

The ECLAC vision for Latin America and the Caribbean

Towards a more productive, inclusive and sustainable development model

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Contents of the *CEPAL Review* special issue



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Working for
a productive, inclusive
and sustainable future

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Towards a more productive, inclusive and sustainable
development model

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



I. 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



II. The regional development crisis: a decalogue of gaps and challenges



A region caught in three development traps

Low, volatile,
exclusionary
and
unsustainable
economic
growth with
little formal
job creation

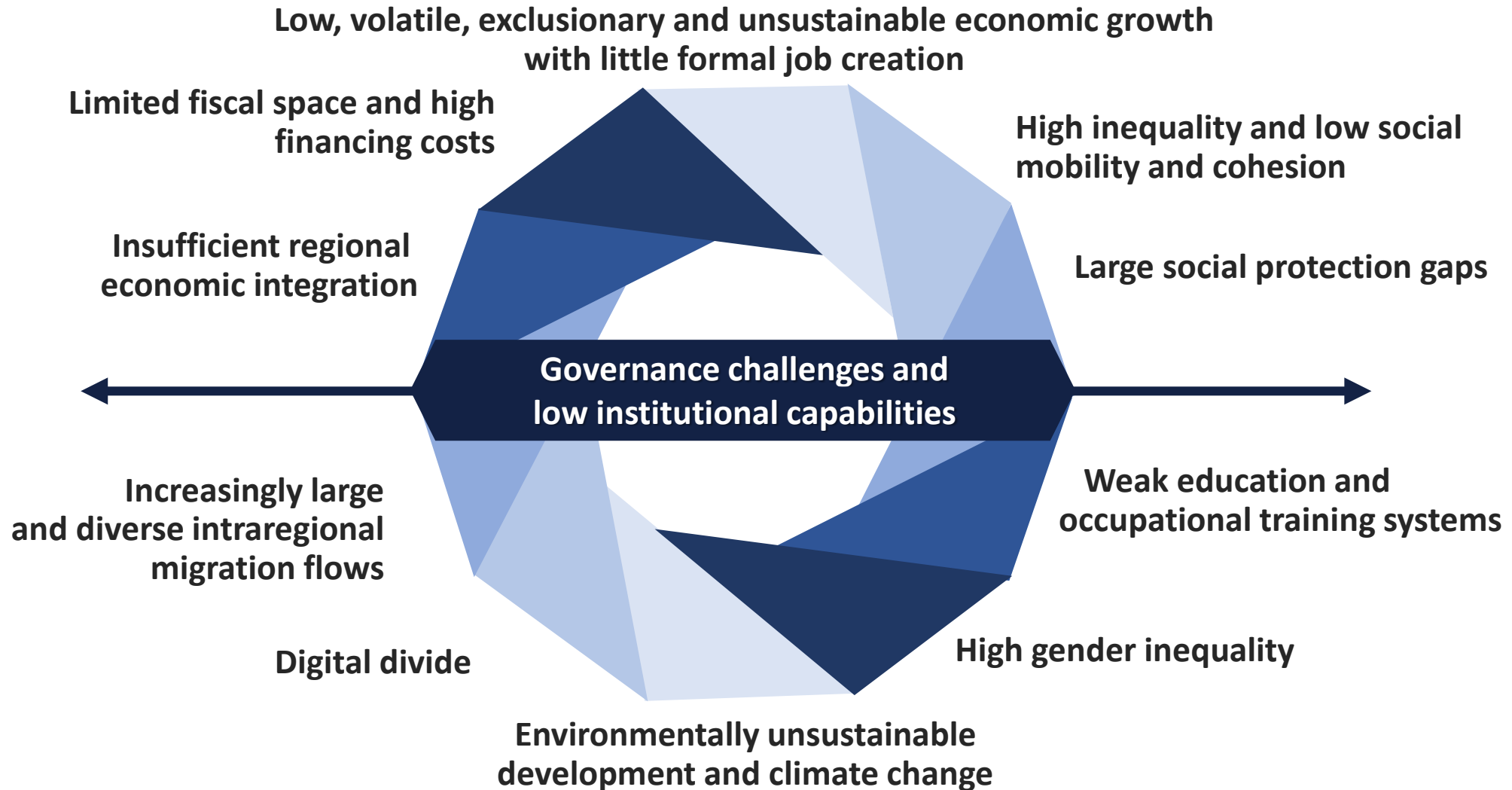
High inequality
and low social
mobility and
cohesion

Weak
institutional
capacities and
ineffective
governance



Ten structural gaps or challenges in development models

DECALOGUE

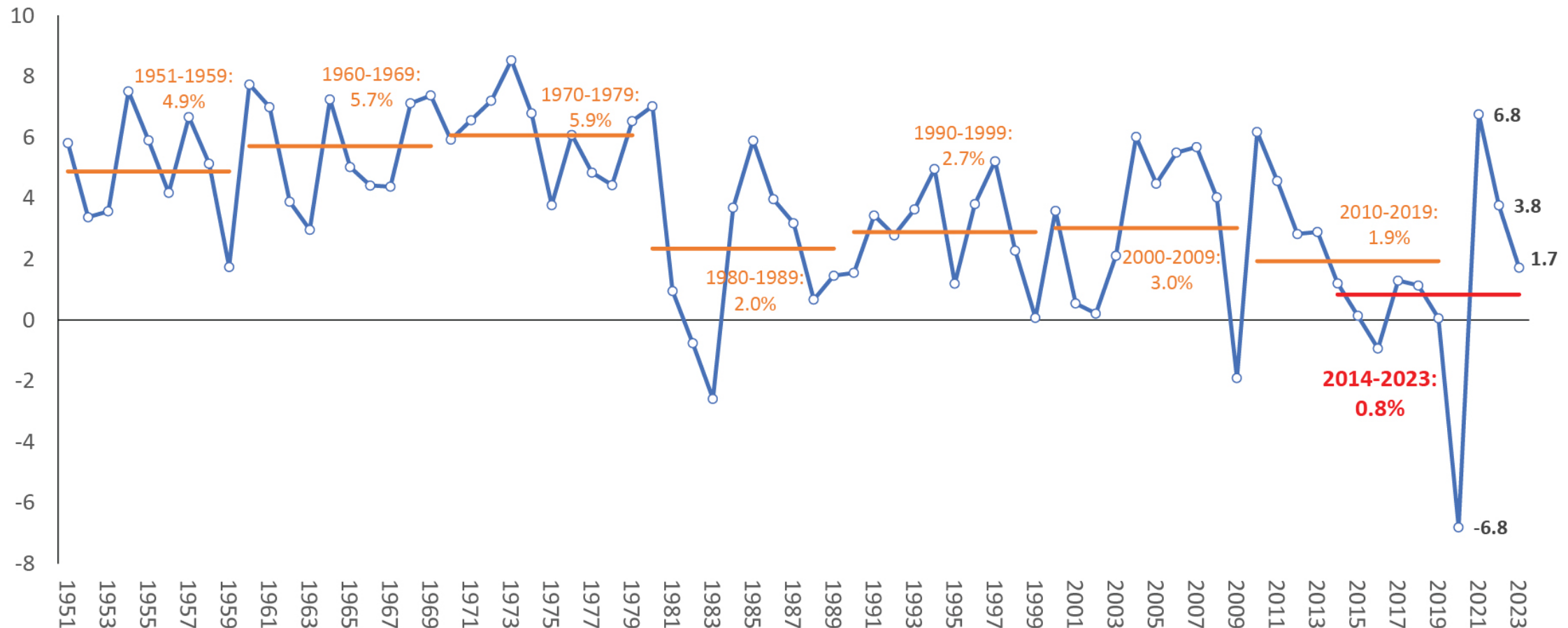


Source: J. M. Salazar-Xirinachs, “Rethinking, reimagining and transforming: the “whats” and the “hows” for moving towards a more productive, inclusive and sustainable development model”, *CEPAL Review*, No. 141 (LC/PUB.2023/29-P), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC),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

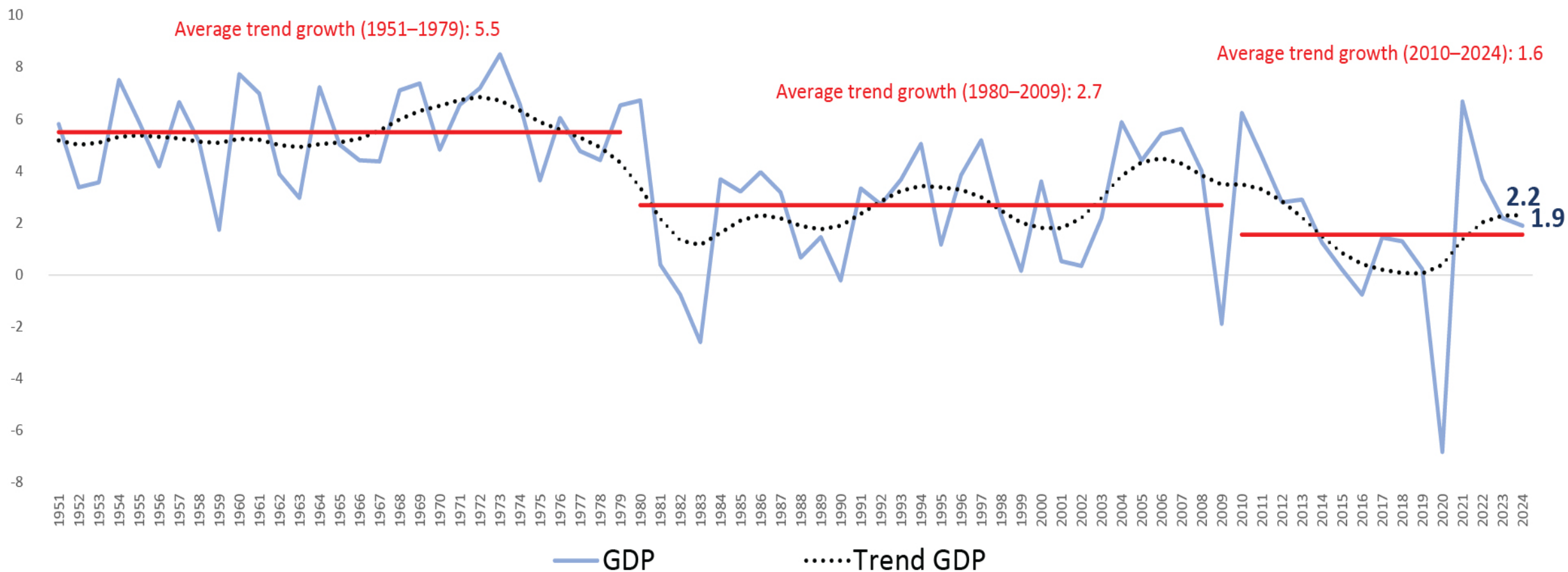


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures. Note: Figures for 2022 and 2023 are ECLAC projections.



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.



Key message

- 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



III. What should be done?

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



Eleven great transformations in the development model

Rapid, sustained, sustainable and inclusive growth:
productive development-productivity-employment

Macroeconomics for development and
strong and healthy taxation

Reduced inequality and increased
social mobility and cohesion

Progress towards greater regional
and global economic integration

Expansion of social protection
and the welfare state

← **Strengthened capacities of the State:
institutions, governance and social dialogue** →

Safe, orderly and regular migration

Effective education for all and
wide access to vocational training

Digital transformation

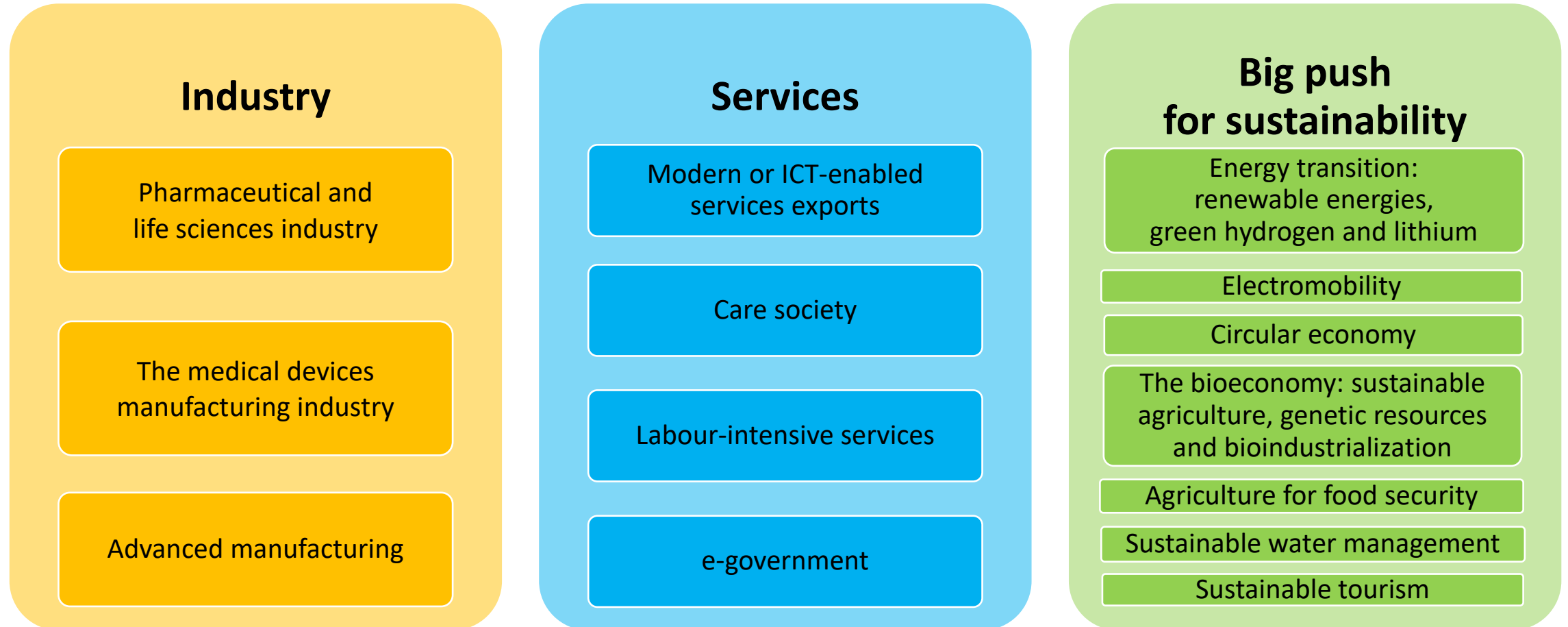
Progress towards gender equality
and the care society

Environmental big push to promote sustainability
and address climate change

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



Geographical rearrangement of production and value chains worldwide

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.

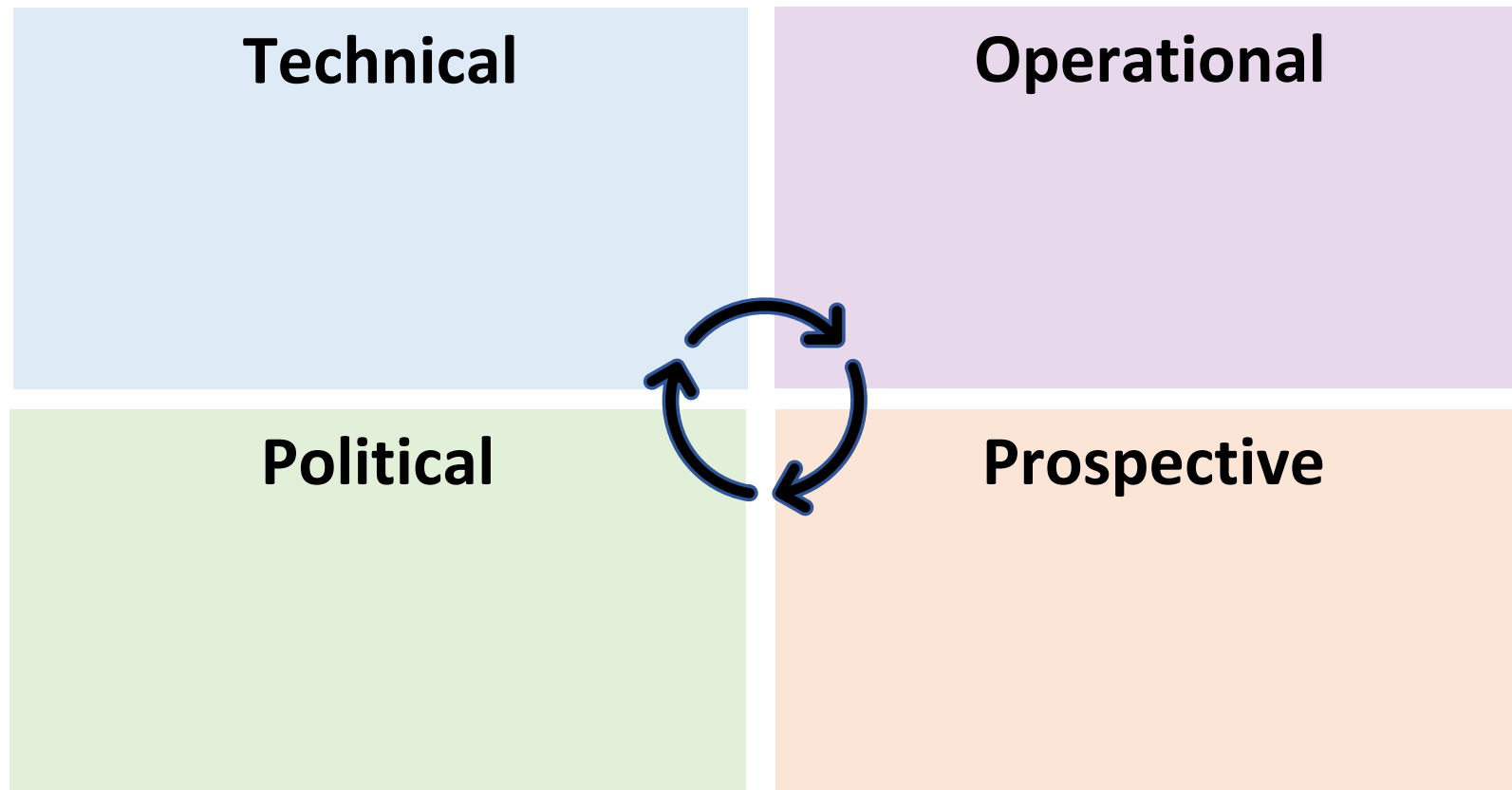


IV. How should it be done?

**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



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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