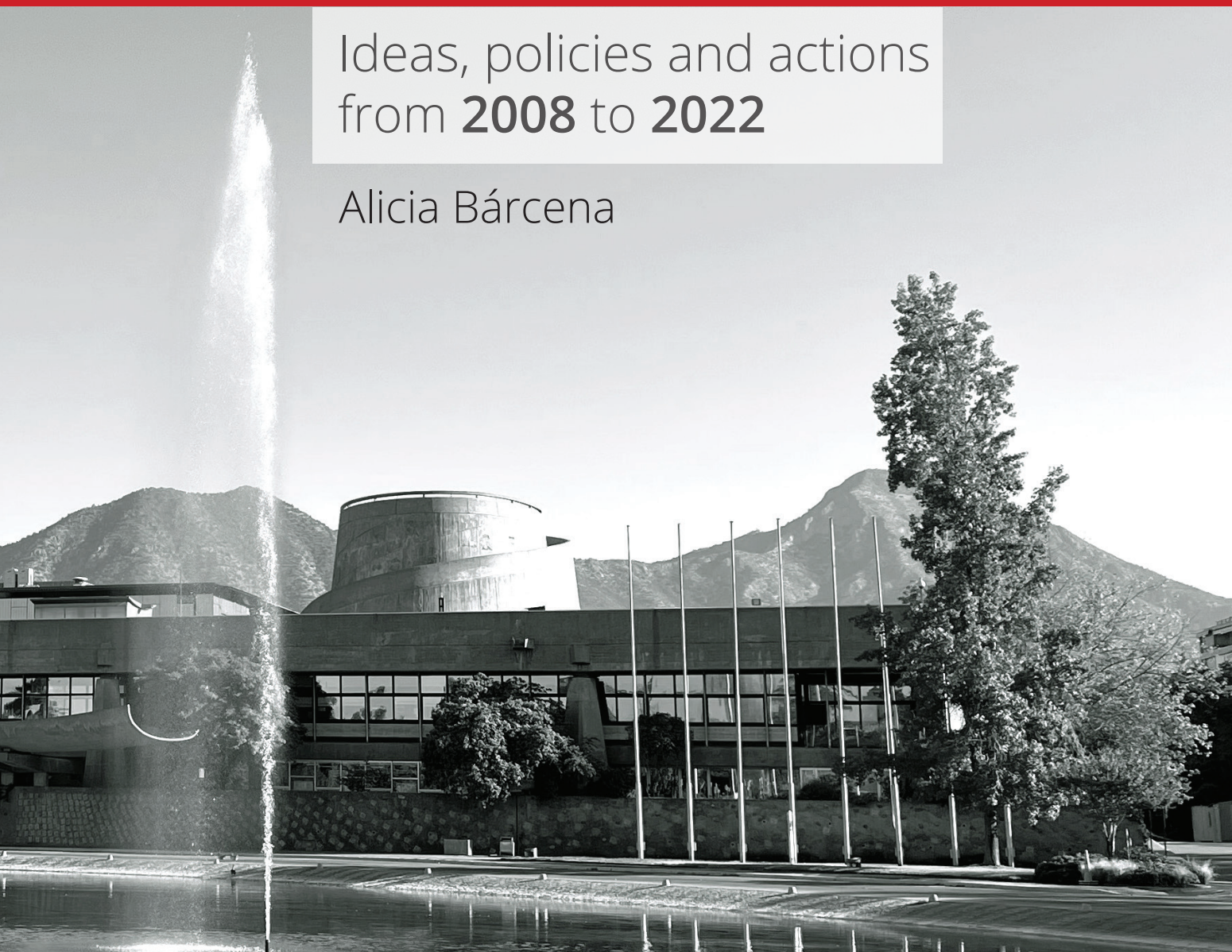


# Equality at the heart of **ECLAC** thinking

Ideas, policies and actions  
from **2008** to **2022**

Alicia Bárcena



UNITED NATIONS

**ECLAC**



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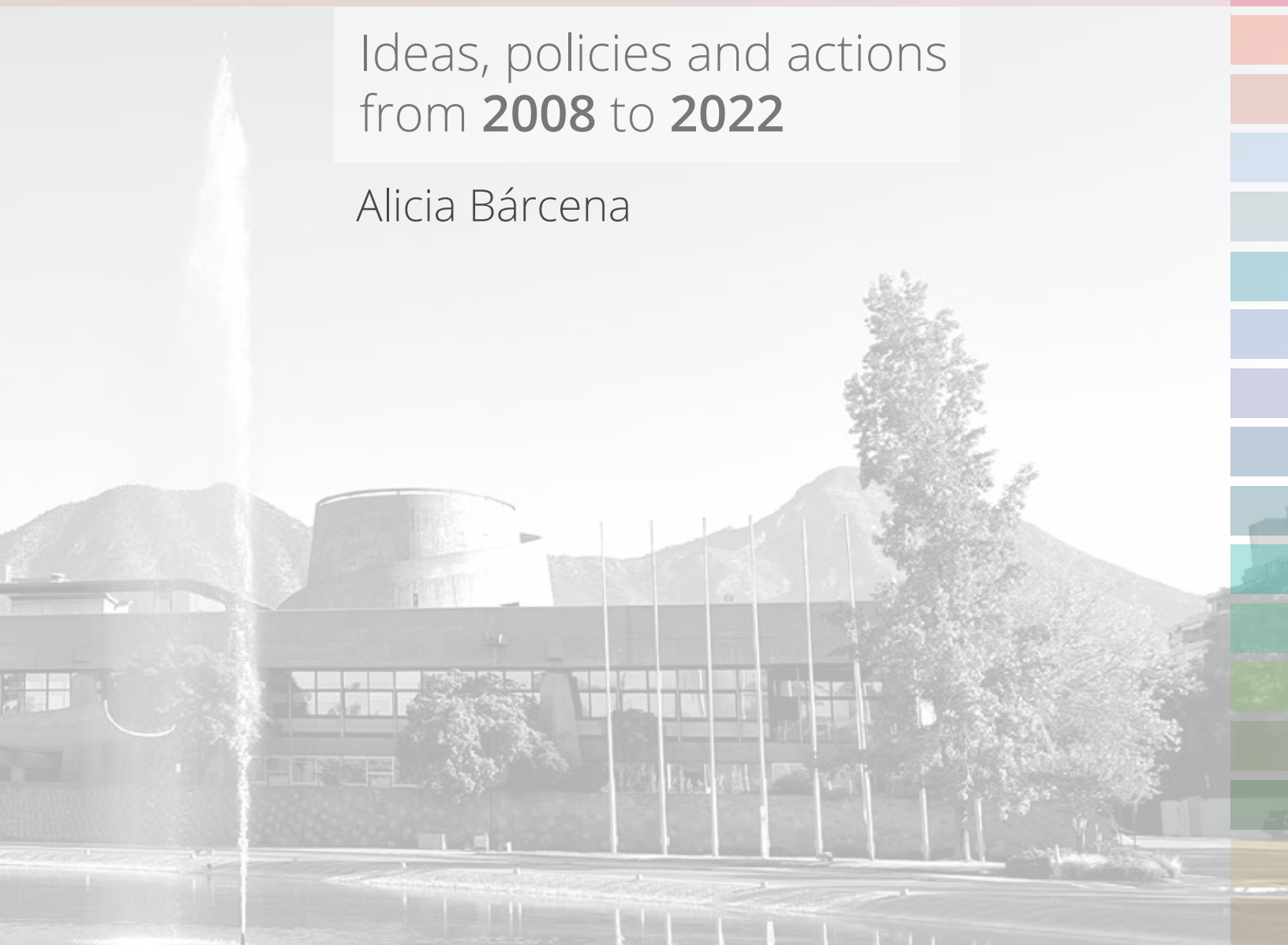
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## A. Time for equality

When the Economic Commission for Latin America and the Caribbean (ECLAC) published *Time for Equality: Closing Gaps, Opening Trails*, the document presented at its thirty-third session in 2010, the issue of equality was far from occupying the prominent place in regional and international discussions that it enjoys today. In fact, it was still heavily weighed down by the strong ideological preconception expressed with great clarity by Lucas (2004): “Of the tendencies that are harmful to sound economics, the most seductive, and in my opinion the most poisonous, is to focus on questions of distribution”.

It was a time when public policy textbooks held that one of the main challenges facing policymakers was to strike the right balance between the competing forces of efficiency and equality (what Okun (1975) called “the big trade-off”). The landmark books by Piketty (2013) and Bowles (2012) were still in the future. The more orthodox analysts remained oblivious to the growing empirical evidence—identified by Cornia and Court (2001), among others—that challenged the conventional assumption of a trade-off between equality and efficiency. In short: bringing inequality to the heart of the development debate was, in 2010, a risky proposition.

At the same time, it was very much in keeping with ECLAC approach to economics. ECLAC has a long intellectual tradition of questioning models that claim to be timeless and universal but are based on assumptions that have scant connection to the region’s reality, history and political, economic and cultural structures. Hirschman (1981) wrote most persuasively about the need for economic science to take those specificities on board and to adopt an open, pluralistic view of the diversity of economic development experiences.

The message of the pioneers of development theory was not to shut themselves off from the ideas of the world, but rather to reflect and build on them through empirical data, including the rich body of economic history studies.<sup>1</sup> The message was to take those data, the stylized facts, as a starting point for the analytical work. This is a key methodological lesson that Arthur Conan Doyle’s immortal Sherlock Holmes warned of in “A Scandal in Bohemia” in 1891: “It is a capital mistake to theorize before one has data. Insensibly one begins to twist facts to suit theories, instead of theories to suit facts”.

This paper begins with a very summarized presentation of some stylized facts that an analysis relevant to our region should be able to explain; and it continues with an explanation of why inequality was chosen as an analytical and policy pillar and a discussion of some of its manifestations internationally and within countries. It identifies profound asymmetries, which are seen at the international level in a persistent and expanding centre-periphery dynamic, and at the national level in the presence of structural heterogeneity and high poverty rates, the product of interactions between the region’s forms of international market participation, its productive structures and political power that combine to create a trap of inequality and inefficiency. Power and institutions, intertwined with lagging productive structures, have been central themes in ECLAC analyses since 2008.

It is in that context and from that perspective that equality must be seen as a pillar for analysing the problems of Latin American development. It was not chosen arbitrarily, but rather on the basis of the best data available and the region’s painful history. The decision to place equality at the heart of development was the result of carefully considering many decades of reflection and accumulated knowledge about development problems in Latin America and the Caribbean. That choice has been confirmed by the ever-rising importance of equality in discussions of the topic and by its central place in the 2030 Agenda for Sustainable Development and its Sustainable Development Goals (SDGs). The approach is also a response to the SDGs and an indication of the Commission’s commitment to them. The international community, through an open process and in consultation with governments and civil society, proposed the SDGs as a lodestar for

<sup>1</sup> Celso Furtado (1968) quotes Juan Ramón Jiménez in the introduction to his *Teoría y política del desarrollo económico*: “A foot in the homeland of happenstance or choice; a heart and head in the air of the world”.

international cooperation policies and for development policies in individual countries. ECLAC has embraced these ambitious objectives, and our focus has been to propose ways to advance towards the SDGs based on a careful and detailed analysis of our specificities and the barriers hindering that progress (ECLAC, 2016). Thus, we have resolutely supported actions to crystallize and monitor progress in that direction, complementing the efforts of the region's countries through institutional mechanisms such as the Forum of the Countries of Latin America and the Caribbean on Sustainable Development and the regional follow-up on the implementation of the 2030 Agenda.

Last but not least, the commitment to place equality at the forefront enabled the forging of a fluid dialogue with ideas that ECLAC had been formulating for many decades and the construction of new perspectives based on them. That continuity of reflection is rooted in a tradition that is not only theoretical but also ethical and political: one that understands democracy and civil, economic and political rights as inherent to the very concept of development. Distributive issues have always been very much present in the Commission's documents, as has been concern for their impact on policy dynamics; this may be seen in the contributions of Medina Echavarría (1964), Cardoso and Faletto (1969), Fajnzylber (1983) and Prebisch's last book, published in 1981. We have sought to recover and strengthen this tradition of thought, in which economics and policymaking evolve together and economic structures and policy dynamics mutually shape each other.

## B. Asymmetries in the centre-periphery system

There are three key stylized facts that the analysis must address. The first is the reality that Latin America and the Caribbean lags behind the rest of the world in technology and productivity. The second is the region's pronounced inequality, at the national and international levels: not only in income distribution, but also from a multidimensional perspective, including territory, gender, ethnicity and race. The third is its environmental asymmetries: that is, the difference between the proportion in which each country contributes to environmental destruction and the extent to which it suffers from the impacts. Each of these asymmetries is a barrier to achieving the SDGs: it is therefore necessary to understand them and propose policies to overcome them.

### 1. Negative externalities in an asymmetric global system

In dealing with the issue of international asymmetries, reducing the technology gap between the centre and the periphery —and, with it, the per capita income gap— is a key component of development strategy. In a world where the technological frontier is expanding rapidly, the risk of falling into the Red Queen's paradox (the need to run faster just to stay in the same place) is very present. These differences must be reduced over time; otherwise, attaining what Fajnzylber called "genuine competitiveness" —an international presence based on innovation and technical progress— will be impossible (see Torres Olivos, 2006). Without that, the periphery's productive structure will be condemned to specialization in low-technology commodities and will be unable to diversify or to penetrate the most dynamic world markets.

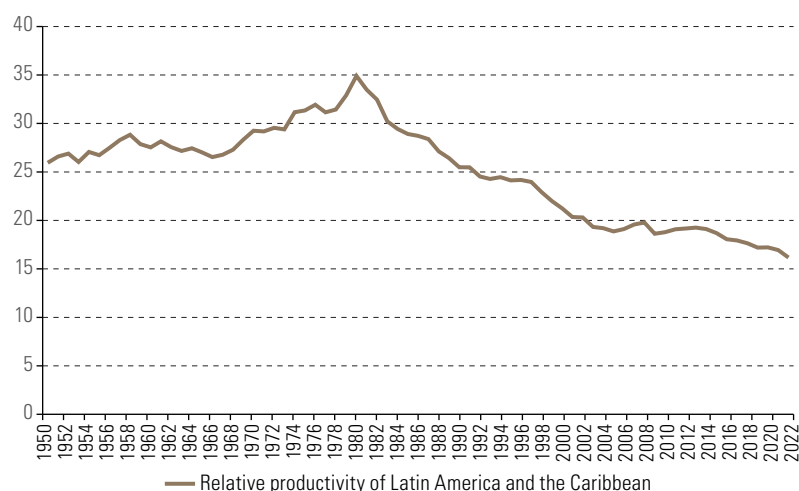
Figure 1 depicts labour productivity in Latin America and the Caribbean compared to the United States, showing that it has fallen sharply, particularly since the 1980s. Insofar as this productivity is a reflection of the technological capabilities of one region and the other and the type of goods they produce, the figure clearly indicates technological and productive asymmetries that reproduce and even widen over time.



**Figure 1**

Latin America and the Caribbean: labour productivity compared to that of the United States, 1950–2022<sup>a</sup>

(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of statistics of its own and from the International Labour Organization (ILO).

<sup>a</sup> Data for 2021 and 2022 are projections.

Sustaining growth without generating imbalances in the external sector requires the appropriation of innovation and technical progress, as well as the redefinition of the region's productive profile. One important point is to differentiate the concern of ECLAC for true competitiveness from a mercantilist stance or an interest in beggar-thy-neighbour growth. The aim is not to increase exports as an end in itself, but to do so in order to pay for the imports that growth necessarily demands. In a development strategy with external equilibrium, every dollar that the periphery obtains from the international market through its exports is transformed into imports, most notably the capital goods needed to sustain investment. As Prebisch argued, the periphery affords the central countries automatic reciprocity: exports to the centre are immediately transformed into imports from the centre. The purpose of exports is not to accumulate foreign exchange (beyond maintaining a cushion of reserves to mitigate temporary balance-of-payments shocks), but to grow faster and to import more, without generating levels of external debt that later become unsustainable and trigger recurrent crises.

The ECLAC proposal thus goes beyond improving the global position of the periphery. The periphery does not seek to grow at the expense of others; there are possible win-win games to be explored. The asymmetries that exist are detrimental to the development not only of the periphery, but also of the centre. Inequality generates negative externalities for the system as a whole, and so reducing asymmetries increases the system's overall efficiency. The benefits of this are seen in all three dimensions: economic, social and environmental.

What are those negative externalities? In the economic arena, the periphery's low diversification and dependence on the export of raw materials constrains its economic growth and, at the same time, makes it more erratic. It also increases dependence on external borrowing, which increases peripheral economies' vulnerability to negative shocks in commodity prices or international financing conditions. The accumulation of current account deficits fuels foreign-exchange imbalances, which in turn contribute to global financial instability. In short, a periphery with less dynamic and more erratic economies means a global economy with lower growth and greater instability. At the same time, negative social and environmental externalities also exist, and they are discussed below.

## 2. The factory of inequality: an undiversified and low-productivity production structure

Economic specialization in less technology-intensive goods translates into what ECLAC calls structural heterogeneity, and the social effects of this are of enormous importance. The key to understanding them is the quality of employment. Informal employment in Latin America and the Caribbean accounts for approximately half of the workforce, while the labour productivity of formal jobs is five times that of the informal sector. Along with the Middle East, Latin America and the Caribbean is the world's most unequal region, with the richest 10% accounting for 54% of total income (compared to 56% in the Middle East and 35.8% in Europe). The production structure, job quality and wages are inextricably linked. When an economy's high-productivity sectors are few and account for a low proportion of employment, and the remaining jobs are in subsistence or underemployment, then income distribution will tend to be unequal. ECLAC has described the region's productive structure as a factory of inequality. Productive transformation is thus a condition for overcoming structural heterogeneity and reallocating subsistence workers to formal jobs with higher levels of productivity and more dynamic learning processes (ECLAC, 2012).

ECLAC has argued that reducing heterogeneity through policies to promote diversification and productivity is a necessary condition for equality but that alone it is not sufficient: those policies must be complemented by a series of others, especially social and fiscal policies, as discussed below.

Indeed, income inequality is part of a broader matrix of inequalities. This can be seen in figures 2 and 3, which show how the different dimensions of inequality intersect and reinforce each other, exacerbating the vulnerability of some social groups compared to others. Figure 2 shows differences in poverty levels according to age, territory, schooling, ethnicity and race. Poverty is significantly higher among children, in rural areas, among indigenous populations and among those with fewer years of schooling.

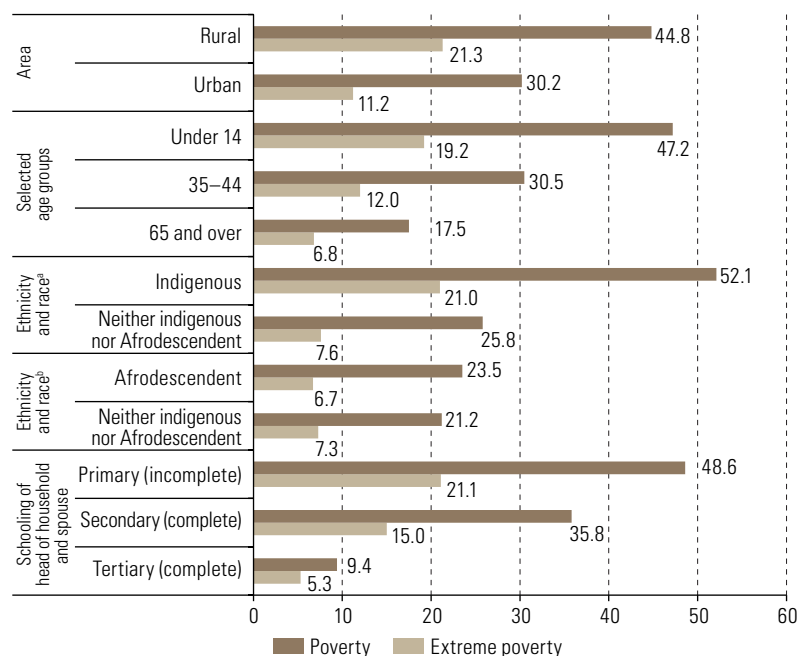
Among the sociodemographic-driven inequalities shown in figure 2, it may be seen that in Latin America, the poverty rate in rural areas stood at 44.8% in 2020, almost 15 percentage points higher than in urban areas (30.2%). The poverty rate among children (up to the age of 14) was 47.2%: in other words, 2.7 times the rate recorded among those aged 65 and over (17.5%). The poverty rate for the indigenous population was 52.1%, which is 5.4 percentage points higher than the level recorded in 2019. In households headed by individuals with incomplete primary education the poverty rate reached almost 49%: 5.2 times the rate found among households led by persons who had completed tertiary education (9.4%). Among households whose heads had completed secondary education, the poverty rate was 35.8% in 2020.

The negative interaction between indicators can also be seen in the employment rate and gender, as shown in figure 3. In Latin America, in 2020, at the height of the coronavirus disease (COVID-19) pandemic, while the employment rate for women in the fifth income quintile was 58.0% (and 76.1% for men), the corresponding rate for women in the first income quintile was a mere 29.1% (and 52.3% for men). The 18-percentage-point difference between the employment rates of men and women in the fifth quintile is an expression of gender inequality; the difference of approximately 23 percentage points between the rates observed in the first quintile is an expression of the way in which the different components of the inequality matrix reinforce each other. Moreover, during the economic upturn of 2021, not only were not all the lost jobs recovered, but employment was slower to recover among women than among men.

**Figure 2**

Latin America: incidence of poverty and extreme poverty by area of residence and other sociodemographic characteristics, 2020

(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Household Survey Data Bank (BADEHOG).

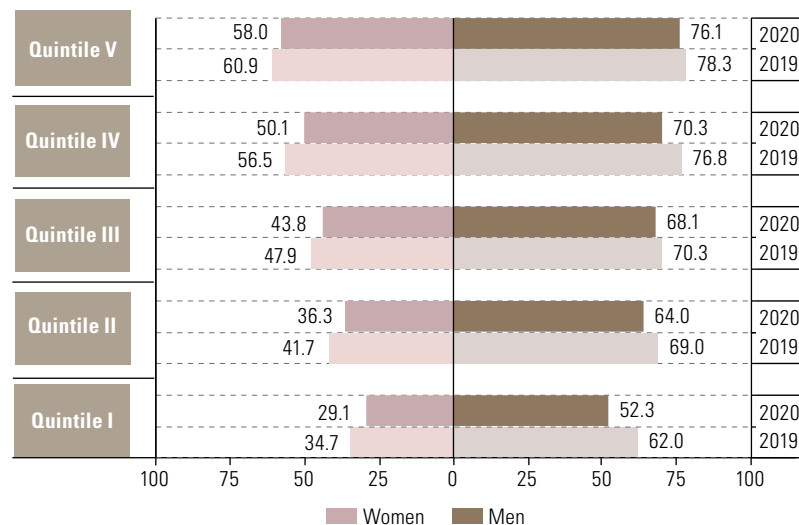
<sup>a</sup> Includes 11 countries that have data on the indigenous population: Brazil, Chile, Colombia, Ecuador, Guatemala, Mexico, Nicaragua, Panama, Peru, Plurinational State of Bolivia and Uruguay.

<sup>b</sup> Includes 7 countries that have data on the Afrodescendent population: Brazil, Colombia, Ecuador, Guatemala, Panama, Peru and Uruguay.

**Figure 3**

Latin America (13 countries):<sup>a</sup> differences between male and female employment rates, by income quintile, 2019 and 2020<sup>b</sup>

(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Household Survey Data Bank (BADEHOG).

<sup>a</sup> Countries included: Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Mexico, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.

<sup>b</sup> The 2019 average considers all of the aforementioned countries, with the exception of Chile and Mexico, which respectively use data from 2017 and 2018.

It must be stressed that the problems associated with inequality are not exclusive to the periphery, and that neither are the benefits of addressing them restricted to our region. Inequality and heterogeneity are global problems and must be seen as another negative externality of the asymmetric centre-periphery system. A highly unequal global system in which a large part of the world's population lives in poverty and a small segment enjoys high levels of well-being generates costs that knock at the very door of the privileged groups. In the periphery, these costs translate into political instability, violence and conflict; in the centre, the most visible effects come from the migratory flow of the poorest in search of better living conditions. When migration reaches extreme levels, and when migrants' destination countries face internally created social and political problems (such as those derived from austerity policies or regressive taxation), there is a tendency to attribute the origin of the problems to the presence of immigrants. This fosters radical nationalism and xenophobia, which are exploited by radical groups and radical parties that were previously on the sidelines of the political system. Democracy and international cooperation suffer the consequences of such internal changes in countries.

In some cases, migratory movements produce acute crises, as is the case with some of those originating in Central America headed for the United States; in other cases, they take the form of chronic processes —no less dramatic and costly in human terms— such as the movement of immigrants to Europe across the Mediterranean Sea, which has caused numerous shipwrecks and a substantial loss of life.

### 3. Shared but differentiated responsibilities have not been assumed in practice

One major achievement over the past two decades is that concern for the environment has gained importance in public opinion and has translated, in some cases, into concrete policies. There is a greater awareness of the risks that environmental destruction poses to life on Earth: climate change, pollution of rivers and seas and biodiversity loss are processes whose costs are becoming more visible and are already perceived as potentially catastrophic. Issues related to a just energy transition are increasingly attracting the attention of the international community. At the same time, much more decisive international cooperation action, especially from the centres, has been notably lacking.

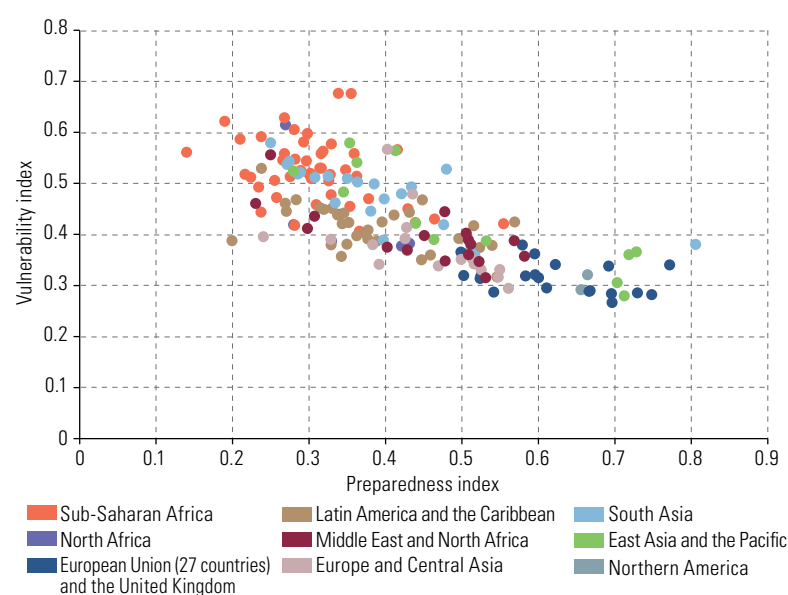
That cooperation has to be built around the concept of shared but differentiated responsibilities, which recognizes that the countries contributing the most to environmental problems are those that have already achieved the greatest levels of development and, therefore, are the ones that should contribute the most to resolving them. Moreover, the countries that suffer the most from environmental problems are those that have the least resources to offset or mitigate their effects. Figure 4 shows the relationship between countries' degree of vulnerability to climate change (shown on the vertical axis) and their preparedness to meet its effects (shown on the horizontal axis and measured by a series of indicators, including the capacity to mobilize investments in adaptation, infrastructure and governance). There is a clear negative correlation between the two variables: the poorest countries, which contribute the least to global emissions, are concentrated in the upper left quadrant, indicating that they are the most vulnerable and the least prepared.

Environmental asymmetry also occurs within countries. Not only are those countries that pollute the least less able to mitigate the negative impacts of climate change, but the social groups that generate the least emissions —the poorest segments of society— are the most vulnerable to its negative effects. For this reason, we speak of a double environmental asymmetry.

The main message that ECLAC seeks to convey regarding this issue is that environmental protection has to be understood as part of the development effort, and that environmental policy must be a development policy: one cannot be separated from the other. Efforts to protect the environment will be destined to fail if they are not accompanied by a parallel effort to overcome technological lags and, in broader terms, widespread poverty and underemployment. This requires responses at the centre and on the periphery, always on the basis that those countries that have contributed

and continue to contribute the most to environmental destruction should bear the greatest costs of the transition towards a sustainable model. It is not merely a matter of financing new investments in the developing world (a key dimension of any transition in production and consumption patterns) or of reducing emissions in the countries themselves. It is also a matter of establishing arenas for policymaking and technology diffusion to build endogenous technological capabilities in developing countries. Those capabilities are necessary to correct the imbalances caused by human action on nature, and will be increasingly so in the future. Without them, it will not be possible to diagnose the specific environmental problems of a country or region, find the appropriate technological solutions for each case and muster the human and institutional resources needed to implement them.

**Figure 4**  
Vulnerability to and preparedness for the effects of climate change



Source: University of Notre Dame, Notre Dame Global Adaptation Initiative [online] <https://gain.nd.edu/our-work/country-index/methodology/>.

In short, the aim is not to green the economy at the expense of employment or well-being; the goal is for the energy transition and new patterns of production and consumption to serve as the vehicles that will lead to full employment and greater well-being. Otherwise, the demands of employment or of attracting foreign exchange at any given moment will overrun and systematically dominate the commitment to sustainability.

For all these reasons, ECLAC maintains that inequality is inefficient. It generates losses for countries and produces negative externalities, which represent economic, social and environmental losses for a global economy in which tensions are building. From that perspective, and in conjunction with the Organisation for Economic Co-operation and Development (OECD), we have also developed the concept of development in transition. This concept has practical implications for economic policy. Development is no longer a matter of per capita GDP alone. A high rate of per capita GDP does not mean that the development process has come to fruition. If economies continue to report high levels of poverty, two-track labour markets and inequality (with their effects of distorting and undermining institutions and weakening democratic legitimacy) and if environmental destruction persists, then development is still a long way off. These problems are widespread in poorer economies, but they are also increasingly common in richer ones.

Determining development aid and cooperation on the basis of per capita GDP is to avert attention from global challenges that will continue to worsen if the development model is not changed, even if countries continue to raise their per capita income levels.

The negative externalities identified (economic, social and environmental) are part of the problem, and the solution necessarily requires international cooperation. Unless these externalities are resolved, and unless development comes to be viewed as a global challenge that does not stop at the borders of the richest countries, the aims that the international community itself has set in the SDGs will be unachievable. Here, there lies a risk of enormous frustration that would jeopardize the peace and development gains that took decades of effort to achieve.

## 4. The erosion of multilateralism by hyperglobalization

The asymmetries identified above and their externalities ultimately erode multilateralism and the construction of a more open and cooperative international system. This is how the so-called “globalization backlash” has emerged.

This is perhaps the greatest paradox of the hyperglobalization-based international order, defined as a liberalization of global trade and finance that relies solely on market mechanisms and entails the dismantling of State controls and social protection. This movement was aimed at fully integrating different national economies into a global economy without transactional barriers at their borders (except for the labour), thereby allowing the market to select the destination of investment with maximum efficiency. Paradoxically, as the barriers fell, global investment declined, the rate of growth slowed and enormous financial instability arose.<sup>2</sup> Financialization as a result of hyperglobalization heightened speculative processes involving assets of different types, created gigantic bubbles supported by increasingly flimsy foundations and weakened the capacity of governments to regulate them. When these bubbles burst, the effects on the real economy were devastating. Governments acted swiftly and prevented a crisis similar to that of the 1930s through expansionary fiscal and monetary policies. However, because of the way they did this, it was (correctly) perceived that preference was given to wealth holders over those who had lost their homes and jobs. Much of the origin of discontent with hyperglobalization lies in the 2008 crisis and the way it was tackled. The externalities of hyperglobalization are nowhere as clear as in the recurrent financial crises it has generated since the 1990s.

The problem goes further than mere bubbles and crises. Hyperglobalization accelerated the dismantling of social protection at both the centre and the periphery, as countries competed to offer better conditions to capital that was much more mobile than labour. The notion that taxes are necessary to finance public goods and that without public goods there can be no stable democracies was put to one side; the world forgot that wages and profits are defined neither solely nor primarily by productivity, but also by power, institutions and a political economy that had become heavily biased in favour of capital. Such a situation is unsustainable in democratic societies, and it helps explain the loss of trust in democracy observed in the region in recent years.

One interesting aspect to note is that the movement towards market dominance was not uniform within or between countries. These policy differences can be understood as part of the asymmetries in power and capacities that prevail in the global system. In the core countries, trade unions and social protection were weakened and taxes were reduced. Many of them maintained robust industrial policies, however: some associated with the military apparatus, others as support for health systems, as part of the energy transition or as part of a strategy to stay close to an ever-accelerating technological cutting edge. What emerged in those countries was a two-track labour market structure, resembling the kind of structural heterogeneity that had previously been a defining feature of underdevelopment. In turn, China and some of the other Asian economies maintained capital controls to avert major exchange-rate fluctuations and maintain their international competitiveness, while at the same time continuing to pursue wide-reaching industrial policies aimed at technology diffusion (with a strong role for domestic companies) and diversification.

<sup>2</sup> Once again, the theoretical model on which the neoliberal hyperglobalization model was built was based on flimsy assumptions. It was a model in which identical rational agents made decisions with perfect knowledge of the present and the future, in markets that functioned competitively and without technological differences. In the real world —with externalities, economies of scale, increasing returns associated with learning and great disparities between companies and institutions— hyperglobalization accentuated the exclusion of some and the concentration of income and capacities in others.

By contrast, other regions —Latin America and the Caribbean in particular— tended to accept and adopt the more orthodox policy prescriptions of the Washington Consensus. That adoption differed from one country to the next and over time but, undeniably, was mostly passive, with a growing weakening of public management capacities, especially as regards industrial and technological policies. That encouraged what was called the “reprimarization” of the productive structure and the process of deindustrialization. Mexico was an exception to deindustrialization, although, due to its model of engagement in the international economy —import-intensive, and without an accompanying industrial policy (the prevailing idea being that the best industrial policy was no industrial policy)—, the external constraint remained and the foreign-trade multiplier was weak.

The region was, in many cases, a laboratory where models devised in the centre were tested and transferred, without mediation, to the periphery. As early as the late 1970s, a series of proposals had reached the region already encompassing the hard core of what would later be called neoliberal policies: a unilateral liberalization of trade and the opening of the capital account, which extolled change and generated the conditions for an external debt crisis and falling competitiveness, with their adverse effects on companies’ productive and technological capabilities and indeed their very survival. The collapse of investment in the 1980s —the result of the debt crisis— was compounded in the 1990s by the abandonment of industrial policy. The drastic drop in the region’s relative productivity (see figure 1) cannot be separated from the investment slump of the 1980s and the implementation of the Washington Consensus in the 1990s.

Those failed experiments took an enormous human toll, and ECLAC systematically opposed them. Those historical events must be kept in mind lest we forget the massive cost of failing to take the region’s reality and specific characteristics as a starting point for reflection.

The expansion of Latin American and Caribbean economies associated with the commodity boom, coupled with the more active social policies adopted since 2004, helped reduce both poverty and inequality in the region (the Gini inequality index fell between 2005 and 2010, after rising over the course of the 1990s). In 2012, however, that progress began to lose momentum. Structural problems and issues of spurious competitiveness pushed their way back to the forefront, and both poverty and inequality increased anew. This is the structurally adverse scenario in which the pandemic hit the region. The negative economic and health consequences are in proportion to the weight of labour market informality, to the limits on the State’s capacity to respond with expansionary fiscal and monetary policies and to the constraints on the coverage and accessibility of health services. Each of these limitations is an expression of an asymmetry with respect to the centre, but also of asymmetries within the periphery itself.

As a result, Latin America and the Caribbean was the world region where GDP and employment were hardest hit by the pandemic. It was also the region where the pandemic had the highest case fatality per 1,000 population.

## 5. Another global order is possible: one that is more equal, open and efficient, and in which Latin America and the Caribbean is an integrated region

Although in theory hyperglobalization maintained a commitment to multilateralism, the uneven array of policies and structural asymmetries produced very high political and economic costs —including for less educated workers in the centre— and this, over time, weakened multilateralism. As conflicts and imbalances accrued, the idea of multilateralism gave way to fragmentation and more intense geopolitical rivalries. The technological and industrial efforts made by China —which ran surpluses with the United States— were at the same time reflected in its military capabilities, so that trade, technological and military considerations became closely intertwined. China’s export-led industrialization redefined its position in the world and the nature of its relationship with its main trading partner: the United States. Thus, just as trade followed the flag during colonial expansion, today it is flags (geopolitical rivalries) that tend to hold back trade.

ECLAC has argued that the answer lies neither in closing the economy nor in abandoning multilateralism, but rather in moving towards a new international governance model capable of correcting asymmetries and expanding policy spaces for development and the pursuit of equality. Global agreements are needed to regulate financial flows, curb race-to-the bottom policymaking through sacrifices to social protection, wages and taxation, and enable countries in the periphery to beef up their industrial and technological policies. Open economies are not synonymous with laissez-faire; rather, they imply the existence of an institutional framework to curb the forces of concentration that, by their very processes, are the seed of instability.

The evolutionary tradition in economic theory holds that the best technology may spread through a process of selection (those using less advanced technology are forced out) or through one of learning (the laggards succeed in absorbing the new technology and remain competitive). Internationally, the predomination of the selection mechanism will increase the concentration of income and jobs at the centre. Technology therefore needs to be disseminated faster, so that companies in periphery countries can build capacity before being pushed out or marginalized to lower-value market sectors or niches. Selection and learning must be better balanced by strengthening the second. This does not occur automatically because innovation yields increasing returns: cutting-edge firms are better placed than the laggards to continue innovating, which means that the differences between companies are maintained or expand over time. The conditions for rapid technology diffusion have to be created through industrial and technological policies in order to curb concentration. It is also essential that innovation be channelled in socially desirable directions, such as environmental stewardship and social inclusion.

Another way of framing this same argument is to say that international trade and investment are a great driving force for development, but not under any circumstances: certain conditions of cooperation are required. Market forces and comparative advantages do not automatically produce convergence of interests or win-win scenarios. Technological and social issues can lead international trade to generate low-growth traps and exclude the majority. The string of negative externalities that exists in a world of asymmetries prevents markets from spontaneously generating the most desirable order for the international system. Institutions are needed to make these win-win games possible. Without them, closer international integration can lead to undesirable imbalances and the closure of economies.

The need for institutions to correct the concentrating forces of the market that jeopardize its political foundations and economic dynamics is not new: Polanyi (1944) already explained this very clearly in *The Great Transformation*. And it is not a purely theoretical issue, as it has enormous practical consequences. It was the basis of Keynes's proposal at Bretton Woods in 1944, when he suggested that the international system should have rules for adjusting external deficits to be followed by both surplus and deficit countries. If only the deficit countries adjust, they do so by way of decreases in employment, real wages and output. ECLAC (2016) describes this type of adjustment as a "recessionary bias" in the global economy, because it depresses growth and employment worldwide. When Keynes argued that the response to external deficits should entail surplus countries increasing their imports —not exclusively deficit countries reducing theirs— he had in mind the disastrous political effects of depression and unemployment in Weimar Germany. But he also had in mind the competitive weakness of the United Kingdom following the Second World War and what would later become the global dollar shortage caused by the vast competitive advantage that the United States had acquired over the weakened countries of Europe.

The competitive weakness that so concerned Keynes regarding the position of the United Kingdom in the aftermath of the Second World War is a structural reality among peripheral countries because of their technological lag and their patterns of specialization. Keynes's lesson for his own country and for the world system remains valid, all the more so given the acceleration of technical progress and its impact on competitiveness.

The existence of a multilateral system that is able to provide the global public goods needed to achieve a stable financial and trading system and is compatible with the pursuit of full employment and the



solution of serious environmental problems is a complex challenge that requires coordinated action on several fronts. Part of the response to this scenario is the call for greater regional economic integration: a challenge central to the ECLAC tradition, which the institution has promoted both at the theoretical level and through the real-world implementation of economic integration policies. The interest of ECLAC regarding integration began as a means to improve the efficiency of the industrialization processes under way since the 1930s, in which each country—because of the external difficulties created by the Great Depression— was pursuing its own import substitution policy in compartmentalized isolation. ECLAC proposed advancing industrialization by integrating Latin American markets and leveraging previous experiences as a basis for learning and export diversification: not only within the region, but also to the rest of the world. Economic integration remains a pending task: an untapped potential for trade and learning still exists. Intraregional trade in Latin America and the Caribbean has fallen to its lowest levels since the 1980s, while other regions have managed to strengthen this type of trade as a competitive foundation for exporting both within their own regions and to the rest of the world. Integration must be adopted as a State policy in all countries instead of being subject to each country's political vagaries, which are, by definition, changeable. The pursuit of regional integration as a basis for more trade, more diversification and more learning remains one of the cornerstones of the international economic policy that ECLAC advocates.

As is the case within the multilateral system, institutions and cooperation venues are required for the benefits of trade and investment to materialize. Past integration efforts have failed to establish a solid and permanent structure of institutions with the necessary political support in the different countries. Even though the data show that shared sovereignty produces better results than the extreme vulnerability arising from isolation and narrow nationalism, countries have been unwilling to pool their sovereignty. For more than a century, peace has prevailed among most of the countries of Latin America and the Caribbean, and so the region could contribute, through its integration processes, to strengthening international cooperation and renewed multilateralism, especially at a time when the international system is threatened by geopolitical competition.

Latin America and the Caribbean is, then, a region open to an ever-closer exchange of ideas, goods and investments. However, the cornerstone for those exchanges must be development, and not a model whose assumptions have already proven to be inadequate and whose effects have resulted in lower overall growth, more inequality and more instability. The still-pending task of institution-building requires renewed political will, as argued in section C.

## C. The inefficiency of inequality and the culture of privilege

This section further explores some of the interrelationships between economic structures, power and politics that were noted in section B. It offers two main messages: that inequality is inefficient and that it is built on and simultaneously feeds into a culture of privilege, which distorts policies, fragments society and weakens democracy.

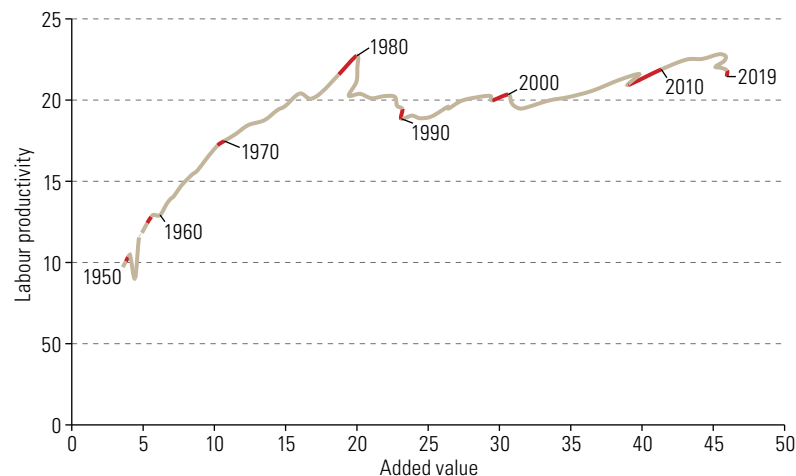
### 1. Inequality is not the cost of higher productivity, but the root of fewer opportunities

Arguments claiming that inequality favours efficiency are based on the assumption that competitive processes eliminate lower-productivity firms and concentrate the market among the most productive ones, so that higher average productivity occurs under conditions of concentration. This argument is problematic when analysed from a dynamic perspective, because of its effects on the social structure, the barriers to entry imposed by large companies on small innovative firms and the concentration of political and economic power. Moreover, this argument assumes that people and capital leaving one industry can find occupations in other sectors that are equally or more productive.

Due to the peripheral economies' competitive lag within the international system, however, such higher productivity sectors do not exist there. Workers shed by the manufacturing industry, for example, often find no other refuge but the subsistence economy and underemployment —not in sectors with similar or higher productivity than their previous areas of employment. Figure 5 shows the relationship between labour productivity and value added in Latin America and the Caribbean since 1950, and it can be clearly seen that there are periods in which output rises and productivity falls: these are periods when people who lose their formal jobs in companies and leave the labour market find employment in the low-productivity informal sector. This causes average productivity to fall, as the increasing employment is of lower quality.

**Figure 5**

Latin America and the Caribbean: labour productivity and value added, 1950–2019  
(Thousands of dollars and millions of dollars, both at constant 2010 prices)



Source: Economic Commission for Latin America and the Caribbean (ECLAC).

These data preclude acceptance of the argument that greater labour market flexibility is the way to improve employment. Reassigning workers from the manufacturing or engineering services sectors to informal jobs or low-tech services will not improve working conditions, the economy's productivity or the country's technological capacity. What is needed are industrial and technological policies to change the productive profile of the economy, promote its diversification and generate demand for higher-quality jobs. So-called "flexibilization" is a euphemism for greater precarity in working conditions. The factory of inequality is rooted in the productive structure, not in an overly rigid institutional framework. Inequality is not the consequence of some actors being more innovative than others, but of the economy being trapped in a model of specialization that offers the bulk of the workforce no opportunities for growth and learning.

For this reason, ECLAC has argued that social development outcomes are defined not only at the level of social policies, but also in terms of their interactions with technological and productive issues; social issues do not play out in the social sphere alone.

Figure 5 also highlights the persistence of certain shocks over time and the power of inertia in technological and productive lags. The debt shock of the 1980s caused a drop in investment whose impact on production has not yet been fully overcome. This difficulty, which need not be inevitable, is also a result of the abandonment of industrial and technological policies in the 1990s, as mentioned earlier, which allowed the reproduction of asymmetries and lags. While some countries in other regions also suffered shocks but managed to recover through more active policies, our region was caught in a trap of low productivity and meagre growth as a result of the purely pro-market policies that prevailed until the mid-2000s.

In a global economy that is increasingly based on learning and innovation, inequality has particularly deleterious consequences. Barriers to education access are obstacles that reduce individuals' productivity throughout their lives. The region reports enormous inequalities of access and quality in the education received by children and adolescents, and this leaves a mark on their abilities that is difficult to correct when they embark on their working lives. The same is true of access to health care. The public policy debate frequently focuses on the cost, in points of GDP, of investing in child care and the care economy without effectively factoring into those cost-benefit calculations the gigantic GDP cost of not providing such care. For this reason, ECLAC has spoken of equalization through growth, in order to overcome structural heterogeneity; at the same time, it has also spoken of equalization for growth, to overcome policy distortions and the barriers to learning, cooperation and opportunities imposed by inequality.

The fragmentation of social protection perpetuates inequalities and is part of a culture of privilege that effectively restricts opportunities and rights that often exist on paper but not in everyday practice. Inequality has direct and indirect impacts on productivity, through lost output and learning. Its direct impacts can be seen on education, health and a sense of belonging that defines the commitment of workers and entrepreneurs to the development of new sectors and technological change, while its indirect impacts have to do with the distortions it generates in the design and implementation of public policy.

## 2. The culture of privilege normalizes distortions and hinders institution-building

ECLAC has gone to great lengths to bring into its analysis the issues of power and political dynamics that drive or hinder development policies. This has led us to take an approach to the matter of institutionality different to the conventional one, which generally assumes the existence of competitive markets that lead to optimum efficiency and maintains that the best institutions are those that provide predictability and interfere as little as possible with the market, even if the resulting distributive pattern is very unequal. From that perspective, the economist's only concern should be efficiency. If the factors of production are allocated efficiently, the political system will then be able to find (through taxes and subsidies) a way to redistribute the benefits to compensate the losers. Thus, everyone should gain something or, at least, no one should be left worse off as a result of the competitive process.

But this model ignores the vast negative externalities (in the economic, social and environmental spheres, as described above) that come with relying exclusively on the market. Furthermore, it must be recalled that income concentration and political processes are not independent of one another. Once one group has concentrated the resources and another has lost ground, ex post redistribution becomes more difficult, as the former will tend to translate their economic power into political power to avoid any such redistributive process. The logic of "efficiency first" and "redistribute later" (already built on false assumptions) can quickly transform into "concentrate first" and "efficiency later". The result is that efficiency and redistribution are left waiting for a future that never arrives.

Political power is exercised in order to avoid not only redistribution but also the emergence of competitors and of new industries and innovative agents, thus further compromising the system's efficiency. Profits of privilege are created, which the beneficiaries are reluctant to renounce. This goes against the grain of a world where innovation and the dissemination of technology—particularly digital and, more recently, bio-based technologies—underpin competitiveness. To remain competitive, countries need to invest in universal education and health systems, as well as in research and development (R&D) projects and institutions, and provide support for the most R&D-intensive sectors. They must create public goods—and to finance these goods, as well as the welfare system, they must collect taxes and grant public supports. When economic and political power is highly concentrated, it becomes more difficult, to say the least, to make those transfers and finance public goods. Over time, the very efficiency of the system is eroded.

There is a paradox in the claim that policies can correct inequality independently of the economy and the productive structure. Internally, there is a process of increasing braking and conflict, similar to the effect of hyperglobalization on the international economy. Public goods, including security, are provided solely for some groups, some cities, some neighbourhoods. This systematic pattern of exclusion throughout the region's history gradually permeates and becomes a constituent part of the unwritten rules of society. Thus, this pattern ends up being mainstreamed ("normalized") in the culture of privilege, a concept that ECLAC has contributed to the analysis of Latin American and Caribbean political dynamics.

"The culture of privilege serves as the bedrock for inequality and its reproduction in Latin America and the Caribbean. Its origin is inseparably linked to conquest and colonization, through which indigenous peoples and people of African descent were subjected to forced labour and slavery, their property and wealth were expropriated, their beliefs and values were suppressed and they were systematically mistreated and denied all status of citizenship. This culture of denial of the other was concomitant with economic, political and social privileges", which constitute "the historical foundation for the culture of privilege that, with different manifestations and degrees, continues to this day" (ECLAC, 2018).

Unemployment and income inequality help explain the growing mistrust in the ability of the political system to provide solutions in Latin America and the Caribbean. Beyond this, there is also a perception that the law does not apply equally to all and that the best employment and education opportunities are not open to all of society. By way of example, the social unrest that broke out in Chile in 2019 occurred in a context where poverty had fallen after three decades of democratic governments. Even so, there prevailed a sense of deep division within society, the belief that a large part of the population had been left behind: the ratio between the income of the richest 10% and the poorest 50% in 2019 was 29 to 1, compared to 13 to 1 in Argentina. Chilean society perceived a dissociation between a privileged group with access to income from natural resources and oligopolies in the non-tradable services sector (protected from competition) and the rest of the country, and the malaise ended up being expressed dramatically in October 2019. Similar processes manifesting deep discontent occurred in several other of the region's countries, even those under governments of a different ideological bent, reflecting deeper structural causes behind the outbreaks of unrest.

## **D. Interconnecting development policies: social issues are not played out in the social sphere alone and environmental issues are not played out solely in the environmental sphere**

This section describes some of the proposals ECLAC has made in relation to progress towards achieving the SDGs and sustainable development. There is a vicious political economy circle that needs to be broken, and this requires a new social compact capable of providing a lasting solution to the mechanisms that reproduce it.

### **1. Integrating the three dimensions of sustainable development**

ECLAC thought integrates the three dimensions of sustainable development: they are modelled on the basis of three growth rates that must converge, thereby simultaneously satisfying a set of technological, productive, social and environmental conditions. The first is the growth rate compatible with external equilibrium, i.e. with a balanced current account. This depends on true competitiveness, which is achieved through structural change and technical progress. The second is the growth rate compatible with equality, which is necessary to reduce structural heterogeneity

(by absorbing unemployment and underemployment in the periphery), alleviate inequality and consolidate a social protection system compatible with the support and legitimacy of democracy. Finally, the environmental equilibrium rate is that which respects the planet's limits and protects it for the development of future generations.

These three rates generate three gaps that must be closed by means of a process of sustainable development. The social gap is the difference between the equilibrium rate compatible with equality and the external equilibrium rate; the environmental gap is the difference between the external equilibrium rate and the rate compatible with environmental protection; and the sustainability gap is the difference between the equilibrium rate compatible with equality and the environmental equilibrium rate.

Achieving sustainable development requires closing all three gaps, so all the rates must converge. Sustainable development requires structural change policies and the absorption of new environmental technologies that enable increased competitiveness while stewarding the environment and, at the same time, generating higher productivity jobs. Given the inequality and the rates of informality and underemployment in Latin America and the Caribbean, the minimum growth rate for equality tends to be higher than the rate compatible with external equilibrium. Similarly, the accumulation of environmental problems means that the rate compatible with external equilibrium tends to exceed the maximum rate compatible with environmental conservation objectives. The great challenge for long-term policies is therefore to make the three rates converge with the minimum growth rate for equality.

As will be seen below, policies to close the gaps can be summarized as a big push for sustainability, one that can increase the rate of investment in an interconnected way wherein the social, productive and environmental dimensions are mutually reinforcing (ECLAC, 2020).

## 2. Escaping the trap of inequality and low productivity requires social compacts to dismantle the culture of privilege

Underlying inequality is the source of the uncertainty felt by those who only recently escaped poverty and who perceive themselves as vulnerable to potential economic shocks and cut off from the benefits of growth. Insecurity and uncertainty can generate defensive reactions that intensify conflicts and magnify the effects of a larger negative shock. Conflicts must be handled through the instruments of negotiation and compromise that democracy provides; this is what ECLAC means when it talks about “compacts for equality” (ECLAC, 2014).

The political economy has the difficult task of forging those compacts, and the complexity of that undertaking increases when initial inequality is particularly acute, as is the case in Latin America and the Caribbean. At the same time, such compacts represent the only possible way to bring about transformations in a democratic society and to escape the trap of inequality and low growth. Inequality and inefficiency fuel each other through the political economy. The role of the social compact is to break that vicious circle.

## 3. The necessary complementarity between policy objectives

How can the broad set of variables that make up the hard core of the sustainable development concept be interconnected? The complexity of the challenge can be change-enabling rather than an obstacle when the policy instruments deployed on different fronts complement and reinforce each other instead of pulling in different directions. In its various works, ECLAC has provided several examples of strategic complementarities between different types of policy. This is illustrated by two of its proposals: a coordinated investment package representing a “big push for sustainability”, and the reorganization of gender relations based on the concept of the “care society”.

Environmental policy has implications that go far beyond its more immediate impact on environmental variables. As noted earlier, environmental issues must be a central element of development and, for this reason, they are closely bound up with issues of equality and employment. An energy transition requires investment and technology; it is an opportunity for learning and for increasing productivity and diversification, in that it implies a change in the energy generation and consumption mix. It involves investment in R&D, new equipment and the advent of new companies and technologies. As the economy shifts towards greater sustainability, capacities are built and sectors are established that stimulate formal employment and support improvements in productivity. The production of goods that are less carbon-intensive and the sustainable exploitation of natural resources can reduce costs and allow access to markets where environmental considerations are a competitive factor. Agencies responsible for science and technology, together with environmental and labour market institutions, are mutually reinforcing through virtuous effects on more than one objective.

ECLAC styled this group of policies as a “big push for sustainability”, because it requires an interconnected set of investments and policies on several fronts, similar to the big push referred to by Rosenstein-Rodan (1943), in which investments were coordinated to ensure that each one was supported by the others (on both the demand and supply sides). This effort requires raising investment by 10 points (from the current 19% of GDP to 29%), so that the region can enter a virtuous circle in which social inclusion, quality employment and the reduction of technological gaps go hand in hand. The implementation of this policy demands progress with development planning techniques and instruments. At the same time, it requires action in areas that are not necessarily associated with growth, such as the reshaping of consumption patterns and lifestyles or the adoption of nature-based solutions. This is not to disregard the impacts of this policy on material well-being, but the point is for the positive effects to extend beyond GDP, which has to do with a new perception of what is considered a successful pattern of development and human well-being.

Amid the challenges facing the world —such as climate change, rapid technological change, the care crisis, growing inequality and asymmetries between developed and developing countries and, more recently, the COVID-19 pandemic— gender equality urgently needs to be mainstreamed into strategies for economic recovery and increased employment. For a transformative, sustainable and gender-equal recovery, ECLAC proposes moving towards a care society that prioritizes the care of people and of the planet, as well as self-care. Productive, social and environmental efforts come together in the construction of the care society. It is an aim to work towards and a route that should lay the foundations for a more equitable distribution of power, resources, time and work between women and men. This proposal has to be understood as a global, regional and local response, with a collective approach that recognizes the result of the intersection between conditions such as gender, ethnicity, social class and sexual orientation (intersectional) and incorporates different levels of policy and negotiation (multiscalar). This would enable progress with the implementation of short-term transformational public policies and with the cultural change necessary to guarantee care. In particular, it involves recognizing the interdependence that exists between people, as well as between productive processes and society, and placing the sustainability of human life and the planet first and centre.

It is a new paradigm for rethinking patterns of production, consumption and distribution, and for reorienting finance towards the real economy. It offers the possibility of ending the culture of privilege and patriarchy and of reversing social and gender inequality, in synergy with the environmental dimension and economic development. It means transforming social relations and promoting and guaranteeing the rights of those in need of care throughout the life cycle, as well as the rights of those who provide that care. It entails ending precarious employment conditions in the care sector and formalizing and professionalizing it. It also prioritizes stewardship of the planet in the face of environmental degradation and climate change. This implies strengthening the role of States from a feminist perspective, through universal, intersectoral, comprehensive, co-responsibility-based and financially sustainable care policies and system.

## E. From thought to action

The risk of broad transformation proposals is that they may be indefinitely deferred, ignoring the limits of the present with ever-increasing ambitions that are postponed to some distant future. Imagining the future is important, but ECLAC remains in the present with immediate and urgent proposals for addressing the crisis and its short- and long-term effects, acting with governments and civil society as required by the decade of action. ECLAC has been a key player in initiatives that contribute in a gradual but very significant way to sustainable development. ECLAC has played a leading role in many forums and proposals, of which only four will be described in greater detail here: the “Caribbean first” initiative, the Comprehensive Development Plan for El Salvador, Guatemala, Honduras and south-southeast Mexico, the *Plan for self-sufficiency in health matters in Latin America and the Caribbean* and the Regional Agreement on Access to Information, Public Participation, and Justice in Environmental Matters in Latin America and the Caribbean (Escazú Agreement).

### 1. The “Caribbean first” initiative

ECLAC launched the “Caribbean first” initiative at its thirty-seventh session, held in Cuba in May 2018, at a time when there was an increasing awareness and acknowledgement that the economic and financial circumstances of the Caribbean were very different from those of other countries of the region, and that a bold, uniquely focused effort would be required to address the multidimensional vulnerabilities of the small island States of the subregion.

The Caribbean first initiative emerged as part of a broader commitment of the Commission to explore in-depth and address the critical economic, social and environmental issues affecting Caribbean States; to consider strategic responses to address these concerns; and to provide targeted technical and policy support to the respective governments in their effort to pursue a more durable and resilient sustainable development strategy. This spotlighting of the unique challenges facing the subregion has been particularly effective for chronicling the multidimensional impact of COVID-19 on Caribbean countries, notably the virtual collapse of the tourism sector in largely service-based economies and the need for fiscal space given their already high levels of indebtedness.

The strategy gave a prominent place to the subregion in the work of the Commission to better address the specific needs and vulnerabilities of Caribbean countries, ensuring that the concerns of the Caribbean are given the widest consideration and are addressed through an integrated approach. Ultimately, this strategic vision sought to ensure that all Caribbean voices were heard and appropriately represented in regional and global forums, to advance the subregion’s sustainable development agenda.

The aim of the strategy is to promote a stronger sense of belonging of the Caribbean within the wider Latin American and Caribbean region and to foster greater regional integration, cooperation and solidarity. From an operational perspective, Caribbean concerns are addressed prominently in all ECLAC forums and every attempt is made to ensure representation on all panels in which the Caribbean voice should be heard. ECLAC has been relentless in underscoring the importance of ensuring that the Caribbean story is conveyed with clarity, accuracy and empathy in all ECLAC research.

While the Commission’s embrace of the “Caribbean first” strategy has had a discernible impact in its work, two areas of particular significance are worth highlighting:

- (i) The Financing for Development in the Era of COVID-19 and Beyond initiative. The collapse of the tourism sector and the decline in commodity prices affected both the goods- and service-producing economies of the subregion. However, resources from multilateral agencies to address fiscal shortfalls were insufficient. This initiative —co-led by Jamaica and Canada— was a global movement to find ways to bring much needed financial relief and support to those countries most in need at the height of the COVID-19 crisis. In this process, ECLAC was an advocate for middle-income, highly vulnerable, heavily indebted, undiversified economies such as those of the Caribbean and sought to make a valuable contribution to those proposals offering some support to this group of countries.

- (ii) The ECLAC debt for climate adaptation swap initiative is an ongoing Caribbean-wide subregional initiative, which seeks to substantively address the high and unsustainable level of debt of many Caribbean economies, recently exacerbated by COVID-19, which has compromised the growth trajectory of the subregion. The initiative promotes consideration of a strategy to address the high debt/low growth dilemma of the Caribbean in a sustainable manner while fostering investment in climate adaptation and resilience-building. The main beneficiaries are Caribbean economies. The initiative will be launched in the first instance as a pilot in three countries: Antigua and Barbuda, Saint Lucia and Saint Vincent and the Grenadines.

Integral to the initiative is the creation of a Caribbean resilience fund (CRF) to address the lack of financing for sustainable development in the Caribbean. The resilience fund will be established as a segregated portfolio unit trust mechanism for attracting local and international finance under three windows: resilience-building, growth enhancement and debt reduction.

## 2. The Comprehensive Development Plan for El Salvador, Guatemala, Honduras and south-southeast Mexico

On 1 December 2018, on the occasion of the inauguration of the new President of Mexico, the Presidents of El Salvador, Guatemala, Honduras and Mexico signed a declaration in which they laid the groundwork for a new relationship between the four countries through a comprehensive development plan. The signatories expressed their willingness to deepen cooperation in the areas of development and migration in order to make human mobility an option and not an obligation, and they asked ECLAC to provide technical support for the design and implementation of the initiative.

ECLAC has identified at least six structural causes of migration: (i) unemployment, (ii) poverty and inequality, (iii) violence, (iv) natural disasters, (v) food insecurity, and (vi) family reunifications. In the short term, the main objective of the Comprehensive Development Plan for El Salvador, Guatemala, Honduras and south-southeast Mexico is to dissuade potential migrants through economic and social incentives and the prospect of better education and increased access to food, health (vaccines) and employment. In the medium term, the plan aims to foster economic growth, employment and public and private investment, and to create venues for sustainable development and an integrated market in El Salvador, Guatemala, Honduras and south-southeast Mexico.

In September 2019, the Secretary-General of the United Nations established a special coordination mechanism, chaired by the Executive Secretary of ECLAC, to facilitate the effective and integrated support of the agencies, funds and programmes of the United Nations system to the governments of the four countries. With this new impetus, the process was invested with greater dynamism through an implementation agenda based on project proposals that emerged from the countries' needs and the field experience of the agencies, funds and programmes of the United Nations. The collectively developed portfolio of proposals became the centrepiece of this initiative, giving the plan the impetus and practical grounding it needed.

At the end of 2021, despite the complications created by the pandemic, a revised version of the Comprehensive Development Plan was delivered, which sets out 114 ready-to-go projects. The projects are structured around four pillars: (i) economic development, (ii) social well-being, (iii) environmental sustainability, climate change and adaptation, and disaster risk reduction, and (iv) integrated management of migration cycles. This proposal requires mobilizing more than US\$ 45 billion over five years, slightly over half of which will be allocated to infrastructure and energy projects.

The Comprehensive Development Plan's proposals are innovative responses based on renewing and strengthening the relationship between the countries of Northern Central America and the southern and south-eastern States of Mexico. They represent a bid to relaunch regional integration and expand its scale, building on what has already been built. The crystallization of the plan's regional, national and local projects will be the outcome of the actions of national and local governments,



regional integration institutions, representatives of the private sector and civil society, the agencies, funds and programmes of the United Nations system, international financial institutions and the donors of the funds needed to implement the agenda.

At the same time, progress has been made in the selection of initiatives for rapid implementation, incorporating the renewed priorities of the national governments and taking into account the actions carried out by the United Nations system in the four countries. These ongoing projects, reinforced with a common identity, will be able to swiftly generate an initial implementation base that will give weight and strength to the plan, thus creating a foundation of trust that will encourage other relevant stakeholders to join the initiative.

ECLAC has also made progress on a proposal for various financing mechanisms: a constellation of variable geometry that, while preserving the autonomy of each mechanism's functioning, will contribute to achieving the plan's regional and national objectives while preserving the guiding principles of its implementation. This approach will allow donors and partners to be brought on board, accelerate the implementation of actions in the territories and catalyse the implementation of strategies, policies, actions and strategic investments that will enable economic, social and environmental transformation to respond to the structural causes behind migration.

### 3. Plan for self-sufficiency in health matters in Latin America and the Caribbean<sup>3</sup>

The COVID-19 pandemic underscored the vulnerabilities of the region's countries in the health, economic, social and productive spheres. Supply chain disruptions revealed the shortcomings of the regional healthcare industry and its high dependence on imports from outside the region. Moving towards greater resilience and self-sufficiency in health so that future emergencies can be dealt with requires not only the strengthening and creation of scientific, technological and productive capacities in the health industry at the national level, but also concerted efforts and integration at the regional level.

In consideration of these challenges, Mexico, in its capacity as pro tempore Chair of the Community of Latin American and Caribbean States (CELAC), asked ECLAC in 2021 to prepare a health self-sufficiency plan for the region that, in addition to analysing the situation, would enable progress with lines of action to strengthen the production and distribution of vaccines and medicines in the group's member countries.

To accomplish this task, ECLAC conducted an exhaustive study of the progress made with vaccination, formed a working group comprising over 20 experts from different Latin American and Caribbean countries, carried out a diagnostic assessment of the region's potential capabilities that emphasized institutional capacities for the design and implementation of policies, and formulated recommendations for strategies and lines of action.

The plan for self-sufficiency in health matters put forward by ECLAC, which was unanimously adopted at the Sixth Summit of Heads of State and Government of CELAC (Mexico City, 18 September 2021), is a call to action and presents a clear regional agenda.

The plan's ultimate goal is to strengthen vaccine and drug research, development and production capacities across the region. To that end, it sets three specific objectives: to provide a stable, large-scale market that gives clear signals and certainty for firms to invest in, to encourage and facilitate research and development in innovative projects, and to support local production and integration into regional production chains.

The plan entails seven lines of action: strengthening mechanisms for the pooled international procurement of vaccines and essential medicines; using public procurement mechanisms for medicines to develop regional markets; creating consortiums for vaccine development and production; implementing a regional clinical trials platform; taking advantage of regulatory flexibilities

<sup>3</sup> *Plan for self-sufficiency in health matters in Latin America and the Caribbean: Lines of action and proposals* (LC/TS.2021/115), Santiago, 2021.

to gain access to intellectual property; strengthening regulatory convergence and recognition mechanisms; and strengthening primary health systems for equitable distribution of vaccines and universal access to them.

Following the plan's adoption, ECLAC was asked to continue its support into the implementation phase, for which three immediate lines of action were prioritized: coordination among national regulatory bodies, the creation of a regional platform for clinical trials, and the development and strengthening of regional procurement mechanisms to ensure universal vaccine access. The implementation of the health self-sufficiency plan began in December 2021 with a regional meeting of national drug regulatory authorities.

## 4. The Escazú Agreement

The Regional Agreement on Access to Information, Public Participation and Justice in Environmental Matters in Latin America and the Caribbean (Escazú Agreement) was adopted in March 2018. It is a treaty without precedent that seeks to ensure a healthy environment and sustainable development for present and future generations through more informed, participatory, just and inclusive societies. At the 1992 Earth Summit, the international community recognized the need to move towards more sustainable development and stronger participatory democracies. Principle 10 of the Rio Declaration on Environment and Development, the inspiration for the agreement, links both processes by stating that all citizens must participate and be included in the transformations needed to achieve sustainable development.

The Escazú Agreement is also unique because it highlights the virtuous circle that exists between the protection of human rights—including rights of access—and the protection of the environment and sustainable development. It is the first international treaty that explicitly recognizes the need to protect environmental defenders and, as such, seeks solutions to this pressing problem and promotes the development of robust institutions to protect the region's citizens, compliance with the rule of law and peaceful relations between all sustainable development stakeholders.

The agreement, which was negotiated in an open and participatory manner over six years on the basis of an initial declaration made at the United Nations Conference on Sustainable Development (Rio+20) in 2012—in which ECLAC was asked to support the process—has 24 signatory countries and 12 States Parties. The result is a demonstration of the region's commitment to multilateralism and regional cooperation. After a ratification process that unfolded faster than expected, the agreement entered into force on 22 April 2021, International Mother Earth Day, following the joint deposit of instruments of ratification by Argentina and Mexico.

The agreement has received strong international support; in particular, the United Nations Secretary-General has described it as a valuable tool for building a better future for all Latin American and Caribbean people,<sup>4</sup> and it has been applauded by the United Nations Economic and Social Council and General Assembly.<sup>5</sup>

In April 2022, one year after the agreement's entry into force, the first meeting of the Conference of the Parties will be held to review progress, exchange best practices, reaffirm commitments and bolster regional cooperation to strengthen its effective implementation.

## F. Epilogue

This essay has summarized the main lines of analysis, policy proposals and actions in favour of sustainable development in Latin America and the Caribbean that ECLAC has pursued during the more than 13 years that I have served as its Executive Secretary. This process of reflection and action has involved elements of both continuity and change.

<sup>4</sup> See United Nations (2020, p. 19, and 2021).

<sup>5</sup> See Economic and Social Council resolution 2021/31 and General Assembly resolution 76/246 (p. 4).

First, we have reasserted and renewed the ECLAC tradition of thinking about development in our region from a structuralist perspective—in which the assumptions underlying the theories and models are rooted in the specific conditions of how its countries' economies and societies function. This is particularly clear in the reclaiming and strengthening of structural change as a way to conceptualize and identify the transformations our region requires so it can cease to be a factory of inequality based on a productive structure with poor diversification and low productivity. As the new realities demand, our reflections have advanced beyond the seminal 1990 proposal of changing production patterns with social equity. The concept of structural change embraces the basic elements of productive transformation and substantive equality and takes them further: it is a stronger objective that is more suited to today's conflicting realities than equity understood as equality of opportunity rather than as equality of outcomes.

Second, this period saw the introduction or intense development of concepts that today are of undeniable relevance and timeliness. Mainstreaming environmental sustainability and gender equality in all areas of ECLAC thought was a way of maintaining the Commission's relevance amid changes whose depth and scope were still unpredictable a decade and a half ago. Something similar happened with other conceptual and policy components: for example, those linked to new digital technologies or nature-based solutions.

Third, ECLAC economic and social thinking has responded promptly and flexibly to changes in the region's economic cycles, which over the past 15 years have experienced the end of the global commodities market boom, a worldwide financial crisis, a five-year period of slow growth and of setbacks or slowdowns in social progress and, finally, the abrupt upheaval caused by the outbreak of the COVID-19 pandemic in the first quarter of 2020. On each of those occasions, ECLAC extended the region's countries proposals based on a robust capacity for data management and analysis.

Retaining what is valuable in tradition, incorporating the new—and not necessarily the novel—and responding in a timely manner to our countries' needs have been the main assets of a way of thinking that remains relevant 75 years after it took its first steps.

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