

Regional Agenda

World Economic Forum on Latin America Regional Transformation in a New Global Context

Puerto Vallarta, Mexico 16-18 April 2012



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Preface



Marisol Argueta de Barillas
Senior Director
Head of Latin America

The seventh World Economic Forum on Latin America in Puerto Vallarta, Mexico, gathered more than 850 leaders from business, government, international organizations, academia and civil society from 70 nations to discuss the region's opportunities, challenges and required transformations in today's global context. The record number of participants demonstrated the high interest that most countries in Latin America are attracting internationally as stable economies with sustained growth and diverse business opportunities.

A singular international context framed the meeting, which took place at a time of global uncertainty – when strong leadership and international cooperation are key imperatives to resolve critical global challenges. Mexico's presidency of the G20 offered an outstanding opportunity for participants to provide their input on Mexico's G20 priority topics. The meeting became a milestone in preparing for the G20 summit, which will be held in June in Los Cabos.

The Forum has collaborated in the creation and coordination of eight B20 task forces. These task forces allow business leaders and key experts from the civil society and international organizations to share their commitments and recommendations on issues of global relevance and concern such as food security, green growth, employment, transparency, trade and investments, ICT and innovation, finance for development and advocacy. The preliminary recommendations of all eight task forces were presented to the presidency of G20.

The World Economic Forum on Latin America was held immediately after Colombia hosted the sixth Summit of the Americas. It was an unparalleled opportunity for multistakeholder discussion of regional issues that were on the agenda of the presidents and prime ministers in Cartagena – the global economy, trade and investment, infrastructure, regional integration, education, drugs and crime, and social inclusion, among others.

The value of the wider participation in the World Economic Forum on Latin America was evident in the rich discussions of the meeting's theme – Latin America's regional transformation in the new global context. In a world of intensifying globalization, heightened risks and volatility, mounting environmental stress, limited resources, growing competition for human capital and rapid technological innovation, it is imperative to include people from all sectors and backgrounds in shaping effective responses to these challenges.

Concurrent to the meeting, the Forum convened the second Sustainable Growth Summit, a day of discussions among public- and private-sector participants devoted to all aspects of sustainability, with a focus on the agendas of the forthcoming G20 Summit and the Rio+20 United Nations Conference on Sustainable Development. Special sessions were dedicated to the management of energy resources and the design of a new energy architecture for the region, which attracted a significant number of energy ministers from Latin America who were meeting on the margins of the Summit.

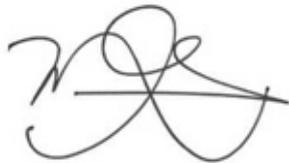
Also in Puerto Vallarta, more than 250 of the Forum's Young Global Leaders (YGLs) from 50 countries gathered for their Annual Summit. While they had their own separate programme, the YGLs joined the sessions of the World Economic Forum on Latin America along with the Global Shapers, the Forum's recently launched community of emerging leaders in their 20s.

The broad engagement of regional and global leaders underscored the increasing strategic importance of Latin America and the growing awareness around the world that countries in the region – many of which performed well throughout the global economic crisis – are making the structural adjustments needed to achieve sustainable economic growth. There is also greater recognition that Latin America faces significant challenges such as strengthening the rule of law, improving the access to and quality of education and healthcare, addressing the infrastructure deficit, and narrowing income gaps.

After setting the course for a Latin American decade last year, participants in the 2012 World Economic Forum on Latin America focused on identifying action points to implement necessary reforms to achieve that goal. The discussions focused on three thematic pillars: Creating Innovative Models for a Sustainable Future; Rebalancing Global Economic Recovery; and Rising Capabilities towards Regional Transformation. This report includes a summary of the main outcomes and insights that emerged from the meeting. These highlights outline an agenda for action.

Latin America must be strongly committed to a vision for collaborative action across generations to transform the region and achieve its full global potential. As the global context becomes more complex and difficult to navigate and the centre of gravity in the global economy moves from developed to developing economies, Latin American nations must ensure that the region is a strong and integral player. At the same time, they must make certain that growth is sustainable and inclusive. This is a difficult transformation that has to happen – otherwise, Latin America risks becoming a bystander rather than a central actor in the shift of global power.

My colleagues and I thank our Members and constituents for their active engagement in the World Economic Forum on Latin America and look forward to welcoming you to the next regional meeting in Lima, Peru, on 23-25 April 2013.

A handwritten signature in black ink, consisting of a stylized, cursive script that is difficult to decipher but appears to be a personal name.



01: Latin America Social Entrepreneur Awards: Klaus Schwab; Felipe Calderón; Moisés Cherm Arana; Mariano Rajoy Brey; Hilde Schwab; Otto Pérez Molina; Désiré Bouterse; Philip Wilson; Martín Andrade; Philip Gregory Van Kirk; Gisela Solymos; and Tomas Sanabria

02: Arena Session on Youth, Jobs and Dignity: José Galicot Behar; Francisca Valenzuela; and H.R.H. Crown Prince Haakon of Norway

03: Social Innovation Network

04: Workshop on Architecting Action: Closing Mexico's Gender Gap

05: Workstudio - Boosting Social Innovation with Marisol Espinosa Cruz, Vice-President of Peru



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Mexico

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Chief Executive Officer
Pemex - Petroleos Mexicanos
Mexico

“

We will strengthen our voice in the concert of nations to be protagonists and not mere spectators of what is happening in the world.

”

Felipe Calderón, President of Mexico

01: Klaus Schwab, Founder and Executive Chairman, World Economic Forum; and Felipe Calderón, President of Mexico

Executive Summary

The region has a unique opportunity to show that it can lead the world towards the vision of a balanced and sustainable global economy. But are Latin American countries ready to embrace the reforms needed to become more competitive and achieve sustainable growth?

Business, government and civil society leaders focused on the region's transformation in the new global context, the theme of the seventh World Economic Forum on Latin America. With global economic power and influence shifting from the developed economies that were badly hobbled by the crisis to China, India and other fast-growing countries, Latin America could be reduced to being merely a spectator to this transformation rather than an integral part of it if immediate action is not taken on a diversity of outstanding regional challenges.

To be sure, the region's largest economies – Mexico and Brazil – are members of the G20, the main forum for managing the global economy, and are typically counted among the dynamic drivers of global growth. But the region has to come together if Latin America is to remain a strong partner for traditional markets in North America and Europe and shape itself into a worthy competitor and partner for China and the other emerging economies.

There can be no zero-sum rivalries in a world of intensifying globalization, where economic strength increasingly depends on the accumulation of human capital rather than material wealth. The G20 has shown that multilateral collaboration is essential to address the crisis and rebalance the world economy. With Mexico as this year's G20 president – the first Latin American member to take this position since the crisis broke – the region can demonstrate its commitment to global cooperation.

In this pivotal role, Mexico has broadened and deepened the integration of the international business community in the G20 process through the B20. The B20 task forces met in Puerto Vallarta to hone the recommendations for action that will go forward to the G20 leaders in advance of their summit in Los Cabos, Mexico, in June. Among the issues of special concern: food security, green growth, employment, transparency, trade and investments, ICT and innovation, finance for development and advocacy.

With the Rio+20 United Nations Conference on Sustainable Development taking place in Brazil just days after the G20 Summit, Latin America is at the centre of the international stage, with a unique opportunity to demonstrate its capacity to lead the world towards the vision of a balanced and sustainable global economy.





01: Plenary Session on the B20 Proposals



“
In Latin America, there is a lot of promise for young people and for our future.”

”
 H.R.H. Crown Prince Haakon of Norway, Crown Prince of Norway; Co-Chair of the World Economic Forum on Latin America



“
European business, including Spanish companies, see Latin America as a permanent destination for investment.”

”
 Mariano Rajoy Brey, Prime Minister of Spain

Yet the nationalization of private assets stirred up the long-running debate over whether Latin American countries are prepared to discard old ways of thinking such as the devotion to state monopolies, the overriding focus on expanding coverage of education instead of excellence, and the assumption that the rule of law is negotiable. “We do not want a Latin America that is trapped in ideological judgment,” Felipe Calderón, President of Mexico, declared in the opening plenary. “We want a Latin America that is open to trade and investment.”

Still, the consensus among participants was that the region is moving forward with necessary reforms, albeit along varying agendas and at differing speeds. In the closing session, the optimism of the younger generation was clear. But so were the caveats, especially when it came to the principal challenges that Latin America has to address if it is to transform into a thriving region committed to sustainable growth, inclusion, innovation and social responsibility.

“I do see a Promised Land but, in the education sphere, we are in the desert,” reckoned Young Global Leader Alejandro Ramírez, Chief Executive Officer of Mexican movie theatre group Cinépolis and President of the B20, who lamented the poor performance of Latin American students in international benchmarking assessments. “There is no way we can get out of this desert if we don’t raise the quality of education in our countries.” Indeed, for Latin America to secure its future, countries in the region must break down entrenched hierarchies and flatten established power relationships.

Of crucial importance is a change of mindset. Instead of focusing on the past and fixating on problems, the people of Latin America have to think positively and be pragmatic and results-driven. In a session on Mexico’s future, the discussion could just as easily have applied to the region as a whole. “I believe that Mexico’s tomorrow can be brilliant,” said Global Shaper Moisés Cherem Arana of Mexico, Chief Executive Officer of Enova and one of the winners of the Schwab Foundation’s Latin America Social Entrepreneur of the Year Award. “We need to stop thinking that the situation is terrible. We need to change perspective. We need to focus on how we can improve.”



“
There is more corruption fostered by the cartels, which has weakened our institutions. We have found ourselves in a grave situation and have to think of new ways to deal with this.”

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 Otto Perez Molina, President of Guatemala

This Year's Sub-themes

- A** Creating Innovative Models for a Sustainable Future
- B** Rebalancing Global Economic Recovery
- C** Rising Capabilities towards Regional Transformation

News from Puerto Vallarta



Latin America Social Entrepreneurs of the Year Honoured in Mexico

The Schwab Foundation announced the winners of the Latin America Social Entrepreneur of the Year awards at the World Economic Forum on Latin America. Social Entrepreneurs are the driving force behind the innovations that improve the quality of life of individuals around the world. Their primary focus is to make a specific change in one area – such as access to education or affordable housing. In doing so, their innovative, scalable solutions create an even wider social impact. Honourees working in Brazil, Central America, Chile, Mexico and Venezuela are among 25 Social Entrepreneurs from around the world who took part in the meeting to provide their perspective on sustainability and social innovation.

Learn more: www.schwabfound.org.



Transforming Agriculture

Thirty-two global and local companies are working with the Mexican government to expand sustainable growth and opportunity into the agriculture sector. The partnership reflects growing global efforts to transform agriculture through market-based approaches, supported by the World Economic Forum's New Vision for Agriculture initiative. A report in Spanish launched during the meeting by the initiative – Putting the New Vision for Agriculture into Action: A transformation is happening – outlines the key success factors of such transformations. Drawing on examples from Mexico and other countries, it outlines the elements that are essential for success in large-scale transformations, ranging from strong leadership and effective strategies to adequate financing, infrastructure and institutional support.

Read the report: www.weforum.org/reports/putting-new-vision-agriculture-action-transformation-happening



Putting Sustainability into Practice

Launched in Mexico, the World Economic Forum's Sustainable Transportation Ecosystem report highlights that decarbonizing the transportation sector holds huge potential to create jobs and drive economic growth. The full report is available at <http://www.weforum.org/reports/sustainable-transportation-ecosystem-addressing-sustainability-integrated-systems-perspective>. In conjunction with the report, the World Economic Forum has launched an online catalogue of global initiatives on aviation biofuels, available at <http://www.weforum.org/best-practices/biofuels>



Closing Mexico's Gender Gap

The Mexico Gender Parity task force is a country-based multistakeholder collaboration committed to identifying and implementing concrete measures for closing the economic gender gap in Mexico by 10% in the next three years. The task force was launched under the patronage of Margarita Zavala, First Lady of Mexico and President, Council of National System for Integral Family Development, Mexico, at the meeting in Puerto Vallarta. Its work will continue under the leadership of the two co-chairs of the task force, Angelica Fuentes, Chief Executive Officer, Omnilife, Mexico; and Carlos Danel, Executive Vice-President and Co-Founder, Compartamos, Mexico; and with the collaboration of 50 other leaders from the public and private sectors. Lessons from the Mexican pilot initiative will be used to create a replicable model for potential adoption in other countries.



Salud Mesoamerica 2015

Innovative public-private partnerships in healthcare are impacting the least privileged in rural areas of Central America. Salud Mesoamerica 2015, an initiative of the Bill & Melinda Gates Foundation, the Carlos Slim Health Institute (ICSS), the Government of Spain and the Inter-American Development Bank (IDB), exemplifies a solution designed in response to country priorities in the region, financing projects in the areas of reproductive, maternal and neonatal health, maternal and child nutrition, and tropical diseases. This model in which governments provide counterpart resources of six to seven cents for every funding dollar, with the opportunity of recovering up to 50% of their contribution if targets are reached, is not only unprecedented but also worthy of being replicated in other regions.

Building Partnerships for Green Growth

Latin America could lead the world in developing new mechanisms for promoting social inclusion, green behaviour and public-private partnerships for developing renewable energy, encouraging productive agribusiness and responsible natural resources use.

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Latin America has become the great hope to strengthen international energy supplies.

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Aldo Flores-Quiroga, Secretary-General,
International Energy Forum, Saudi Arabia



01: Bob Fryklund, Vice-President, Upstream, IHS, USA; Erik Winther Pedersen, Chief Executive Officer, Suzlon Wind Energy, Denmark; Marco De la Rosa, Vice-President, AES Central America and the Caribbean, and President, AES, Panama; Young Global Leader; Jordy Herrera, Secretary of Energy of Mexico; Mark Spelman, Global Head of Strategy, Accenture, United Kingdom; Global Agenda Council on Europe; Aldo Flores-Quiroga, Secretary-General, International Energy Forum (IEF), Saudi Arabia
02: Juan Jose Suarez Coppel, Chief Executive Officer, Pemex - Petroleos Mexicanos; Jordy Herrera, Secretary of Energy of Mexico
03: Lorenzo A. Mendoza, Chief Executive Officer, Empresas Polar, Venezuela

The world population is forecast to grow to 9 billion by 2050. Under current economic growth and consumption trends, this population would have a collective footprint six times larger than today's. If the future is to be sustainable, the world needs innovative models for production and consumption. Latin America's natural and human resources, which in many cases are still awaiting development, offer an opportunity for the region to lead the way in constructing a liveable planet for our children.

With a growing world hungry for raw materials, Latin America's rich resources have been fuelling the region's growth and are expected to do so for years to come. Recent fossil fuel discoveries mean production in the region may soon top 10 million barrels of oil a day. Opening new lands to farming and introducing modern agribusiness will likely significantly increase agricultural production. But new models are needed to ensure that this growing production benefits local inhabitants and preserves the environment.

The energy sector must be transformed. Climate change is a reality. Countries that adapt sooner to reduce dependence on fossil fuels will have a competitive edge in the new world economy. Government policy must encourage this transformation through mandates, subsidies and price signals. However, the shift must take into account the needs of low-income Latin Americans, who often depend on fossil fuel subsidies.

In many countries, wind and solar energy are already competitive with fossil fuels and nuclear power. Public subsidies currently directed to hydrocarbons should be gradually shifted to renewable sources, with compensation for those who depend

on these subsidies. Government should encourage lower energy consumption through incentives. Tax breaks can incentivize consumers to exchange old appliances for energy-efficient ones. Mexico's innovative programme to give low-income populations energy-efficient light bulbs to replace incandescent ones should be scaled up and replicated.

As agriculture develops, government intervention is needed to mitigate pollution and the overuse of water resources. Such intervention could include policies to factor the social and economic costs of food into prices, but social protection mechanisms must then ensure that low-income populations do not suffer from higher food prices.

As agribusiness transforms farming, small farmers face special challenges. Better infrastructure will help them get goods to market; providing legal certainty of land ownership will help them get financing; and targeted policies could help them turn to specialty crops. But the growing consolidation of farming will inevitably lead many small producers to leave the land. Government policies should help farmers make this transition without adding to individual suffering or chaotic urbanization.

Through all this transformation in the use of natural resources, government must seek and facilitate partnerships with the private sector. Consistent, long-term policies and price signals are needed for the private sector to invest. Within the framework of the government setting broad and consistent priorities, the private sector should be free to determine investments.



It isn't just a question of price in using one technology or another. We have to think of the investment. Can we ensure the long-term capital flows needed?.



Marco De la Rosa, Vice-President, AES Central America and the Caribbean, and President, AES, Panama; Young Global Leader



Partnership between business leaders and government is also key to making more of Latin America's population active participants in a modern, green economy. Social innovations and behavioural changes are as important as technological advances in building a sustainable future.

Information is a powerful tool for changing behaviour and incentivizing new technologies. Governments should educate consumers and mandate transparency on the environmental and social costs of products, activities and different energy sources. New standardized metrics are needed to measure environmental costs and progress towards sustainability. Accurate, transparent measurement is the first step towards progress.

Financial incentives are also key to populations, businesses and local governments adopting sustainable behaviour and technologies. Green behaviour and technologies often provide savings that more than compensate for the financial incentives received. Innovative financial schemes are needed so cities without available funds can invest in replacing antiquated lighting and electricity systems with newer, less wasteful technologies that will provide savings sufficient to pay back the advanced credit.

Governments must also invest directly in social inclusion, focusing on the poorest, who often live in rural areas and have no access to power, water, sanitation or modern communications technology. Closing the digital divide is a cost-efficient way to bring low-income communities into the modern economy. Governments must work with businesses, including social enterprises, to achieve these social objectives.

Policy-makers should also stimulate manufacturing by building infrastructure and promoting increased productivity, but they should be wary of subsidies to particular industries and policies of import substitutions; such intervention can distort economies and make industry uncompetitive. A healthy manufacturing sector moves countries from modest origins to development and prosperity, Ricardo Hausmann, Director, Center for International Development, Harvard Kennedy School, Harvard University, USA, observed. Manufacturing can serve as a stepping stone to more complex industrial production, which in turn leads to a robust service sector. "Rich countries are ones that make many things," Hausmann remarked.



01: Carolina Trivelli Avila, Minister of Social Inclusion and Development of Peru

Beating Inequality

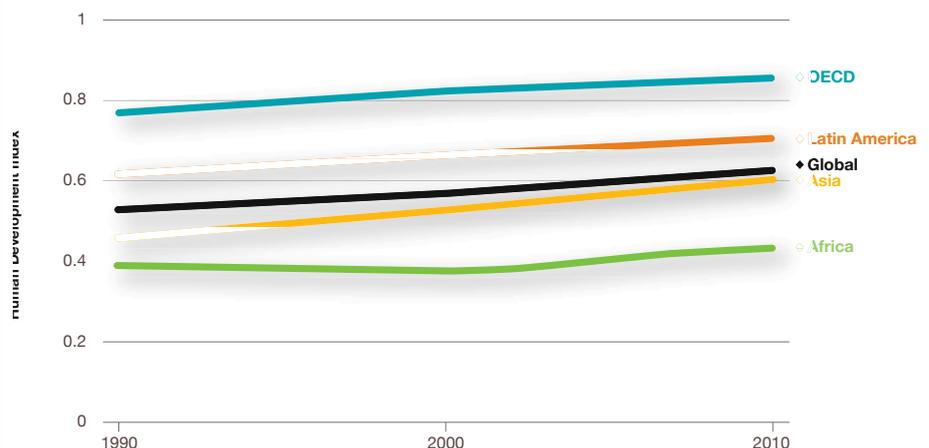
There is growing evidence that increasing social equality means more growth. Social inequality in Latin America has diminished over the past decade due to robust economic growth driven by natural resource sales and new public policies in countries such as Brazil. Civil society and the private sector have increasing roles to play in closing the inequality gap. The "Social Business Model" has been promoted as a profit-driven solution that "uses commercial principles to solve social problems," said Carlos Danel, Executive Vice-President and Co-Founder, Compartamos, Mexico. In countries such as Peru, the government has made closing the inequality gap a priority. It wants children in rural areas to have opportunities similar to their urban peers and is focusing on guaranteeing access to health, nutrition, education and water. Other measures tied to accurately measuring inequality; offering young people with few opportunities employment options – potentially reducing violence; and addressing "emotional insecurity" among low-income citizens would also help reduce inequality.

To be sure, globalization has forever changed manufacturing, with any given product made from components or parts from many different countries, he observed. For this reason, governments should resist protectionism, which prevents countries from trading with each other and limits the creation of modern manufacturing systems in which not all the inputs are made in a single country.

With both the G20 Summit and the Rio+20 meeting hosted in Latin America, there is an extraordinary opportunity for Latin American countries to coordinate their agendas. A Latin America agenda for these meetings should include improving access to and management of water, driving sustainable energy use, increasing green jobs, delivering food security, combating drug trafficking and fighting protectionism.

Exhibit 1 Human Development Index levels in Latin America are improving ahead of the global average Human Development Index, by region

Source: UNDP



Note: The Human Development Index measures development by combining indicators of health,

Some more specific priorities for the G20 should also be addressed, with proposals including an economic target to restore growth to its 2007 level; a social target to reduce extreme poverty in the world by 20% within 10 years; and an environmental target that assures no new tax on renewable energy for 10 years.

Rio+20 should give businesses and civil society a seat at the table to co-create policies. Intergovernmental initiatives have not been successful recently. The inclusion of other stakeholders may improve results and make actors more likely to do what they promise. But businesses and civil society cannot wait for government to act. They must set practical goals with real accountability on their own if governments fail to come to an agreement. Small initiatives should be leveraged and scaled up until they change policy. Corporate sustainability reporting is an example of success that should be encouraged until it becomes nearly universal.

Several panellists suggested a new social development mechanism to fund sustainable initiatives. Possibilities for such a mechanism include a financial transactions tax, a tax on advertising to fund consumer awareness initiatives and measures to facilitate technology transfer, perhaps via innovations in patent law, from the developed to the developing world.

But Latin American countries cannot wait for global agreements to address the economic and social challenges at home. To attract the trade and investment they need to drive growth, governments in the region must work together to keep economies open, improve the rule of law, fight drug cartels and organized crime, and prepare the next generation for a modern, green economy.



01: Ivonne Baki, Secretary of State for the Yasuni-ITT Initiative, Ecuador

New Sustainability Models



At the World Economic Forum on Latin America, participants focused on shaping new models for achieving balanced and sustainable growth. Among action points to emerge from the sessions on sustainability were:

Energy efficiency: “Subsidize” energy efficiency through programmes in which people are rewarded for using energy more efficiently – for example, giving energy-efficient light bulbs to the poor.

Support renewables: Shift public subsidies from fossil fuels to renewable energies. This shift should be gradual and targeted to avoid economic hardship and environmental damage.

Regulatory reform: Structure regulatory frameworks so that they permit private sector involvement and encourage long-term investment. This is especially crucial in water management projects.

Protect the rainforests: Enlist the cooperation of other countries to protect rainforests. Consider the Brazil and Ecuador models that entail funding by developed economies as “compensation” for not cutting down and developing Amazon rainforest areas.

Social innovation: Combine idealism with hard-nosed business discipline and strategic thinking in structuring social enterprises. To be sustainable, companies must have measurable impact both in the marketplace and society.

Impact of urbanization: Consider changing work practices to alleviate urban congestion. Flexible hours and telecommuting, for example, can reduce carbon emissions, increase worker satisfaction and narrow the gender gap. Stem rural-urban migration and slow the growth of large cities by developing small cities in regions and chains of production for the poor that offer employment and marketing opportunities in towns. Connect villages with manufacturers that purchase their products or supplies in rural areas.

Rewarding responsibility: Adopt social recognition programmes to incentivize green behaviour. Encourage increased use of technology for shopping and payments, thus reducing the use of transport.

Food security: Capture more value from agriculture by developing food production and processing. Assist small farmers to make more money by growing specialty crops or leaving the land, which would allow them to earn income through other activities and facilitate consolidation in the agribusiness sector. Create mechanisms to facilitate investment in small farms.

Technological edge: Adopt energy-efficient technology. For example, LED-based technology available today can reduce non-industrial electricity consumption by 40% and is best suited for use in street lighting and commercial buildings. If used worldwide, LED-based lighting could create savings globally of around US\$ 167 billion per year, and could shut down half of all nuclear power plants. In Mexico, 22.9 million lamps were changed with incentives from government. Incentives are needed in other countries to trigger this type of energy saving.

The Reform Challenge

To be a key player in the global economy, Latin American economies must embrace restructuring and implement changes to build their capacity as full partners of their traditional markets and emerging markets such as China and India. In this effort, the involvement of the business sector is crucial.

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In many ways, there is a two-speed Latin America, with middle income countries on the one side and others that are still dealing with basic needs of development and a low level of institutional capacity.

”

Alexandre Meira da Rosa, Manager,
Infrastructure and Environment Sector,
Inter-American Development Bank,
Washington DC

In recent years, Latin America has undeniably gained in strategic importance in the global economy. The fact that many of countries performed well during the crisis demonstrated their resilience and improved quality of economic governance. The membership of Mexico and Brazil in the G20, the main forum for managing international monetary affairs, indicates the heightened importance of the region in contributing to the rebalancing of the global economy. Mexico's presidency of the G20 this year has highlighted Latin America's capacity for effective global leadership, while Brazil, as part of the BRICS group of large emerging markets and host of the Rio+20 United Nations Conference on Sustainable Development, is also widely recognized as an increasingly important player on the world stage.

While these star turns by two of the biggest economies in the Americas have stoked old rivalries, they have also been – and should be – a source of pride, confidence and strength. The region is gaining a stronger voice in a world where the power and influence of the leading developed economies – the United States and Europe – have weakened, allowing the fast-growing emerging markets to rise and fill the gaps. But the transformation to this new multipolar world will be a gradual process that will play out in stops and starts. It will also pose enormous challenges for Latin America in carving out its role in the global economy as a strong partner to both the traditional markets, contributing to their recovery, and the dynamic emerging markets in Asia, such as China and India.

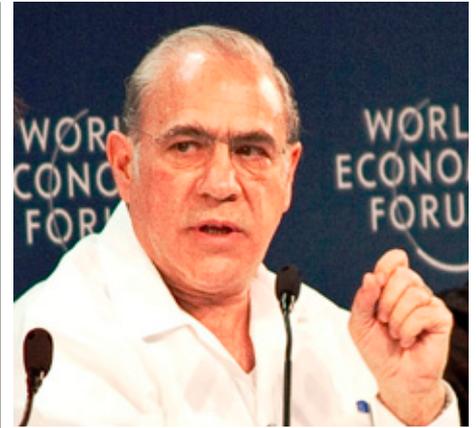
That Latin America attracted more foreign direct investment in 2010 and 2011 than Asia is an encouraging sign. But the consternation expressed both inside and outside the region at the decision by Argentina to nationalize an oil company controlled by Spanish interests indicated

renewed doubts about some Latin American governments' capacity to engage the world in an open and predictable way. "This decision is a negative one for everybody," said Mariano Rajoy Brey, Prime Minister of Spain, in the opening plenary session. "European businesses, including Spanish companies, see Latin America as a permanent destination for their investment."

Yet Rajoy hastened to add that "the praiseworthy efforts to make sure the region is attractive to investment and trade should not be tarnished by this measure." Indeed, promoting trade and investment is critical to the global economic recovery and to securing the recovery of Latin American economies. Trade and investment will drive growth and create jobs. But to attract investment, stimulate trade and forge strong partnerships – especially with key emerging markets such as China – countries in the region must implement structural reforms that will boost competitiveness and capacity.

The emergence of China and other Asian economies poses particular challenges for Latin American economies, many of which are rich in the raw materials and natural resources that their new partners need. In addition, Asian investors with huge cash funds are looking at Latin America as a major business opportunity, buying assets in manufacturing, construction and other industries in some of the region's fast-growing markets. This is transforming the relationship between the two regions.

Trade between Latin America and Asia has doubled in the last five years. Asia could replace the United States and Europe as the region's top trading partner over the next decade. A healthy Asian-Latin American trade relationship is essential for global rebalancing and driving global growth.



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The G20 continues to be a formidable combination of manageability and legitimacy.
 ”

Angel Gurría, Secretary-General, Organisation for Economic Co-operation and Development (OECD), Paris



“
Over the past decade, global trade and investment were critical to contributing to prosperity and peace. Non-tariff barriers are more complex to identify. The G20 must stand against protectionism.
 ”

Martin Senn, Group Chief Executive Officer, Zurich Insurance Group, Switzerland; Co-Chair of the World Economic Forum on Latin America





01: Creating Opportunities for Investment with Gloria Guevara Manzo, Secretary of Tourism of Mexico; James S. Turley, Chairman and Chief Executive Officer, Ernst & Young, USA; Christopher Harland, Chairman, Latin America, Morgan Stanley, USA; and Francisco J. Sánchez, US Undersecretary of Commerce for International Trade
02: Daniel Servitje, Chief Executive Officer, Grupo Bimbo, Mexico
03: Bruno Ferrari Garcia de Alba, Secretary of the Economy of Mexico

Improving intra-regional trade and investment will strengthen Latin America's capacity to absorb trade and investment from outside, particularly Asia. In the face of greater competition from China and other Asian economies, some countries in Latin America have performed well, while others have not. China's rise should motivate Latin American nations to deepen regional integration, pool competitive advantages and boost their collective capacity to be a strong and equal partner with China.

For this to happen, however, each country must pursue the set of reforms and restructuring it needs to boost competitiveness and bolster the capacity for regional integration. Mexico highlights the benefits of taking tough but necessary medicine. It has lowered inflation, reduced public debt, improved infrastructure and expanded healthcare coverage to all. As G20 president, Mexico has been stressing what is required to achieve balanced and sustainable growth over the long run. The Mexican G20 presidency has, therefore, served to consolidate the G20's position as the main international forum for managing the global economy.

"The G20 continues to be a formidable combination of manageability and legitimacy," said Angel Gurría, Secretary-General of the Organisation for Economic Co-operation and Development (OECD). "Mediocre global growth and high levels of debt will remain not just for the next 18 months. We have a lot of work to do to get the [global economy] back in place. So, long life to the G20! We hope we can one day go to its funeral but I don't think that is going to happen anytime soon." José Antonio Meade, Secretary of Finance and Public Credit of Mexico, agreed: "The G20 will continue to be functional because it has a flexible format and it has been very useful."

Following the example of the three previous G20 presidents, Mexico has convened working groups of about 200 business leaders from around the world to consider these issues and deliver concrete recommendations to the heads of government meeting in Los Cabos in June. Some of these task forces, including those focused on food security and corruption, met during the World Economic Forum on Latin America to sharpen their proposals.

“
Government needs to demonstrate leadership, but the private sector can help provide new solutions [for food security] through investment and innovation.
 ”

Daniel Servitje, Chief Executive Officer, Grupo Bimbo, Mexico; Co-Chair of the World Economic Forum on Latin America

“
I don't have any doubt that Asia will soon become the region's top trading partner. In Mexico, we believe we need to get closer and closer to Asia.
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Bruno Ferrari Garcia de Alba, Secretary of the Economy of Mexico



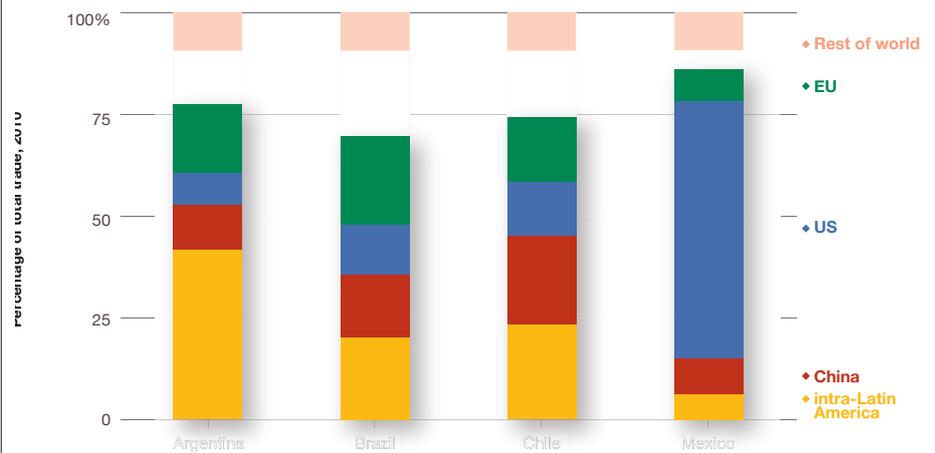
The B20 Task Force on green growth delivered its preliminary recommendations to Mexican President Calderón in Puerto Vallarta. “There are common themes. PPPs [public-private partnerships], education, these are what we want to follow up with,” said Martin Senn, Group Chief Executive Officer, Zurich Insurance Group, Switzerland; a Co-Chair of the World Economic Forum on Latin America. Financing is also a key challenge: the funding gap for green growth initiatives is estimated at US\$ 1 trillion per year.

Meanwhile, the task force on fighting corruption focused on specific goals, including making government procurement more transparent, promoting and extending sector-based initiatives, designing and launching public-private capacity-building opportunities and strengthening the legal and regulatory framework for anti-corruption activities. The food security task force discussed how to coordinate efforts among business, government and international organizations with the aim of not only increasing food production but also striving to meet the nutritional needs of people.

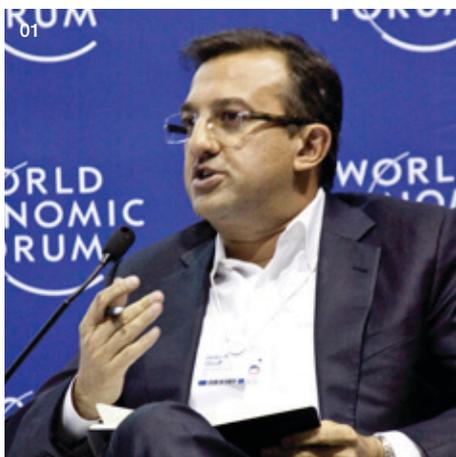
B20 leaders are also proposing that the G20 leaders set up a monitoring system to assess the progress and impact of initiatives annually. Latin America could play a leading role in all of these initiatives.

Exhibit 1 Latin American economies have diverse trade partners
Trade partners for select Latin American economies

Source: IMF (March 2012)



- 01:** Jaidev R. Shroff Chief Executive Officer, United Phosphorus (JPL), India
- 02:** Private session on Open Borders – Enabling Trade
- 03:** Ingo Ploger, President, Brasil, President Brasil, Business Council of Latin America (CEAL), Brazil, and Eduardo Wanick, President, DuPont Latin America, Brazil
- 04:** Pablo Longueira Montes, Minister of Economy, Development and Tourism of Chile



Facing Regional Challenges and Opportunities

By focusing on infrastructure, education and urban development, the region's economies can deepen integration, reduce their dependence on commodity exports, promote social inclusion and bridge gaps in income. Other key priorities include improving governance and strengthening the rule of law. Social media will be crucial in pushing reforms forward.

“

Why can't we export steel or car parts rather than the materials to make them? That's the challenge before us.

”

Jose Luis Silva Martinot, Minister of Foreign Trade and Tourism of Peru

01



01: Plenary Session of the YGL Annual Summit
02: Rossana Fuentes-Berain, Vice-President, Expansion, Mexico

Latin America is growing through commodity exports, but the region must transform itself and move beyond this dependence if it is to spread prosperity throughout its population. Government policies on infrastructure, education and urban development can stimulate businesses and civil society to collaborate in increasing living standards, reducing inequality and fomenting sustainable development.

The region urgently needs to improve its infrastructure, both in basic services such as electricity, water and transport, and in communications infrastructure to close the digital divide. If infrastructure investment were to double, Latin America would gain a profound competitive advantage. Governments must make strategic investments and implement policies so the private sector will invest too.

The most important such policies are the creation of smart, clear regulations, transparent legal frameworks, and maintaining consistency through changes of government. Infrastructure needs long-term investment, which the private sector will only provide if it has assurances that the rules of the game will not change each time a new president is elected.

Foreign capital should be welcomed, but domestic pension funds, with their long-term investment goals, are also logical investors in long-term infrastructure projects. Many countries must change the rules to permit pension funds to invest in infrastructure.

Governments should enter into public-private partnerships and multinational agreements that are structured to last for 10 years or more. Such agreements will make it more difficult for new governments to change policy abruptly. Agreements to cover and unify the entire region are impractical at present, but cross-border and sub-regional treaties on specific infrastructure sectors are possible and desirable.

Policy-makers must view infrastructure projects as part of a comprehensive development strategy, not just as engineering projects. Multi-year planning and national development agendas would help focus on the most strategic sectors. All planning should be based on a cost-benefit analysis with required sustainability criteria at all levels. A neutral party such as a multilateral organization could be included to oversee projects and fight corruption.

Governments should break up monopolies and fully or partially privatize state-owned companies. Brazil is an example of success in both areas. The breakup and privatization of the former state telecom monopoly has improved service and access dramatically. Petrobras has been more effective in developing energy resources than Pemex.

Policy-makers must also reform the region's educational system, which would help Latin America move beyond dependence on commodities for economic growth. Commodities-based economies by nature encourage inequality. Education is the key to move up the value chain and grow the middle class. Innovative policies can help achieve this goal.



“
Installing connectivity is complex and urgent, and it needs continuity so it must transcend political cycles.
 ”

Angel Mendez, Senior Vice-President, Cisco, USA



To keep students in school, educational systems should offer more sport and culture as well as scholarships or payments for low-income students. Mexico City has dramatically reduced the dropout rate with such programmes. Venezuela's music programme is famously successful in motivating disadvantaged students. Such successful programmes should be copied throughout the region. Celebrities and other figures that youth admire should be enlisted to fight dropout rates.

Policies are also needed to reduce the skills mismatch between schools and employers. Public-private partnerships can communicate to school systems what skills students need to be employable in a rapidly changing economy. Pilot programmes in which businesses commit to employ students who receive the needed training have been successful in Mexico. Technical schools that teach skills in months rather than years should be offered as an alternative or supplement to higher education.

Schools and universities should teach students to be entrepreneurs, not just employees. Small businesses are important job creators, but few Latin American students learn the skills needed to organize a company and attract capital. Entrepreneurial skills, such as creating a detailed business plan and making a compelling presentation to investors, can be taught.

Increasing urbanization and persistent inequality pose challenges throughout the region. It is not certain whether recent successes, such as those in Brazil, can be replicated and deepened. Still, good government and innovative programmes can improve healthcare, increase upward mobility and make cities more liveable and environmentally friendly.

Healthcare systems should act proactively to prevent disease instead of just trying to cure it. Basic, proven solutions to maternal and infant malnutrition exist and must be deployed. Public-private partnerships, such as Rotary International's work with governments to eradicate polio, should be replicated. With a young population but falling birth rate, Latin America must act now to prevent an epidemic of chronic disease in the future.

To reduce inequality, policy-makers must measure it accurately, and then collaborate with civil society and the private sector. Accurate measures of societal needs can create political will for action and focus policy where it is most needed. Societies must overcome the tradition of looking to a paternal state for handouts. In addition to investment in infrastructure and education, microfinance and regulations to facilitate small business growth can increase upward mobility.



A Demographic Advantage

The average age of the population in Latin America is 26, compared with 36-37 in the United States and China, and 46-47 in Japan and Western Europe. The youthful population has an impact on consumer spending, education and pension costs.

Good government and efficient, fair judicial systems would help implement all these measures. Judges must be properly compensated to ensure transparency. Citizens must participate in the democratic process and demand clean, responsible government. Broad coalitions among the private sector and civil society (including students) can increase pressure for reforms. Social media can drive the process forward. But all good government reforms, as they fight to overcome vested interests, require more than good intentions. They need schedules, specific projects, transparent metrics, and much time and determination.

Urban planners should develop smart cities now to prepare for the future. Smart cities have efficient lighting that can reduce energy consumption by 40%; rational water use with dams to collect rainwater; treatment plants to



Entrepreneurship can be taught, I haven't the slightest doubt about it.



Andy Freire, Chief-of-Staff of Advisers, Propuesta Republicana - PRO, Argentina

01: Luis A. Moreno, President, Inter-American Development Bank, Washington DC

02: Jeffrey Joerres, Chairman and Chief Executive Officer, ManpowerGroup, USA; Co-Chair of the World Economic Forum on Latin America



recycle sewage and waste water; and digital connectivity such as subsidized broadband networks. More public spaces, incentives for telecommuting and policies to develop regional small cities and chains of production for the poor can reduce overcrowding and traffic in big cities and improve the quality of life throughout the country.

For the region to secure its place as a major player in the global economy, its economies will have to make strenuous efforts to strengthen the rule of law, in particular by improving security and personal safety and tackling the persistent problem of the drug cartels and organized crime. This is especially critical if Latin American countries are to attract more trade and investment, noted Otto Perez Molina, President of Guatemala.

The drug gangs “are not only working exclusively in drugs but have entered into extortion, kidnapping and trafficking in persons and weapons,” he explained. “There is more corruption fostered by the cartels, which has weakened our institutions. We have found ourselves in a grave situation and have to think of new ways to deal with this.” Calderón agreed: “What matters is lawfulness. We have to fight criminals. We cannot let them create a wave of violence. And we need to build stronger institutions.”

The Internet, social media and other communications technology are essential for creating conversations between people. Latin America could become a leader in promoting technology-driven participatory democracy such as online voting by citizens. In the closing plenary, Cesar A Hidalgo, Assistant Professor, Massachusetts Institute of Technology (MIT), USA noted: “People tend to own the decisions that they make – not the decisions made by the people they choose. With new technology for participation, they will own the consequences of those decisions.”

01: William Brownfield, Assistant Secretary, Bureau of International Narcotics and Law Enforcement Affairs, US Department of State, USA
02: Session on Ending the Drug Curse

Fighting Drugs and Corruption

Drug trafficking is a transnational problem, but the only way to have a real impact is through collaborative transnational actions and policies that address the issue comprehensively, taking into account all sectors of society that are affected by this scourge. A chief risk in the region is the lack of citizen security. High rates of violent crime are an important inhibitor of investment and growth. The regional flow of drugs is a grave issue and threatens stability and growth. Corruption fostered by the cartels has weakened the region’s institutions.

The issue of drug-related crime was taken up at the Summit of the Americas in Cartagena in private discussions among government leaders. At the World Economic Forum on Latin America, there was an open and frank debate of options available for the region and innovative solutions to the problem.

Decriminalization of drug use to reduce the harm caused both by the substances and their prohibition was a central point of contention. While the idea is not new, what has changed is that government leaders and heads of international organizations are now discussing the matter. Proposals include adequate education and prevention, decriminalization of drug possession, international legalization and regulation of cannabis, and public health policies allowing addicts’ rehabilitation.

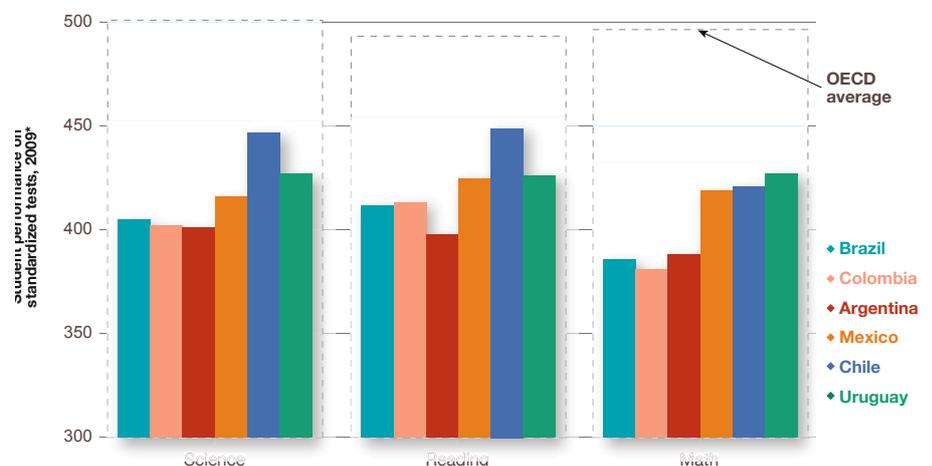
Critics of decriminalization argue that the idea is a non-starter, given that the US, while it welcomes debate on the issue, is perceived as unwilling and unable to support it. Many argue that decriminalization would encourage more consumption and would aggravate the situation in countries of transit; still, there was widespread agreement among participants that the status quo is not sustainable and that it is time for Latin America to consider all possible solutions to address the problem once and for all and to move responsibly forward in the discussion.



Exhibit 1 Chile’s students achieved the highest reading and science scores among six Latin America nations

Academic performance in Latin America

Source: OECD PISA database (2010)



* Average scores of 15-year-olds

Social media, in particular, are breaking down entrenched hierarchies and flattening power relationships in Latin America and around the world. “The cost of talking is now the same as the cost of listening,” argued Santiago Siri, Founder and Chief Innovator, Grupo 42 Argentina, Argentina, a Global Shaper. “In the age of the Internet, listening is as important as talking. With great responsibility you will unleash your power as a citizen. It is not a local conversation anymore; it is a global conversation.”

Indeed, the vision to transform Latin America into a thriving region relies on next generation of leaders to embrace sustainable growth, inclusion, innovation and social responsibility. The region must enhance its students’ performance in international education benchmarking assessments. Innovation systems must also be improved. As social media changes power relationships, Latin America could become a pioneer in the use of technology to broaden political participation by citizens. The youth of Latin America and their potential for leadership give hope that the region will succeed in achieving its vision, said H.R.H. Crown Prince Haakon of Norway; Co-Chair of the World Economic Forum on Latin America. “There is a lot of promise for young people and for our future,” he concluded.

For Latin America to secure its future, countries in the region must break down entrenched hierarchies and flatten established power relationships. “The way to get from the desert to the Promised Land is to dispose of the dead ideas from various latitudes that people continue to carry with them,” concluded Denise Dresser, Political Analyst at the Autonomous Technological Institute of Mexico (ITAM), in the closing plenary. “Many of these ideas run counter to global trends, which explains why some countries are prospering and others are not.”

Among the out-of-date ways of thinking: that public monopolies are necessarily in

Generating Employment through Connectivity

Connectivity is considered one route to generate employment. A broadband network in Guadalajara, Mexico, is a platform for more than 600 software companies concentrated in the city, and many are specialized in web-based services, clever software as well as creative industries such as animation, video games and production and post-production of films.

the national interest, that expanding the coverage of education is more important than focusing on excellence, and that the rule of law is negotiable. “Many of these ideas run counter to global trends, which explains why some countries are prospering and others are not,” Dresser noted. She warned that, in Latin America, there is “a clear crisis of representation and accountability” that could open the door to dangerous populism.

For Latin American businesses to thrive in the global economy and in environments where there is distrust or even hostility towards private enterprise, they must be solidly focused on engaging stakeholders and incorporating the communities in which they operate into their business models. “You really have to be involved with the stakeholders,” explained Lorenzo A. Mendoza, Chief Executive Officer, Empresas Polar, Venezuela. “Then they become the biggest defenders of the company and what capitalism means.”

Latin American nations would also need to devise ways to make the leap from exporting commodities to having solid services industries. Moreno said that Latin America will continue to face serious issues related to inequality and poverty, but added that progress is finally being made. Such a vision is quite reachable. “Over the last decade or so, Latin America has experimented tremendously in how to close some of social gaps,” said Luis A. Moreno, President, Inter-American Development Bank, Washington DC. “We truly believe that this is the decade of opportunity for Latin America,” he said.



“

[The meeting] will place on the table the global issues that Latin American countries striding for growth must speak about, such as inclusion and leadership ... We await your support so that we can build a Latin America that is inclusive and has both growth and sustainable development.

”

Marisol Espinoza Cruz, Vice-President of Peru, referring to next year’s meeting taking place in Lima, Peru



01: Bruno Ferrari Garcia de Alba, Secretary of the Economy of Mexico; Jose Luis Silva Martinot, Minister of Foreign Trade and Tourism of Peru; Børge Brende, Managing Director, Government Relations and Constituent Engagement, World Economic Forum; Marisol Espinoza Cruz, Vice-President of Peru; Marisol Argueta de Barillas, Senior Director, Head of Latin America, World Economic Forum USA; Rafael Roncagliolo, Minister of Foreign Affairs of Peru; and Laura Berta Calderón Regjo, Vice-Minister of Economy and Finance of Peru

01: The Healing Power of Music Concert



02: Sally Blount, Dean, Kellogg School of Management, Northwestern University, USA; Co-Chair of the World Economic Forum on Latin America



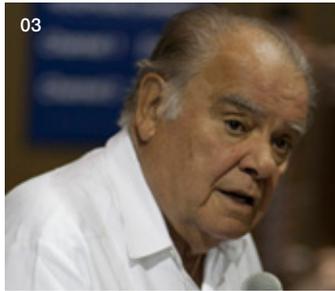
03: Enrique V. Iglesias, Secretary-General, Secretaría General Iberoamericana (SEGIB), Spain



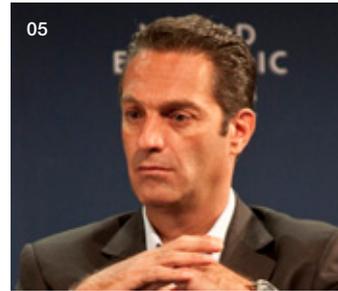
04: José Miguel Insulza, Secretary-General, Organization of American States (OAS), Washington DC



05: Carlos Slim Domit, Chairman, Carso, Mexico



06: Denise Dresser, Political Analyst, Autonomous Technological Institute of Mexico (ITAM), Mexico



07: María Corina Machado, Member of Parliament, Venezuela

08: Alicia Barcena Ibarra, Executive Secretary, United Nations Economic Commission for Latin America and the Caribbean (ECLAC), Santiago



09: Gabriel Quadri de la Torre, Political Leader, Partido Nueva Alianza (PANAL), Mexico

10: Enrique Peña Nieto, Political Leader, Institutional Revolutionary Party (PRI), Mexico

11: Josefina Vazquez Mota, Political Leader, National Action Party (PAN), Mexico



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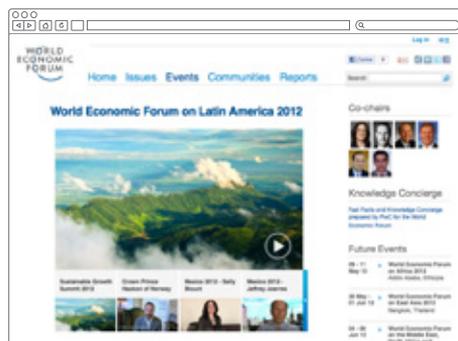
Fleishman-Hillard



- 01:** Social Entrepreneurs Speed Meeting session
- 02:** Puerto Vallarta International Convention Centre
- 03:** YGLs meet with Mexican President Felipe Calderón
- 04:** Sergio Sarmiento, Editor-in-Chief and Vice-President, Editorial Board, TV Azteca, Mexico
- 05:** Marcos Bulgheroni, Vice-President, Commercial Development, Pan American Energy, Argentina
- 06:** Arena Session – Health for All
- 07:** G20 Plenary Session
- 08:** Westin Hotel – Venue for private events



Further Information



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<http://wef.ch/LATAM03>

 Session Summaries
<http://wef.ch/LATAM04>

 Webcasts
<http://wef.ch/live>

 Photographs
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 Blog
<http://wef.ch/blog>

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