



Growing global asymmetries: challenges for Latin America and the Caribbean

*How far are we from achieving goal 10:
“reducing inequality within and among countries”*



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UNITED NATIONS



GLOBAL ASYMMETRIES ARE GROWING BETWEEN DEVELOPED AND DEVELOPING COUNTRIES

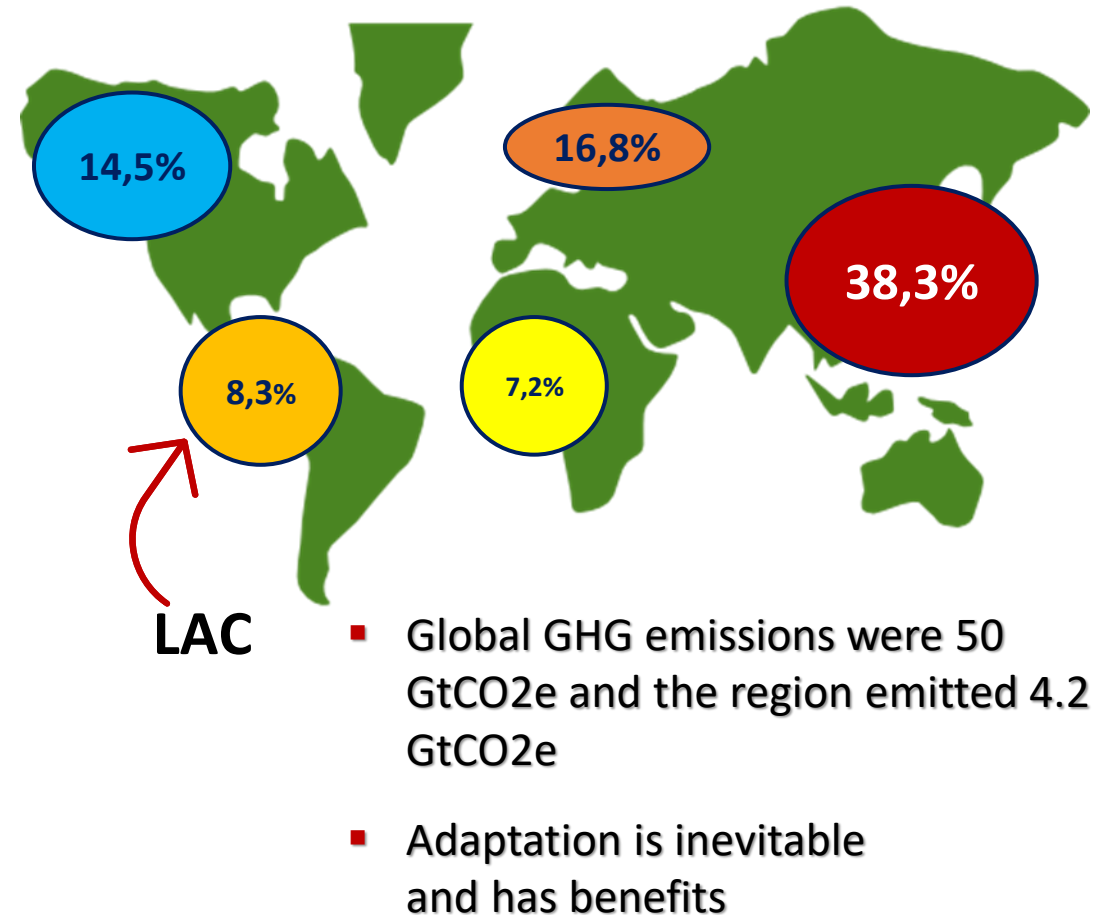
- Access to vaccines and vaccination levels
- Unequal access to financing, concentration of wealth, income and technology
- The world economy is facing a divergent recovery
- Bulk of fiscal stimulus and investments is concentrated in the developed world
- Disparities in climate responsibilities and responses
- Digital divide
- Concentration of economic power has strengthened the existing asymmetry in policy autonomy and policy space which is unevenly distributed between developed and developing economies

TWO EXAMPLES OF INCREASING GLOBAL ASYMMETRIES

ECONOMIC DIVIDE

- Large asymmetries in expansionary fiscal and monetary policies/significant public investment: €750 billion in Europe and €20 billion; US\$ 6 trillion allocated in the United States, with a further new multi-annual packages for around **18% of GDP**
- **LAC**: fiscal plans announced between January and June 2021 amount to 4.3% of GDP.
- Global wealth increased by 7.4%
- Richest 1% owned 50% of world's total wealth
- United States & Canada: +12.4%; Europe: +9.2%
- China: 4.4%
- India: - 4.4%
- Latin America and the Caribbean: -11.4%

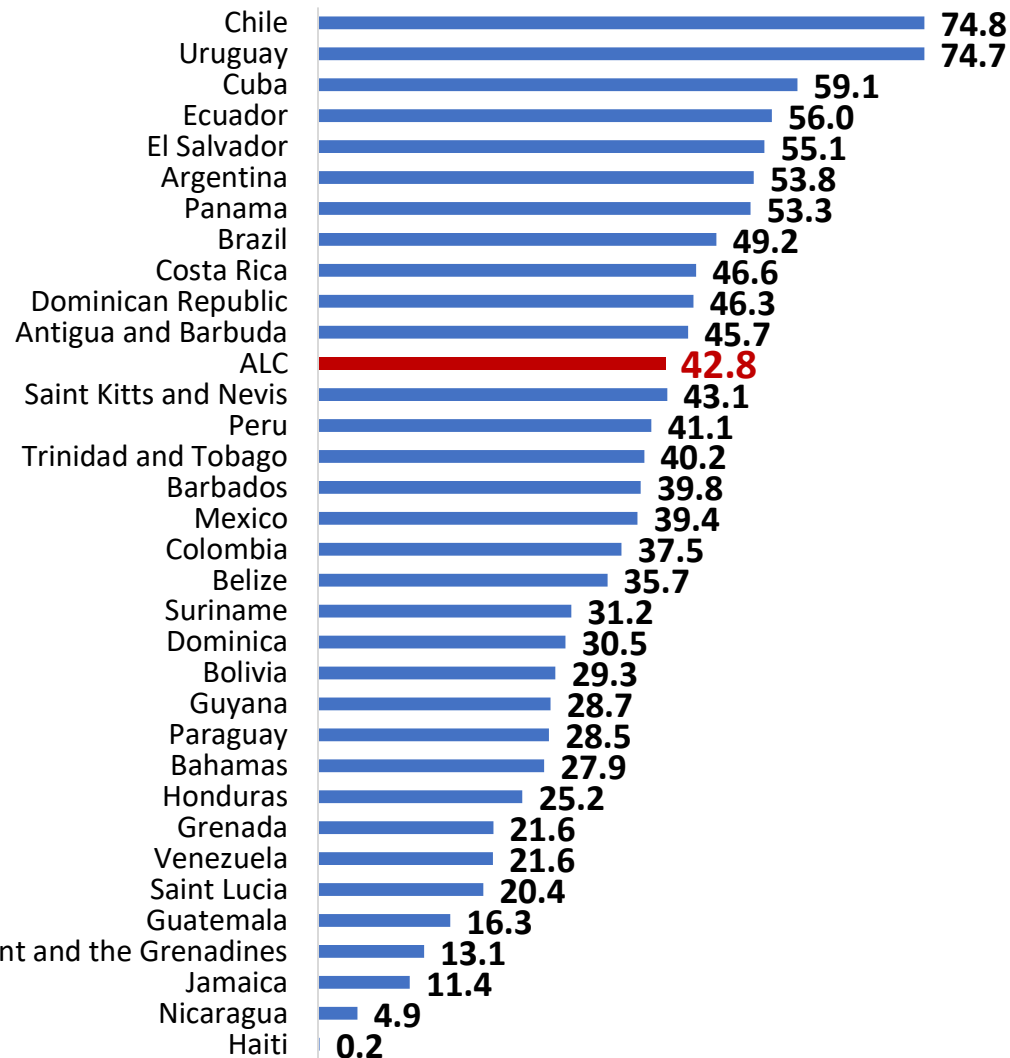
ASYMMETRIES IN CLIMATE CHANGE



Fuente: Comisión Económica para América Latina y el Caribe (CEPAL), *Construir un nuevo futuro: una recuperación transformadora con igualdad y sostenibilidad* (LC/SES.38/3-P), Santiago, 2020.

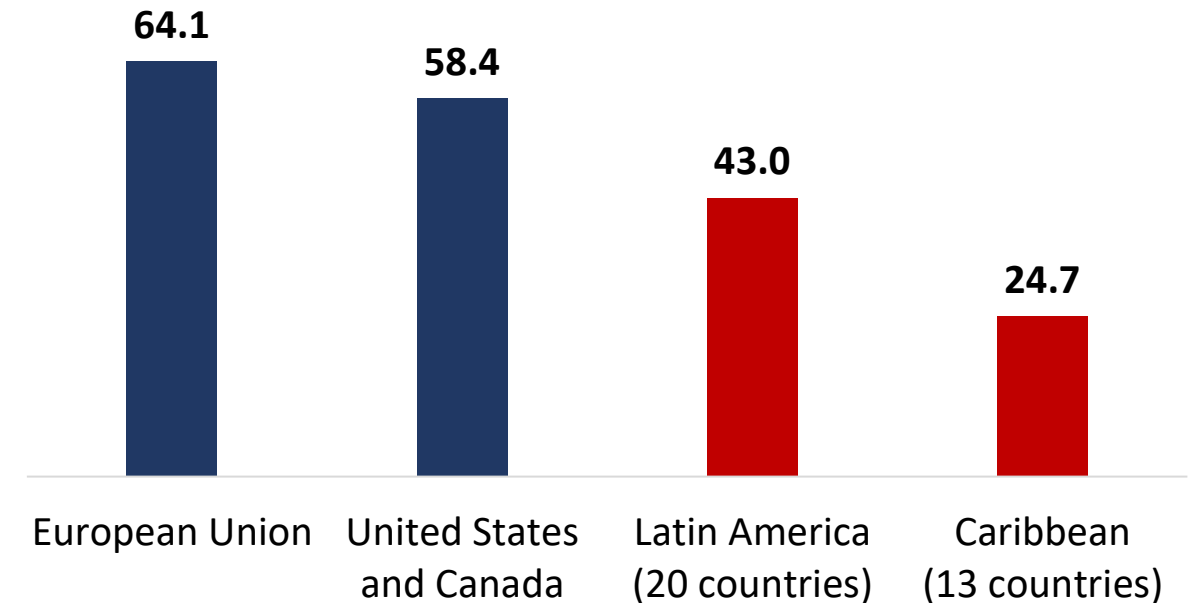
DISPARITIES IN ACCESS TO VACCINES AND VACCINATION

LATIN AMERICA AND THE CARIBBEAN (33 COUNTRIES): PERCENTAGE OF THE POPULATION FULLY VACCINATED



The region will not be able to vaccinate 70% of its population in 2021

PERCENTAGE OF THE POPULATION FULLY VACCINATED



Acquisitions in some countries exceed their vaccination needs. European Union, United States, United Kingdom, Canada and Japan **account for 39% of purchase commitments**, with only 13% of the world population.

Source: ECLAC, ECLAC COVID-19 Observatory, based on *Our World in Data* [online] www.ourworldindata.org.

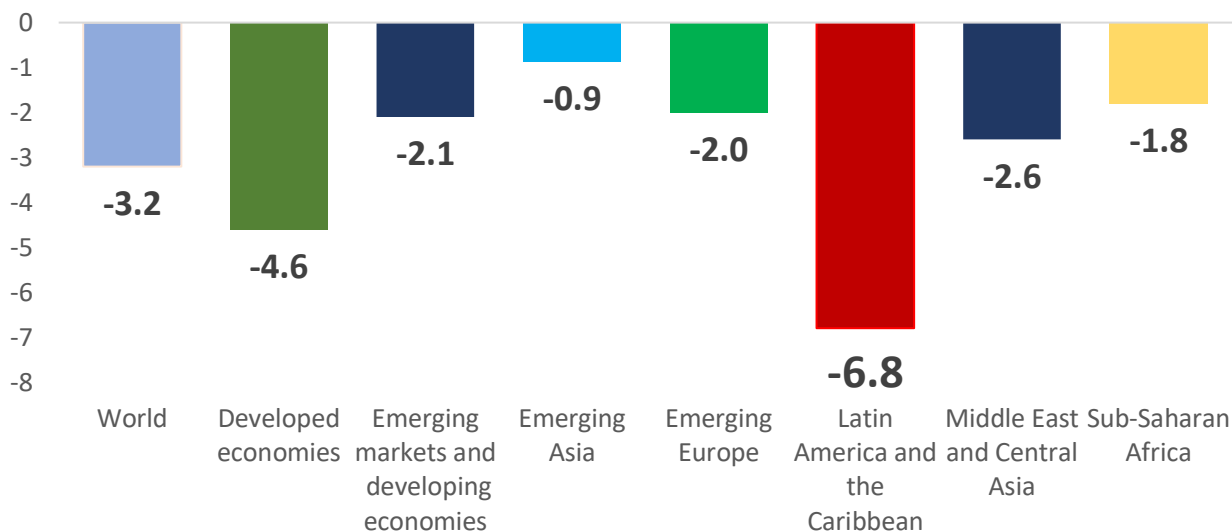
Note: Record for countries that report the breakdown of administered doses (first and second), as of 17 October 2021 or latest available date. Purchase commitment data as of 31 August 2021.

THE MOST AFFECTED DEVELOPING REGION BY THE COVID-19 CRISIS

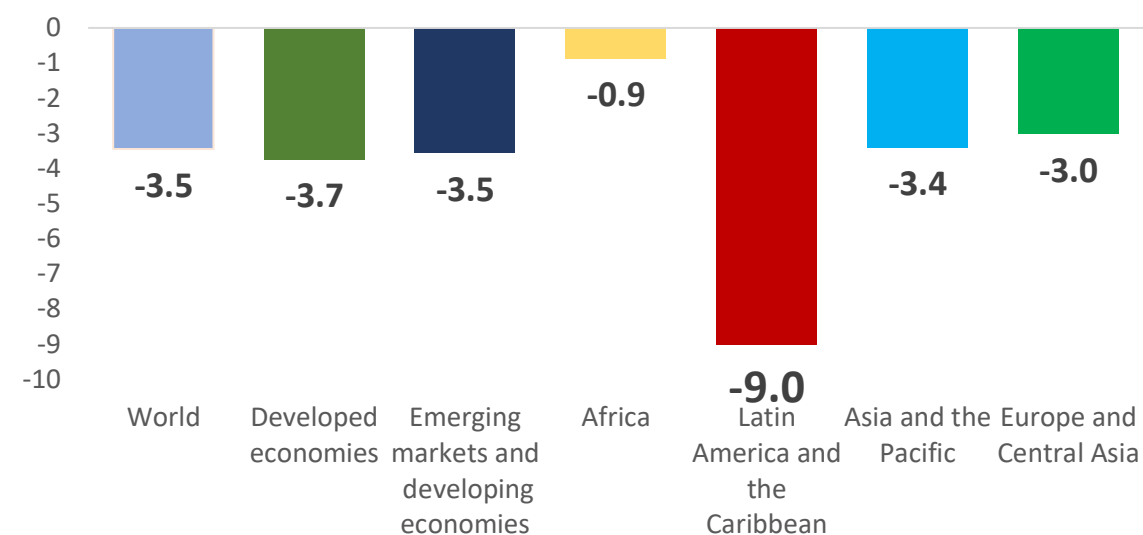
- Worst drop in a century; paradox of recovery (2021, 5.9%) with the risk of returning to mediocre levels (2022, 2.9%)
- Crisis aggravated structural problems of low productivity, fragmented health systems and lack of access to basic public goods: water and sanitation
- Employment fell 9%, informality went up to 68.5% where women and youth were most affected

WORLD AND SELECTED REGIONS: GROWTH OF GDP AND THE NUMBER OF EMPLOYED PERSONS IN 2020 (IN PERCENTAGE)

A. GDP



B. Employment

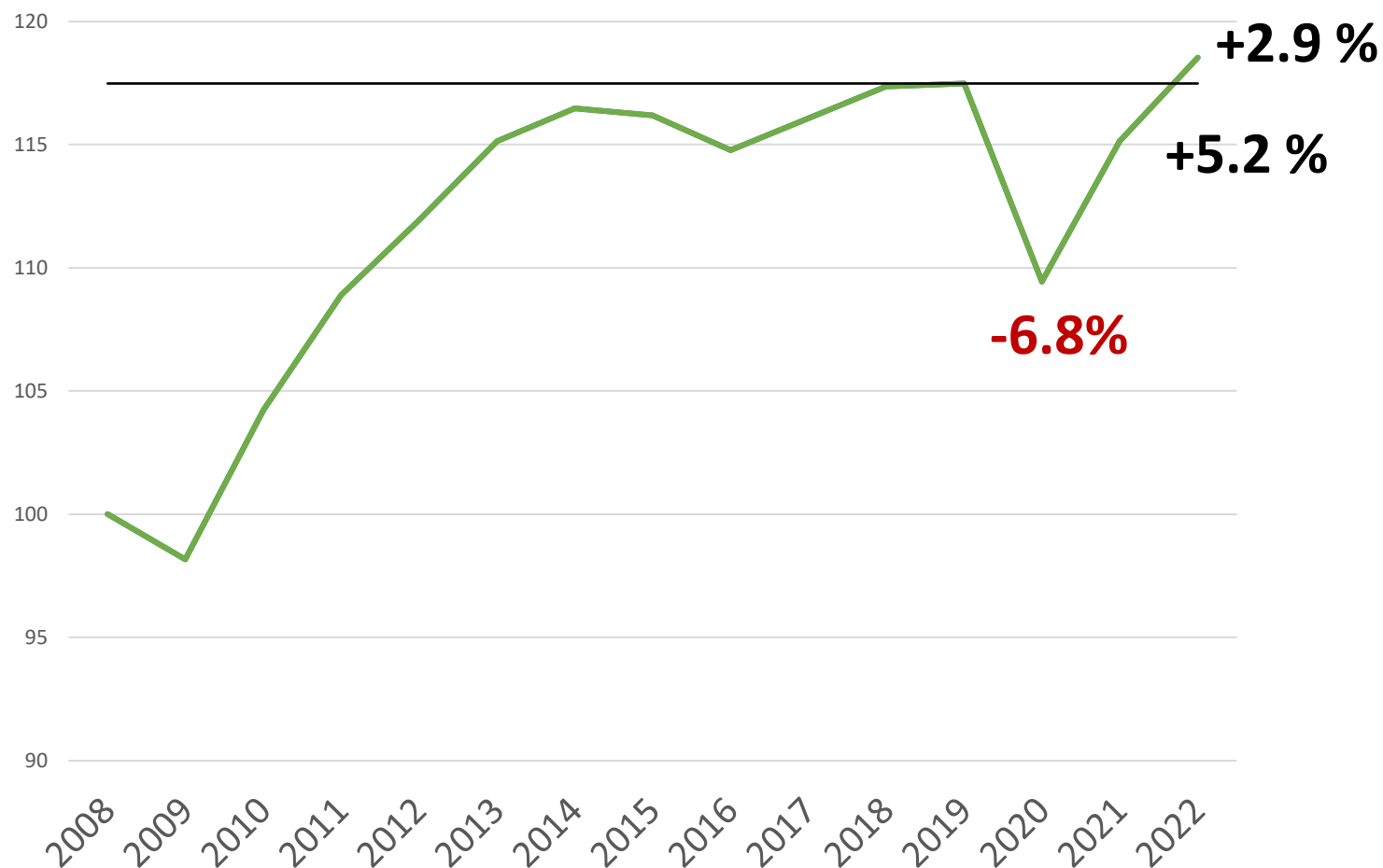


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of IMF WEO (July 2021), ILO (2021), and official figures.

THE RECOVERY PARADOX

LATIN AMERICA AND THE CARIBBEAN: LEVEL OF GDP IN REAL TERMS

(Index: 2008=100)



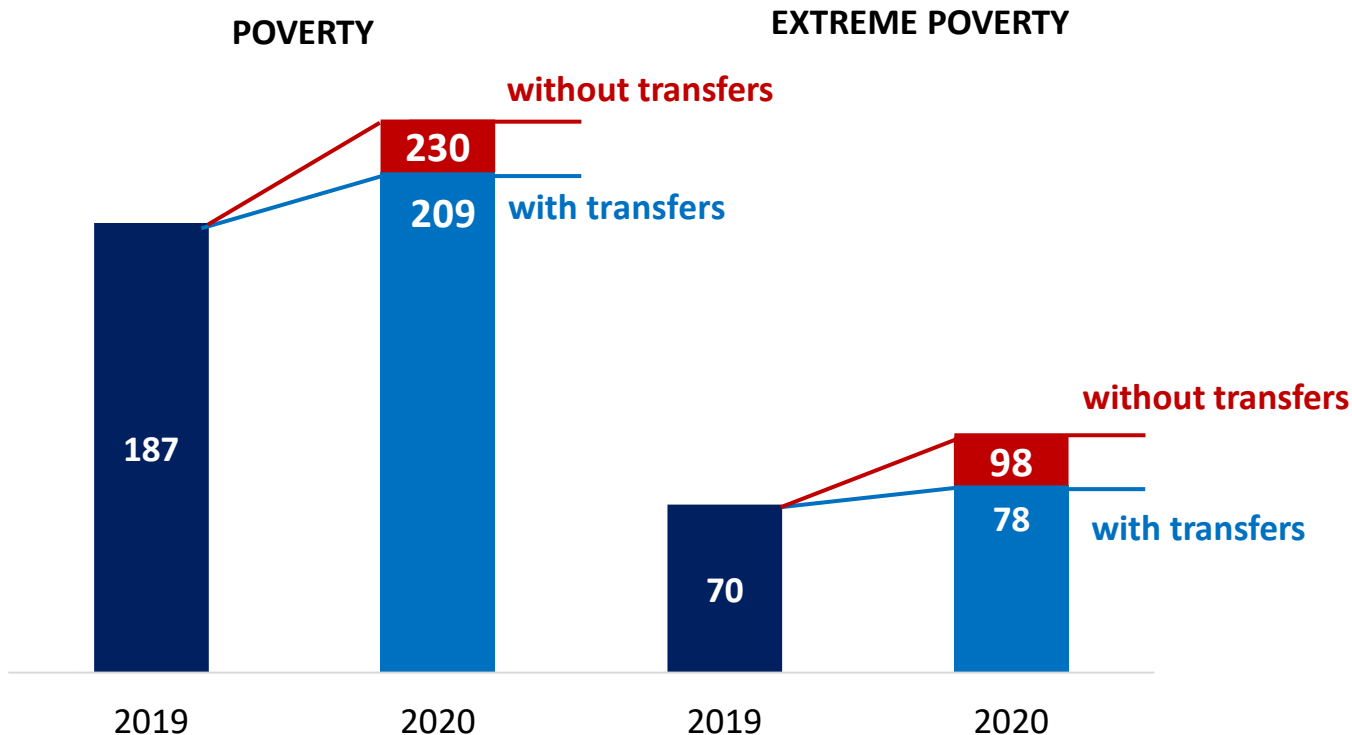
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Heterogeneity and uncertainty

- The region will grow **5.9% in 2021**, sustained by transitory effects on aggregate demand and a statistical rebound.
- For **2022** a growth of **2.9%** is expected.
- The crisis aggravated **structural problems**: low productivity and high informality, unemployment, inequality and poverty.
- **Lowest levels of investment in three decades (17.6%) contrasting with world average of 26,3%.**
- **Risk of reprimarization** in 2021: exports grow by 22%, due to raw material prices.

WITHOUT TRANSFERS, POVERTY COULD BE GREATER IN 2021 (15 MILLION MORE IN EXTREME POVERTY)

Latin America: poverty and extreme poverty, 2019 and 2020,
with and without cash transfers^a
(Millions of people)



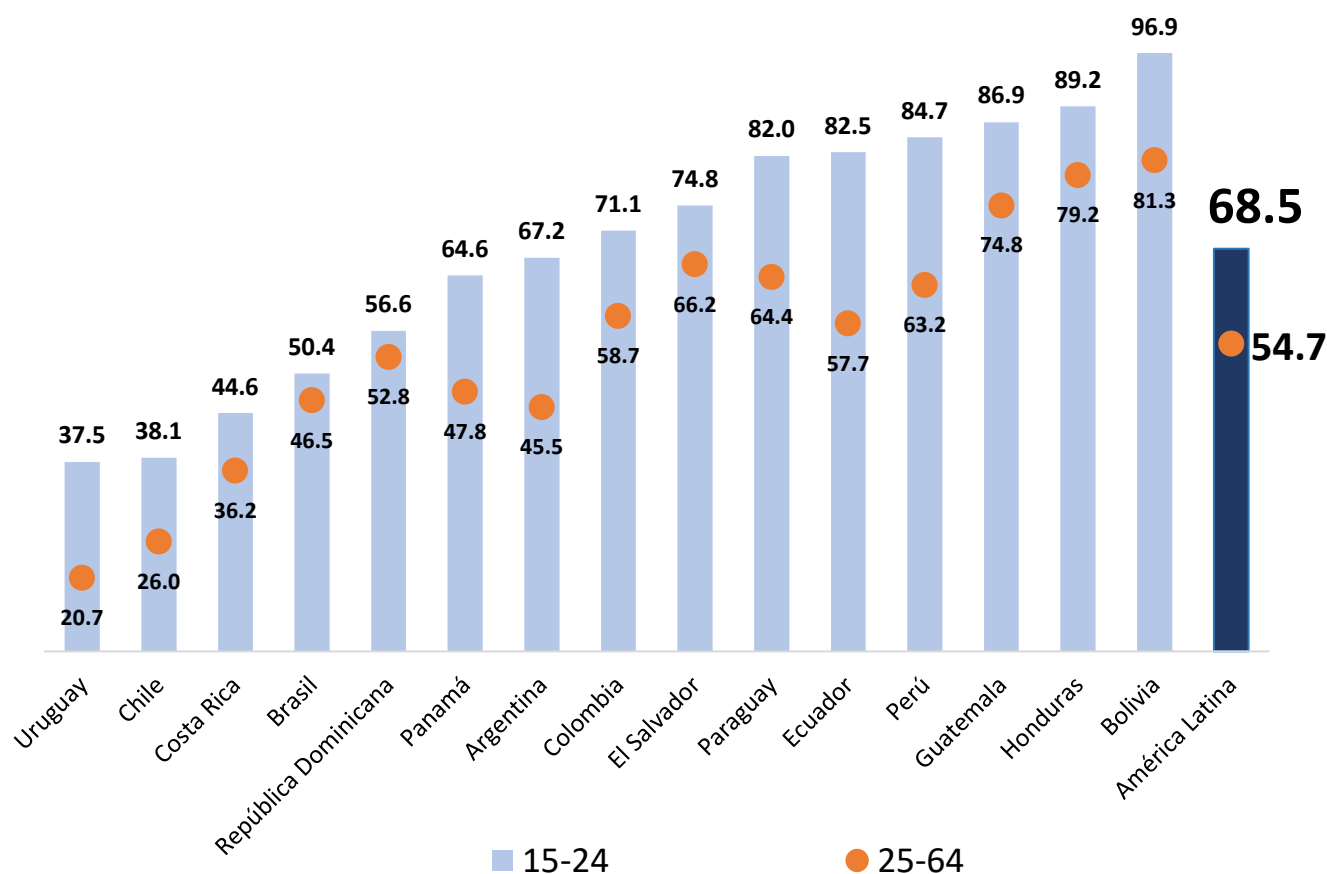
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Household Survey Data Bank (BADEHOG).

^a Weighted average for the following countries: Argentina, Bolivia (Plur. State of), Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela (Bol. Rep. of). The simulation does not include changes in remittances to households.

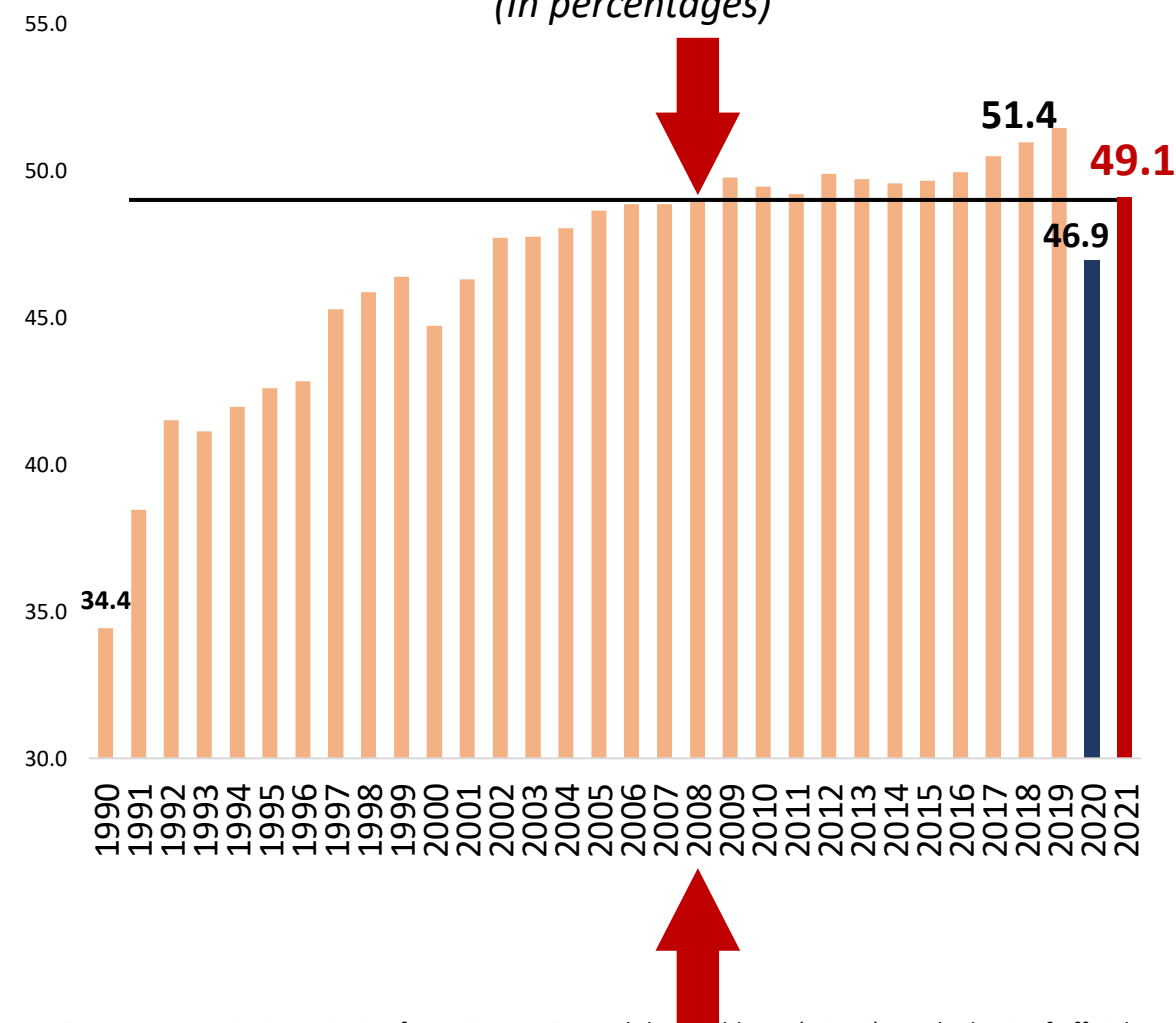
- Extreme poverty: 12.5%
- Poverty: 33.5%
- Transfers in 32 countries covered 326 million people, or 49.4% of the population
- Greater inequality in income distribution: 2.9% increase in Gini coefficient
- Digital divide: 66 million households not connected to the internet.
- Students (167 million) lost up to one year of in-person schooling.

THE MOST AFFECTED: YOUTH DUE TO HIGH INFORMAL EMPLOYMENT AND WOMEN WHOSE LABOR PARTICIPATION FELL BY 13 YEARS

Latin America (15 countries): Percentage of informal youth (15-24 years) and adults (25-64 years), by country, 2019
(In percentages)



Female labour force participation rate, 1990 to 2021
(In percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of ILOstat.

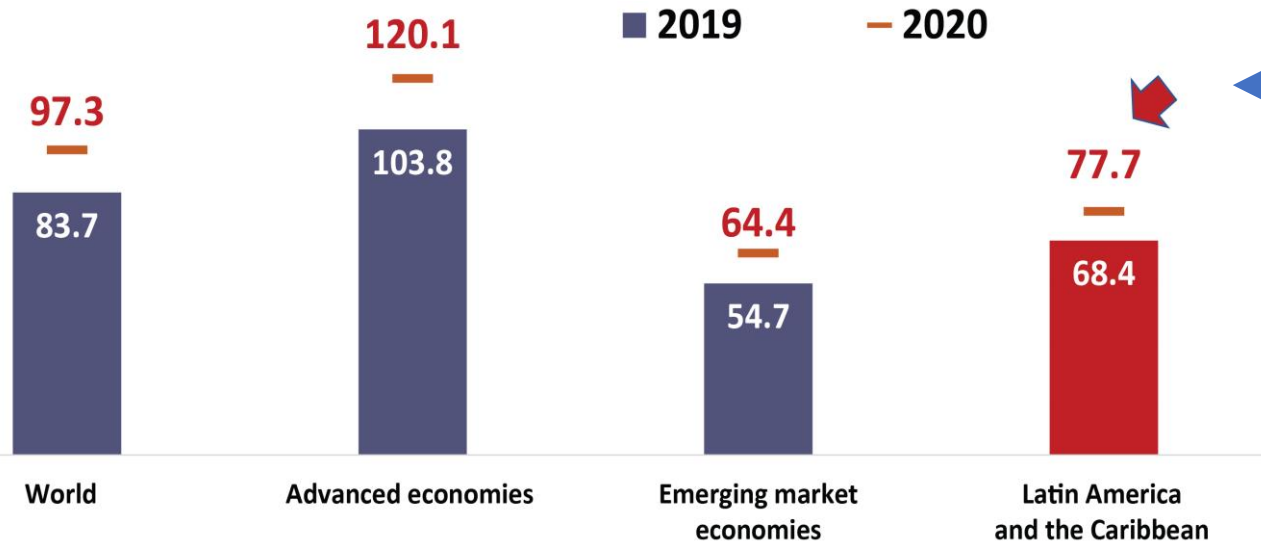
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information.

Note: Data for 2021 correspond to estimates.

THE MOST INDEBTED REGION IN THE DEVELOPING WORLD AND THE REGION WITH THE HIGHEST EXTERNAL DEBT SERVICE

SELECTED REGIONS: CENTRAL GOVERNMENT GROSS PUBLIC DEBT, 2019 AND 2020

(Percentages of GDP)

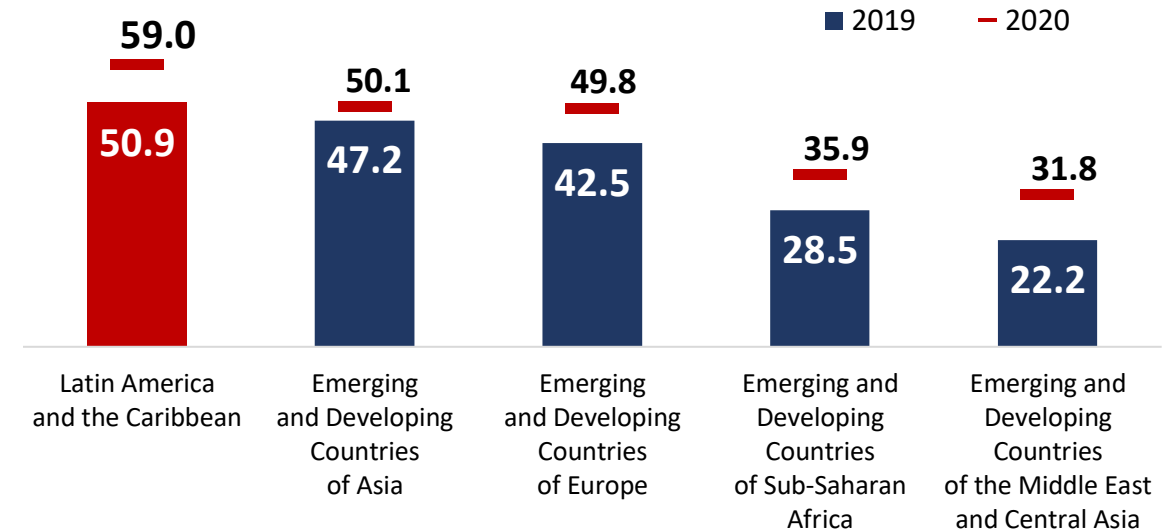


The region has higher debt levels than developing economies, but lower levels than developed economies...

...and **allocates more than half of the exports** of goods and services to the payment of the external debt service.

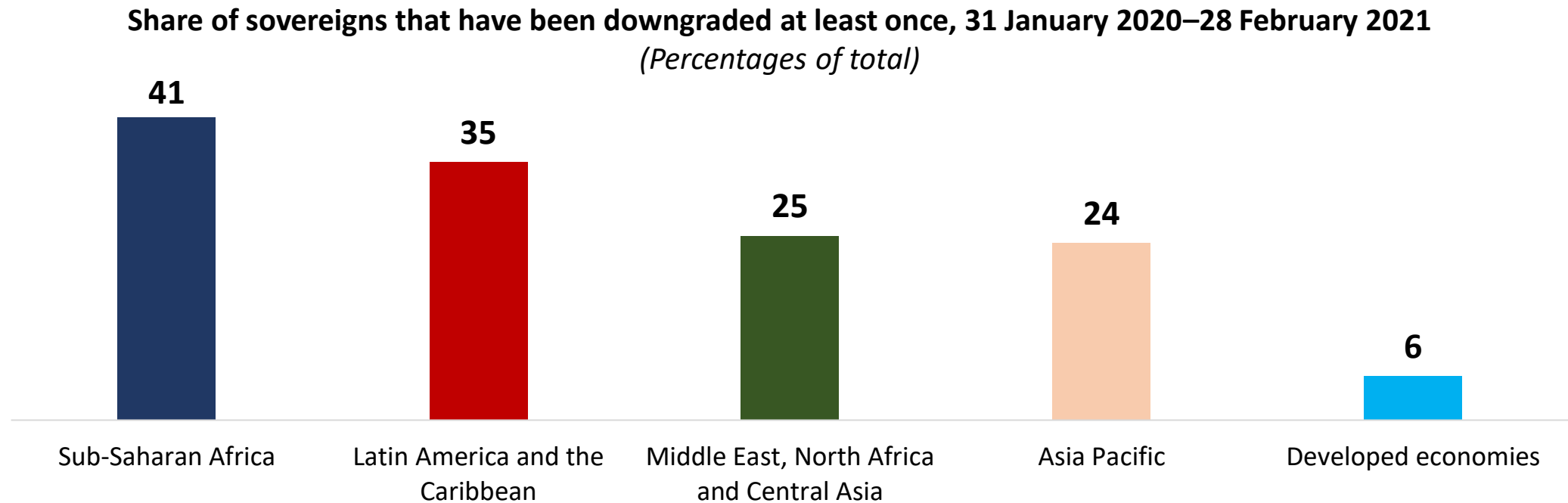
FOREIGN DEBT SERVICE FOR REGIONS OF THE DEVELOPING WORLD, 2019 and 2020

(Percentages of exports of goods and services)



DEVELOPING COUNTRIES ALSO FACE AN IMPORTANT ASYMMETRY IN THE TREATMENT OF THEIR DEBT

- Latin America and the Caribbean is the most indebted region of the developing world (77% of GDP for the general government) and with the highest debt service (59% of exports of goods and services)
- During the period ranging from 31 January 2020 to 28 February 2021, Latin America and the Caribbean was jointly with Sub-Saharan Africa the most downgraded region in the developing world



TO OVERCOME GLOBAL ASYMMETRIES ECLAC SUPPORTS THE REGION'S COUNTRIES ON SEVERAL FRONTS

- Advocating for a further re-allocation of SDRs from developed economies since they received 64.4% of the new SDR issue and developing economies 35.6%. Yet developed economies have ample policy space and have a much lower usage of SDRs than developing economies.
- Developed countries could channel SDRs that they will not use
 - ✓ A new trust fund to support middle-income countries is needed, FACE is a good example.
 - ✓ SDRs could also be used to capitalize development banks.
- Reform of the international debt architecture (creation of a multilateral credit rating agency and debt restructuring mechanism).
- Mobilize public and private investment on green investment strategy in 8 dynamic sector for a big environmental push.
- Close the digital divide by connecting 66,2 million households through a digital basic basket (laptop, tablet and a low cost connection) with a cost of 1% of GDP in average.
- Promote regional cooperation on vaccine and pharmaceutical production and distribution with the implementation of the Plan for Self-sufficiency in Health Matters.

PLAN FOR SELF-SUFFICIENCY IN HEALTH MATTERS

OBJECTIVES

Short term

Speed up vaccination processes

Improve access to vaccines

Facilitate the vaccination process

Medium and long terms

Strengthen/generate technological and productive capacities

Ensure a large, stable market

Strengthen regional research and development

Facilitate local production and regional chains

INVENTORY OF CAPABILITIES

- **Ongoing vaccine development and research in the region**
- **Capacities for vaccines production**
- **Pharmaceutical companies**
- **Chambers and associations**
- **Regulatory systems**
- **IPR flexibilities**
- **Primary sponsors of clinical trials**
- **Primary health-care systems**

LINES OF ACTION

1. **Regulatory convergence and recognition mechanisms**
2. **Regional clinical trials platform**
3. **Regional vaccine procurement mechanisms**
4. **Consortiums for the development and production of vaccines**
5. **Regulatory flexibilities for access to intellectual property**
6. **Public procurement mechanisms for regional market development**

A STRATEGIC APPROACH TO INVESTMENT:

- ECLAC has identified eight sectors to drive the new pattern of development, to boost competitiveness and employment, and reduce environmental footprints and socioeconomic and gender inequality.
- We have calculated the necessary investment, the jobs each one can create and the reduction of emissions.



SEVEN MESSAGES

- 1. New financial architecture to address disparities in access to financing, credit rating, tax evasion and illicit funding.**
- 2. Redistribution of liquidity and reform of the international debt architecture, establish FACE and the Caribbean Resilience Fund.**
- 3. Solidarity or wealth taxes** on those who generated substantial gains during the pandemic to finance the emergency.
- 4. Overhaul the international tax system** to ensure fair taxation of multinationals and ensure that MNEs pay taxes where value-added is created (beyond BEPS).
- 5. Eliminate corporate tax avoidance, illicit tax havens and seize stolen assets which could enhance fiscal space in developing countries.**
- 6. Asset Recovery Mechanisms: new international framework/bilateral agreements with standards for the return process.**
- 7. UN Tax Committee should become an intergovernmental mechanism** for international financial and tax affairs and address global asymmetries particularly as related to Middle-Income Countries.