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FEATURED Q&A

Should Labor Reforms Be Part of a Latin American Recovery?

Q During a speech in June at the International Labor Organization, Brazilian President Luiz Inacio Lula da Silva argued that the ILO and its "Decent Work Agenda"—a two-year-old agreement between employers and labor groups that calls for expanding employment, strengthening social safety nets and ensuring fundamental labor rights—should be brought to the table in G-20 discussions of reforming the global economy. Do you agree? How important are labor reforms to Latin America's economic recovery, and are the measures Lula supports the best ones to prioritize in Latin American countries at this time? Will Brazil's leadership on the labor issue decline after Lula leaves office in 2010?

A Stanley Gacek, labor attorney and associate director of the International Department of the AFL-CIO in Washington: "Sustainable economic recovery in Latin America and throughout the world will be impossible without the direct involvement of the ILO and its Decent Work Agenda. The Decent Work Agenda was directly incorporated into a global recovery project ratified at the ILO conference in June of this year and entitled the 'Global Jobs Pact.' The plan is supported by employers throughout the world, as well as by governments and trade unions, as Argentine business leader and ILO Employers Group Chairman Daniel Funes de Rioja has made very clear. The G-20 discussions must

include the ILO and the Global Jobs Pact for a very simple reason: even if economic recovery begins this year, it will take at least another six years for there to be any meaningful expansion of decent employment in Latin America and throughout the world. The pact urges an increase in public infrastructure investment, credit expansion for the creation of small and medium-sized enterprises, the promotion of jobs in the low-carbon energy sectors and the extension of unemployment insurance and other social protection systems. It also calls

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Correa Meets With Former Cuban President Fidel Castro

Ecuadorian President Rafael Correa (L) met Friday with former Cuban President Fidel Castro. Castro, who passed the presidency to his younger brother Raul last year, appeared healthier than in previous photos. See brief on page 2.

Photo: Juventud Rebelde.

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NEWS BRIEFS

Correa Visits for Several Hours With Fidel Castro

Ecuadorean President Rafael Correa met for several hours Friday with former Cuban President Fidel Castro, according to Cuban state-run newspaper *Juventud Rebelde*. A photo published in the newspaper shows Castro, 83, in a white short-sleeved shirt. Correa and Castro discussed international affairs as well as cultural and historical topics, the newspaper reported. On Sunday, Castro appeared on Cuban state television for the first time since June 2008, the Associated Press reported.

Lula Calls Obama About Colombia Bases, Upcoming Unasur Meeting

Brazilian President Luiz Inacio Lula da Silva on Friday told US President Barack Obama in a telephone call that Brazil would seek guarantees an increased US military presence in Colombia would not affect neighboring countries, reported state news agency Agencia Brasil. Lula also asked Obama to attend an upcoming meeting of the Union of South American Nations to discuss the controversial military deal, which would give US troops greater access to Colombian bases, Foreign Minister Celso Amorim told the news agency.

Argentina Announces Bond Swap

Argentine Economy Minister Amado Boudou said Friday the country would swap 9 billion pesos (\$US 2.3 billion) worth of short-term, inflation-linked bonds for notes expiring in 2014. "With this measure we're taking another small step in Argentina's return to financial markets," Boudou said in the statement. The country has been largely closed off from financial markets after it defaulted on \$80 billion of debt in 2002.

Political News

Thousands Demonstrate For, Against New Venezuelan Education Law

Thousands of protestors on both sides of a controversial new education law filled the streets of Caracas Saturday and some were dispersed by police firing tear gas, rubber bullets and a water cannon, the Associated Press reported. Authorities used the tear gas against opponents of the new law after they tried to break through a police barricade. "It's totally unjust," protester and lawyer Miguel Rivero, 43, told the AP. "This repression is totally unnecessary." Thousands of backers of the new law also marched through the streets. One of them, Adriana Lombardi said the law will give her 3-year-old son a better understanding of his country's history. "This is our identity, where we come from," she said. Venezuelan Justice Minister Tareck El Aissami said protesters

in opposition to the law were "inciting violence" by throwing rocks at police. Health officials in the Venezuelan capital said dozens of people were being treated after inhaling tear gas and at least 14 were struck by rubber bullets or sustained other minor injuries. At least a dozen police officers had minor injuries, said Interior Minister Juan Francisco Romero. The education law, which Venezuela's National Assembly approved last week, requires that school curricula be based on the "Bolivarian Doctrine" ideals including Latin American unity and national self-determination. Opponents of Venezuelan President Hugo Chavez argue the new law is an attempt at socialist indoctrination of children. However, Chavez supporters



Chavez

File Photo: Venezuelan Government.

Featured Q&A

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for an effective global supervision of the financial sector, 'so that it serves the real economy, promotes sustainable enterprises and decent work, and better protects the savings and pensions of people.' Some of the policies included in the ILO Global Jobs Pact have been implemented successfully by the Lula administration, and are definitely advisable for Latin

Agenda—freedom of association, collective bargaining rights and prohibitions on child labor, forced labor and discrimination in employment—will promote demand-driven growth, as well as more effective capital allocation and sustainable labor market development. As long as President Lula's successor commits himself (or herself) to maintaining and improving Brazil's decent employment policies, Brazilian global leadership should continue in the labor arena."

“It will take at least another six years for there to be any meaningful expansion of decent employment in Latin America and throughout the world.”

— Stanley Gacek

America and the world. Moreover, the fundamental international labor standards promoted by the Decent Work

A **Alberto Pfeifer, executive coordinator of the Business Council of Latin America in Sao Paulo:** "The 'Decent Work Agenda' encompasses common sense principles that are hard to oppose. It won't affect what's at stake at the G-20: how to prevent a disruptive economic crisis without suffocating the very essence of capitalism—effective regulation combined with efficient production. If the recession persists, no jobs will be created and work conditions will deteriorate. 'Decent work' functions when the economy performs well. Therefore, the

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deny that claim. Nancy Gonzalez, a retired professor of education, told the AP the law is vague and open to interpretation.

Economic News

Mexico Using Rainy-Day Fund, Bonds to Provide Local Gov'ts \$2 Bn

Mexico's government plans to use a rainy-day fund and sell bonds in order to provide 26 billion pesos (\$US 2 billion) to local governments to help them with their budgets, Bloomberg News reported Friday, citing Finance Minister Agustin Carstens. Mexico will allocate 13 billion pesos from the rainy-day fund to state and municipal governments and will also sell 13 billion pesos in bonds. The bonds will be backed by revenue the country's oil stabilization fund, Carstens told state finance ministers during a meeting in the city of Chihuahua. The oil stabilization fund receives revenues when Mexico receives more money from oil sales than it had anticipated in its budget. The bonds' structure is soon to be finalized and will likely be backed by revenues flowing into the fund over 10 years, said Jose Antonio Gonzalez, who oversees the Finance Ministry's relations with states. States and municipalities will receive the 26 billion pesos over three months beginning in September.

Company News

Volkswagen, Workers Reach Agreement to End Strike

Volkswagen AG and workers at its plant in Puebla, Mexico reached an agreement in order to end a strike that began Aug. 18, the company said Saturday, according to Bloomberg News. More than 9,000 employees will receive a salary increase of 3 percent along with a one-time payment of 2,000 pesos, according to Mexico's Labor Ministry. Volkswagen did not specify the duration of the new contract. Employees had previously turned down the company's offer of a 1 percent pay raise and a one-time 5,500-peso payment.

By the Numbers

A Look at Latin American Data by the Dialogue's Claudio Loser

Data Paints Troublesome Picture for Latin American Growth



WASHINGTON—The peak of the summer vacation is not the best time to burden my patient readers with heavy statistical material or complex discussions. However, we cannot forget what is happening in our troubled and promising region. Thus, I just want to present a few simple tables and a chart that Drew Arnold, a Georgetown University student working with Centennial Group, where I am president, and I have worked on in recent weeks. The data are part of a project commissioned by the Andean Development Corporation about the prospects of our Latin America in the next 20 years. While the chart and tables are only inputs based on available information, they present a troublesome picture about the prospects for sustained growth in the region. Just their observation suggests that the task ahead is difficult, even if the prospects for coming out from the current recession are much better than in the past.

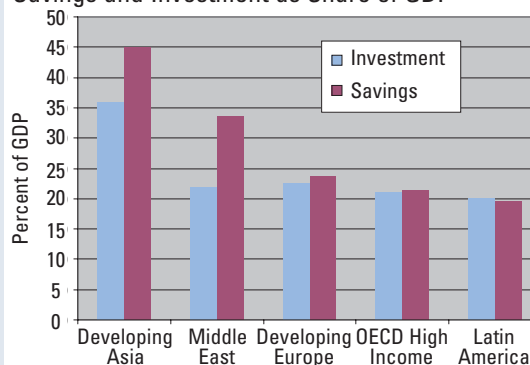
The chart and tables show a laggard region in savings and investment, infrastructure, quality of education, competitiveness and ease of doing business, as well as in other areas not shown here, like technology, financial and overall economic resiliency. The lesson, unfortunately, is that the region has done its homework on macro-management, as the current crisis shows. However, if Latin America wants to prosper, we need to make much more intense efforts to solve our secular problems, and break away from our "middle-income trap." And in order to think about that, we cannot afford to take a full summer break.

Also, one correction: In my [last column](#), published June 25, I predicted that the Argentine government would be defeated soundly in congressional elections, and that

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Investing in the Future?

Savings and Investment as Share of GDP



Source: World Bank; WDI

Latin America Lagging

Quality of Education (2008 Index)		Quality of Infrastructure (2008 Index)	
OECD High Income	5.0	OECD High Income	5.6
Developing Europe	3.8	Middle East	4.4
Developing Asia	3.7	Developing Europe	3.5
Middle East	3.7	Developing Asia	3.4
Latin America	2.8	Latin America	3.1
Competitiveness (2008-2009 Index)		Ease of Doing Business (2009 Average Rank)	
Developing Europe	4.7	OECD High Income	25
OECD High Income	4.5	Developing Europe	60
Developing Asia	4.5	Middle East	82
Latin America	4.4	Developing Asia	93
Middle East	4.2	Latin America	103

Source: Author's estimates based on World Economic Forum and World Bank data.

Featured Q&A*Continued from page 2*

'Decent Work Agenda' should not constrain G-20 policies aiming at fueling economic growth. The subprime crisis is an opportunity to push for more equitable labor/capital relations in the developing world. In Latin America, 'decent work' means inclusion into the formal economy, lower social pressures and fewer incentives for emigration. Countercyclical economic policies, such as cash transfer conditionality programs, trigger cycles of production and primary accumulation in regions of extreme poverty, as documented by the World Bank with Bolsa Familia in Brazil. Mimicking it throughout Latin America seems to be a valid strategy in response to the crisis, as proposed by Lula. His unionist background explains his aptness on international labor issues. But labor relations are steadily improving in Brazil and are welcome by a business class eager to be cleared of allegations of bad practices, from virtual slavery in the production of sugar cane ethanol to child labor in producing charcoal for steel mills. In a less charismatic fashion, the next Brazilian president will not waste the opportunity to leverage what Lula has achieved. Besides, Lula will still be called to raise the flag of labor relations from whatever job he accepts after he leaves the presidency."

A John D. French, professor of history and African and African-American studies at Duke University: "In his June 15 ILO remarks, Lula echoed the words of White House Chief of Staff Rahm

Emanuel, who last November told the press 'you never want a serious crisis to go to waste.' Like Emanuel, Lula said that 'we have to take advantage of this moment of change ... to do something new' if we are to 'avoid further suffering for workers' and finally wrestle with 'the fact that 1 billion human beings still have difficulty eating once a day.' As for those who would make the poor pay for the crisis, this simply reveals the 'hidden and cruel face of globalization.' As Lula told the ILO in 2003, there can be 'no economic development without social justice. We cannot passively contemplate a disparity between islands of abundance and oceans of penury,' whether within our countries or between them. Most importantly, Lula not only called for the inclusion of the ILO—with its attention to the social dimension of world affairs—in the G-20 but expressed support for the United Nations General Assembly's efforts to come to terms with suffering caused by this US-turned-global crisis, which even threatens the survival of hundreds of millions. Lula also lauded the G-20 for dropping the term 'flexibilization' from its discussions of labor laws, while hailing Brazil as an example of how large-scale and innovative social policies and an increased real minimum wage need not threaten macroeconomic stability."

The Advisor welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.

By the Numbers*Continued from page 3*

this would not be the case in Mexico. I was only half right (about Argentina), while I partially missed the mark for the other half (about Mexico). President Calderon's popularity did not extend to members of his party in Mexico's Congress, while in Argentina voters' lack of trust was much more general. Of course, this should not be seen an ex-post explanation but as an apology for my simplistic projection.

Claudio Loser is a senior fellow at the Inter-American Dialogue and former head of the Western Hemisphere Department at the International Monetary Fund.

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