

Americas Politics & Policy

Earthquake adds to challenges for Piñera Premium

JULY 19, 2010 by: Jude Webber in Santiago

Sebastián Piñera, the face of Chile's new, respectable right, wants to be a statesman. But four months into his presidency, he looks and sounds more like a businessman on a turnaround mission.

If Chile were a company like the ones in which Mr Piñera made his billions, it would be a success story: growth is high, in spite of the tough outlook for many trading partners. The country has \$11bn (€8.5bn, £7.2bn) in savings from copper, its flagship export and an enviable record of prudent financial management. But almost every inch of Mr Piñera's desk in the La Moneda presidential palace is stacked with reports on how the country could do better. He has a calculator to hand, a pad scrawled with figures in front of him and a Bloomberg terminal. The impression is of a workaholic micromanager, a hyperkinetic South American Nicolas Sarkozy.

Mr Piñera won his four-year term by preaching the need to change gear after 20 years ruled by the leftist Concertación coalition, which took power after General Augusto Pinochet's 17-year dictatorship. That was before a devastating earthquake and tsunami two weeks before his inauguration wreaked \$30bn damage and turned his agenda inside out.

Chile has bounced back and the economy grew 7.1 per cent in May against the same month last year, setting the course for expansion of 4.8 per cent this year after contraction of 1.5 per cent in 2009. But as well as delivering on ambitious promises of creating 1m jobs, boosting growth to an average 6 per cent a year and achieving structural budget balance by 2014, Mr Piñera has to find an extra \$8.4bn to rebuild flattened homes, schools, hospitals and other infrastructure.

"Don't judge us on intentions but on results," he says. "I feel that in a little over 100 days, we have achieved very fertile results but the best is yet to come."

Mr Piñera is taking up causes that might seem surprising for the right in socially conservative Chile, such as backing a law allowing homosexual civil unions. But many Chileans dispute his assertion of "big changes". Even within the business community – the natural constituency of a president who was a big shareholder in the LAN airline and still owns a television station, which he is seeking to sell – there are misgivings.

"It's not very different to the previous government," notes one executive. Opinion polls put Mr Piñera's approval rating at 53-54 per cent, the lowest of any president starting a term since democracy returned in 1990, and the cabinet, packed with heavyweight economists and former industrialists, is more popular than its chief.

A multilingual Harvard economics PhD, who makes frequent references to his Catholic faith, family values and speaks in soundbites about his public service vocation, Mr Piñera been attacked for being overly informal and lampooned on television.

He admits to "not being unmoved" by critics but says: "The Concertación were in power for 20 years. We're a new team. We've had to learn."

One problem is that some reforms, such as an overhaul of capital markets to boost investment and jobs, are too technical for many voters to understand. Easier to grasp is poverty: Mr Piñera has vowed to eradicate indigence among Chile's 17m people by 2014 but new data show the poverty rate, which fell from almost 40 per cent in 1990 to 13.7 per cent in 2006, has risen to 15.1 per cent.

The government pushed through a rise of just 4.2 per cent in the minimum wage, to 172,000 pesos (\$320, €250, £210) this month, saying it could not afford more.

Many poor people felt that was a slap in the face.

Mr Piñera plans an "ethical family income" subsidy, with strings attached and decreasing over time so as not to create a handout culture.

He predicts the "mother of all battles" in his plans to reform the education system, partly through better management and more training.

Labour market flexibility and the traditional conservative crime-fighting and drug-busting agenda are also priorities.

It has not all been plain sailing so far. Plans to put up a mining tax to raise \$1bn for rebuilding were scrapped in Congress this month. On the plus side, an upgrade by Moody's, the rating agency, in June put Chile at double A three, the fourth highest investment grade.

Mr Piñera is clear about the need to maintain momentum.

"No guts, no glory," he says.