



Two forces shaping Latin America: COVID-19 and 4IR

by Andrew Thompson

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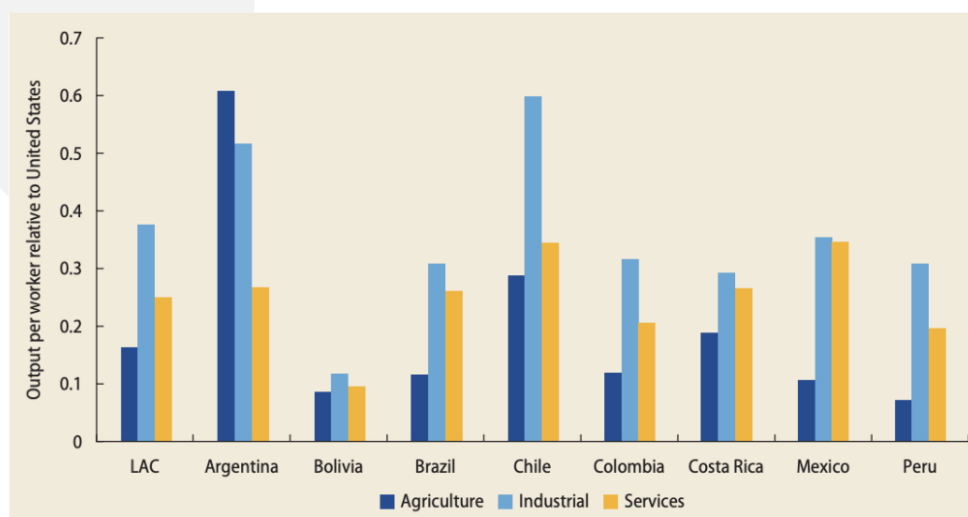
What happened?

Hard hit by the coronavirus pandemic and by the biggest contraction in economic activity since the 1930s, the countries of Latin America and the Caribbean (LAC) should embrace the “fourth industrial revolution” according to a new report by the World Bank.

The details

The [report](#) essentially looks at how LAC countries will be pushed and pulled over the next few years by two incredibly powerful forces: the global health crisis and technological change driven by digitalisation. In effect, we could be looking at a titanic struggle between two acronyms: COVID-19 on the one hand, and 4IR (standing for “fourth industrial revolution”) on the other. The combination of the two could be very destructive, but at the same time, if managed correctly, might provide potential solutions. The report notes that digitisation can support economic activity at a time of social distancing, but can also put jobs at risk.

FIGURE 2.1 Output per worker by sector in LAC region relative to that of United States: Selected countries, 2010



Source: World Bank

The suggestion is that LAC governments should enhance productivity in the services sector, invest in human capital, and rethink labour regulations and social protection policies. It says the spectre of mass technological unemployment – robots replacing humans on a vast scale – is unlikely. But jobs are at risk due to lower external demand, protracted quarantines and lockdowns, corporate solvency problems and potential financial turbulence.

Industrialisation or re-industrialisation is unlikely to generate enough new jobs. Low paid and informal workers remain the most vulnerable to COVID-19, trapped in low-productivity roles and at risk of losing their livelihoods. Therefore, the World Bank suggests the way forward is to focus on modernising the services sector, which already accounts for 60% of the work force, improving its productivity, and educating and re-training workers so as to sharpen cognitive and analytical skills, preparing them for the new economy. Guillermo Beylis, a World bank economist, says “education offers the best insurance against the risks of automation”.

The report also calls for a rethink of labour regulations and social policy, recommending “flexible regulation of the emerging forms of work in a way that encourages employment and supports formalisation, thereby expanding the coverage of social protection to larger segments of the population.”

What does it mean?

It is clear that the old economic model for the LAC countries, with industrialisation at the top of the value chain, is broken and in need of replacement. But there are still lots of unknowns about how LAC might transition to a new, more services and digital-led economy.

About the Author

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As well as being a Canning House Associate Fellow, Andrew is a former foreign correspondent (Buenos Aires, Mexico City, Rio de Janeiro) and a broadcaster for the BBC’s Latin American Service. Working through La Rambla Research Ltd., he writes about economics, political risk, and business in Latin America.



These stories are also available on Andrew’s blog site, [La Rambla Research](#).