

**Speech by Alicia Bárcena,  
ECLAC Executive Secretary  
at the opening of the  
Second Meeting of the Caribbean Development Round Table  
Georgetown, Guyana  
By videoconference  
30 May 2012**

His Excellency **Donald Ramotar**, President of the Republic of Guyana

Your Excellencies,

Distinguished panellists,

Ladies and gentlemen,

I sincerely regret not to be able to participate in this important meeting. Due to health reasons I was unable to travel.

This year I am especially honoured to be in the presence of His Excellency Donald Ramotar, President of the Republic of Guyana, the Honourable Minister Dookeran (a former ECLAC staff member) and other distinguished participants, including the Director General of the Secretariat of the Organisation of Eastern Caribbean States, Len Ishmael, herself also a former ECLAC staff member.

I would like to welcome the Brazilian delegation headed by Ambassador Tabajara. We also have among us many other high-level policymakers and regional and international experts, who are joining together to explore new paths to sustainable development in the Caribbean and other small States.

We are indeed pleased to partner in this meeting of the Caribbean Development Round Table with President Ramotar, whose vision is very much in line with our mandate to help reduce poverty and inequality, to improve gender equity and to advance sustainable development through social protection.

This meeting provides an opportunity for ECLAC to help strengthen the relationship between Latin America and the Caribbean. It is an especially timely opportunity because Latin America was able to weather the financial crisis and holds market, finance capital and technology transfer potential that can benefit small States. Through the Caribbean Development and Cooperation Committee, Caribbean governments can bring to our attention both their development priorities and the challenges that they face.

The service-based economies of the Caribbean are struggling to recover from the decline in receipts from tourism and offshore financial services. The crisis has also aggravated existing problems of high public debt and fiscal and current account deficits. And it has exposed many structural weaknesses in Caribbean economies, such as dependence on a few markets and the undiversified nature of exports.

The search for new markets and trade relations consistent with emerging trade dynamics is therefore one of the top priorities for any new multilateral cooperation agenda. In fact, South-South cooperation is an essential strategy for small States in their quest for sustainable development.

Given the fiscal problems facing the subregion, the challenge is to maintain social protection programmes that will guard against any drift towards inequality set off by falling incomes due to higher unemployment.

In the face of reduced resources, such programmes must be more targeted and better managed in order to deliver real support to disadvantaged groups and those living in situations of poverty. At the last Round Table, I emphasized the need to focus on equality and to develop a social compact that would equitably distribute the cost of adjustment.

We propose a strategy for economic growth which emphasizes investment, integration and innovation and focuses on building the capacity of the public sector to redistribute resources and promote equality. In our proposal, equality, economic growth, structural change and environmental sustainability go hand in hand and support and reinforce each other. Equality of rights is a core principle that involves equality of opportunity, a long-term vision and a fiscal strategy that is aimed not just at redistribution but also at improving the capacity of the most disadvantaged for productive employment.

We believe that democracy can only be deepened if there is greater equality of opportunities and rights. We hold that social equality and a vibrant economy that transforms the production structure are not a contradiction in terms. The major challenge is to identify synergies between the two. We stress that equality is contingent on growth and growth is contingent on equality.

This year, there is a renewed focus on macroeconomic management for development and ways to reduce external shocks. We believe that a new macroeconomic stability should go

beyond nominal terms to cover real macro stability as a pillar of sustainable development. The focus is also on access to finance and ways to maintain social protections in the context of reduced budgets.

The ongoing challenges facing the global economy have made regional integration even more urgent and call for renewed efforts to implement regional agreements that will enable the countries of the region to benefit from economies of aggregation. Much thought must be given to how the Caribbean, for example, can seize the benefits of the Brazil/CARICOM agreement not just for markets but also for technology transfer, for investment and for targeted advanced training. Other valuable regional opportunities lie in strengthening regional cooperation through functional collaboration between the Caribbean and Latin America to reap economies of scale from regional public goods.

As for natural disasters, ECLAC has held that Caribbean countries, in order to reduce their vulnerability, will need to continue to formulate a systematic regional approach to disaster management. One of the components of such an approach is risk pooling, which is now practiced under the Caribbean Catastrophe Risk Insurance Facility in the case of extreme events.

In the first place, disaster management and risk mitigation should be viewed as a public good that should be provided for in regional budgets. Second, risk mitigation systems, including catastrophe insurance and enforcement of building codes and other standards, should be strengthened. Third, regional collaboration in developing an early warning system and risk pooling should be explored.

Addressing these challenges will consequently make demands on ECLAC. In order to enhance the impact of ECLAC activities in the Caribbean, the Santiago office will, in collaboration with the CDCC, provide much more support to the Subregional headquarters for the Caribbean to help meet the new and growing demands for technical support, policy advice and analysis.

I am aware, from the economic and social analysis work done by ECLAC, that while some of the challenges faced by the Caribbean can be overcome at the national level, many require a regional approach. We therefore continue to encourage the CARICOM regional effort seeking functional cooperation and economic integration through the mechanism of the CARICOM Single Market and Economy. This represents an important sphere of activity given the softening of global demand for major Caribbean exports.

Please allow me to share with you briefly some of the ideas that will be submitted by ECLAC for consideration by the Governments of Latin America and the Caribbean at the thirty-fourth session of the Commission, to be held in August in El Salvador. These are new ideas for seizing this historic opportunity to rethink development from the value perspective of equality, with emphasis on how the different components of development policy can be geared towards building more robust growth societies that are at the same time more conducive to equality.

This proposal reasserts and deepens the ideas we put forward in 2010 in the ECLAC document *Time for equality: closing gaps, opening trails*. In that document, we defined equality as our objective. To achieve that objective, we propose a path of structural change: a long path whose success will require political will and leadership, State policies and dedicated citizens committed to laying out a blueprint for our future society.

Our new starting point is an integrated approach to development with special attention to the lessons of past decades and to those to be drawn from the different development paradigms tested in the region. It is a vision for the future informed by an assessment of historical development achievements in Latin America and the Caribbean.

This integrated perspective seeks to align the macroeconomic dimension with the production dimension in order to build synergies between short- and long-term factors.

From the macroeconomic viewpoint, fiscal, monetary and exchange-rate policies do not operate just by optimizing impacts relating to the duration, costs and benefits of business cycles. They can, at the same time, encourage long-term investment, diversification of the production base and, above all, greater convergence of productivity levels throughout the economy. Moreover, more diversified production, with a high degree of technological progress and narrower productivity gaps, is essential for shielding the economy against business cycle volatility and, in particular, against external constraints exacerbated by that volatility.

The potential synergies between macroeconomic and structural dimensions, between the business cycle and growth trends and between the short run and the long run challenge us to consider how macroeconomic policy can be interlinked in the most positive way with industrial and technology policy. The right combination of business cycle management and convergence of structural expansion will enable the economy to optimize its potential, so that, in the long term, the benefits to society can be distributed equally.

The main mechanism for convergence of productive development and social equality is technological change/revolution, which is the driver of social inclusion. It is in this area that efforts must be made to build better skills among all members of society, provide better opportunities for rewarding those skills productively and create better conditions for harmonizing the interests of the various stakeholders in the labour market.

If the value we uphold is equality and the strategic orientation is to achieve that equality, how do we reach that goal? We believe that the path to that goal is structural change. And it is on this basis that we have built our integrated approach.

Structural change implies placing qualitative transformation of the production structure at the heart of the growth dynamic. Since the region consists for the most part of open economies whose patterns of specialization depend on their linkages with global markets, this will call for a special approach. Building knowledge-intensive sectors so that they account for a higher percentage of total production will not only strengthen integration in the global economy but also boost domestic growth in the areas of productivity and employment as part of a virtuous cycle. Thus, steps should be taken throughout the economy and across all segments of society to build capacities, knowledge and learning processes and to coordinate these efforts with production and investment.

Industrial policies are indispensable for promoting structural change in a virtuous cycle. Clearly, this calls for political will, since the State has a key role to play in implementing such policies. The experience of the past three decades, with their low productivity levels, proves the market's inability to allocate resources optimally on its own.

What we need are active industrial policies that function in two complementary directions: first, by identifying sectors and building up the capacities and competitiveness of those sectors that demonstrate a clear potential for specialization and for embracing technological progress; second, by diversifying the production structure through the creation of new, high-productivity sectors. In addition, increasing the productivity of small and medium-sized enterprises is crucial, especially in terms of their ability to generate employment, and must be tackled as a matter of urgency.

There can be no virtuous structural change if we content ourselves with multiplying the number of high-tech enclaves or if the changes are limited to the cutting-edge sectors of the production apparatus.

In our view, structural change is the path and greater equality is our long-term goal. By centring growth in new sectors and in technology diffusion throughout the system, we can bring about structural change that moves towards a production matrix that generates employment and builds capacities endogeneously, opening up a wider range of high-productivity activities and thus generating job opportunities in the highest-productivity sectors while stimulating a higher rate of participation and lowering the rates of unemployment and informality. This will have positive results in terms of alleviating poverty and reducing inequality. But social policies will be needed to buffer the initial costs.

Social policy is often the best vehicle for assisting the most disadvantaged and poorest groups. Social and redistributive policies must operate in tandem with industrial policy, for the following reasons. First, they improve distribution and reduce vulnerability in the short term, providing an interim solution while waiting for the structural change policies, which operate



over the longer term, to bear fruit in terms of redistribution. Second, they protect the more disadvantaged sectors during the “disruptive” phases of structural change (restructuring of sectors, which may lead to periods of adaptation with unemployment) and provide a cushion for the social impacts that arise as a result of external shocks.

In short, the central thread of the document that will be presented at the thirty-fourth session of ECLAC is that structural change is the path while equality is the underlying value as well as the goal towards which this structural change is directed.

This year’s Round Table theme is *Macroeconomic policy for structural transformation and social protection in small States*. We will be examining how development in small States, despite their fiscal constraints, could be pursued in the post-crisis global economy through greater economic diversification, improved access to finance and strengthened social protection.

Ladies and gentlemen, we look forward to a most engaging meeting with an emphasis on new ideas and approaches in a world that will be very different from the pre-recession period. I anticipate a very rich and fruitful discussion.

Thank you very much.