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AFTER THE CHILEAN EARTHQUAKE:

REBUILDING OUR COUNTRY BETTER THAN IT WAS BEFORE

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HIS EXCELLENCY SEBASTIAN PINERA
President
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P R O C E E D I N G S

MR. INDYK: Good morning, ladies and gentlemen. Thank you very much for turning up so early on a Monday morning. I think it is a suitable honor to our very special guest this morning, President Piñera of Chile.

I am Martin Indyk, the vice president and director of the Foreign Policy Program here at the Brookings Institution. I'm happy to be joined on the podium this morning by Mauricio Cárdenas, who is the director of the Latin American Initiative at the Brookings Institution.

We are, as I said, very honored today to have President Piñera address us. He's a man who is steeped in economics, educated first at the Pontifical Catholic University of Chile and then at Harvard where he received his MA and PhD in economics.

A successful businessman, he began his political career in 1988, when democracy was restored to Chile, and one year later he was elected as a senator for Santiago. His expertise was in reforming social programs, the tech system, and increasing the minimum wage where he made considerable impression in the Senate. He served on the Commission for Justice and Democracy and contributed to various important initiatives in the political life of Chile related to the democratization of the Republic's Constitution. He was also part of the Human Rights Commission and made a reputation for himself by condemning the human rights violations of the military government.

He has since then been very active in politics in Chile. He was president of the National Renewal Party, a centralist political party that represents the Chilean middle class, holding that position until March of 2004. In the 2010 election this year, Mr. Piñera was elected President as the head of the Coalition for Change, a coalition that united the center-right and the political-center in Chile, achieving for them a historic victory for the first

time in 50 years taking power.

He was sworn in as President some two weeks after the devastating earthquake that rocked his country. You will probably recall that his inauguration was also struck by one of the aftershocks of that earthquake, a reminder -- if any was needed -- of the terrible devastation and hardship inflicted on the people of Chile who now look to their President to lead them out of this crisis.

He is a man for the times. He has deep political experience; the founder of the Conservationists Foundation, and he now as President of Chile comes to Washington representing a country to whom I think all Americans, Mr. President, are full of identification and admiration for the way that your people have handled this terrible tragedy. And we ask you to take back to them the support and good wishes of the American people for a full and effective recovery.

Ladies and gentlemen, please join me in welcoming President Piñera to the Brookings Institution.

PRESIDENT PIÑERA: Thank you very much, Martin. Good morning to all of you. I would like to say hello to many of you, starting with Mauricio, Senor Senators, Jose Miguel Insulzas, Ambassadors.

I would like to make a short presentation about what was our program before the earthquake, and how it will be affected after the earthquake and tsunami that we had to face on February 27.

First of all, we had a very good period, 12 years of plenty, between '86 and '97. This was a "Chilean miracle." Our average growth rate was 7.8 percent per year for 12 years. Our productivity was increasing at 3.1 percent per year. Our job creation was very healthy, and the unemployment rate went down very significantly.

At that same time, the world was growing at a much less pace, and

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therefore, we were among the 10 fastest growing countries in the world. In that period we also were able to recover our democracy, which is a natural way of life of the Chilean people, in a very peaceful and smart way. Unfortunately, those years of plenty changed after the Asiatic crisis in 1998. From then until now, the average growth rate of our country is less than half of what it was. The unemployment creation is also half of what it was. The productivity instead of growing at 3.4 percent is almost stagnated. At the same time, the world was able to increase its growth rate, and, therefore, we -- instead of being part of the 10 fastest growing countries in the world, we are in the middle of the tape.

For that reason we can make this comparison: We see clearly that in the first year of plenty, Chile was a very -- was a leader in terms of growth, job creation, and many other things. After that we are in the middle, just coupling with the average of the world. And one of the main objectives of our government program is to recover our capacity to grow and create jobs. This is the annual growth rate of the last four governments in Chile. You see that is clear, and we would like to change that tendency. And as I just said, is the main objective of our government program. That's why we passed as many newspaper, as said from the "Chilean miracle" to what has been called the "Chilean siesta."

Our goal as government first of all is to recover a capacity to grow at 6 percent per year. If we are able to soar -- and I think we are -- we will be able within this decade to achieve a level of per capita income of \$24,000, which is the threshold between underdevelopment and development, and we will also be able to defeat poverty. Therefore, the main objective of our government is to be able to achieve within this decade a country that has been able to defeat unemployment, to defeat poverty, and to defeat underdevelopment.

To achieve this, we need to create jobs -- 200,000 jobs per year -- which is something that we did in the past, but we lost that capacity. In the presentation that I will

give you are all the details in terms of our plan. Maybe in the question part of this we can go deeper in any of these issues.

The third thing is that the second objective of our government is to start defeating crime. The crime rate has been increasing significantly and right now is the main problem -- before the earthquake, of course -- of the Chilean society. And we have already been able to achieve very important success in the way that we are defeating crime. There is one day, which is called the Dia del Joven Combatiente, which is normally a nightmare of destruction and death, this year was a very peaceful one. We took all the problems in order to achieve and guarantee security, public security, public safety, and also to restore the possibility of living in peace for our people.

The third objective is to undertake a very deep reform in the health sector. And the fourth one is to do the same in the educational sector. Those are the main objectives of our government. And on top of that, of course, to defeat and eradicate poverty within this decade. We are planning to eradicate extreme poverty within our government in the next four years and to be able to eradicate poverty within the decade.

So basically, that was the platform under which my government was elected, on generally the seven things. But that's not all. We also need to face what the earthquake has not only destroyed in our country. At 3:34 a.m. on Saturday, the 27th, Chile was hit by one of the worst earthquakes in the history of mankind. Actually, it was the fifth worst earthquake in the known history of mankind, and it was followed by many tsunamis that was a very devastating experience for my country. It lasted more than 2 minutes, and it affected the heart of our country because 75 percent of the population lived in areas that were affected by the earthquake and tsunamis that came after. Besides the five worst earthquakes in the history -- in the known history, of course, of mankind -- two of them have taken place in Chile: the first one in Valdivia in 1960, and the last one on February 27. It

was so big that it changed the axis of the world. It displaced the Blanca, the Nazca, 8 meters. And as I was telling you before, it is among the five worst earthquakes in the history of mankind.

I will show you some pictures, and this is Juan Fernandez-Robinson Crusoe Island before the tsunami, and this is after the tsunami. This is Constitution at Port City before that. This is a small town called El Laca before and after. This city was absolutely devastated. This is a port before and after. I could show you so many pictures because it was a real catastrophe that affected, but the most sensible loss is the loss of lives. We lost 342 people and we still have 95 people which are disappeared, probably most of them are dead. Two million people were affected, 800,000 victims, 370,000 homes were destroyed or severely damaged, 4,000 schools were destroyed or severely damaged, which as a percent is 45 percent of the total school system of our country, 79 hospitals in the affected zones are condemned or severely damaged. And we think that the bill that we will have to pay for the rebuilding of our country will come close to \$30 billion, which is 17 percent of our GNP. From this we will have to subtract, of course, insurance compensations, but, at the end of the day, this is the total destruction that the earthquake and the tsunami provoked in Chile, and we will have to face this.

For this, we are planning to undertake a plan that has to be faced. The first one was the emergency, the immediate emergency, to take care of the people that lost their life, to take care of the victims, to restore public safety, to restore basic services like water, electricity, and food. That has already been done, and it took us thirty days to restore those basic aspects after the emergency. The second is the winter emergency. We are running a race against winter because we have to come up with 200,000 emergency shelters before the winter rains and cold hit our country. We have also a health emergency, to be able to restore our private health sector before the diseases and attention that people need are

there. And also we are running a race against not losing the educational year because we will need to place 1,200,000 students that lost their schools. For this we have set a time framework of six months, and we hope that we will achieve our first goal two weeks from now when we will be able to guarantee that all kids, boys and girls, will be attending schools. In terms of emergency shelter, we have a longer period, June 21, which is the day that the winter starts in my country.

This will imply a total cost for the public sector of about \$10 billion, and we are planning to fund this first with fiscal austerity that has already begun. We are sending today a bill to the Congress that we create a reconstruction of rebuilding fund and a donation law. We will use partial -- we will use our state's savings that today amounts to something around \$11 billion. Our objective is that we will only use increases in that fund so that the absolute amount of the fund will not be touched. And we hope if the copper price stays high as it is today that we will be able to use what we will be saving from now on, not what has already been saved. We will use public indebtedness. Actually our poverty debt is zero or negative, and, therefore, we can responsibly use public indebtedness as part of our funding package. We will also announce this week some tax adjustment. And finally, we will be selling known core public assets. These are the six sources of funding for our rebuilding plan that we will make public within this week in Chile.

We will need, of course, not only financial resources, but also human resources. And that has been something very, very important because the reaction of people in terms of collaboration, in terms of a willingness to work again, has been extremely strong and is something that is part of our rebuilding effort. It's a very important and necessary part of our rebuilding.

We, therefore, will face two major challenges. The first one is to retrieve the wasted time and recover our growth and job creation capacity. And the second is to run

faster and take a big leap towards development.

(Clip played)

PRESIDENT PIÑERA: This is what we'll have to do in order to become a developed country without poverty within this decade, but also --

(Clip played)

PRESIDENT PIÑERA: Basically we had a government program which was extremely ambitious to restore our growth capacity and job creation capacity, to be able to defeat crime, or start defeating crime, to improve the quality of our health system and our educational system. And now we have another challenge, which is to face the emergency and the reconstruction of all that the earthquake and the tsunami destroyed in my country. But I'm very confident that we have an excellent, strong, and reliable plan, and that with the help of all Chileans, we will be able to achieve our government goals and at the same time rebuild our country.

Thank you very much.

MR. CÁRDENAS: Very well, Mr. President, thank you very much. The President has graciously accepted to take some questions from the public, and we have about 40 minutes for that before he goes to another meeting.

Let me try to provoke this conversation and stimulate your questions first by saying, Mr. President that it's a -- it's truly an honor for Brookings to have you here.

Our work at Brookings is to promote a new understanding about Latin America here in Washington with the U.S. Congress, the U.S. Administration. And it really helps a lot to have presidents like you that come with clear ideas, with a clear platform, with an approach that is very concrete, very practical. That, we know, in our region has been lacking in many cases in the political sphere, so it's very refreshing to have you and we are, again, very thankful for you to have chosen Brookings as the outlet for your first presentation

here in the U.S.

Let me begin with a comment on the economic issues. By reading your platform, and your -- basically the main campaign proposals, you put a lot of emphasis on employment generation and particularly the figure of 2 million new jobs for Chile was something that was widely to be publicized.

PRESIDENT PIÑERA: Excuse me. Don't expand our goals from 1 million to 2 million.

MR. CÁRDENAS: Two, okay. One million.

PRESIDENT PIÑERA: One million is enough.

MR. CÁRDENAS: One million, yes. You are right.

So the earthquake can be seen by the pessimists as a challenge that will compromise that goal; by the optimists as something that can actually help reinvigorate the economy by generating new activities, especially infrastructure and construction.

But the pessimists highlight the fact that for the reconstruction there will be the need to raise taxes at a time when the world economy is not growing, at the time when the Chilean peso is appreciating so that that could compromise competitiveness.

What do you say to the critics? How do you see these 2 objectives, the 1 million jobs and the reconstruction and the needs of new government funds, reconciled?

PRESIDENT PIÑERA: Well, on March the 11, when the inauguration ceremony was supposed to take place, I was waiting at 12:35 to enter our Congress, and between 11:35 and 12 a.m., we had three earthquakes. Two of them were major ones. At that time there was a tsunami alert and the city of Valparaíso was ordered to be evacuated.

So I was with my wife and waiting to enter and somebody asked me whether I wanted to save my life or to become president. And I decided to become president, and I entered our Congress where people were really scared to death. There

were many, many pessimists on Latin America.

So let me tell you something, of course the earthquake is something that if we could have avoided we would have done it because it was a major hit to our country. The total cost is \$30 billion in terms of schools destroyed, houses destroyed, hospitals destroyed, infrastructure. And the blow to the private sector.

I think that we will recover between 5- and \$8 billion from insurance compensation; therefore, the net costs will be something between 22- and \$25 billion. And in gross terms, 50 percent of that will have to be paid by the public sector and the other half by the private sector. Therefore, we are planning to face a new challenge that will cost us \$10 billion within the next 4 years.

Of course, that is a blessing and an opportunity. It is a blessing from one point of view and it is a tragedy from another point of view. How will we fund that? We are fully aware that if we just use our foreign savings, okay, we will be depreciating our exchange rate and that won't be good for our economy.

If we just rely on domestic debt, we will be pushing our interest rates too high. That's why we have put a plan that will, this place, will distribute the burden in six different sources. Austerity, we have already capped public expenditure significantly in areas that were not the most important one. The second one, as I told you before, is the use of our foreign savings. The third one is public debt, the fourth one is taxes. The fifth one is donations that we will try to get from the private sector, that's why we are passing a law or we are sending today a law to Congress. And the last one was to sell non-core assets of the public sector.

Therefore, we are trying not to affect in a significant way the exchange rate and the interest rate. And, therefore, I think it's a very balanced plan.

Now in terms of taxes, you know, everybody wants to be taxed except

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when you are taxing them. That's something that is part of human nature. We will announce our package in full details within this week. But we think that the growth rate of Chile, that for this year we are expecting a 5.5 rate of growth will be affected and, therefore, we have changed our plan from 5.5 percent this year to 4.5. But we are keeping our goals for 2011, '12, and '13. And, therefore, we think that we will be able to achieve an average growth rate very close to 6 percent, which was our goal before the earthquake.

On the other hand, we will need a lot of unity in order to be able to successfully face this earthquake. And that's why we are trying to create a consensus within the country on how to face this tragedy and we hope that the opposition will be a constructive one. And we have here a very distinguished representative -- two very distinguished representatives, Senator Walker and Senator Allende, and I see from their eyes that they are agreeing with me.

Thank you very much, Senators.

MR. CÁRDENAS: Thank you Mr. President. You know, by listening to your answer, one of the issues, when you observe Chile and you read about Chile -- Chile is, by the way, for all of you that are not totally aware, is the model for many Latin American countries in terms of the reform agenda and how to do things, and we are always in great debt to Chile because of those roads and those new areas of reform.

But one area in which Chile has not been at the same level of speed as, say, countries like Brazil or even Colombia, is in allowing the private sector to take a share of the key strategic assets of the state. If you think for example in Petrobras, it's already in the hands of the private sector a good chunk of the shares; Ecopetrol, the same.

The discussion of Codelco in Chile is somewhat more difficult. And Codelco, for those of you who are not totally aware, is the state-owned Chilean copper corporation. Why is that issue so difficult in Chile?

PRESIDENT PIÑERA: Well, first of all, Codelco is 100 percent owned by the state and that's part of our constitution. And, therefore, to introduce any change on this you need a very broad and solid agreement, which has never been achieved.

There are many reasons why we have this constitutional restraint. Mainly it's because of history of copper. You remember that copper was nationalized during the President Frei government and then was nationalized again during President Allende's government and, therefore, has a very strong emotional aspect, and that's why we have Codelco property in our constitution. Any change to this will need two-thirds of Congress. That's why we're not -- in our program we are not innovating in this area.

But we can innovate in other areas. For instance, Codelco owns Edelnor, which is an electric plant which is not part of its core business. And we are studying what to do with non-core public assets as part of our package to fund our rebuilding program. But any time that you touch Codelco in Chile, you will get into a very, very intense and ideological discussion. And we don't want to spend the next week, month in this kind of discussion because we want to concentrate on the rebuilding effort on one area and on -- in our government program on the other.

But we are intending to include in our plan the disposal setting at market price in a transparent way of many, many non-core public assets. But we are not including Codelco in our package and I would like that to be very clear because otherwise that will be the main news tomorrow in our papers.

MR. CÁRDENAS: Thank you. Well, thank you for answering the question and it's very clear, the answer.

Moving a little bit into the politics and the political issues. You will be sitting tomorrow at lunch next to President Obama as special deference that the White House has made to you, because there are 40 other heads of state here in Washington. And I'm sure

President Obama will like to know from you how things are going in Chile, especially in terms of the reconstruction and your first weeks in office.

But I don't think there are big, big issues in the bilateral agenda, maybe you can correct me on that. So I would expect President Obama to move on the conversation with you to more general issues on Latin America, your perceptions about Latin America, issues like Honduras, which have created somewhat of a division in the region.

So I don't know if you could share with us what would you tell President Obama if he asks you on your general perception about the current situation in Latin America.

PRESIDENT PIÑERA: Well, I see Latin America like two models and each country, of course, has its right to choose its path.

On the one hand, you have the model that is being followed by countries like Venezuela, Cuba, Nicaragua, maybe Bolivia, eventually Ecuador, and that's what they have chosen. On the other hand, is another model which is based on free, open economies; is based in traditional democratic values, state of law, independence of the different public powers, freedom of press, and so on. The model that you have lived in this country since your independence.

In that second group you could include countries like Mexico, Colombia, Peru, Chile. I'm absolutely convinced that the second model is the best path for Chile and, therefore, I'm planning to follow that model, which means to improve the quality of democracy. And we have a lot of ideas on that area including the right, including expanding the right of vote to Chileans living abroad and improving the quality of political parties and many other aspects.

In terms of the economic area, we will follow what has been the path of Chile for the last — for many, many decades to strengthen our market economy; an open,

competitive, and transparent market economy. But we will add something which is very, very important which has been in the agenda since ever in our country, but we have never been able to really achieve important goals, which is to reduce the level of inequality in Chile, which is extremely high.

We have the same level of inequality today that we had when the democratic system was restored in Chile and we are planning to do very important progress in that area, which would be part of our fight to defeat poverty. And, therefore, I think that there are two different models, and that's something that we will have to learn to live with because, at the end of the day, we have to be able to live in Latin America respecting our different views.

With respect to Honduras, of course, we condemned the coup d'etat that took place in Honduras, and it was a coup d'etat and we are very, very committed to defend democracy. That's why we have been talking with Secretary José Miguel Insulza, general secretary of the OAS, in a project to improve the Corte Interamericana, la Corte Interamericana -- the Inter-American Democratic Charter.

Because today we have good tools to defend our democracy when the enemy is beyond the system, when the coup comes from abroad, from beyond the system. We don't have a good system to protect democracy when the challenges come from within the system.

And, therefore, we would like to change the Inter-American Democratic Charter in order to strengthen the power of the general secretary of the OAS and maybe incorporate an idea that every year the general secretary has to give a report of the state of democracy in each and every country of Latin America or member of the OAS.

And at the same time, when you have problems in the democratic system from within, for instance a president that maybe -- that might have been elected

democratically, but in the exercise of his power becomes anti-democratic, and there is nothing that be done today given the Intra-American Democratic Charter.

I would like that the general secretary of the OAS has the same power even to suspend the membership of that country as it has today when the problems come from beyond the system that I think that the OAS should have the same power to take action when the problems against democracy comes from within the system. That's something that would have to take place.

Now in the case of Honduras been following very closely what President Lobo has been doing, how he's accomplished the agreements that were achieved in San Jose and Tegucigalpa. And I hope that Honduras will be able to become part of the OAS and to restore its full and plain democracy as soon as possible and if we can help on that, we will do it.

I know that the U.S. has already recognized Honduras, but most Latin American countries haven't and that's something that we will have to discuss with President -- I hope I will be able to discuss with President Obama, and not only with President Obama, also with President Lula, President Fernandez, and President Calderón, that will be at this Nuclear Summit.

MR. CÁRDENAS: Speaking about President Cristina Fernandez and President Lula, you were just last week, I think Thursday and Friday, visiting Argentina and Brazil, which is customary for newly inaugurated Chilean presidents to go and visit. Was this topic part of the conversation in your meetings in Buenos Aires and Brasilia?

PRESIDENT PIÑERA: Yes. We discussed the Honduras issue with President Fernandez and President Lula and, basically, all of us want the same. We would like Honduras to be part of the OAS again and to become part of the democratic family in Latin America as soon as possible. But, of course, we are following what Honduras has

been doing.

They have accomplished many of the agreements that were achieved in San Jose, but not all of them. And, therefore, we would hope that Honduras would continue to take steps towards restoring its full democracy and at that time I hope every Latin American country will be able to recognize the new government and reincorporate Honduras to the Latin American and democratic community.

MR. CÁRDENAS: Well, thank you very much. I think it's now time for opening the floor for your questions. I'm going to ask you to please be very brief in your questions and please introduce yourselves as you ask your question.

So I am going to start with the gentleman here in the front row.

SPEAKER: Mr. President, I really thank you for your remarks. (inaudible) I tell my clients --

MR. CÁRDENAS: Can you speak up a little bit?

SPEAKER: -- when we defeated those British in Virginia, it took two months before the British realized they had been defeated. But now, you know, in 20 minutes when things happen in another part of the world that affect you.

As I understand your presentation of your government --

PRESIDENT PIÑERA: Could you speak up, please?

SPEAKER: Obviously there's a national government and I take it there's a constitution which says certain things that government can't do towards people; like if they have jury trial. If somebody's charged with murder there has to be some type of trial before you can kill the person, put them in jail. But you never talked about having any states.

Now the other thing which you didn't say quite, or you almost said, was that respect to the private industry, it's really not a capitalist society where most things are done by private people and they raise the money. And I was thinking there's an adverse effect

perhaps if one of the big American companies decided they want to come in your country to do business, if they have to make the deal with the government rather than with another group of private people, then they have a problem.

MR. CÁRDENAS: All right. Thank you.

Do you want to take one by one or should we take a few?

PRESIDENT PIÑERA: A few.

MR. CÁRDENAS: A few. So let's go. Yes.

SPEAKER: Welcome, Mr. President. Thank you for speaking to us today.

My question draws back to the idea of two models in the region and specifically I'm interested in your thoughts on your administration's view of taking a more activist approach to the Chilean model throughout the region. I think we can all agree that the counter model, a Bolivarian model, has been actively pushed throughout the region. And over the next couple years, do you think we'll see your administration pursue the Chilean model and encouraging others to follow it or just to maintain it as a model that the other countries can look toward?

MR. CÁRDENAS: Question right here?

MS. LAGOS: Yes, I'm Marta Lagos from Latino Barometro. I was just wondering how the earthquake brings an opportunity to reduce the gap between rich and poor and how you think it's possible to reduce -- how, what policies? Because we know as Chileans that this has been a main goal of all governments, but little and none has been accomplished and maybe that's the most difficult goal.

MR. CÁRDENAS: Thank you, Marta. Let me take one more for this round, the lady right there, and then we'll close this round and we'll ask the President to comment.

MS. MIMAN: Kelly Miman with McClarty Associates. I was wondering, Mr. President, if you might be able to elaborate a bit more on your plans for privatization in non-

core asset area. Chile is obviously a very attractive investment venue and I know a lot of folks in the private sector are interested to hear more on those plans when they're available. Thank you.

PRESIDENT PIÑERA: (Speaking Spanish)

MR. CÁRDENAS: (Speaking Spanish)

PRESIDENT PIÑERA: Well, in terms of foreign investment, Chile has always been a country that has welcomed foreign investment and we have a very clear treatment for foreign investment. We have a special treatment for foreign investment because they can choose whether they go with the Chilean tax system or whether they choose a fixed tax system and, therefore, we are trying to promote foreign investment in Chile.

Chile as a country has been very friendly with foreign investment and we will keep doing so. And we need a lot of investment in order to be able to recover our growth capacity and job employment creation capacity.

With respect to two models, of course, there are two models in Latin America, of course. When I said that the model that I would like to implement or pursue in Chile is not the same that President Chavez is pursuing in Venezuela, it's something so obvious, but I'm sure that he would agree with me on that. If he was asked whether he would like to follow our program, probably he would say no, and that's his views and I have my own views, and that's part of liberty and freedom.

But my impression is that one system or one model is the right one and the other one is the wrong one. That's my opinion, that's why I'm pursuing the model that has been followed in Chile for the last -- for many, many decades. And I think that the results will prove this impression and that the results are already proving this. At the end of the day, I think that the strength of real democracy, with respect to a position with freedom of press

and with a separation of different party powers, is the only way to preserve democracy at the end, and I think that to promote private enterprise, market economy, innovation, is the best way to achieve development, but I think that we will have to act to these -- and I will go to the third question -- a very radical policy to reduce inequality and to be able to defeat poverty, because that's the Achilles' heel of the Latin American system.

How will we achieve this? I don't think that the earthquake will improve our capacity to reduce inequality or poverty because the earthquake hit poor people in a much deeper way than other people because, for obvious reasons, their homes, their schools were more affected.

How will we try to reduce inequality and defeat poverty? We will use two types of instruments; the first one will attack the causes of poverty in Chile. And I think that there are mainly three. First, poor people do not have access to jobs. The unemployment rate of the poorest in my country is three times larger than the unemployment rate of the most rich sectors of the country and, therefore, we will create 1 million jobs and most of them will go to low-income families and women.

In Chile, the participation of women in the labor force is extremely low, for many reasons. First, because they don't have good opportunity to leave their children safely. Secondly, because they don't have enough abilities and capabilities because they don't have access to the educational training. And third, because the whole system has not been able to create enough jobs for people that want to work. Therefore, most of that 1 million jobs will go to low-income people and women. And in both cases, that would be a huge and very strong instrument to defeat poverty and inequality.

If we were able -- the participation, the labor force of males in Chile is roughly the same as in the developed country, 72 percent, but the participation of women in the labor force is 42 percent. In other countries it is beyond 65 percent. If we were able to

incorporate women into the labor force, that would be enough to defeat poverty in Chile because most of those women would come from low-income families.

The second instrument is to increase the quality of education. In Chile, our education system is in very bad shape. The quality has been stagnated for the last 20 years and it's very unequal. And, therefore, to improve the quality of the education, because in terms of cobertura [coverage] we have already been able to reach most of our population, but the quality is still lagging behind. And I think if we are able to increase the quality of the education, and for that we need to do major structural reforms that we will propose to the country, will be a second, very strong instrument to defeat poverty and to reduce inequality.

And the third one is to strengthen families because it has already been proven that a strong family is a very powerful instrument to reduce inequality and poverty.

Those are policies that will attack the causes of poverty and inequality and will take place, and will take time. But in the meantime, we cannot wait for that and, therefore, we are planning to introduce what we have called the ethical familial income, which is this kind of negative income tax, in order to be able to subsidize poor families.

In Chile we have more than 2 million people living in poverty, which represent roughly 15 percent of the population. But the poverty gap in Chile, the percentage of our national income that would have to be transferred to those 2 million people in order to allow them to achieve the poverty line, is less than 1 percent of GNP. And, therefore, we think that we can do that effort before this other policy that will attack the causes take place and produce results. And we are planning to do so. That's why we, during our campaign, we proposed this ethical familial income that will be guaranteed to all Chilean families.

And, of course, we don't want to incentivize bad behaviors, and, therefore, this negative income tax or guaranteed familial income will be associated with some requests that children will have to go to school, that people will have to be either in training

process or working, and so on. But I think that this is a major change in our country because up to now there have been a lot of good intentions, but very bad results in terms of inequality. We are stagnated.

In terms of poverty we were able to do huge progress at the beginning, but our capacity to reduce poverty has been weakened in the last years. And we want to restore our capacity because our goal is to be able to defeat extreme poverty within our government and to be able to defeat poverty and underdevelopment within this decade.

With respect to privatization, of course, we are planning and it will be part of our plan to sell some non-core assets. So, I would like to be very specific that we are not incorporating huge -- the biggest public companies at this stage, like Corin Corina, but we are incorporating other public property which are not part of the core business of this company. And we hope that that will be a very important source of income and resources to fund our rebuilding program after the earthquake.

MR. CÁRDENAS: Thank you, Mr. President. Let's do another round. So, we'll take a question from the gentleman here and then you.

MR. STROZIER: My name is Jeremy Strozier. I represent the International Stability Innovation Society, and I wanted to ask if you could go over some of the highlights of the disaster preparedness and response that Chile had for the earthquake and then also discuss any changes that you'll be making to those systems to improve future outcomes of disasters.

MR. CÁRDENAS: Thank you. Gentleman just behind -- you.

MR. LUZI: Mr. President, my name is Quinn Luzi. I'm actually with FEMA so I've been following recovery closely. But also my wife is Chilena and survived the 1985 earthquake in Santiago, which, of course, had a very large effect in your country.

I have two questions. One, housing after disaster has been very difficult for

our country. You have 370,000 homes damaged or destroyed. How are you going to handle that and, maybe more importantly, how are you going to transition those people out of that temporary housing into their permanent homes?

And my second question is with the private sector. We don't normally work directly with them or lend directly to them after disasters. Is that something you will do differently? How will you work with the private sector to help them rehabilitate the country after the earthquake?

MR. CÁRDENAS: Thank you. Then we're going to go to the first row here.

MR. SEHAS: Thank you. Thank you, Mr. President. I'm Paul Sehas. I'm a member of the Brookings Foreign Policy Committee. My question is related to the issue on general comments in reference to the charter amendment to the OAS that you proposed for countries that even where -- had presidents and governments elected democratically. It seems to me somewhat incongruent that position with the OAS position of admitting countries and inviting countries that had not been members because they were not democratically elected. So, how do you reconcile those two issues?

MR. CÁRDENAS: And the final -- Mr. President, if you would allow me -- the lady right there?

MS. RIVAS: Alejandra Rivas, Georgetown University. Presidente, buenos dias. You have mentioned a little bit about this, but I wonder if you could address this specifically, the dynamics of continuity versus change in Chilean foreign policy. What will change, what will remain the same, in your administration vis-à-vis the previous ones? Thank you.

PRESIDENT PIÑERA: Well, with respect to the highlights of the disaster, well, basically human lives were lost or were severely damaged, 370,000 houses. Two hundred thousand of them have to be rebuilt. We lost 4,000 schools which represent

roughly 50 percent of the schools of the area affected, which represents 75 percent of the population. So, the area affected is almost the whole country. We lost or were severely damaged 79 hospitals. Therefore, the catastrophe was extremely hard.

Now, with respect to how to -- what are the lessons that we have to take, first of all, our early warning system didn't work. And we will propose to Congress a huge and major restructuring and reform of our early warning system in order to have a better capability to face new disasters that will come. Chile is a country that has been hit by nature since its birth, and we have had -- as I told you before, two of the worst five earthquakes in the world have taken place in Chile. We will propose a major reform of our early warning system and that's something that we will be able to discuss with your -- with the American warning system. And we are taking -- we are talking and working with many other countries in order to take advantage of their experience.

With respect to -- and one of the things that you have to be fully aware, that when you have an earthquake of the nature that we had in Chile, and so close to the border, to the sea border, the tsunami is something that will come almost for sure. And, therefore, you have to have a much better system to evacuate people from the areas in danger, which we didn't have.

And the second thing is that public safety has to be protected from the very beginning and you cannot lose one second. And that's another mistake that we made in Chile that we lost a couple of days and we had a lot of riots, vandalism, which only aggravated the consequence of the earthquake.

With respect to housing, well, we have 370,000 houses that were damaged. We think that 200,000 will have to be rebuilt. Most of them are middle class or low-income class people and, therefore, we have already announced a plan by which the government would subsidize the rebuilding of those 200,000 houses. For that we will use

our traditional capabilities, but we will have to create new capabilities to build houses and here we are making a clear distinction between the emergency and the permanent solution.

The emergency, we will have already committed roughly 75,000 emergency shelters that will have to be in place before June 21st, which is the beginning of our winter. We have already done one-third of that goal and it's a huge challenge to be able to build these 75,000 emergency houses because that was an industry that we didn't have in Chile.

But at the same time, we are already working on the permanent solution which will impose us the burden of rebuilding 200,000 houses, I hope within the next 2 years. That means -- normally Chile is able to build 100,000 houses per year, and we will continue with our normal progress, but we will double that goal because of the earthquake, and that will put a tremendous pressure on our private sector. And thus I think that the new industry is emerging in my country which is the industry of prefabricated wood houses, which was something that didn't exist, or was a very small industry. And within that we have huge competitive advantage because we have the wood, we have the people, we have everything, and, therefore, that industry has already emerged and is developing very rapidly. And I hope that after the earthquake we will have a new export industry which would be prefabricated homes for other countries.

The two challenges are extremely tough, to be able to build 70-, 75,000 emergency houses before June the 21st is a very difficult task. And to be able to double the capacity of our economy to build permanent houses is also a very difficult challenge. But I think, I'm really convinced, that according to what has already been achieved, that we will be able to achieve those two goals.

With respect to the OAS, it's true; probably you are referring to Cuba. In the case of Cuba, what I understand [the] incongruence here, that Cuba will be able to

become part of OAS when they fulfill all the requirements of the OAS. So I don't think -- I don't see any contradiction because what has been approved is that Cuba can come back to the OAS whenever they ask for it, but when they fulfill all the commitments that the OAS has imposed on -- to those, the countries in the OAS. So, I don't see any country that will join the OAS without restoring its democratic system. That's a precondition to become part of the OAS; otherwise we would be in contradiction with the Inter-American Democratic Charter.

But I hope that Cuba someday will be part of the OAS again. And on this and on many occasions, I'm not sure whether the economic embargo has been a good idea or a bad idea. At the end of the day, what we want, the U.S. wants, and all Latin America wants, is that Cuba will be able to restore its democratic system, to really fulfill and protect human rights and individual liberties, and to become part of the OAS again. We would like Cuba to be part of the OAS and Chile would like Cuba to become part of the OAS again. And for that, of course, it's necessary that Cuba fulfill all the democratic human rights and individual liberties conditions that are part of the Inter-American Democratic Charter.

So, I don't see any incongruence on this area. Maybe Jose Miguel --

MR. MIGUEL: (inaudible)

PRESIDENT PIÑERA: Good.

MR. CÁRDENAS: And then there is the student from Georgetown on this issue of continuity versus change in foreign policy.

PRESIDENT PIÑERA: Well, in Chile foreign policy has always been a state policy based on principles: respect of international law, respect of international treaties, respect of non-intervention on other countries' issues, protection of democracy, human rights, and individual liberties. In all those areas they will be continuing. Of course we will strengthen our relationship with our neighboring countries and we hope that we will

be able to face our relationship with Argentina through Bolivia in a more dynamic way, in a more innovative way. But I would say that in foreign relations there will be no major changes because that's something that has always been a state policy in my country.

MR. CÁRDENAS: Thank you, Mister President. We only have time for a couple more questions, so let's start right there.

MS. ARNSON: Cindy Arnson from the Woodrow Wilson Center. Thank you for this opportunity. The government of Chile is one of a handful of Latin American governments that is participating in the nuclear summit. I was wondering if you could comment on the relationship between Brazil and Iran and what, if any, position the Chilean government has taken with respect to nonproliferation and sanctions against the Iranian government in this respect.

MR. CÁRDENAS: Thank you very much. Was there anyone else?

SPEAKER: Thank you, Mister President. I work at a hedge fund called Eton Park. I was curious the extent to which you see regulation or any of the frameworks in the renewable energy space changing as a result of the earthquake or being expanded in any way. As a separate question, to what extent do you worry about the supply-side shock and what it may mean for the inflation trajectory going forward?

MR. CÁRDENAS: Let me take one final from the gentleman in the back.

MR. GEDAN: My name is Benjamin Gedan. I'm a student at Johns Hopkins at SAIS. You come to the presidency after a career in the private sector. I haven't heard you speak a lot about the diversification of the Chilean economy, addressing the overreliance on copper and the same commodity reliance that has left a lot of Latin American economies very vulnerable to price fluctuations.

MR. CÁRDENAS: Why don't you deal with these three questions?

PRESIDENT PIÑERA: With respect to the nuclear issue, I'm convinced

that the main threats in this area do not come from traditional countries that have nuclear weapons but basically will come from an excessive proliferation of nuclear weapons to too many countries or to terrorist groups and things like that. That's the main objective of the security nuclear summit that we will attend today and tomorrow. I think that it is absolutely necessary for the world to take action in this area because if we do not act, probably that proliferation will continue and the more it continues the bigger the danger is that some day not a traditional country, but other groups, like terrorist groups or anarchist groups, will be able to achieve nuclear capabilities and use those weapons of mass destruction for their purposes. Therefore, I think that it is extremely important that we take action on this.

I see that the START agreement to reduce or at least contain the amount of nuclear weapons in the world is a very good step that has been taken between Russia and the U.S. Latin America is the only continent in the world after the Tlatelolco agreement that said a nuclear-free area, and I think that that's an excellent example for the rest of the world. I dream that some day we will have a world nuclear-free environment. But in the meantime, we have to be extremely conscious and take actions because the proliferation of nuclear weapons is the main threat that we are facing now and that's the main target of this summit.

By the way, Chile is contributing to this. A few days ago, we sent to the U.S. our highly enriched uranium because when you have highly enriched uranium that is a byproduct of our two nuclear reactors that we have in Chile that are for investigational purposes, that highly enriched uranium is the previous step to nuclear weapons and, therefore, it's very important that that uranium will be absolutely safe. And that's why we are collaborating with the system by sending our highly enriched uranium to the U.S., which took place a couple of weeks ago, according to all the local and international rules.

With respect to Brazil and Iran, of course I'm concerned with Iran achieving a nuclear capability, like most people. And I think that it's very important that the world and

the international system is able to achieve an agreement to stop that process. I know that the President of Iran visited Brazil, but it doesn't mean that Brazil is supporting that effort. Therefore, we have to make a distinction. One thing is to have an open dialogue; another thing is to support this initiative. I do not support that initiative. I would like, of course, to really contribute to the nonproliferation effort that is taking place in the world.

With respect to energy after the earthquake, of course we will not rebuild buildings as they were before and houses as they were before. We will take advantage of new technologies, particularly new and more energy efficient and new environmental technology to build our houses and our buildings in a different way. That's why we visited yesterday in New Orleans. The new houses that are being built there, they call them green houses because they are much more effective in terms of energy, much more effective in terms of protection of the environment. And that's a lesson that will apply in Chile because we are fully aware that we will have to contribute to the effort of reducing gases that will produce all the problems in the environment that are being produced today.

Finally, with respect to diversification, of course we are trying to diversify our economy. Actually we're extremely successful at that because copper represented 80 percent of our exports 20 years ago and today it is less than one-third. But the price of copper went up and that's a blessing for my country, but one consequence of that is that copper has recovered a larger participation in our exports. And we are promoting and our government will promote a diversification of our economy, particularly in small- and medium-sized companies. For those companies we have a huge problem to incentivate innovation, entrepreneurship, and integration into the international economy. So diversification is something very important.

But in our case, since we will keep being a country very independent on copper prices, we have set a system that when the copper price is above the normal limits,

we save the proceedings of that boom in the copper price and when it comes below the normal path, we are able to spend. That's why we have a copper fund, that is what we call the Fondo Economico Social, FES. And, therefore, we are introducing our own system to be able not to be so dependent on copper prices.

But, of course, the most powerful system is to diversify our economy, and we are working on that. And one of our goals is to be able to create new industries, new export industries in our country. And one of them will be due to the earthquake, which is the prefabricated or industrialized wood housing industry. Therefore, diversification is something that we're look forward and we are working on that.

But finally, I think to summarize, that before the earthquake we did have an extremely challenging program with very, very challenging goals, growth, jobs, crime, education, health. Now we have another goal, which is to face the emergency. And I told you before; the emergency of the earthquake has been divided into three phrases, not chronological because many of them are simultaneous.

The first one was the immediate emergency, which was to restore public order, to take care of the people who lost their lives, to rescue the victims, to search for the people who were disappeared, to restore the availability of electricity and water, that has already been done up to a level of 98 percent. We will have some problems in those areas.

The second phase is the winter emergency, which is basically to build these emergency houses, to restore the normality of the educational system and to be able to provide health services to everybody, given that we have so many hospitals that are not being utilized because of the destruction that has happened.

But the most important one is the rebuilding of what the earthquake destroyed in terms of bridges, roads, schools, housing, hospitals, and also the rebuilding of the production capability of the private sector that was also hit. That's why we are proposing

within this week to Congress a package that will be roughly an 8- to 10 billion extraordinary package to be able to rebuild the public sector. That package will be funded or financed using those six sources that I mentioned before. All of them will be part of our package, and I hope that that package will be approved promptly in Congress because it's time to work on the rebuilding. We have established a four-year period for completing the rebuilding process in Chile, and for that we will need a lot of unity.

When I started my administration, I started by calling to behave within the new unity spirit within my country and that was necessary before the earthquake, because the goals were challenging to defeat poverty, to defeat underdevelopment. Now that we have to face also the consequence of the earthquake, this unity which doesn't mean that we are confusing what is the role of government and what is the role of the opposition, of course, everybody has to play their own role, but within a national goal which is now three things: to defeat poverty and underdevelopment within this decade and to be able to face the consequences of the earthquake within the next four years. That's the goal of my government and I hope that we will be successful. And I hope also that we will have a rigorous but constructive opposition.

Thank you very much.

MR. CÁRDENAS: Thank you, Mister President. You have been very gracious in answering every single question with no restrictions and that's really unique and that's something we really acknowledge.

Let me just say in concluding that we wish you all the luck not just in these reconstruction efforts, but also in making sure that your long-term agenda, which is bringing the Chilean economy back on track, but especially in reducing and closing the gap in inequality and eradicating extreme poverty, are achieved not just for the benefit of the Chilean population, but because many eyes are placed in Chile. As you very well explained,

there are two models and the Chilean model is an example, so the ability of your government to solve these problems is going to be very influential for other countries that want to follow the same route.

Thank you very much, and it's been an honor and a privilege to have you here at Brookings in your first U.S. engagement.

PRESIDENT PIÑERA: Thank you.

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