

**Opening remarks by Alicia Bárcena, Executive Secretary of the United Nations Economic  
Commission for Latin America and the Caribbean,  
on the occasion of the 14th International Resource Panel Meeting  
Santiago, 28 May 2014**

It is a great honour to welcome you to the Economic Commission for Latin America and the Caribbean on the occasion of the 14th International Resource Panel and its Steering Committee under the auspices of the United Nations Environment Programme-UNEP.

It is especially significant since the decision to hold this Panel of Experts in our region is a source of tremendous pride and the occasion to renew our sense of commitment and our immense responsibility in relation to sustainable development.

I should like to express our appreciation to the Government of Chile, represented by the Vice Minister of the Environment, Mr. Marcelo Mena.

A very warm welcome to the co-chairs of the IRP, Ashok Khosla, very close friend since long time ago; to Ernst Ulrich von Weizsacker, a long-career academic on this very topic and to Tim Kasten Deputy Director of UNEP Division of Technology, Industry and Economics.

I also welcome the Members of the International Resource Panel and its Steering Committee, in particular would like to mention de dear colleague that worked here at ECLAC, Gilberto Gallopin.

Dear friends:

Since its inception, ECLAC has always pursued the idea of formulating our own thinking on development by constructing a truly regional outlook, a vibrant, critical thinking, which has challenged and renewed itself in relation to concepts such as the centre-periphery, the empty box, productive heterogeneity, styles of development, endogenous development, genuine competitiveness, the fiscal covenant and the most recent trilogy of equality.

At ECLAC we are currently working on a trilogy of equality. Why time for equality? Starting from the fact that LAC is the most unequal region of the world.

ECLAC has focused since 2008 on inequality elaborated in 3 documents: Time for Equality (2010); Structural change for equality (2012) and Compacts for Equality (2014) we confirm our deep belief that equality is the goal, structural change is the path, and politics and policymaking are the key instruments by which they can be achieved.

Placing equality at the heart of the agenda means breaking the economic paradigm that has prevailed in the region for at least three decades. But a look at the reality of our continent makes this a moral imperative. We proposed that the time for equality has arrived, and that

this equality be understood as the full entitlement to rights. We argue that equality must be the overarching normative ethical principle and the ultimate objective of development. This is no easy path, but taking it can no longer be postponed.

Instilling equality will require structural change aimed at closing critical social and production gaps and achieving compatibility between the economy, production, social dimensions and environmental sustainability.

Structural change entails confronting the challenge of diffusing capacity-building, technological progress, job opportunities and access to social benefits and safety nets throughout the production structure and the fabric of society.

This means making qualitative changes to the production structure of the region's countries, in order to strengthen knowledge-intensive sectors in which domestic and external demand are expanding rapidly, thereby delivering productivity gains with more and better jobs. The region needs to move away from production structures centered on static comparative advantages and towards dynamic comparative advantages with greater knowledge intensity and technological progress. Poverty cannot be defeated solely with social policies, however necessary they may be. The only solution for the employment problem is structural change in which the unemployed or underemployed find higher-quality jobs.

The last part of the trilogy discusses how it can be possible to achieve greater equality while ensuring environmental sustainability for future generations through social compacts with a long-term vision.

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The first thing is to reverse the trend towards an economy reliant on primary exports, as is the case especially in South America. High commodity prices, while generating substantial profits, also have an impact on the production network by concentrating production and causing the currency to appreciate. We must consider how best to administer the financial resources obtained and how to invest in the creation of other forms of capital: physical, human and technological capital. There is no virtue in having a superlative export performance if our profits are not distributed to the rest of society and if that production and those productivity gains are made, as Fajnzylber would say, at the expense of our natural resources and at the expense of the workers, that is, on the basis of spurious competitiveness.

A challenge of this region is how to achieve gains in productivity beyond the two or three successful export-led commodity sectors and move towards the transfer of the workforce from subsistence and informal sectors to those with higher productivity. Several studies have shown that generating employment in high-productivity sectors is a form of attaining more productivity growth and more equality at the same time, a point that Prebisch stressed in his pioneer work (Prebisch, 1949).

For this, we need productive and technological convergence with the developed world and within our economies. Development is not just a problem of terms of trade; rather, is the challenge of closing the technology, productivity and income gaps that exist in the international and domestic economies. Of course, the abundance of natural resources can help in this process. But if instability and high prices jeopardize investment in technology-intensive activities, they sound very much like a natural resource curse.

Today we are compelled by our conviction and the urgent need to move forward more rapidly and decisively, to redirect our approach to development and bring about the more far-reaching structural changes that are needed following the collapse of the self-regulating market model. And in doing this we must be mindful of the boundaries of our planet and the natural resource-base.

Social equality, environmental sustainability and economic strength with an emphasis on innovation are not mutually exclusive; the major challenge is to find synergies between them.

We propose a strategic vision underpinned by three basic tenets: growth for equality, equality for growth, and environmentally sustainable growth and equality. This requires a far-reaching technological change with an impact on production patterns, which closes structural gaps, boosts human capacity and mobilizes active State policies. This will mean acting in solidarity with future generations, who will be living in a more uncertain scenario and with a more acute scarcity of natural resources.

It also means calling for the far-reaching global deals and agreements that will ensure that the burden of the higher costs for this change does not fall on the poor or on the most vulnerable countries.

Patterns of production and consumption must be changed in a context of shared prosperity. This proposal must be expressed in a renewed partnership for sustainable development which reconciles the commitment of the economy vis-à-vis the environment with the eradication of poverty and inequality by switching to production patterns that generate quality jobs. But we know and this is the task of the panel that development, as we have experienced it, has reached this break-point and the financial crisis, the food crisis, the energy crisis have called into question the neoliberal production and economic paradigm that has held sway over the past decades.

This is why the International Resource Panel can provide authoritative scientific assessments on the way resources are extracted and used, contributing to better knowledge on how to decouple human development and economic growth from environmental degradation. Our region is facing difficult challenges ahead.

In this region however, after decades of dismantling, our States are ill-prepared to regulate the economy, to lead technological change, to guarantee well-being, to close production and social gaps and to advance in the area of environmental sustainability.

In our trilogy, we describe the crossroads that the Latin American and Caribbean region now faces. Throughout its recent history, the region has been moving along an unsustainable development path that is associated with lagging growth and sharp inequalities, and has made very little headway in bringing about desirable structural change.

The region has made considerable social progress by getting more than 57 million people out of extreme poverty in the past two decades. But still continues to be the most unequal region of the planet.

Exogenous and endogenous factors are at the heart of this situation.

The limits are drawn by a combination of external constraints and endogenous features. External constraints include slowing international trade, fluctuating commodity prices, volatile financial signals and the reordering of production into transnational value chains in which the countries of the region run the risk, once more, of missing an opportunity to gain a less asymmetric position.

The endogenous problems include, as we know, the region's heterogeneous production structure, the low levels of investment with little embedded technological progress, the high degree of informality in the labour market, welfare and capacity gaps, its heavy dependence on primary goods and weak natural resource governance to regulate, capture and allocate resources. Our consumption patterns are more demanding and reflect major deficiencies in the provision of good quality public services and place great pressure on extractive industries and the environment.

Our document points to the need of developing a virtuous circle of better institutions and structures more suited to sustainable development and social equality which, undoubtedly requires collective accords or social compacts in various spheres. Only policies enshrined in such compacts can provide a robust framework for medium and long term lines of action: a compact for investment and structural change; a fiscal compact for striking a better balance between private goods and public services in pursuit of well-being; a compact for natural resources governance and environmental preservation, with an emphasis on solidarity with future generations in a more diversified, environmentally-friendly production matrix; and a social and labour compact to build the State's redistributive capacity and ensure that labour institutions keep pace with structural change to close gaps in gender, output, quality employment and the division of benefits between capital and labour.

One of the main topics addressed in our document is the assessment of the sustainability problems associated with the prevailing consumption patterns and their negative externalities, such as waste generation, air pollution, environmental destruction and greater exploitation of renewable and non-renewable natural resources. The long-run growth trend in income means that the relative importance of food as an item of expenditure will decline over time, expanding the opportunities for the consumption of other goods and services. These new consumption opportunities will be decisive when it comes to defining sustainable

consumption options. The region faces deepening private consumption patterns that are environmentally problematic: automobiles and gasoline, and durable goods associated with energy consumption and the generation of solid and hazardous waste challenges.

A case in point is the preeminence of private transportation in the structure of spending among the two top quintiles. This structure of consumption often has a strong environmental impact that causes major negative externalities in the form of urban congestion and pollution. The region's energy consumption, like its gasoline consumption, is highly income-elastic but fairly price-inelastic compared with other regions. Looking ahead, economic growth in Latin America and the Caribbean is expected to drive a sustained rise in energy and gasoline consumption, which will be hard to control even with price mechanisms. This has negative implications for air pollution and health in urban areas and will contribute to the carbon dioxide emissions that lead to climate change. A second trend is the increasing presence of environmental conflicts linked to extractive industries.

Against this backdrop, we believe that the regulatory role of the State is fundamental, and efforts must be made to find alternatives to the existing consumption patterns and modalities of supply of public goods and services. If extraction and consumption produce problematic externalities in terms of environmental sustainability, then the interplay between structures, the fiscal compact and the institutions is especially crucial in relation to natural resources.

We know that the economies of Latin America and the Caribbean are strongly dependant on their natural resources. The boom in international demand for primary goods (minerals, hydrocarbons, soybean and other agricultural commodities) has been instrumental in strengthening the macroeconomic performance and fiscal position of the region's exporting countries since 2003.

For instance, over 80% of large exporters in the region are linked to the exploitation and processing of natural resources. Also, although there are differences within the region, the share of primary sector products and their manufactures increased in the total value of exports from Latin America and the Caribbean from 45% to 57% between 2000 and 2010.

Also, between 1990 and 2010, Latin America and the Caribbean (UNASUR, Mexico, Central America and the Caribbean) saw a growing share of global output of gold (up from 10.3% to 19.2%), molybdenum ore (up from 15.8% to 31.8%) and copper ore (up from 24.9% to 45.4%); almost double in these three cases. The region's output of refined copper also increased, but to a lesser extent (from 15.7% to 21.9%). These examples show how our economies are tightly linked to our natural resources.

The region cannot ignore its wealth of natural resources but it must be alert to the risks and problems associated with natural-resource-intensive production, which could be, if mismanaged, a potential hindrance to sustainable development. These risks include local currency appreciation, which lowers the price of imported goods (Dutch disease) to the detriment of national industry; the temptation of a rentiers approach, which discourages the

implementation of industrial policies to expand the country's productive and technological base; and the risks associated with managing considerable government revenues under weak institutional conditions with little transparency and social oversight. The intensive exploitation of natural resources has also led to increasing environmental, social and ethnic conflicts around the extractive industries located on or near indigenous lands.

Compacts are urgently needed to ensure that the State collects a more progressive share of the revenues generated from natural resource exploitation, particularly during high price cycles such as in the past decade. This may involve internal economic policy changes and/or greater coordination between the region's countries on how investment in these sectors is handled to prevent detrimental tax competition that reduces the margin available to States to capture a percentage of the wealth generated from the exploitation of their resources. Another crucial step will be to develop institutional mechanisms that ensure efficient public investment of natural resource revenues, channeling these funds into specific investments to build capacity (education and health), infrastructure and technological innovation and development under a soft sustainability approach.

Effort must be made to develop the institutional capacity needed for public management of the socio-environmental conflicts arising from the development of natural resource sectors. Finally, beyond governance of natural-resource revenues, there is still a need to develop a State policy and strategic vision for long-term production diversification and structural change to shift economies away from overreliance on the extractive sectors.

Sustainable and socially inclusive development based on natural resource extraction sectors must go hand-in-hand with proper governance of natural resources to address the many long-term fiscal, regulatory, macroeconomic, public investment and other challenges that countries must overcome to achieve the desired virtuous path.

Proper governance of natural resource sectors is crucial. We are talking about the property, the means of appropriation and the redistribution mechanisms.

It is reflected in the effective capacity of the State to take the political action needed to ensure that natural resources are used in a way that contributes effectively to inclusive economic development, generating production linkages with the rest of the domestic economy, driving the development of appropriate infrastructure to avoid enclaves of natural resource-based exports and combining the growth of these sectors with safeguards for the environment and the rights of peoples and communities, among other goals.

Natural resource governance operates through a set of formal institutions and sovereign policies that determine how ownership of resources —and control and distribution of the rents from their usage — is managed. Governance also includes the proper working of mechanisms and instruments (such as stabilization funds, saving, and investment and macrofiscal rules) that countries establish in order to ensure the creation of new renewable wealth, the efficient public investment of these rents in keeping with long-term fiscal stability

and in order to prevent the negative macroeconomic impacts of volatile commodity price cycles and associated foreign currency flows. Proper governance of natural resources must also address public management and the resolution of social and environmental conflicts that inevitably arise from large-scale exploitation projects in these sectors.

Advancing towards a new governance of natural resources that effectively contributes to the structural change for equality advocated by ECLAC is one of the greatest challenges facing the region. This involves a shift in the existing paradigm for natural resources governance.

Therefore, we believe that a regional compact for natural resource governance is particularly important. This requires an institutional framework for regulation, ownership and revenue collection that can harness revenue generated during upswings in the natural resources markets to promote greater production diversification, additional investment in innovation and development and funds to build capacity and improve access to a range of services. A global compact for a post-2015 development agenda, a current topic of discussion in the international community, includes sustainable consumption and production patterns. We also expect synergies at the global level.

In sum, our document aims to provide the countries with a development vision that will help them choose the right path at the current crossroads, at which external cyclical constraints and lags in internal structures pose real challenges to sustainability and equality. There is a need to take a long-term sustainable approach to development that advances towards greater equality is a lasting endeavour, but one that begins today.

The structural trends that are evident today are significant and as to signal the genuine change of an era: climate change; technological change, particularly in ICTs, which are creating a different society; and cultural change (including transparency for both the markets and society), inasmuch as deregulation or self-regulation can be harmful and dangerous when projected onto certain areas of our lives. A sustainable system should provide the means to strengthen regulation in target areas, precisely because the lack of oversight is likely to lead to global crises, be they economic, production, environmental or security-related.

A historic opportunity now exists to make every effort to build a model that fosters greater collective awareness of the boundaries of our planet and the scarcity of global public goods. We need policies with a long-term vision in order to remain one step ahead, taking into account different technological, demographic and cultural scenarios.

That is the message transmitted here and our shared concern with you the IRP.

We wish you a very fruitful session and a wonderful stay.

Many thanks.