

Towards inclusive development in Latin America: Leveraging the Global Green Transition, by Eva Paus and Rafael Domínguez

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Abstract

This essay presents a review of the book *Towards inclusive development in Latin America: Leveraging the Global Green Transition*, by Eva Paus and Rafael Domínguez, which addresses a dilemma shared by the countries of Latin America and the Caribbean: how to leverage their natural resources to create a virtuous cycle of competitive sustainable development in an evolving international landscape.

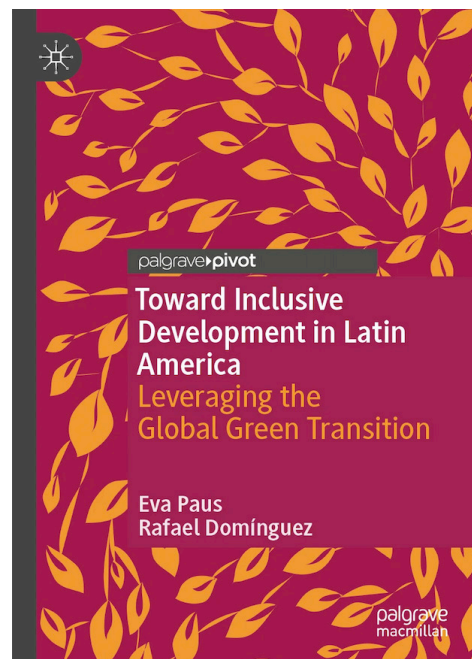
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I. Introduction

In their book *Towards inclusive development in Latin America: Leveraging the Global Green Transition*, Eva Paus and Rafael Domínguez attempt to answer one of the most persistent and relevant questions regarding the economic development of Latin America: how to use the wealth of natural resources to support sustainable and inclusive economic development. They also address the question of whether it is possible under current conditions to take advantage of the global green transition as an opportunity to reduce dependency on extractive activities by harnessing natural resources as a driving factor. The authors explore some avenues for improving development and analyse enabling conditions and potential internal and external barriers in that regard.

The global vision of a green future represents an opportunity for Latin America and the Caribbean, a region rich in natural resources, to lower the historical structural barriers and to extend social well-being to the broad swathes of the population who are currently marginalized. This book's innovative and timely proposal calls upon decision makers of the region to take advantage of the opportunity before them.

On the basis of a theoretical framework built with certain elements of theoretical heterodoxy from the fields of economics and political economy, the authors envisage a new role for the State in the light of the urgent need for a green transition and current geopolitical trends.

In that connection, the book analyses possible development strategies in the context of the environmental emergency, in particular the climate crisis, and proposes an inclusive green development model that would involve returning to a State protection of sorts, with the revival of industrial —or rather, productive— policies, but approached through the lens of environmental sustainability.

Leaving behind the current polycrisis in the countries of Latin America and the Caribbean requires systemic change centred on inclusive green development to simultaneously address low economic productivity, limited social inclusion and the present model of environmentally unsustainable development. This effort must also address the geopolitical crisis affecting the existing international order, by engaging in an unprecedented level of regional coordination based on the economic integration of new green value chains.

In the authors' view, the green transition represents a path to well-being for the population. This topic has attracted interest from a growing number of academics since the beginning of the twenty-first century, as well as from international organizations, such as the United Nations Environment Programme and, in the field of economics, the Organisation for Economic Co-operation and Development, the International Energy Agency, the International Monetary Fund and the Economic Commission for Latin America and the Caribbean (ECLAC).

The book's contribution to the debate is its meticulous description of the potential challenges for implementing necessary State policies in the current geopolitical climate, as well as the regional integration processes that will be required.

In that regard, the authors point to the possible role of progress in energy efficiency, the transformation of (public) transport and leveraging the potential that unconventional sources of renewable energy and rare earth minerals represent in the region. Most crucially, for the authors, there is still time for the region to develop technology, goods and services for the green economy of the future.

II. Green development in Latin America and the Caribbean and the ECLAC vision of a big push for sustainability

The book's basic premise is that progress in Latin America and the Caribbean relies on green inclusive development. It is not a novel thesis: Raúl Prebisch, Celso Furtado, Enrique Iglesias and Osvaldo Sunkel, among other noted economists, viewed the region's extractivist imperative as a key element of its structural problem, resulting not only in dependency but in environmental degradation as well (Sunkel and Gligo, 1980). However, this book goes into significant detail about how green, inclusive industrialization can become the foundation of regional progress. Underlying this major contribution to the debate is an awareness that the effects of the coronavirus disease (COVID-19) pandemic had exposed the failure of the dominant hypothesis of the past 40 years, which held that the market would overcome obstacles to well-being.

Thus, State intervention returns to the foreground as a necessary means of steering the economy to benefit all people in an environmentally sustainable manner, given the understanding that the cost of inaction is greater than the required investment (Stern, 2006). That active State role informs the authors' proposal of the type of industrial policy to be designed and implemented.

The Washington Consensus years were a period of worsening environmental deterioration, increasing income concentration among the few, very weak economic growth rates and deplorable working conditions in vital sectors for the functioning of society. Public health services also fell away, including in areas beyond the scope of the private sector, such as monitoring, prevention and preparation for epidemics.

In 2018, ECLAC proposed its "big push for sustainability" (ECLAC, 2020), which involved a coordinated reorientation of public policies, investments, regulations and tax systems aimed at uniting multiple economic stakeholders on a path towards higher quality economic growth, based on technological innovation and decent work and decoupled from environmental impact.

The more recent approach identifies climate action as an opportunity for structural transformation to decarbonize and adapt production while addressing the three development traps: low capacity for growth; high inequality, low social mobility and weak social cohesion; and weak institutional capacities and ineffective governance (ECLAC, 2025). In addition, regional cooperation is recognized as the key to supporting the next generation of productive development policies (Organisation for Economic Co-operation and Development et al., 2025).

Paus's and Domínguez's book follows in this same vein, proposing industrial policies that take into account social inclusion, which is integral to the concept of social justice and essential for ensuring that "creative destruction" (Schumpeter, 1942) is a positive force for social well-being and cohesion.

III. Constraints on green development and the three-gap model

In their analysis, Paus and Domínguez identify three constraints on inclusive green development: structural change that hampers growth; limited social inclusion; and global warming. This approach is largely consistent with the ECLAC three-gap model, detailing the interrelated nature of external constraints, social exclusion and environmental degradation (ECLAC, 2020), and an analysis based

on that framework, further supporting the proposed big push for sustainability as a possible means to breaking the vicious cycle (ECLAC, 2022), as is also discussed in the final report of the Expert Review on Debt, Nature & Climate (2025).

However, Paus and Domínguez present a much more granular analysis of enabling circumstances for productive policies that would replace the vicious cycle with a virtuous one and leverage the green transition to integrate the region into international markets, not in its historical role as a commodities producer but as a link in extended value chains, with social inclusion driving its internal market expansion and improving its human and social capital.

In the three-gap analytical framework presented by ECLAC (2020), which synthesized the Sustainable Development Goals in relation to three growth rates, the production structure (as symbolized by the export basket) revealed the external constraint as a major barrier to accelerated economic growth in the region. Surmounting this while pursuing equality and reducing poverty requires higher growth rates, but the region's pattern of production renders positive growth incompatible with climate objectives. From that perspective, the book posits that increased demand for critical minerals would relax the external constraint, as had occurred in the early twenty-first century during a period of high commodity prices. Implementing an industrial policy of productive diversification is the only way for the production structure to generate higher growth through better global economic integration.

The analysis and proposed solution clearly echo past proposals advanced in ECLAC position documents (ECLAC, 2016, 2018, 2020, 2022 and 2024) and identify national and global barriers. The book also outlines a crucial research agenda for regional development, on how to strengthen the State so that it can fulfil its leadership function, how to ensure that natural resource governance maximizes social well-being within planetary boundaries, how to cultivate the necessary conditions to create new sectors that are more knowledge intensive, how to identify and encourage growth-boosting activities that have a smaller environmental footprint and, lastly, how to forge the partnerships needed to politically sustain the required changes. Every step in this direction will make it easier to identify the internal changes (including fiscal and regulatory reforms) and the global changes (i.e. financial architecture and trade reforms) needed in transitioning to more sustainable economies.

IV. Navigating troubled waters towards the markets of the future

One notable aspect of the book is that its proposal —which, as mentioned, is part of an extended conversation in the region— is made in the context of the geopolitical rivalry between a hegemonic United States and an emerging China. In the authors' view, for the region to leverage its wealth of resources to generate opportunities, non-alignment is the best course, together with a strategy of lengthening value chains for inclusive green development. Of course, non-alignment with a hegemonic power calls for extraordinary diplomatic skill and, more importantly, solid agreements among the countries of the region, which are not easy to achieve.

Another of the book's key contributions is its appraisal of the limitations that the international trade framework of the World Trade Organization (WTO) imposes on sovereign productive policies. This set of agreements on trade in goods and services, including measures related to investments, hems in economic policy decisions: the need for State intervention in the economy was rejected in favour of the free market during the corporate globalization rush of the late twentieth century, but in the present-day context of intellectual property concerns, technological innovation is shaping a new industrial revolution, and the region should be a more prominent player than it was in the past.

The climate transition is another unavoidable issue, in which the need for State intervention is undeniable. Indeed, private economic actors are asking for State involvement and expanding public-private partnerships, but what they desire even more is certainty with regard to investing in the transition, alongside necessary infrastructure improvements.

Even with the global trading system experiencing one of its worst crises owing to the current resurgence of protectionism, there are still binding measures in force that check the independence of productive policies. Paus and Domínguez offer a much-needed analysis to understand the trade situation and to mitigate the risks and seize the opportunities that it presents.

The central proposal of the book should be the dominant focus of the region's economic agenda; that is, there is a need to identify economic activities in the climate transition that have the greatest potential for generating competitive value chains in the markets of the future and to pursue regional collaboration as a catalytic force in order to ensure that these chains' integration paves the way for enhanced economic integration, all the while demonstrating political aptitude and sensitivity to strike the right geopolitical balance in a landscape shaped by the United States-China struggle for market control. The ECLAC-proposed approach to lithium and e-mobility, involving the integration of the regional mining sector complemented by the integration of the regional automotive industry, would offer a model for such an undertaking (ECLAC, 2023).

V. Final reflections

One highly important issue that is not fully addressed in the book is how the proposed green inclusive development would be measured. It also suggests that popular theories in the green economy context, like degrowth, may be inadequate, but while not necessarily viable in countries where populations still face major material deprivations, degrowth is still relevant to the debate on the nature of well-being.

Since its conception by Kuznets (NBER, 1934), gross domestic product (GDP) growth has been recognized as a limited indicator in terms of its ability to capture all aspects of development, in particular sustainability (Stiglitz, Sen and Fitoussi, 2009). All countries aspire to provide well-being for their populations, and GDP has historically offered a sort of compass for determining whether they are on the right track. However, since the beginning, it has been understood that the methodology for calculating GDP is skewed in favour of material production, in that it prioritizes material well-being over all other facets. This was appropriate in a world of widespread material deprivation, but in the current state of affairs, where there is a growing relative shortage of goods to meet the population's social and environmental needs, cautious interpretation of GDP growth is a matter of vital and urgent importance.

The book also addresses the crucial issue of the region's global market entry, which must ultimately be the locus of green industrial policy advances. Even their detailed analysis of the WTO framework and its constraints on sovereign industrial policy does not allow the authors to say with certainty where global trade currents will lead, with the world's largest economies displaying complete disregard for the rules and revealing a neocolonial attitude very similar to the one that largely motivated the trade liberalization agenda of the late twentieth century.

Moreover, in view of the boom in artificial intelligence and the overwhelming quantity of data in existence, the State's proposed function will evolve, and its economic role as an engine for green development will have to be flexible and responsive to change in an environment in constant flux. Designing such a State requires technical, operational, political and prospective (TOPP) capabilities (ECLAC, 2024) to leverage available technology. The reimagining of the State in this new reality and the need for productive policies that are responsive to the economic transition in an uncertain world are important matters— and fertile ground for the application of the authors' sound proposals.

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