

LATIN AMERICAN POLICY STRATEGIES IN THE 2000s

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Elections in LA: Left-wing Governments in Argentina, Brazil, Chile, Bolivia, Venezuela, Uruguay

Major Strategic Differences:

Accommodation: Brazil, Chile, Uruguay

Rupture: Bolivia, Venezuela

Rupture/Accommodation: Argentina

National Strategies: Argentina

- 2001 Crisis: Balance of Payments/Public Debt
- Banking Crisis
- Moratorium/Debt Renegotiation with Cancellation of about 75% of Debt Stock
- Capital Controls on Inflows
- Low Interest Rates
- Low Debt Service
- Primary Surplus but Public Investment
- Dirty Flexible Exchange Rates
- Heads of Household Program

National Strategies: Brazil

- BP Crisis of 1999:
 - Flotation of Exchange Rates
 - Fiscal Primary Surplus for Debt Mnmgmt
 - Inflation Targeting
- High Interest Rates: Low Private Investment
- Fiscal Policy: Low Public Investment
- Appreciated Currency: Impact on Exports
- ➔ STAGNATION TRAP

National Strategies: Bolivia

- HIPC
 - Creditors: WB, IADB, CAF, IMF
- Dependent on Gas and Mining for Export
 - Income Generation
 - Hydrocarbon Taxes: responsible for fiscal balance
- Social Instability

Favored by commodity prices (especially oil)

Strategy: Increasing Role for the State

Majority Stake in Mining and Hydrocarbons

Development Bank for Small and Medium Firms

Agrarian Reform

National Strategies: Venezuela

- Most Radical Departure from Conventional Model:
- Control of Interest Rates and Bank Spreads and Fees
- Mandatory Coordination of Fiscal and Monetary Policies
- Exchange Control by the Central Bank
- Excess Reserves of Foreign Currency: Development Fund Supporting Productive Investment, Health and Education
- Creation of a Treasury Bank
- Stabilization Fund to stabilize public expenditures even with revenue fluctuations
- Price Controls/Control over Credit Allocation

National Strategies: Uruguay

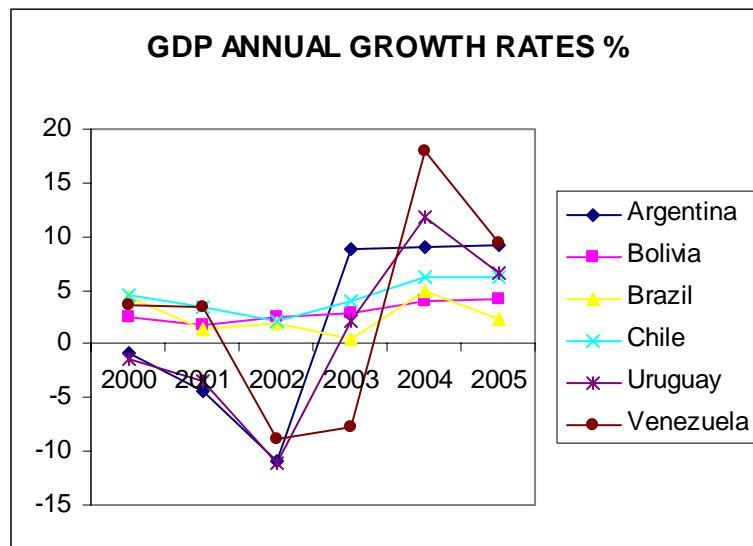
- No Change under Leftwing Government
- Macropolicy along IMF lines
 - Fiscal Primary Surplus (3.6% of GDP in 2006; 4% in 2007)
 - Monetary Targeting → Inflation Targeting
 - Dirty Floating moving toward Pure Floating
- Structural Reforms
 - Tax Reform and Budget
 - Social Security
 - Bankruptcy Law, Competition, Transparency

Public/Private Partnership for Infra-structure investment

National Strategies: Chile

- IMF's Paradigm
- Macropolicies
 - Fiscal Restraint
 - Prudent Monetary Policy
 - Freely Floating Exchange Rates
- Structural Reforms
 - Sound financial system
 - Open Trade
 - Still ahead: labor market reforms (IMF)
- Benefiting from Commodity Prices, especially demand for copper from China

Graph 1 – GDP annual growth rates



GDP Annual Growth Rates

	2000	2001	2002	2003	2004	2005
Argentina	-0,8	-4,4	-10,9	8,8	9	9,2
Bolivia	2,5	1,7	2,5	2,9	3,9	4,1
Brazil	4,4	1,3	1,9	0,5	4,9	2,3
Chile	4,5	3,4	2,2	3,9	6,2	6,3
Uruguay	-1,4	-3,4	-11	2,2	11,8	6,6
Venezuela	3,7	3,4	-8,9	-7,7	17,9	9,3

Table 1 – Gross Fixed Capital Formation (As % of GDP)

	2000	2001	2002	2003	2004	2005
Arg	16,2	14,3	10,2	12,9	15,9	17,9
Bol	17,9	13,8	16	13,9	13,2	13,1
Bra	19,3	19,2	18,1	17,1	18	17,9
Chi	20,7	20,9	20,8	21,2	22,2	25,8
Uru	13,2	12,4	9,4	8,1	9,5	11
Ven	21	23,1	20,7	14,2	17,2	20,9

Table 2 – Balance of Payments Results (US\$ Million)

	Current Account Balance			Capital Account Balance		
	2003	2004	2005	2003	2004	2005
Arg	7982	3278	5407	-17019	-10230	2312
Bol	62	337	467	15	-211	26
Bra	4177	11679	14193	-451	-5073	13398
Chi	-964	1586	703	598	-1772	1013
Uru	-58	43	-88	1092	263	884
Ven	11448	13830	25359	-6005	-11932	-19902

Table 3 – Gross External Debt (US\$ Million)

	2000	2001	2002	2003	2004	2005
Argentina	155015	166272	156748	164645	171115	113518
Bolivia	4460	4497	4400	5142	5045	4942
Brazil	216921	209934	210711	214930	201373	169450
Chile	37177	38527	40504	43067	43517	45014
Uruguay	8895	89837	10548	11013	11593	11441
Venezuela	36437	35398	35460	39672	44546	47233

Table 4 – Unemployment Rate (%)

	2000	2001	2002	2003	2004	2005
Arg	15,1	17,4	19,7	17,3	13,6	11,6
Bol	7,5	8,5	8,7	9,2	6,2	
Bra	7,1	6,2	11,7	12,3	11,5	9,8
Chi	9,2	9,1	9	8,5	8,8	8
Uru	13,6	15,3	17	16,9	13,1	12,2
Ven	13,9	13,3	15,8	18	15,3	12,4

Table 5 – Inflation Rate (Consumer Prices)
%

	2000	2001	2002	2003	2004	2005	2006
Arg	-0,7	-1,5	41	3,7	6,1	12,3	11
Bol	3,4	0,9	2,4	3,9	4,6	4,9	3,5
Bra	6	7,7	12,5	9,3	7,6	5,7	4
Chi	4,5	2,6	2,8	1,1	2,4	3,7	3,9
Uru	5,1	3,6	25,9	10,2	7,6	4,9	6,7
Ven	13,4	12,3	31,2	27,1	19,2	14,4	11,8