

Welcome remarks by Antonio Prado, Deputy Executive Secretary of the Economic Commission for Latin America and the Caribbean (ECLAC)

FORUM ON THE FUTURE OF THE CARIBBEAN

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Excellencies, academic staff, ladies and gentlemen,

This is my first time in the Caribbean and it is a pleasure to be in Port of Spain and especially at the celebrated University of the West Indies, St. Augustine Campus.

Today, the Caribbean, like Latin America, is facing a future fraught with challenges and uncertainty. It is unclear whether the models and strategies that have delivered improved living standards in the past will be able to continue doing so. Across the region, leaders of government, business and other institutions have been tweaking these models to adjust to a hypercompetitive world whose economic and geopolitical epicentre is shifting by degrees from the North Atlantic and Europe to the East. Among the other big tectonic shifts are the commitment of Member States in the

United Nations to the sustainable development goals (SDGs) and the new architecture that may emerge on financing for development as a result of the Third International Conference in Addis Ababa; and, of course, new commitments to addressing climate change at the United Nations Climate Change Conference (COP 21) in Paris. In light of these considerations, small adjustments designed not to rock the boat too much will arguably not be enough to address a challenging future. In the words of Luke Williams, in his book on disruptive thinking, the Caribbean needs a “disruptive approach for a disruptive age”.

There is no doubt that, in order to make further progress towards inclusive growth with equality, the countries in our region need to strengthen their capacity for economic growth. However, a true paradigm change is also needed in education, as a complement to our values, our societies, our competencies and the promotion of economic and social innovation.

Acquiring knowledge and updating skills is an ongoing process and should be guided by the goal of social inclusion. This process will help us tackle the

challenges presented by modern society, in which vast arrays of new stakeholders have come to the fore. Focusing our efforts in this direction will enable us to exploit the windows of opportunity that present themselves when human talent is transformed into a driver of the knowledge society.

In our vision, capacity building should concentrate on human development that makes change and freedom possible and ensures that individuals become active participants in their social environment, while also giving due consideration to economic growth based on greater investment, productivity and competitiveness. This means recognizing the value of scientific and technological activities, which are an important aspect of the work undertaken at our universities, and strengthening them. This will be a difficult and lengthy task in our region, and our economies will need to diversify production in a process of virtuous structural change if it is to be fully realized.

The revolution in education will require progress on two fronts: a dramatic improvement in quality, in order to be able to meet the demands of today's technological revolution; and the design and implementation of mechanisms that will facilitate universal access to an education that reinforces students' values and enables them to earn sufficient income for a life of dignity, productivity and social solidarity.

The pace of technological change is imposing new modes of employment, and accordingly, of education and capacity development. The traditional paradigm of one stable job is already being replaced by that of a variety of jobs, of intermediate duration. Workers will not automatically acquire the necessary flexibility or learn it within their family environments. Schools will train people to adapt rapidly to new conditions and specialisms in the workplace. Schools will also heighten people's awareness so they can understand and take action in response to new processes, products and tools.

Given the urgency with which this must be addressed, the current situation in our region, while varying widely, is a cause for concern. The number of years of schooling continues to be lower than in developed economies, and considering that quality and results are often also of a lower standard, the gap widens further. Thus, the efforts of the past two decades to extend and improve education coverage and quality at all levels must continue. The poor, women and the rural population face even greater challenges in these areas.

These efforts must be accompanied by an unwavering commitment to innovation. An environment that fosters innovation is essential if we are to improve education and promote the most suitable labour-market skills for boosting competitiveness, increasing productivity and promoting production diversification, all of which will contribute to structural change. Among other factors, such change also requires institution building within social protection systems, as these act as safety nets and protect members

against risk. We hope that this meeting serves as an opportunity to debate the points made herein.

The countries of Latin America and the Caribbean are at a crossroads in terms of their future growth and distribution capacity. The so-called commodity price supercycle is showing signs of weakening. Though prices remain high, demand is slowing and the prices of agricultural and mineral products are sliding. The region, which benefited from the commodity boom (albeit with considerable variation from one country to the next), is now suffering the impact of less favorable external conditions. These conditions are threatening a growth phase that began in the mid-2000s in most countries (especially those with mining sectors) and has continued nearly unabated, with just a brief interruption in 2008 when the global financial crisis hit.

To sustain the social and economic progress that has been made and successfully meet challenges as they arise, capacity must be strengthened in the region's countries. Looking ahead, swift and sizeable productivity

gains, as well as production diversification beyond commodities, will be needed – developments that will not occur spontaneously. Investment in basic and higher education, science and technology and technical capacity for production will be indispensable to usher in a new era of growth with greater equality in Latin America and the Caribbean. Production diversification and capacity-building must be accompanied by intensified and equitable efforts to bring education to marginalized sectors.

For our region, on the macroeconomic front, a downward growth trend has converged with sharper current account imbalances and tighter fiscal space to create less favourable conditions than in previous years, with negative implications for the labour market and for any prospects of increasing social spending as a tool to reduce inequality. Thus, efforts to provide stimulus for education and support for technology policy, with a focus on enhanced productivity and competitiveness, are acquiring a singular urgency.

There are two crosscutting aspects of education and development that should be analysed together. First, the supply of labour with a higher level of education should be expanded: an economy that bets on production diversification into more knowledge-intensive sectors must have a supply of workers who are better qualified to perform increasingly complex tasks. Otherwise, it exposes itself to two types of negative effects: emerging constraints on growth due to the scarcity of a production factor, and rising inequality among workers, inasmuch as the wages of the more educated will climb faster than those of the less educated. Second, there has to be a parallel increase in demand for skilled workers. It does no good to increase the pool of educated workers if the country offers no activities to engage them. In that scenario, workers will either emigrate or will be underused in simple activities. Education and training must go hand in hand with structural change in order to have a significant impact on the economy.

The region should expand the supply of quality education and use it as an effective instrument for achieving equality. Education levels in Latin

America and the Caribbean are limiting the region's ability to diversify into more complex production processes. Access to education in the region is highly unequal and breaks along income and socioeconomic lines, which means that education is perpetuating inequality and low productivity.

Developing more diversified and sophisticated competencies is essential. Developing competencies at various levels—in companies and also within the institutional environment that coordinates and spurs innovation and the production structure—is an item of unfinished business for Latin America and the Caribbean. The region has moved forward on many fronts over the last decade, from macro stability to the reduction of poverty and inequality, but it will be impossible to lock in these advances, in open economies, until parallel progress is made on other fronts to increase productivity, create quality jobs and reduce informality. Developing competencies is key to this endeavour.

In general, the region continues to have very low levels of investment in innovation, although varying degrees of commitment to science,

technology and innovation have been identified. A major problem affecting Latin America and the Caribbean —and one that is linked to its low productivity— are the low levels of innovation capital and its composition, which is very light on the most creative activities associated with research and development (R&D). The institutional structure is also weak and has failed to significantly increase spending on R&D, especially spending by the private sector.

In comparative terms, investment in R&D has been much more robust in other regions, such as Asia. Although there is some learning potential around foreign direct investment (FDI), that option requires us to link investment flows with structural change and innovation policies. The available data suggest that although there was a positive FDI trend in R&D projects over the past decade, it has not been consolidated.

In order to disseminate best practices, active policies and coordinating institutions in science and technology are needed to help overcome the traps of limited achievement and low productivity. There are still strong

asymmetries in productivity between companies and sectors. Industrial policy over the next several decades must be built on the accumulation of competencies in new technologies and a focus on innovation that is oriented towards sustainability, broadly defined as economic, social and environmental.

Having competencies, or not, in new technologies determines who will be competitive, in which sectors, and who will have, or not have, a place in the international division of work in the future. At the same time, the direction of innovation matters. There are rigidities and obstacles to technological change, but there is no genetic code that determines a priori how it will be used and what its impact on society will be. It is up to institutions —through policies and changes in the rules of behaviour and sociability— to create incentives to ensure that technological change processes make environmental considerations and social inclusion a priority. Both aspects can complement greater competitiveness. Steps

should be taken to avoid the risk of the region becoming a mere importer of more environmentally friendly technologies.

Homegrown competencies must be developed to prepare the region for the technological revolution, not only as a consumer but also as a producer of green technology.

I am aware that the University of the West Indies has been endeavouring to tackle some of these challenges. For instance, the Cocoa Research Centre, here in Trinidad and Tobago, has one of the largest gene banks for cocoa in the world and is doing exciting research, which could lay the foundation for a gourmet chocolate industry here. Also, the University of the West Indies at Mona is collaborating with GenCanna Global Inc, a United States, firm to pursue its pioneering research into medical uses for marijuana.

Nevertheless, the University cannot do it alone; its work must be complemented by that of development institutions and think tanks, such as ECLAC. Over the decades, ECLAC has always sought to contribute to

development thinking in the region. Indeed, Raúl Prebisch was one of the leading disruptive thinkers of his era. In recent years, the global crisis has provided us with an opportunity to rethink our approach to development. As a result, ECLAC has produced a trilogy of documents centred on equality: *Time for Equality: Closing Gaps, Opening Trails*; *Structural Change for Equality: An Integrated Approach to Development*; and *Compacts for Equality: Towards a Sustainable Future*. These three pieces of research highlight the critical role of equality in creating fairer and more just societies. Nevertheless, they are guided by a pragmatism that recognizes that growth and structural change are central to creating a larger economic pie that can be more equitably distributed. In this three-pronged model, “equality is the aim, structural change is the path and policy is the means”. The broad goal is to combine policies and institutions in such a way as to create a virtuous cycle that leads to growth with equality.

At its heart, the trilogy proposes a bold strategy to achieve sustainable, high quality economic growth. Its key pillar is structural change, which

continuously upgrades traditional sectors and creates new competitive sectors that capture and sustain market share in global value chains. This, however, is no easy task. It demands a clear industrial policy comprising investment in education and skills training, productivity improvements in sectors such as tourism and light manufacturing, R&D in new products, and a culture of readiness for technological change and innovation.

The reality is that the Caribbean urgently needs to lift growth to around 3.5%-4% from the weak 1.9% that has been achieved over the past decade, in order to improve living standards in the region. The region would thus need to raise the productivity of its weakest firms to that of its strongest at the domestic level and to bring the productivity of its export sectors much closer to international benchmarks.

However, the region would do well to reinforce the virtuous links between growth and equality. Equality should be facilitated by universal access to basic social protection, the use of more targeted measures such as conditional cash transfers, incentives for self-employment to reduce the

burden on highly indebted governments, and more equitable access to capacity-building instruments such as education, health and infrastructure services, including information and communication technologies (ICTs). The equality gains that will result from these measures will also strengthen growth by boosting domestic demand.

To achieve equitable growth in an environmentally sustainable manner, the Caribbean will need to tackle some critical challenges. The first urgent challenge is its high and unsustainable levels of public debt. Debt in the region averages around 64% of GDP and exceeds 80% of GDP in a number of countries, while debt service equates to 24.5% of revenue and 9% of goods and services exports, making this one of the most debt-constrained regions in the world. High debt levels are compounded by weak export competitiveness, which has resulted from a failure to keep pace with technology, product and service quality, and market demand trends in leading sectors such as tourism, and from limited downstream activity in the mineral sectors. Indeed, the current competitiveness challenge has

resulted from the Caribbean's failure to invest sufficiently in R&D and technological innovation, especially in ICTs and science, technology, engineering and math (STEM) training to develop new products and services that could enter global value chains.

Climate change and the risks posed by natural disasters are also important concerns for the region. The costs of adaptation and risk mitigation will be high and the region needs to mainstream these costs in its development programmes. Furthermore, there is a need to invest in creating a green economy, since this is likely to be an important aspect of economies' competitive advantage in the future.

The Caribbean also needs to better leverage ICTs and statistics, including big data, to further its development. Particular attention should be paid to developing ICT-based services and using ICTs to improve service delivery efficiency in key sectors. This should be complemented by strengthened data collection and management, including the collection of environmental statistics.

Nevertheless, countries are unlikely to succeed on their own. Regional integration and cooperation at the Caribbean Community (CARICOM) and the wider hemispheric level are critical to building regional and global value chains, which are the new vehicle for export expansion. Opportunities for greater interconnectedness and collaboration with countries in Latin America offer new vehicles for production integration. The time is ripe for a revival of CARICOM integration as a platform for intensifying links with Latin America in trade, technical and cultural cooperation. This could help the Caribbean scale up resources for its development.

The task ahead is challenging, and I urge this Forum to come up with workable solutions that will further the region's development.

Thank you.

