

Regional Agenda

World Economic Forum on Latin America Advancing through a Renovation Agenda

Riviera Maya, Mexico 6-8 May 2015



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Preface



Marisol Argueta de Barillas
Senior Director,
Head of Latin America

The 10th World Economic Forum on Latin America took place in Riviera Maya, Mexico, and brought together over 800 leaders of 45 nationalities from industry, government, academia and civil society. Among the participants were 3 heads of state and government, and more than 50 government figures from almost every Latin American nation and beyond. Under the theme “Advancing through a Renovation Agenda”, participants explored a range of issues affecting Latin America as it undertakes critical reforms to ensure sustainable and inclusive growth, and continued social development in a more challenging global context.

The meeting took place with the full support of the Government of Mexico, and coincided with the country’s presidency pro tempore of the Pacific Alliance. Mexico, one of the leading economies in Latin America, has made strides on a variety of critical reforms – including important changes to education, energy, fiscal and telecommunications legislation – which are already opening new opportunities. Several other countries in the region are also undergoing important transformations towards a more prosperous future. Colombia’s quest for peace and Cuba’s update of its economic model are just two of many examples.

In spite of the global financial crisis, Latin America has lived through a decade of diligent economic management, financial resilience and steady social progress. But now it is at a crossroads. If the region is to preserve its social and economic achievements and continue along its positive trajectory, structural issues must be addressed. Slower growth prospects, volatility in the price and external demand of commodities, high crime rates and inequality pose diverse challenges. To keep advancing, leaders across the region need to improve productivity, continue diversifying their economies, promote further innovation, and develop institutions that are agile in responding to the needs of citizens.

As a first step in this transformation, the focus should be on strengthening the foundations of Latin America’s society. Modern, efficient and transparent institutions are needed to deliver long-term prosperity. Latin America’s youth and its larger and more demanding middle class are the cornerstone to driving positive societal change. Quality educational systems will provide young people with the skills they need to play a part in the region’s economic regeneration and help boost productivity.

Headwinds produced by global and local conditions will require a renewal of Latin America’s economic framework. Better financial regulations, fiscal discipline and reforms in key sectors including energy, infrastructure and labour markets are required to ensure sound macroeconomic fundamentals and to continue attracting foreign and local investment. The role of business – from small local enterprises to large multinationals – is increasingly being recognized as central in improving productivity and securing inclusive growth.

Ultimately, the region’s leaders will need to stimulate innovation and entrepreneurship if Latin America is to modernize for tomorrow. To secure social and financial inclusion, reduce poverty and protect the environment, the region will need to invest in cutting-edge research, emerging technologies and innovative business models.

By bringing together leaders from so many different backgrounds, this meeting provided an ideal platform for setting a bold renovation agenda and taking the initiative on the new generation of investments and transformational projects. We hope this unparalleled opportunity for multistakeholder dialogue will influence the future course of the region by creating a solid renovation agenda.

Co-Chairs



Carlos Brito
Chief Executive Officer
Anheuser-Busch InBev
USA



Angelica Fuentes
President
Angelica Fuentes Foundation
Mexico



Eduardo Leite
Chairman of the Executive Committee
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Carlos Slim Domit
Chairman
América Móvil
Mexico



Joseph E. Stiglitz
Professor
School of International and Public Affairs (SIPA)
Columbia University
USA

The meeting in numbers

850+
Participants
from 45 countries

35+
Official sessions

50+
Government
figures

100
Reporting
press

35
Media leaders

500+
Business
leaders

Riviera Maya Highlights



Travel & tourism: A sector on the rise

As the wider economy struggles to get back on track, the travel and tourism sector is going from strength to strength. These are the findings of the Forum's *Travel and Tourism Competitiveness Report*, unveiled in a press conference in Mexico. The industry, which already accounts for one-tenth of global GDP, is set to grow by 5.2% per annum over the next five years.

The report ranks 141 countries across 14 indicators to establish how well their travel and tourism industries are performing. Spain comes out on top, largely thanks to its world-class cultural resources, solid infrastructure and willingness to embrace changing consumer habits.

Although the rest of the top 10 is made up of developed nations, several emerging economies make it into the top 30, showing that regardless of wealth, a strong travel and tourism industry can create economic growth and social benefits for all.

Countries wanting to capitalize on these opportunities will have to adapt to new trends. These include a growth in tourism from emerging markets, an increasing number of both older and millennial travellers, and the rising importance of online services and marketing.

Read the full report at: <http://reports.weforum.org/travel-and-tourism-competitiveness-report-2015/>

Celebrating agents of social change

The work of six social entrepreneurs was recognized at an awards ceremony in Mexico, when they were named Latin America Social Entrepreneurs of the Year. The social entrepreneurs, who come from across the region, were chosen by the Schwab Foundation, which oversees a network of more than 320 social enterprises operating in 70 countries.

Social entrepreneurs use innovative, practical and sustainable business models to tackle some of the most pressing global challenges and bring about social change. The awardees – Carolina Escobar Restrepo, Eduardo Bontempo, Claudio Sassaki, Gonzalo Muñoz, Carlos Orellana Aguilar and Javier Okhuysen Urrutia – are working on a range of social issues, including increasing accessibility to high-quality education and healthcare, improving the lives of young mothers and infants living in extreme poverty, and making it easier for people to recycle.

As members of the Schwab Foundation, social entrepreneurs become part of the wider Forum community, allowing them to increase their visibility and credibility, and opening up opportunities for financing and partnerships.

Find out more about the Schwab Foundation for Social Entrepreneurs at <http://www.schwabfound.org/>

For session highlights, videos and meeting-related documents, plus Forum insights, visit [TopLink](https://toplink.weforum.org/)
<https://toplink.weforum.org/>



Inspiring public-private collaboration

Some of the most influential business leaders from Latin America took part in the Regional Business Council meeting in Riviera Maya. The meeting formed part of a wider programme for the Forum's Regional Partners. The council's main role is to stimulate collaboration between the business world and the public sector, and to ensure that the Forum's mission and values are being lived out in the region. Ricardo Villela Marino of Itaú Unibanco is the council's first chair, and Enrique Ochoa Reza from the Comisión Federal de Electricidad is its vice-chair.

After discussing some of the transformations taking place in Latin America, participants heard from Cuban ministers about the economic changes happening in the country, and the investment opportunities set to open up.

Council members also explored areas of common interest and priority issues for the region where collaboration could help drive progress. They will continue these discussions throughout the year on TopLink: <https://toplink.weforum.org/community/regional-business-council-latin-america>



Forging alliances in the region and beyond

At not even three years old, the Pacific Alliance has already gone a long way towards integrating the economies of Chile, Colombia, Mexico and Peru, its four members. It was against this backdrop that ministers and business leaders in Mexico gave an update on the state of the alliance.

As part of the alliance, tariffs on 92% of products traded among the countries are to be removed; tariffs for most of the rest will be phased out over the next seven years. But it is about more than just free trade: under the agreement, capital markets across the bloc have been integrated and visa restrictions have been scrapped, boosting both cross-border investment and tourism.

The leaders spoke of their hope to expand membership: "There is no limit to the countries that can join; we are not a closed bloc," said Idefonso Guajardo Villarreal, Secretary of Economy of Mexico. Thirty-two countries – including Germany, Japan, the United States, Israel and New Zealand – have observer status, with many working to become fully fledged members.

Stronger building blocks for stronger societies

Efficient and transparent government institutions are key to resolving some lingering challenges in Latin America. The economic growth and positive social policies of the past decade empowered citizens, who now have higher expectations from public institutions. Even while economies contract, governments must strengthen their institutions and make them more credible, transparent and agile in responding efficiently to the needs of citizens.

Growth experienced in the past decade raised living standards across the continent and expanded the middle class. A high tide of expectations swept onto Latin American shores. Nevertheless, the more challenging times ahead could expose weaknesses in public institutions in the region, which need to be addressed promptly. The economic slowdown is adding to the pressures governments face in maintaining and delivering public goods.

“People have lost the sense of the bright future they had a few years ago,” noted Ernesto Talvi, Academic Director at the Centre for the Study of Economic and Social Affairs. But in spite of this changing economic climate and worries for what the future holds, the public still expects more and better services from governments. They not only expect more in terms of what is delivered, they are also demanding more accountability. “The traditional notion that once you’re elected,

that’s enough accountability, is over; younger people believe in on-time accountability,” said Salil Shetty, Secretary-General of Amnesty International. From many sectors of society, the demand for transparency and accountability is growing more intense.

Corruption remains a concern in Latin America. Incidents involving alleged misuse of public funds have dominated headlines in recent months in various countries in the region, a sign of institutional fragility.

“This era requires more collaboration and co-responsibility than ever before.”

Carlos Slim Domit
Chairman, América Móvil, Mexico



“Young people will help us transition to a more equal society.”

Angelica Fuentes

President, Angelica Fuentes Foundation, Mexico



Inequality: A policy challenge

Of the 15 most unequal countries in the world, 10 are in Latin America. But it's a trend that can be reversed by institutions and the policies they implement. “Inequality is not inevitable; it can be addressed by public policies,” said Alicia Bárcena Ibarra, United Nations Executive Secretary of the Economic Commission for Latin America and the Caribbean.

Policy tools for narrowing the chasm between rich and

poor include countercyclical fiscal measures and conditional cash transfers that give money to poor families who keep their children in school and take them for regular health check-ups. It costs just 0.4% of GDP but benefits 125 million people in the region, Bárcena Ibarra said.

The challenge is to sustain these policies at a time of economic austerity and help those already lifted from poverty to achieve their own sustainable progress.

Informal sector workers – who in many countries in Latin America make up more

than half of all workers – earn far less than those in the formal sector and have no social safety nets. Integrating these people into the formal sector could benefit society at large. “By having less informality, we will have better politicians; people will say: give me back what I’m paying you in taxes,” said Lorenzo A. Mendoza, Chief Executive Officer of Empresas Polar. “Once we raise wages and families are able to consume and get their children educated, it’s good for business,” agreed Isabel Cecilia De Saint Malo de Alvarado, Vice-President of Panama.





Mexico's reform rush

Mexico is a showcase of Latin America's efforts to advance its economies through reform in the face of challenging economic conditions. It is implementing a raft of restructuring in areas including competition, education, energy, labour, public finance, telecommunications, rule of law and transparency. The goals: to bolster sustainable economic growth, boost productivity, address inequality, and strengthen security, civil rights and democracy.

Mexico's reform programme has helped build trust in the government among investors and the public. Take its competition policy. It's already received a lot of praise because it can level the playing field by reducing the power of dominant players in such sectors as

telecommunications. In doing so, it could eventually contribute to bridging the income gap. "It spurs economic growth and lowers costs," Joseph E. Stiglitz, Professor in the School of International and Public Affairs at Columbia University, explained in the closing plenary. "If you lower costs, you increase standards of living."

President Peña Nieto acknowledged that it will take time to implement the reforms fully and for citizens to truly benefit. "As time goes on, we will feel the effects on Mexican families," he remarked. "But we have shown that, through democracy and the country's diversity, we have dared to break with paradigms that we thought were impossible to change and to make structural changes that will lead us to a better future."

But the fact these cases are public and have sparked investigations and the creation of new legislation demonstrates some progress is being made.

"Everything we're seeing is a strong sign democracy is consolidated in the region," said Eduardo Leite, Chairman of the Executive Committee at Baker & McKenzie. Combating corruption can only occur when the press operates freely, civil society demands transparency, and judicial institutions – the prosecutor, police and judiciary – are independent. "Forty years ago we wouldn't have heard anything of what we are hearing today," Leite said.

A collaborative approach, with public-private cooperation at its core, could help governments provide public services, improve the quality of public goods, and ensure they are delivered effectively and to all those who need them. "Public-private alliances must work for institutional infrastructure, too," said Daniel Zovatto, Director of Latin America and the Caribbean at International IDEA. Public-private alliances are understood to mean that governments and the private sector – including businesses, civil society and academia – work together. If civil society and academia aren't involved, the public may suspect collusion or cronyism, as one business representative noted in a session on the role of business in society.

Collaboration should not just be cross-sectoral but also

among different levels of government. “When we see change happen at scale – whether it be in education, homelessness, access to healthcare – it’s when sectors at the local and federal levels get together and agree that they’re going to create inclusive growth and work out strategies together,” said Brian Gallagher, President and Chief Executive Officer of United Way Worldwide.

Mexico offers a leading example of designing collaboration across sectors and levels. Nearly three years ago, shortly after the election of President Enrique Peña Nieto, negotiations began between the three leading political forces to reach agreement on public policies that would promote growth, employment and competitiveness. Their talks produced the “Pacto por México”, a consensus supporting 95 policies that resulted in a historic set of reforms.

The Mexican private sector participated in this process after agreeing three years ago on an agenda to strengthen and modernize the country’s economy. It is now also working with government to improve security, said Gerardo

Gutiérrez Candiani, President of the Business Coordinating Council, an association of leading Mexican businesses.

That’s good news for a region with the highest homicide rate per capita in the world, and where the issue of public security is still high on the agenda. It’s clear that unless a comprehensive approach is taken to address the problem, with innovative prevention programmes, effective enforcement and rehabilitation opportunities, it could undermine all the advances being made elsewhere.

It’s not just in Mexico that public-private cooperation is helping improve the quality of services governments can offer citizens. In Panama, 150 private businesses are remodelling 400 schools that serve half the nation’s youngsters. What would take the public sector six months to complete, collaboration with corporations can deliver in 40 days, said President Juan Carlos Varela Rodríguez of Panama.

Private sector engagement in education will be continuous, and will strengthen public institutions with a “state

vision” for education that reinforces training in competitive skills, benefiting workers, companies and the country, President Varela said. “The message sent to the lower income quarters of the country is that education is everyone’s issue,” he added.

That message is echoing across the region. In Haiti, state schools are acting as the proving ground for the argument that better, more transparent public institutions and services help build trust. “We are creating trust by providing access to education,” said President Michel Joseph Martelly of Haiti. In the past, Haiti’s state schools served only a minority of children. The government levied new taxes to pay for tuition so that all children can attend.

As Greg Stanton, the Mayor of Phoenix, USA, noted in a session that explored how to improve public services: “The challenge to politicians is to listen to their citizens with an open heart and mind and to implement their ideas.” Latin America’s leaders have been listening and are ready to start putting in place the building blocks needed for stronger, more inclusive societies.



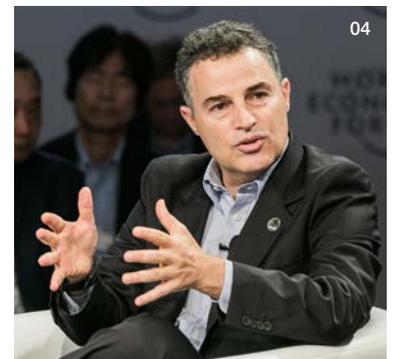
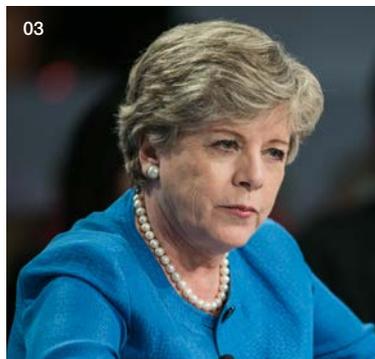
“All economic issues – from innovation to inclusion – depend on the right leaders.”

Eduardo Leite
Chairman of the Executive Committee, Baker & McKenzie, USA



- 01:** Trade and Investment Outlook
- 02:** Klaus Schwab, Founder and Executive Chairman, World Economic Forum; Michel Joseph Martelly, President of Haiti; Enrique Peña Nieto, President of Mexico; Juan Carlos Varela Rodríguez, President of Panama
- 03:** Tim Groser, Minister of Trade and Minister of Climate Change Issues of New Zealand
- 04:** José Manuel Salazar Xirinachs, Assistant Director-General for Policy, International Labour Organization (ILO), Geneva
- 05:** Miguel Ángel Mancera Espinosa, Mayor of Mexico City
- 06:** Ana María Baiardi Quesnel, Minister for Women's Affairs of Paraguay
- 07:** Stefan Selig, US Undersecretary for International Trade
- 08:** Juan Carlos Varela Rodríguez, President of Panama
- 09:** Reclaiming the Role of Business
- 10:** The Challenge: Gender Parity

01: Enrique Peña Nieto, President of Mexico, Young Global Leader Alumnus; Klaus Schwab, Founder and Executive Chairman, World Economic Forum
02: Luis Alberto Moreno, President, Inter-American Development Bank, Washington DC
03: Alicia Bárcena Ibarra, Executive Secretary, United Nations Economic Commission for Latin America and the Caribbean (ECLAC), Santiago
04: Anibal Gaviria Correa, Mayor of Medellín, Colombia
05: The Challenge: Water Security
06: Sergio Sarmiento Editor-in-Chief and Vice-President, Editorial Board TV Azteca SAB de CV, Mexico
07: Adriana Noreña, Managing Director, Spanish Speaking Latin America, Google Latin America, Brazil
08: Magali Silva, Minister of Foreign Trade and Tourism of Peru
09: Carlos Rodriguez-Pastor, Chairman, Intercorp, Peru



Preparing for the economic challenges ahead

Latin America's economies enjoyed strong tailwinds for nearly a decade: high commodity prices and cheap capital made growth easier. Now, with volatile prices and China's demand for commodities slowing, together with the possibility of tighter monetary policy in the United States, the risks – and the opportunities for pro-growth reforms – are increasing.

The challenges to Latin American economies are clear. Lower commodity prices and lower demand are hurting corporate and government revenues, while capital outflows from emerging markets may be even greater than those seen during the 2008-2009 global financial crisis.

But countries are proving that if you enter tough times with solid fundamentals, foreign investment will continue. Chile, Colombia, Mexico and Peru all have budget deficits and short-term debt at very manageable levels, and both global markets and corporate investors are rewarding them. Chile and Colombia even have the fiscal space for stimulus spending.

Brazil unfortunately entered this cycle with unbalanced government accounts, but it is moving swiftly to correct the excesses of the past. The country also has a tightly regulated, rock-solid banking system that will protect it from any financial crisis.

Although some developed nations may have room for a less strict fiscal policy, Latin American countries do not have that luxury. International investors, with their current sceptical view of emerging markets, prefer those countries that keep to long-standing rules for budgets and inflation targets.

Even in this era of fiscal restraint, many Latin American



“Reforms are the foundation for building a better country.”

Enrique Peña Nieto
President of Mexico



Connecting to global value chains

About 20% of Latin American exports go to countries within the region, compared to around 60% for Europe and 50% for Asia-Pacific. Unlike in Asia, where countries are part of the China-based value chain, “Latin American economies, with the big exception of Mexico, which is plugged into North America, are not plugged into any value chains,” Andrés Velasco, Professor of International Practice in International Development at Columbia Global Centers Latin America, told participants.

The Pacific Alliance, which was launched in 2012, looks set to change that. Along with agreements on free trade and the movement of people, other cooperative measures are in the works in sectors including education, human resources and tourism.

All four members are either engaged in or are interested in joining the talks for the Trans-Pacific Partnership involving 12 Pacific economies, including the US. The TPP is an ambitious trade negotiation covering a wide range of issues such as regional supply chains, state-owned enterprises and transparency.

Participants debated the value of the TPP for the region, with critics particularly pointing to problems related to intellectual property. Despite concerns, supporters argued that it will help Latin America better integrate into the global economy. “It will facilitate the transformation of trade into value chains,” said Ildelfonso Guajardo Villarreal, Secretary of Economy of Mexico. “It will make it easier for a company in Santiago to plug into value chains. It is going to be a Pacific century so we want to make friends in that part of the world,” concluded Velasco.



Latin America after the commodities boom

Countries in Latin America must ensure against the vulnerabilities derived from a growth model dependent on commodities exports. As participants heard in Mexico, several countries are already leading the way.

Two concrete measures are the creation of a stabilization fund when commodity prices are high, and government policies to diversify the economy.

Mexico, for example, has successfully diversified away from petroleum into manufacturing. The vast majority of Mexican exports today are manufactured goods. The country is now also creating a stabilization fund for the day when petroleum prices rise again.

Chile started a stabilization fund when prices of copper, its main commodity product, were high. With the cushion that this fund provides, Chile has been able to keep up government spending without straining finances, even now, when copper prices are low.

Colombia, in turn, has strengthened its fundamentals by reducing fiscal deficits, encouraging domestic investment to levels approaching 30% of GDP, creating space for currency depreciation, and actively boosting the non-commodity exporting sectors of its economy.

The success of countries across the region, including Brazil, Peru and Colombia, in growing the middle class has created a strong domestic consumer market that also helps insulate national economies from the international commodities cycle.

countries are finding ways to avoid cuts in productive investment and in successful anti-poverty programmes. No country can grow sustainably if it fails to increase competitiveness and expand the middle class.

Public-private partnerships are one way to keep investment levels high without breaking the federal budget. Instead of governments borrowing the huge sums needed to renew infrastructure, it creates incentives for the private sector to tap the capital still available around the world at low interest rates.

This cooperation can be applied throughout the economy. Instead of only using cash transfers to reduce poverty, governments can reform tax, labour, education and energy laws to stimulate the creation of jobs and bring people out of poverty. “The fight against poverty will depend less on government and more on the market,” Mauricio Cardenas, Minister of Finance and Public Credit of Colombia, said.

Chile last year implemented a tax reform, covering nearly 3% of GDP, to finance an overhaul of the education system. Colombia has already cut payroll taxes to stimulate on-the-books employment, and it is moving to further increase the tax base and thereby reduce the burden on business. Brazil’s government is starting to react to popular

“I’m very optimistic that the reforms in Mexico really will spur economic growth.”



Joseph E. Stiglitz
Professor, School of International and Public Affairs (SIPA),
Columbia University, USA

pressure to fight corruption and improve the efficiency of government services.

Mexico has pushed through a reform of its energy sector that a few years ago was considered politically impossible. This reform will increase competition and foreign investment. As Ignacio Sánchez Galán, Chairman and Chief Executive Officer of Iberdrola, noted: “Mexico’s energy reform is a real revolution.” His company is planning to double its investment in the country by the end of this decade.

Since production costs for Mexico’s oil, at \$24-\$25 a barrel, remain highly attractive, even at current global prices, output could easily double in the next five years. The electricity sector’s reform should drive down prices, which will increase disposable income for Mexican consumers and attract industry.

Latin America’s average growth is likely to slow to around 3% from the pace of over 6% seen in the recent past, but as many panellists noted throughout the meeting, moderate growth is the ideal scenario for structural

reforms. In good times, leaders see little reason to take painful steps, and during crises, they must devote their attention to immediate problems.

Now, even without a crisis, most Latin American electorates are pushing their leaders for change. “These are the times when the politically impossible becomes the politically inevitable,” Ernesto Talvi, Academic Director at the Centre for the Study of Economic and Social Affairs, said.

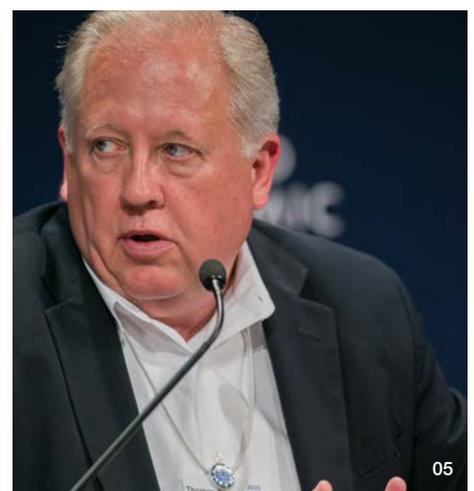
Peru, which along with its fellow Pacific Alliance members is moving aggressively to open up its economy, has found that freer trade, by increasing competition, forces governments and companies to work more efficiently. “Trade agreements not only help Peru increase exports, they oblige us to make the reforms needed to improve our economy,” Magali Silva, Minister of Foreign Trade and Tourism of Peru, said.

Mexico has already shown that a reputation for respecting and enforcing contracts will spur foreign investment and growth, and most countries in the region are taking steps

to further strengthen their justice systems. “It’s not just a matter of having the laws, it’s a matter of enforcing the rule of law,” Ricardo Villela Marino, Executive Vice-President and Member of the Board of Directors at Itaú Unibanco, said. In Brazil, the recent aggressive action of courts, public prosecutors and the national police against corruption is a positive sign.

As for the timing of reforms, the answer from leaders across the region is: as quickly as possible.

“You should do reforms at the beginning of the political cycle,” Luis Videgaray Caso, Mexico’s Minister of Finance and Public Credit, said. “Do them immediately after the election, and don’t think about the business cycle. These are structural reforms, the effects will be felt in the coming 5, 10, 20 years.”



- 01:** Enrique Martínez y Martínez, Secretary of Agriculture, Livestock, Rural Development, Fisheries and Food of Mexico
- 02:** Waldir João Ferreira da Silva Júnior, Head of the Office of Inspector-General, Office of the Comptroller General of Brazil (CGU)
- 03:** Oscar Adolfo Naranjo Trujillo, Minister of Post-Conflict, Human Rights and Security of Colombia
- 04:** Casimira Rodríguez, Founder, National Federation of Household Workers of Bolivia, Bolivia
- 05:** Thomas A. Shannon Jr, Counsellor of the US Department of State
- 06:** Andrés Velasco, Professor of International Practice in International Development, Columbia Global Centers Latin America, Chile
- 07:** Michel Joseph Martelly, President of Haiti
- 08:** Sandeep Dadlani, Executive Vice-President and Global Head, Retail, CPG and Logistics, Infosys Ltd
- 09:** Stanley Motta, President, Copa Holdings, Panama
- 10:** Philipp Rösler, Member of the Managing Board, World Economic Forum; Young Global Leader

01: Lorenzo A. Mendoza, Chief Executive Officer, Empresas Polar, Venezuela; Young Global Leader



02: Alejandro Ramírez, Chief Executive Officer, Cinépolis, Mexico; Joseph E. Stiglitz, Professor, School of International and Public Affairs (SIPA), Columbia University, USA



03: John Santa María Otazua, Chief Executive Officer, Coca-Cola Femsa, Mexico



04: Armando Senra, Managing Director; Head, Latin America and Iberia Region, BlackRock, USA



05: Rich Lesser, Global Chief Executive Officer and President, The Boston Consulting Group, USA



06: Emilio Lozoya, Chief Executive Officer, Pemex - Petroleos Mexicanos, Mexico; Young Global Leader



07: Gillian R. Tett, US Managing Editor, Financial Times, USA



08: Alvaro Rodríguez Arregui, Co-Founder and Managing Partner, Ignia Partners, Mexico



09: José María Moratalla, Representative, Fundación Salvadoreña Educación y Trabajo, El Salvador



10: Carlos Alzugaray Treto, Editor, Temas, Cuba



Innovating for sustainable growth

To modernize for the future, Latin American economies should pursue structural reforms that will not only grow the ranks of the middle class but also enable those that rise to stay there. This will require policies that promote inclusion, gear education towards providing young people with the right skills, and stimulate entrepreneurship, innovation and the use of technology for enhanced social impact.

For Latin American countries to push forward renovation agendas aimed at modernizing their economies, having a thriving and engaged middle class will be the key. “This is the only way to achieve sustained growth,” said Claudia Ruiz Massieu, Secretary of Tourism of Mexico, in a session that looked at the growing middle class. “We need long-term policies for social mobility not only to increase the number of people joining the

middle class but also to enable them to stay there.”

Structural reforms must promote inclusion and equality, greater productivity and sustainability, with special focus on young people and women, who are essential drivers of change in the region. “We need to generate citizens who participate actively, demand quality and fight to be part of a society

that is increasingly inclusive and cohesive,” said Salomon Chertorivski Woldenberg, Secretary of Economic Development of the Federal District of Mexico. “If we want to be a cohesive society, nobody can stay behind, nobody can lag.”

With half the region’s population below 27 years of age, young people need a good education and job



“We have a responsibility to give our future generations a better world.”

Ignacio Sánchez Galán
Chairman and Chief Executive Officer, Iberdrola, Spain



01: Cuba's Economic and Investment Update: Marisol Argueta de Barillas, Senior Director, Head of Latin America, World Economic Forum, USA; José Antonio Meade Kuribreña, Secretary of Foreign Affairs of Mexico; Lina Pedraza Rodríguez, Minister of Finance and Prices of Cuba; Deborah Rivas Saavedra, General Director, Foreign Investment, Ministry of Foreign Trade and Foreign Investment, Cuba; Ildefonso Guajardo Villarreal, Secretary of Economy of Mexico

Cuba: Open for business

In a historic business briefing, senior Cuban officials told participants in Mexico that the government is eager to receive FDI and has put in place measures to make the country an attractive investment destination. “We want to make policy transparent and provide legal certainty to foreign investors,” said Deborah Rivas Saavedra, General Director of Cuba’s Ministry of Foreign Trade and Investment.

Recently passed laws ensure that foreign investors can own businesses, sell property and repatriate profits freely.

Opportunities for investment are enormous, whether in agriculture, where productivity could grow rapidly, or in biotechnology, tourism and healthcare, where Cuba already has competitive advantages.

Lina Pedraza Rodríguez, Cuba’s Minister of Finance and Prices, said that they especially need investment from the US, in order to modernize the economy and preserve the Cuban Revolution’s social achievements. “We need US companies to operate in Cuba,” she said.

This was the first time senior representatives from the Cuban government took part

in a Forum regional meeting. The session closed with a guarantee that the Forum would support the country in its transformation: “We are pleased to offer our global platform to help the Cuban government in its process of updating its economic model and attracting foreign investment,” said Marisol Argueta de Barillas, the Forum’s Head of Latin America.

opportunities. “The big challenge is to inspire our young people to work for the future of their country,” said Juan Carlos Varela Rodríguez, President of Panama, in the opening plenary. “Young people have a true feeling of gender equality, an outrage for disrespect of the environment and true consciousness of the need to conquer inequality,” added his Vice-President, Isabel Cecilia Saint Malo De Alvarado, in a session on addressing poverty.

Efforts to bring more women into the workplace are also essential, though recent progress has been impressive. Between 2000 and 2010, the labour participation of women in Latin America and the Caribbean rose by 15%, with most countries now above the 50% mark. If the participation of women equaled that of men, the GDP of the region would increase by 17%, Angelica Fuentes, President of the Angelica Fuentes Foundation, told participants in the closing plenary. “We need the public policies to reduce barriers. Equal pay for equal work must be a rule that is set in place,” she added.

Education has to be a priority for all countries. “We need talent,” said Blanca Treviño, President and Chief Executive Officer of Softek, in a session on doing business in Latin America. “Businesses need to work closely with universities to define the skills they will need.” Claudia Jañez, President of Mexico, Central America and

the Caribbean at DuPont Mexico agreed: “Latin America is a fertile land filled with a new generation that is willing to learn and collaborate.”

Vocational training is crucial, especially in a country such as Haiti where essential skills for development are lacking. “Haiti must change completely and it is only through adequate training of young Haitians that we can do it,” said Michel Joseph Martelly, the President of Haiti, in the opening plenary.

Young people need the enabling environment that would allow them to start businesses and be creative. “Entrepreneurs are the drivers of innovation,” said Pablo Salazar Rojo, Managing Partner at Nxtplabs, in a briefing on innovation. “We would like to see more capital going to entrepreneurs.” An encouraging sign: it is becoming less of a stigma when an entrepreneur fails. “Now we are embracing failure and that is a formula for successful entrepreneurship,” Salazar Rojo added.

Latin America is also embracing digital and other emerging technologies to address the social and economic challenges of modernization. For example, the spread of mobile phones and the development of mobile applications are creating disruptive innovations that are giving millions their first access to payments and other financial services. Carla Prieto, Strategic Planning and Finance

Director at Grupo GH7, told participants in a session on financial innovation how her company created the first mobile payments platform in the Dominican Republic, where 70% of the population is outside the banking system. “Every challenge brings an opportunity,” she noted.

Whether adopting technology to tackle a social problem, taking the decision to raise the minimum wage to bridge income gaps, or developing sectors with employment multiplier effects, such as tourism, Latin America will have to rely on public-private cooperation that involves all stakeholders. “Working together in a public-private partnership will enable us to move forward and is the most important tool for achieving an equitable solution,” concluded President Varela Rodríguez.



“We need to fight inequality and poverty – and not in 15 years, but now.”

Isabel Cecilia Saint Malo De Alvarado
Vice-President of Panama



01: Financial Innovation: Carlos Mota, Columnist, El Financiero, Mexico; Gilberto Caldart, President, Latin America and Caribbean (LAC), MasterCard, USA; Carlos Daniel, Chairman and Co-Founder, Gentera, Mexico; Sharath Dorbala, Vice-President and Head, Product, Sales, Marketing and Mobile Financial Services, Amdocs Management, USA; Jaime Gonzalez, President, National Banking and Securities Commission (CNEB), Mexico; Carla Prieto, Strategic Planning and Finance Director, Grupo GH7, Dominican Republic

Latin America's tech advantage

Latin America is in a strong position to benefit from the expansion of broadband internet and mobile technology. "When you look at the number of people and things connected to the internet, and the explosion of the mobile network, this will create opportunities to disrupt businesses and society," said Thaddeus Arroyo, Chief Executive Officer at both Iusacell and AT&T Mexico. "Advancements will continue at a rapid pace in Latin America."

With information and research, skills and expertise, and even funding and mentorship available to

entrepreneurs through the internet, physical knowledge clusters such as Silicon Valley may no longer be needed. "Most of the components for innovation are moving online," explained Sebastian Bellagamba, Latin America Bureau Director at the Internet Society.

Latin American companies are already looking beyond their domestic markets and are using technology to do so. "They don't trust their own markets – they trust global markets more. The internet allows them to do this," Bellagamba noted. According to Claudio Sasaki, Co-Founder of Geekie, there are many enterprises in Brazil that combine business and social purpose, providing everything from a directory of free

services such as healthcare, to real-time feedback on the performance of teachers and students.

"The internet is becoming embedded in our lives and businesses," said Arroyo. "This is driving a more collaborative and sharing economy." Latin America will benefit because it can adopt the latest technology. But it has to prepare the right regulatory framework and digital security standards. It also has to make it easier to register patents. This shift to a tech-enabled stakeholder environment "is working in Latin America", concluded Bellagamba. "We're creating a trust network among all stakeholders. Broad consensus is the only way for this to grow."

01: Claudia Ruiz Massieu, Secretary of Tourism of Mexico

02: Mauricio Cardenas, Minister of Finance and Public Credit of Colombia

03: Tomas González Estrada, Minister of Mines and Energy of Colombia

04: Alejandro Baillères, Chief Executive Officer, Grupo Nacional Provincial, Mexico; Klaus Schwab, Founder and Executive Chairman, World Economic Forum

05: The Transformation Hub

06: Enrique Ochoa Reza, Chief Executive Officer, Comision Federal de Electricidad (CFE), Mexico

07: Gerardo Gutiérrez Candiani, President, Business Coordinating Council (CCE), Mexico

08: Latin America Today





01: Carlos Danel, Chairman and Co-Founder, Genera

02: José Antonio Meade Kuribreña, Secretary of Foreign Affairs of Mexico

03: Participant testing a virtual reality headset

04: Deborah Rivas, General Director, Foreign Investment, Cuba

05: Colombian Delegation

06: Héctor Rodríguez, Chief Executive Officer, Yachay Ciudad del Conocimiento, Ecuador

07: Lina Pedraza Rodríguez, Minister of Finance and Prices of Cuba

08: Jin-Yong Cai, Executive Vice-President and Chief Executive Officer, International Finance Corporation (IFC), Washington DC





01: Daniel Marteleto Godinho, Secretary of Foreign Trade, Ministry of Development, Industry and Foreign Trade of Brazil
02: Ricardo Hausmann Director, Center for International Development, Harvard Kennedy School of Government, USA
03: Patricia Menendez-Cambo, Vice-President and Chair, Global Practice Group, Greenberg Traurig LLP
04: Saili Shetty, Secretary-General, Amnesty International, United Kingdom
05: Closing Plenary: A Roadmap for Transition
06: Thaddeus Arroyo, Chief Executive Officer, Iusacell; Chief Executive Officer, AT&T Mexico, AT&T, Mexico
07: Luis Videgaray Caso, Minister of Finance and Public Credit of Mexico
08: Manuel A. González Sanz, Minister of Foreign Affairs of Costa Rica
09: Jose Augusto Coelho Fernandes, Director of Policy and Strategy, Confederação Nacional da Indústria (CNI), Brazil





01: Opening Plenary: Advancing through a Renovation Agenda
02: Idefonso Guajardo, Secretary of Economy of Mexico
03: Eric Parrado, Superintendent, Superintendency of Banks and Financial Institutions of Chile
04: Millennial Transformation
05: Ricardo Villela Marino, Executive Vice-President, Member of the Board of Directors, Itaú Unibanco SA, Brazil
06: Latin America in Context



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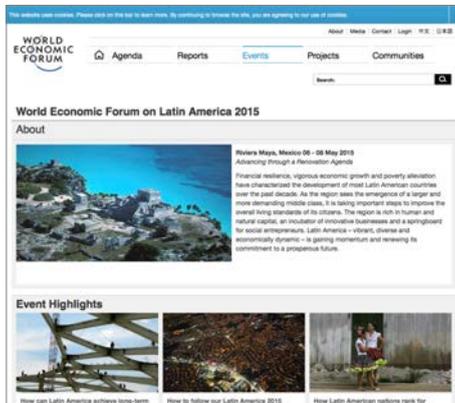
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<http://wef.ch/la15>

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Upcoming Meetings

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Dead Sea, Jordan 21-23 May 2015

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For more information, email: mena15@weforum.org



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Cape Town, South Africa 3-5 June 2015

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