

# INTER-AMERICAN DIALOGUE'S

## LATIN AMERICA ADVISOR

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## Featured Q&A *With Our Board of Advisors*

**Q** The powerful earthquake that struck Peru last month killed hundreds of people and left tens of thousands homeless. Has the government's response to the quake been adequate? Has the damage caused by the quake affected the country's economic outlook? How so?

**A** **Guest Comment: Alvaro Vargas Llosa:** "Several weeks ago, the story coming out of Peru had to do with its booming economy and, yes, President Alan Garcia's transformation into a free-market crusader. There was talk of the emergence of Ica, a few hours south of Lima, as a model of modern agriculture—and the first region to boast full employment in the nation's recent history. It was all true—except that it sounds like ancient history now, because the earthquake of August 15 that killed more than 500 people and destroyed almost 40,000 houses has revealed a darker side of the story. It has to do with the poor response of the Peruvian government at all levels—central, regional, and local—to the tragic events of that day. Despite the good intentions and, at times, inspiring leadership of President Garcia, the government's response proved to be dismally inefficient and chaotic. Were it not for the spontaneous efforts of thousands of Peruvians and foreign assistance, things would have been infinitely worse for those who suffered the brunt of the natural disaster in Ica and, to a lesser extent, in Junin and

Huancavelica. President Garcia has talked of reforming the government since he took office. He even asked his minister of transport and communications to propose changes that would transform the current pachyderm that is Peru's bureaucracy into a lean gazelle. It is unlikely that the administration will muster the political capital necessary for such an endeavor at this point. In any case, August 15 proved that, even if parts of the Peruvian economy look like a first-rate enterprise, the country's government structures are worse than third rate."

*Continued on page 4*

### PHOTO OF THE DAY



Chilean President Michelle Bachelet's popularity is at the lowest since she took office in March 2006, according to a poll published on Monday. See [story](#) on page 2.

*Photo: La Moneda.*

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## NEWS BRIEFS

**Panama Inaugurates \$5.25 Billion Canal Expansion Project**

In an inaugural ceremony attended by foreign dignitaries on Monday, Panama detonated part of a hillside next to the Panama Canal to mark the start of the 50-mile waterway's biggest expansion project ever, the Associated Press reported. The \$5.25 billion expansion, approved in a referendum almost a year ago, is expected to double the canal's capacity. Panamanian President Martin Torrijos celebrated the start of construction with former US President Jimmy Carter, Colombian President Alvaro Uribe, and several Central American leaders.

**Kirchner Ally Loses Provincial Governor's Race in Argentina**

In a closely watched gubernatorial race in Argentina's Santa Fe province, socialist Hermes Binner beat ruling party candidate Rafael Bielsa, a former foreign minister of President Nestor Kirchner, the Associated Press reported. Binner won 46.2 percent with 77 percent of the votes tallied, while the Peronist Party's Bielsa, with 41 percent, conceded defeat. The Peronist Party has held power in Santa Fe for the last 28 years.

**Brazilian Mall Operator BRMALLS Files for Public Offering**

Brazilian shopping mall operator **BRMALLS Participacoes** said Monday it filed for a public offering. BRMALLS Brazil's largest shopping mall company with ownership of 27 malls and management of 38 others, said current shareholders would have priority rights in the offering of primary shares. It said **Private Equity International** informed it of its intention to buy up to \$75 million in shares.

**Political News****Opposition Labour Party Appears to Have Won Jamaican Elections**

Jamaica's opposition Labour Party (JLP) appears to have won control of the government by a narrow margin in elections Monday, ending 18 years in power by the People's National Party (PNP). According to Reuters, election officials said a preliminary vote count gave the JLP 31 of the 60 seats in parliament, but JLP leader Bruce Golding, who would become prime minister if the results are confirmed, took a cau-

“We can't row the boat of the nation with only one set of people doing the rowing.”

— Bruce Golding

tious approach, declining to declare victory, while Prime Minister Portia Simpson Miller refused to concede defeat and said PNP candidates could file legal challenges due to alleged voting irregularities. "In some constituencies, people were barred from exercising their right to vote," Simpson Miller was quoted as saying. "Rules were being broken. When we should not be campaigning, people were out there campaigning and buying votes

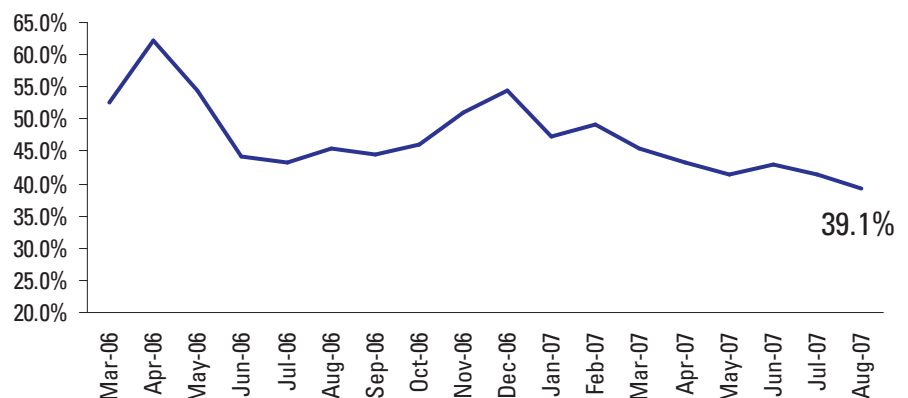
and we have this evidence." A recount of the election could take three days, according to Reuters. The PNP and Simpson Miller, who took office just 18 months ago, are struggling to hold onto power amid high unemployment, sluggish economic growth, and rampant crime, including a murder rate averaging 1,200 per year, among the highest in the world, Reuters reported. Mindful of the potential for political violence over Monday's election results, Golding urged his supporters to reach out to the PNP and not "gloat" while celebrating their apparent victory. "We can't row the boat of the nation with only one set of people doing the rowing. We need everybody on board."

**Bachelet's Popularity Falls to Record Low Amid Santiago Transport Woes**

Chilean President Michelle Bachelet's popularity is at the lowest since she took office in March 2006, as a public transportation fiasco in the capital, Santiago, continues to weigh on her administration, according to a poll published on Monday. Bachelet's approval rating declined to 39.1 percent in August from 41.5 percent in July, falling through the 40 percent mark for the first time in her 18 months in office, the monthly survey by local pollster **Adimark Gfk** found. Bachelet's popularity suffered last month amid continuing problems with Santiago's new public transport system, which sparked street

**Michelle Bachelet's Approval Rating**

March 2006-August 2007



Source: Adimark Gfk.

protests by commuters frustrated with the lack of bus service. In February, the government introduced the Transantiago system, which was supposed to improve service but instead resulted in long lines and overcrowded conditions at bus and subway stops [Editor's note: see related Q&A in the April 5, 2007 [issue](#) of the *Advisor*]. Bachelet took responsibility for the mistakes with the design and implementation of Transantiago, and promised quicker action to correct the problems. In March, she replaced her chief of staff and three ministers, including her minister of transport and communication, in response to the crisis. Santiago is home to about one third of Chile's population. The slide in Bachelet's popularity comes despite a booming economy, which is expected to grow 6 percent this year [Editor's note: see related Q&A in the August 30, 2007 [issue](#) of the *Advisor*]. Amid Chile's growing wealth, public school students have staged demonstrations demanding greater investment in the public school system, while workers at the nations' copper mines, the source of Chile's top export, have protested for higher pay. Bachelet's popularity has also been hit by low marks for her actions to curb crime, with just 7 percent of Chileans in August approving the way she has handled the issue, according to the Adimark Gkf poll. The survey of 1,013 Chileans was conducted August 7-26 and had a margin of error of 3 percentage points.

### Powerful Hurricane Felix to Make Landfall in Central America Today

Hurricane Felix, packing winds of more than 160 mph, is expected to make a potentially catastrophic landfall this morning in northeastern Nicaragua, near the border with Honduras. The monster storm was graded Category 5, the highest level on the US National Hurricane Center's scale, according to Reuters. Tens of thousands of people fled areas along Central America's Caribbean coast on Monday to escape the winds and rains, which sparked memories of Hurricane Mitch, which killed some 10,000 people in Central America in 1998. "We are faced with a very serious threat to lives and property. The most important thing is

## Human Capital

### *A Monthly Look at Education in Latin America by the Dialogue's Jeffrey Puryear* As Low Priority, Latin American Schools Not Very Competitive



WASHINGTON, DC—Policymakers agree that Latin America's ability to compete in global markets depends substantially on the quality of its schools. Good education is crucial, goes the argument, because the region can't compete with China and India on the basis of cheap labor, and because its mineral and agricultural commodities can't provide lasting prosperity for all. As the global economy becomes more knowledge-intensive, only a skilled labor force can consistently add value and guarantee the region's comparative advantage.

Latin American schools, however, are not very competitive. Although more children go to school, they do not appear to learn very much. Latin America routinely scores at the bottom in every international assessment of student achievement. In the most recent OECD test, half or more of the 15-year olds in the three Latin American countries that participated (Mexico, Brazil, and Uruguay) could not use reading to analyze problems or build new skills. A majority could not consistently apply basic mathematical skills to real-world problems. These relationships hold even when comparing Latin American students with countries similar in GDP per capita. And curiously, even the most affluent Latin American students score at or below the OECD average, and well below the OECD top-performers.

Indicators at the university level are no more encouraging. In a 2005 ranking of the world's 500 universities, no Latin American university ranked in the top 100. In most countries, less than a quarter of students study science and engineering, compared with nearly 40 percent in Korea and 30 percent in Ireland and Finland. Latin America scores well below Asia and Eastern Europe and the former USSR in the production of scientific and engineering articles. Most Latin American students receive less English instruction than do their counterparts in East Asia.

What's going on? A variety of technical explanations—low learning standards, inadequate testing, poor teaching, bad management, and (in some countries) low investment—explain the poor quality of the region's schools. But behind them is a more fundamental problem: few countries have given education genuine political priority.

To be sure, everyone agrees that quality education is crucial, and should be extended to all children, especially the poor. But when it comes time to make tough decisions, the consensus breaks down. Holding schools, teachers, and students accountable for achieving high learning standards means making powerful interest groups unhappy. Presidents, Congress, party leaders, employers, and even parents have not been willing to do that. Because of their reluctance, the effective demand for high-quality education is weak in most of Latin America. Until political leaders, employers, and parents move beyond their current false consensus, they won't willingly take on the political costs necessary to make quality education a reality.

*Jeffrey Puryear is Vice President for Social Policy at the Inter-American Dialogue.*

that people pay heed to the call for evacuation so that we don't have to count bodies later," Marco Burgos, head of Honduras' civil protection agency, was

quoted as saying. On the Pacific side, Tropical Storm Henriette was upgraded to hurricane status as 75 mph winds barreled toward Mexico's southern Baja Peninsula.

**Featured Q&A***Continued from page 1*

**A** **Board Comment: Carlos Paz-Soldan:** "It would be challenging for any government to respond to a disaster of this magnitude. The destruction of roads and hospitals, the temporary interruption of utility and telecommunications networks, and the continued aftershocks delayed efforts to provide relief in the aftermath of the earthquake. Foreign assistance has arrived, but the needs are huge. USAID has committed \$100,000 to the effort. According to some estimates, Peru's expected growth of 8 percent will be set back by about 0.5 percent. The hard-hit Ica region is the main epicenter of Peru's agro-export boom, its thriving apparel industry, and its emerging LNG and petrochemical cluster linked to the Camisea gasoduct terminus near Pisco. In addition, the region is an important stop in Peru's growing tourism industry. These successes have resulted in the near elimination of unemployment and an astounding 40 percent drop in poverty rates in the region. The US Congress has a critical role to play in Ica's reconstruction and ensuring that Peru's economic 'miracle' remains on track. Approval of the US-Peru Trade Promotion Agreement by the US Congress this fall would boost Ica's export-oriented economy at this critical juncture and spur the investment necessary for job creation and reconstruction."

**A** **Guest Comment: Manuel Glave:** "The initial response of the government after the quake showed the need for undertaking institutional reforms for emergency preparedness and response in Peru. Key actors in the 'national system' of Civil Defense, especially local and provincial mayors, did not react at all, while the armed forces did not provide their special allocated communication lines, arguing that these were to be used exclusively for 'national security' purposes.

Beyond these institutional weaknesses and a lack of adequate inter-agency cooperation, the combination of civil society collaboration with the response of international and governmental agencies has produced a sound emergency relief intervention similar to those previously demonstrated in recent Peruvian history. On the other hand, the net economic impact of the event is yet to be established, but there are already indicators that the potential boom induced during the following months of recovery (construction and infrastructure sectors) will not offset the economic growth in the agro-export, tourism, and fishing industries in the region. Recovery of the artisan fishery industry, one of the most vulnerable social groups affected, will be among the most difficult tasks at the heart of the epicenter. One important institutional reform that can be implemented, after several lessons learned in emergency preparedness and response in Peru, is the need to create a mechanism to reduce vulnerability to natural disasters. This could be the establishment of a fund to reduce vulnerability by financing the disaster prevention plans proposed by regional and local governments. This fund would become an incentive for local governments to move forward on the preparation of local prevention plans and their implementation."

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