



THE SHARED SOCIETY

A vision for the Global Future of Latin America

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Presentation Road Map

1

Latin America unique opportunity



2

The Unavoidable Challenges



3

The State Capacity to Deliver



4

Latin America Goes Global



5

Final Remarks



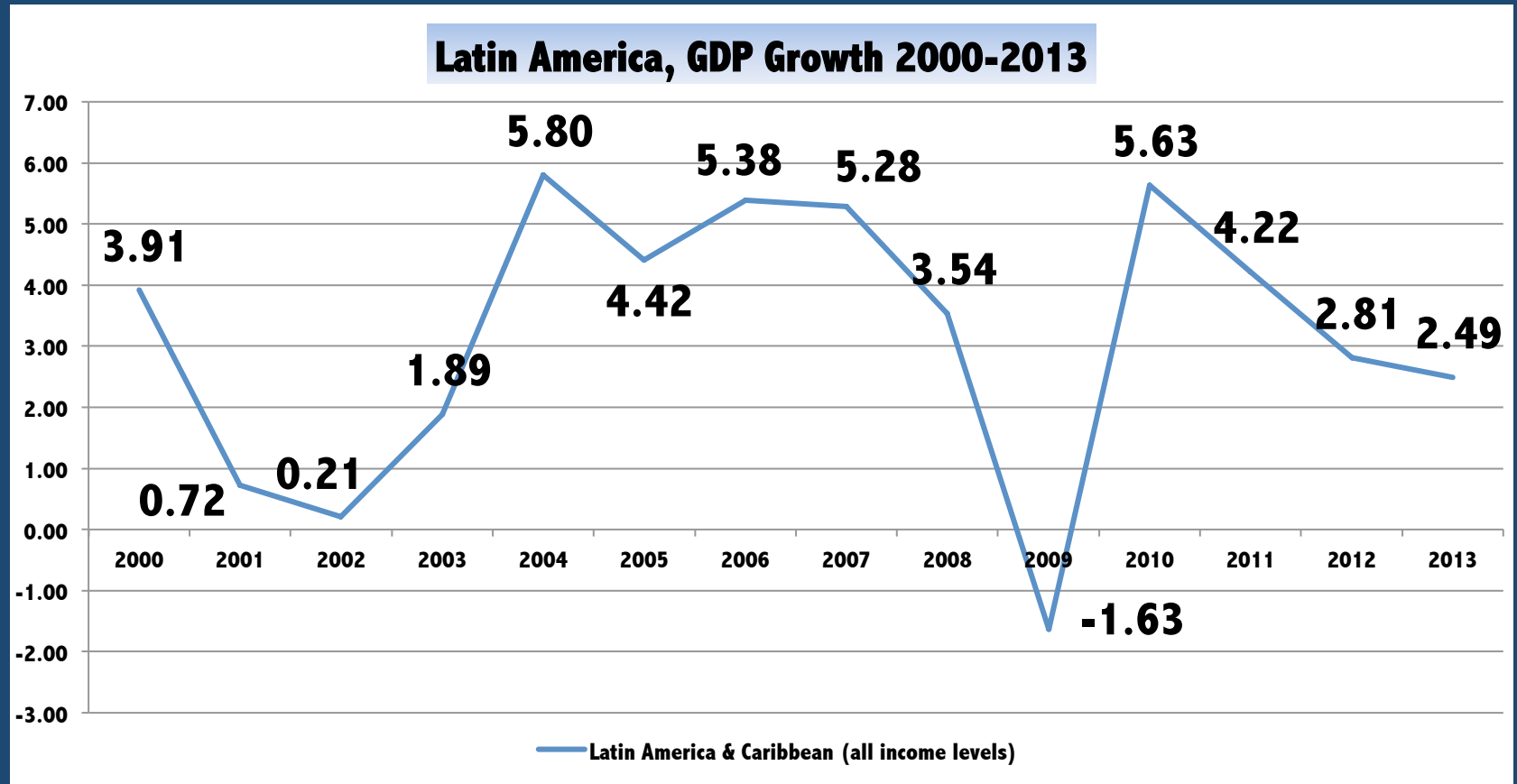


Democracy



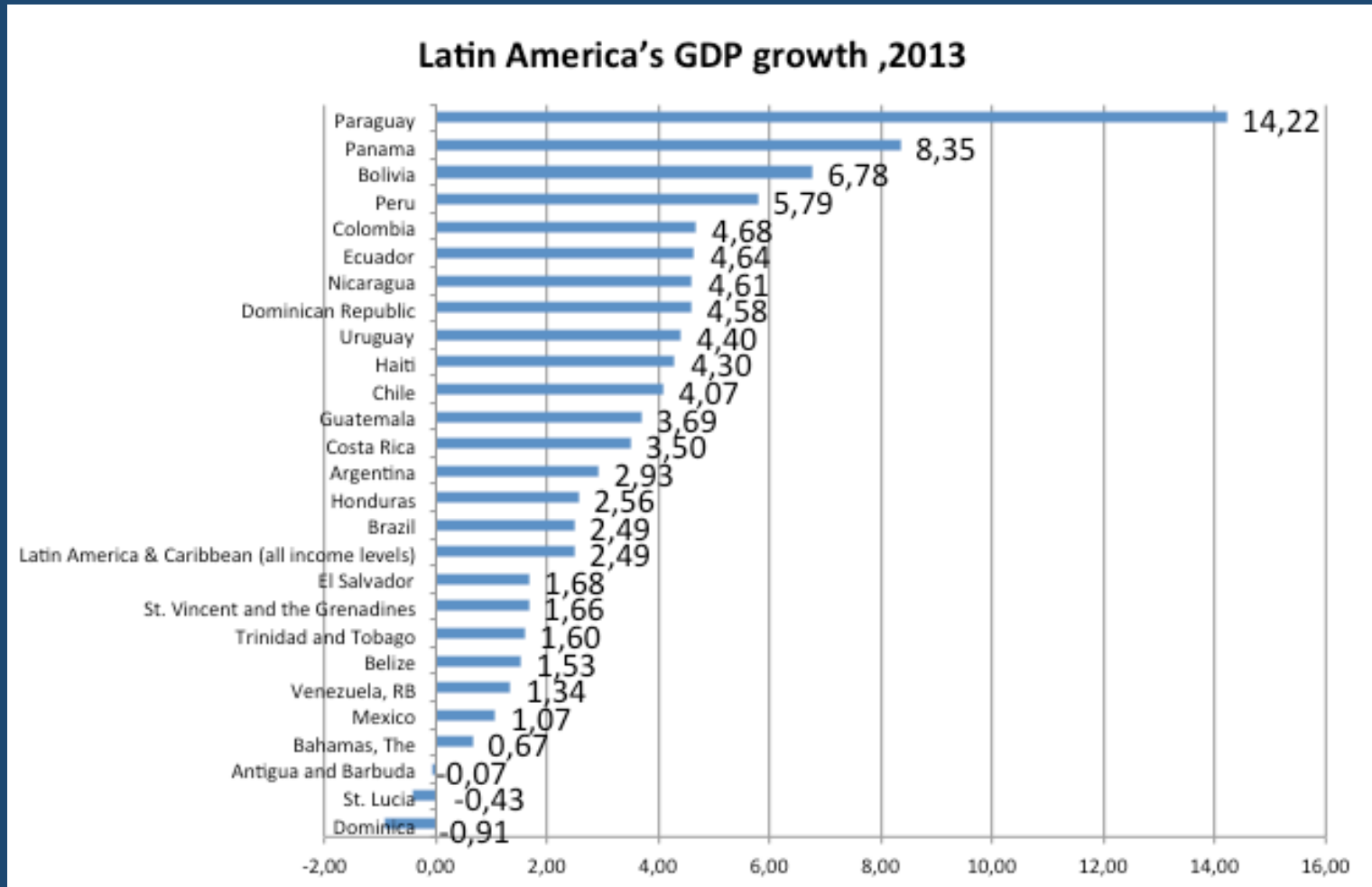


Latin America's GDP growth





Latin America's GDP growth

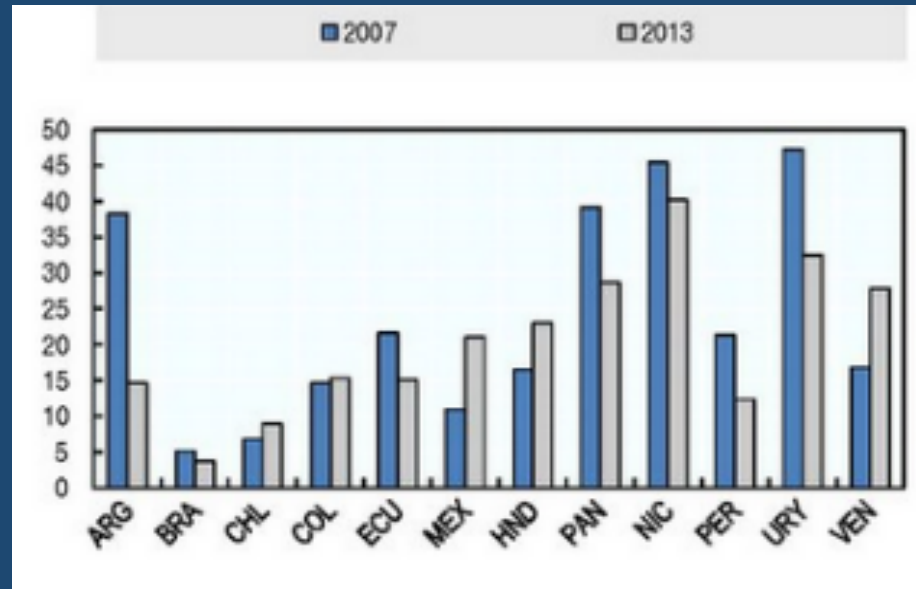


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Latin America unique opportunity



Latin America's Public Debt





Latin America's exposure and resilience to Capital Account Shocks

Country	External debt (% GNI)*			Current account balance (% GDP)			Reserves (% GDP)	Resistance indicators	
	2008	2010	Difference	2003-08	2011	Difference		Short-term external debt (% total debt)	Short-term debt (% reserves)
Argentina	37.2	36.1	-1.1	3.0	-0.5	-3.5	10.3	27.4	67.1
Bolivia (Plur. State of)	34.3	27.8	-6.4	7.3	2.2	-5.1	52.4	2.0	1.1
Brazil	16.2	16.9	0.7	0.6	-2.1	-2.7	14.2	18.9	22.7
Chile	41.5	45.9	4.4	1.4	-1.3	-2.7	16.9	30.0	93.0
Colombia	19.8	22.8	3.0	-1.8	-2.8	-1.1	10.2	13.0	29.2
Costa Rica	31.8	26.8	-5.0	-5.7	-5.2	0.5	11.9	27.5	52.5
Dominican Republic	23.2	26.2	3.0	-1.7	-7.9	-6.2	6.6	14.9	55.6
Ecuador	32.7	23.1	-9.7	1.4	-0.3	-1.7	4.6	2.5	14.1
El Salvador	49.1	53.2	4.0	-5.0	-5.9	-0.9	11.1	10.0	38.1
Guatemala	38.7	35.9	-2.8	-4.8	-2.8	1.9	13.4	11.1	26.8
Honduras	25.9	28.2	2.3	-7.6	-8.7	-1.1	16.7	9.6	14.7
Jamaica	76.2	104.2	28.0	-11.4	-9.9	1.5	13.4	8.5	47.2
Mexico	17.3	19.5	2.2	-0.9	-0.8	0.1	12.3	19.5	32.4
Nicaragua	68.8	76.9	8.1	-16.7	-17.9	-1.2	23.5	14.6	38.7
Panama	44.7	45.8	1.1	-6.5	-12.7	-6.3	7.4	0.0	0.0
Paraguay	25.0	25.3	0.4	0.9	-1.2	-2.1	20.8	23.2	27.5
Peru	28.8	24.6	-4.2	0.0	-1.3	-1.3	28.0	16.7	13.7
Uruguay	31.7	29.0	-2.7	-1.5	-2.2	-0.7	22.0	13.7	20.2
Venezuela (Bol. Rep. of)	16.9	14.3	-2.6	13.5	8.6	-4.9	12.3	27.8	52.0
Average	34.7	35.9	1.2	-1.9	-3.8	-2.0	16.2	15.3	34.0



Latin America's Fiscal Indicators

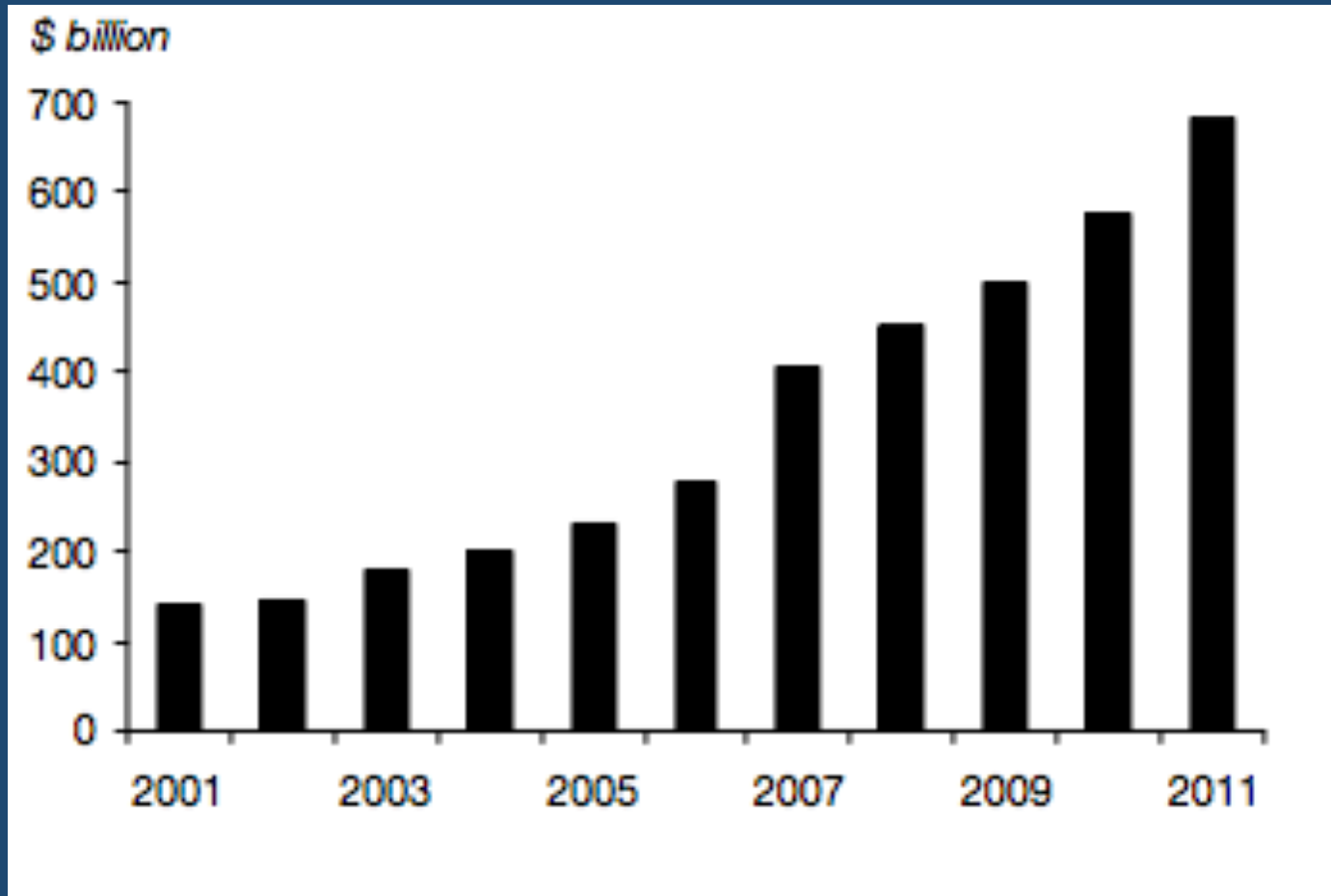
Country	Gross government debt (% GDP)		Interest payments (% GDP)		Budget balance (% GDP)
	2008	2011	2008	2011	2011
Argentina	57.8	40.0	2.4	2.7	-2.3
Bolivia (Plur. State of)	43.1	41.4	1.0	1.4	1.0
Brazil	57.4	54.2	6.6	6.1	-2.6
Chile	11.4	16.5	0.9	0.8	0.9
Colombia	42.7	41.2	3.5	3.2	-1.8
Costa Rica	29.9	38.4	2.2	2.2	-3.6
Dominican Republic	24.4	30.3	1.6	2.1	-2.6
Ecuador	25.0	22.2	1.3	0.8	-1.0
El Salvador	36.9	44.3	2.4	2.2	-3.9
Guatemala	20.1	24.1	1.4	1.5	-2.8
Honduras	20.1	27.7	0.3	0.3	-4.6
Jamaica	126.1	139.0	12.5	9.4	-5.7
Mexico	26.9	35.5	1.6	1.8	-2.5
Nicaragua	76.6	42.7	1.2	1.4	0.5
Panama	45.4	41.2	3.2	2.4	-2.3
Paraguay	19.2	13.4	0.7	0.6	1.3
Peru	24.5	19.2	1.6	1.2	1.8
Uruguay	52.4	42.2	2.9	2.5	-0.4
Venezuela (Bol. Rep. of)	14.0	21.7	1.3	2.1	-3.4
Simple average	39.7	38.7	2.6	2.4	-1.8

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Latin America unique opportunity



Latin America International Reserves

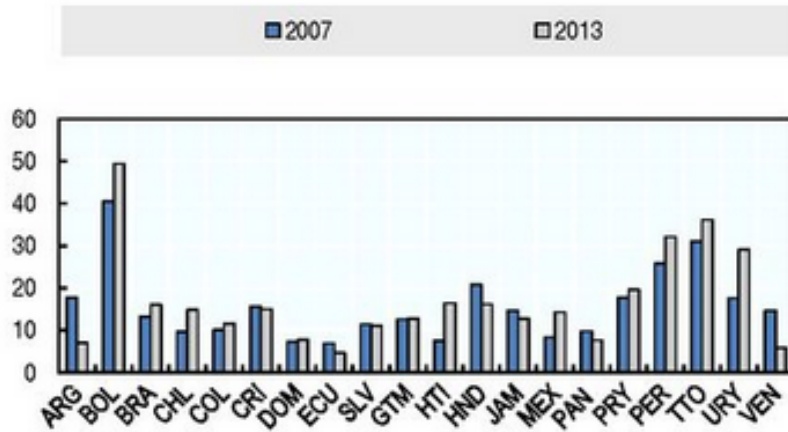


SOURCE: IFF

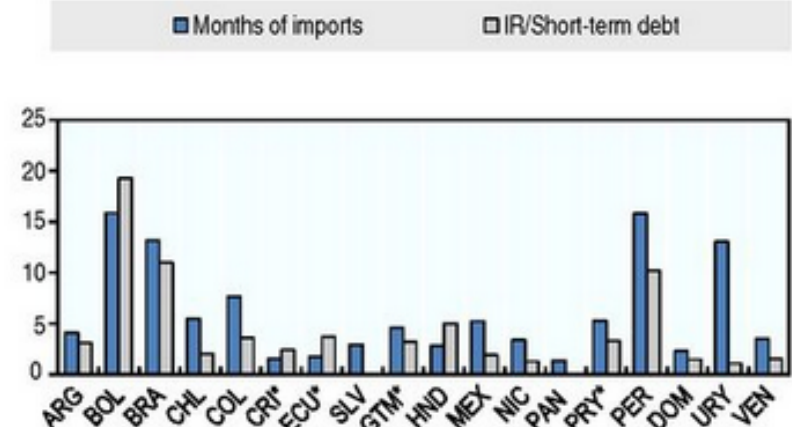


Figure 2.13. International reserves in Latin America

Panel A. International reserves (% GDP)

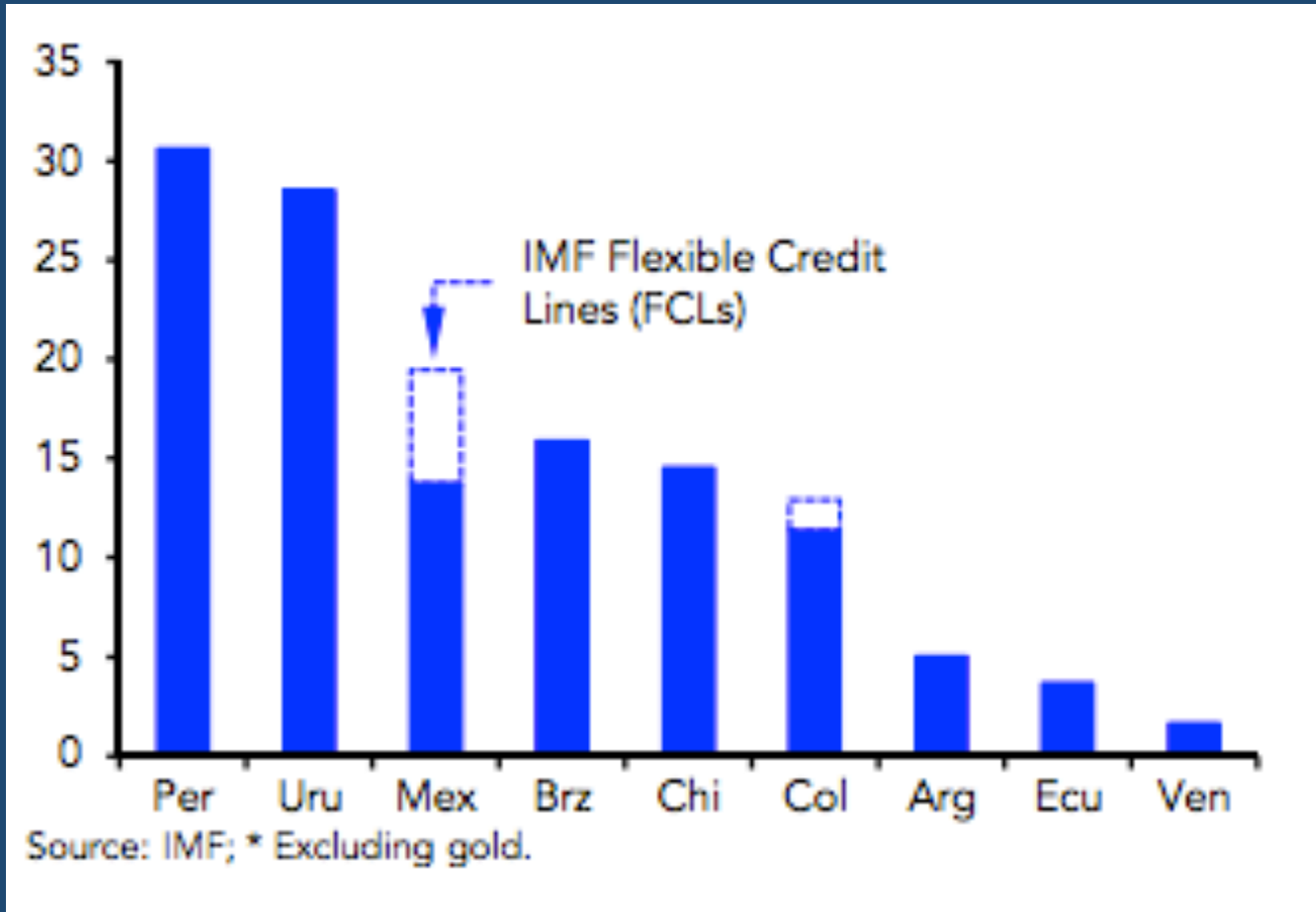


Panel B. Months of imports and reserves/short-term debt 2013





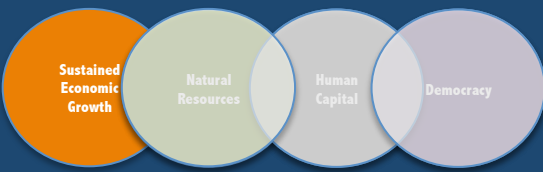
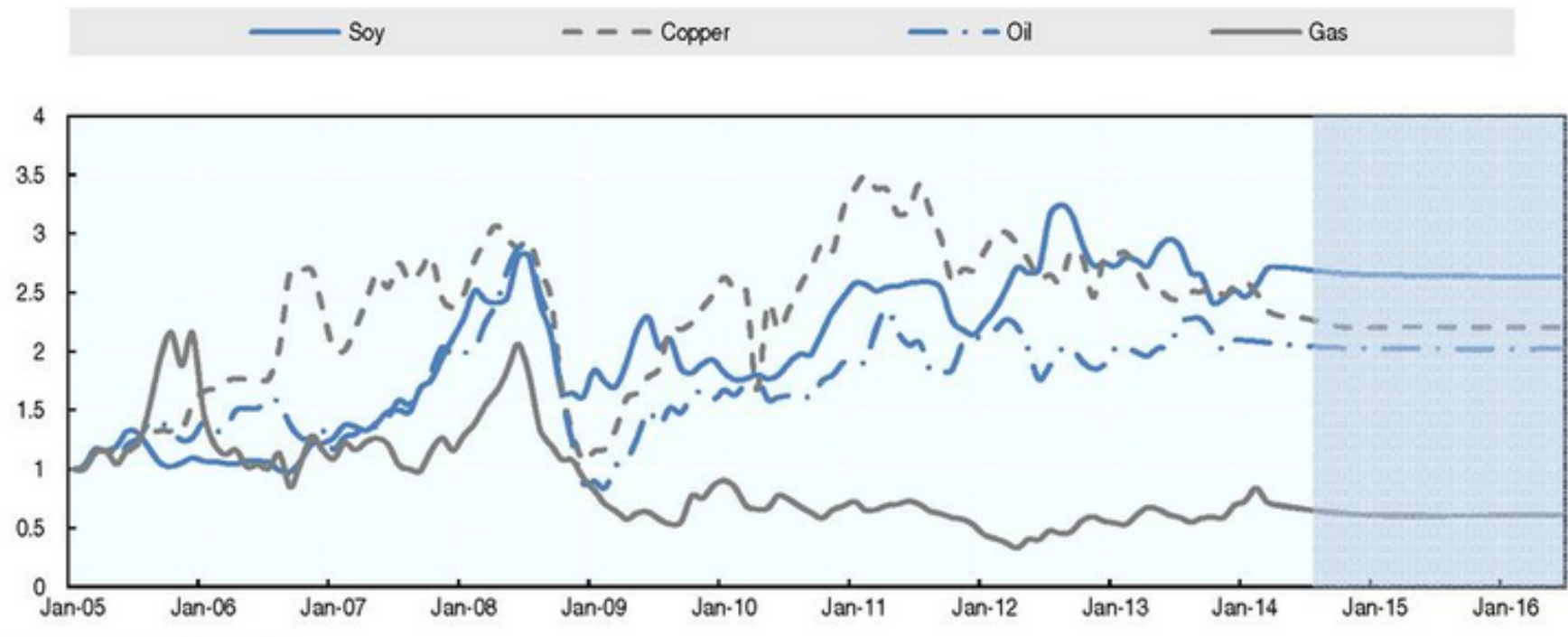
International Reserves (as % of GDP, 2013)





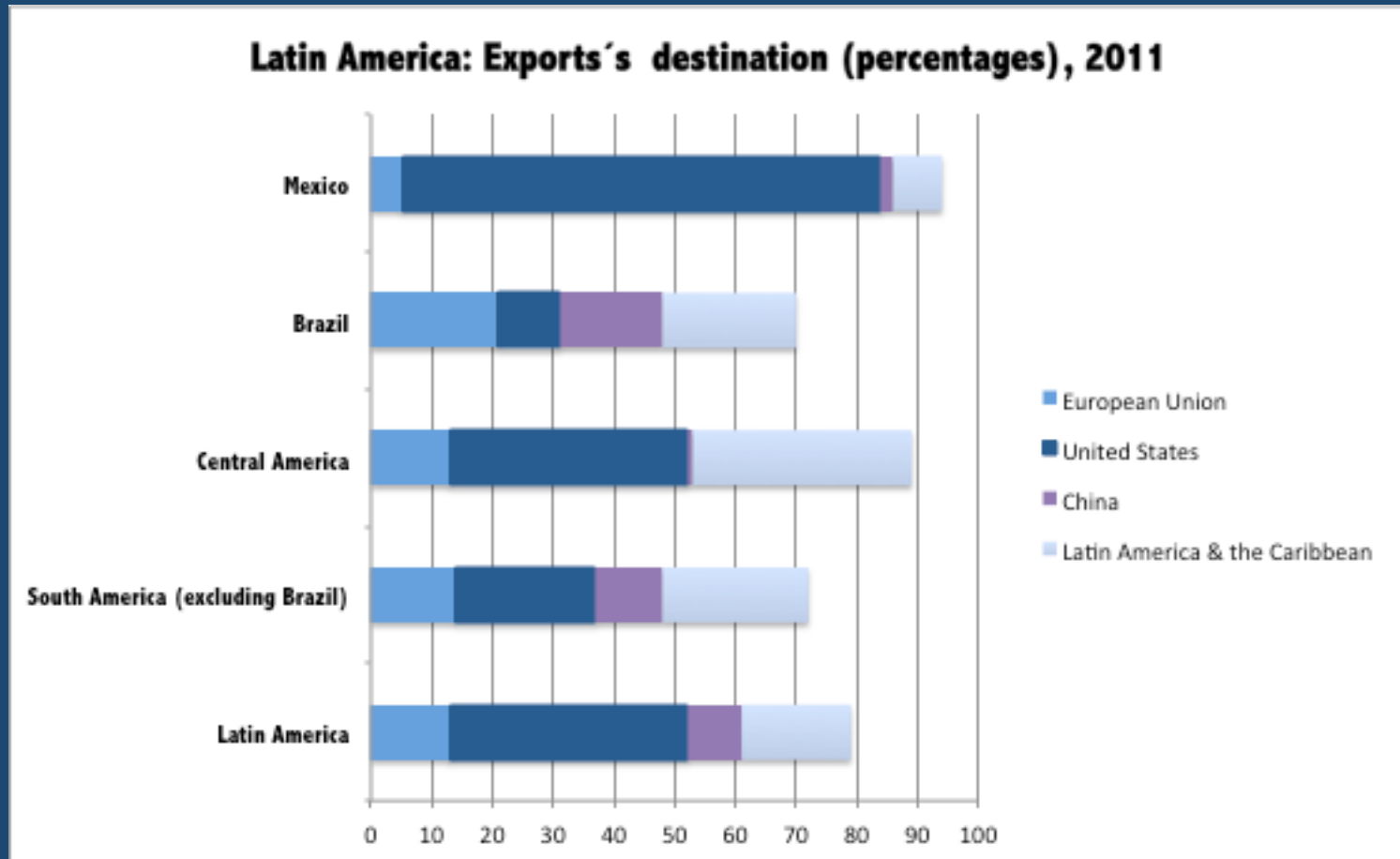
Exports Price Index

Figure 2.3. Selected commodity prices





Exports Market Share

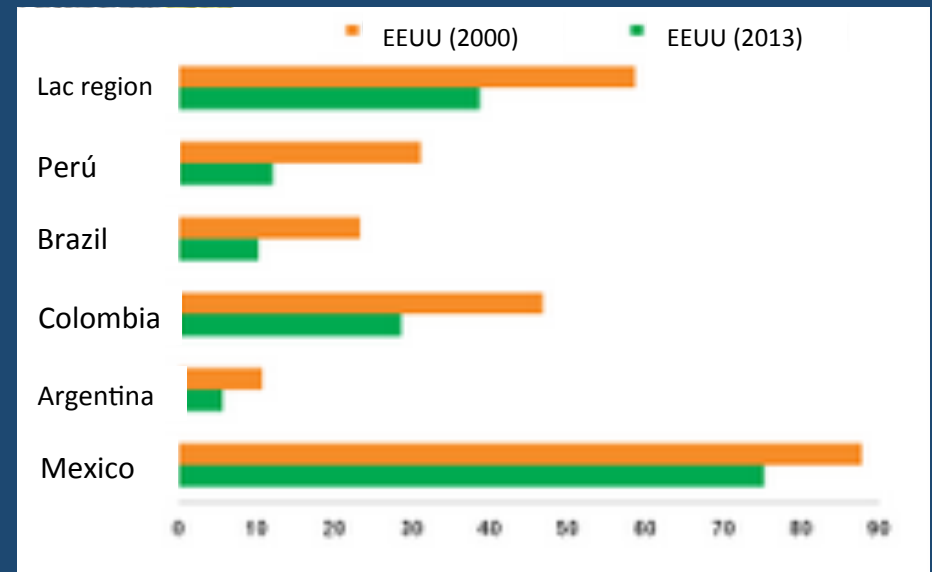
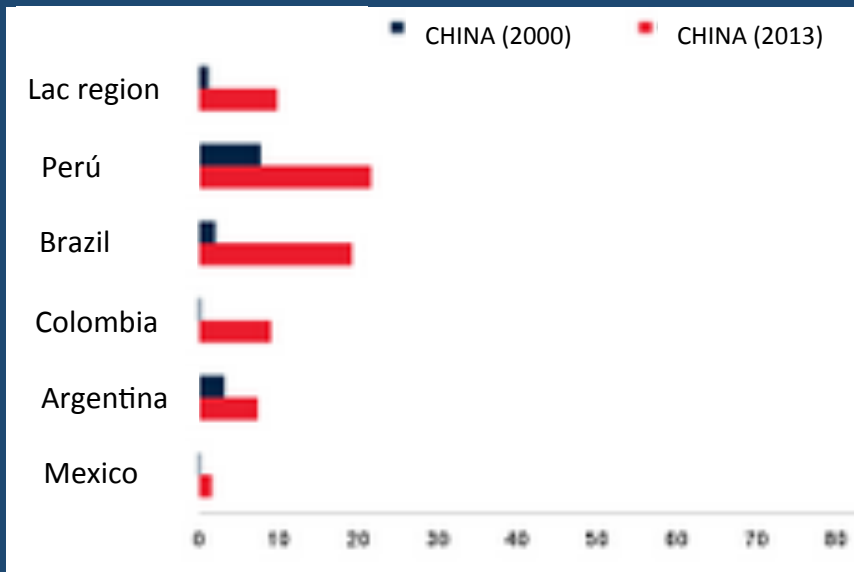


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Exports Market Share

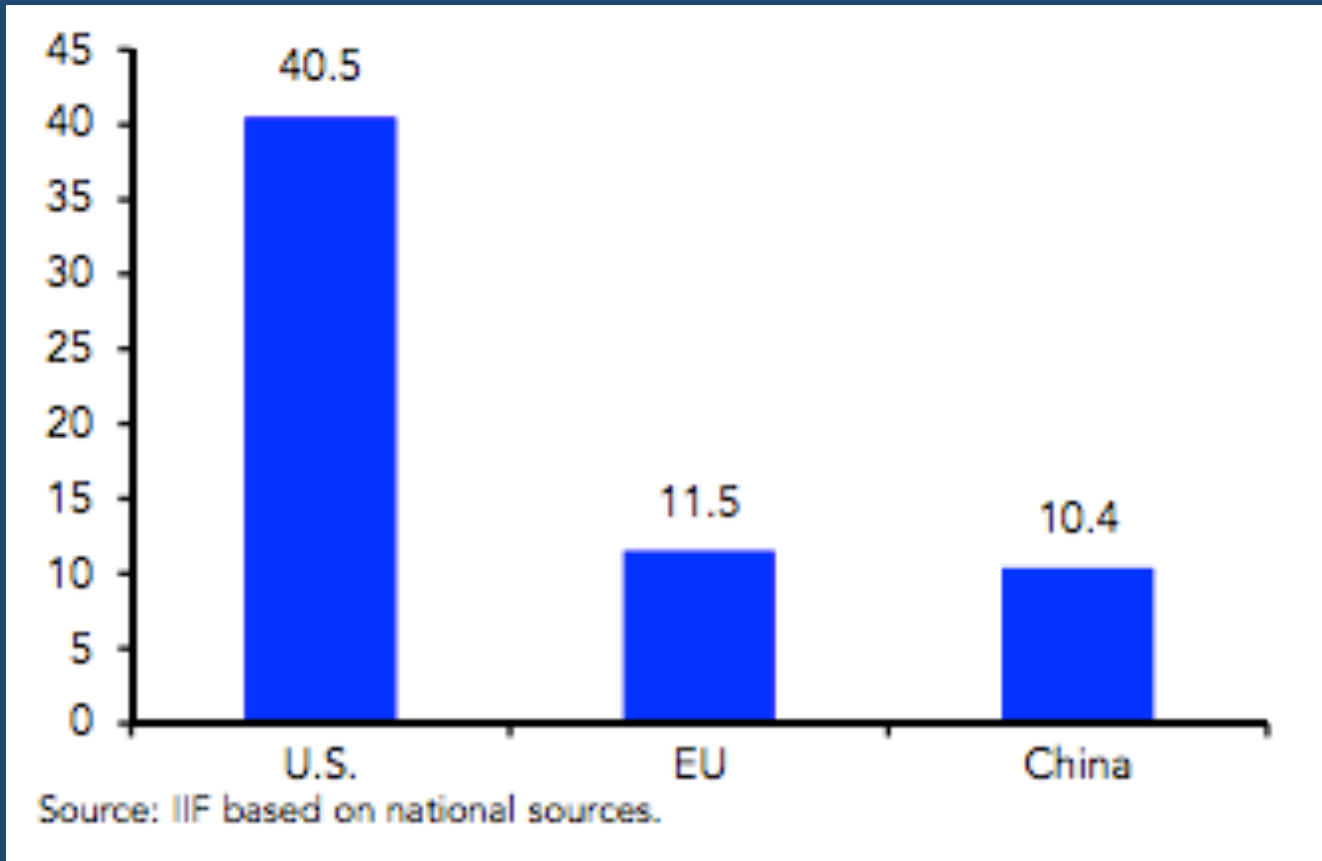


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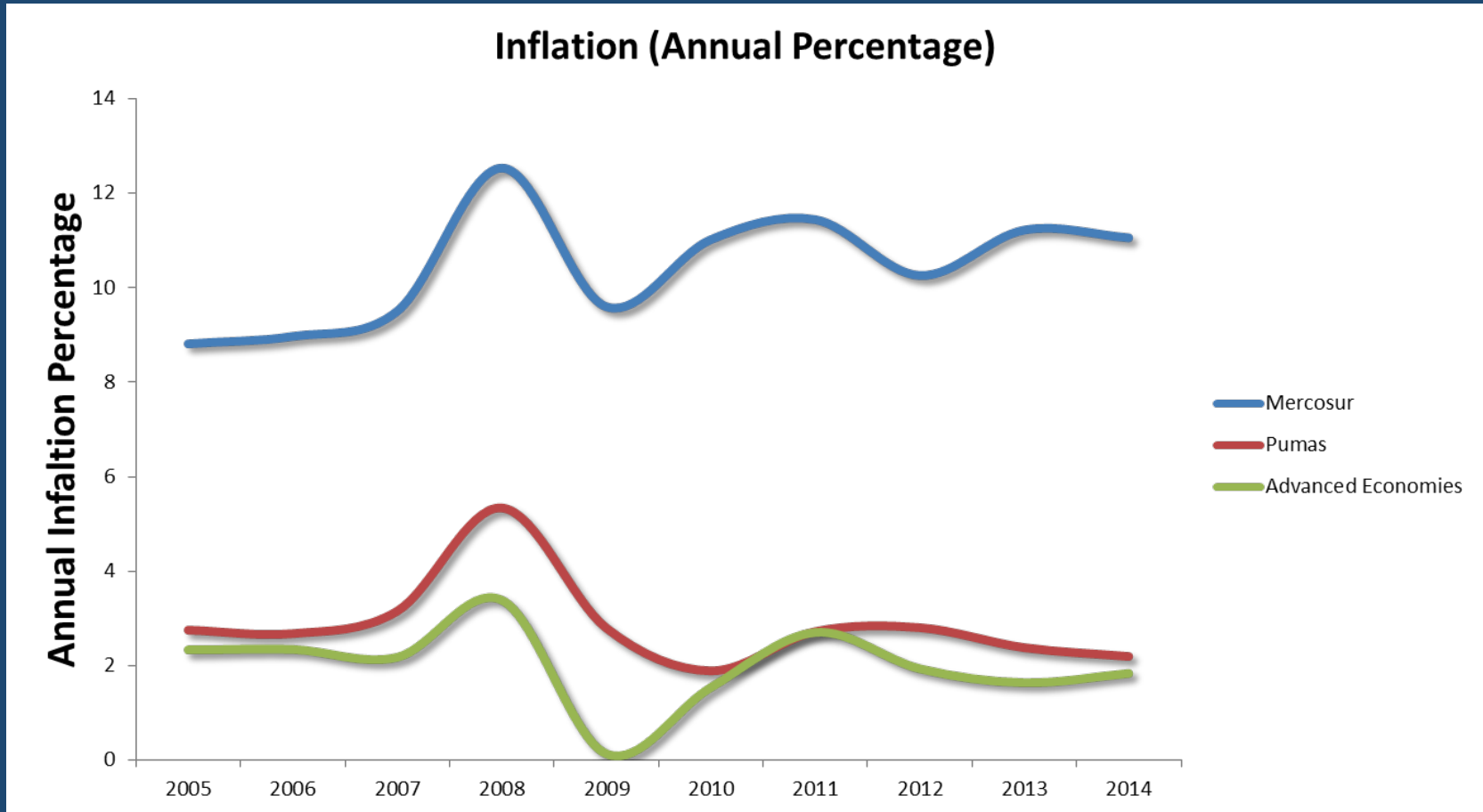


Exports Market Share 2013 (% of total)





Inflation

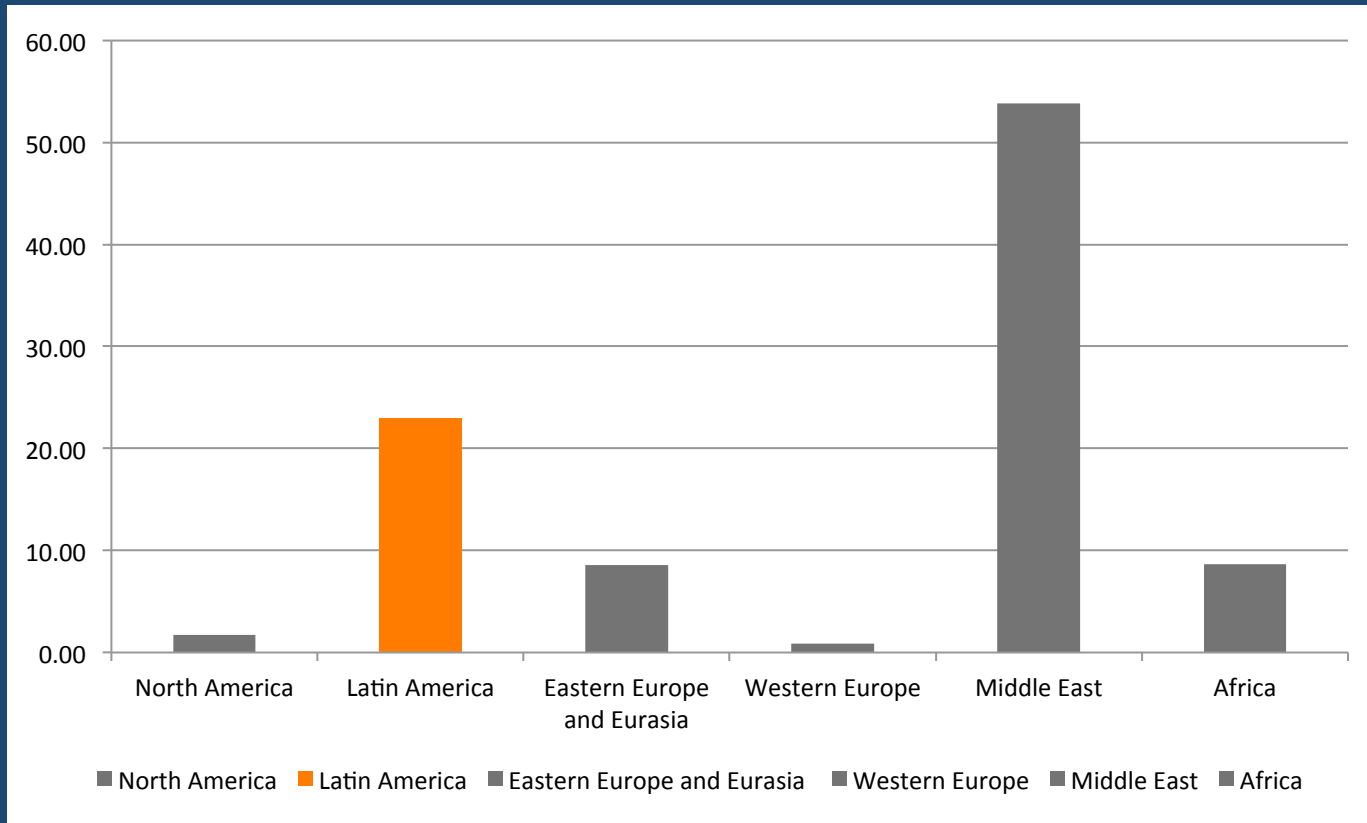


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Latin America **unique** opportunity



Oil Reserves

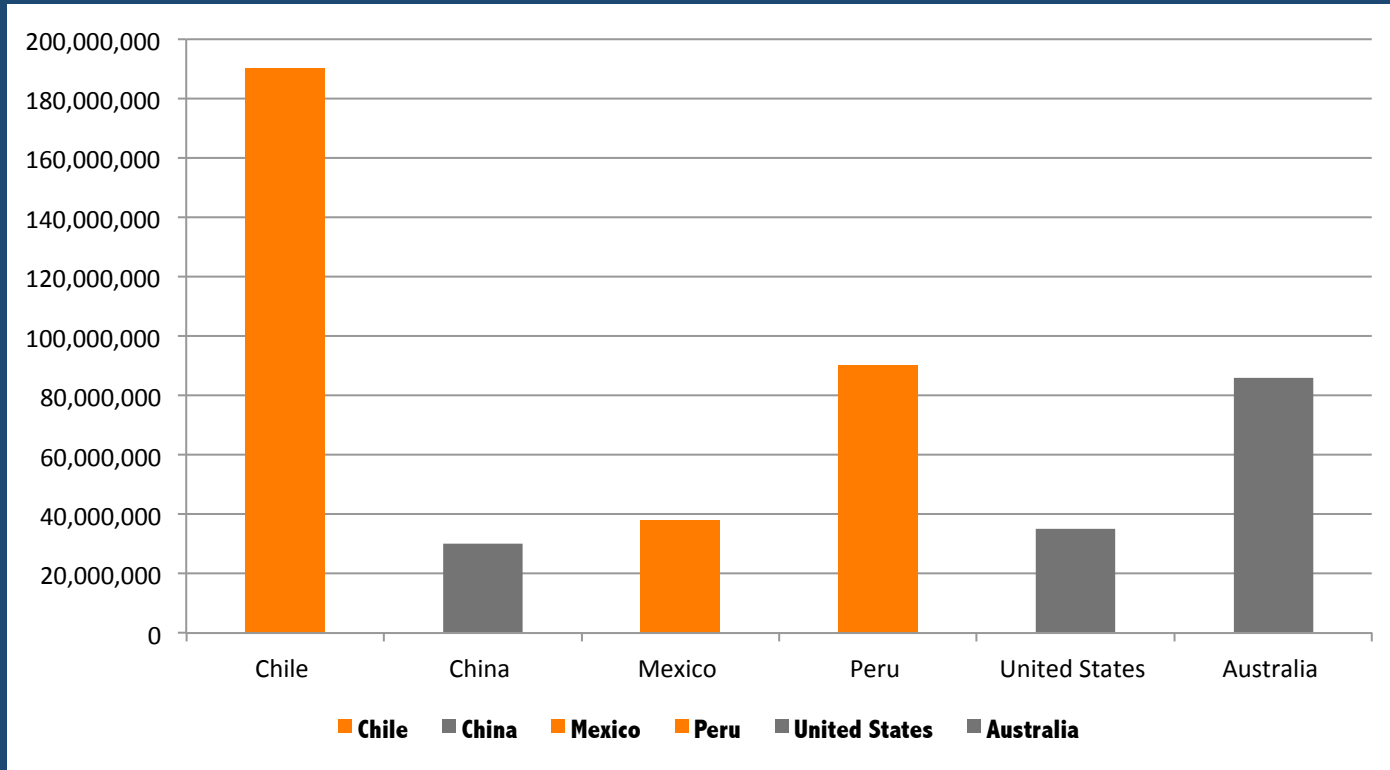


23% of the world's \$250 trillion worth of crude oil reserves





Copper Reserves

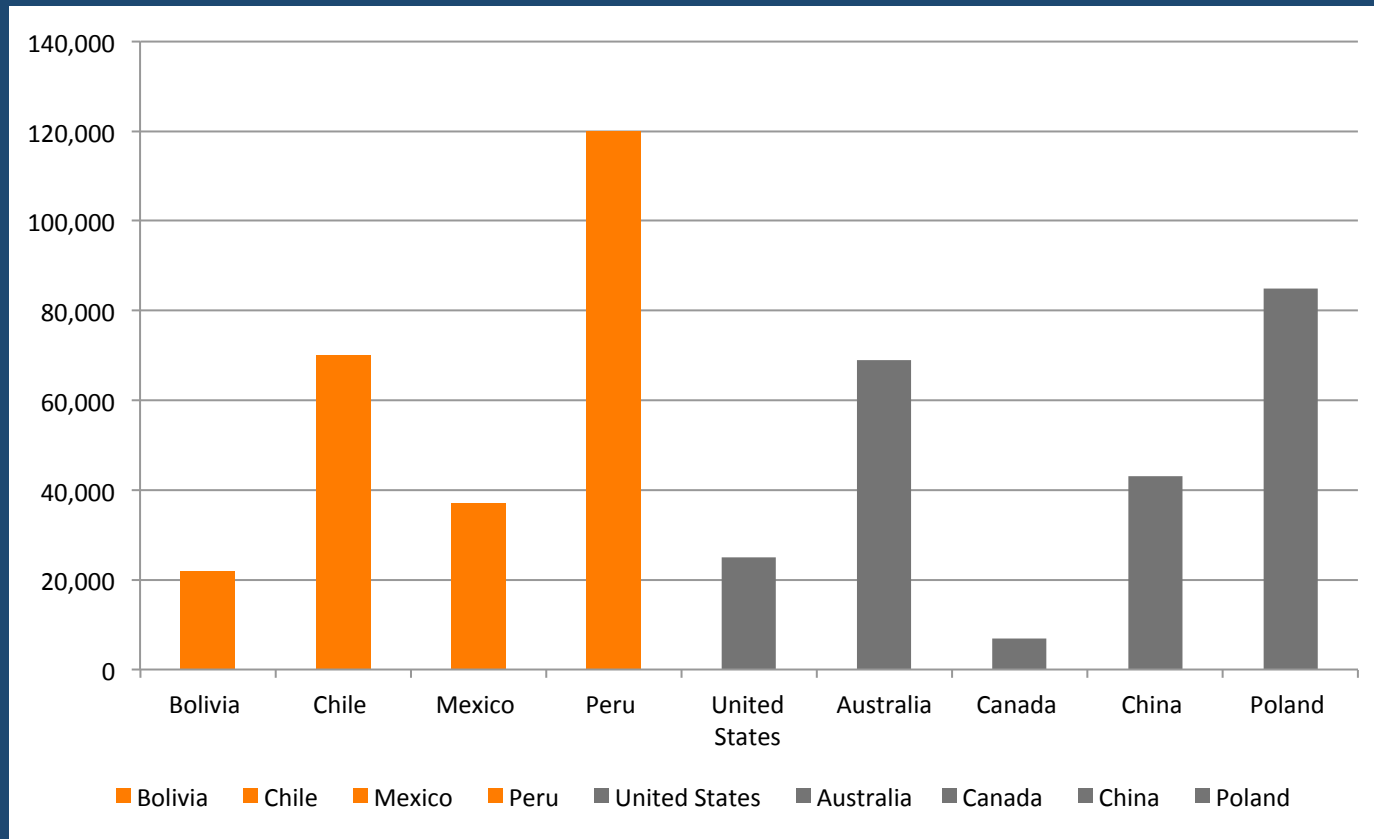


50% of the world's \$22.6 trillion worth of copper reserves





Silver Reserves

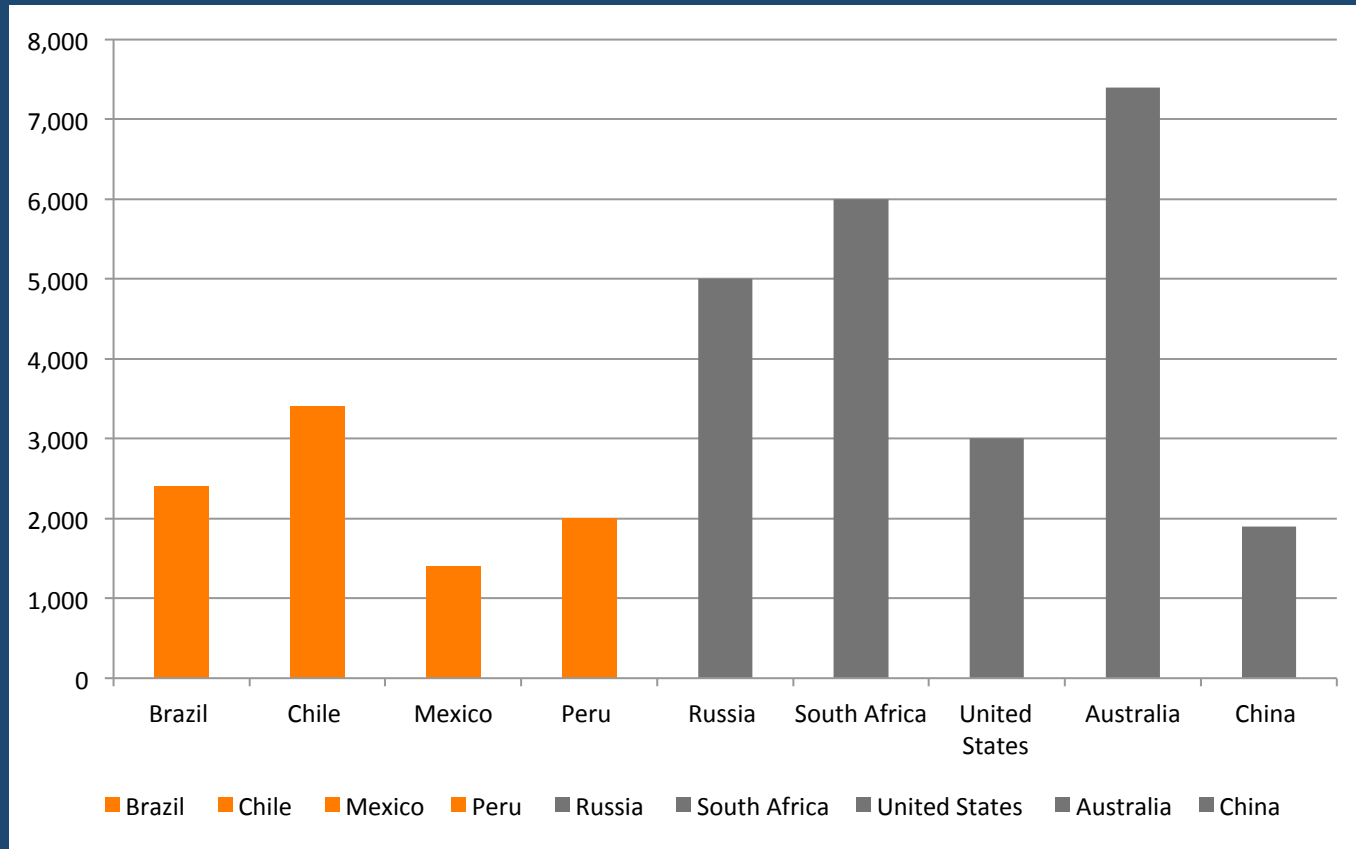


47% of the world's \$522.5 billion worth of silver reserves





Gold Reserves



18% of the world's \$2.7 trillion worth of gold reserves

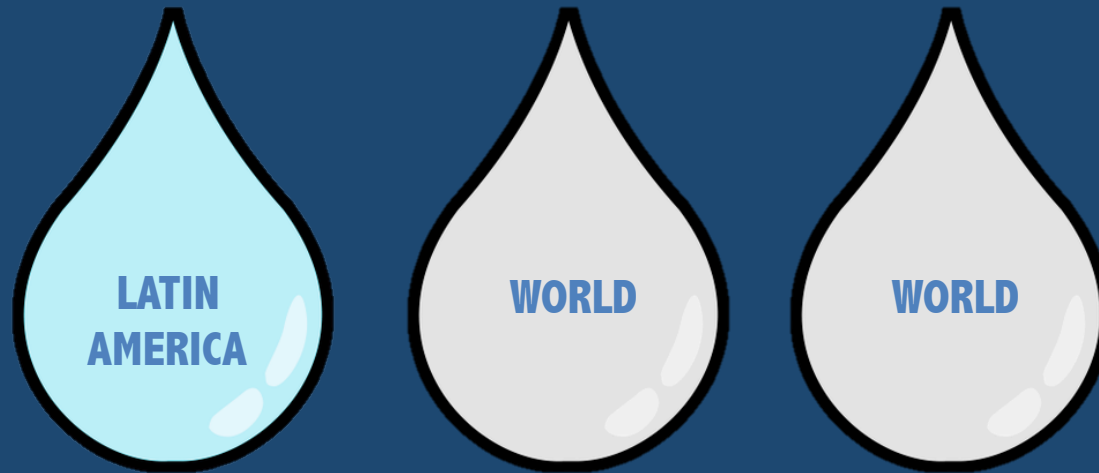


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Renewable Fresh Water Resources

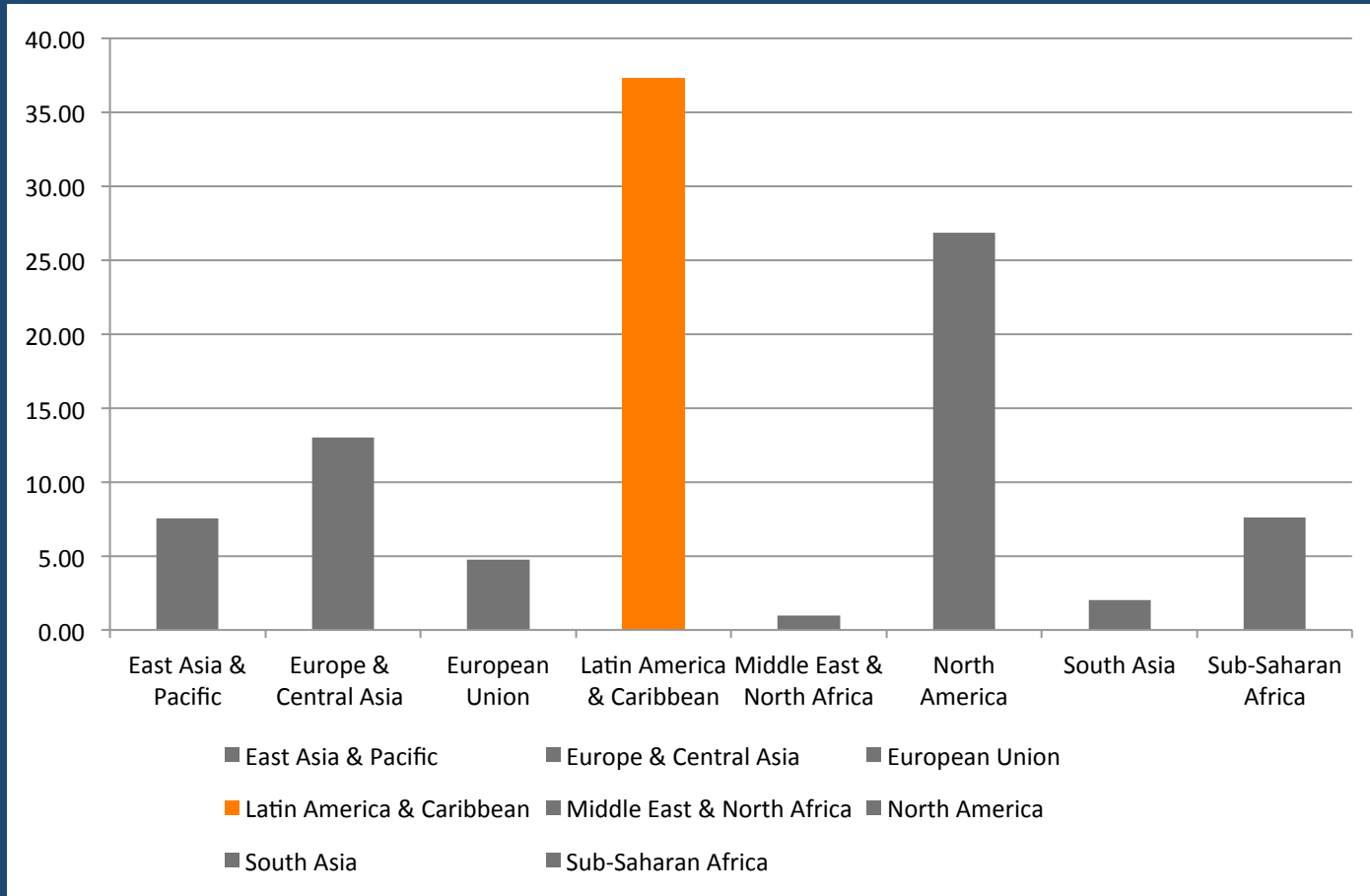


37% of the world's 5.6 quadrillion worth of freshwater reserves





Renewable Fresh Water Resources



37% of the world's 5.6 quadrillion worth of freshwater reserves



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Latin America unique opportunity



Biodiversity and Native Forests

✓ Latin America houses **the biggest** biological diversity in the world.



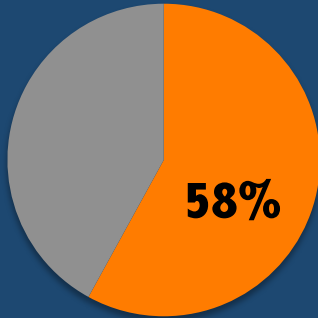
✓ **20%** of Native Forest on Earth





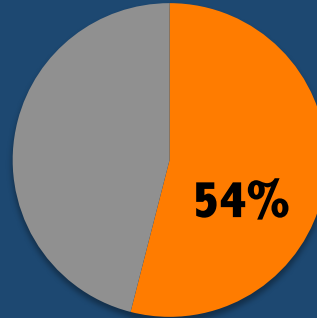
Agricultural Production

World's Coffee Production



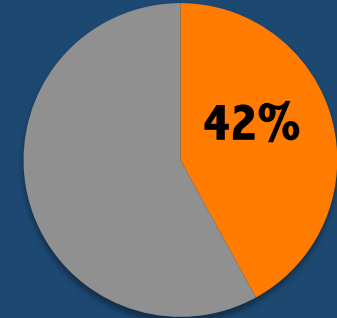
Latin America World

World's Sugar Cane Production



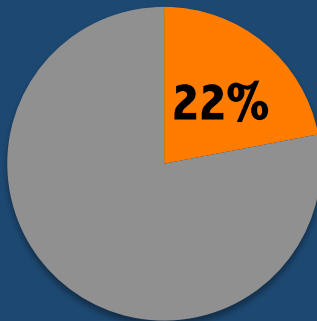
Latin America World

World's Soybean Production



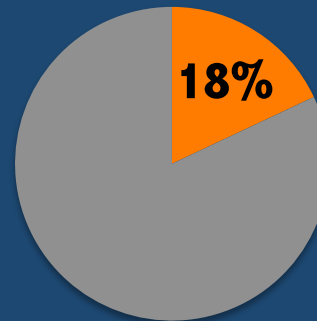
Latin America World

World's Cattle Production



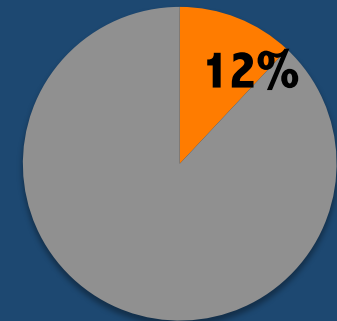
Latin America World

World's Chicken Production



Latin America World

World's Wheat Production



Latin America World

Sustained
Economic
Growth

Natural
Resources

Human
Capital

Democracy



5.5 million of Latin Americans in the OCDE countries have secondary and post-secondary studies.

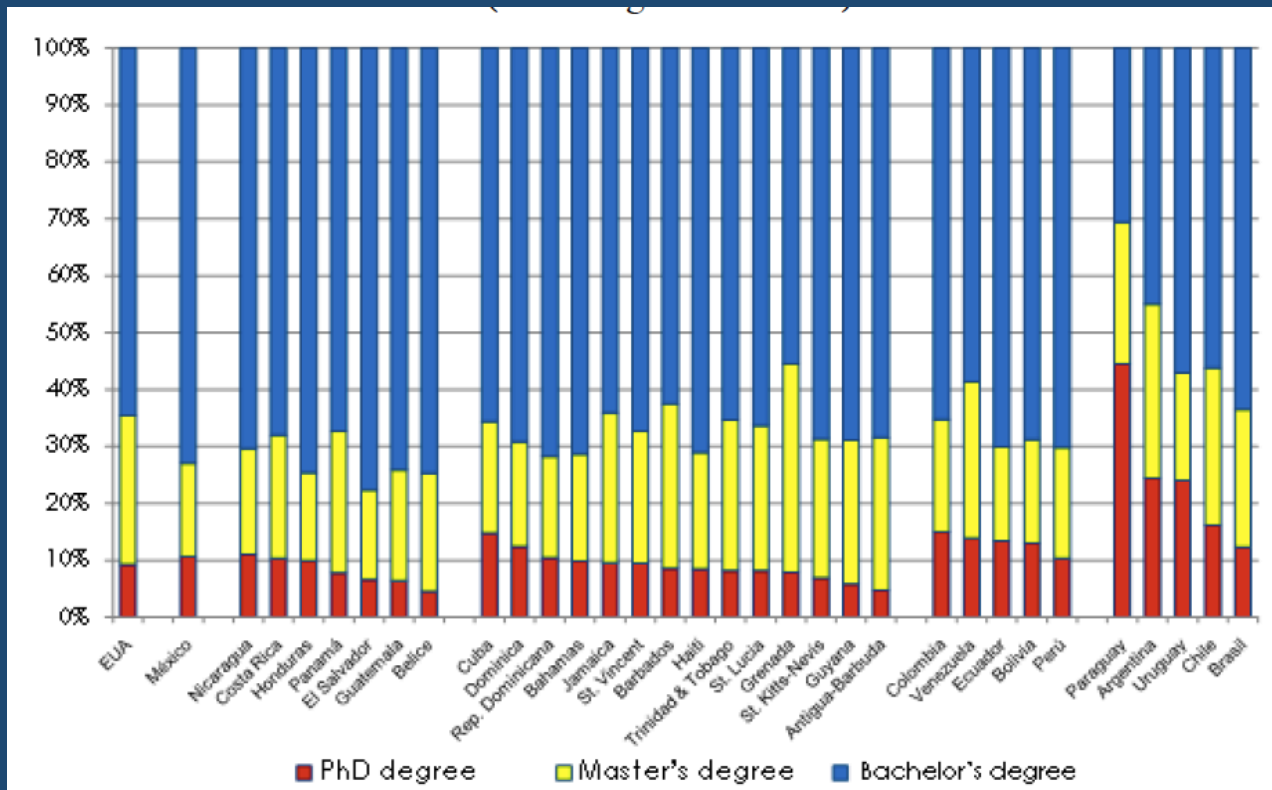
Migrants distribution by level of literacy and sex
2007-2008

	Male			Female		
	Pre-secondary	Secondary	Post-secondary	Pre-secondary	Secondary	Post-secondary
Canada and the U.S.	6	32	62	6	31	63
Caribbean	20	51	29	19	47	34
Central America	55	36	9	48	38	14
Andean Region	33	42	25	30	45	25
South America	27	43	30	25	41	34
Born in the Americas	44	39	17	34	41	25





Wage-earning migrants residing in the United States
25 years or older (2005-2007)

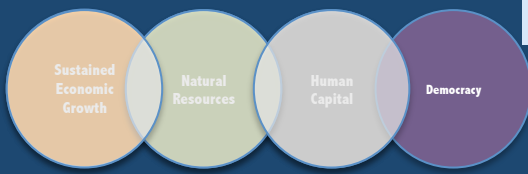


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Democracy in Latin America 2014

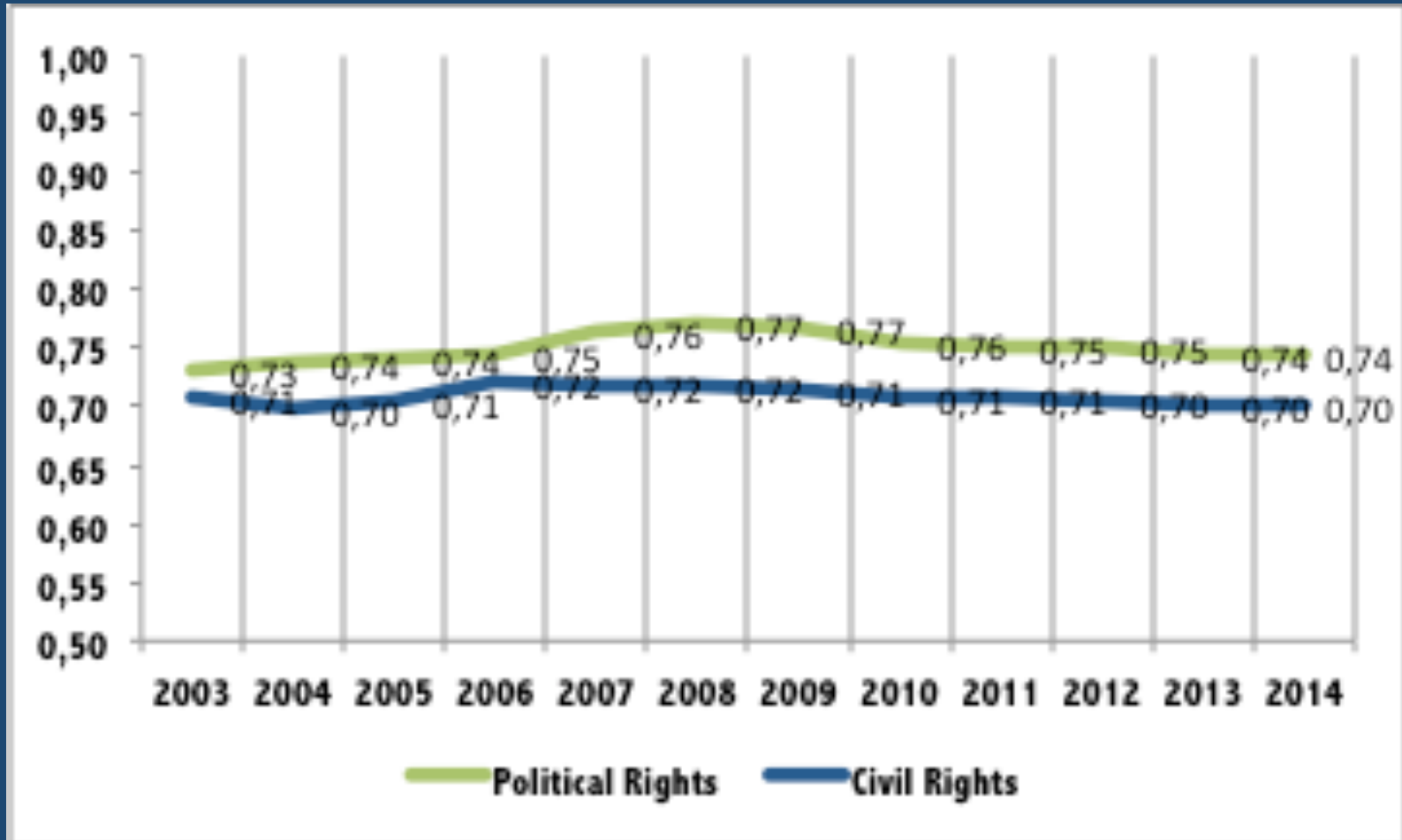


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Latin America unique opportunity



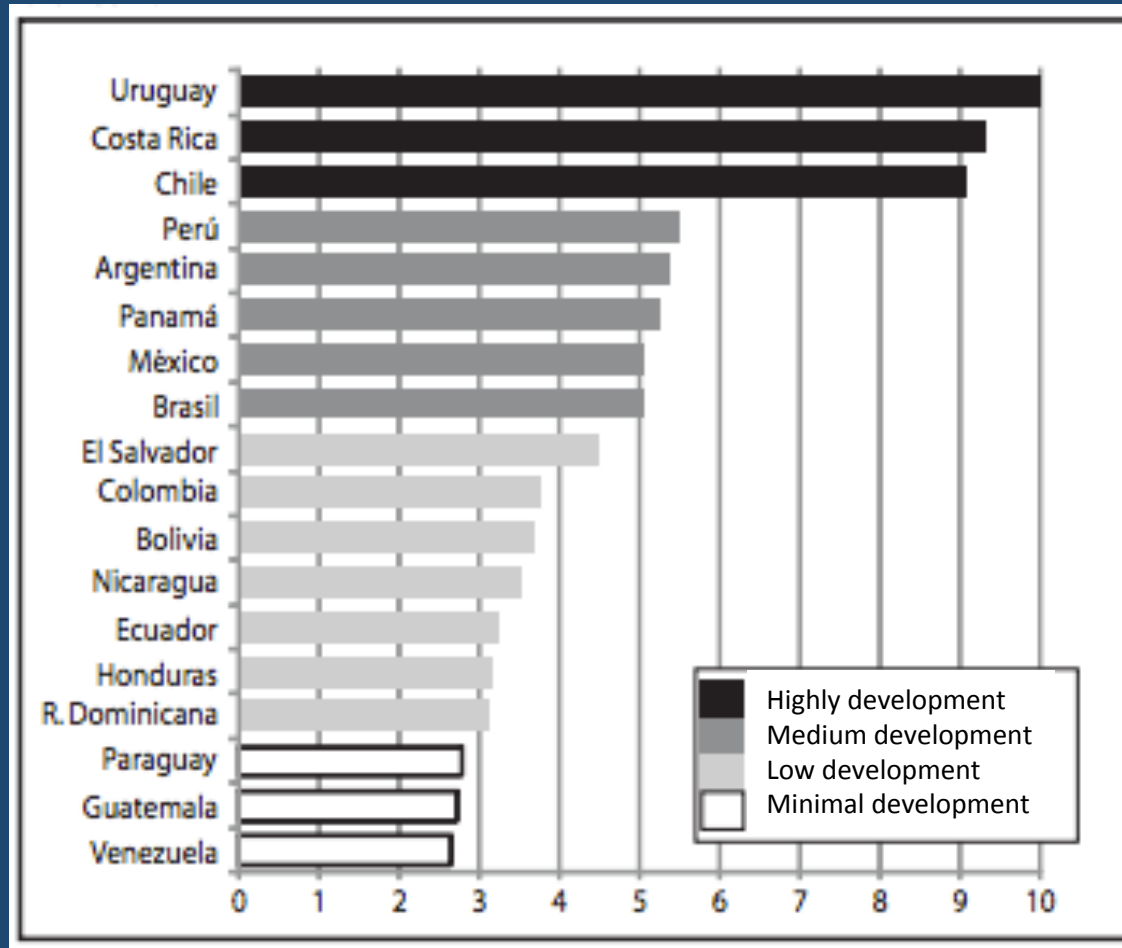
Civil and Political Rights in the region

Sustained
Economic
GrowthNatural
ResourcesHuman
Capital

Democracy



Democratic Ranking 2013



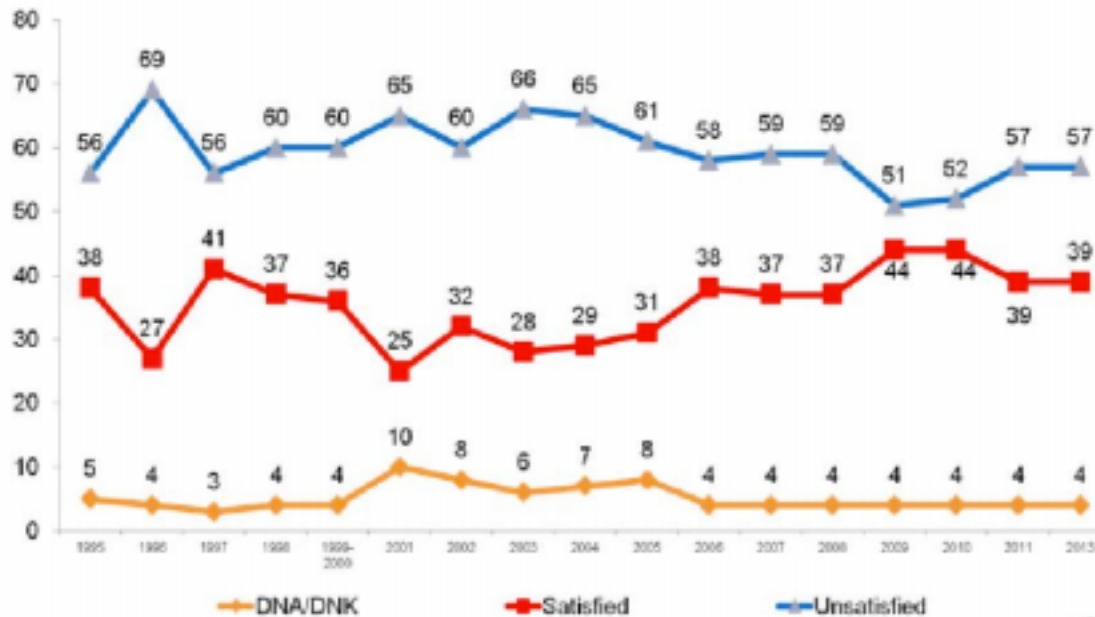


Satisfaction with democracy

SATISFACTION WITH DEMOCRACY

TOTAL LATIN AMERICA 1995-2013

Q. In general, would you say you are very satisfied, somewhat satisfied, not very satisfied or not at all satisfied with the working of the democracy in (country)? * Here only 'Very satisfied' plus 'Somewhat satisfied' and 'Not very satisfied' plus 'Not at all satisfied'.

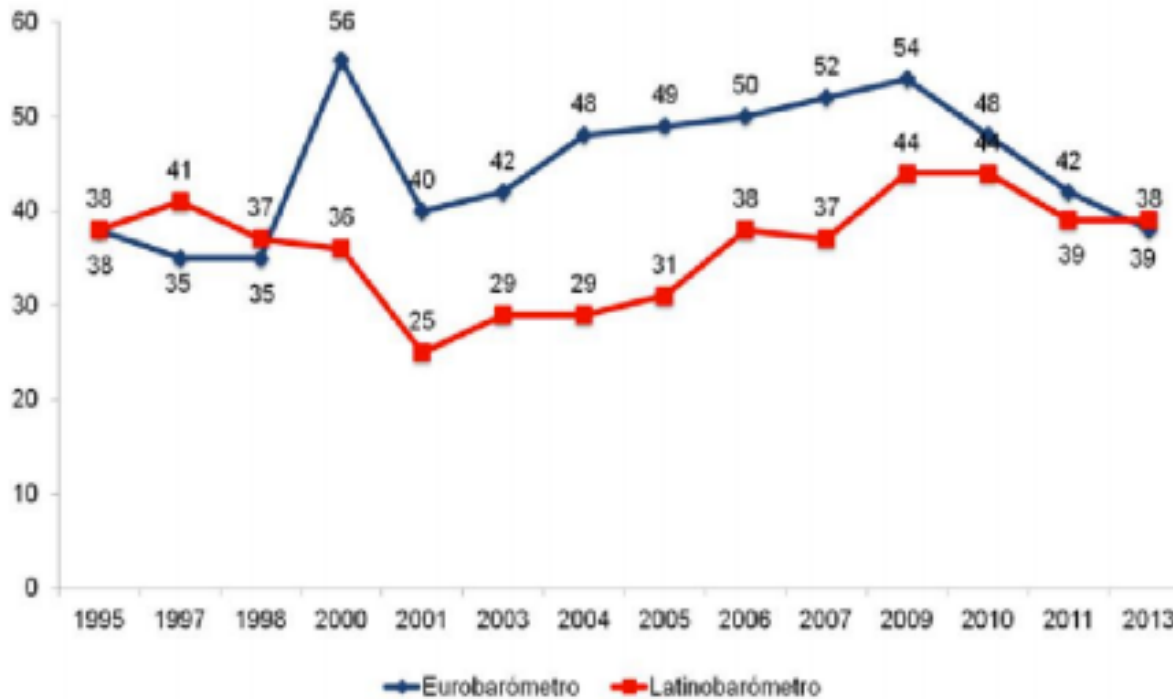




Satisfaction with democracy

TOTAL LATIN AMERICA AND EUROPE 1995-2013

Q. In general, would you say you are very satisfied, somewhat satisfied, not very satisfied or not at all satisfied with the working of the democracy in (country)? * Here only "very satisfied" plus "Somewhat satisfied".



#1

Diversification of the composition of economic growth:

✓ **Diversification of TRADE**

✓ **Diversification of INVESTMENTS**

✓ **TECHNOLOGY transfers**

Latin America needs going from raw material exports to a knowledge based production, aggregate value, and decent jobs generation

#1

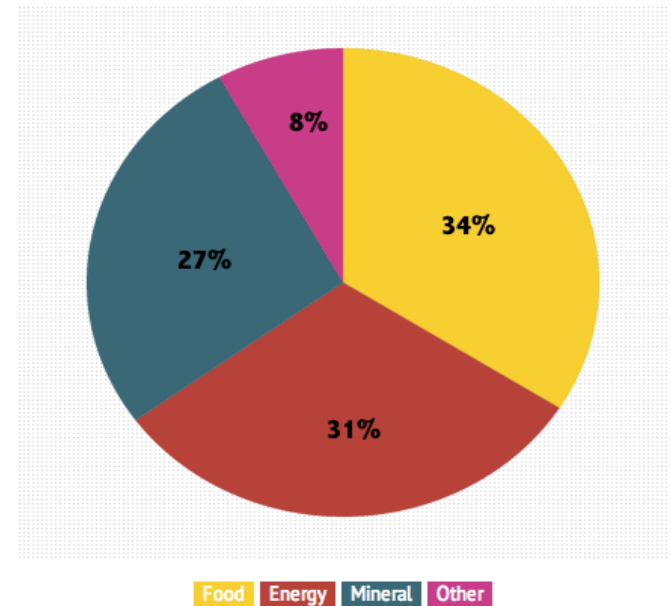
Diversification of the composition of economic growth:

Much of the boom of the 2000s still comes **from large increases in traditional commodity exports.**

75% of Latin American exports to the European Union, **46%** of exports to the U.S. and **85%** of exports to China: primary products and natural resource-based manufactures .

Vulnerability. Dependency.

LatAm Commodity Exports



#1

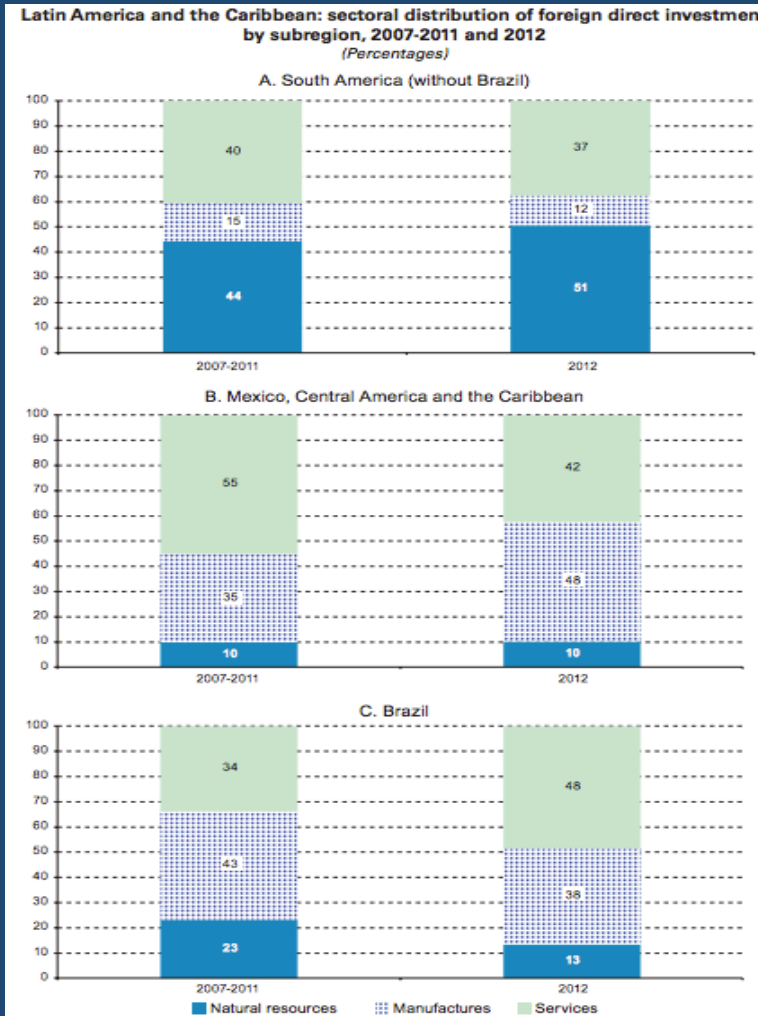
Diversification of the composition of economic growth:

Country	Exports (% GDP)	Contribution of exports to nominal GDP growth* (%)	Remittances (% GDP)
Argentina	21.7	49.0	0.2
Bolivia (Plur. State of))	41.2	56.2	5.5
Brazil	11.2	10.8	0.2
Chile	38.7	41.3	0.0
Colombia	15.7	15.6	1.4
Costa Rica	38.1	35.2	1.5
Dominican Republic	22.3	11.6	6.5
Ecuador	32.9	36.5	4.4
El Salvador	26.2	26.8	16.3
Guatemala	25.1	22.5	10.3
Honduras	43.9	36.6	17.2
Jamaica	25.6	70.8	14.1
Mexico	30.3	34.4	2.1
Nicaragua	41.3	72.7	12.6
Panama	65.2	59.3	0.9
Paraguay	57.1	69.2	3.7
Peru	25.1	30.1	1.6
Uruguay	26.9	38.5	0.7
Venezuela (Bol. Rep. of)	28.7	31.4	0.0
Average	32.5	39.4	5.2

75% of Latin American exports to the European Union, 46% of exports to the U.S. and 85% of exports to China: primary products and natural resource-based manufactures .

#1

Diversification of the composition of economic growth:



Jobs per U\$ 1 million of investment:

Commerce and construction → 7

Manufacturing industry and services → 3

Mining (including oil) → 0,5

Labor-intensive manufacturing → 7

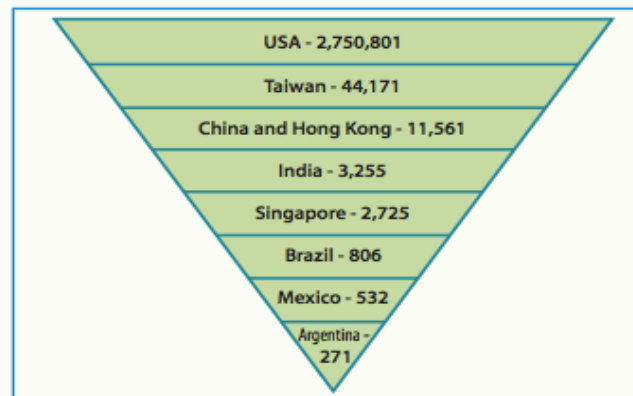
Engineering-intensive manufacturing → 4
(foods and cars)

Other natural-resource-intensive activities → 2

#1

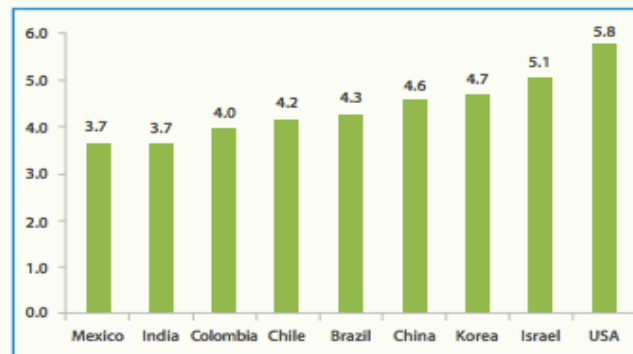
Diversification of the composition of economic growth:

Figure 3: Low Level of Patenting by LAC
(Cumulative 2004-2009)



Source: U.S. Patent Office Data, 2004-2009

Figure 4: Industry-University Collaboration
in LAC is Relatively Low



#2

Profound social challenges

◆ **Poverty**

◆ **Inequality**

◆ **Lack of access to:**

Quality schooling

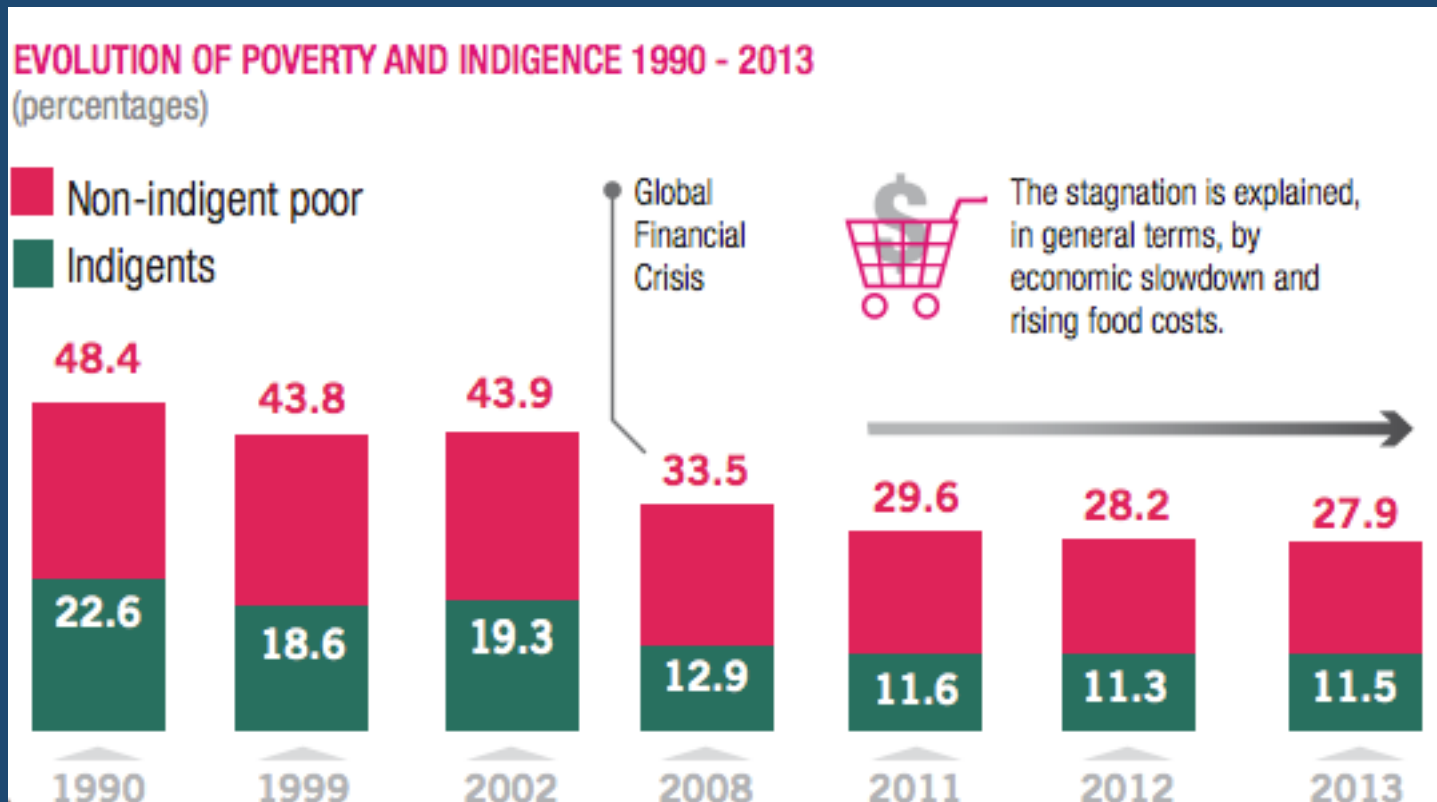
Health care system

Effective malnutrition programs

Decent housing

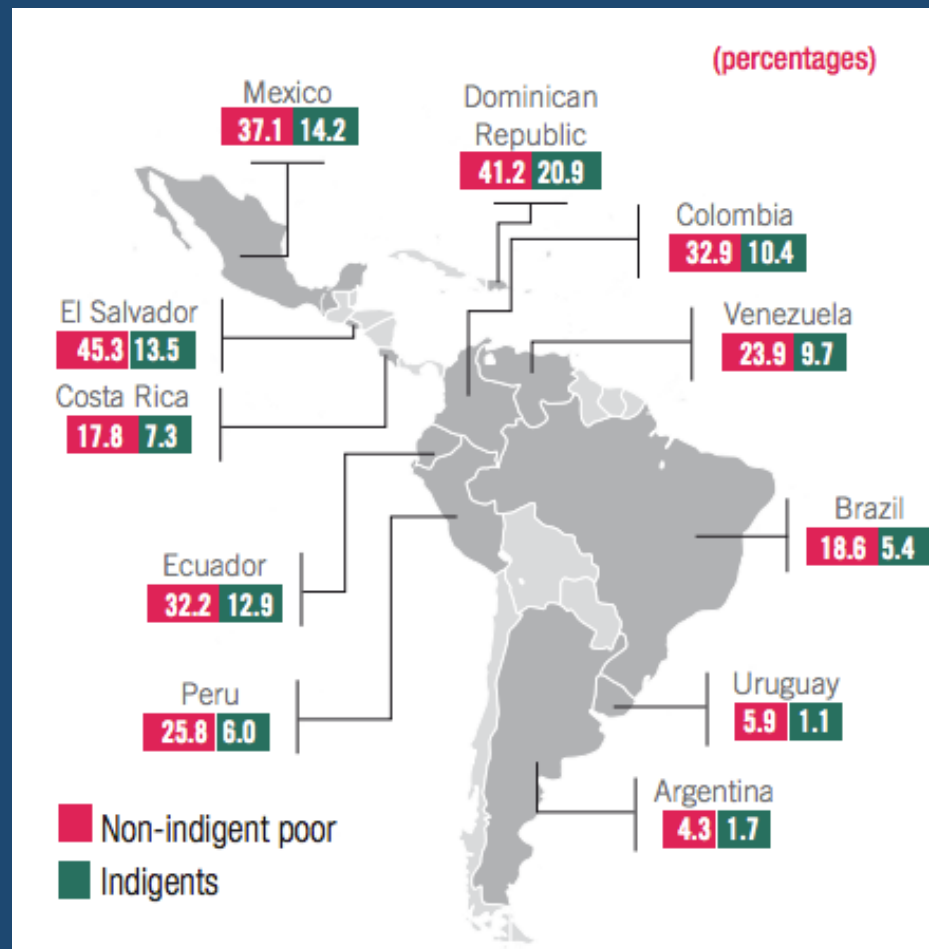
#2

Eradication of poverty



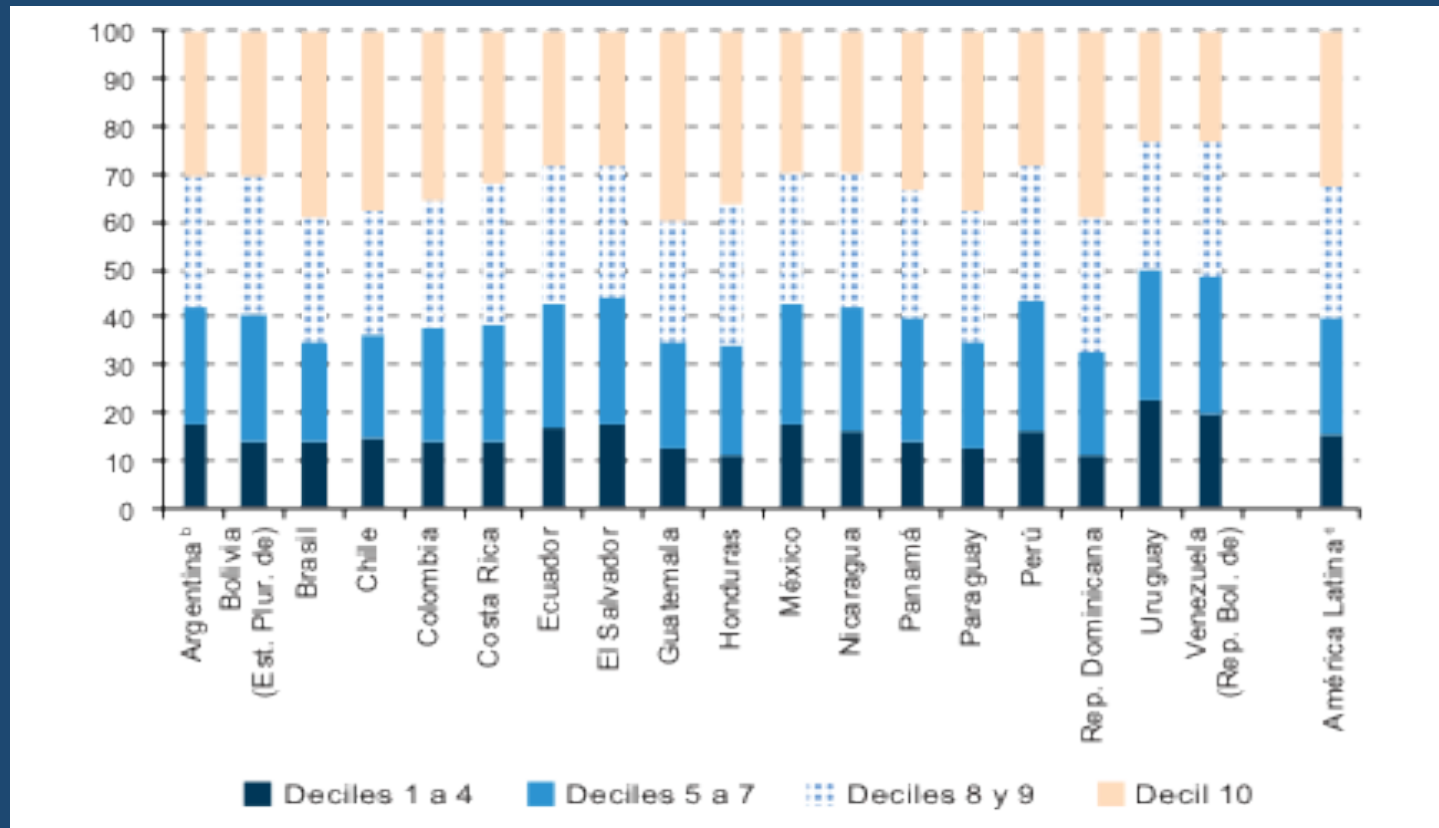
#2

Eradication of poverty



#2

Reduction of inequality

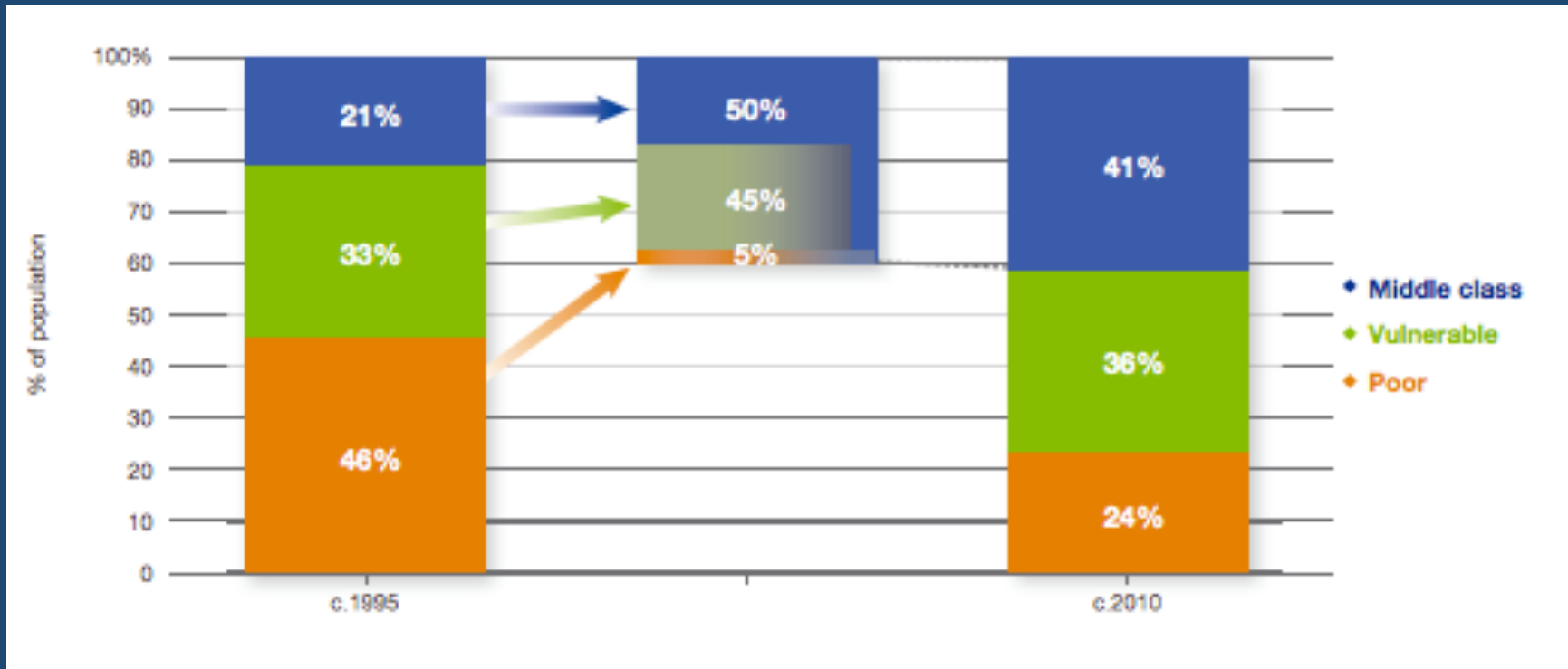


Latin America (18 Countries) Income participation by deciles 2013 (Percentages)

#2

Reduction of inequality

New middle-class: 50 million of Latin Americans



#3

Urgent need to strengthen democratic and independent institutions at all levels.

- ✓ **Outliers – competitive authoritarianisms**
 - # Electoral democracies vs. competitive authoritarianism
 - # Venezuela, Ecuador, Nicaragua & Bolivia
 - # Liberal democracies?
- ✓ **Rule of Law**
 - # Judiciary independence
 - # Access to Justice - Inequality - Corruption

#3

Urgent need to strengthen democratic and independent institutions at all levels.

✓ **Accountability & Transparency**

Corruption

Abuse of power

✓ **Insecurity issues**

Narco-trafficking

Gangs

Delinquency

Impact on economic, social and political development

#4 & #5

Eradication of poverty & Reduction of inequality

- ✓ To deliberately expand the markets by 164 millions (27,9% of the population).
- ✓ to achieve the needed social, political and legal stability to attract capital investment for sustain growth.

Inequality → ↑ Instability → ↑ Interest rates → ↑ Country Risk → ↓ FDI

#6

Education of quality, science, technology and innovation.

#7

Create a synergy between human capital and natural resources.

#8

The need for new and long-term vision of political and entrepreneurial leadership.

What is the “capacity to deliver”?

What is standing in our way?

- i. Political barriers.**
- ii. Current bureaucracies**
- ii. Organizational rationality/management barriers**

How do we develop successful institutions with the capacity to deliver?

→ Strengthen the State capacity to deliver tangible and measurable results for all Latin America, beginning with the more vulnerable.

**# Decentralization: past experiences and challenges
RURAL and URBAN areas**

**# Decent and modern bureaucracy able to manage social
infrastructure and technology in the most vulnerable areas of Latin
America**

**# The proper human capital to achieve the proper decentralization
Anthropologist – Accountant – Communicator - Program Evaluator**

**→ The lack of a properly skilled and trained bureaucracy makes
local communities and governments dependent on central
governments...**

Current Approach

# Our Proposal:
INTO THE VEIN

Tax deductions

Decent & modern Bureaucracies



For achieving this “**Into the vein**” model, we need:

Not only to **PLANT** Human Capital

Eradicate malnutrition

Quality education

Health Care

Technology

But also to be able to **HARVEST** and **RETAIN** Human Capital

Incentives

Real contribution

Ley del Retorno, Perú.

Becoming a global player in a new world.

Foreign direct investments in the region

Deepening and diversifying trade with the world

- ✓ **Increasing South-South trade**
- ✓ **Latin America and Asia - China**

Technology

Pacific Alliance - PUMAS



209 million people (36% region's population)

35% of the region's GDP

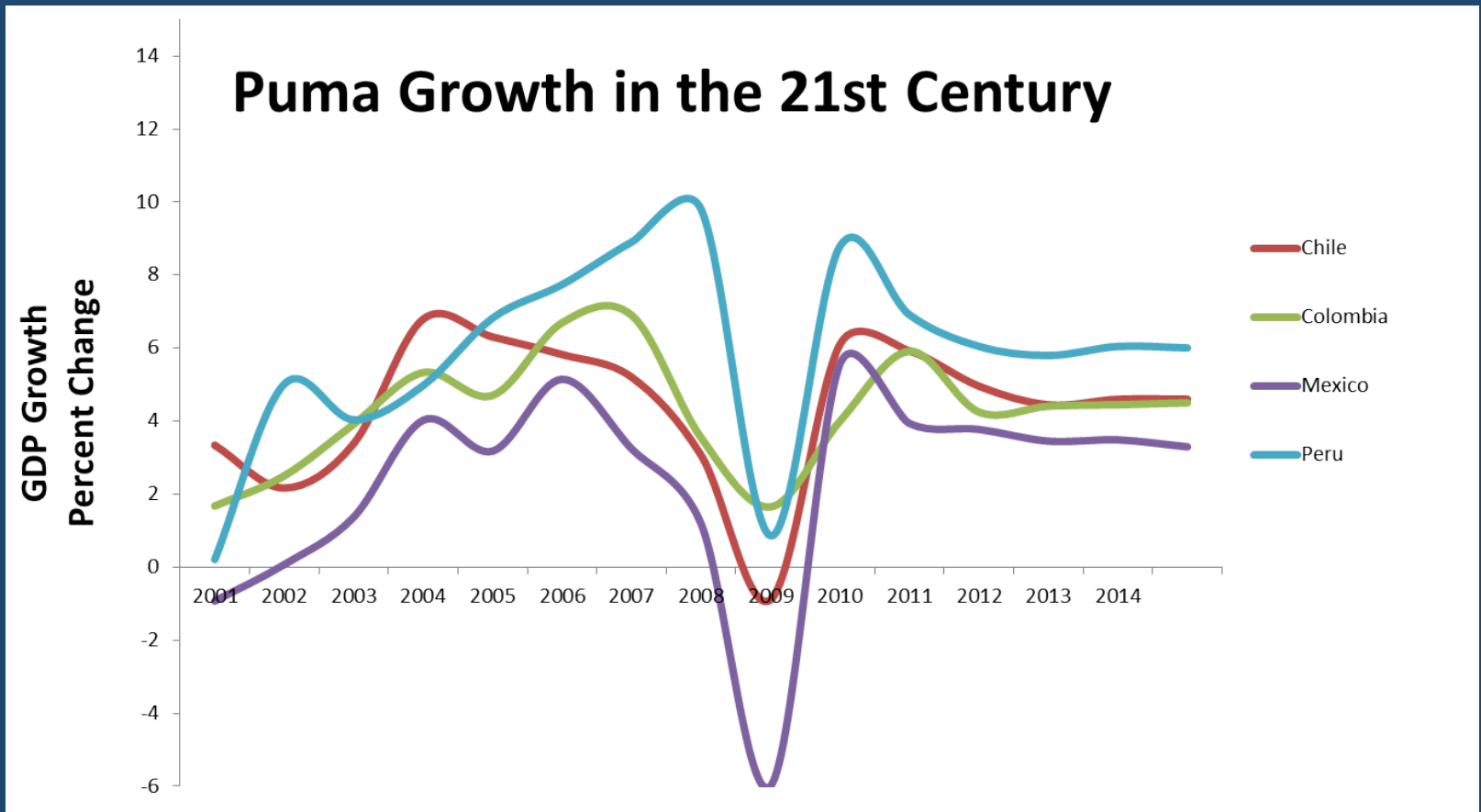
50% of the region international trade

41% of incoming FDI.

4 democracies.

If the Pacific Alliance were a country, it would be the world's 8th economy and 7th largest exporter.

Pumas' Economic Growth



#APEC



APEC's 21 member economies comprise a market of 2.77 billion consumers (40 % of the global population)

44 % of world trade

55 % of global economic output (more than \$38 trillion in 2011)

53 % of world real GDP in purchasing power parity (PPP) terms (\$35.8 trillion).

Average tariffs reduction from 16 % to 5%. Intra-APEC exports and imports has grown from \$1.7 trillion in 1989 to \$9.9 trillion in 2010.

48 FTAs had been signed between APEC members (June 2011)

- # Latin America 's international agenda in a multipolar world
- # Agenda with our historical and geographical partner, U.S.:

as equals

horizontal and respectful dialogue

Not only:

Narco-trafficking

Immigration

Cuba

But also:

Climate Change

Nuclear Proliferation

Technology transfers

Terrorism

Tourism

Growing Middle Class

BIG challenges but
we know the



Timing is a crucial component.

**Not a short-term
business**

+ leadership

- politics

Determination

Vision

Managerial capacity

Courage

The fortune and responsibility of being an **STATISTICAL ERROR**

Timing is a crucial component.

Vision

Determination

Courage

Leadership

Q&A

¡Muchas gracias!