

**Remarks by Alicia Bárcena,
Executive Secretary of the Economic Commission for Latin America and the Caribbean
(ECLAC)
at the opening ceremony of the thirty-fourth session of the Commission
San Salvador, 28 August 2012**

Your Excellency, Mauricio Funes, President of the Republic of El Salvador,
Sigfrido Reyes, President of the Legislative Assembly,
Hugo Martínez Bonilla, Minister of Foreign Affairs of El Salvador,
Vanda Pignato, Secretary of Social Inclusion and First Lady of El Salvador,
Alexander Segovia, Technical Secretary of the Presidency of El Salvador,
Representatives of the member States of ECLAC,
National and municipal authorities,
Members of the diplomatic corps,
Representatives of international agencies and non-governmental organizations,
Antonio Prado, Deputy Executive Secretary of ECLAC,
Dear colleagues from ECLAC,
Friends,

I would like to begin by thanking you, your Excellency, Minister Martínez and the people of El Salvador for your invaluable support and warm welcome as hosts of the thirty-fourth session of the Economic Commission for Latin America and the Caribbean in this historic and magnificent Señorío de Cuscatlán.

I find it particularly moving that the setting for our work over the next few days will be the land that Morazán made his own, and the home of Anastasio Aquino and Feliciano Ama. The land that welcomes us today bears the indelible prints of Oscar Arnulfo Romero.

El Salvador occupies a very important place in the history of our shared homeland and in many of our lives. I have vivid memories of the hope inspired in Chapultepec by the decision, exactly

two decades ago, to silence the guns and, with the mediation of the United Nations, build a future free from the devastating burden of violence.

This brave decision hastened the advent of democracy and, with it, the hope of economic and social progress and the consolidation of peace. As we all know, the road ahead is a long one with many challenges along the way.

I am also delighted to convey a personal greeting from the Secretary-General of the United Nations, Ban Ki-moon. His message transmits a key idea:

“Latin America and the Caribbean has had the courage to address the development needs of its numerous middle-income countries. The region is also progressing resolutely in the direction of regional integration. In this connection, I commend the recent creation of the Community of Latin American and Caribbean States.” The Secretary-General considers it essential to *“build more egalitarian societies based on productive and inclusive growth and to change the current unsustainable patterns of production and consumption, as ECLAC has repeatedly stressed.”*

Lastly, the Secretary-General wishes us every success in our discussions, which he trusts may help to further the future well-being of the region, and looks forward to welcoming you, your Excellency, at the forthcoming session of the General Assembly in New York.

The session is the most important intergovernmental meeting in the Commission’s biennial cycle of activities and it has been held with our member States every two years since 1948. On each occasion, we provide a transparent account of our past activities, propose the programme of work for the coming period and receive mandates and guidelines for the future activities of the Commission.

It gives us great pleasure to hold this session of the Commission at the geographical heart of the Americas. The last session held in Central America took place in 1996, in Costa Rica.

I would like to take this opportunity, your Excellency, to thank the Government of Brazil, which, as host of the previous session and Chair of ECLAC since 2010, has provided outstanding leadership in coordinating the efforts undertaken in pursuit of our proposal “time for equality”.

I would also like to convey our gratitude to all the delegations present today. Your participation is essential to us: you hand down the mandates that shape our work and the session is the occasion on which the secretariat most wishes and needs to hear your voice.

Dear friends,

A sense of optimism runs through Latin America and the Caribbean today, despite the turmoil in the global economy. Where does the region stand today? Undoubtedly, it is learning from the past and trying out new paths.

2012 marks 30 years since the dramatic external debt crisis that marked the start of our region's lost decade, the 1980s. The long journey since then has bequeathed us a wealth of experience, which has prepared us to face the current severe global recession with commendable economic and social resilience. Above all during the past decade, we have learned macroeconomic prudence and social progressiveness. The region has implemented a range of countercyclical measures, from the moderate and temporary to the structural, which have averted irreversible social costs.

The region's economy has lost some momentum in 2011 and 2012, but will still grow at faster rates than the world average this year and next. Major assets include control of inflation, sound fiscal policy, lower and better structured public debt (under 35% of GDP) and unprecedented levels of international reserves.

In addition, over the past two decades, the numbers living in poverty in the region have fallen from 48.4% (1990) to 30.4% (2011), thanks to determined action by States. Extreme poverty or indigence is down almost 10 percentage points, from 22.6% to 12.8% of the population. Employment has risen and its quality has improved a little, while unemployment has dropped to below pre-crisis levels (6.6%). These are important achievements not attained by the main industrialized economies.

Nevertheless, the current situation warrants a degree of caution, albeit still taking a positive view and maintaining the conviction that Latin America and the Caribbean is better prepared to build on achievements and leave behind old structures that bind us to a past of sharp paradoxes.

The region carries a legacy that perpetuates inequalities and exclusion mechanisms. Rigid productivity gaps persist and low productivity sectors still have little social mobility (especially women from lower-income socioeconomic strata). Although fertility rates are falling, which could denote better chances of well-being for families with fewer dependants, society's reproduction is concentrated in poor households, in particular among adolescent women from socially vulnerable sectors, thereby perpetuating exclusion from one generation to the next.

In addition to the structural legacy, the complex international context weighs on the region. The slowdown in industrialized countries is acting as a drag on emerging economies. Regional exports to Europe and the United States will contract significantly in 2012 and 2013, perhaps threatening export growth in countries that depend most on these markets.

At the same time, the increasing weight of the emerging economies is creating an unprecedented situation. Economic power is shifting from North to South and from the Atlantic to the Pacific. Together, Asia-Pacific and Latin America and the Caribbean account for 60% of global economic growth. If this trend continues, South-South exports will exceed North-North exports by 2020. FDI flows are following a similar pattern: 50% are now going to developing economies.

A new global geography is thus beginning to take shape, prompting a rethink of strategic alliances and according greater weight and importance to South-South relations. The South is no longer what it was and Latin America and the Caribbean has changed with it.

This means taking on new challenges: working towards common regional positions and coordinating them with those of other developing regions in order to tackle huge global challenges, such as climate change, that compel our region and the world at large to develop

strategies for building low-carbon, more energy-efficient economies capable of achieving food and climate security and ensuring public safety.

The economies of the region must therefore maintain macroeconomic prudence, strengthen macroeconomic management, continue to progress towards sustainability in their fiscal and external accounts, reinforce macroprudential treatment of financial flows and credit, all the while maintaining the drive of social policy and public investment and basing policy decisions on the long-term behaviour of economic variables beyond nominal stability.

Since we are here in Central America, allow me to reflect on the 22 countries in the region which comprise the group of small economies.

Despite their differences, these countries share common characteristics and development challenges, especially in view of their vulnerability to external economic shocks and weather events, over which they have little or no control. Of all the climate-related disasters in Latin America between 1930 and 2008, 73% struck Central America and the Caribbean.

Given their size and lack of major endowments of natural resources, the region's small economies are forced to turn to international markets to obtain the bulk of the goods and services they need for development.

For example, trade in Central America accounts for 82% of subregional GDP, while the average external tariff is just 6%. This makes Central America the most open subregion in Latin America and the Caribbean. Broad trade openness may have created a wealth of opportunities for progress and integration but it has also made Central America more vulnerable to external shocks. Many of these economies are facing structural deficits on their current accounts, largely because their development model is heavily weighted towards raw material imports. In addition, their domestic markets are limited, characterized by high income concentration and few actors. Most of these countries are net importers of food and energy, which can have a serious impact on production, employment and the living conditions of the most vulnerable groups, especially amid rising and volatile prices. Sharing experiences, such as yesterday's discussions at the National Forum on

Structural Change for Development, coordinated by Alex Segovia, Technical Secretary in the Office of the President of El Salvador, is crucial for consensus-building and for developing greater resilience to external shocks by means of agreed public policies that foster macroeconomic stability and microeconomic efficiency, and institutions for social protection and sound public and economic governance. One of the noteworthy examples of public administration in El Salvador is the large-scale “Ciudad Mujer” project launched by the Ministry of Social Development. Designed to promote women’s economic, political and physical autonomy, this project is based on an innovative approach and merits broad emulation.

ECLAC is the highest-level United Nations intergovernmental body in the region. Since its inception, the Commission has worked to support countries in generating ideas and thinking about Latin America and the Caribbean from the region itself, from the South, with the sole objective of achieving well-being and good living for all people, men, women and children, especially the most vulnerable, in this part of the world.

ECLAC has sought to maintain its pivotal role as an impartial, regional forum for promoting policy debate and advancing regional positions in global forums and in regional and interregional summits.

The Commission will report later today on the activities carried out by intergovernmental subsidiary bodies, such as the Statistical Conference of the Americas of ECLAC, the Regional Conference on Women in Latin America and the Caribbean, the ECLAC Ad Hoc Committee on Population and Development, the Caribbean Development and Cooperation Committee (CDCC) and the Committee of the Whole, for which ECLAC acts as technical secretariat. We will report on initiatives such as the Regional Dialogue on Broadband and the Mechanism for Regional Dialogue on Science, Technology and Innovation, as well as the progress made in sustainable development both before and after the United Nations Conference on Sustainable Development (Rio+20).

All these activities are complemented by the organization of forums, workshops, seminars, training courses and meetings of experts which facilitate the exchange of experiences and the

proposal of priorities for the technical cooperation provided to or by Member States in the various areas of regional development.

The creation of new organizations to promote integration and cooperation over the last decade is a major step towards achieving one of the Commission's most cherished dreams: regional integration. With that goal in mind, the Commission is collaborating closely with the new regional mechanisms, such as the Community of Latin American and Caribbean States (CELAC), the Union of South American Nations (UNASUR) and the Bolivarian Alliance for the Peoples of our America (ALBA), and is striving to strengthen cooperation with traditional mechanisms for regional and subregional integration, such as the Caribbean Community (CARICOM), the Latin American Integration Association (LAIA), the Southern Common Market (MERCOSUR) and the Central American Integration System (SICA). This regionalism will foster an integrated, more effective broadening of economic relations with other regions, such as Asia-Pacific.

Another way of ensuring the region's involvement in analysing overall priorities is through inter-agency and intergovernmental mechanisms. The Commission has participated in such mechanisms, preparing, for example, inter-agency reports on progress towards the Millennium Development Goals, heading the Regional Coordination Mechanism, organizing preparatory meetings for the United Nations Conference on Sustainable Development (Rio+20) or the International Conference on Financing for Development or providing support for the Programme of Action for the Sustainable Development of Small Island Developing States.

I venture to say that ECLAC is the major observatory of economic and social processes in the region. We record and study these processes meticulously and analyse them with a view to making public policy recommendations. Our corpus of knowledge is at your disposal: our researchers, our databases and the documents published on our website. We monitor the different aspects of development in the region in our annual flagship publications, including the *Preliminary Overview of the Economies of Latin America and the Caribbean*, *Social Panorama of Latin America*, *Economic Survey of Latin America and the Caribbean*, *Latin America and the*

Caribbean in the World Economy, Statistical Yearbook for Latin America and the Caribbean and Foreign Direct Investment in Latin America and the Caribbean.

At the previous session, held in Brasilia in 2010, ECLAC sent a clear message to the region. We asserted that the time for equality had come and that equality meant full entitlement to rights.

Two years on, we are pleased to see that our words on that occasion captured the clamour of Latin American and Caribbean societies for urgent measures to promote equality as the core value of development agendas.

Now is the time to convert words into action.

At this meeting we will be presenting our new position document entitled *Structural Change for Equality: An Integrated Approach to Development*. In it we suggest a path towards growth with equality and environmental sustainability.

Latin America and the Caribbean is still the region with the sharpest inequalities in the world, which implies that social issues are not resolved in the social sphere alone. Social policies are not enough to combat poverty and close the huge gaps that persist between the richest sectors in society and the poorest and to lift the region's poor —174 million people, no less than 30.4% of the population, of whom 73 million are indigent— out of poverty. In addition, many in the region hover just above the poverty line and are liable to slip back under it at any time in the event of external shocks, family tragedy or the loss of their primary source of income. Poverty and inequality conspire against development, against democracy and against well-being.

Accordingly, what ECLAC is proposing today is structural change for equality.

Placing equality at the centre means breaking away from the economic paradigm that has prevailed over the past three decades. This shift is in line with long pent-up demands from society that have rearranged the political map and shifted the focus towards rights-based, more universalist policies.

To speak of equality means spreading capacity-building, technological progress, ample job opportunities and universal access to social protection throughout the production structure and

weaving them into the very fabric of society. Employment with rights is key to overcoming inequality, closing gaps and mainstreaming perspectives of gender, ethnic and racial equity.

More than half of all jobs are in small and medium-sized enterprises (SMEs) and in formal and informal microenterprises, which are characterized by very low productivity. Low-productivity sectors account for 10.6% of GDP but 50.2% of employment. The region needs to create more high-quality jobs in its employment structure.

As the international economic order is being rebuilt, it is thus important to frame development from a broader angle and the perspective of a strong Latin American and Caribbean identity. The development agenda must be addressed from the standpoint of the countries that make up our region, from the periphery and rebelling against centralist thinking. As Prebisch said, concepts must serve action as part of a dialectical interplay between ideas and realities. What is not negotiable is that the market cannot dictate the values and objectives of society as a whole. And the profound injustice prevailing in the region must be fully tackled as a matter of urgency. This is the true ethical dilemma and it is affecting growth and political stability.

Today we are meeting in El Salvador, buoyed by a cautious ambition. We bring a proposal and an aim based on structural change for equality. This calls for making qualitative changes in the production structures of the countries in the region, to stimulate knowledge-intensive sectors that can tap dynamic domestic and external demand and thus generate productivity gains and more equitable redistribution schemes.

We propose a strategy for the region to break away from production structures centred on static comparative advantages and seek more dynamic comparative advantages in knowledge-intensive sectors with an emphasis on technological progress.

We have analysed how the emerging economies in Asia made a leap forward by building the share of technology-intensive sectors in production and exports. It was precisely this change that enabled Asia to grow at the steady rate it has enjoyed over the last few decades, and to combine that growth with lower levels of inequality.

Technological progress must be spread within the region as a means of diversifying the production structure and creating more quality jobs. We must seize the technology revolution as

a great opportunity to catch up, because until now we have taken only the opportunities it has offered us as consumers. To paraphrase an observation made in the early twentieth century by Chilean historian Francisco Antonio Encina, we are civilized in our consumption habits, but barbarians in our production capabilities. When we speak of structural change, we are referring to industrial policies to diversify the economy towards higher value added sectors. The aim is to generate production linkages and thereby distribute productivity gains better. We are talking about a proactive State working to stimulate synergies between macroeconomic policies and industrial and social policies. This means providing efficient support to small and medium-sized enterprises, taking a leap in research and development and tapping new technologies to foster clean production. It also means strengthening education and training.

The key is to coordinate short-term macroeconomic policies with long-term industrial policies and redistributive social policies.

On this path towards development, environmental sustainability cannot be neglected or relegated to second place and it will require inter-generational solidarity. Sustainability is a key pillar of structural change: it allows us to take ownership of the new paradigms of the technology revolution in production and of a new, sustainable pattern of sectoral diversification.

We must warn that structural change itself, by prioritizing certain sectors and activities, can lead to job losses in the short term. The State must therefore implement social policies to compensate for these social costs while promoting training in new skills for more dynamic sectors. Social policy must support this transition and actually contribute to it over the long term. On the one hand, it acts as a palliative. On the other, it promotes training and the incorporation of workers into the modern formal labour market, as a necessary investment for structural change.

We believe that there is no single model. The particular economic and institutional features of each country must be taken into account.

At ECLAC, we stress the need to build a new equation between State, market and society, with fiscal and social covenants to confer legitimacy on the process. The role of the State is indispensable—and a strong State needs an active citizenry.

Such an endeavour requires the return of the art of politics. Structural change is based on a long-term political decision which in our region, unlike in Asia, must be instituted through social covenants that meet the challenges of ensuring both continuity and fresh directions in democracy.

Structural change is the path, policy is the instrument and equality is the ultimate objective.

The structural change for equality proposed by ECLAC is neither a closed formula nor a one-size-fits-all action list. There are no universal models. What we are trying to do is to enrich the debate in order to take advantage of the turning point offered by this change of era. It is a long-term vision focused on the next generation, not the next election.

We firmly believe that our ideas, research, technical assistance, training and cooperation programmes make a contribution to enabling the people of the region to attain a better quality of life. That is our aim.

Today we begin our work together in a spirit of fruitful exchange.

I would like to conclude by encouraging you to draw inspiration from the enduring words of a Salvadoran of universal renown, a lawyer, ethnologist, essayist, narrator and poet. An inveterate traveller, born in humble circumstances in the neighbourhood of San José, only a short way from here, he once also inhabited the avenues of Santiago, Chile, and the gardens of the National Autonomous University of Mexico in Mexico City. These are his reflections from “The law of life”:

The tall, powerful tree begins in a tiny seed,

[...]

In the social struggle, the great rivers also

begin in small drops of water,

and grow as they wend their long way down to the sea.

In the social struggle too, from the seed

comes the fruit, the tree,

and the vast forest that the wind will make sing.

So let us take up the invitation of Roque Dalton and build together the tall, powerful tree of a fairer, kinder and more equal Latin America and the Caribbean.

Thank you.