

# ***The ECLAC vision for Latin America and the Caribbean***

**Towards a more productive, inclusive and sustainable development model**

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**Executive Secretary of ECLAC**

Presentation to Permanent Representatives in New York  
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# Contents of the *CEPAL Review* special issue



ECLAC



Working for  
a productive, inclusive  
and sustainable future

ECONOMIC  
COMMISSION FOR  
LATIN AMERICA AND  
THE CARIBBEAN

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## SPECIAL 75th ANNIVERSARY ISSUE

Towards a more productive, inclusive and sustainable  
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A decorative geometric pattern in a light blue color, featuring various shapes like squares, circles, and triangles, is located on the left side of the slide.

**"Rethinking, reimagining and transforming: the 'whats' and the 'hows' for moving towards a more productive, inclusive and sustainable development model"**

**José Manuel Salazar-Xirinachs**

# Rethinking, reimagining and transforming: the 'whats' and the 'hows' for moving towards a more productive, inclusive and sustainable development model

- I. Seventy-five years of ECLAC contributions to the development of Latin America and the Caribbean
- II. Changes in globalization and challenges for Latin America and the Caribbean
- III. The regional development crisis: a decalogue of gaps and challenges
- IV. What should be done? The 11 great transformations needed to create a more productive, inclusive and sustainable future
- V. How should it be done? Capabilities, processes and types of governance needed to manage the transformations



# **I. Seventy-five years of ECLAC contributions to the development of Latin America and the Caribbean**



# 75 years of analysis and contributions

## 1950s

- Industrialization (Import Substitution Industrialization-ISI)
- Centre-periphery model
- Harnessing technical progress

## 1960s

- Evaluation of ISI
- Creation of the Latin American Common Market
- Institutional reforms: agrarian, fiscal, financial
- Tackling inflation
- External imbalances

## 1970s

- Structural change
- Impacts of the global economy, shocks
- Income distribution
- Peripheral capitalism and insufficient growth dynamism in periphery
- Historical-structural model

## 1980s

- Debt crisis, lost decade
- Analysis of economic adjustments and debt renegotiations
- Adjustment cost mitigation policies
- Export industrialization in Asia

## 1990s

- Identification of the risks of hyper-globalization
- Emphasis on productive transformation with social equity
- Open regionalism proposal
- How to reform the reforms?

## 2000s

- Neostructuralism
- Macroeconomics and countercyclical policies
- International trade
- Development and social cohesion
- Environmental sustainability
- Asymmetries of globalization

## 2010s

- Combating inequality; the equality horizon, including gender equality
- Sustainable development and environmental big push
- Progressive structural change
- Compacts for equality based on the 2030 Agenda

## 2020s

- Changes in globalization, new geopolitics, climate change, technology and challenges for the region
- Rethinking-reimagining-transforming
- Decalogue of development gaps
- Eleven great transformations
- The 'hows': governance; technical, operational, political and prospective capabilities; social dialogue



## **II. Changes in globalization and challenges for Latin America and the Caribbean**



# Major structural changes in geoeconomics have transformed geopolitics (polyglobalization)

- The United States' share of **global production** measured in purchasing power parity fell from 20 % in 1991 to 16 % in 2022, while China's increased from 4% to 18% over the same period.
  - By this measure, China has surpassed the United States in terms of total GDP
- China has become the main trading partner for most of the world's countries, accounting for 14.4% of **global exports**, compared to 8.3% for the United States in 2022.
- **BRICS** (Brazil, Russian Federation, India, China and South Africa) have also outstripped **G7** countries in terms of total production.
- Combined GDP of BRICS countries stood at US\$ 52 trillion (PPP) in 2022, compared with US\$ 50 trillion in G7
  - Total population of 3.2 billion in 2021, 4.2 times that of G7 countries together (774 million).
  - Membership of Saudi Arabia, Argentina, Egypt, United Arab Emirates, Ethiopia and Iran in 2024 will increase BRICS economic weight. The population of the expanded BRICS would be 4.7 times the population of the G7 countries.
- In short:
  - The United States is no longer the dominant player in the world economy, nor is the West the only leader; regional poles are becoming more decentralized, with blocs that not only compete economically and militarily but also have different world views.
  - China's economic weight is already comparable to that of the United States.
  - Large middle-income countries are an economic counterweight to the G7.





# Tectonic shifts in globalization

The (hyper)globalized multilateral trading system to which we were accustomed:

- Based on commonly accepted rules that trusted and celebrated interdependence
- Highly fragmented production value chains in pursuit of low costs and efficiency
- Relatively predictable and supported by a comparable process of financial globalization

Has shifted towards one defined by:

- Protectionism and reconfiguration of global value chains based on geopolitical motivations (derisking)
- Industrial policies and localization in friendly countries (friendshoring)
- Technological rivalry in some areas (digital standards, AI, microprocessors)
- Overriding security concerns (energy, food, manufacturing)
- Mistrust in interdependence



# Hyperglobalization: a mixed balance sheet

## Positive factors:

- Strong growth in trade and investment and low cost of consumer goods
- Acceleration of the technological revolution
- Substantial reduction in global poverty levels, primarily explained by reduction in China

## Negative factors (causes of discontent with hyperglobalization):\*

- Sharp increase in inequality (in developed and developing countries alike)
- Acceleration of premature deindustrialization:  
*Technological change and competition from China mean that formal employment in manufacturing is peaking at lower levels of per capita income, and that successful industrialization strategies of the past can no longer be replicated in the same way.*
- Uptrend in unemployment resulting from impacts of competitive imports and automation (New geographies of jobs)
- Developing countries increasingly vulnerable and fragile (to trade and financial shocks)
- Financial crisis caused in part by excessive financial sector deregulation

**Technological rivalry and geopolitical competition have changed the rules of the game**

# Redefining globalization

- Not the end of globalization but of “hyperglobalization”
- Misleading or inadequate to characterize the transformation as simply:
  - “Free trade” vs “protectionism”
  - “Globalization” vs “deglobalization”
- This does not capture the essence of the matter, which is the transition to a new era in the ground rules for trade and investment that include:
  - Demands of national security
  - Development of domestic production capabilities and renewed emphasis on industrial policies
  - Job creation and “just transitions”
  - Protection for nature and the planet
  - Safeguards against risks of the digital revolution and AI
  - Consideration of the negative social impacts of economic interdependence



## **The challenge for Latin America and the Caribbean: contributing to reshaping globalization and navigating it successfully**

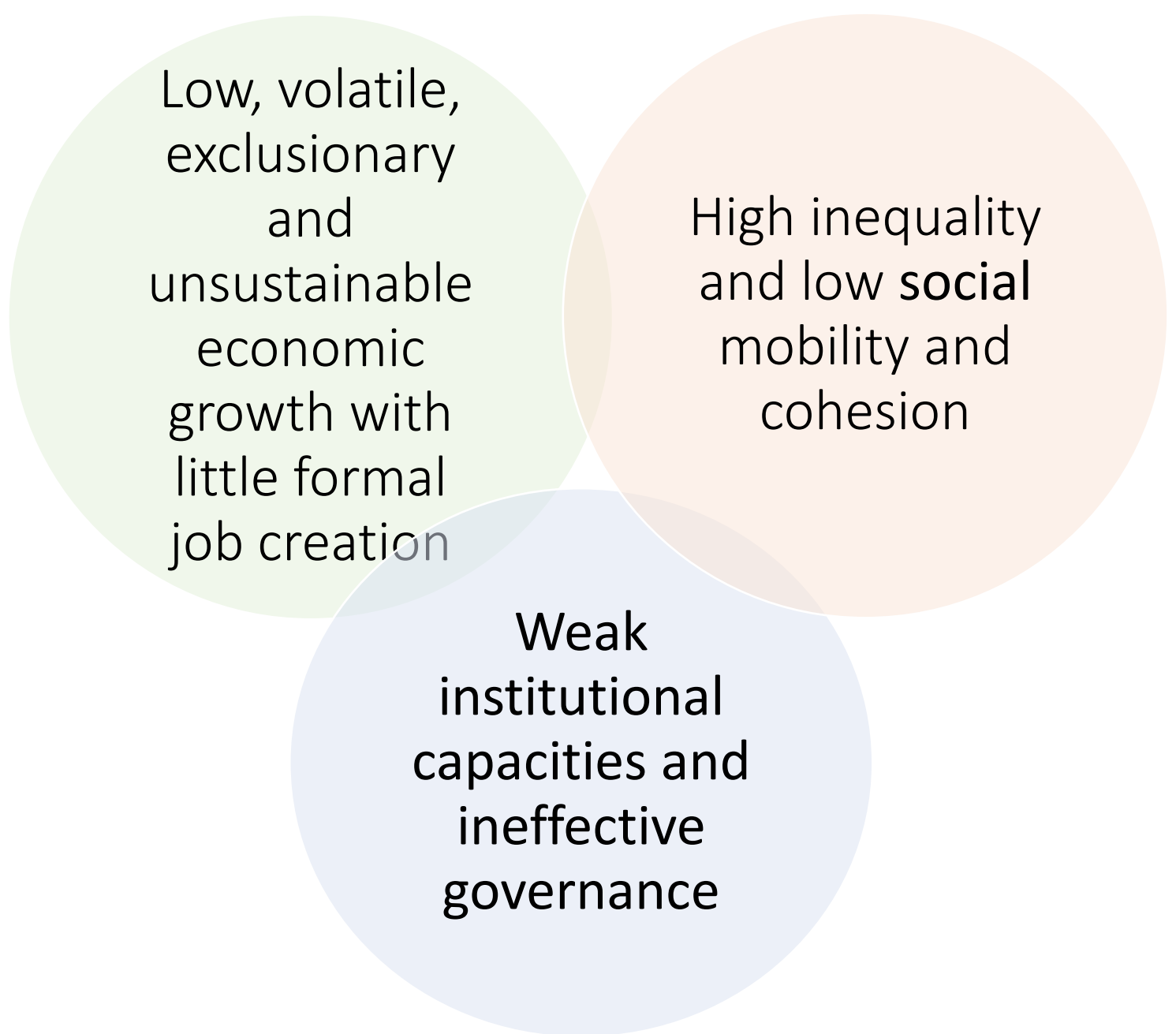
- Successfully navigate this reconfigured globalization process
- Understand it to identify risks and threats and leverage opportunities
- Participate in and shape the redefinition of the new rules of globalization, upholding regional positions in multilateral negotiations that help forestall unfavourable scenarios and strengthen a multilateral system with clear rules
- One key area is the need for changes in the international financial architecture, which remains largely unchanged from the way it was designed after the Second World War



### **III. The regional development crisis: a decalogue of gaps and challenges**

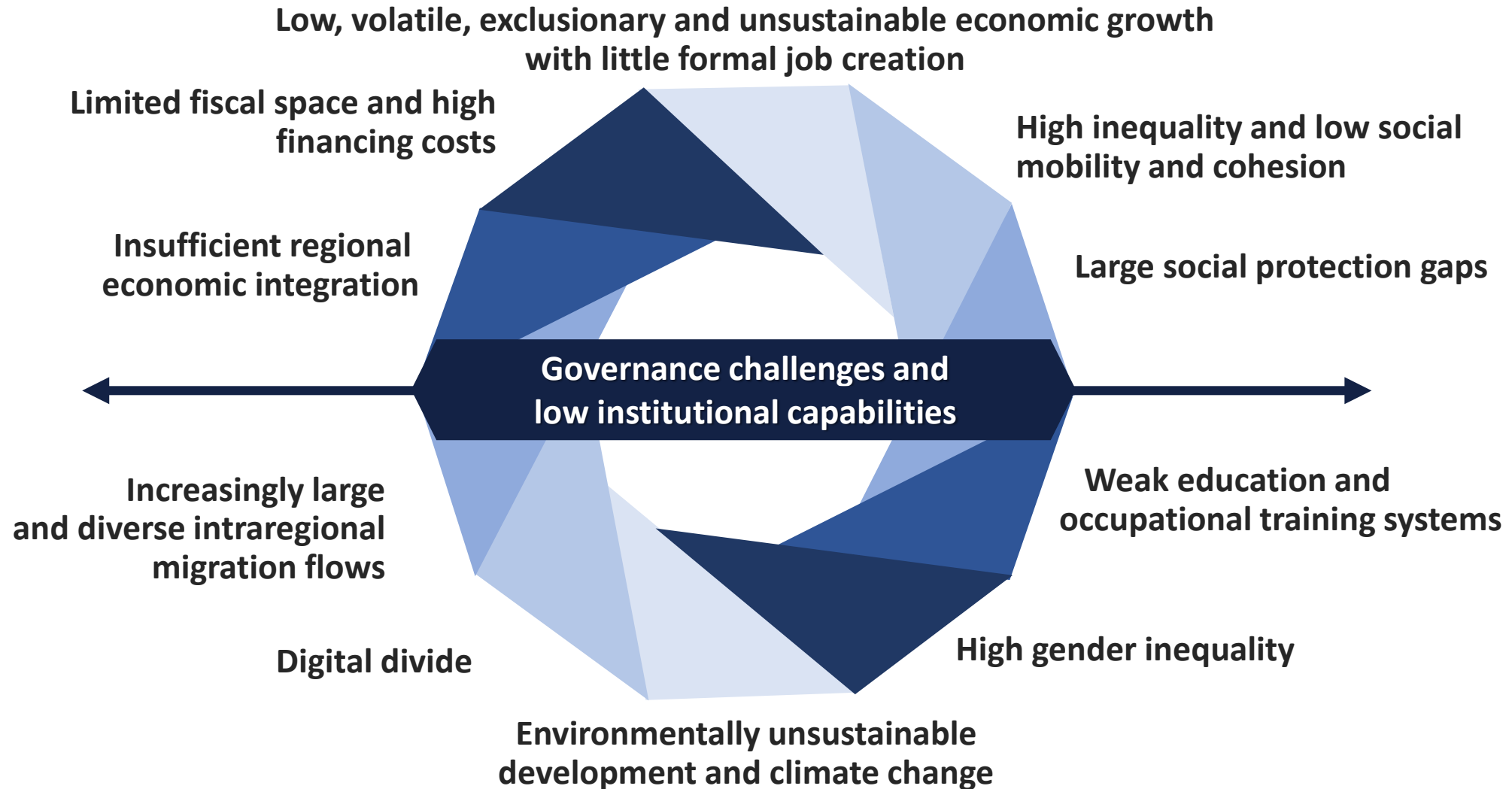


# A region caught in three development traps



# Ten structural gaps or challenges in development models

## DECALOGUE

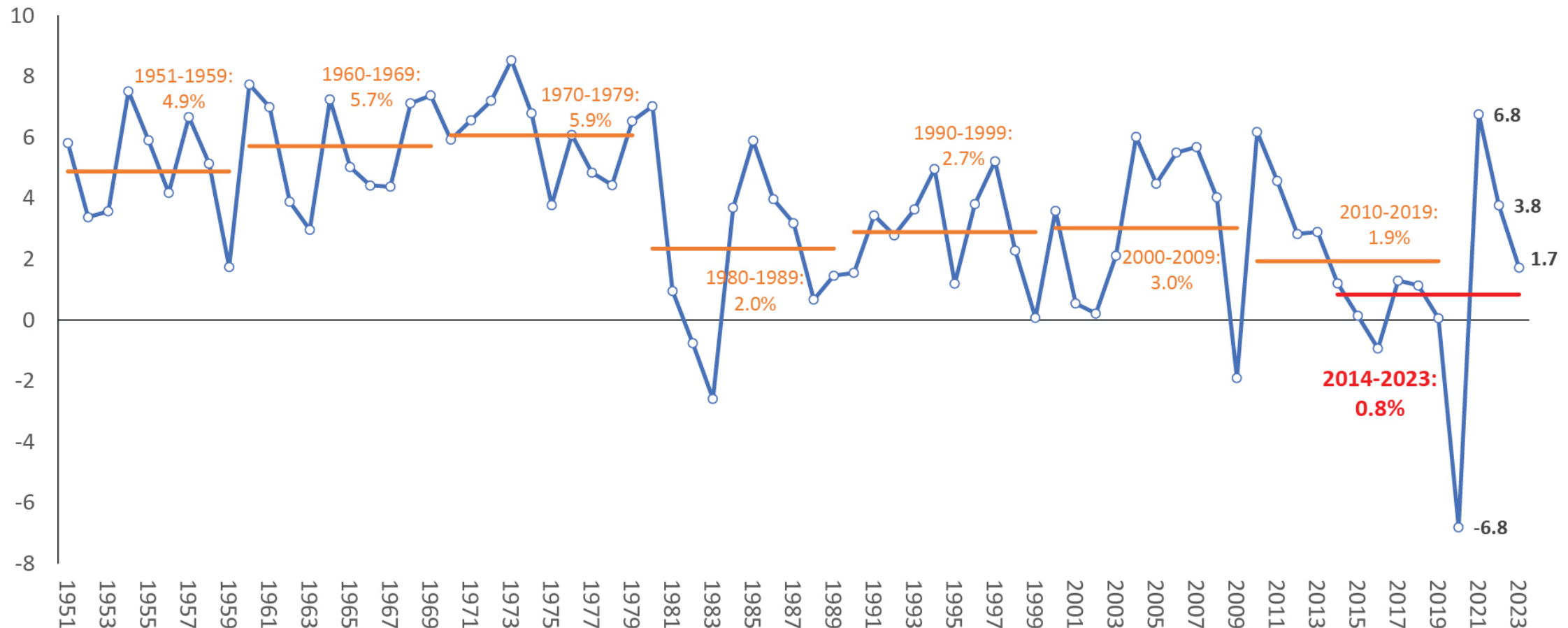


**Source:** J. M. Salazar-Xirinachs, “Rethinking, reimagining and transforming: the “whats” and the “hows” for moving towards a more productive, inclusive and sustainable development model”, *CEPAL Review*, No. 141 (LC/PUB.2023/29-P), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2024.



# In 2023 Latin America and the Caribbean completed a decade even more lost in terms of growth than the “lost decade”

Latin America and the Caribbean: GDP growth, 1951–2023  
(Percentages)



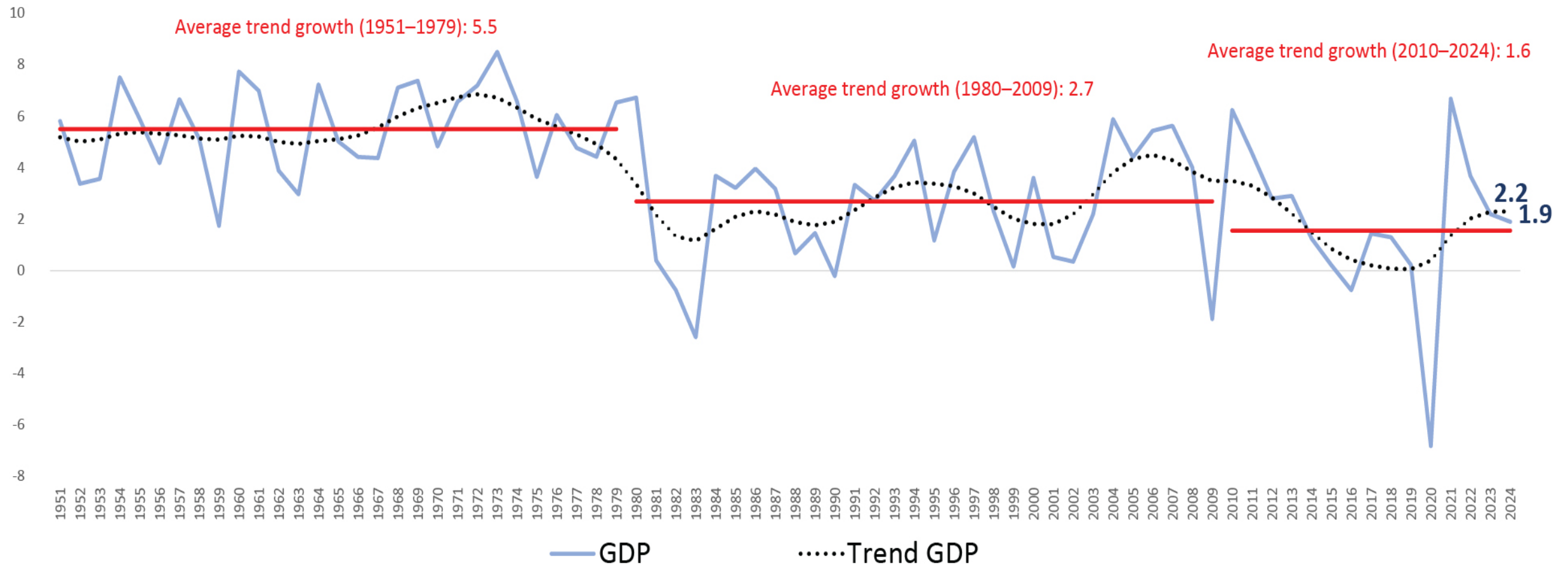
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures. Note: Figures for 2022 and 2023 are ECLAC projections.





# Low growth is not only a short-term issue; it reflects weaker trend growth of regional GDP

Latin America and the Caribbean: growth in GDP and trend GDP, 1951–2024  
(Percentages, on the basis of dollars at constant 2018 prices)



This explains why the average per capita GDP for the region in 2023 was the same as in 2013

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



# **The most unequal region in the world. This is inefficient for growth; corrosive for social cohesion and for the stability of social contracts**

Action must be taken on 5 of the main factors underlying inequality:

1. Structural heterogeneity and low growth: productivity differences related to sectors and enterprise size.
2. Fiscal and social protection policies that do not sufficiently mitigate inequality and its effects
3. Low-quality, segmented education and vocational training systems that do not meet the needs of 21<sup>st</sup> Century labour markets, and the technological and digital revolution
4. Marked gender inequality. Importance of moving towards a care society
5. Political, sociological and historical aspects related to the discrimination and human rights violations suffered by Indigenous peoples, people of African descent and other groups



# Low institutional capacity and ineffective governance

It is not enough to diagnose and describe **what needs to be done** to address in all their magnitude the development challenges characterizing the countries

Special attention must be paid to **how it should be done**

ECLAC is working harder and more systematically on:

- How to improve the governance of public policies?
- How to improve the technical, operational, political and prospective (TOPP) capabilities of institutions?
- The issues of social dialogue, and the political economy of reform
- Financing.



# Conclusion

- The region is suffering from a low-growth syndrome, and ironically in an era of globalization, rapid technological change, digital revolution and now artificial intelligence.
- If it continues on the current path, the risks are:
  - Losing social peace
  - Having more unequal and violent societies
  - Having more migrants
  - Eroding democracy
- Because democratic life is incompatible with stagnant economies and frustrated citizens without the hope of a better future

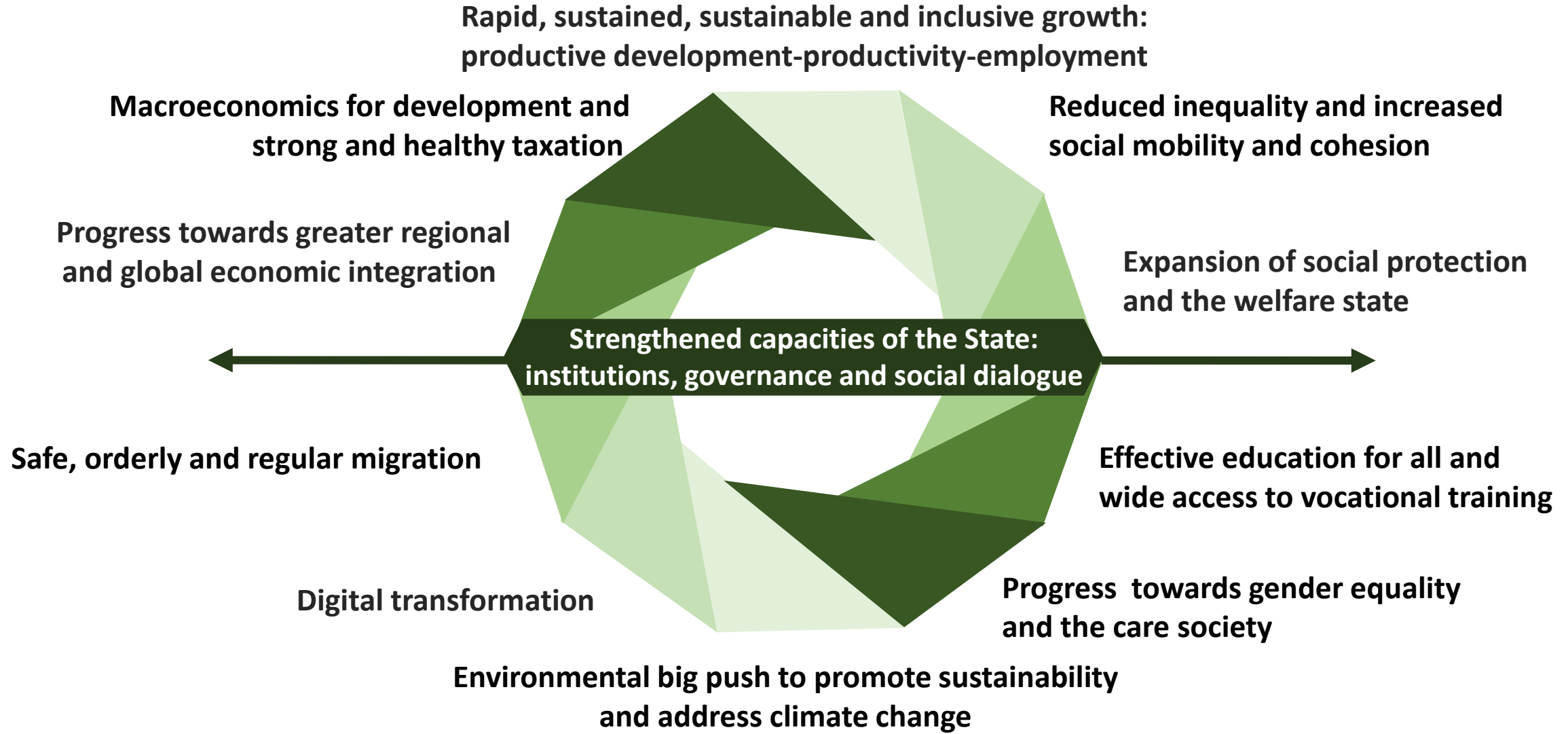


## **IV. What should be done?**

**11 great transformations needed  
to create a more productive, inclusive  
and sustainable future**



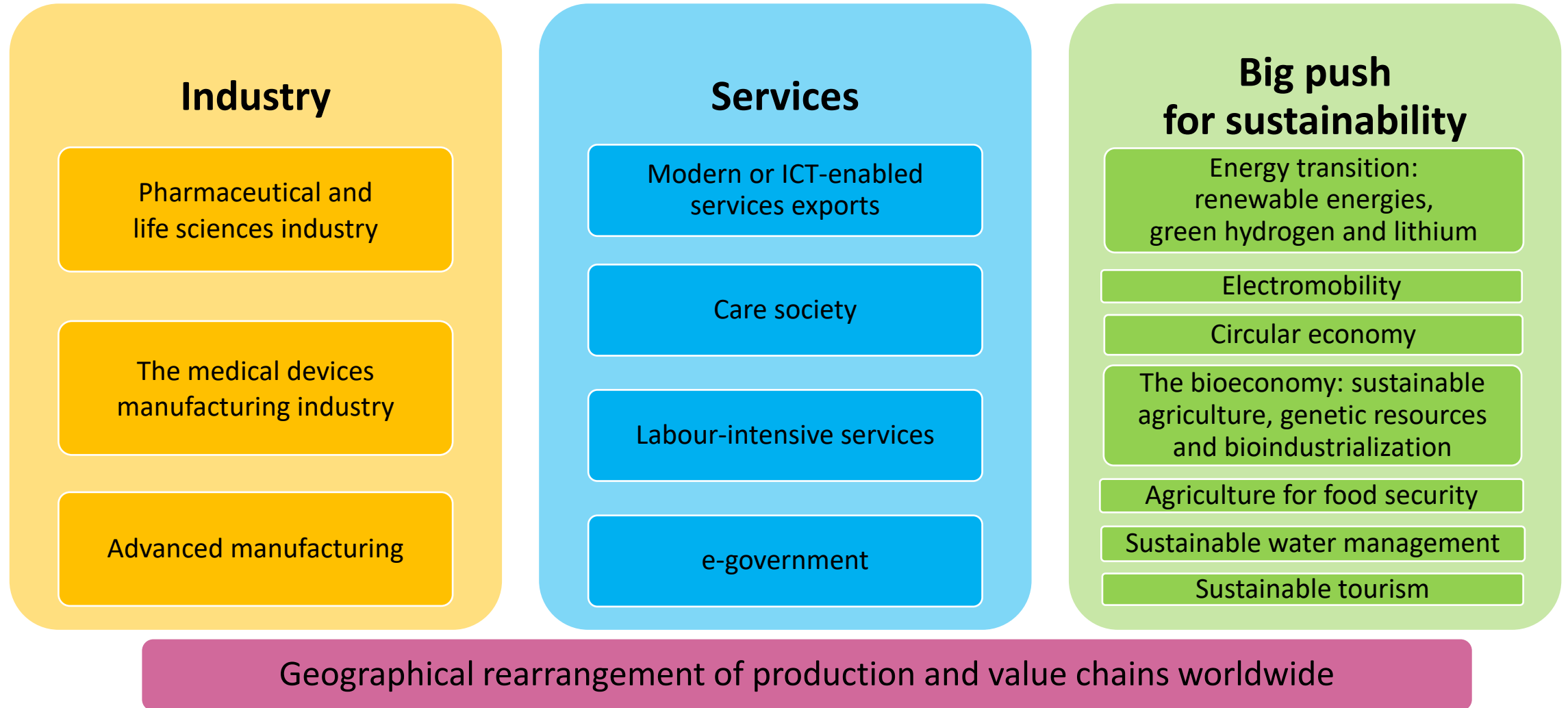
# Eleven great transformations in the development model



**Source:** J. M. Salazar-Xirinachs, "Rethinking, reimagining and transforming: the "whats" and the "hows" for moving towards a more productive, inclusive and sustainable development model", *CEPAL Review*, No. 141 (LC/PUB.2023/29-P), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2024.



# Great productive transformation for productivity, inclusion and sustainability: portfolio of driving sectors



**Source:** J. M. Salazar-Xirinachs and M. Llinás, “Towards transformation of the growth and development strategy for Latin America and the Caribbean: the role of productive development policies”, *CEPAL Review*, No. 141 (LC/PUB.2023/29-P), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2024.



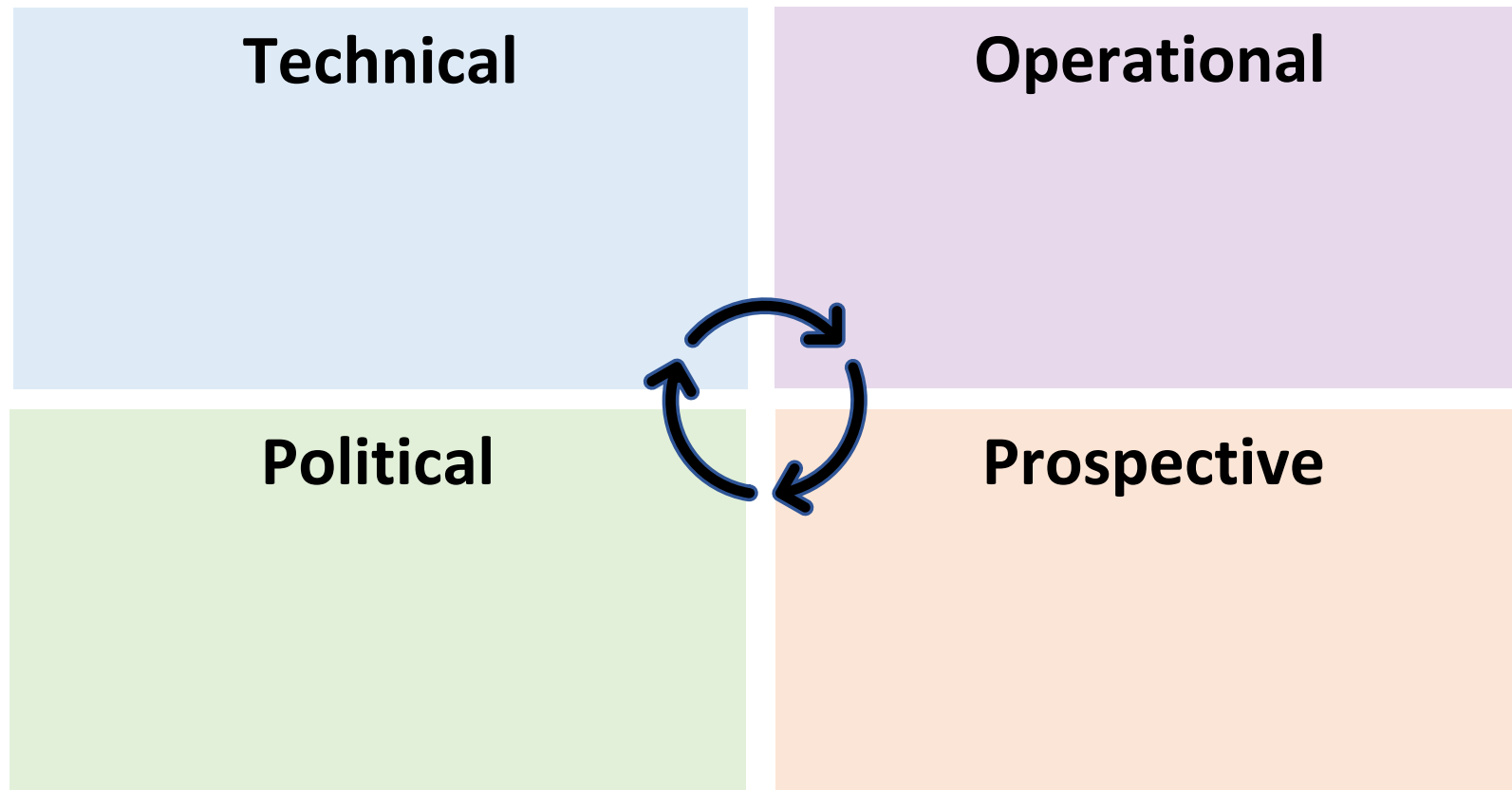
## **V. How should it be done?**

**Capabilities, processes and types  
of governance needed to manage  
the transformations**





# Technical, operational, political and prospective (TOPP) capabilities of institutions needed to drive the great transformations in the development model



# Technical capabilities

- Incorporate strategic planning with a medium- and long-term outlook into the policy process or cycle.
- Generate integrated policies with cross-cutting approaches in key areas of development
- Create and manage comprehensive information systems to support policy management and implementation
- Evaluate policy impact and programme outcomes
- Make normative policy mandates more consistent with the capacity of public agencies
- Improve accountability to optimize the public service
- Generate a culture of continuous learning



# Operational capabilities

- Use of modern public management tools for budgeting, planning, performance management and evaluation, and accountability procedures
- Mechanisms to assess productivity and ensure efficient and effective delivery of public goods and services
- Strengthened human resource policies to increase professional, technical and administrative capabilities for policy implementation
- Modern interfaces based on digital government for citizen interaction and services
- Effective public-public coordination arrangements
- Optimization of significant participation by the private sector and other stakeholders
- Mechanisms for the transparent and honest execution of public resources
- Measurement and follow-up of citizen satisfaction with public services and institutions



# Political capabilities

- Importance of spaces for social dialogue between development actors for public policy formulation and implementation
- Public leadership that builds trust and enhances coordination and collaboration with civil society, the private sector and academia
- Collaboration and coordination between different levels of government
- Peer-to-peer collaboration at local, national, regional and international levels
- Consensus-building between and within communities, government, the private sector and civil society, among other stakeholders



# Prospective capabilities

- Anticipation, monitoring and analysis of global megatrends affecting regional development
- Participatory construction of desirable future scenarios and their appropriation by development actors
- Support for the design and implementation of State public policies
- Capacities for rapid and effective institutional responses to crises, disruptions and unexpected high-impact events that disrupt development
- Culture of dialogue to anticipate and manage conflicts between development actors



# Social dialogue: a key instrument for managing and guiding transformations

## Macroeconomic and fiscal

### Objectives:

negotiate macroeconomic, fiscal and distributional pacts. (distribution of adjustment costs).

## Labour-related

### Objectives:

negotiate wages, working conditions, labour legislation

## Productive development

### Objectives:

increase exports, investment, innovation and productivity; build skills.

These processes are not zero-sum negotiations but positive-sum, win-win long-term achievement of common goals

## Territorial development

### Objectives:

define regional strategies in a range of areas for local and territorial development with a variety of local stakeholders

Break the centralized decision-making tradition characteristic of many countries

Multilevel governance



# Summary

- A special seventy-fifth anniversary issue of *CEPAL Review* that:
  - Sets out a vision of the region's economic and social development challenges amid new trends in globalization and the global economy
  - Calls for rethinking, reimagining and transforming development models and policy in the region
  - Outlines a series of forward-looking proposals that can generate a new consensus on development, and for advancing towards a more productive, inclusive and sustainable future



# Summary (cont'd)

- Key elements of the vision outlined:
  - 1) An assessment of a region mired in **three development traps**
  - 2) A **decatalogue of structural gaps** that must be overcome (the 'whats')
  - 3) A proposal of **11 major transformations** in the region's development models that incorporates the decatalogue of gaps, as well as the overarching question of how to manage those transformations
  - 4) **How to manage successful transformations?** The challenges of governance, TOPP capabilities, the role of social dialogue, and the political economy of reforms and transformations.
  - 5) A **proposal for a growth strategy and major productive transformation** with a portfolio of driving and dinamizing sectors for growth
- An article on each theme of the decatalogue





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**Nahua glyphs**, bas-relief  
on the spiral tower at ECLAC  
headquarters in Santiago



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