***Long-term challenges of industrial development in Latin America and the Caribbean***

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***Abstract***

The purpose of this note is to identify and characterize the main structural challenges facing industrial development in Latin America and the Caribbean, both from the point of view of the tasks of industrial policy and the inherent challenges of the manufacturing sector.

The development of Latin America and the Caribbean has sought to have the manufacturing sector as the engine of the growth of the entire economy. This aspiration is not new, considering the experiences of other regions of the world that have managed to industrialize their economies. What is new is that, after nearly 70 years, Latin America and the Caribbean can not find a successful national development experience (understood as the attainment of a higher stage of development), lasting in economic, social and environmental terms.

There have been periods of relatively high economic growth and rising social welfare, for example in the 1950s and 1960s, thanks to the so-called import substitution policies with industrial protection; or the short period from 2002 to 2008, fuelled by the boom in commodity prices, mainly in South America. In both cases, they were short periods that did not last, and of which little was applied from the lessons learned, since insufficient and concentrated growth prevails.

As a result, the region has not been able to establish an industrial development strategy that exploits in a sustainable way the benefits promised by the industrial sector due to its multiplier effects in the rest of the economy; manufacturing is the sector that can propitiate the greatest technological spills, is the main carrier of technical progress and responsible for the greater scaling in employment skills, as has happened in today's developed economies.

We propose that the progressive structural change is the main challenge of industrial development in the region, i.e., a virtuous change in product composition and employment towards dynamic activities of increasing productivity, incorporating more technical progress, quality and well-paid employment, and accompanied by fundamental changes in the conception of the task of public policy, which gives the State the role of leader and coordinator of the process of strengthening the industrial sector.

The note provides a brief account of the evolution of industrial policy and development in Latin America; we propose a characterization and identification of the challenges facing Latin American development and, therefore, the industrial policy; we identify central policies that would be indispensable to face that challenge that we identify with the progressive structural change; and finally, we address some considerations about the conditions that should prevail for the implementation of an industrial policy that successfully faces the challenge of progressive structural change.