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THE STATE OF DEMOCRACY IN THE AMERICAS

Mr Chairman Menendez and other members of the Sub-Committee

Thank you for inviting me to appear before the sub-committee, an invitation for which as a British observer of Latin America I feel particularly honoured.

Latin America has never been as democratic as it is today. With one notable exception, Cuba, every country enjoys formally democratic government. Over the past decade the region's democracies have been strengthened by much socio-economic progress. But clearly they still face many difficulties and challenges. In a small minority of countries, elected autocrats have hollowed out democracy, eviscerating checks and balances and threatening civil and political freedoms. More broadly, the region's democratic governments have much work to do to ensure the rule of law and the security of their citizens, and to provide equality of opportunity and the public goods required to sustain rapid economic growth. Democracy also faces narrower political problems, such as the weakness of parties, a new tendency towards political dynasticism and seemingly widespread corruption, much of it related to party and campaign financing. Nevertheless the balance sheet of the past decade is positive: democracy is putting down stronger roots in Latin America and bringing with it greater political stability. Between 1998 and 2005 eight elected presidents were ousted before the end of their term. Since then, this has happened in only one case, that of Manuel Zelaya in Honduras, when a conflict of powers ended in a coup.

1) The economic and political evolution of Latin America

Unlike many other parts of the developing world, Latin America has a tradition of constitutional rule dating back almost two centuries, albeit one that was imperfect and often truncated. But the current period of democracy, dating from the demise of dictatorships across much of the region during the debt crisis of the 1980s, is in my view qualitatively different from those that went before. The pendulum between dictatorship and democracy that marked much of the 20th century in Latin America has stopped. With the granting of the vote to illiterates, and the reform of electoral authorities, almost everywhere universal and effective suffrage has been achieved. Decentralisation, though not problem-free, has deepened democracy. And urbanisation and socio-economic progress have generated more active and inclusive citizenship, although this remains a work in progress.

Although a few countries possess older democracies, in much of Latin America the retreat of dictatorship coincided with—and was partly a result of—the debt crisis of the 1980s and the death throes of economic policies of statist protectionism. Democracy brought pro-market economic reform, but inherited widespread poverty and extreme inequality of income. The initial fruits of reform were relatively

disappointing, in part because of adverse conditions in the world economy. Poverty fell only moderately and inequality increased, partly because of the failure to implement an adequate social safety-net and partly because of the one-off impact of radical and unilateral trade opening.

The region's democracies were subjected to a severe stress-test during a lost half decade of economic stagnation and recession between 1998 and 2002, when unemployment rose, real incomes fell and progress in reducing poverty was halted. As noted, some countries saw political instability; and more generally, public support for democracy waned. The "Washington Consensus" became a damaged brand.

In these circumstances, the political alternation that is normal in democracies brought a number of governments of the centre-left to power, ending two decades of dominance by the centre-right. In itself, that represented an important democratic breakthrough: electoral victories by the left had often been thwarted by military intervention during the Cold War. Several of the new presidents were born in poverty, and are not members of traditional "white" elites: their election gave a more inclusive character to democracies. Several of these governments, notably Brazil's, have pursued generally moderate, social-democratic policies, maintaining economic and financial stability and respecting constitutional restraints on executive power. But other elected leaders of the left, especially Venezuela's Hugo Chávez, have established personalist regimes and imposed a much greater degree of state control over the economy.

The past decade has been a good one for many of the region's economies. Those in South America especially have benefitted from sustained high prices for their commodity exports induced by the industrialisation of China and India. In the five years to mid-2008, economic growth in Latin America averaged a creditable 5.5% a year. Thanks to much better economic policies, continued demand from Asia and timely support from multi-lateral financial institutions, the region navigated the world financial crisis successfully, with most countries suffering only a brief recession of varying severity but no structural damage. A vigorous recovery saw growth of 6% in the region last year, moderating to around 5% this year. Whereas 44% of Latin Americans were officially counted as living in poverty in 2002, that number fell to 32% in 2010. Income inequality is falling, too. That matters, because Latin America has long been scarred by extreme inequality, which has had a series of negative consequences, reducing economic growth, increasing political instability and forming fertile ground for populism. Data for 2002-10 shows income inequality decreasing in 16 out of 17 countries, with the GINI coefficient falling on average by almost 3 points.¹ The region's democracies have built much better social safety-nets, including conditional cash transfer programmes which now cover around 110m of the poorest Latin Americans. The gradual but steady increase in the years of schooling of those entering the workforce also seems to have helped to reduce income inequality. At the same time, low inflation and financial stability is stimulating the growth of credit and home ownership.

¹ Leonardo Gasparini and Nora Lustig. "The Rise and Fall of Income Inequality in Latin America" Cedlas. Available at <http://cedlas.econo.unlp.edu.ar/esp/documentos-de-trabajo.php>

The fall in poverty has prompted much triumphalism about the rise of a “new middle class”, now held by some to form a majority of the population in Brazil. In fact, many of these people can more accurately be described as lower middle-class or working poor and their situation remains fragile. A more realistic estimate by a team at the Brookings Institution reckons that 36.3% of Latin Americans were middle class in 2005.² But the point is that a process is under way in which many people have disposable income for the first time; and their children are usually much better educated than they are. Across much of the region improvements in living standards are palpable in better housing and the expansion of shopping centres and modern retailing. In many places, this has been matched by an improvement in public facilities, such as transport and telecommunications, parks and sports facilities.

This trend of socio-economic progress is favourable for the permanence of democracy in Latin America. Indeed, it has generated a greater sense of democratic citizenship. But the progress needs to be sustained and intensified. In particular, the poor quality of public education continues to impede equality of opportunity. The region has made strides in expanding educational coverage, but it will take many years for most Latin American countries to catch up. Of the bigger countries, only in Chile has a majority of the workforce at least completed secondary education (though the same applies in Costa Rica and Uruguay). The second, even bigger, problem is that Latin Americans don't learn enough in school. The eight Latin American countries that were among the 65 countries (or parts of them) that took part in the latest PISA international tests of secondary-school performance in 2009 all came in the bottom third.³ In Panama and Peru, the worst performers, nearly a third of 15 year olds tested were close to being functionally illiterate. Visit a state school almost anywhere in Latin America and it is not hard to see why: the teachers are themselves often poorly educated and trained; the problem of teacher absenteeism is chronic; and the school day may well be short because of the need to accommodate two or three shifts. But the story now is of improvement, from a low base. In the 2009 PISA tests Peru, Chile and Brazil all registered significant improvements compared with their performance in 2000; Mexico did to a limited extent. In all those countries there is now a public debate about the importance of improving the quality of public education. Increasingly, teachers are being required to submit to evaluations; educational testing has been introduced; and teachers pay is being linked to their school's improvement. Opinion polls show that parents tend to be complacent about school performance, but civil-society pressure groups are working to change that.

2) The difficulties in establishing the rule of law.

Another important trend is less favourable for democracy: the rise of organised, violent crime. Crime is now the most serious public concern in the region, having displaced economic worries, according to regional polls by Latinobarómetro. With reason: outside conventional war zones, Latin America is the most violent region on earth. Worst are the three countries of Central America's northern triangle, Jamaica and Venezuela; murder rates per head of population in Honduras and El Salvador are

²Mauricio Cárdenas, Homi Kharas, and Camila Henao, Latin America's Global Middle Class, Brookings Institution, April 2011.

³ OECD, PISA 2009 Results at www.oecd.org/edu/pisa/2009

more than ten times higher than in the United States. Four and a half years into President Calderón's crackdown on the drug mafias, the level of violence in Mexico continues to rise. It is not an exaggeration to say that the writ of the state does not run, or certainly not in uncontested fashion, in parts of Guatemala, Honduras, Mexico and Colombia, as well as inside prisons in many countries.

This problem is in part externally generated, by the failure of prohibition to reduce substantially demand for illegal drugs in the United States and Europe, and by the failure of the United States to prevent the export of small arms or take more effective action against money-laundering. The committee should not underestimate the extent to which the United States is seen as part of the problem, rather than part of the solution, of violent crime in Latin America. But clearly the spread, prevalence and intensification of violent crime is also both consequence, and cause, of the relative weakness of the rule of law in many Latin American countries. Despite some attempts at reform, judiciaries remain ineffective and sometimes corrupt; the same goes for police forces; and prisons are all too often overcrowded, violent spaces. The result is a terrifying level of impunity, with nine murders out of ten going unpunished in Mexico and Central America's northern triangle.

But some countries have managed to achieve significant reductions in violence. In Colombia, the absolute number of homicides has almost halved since 2002; the rate per 100,000 people has fallen from 70 to 34 over the period, and is now below the rate in Venezuela. That is something for which US aid can take considerable credit, combined with the efforts of Colombians. In Brazil, São Paulo state, and more recently Rio de Janeiro, have seen steady falls in violent crime, principally because of better policing.

As well as better policing and more effective courts, in the medium-term controlling organised crime requires providing more and better legal opportunities for young Latin Americans. The weakness of the rule of law is also manifest in the scale of the informal economy in Latin America, which employs roughly half the labour force. Another such manifestation is the prevalence of corruption. As well as the squandering of public resources, the perception of corruption can generate disillusion with democratic institutions, and provides fodder for populist attacks on representative democracy.

The growth of violent crime has posed an acute threat to media freedoms in some countries, especially in Mexico and Central America, as was the case in Colombia in the 1990s. Drug-related violence has made Mexico one of the world's most dangerous countries for the press, according to the Committee for the Protection of Journalists. Thirteen Mexican journalists have been killed since the beginning of 2010, at least three in direct reprisal for their work. The committee is investigating to determine whether the other deaths were related to the journalists' work

3) The practice of elective autocracy

In a handful of countries elected leaders have chosen to rule in a more or less autocratic manner. Such rulers have not always been of the left: Peru's Alberto

Fujimori was a conservative elected autocrat. But over the past decade, a small group of leftist leaders have behaved to a greater or lesser extent as elected autocrats.

Venezuela's Hugo Chávez is the archetype. He has systematically concentrated power in his own hands and neutered independent institutions. He has done this by means of a new constitution; the packing of the judiciary and of other institutions of state, bending the rules to ensure that they are occupied by loyalists; and frequent recourse to rule by decree. He has also considerably expanded the role of the state in economy, often in violation of the property rights guaranteed by the 1999 Constitution, a document he himself inspired. According to Fedecamaras, the main private-sector organisation, almost 400 companies have been nationalised since Mr Chavez became president in 1999 and late-2010, most of them in 2009 and 2010. Some 3 million hectares of farmland have also been taken over. In most cases, compensation has not been paid. President Chávez has also done his best to neutralise the growing strength of the opposition. He has done this first by eviscerating the powers and resources of local government; and secondly by rewriting the electoral law to eliminate proportional representation (in violation of the constitution) in the election for the National Assembly and gerrymandering the electoral districts, so that although the opposition won a narrow majority of the popular vote in last September's legislative election it ended up with only 67 of the 165 seats. In addition, the government has used its nominees in the offices of Comptroller General and Attorney General to harass legally some opposition leaders, selectively disqualify them from standing as candidates or filing criminal charges against them, often of corruption. Whether or not such charges have legal merit, they have been levied in a politically partisan manner. President Chávez's government has also taken several steps to curb media freedom. These have included the non-renewal of the broadcasting licence of RCTV, previously the most popular television station, and those of a number of radio stations. Media owners have been the target of law suits and journalists have often faced harassment, including physical attacks by *chavista* mobs. It should be noted that some media played into the government's hand by adopting a highly partisan stance, usurping the role that should more properly be played in a democracy by opposition political parties. In addition, the opposition allowed the president to turn the National Assembly into a rubber stamp by boycotting the 2005 legislative election.

The main reason that President Chávez has been able to concentrate such power is because he has been remarkably popular, at least since 2004, despite his government's mismanagement of the economy, of infrastructure and many other matters. That is in part because sustained high oil prices have given the government a windfall which has been spent on the poorer Venezuelans who make up his political base. It is also because of his rapport with many poorer Venezuelans who identify with him as "one of us". He has persuaded them of his political narrative, according to which they owe their poverty to US imperialism, the "oligarchy" and past "neo-liberalism", even if this does not bear serious historical scrutiny. Thus, in 2006 President Chávez won a fresh presidential term with 63% of the vote. Even though the government's economic mismanagement meant that Venezuela has suffered two years of recession from which it has only emerged this year, polls suggest that Chávez continues to enjoy support from between 40% and 50% of the population.

Venezuela is in many ways an autocracy, but it is not a totalitarian state. To a significant extent, it retains an open society. Some television channels remain non-

partisan, while several important newspapers support the opposition. Civil-society groups play a vital role in monitoring and criticising the government. And unlike the Castros in Cuba, President Chávez owes his legitimacy to the ballot box. Although the president has abused state resources in election campaigns, until now there is no conclusive evidence that the vote count has been fraudulent in Venezuela. Provided it remains united, the opposition has a real chance of winning the presidential election due at the end of next year (that chance will clearly increase should the president's health remain in doubt). While there are fears in some quarters that Chávez would not accept electoral defeat, he would have little support within the region for any attempt to cling to power in those circumstances). And all the polling evidence suggests that the vast majority of people on both sides of Venezuela's political divide consider themselves to be democrats.

Of the other countries in Chávez's anti-American ALBA block, Nicaragua is the most complete autocracy (Cuba apart). By manipulation of the judiciary and the electoral authority, President Daniel Ortega has got himself on the ballot for this year's presidential election, in violation of the constitution. There are strong reasons for believing that the municipal election in 2008 was not free and fair. Two opposition parties were disqualified from the ballot, and independent election observers were refused accreditation to monitor the count. The country's leading investigative journalist, Carlos Fernando Chamorro, has faced harassment. However, if Ortega wins in November's vote, it will be because he is more popular than the unimpressive and divided opposition.

Some of these things apply in Bolivia and Ecuador. As in Venezuela, both Evo Morales in Bolivia and Rafael Correa in Ecuador have concentrated power in their own hands through the device of a new constitution. In Bolivia, the government has taken effective control of the judiciary. Some opponents have suffered harassment. Media organisations say that a law against racism has on occasions resulted in self-censorship. But there can be no doubt that the arrival in Evo Morales in power gave a more inclusive character to Bolivian democracy. Morales remains popular, but less so than he was mainly because of the government's handling of some economic issues. In Ecuador, opposition concerns about the working of democracy focus on the recent narrow approval in a referendum of government proposals that would give it greater control over the judiciary and the media. In addition, the government has used the defamation law to harass some journalists. To a much lesser extent, there are concerns about the concentration of power in the executive in Argentina. The governments of the Kirchners have exercised extraordinary powers over the distribution of revenues to the provinces; they have nationalised the private pension system, and used its equity investments to place directors on the boards of private companies; and taken a series of measures to disadvantage media groups that are hostile to the government. Yet once again, if President Cristina Fernández de Kirchner wins a second term in the presidential election in October it will be because of the popularity rapid economic growth has bestowed upon her and the public sympathy she has derived from her bereavement.

4) Civil society and political change

The committee should note that President Chávez enjoys far less influence in Latin America today than he did five years ago. That is partly because he honoured only

some of his promises of largesse. It is partly because his verbal aggression against the United States is far less effective with President Obama, who is widely popular among Latin Americans, in the White House. But it is mainly because Venezuela under his stewardship has performed poorly in recent years. Its economy contracted by 3.3% in 2009 and 1.6% in 2010 according to the UN Economic Commission for Latin America and the Caribbean; that compares badly with regional average contraction of 1.9% in 2009 and growth of 6% in 2010. Venezuela has also performed less well on social progress: for example, between 2005 and 2009 Peru, which has pursued free-market economic policies, climbed 24 places in the United Nations Human Development Report, and now ranks ahead of Venezuela. It is striking that Ollanta Humala, the victor of Peru's presidential election, now professes himself to be a sympathiser of Brazil's political approach, rather than that of Venezuela, which he favoured when a candidate at the last election in 2006. In addition, the difficulties of Cuba's regime have further undermined the appeal of atavistic communism.

The political hegemony of the left in Latin America has had positive consequences for democracy in some countries, and negative ones in others. That hegemony has owed much to the commodity boom, which has financed redistributive social policies and allowed incumbents of all political stripes to achieve and retain popular approval. A more uncertain outlook for the world economy suggests that Latin American presidents may find life harder in the coming decade than they did in the last one. Future economic difficulties may increase popular discontent in the region, but they will also place a premium on sound economic policies.

The polling evidence suggests that roughly half of Latin Americans have remained convinced democrats through the ups and downs of the economic cycle, with only a small minority favouring authoritarian government. However, Latin America's long history of natural-resource abundance combined with extreme inequality and relative underdevelopment means that the populist gene remains part of its body politic. And the prevalence of crime and corruption can add to the appeal of authoritarian political leaders. Nevertheless, as Latin American societies become less poor and less unequal, the social foundations of democracy ought to become stronger. Over the past decade the region has seen an ideological conflict, between democratic reformism and autocratic populism. In my view, that battle is now clearly being won by the democratic reformists. Political hegemony in Latin America is increasingly to be found in the centre ground.

The decline in Chávez's influence shows the wisdom of those in this country who argued that the best policy towards Venezuela's verbal provocations of the United States was to ignore them. The United States still enjoys considerable influence in Latin America. In my view it can best deploy it through close and constructive relations with the governments in the region that show respect for the everyday practice of democracy (an obvious example would be swift approval of the free-trade agreement with Colombia). Multilateral regional diplomacy and succouring civil-society organisations have shown themselves to be the most effective means of supporting democracies that have come under pressure from elected autocracy. Everything suggests that this will continue to be the case for the next few years.