

“Populism must be seen as the symptom of a disease that plagues Latin American democracies, rather than as the disease itself.”

New Priorities for Latin America

JORGE CASTAÑEDA AND PATRICIO NAVIA

The next president of the United States will inherit a complex set of challenges in foreign affairs. From the war in Iraq to restoring trust in the American government in many parts of the world, the new administration will have a full foreign policy agenda. Among the issues that almost certainly will *not* rank high on this agenda—or figure in the immediate priorities of the new administration—are US relations with the rest of the hemisphere. Latin America has clearly taken a backseat among the foreign policy concerns of the Bush administration.

This is not necessarily something to be anxious about. Because Latin American countries have performed reasonably well over recent years in terms of economic growth and democratic progress, the region does not pose urgent security and stability threats that require the immediate, sustained attention that Washington pays to other parts of the world. Indeed, it is precisely because of Latin America's relative political and economic success that it has become a low priority in US foreign policy.

Yet the absence of urgency regarding Latin America does not mean that no US agenda for the region exists. On the contrary: Trade agreements, immigration issues, challenges to democratic consolidation, and the war on drugs constitute an essential and continuing agenda for Washington in Latin America. These issues obviously do not apply to all countries in the same way, and have varying implications for domestic US politics. Even so, the next president's policies in the hemisphere will need to be framed in response to the four central items on the US–Latin America agenda: trade, immigration, democracy, and drugs.

Agenda items, of course, are not the same as policy priorities. Governments generally agree on the former, based on mutual needs and concerns. But individual governments can unilaterally decide their policy priorities. Moreover, while a government largely inherits its foreign policy agenda, it is free to choose its policy priorities, and there is room for innovation. If the incoming administration in Washington next year chooses creative and timely policies to address the already existing agenda in US–Latin America relations, it will enhance regional cooperation and produce positive results. If it chooses poorly, it will hinder progress and further weaken US standing with countries south of the border.

The figure on page 214 summarizes the most appropriate policies for making progress on the regional agenda. It should be noticed that these proposed policies take advantage of the fact that the agenda items are interrelated. By adopting a cohesive and comprehensive security policy, the next US administration could tackle the drug and immigration problems simultaneously. Policies that promote consolidation of political institutions—rather than the emergence of strong individual leadership, no matter how friendly to Washington—would help both to strengthen democracy and to minimize the emergence of narco-republics in Latin America.

Similarly, by promoting market-friendly policies—that is, policies that favor competition, not just business—the United States could advance its trade interests while also helping to consolidate democracy in the region. And if promotion of economic growth were to include strategies for reducing income inequality and improving social inclusion, the benefits of trade would be more widely shared, opposition to free trade would weaken, and there would be fewer incentives for poorly paid Latin American workers to migrate illegally to the United States.

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CONSOLIDATING DEMOCRACY

When President Bill Clinton, at the Santiago Summit of the Americas in 1998, declared democracy to be “the only game in town” in Latin America, his assessment was uncontroversial. Since the mid-1980s, Latin American countries have been making successful transitions to democracy. From Argentina to Mexico, ballots have effectively replaced bullets as the only legitimate mechanism for attaining power. With the notorious exception of Cuba, the independent nations of Latin America and the Caribbean now constitute a community of democracies.

Elections are held regularly. In most cases, results are immediately accepted by losers and winners alike. The winners move into the presidential palace—from the Casa Rosada in Buenos Aires to Los Pinos in Mexico City—and the losers move on to form an opposition and wait for the next election to try again. Because electoral calendars are stable, all parties involved know that losing an election does not mean being deprived of power permanently. Similarly, winners know that they have a limited time to implement their campaign promises. Voters regularly have the chance to reward and punish politicians.

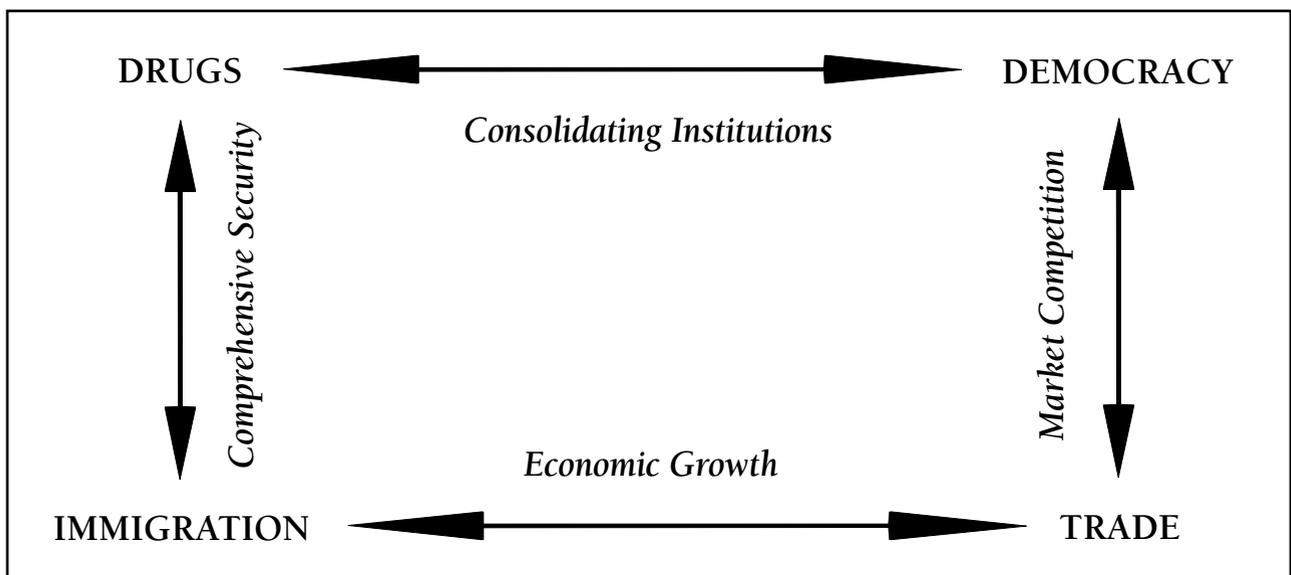
Latin American democracies are, for the most part, stable. Yet, as doctors will often remind us, stability does not equal wellness. For democracies to survive, they must be self-sustainable. Democratic consolidation remains a largely unmet challenge in the region, in part because one of the conditions for consolidation is the existence of a

strong middle class. When a fairly large majority of the population is sufficiently well off, democracy can be regarded as self-sustaining. A middle class is also associated with a strong civil society, a free press, and social inclusion in general. In this sense, democracy breeds democracy.

In Latin America, however, inequality is persistent and it is difficult for strong middle classes to emerge. Indeed, the differences between the wealthy and the poor in Latin America are more pronounced than in any other region of the world. The distribution of income, wealth, and opportunity is skewed in favor of the “haves,” while the “have-nots” remain largely marginalized. As a result, the electoral process typically creates opportunities for candidates making populist appeals. Candidates in the region often build their electoral support by promising to take from the wealthy and give to those whose income is below the national average. Because democracy is largely based on majority rule, extreme inequality threatens political stability.

In this sense, populism must be seen as the symptom of a disease that plagues Latin American democracies, rather than as the disease itself. As with cholesterol, however, we can distinguish between good and bad populism. Bad populism flourishes in the absence of strong democratic institutions. Checks and balances, accountability, transparency, and responsiveness are essential components in a well functioning democracy. When a democracy is strong, individual leadership is less important than institutional strength. In

A Four-Point Latin America Agenda and Four Policy Priorities



Latin America, oftentimes, the president is more important than the presidency.

This is the problem. Within a set of institutions that foster government accountability and respect private property, the success of populist rhetoric will bring to power political parties that will adopt social and economic policies that facilitate inclusion. In the absence of such institutions, populist rhetoric leads to the concentration of power in the hands of messiah-like leaders who in most cases will stick around for too long and deliver too little in terms of social inclusion and economic development.

In order to channel electoral populism into government policies that create broader economic benefits and social inclusion, the focus must be on democratic institutions. Representative democracy cannot exist without political parties—but without appropriate checks and balances, political parties can themselves weaken institutions and reduce accountability. A strong civil society will not emerge unless there is a middle class—but for governments to be responsive and deliver on their promises of social inclusion, there must be a strong civil society. To transform a vicious circle into a virtuous one, outside help is needed. This is where the US government may come in.

But, rather than bullying Latin American governments into adopting institutional reforms that too often seem to follow an ill-conceived one-size-fits-all strategy, the next US administration ought to work with civil society organizations, helping to strengthen them and providing them with tools so that they can make their governments and their political parties more accountable. Americans can share their experience, for example, regarding the finer points of checks-and-balance provisions, public hearings, the professionalization of bureaucracies, the independence of prosecutors, independent regulatory frameworks, campaign finance reform, and access to government information.

By fostering more interaction between US-based think tanks—including government organizations like the National Endowment for Democracy—and think tanks based in Latin America, Washington would indirectly bolster civil society in the region. In this way, the United States could contribute decisively to the consolidation

of democracy without being accused of Yankee imperialism. Even better, Washington would engage with democracies in the region in a way that helps make them self-sustainable.

Not incidentally, promoting the consolidation of democratic institutions would advance another US agenda item: combating drug trafficking. Strong institutions that enjoy popular legitimacy and are conducive to accountability and social inclusion are not only essential to democratic success. They also constitute invaluable partners in the war on drugs. Stronger political institutions would help reduce the corruption that abets the drug trade, minimize the chances of Latin American societies evolving into narco-republics, and generally improve security in the region.

STRENGTHENING SECURITY

Ecuadorian President Rafael Correa, when he criticizes market-friendly policies, talks about “the end of the long night of neoliberalism” in Latin America. Correa’s enthusiasm seems excessive in

light of recent developments in the region, including the consolidation of market-friendly governments in Brazil and Mexico (which together account for about 40

percent of the population and GDP of the region) and the triumph of market-friendly governments in recent elections in Chile, Colombia, and Peru. Altogether, market-friendly governments today run five of the region’s seven most populous countries.

Yet “the end of the long night” is an appropriate metaphor for describing a different phenomenon entirely—the effect that the end of the cold war had on the region. Under the logic of superpower rivalry, Washington during the cold war classified nondemocratic regimes as either authoritarian (pro-American) or dictatorial/totalitarian (pro-Soviet). Chile’s Augusto Pinochet and Argentina’s Jorge Rafael Videla were among the former, while Cuba’s Fidel Castro was at the top of the heap of the latter. The concept of “security” was inevitably linked to secret police operatives spying on political opponents, censors restricting press freedom, torture chambers, illegal detention camps, and the assassination of labor leaders.

This cold war heritage gave security a well-deserved bad name in Latin America. But the fact is that democracies after the cold war need security

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as well. For individuals to be able to exercise their rights, they need a state that protects their freedoms. A state's monopoly on the use of violence should not be equated with unjustifiable abuses. Nor should Latin American militaries be regarded only as potential human rights violators, composed of ill-trained and poorly paid troops who are susceptible to corruption and alliances with drug lords. In democracies, the military and various police forces must be incorporated into the institutional system. Too often in Latin America, the legacy of bloody military coups (understandably) leads many to discount the military and police as allies in bringing about democratic security.

Yet, given the proper training and the right incentives, the military can—and must—become a force that works toward instead of against democratic consolidation. In so doing, the military and police forces are also more likely to be effective in the war on drugs and to protect the borders against illegal immigration. Accountable to civilian authorities, the militaries must be institutionally incorporated, and their functions redesigned, to help promote civilian security. And here is where the United States comes in. Americans have a commendable experience to share in terms of building a military that enjoys widespread popular legitimacy and is even seen as a mechanism of social mobility for the poor and integration for the marginalized.

Tradition and reputation will of course make it difficult for Latin Americans to see the US military as a friendly ally. An old joke says it all: "The reason there are no military coups in the United States is that there is no US embassy in Washington." But Latin Americans have grown accustomed to seeing civilians as presidents, military uniforms only in military parades, and civilians (even a few women) as ministers of defense. It might be time for a new administration in Washington to reform the image that many in the region have of the US military, and to recast the United States as a trustworthy partner in helping Latin American countries improve the security of citizens.

Latin American nations, particularly within urban slums, face problems such as the growth of street gangs, increased levels of violence, and alarmingly high homicide rates. These problems make the region a fertile ground for drug trafficking, and they lead many to consider emigration as a way to escape their insecure environments. Promoting a security strategy that protects civilians' rights—while dissociating security from excessive

police force, criminalization of political opponents, and the militarization of society—would help the United States work more successfully with Latin American governments in conducting the war on drugs. It would also help improve the living conditions of urban residents whose economic expectations are hampered by growing levels of insecurity in their neighborhoods and communities.

BEYOND TRADE

The North American Free Trade Agreement (NAFTA), although it was touted as a solution to the growing migration of undocumented Mexican workers to the United States, did not bring an end to illegal immigration. In fact, according to most accounts, the number of Mexican immigrants present in the United States at any one time has increased since NAFTA came into effect in early 1994. True, undocumented immigration might have been even larger without NAFTA. But associating trade with reductions in immigration is a mistake. In theory, free trade should bring about economic growth, but not necessarily less immigration.

Advocates of free trade sometimes argue that the only acceptable agreement would be one that states: "There shall be free trade." All trade agreements now in effect between the United States and Latin American countries (including NAFTA, the Dominican Republic–Central America Free Trade Agreement, agreements with Chile and Peru, and pending agreements with Colombia and Panama) include numerous restrictions and constraints. For the most part they constitute steps in the right direction toward liberalizing trade. But if freer trade does not inevitably reduce immigration, neither does it necessarily produce economic growth. Other policies must also be adopted to help generate sustainable and prolonged growth in Latin America.

In the past five years, Latin American countries have enjoyed their longest period of uninterrupted economic growth since the 1960s. This, however, has more to do with beneficial terms of trade than with free trade. Latin American export commodities—including soybeans, oil, copper, and iron—are enjoying an extraordinary run in international markets. Yet the cyclical nature of commodity prices has shown in the past that Latin American economies suffer terribly when the economic cycle turns. When terms of trade are positive, all countries embrace trade promotion policies. But adopting countercyclical policies (such as controlling government spending in good years) is much

less popular. Efficiently investing trade surpluses in education, health, and infrastructure and in fixing ill-working pension systems (one can say that Latin American countries are growing old before they grow up) should take precedence over reducing taxes in countries where tax compliance is low anyway and government spending is inefficient.

Unfortunately, the next US administration will not be in a strong position to ask its Latin American counterparts to show fiscal responsibility. In the 1980s and early 1990s, the US government played a key role in helping Latin American countries recover from a series of devastating economic crises. More recently, however, the United States has largely neglected the region and is itself today beset by financial woes—including a huge fiscal deficit reminiscent of those seen in Latin America in the early 1980s, as well as a crisis in the finance sector. As a result, the United States seems to have neither the place nor the legitimacy to update and renew the so-called Washington Consensus (according to which Latin Americans during the 1990s were advised to promote market forces and reduce state interference in their economies). Instead, Washington may be limited to equating economic growth with free trade.

As the US presidential campaign has unfolded, candidates have distanced themselves from free trade stances and called instead for “fair trade.” Deterioration of the US economy in 2009 might foster protectionism and further hinder White House efforts to expand free trade. In any event, unless trade liberalization is complemented with other policies that can help increase productivity, develop more human capital (through education), and provide an adequate safety net for the losers in liberalized trade, the perceived association between economic growth and free trade now prevalent in many Latin American countries will weaken, and that will inevitably hurt the entire US agenda in the region.

BOOSTING COMPETITION

Being pro-business is not the same as being pro-market. Latin American governments have historically embraced business-friendly rather than market-friendly policies. During the 1950s and 1960s, import-substitution policies required that governments give tax breaks and monopoly

control of markets to chosen industrialists. When Latin American governments have embraced nationalization agendas, they have done so not with the intention of creating more competition but because (so they argue) government regulation and ownership provide the second-best solution in the absence of competition.

In the United States, strong and independent regulatory agencies as well as the huge scale of the domestic economy have made it easier for market-friendly policies to prevail. In Latin America, many markets remain either captured by monopolies (private and public) or artificially restrained by inadequate regulatory frameworks. The next US administration could help its Latin American counterparts by providing them with knowledge based on lessons learned from past successes and failures in regulatory and antitrust experiences in the United States. Institutions like the US Securities and Exchange Commission exist in many, though certainly not all, Latin American countries, but their scope and enforcement power are greatly limited. In addition, inadequate judicial systems make it difficult for Latin American

markets to operate effectively and for competition to produce desired results in terms of efficiency, benefits for consumers, and a level playing field. Indeed, most Latin Americans today find it easier to exercise their rights as citizens than as consumers.

The importance of market competition, moreover, is not limited to the economy. A competitive market is also needed in the political realm. Even more than in, for example, the telecommunications industries that are so notorious in some countries, competition is fairly absent in the Latin American electoral marketplace. Political parties in many countries constitute closed oligopolies. Entry barriers prevent independents or newcomers from challenging incumbents. Information asymmetries undermine accountability. Lack of transparency gives an unfair advantage to those who are better connected. Citizens on an unlevel playing field discover that the votes they cast decide little in terms of who will actually govern and what policies will be implemented. And in some cases there are no appropriate mechanisms to reward or punish past performance. As happens in many informal street markets, voters make uninformed choices without legal protections, and are stuck with the results.

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Here again, the next US administration could help by sharing lessons learned from experience. Washington could promote the idea of primaries, for instance. Despite its shortcomings, the primary system in the United States allows voters to learn a plentiful amount of information on the candidates' track records and offers multiple opportunities for voters to hear candidates explain and debate their proposals and ideas before votes are cast. Washington can also encourage more transparency in how campaigns are financed, and support watchdog organizations that demand greater government accountability.

AN ERA OF GOODWILL?

Since the end of the cold war, US foreign policy in Latin America has focused on drugs, trade, democratization, and immigration, but the interplay among these agenda items has changed as globalization and regional interdependence have increased. For example, the war against drugs (initially cocaine and other natural drugs but increasingly methamphetamines) was historically limited to coca-growing Andean countries. As free trade agreements are signed, however, new countries become potential points of entry for illegal drugs into the United States. The downside of free trade is that drug trafficking also becomes a region-wide problem.

Although it is primarily an issue with Mexico, Central America, and the Caribbean, immigration increasingly affects other Latin American countries as well. Remittances sent home are becoming more important to more economies, and the deportation of undocumented criminals from the United States is increasing crime rates in a number of countries south of Mexico. Meanwhile, the concepts of democracy and free trade, though both have become fixed as fundamental notions in Latin American societies over the past two decades, increasingly mean different things to different people, and skepticism about the benefits promised by Americans has grown.

The next US administration should aspire to move beyond agenda points and focus on policy priorities. The forty-fourth US president, at least in his or her first year in office, will enjoy considerable goodwill in Latin America as the successor to the wildly unpopular George W. Bush. The question is whether he or she will take advantage of the opportunities afforded by that goodwill. Helping to consolidate democratic institutions, defend citizens' security, embrace economic growth as more than the promotion of free trade, and strengthen competitive markets constitutes an approach that, if adopted, would allow the next administration to move beyond a unilateral agenda and embrace practical priorities that can truly help strengthen democracy in the region. ■