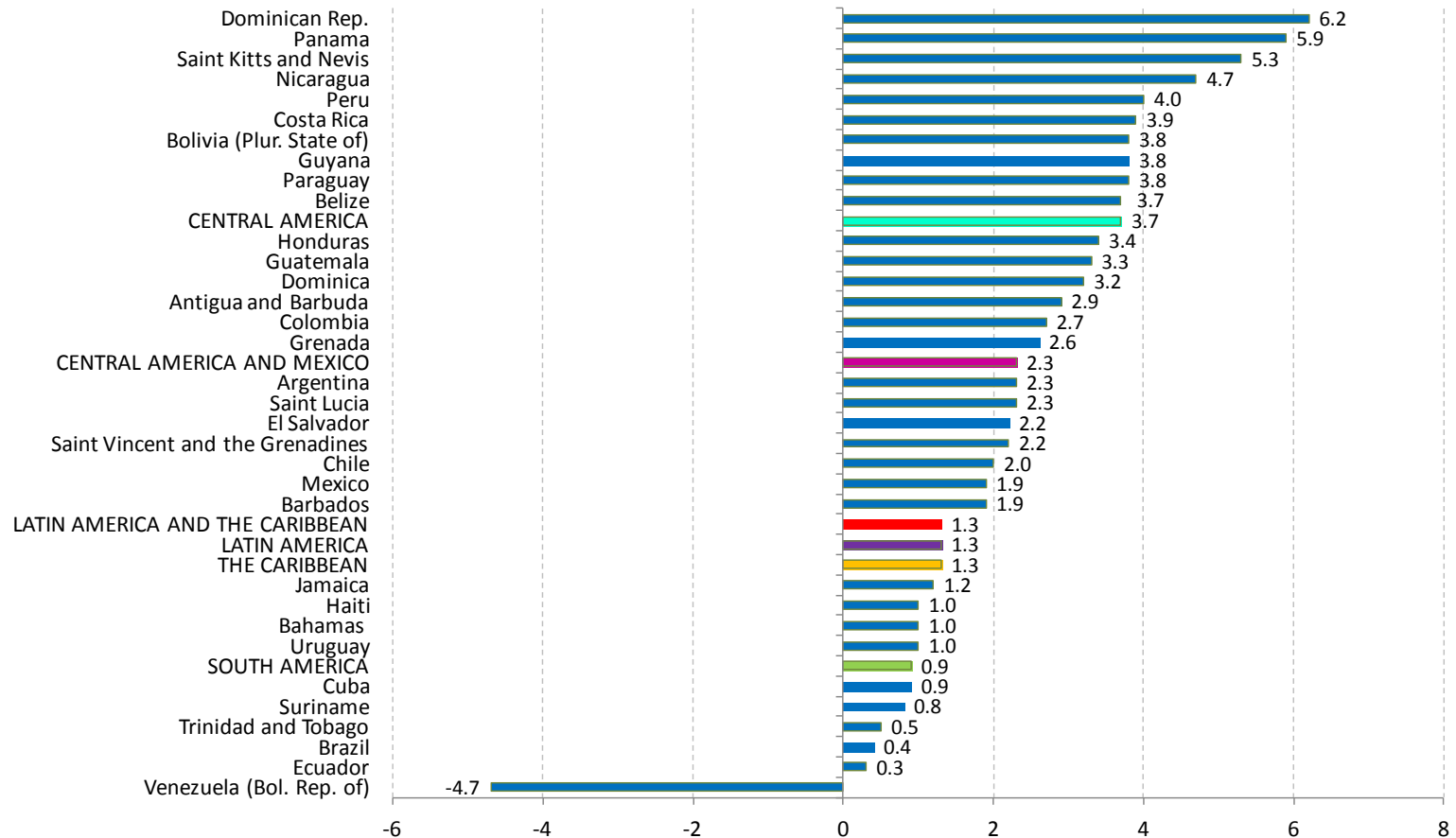
## Persistent structural disequilibria

- Undiversified production structure
- Innovation effort and performance lagging behind
- Poverty reduction has stalled and income and wealth concentration are on the rise
- Vulnerability to climate change



# A slight recovery in regional growth is projected for 2017

**LATIN AMERICA AND THE CARIBBEAN: GDP GROWTH RATES, 2017<sup>a</sup>**  
(Percentages)



Source: ECLAC, on the basis of official figures.

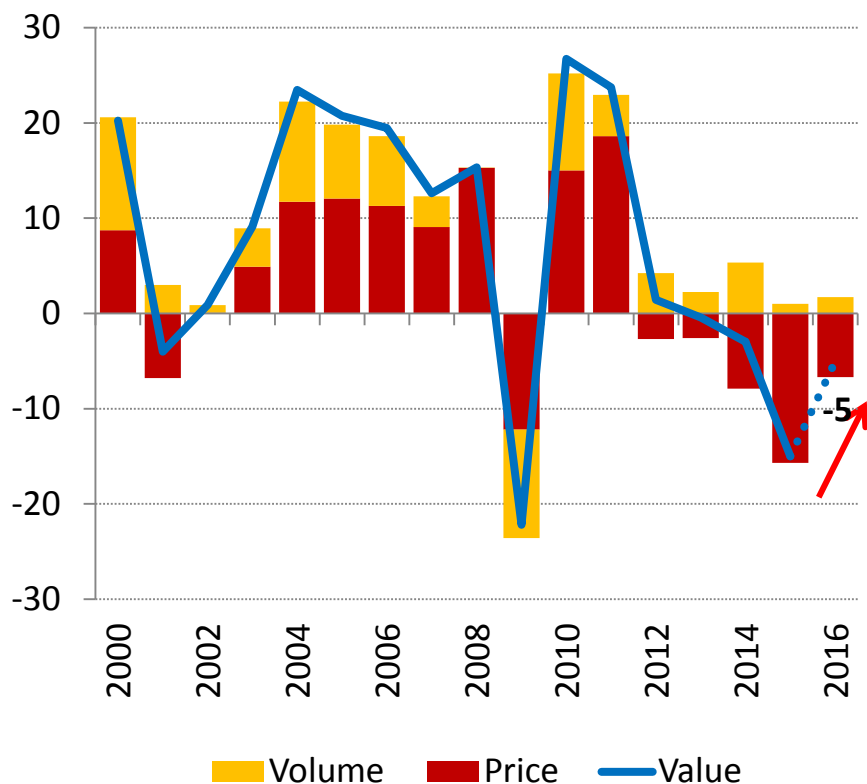
<sup>a</sup> Projections.



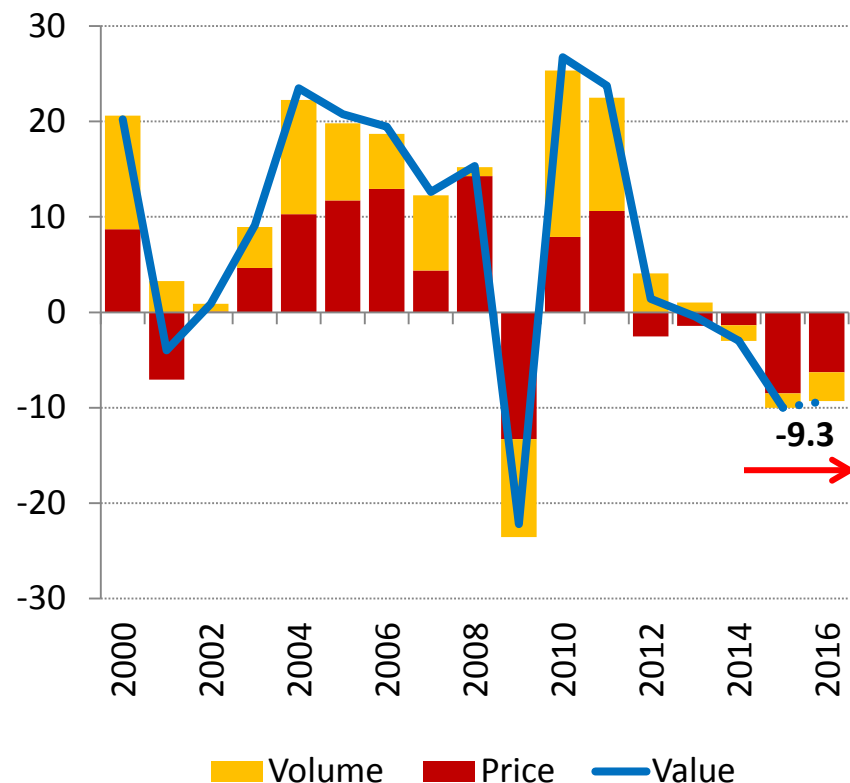
# In 2016 the region's exports are projected to fall 5% and its imports 9%, completing four years of contraction

LATIN AMERICA AND THE CARIBBEAN: ANNUAL VARIATION IN MERCHANDISE TRADE, 2000-2016  
(Percentages)

(A) Exports



(B) Imports

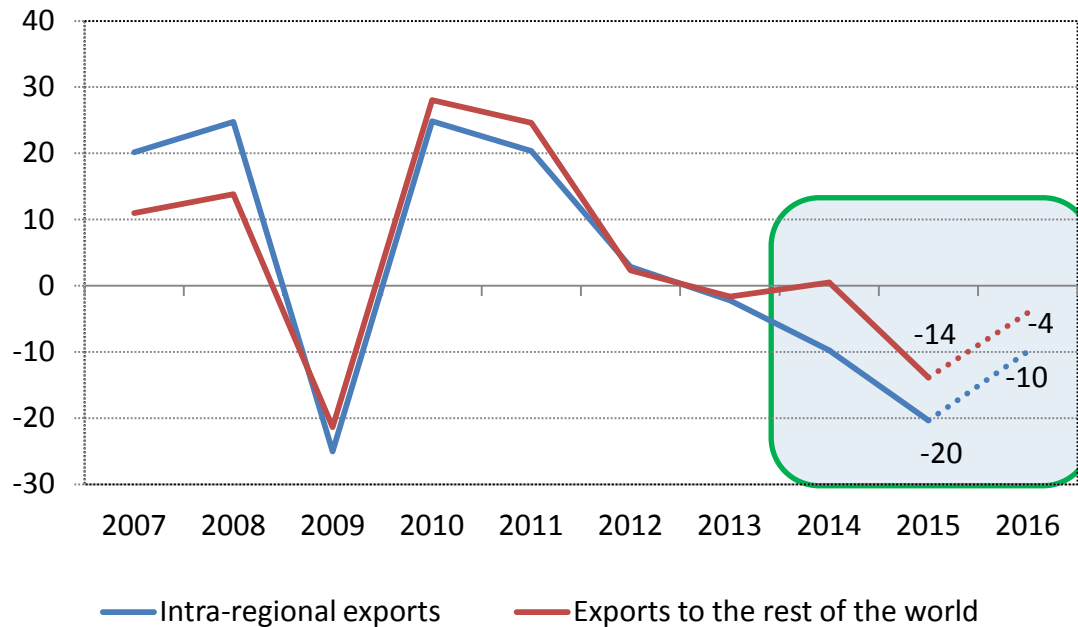


Source: ECLAC, on the basis of official data from the countries.



# As in 2014 and 2015, intraregional trade has fallen the most, especially in South America

LATIN AMERICA AND THE CARIBBEAN: ANNUAL VARIATION IN THE VALUE OF GOODS EXPORTS TO THE REGION AND TO THE REST OF THE WORLD, 2007-2016<sup>a</sup>  
(Percentages)



VARIATION IN THE VALUE OF INTRA-GROUPING GOODS EXPORTS, JANUARY-JUNE 2016 WITH RESPECT TO SAME PERIOD OF 2015  
(Percentages)

Grouping	Variation
Andean Community	-19.1%
Pacific Alliance	-12.0%
MERCOSUR	-11.7%
CARICOM	-7.8%
Central American Common Market	-1.3%

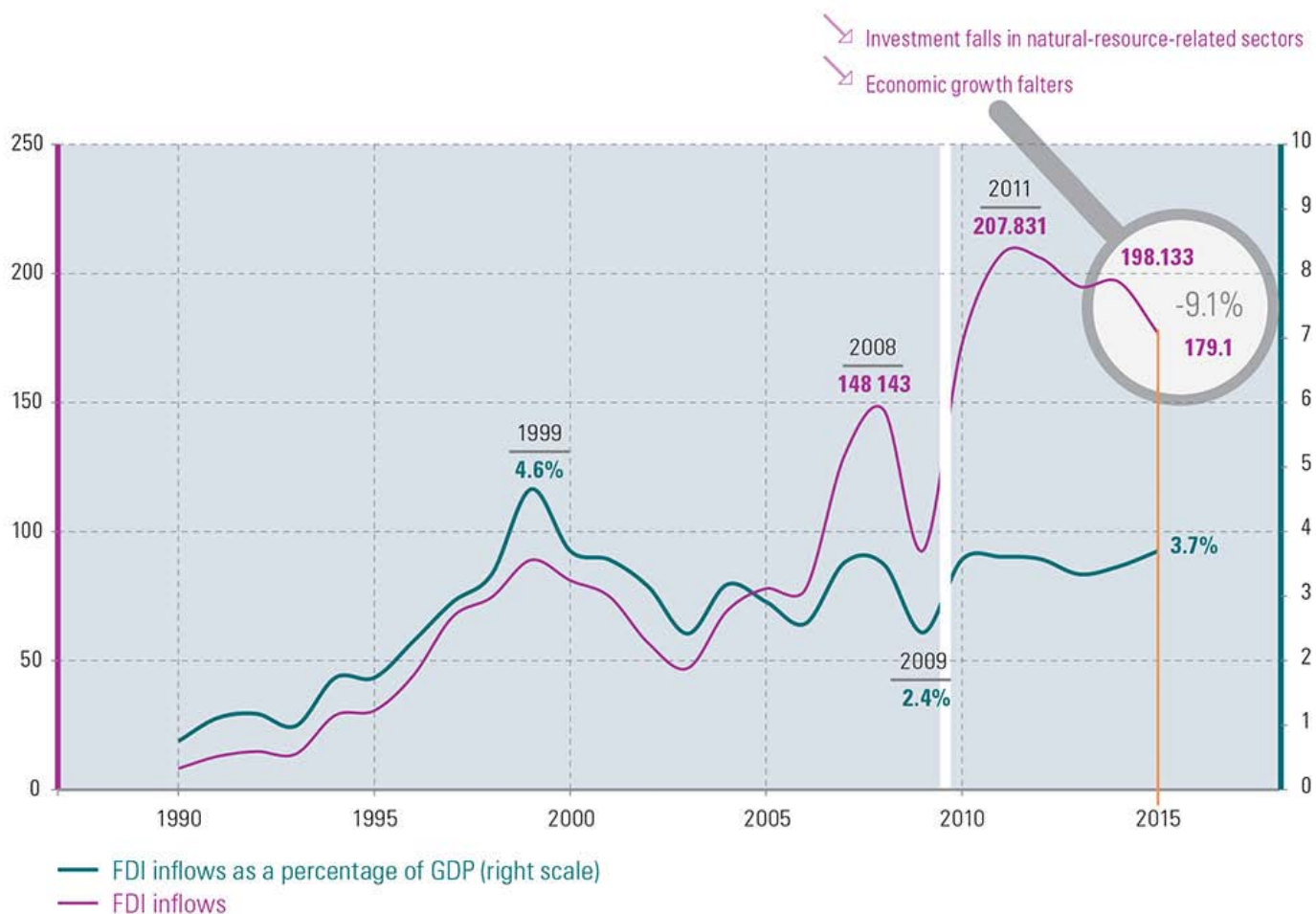
Source: ECLAC, on the basis of official data from the countries.

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



# FDI in the region dropped 9.1% in 2015

LATIN AMERICA AND THE CARIBBEAN: FOREIGN DIRECT INVESTMENT (FDI) INFLOWS, 1990-2015  
(Billions of dollars and percentages of GDP)

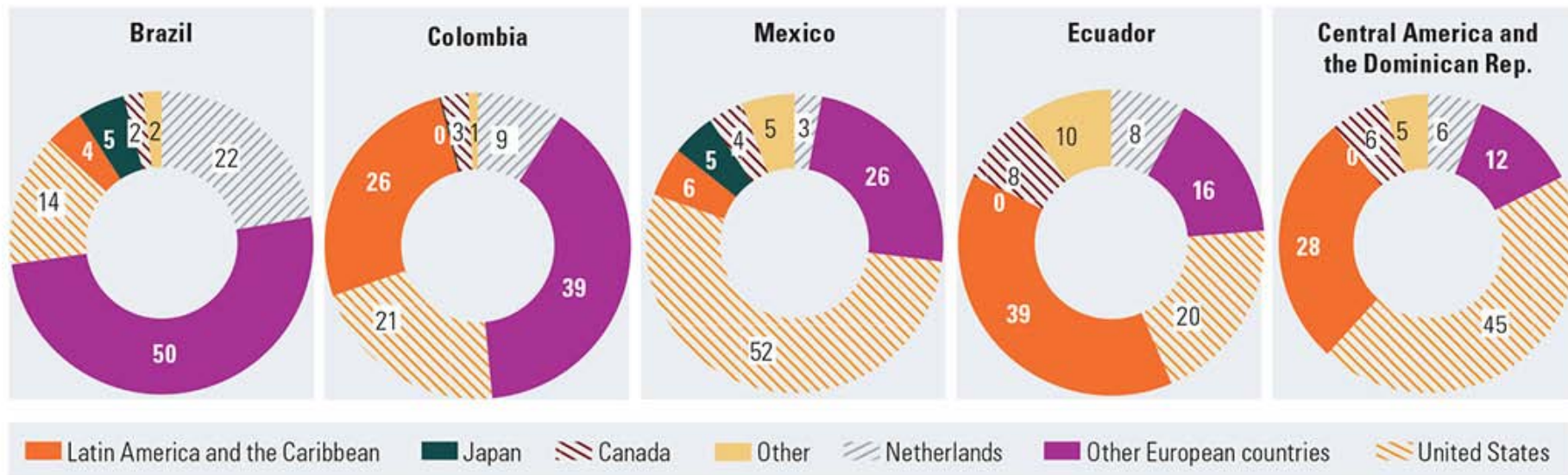


Source: ECLAC, on the basis of official figures at 27 May 2016.



# Origin of FDI

LATIN AMERICA (SELECTED SUBREGIONS AND COUNTRIES): ORIGIN OF FDI, 2015  
(Percentages)



**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and estimates as of 27 May 2016.

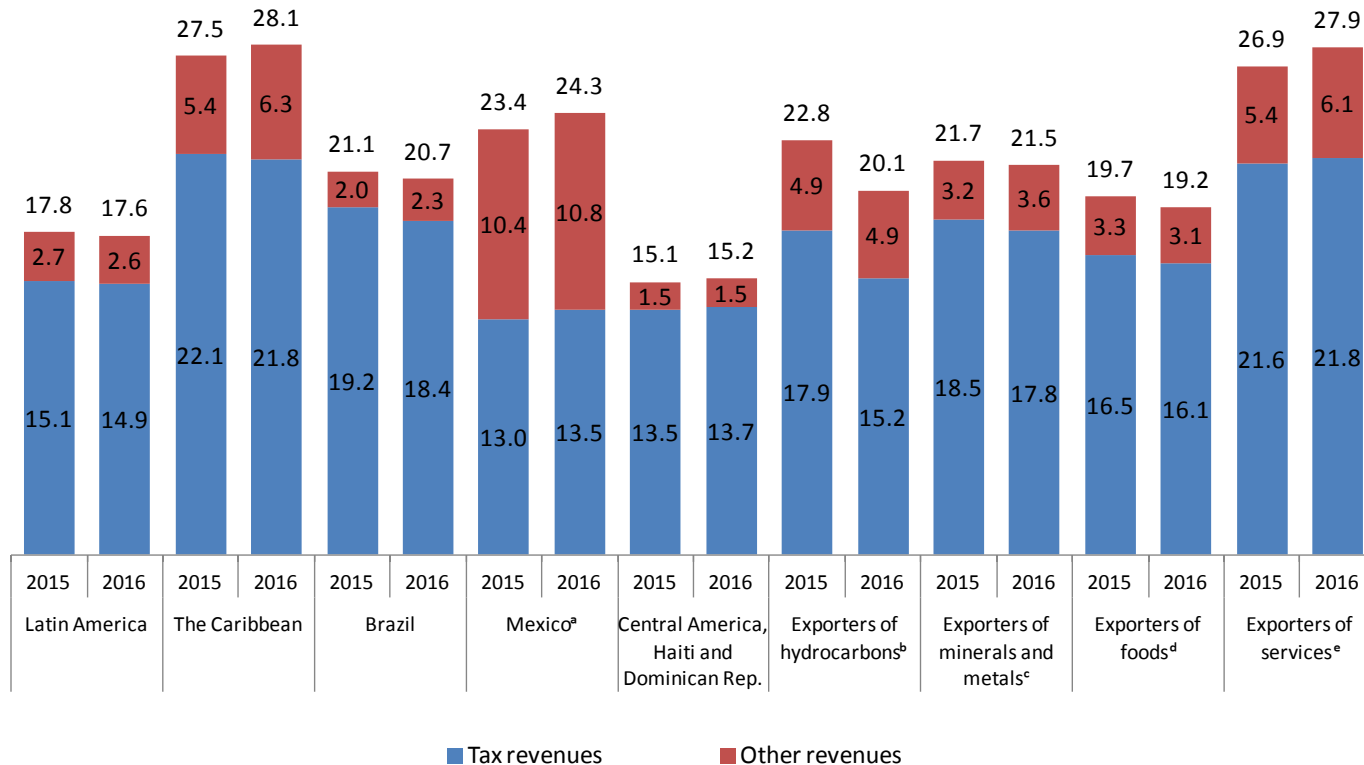
**Note:** Central America here includes Costa Rica, El Salvador, Guatemala and Honduras. The figures exclude FDI for which the origin cannot be determined, ie, FDI of unknown origin or originating in tax havens. In countries for which data are available, FDI of undetermined origin accounts for 5.9% of inflows.





# Tax pressure fell in the region in 2016 for the first time in seven years

**LATIN AMERICA AND THE CARIBBEAN: TOTAL FISCAL REVENUES AND TAX INCOME OF THE CENTRAL GOVERNMENT, BY SUBREGION AND COUNTRY GROUPING, 2015 AND 2016**  
(Percentages of GDP)



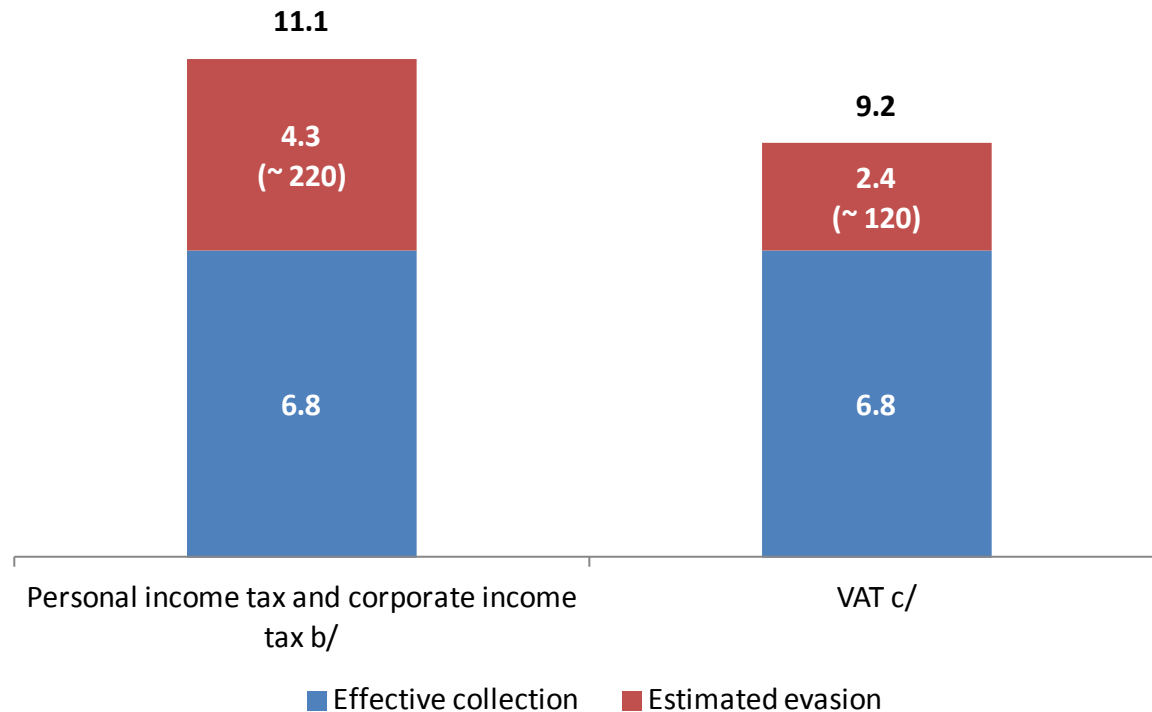
Source: ECLAC, on the basis of official figures.

<sup>a</sup> General public sector. <sup>b</sup> Colombia, Ecuador and Trinidad and Tobago. <sup>c</sup> Chile, Guyana, Peru and Suriname. <sup>d</sup> Argentina, Paraguay and Uruguay. <sup>e</sup> Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Jamaica, Panama, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines.



# Tax evasion amounted to 6.7 points of GDP in 2015

**LATIN AMERICA: TAX COLLECTION AND ESTIMATED TAX EVASION, 2015<sup>a</sup>**  
(Percentages of GDP and billions of dollars)



Estimated evasion:  
US\$ 340 billion  
(6.7% of GDP)

**Source:** ECLAC, on the basis of official figures.

<sup>a</sup> Effective collection and estimated evasion are calculated on the basis of the take for the two taxes expressed in dollars; the sum of this value is presented as a percentage of the GDP of the reporting countries (weighted average). Finally, these percentages are applied to the GDP of Latin America to calculate the regional value in dollars.

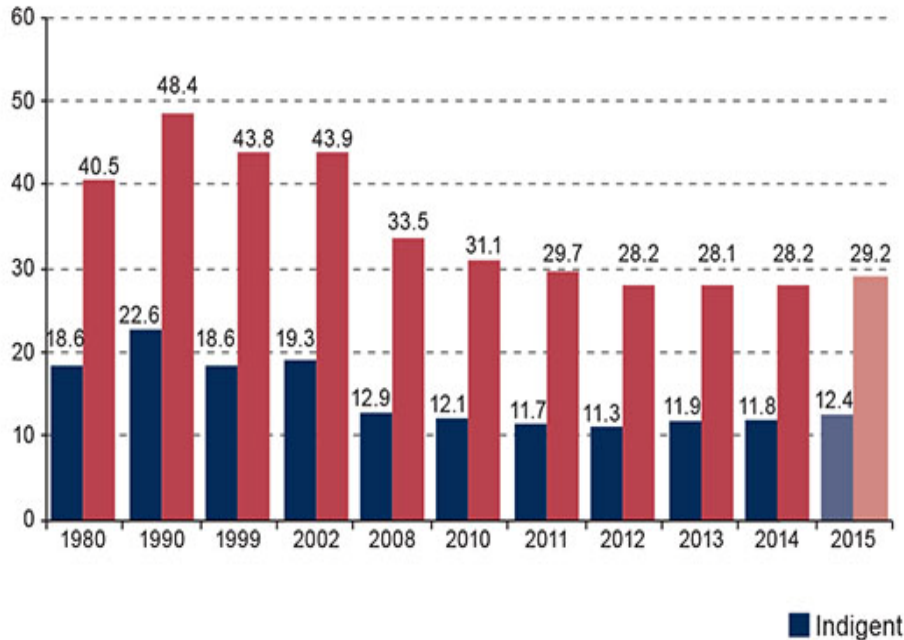
<sup>b</sup> Estimate on the basis of data from Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Mexico and Peru.

<sup>c</sup> Estimate on the basis of data from Argentina, Bolivia (Plurinational State of), Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua, Panama, Peru and Uruguay.

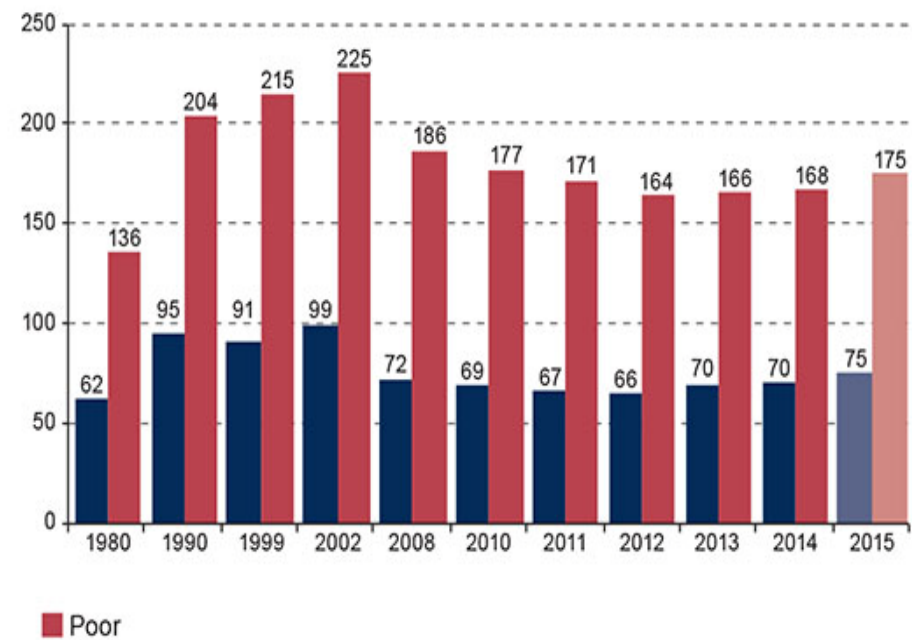


# Latin America and the Caribbean: poverty and indigence, 1990-2015

*Percentages*



*Millions of people*



Source: ECLAC, Social Panorama of Latin America, 2015. Briefing paper, Santiago, 2016.



# Possible scenarios of the new hemispheric context for the production sphere

- Review of FTAs
- A geopolitical adjustment of trade and FDI flows
- Fiscal stimulus and increased infrastructure spending :
  - Impact on prices of metals
  - Fiscal expansion, higher interest rates, a stronger dollar
- More carbon-intensive production, less support for renewable energies
  - Increases in hydrocarbon production
- Support for reshoring industry and technology in the United States:
  - Lower corporate taxes and incentives for repatriating profits and investment
  - Managed trade and investment with China and Mexico
  - Import taxes



# Tasks for the region in the new global and hemispheric context

- Given the current uncertainty, moving ahead with regional integration is more necessary than ever
  - Promote convergence between the different sub-regional integration mechanisms
  - Promote intraregional productive integration based on value chains
  - Move towards a single digital market
  - Implement a regional infrastructure programme
  - Speed up implementation of the trade facilitation agenda
  - Diversify, foster industrialization and innovation, and increase local and regional content in production and exports
- Participate in global governance based on reciprocity and in coordinated regional actions to reduce tax evasion and avoidance





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