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FEATURED Q&A

How Well Is Affirmative Action Working in Brazil?

Q In a call to reduce stubborn socio-economic inequality in Brazil, President Dilma Rousseff announced Nov. 5 that she will ask Congress to approve legislation to reserve 20 percent of government jobs for blacks. Would the law bring the intended results? What other consequences might it have? How well are affirmative-action policies, including one approved last year to increase the number of black students in universities, working in Brazil? What impact would Rousseff's proposed legislation have on the country's labor market and the hiring practices of private companies, such as government contractors?

A Judith Anne Morrison, senior advisor for social development in the Gender and Diversity Division of the Inter-American Development Bank: "The president's announcement has generated considerable excitement in civil society and social movements in Brazil. Yet, perhaps the most interesting result of the announcement is the increased attention on how far Brazil has actually progressed in equitable access for blacks in the public sector, and just how achievable the target announced by the president actually is throughout all levels of the government. According to the latest census by the Instituto Brasileiro de Geografia e Estatística (IBGE), 45 percent of federal, state and municipal employees are Afro-Brazilian. This is near parity with the total representation of Afro-Brazilians in the population at 51 percent. The highest concentration of Afro-Brazilian public sector employees can be found at the city and state level, with cities and states respectively counting 81 percent and 51 percent of employees as people of African descendant. Afro-Brazilians are already 33 percent of all federal government employees, which exceeds the proposed 20 percent target. However, the challenge would be applying the law to the highest levels of political and technical management, which has not yet been considered. According to the Escola

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Honduran Presidential Hopefuls Face off Sunday in Tight Race

Former First Lady Xiomara Castro de Zelaya and head of Congress Juan Hernández will face off Sunday for president of Honduras. Castro has led in polls for much of the year, but Hernández has seen a late surge in support. See story on page 2.

File Photo: Castro, Hernández Campaigns.

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NEWS BRIEFS

Vice President Garzón Won't Run With Santos Next Year

Colombian Vice President Angelino Garzón said Thursday that he will not run again with President Juan Manuel Santos in next year's election, BBC News reported. Garzón said he will focus on being elected to a local office in the 2015 elections. Santos, who announced his re-election bid on Wednesday, has until March to select a new running mate and register his ticket.

Argentina Doesn't Plan Major Economic Policy Changes: Kicillof

Axel Kicillof, who was promoted from Argentina's deputy economy minister to economy minister this week, said the country is not planning any major policy changes, Bloomberg News reported Thursday. Kicillof said that his ministry will maintain to focus on creating jobs, increasing production and evening out wealth distribution and will continue negotiations over price subsidies. As deputy minister, Kicillof was involved in tightening foreign exchange controls and nationalizing oil company **YPF** from Spain's **Repsol**.

Orange SA to Sell Unit in Dominican Republic

France's largest phone company, **Orange SA**, will soon announce the sale of its unit in the Dominican Republic for more than 1 billion euros ($1.35 billion), CEO Stephane Richard said today at a conference in Madrid, Bloomberg News reported. The company will use the cash from the sale to improve its balance-sheet flexibility, Richard added. Orange previously said that the company has unit attracted multiple bids, including from Jamaica-based **Digicel Group Ltd.**, the Caribbean's largest phone company.

Political News

Hondurans to Vote in Close Presidential Race Sunday

Hondurans will go to the polls Sunday to select a president, legislators and local officials. The candidates vying to replace outgoing President Porfirio Lobo have been in a close race, with the wife of deposed leftist President Manuel Zelaya fending off a surge in support for a powerful politician of the ruling conservative party, Reuters reported. Xiomara Castro de Zelaya, the wife of ousted President Manuel Zelaya, had the lead in polls for much of this year. The left-wing Libre party candidate's husband was overthrown in a 2009 coup, and her campaign is widely seen as an effort at a comeback by the former president. Her main opponent, Juan Hernández of the conservative National Party, edged ahead of her in polls late last month. The race is seen as too close to call. The impoverished Central American country's next president will have a range of problems to tackle, including the world's highest homicide rate of more than 85 people per 100,000. Honduras is also beset by a corrupt police force and economic problems. "I think it's in danger of becoming a narco-state, if it isn't already," Mark Ungar, a former advisor to police in Honduras, told Reuters. Ungar estimated that drug traffickers control half of the country's 18 states. With no runoff, the top vote-getter in the presidential race will be declared the winner. With a tight race, a close result could lead to accusations of fraud and protests, according to analysts. Castro, a novice in politics, gained fame for corralling support for her husband after the 2009 coup. She has benefitted from Hondurans' weariness of violence and the country's shaky economy. Hernández, the current head of Congress, is the political heir of Lobo, who is constitutionally prohibited from seeking another term. Also running for president is Liberal Party candidate Mauricio Villeda, who has been trailing in polls. Many analysts see Hernández as having the edge in the election because of the ruling party's political organization, suspicion of Zelaya and a split in leftist support between Castro and Villeda. The next president will have to deal with annual economic growth that is expected to struggle to reach 3 percent this year, Roldan Duarte, president of the Honduran College of Economists, told Reuters. That figure compares to last year's growth of 3.3 percent. The country's fiscal deficit is expected to exceed 7 percent of gross domestic product, while public debt is likely to be 41 percent of GDP, double the level in 2008, Duarte added.

> "I think it's in danger of becoming a narco-state, if it isn't already."
>
> — *Mark Ungar*

Economic News

Mexico's Economy Expands More Than Expected in Third Quarter

Mexico's economy grew more than analysts had expected in the third quarter amid a rebound in manufacturing, Bloomberg News reported Thursday. Gross domestic product increased 1.3 percent year-on-year, the national statistics institute announced. The median estimate of 20 economists in a recent Bloomberg survey was for 1 percent growth. Mexico's economy, the second largest in Latin America after Brazil's, grew 0.8 percent in the third quarter as compared to the second, an annualized 3.4 percent. Mexico's central bank has lowered its benchmark interest rate three times this year to a record low of 3.5 percent. At their last cut on Oct. 25, policymakers signaled that reduction would be the last for the foreseeable future. Downside risks have lessened, and the economy showed signs of strengthening in the third quarter after a contraction of 0.6 percent in the second quarter, the central bank said. Lawmakers' approval of a fiscal stimulus should boost consumer spending and help spur the economy, the bank added. "The economy seems to have

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stabilized during the third quarter and initiated a gradual recovery, anchored by the recovery of manufacturing production," Alberto Ramos, chief Latin America economist at **Goldman Sachs** in New York, told Bloomberg News in an e-mail. "There is no need to add more monetary stimulus to the economy in the short run." Mexico's manufacturing increased 2.9 percent in the third quarter as compared to the same quarter last year, agricultural activity grew 1 percent, and the activity of the service industry saw 2.3 percent growth, according to the statistics institute. On Thursday, the Finance Ministry also lowered its forecast for economic growth this year to 1.3 percent from its 1.7 percent projection in September. "This rate, while it reflects less force, continues to reflect positive growth and favorable expectations for the final quarter of the year," Deputy Finance Minister Fernando Aportela told reporters.

Aportela

File Photo: Mexican Government.

Company News

Caixa Econômica Federal Sees Decline in Recurring Profit in Q3

Brazil's state-owned **Caixa Econômica Federal** saw significant gains in interest income in the third quarter, but higher provisions and funding costs put a dent in the bank's recurring profit for the quarter, Reuters reported. The Brasília-based lender on Thursday announced recurring profit of 1.68 billion reais ($725 million) for the quarter, as compared to 1.71 billion reais in the previous three-month period. However, recurring profit, excluding one-time items, rose 38 percent in the third quarter from 1.22 billion in the third quarter of last year. Interest income grew 14 percent in this year's third quarter, but loan delinquencies also grew, leading the lender to increase bad loan provisions by 5.1 percent to 2.36 billion reais.

Featured Q&A

Continued from page 1

Nacional de Administração Pública (Enap) in 2006, blacks (self-identified as pretos) represent 2 percent of the highest level salaries, and African descendants as a whole (pardos and pretos together) occupy 16 percent of these positions. In other words, the representation of African descendants at the highest appointed technical and political management positions is only 4 percent below the president's target. According to the president's remarks, more than 40,000 new employees will be entering the federal government's executive branch next year, and many of these candidates will be selected through the competitive public entrance exam system. There are several opportunities to make minor adjustments in outreach and recruitment to meet the 20 percent target goal in higher-and mid-level government positions. Encouraging promising black candidates to take the highest level entrance exams for more senior positions, and tracking the actual number of blacks taking the exam, is a start. Given the large cadre of black candidates already in the government, it has a high probability of success."

A Leandro R. Tessler, associate professor at the Gleb Wataghin Institute of Physics (IFGW) and former director of international relations at the University of Campinas: "There is no doubt about the urgent need for affirmative action considering race in Brazil. Extending the discussion that was restricted to university admissions to public service and the job market is a very significant move. Unfortunately, affirmative action in Brazil has been mostly restricted to quotas rather than establishing preference mechanisms for socially fragile groups. Quotas create segregation because they establish very different standards for different groups, to the point that blue-eyed whites are tempted to declare themselves as pardos to enjoy advantages. In Brazil most of the population is pardo (mixed color) and there are no well-defined limits between racial groups. The social consequences of quotas in the long term are unpredictable. Some critics fear the emergence of a racially divided country. At the same time that quotas content

> "The social consequences of quotas in the long term are unpredictable."
>
> *— Leandro R. Tessler*

black leaders, they conceal the real challenge of providing competitive opportunities and competences for all. Brazil would be better off establishing inclusion processes that would involve investments in the quality of public basic education and no-nonsense preference mechanisms for blacks in all sectors of social life. This would surely stimulate black and disadvantaged groups to get the best possible education. They would still be competing for jobs and opportunities with the rest of the population, but with enhanced chances. The affirmative action program of the University of Campinas, or Unicamp, has shown that the overall quality of the institution can increase in this case. Affirmative action can be a win-win game."

A Alberto Pfeifer, executive director of the Business Council of Latin America (CEAL): "People of color—blacks, native and mixed—have been historically disadvantaged in Brazil, where they comprise 56.1 percent of the population. Their average wage is 36.11 percent lower than that of people who are not of color. Policies intended to promote social inclusion and integration are welcome and should help alleviate income differences of these cohorts when compared to Caucasians and Asians. A 2012 law reserves up to 50 per-

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Featured Q&A

Continued from page 3

cent of vacancies at federal universities by 2016 to people of color, from low-income families or who have attended public schools. A year later, the results are promising. Quotas vary depending on the proportion of people of color in each specific macroregion. Southern states are faring much better than northern ones, which still have to almost double vacancies to students from targeted populations. It remains to be seen if openings are filled by individuals who qualify and who are able to graduate. President Dilma now wants to set the example from the federal government. She is pushing Congress to approve legislation that will reserve 20 percent of new federal level job openings to blacks. Notwithstanding some populist and electoral logic behind it, quotas, although not the best strategy to achieve economic efficiency, can help in alleviating social inequalities. Promotion of voluntary ethnic diversity by the private sector and job training programs should follow. Most importantly, Brazil as a society needs to address universal access to high quality public education as its main strategic priority, making sure that in the long term any black or mixed-race kid from a poor background is able to get enough schooling to compete for any job, anywhere."

> "Promotion of voluntary ethnic diversity by the private sector and job training programs should follow."
>
> *— Alberto Pfeifer*

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

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