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Beyond Fragility

Setting Latin America on the path to long-term growth

During the past decade, Latin America has grown formidably, achieving record low levels of unemployment and poverty. However, at its core lies a fragility that will define its future in the coming years. The end of the commodity boom and the tougher external funding situation will put us to the test, and surpassing the coming challenges will require the full involvement of our younger generations.

The region's fragility is threefold: its economic model is structurally vulnerable, its democratic institutions are unstable, and its youth faces considerable employment challenges.

It is structurally vulnerable because its commodity-driven growth since the 2000s has relied heavily on the rising prices of natural resources and tended to foster the growth of the non-tradable sector, which is less skill intensive. Investment, particularly private investment, has not kept up with output, and some of the consequences of production bottlenecks are already rearing their head. Latin America must set its sight on smarter development, by improving its productivity through better capital and human resources.

Secondly, democratic institutions are far from strong. Many core liberal values are still missing from Latin American citizens' conception of adequate government –indeed, research from Americas Barometer showed that 25% of questionnaire respondents in 2007 considered it acceptable for the executive to limit the voice of opposition parties– and the region's democracies have all too frequently flirted with authoritarian abuses of power.

Lastly, youth unemployment remains a very real challenge, and although millions have been brought out of poverty during the last decade, the lack of a comprehensive policy to prepare the new generations for the demands of 21st century markets threatens to undermine the continent's future. According to a 2014 report from the International Labour Organization, youth unemployment remains twice as high as the regional overall rate.

Latin America, however, remains a vibrant, dynamic region, and has the potential to overcome its core fragility through consistent long-term policies. A future-oriented mindset will be an undisputable requirement, and the answer may very well rely on us, the younger generation.

Our region must focus on comprehensive reforms that tackle supply bottlenecks and build more elaborate value-added processes, by investing in infrastructure and focusing on increasing productivity.

Strengthening the services sector is a key component in evolving beyond mere natural-resource exports models, and a strong focus should be given to those areas where competitiveness relies primarily on innovation and creativity, such as Information Technology. Support for entrepreneurs, especially young pioneers, would go a long way towards meeting this goal.

This will not only require broader opportunities for financial assistance and networking, but also that education become even more extensive, and, especially, that its quality be bolstered so that local professionals can compete on the global market.

Our generation has the responsibility to become involved in surpassing the challenges ahead. Never before has the Latin American youth been so well educated, so innovative and so well connected to other peers across the globe. Tapping into these strengths may well prove to be the lasting engine of growth that Latin America has been waiting for.