

**Latin American and Caribbean Labor Markets  
and the Global Economy**

**Opening Remarks  
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***Introduction***

- Good morning. I am pleased to welcome you to this conference, the second of three planned regional conferences being held under auspices of the International Collaborative Initiative on Trade and Employment (ICITE). ICITE is a joint undertaking of 10 international organisations that aims to: deepen our understanding of the relationship between trade and employment, promote dialogue on these issues, and develop policy-relevant conclusions.
- On behalf of the OECD, I would like to express my appreciation to our colleagues from the Economic Commission for Latin America and the Caribbean (ECLAC) and the World Bank for the excellent collaboration in the preparation of this regional conference, and to ECLAC for hosting this event. Our direct counterparts, Nanno Mulder, ECLAC, and Daniel Lederman, World Bank, were particularly conscientious and effective in putting things together.
- We are excited to hold this regional ICITE conference here in Santiago, particularly in light of Chile's recent accession to the OECD. Chile provides an excellent illustration of the role that trade can play in development. The ratio of exports to GDP in Chile grew from 29% in 1995 to 45% in 2008. During the same period, the Chilean poverty rate dropped from 21% to 16%, and GDP per capita grew at an average annual rate of over 4%. Presently, Chile is showing a strong recovery from the global financial crisis; this year Chilean GDP is projected to grow at an impressive rate of 6.5% (OECD [Econ Outlook handout, p. 3](#)). While these simple statistics don't demonstrate causality, they do provide an indication of a positive association among these developments.

- This ICITE conference presents us with an opportunity to share experiences from across the LAC region and to explore considerations for policy that must be taken into account if we are to exploit more fully the potential gains from trade while increasing employment opportunities and facilitating structural adjustment.
- When I look around the room, I am pleased to see such a diverse group of experts representing government, business, labour and academia; each of you brings a unique set of perspectives and experience to this policy dialogue. Such diversity will strengthen and enrich the discussion on the central theme of this conference, namely, “how trade can support inclusive growth and employment creation in the Latin American region?”.

### *Trade, Growth and Development in Latin America*

- Recent decades have demonstrated in practice that open economies grow faster than closed ones. Countries that have embraced openness have been more successful in sustaining growth and moving up the development ladder than those that have not. No country has been able to develop over the long-run without integration into the global economy. The economics profession has developed a long-list of reasons why this should be the case, and I have no time to go into details, with which no doubt you are very familiar. Suffice it to note that, in addition to promoting increased allocative efficiency and access to vast global—rather than restricted national—markets, trade liberalisation facilitates technological progress and the global spread of innovation. These deeper economic forces are the primary source of longer-term gains in productivity that are necessary to achieve sustained increases in per capita incomes.
- The Latin American and Caribbean region is dynamic and has undergone a notable economic transformation during recent decades. Progress is evident in the way that the region has weathered the recent economic crisis. For example, the Latin American and Caribbean a region will grow at a projected rate of 4.5% in 2011 ([World Bank GEP, 2011](#)) substantially outpacing projected growth in both the U.S. and Eurozone.

- Such dynamism underscores the importance of policy changes in the region since the Debt Crisis of the 1980s that have delivered increased market openness and integration into the global economy. There is an important South-South dimension to these developments. As trading patterns are shifting and links are strengthening between Latin America and Asia, both regions are showing strong economic performance and reaping the benefits of access to better inputs and larger markets for their goods and services. Further trade liberalisation in developing countries can no doubt serve as an important impetus to even deeper South-South links.
- These trends have had substantial impacts on the well-being and quality of life of Latin Americans. According to the OECD's [Latin American Economic Outlook 2011](#), there has been a considerable rise in the middle class in the region in the last two decades. This has been especially evident in Brazil, Chile, Costa Rica, Mexico and Uruguay, where over 45% of the population is middle class (defined as those with income ranging from 50-150% of the median income). For the most vulnerable members of society, the gains have been significant. According to the ECLAC [Social Panorama for Latin America 2010](#), between 1990 and 2008, the share of the Latin America's population living in poverty fell from 41% to 33%. Still high, but getting better.
- Latin Americans are benefitting as consumers, as well. According to the *Economist*, "sales of new cars, computers and consumer electronics in both Brazil and Mexico are at record levels and much of the extra demand has come from the new middle class". This trend is also evident for many lower income families, whose access to household consumer products has increased significantly. A study in 2005 of low-income families in four former *favelas* in São Paulo by the Fernand Braudel Institute, a think-tank in the city, found that all the households surveyed had refrigerators and colour televisions, nearly half had mobile phones, 30% had DVD players and 29% owned a car.

### *Next Steps*

- There remain additional opportunities to build on this success and promote more far reaching and inclusive economic development. New OECD research indicates that further trade opening – via reduction of tariffs and non-tariff barriers – can stimulate job creation for both skilled and unskilled workers, bringing worldwide economic benefits. With the right mix of policies, countries can push beyond the so-called middle income trap, delivering quality employment opportunities while assisting those who may face adjustment challenges. Indeed, consideration of such issues is what brings us together today.
- Chile’s program of trade liberalisation has been particularly impressive. It has developed a flat-rate, relatively low multilateral tariff, eschewing discrimination across sectors; virtually eliminated non-tariff barriers; and applies non-discriminatory treatment for foreign investors, with important implications for trade given the trade-FDI link (*OECD Economic Survey of Chile 2010*).
- *But open trade is a necessary but not sufficient condition for a successful reform program.* As detailed in a recent joint report to the G-20 by OECD, ILO, World Bank and WTO, entitled *Seizing the Benefits of Trade for Employment and Growth*, trade liberalisation works best when accompanied by appropriate complementary policies. For trade to foster inclusive growth, a properly designed framework needs to include various policy targets, including with respect to labour market, education and social policies, among other areas. Well crafted and coherent policies can enhance the opportunities available to those who stand to gain from trade opening and help those who are displaced to develop new skills and find new opportunities.
- Here it should be acknowledged that some less developed countries are facing particular challenges with respect to such issues as institutional capacity or extreme poverty. These challenges are many but include the need to improve burdensome customs procedures, poor infrastructure, rigid market institutions, informational bottlenecks, and poor educational outcomes. The international community has recognised this and, in partnership with developing economies, is mobilising additional resources via the Aid For Trade initiative and other channels.

### ***Food for Thought***

- Our role here for the next two days is to consider the case of Latin America, with a view to better understand the region's experience with trade and employment and, looking forward, consider the policy implications. In doing so, we will explore a number of relevant issues including:
  - the nature and extent that exogenous economic shocks are transmitted to labour markets in the region;
  - the types of policies needed to facilitate labour market adjustment in conjunction with trade liberalisation;
  - the implications of market openness for job quality generally and, in particular, for the informal sector; and
  - the relationship of market openness to poverty and inequality in Latin America.
- Also on the agenda is a session dedicated to peer learning. Policy makers, business and union representatives from Latin America will share their country experiences and concerns to help identify the most pressing trade and employment related issues and look at the policy options for addressing them. Through sharing these experiences, we will have a better understanding of policy strengths and gaps to be addressed in the future.

### ***Concluding Remarks***

- The International Collaborative Initiative for Trade and Employment is about developing new empirical material for fact-based policy analysis. By 2012, ICITE will produce 30 thematic and country studies, looking at diverse aspects including wage implications of trade liberalisation; trade in tasks; trade, employment and gender; global value networks and productivity; trade, offshoring and migration; among many other issues. Many of these will be issued as working papers or publication chapters.

- This material is serving as a foundation for policy dialogue via three ICITE regional conferences and a global conference. The trade and employment policy dialogue here in Santiago for the next 2 days has the potential to deepen and broaden our understanding of the regional challenges that need to be confronted as well as the opportunities that can be created. This conference is the second regional event of the International Collaborative Initiative for Trade and Employment. In a few minutes, Niny Khor will speak to you about the outcomes of the first such conference, held at ADB in Manila last April. On the horizon, we are planning with the African Development Bank to hold in September a regional conference for Africa and the Middle East. And, in November, we will hold a Global Forum on Trade event at OECD in Paris with the intention of considering additional cross cutting work on these issues and synthesizing the conclusions from across the three regional events.
- In 2012, the OECD will publish a final report on the ICITE project along with other materials for presentation to Ministers at the annual OECD Meeting of Council at Ministerial Level. Indeed, discussion at our recent 2011 Ministerial Meeting, chaired by US Secretary of State Hilary Clinton, demonstrated that this initiative has the attention of high-level policy makers around the world. Their final [communiqué](#) provided an explicit endorsement of the work. Thus, it is important to note that your input here in Santiago today can help to shape the messages that will be highlighted in the project going forward.
- I thank you for your attention and I'll look forward to participating with you in what promises to be a very stimulating and useful event.