
Growing populism in Latin America?

*Proceedings of a conference organised by the
European Office of the Konrad-Adenauer-Stiftung*

Brussels, 4-5 October 2006

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Published in the framework of the project *Dialogue on Development Policy* at the European Office of the Konrad-Adenauer-Stiftung.

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Page layout: Eurocorrespondent.com Limited

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Printed in Germany. ISBN 978-388579-463-9

The Konrad-Adenauer-Stiftung

The Konrad-Adenauer-Stiftung (KAS), founded in 1964, is one of the political foundations of the Federal Republic of Germany. Through its international activities and projects, KAS makes a substantial contribution to international cooperation and understanding. It is named after the first Chancellor of the Federal Republic of Germany, Konrad Adenauer.

Through international partnerships with private organisations and movements, state institutions and think tanks, KAS intensifies global knowledge transfer and promotes civic education. The 65 KAS offices worldwide act as central service and information centres.

Through its projects and activities, KAS contributes to the worldwide promotion of democracy and to strengthening of the rule of law, as well as to peace and social harmony, the fight against poverty and social exclusion, the extension of the concepts of the social market economy, and European Union integration. KAS considers these developments as conditions for the improvement of the political, socio-economic and environmental foundations of life.

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Abbreviations

APRA	American Popular Revolutionary Alliance
CEBRI	Centro Brasileiro de Relações Internacionais
CEJAS	Centro de Estudios Judiciales de las Americas
CEO	Chief Executive Officer
CORDES	Corporación de Estudios para el Desarrollo (Ecuador)
DECUP	Fundación para el Desarrollo y la Cultura Popular (Chile)
DG	Directorate General
EC	European Commission
ECLAC	Economic Commission for Latin America and the Caribbean
EU	European Union
EUR	Euro (currency)
FARC	Revolutionary Armed Forces of Colombia
GNP	Gross national product
IDB	Inter-American Development Bank
IDD-Lat	Indice de Desarrollo Democratico de America Latina
IMF	International Monetary Fund
INCEP	Instituto Centroamericano de Estudios Políticos (Guatemala)
INECIP	Instituto de Estudios Comparados en Ciencias Penales y Sociales
KAS	Konrad-Adenauer-Stiftung
MDGs	Millennium Development Goals (UN)
NAFTA	North American Free Trade Agreement
NGO	Non-governmental organisation
OECD	Organisation for Economic Cooperation and Development
PRI	Partido Revolucionario Institucional (Mexico)
UN	United Nations
UNDP	United Nations Development Programme
USA	United States of America

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Welcome and introduction to the workshop

Hans Blomeier

This conference is part of a series of discussions developed by the Konrad-Adenauer-Stiftung, in Berlin, Brussels and Latin America, to look at populism and Latin America. The aim is to understand what is happening, why and with what consequences, and then to pinpoint activities to fortify democracy in Latin America.

It is a necessary but controversial discussion, as the political processes are diverse and complicated. This conference looks to take the discussions forward and to a deeper level.

A related aim is to make Latin America more present in European discussions since it is currently on the margins of European Union activities. Latin America is taken into account more in other regions, such as in Asia.

Session I:
**Current populism in Latin America: growing
populism or simple move to the left**

Introduction to the session

Klaus-Jürgen Hedrich

Democratic versus non-democratic

Populism is typically seen as being a question of right or left. However, most political development worldwide is not best described as right or left but as democratic or non-democratic, with many shades in-between. The 'left or right' criteria might give some hints about a country but will not really explain it.

German development cooperation defines five democratic criteria:

1. Respect for human rights;
2. Participation of citizens;
3. Rule of law;
4. Social market economy;
5. Good governance (including the struggle against corruption).

It is very rare to find all five criteria either completely neglected or totally implemented, but there are tendencies that allow us to characterise a government as democratic or non-democratic.

Diversity of countries in Latin America

The German federal government and the European Commission have been trying to build up strategies for European involvement in Latin America; just as similar strategies exist for the Africa and Asia. However, despite a common cultural background, the countries of Latin America are so different that it is very difficult to talk about Latin America as a single bloc. Approaches need to be based on an assessment of the situation country by country and government by government.

Brazil

By old definitions, President Luiz Inacio Lula da Silva (Lula) should be referred to as a leftist, but it is not clear that this fits with his economic policy. That the Brazilian electorate failed to give him a second mandate in the first round of voting in the recent election, because of corruption scandals, has something to do with good governance, but democracy is not at stake in Brazil.

Mexico

After more than 70 years of authoritarian regimes under the Partido Revolucionario Institucional (PRI), Mexico has made headway in stabilising its democracy, as shown by the election of the second non-PRI President. That Andrés Manuel López Obrador, who lost the recent Mexican Presidential election, does not accept his narrow but clear election defeat, which was confirmed by an independent electoral body, shows that some only believe in free and fair elections when they are the winners. Now he is attempting to mobilise people on the street, ignoring the rule of law. This incident might be defined as populism, but this is true for all communist and fascist movements of the past 150 years.

Venezuela

The worst example is Hugo Chavez. People argue that he is a democratically elected leader. For the first election this is correct. However, the democratic corrector of a government is a second election, and no fair and free election has taken place since he came to power. That an incompetent, inefficient and split opposition is helping him is a sad story; Chavez fulfils none of the five criteria set out above and his regime is one of the most corrupt in Latin America.

Chavez's methods in education and in misleading and misusing the people might be populism. He could be described as a leftist, but this is not the point; he is not a democrat. This is not just because of his friendly relations with dictators like Castro; he is dismantling the democratic institutions in Venezuela step by step and democracy is at stake.

Bolivia

Evo Morales, the new head of state in Bolivia, speaks of reestablishing the old traditional structures of the indigenous people. He does not go so far as to use the Peruvian Omala's rhetoric with reference to the old empire of the Incas, but what does 'traditional structures' really mean for the role of women or for the appointment rather than election of leaders? We can give him the benefit of the doubt but Morales' perception of democracy is not one of majority rule. He has shown he can mobilise

the masses to topple a democratically elected government. In Bolivia, the chances of a democratic future are fifty-fifty.

Colombia

It is a habit of certain circles in Europe and America to describe Colombian president Álvaro Uribe as a politician oriented to the right. He is successfully fighting the corrupt terrorist movement the Revolutionary Armed Forces of Colombia (FARC), and has strengthened security and the economic situation in his country. As a result, the people gave him a second term with an overwhelming majority in a free and fair election. Indeed, despite all its problems, Colombia is one of the best functioning democracies in Latin America. Through a new law, the power of Congress will be strengthened. A bill paves the way from a more presidential to a more parliamentary system with political responsibilities transferred from national to regional and local levels.

Conclusion

These examples show both that the situation in Latin America is very diverse and the old terms 'left' and 'right' are no longer adequate. The assessment of a country as democratically or non-democratically oriented is more revealing; unfortunately, it is not apparent that the democratic approach is making headway in the world.

In the field of development cooperation, many governments who previously laughed behind Europe's backs now laugh in Europe's faces when they are pushed to make democratic improvements. Why should the government of Sudan be interested in multi-ethnic, multi-religious democratic development? The Sudanese foreign minister will not bow to European pressures, but rather turn increasingly to China.

Looking back at the successful Monterrey Conference on Financing for Development, the developing and developed countries agreed on a common agenda where the contribution of both sides was fixed. The developing countries notably made commitments on respecting human rights; yet in the four years since the conference, this has been increasingly neglected in international development. More governments see that they are not really forced to develop democratically.

It therefore becomes somewhat irrelevant to refer to Teodoro Obiang, the President of Equatorial Guinea, as a 'rightist' or to ask whether the Islamic government in Sudan is 'left' or 'right'. In Iran, Syria or Zimbabwe the old terms 'left' and 'right' give some hints, but fail to describe the real situation. In looking at a country and assessing its development, the telling tendency is whether it is moving more or less towards democracy.

Current politics in Latin America: growing populism or simple move to the left? (I)

Werner Neuhauss

Introduction

KfW Bankengruppe is one of the executing agencies working for governments in terms of financial, rather than technical, cooperation. It monitors trends in Latin American and Caribbean countries and develops country ratings with qualitative and quantitative indicators.

There are signs that following a lengthy period of relative inattention, Latin America is moving back onto the political map in Europe. This has largely been driven by interest in the recent elections in the region. One of the newly elected Presidents, Evo Morales in Bolivia, is very much in the public eye as the second leftist President to take office after Hugo Chavez. Following his election and the popularity of other candidates with similar political orientation in other countries in the region, observers have become wary of a swing to the left in Latin America.

Macro-economic data of recent years present a relatively positive picture of Latin America. The worldwide boom in raw material markets driven by Chinese growth and the US economy has meant the countries of the region are seeing average GDP growth rates of four to five percent; the highest levels of growth were in Venezuela and Argentina with about nine percent. Per capita income is rising almost everywhere. Official unemployment is down, albeit slightly, and inflation is under control at an average of only six percent. The big countries like Mexico, Brazil and Colombia have taken advantage of these favourable conditions to reduce their still-high state debts and household deficits; the risk spreads of these countries on the international markets have decreased significantly in a context of low international interest rates. The exceptions to this trend are the countries that are large net oil importers.

In almost all countries, the population has benefited little from this economic development; roughly 40 percent of the population still lives on less than two US dollars a day. Whilst some progress has been made on the Millennium Development Goals (MDGs), there is much progress to be made in the areas of poverty reduction, health and environment. Latin America has the world's largest inequalities in income and property. The informal sector accounts for a large proportion of the employment market and ethnic factors are behind much inequality.

Only El Salvador, Colombia and Mexico have elected pro-market governments. People's dissatisfaction in other countries has led to the election of governments that are critical of free market policies. Within these however, it is important to distinguish social democratic governments pursuing social aims within the market economy (Chile, Costa Rica, the Dominican Republic, Brazil and Uruguay) and leftist populist governments with more state-based economic policy and a strong social policy pronouncements (Bolivia and Venezuela).

Economic policies and international relations

In Venezuela, Chavez represents a mixture of leftist ideology, populism, authoritarianism and nationalism, which he terms the 'Bolivarian revolution'. His policies address the needs of traditionally underprivileged groups within the population and seek to satisfy them. In addition to calls to unify the continent, his foreign policy revolves around repeated provocation of the USA, despite them being the biggest importer of Venezuelan oil.

At first glance, Morales' policies in Bolivia go in the same direction: abandoning the neo-liberal economic model, particularly by nationalising the production of natural gas; and promoting the country's indigenous identity. However, Morales is making a greater effort to gain democratic legitimacy and wants to pass a new constitution. Despite the ideological proximity between them, the personal closeness between Chavez and Morales is made possible primarily through financial allocations from Venezuela - 'petrol diplomacy'.

When Lula took office in Brazil in January 2003, leading the workers' party of trade unions and social movements, the international financial community feared a radical anti-business policy change and a moratorium on debt repayments. Instead he honoured all repayments and continued economic policy aimed at macroeconomic stability.

In Chile, Michelle Bachelet, elected in early 2006, is continuing the liberal economic policy of her predecessor, based on free trade, private enterprise and disciplined budget

policy with only slight variations.

Recent and forthcoming elections

The recent first round of the presidential elections in Brazil was particularly important. Lula managed to secure a majority of the vote even though his party lost prestige following a number of severe corruption scandals and despite the disenchantment of many of his followers, especially from the middle-classes. There were two main reasons for this result:

1. The macroeconomic stability and the confidence of the international financial community – even though the average GDP-growth rate during his term in office was rather moderate at 2.8 percent per year, which was less than the Latin American average and far below rates in countries like Russia, India or China.
2. The consolidation of his image as a friend of the poor – the income of the poor has risen much faster than that of the middle class in the last four years, even though poverty reduction methods, consisting mainly of redistributing money to the poor, have resulted in few structural improvements.

Nevertheless, Lula is politically weakened and will have to make more concessions to the coalition parties following his success in the second round; substantial structural reforms will be even more difficult to implement. This will hamper Brazil's long-term economic development and the country risks remaining the world's 'raw material reservoir'.

In Venezuela, which continues to benefit from high oil prices and posts high GDP-growth rates, presidential elections are scheduled for December. Considering the weakness of the opposition, which has only just managed to agree on a common candidate, Chavez is expected to win easily. However, the question of whether the election is really fair remains open.

Ecuador also benefits from high oil prices and has achieved good macroeconomic results in the past two years. The incumbent President, Alfredo Palacio, has been closing ranks with Venezuela and has increased the influence of the government in the oil sector with Venezuelan support. Presently, there is much to suggest that former finance minister Rafael Correa will be victorious in the 15 October 2006 elections. Correa has recently said that Ecuador could again renege on its international repayment obligations, which is of obvious concern to the international financial community.

Peru has also benefited from the raw materials boom, with very high GDP-growth

rates in recent years. The winner of the presidential election in June this year was Alan Garcia, the former President of the APRA party (American Popular Revolutionary Alliance) which steered the country to the brink of disaster in the 1980s. Garcia was seen as the lesser of two evils when compared to the leftist, populist Ollanta Humala. Even though Garcia has presented himself as politically matured, strong opposition is likely to make it hard for him to govern, especially since a majority of the population is finally demanding that it should benefit from Peru's economic upswing.

Mexico held presidential elections in July of this year. It has both rich natural resources and is very closely connected to the US economy in the framework of the North American Free Trade Association (NAFTA). Despite good macroeconomic conditions, economic growth has remained moderate in recent years. Due to structural causes – lack of reform in state finances, the energy sector and the labour market – it was only three percent in 2005. As this growth is not enough to significantly reduce poverty or remove inequalities, Mexican society remains deeply divided. This is demonstrated by the extremely tight race between the conservative neo-liberal Felipe Calderon and the leftist, populist Andrés Manuel López Obrador. Even assuming that the protests against alleged election fraud and the campaigns of civil disobedience come to an end, it will be difficult to implement the necessary reforms, particularly since the new President, Calderon, does not enjoy a comfortable majority in Congress.

Latin America's political map shows a majority yearning for policies to become more social and more just, allowing poorer population groups to participate in economic growth, and marginalised groups to participate in political decision-making processes. This is not a leftist trend in the sense of an explicit and systematic reorientation towards ideological socialism; it is rather a movement towards ideas of social equality and public welfare.

Equally, the desire for change is not so much a clear preference for the policies of opposition parties, as the rejection of previously applied political models. Under typical models, established parties alternated according to formal democratic rules, but without achieving any qualitative changes. This was particularly the case in Venezuela and helps to explain the success of Chavez.

New realities since the 1970s and 1980s

The people's disenchantment with politics is not new and has led to political turbulence in the past as well. However, changes in the political situation since the 1970s and 1980s have created new possibilities. Whereas in the past the US used to influence the distribution of power in Latin America to its liking (even through direct intervention),

the region has become increasingly less important to it politically and economically and is not at the centre of the fight against terrorism.

Political parties in Latin America were traditionally less concerned with actual programmes of government and more focused on representing associations of interests and groups. However, ideological and traditional bonds have dissolved over the last 20 years and relatively firmly established parties exist now in countries like Venezuela, Brazil, Peru and Costa Rica.

Civil society is both organising itself independently of the parties and bringing about the emergence of new parties. It is capable of organising mass demonstrations in the streets and even bringing down Presidents, as happened in Peru in the case of Fujimori, and repeatedly in the past in Bolivia and Ecuador. In many countries, this trend is being supported by a diverse and critical media.

Some politicians are attempting to capitalise on this justified desire for change, sometimes by seeking to become the leaders of such movements at the expense of liberal democratic principles. This is a typical trait of populist currents, but has only fully emerged in a few countries. The example of Venezuela in particular shows that the blessing of rising revenues from raw materials can be used to finance costly social programmes and redistribution schemes without structural reform. Such policies are highly dependent on export revenues and are only likely to be as sustainable as the export market. Venezuela has always been a classic example of a boom and bust economy.

Political and economic outlook

Although certain reforms have been carried out since the 1990s in order to establish market economy models, the political, social and economic situation remains structurally volatile. This is predominantly because no measures were taken to ensure the greater integration and participation of the population at large. This would require giving weaker population groups better access to jobs and capital to develop their productive capabilities rather than relying on hand-outs. This means investment in education, research and infrastructure, including financial infrastructure to make credit more widely available. Social security systems need reforming as they tend to reflect inequality of treatment in society; in Colombia and Brazil different benefits are given to public and private employees.

Since these elements relate to the quality of government action, they can be summarised as issues of improving governance. Only through the consistent and systematic

implementation of these reforms can the countries of Latin America hope to emerge from their roles as raw material suppliers.

Current politics in Latin America: growing populism or simple move to the left? (II)

Hans Blomeier

Introduction

When considering whether populism is growing in Latin America or whether there is rather a swing to the left, a series of sub-questions need to be asked. Is there one unique trend or are there many? Does the trend, or trends, move like a wave from one country to another, or are there many influences? What criteria can be used to qualify a trend as of one type or another and to distinguish between real and perceived trends? What are the relationships between the countries of Latin America, and can a list be made of the countries that follow one trend as opposed to another?

Three initial observations must be made as the basis for considering the situation in Latin America:

1. It is important to differentiate between each country and not just to try and make general trends fit Latin America as a whole;
2. The division between leftist and rightist is outdated and no longer useful;
3. Divisions can be made between populism or neo-populism, and solid democratic political systems.

There seems to be a reorganisation of the political map, with two competing trends. One trend looks to the future and seeks to modernise with liberal market-based policies, solid democratic institutions and division of powers (like in Chile, Uruguay or Costa Rica). Another trend looks to the past, tending towards populism mixed with nationalism and increasing authoritarianism (such as in Venezuela, Bolivia, Ecuador and to some extent also in Argentina). This second trend is having a significant impact on Latin America and the media has identified it as key in cases like Chavez in Venezuela.

The interest in this case also comes from the fact that Chavez does not only have a national vision but a continental one (for example, ALBA - Alternativa Bolivariana de las Américas). It might not be a very realistic project on the whole, but it is bold and he is able to exert influence on political processes in countries such as Bolivia and Ecuador.

One additional characteristic of this trend, as represented by Chavez, is anti-Americanism. This is encouraged by recent US foreign policy which is based more on confrontation than collaboration. This makes it increasingly difficult for the US to play the leading role in developing collaboration in Latin America. With European countries paying more attention to the east and Asia, China has increasingly established a presence in Latin America, taking a leading role in commerce and cooperation without any democratic conditions. But given that problems in Latin America affect everyone in the globalised world, collaboration is essential. This increasingly raises the question of what role the EU and its member states want to play in the region, if they do not want to lose a significant presence there. Therefore, all of the EU, not just Spain, should take an active role in promoting economic and democratic development across the region.

Reasons for the current strength of populism

Firstly, the political institutions are generally weak with no effective separation of powers; there is a strong presidential role without sufficient monitoring systems. Political parties are not really working as a conduit between politics and civil society, or providing genuine alternatives. Populism is therefore stronger in countries where political parties do not play an active role, such as Venezuela.

Secondly, the long-standing marginalisation of groups is crucial. There is a lack of social justice in Latin America, with more than half the population living on less than two US dollars a day. Indigenous groups have faced particular problems and marginalisation, and there has been a lack of political responsibility on the part of the authorities with regards to this situation. Now, however, these marginalised groups are having their interests recognised by leaders in certain countries, generating popular support. In several countries there are even changes taking place in the class structure; traditional leaders are disappearing and new ones emerging, although these do not have political experience.

There seems to be a tendency for a lack of political responsibility amongst the people as well. Civil society participation is perceived as a right but not as a responsibility, so many people are simply too disenchanted to mobilise themselves in this way. Many see that traditional institutions are not solving their problems, but wait for some new leader to come and solve all the deficiencies of the system. Others say that the solutions

are not to be found in politics but in economics and through money. Democracy in Latin America is arguably a concept that is losing its perceived viability as a way of organising a state and the best political systems for solving social problems.

The central point for populism to grow is a widespread feeling that the existing systems lack the capacity to solve social problems. This development is not therefore so much an ideological swing to the left as a reaction to the combination of: a lack of strong institutions; social problems and inequality; ineffective civil society; charismatic and powerful leaders with access to enormous financial resources due to high market prices for raw materials such as oil, gas or agricultural products.

Conclusion

It is not correct to classify Latin America simply as going to the left, or to say that populism is the only trend in Latin America. On one hand, there are clear trends towards populism emerging largely from people's dissatisfaction with the current situation. However there is also the other trend: democratic governments with solid institutions and significant efforts in public policies with specific results. As part of this trend, we can find social democratic leaders as well as Christian democratic or conservative leaders. There is therefore no such thing as a classic division between left and right, but a clear division between populism and genuine democracy.

Measuring democracy will reveal much more about the situation in a country and enable the specific problems and then the solutions to be identified. In this context, different observers have used different methods and criteria in their studies, but most have aspects in common. Chile, Uruguay and Costa Rica tend to top the list of such democratic indicators, while Venezuela or Guatemala tend to be on the bottom.

In order for Europe to help Latin America, it must focus on helping the countries solve their own problems by supporting the development of strong institutions, forming new political leaders, promoting genuine participation of all social groups as well as social responsibility on the part of the traditional leaders. In a sentence: the promotion of democracy across the region.

Current politics in Latin America: growing populism or simple move to the left? (III)

Denise Gregory

Introduction

CEBRI was established in 1998 as an independent, multi-disciplinary institution conceived to be the main Brazilian think tank on foreign policy and international relations. It is a space for debate and analysis of international issues. Public resources were important for the launching of the centre, but today it is maintained mostly from private contributions and project funding from international institutions and foundations. Through seminars, conferences, lectures, publications, position papers and research programmes, CEBRI aims to contribute to the decision-making process in Brazil and generate a better understanding of international relations.

One important project, developed with KAS, was to strengthen the network of the four Mercosur (Mercado Común del Sur) countries' councils of international relations (Brazil, Argentina, Paraguay and Uruguay). This year, priority issues related to economic integration, infrastructure, energy, transport, security and the electoral process; CEBRI organised lectures on election processes in Bolivia, Chile and Mexico. Each process and each country are unique; it is worth remembering that in many ways 'Latin America' does not really exist.

Lula's first term

All governments seen as leftist took power in countries where there was deep dissatisfaction with the liberal economic model; the market reforms undertaken in the 1980s and 1990s did little to end unemployment, reduce poverty or reduce inequality. Very low economic growth rates combined with uneven wealth distribution have perpetuated poverty, poor infrastructure and poor services with no money available for investment.

In 2002 Lula was elected President of Brazil in a wave of hope and expectation. People were out in the streets with flags heralding him as the saviour after eight years of liberal government under Fernando Henrique Cardoso. The members of Lula's party demonstrated in the streets, chanting "out with the IMF; out with Fernando Henrique!" Surprisingly, however, once in power, he followed most of his predecessor's macro-economic policies and complied with the fiscal and monetary targets agreed with the IMF.

Lula attempted social initiatives, like the zero hunger programme, that would make a difference to the ordinary people, but they did not really achieve their ambitious objectives. He extended a very effective income transfer programme that had been started by his predecessor; he brought several existing programmes together in one package and called it the family fund. This fund became the main vehicle for poverty relief. It was effective because it was a real income transfer programme and an increased number of families benefited (up from 6.5 million to 11.1 million families). Because of the family fund and a ten percent increase in the minimum wage, Brazil has seen a ten percent decrease in those classified as 'very poor'. A very recent study has shown that the number of people living below the poverty line has dropped by the biggest amount for ten years.

A big problem in Brazil and across Latin America is growing indifference amongst the people for political institutions and representative democracy. Corruption and ideological volatility on the part of politicians have had a significant impact in this context. A recent survey by Latinobarometer identified political parties as the institutions that people felt were most urgently in need of action to tackle corruption; 27 percent picked political parties compared to 14 percent for the judiciary and 12 percent for the police.

Lula has failed to live up to expectations. Accused by the left of being like his predecessor in maintaining macro-economic policies, the opposition accuses him of corruption and overspending. He can perhaps be described as a 'fiscal populist' in that he throws money at social problems as a paternalist rather than bringing about the structural reforms that would enable people to find their own way out of poverty.

2006 presidential elections

At the end of 2003, Lula faced a serious crisis of governance when his party and collaborators were involved in a series of corruption scandals including accusations of vote-buying within Congress (Lula's party did not have a majority in Congress). The country was stunned, but it emerged that Lula's popularity was still high and he was still the clear front-runner for re-election.

However, continued corruption scandals right up to the date of the election eroded Lula's advantage. Ten days before the election, a group close to Lula, including the President of his party and a former minister were caught in a corruption scandal that was still front page news on the day of the election itself. Furthermore, three days before the election, Lula failed to appear on a televised debate between the four main presidential candidates; the television channel kept showing the empty chair and his three rivals accused him of arrogance and disrespecting the people. Thirty days before the election, Lula had a 12 point advantage over his nearest rival. However, in the election itself, Lula failed to gain the 50 percent needed to win the first round outright; he received 48 percent of the vote compared to 41 percent for his main rival.

If the corruption scandals help explain why Lula lost much support, there also needs to be some explanation of how he nevertheless emerged as the first choice (and the subsequent winner of the run-off election). Brazil's favourable economic performance, based largely on the high prices of Brazilian raw materials and related increased export income, has been fundamental. He has also been helped by the lack of a serious, credible and differentiated alternative amongst the opposition parties.

Conclusion

Brazil is now divided in two. Lula's damaged reputation has lost him much support within the middle classes who had such high hopes for change at the 2002 election. In the industrialised south and south-east, dominated by a rich elite with more access to services, the social democrat challenger, Geraldo Alckmin, is the most popular candidate with 60 percent of the vote in Sao Paulo for example. However, Lula remains hugely popular amongst the poorest, particularly in the north-east of the country where he gains nearly 70 percent of the vote.

Perhaps the saddest current aspect of Brazilian politics is the disillusionment felt by the people, which marked the recent election. Even those who voted were largely silent with little manifestation of flags and pictures in the streets. Some political scientists fear that Lula will feel impelled to move towards a more populist approach. Lula has already declared himself the victim of a movement against him by the rich in the south; this is a direct appeal to the poor and dispossessed.

The next President will have to build a multi-party coalition in Congress; neither candidate will have the necessary majority alone. Since the political agendas of the two candidates are quite imprecise, the alliances they may make are uncertain. This scenario presents a real threat of one of the worst political crises of Brazil's history. Already, the political situation is affecting the economy; the growing corruption is affecting foreign

direct investment and the main economic indicators are not hugely encouraging.

The next President will have to restructure the political system, fight corruption and recover the population's respect and hope. Countries can only develop with a combination of the right policies and appropriate and strong institutions; this is needed in Brazil and across Latin America.

Current politics in Latin America: growing populism or simple move to the left?

Discussion

Comment by Antonio Garcia, Venezuelan Embassy, Brussels

Populism in Latin America is a necessary debate, but the panel members seem to have quite a consensus. They have tried to describe the Latin American situation as being one of tensions between social democratic and conservative tendencies and an authoritarian non-democratic tendency. They have argued that this is better than defining in terms of left and right.

However, the theoretical basis of this debate is the right-wing viewpoint and fails to describe what is really happening. There is a confrontation in Latin America between the neo-liberal model and a new model trying to construct a version of socialism for the 21st century. This may be described by some as populism, although this is highly questionable. A key consideration is that there is actually no scientific definition or consensus of what populism is; some say it is the phenomenon of a charismatic leader who has the sympathy of the masses, takes control of the institutions and stays in power indefinitely.

We cannot qualify the Venezuelan government as a populist one; rather, a peaceful and democratic revolution is taking place. Under President Chavez, there have been advances in respect of human rights, the rule of law, participation and economic power. The new constitution promoted by Chavez creates popular planning councils that oversee the laws created in the different villages of the country; every mayor is subject to the checks and balances of the municipalities and villages they govern. This shows that there is a progressive movement, developing the relationship between society and the government and promoting government accountability.

Under previous military regimes there was a lack of respect of human rights and people sometimes just disappeared and no one knew where they were. The current government has fought these practices and made efforts to make police and other institutions respect the law.

Social programmes in Venezuela are actually quite successful and have been for a while, as shown by the indices of respected and independent institutions like the IMF and the UN Development Programme. The programmes are having positive effects and furthermore they are not based on paternalistic monetary hand-outs. They are trying to develop cooperative movements to teach people how to work, be productive and integrate into the economic development of the country. Trying to include the poorest people in the social, economic and political dynamics is not the same as 'populism'.

Further evidence against the interpretation of a tendency towards non-democratic populism is that Chavez has worked to strengthen political parties. There have also been institutional reforms. Previously, the President appointed the members of the electoral council, the body that decides where and when elections are organised. Now the constitution determines this and all of civil society can participate.

It was said that the elections in Venezuela were not fairly organised, but this is simply wrong. There have been nine electoral processes all of which were certified by the European Union and other institutions and in all of which Chavez received democratic support for his policies and programmes.

Session II: Performance of democracy in Latin America

Introduction to the session

Tomas Dupla del Moral

Introduction

In the past quarter century, Latin America has gone through two long, difficult and uncertain processes of transition. It is currently going through a third one, which is no less difficult, will probably not be any shorter and also has uncertain prospects of success.

The first transition in the 1980s was that to democracy. This was very hard with wars, coups and much suffering including some backwards step along the way; some countries thought they had achieved their goal before losing substantial amounts of democracy, for example in Peru following the 1992 “auto-golpe” or “self-coup” of Fujimori. It is a tribute to the determination of the Latin American people that despite the problems they have today, democracy is prevalent across the region.

The second transition was the macro-economic transition that took place mainly in the 1990s. The idea was to arrive at responsible policies that would no longer subject Latin Americans to cycles of boom and bust, but the process was and is tough, demanding much sacrifice. Once again, progress was mixed with backwards steps, which were sometimes very traumatic, such as the economic crises in Mexico and Argentina. Again the determination to overcome the economic turmoil caused by bad government policies prevailed, and now the situation is that a vast amount of progress has been achieved and maintained.

Current situation

It would be wrong to think that those transitions are over, however. In a situation where the public at large is still not benefiting sufficiently from the democratic transition and economic rationalisation achieved at cost of great sacrifice, they have the right to

demand what those sacrifices were for. Growth, although moderate, especially when compared with other areas of the world like Asia, has been accompanied by increases in poverty and inequality; and this in the region which already had the highest rates in the world.

It is not so surprising then that successive polls by organisations such as Latinobarometer and UNDP studies show that Latin Americans' faith in democracy has been hit. Independent and respected institutions, which are active in analysing the situation in Latin America, such as the Economic Commission for Latin America and the Caribbean (ECLAC), the Inter-American Development Bank (IDB), the World Bank and the UNDP state that inequality and exclusion are now the greatest barriers to Latin America experiencing the kind of growth seen in Asia. Without tackling these problems head on, Latin America will inevitably lag behind and its enormous potential will not be realised.

It is not clear whether the expansion of commodities trading, which has been driving the Latin American economies, will come to an end soon, but it is clear that even with this advantage, democratic progress has been insufficient. Latin America therefore needs a third transition, this time in the social field. Latin Americans are showing in the current series of elections that this third transition is the issue of the day and that social reform is what they want democracy to deliver.

It is not that the so-called populist leaders are causing social problems, but that they are emerging because of those social problems, particularly the lack of social cohesion. The third transition should lead to a better and more solid social contract with more respect for social concerns by governments and more respect for democracy by the people.

Conclusion

The success of the third transition will also complete the first and second transitions, by making democracy more legitimate and unlocking Latin America's great economic potential. This analysis does not mean that populism does not exist. The third transition will suffer false starts and setbacks and it will be a long time, if at all, before it will be clear that it has succeeded.

The EU is proceeding on the basis of this analysis. Europe must therefore show perseverance in supporting what is good, but also be a true friend in giving definite warnings when there are clear diversions from the basic principles of democracy and responsible economic management.

Performance of democracy in Latin America (I)

Jorge Arias

Introduction

This presentation is based on Polilat's latest annual report, prepared in partnership with KAS, on democratic development in Latin America. The report is based on the Democratic Development Index of Latin America (Indice de Desarrollo Democrático de América Latina – IDD-Lat), which is available at <http://www.idd-lat.org/>. IDD-Lat is a voluminous report indexing various characteristics of democracy in order to compare countries' performance and observe changes over time, both in terms of general performance and performance on any specific indicator. The index covers 18 countries that have reliable statistics.

The first dimension of the report is a set of formal requirements that countries have to meet to be included in the report; Cuba, for example, fails to meet these criteria. The second dimension is the issue of respect for political rights and civil liberties, and the third dimension is institutional quality and political efficiency. The final dimension is the effective power to govern and the social and economic results of the management of democracy.

The index is not based on surveys but primarily on economic and social statistics; only where there are gaps in available statistics are surveys used. The 2006 index measures the political reality in 2005. The index is created by giving the best performer ten points, the worst performer one point and then others are placed on the scale between these two extremes.

Results

In the latest edition, Chile, Costa Rica and Uruguay are the top three whilst Peru, Bolivia and Ecuador are at the bottom.

The report divides Latin America into three categories of democratic development:

1. More than 7.5 points – high development;
2. Between 4.5 and 7.5 points – medium development;
3. Between 1 and 4.5 points – low development.

There is a very low percentage of countries in the top group, a few more in the medium group and more than 60 percent in the least developed group (Paraguay, Bolivia, Brazil, Peru, Colombia, Ecuador, Venezuela, Nicaragua, Honduras, Guatemala and Dominican Republic).

In terms of respect of political rights and civil liberties, the best performing countries are Chile, Costa Rica and Uruguay; at the bottom are Peru, Ecuador, Guatemala and Venezuela. Over time there has been a slight growth in most countries' performance 2002-2006, but the level of progress is low compared to the needs of the region.

To measure institutional quality and political efficiency, the index looks at the efficiency of the representative system, the level of monitoring and checks and balances between government institutions, the existence of social and political groups not represented in the political system that try to have their voice heard, either peacefully or not, and the existence of institutional violence by which presidents may be unable to finish their terms and periods of political uncertainty result. Chile, Uruguay and Costa Rica are the top performers in this index and Argentina, Nicaragua, Venezuela, Bolivia and Ecuador are the worst.

There are two dimensions to the index evaluating the effective power to govern:

1. The capacity to generate policies that ensure social well-being – at the top of the list are Costa Rica, Chile and Uruguay; at the bottom come El Salvador, Peru, Nicaragua, Ecuador and Dominican Republic.
2. The capacity to generate policies of economic efficiency and resolve economic problems – the highest ranked countries are Chile, Mexico, Costa Rica and Argentina; the lowest ranked are the Dominican Republic, Nicaragua, Paraguay, Honduras and Bolivia.

To visualise the evolution of the region over time, the report uses a traffic light system. At one end of the scale, countries that have made progress compared to previous years are represented in shades of green; at the other end, red is used to show countries that have moved backwards.

This technique is also used for other sub-categories considered within the index, for example gender equality and insecurity and destabilisation, which interestingly shows the reddest results of all under the traffic light system. Destabilisation refers to the existence of groups that are organised to promote political change but which work outside the democratic representative systems. These are predominantly of two types:

1. Groups that push for their own good and their own interests in spite of others or any consensus view, for example by blocking transport movement as has happened in Paraguay, Peru and Ecuador.
2. Groups that arm themselves to displace the official leader of a country or to achieve political or legal changes. This might not take the form of military coups as in the past, but it still represents unconstitutional political power, and the groups are operating outside the power of law and against democratic principles.

On social and economic indicators, there has been some progress in macro-economic indicators including reduced levels of debt and increased GDP; however there have been quite negative results on improving education and reducing poverty.

Techno-populism

A relatively new area of consideration is the comparison between ‘techno-populism’ and democratic development. In general, this is a big problem in Latin America that requires great attention before things go too far. Techno-populism is the intensive use of new technologies, rather than formal democratic means, by politicians to obtain political power. They claim to be working for the marginalised to diminish poverty and reduce inequalities, but there is a contradiction in their approach since it actually undermines democratic processes.

This search for political power through informal media and new technologies irrespective of the democratic processes is found on the right and left of the political spectrum, so it is not a question of ideology. The new technologies are used to continue a political tradition based on distrust and conflict in which politics is said to be dirty and political and economic agreements are avoided. This type of populism is therefore based on a new type of democracy that is actually the antithesis of democratic development since it encourages people to reject rather than engage in the current political reality. The time to act on this issue is now, in order not to lose democratic progress achieved so far and to take advantage of the relatively encouraging economic situation.

Performance of democracy in Latin America (II)

Vicente Albornoz

Introduction

The title of this presentation went through three changes as it was developed. The first working title was 'Results of democracy in Ecuador'; this became 'Bad results of democracy in Ecuador'; finally this was changed to 'Bad results of the democracy in Ecuador caused by populism'. This gives a good indication of the content of this presentation.

Decade of growth under dictatorship

In 1968 Ecuador discovered petroleum in its Amazon region; it was immediately clear that this would change the situation of the country significantly. A dictatorial regime started in 1970, firstly with a civilian dictatorship and then a military one, which lasted for about nine years. It was not a bloody dictatorship nor particularly repressive. It was under this regime that Ecuador began to exploit its oil; 1973 saw the start of great economic change in the country with GDP up by 25 percent in 1974. This was huge growth and during the whole decade from 1972 to 1981, GDP per capita grew by six percent each year.

Return to democracy and economic downturn

Ecuador returned to democracy in 1979 based on a consensus that resembled those seen in subsequent years across the continent. In 1982, when the democracy was still young, economic problems started and growth came to a halt. This was due to a combination of high national debt and environmental problems caused by the El Niño climate phenomenon, which wreaked havoc on the Ecuadorian economy, particularly in coastal regions. In 2000, GDP per capita was almost identical to that in 1981; over 19 years, economic development was zero.

Missed opportunities

Of course, it is dangerous to jump to conclusions. The first possible assumption is that because growth during the dictatorship was better than that under democracy, democracy is not a good system. To demonstrate that this is not the correct analysis, we need to look in more depth at the situation and its evolution in Ecuador. There were two major growth opportunities that were not grasped:

1. In 1985, economic indicators were positive and Ecuador seemed well placed for a decade of growth. However, when oil prices dropped in early 1986, the government failed to react; public expenditure rose and resulted in growing inflation and fiscal chaos. At the height of the crisis in 1988, also following an earthquake the preceding year, inflation stood at 19 percent, the fiscal deficit at ten percent, there were record levels of poverty, and real salary levels were at an all-time low. The problem was that the leaders were not brave enough to make the necessary adjustments and cuts for fear of losing votes.
2. 1994 was a year of big optimism in Ecuador, however a series of political problems led to political instability and destroyed the political programme of the country. These could be described as populist problems, added to by war with Peru, which undermined people's hopes. There was not enough privatisation in Ecuador and banking credit grew. 1995 was the end of hopes and was an introduction to the even bigger crisis to come, particularly the 1999 crisis. These ideas are expounded in the work "Los costos del populismo" published earlier this year.

In 2000, Ecuador changed its currency to US dollars, a move which led to un hoped-for stability and growth. Since this time, fiscal discipline has been better, every year has seen economic growth greater than population growth and poverty has been reduced more than ever before. The major lesson from 1999 was that it is important to have public funds under control to obtain democracy.

Since 2004, oil has reached peak prices and unfortunately high prices can be a big temptation for governments, leading them to forget their fiscal discipline. Indications are that things are becoming more complicated in Ecuador, with a loss of direction and opposition candidates presenting highly populist programmes.

Conclusions

Ecuador experienced a decade of growth under a dictatorship, followed by two lost decades under democracy. During the lost decades, important opportunities to improve the economy were lost, both because of 'populist' activities. Perhaps the saddest

aspect is that the period of growth and stability since the turn of the century is at risk due to populist dangers. Indicators are that nothing will improve even after this year's election.

Performance of democracy in Latin America (III)

Antonio Arenales Forno

Introduction

Analysing Latin America is not easy since there are as many forms of institutional structure, function and system as there are countries. For example, there are federal and non-federal countries and differing levels of executive and parliamentary power. Every country's system reflects to some extent its unique situation and historical traditions. Yet despite the diversity, there are links between the countries because of language and the Judeo-Christian tradition, and they have demonstrated a certain economic and political interdependence. This led to, in the nineteenth century, all types of liberal revolutions in the region and, in the twentieth century, different forms of dictatorships and then democratic transitions.

Looking across Latin America, the analysis of populism should not be too critical since it seems to emerge only as a reaction to current political and social inadequacies in the region. The populist movements may appear to threaten democratic transitions, but, as representations of people's discomfort towards democratic evolutions in their countries, they will not necessarily lead to new dictatorships; the movements could also serve to strengthen democracy by calling into question existing flawed approaches. In this sense, populism is a sign that democratic evolutions are felt to be unsatisfactory and represent a call for greater democratic progress.

It is essential to know what causes the dissatisfaction to avoid bringing the democratic evolution to a stop. There are two main causes:

1. Dissatisfaction with the institutions and their functioning
2. Democratic evolutions have not been translated into improvements in quality of life.

Effective democracy

For institutions to work well they must guarantee equality before the law, civil participation and civil control. Legislation should guarantee political, social, human and economic rights, and the judicial system should ensure its implementation. The population should be enabled to participate democratically in decision-making systems in public administration. Democratic checks and balances between the institutions in the system are essential to ensure that anyone who abuses their position can be removed from power.

In Latin America, there are grave errors in the institutional system. The electoral systems make it difficult to participate and so the parties elected are not very representative; this explains why Congress and political parties are the most criticised institutions. After elections, the population finds no way to engage in policy-making or to stop corruption.

The big danger is that dissatisfaction could lead to people rejecting democracy itself, without realising that the problem is not democracy but that there is no real democracy in their countries; people do not know what democracy is about in countries with low democratic experience like Guatemala. In Chile, with a long democratic tradition, the transition was easier and has been consolidated. Without adequate equality levels, the transition will only be from dictatorships to dictatorships based on elections.

Two forms of populism

Whilst populist movements should be understood as a warning sign that the population is not happy with the current situation, they are not necessarily bad; their acts in the past have been the beginnings of revolutions against authoritarianism. Some populist movements may seek authoritarianism and should be stopped; however, most movements look for an improvement in the functioning of the system. The warning provided by populist movements should be the moment for reforms and a strengthening of democracy to avoid a crisis.

The main solution to the faults of Latin American democracies is more democracy. If the institutional model generates equality, participation and democratic monitoring, the population will become more responsible for policy in their countries; populations will be able to promote policy change or bring about a change in government in a democratic way. Effective pluralist and participative democracy is the best way to relieve the region's social problems like poverty.

Conclusion

European cooperation with Latin America was fundamental in giving an impetus to

democratic evolution, particularly in Central America. After the fall of the Berlin Wall, Europe's focus was more on itself. Nowadays, Europe is looking at Latin America again and attention is focused on social cohesion. In the more indigenous parts of the region (particularly countries like Peru, Bolivia, Guatemala and Ecuador) social exclusion is worse and there is more populism as a result; the people want a bigger voice in the institutions and are reacting to their situation. European help and aid has played a big role in the past and could play an even bigger role now if these cohesion issues are worked on; there cannot be successful democracy or good governance if social cohesion is not improved.

Performance of democracy in Latin America

Discussion

Comment from Klaus-Jürgen Hedrich

Social cohesion is crucial but on the other hand one of the best democratic performers is Chile and yet they also have one of the biggest income disparities. The democratic system is functioning and the political spectrum has committed to solving this problem over the next few years. Student demonstrations show, however, that not everyone is satisfied with the development of the country.

Education is a key part of the social cohesion question. Without education there will be no development and, particularly where women are excluded, the economy and the country lag behind.

Comment from Hans Blomeier

Sometimes Europe loses its focus on Latin America because it is facing complex situations in other areas such as Asia; however it was good to hear that European efforts in the region have done some good over the past 45 years.

There is much progress that should inspire optimism, and populism should not be criticised automatically. The populist movements do not come from nowhere; they are an expression of dissatisfaction with the system's efforts to resolve problems in the face of social inequalities. It would be wrong to demonise populists or glorify inefficient democratic systems.

However, there are regimes under which political pluralism is not accepted and fundamental elements of the system are undemocratic: organised opposition is seen as a threat to state security; different opinions are not tolerated, and the media and public opinion are manipulated by leaders.

Different measurements using varying methods show that the countries with solid democratic institutions and functioning political parties achieve better social results. These social situations are not perfect, but the perfect political system does not exist. The best way to achieve progress is by ensuring participation, and by having checks and balances within the political system; this is where democracy is better equipped than other systems.

Comment from Werner Neuhauss

People have talked about populist movements linked to unequal wealth distribution. There have been several cases of leaders, who are unable to meet the promises they have made to the population, printing money to finance their measures. This strategy has led to rampant inflation and crises. In the case of Ecuador it was mentioned that changing the currency to the US dollar helped stabilise the economy. Given that leaders cannot print more dollars, could this also be a means of avoiding economic destabilisation and inflation in other countries?

Comment from Vicente Albornoz

Unfortunately, the use of the dollar is not a good way to stop populism since populism calls would emerge from people seeing the dollar as being imposed by the US. Dollarisation has been tried and has led to terrible results because it is a very traumatic experience. Unless it is clear that the anti-American argument would not be used as a political weapon, it would be sounder to use Euros or Reales.

Comment from the floor

There is a cultural difference between European analysis, which sees the institutions as something to be respected, and the Latin Americans' vision of the institutions. Institutional inflexibility is not always positive for societies that are in essence flexible. It is better to find positive ways to improve the institutions and not to create unnecessary traumas.

Question from Klaus-Jürgen Hedrich

There have been suggestions at EU level that, since the Doha trade round failed, it might be necessary to conduct trade negotiations bilaterally. What could be bilaterally negotiated between the EU and Mercosur?

Comment from Tomas Dupla del Moral

There is not going to be a sudden transition to bilateral commercial relationships. Europe favours multi-lateral relationships on the whole; however this is not necessarily incompatible with bilateral relationships. Europe's relationship with Mercosur is

paralysed at the moment, but efforts are being made to reinstate it. Preliminary contacts have been made and there will be a formal meeting in November. Brazil and Argentina think conditions are favourable to conclude an agreement quickly and there is reason to hope that the November meeting will show real progress.

A summit held in Vienna in May between the EU and Latin America concluded with a decision to launch negotiations with both regional groups. Central America has demonstrated economic and commercial discipline and had successful negotiations with the US. A relationship with the EU could create a strong regional impulse to allow cooperation with all countries in the region. The Andean Community is a more difficult case and progress was hindered when Venezuela withdrew from group and invited Bolivia to do the same. There was some panic amongst the countries of the region, which the Vienna meeting was able to tackle. Bolivia decided to stick within the Andean Community, which negotiated a regional agreement with the EU. It is important, within this fragile region, to keep whatever mechanisms for negotiation are available so that relations can be improved.

Question from the floor

Yesterday, the mayor of Asunción, the capital of Paraguay, gave a speech to the European Parliament's development committee in which he stressed that the key to democratic development and economic growth in Latin America is decentralisation. Do panellists agree with the idea that more decentralisation equals more democracy, and should the European Commission give financial support for decentralisation reforms?

Comment from Jorge Arias

Latin Americans need to be self-critical and see what they need to do to develop the region. To stop populism and fight poverty, democracy needs to be consolidated and internal solidarity developed. It will also be important to have strategic alliances, for example, with Europe. However, five things are missing in Latin America, which need to be supplied from within the region:

- A unified voice – there are differences between the countries, but there is also a common political history and the region needs a common political voice;
- Leadership that is in harmony with, and inspires, the population;
- A renovation of policies and the way people engage in politics;
- A long-term vision;
- Ethics, which would serve to eradicate corruption.

Response from Vicente Albornoz

Decentralisation has been much talked about in Latin America, but not much progress

has been made. The idea creates hopes, but these are perhaps unrealistic. The key point is that, although good decentralisation can bring decisions closer to the citizens, if it is done badly then it could be devastating. Colombia, Argentina and Brazil have all had bad experiences of decentralisation when the necessary conditions were not in place.

Comment from the floor

Decentralisation seems to be very democratic since it means taking decisions as close as possible to the population. However, at the same time, there are federal countries that are more unified than some non-federal countries. Decentralisation would have to be done effectively and would depend on the culture, history and political evolution of the country.

Political responsibility is a crucial issue. It is almost impossible to imagine a unified voice in Latin America since there is not even a unified voice in each country. In Argentina there was a meeting to develop a unified voice for the Mercosur negotiations with EU, but there is still not even a unified national voice for discussions with Brazil.

Comment from Tomas Dupla del Moral

Within the EU, there are centralised countries like the UK and France and decentralised ones like Germany and Belgium. This is a free choice; what is important is what governments can give to their populations. The EU supports decentralisation processes when the governments want them. However, the key to a system, centralised or decentralised, is whether it can provide services to the people. A highly decentralised country with high taxes might not be able to offer effective services. While an administration may aim to redistribute wealth, there has to be wealth to redistribute and used efficiently.

Comment from Antonio Arenales Forno

Looking at levels of social cohesion in, for example, Africa, one can see a relationship with the end of colonialism. The indigenous population was clearly distinguishable from the colonial people and the African people became independent together when their countries became independent. In Latin America, it was not the indigenous population that became independent from the colonial power, but rather a mix of the indigenous population and people that had come from the colonising power. Divisions still clearly exist in Latin American societies because of this.

Decentralisation in countries like Guatemala, with large indigenous populations, is necessary. This is not because decentralisation is inherently essential to democracy, but simply because it is needed in this case. The free determination of populations within

countries can only occur with the right levels of autonomy and decentralisation to give all populations the chance to realise their objectives. In Spain, there is a high degree of regional autonomy, yet Spain remains a unified country. In Guatemala, there are five different major ethnic groups and decentralisation is essential to keep these together in one country.

Sessions I and II: conclusions

Hans Blomeier

It would be pretentious to attempt a simple conclusion of the discussions here today, but the following impressions and ideas can be picked out:

- In many senses 'Latin America' does not exist as an entity and yet the Latin Americans do have various things in common. Whilst it is worthwhile to talk about the region, one should be careful not to overgeneralise, but consider the specific history and characteristics of individual countries where appropriate.
- Although it is maybe not an exact science, democratic performance can be measured to a certain extent and analysis does not just rely on perception. Democratic quality brings in a number of factors and individuals will always provide different assessments, such as in the current situation in Venezuela. However, even different methods of analysis give similar conclusions, and so it is reasonable to suppose that they capture something of the reality on the ground.
- Concepts of left and right do not seem to be valid any longer for giving revealing descriptions of the situation in a country, and so one should not be preoccupied with these terms.
- There are differences of opinion over whether failing democracy is leading to populism or whether populism is leading to failing democracy. There was more agreement that populism is a warning that democracies need to be improved, and populism should thus be taken seriously.
- Latin America seems to be entering another stage of transition, which requires the reduction of poverty and more social cohesion in order to make democracy more

credible. It seems that democracy in Latin America will not advance unless the problems are resolved, and it may even come under threat if progress is not made in addressing social inequalities.

- Finally, the reinforcement of political institutions, especially the political parties and parliaments, would also serve to make democracy stronger.

Session III:
Vital challenges for democratic development in
Latin America

Social balance and poverty alleviation in Latin America and the Caribbean (I)

Guillermo Sandoval

Introduction

In Latin America, 40.6 percent of the population live under the poverty line and 16.8 percent of them are indigenous. Tellingly, these percentages are comparable to the figures from 1980; poverty rose in the 1990s and then declined until it was back at similar levels. Honduras has around 80 percent, Nicaragua 70 percent and Guatemala 60 percent of the population living below the poverty line. At the other end of the scale are Uruguay, Costa Rica and Chile. Costa Rica saw poverty decline from 26 to 20 percent between 1990 and 2005, whilst poverty in Chile has declined from 38.6 to 18.6 percent.

The Chilean economy and poverty

Estimates from this year suggest there has been another decline in poverty of 2-3 percent in Chile. The Millennium Development Goals aim at poverty reduction of 51 percent in 15 years so there is still a lot to do. The Economic Commission for Latin America and the Caribbean (ECLAC) looks at not only standard economic indicators, but also deprivations of basic necessities. There have been some improvements in education and health service provision, but nine of the fourteen countries studies showed significant deficits in housing and sanitation.

Analysis has shown that there is a relationship between economic growth and poverty reduction. The countries with the best commercial relationships are the best placed to manage crises. This was the situation in the Central American countries during the crisis at the end of the 1990s. Between 1995 and 1997, the region opened up commercially, which supported economic growth and reductions in poverty levels.

The IMF publishes figures on GDP growth and GDP per capita growth. In Chile, the economy became 4.4 times bigger, which is huge; economies that are opening up to international trade like Mexico, Ecuador and Peru have also seen significant changes. GDP per capita, which is a measurement closer to the population, is 3.6 times greater in Chile now than it was in the 1990s.

However, it is important to take care with statistics since very different situations can hide behind them; just because the statistics are good does not necessarily mean that the situation is good or that it is good for all people. Different social groups can benefit very differently from economic progress, for example.

The money that is sent back to Latin American countries by expatriates can be very significant to their economies. Countries like Guatemala and Mexico receive a lot of money in this way and such payments amount to 29 percent of Haiti's GDP.

According to ECLAC, social expenditure needs to be consolidated, increased and better-focused; whilst it does not have much influence on average domestic income, it can amount to 86 percent of household income for the poorest families.

Employment

Only five countries have unemployment rates below 10 percent and the informal sector is responsible for half of all urban employment. There has been a shift in company organisation, and the way in which employment is organised that has meant, for example, that 1.5 million jobs are lost each year in Chile. Only 17 percent of these unemployed people have access to social security; insecurity is extremely high for those with low income. Other notable observations are that the inclusion of women in the employment market is still insufficient although there has been some progress and trade unionism is declining.

Health and Education

There have been some improvements in basic primary education and university education in Chile, but at the same time there are many quality problems in kindergartens and secondary schools; qualifications of teachers is a big issue.

There is a worsening AIDS situation, as there is across Central America in particular. However, child mortality and general mortality have dropped in Chile, leading to a five-year increase in life expectancy. Birth rates have dropped to below two children per woman, which suggests that Chile will soon experience population decrease. Increased immigration, particularly from Peru, as people come to look for informal work, is also

creating challenges for the country. The combination of these factors is increasing the pressure on the social security system in particular, as experienced by many Latin American countries.

New technologies

There is a significant gap in the availability of new technologies in Latin America compared to countries in the developed world. Similarly, within Latin America there are big differences in the incorporation of technological innovations. This serves to widen the gap between the advantaged and disadvantaged at all levels.

Inequality

Inequality of income is a big issue that generates many problems. In Latin America, Brazil and Chile typically have the greatest inequalities. However, Brazil has made some progress, whilst many other countries have seen inequalities increase: Paraguay, Argentina, Bolivia, the Dominican Republic, Nicaragua, El Salvador, Ecuador, Venezuela, and Costa Rica.

Shorter-term solutions to such inequality include transferring the income of working people, but this is quite difficult politically as experience from the 1970s shows. Similarly, tax systems could be changed, which is happening slowly; again it is difficult to change this quickly. The long-term solution must be education, and programmes are in place to improve this.

Corruption

Corruption is a big issue for the region and there is an important link between corruption in the system and poverty. Latinobarometer questionnaires found that 35 percent of the population think that corruption can be eradicated within the next 20 years, 17 percent think that it will take more than 20 years and all the rest think that it will never be eradicated.

Hopes for the future

Survey results found that four countries believe they are heading in the right direction: Brazil; Argentina; Chile; and Colombia. There is a generally positive perception of private business and the market economy as vehicles to drive economic growth; but there is also recognition that the market economy is not functioning well at the moment in Latin America and there is support for a stronger social component.

54 percent of the population think that previous generations had better lives than they have. However, there was also a feeling that the situation will be much improved

within six or seven years and that the next generation will have a better life. This result is much more optimistic as to the future than previous results and shows that the people have hopes that the market economy will start to perform better.

Conclusion

The direction of future development in Latin America remains unclear and there is a clear need for innovation in finding new solutions to emerging threats and opportunities. Society needs to be re-thought to create a shared society based on dialogue.

The MDGs have been compromised and it now looks very difficult to achieve them. The reduction of poverty has to be achieved through economic growth and better application and management of well thought-out and focused government policies; equal opportunities are crucial to this. This is what data from sources such as Latinobarometer, OECD and the IMF points towards.

Social balance and poverty alleviation in Latin America and the Caribbean (II)

Laurence Argimon Pistre

Introduction

Figures are always shocking in revealing the poverty that people live in. However, situations are also changing rapidly, though in different ways from one country to another. In many respects, Latin America is doing well in improving human indicators such as health and education. Economically, the region is seeing relative good times following quite recent crises. The challenge for the future of Latin America lies in combining economic growth with social improvements.

EU and Latin American relations

The EU concentrates its approach to the poverty question in Latin America on social cohesion, as discussed at the Guadalajara and Vienna Summits between the regions. The EU has much experience of working on social cohesion, particularly since the enlargement of the Union to 25 member states. In the EU, work has taken place in different ways to help ensure people in the poorer countries have opportunities to close the gap on the richer countries and in a way that does not marginalise groups within countries, particularly vulnerable groups such as Roma populations. A lot of Latin America's current problems, from political instability, violence and threats to democracy emerge from questions around social cohesion. As we have heard, many poor people expected that democracy would lead to improvements, and, when that has not arisen, they have turned to more populist solutions.

The EU works on a bilateral level with Latin American countries on the issues of education, governance and reform, by providing support and expertise. The EU organises seminars and talks about social cohesion in collaboration with the Inter-American Development Bank (IDB) because it is important that politicians, academics

and experts have the chance to exchange views to be able to better face changes.

The European Commission supports the commitment to promote social cohesion in Latin America with the EUROsocial programme. With a budget of EUR 30 million over five years, the programme assists countries in developing and implementing social policies that contribute to reducing the gap between the rich and poor in the region. The priorities are health, education, administration of justice, employment and taxation policies.

In Chile, there has been dialogue on employment at expert meetings, looking at issues such as investment in human capital, social protection systems and the improvement of employment services. New dialogue with Brazil is more directly orientated at alleviating poverty and combating discrimination.

Social cohesion in Latin America

If Latin American countries are able to increase social cohesion, it will not only be good for internal political and social stability, but it will also be directly beneficial to the economy. Many big countries do not benefit enough from their internal market, since they are so focused on the export market. Big gaps between rich and poor mean that the domestic market is restricted and does not allow for the full potential of economic development to be realised. China is constantly expanding its middle class and the purchasing power of its people.

Argentina has returned to a more paternalist approach, which is creating progress in poverty reduction, job creation and economic growth. However, the fundamental problem with this approach is its sustainability and the EU is trying to conduct dialogues with Argentina about how it might plan for less advantageous economic situations due to export market changes, for example.

Chile has seen active social policies under the governments of Bachelet and her predecessor, Lagos; however, these policies are limited by the lack of resources to fund them. It is interesting to see that the high price of copper is leading Chile to accumulate an enormous fund, but it is keeping in place its tight rules on using this money.

In Brazil, the Lula government's family programme has benefited more than eleven million families, whilst control of inflation and better access to credit have improved the economic situation. However, an enormous number of changes are needed and the bottom line is that if the government is not able to reform crucial policy areas such as taxation and education, they will not radically improve social cohesion.

Conclusion

The EU will continue its close relationship with Latin America and the regions will look for solutions together to tackle poverty. The EU is confident that by continuing to develop cooperation, dialogue and exchange of experiences, the situation in Latin America will improve.

Social balance and poverty alleviation in Latin America and the Caribbean

Discussion

Comment from Werner Neuhauss

People talk about the importance of tax rates in Latin America. Some states have very low taxation rates, such as Guatemala at around 10 percent, and the World Bank is calling for it to be raised. Other states have very high taxation, such as Brazil at nearly 40 percent; however most observers agree that this money is not used efficiently. It seems then that it is the quality of public expenditure that is the key factor and this is linked to good governance.

In Europe in the 1970s, the socio-liberal coalition in Germany wanted to redistribute wealth and income to give certain marginalised populations access to the economic boom. However, the net effect of the large tax rise was rather modest.

Effective poverty reduction policies need to provide the poorest members of society with access to the means of production like land and credit. This idea is not new and has been set out in a study by the Peruvian Hernando Soto; however this possible contribution to the solution is still not carried through as it should be.

Comment from Eduardo Estevez, World Labour Federation

Some additions need to be made to the comments made so far because statistics will not reveal the whole situation. Radical adjustment programmes have caused increases in poverty and inequality in Latin America, whilst the neo-liberal model has attacked the trade union model. Violence is an increasing problem, for example with the killing of journalists. It is crucial to fight corruption and improve tax policy, taking into account the responsibilities of those that pay and those that receive. Repaying state debt is seen to be a good thing and yet it also limits the extent to which countries can

take advantage of the development opportunities they may have.

The EU's promotion programmes are not bad; they focus on economic problems, looking at the free market, association agreements and service provision. However, they do not emphasise enough the inequalities between Latin America and Europe, which, on the other hand, were central to the EU integration process.

Germany has been a model of the social economy and is one of the strongest economies in the world. However, in the past few years, it has ceased to be a social economy and is rather a market economy with some social aspects. The EU development model is not as good as before since it seems to be based on a desire to enter other markets and decrease labour costs; the model is changing and is no longer fair and just.

Response from Guillermo Sandoval

Hernando Soto is the assistant of Peruvian President Garcia and has made a lot of proposals; now he should use his opportunity to help turn them into practice!

The comments on inequalities and trade unions were accurate. There has been a lot of aggression towards them, which arises because of historical confrontations between the trade union movement with its Marxist connections, and business people aligned with right-wing parties. DECUP, the Foundation for Development and Popular Culture, supports trade unions with a modern vision.

The Christian-Democrat leadership in Chile has provided a new way to generate social dialogue and led to important results. Now, elements within documents such as Chile's association agreement with the EU, and the free trade agreement with US, can help progress. The former contains clauses negotiated with unions, whilst the government included union leaders in the delegation for the negotiation of the agreement with the US, which includes clauses that protect labour regulations and favour the creation of dialogue between workers and management. Such measures can be useful to countries like Chile because they impose certain norms and standards on exporters that improve labour relations.

Response by Laurence Argimon Pistre

The association agreements should have a positive effect because the rules determining trade will contribute to the creation of systems that will be clearer and less prone to corruption. An agreement between Mercosur and the EU would facilitate the integration of Mercosur by obliging them to function better in certain respects. Furthermore, it stimulates competition and obliges people to increase efficiency, which will then generate

investment and employment.

However, there is a lack of contact with the general population, just as there is in Europe; there should be more contact with civil society and particularly the social partners who are fundamental in the negotiations. It is not so much during the negotiations that the problems exist since there are opportunities at that stage to consult the social partners. Rather, problems arise with implementation. Chile, for example, has good agreements with everything as it should be, but in practice there is a lack of real contact with civil society.

Strengthening political institutions: revitalising political parties and parliaments in Latin America and the Caribbean (I)

José Dávila

Introduction

Central America has been a region that has experienced armed conflict, particularly in the years 1960 to 1985. Then in ten years from 1985 to 1995, there were a lot of changes with shifts towards peace agreements and democratisation; Guatemala, El Salvador and Nicaragua were each on the verge of civil war but managed to reach agreements to avoid this. Since the 1990s, there have been many attempts by the countries of the region to insert themselves into international commerce.

Central America is the smallest but most complicated region of Latin America, where the two powers of Chavez and Bush confront one another. Within the six small countries of the region there are two strong leftist movements, in El Salvador and Nicaragua. Decisive political elections are coming up in Nicaragua and the opposition between Bush and Chavez is seen in elections like this one, which is alarming for the people of the region. The US supports the liberal candidate, Montealegre, whilst the leftist Sandinista party candidate, Ortega, is supported by Chavez. The result of the election will impact on other countries across the whole of Latin America.

Current situation

The reality of poverty and the instability of the institutions in the region are based on unjust economic structures and taxation systems. Guatemala has a lot of resources, but a tax rate of only 10 percent; Nicaragua is poorer with a tax rate of 18 percent. As in Latin America in general, there is a real need for social changes in Central America. Although there has been some progress, not enough has been done in the face of

competing priorities. Of Central America's 35 million inhabitants, 25 million live in poverty, of which 13 million live in extreme poverty.

Latin America seemed to be the biggest victim of the Cold War, and change has now been paralysed by new trends of globalisation. The armed conflicts have ended, but new forms of conflict continue and social change will not happen because political parties and parliaments are in crisis.

Political parties

Political parties should be the basic pillars of democracy, but they are currently discredited in Latin America, which is a significant deficiency. The parties do not have organic structures that are strong, permanent and sustainable, or realistic political programmes that are serious and responsible; sometimes they are only created for elections. They also fail to act as the bridge of communication between the people and the government, having little contact with the population and often being the instruments of the leaders.

Ineffective political parties have an impact on the work of parliaments, which are also in crisis and render democracy impossible, since the institutions do not represent the people and the people lose faith in the institutions. Central America has a free trade agreement with the US that had to be closed in nine months. The details of the agreement have been kept secret between the two sides, so the population does not know what the agreement says, creating distrust and anxiety amongst the people. It was signed by delegates who did not know what was in the document and who had to escape out of the parliament after signing it because of demonstrations.

Guatemala, like other Central American countries, tries to participate in the global market and needs trade agreements of this type in the globalised world. However, it is crucial to improve contact with the population and to make more democratic decisions. Unfortunately, Guatemala is hampered by corruption and trafficking. An operation found that a member of the energy commission was stealing oil to sell informally, whilst the delegation that negotiated with the US included delegates linked with the drug trade. Guatemala is a bridge for drugs coming from Colombia and going to the US, and the drug industry buys politicians and buys democracy.

Prospects for the future

Perhaps the two key questions that need to be resolved are:

1. How to bring about social change and build reinforced democracy, whilst at the

-
- same time taking part in globalisation and international trade agreements?
2. How to bring political parties out of their crises?

Following the Vienna EU-Latin America Summit, work has started with the EU on association agreements. There have already been three regional seminars on this topic. Europeans are not going to bring about social change or consolidate democracy; that has to be done by Central Americans themselves. However, the EU has the opportunity and the responsibility to promote new practices, and political and social reform. There is hope that the association agreement with the EU will be different to the trade agreement with the US and that the population can get involved in the process through information, communication and dialogue.

Conclusion

It is hoped that the agreement with the EU will help put in place serious processes that could lead to a better future for Central America. To build stronger democracies, there needs to be:

- A renewal of the leaders of the political groups;
- Ethical policies to eradicate corruption;
- Debate, consensus and concrete national agendas;
- The reinforcement of parties and parliaments.

These reforms would mark a significant step forward for civilians who do not currently have the possibility to lead a dignified life.

Strengthening political institutions: revitalising political parties and parliaments in Latin America and the Caribbean (II)

Carlos Marcio Cozendey

Introduction

There is a uniform diagnosis on how public opinion sees political groups and parliament in Brazil. Public opinion has been particularly critical of the political groups because of corruption scandals. Something must be done to promote the development of good political groups to solve the different political and economic problems; with the current groups, people are frustrated and no longer believe in their parliament.

Political maturity

Something must be done to better prepare the political elite, who are representing the people at large, and to improve their attitudes and their policies. Democratic countries are ones in which the people are prepared to control their political leaders and take part in elections to elect the people they trust; otherwise the same problems will continue. People need to think of the common good and elect representatives who have solutions. It is also important to develop civil society to be able to play its role.

Education

The structure of society has a big impact. During previous elections in Brazil, there were problems with the way the elections were financed, but it did not seem to strongly affect the way people voted. Apparently, 40 percent of people said they knew nothing about the financial problems in the different political groups, which shows how much need there is for information and education. There is freedom of the press and so information is available, but not everyone accesses or can understand this information. It is essential that the population is able to understand the political

agenda so there can be effective engagement and institutional solutions can be brought about. Furthermore, in the global economy, countries increasingly rely on educated people to develop their economies. Education is therefore fundamental to the system and political leaders need to be convinced of this to develop effective education policies.

It is difficult for the lower classes and many within the middle classes to access universities. Social expenditure needs to directly reach the people that need it; Brazil has very successful programmes targeting families. Programmes also need to aim at social integration of all social classes and to ensure that all children go to school. Certain Brazilian regions are in a vicious economic circle and so the funds really have to reach the people, especially in these underprivileged regions.

EU cooperation

The association agreement with the EU is important because it can help Latin America in its political development. However, the economic impact of the agreement should not be forgotten. Time will tell whether the expectations of the EU will be very different to those of the US, however it is essential that efforts are made to make the most of the cooperation possibilities. The agreement will not have a positive impact without these efforts.

Strengthening political institutions: revitalising political parties and parliaments in Latin America and the Caribbean

Discussion

Contribution from the floor

There are clear concerns about political parties, but in this seminar there has not been much talk of the positive trends in Latin America. Globalisation has brought new things for society and its leaders; there are many different possibilities and it takes time to digest these new things. In Argentina, poor people lived and died with no expectation of changing their lives for the better. Today, even the poorest know there are some opportunities to improve their lives; they just need to be helped to reach their ambitions.

Political leaders have to understand that they have less power than before. Previously, it was easier to lead because there was less information available and people could not see what was happening in other countries; citizens are now more aware that it could be possible to have more. Furthermore, local leaders now know that there are other economic and political powers in their region and across the world. This knowledge impacts on what they do.

Latin America is in a difficult situation because people see that globalisation has brought economic advantages and believe that the money can be redistributed. However, this is not possible in the way they expect and people can become frustrated, believing that it should have been possible. A different education is needed; people have to be more accepting of the limitations, but also given opportunities and awareness of the opportunities that exist to develop their skills. Faced by greater inequalities through globalisation, it is crucial that these changes are made to prevent extreme situations developing.

Comment from Klaus-Jürgen Hedrich

The development of parties and party structures reflect developments in society and not the other way around. Changes in the party structure in Europe and Latin America might be related to the fact that the old concepts of right and left are no longer valid. New movements might emerge to change the political party structure in the different countries, and this is accompanied by changes in political philosophy within parties.

One of citizens' key concerns is social cohesion; this is true in Europe as well as Latin America. The Christian Democrats in Germany have stood for a social market economy, but these ties are loosening with the move towards a more free market economy. When the Chief Executive of the German car company Volkswagen announced in 1960s that he would employ 5,000 more people, the shares went up; now it would be just the opposite. Siemens sold its mobile phone sector to a Taiwanese group who are now closing a factory with 3,000 people made redundant; at the same time Siemens is increasing the salaries of its CEOs by 30 percent. People do not understand this and believe that someone in politics should be willing and able to defend their position.

Although the income of the lower classes in Europe is much higher than that of those in Latin America at the moment, the gaps are still widening. EU-Mercosur negotiations on liberalisation of the sugar market follow this trend. It is not the cutter or the farmer who will benefit from this liberalisation, but the billionaires who run the sugar companies.

In Latin America, some old political parties are losing their place and new ones are emerging, either in the centre or on the left. Paraguay basically had two parties, the colorados (conservatives) and the liberals, which were not so much based on ideology as interested in power. Now a new party, the Beloved Fatherland (*Patria Querida*), is emerging in the political centre. It might respond more to the expectations of the people. Colombia had a similar power-focused system dominated by conservatives and liberals, which is now seeing the resurgence of the left in the form of the Polo Democrático Alternativo (Alternative Democratic Pole) party. It will be interesting to see how these changes develop.

Comment from Carlos Marcio Cozendey

It is one thing to create a party and this is not new, but it is quite another to have a party with its roots in the population and this would be a real change. Often, the grassroots continue to believe in a party, even if they have lost faith with the leadership. In Brazil, despite the government's difficulties and scandals, the structure of the workers' party helped maintain it. It is not because a lot of political parties are created that democracy

is doing better. If old parties stop and new ones are created every day this is not very good for democracy. In Brazil, there are often new parties with a new combination of letters in their names, but this is not a sign of vitality.

Electoral legislation is important and impacts on the way democracy functions. Key issues in Brazil are the cost of campaigns, which can be extremely high, and the functions of the deputies in the different states of the country, which are as big as some European countries. The high cost of campaigning in particular puts a limitation on democracy and the sustainability of political parties.

The move from dictatorship to democracy in Brazil created various social movements, such as church, consumer and neighbourhood groups. People believe they can only have influence when they come together around one objective. Each movement is calling for change and asking politicians to pay the bill; they want democracy to work for them.

It is not necessarily true that only the big companies will benefit from the sugar negotiations; a crucial consideration is the inequalities within the country. The sugar industry functions differently in the south-east compared to the north-east, depending on different demographics and differing types of company involved in production.

In Sao Paolo, the sugar industry process allowed workers to participate. In the 1970s workers moved from hacienda to hacienda with no social security rights, but this does not happen any more. People have schools, rights and security; the sugar industry generates employment which is why it is supported by the workers.

The impact of this on other countries that also produce sugar is a different matter. Brazil has a big sugar industry but cannot provide to the whole world. Brazil is saying to the EU that keeping prices artificially high will block the market, not only for exports to the EU but in terms of international market conditions. This is also true for other products, especially those that developing countries subsist on.

Comment from the floor

When we look to improve institutions, parties and parliaments, it is actually people who are responsible. Two issues must be highlighted:

1. Political education and training are crucial in developing political responsibility. Under our programmes over the past seven years, 5,000 people have had such training in Central America. 200 people under 20 have been given political training

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- to change their ideas and enable them to carry out political analysis.
2. Civil society needs to be reinforced so that it can be active in combating corruption and raising awareness of what is happening amongst the public.

Political and social clauses should be included in the agreements with the EU to promote these changes and avoid continuation of the same problems and mistakes.

Strengthening the rule of law in Latin America and the Caribbean

Rainer Junghanns

Introduction

Debates on good governance deal with the rule of law and these discussions have broadened a little in the past years as the subject has increasingly entered the political agenda. For example, the association agreements between the EU and other countries have focused on good governance.

One complication in considering good governance is that there is a proliferation of definitions and indicators, none of which can be considered definitive. The World Bank, because of its initiatives to fight corruption, may be characterised as the mother of good governance. However, many other institutions like the OECD and the EU member states have their own concepts of good governance within their programmes.

The EU adopted a document on governance when it adopted the EU Consensus on Development. Although this was prepared with a view to the IMF conference in Singapore in August 2006, it is still interesting in a wider context. Although the Commission document cannot be considered the only correct approach, it is based on an holistic approach, which adds aspects to the debate on good governance; it encompasses the strengthening of the rule of law and other policy areas, including the environment, labour law and social policy.

Another interesting debate in the context of good governance is the development of the notion of judicial governance. The rule of law programme in Mexico has already looked at this area, as have important studies and activities organised by the INECIP (Instituto de Estudios Comparados en Ciencias Penales y Sociales) and Alberto Binder in particular from Argentina and CEJAS (Centro de Estudios Judiciales de las Americas)

of Chile headed by Mr Vargas. This work has focussed very much on the meaning of judicial governance and how the organisational law of the judicial branch can be improved.

How justice is administered is a very important aspect of judicial governance; there can be good material laws on the one hand, but the application and implementation are very different matters. Important questions include what role the Consejos de la Magistratura play, what competences they have and whether they are a special administrative branch of the judiciary detached from the Supreme Court or not. Another topic debated in this context is the career and education of judges, public prosecutors, defensores de los derechos humanos, defensores del pueblo etc. This is an interesting debate which, although it cannot be entered into fully now, is as important as improving the written law. As was heard in the context of political parties, individuals, their qualifications and their proneness to corruption matter.

KAS Rule of Law Programme

With few national or international resources available, KAS launched its programme focusing its efforts on the development of constitutional law and the support for constitutional tribunals or the constitutional arms of the Supreme Courts. Only a few countries in the region, such as Guatemala and Colombia have constitutional courts as such; in others, a part of the Supreme Court dedicated to constitutional jurisdiction, such as the world-respected Sala Cuarta in Costa Rica. The programme was also expanded to cover material constitutional law, encompassing the organisation of the state, such as the electoral processes, but the first key priority was to improve constitutional jurisdiction.

The second key feature has been support for human rights in Latin America, in particular respecting international human rights instruments and agreements. Mexico is opening to international instruments, but it has been a difficult experience to accept decisions of the Inter-American Court of Human Rights and the Inter-American Commission on Human Rights, for example over the case of General Gallardo. The programme has trained defence lawyers in Honduras on the application of human rights instruments in their day-to-day work.

A third area of work has been on procedural law, with the aim here being to ensure due process and fair trials, and thus guarantee fundamental rights. This was very well developed in South America where reforms of criminal justice systems were supported. In the northern countries, such as Mexico and Costa Rica, the programme has helped courts to move from a system based on written proceedings, to develop and introduce

elements of the more adversarial oral proceedings.

Fourthly, work has supported the legal framework of regional integration. There was cooperation to strengthen the Central American Court of Justice, which is a body disliked by many governments and the US, which would like to limit progress to the area of commercial law. There were also discussions on how to strengthen parliaments in the region.

EU instruments to support the development of the rule of law

The Commission's programmes, and the many other good programmes that are being run in the region, can add value to each other's work. As well as the KAS programme, there are other important programmes such as those of EU member states, notably Spain, and the programme of the Friedrich-Naumann-Stiftung, which looks at human rights in the Mexican armed forces. By including these programmes in the framework of Commission activities, new impetus could be given to maximise the effectiveness of the work.

The basic instruments of Commission external aid policy are the geographic programmes. These can tackle the subject of the rule of law, if the Commission and the national government agree to include it in the country's strategy paper and this is approved by the financing agreement. Association agreements also provide opportunities to support rule of law initiatives; in the Mexican case, there was significant funding for improving the legal system, which could be an interesting example for other agreements.

Within the new architecture of the European external assistance programmes, there are thematic programmes, which are subsidiary to and complement the country strategy papers in the geographic programmes. Two important new thematic programmes deal with:

1. Non-state actors and local authorities in development;
2. Promotion of democracy and human rights worldwide.

Whilst the Communications on these programmes are still being debated between the EU institutions, a crucial theme to pick out is that they look to put civil society at the core of aid delivery processes. Civil society should be empowered to drive development programmes.

The thematic programme on democracy and human rights is particularly relevant to

the issue of the rule of law. The main objectives as set out in the Communication, pending formal agreement, are:

- To enhance respect for human rights and fundamental freedoms where they are most at risk and to provide support and solidarity to victims of repression or abuse;
- To strengthen the role of civil society in promoting human rights and democratic reform, in supporting conflict prevention and in developing political participation and representation;
- To strengthen the international framework for the protection of human rights, the rule of law and the promotion of democracy;
- To build confidence in democratic electoral processes through further development of electoral observation.

An area of controversy in the development of these programmes has been the use of country lists by the Commission. These were used in the preceding human rights programme and there were unfortunate results, for example, when indigenous groups in Nicaragua solicited support, but were not eligible because Nicaragua was not on the list. Whilst this is still a contentious issue, country lists are included and several countries are mentioned in particular. In the context of country schemes to support the rule of law in Latin America, Bolivia, Colombia, Ecuador, Guatemala and Peru are on the list and there is a question mark over Venezuela. As regards the transnational civil society action, the Andean, Central American and West Caribbean countries are eligible, provided there is a minimum of six countries to participate.

Comment from Jorge Arias

Argentina has come a long way in carrying out judicial reforms. During the constitutional reform in the mid-1990s, new judicial institutions were created. However, the link between the Supreme Court and the other legal bodies was eroded by Argentina's institutional crisis in 2001, so Argentina is so far only an example of good intentions. In Peru, the Garcia government is cutting judges' salaries, which is causing trouble in the legal system. In almost all Latin American countries the institutional reform process is progressing poorly, particularly with regards to justice. The legal system is very much part of the political agenda in the region to find solutions to key problems such as the lack of resources and the means to provide justice to the people.

Conclusions

Dr Peter Köppinger

The seminar has seen a fruitful mixture of inputs from different positions: representatives from think tanks and non-state institutions; officials from several Latin American countries; and experts and politicians from the EU.

The key topic of this meeting was populism in Latin America and the conclusions can be structured under five main headings:

1. The general environment in Latin America, in which populism is growing

In Mr Dupla del Moral's brief analysis of the developments in Latin America in the past decade or so, he stated that the countries of this region have seen three waves of transition. These are the wave to democracy in the 1980s, the wave to macro-economic stability and the market economy during the 1990s; and the on-going wave of transition to social cohesion. There was wide agreement that in such an environment, the traditional political characterisations of right and left do not fit any more. This can be seen in the economic policies of the so-called left-wing leaders in Brazil and Chile. If a government does not want to endanger development, it has a responsibility to promote economic stability, whatever its political ideology.

However, there was also a broad consensus that the lack of the social component of development alongside the economic and democratic components is threatening those very economic and democratic achievements.

2. Different forms of populism

Three forms of populism have been talked about. Mr Alborno from Ecuador reported that at two stages of his country's history, populist politicians missed key opportunities to achieve democratic and economic progress and the country is once again heading

towards a new constitutional crisis and economic breakdown due to populism. This type of populism is an attitude or political style in which politicians try to obtain or retain power by promising unrealistic benefits to the population, or by stirring up public emotions on sensitive issues. This is not specific to Latin America, but features in many European countries as well. However, the populist policies are more successful in countries like Ecuador; they do not encounter the same resistance amongst the population, even when they include the destruction of democratic institutions.

Mr Arenales Forno, the Ambassador of Guatemala, characterised populism as a reaction by people to deficits in democracy and social justice. Populism is thus the people giving voice to their dissatisfaction at their living conditions and serves as a warning that people no longer believe in the functioning of their systems and that they want real democracy. The populist attitude of politicians, which addresses the people emotionally through movements outside of political parties, could be considered as an instrument to achieve progress towards stronger democratic participation, more social justice and equality, which are blocked by the ruling elite and the established rules of the political system. In such a situation, populism will not necessarily lead to a breakdown in democracy and to dictatorship, but could bring about a necessary evolution and reforms.

However, this is already close to the third type of populism, which uses the pretext of the necessary evolution and reform of a non-functioning form of pluralistic democratic system, to try to wipe out the system and replace it with a system based on non-structured, emotional participation of the population with no more checks and balances on power, under the leadership of a charismatic person at the top of the movement.

3. The roots and causes of populism

There has been broad consensus that the lack of a social dimension to accompany the economic and democratic developments is a key reason for the development and success of populism. Existing democratic systems are not delivering for the majority of the population, who continue to live in miserable conditions, whilst inequalities in Latin American societies are increasing. However, as Mr Neuhauss explained, this should not be understood as a reorientation to socialism.

Another key reason is the clearly low or non-existent participation of people in the decision-making in their formal democratic systems. This is partly connected to the weakness of political parties, which in most countries of the region, lack internal democratic structures and programmatic orientation and therefore cannot serve as instruments of democratic participation of the people.

The lack of moral and ethical principles in politics, along with high levels of corruption, are undermining the reputation and legitimacy of the political systems.

It was mentioned that in some countries, the exclusion of big ethnic minorities, or even the indigenous majority of the population, is contributing heavily to the development of populist movements.

It was said that high revenues from oil or other natural resources due to their current high market prices are essentially contributing to the stabilisation of populist regimes, since it allows them to deliver to the population without carrying out real reforms and in spite of unsustainable economic policies.

The underlying anti-US sentiment that is present in a large part of the Latin American population also seems to be contributing to the success of populism, since the leaders of the movements normally build their appeal partly on nationalist rhetoric against the US.

4. The effects of populism on democracy and development

Mr Arenales Forno pointed out that populism does not have to be considered as a negative phenomenon in a country. He stated that it can be considered as a warning sign making the political and economic elite aware that something is wrong in their country, whether it be a lack of democratic participation, corruption and a lack of political credibility on the part of the institutions, or social injustice or the exclusion of parts of the population from political life and economic development. Populism can serve to pave the way to necessary reforms within a political system that had previously been blocked by a dominant elite.

However, it was stressed that populism normally has disastrous medium-term effects on the economic development of a country and has to be considered highly dangerous for the existence of political pluralism and for the respect of basic political and human rights, simply because it tends to destroy the existing institutions. Even if they were not functioning properly, they were still providing a system of checks and balances on political power. Democracy, as spelled out by Mr Hedrich, builds on the respect for human rights, participation of the people in political decision-making, the rule of law, the functioning of a socially responsible market economy, and the presence of good governance. Populist movements and governments usually have to be classified as the enemy of democratic government because they tend to neglect or openly reject some of these criteria.

As Mr Blomeier added, there is also a danger of populism jumping national borders and ‘infecting’ neighbouring countries. This is not only through the provision of financial support, for example by the populist movement in Venezuela to populist movements in other countries, but also because populist movements combine a political vision or project with nationalist attitudes. This is an attractive mixture for populations fed up with the empty rhetoric of their political representatives.

5. The ways to deal with populism and prevent it damaging democracy

There was complete consensus, as underlined by Mr Sandoval, that a policy of addressing the poverty and exclusion felt by large parts of the population, and of increasing equality and social cohesion, is the key measure to prevent the success of populist movements and politicians.

However, it has to be questioned why such obvious remedies against the development of populist movements are not taken in many Latin American countries by the ruling elite. Several speakers pointed out that the system of representative pluralistic democracy is weak and badly functioning in most of the countries. As stated by Mr Blomeier, political parties do not exist in many Latin American countries in the sense of providing programmatic visions and options, and of integrating the population in the process of political decision-making. Parliaments and watchdog institutions are weak and often do not prevent corruption and the misuse of power by the government; on the contrary, more often than not, they are part of the problem.

The second key measure to prevent the successful development of populist movements is to address the growing indifference of people towards politics and their constitutional democratic institutions through political reforms and democratic awareness building, as talked about by Mrs Gregory. This agenda must include, with varying degrees of focus depending on the country, at least four issues:

1. (Re)establishment of functioning political parties (as pointed out by Mr Davila), which should provide people with opportunities to be integrated into political decision-making, should develop systematic visions and concepts, and should be mechanisms for the selection of qualified political leaders.
2. Strengthening the independence, powers and training of the institutions charged with controlling the government: parliaments; ombudsmen; election commissions; corruption watchdogs; and constitutional and administrative courts, as explained by Mr Junghanns.

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3. Strengthening real participation by the population in the political system through increasing the powers, quality and democratic control of local governments and administrations, by establishing inclusive mechanisms of development planning at local level and by the drafting and careful implementation of decentralisation schemes wherever possible, especially where ethnic minorities or indigenous populations are excluded from political life and economic development.
 4. Systematic efforts on education and awareness-raising amongst the population, with the focus on young people and marginalised groups about the importance and functioning of pluralistic, representative democracy and its institutions.

Finally, most of the Latin American participants stated that the European countries and the European Union have provided substantial assistance to the countries of their region for the development of democracy and the functioning of the market economy. They also expressed the desire and need to continue this cooperation in the spirit of critical partnership. Four representatives of the European Commission have provided valuable analysis and recommendations. It is strongly to be hoped that the EU and its member states will assist Latin American countries in addressing the challenges of growing populism through their geographic and thematic programmes and projects in the two key fields of social cohesion, social justice and social integration on the one hand, and reform of the democratic political system and the civic education of the population about democracy on the other.