

Piñera: building on growth

PROFILE OF SEBASTIÁN PIÑERA

PRESIDENT OF THE REPUBLIC OF CHILE

For many commentators, the election of Chile's first billionaire President represents an important counter-weight to the left-leaning governments of the region

September 11th marked six months since Sebastián Piñera was sworn in as President of Chile. In that time he has had to deal with the ongoing impact of the global economic downturn, along with the colossal 8.8-magnitude earthquake that claimed more than 500 lives and cost the country up to US\$30 billion – 17 per cent of its GDP. More recently he has thrown his energies into the operation to rescue 33 miners trapped half-a-mile underground in the north of the country. On an equally positive note, the former businessman and senator is presiding over the celebrations to mark the country's 200th anniversary of independence.

Piñera's election victory was the first for Chile's right wing in 52 years and, for many commentators in Latin America, marks an important counterweight to the left-leaning governments of the region. So what can the country, and the world, expect from Piñera during his remaining three-and-a-half years in office?

Chile's first billionaire president, Sebastián Piñera served as a senator between 1990 and 1998. In 2001, he became president of the centre-right Renovación Nacional (RN) party, holding the post until 2004. The following year, Piñera was the RN's candidate for president, but lost to socialist Michelle Bachelet, whose Concertación coalition took over in 1990 after General Augusto Pinochet stood down and the country returned to democracy.

In the same way it took Spanish voters almost two decades to vote for the right after the end of dictatorship, so in Chile. Moderate Piñera might better be described as sitting on the right of the same centre ground as his nominally leftist predecessors in the Concertación. Since 1990, Concertación governments have helped transform this long sliver on South America's Pacific coast into one of the region's most stable democracies, while leaving Pinochet's economic policies largely in place. So, though voters were clearly looking for a new face to the leadership, they will also have been hoping for more of the same policies that have taken Chile so far already.

This will allow Piñera to reach his goal of making Chile the first Latin American nation to join the developed world. That means defeating extreme poverty within the next four years, and defeating poverty before the end of the decade. Chile's per capita income is around US\$14,000; the threshold that

divides the underdeveloped world from the developed world is about US\$22,000, similar to countries like Portugal. The country already has one of the lowest levels of poverty in Latin America, which have fallen from around 40 per cent of the population in 1990 to current levels of around 15 per cent.

Piñera will be helped in his mission by having inherited 18 years of steady economic growth that has seen Chile join the Organisation for Economic Co-operation and Development (OECD). Over the last six months the new President has, unsurprisingly, continued the Concertación's recent tradition of mixing business with government, appointing Alfredo Moreno, a director of Chile's largest retailer chain, Falabella, as foreign minister. However, Piñera has surprised some who were expecting him to unquestioningly prioritise business interests.

For example, the President intervened in the case of a US\$1.1 billion thermoelectric plant near a famous marine reserve in northern Chile. The coal-burning plant will emit such massive amounts of greenhouse gasses that it would have altered offshore ocean temperatures, which would in turn would have directly impacted nearby marine reserves.

Much of Piñera's time over his term will be taken up overseeing the rebuilding work in the wake of an earthquake that destroyed one in three of the affected region's hospitals and left 10 per cent of homes damaged or destroyed. But Chile's macro-economics are in his favour. Thanks to smart fiscal policy and tight banking restrictions imposed by his predecessors, the country mostly escaped the global economic crisis.

That said, Piñera is aware that he has just four years – Chilean presidents are only allowed one term in office – to implement the policies that will bring about the definitive change he wants to see. And that will mean working with what he calls “a sense of urgency.”

As President Piñera said in a speech to the Council of the Americas in Washington on 22nd September: “To defeat poverty we need to change the way we are governing our country. The commitment to a well-done job, commitment to do everything with a sense of urgency and commitment with setting goals and deadlines that people can measure according to them, and not only according to our intentions, are the main aspect and the main dreamed forces of our government.”

Piñera made clear that he intended to bring Chile

into the ranks of the developed world the way a successful businessman would: “By setting goals and deadlines that people can measure.” For example, he has promised to increase state investment from the 22 per cent of GDP when he took office to around 30 per cent. Simultaneously, in the first six months of government, real salaries have risen by 2.1 per cent and 165,000 jobs have been created. The official goal was 250,000, but the government is now confident it can exceed 300,000 jobs this year.

Equality of opportunity

The 2009-10 Global Competitiveness Report ranks Chile 20th in the world, the highest of any Latin American country. But despite the country’s relative economic prosperity and achievements in reducing poverty, the gap between the rich and poor is worse than any other OECD country: improving Chile’s low education standards will be crucial in bridging it. Piñera says his government plans to double public investment in education. The money would go to build a network of new high schools and to bring Chileans into the digital age.


Piñera aims to introduce a government programme resembling a voucher system, in which the government would pay students a direct subsidy to attend private schools of their choice. In a variation on the theme, the government would pay citizens who were dissatisfied with the public health care system so that they could seek private care.

The ideas fit within Piñera’s policy of “equality of opportunity.” But, although he is focusing his attention on creating the conditions to allow talented individuals to advance economically, Piñera is quick to point out that “at the same time, we want to have a society of guarantees” – alluding to the social policy forged by the outgoing centre-left Concertación coalition.

Piñera accepts that there are limits in his vision of reducing the state role in the economy. Though he clearly plans to expand the role of the private sector, he is treading carefully regarding plans to privatise the state-owned copper mining company, CODELCO. “To move forward in that area, we need to have a very broad agreement within Chilean society, and we don’t have that yet,” he said in Washington in September.

For the moment, the Chilean government’s strategy is also to add value to its raw materials by investing in human capital, says President Piñera.

China, one of Chile’s major trading partners, represents another potential avenue for economic growth. China plans to invest US\$50 billion in Chilean copper. While Piñera’s election represents a return to a balance in Chilean politics, it is clear that he is not ideologically motivated: he has set himself the task of making Chile the first country in Latin America to join the ranks of the developed world.

The key to his success will be his ability to harness the energy and values of the new generation that has grown up in the era of democracy. If the President is able to create the conditions and drive through the policies to make this possible, he will have the opportunity to take Chile further down the road toward membership of the rich nations’ club. 

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