



# CARLOS PEREZ VERDIA

Head of the Private Office of the Minister of Foreign Affairs of Mexico

## **Dominique Moïsi, Special Advisor, Ifri**

Thank you. We will now make a little detour to Latin America, before ending in Asia, thanks to an old friend of the WPC, Carlos Pérez Verdía, who is Head of the Private Office of the Minister of Foreign Affairs of Mexico.

## **Carlos Pérez Verdía, Head of the Private Office of the Minister of Foreign Affairs of Mexico**

Thank you. I will take the advantage here to talk about Latin America and use three of the conference themes to do so. Starting with global security, in Latin America we have no significant religious, ethnical or cultural rivalries and no significant border disputes. We are therefore more or less absent from the debate on spheres of influence. We are not an external or global threat to geopolitics. However, it is interesting that we are absent given that in most of the panels that we have had over the past three days the [even though the ]US has been mentioned in almost every single one and of course at the doorstep of the US are 500 million people who live in Latin America.

Joseph Nye mentioned yesterday that the US is in a period of retrenchment – I believe that that was the word that he used when talking about the cyclical engagement of the US in geopolitics – so the question that I was asking myself was whether this is evident in Latin America. I am not sure that I would use the word 'retrenchment'. In some ways, it is a welcome absence of being a protagonist, especially in those areas where the US is not necessarily welcome or being asked to be present. However, that does not mean that it is not engaged, especially bilaterally, particularly in those topics where it is mostly interested, certainly such as security with Mexico, where border management is one example. Migration is another example and we saw a big crisis of childhood migration during the spring and the US working very closely with El Salvador, Guatemala and Honduras on this.

Interestingly, I think that the most significant policy action that the US has taken in terms of relations with the continent is actually domestic policy and this has to do with the executive action by President Obama on immigration where the implications will be enormous. Just from Mexico, there will be 4 million Mexican immigrants to the US who will for the first time be able to have a driving licence and to travel, get a job and have access to healthcare. Here, we are talking mainly about the parents of US citizens. This will continue to shape the ethnic face of the US, bringing a huge boon for the empowerment of the Latino population, which is rapidly on its way to becoming one third of the US population.

The second topic of the conference that I will draw some inspiration from is the growth and inequality debate, which I thought was fascinating. Here, I am perhaps a little less optimistic than last year when many of the Latin American countries were doing a lot of structural reforms that they knew that they had to do. My being less optimistic comes from two sources. Firstly, there is the short term risk, which Jeffrey talked about yesterday, and the huge capital flows. I think that during the crisis Latin America proved that it was mainly, I would not like to say 'absolutely', resilient. We are not facing the Latin America that we faced in the 1980s or 1990s. Nevertheless, perhaps what is most worrying here is the continuing fiscal dependence of some countries on resources from commodities. For example, one third of Mexico's fiscal budget is still oil dependent. For Colombia, it is one fourth and it is much higher than that for Ecuador.

Perhaps more worryingly are the mid term prospects for growth. I think that we should congratulate Dominique and Thierry for holding the conference in Korea. It was a welcome aspect of the conference to have the conviction of our Korean friends on the benefits of markets for the economy and the ultimate goal of development. To be honest, I think that in the debates over the past few years since the crisis, the pendulum has swung completely the other way and we have in some ways vilified markets.



In Latin America, even though we can see examples, such as South Korea, the debate is still very much alive. There is a lack of conviction and trust in market economics in some places. I think that we are caught in what the Organisation for Economic Cooperation and Development (OECD) has called 'the middle income territory' and have not made the transition to an economy of knowledge. For example, if we compare surveys on the need or difficulties in finding qualified work, 15% of companies in East Asia, according to the OECD, say that they cannot find qualified work. For Latin America, the figure is 40%, which is a huge difference. There are also other statistics. Again using our host as an example, firms in Korea invest about 3.5 4% of their income in research and development; in Latin America, for the top country, Brazil, it is less than 1%. Korea has about 250 patents per 1 million inhabitants; in Latin America, the top country is Chile at 2.5, which is 1% of what is here in Korea. I think that this is a source of worry.

Let me also quote some of the figures on the difference in starting a business in Korea and Latin America. The ease of doing business index for the World Bank has the Pacific Alliance countries of Mexico, Chile, Peru and Colombia in the range of the 30s 40s, but there is then a chunk of very significant countries, with Brazil, Argentina, Bolivia and Venezuela all being higher than 120. South Korea is at number five. In South Korea, it takes three procedures to start a business, in Mexico, it takes six, which is double that of Korea, and in Venezuela, which is last on the list, it is 17. In terms of time to get electricity for a new business, in South Korea, it is 18 days, in Mexico, it is two and a half months, and in Venezuela, it is half a year. I could go on.

Let me move on to my conclusion on governance, which is the largest challenge for Latin America. We have both global opportunities, such as those mentioned by Minister YU Myung Hwan yesterday on Mexico, Indonesia, the Republic of Korea, Turkey and Australia (MIKTA) and there are also huge local challenges. As my conclusion, I will use what Dominique summed up yesterday by saying that the miracle in Asia, and not in the Middle East, is the question of governance. Dominique mentioned the absence of the rule of law and human rights violations as being unacceptable and I would have to say that that is also very much the case in Latin America.