

TRANSCRIPT OF ED VIDAL'S INTERVIEW AT THE NEW YORK STOCK EXCHANGE.

José Montenegro:

Eduardo, I said in my presentation that in specific moments and countries in Latin America there has been produced much disenchantment with the economic free market system. When we analyze this disenchantment, which in many cases is not justified, we can see that it originates from the system itself not being implemented properly, often due to interventionism and corruption. What do you think of this?

Ed Vidal:

Well, yes, but the problem is that a free market system does not work by itself. In order to work well, a free market system needs the support of the rule of law, so that clear rules of the game, as well as legal security, are established.

José Montenegro:

What relevance does the subject of clear rules have in economic development?

Ed Vidal:

The subject of clear rules is essential to economic development in any region. This is important not only for the large and international investors, who are often times said to be the only ones to benefit from a free market and a system of clear rules. On the contrary, I would say that it is small and local investors who need the protection of the rule of law the most; and it is these investors who form the base of the regional economy, which need to be protected.

José Montenegro:

Also, aren't these investors suffering in some way or other, and if so, would you say more regularly and severely?

Ed Vidal:

Indeed, because truly it is the small and local investors who cannot call on international rules for protection; and so, naturally, it is they who need more than anyone else that local government in Latin America protect private property and contracts; and furthermore, they need impartial judges who are capable of putting these rules into effect.

José Montenegro:

There is one point that for some reason keeps coming up: Undeniably, there is a widespread feeling that 'free market' means 'absence of regulations,' while in reality it's just the opposite; a free market requires rules that are very clear, very transparent, and known to all. Isn't this true?

Ed Vidal:

That's right. A free market system requires clear rules so that everyone, large or small, new enterprises, international and local investors alike, can play on the same ball field; and that is how economies develop in the United States, in Latin America, everywhere in the world.

José Montenegro:

Let's talk about another central point, that being Latin America's development in times such as we are experiencing now: all of a sudden, there is a prevalence of economic wealth as a consequence of commodities, and the high prices associated with them. However, often this wealth does not enjoy the vitality that is necessary for a country's economic development and for the distribution of that country's wealth.

Ed Vidal:

True, but what really matters is not wealth in natural resources, but wealth in human resources. What affects economic development and the distribution of economic gains are the policies that are adopted by societies; and a lack of a rule of law means, for example, that small investors and the poor do not have protection against the more powerful classes of their society. It is for this reason that there is so much inequality in Latin America, and that we have not seen it develop to the extent that would be expected based on its wealth in natural resources.

José Montenegro:

So, once again we can see the significance of clear standards and regulations! We have very little time left, but there is another thing that I'd like to ask you about – education. It always seems that it also is tremendously important. Would you say it is essential, or not enough? How do you regard this issue?

Ed Vidal:

I would say that education is essential, especially elementary school education and for both sexes; but it is not sufficient, because even a well-educated country cannot develop if it does not have good policies and the rule of law in place.

José Montenegro:

Eduardo, our time is up. Thank you so much for appearing here on Globo Economia. This was Eduardo Vidal, Partner of the law firm, 'Hughes Hubbard & Reed'. Till next week...