



IV INTERNATIONAL ECONOMIC FORUM LATIN AMERICA AND THE CARIBBEAN

IV FORO INTERNACIONAL ECONÓMICO AMÉRICA LATINA Y EL CARIBE –

IV FORUM INTERNATIONAL ECONOMIQUE AMÉRIQUE LATINE ET CARAÏBES

25 MAY 2012 – 25 DE MAYO DE 2012 – 25 MAI 2012

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I. CONTEXT AND RATIONALE FOR THE IV INTERNATIONAL ECONOMIC FORUM ON LATIN AMERICA AND THE CARIBBEAN

Latin American and Caribbean (LAC) countries have shown themselves to be in a better position to confront international turmoil than ever before during recent global financial crises. Sustained growth and democratic stability have strengthened the region, and led to less pronounced recessions and more swift recoveries than in many OECD economies.

The region began the new century under the auspices of an economic boom. Strong external demand, in combination with higher primary export prices and vigorous internal demand, resulted in sustained growth (5% of GDP annually, on average) from 2003 to 2008 – and even in the midst of the international financial crisis in 2011, the region continued to grow on average 4.3%. This newly found resilience to external shocks has also been made possible by good macroeconomic management by Latin American and Caribbean governments, as evidenced by shrinking public debt and fiscal deficits. Finally, – and importantly – between 1990 and 2011, poverty and extreme poverty respectively have fallen from 48% to 30% and 23% to 13%, on average in the region, thus contributing to meeting this Millennium Development Goal.

Clearly, despite this positive outlook and encouraging policy experience, many challenges remain. One in three Latin Americans (180 million people) still lives below the poverty line and 10 Latin American economies rank among the 15 most unequal economies in the world. Excessive inequality slows down the pace of economic growth and undermines the development process itself. Growth and competitiveness are constrained by low productivity, poor infrastructures, and the lack of economic diversification. Nor are LAC's economies impermeable to the effects of crisis or recession in other parts of the world.

The fourth edition of the International Economic Forum on Latin America and the Caribbean provided the opportunity to discuss these challenges and to share solutions for sustainable economic development in the region. Namely, the Forum asked how the region can engage reforms in favour of competitiveness, productivity and inclusive growth, and embrace the full potential of its newly acquired strength and stability.

II. FRIDAY 25 MAY 2012 EVENT PROGRAMME

8:00 – 8:45 Registration and coffee

OPENING

09:00 – 09:30 Introduction by **Fleur Pellerin**, Deputy Minister for Minister for Small and Medium Enterprises, Innovation, and the Digital Economy, Ministry of Economy, Finance and Trade
Angel Gurría, Secretary-General, Organisation for Economic Co-operation and Development (OECD)
Luis Alberto Moreno, President, Inter-American Development Bank (IDB)
Keynote Speech by **Laura Chinchilla**, President of the Republic of Costa Rica

SESSION 1: LATIN AMERICA AND THE CARIBBEAN AND THE G20 AGENDA WITHIN THE GLOBAL MACROECONOMIC OUTLOOK

09:30 – 10:30 Roundtable discussion

Panelists: **Angel Gurría**, Secretary-General, Organisation for Economic Co-operation and Development (OECD)
Luis Alberto Moreno, President, Inter-American Development Bank (IDB)
Juan Carlos Echeverry, Minister of Finance and Public Credit, Colombia
Felipe Larraín, Minister of Finance, Chile
José Antonio Gonzalez Anaya, Under-Secretary of Revenues, Ministry of Finance and Public Credit, Mexico
Ramon Fernandez, Director General of the French Treasury, Ministry of Economy, Finance and Trade, France

Moderator: **Mike Reid**, The Economist

10:30 – 11:00 Coffee and snack break

SESSION 2: HOW TO ENHANCE THE REFORMS AGENDA

11:00 – 11:30 Keynote speech by **Michelle Bachelet**, Executive Director of UN Women and Former President of Chile

11.30-12.45 **PANEL DISCUSSION: CHALLENGES OF COMPETITIVENESS AND PRODUCTIVITY**

Panelists: **Fernando Alvear Artaza**, General Manager of the Chilean Confederation of Production and Commerce
Denzil Douglas, Prime Minister of Saint Kitts and Nevis
Steven Puig, IDB Vice-President for Private Sector and Non-Sovereign Guaranteed Operations
Claire Waysand, Deputy Director General of the Treasury, , Ministry of Economy, Finance and Trade

Moderator: **Owen Fairclough**, France 24

Question & answer session

12.45-14.00 **PANEL DISCUSSION: FISCAL POLICY FOR INCLUSIVE GROWTH**

Panelists: **Jesús Gracia Aldaz**, Secretary of State for International Co-operation and Ibero-America, Spain
Juan Gilberto Marin Quintero, President, Business Council of Latin America (CEAL)
Fernando Lorenzo Estefan, Minister of Economy and Finance, Uruguay
Mario Pezzini, Director, OECD Development Centre

Moderator: **Leo Zuckermann**, Televisa

Question & answer session

14:00 – 15:30 Buffet Lunch for attendees

III. SUMMARY OF PROCEEDINGS

OPENING SESSION

Fleur Pellerin, the French Deputy Minister of SMEs, Innovation, and the Digital Economy, warmly welcomed all participants to an interesting discussion of both the dynamism and the challenges in Latin America and the Caribbean. Ms. Pellerin highlighted the special relationship between Europe and Latin America, with strengthening trade ties, as demonstrated by over 11 billion euro of exports from France to Latin America last year, and new FTAs with Peru and Colombia, as well as on-going discussions with Mercosur. She also noted the important role of the Mexican G20 Presidency in addressing pertinent challenges in the areas of green growth, financial system stability, and food security.

Angel Gurría, Secretary-General of the Organisation for Economic Co-operation and Development (OECD), echoed the words of welcome and lauded the strengthening relationship between Latin America and the OECD. Mr Gurría also highlighted the relatively strong performance of the Latin American region relative to that of Europe in growth, employment and debt; signalling that Europe could learn many lessons from the Latin American experience. He encouraged Europe to tackle the regional economic problems by “going social, going structural, going green and taking a hard look at institutions”.¹

Luis Alberto Moreno, President of the Inter-American Development Bank (IDB), welcomed participants and noted the positive future for the Latin American region with a new trajectory of growth, strong resilience after the crisis, and impressive declines in unemployment and poverty. He mentioned the importance of enhancing productivity and innovation within the region, as well as putting in place stable fiscal policies to ensure sustainable development in the future. He asserted that great transformations come about through systematic and persistent reforms over time.

Laura Chinchilla, President of Costa Rica, underscored the overarching theme of the Forum as how to combine growth, well being and environmental sustainability in an international context of uncertainty. She summarized the similarities between the current European situation and the Debt Crisis in Latin America during the 1980s, and the policies that Costa Rica had put in place. She highlighted policy reforms in the areas of education, investment in renewable resources of energy, creation of natural parks covering 25% of national territory, structural transformation away from coffee and bananas toward higher technology products and services. She described Costa Rican efforts as an ‘intelligent insertion’ in the global economy, in order to maximize the benefits from openness while preserving environmental resources and social cohesion. While the horizon presents challenges, she hoped that lessons from the Costa Rican experience would be useful in addressing the challenges in Europe and beyond.

¹ The full speech is available at http://www.oecd.org/document/17/0,3746,en_21571361_44315115_50458001_1_1_1_1,00.html

SESSION 1: LATIN AMERICA AND THE CARIBBEAN AND THE G20 AGENDA WITHIN THE GLOBAL MACROECONOMIC OUTLOOK

Session I of the Forum gave the OECD Secretary-General and IDB President Moreno, Finance Ministers of three Latin American countries participating in this year's G20 works, and the Director General of the French Treasury, an opportunity to discuss the economic situation of the Latin American and Caribbean region and its position vis-à-vis other G20 economies.

Angel Gurría, Secretary-General of the OECD, called attention to the lingering challenges despite strong performance in the Latin American region. With greater openness came greater vulnerability to the slowdowns in Europe, US and China. He encouraged countries in the region to strengthen regional integration and domestic demand to decrease dependence on external demand. He asserted that the international reserves and flexible exchange rates are helpful tools to have in place in confronting international uncertainty, but were only part of the solution.

Luis Alberto Moreno, President of the IDB, emphasised the strong bearing of Chinese economic performance on South America, and of US performance on Mexico and Central America, due to the strong trade and investment links. International shocks can come through many channels including trade channels but also financial ones. Financial system impacts are particularly difficult to predict, and require swift actions to ensure liquidity within the region.

Juan Carlos Echeverry, Minister of Finance of Colombia, described recent economic success in Colombia as the effects of becoming "good learners and policy innovators in public policy". Facing the uncertainties of the international economic context, he perceived access to finance to be an area of priority and saw a need to strengthen royalties from coal and oil, and increase South-South trade and investment throughout the region. He asserted Colombia's commitment to continuing reforms to ensure that the country is able to manage the challenges of the evolving international situation.

Felipe Larraín, Minister of Finance of Chile, acknowledged the risks of increased openness within the current international context and the risks of downturn and deceleration. He noted the need for second generation reforms in fostering counter-cyclical fiscal policy, and creating a financial stability council to react immediately in situations of credit squeezes. Chile is anticipating the deceleration and is conscious of the implications of its strong trade links, with 50% of exports to Asia, 20% to Europe, and 10% to the United States. To manage these risks, Chile will put in place instruments to cushion the economy from negative impacts.

Jose Antonio Gonzalez Anaya, Under-Secretary of Revenues, Ministry of Public Finance and Credit of Mexico, underscored the strong economic performance in Mexico with Mexican exports to the United States reaching a historical high of 12.5% of the import market, geographic diversification of trade activities, good capitalisation ratios in banks, and strong growth. He noted the importance of continued reforms in order to ensure future stability and progress. He noted the particular importance of reforms: the areas of structural reforms, stabilising the financial system, food security and green growth and thus set the agenda of the Mexican G20 Presidency accordingly.

Ramon Fernandez, Director-General of the Treasury of the Ministry of Economy, Finance and Trade of France, described French efforts to confront the current economic challenges as part of a painful and complicated process but one of learning and finding solutions. Recovery will require European mobilisation to transform its institutional architecture and public finances, but the process has started and progress being made systematically. Strengthening trade and investment relationships with Latin America is also a step in the right direction.

This session was moderated by **Mike Reid** from the Economist.

SESSION 2: HOW TO ENHANCE THE REFORMS AGENDA

KEYNOTE SPEECH

In her keynote speech, **Michelle Bachelet**, Executive Director of UN Women and Former President of Chile, highlighted the importance of gender equality not simply as a matter of justice, but as demanded by economic reason. She provided ample evidence from a range of recent studies on the labour market as well as the consumption side demonstrating the link between the gender equality and economic development. Although there have been some improvements in gender equality in the recent past, in areas such as the access to education, women remain under-represented in key decision-making positions in business as well as politics. Director Bachelet stressed the importance of promoting women in higher level positions to bring about change and illustrated policy options such as improving women's legal rights after marriage and devising family-compatible social policy. She invited the audience to tackle this ambitious agenda in order to create a more just and socially inclusive society while at the same time fostering economic development.

PANEL DISCUSSION: CHALLENGES OF COMPETITIVENESS AND PRODUCTIVITY

Over the past 15 years, LAC countries have improved their economic and social indicators. From a long-term perspective, however, growth in the region has lagged that of both developed and other emerging economies. Low and slow productivity growth, more than barriers to the accumulation of factors of production, explain the LAC region's persistent middle-income status and weak competitive position within the global economy. The productivity of LAC is estimated to be less than half of its potential and various sources describe a region consisting of few highly productive companies, and countless businesses with extremely low productivity levels; the services sector being particularly pointed out as primarily responsible for the aggregate productivity problems. The constraints for productivity growth are relatively easy to identify: high transportation and logistics costs, informality in business and labour, limited access to credit, discriminatory tax regimes, lack of innovation and human capital inadequacies.

Designing and implementing a coherent policy mix that would realise a country's productive potential is much more complex and involves immediately applying corrective measures and adopting long-term strategies. Going beyond diagnosis, this panel debated how to set priorities, mapping bottlenecks and best practices inside and outside the region, and looked at policy co-ordination in a context of multiple policy needs, particularly discussing the respective roles of public and private sectors in increasing regional competitiveness.

Fernando Alvear Artaza, General Manager of the Chilean Confederation of Production and Commerce, described Chile's successful experience with boosting competitiveness and infrastructure investment in the past two decades. A sound legal framework provided by the "Ley de Concesiones de Obras Públicas" and macroeconomic stability were key to attract national and international investors from 1990 onwards. In addition, long-term contracts with a horizon of 10 to 30 years helped to boost infrastructure investment to high levels in the last decade. In Chile, infrastructure projects can also be initiated by the private sector subject to approval by the government. Infrastructure projects are financed from a wide range of sources including FDI, foreign and local banks and others, and have also been very successful in rebuilding roads, ports and hospitals, amongst others, after the 2010 earthquake. In the future, project evaluation should be improved and the current system should be deepened by including more sectors as well as extending public-private initiatives should.

Denzil Douglas, Prime Minister of Saint Kitts and Nevis, provided valuable insights of the particular situation faced by Caribbean Small Island Developing States. The high vulnerability to natural disasters, coastal erosion and the new realities of climate change were identified as severe impediments for

improving infrastructure durably in the region. Furthermore, as a consequence of the financial crisis, small Caribbean countries have high public debt levels and low growth expectations as they have seen a decline in global demand for areas in which they have a competitive advantage, such as tourism and services. The successful debt restructuring deal of Saint Kitts and Nevis this year with its partners such as the US and the IMF was stressed to have been a key factor in restoring confidence, and attracting FDI and new partners to the country. Prime Minister Douglas identified the lack of instruments for highly indebted middle income countries to funds and instruments by the IMF as a main obstacle to improve productivity in the country and appealed to the G20 to consider this problem in their agenda.

Steven Puig, IDB Vice-President for Private Sector and Non-Sovereign Guaranteed Operations, underlined improving labour productivity as the key aspect of the IDB's strategy in the region. Formality needs to improve, innovation needs to be promoted and small firms need to grow larger to make them more productive to boost productivity growth in the region. Mr Puig identified five key areas to achieve this: (1) Infrastructure development, in particular in the areas of energy and transportation. (2) Reducing obstacles to doing business and improving the legal enabling environment. (3) Fomenting trade and promoting FDI. (4) Fostering social inclusiveness by improving access to education and health care. (5) Addressing the challenges of climate change, which the IDB aims to achieve by committing 25% of total lending to climate change related projects by 2015.

Claire Waysand, Deputy Director General of the Treasury, Ministry of Economy, Finance and Trade, France, drew attention to boosting competitiveness within Europe as part of the strategy to overcome the current crisis. The Europe-US productivity differential was highlighted together with cross-country heterogeneity of the phenomenon within Europe. The real adjustment process within a monetary union to restore competitiveness was said to be difficult, but manageable, and the experience of the Baltic countries was mentioned as a positive example. Deputy Director General Waysand identified the importance of growth to be key for restoring public finance and for boosting employment. She said a mix of structural and investment should be used to achieve growth in the medium and long-term. In particular, the EIB's importance in fostering innovation and improvement of the EU's interior market were highlighted. With regards to Latin America, infrastructure projects such as the Puebla-Panama Project as well as the importance of the development of public transportation system were stressed, notably to be discussed during Mexico's presidency of the G20.

The panel was moderated by **Owen Fairclough**, business editor of France 24.

PANEL DISCUSSION: FISCAL POLICY FOR INCLUSIVE GROWTH

Despite stable growth and innovative social policies, Latin America and the Caribbean remains the world's most unequal region. Excess inequality slows down the pace of economic growth and undermines the development process itself. As such, efforts to tackle the inequality that mires the region need to be enhanced. Fiscal policy is less effective in achieving this goal in Latin America and the Caribbean than in other regions of the world. For example, citizens are closer to their starting point (their market income) after taxes, transfers, and in-kind provision of public services than their counterparts in OECD countries.

On average, public tax revenue as a percentage of GDP is lower than in the OECD - 19% compared to 35%. Taxes in general are not high, and tax bases are limited by the extensive use of tax deductions and exemptions, which are often regressive and distortionary. Recent cash transfer programmes have been effective at lowering poverty rates; spending now also needs to target other demographic groups and focus on improving the quality of public services.

To increase fiscal legitimacy, citizens must feel that they are getting their money's worth – namely in the form of good public services in exchange for their tax payment. This equation is at the heart of the State's

relationship with its citizens, and can serve to justify reform and higher taxes. Better statistics, better fiscal rules, a strengthened fiscal framework and more transparency could trigger this virtuous circle.

The panel discussed lessons learnt of recent fiscal reform in countries in the region, identified main challenges that persist in this respect, and provided room for a frank exchange between experts, policy makers and the private sector in proposing comprehensive solutions.

Fernando Lorenzo, Minister of Finance of Uruguay, highlighted Uruguay's experience with respect to fiscal reform and the consolidation of fiscal stance. The elements of the reform (elimination of inefficient taxes, extension of the tax base for personal income tax, and increased progressivity) allowed for higher fiscal revenues without increasing fiscal pressure. Given the intensive debate around the reform, the political economy was important to approve it, and support from both chambers of Parliament was essential. The reform not only helped to reduce informality (below 20% today) and tax evasion, but also improved Uruguay's performance in equity and redistribution. Economic growth and the tax structure allowed for higher social expenditures, with poverty levels going from 40% in 2004 to 13% in 2011, and extreme poverty attaining only 0.5% of the population. The case of Uruguay exemplifies how successful reforms can improve redistribution, even in the current difficult economic context.

Jesus Gracia Aldaz, State Secretary for International and Ibero-American Cooperation, stressed the importance of considering both the revenue and the expenditure sides of fiscal reform. The harmonisation of fiscal policy is a major challenge for Latin American governments, where large discrepancies remain among countries. Mr. Gracia Aldaz pointed out the facilitating role that co-operation agencies can play in encouraging needed fiscal reforms, but sometimes are politically difficult to implement. In addition, co-operation agencies can canalise best practices and knowledge sharing in the area of fiscal reform. The Spanish government confirmed its interest in strengthening co-operation with Latin America, despite the difficult economic context.

Mario Pezzini, OECD Development Centre Director, emphasised the role of the State to explain some of the institutional and economic changes that Latin America is currently undergoing. The favourable macroeconomic context, where debt levels have dropped and economic growth has created fiscal space, should allow governments to use public support for carrying out important reforms in essential areas of development (education, infrastructure, innovation). If the poverty challenge has somehow been overcome, there are new challenges in these other areas that need to be addressed. Latin America can provide some examples to OECD countries in this direction.

Juan Gilberto Marin Quintero, President of the Business Council of Latin America (CEAL), pointed out the importance of dealing with corruption in tax systems and the incoherence between tax levels and the efficiency of tax spending in Latin America. In addition, Mr Marin underscored the role of the private sector in contributing to social inclusion. For this, an active role within Small and Medium Enterprises (SMEs) is necessary, with two key elements: providing financial access and reducing costs for firms (for example in the case of energy, where costs are high given the oligopolistic structure of these markets in the region). Finally, he criticised the use of social spending for political objectives; it is important to separate these from political influence.

This panel was moderated by **Leo Zuckermann** of Televisa.

IV. EVENT MEDIA COVERAGE

The **IV International Economic Forum Latin America and the Caribbean** was well attended by the media. At its fourth yearly edition, the Forum enjoys a growing constituency of journalists. This year, a wide range of media attended including news agencies, TV, print, radio and online media. EFE, AFP, Dow Jones Newswires and the Wall Street Journal, Reuters, Radio France International, Televisa, CNNMexico, Grupo Nación were among those registered to attend the Forum. A number of TV journalists were present – a sign that the forum and its distinguished panellists are generating increasing media interest.

Some selected headlines following the forum are:

RFI - [Laura Chinchilla a RFI: 'Centroamérica está peor que hace diez años' en materia de narcotráfico](#)

RFI - ["América Latina comienza a sentir los efectos de la crisis europea", según Luis Alberto Moreno](#)

AFP - Integración y reformas, claves de Latinoamérica frente a la crisis europea

AFP - China podría ser en 5 años el primer socio comercial de América Latina (BID)

EFE - El BID reconoce que lo que ocurre en Europa afecta a Latinoamérica; LATINOAMÉRICA FORO

Prensalibre.com - El BID reconoce que lo que ocurre en Europa afecta a Latinoamérica

Univisionnoticias.com - El BID reconoce que lo que ocurre en Europa afecta a Latinoamérica

EFE - Chinchilla y otros latinoamericanos preocupados por la situación de Europa; LATINOAMÉRICA FORO

Elnuevodiario.com.ni - Chinchilla y otros latinoamericanos preocupados por la crisis en Europa

Elcorreo.com - [Chinchilla: si Europa no reacciona, nuestras exportaciones se verán afectadas](#)

NOTIMEX - Recommend to Latin America to reform to meet challenges

EFE - Gurría destaca el compromiso de España e Italia en la lucha contra el déficit; CRISIS UE

AFP - Chinchilla: Europa debe inspirarse en Latinoamérica para superar la crisis

Univisionnoticias.com - Chinchilla confía en que Europa aborde su crisis "evitando el proteccionismo"

El Universal - Latinoamérica recurre a la integración para enfrentar crisis europea

Elnortedecastilla.es - [Chinchilla percibe una buena acogida a su demanda de ingreso a la OCDE](#)

Terra - Integración y reformas, claves de Latinoamérica frente a la crisis europea

Eldiariomontanes.es - [Bachelet: la igualdad de género es justa y también una necesidad económica](#)

Terra - Bachelet: la igualdad de género es justa y también una necesidad económica

Abc.es - Bachelet: la igualdad de género es justa y también una necesidad económica

El Financiero - OCDE y BID llaman a Latam a hacer reformas

Prensa Latina - Francia: funcionaria de ONU aboga por equidad de género

Uniradio Informa - Ofrece América Latina experiencias para salida de crisis: Chinchilla

El Semanario Sin Límites - Papel de México, positivo para diálogos del G-20

In addition, Televisa, media partner of the Forum, interviewed speakers and participants and provided visibility to the event throughout the region.

In social media, the Forum twitter hashtag #LACForum was trending n°1 and n°2 in France throughout most of the duration of the event. 863 tweets generated 4,262,200 impressions, reaching an audience of 266,595 followers on 25 May.
