

A Passion for Public Service

An Interview with Mauricio Cárdenas, Senior Research Fellow at the Center on Global Energy Policy, Columbia University

EDITORS' NOTE *Mauricio Cárdenas is Senior Research Fellow at the Center on Global Energy Policy at Columbia University, where he also teaches public finance. He is currently a member of The Independent Panel which is assessing the global response to the COVID-19 pandemic, and co-chair of the Task Force On Net Zero Goals and Carbon Pricing. He also chairs the recently launched Review Panel that will review the World Bank's Doing Business Report. As Colombia's Minister of Finance from 2012 to 2018, Cárdenas oversaw a successful adjustment program during the oil shock of 2014-2016. Despite a 50 percent reduction in exports and the loss of one-fifth of government revenues, Colombia preserved its investment grade status and was able to achieve remarkable social and economic progress. While in office, Cárdenas led a series of reforms that resulted in a significant expansion in formal employment and foreign investment. He was also responsible for coordinating efforts for Colombia's accession to the OECD, which was completed in 2018. Cárdenas was Chairman of the Boards of Governors of the World Bank and the International Monetary Fund and of the Intergovernmental Group of Twenty-Four (G-24). He was chosen by Euromoney as the world's finance minister of the year in 2015, and received several awards as best finance minister*



Mauricio Cárdenas

in Latin America. Previously, he served as Colombia's Minister of Mines and Energy, Director of National Planning, Minister of Economic Development, and Minister of Transport. Cárdenas has twice been the Executive Director of Fedesarrollo, Latin America's premier economic and social policy think tank. He has also been a senior fellow at the Brookings Institution, where he led the Latin American Initiative. Cárdenas holds a PhD in economics from the University of California, Berkeley, and undergraduate and master's degrees from the University of the Andes.

Latin America has been heavily impacted by the global pandemic. How concerned are you about the state of the region and what are the keys to recovery?

The crisis has had a major impact on Latin America with almost 30 percent of the global deaths having taken place in the region. At the same time, the economic conditions are extremely bad with a GDP contraction of roughly 8 percent. It is clear that on both the health side and economic front, this has been a devastating crisis for the region.

This comes after five years of very slow growth in the region. It is part of a trend that began around 2015 so the region was already in a difficult position with lots of unrest and unfulfilled expectations. I think that in 2020 we went through a period of hibernation from all

the social unrest because the conditions from the pandemic did not allow people to go out in the streets and protest, but beginning this year as things become slightly more normal we are going to see a wave of social unrest and pressures on governments which will have political implications.

How much space and latitude do the governments in the region have to address the financial and economic challenges in Latin America?

This is the main issue since there are many constraints on the governments to assume more public debt. Latin America is a region where credit ratings are not that high and for some countries this puts these ratings at the risk of becoming junk and no country wants its sovereign debt rated at this level since they will lose investors and lose appeal for foreign investment. There is very little space for these governments to take action. In addition, the region secured access to public liquidity and if it loses this, it will be a major blow since it will not just be trying to recover from the pandemic, but it will also be losing access to capital.

Is Latin America well-understood by the global investment community?

More and more, I believe that markets are beginning to understand the difference between the countries in Latin America. Twenty or thirty years ago, it was looked at as one category and one asset class, but now there is an understanding that Brazil is one case with its own dynamics, as is Argentina

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which has a negative perception because of the recurrence of crises, and then there is a group of countries that are not necessarily grouped together but are seen as relatively similar, which are Peru, Chile and Colombia. These are open economies with similar macro-economic policies. Then there is Mexico which has its own dynamic and currently is experiencing skepticism based on the measures that the current Administration in the country has taken. Finally, there are the remaining countries which are smaller economies.

Having served as Minister of Finance in Colombia from 2012-2018, how do you describe the strengths that Colombia offers for foreign investment?

Colombia tends to be seen as a success story despite its longstanding problems associated with crime and drug trafficking. It is a success story because the policies have been the right ones for the past number of years. The country has been addressing the issue of crime and today the crime rates are not much different from other countries in Latin America. The issue of drug trafficking is still a concern and unfortunately tends to take place in remote, isolated areas of the country that are very poor. These areas do not have much of a connection with areas of investment for foreign investors and investors in capital markets.

Investors care about the economic management in Colombia and administration after administration has provided a source of reliability and stability, providing confidence to

investors which has made it a success story. The government in Colombia has shown time and time again that it is willing to take the necessary actions and implement the required policies to address challenges which provides confidence for investors.

What can be done to address the wealth gap in Latin America which is continuing to increase due to the pandemic?

This is a major effect of the pandemic. Latin America is a region which has been known for its levels of inequality, not just in terms of income, but in terms of access to health, education and land ownership, which are huge. The COVID crisis has made this worse and has reversed the improvements and advancements that have taken place over the last 20 years in this regard. This will increase the divide and the political implications of this are yet to be seen because it could lead in some countries to a transition to populism in places where populism had previously been kept out. This could happen in countries like Peru, Chile or Colombia, and this was already happening before the pandemic in Mexico. This could become a general trend for the region because of the pandemic.

What interested you in public service and being in government?

When you are trained as an economist in a country like Colombia, public service is part of the motivation and part of the DNA of the profession. When I went to the United States to get my PhD, I saw that not all economists felt this way and many were inclined

to pursue research and teaching rather than public service. However, I was trained in a belief that public service was an essential part of your life mission. I have done a lot of public service through the years and have tried to combine it with research and working with think tanks, but public service has always been my priority.

You are engaged in the Adrienne Arsht Latin America Center at the Atlantic Council. What do you see as the role of the Center and what excited you to become involved in its work?

Everything that involves Latin America, especially in regard to the region's relationship to the United States, is something that attracts me. I believe that the U.S. takes Latin America for granted and I think that this is a mistake. Latin America deserves more attention because one day the U.S. could look at the region and see that the region has drifted away, possibly because it has become more closely linked to other regions of the world, especially China. I believe that anything that can be done to strengthen the relationship between Latin America and the U.S., and to create awareness about the issues of Latin America and how the U.S. can engage in a more constructive way with Latin America, is very attractive to me. The mission that the Center has taken on was particularly attractive because I think that the Atlantic Council is well-positioned to raise the voice that the region needs and create the type of attention that it deserves. ●

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