

# TRANSFORMATIVE RECOVERY FOR A BETTER FUTURE: THE ECLAC RESPONSE TO THE CRISIS



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UNITED NATIONS

**ECLAC**

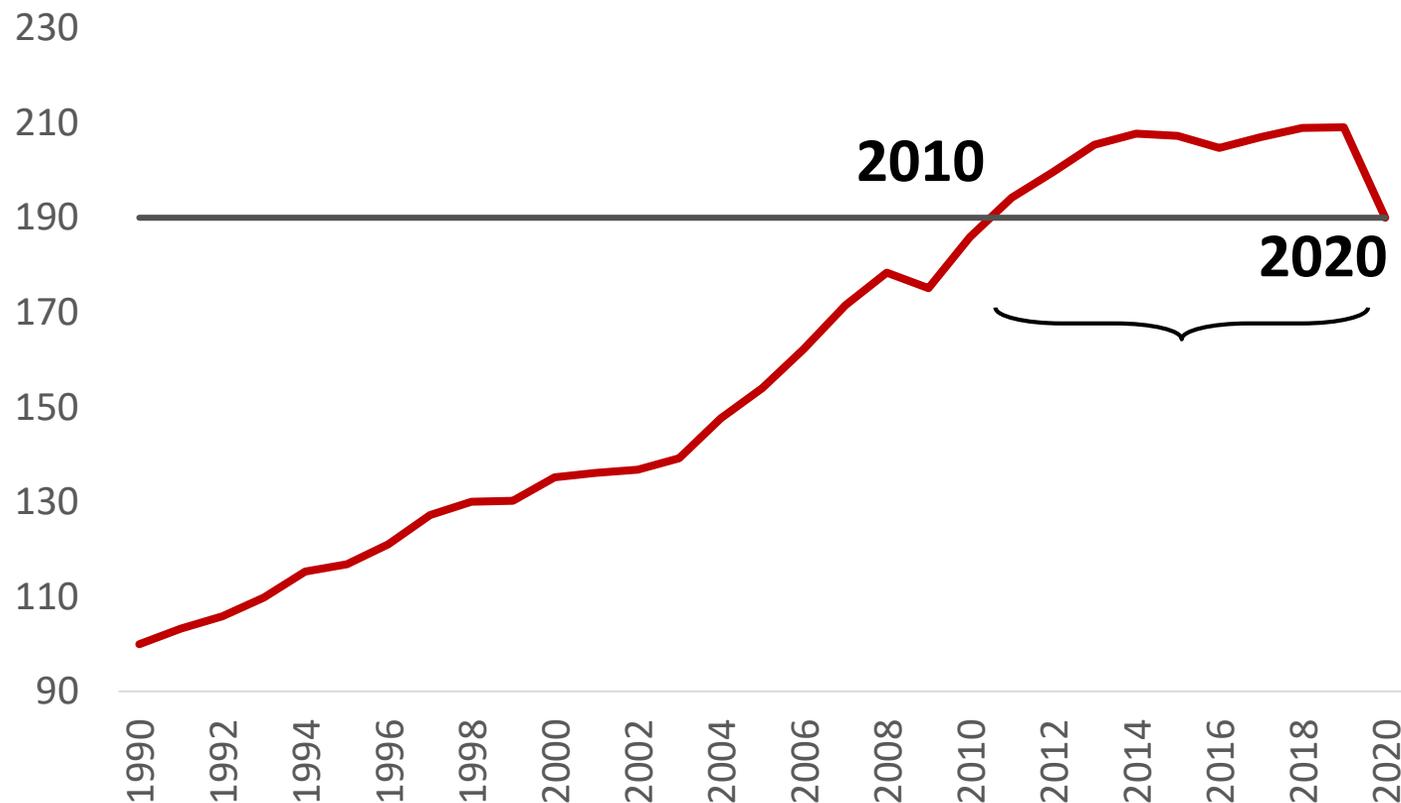
# THE PANDEMIC HIT A REGION BESET BY STRUCTURAL PROBLEMS

- Latin America and the Caribbean is the developing region most hardly hit by the pandemic
- The pandemic is exacerbating deep-rooted structural problems compromising the political, economic and social stability of the region
- Key structural problems:
  - Lack of authentic competitiveness, based on technical change and diversification
  - External constraint
  - Rising inequality
  - Rising CO2 emission and destruction of biodiversity and ecosystems



# AN ALMOST STAGNANT REGION SINCE 2013

Evolution of per capita GDP  
(Index: base year, 1990=100)



- **GDP: -7.7%**
- **Per capita GDP: -9.9%**
- **Poverty: 208 million**
- **Extreme poverty to 78 million**
- **Exports: -14%**
- **Unemployment: 10.7%**
- **Informality: 54%**
- **Business closures: 2.7 million**
- **40 million households without an Internet connection**
- **Women the most exposed: 52% employed in risky sectors**

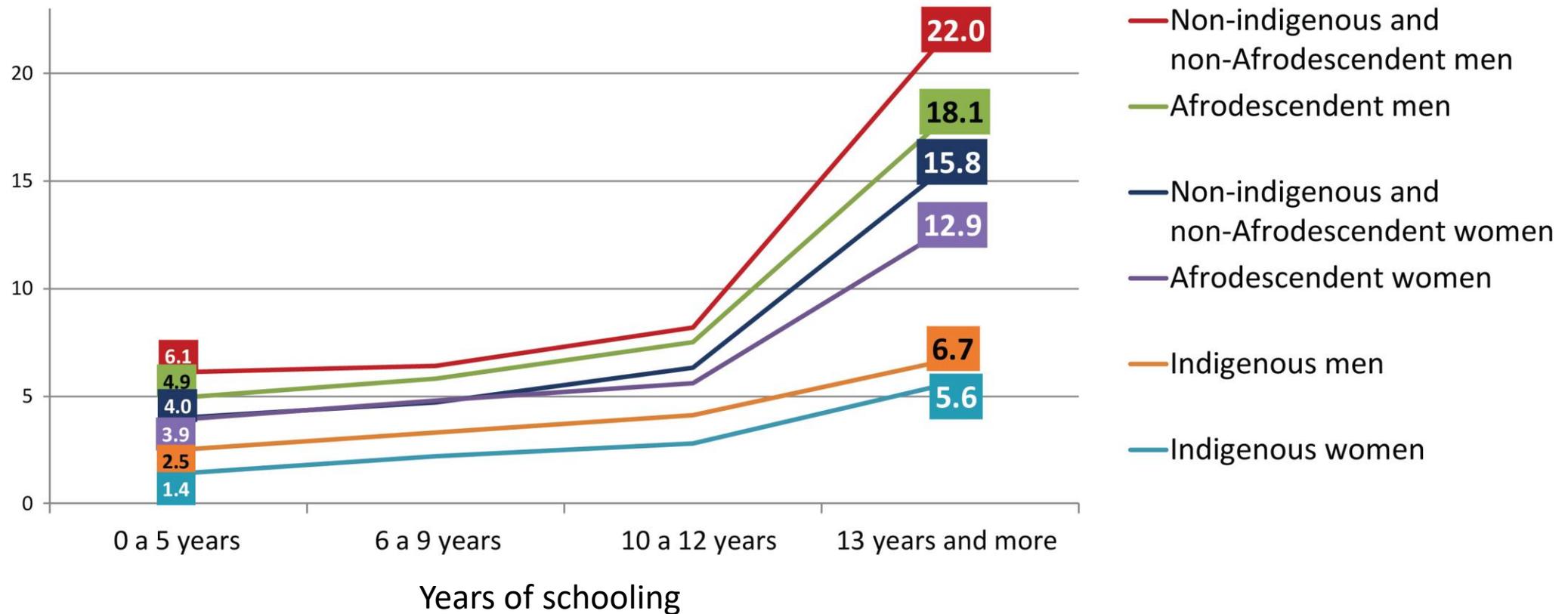
Source: Economic Commission for Latin America and the Caribbean (ECLAC), *Building a New Future: Transformative Recovery with Equality and Sustainability* (LC/SES.38/3-P), Santiago, 2020.

Note: figure shown for 2020 is a projection.



# PRIVILEGES THAT DENY RIGHTS AND THE FACES OF INEQUALITY: GENDER, ETHNICITY, RACE AND ACCESS TO EDUCATION

Latin America (weighted average for 4 countries)<sup>a</sup>: hourly income of the employed population aged 15 years or older, by years of schooling, sex and ethnicity or race, around 2017  
(International dollars)<sup>b</sup>



Source: Economic Commission for Latin America and the Caribbean (ECLAC), *Building a New Future: Transformative Recovery with Equality and Sustainability* (LC/SES.38/3-P), Santiago, 2020.

<sup>a</sup> Projection.

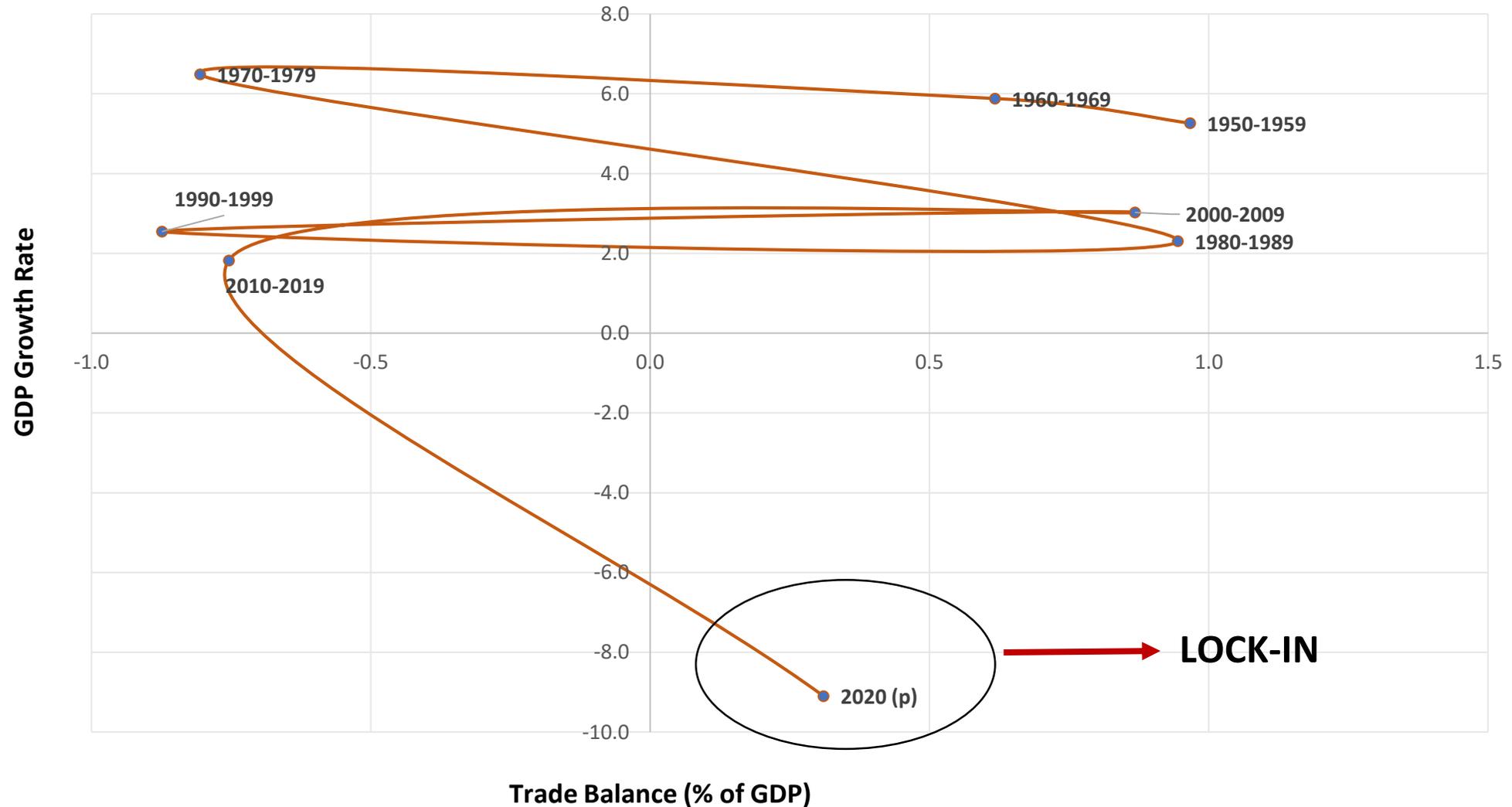
<sup>a</sup> The countries examined are Brazil, Ecuador, Peru and Uruguay.

<sup>b</sup> Calculations are based on the implied purchasing power parity (PPP) conversion rate, which indicates the relation between local currencies and the international dollar, as published in 2019 by the International Monetary Fund (IMF).



# THE EXTERNAL CONSTRAINT LIMITS THE REGION ECONOMIC GROWTH

## GDP Growth and Trade Balance (% of GDP) in Latin America 1950-2020 (p)

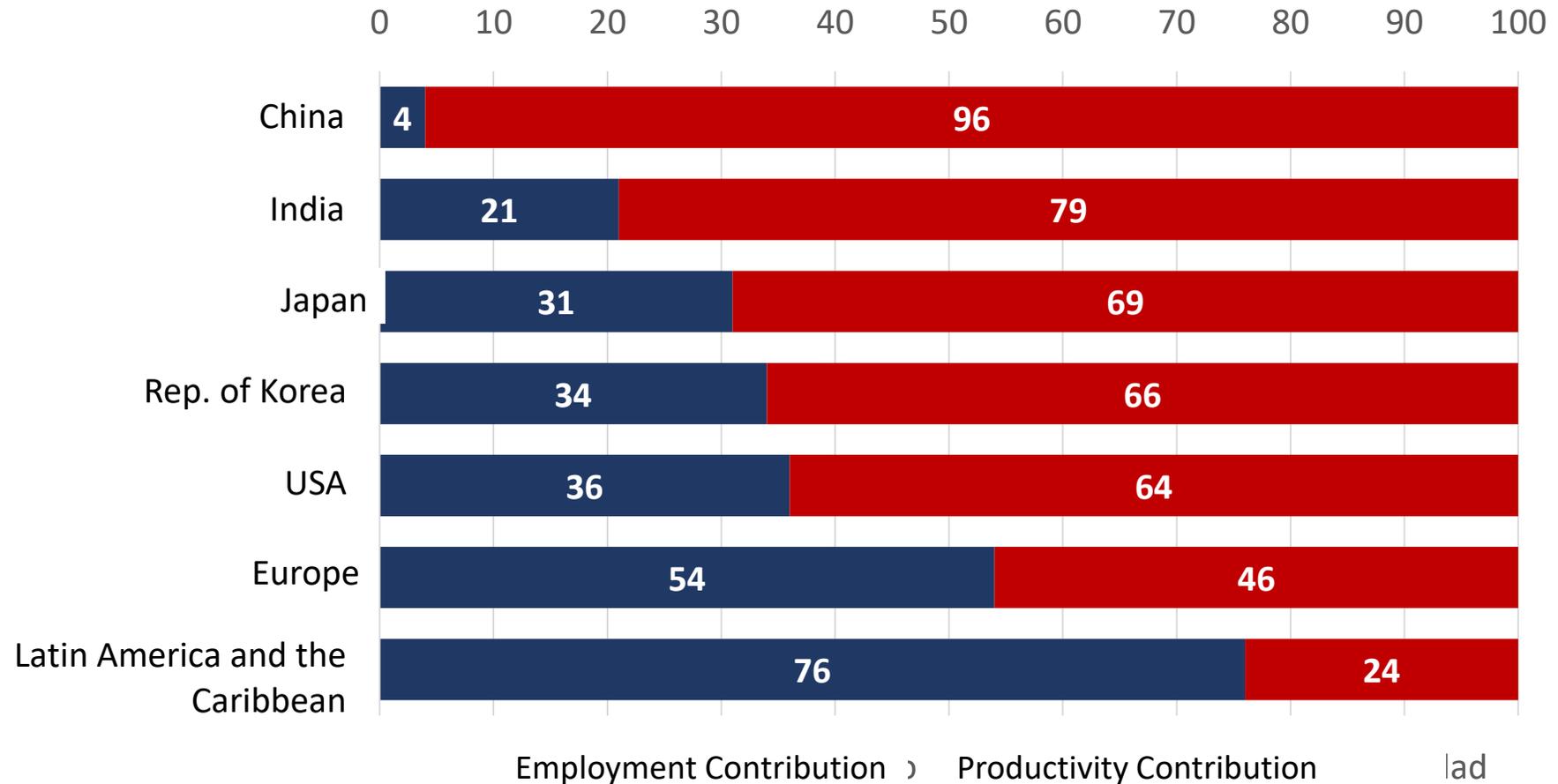


Source: Prepared by the authors based on ECLAC statistics. The data for 2020 is a projection from the ECLAC Special Report "Addressing the growing impact of COVID-19 with a view to reactivation with equality: New projections", July 2020



# THE LOSS OF AUTHENTIC COMPETITIVENESS: FALLING BEHIND IN LABOR PRODUCTIVITY

Productivity and employment contribution to GDP growth: 2000-2019



Source: ECLAC, Economic Commission for Latin America and the Caribbean, *Building a New Future: Transformative Recovery with Equality and Sustainability* (LC/SES.38/3-P/Rev.1), Santiago, 2020.



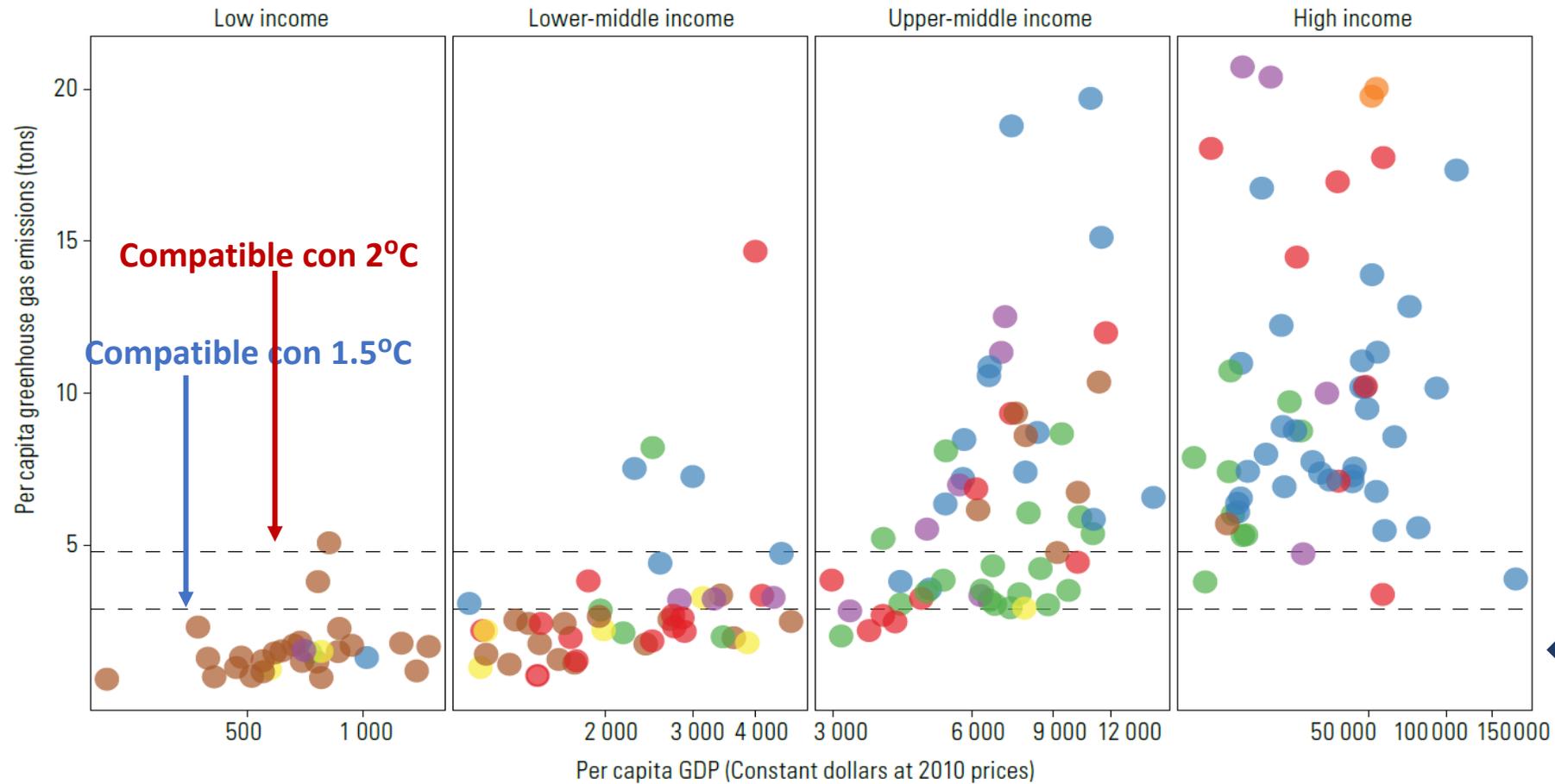
# THE EFFICIENCY OF EQUALITY

- During the last decade, **ECLAC has positioned equality as the foundation of sustainable development**
- In addition to its intrinsic ethic value, equality is indeed instrumental in driving sustainable development, by contributing to innovation, productivity growth and environmental protection
- Equality is not only the result of sustainable development but an explanatory variable for attaining higher long-term economic efficiency
- Equality, productivity and democracy are strategic complementary (not substitute) goods.



# AN UNSUSTAINABLE PATH THAT THE PERIPHERY SHOULD NOT FOLLOW: ECONOMIC GROWTH AND CO2 EMISSIONS

Per capita GDP and per capita greenhouse gas emissions around the world, 2017  
(Dollars at 2010 prices and tons of CO<sub>2</sub> eq)



**Empty box  
representing  
environmental  
sustainability**

- East Asia and the Pacific
- Latin America and the Caribbean
- North America
- Sub-Saharan Africa
- Europe and Central Asia
- Middle East and North Africa
- South Asia

Source: ECLAC, Economic Commission for Latin America and the Caribbean, *Building a New Future: Transformative Recovery with Equality and Sustainability* (LC/SES.38/3-P/Rev.1), Santiago, 2020.



# WHAT ARE THE POSSIBLE FUTURES?

- **“Keynesianism for the few”**: the continuity of hyperglobalization with minor changes
  - A flavor of this kind of Keynesianism was clearly visible in the financial crisis of 2008: save the banks, inject liquidity and protect wealth
  - But there has been much less support to income, employment and income distribution, especially in the context of austerity policies in indebted countries
  - The continuity scenario fails to acknowledge that hyperglobalization has been the driving force behind these structural problems
- Retreat to **conflict and geopolitical** rivalry
  - Unilateralism, nationalism and beggar-thy-neighbor policies
  - Challenge to democratic institutions and civil rights, especially of minorities and migrants
  - This approach fails to protect human rights and cannot produce essential global public goods
- A **new** perspective based on the structuralist tradition and the SDGs: transform the **style of development** towards equality and sustainability

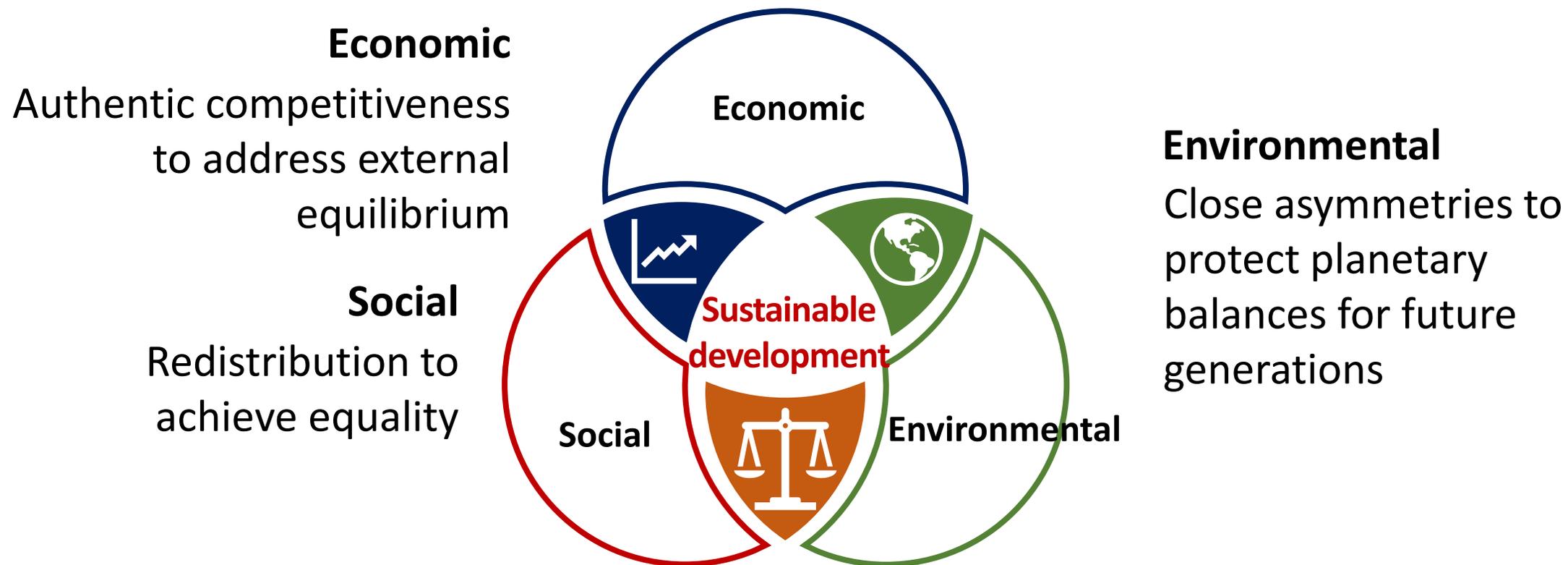


# ACT NOW TO TAME THE EMERGENCY AND THINK OF THE LONG TERM TO CORRECT STRUCTURAL PROBLEMS

- The structural problems have been emphasized in the ECLAC tradition for many years:
  - Overcome the periphery condition through structural change and by closing the technology gap
  - Ease the external constraint by enhancing authentic competitiveness
  - Equality at the center of the new style of development
  - Respecting the right of future generations
- The aftermath of the pandemic should contribute to build a new style of development
- ECLAC has called this strategy *“a big push for sustainability” and proposes a three-gap approach*



# ADDRESS SIMULTANEOUSLY THE THREE DIMENSIONS OF SUSTAINABLE DEVELOPMENT

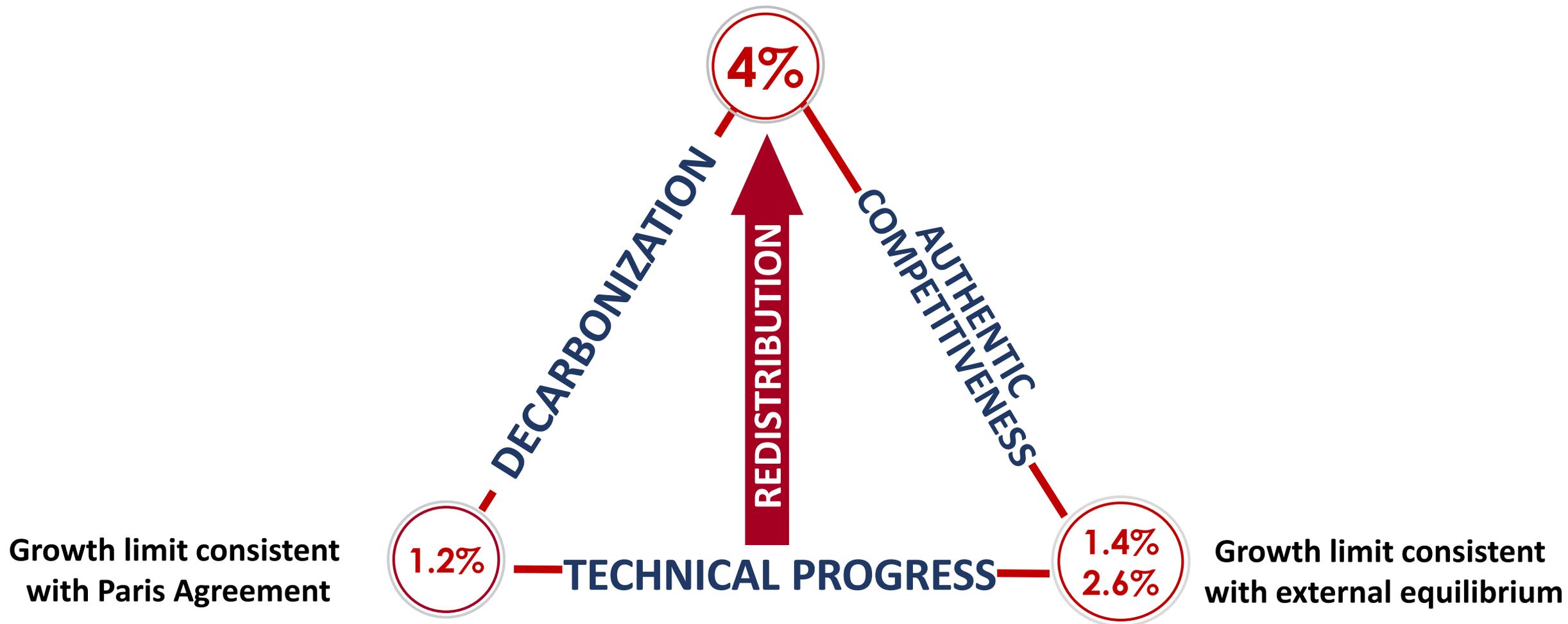


*The interaction between the economic, social and environmental dimensions makes it necessary to address the three crises —and their solutions— together*



# CLOSING THE THREE GAPS REQUIRES CONVERGENCE IN THREE GROWTH RATES

*Minimum target for growth with equality*



# SEVEN SECTORS CAPABLE OF DRIVING THE BIG PUSH FOR SUSTAINABILITY

***These sectors have a strategic role in closing the three gaps because they promote technical change, generate employment and reduce the external constraint and the environmental footprint***

-  Transformation of the energy matrix based on renewable energies
-  Sustainable mobility and urban spaces
-  The digital revolution and inclusion for sustainability
-  The health-care manufacturing industry
-  The bioeconomy: sustainable development based on biological resources and natural ecosystems
-  The circular economy
-  Sustainable tourism



# TWO EXAMPLES OF INVESTMENT ON SUSTAINABILITY WITH EMPLOYMENT: RENEWABLE ENERGY AND CIRCULAR ECONOMY

## *Electricity conversion*

- Decarbonize the electric matrix from 12% to 40% with an annual investment of 1,35% of GDP, reducing 30% of cumulative CO2 emissions
- It can create **7 million jobs** between 2020 y 2032
- With synergies between solar, wind and geothermal energy

## *Circular Economy*

- Increase the recycling rate and the number of materials that need to be included
- Develop local value chains related to circular economy
- It could generate up to **450 000 stable Jobs and increase 0,35% the GDP rate**



## IS IT POSSIBLE?

### YES, WITH THE RIGHT MIX OF COMPLEMENTARY AND FUNDAMENTAL ENVIRONMENTAL, INDUSTRIAL AND SOCIAL POLICIES

- Environmental policies (reducing subsidies, using the fiscal space to support renewables and regulation) that not only deliver employment and growth, but also boost them.
- These must be complemented by industrial and technological policies to build national productive capacities, increase competitiveness and correct the external deficit.
- The positive impact on employment, growth and distribution would be greater in the context of a global environmental agreement.



# A BIG PUSH FOR SUSTAINABILITY REQUIRES INDUSTRIAL, ENVIRONMENTAL AND SOCIAL POLICIES SIMULTANEOUSLY

**FISCAL**

**Progressive  
taxation and  
financing**

**SOCIAL**

**A new welfare  
and social  
protection  
regime**

**ENVIRONMENTAL**

**Internalization of  
environmental  
externalities**

**INDUSTRIAL**

**Industrial and  
technological  
development**

**INTEGRATION**

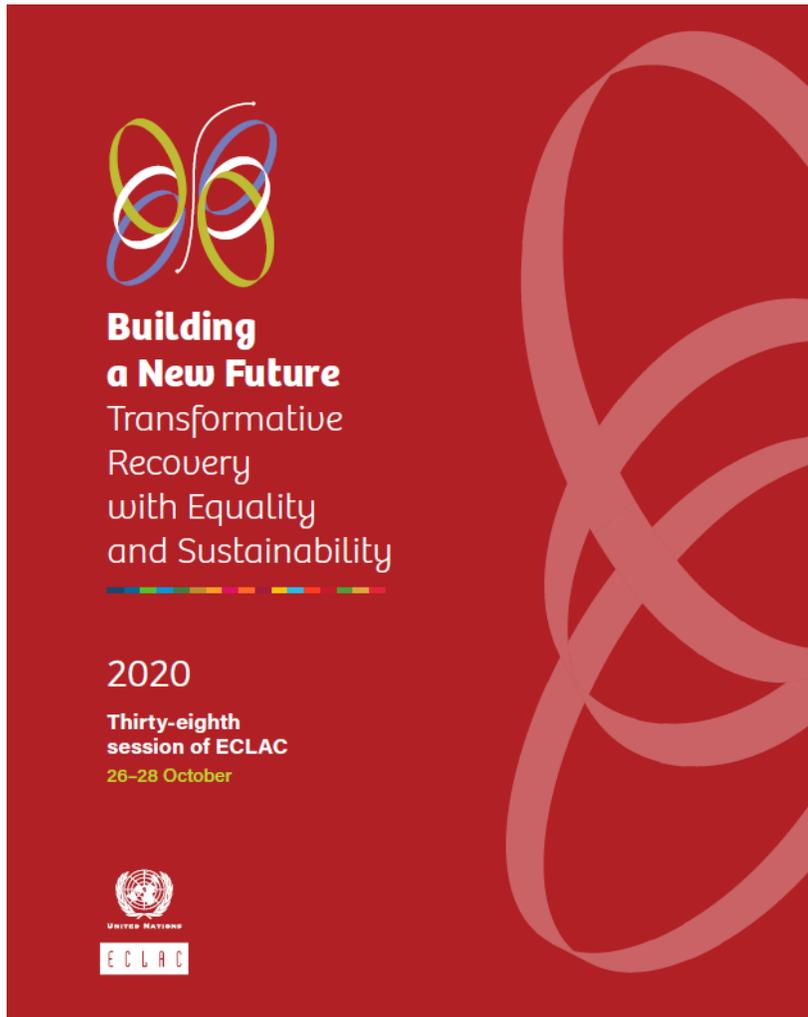
**Regional  
integration and  
renewed  
multilateralism**



## FROM THE SOCIAL EROSION TO THE EXPANSION OF DEMOCRACY, SOLIDARITY AND INTERNATIONAL COOPERATION

- The world is at crossroads: we need the great tradition in development rethinking to reshape economic policies
- Redefine the place of state, markets and civil society: in the words of Osvaldo Sunkel (2006) what we need is a “*neo-Structuralist approach and a sociocentric perspective, in which the state responds to the citizens and strategically guides the markets*”
- From hyperglobalization to a renewed multilateral system
- The response to hyperglobalization should not be the retreat to geopolitical rivalry, but a renewed multilateralism
  - Coordinate fiscal policies for full employment and the green energy transition (global green new deal)
  - Policy space for the pursuit of development policies





## **A document for action**

Move towards the society that the change of era demands

## **A realistic document**

Where society is closer than ever if the necessary coalitions are built and compacts are agreed

## **A necessary document**

Responds to the pressing needs of Latin America and the Caribbean

