

# Regional cooperation and integration: building blocks towards sustainable recovery in Latin America and the Caribbean



UNITED NATIONS



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# A new political context



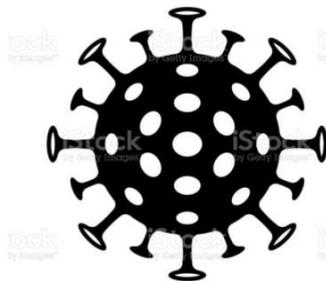
## 1 Multilateralism in crisis

- Geopolitical tensions
- New economic geography
- Diminished global governance models



## 2 New global challenges

- Climate change
- Biodiversity loss
- Technological revolution
- Migration



## COVID-19 has magnified structural gaps



## 5 Social discontent

- Fragmentation of health services
- Poverty, inequality, informality
- Containment, confinement and violence
- Authoritarian tendencies



## 3 Structural challenges

- Insufficient growth
- Intersecting inequalities
- Structural fiscal and trade deficits



## 4 The new development agenda

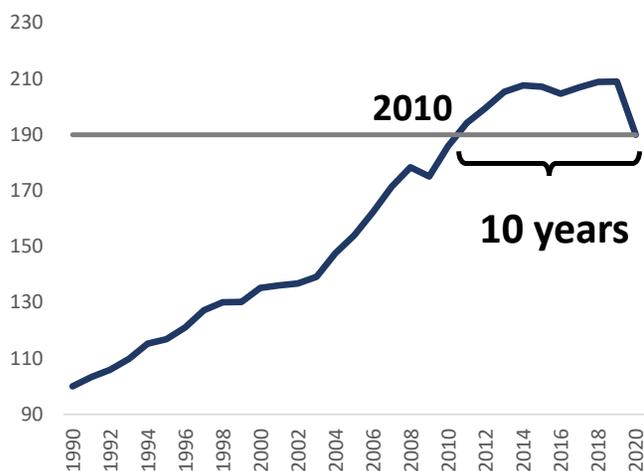
- Agenda 2030
- Paris Agreement
- Samoa Pathways

# The worst crisis in a century which complicates Agenda 2030

- Decline of **9,1%** of GDP
- Poverty will rise to **231 million** (37,3%) and extreme poverty to **98 million** !15,5%
- Unemployment will rise to **13.5%**, with **44 million** unemployed
- Regional exports set to fall by **14%**
- Closure of **2.7 million** formal businesses
- **40 million** households without digital connectivity

LAC: PER CAPITA GDP

(Index 1990=100)

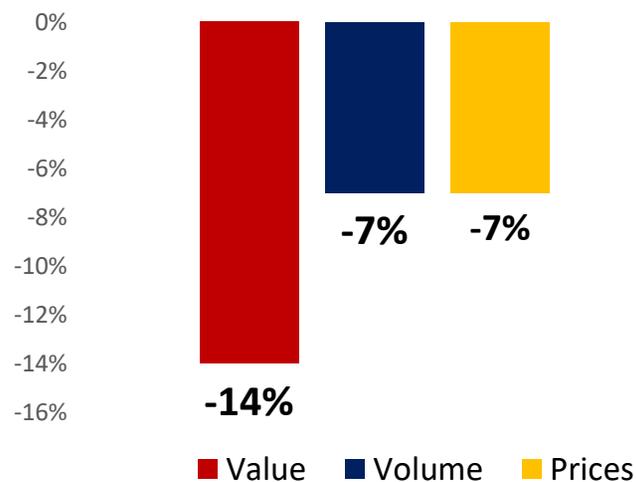


LAC: POVERTY

(Percentages)

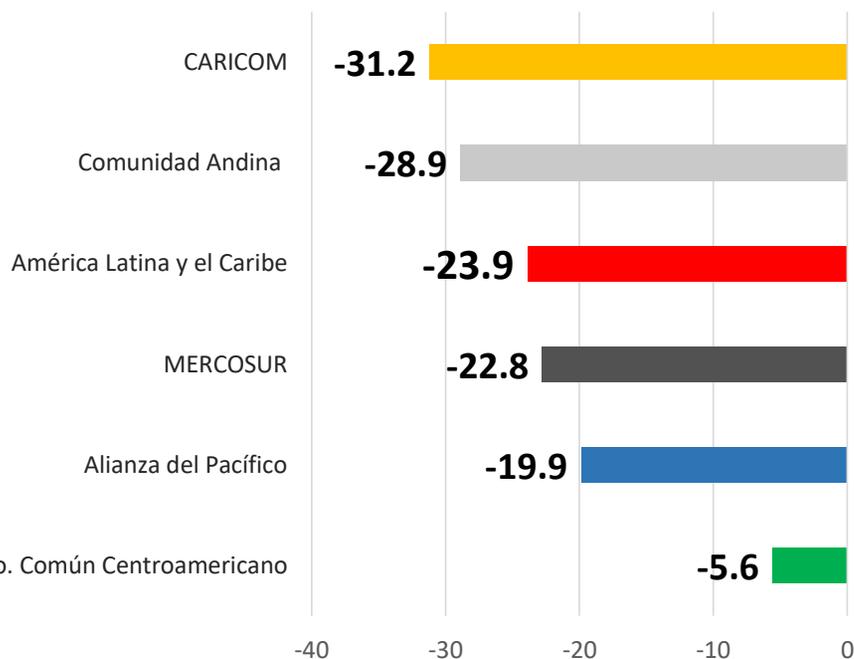


LAC: EXPORTS

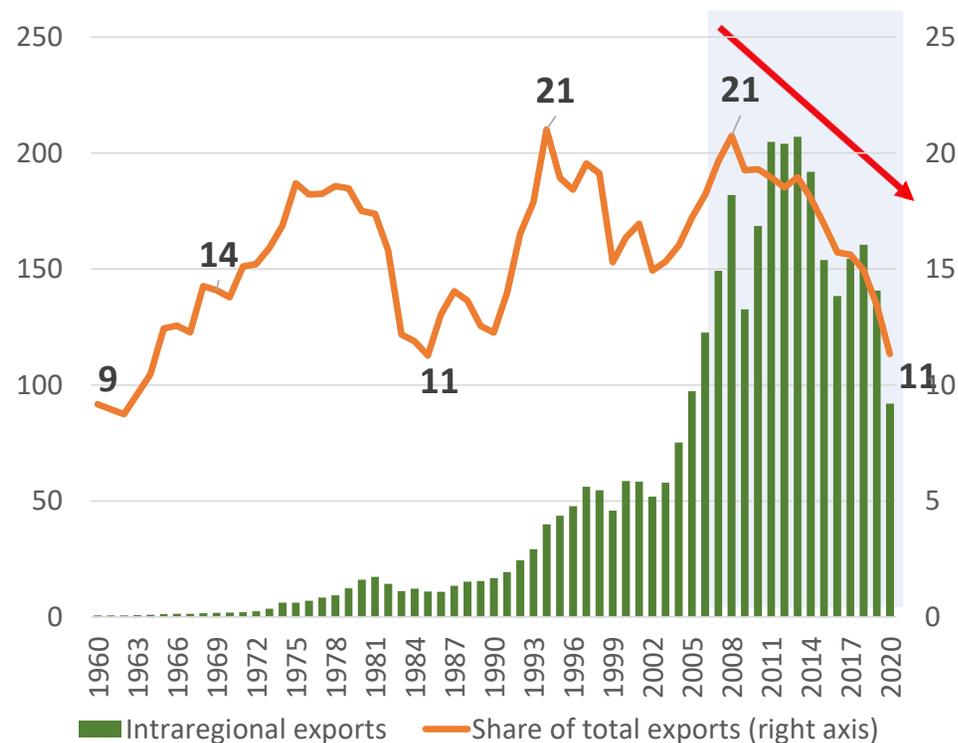


# Intraregional trade has collapsed in all the subregional mechanism: urgency to move on trade facilitacion, logistics and digital

Latin America and the Caribbean: interannual variation of intraregional exports in different subregional schemes: january-may 2020  
(Percentages)



Latin America and the Caribbean: intraregional exports, 1960-2020<sup>a</sup>  
(US\$ billions and shares of total exports of goods)



Source: ECLAC, based on official data from the countries of the region. The figures for 2020 are projections.

## Countries have responded but COVID-19 calls for a new development paradigm/observatory

1. High fiscal efforts (**4,5% GDP**) to mitigate the effects of COVID-19 with limited fiscal space and **10%** of GDP in guarantees
2. External cooperation will be needed with favorable access for **MICs, SIDs and LLDCs**.
3. Crisis will be longer with great uncertainty so **fiscal expansion** with an active role of the State will be key to support recovery.
4. Building forward better with **equality and sustainability** at the center.



Emergency  
basic income



Tax exemptions,  
subsidies and grace  
periods to MSMEs



In kind transfers:  
food & medicines,



Unemployment  
insurance , advance  
pension payments

## Six ECLAC proposals to connect the emergency with the recovery and the change of the model



1. Extend the **basic emergency income** for 12 months and terms and grace periods to MSMEs
2. A **basic digital basket** to guarantee universal digital inclusion of 40 million households
3. Expansive **fiscal and monetary** policies: austerity is not an option
4. International solidarity: **debt relief in the Caribbean** and interest payments in Central America and create regional resilience fund.
5. **Recovery plans with job creation**, supported by climate action, environmental sustainability, nature-based solutions and basic infrastructure
6. Political and fiscal **pacts** for universal, progressive and redistributive social protection.

# Five sectors driving the big push for sustainability

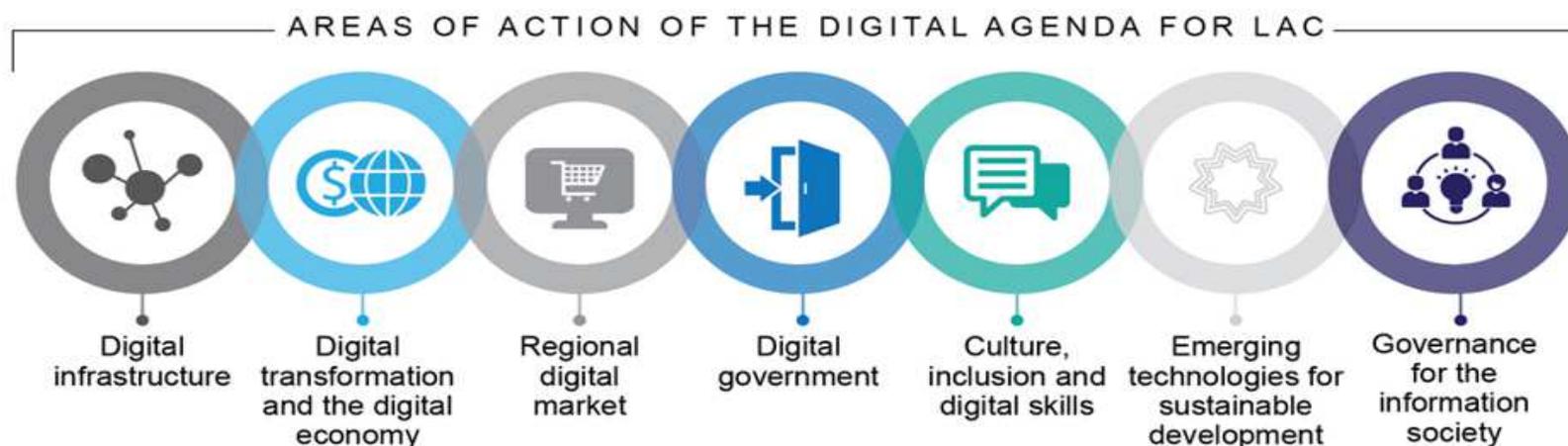
- 1. The energy transition to renewals with employment.**
- 2. Agroecology, agroforestry and oceans (Oceans)/aquaculture; restoration.**
- 3. Digital connectivity, circular economy & electrified public transport.**
- 4. Regional Integration: digital and health-care manufacturing industry and infrastructure**
- 5. Strengthening the care economy as part of health infrastructure, equipment and expertise.**



- ✓ **Historic**
- ✓ **Transformative**
- ✓ **Universal, comprehensive and indivisible goals**
- ✓ **Participative**
- ✓ **Vision of the future with equality and sustainability**

# Priority to regional cooperation in digitalization

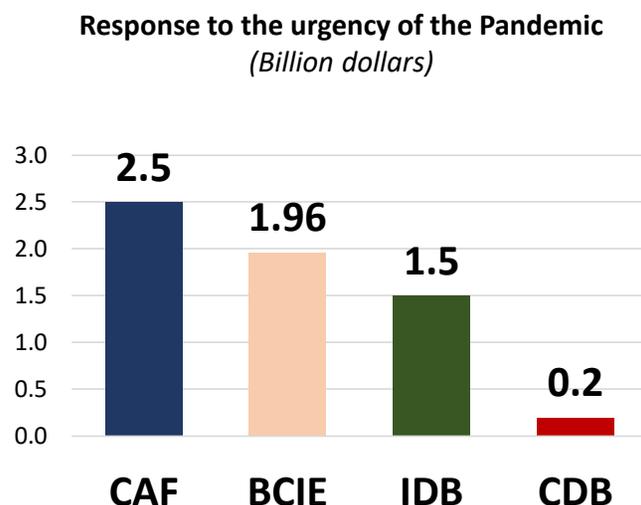
- **Universalize digital access:** expand fixed broadband coverage
- **Promote productive transformation with** digital technologies in SMEs and supply chains
- **Promote trust and digital security with** regulatory frameworks and rules on privacy and cybersecurity
- **Strengthen regional digital cooperation (eLAC): regional digital market**



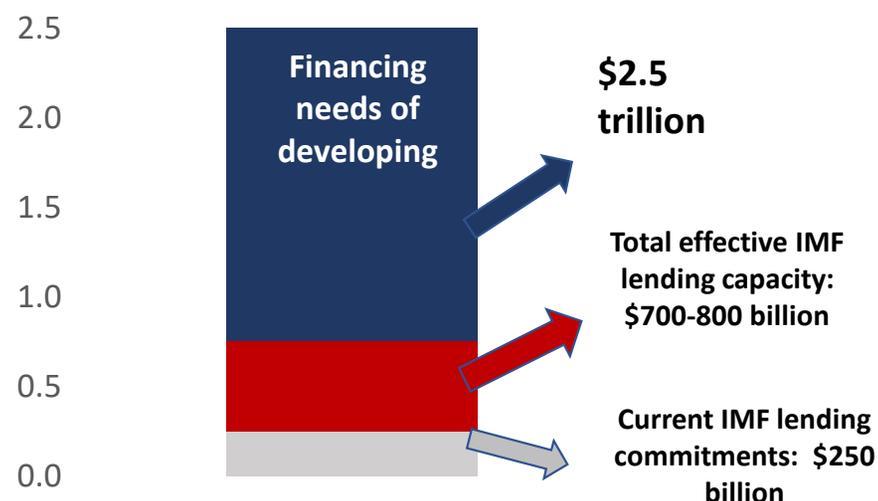
## An overhaul of production chains

- **Strategic decisions within global production networks will take into account new risk factors**
- Companies will seek to **improve the resilience of networks by:**
  - **Diversifying suppliers** by country and company (“China plus one” strategy)
  - **Nearshoring by choosing geographically closer suppliers**
  - **Reshoring strategic production and technology processes**
- The suppliers of transnational corporations are under the greatest pressure
- Breaks in networks: an opportunity to develop national and regional capabilities

## Multilateral responses for the needs of Middle-Income Countries have been important but insufficient



- Increased capitalization
- Mandated requirements to channel a given percentage of portfolio loans to green investment
- Remove barriers to the expansion of climate finance
- National development banks can support SMEs by widening financial inclusion through financial innovation,



- 63.2 billion to 20 LAC countries.
- Rapid Financing Instrument
- Rapid Credit Facility
- Extended Fund facility Catastrophe Containment and Relief Trust (CCRT)
- Flexible Credit Lines: to 3 LAC countries

## Multilateral cooperation to address liquidity needs

- **New SDRs issuance of 500 billion and reallocation of existing SDRs**
- **Fund to Alleviate COVID-19 Economics (FACE)** proposed by Costa Rica.
  - The fund of a modest size of 516 billion for concessional funding with long repayment periods and near-zero interest rates to low and middle-income countries with no conditionalities
- **Expanding the scope and extending the term G20 Debt Service Suspension Initiative (DSSI): to include MICs and SIDs**
- **Concerns over credit downgrades during the pandemics**

## Multilateral cooperation to address debt vulnerability of SIDS

- **Special dispensation for vulnerable Caribbean SIDS through:**
  - Access to **grant and concessional funding**
  - **Debt relief/cancellation without conditionalities**
  - Access to **enhanced DSSI (bringing in private creditors)**
- **Engage bilateral creditors including Paris Club**
- **Establishment of a Caribbean Resilience Fund with an initial capitalization in the order of US\$6.9 billion (12.2% of regional debt) is being sought**
- **Green Climate Fund's involvement in the ECLAC Debt Swap Initiative**
  - Access to concessional/grant resources from GCF and establishment of the Resilience Fund needs to be agreed to move the Initiative forward



## Changing the development strategy

- Growth in production and employment is fundamental
- New technologies: efficiency and productivity
- Social and fiscal pacts to establish welfare states
- A big push for sustainability with equality
- Strengthening and expanding regional productive integration schemes

***Address the emergency and implement a strategy to overcome the structural weaknesses of economies and societies***