THE SHARED SOCIETY

A vision for the Global Future of Latin America
1. Latin America unique opportunity
2. The Unavoidable Challenges
3. The State Capacity to Deliver
4. Latin America Goes Global
5. Final Remarks
Democracy
Sustained Economic Growth
Human Capital
Natural Resources
Democracy
synergy

Latin America unique opportunity
Latin America unique opportunity

Latin America’s GDP growth

Latin America, GDP Growth 2000-2013

SOURCE: World Bank
Latin America’s GDP growth
Latin America’s Public Debt

SOURCE: World Bank
Latin America’s exposure and resilience to Capital Account Schocks

### Table: Latin America’s Exposure and Resilience to Capital Account Schocks

<table>
<thead>
<tr>
<th>Country</th>
<th>External debt (% GNI)</th>
<th>Current account balance (% GDP)</th>
<th>Resistance indicators</th>
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<td><strong>Average</strong></td>
<td>34.7</td>
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**Source:** OECD, 2013
Latin America’s Fiscal Indicators

<table>
<thead>
<tr>
<th>Country</th>
<th>Gross government debt (% GDP)</th>
<th>Interest payments (% GDP)</th>
<th>Budget balance (% GDP)</th>
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<td>Venezuela (Bol. Rep. of)</td>
<td>14.0</td>
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<td>1.3</td>
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</tbody>
</table>

| Simple average           | 39.7  | 38.7 | 2.6   | 2.4  | -1.8 |

SOURCE: OECD, 2013
Latin America unique opportunity

Latin America International Reserves

SOURCE: IFF

This graph illustrates the growth of Latin America international reserves from 2001 to 2011, measured in billions of dollars. The reserves show a steady increase over the years, with a significant rise in 2011.
Latin America unique opportunity

Latin America International Reserves

Figure 2.13. International reserves in Latin America

Panel A. International reserves (% GDP)
- 2007
- 2013

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

SOURCE: IFF
International Reserves (as % of GDP, 2013)

Source: IMF; * Excluding gold.

SOURCE: IMF/IFF
Latin America unique opportunity

Exports Price Index

Figure 2.3. Selected commodity prices

SOURCE: ECLAC, 2013
Latin America unique opportunity

Exports Market Share

SOURCE: ECLAC, 2012
Latin America unique opportunity

Exports Market Share

SOURCE: ECLAC, 2012
Latin America unique opportunity

Exports Market Share 2013 (% of total)

Source: IIF based on national sources.

SOURCE: IFF
Latin America unique opportunity

Inflation

SOURCE: World Bank
23% of the world’s $250 trillion worth of crude oil reserves

SOURCE: ECLAC, 2014
50% of the world’s $22.6 trillion worth of copper reserves

SOURCE: ECLAC, 2014
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Silver Reserves

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

SOURCE: ECLAC, 2014
**Latin America unique opportunity**

**Gold Reserves**

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

SOURCE: ECLAC, 2014
37% of the world’s 5.6 quadrillion worth of freshwater reserves

SOURCE: ECLAC, 2014
37% of the world’s 5.6 quadrillion worth of freshwater reserves

SOURCE: ECLAC, 2014
Latin America unique opportunity

Biodiversity and Native Forests

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

✓ 20% of Native Forest on Earth

SOURCE: ECLAC, 2014
**Latin America unique opportunity**

### Agricultural Production

- **World’s Coffee Production:** 58%
- **World’s Sugar Cane Production:** 54%
- **World’s Soybean Production:** 42%
- **World’s Cattle Production:** 22%
- **World’s Chicken Production:** 18%
- **World’s Wheat Production:** 12%

*Source: ECLAC, 2014*
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

<table>
<thead>
<tr>
<th></th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pre-secondary</td>
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<td>Canada and the U.S.</td>
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<td>Andean Region</td>
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<tr>
<td>South America</td>
<td>27</td>
<td>43</td>
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<tr>
<td>Born in the Americas</td>
<td>44</td>
<td>39</td>
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</tbody>
</table>

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

SOURCE: Ascencio, Gandini, 2012
Latin America unique opportunity

Democracy in Latin America 2014

SOURCE: Freedom House, 2014
Civil and Political Rights in the region

SOURCE: Freedom House, 2014
Latin America unique opportunity

Democratic Ranking 2013

SOURCE: IDD, 2013
Latin America unique opportunity

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'.

SOURCE: Latinobarómetro, 2013
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”.

SOURCE: Latinobarómetro, 2013
#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.

SOURCE: HSBC, 2013
#1 Diversification of the composition of economic growth:

<table>
<thead>
<tr>
<th>Country</th>
<th>Exports (% GDP)</th>
<th>Contribution of exports to nominal GDP growth* (%)</th>
<th>Remittances (% GDP)</th>
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# 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.

SOURCE: ECLAC, 2013
#1

Diversification of the composition of economic growth:

Jobs per U$S 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

SOURCE: IMF, 2013
Diversification of the composition of economic growth:

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

USA - 2,750,801
Taiwan - 44,171
China and Hong Kong - 11,561
India - 3,255
Singapore - 2,725
Brazil - 806
Mexico - 532
Argentina - 271


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

Mexico: 3.7, India: 3.7, Colombia: 4.0, Chile: 4.2, Brazil: 4.3, China: 4.6, Korea: 4.7, Israel: 5.1, USA: 5.8

#2
Profound social challenges

- **Poverty**
- **Inequality**
- **Lack of access to:**
  - Quality schooling
  - Health care system
  - Effective malnutrition programs
  - Decent housing
#2

Eradication of poverty

SOURCE: ECLAC, 2014
#2

Eradication of poverty

SOURCE: ECLAC, 2014
The Unavoidable Challenges

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

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

# What is the “capacity to deliver”?

# What is standing in our way?
   i. Political barriers.
   ii. Current bureaucracies
   i. Organizational rationality/management barriers

# How do we develop successful institutions with the capacity to deliver?
# 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…
The State Capacity to Deliver tangible and measurable results

# Current Approach

Local Business

Central Govt

Regional Govt

Local Govt

Community

# Our Proposal: INTO THE VEIN

Local Business

Community

# Tax deductions

# Decent & modern Bureaucracies

Local Business

Community
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’s 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

Puma Growth in the 21st Century

SOURCE: World Bank
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!