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World Economic Forum on Latin America Highlights Challenges Ahead for Regional Development

by Johanna Marris

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Around 1,200 business and government leaders from 65 countries met in Buenos Aires to discuss the challenges and solutions for Latin America's sustainable social and economic development. The occasion was the 12th annual World Economic Forum on Latin America, which took place on April 5-7.

The forum's theme was "Fostering Development and Entrepreneurship in the Fourth Industrial Revolution," and key topics included the challenge of maintaining economic recovery in the region following two years of recession; Latin America's potential for growth and greater global integration through strengthening agricultural and renewable energy production; and risks to future growth, among them the political crises seen in many countries, corruption, and rising crime.

Argentina, as host, provided an interesting backdrop and example of some of the key aims and challenges for the region as a whole. The administration of President Mauricio Macri has reversed many of former President Cristina Fernández's economic policies in an attempt to set the country on a more open, integrated path to development ([NotiSur, March 25, 2016](#), and [June 17, 2016](#)). However, this process will take many years, and the immediate effects of greater austerity have been felt by the population, which has responded with increasing labor unrest and protests. On April 6, when the forum was in full swing, major unions organized a national strike against government economic policies, high inflation, and tariff hikes. The action included a gathering outside the hotel where the forum was taking place, as a visual reminder of some of the challenges of the region's transition to sustainability and the need for it to work for all sectors of the population.

The forum consisted of presentations and panels discussing views of the way ahead for Latin American development, with the participation of government ministers, business leaders, and multilateral representatives from across the region. Among the key themes emerging were the need to move away from dependence on raw material exports, the challenges of addressing corruption, and the need to improve regional integration.

Mineral exports

Mostly due to its abundant natural resources, Latin America has long relied on mineral exports for revenue as its primary means of sustaining broader economic and social development. However, due to commodity price fluctuations, this dependence leaves the region vulnerable to sharp income losses when prices fall, often unpredictably. After a decade reaping the benefits of a commodity boom, many Latin American economies have been severely stretched, if not pushed into decline, during the last two years as a result of global price decreases. As well as triggering an array of economic issues in many countries, such as fiscal crises and high inflation, this period has served as an urgent reminder of the need to increase economic resilience in the region against external shocks.

During the forum debates, a key focus was the "Fourth Industrial Revolution," or the process by which Latin America can industrialize its resource offering in order to add greater value to exports,

increase its use of technology to achieve this, and transform employment to protect and increase the number of skilled jobs. Alicia Bárcena, executive secretary of the Economic Commission for Latin America and the Caribbean (ECLAC), insisted that the path to economic growth for Latin America was in fortifying investment and diversifying the productive matrix. While Latin America as a whole is expected to return to growth in 2017 and 2018, many participants agreed on the need to invest in new technologies and on the unsustainability of the current export-based model.

Tackling corruption

In the last year, the Lava Jato ([NotiSur, Jan. 13, 2017](#), and [Feb. 24, 2017](#)) and Panama Papers ([NotiCen, Feb. 2, 2017](#), and [NotiSur, May 6, 2016](#)) scandals have exposed entrenched corruption across the region at all levels of government and enterprise. This has shaken faith in institutions and challenged political stability. Alberto Bello, editorial director of the Expansión Group in Mexico who led the panel on corruption, noted that according to the World Economic Forum, corruption accounts for 5% of global GDP, the equivalent of approximately US\$3 billion. He added that one third of this is made up of bribe payments, and that corruption in general increases the costs of everything from commercial projects to basic goods and services, and multiplies inequality.

Other participants argued that corruption limits development by disincentivizing foreign investment in the region, disproportionately affecting the poor, and weakening political institutions. Daniel Zovatto, regional director of the International Institute for Democracy and Electoral Assistance, said few high-ranking officials had been successfully tried and imprisoned for corruption in Latin America and stressed the need to more closely align anti-corruption rhetoric with action. Proposed solutions included reforming anti-corruption laws and introducing harsher penalties for corrupt practices.

Regional integration

An interesting development at the forum was a step forward in cooperation between Latin America's two main trading blocs, MERCOSUR and the Pacific Alliance. Traditionally, the two groups have been ideologically at odds, with more left-leaning governments forming MERCOSUR and more conservative, market-oriented economies making up the younger Pacific Alliance ([NotiSur, Sept. 9, 2016](#), and [Feb. 3, 2017](#)). President Macri and Brazilian President Michel Temer, as well as the Chilean government and others, have sought to find more common ground between the two over recent months. Foreign ministers from both MERCOSUR and the Pacific Alliance met during the World Economic Forum and agreed to move toward greater integration.

"We have signed a roadmap of six well-defined points that talk about complementation and rapprochement between the two blocs," Argentine Foreign Minister Susana Malcorra said. "The clear objective is to strengthen the commitment to free trade and multilateralism."

This step has been driven both by the economic crises in Brazil and Argentina, which are pushing them to seek to increase external trade, and by the protectionist rhetoric coming from the administration of President Donald Trump in the US, which has raised uncertainty over the region's continued dependence on the US as a trade partner. Many questions remain over whether these steps toward more openness between the two blocs will result in any concrete measures for integration, or over the effectiveness of either bloc in boosting individual economies. However, improved cooperation remains a positive development for the region.

The political and economic challenges that Latin American countries have faced following two years of recession are not straightforward to address. But they have forced individual economies to identify their weaknesses. Many countries are now taking steps toward deciding what can be done to improve resilience and ensure more sustainable development. Bárcena emphasized the need to prioritize the UN's Sustainable Development Goals to guide this process, in order to reduce persistent inequality and ensure long-term success. This process will be greatly facilitated by continued dialogue and cooperation between countries to find effective ways of addressing common obstacles to development.

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