# The challenges and opportunities of the New Production Revolution in Latin America

**Claudia Serrano, Ambassador of Chile to the OECD**
**Korea-Latin America, Forum of Future Cooperation**
**June 2017**

# Table of Contents

1. Latin America in recent decades
2. Knowledge societies
3. The digital era
4. Public policies for more inclusive and productive societies
5. Changes in the political economy of Latin America from the perspective of the OECD
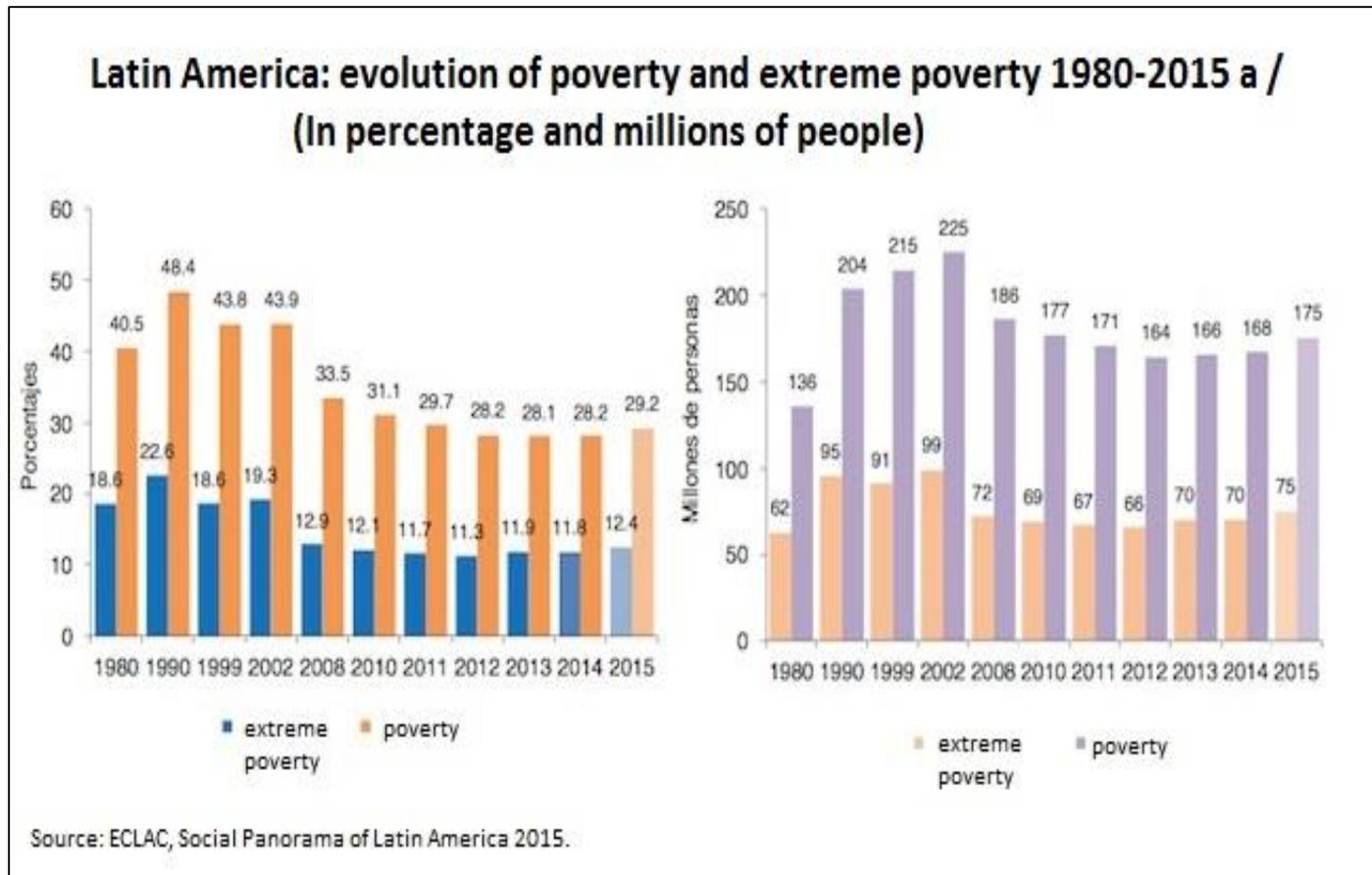6. Conclusions

# 1. Latin America in recent decades (1/4)

- Significant progress has been made in social and economic matters

- Problems: inequality and economic challenges linked to productivity and innovation

- The ability to take advantage of the production revolution and digital transformation
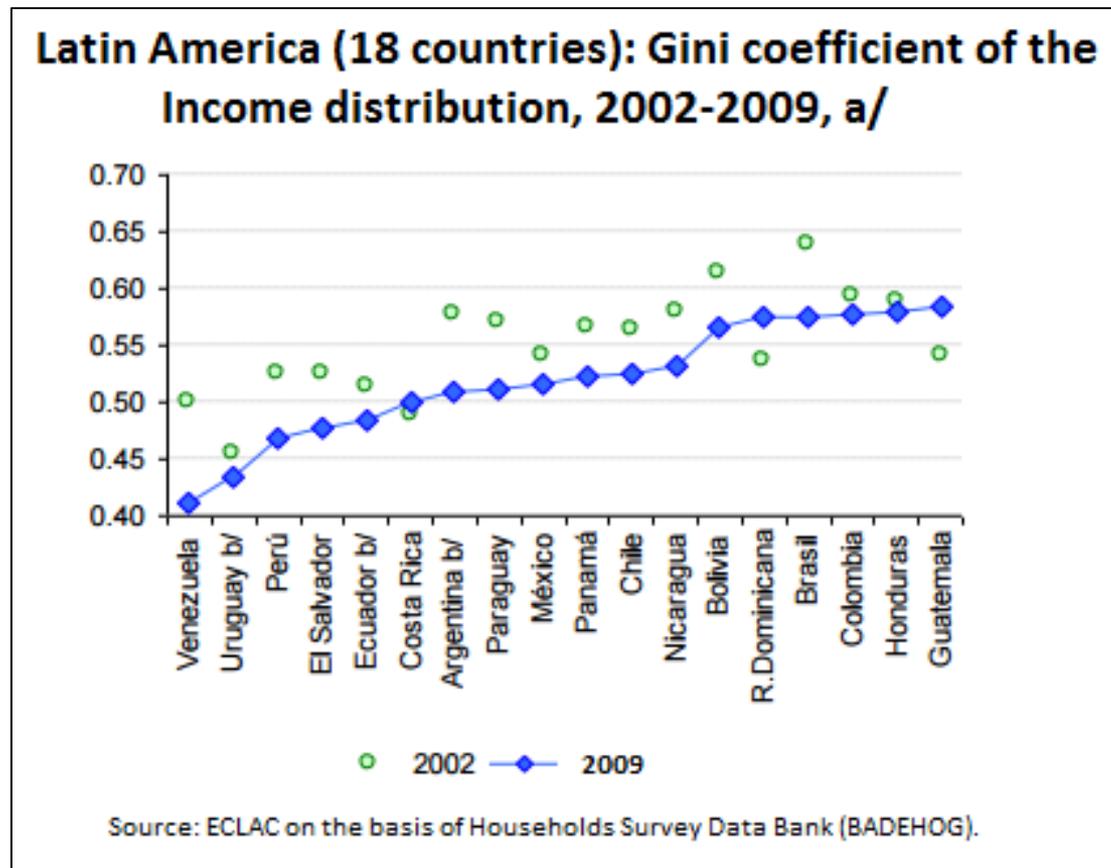
# 1. Latin America in recent decades (2/4)

- In general, economic growth has improved the quality of life: people have more income, are more educated and there is more consumption and wellbeing

- Latin America continues to be the region with the most inequalities in the world

- There has been a notable reduction in poverty, although the total poverty rate has increased since 2012

- Predictions for 2017: growth will continue (between 2 and 3%)

# 1. Latin America in recent decades (3/4)



Latin America: evolution of poverty and extreme poverty 1980-2015 a /
(In percentage and millions of people)

Source: ECLAC, Social Panorama of Latin America 2015.

# 1. Latin America in recent decades (4/4)



Latin America (18 countries): Gini coefficient of the Income distribution, 2002-2009, a/
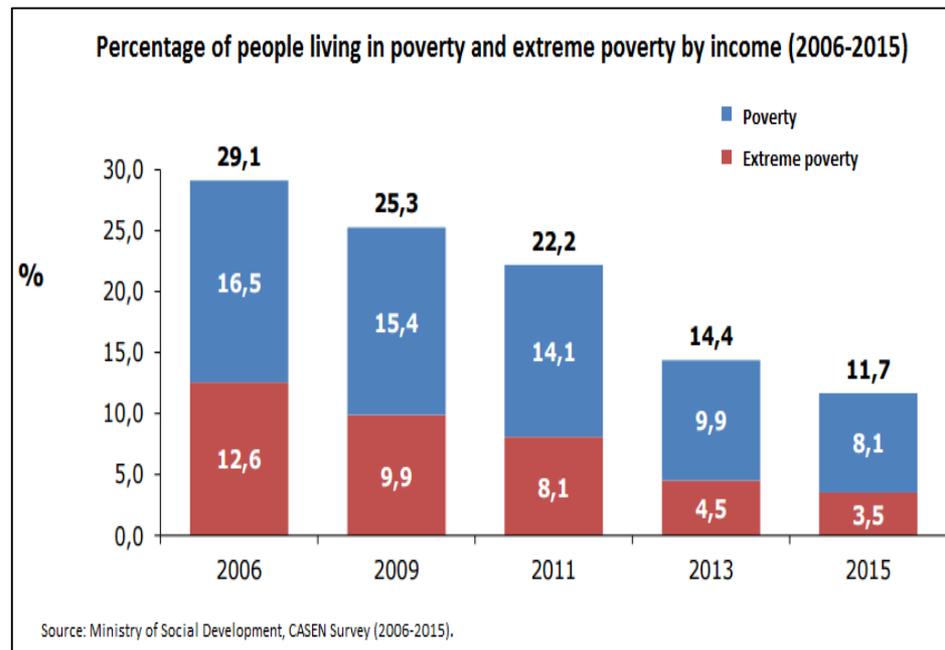
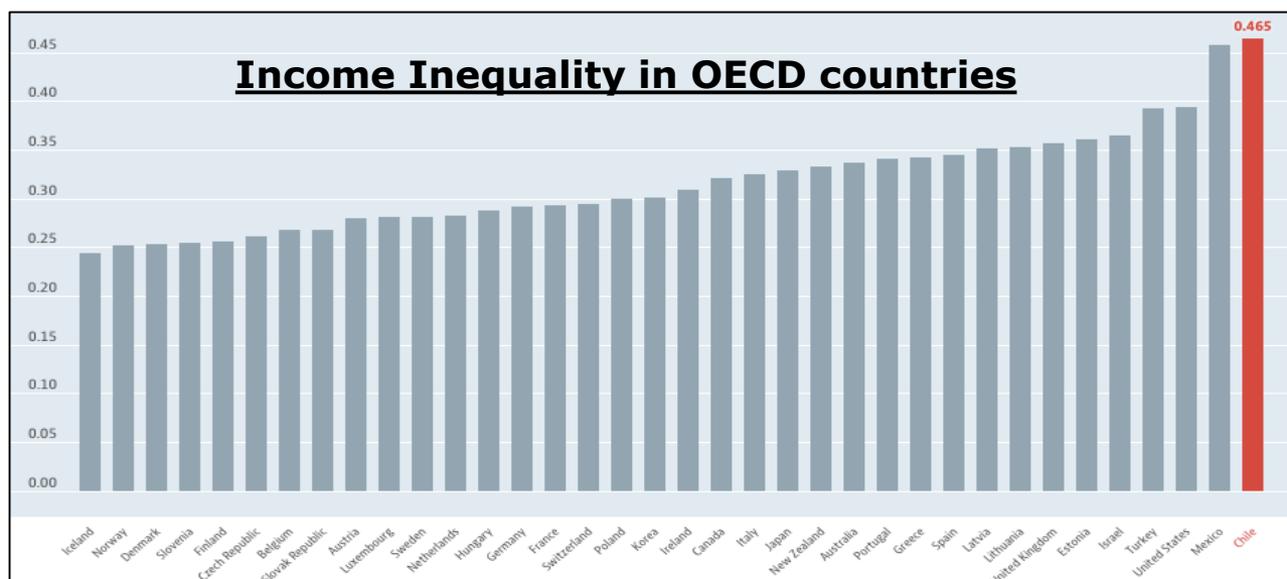Source: ECLAC on the basis of Households Survey Data Bank (BADEHOG).

# The case of Chile (1/2)

- Chile has the lowest level of poverty in the region and has maintained a considerable level of macroeconomic stability

Percentage of people living in poverty and extreme poverty by income (2006-2015)

**Poverty**
**Extreme poverty**

| Year | Poverty total | Poverty | Extreme poverty |
|------|------|------|------|
| 2006 | 29,1 | 16,5 | 12,6 |
| 2009 | 25,3 | 15,4 | 9,9 |
| 2011 | 22,2 | 14,1 | 8,1 |
| 2013 | 14,4 | 9,9 | 4,5 |
| 2015 | 11,7 | 8,1 | 3,5 |

Source: Ministry of Social Development, CASEN Survey (2006-2015).

# The case of Chile (2/2)

• The main problems are are the disparities in income, opportunities and access to education, as well as centralization and a dependency on natural resources

**Income Inequality in OECD countries**

Fuente: data.oecd.org

# 2. Knowledge societies

- Digitalization is changing the world of work completely
- Malaise: in advanced countries the outsourcing of jobs to countries with lower incomes is blamed
- Developing countries: benefits only big business
- Globalization requires more integrated public policies
- More policies that promote social inclusion are necessary

# 3. The digital era

- The increase in the use of information and communication technologies has brought new risks of social exclusion, but at the same time, more opportunities

- Risks:
  - ➤ Knowledge is concentrated in few sectors
  - ➤ Not everyone benefits from the growth or productivity, it may increase the risk of inequalities

- Opportunities:
  - ➤ Reduces the costs of acquiring skills
  - ➤ Facilitates entrepreneurship and access to financial markets
  - ➤ Improves access to public goods
  - ➤ Promotes equal access to information, which integrates even those from disadvantaged social backgrounds and develops less favoured areas or sectors
  - ➤ Improves the role of governments, increasing their efficiency and transparency
  - ➤ Production technologies have the potential to increase productivity

# 4. Public policies for more inclusive and productive societies

- Concrete recommendations point to improving the capacity of economies. There are four areas in which these policies should focus:

  1) Incorporate the production and the digital revolution, favouring innovation and production transformation
  2) Invest in education and training, make the labour market more flexible, providing security to people along with active employment policies that will aid the transition
  3) Clear rules in order to level the playing field: adequate and updated regulations are necessary to guarantee equal conditions for new enterprises
  4) Incorporate country specific public policies, with the intention of revitalizing sectors that are being sidelined

# 5. Changes in the political economy of Latin America from the perspective of the OECD

- Countries reinforced processes of reform in important topics like: integrity, taxes, competition, regulation, governance, statistics, etc.

- Never before has the work of the OECD with Latin America been so promising

- Two LAC countries are members of the OECD:

  Chile and Mexico

- Two are in the process of accession:

  Colombia and Costa Rica

- Three have applied to join:

  Peru, Argentina and Brazil (for different reasons)

- 11 countries are members of the Development Centre:

Argentina, Brazil, Chile, Mexico, Panama, the Dominican Republic, Peru, Uruguay, Paraguay, Colombia and Costa Rica

- Bolivia has applied for accession to the Development Centre

- Guatemala has initiated an Integrity Review

# Regional OECD LAC Programme

- Launched in 2016
- Objectives: to support the process of reforms in the region; to bring countries closer to the standards and practices of OECD countries and to make policy recommendations
- Three strategic pillars: Productivity, Social Inclusion and Governance
- Programme governance:

    Steering Committee

    Advisory Board (with Korea as participant)

- Main activities:
- ✓ Annual High Level Ministerial Meetings for each theme in countries of the region (Chile 2016 Productivity; Paraguay 2017, Social Inclusion, Perú 2018, Governance).
- ✓ Exccecutive, Steering ad advisory groups and committee meetings, giving impulse to networks of work
- Main projects: Integrity, Decentralization, Education – PISA, Going Digital, SMSs.

# 6. Conclusions

- Latin America faces a crucial moment in that it has to consolidate what is has already achieved
- Latin America must embrace technological advances
- It should mainly diversify its economy through a production transformation
- Together with this, it should also democratize access to opportunities
- The possible negative effects should be taken into account
- The ultimate objective should be to improve the wellbeing of its citizens in an inclusive manner, expanding to its maximum capacity
- This is the objective that the LAC programme tries to achieve

# The challenges and opportunities of the New Production Revolution in Latin America

**Claudia Serrano, Ambassador of Chile to the OECD**
**Korea-Latin America, Forum of Future Cooperation**
**June 2017**