

Threats to Democracy in the Americas

Maxwell A. Cameron

EXECUTIVE SUMMARY

Latin America has made steady progress toward establishing democratic political systems in recent decades, and the democracies that have emerged have been surprisingly enduring in spite of major economic stresses. It may be too early to say that the oscillations between democracy and authoritarianism that characterized Latin American politics during the twentieth century have come to a rest, but elections have become the nearly-universally accepted means of political succession, and for the most part they are free and fair. Even so, a gloomy mood has gripped the region: it is not the fear of a return to military rule that weighs on the minds of Latin American democrats so much as the disillusionment that accompanies the creeping erosion of the quality of democracy. This change of attitude is particularly evident in the Andean region where events in early 2000 suggest a worrying reversal of the process of democratization.

Any analysis of trends in the region as a whole necessarily finesses subtle differences between individual countries and groups of countries. The options for Latin America vary greatly, and must be qualified by the acknowledgment that, from the perspective of democratization, there are at least two Latin Americas. The first Latin America has made progress toward achieving electoral democracy and good governance, and the prospects for further democratization are encouraging. This includes countries like Costa Rica, Uruguay, Chile (in spite of the fact that it has not completed the transition to democracy), the Commonwealth Caribbean, where support for democracy is comparable to European levels, and recent progress has also been observed in Argentina, Brazil and Mexico. The second Latin America includes the electoral autocracies of Peru, Bolivia, Venezuela, and Ecuador, where the formalities of democratic rule have been preserved while its spirit has been violated. Here, public support for democracy is more incoherent, ambivalent, and volatile.

While problems in these countries are now catching the attention of the international community and the Organization of the American States (OAS), there is still a need to assess the scope of threats to democracy in the Americas and to explore avenues and options for government actions at the domestic and multilateral level.

RÉSUMÉ

Au cours des dernières décennies, l'Amérique latine n'a cessé de progresser vers l'établissement de régimes politiques démocratiques, et les démocraties qui en ont découlé ont manifesté une résistance surprenante en dépit d'importantes tensions économiques. Il est peut-être trop tôt pour dire si le va-et-vient entre la démocratie et l'autoritarisme, si caractéristique de la politique en Amérique latine au cours du 20^e siècle, a cessé d'exister. Mais ce que l'on peut dire, c'est que les élections sont devenues le moyen le plus communément accepté de succession politique, et la plupart du temps ces élections se tiennent dans un climat de liberté et de justice. Et pourtant, un climat morose règne dans toute la région : il ne s'agit pas d'une crainte quelconque d'un retour des régimes militaires qui assombrit l'esprit des démocrates latino-américains, mais plutôt du désenchantement qui découle de l'érosion sans cesse croissante de la qualité de la démocratie. Il s'agit d'un phénomène tout particulièrement évident dans la région andine, où les événements qui se sont déroulés au début de l'an 2000 montrent une inquiétante volteface dans le processus de démocratisation.

continued on page 2



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Toute analyse des tendances à l'oeuvre dans l'ensemble de la région fait nécessairement ressortir de subtiles différences entre les pays individuels et les groupes de pays. Les options ouvertes à l'Amérique latine sont très différentes, et doivent être comprises en sachant que du point de vue du phénomène de la démocratisation, il existe au moins deux Amériques latines. La première a déjà bien progressé vers un régime démocratique électoral et de bon gouvernement, et les perspectives de renforcement du processus de démocratisation sont encourageantes. Cette Amérique-là regroupe des pays comme le Costa Rica, l'Uruguay, le Chili (en dépit du fait que la transition démocratique de ce pays n'est pas encore achevée), les pays des Caraïbes membres du Commonwealth où la démocratie jouit d'un soutien comparable à celui des pays européens, ainsi que d'autres pays où des récents progrès ont pu être constatés comme l'Argentine, le Brésil et le Mexique. La seconde Amérique latine reste entre les mains d'autocrates comme au Pérou, en Bolivie, au Venezuela, et en Équateur, où la lettre de la règle démocratique a été préservée au mépris de son esprit. Dans ces pays, le soutien du public à la démocratie est moins cohérent, plus ambivalent et plus volatile.

Même si les problèmes qui touchent ces pays retiennent maintenant l'attention de la communauté internationale et celle de l'Organisation des États américains (OÉA), n'en subsiste pas moins le besoin d'évaluer la portée des menaces qui pèsent sur la démocratie dans les Amériques, et d'étudier les possibilités d'action des gouvernements tant au plan national que multilatéral.

RESUMEN

En décadas recientes América Latina ha avanzado con paso firme hacia el establecimiento de sistemas democráticos. Asimismo, las nuevas democracias que han surgido han mostrado una solidez sorprendente a pesar de fuertes desafíos económicos. Quizás sea muy temprano para aseverar que el vaivén entre democracia y autoritarismo que ha caracterizado a la América Latina del siglo XX se ha detenido; sin embargo, la realización de elecciones, generalmente libres y justas, ha sido la vía de sucesión política más comúnmente adoptada. No obstante, una nube oscura de pesimismo se cierne sobre la región. Lo que más preocupa a los líderes democráticos del área no es el temor a la reaparición de regímenes militares, sino el desencanto que acarrea el creciente deterioro de la democracia como tal. Este estado de ánimo se aprecia más claramente en la región andina en la que ciertos acontecimientos a principios de año han ofrecido indicios de una regresión preocupante del proceso democratizador.

Es obvio que al analizar las tendencias de la región de manera global se soslayan diferencias más sutiles que existen tanto entre cada país en particular como entre grupos diferentes de países. Las alternativas para América Latina son muy diversas y se debe distinguir que en cuanto a democracia existen al menos dos Américas Latinas. La primera ha instaurado la democracia electoral y el buen gobierno, y muestra perspectivas alentadoras de avances democráticos aún mayores. Aquí se pueden incluir países como Costa Rica, Uruguay, Chile (a pesar de que su transición hacia la democracia es incompleta aún), las naciones de la Mancomunidad Británica del Caribe (donde se observa un apoyo a la democracia similar al que se aprecia en Europa), así como Argentina, Brasil, y México. Estos tres últimos han mostrado ciertos avances recientemente. En el segundo grupo se encuentran las autocracias electorales de Perú, Bolivia, Venezuela, y Ecuador, donde las formalidades democráticas se han preservado, pero no así el espíritu de los principios democráticos. En este grupo, el apoyo civil a la democracia es más confuso, ambivalente, y volátil.

Aunque los problemas en estos países están atrayendo la atención de la comunidad internacional y de la Organización de Estados Americanos (OEA), es necesario valorar cual es el alcance del peligro que acecha a la democracia en América Latina y buscar vías y opciones para la acción de los gobiernos tanto a nivel nacional como multilateral.

THE PROBLEM

A glance at recent headlines reveals a mood of angst among pundits over the state of democracy in Latin America. “Ecuador’s coup alerts region to a resurgent military” says Larry Rohter of *The New York Times* (January 30, 2000); “Andean autocrats dig in for the long haul” writes *The Economist* (February 5, 2000); Carlos Alberto Montaner describes “Democracies held together by pins” in a pessimistic editorial in *El Nuevo Herald* (January 30, 2000); and Tina Rosenberg describes “The Precarious Nature of Latin Democracies,” in *The New York Times* (February 27, 2000). This paper suggests there are five key threats to democracy in the region: the centralization of power; resurgent militaries; the lack of judicial independence and rule of law; weak political parties and representative institutions; and social exclusion. For the purpose of the discussion, democracy is “a system of governance in which rulers are held accountable for their actions in the public realm by citizens, acting indirectly through the competition and cooperation of their elected representatives” (Schmitter and Karl, 1996).

Centralization of Power

Democracy is threatened when power is centralized in the executive branch of government. The subordination of congress and the courts creates opportunities for the executive to act illegally with impunity. Peru is a good case in point. After President Alberto Fujimori closed his Congress in 1992 and re-wrote the Constitution in order to be re-elected in 1995, his Congress passed a law allowing him to run yet again in 2000 based on the specious claim that the president had only been elected once under the 1993 Constitution. When constitutional judges ruled against the law, Fujimori simply dismissed them. In April this year, he ran for what many consider as an unconstitutional third term in office in elections plagued by allegations of fraud.

Resurgence of the Military

The quality of democracy is also threatened when the military refuses to accept its role as “obedient and non-deliberative.” The enigmatic President of Venezuela, Lt. Col. Hugo Chavez was elected in December 1998 riding a wave of popularity that dated to his failed effort to seize power in a military coup in 1992. Chavez has eliminated the article of the Venezuelan Constitution that describes the armed forces as non-deliberative, and has appointed military officers to a wide range of senior posts in his government. The

presumption that the military should play a “tutelary” role in politics is the single most important obstacle to the rule of law in some Latin American nations. The recent military coup in Ecuador is a good reminder of the on-going threat to democracy from the military.

Lack of Judicial Independence and Rule of Law

Judicial subordination turns judges into pawns in a political chessboard, and is often motivated by the need to provide impunity for an illegal executive and an abusive military. The lack of judicial independence leads to repeated curtailments of fundamental rights. When Bolivia’s Hugo Banzer — a former dictator, now elected president — imposed a state of siege in response to nation-wide protests by peasants in April 2000, the army was given a carte blanche to detain, interrogate, and even torture suspects without any judicial authority. According to Bolivia’s Human Rights Ombudsman, the public ministry has been a silent accomplice in the face of these abuses. In Peru and Guatemala civilians can be brought before military courts and sentenced by military “judges” with no legal training. Insecurity for citizens is exacerbated in

countries like Argentina where police abuse and crime have reached epidemic proportions. Above all, the rule of law should mean that those in power must also submit themselves to legal norms.

Weakness of Parties and Representative Institutions

Many Latin American democracies are not representative so much as they are ‘delegative’ — that is, presidents are elected to govern as they see fit with wide discretionary powers. The weakness of representation is one of the key

contributors to the shallowness of democratic practices, and it is reflected in the fragmentation of traditional political parties. Countries in which indicators of party fragmentation are highest (Peru, Ecuador, Venezuela) are precisely those where democracy is in the most trouble.

Social Exclusion

One of the biggest challenges facing new democracies is the inclusion and representation of indigenous peoples, in particular, and the disenfranchised poor in general. Can indigenous communities achieve representation, political autonomy and recognition within the framework of the liberal rights, identities, and citizenship norms established by new democratic states? Events in Ecuador reveal how dangerous the

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exclusion of an indigenous majority can be. President Mahuad was overthrown in January 2000 when protesting indigenous leaders and junior military officers attempted to form a junta, only to be swept from the scene in deference to the Vice-President after senior army officers — under considerable pressure from within the military and the US — pulled the plug.

THE CONTEXT

The threats to the quality of democracy in Latin America are rooted in structure, culture, and institutions.

Structure

Latin American democracies are different from democracies in other regions of the world because the structural and historical conditions in which they emerged were different. To give a specific example, Latin America is the region of the world where wealth is most unequally distributed. While the region has grown economically over the past decade, the “pathology of inequality” has not been overcome. A recent report released by the Inter-American Development Bank says that 150 million people in the region live on \$2 a day or less, and that the gap between rich and poor widened in the 1990’s. As Peter Hakim notes, “More than half of Latin America’s national income goes to one seventh of the population” (Hakim 1999).

Inequality is inimical to the long-term survival of democracy for three reasons. First, lack of growth is threatening to all political systems, democracies included, and high levels of inequality can threaten sustained economic growth. Second, inequality can undermine the positive effects that growth would otherwise have on stabilizing democracy (Muller 1997). Military coups become less common as per capita income rises, but this positive effect of growth can be diminished by inequality. Because of inequality, Latin America is at greater risk of the erosion of democracy than would be predicted by its level of economic development. Finally, a wide range of undemocratic practices and institution — clientelism, corruption, paternalism — are engendered or abetted by both inequitable income and lack of equitable access to state services (health, education, justice).

Culture

Latin American societies are cultural hybrids that combine colonial European and Native American traditions. The superimposition of liberal political institutions on hybrid cultures often has unexpected consequences. For example, in Latin America,

liberalism is historically associated with authoritarianism and the expropriation of communal lands. Thus, the oft-heard objection that Latin American democracies are “illiberal” needs to be qualified by an appreciation of the distinctive experience with liberalism in the region. The cultural baggage of competitive individualism may make liberal democracy unattractive to indigenous peoples accustomed to a more consensual style of decision-making.

If indigenous peoples tend to abstain from voting in Guatemala, or support rebellion in Chiapas, Ecuador, and Bolivia, this should lead us not to conclude that they are “anti-modern”, a conclusion that invariably leads to disastrous policy implications, but rather should encourage us to examine how democratic institutions could be made more congruent with local habits, customs, and mores. By the same token, notions of an idealized consensus within indigenous communities may be as fallacious and the presumption that indigenous mobilizations will always support democratization. The uprising against President Mahuad, for example, was the result of a convergence between the military intelligentsia among the colonels and the indigenous leaders who had developed links with the army. Public exasperation with President Mahuad led to a coalition of strange bedfellows. For some, the fight against social inequality and the quest for better integration of the indigenous people in the Ecuadorian political system was primary; for others the main goal was to improve conditions for the military and the performance of the executive. The complexity of these issues was dramatized by the collapse

of post-coup talks between indigenous leaders and the Ecuadorian government after Indian leaders demanded amnesty for the junior officers involved in the uprising!

Institutions

Democracy can be viewed as a system of elections in which political leaders compete for votes. However, democracy-as-elections only works when voters are citizens. In other words, elections in the absence of the full set of rights, obligations, and freedoms associated with citizenship are likely to be quite a bit different from elections where citizenship is secure. And, of course, the state is the ultimate guarantor of citizenship rights. Without a state there are no citizens, and without citizens there can be no democracy.

The typical historical sequence of institutional development in Latin America involved the creation of oligarchic states that provided the initial (highly exclusionary) foundations of the rule of law. However,

the mobilization of the popular sectors by populist leaders led to the political inclusion of the popular sectors in ways that violated the rule of law, and this often prompted highly repressive, authoritarian responses. Although the cycles of populism and authoritarian repression have abated, populism and authoritarian leadership styles have re-emerged in new guises. As Michael Shifter notes, the winning formula for seizing power in Latin America today is: "Challenge the political establishment, eschew party attachments and ideological labels, espouse direct contact with 'the people'; and use simple language and be authoritative (if not authoritarian)" (*Los Angeles Times*, January 16, 2000). Contemporary populists, including those who implement neoliberal policies, remain prisoners of this pattern.

DILEMMAS AND OPTIONS

The options for Latin America vary greatly, and must be qualified by the acknowledgment that, from the perspective of democratization, there are at least two Latin Americas. The first Latin America has made progress toward achieving electoral democracy and good governance, and the prospects for further democratization are encouraging. This includes countries like Costa Rica, Uruguay, Chile (in spite of the fact that it has not completed the transition to democracy), the Commonwealth Caribbean, where support for democracy is comparable to European levels. Recent progress has also been observed in countries such as Argentina, Brazil and Mexico. The second Latin America includes the electoral autocracies of Peru, Bolivia, Venezuela, and Ecuador, where the formalities of democratic rule have been preserved while its spirit has been violated. Here, public support for democracy is more incoherent, ambivalent, and volatile.

The two Latin Americas may require separate treatment. In the former countries, the challenge is to deepen democracy and improve its quality. In the latter, the challenge is to encourage democratic reforms and prevent further backsliding. For the electoral autocracies, five dilemmas stand out.

Democracy versus Sovereignty

Dilemma: Instruments for the collective defence of democracy such as the OAS Resolution 1080 are triggered when constitutional processes are interrupted. Should this mechanism be tightened to address more subtle threats, or would that lead to unwarranted intrusions into the sovereign authority of states?

Options: OAS Resolution 1080 represents a landmark in hemispheric diplomacy. Approved in June 1991, it has been convoked 4 times (Haiti in 1991; Peru 1992; Guatemala 1993; Paraguay 1996). The Resolution, entitled "Representative Democracy" was approved by the OAS General Assembly on June 5, 1991. It calls for "the immediate convocation of a meeting of the Permanent Council of the OAS in the case of any event giving rise to the sudden or irregular interruption of the democratic political institutional process or of the legitimate exercise of power by the democratically elected government in any of the Organization's member states...". The result of this process can be, ultimately, the suspension of membership in the OAS.

Resolution 1080 is generally regarded as having worked well, even if some members would have liked it to be stronger. The principle of collective defence of representative democracy in the Americas is part of the new inter-American landscape. It is hard to say, however, whether Resolution 1080 of the OAS would be approved by member states today. The will and

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tolerance for intervention in support of democracy that was notable in the early 1990's has diminished. The old mantra of "community and convergence" may have captured the spirit of hemispheric relations during the apogee of the Washington Consensus in the early 1990s, but today "cooperation and respect for differences" might be more appropriate.

The problem with Resolution 1080 is that it only deals with clear-cut violations of constitutional norms. A US initiative to tighten this loophole during the June 1999 meeting of the OAS in Guatemala was defeated, mainly because it was introduced unilaterally and without consultation. The US initiative called for "ongoing and creative work to consolidate democracy and a continuing effort to prevent and anticipate the very causes of the problems that undermine or threaten democratic rule" (Draft Resolution presented at the twenty Ninth Regular Session of the OAS General Assembly, Guatemala City, June 6, 1999). The US proposal would have had the OAS Secretary General convene a "Group of Friends" whenever a development in a member state appeared to threaten democracy. This group would work with the state to make recommendations and report to the Secretary General of the OAS.

The idea of concerted efforts to prevent backsliding is not a bad one in principle, but the language of the US proposal was tendentious. In another context Guillermo O'Donnell has argued that the term 'consolidation' implies a teleological bias: all countries

are presumably “en route” to achieving representative (i.e. liberal) democracies. A proposal of this sort needs to begin with an affirmation that democracy takes different shapes in different settings, and that any mechanism of collective defence must be sensitive to these differences. The OAS Charter remains more ambivalent on this point, allowing states to organize their political system according to the form they prefer and without external intervention. However, the OAS Charter also makes a commitment to representative democracy the unifying feature of all OAS member states.

The problem is more than semantic. When the members of the OAS act collectively in the defence of democracy, do they deliberately seek to uphold unpopular and dysfunctional constitutions? Do they wish to impose rigid notions of constitutionalism and the rule of law on societies in which there is a persistent gap between the *país oficial* (a nation’s legal institutions) and the *país profundo* (how people actually behave)? Do they wish to thwart the will of the public? Or do they seek to protect citizens of emerging democracies from the sorts of arbitrary and abusive uses of state power that follow with relentless inevitability from the centralization of executive power, the resurgence of the military, the politicization of judiciaries, and the subordination of legislatures?

Take the example of judicial reform. Judicial institutions are notoriously poor at reforming themselves. From time to time presidents may need to prod reluctant judges to accept necessary changes, yet in some instances reforms aimed at correcting widely-recognized deficiencies in the administration of justice have been combined with other measures that have undermined the independence of the judiciary. A more decided commitment to judicial independence on the part of international financial institutions would help considerably. The World Bank gives lip service to the importance of judicial independence while directing most of its resources into reforms of an essentially administrative character.

Judicial reforms should focus on the issue of indigenous peoples, and their access to justice. A revitalized Inter-American Indian Institute (an agency of the OAS) could play a positive role in this respect. The Inter-American Court on Human Rights is widely regarded as a properly functioning multilateral institution, and unilateral withdrawal, such as Peru’s decision to leave the Court (after it was told that its domestic courts failed to meet the minimal standards

of due process), as well as Trinidad and Tobago’s withdrawal in 1999, should not be tolerated by the other OAS member states.

Other key OAS bodies such as the Unit for the Promotion of Democracy (UPD) could play a more constructive role than they do at the moment. The UPD was established at Canada’s initiative in June 1990 by the General Assembly of the OAS and reports to the Office of the Secretary General of the Organization. Besides the electoral observation missions that constitute its primary mandate, the UPD has accrued a number of other functions which aim to strengthen the foundations of political institutions and promote democratic values in the region. These include the development and administration of special programs to assist member states in the aftermath of a conflict, consolidation of legislative bodies and electoral institutions in the region, strengthening of local government and the coordination and supervision of the Assistance Program for Demining in

Central America. The UPD has been successful in many areas but is not immune to criticism. Many experts feel that the UPD carries too many mandates with too limited human and financial resources. As a result the UPD’s impact remains largely diluted in various programmes which cannot meet the most pressing needs of OAS member states. The question remains one of establishing the right priorities. For example, the mine clearance program conducted by the Unit in Central America is an area that undeniably requires urgent action, but whose relevance to the

priorities of the regional democratic can be questioned.

Electoral Autocracies

Dilemma: Recent developments in the Andean countries demonstrate that electoral democracies can coexist with a wide range of undemocratic practices by autocratic presidents. More importantly, many voters support presidents like Chavez and Fujimori because they are disenchanted with existing democratic arrangements and hope that more “real” democracies can be created by undemocratic means. The promotion of democracy has to mean much more than the encouragement of free and fair elections.

Options: The international community has recognized the need to go beyond supporting elections in efforts to encourage and support democratization. The Second Summit of the Americas, held in Santiago de Chile in 1998, spelled out a broader agenda that

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should complement the focus on elections, including human rights promotion, strengthening civil society, fostering education for democratic citizenship, undertaking judicial reform, due process of law, and eliminating discrimination. Yet there is still a long way to go before summitry in the Americas fulfills its promise. Too many initiatives and action items have overcrowded the Summit agenda. The Plans of action of the Miami and Santiago Summits sometimes lack clear goals, timetables and priorities. Many countries lack sufficient institutional and financial capacities to implement Summit commitments. Worse still, the Summit mandate has been betrayed by a lack of action by key inter-American institutions on certain crucial occasions.

When President Fujimori fired Peru's constitutional judges after they ruled that a third term in office was unconstitutional, the OAS Foreign Ministers meeting in Lima in 1997 made no statement of protest. Ironically, five years earlier in 1992, the exact same action (mass dismissal of judges), combined with the suspension of the Constitution and closure of Congress, led to the application of the Resolution 1080 to Peru. Unless the OAS responds to these challenges, it has to live with the outcomes. In the case of Peru, the dismissal of the nation's top judges in 1997 opened the way for the President to run for an unconstitutional third term in office in 2000.

Another example is the January 2000 coup in Ecuador. There was a lack of assertiveness in the reaction of the international community to what was, in effect, a conventional coup. When the international community congratulates itself for restoring civilian rule in Ecuador it forgets that the removal of a president in favour of another civilian leader is part of the old bag of tricks of coup-plotters.

Substantial resources have been devoted by multilateral institutions to measuring progress in economic reforms in the region, but comparable indicators of progress have yet to be developed for assessing the achievement of the goals of the Santiago Summit. In principle, indicators of judicial independence and checks and balances among branches of government could be developed, just as Freedom House measures political and civil freedoms. Where backsliding occurs, a sustained effort to assess the consequences for democracy and governance should be undertaken in collaboration with non-governmental organizations and using the model of UN human rights reporting. The newly formed OAS Justice Studies Center of the Americas might be an appropriate site for such activity.

Democracy or Liberalism

Dilemma: The legal-constitutional state (in Spanish, *Estado de Derecho*) is the foundation upon which democratic regimes rest. But does the spirit of constitutionalism and the rule of law have to exist before liberal democracy can be established, as in the European historical experience, or can the practice of democracy bring about its own so-called "prerequisites"?

Options: The gloomy mood of editorial writers may encourage some policy makers to decide that Latin America is too illiberal to democratize, and that democracy promotion is an idealistic "crusade" that should be abandoned in the interest of other goals more directly linked to national interests. This *real-politik* tone is evident in US Republican primary campaigns (and in some quarters of the Democratic Party too), and will certainly gain ascendance in an election year in the U.S. Since drugs and immigration are always at the centre of the US agenda for Latin America, there is a danger that the shift toward promoting the rule of law rather than democracy will merely dress up efforts at interdicting drugs and migrants.

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Electoral regimes (no matter how autocratic elected leaders may be) are still the best soil in which to implant liberal rights and freedoms. Not surprisingly, there is a direct correlation between the strength of democracy and the protection of human rights. Indeed, the backsliding away from electoral democracy in

Peru and Venezuela provides compelling evidence that when power is centralized in the hands of the executive branch of government, military impunity is institutionalized, and when courts and popular assemblies are subordinated to the political will of the executive, it is not long before voters discover that their political rights and, ultimately, electoral options are shrinking.

Peru's 2000 Presidential election is a crucial case in this respect. The electoral process was plagued with irregularities, including surveillance and harassment of opposition candidates by military intelligence, military involvement in campaign activity, vexatious legal harassment of opposition candidates, the refusal of television stations to allow opposition candidates to buy air time, and, in the first round of the election on April 9, a series of problems and irregularities in the way in which votes were collected and counted. Prominent organizations such as the Carter Center, the National Democratic Institute for International Affairs and Transparencia declared that Peru had fallen below

the minimal procedural standards necessary for a country to be considered an electoral democracy.

The OAS played an important, perhaps decisive role in the Peruvian election. Its representative, Eduardo Stein, was present during the campaign to document the unfairness of the electoral process. In spite of the problems he observed, Stein did not repudiate the entire electoral process, mainly because the opposition candidates had seen fit to run rather than boycott the elections. However, when it appeared as if Fujimori was prepared to use fraud to steal the election in the first round, Stein — with the strong backing of the United States and a number of European nations — was unequivocal about the need for a second round. In the end, official results (which required many suspenseful days to count) gave 49.9 percent of the vote to Fujimori. Although Stein did not agree with opposition allegations of systematic fraud, he vigorously criticized the ineptitude of Peru's electoral authorities.

Can the Market Guarantee Democracy?

Dilemma: Neoliberal reforms have contributed to a dramatic economic transformation in Latin America. Today, none of the countries of the region are pursuing a strategy of import-substitution industrialization, and virtually all have embraced market-friendly policies. There are important gains to show as a result. For example, inflation rates have been brought down throughout the region, and this is especially good news for the poor who, lacking means of hedging their assets, tend to suffer the brunt of price instability. Neoliberal policies do not mean that states cannot promote industrial development strategies, but they do restrain states from pursuing certain costly and inefficient policies (such as massive subsidies for key economic sectors, inefficient state-owned enterprises, discriminatory protection of the domestic market).

The growth record of the Washington Consensus, however, has been modest at best, and the employment record has been a major disappointment. Some economic policies (free capital mobility in particular) have been downright destructive. Moreover, the neoliberal model has not contributed to the development of policies to address worsening social inequalities. There are 70 million more poor in Latin America today than there were in 1970s. The 1980s have been called the “lost decade,” but the 1990s were also a “lost decade” for Latin America's poor. Economic growth in the region has not been robust enough to achieve real improvements in the eradication of poverty, and income inequality has worsened.

Options: Two decades of neoliberal reforms have exposed the need for stronger public institutions. Since Max Weber, comparative sociologists have understood that bureaucracy and capitalism were historically associated. After two decades of promoting markets and private enterprise, it is now time to shift attention back to the strengthening of the capacity of states to provide public goods, including minimal levels of social welfare, not only because it is the right thing to do from a normative welfare perspective, but also because there is no example in the world where capitalism developed in the absence of strong public institutions. This requires reducing financial volatility, strengthening social policy, reforming tax systems in order to ensure that wealth re-distribution is conducted by the state, and fostering corporate responsibility and accountability.

In one crucial respect, the Washington Consensus has attracted unprecedented criticism. The idea that free and unfettered movements of massive amounts of speculative capital contribute to prosperity and welfare over the long run has been rejected by mainstream economists and senior policy makers. Unlike trade in goods and services, the sudden evaporation of such “hot money” can have extraordinarily costly effects. Countries of the region will have to find innovative ways to manage financial market's endemic volatility. Some observers suggest capital controls and a tax on speculation, though the experience of a number of countries, including Chile, suggests that such measures are at best a partial solution.

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can be established?*

Advocates of the Washington Consensus often made the implicit assumption that democratization would occur inevitably, but with a lag, following market reforms. Although there is a broad correlation between economic development and democracy, there is also a tension between the principle of equality inherent in democracy and the inequalities historically associated with the development of capitalism. The complexity of these relationships is such that scholars seeking one-to-one correspondences between politics and economics have been repeatedly disappointed. We cannot assume that democracy will be stabilized once market reforms are in place. On the contrary, an open economy requires a protective social net. Historically, this has been the pattern in the richer, developed world, and Latin America should be encouraged to provide stronger protective social policies as it enters into a period of liberalization of trade and investment. As was made clear by the military coup in Ecuador, *ad hoc* economic reforms such as rapid and total dollarization, contribute to social disruption and political instability.

Latin America needs major public investment in infrastructure, credit for micro-enterprises, low-income housing, health care, education and other public goods. The provision of these goods, which are essential to achieving both shared prosperity and effective citizenship, will require a second generation of reforms (going beyond neoliberalism) in which public sector capacity is the core objective. For example, public investments cannot be achieved without a major overhaul of tax systems. There is a direct connection between the poor quality of democracy and poor tax administration, as well as between low taxation and low levels of development. States that live off non-tax rents tend to be predatory rather than developmental. Moreover, states that do not tax their citizens do not develop strong mechanisms of fiscal accountability toward their citizens (Karl 1997). States that do, not only develop better extractive capabilities, they also are more likely to negotiate mechanisms of accountability and representation in public policy.

Since corporate behaviour affects governance in many ways, corporate responsibility and partnership with the state should be promoted. One of the greatest benefits of NAFTA for Mexico was the opportunity to build a more constructive relationship between the Mexican state and business. Partnership with business can be built around issues of corruption and transparency, human rights and environmental protection, disaster response and conflict resolution, and these are alternative ways of getting at issues of the quality of democracy. Corporate codes of conduct might be a promising avenue in this respect. By prescribing ethical and transparent behaviour to be followed within companies, as well as their relations with other companies, government and societies, codes of conduct encourage the development of guidelines and business practices that are socially and environmentally responsible.

The NAFTA countries should also follow the lead of the European Union and MERCOSUR in making democratic government a condition of accession to all trade agreements with countries in the region. Exactly the same logic that could lead a state to be expelled from the OAS should apply within NAFTA, the Free Trade Area of the Americas (FTAA) and other sub-regional trade groupings that have not yet subscribed to this principle.

Are Democratic States More Secure?

Dilemma: The character of states determines whether people are secure or insecure, prosperous or poor. What distinguishes the character of states are national

political regimes. Democratic governments are much less likely to commit massive abuses against their own populations, but democracies are not immune to widespread violence. Rising rates of crime and violence throughout Latin America and the Caribbean could present a threat to democracy because of the increase in private security forces and impunity of police action. Where do we start?

Options: Improving democratic governance is a central strategy for advancing human security. Common wisdom holds that human security is necessary for democracy to flourish. Insecure citizens are less likely to care about democratic institutions and processes. Countries where public insecurity is high are the ones most likely to demonstrate weak interest in “liberal” features of democracy. Therefore, dealing with the problem of violence requires a mixed strategy that addresses the root causes of the violence and its most immediate symptoms.

Colombia is a good case in point in this respect. In Colombia, violence of all sorts is the single largest threat to democracy. In fact, there have been four times as many deaths in Colombia than in the Balkan wars. With more than 1 million internally displaced persons, Colombia has the largest internal refugee problem in the world, after Angola and the Sudan. Seven Colombians are kidnapped and twelve are murdered every day. The Colombian state is forced to combat the best-funded insurgent groups in the world, violent paramilitary organizations and powerful drug lords that benefit from a thriving illegal narcotics industry. The state has earned a reputation for being highly corrupt and inefficient in providing basic public goods for its citizen. Improving democratic governance and social distribution mechanisms will be a necessary step for a peaceful resolution of the conflict.

US military aid will militarize and not solve the problem. At the same time, the threat of a bloodbath could help force the parties to the table. There is a brief opportunity for a multilateral approach that could refocus the issues, using the lens of human security rather than national security. Time is short. Progress at the negotiating table has not yet translated into a more peaceful environment for Colombians. Rather, the fights have intensified, with each of the parties wanting to present a show of force and strengthening their positions at the negotiating table. Canada should seize this unique opportunity to play a more active role in the current Colombian peace process. Canada could help in engaging the international community and raising the profile of Colombia’s internal issues at such critical moment of the peace talks.

CONCLUSION

This report has identified five ways in which the quality of democracy is being threatened in Latin America at the opening of the twenty-first century: centralized power, resurgence of the military, lack of judicial independence and the rule of law, the erosion of political parties and mechanisms of representation; and social exclusion. These problems are rooted in social structure, culture, and institutions, and they present the international community with a series of dilemmas and options, five of which have been highlighted in this report:

- 1) There is a tension between democracy promotion and sovereignty. Among states in the region, the pendulum appears to be shifting toward greater emphasis on sovereignty. At the same time, the most important violations of democratic norms in recent years have fallen outside the scope of Resolution 1080. Thus, in tightening this mechanism it is necessary to shift away from language emphasizing liberal or representative democracy and focus attention more directly on the fundamental rights and freedoms these institutions are designed to protect.
- 2) The first point is linked, in turn, to the recognition that a broader agenda for democratization has already been outlined in the Santiago Summit. However, these goals, timetables, priorities, and measures of success need to be refined and more vigorously implemented.
- 3) An alternative agenda is likely to seek to shift attention away from democracy toward the rule of law. This trend, which is based on a myopic emphasis on law enforcement on drugs and immigration, should be resisted; indeed, efforts to promote the rule- of law should be brought more closely into line with democracy promotion. Specifically, judicial independence should be given greater emphasis because it is critical to the rule of law and to restrain a resurgent military.

The developments in the Andean nations in particular are a wake-up call to the international community.

- 4) Democracy must deliver the goods. The developments in the Andean nations in particular are a wake-up call to the international community. Economic reforms must provide citizens in the region with a basis for the belief that they will see material improvements in their lives and the lives of their children, especially the substantial indigenous populations living in extreme poverty.
- 5) Finally, the human security optic may usefully shift the focus from drugs to peace in Colombia, which is the Latin American state currently on the most critical list.

WANT TO KNOW MORE? LOOK FOR

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Maxwell A. Cameron is Associate Professor at the Department of Political Science, of University of British Columbia in Vancouver, Canada. He specializes on comparative politics and democracy in Latin America. The FOCAL team that worked on this publication were Martin Roy, Nobina Robinson and James Buchanan. The views expressed in this paper are those of the author, and do not necessarily reflect those of the Canadian Foundation for the Americas (FOCAL). This report is based on a workshop held at the University of British Columbia under the auspices of the Canadian Foundation for the Americas (FOCAL). The workshop, preparation and printing of this paper has been made possible thanks to the support of the Canadian Centre for Foreign Policy Development.

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Canadian Foundation for the Americas
Fondation canadienne pour les Amériques
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1 Nicholas Street, Suite 720
Ottawa, Ontario
K1N 7B7 Canada
Telephone: (613) 562-0005
Fax: (613) 562-2525
E-mail: focal@focal.ca
Web Site: www.focal.ca
