



The Impact of "Populism" on Social, Political, and Economic Development in the Hemisphere¹

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Executive summary

The paper begins by examining the nomenclature and definitions of populism, left and right. It argues that labeling changing political realities in Latin America as "left" or "right," is an inaccurate oversimplification. It defines populism as a political problem with entrenched disregard for democratic institutions, one that leaves a legacy of deteriorated governance and deeply divided societies.

Current versions of populism are analyzed, identifying and defining the phenomenon of neo-populism as anti-system, with redrawn lines of social division. Current economic and social realities are assessed, linking them with the emergence of neo-populism and "anti-politics," and the perceived failure of democracies to deliver on social development. Special attention is given to the Venezuelan regime and other countries of concern.

Next, the paper discusses the underlying crises -and indicators- of the threats to democratic institutions posed by neo-populism. A political agenda of destabilization is identified, in the context of crises of representation, party systems and institutions. The dichotomy representative/participatory democracy is examined, as are the conflicting logics of electoral promises and government actions. Institution building and democratic development are singled out as sine-qua-non détentes to neo-populism.

The last section of the paper examines the challenges of a donor country (Canada) vis-à-vis neo-populism in Latin America. The terms of engagement are discussed, favouring a permanent, multi-prong approach. Canada should formulate its own policies towards the region, privileging the exploration of new bilateral-multilateral and hemispheric partnerships, programs and projects, whilst renewing support to the OAS's Department for the Promotion of Democracy. Also, linking the trade agenda to socio-political development is crucial to help understand the benefits of Free Trade Agreements. Special emphasis is placed on institutional development and citizens' empowerment assistance. Finally, bold new plans are desirable but not at the expense of jeopardizing current initiatives.

¹ Many of the statements in this paper are based on the opinions expressed by the panellists at the session "The Impact of "Populism" on Social, Political, and Economic Development in the Hemisphere" of the Conference of Montreal, June 08, 2006. The session was co-organized by FOCAL. Panellists: Dr. Inés Bustillo, Director, Washington Office, United Nations Economic Commission for Latin America and the Caribbean (ECLAC); Dr. Rafael de la Cruz, Senior, Economist Inter-American Development Bank; Peter Hakim, President, Inter-American Dialogue; Dr. Jorge Quiroga, Former President, Bolivia; Dr. Adam Steinhouse, Head, School of European Studies, National School of Government, UK. Their opinions were used on a non-attribution basis.

Sommaire

Le document commence par un examen de la nomenclature et des définitions du populisme. On fait valoir que la tendance à étiqueter les réalités politiques changeantes en Amérique latine comme étant de « droite » ou de « gauche » constitue une simplification excessive et inadéquate. Le populisme y est défini comme un problème politique faisant totalement abstraction des institutions démocratiques, laissant en héritage une gouvernance détériorée et de sociétés profondément divisées.

Dans le document, on analyse les divers courants actuels du populisme; le phénomène du néo-populisme est décrit et défini comme un phénomène de nature anti-système qui trace de nouvelles lignes de division sociale. La réalité économique et sociale actuelle est évaluée par rapport à l'émergence du néo-populisme et de « l'antipolitique » et à l'échec perçu des démocraties en matière de développement social. On accorde une attention toute spéciale au régime vénézuélien ainsi qu'à d'autres pays d'intérêt.

Le document se penche ensuite sur les crises sous-jacentes– et leurs indicateurs – des menaces posées par le néo-populisme aux institutions démocratiques. On y identifie un programme politique de déstabilisation, dans un contexte de crise de la représentation, des systèmes politiques et des institutions. La dichotomie entre la démocratie représentative et participative est analysée ainsi que la logique conflictuelle qui existe entre les promesses électorales et les mesures prises par le gouvernement élu. Le renforcement des institutions et le développement démocratique sont définis comme des conditions *sine qua non* à un relâchement du néo-populisme.

La dernière partie du document examine les défis auxquels est confronté un pays donateur (Canada) vis-à-vis du néo-populisme en Amérique latine. On y aborde les divers aspects de cet engagement, privilégiant une démarche permanente et concertée. Le Canada devrait élaborer ses propres politiques d'action dans la région et privilégier la création de nouveaux partenariats, programmes et projets bilatéraux, multilatéraux ainsi qu'hémisphériques, tout en renouvelant son appui au Département de la promotion de la démocratie de l'Organisation des États Américains. Il est en outre essentiel, a fin de démontrer les avantages des ententes de libre-échange, d'établir un lien entre programme commercial et évolution socio-politique. On insiste particulièrement sur l'aide au développement des institutions et à la responsabilisation des citoyens. Pour conclure, on souhaite la mise en place de nouveaux plans audacieux, sans toutefois mettre en péril les initiatives en cours.



Resumen Ejecutivo

El trabajo comienza examinando la nomenclatura y las definiciones de populismo, izquierda y derecha. Se argumenta que el etiquetar las cambiantes realidades políticas de América Latina como “izquierda” o “derecha,” es una sobre-simplificación imprecisa. Populismo es definido como un problema político con un arraigado desprecio por las instituciones democráticas, y que deja un legado de deterioro en la gobernabilidad y sociedades profundamente divididas.

Se analizan las versiones actuales de populismo, identificando y definiendo al fenómeno del neo-populismo como antisistema, con redefinidas líneas de división social. Se evalúan las realidades económicas y sociales actuales, vinculándolas con el surgimiento del neo-populismo y la “anti-política,” y el fracaso aparente de las democracias para producir resultados en el desarrollo social. Se le dedica especial atención al régimen venezolano y a otros países que son motivo de preocupación.

Seguidamente, el trabajo discute las crisis subyacentes -y los indicadores- de las amenazas a las instituciones democráticas presentadas por el neo-populismo. Se identifica una agenda política de desestabilización, en el contexto de las crisis de representatividad, del sistema de partidos y de las instituciones. Se examina la dicotomía democracia representativa-participativa, así como también las lógicas enfrentadas de las promesas electorales y las acciones gubernamentales. Tanto el fortalecimiento de instituciones como el desarrollo democrático son señalados como condiciones sine-qua-non para detener la amenaza del neo-populismo.

La última sección del trabajo examina los desafíos para un país donante (Canadá) de cara al neo-populismo en América Latina. Se discuten los términos del compromiso, favoreciendo un enfoque permanente y multi-focal. Canadá debería formular políticas propias hacia la región, privilegiando la exploración de nuevos proyectos, programas y asociaciones bilaterales, multilaterales y hemisféricos, a la par de renovar su apoyo al Departamento para la Promoción de la Democracia, de la OEA. Además es crítico vincular la agenda de libre comercio al desarrollo socio-político, para hacer evidentes los beneficios de los acuerdos de libre comercio. Se hace especial énfasis en la asistencia para el desarrollo institucional y conferirle mayor poder a los ciudadanos. Finalmente, son deseables nuevos proyectos ambiciosos, pero no al precio de poner en jaque las iniciativas actuales.



1. Nomenclature and definitions

1.1. Populism. 20th century. Caudillos. Nationalism.

Although the phenomenon of populism is by no means exclusive to Latin America, it is deeply rooted in the history of the countries of the region. Since the 19th century, most post-colonial fledgling nations went through endless wars. These were triggered by insurrectional movements led by regional strongmen –caudillos– that would assemble ad-hoc armies and march to the Capital to take over power. As caudillos capable of sustaining military and political power emerged, national armies were created and the nation-states consolidated. Two key heritages of these processes lived on to the 20th century –and to this day– in the region’s Republics: Presidential-ism, concentration of power in the president; and highly centralized states, concentration of powers by the national government.

One defining element of populism is the emergence of a leader, seen as a messianic figure, in whose hands the fate of the nation will be carried. Historically, populism arises in the context of political crises, when the legitimacy of institutions is questioned, and the status quo of the political system seems incapable of responding to the populations’ demands. Consequently, populist leaders tend to be outsiders to the political ruling elites, appealing to the populace by presenting themselves as “uncontaminated.” They appeal to the need to restore whatever is perceived to be missing: be it honesty, leadership, social justice, national pride, strong-hand against crime-violence and/or political disarray, etc. The other defining trait of 20th century populism was nationalism, both as a unifying domestic political tool and as a stance on the international stage.

1.2. Politics and economics of populism: divergent options

In the context of the decades of the 1930s and 40s, populist leaders had to respond to the

economic challenges of the time: namely distribution of wealth, early industrialization and urbanization, land reform, and self-sufficiency. State social re-distributive policies were based on a paternalist approach, and economic policies inspired by nationalism favoured industrial incentives aimed at import-substitution. But as a general rule one cannot equate political populism with one only –and the same– choice of economic policies. Later examples –towards the end of the century– of populist leaders that fit such political characterization have differed greatly in their choices of economic policies. The spectrum covers every option, from neo-liberal economics (i.e. Alberto Fujimori in Peru) to strong state-ism. But beyond these two extremes, the key lies on the choices made on how to pay for –and sustain– social programs.

Historically the option most associated with the “populist” label has been the tradition of distributing what you don’t produce: paying for populism by printing money and running up debt. But this has not always been the case; some populist leaders have also funded social programs through growth with equity. The first option is obviously unsustainable, whereas the second one, sustainable in principle, ceases to be so if the re-distributive policies are abandoned by focusing exclusively on investment and production, thus halting the enlargement of local markets.

1.3. Populism and Left: definitely not the same

Just as political populism does not necessarily imply populist economic policies, it is also wrong to identify populism with the Left. Historically Latin America has known populist regimes that have shrouded themselves in both left and right wing rhetoric. Conversely, populism has been attacked from both ends of the political spectrum. The explanation for the ideological ubiquitous-ness of populism lies in the fact that –as Thomas Legler says– “Populism is more a style or way of doing politics than an ideology”. (Legler, 2006)

And not only should we not equate populism to left –or right– but labeling political realities or

regimes as either one is likewise flawed. The traditional definitions of left and right have been blurred, and their separating lines redrawn, by political praxes to a point that all but renders them useless as analytical categories. In Europe and Latin America we have witnessed governments combining all permutations of ideological backgrounds and pragmatic policy approaches. Interpreting the changing political realities of Latin America defies labeling, black and white classifications or left and right taxonomies. Each country case should be analyzed on its individual characteristics, placing the emphasis on a common set of indicators, rather than on obsolete, overarching categories or clichés.

1.4. Populism as a political problem

Populism is a political issue. It breeds in crises of political representation and is profoundly antidemocratic. Populist leaderships emerge outside institutions, and even if they rise to power through them, shortly thereafter proceed to dismantle or erode those that restrict the concentration of power in the leader. One current misrepresentation of populist movements places emphasis on direct participation –through varying modalities of popular mobilization- as opposed to the limited access –or exclusion- attributed to representative democracy. By presenting itself as different than the political establishment, the populist alternative devises “other” mechanisms for participation, usually euphemisms for vertical top-to-bottom control of civil society. The “masses” are at best direct recipients of paternalist benefits from the government, aimed at securing political loyalties, whilst channels for real participation –and especially dissent- are systematically closed.

Historically in Latin America, populist movements organized their support around core constituents, determined by the specific socio-economic sector where the leadership originated. Thus the military, labour unions or peasants were, in different country situations, the mobilized or mobilizing forces of emerging anti-status movements. Populist leaders have always capitalized on the discontent and aspirations of the traditionally excluded. The “oligarchy” is the usual antagonist, and a strong divisive message

of “us” and “them” permeates the entire rationale of the populist arising.

1.5. Populism and institutions

The relationship between populism and institutions is initially defined by the context under which it flourishes. Democratic institutions are perceived as an obstacle to pursuing the “righting of wrongs” that inspire populist leaderships and creates its social support. If the traditional elites are perceived as the enemy, the corollary that follows is that existing institutions can only serve to preserve their interests and hence should be transformed. Historically the “direct action” arguments have been legitimized by the disregard for institutions that do not provide effective mechanisms for participation and inclusion of different sectors of society. Popular uprisings are then based on the logic -inherited from the times of the French Revolution- that if the people want it, constitutions or institutions cannot get in the way. This is not to say that populist regimes cannot reach power through democratic means, but usually those democratic institutions are already at peril or discredited by the time populist options become viable electoral alternatives.

Once in power, the direct connection that populist leaders claim to have with the people translates into bypassing institutional mechanisms, and direct clientelism prevails in the state-citizen relationship. Traditional civil society organizations, political parties in particular, are seen as unnecessary intermediaries to the political process, a hurdle to be cleared or removed in order to restructure the foundations of power. “Rather than citizens, populism aims to create followers.” (Paramio, 2006) Hyper-centralization of political power is an unavoidable consequence of the leader’s role as the embodiment of the state functions, the main distributor and benefactor. A further distinction should be made in the sense that as anti-democratic as populism is, such a regime can be sustained without necessarily resorting to dictatorial ruling imposed by force -thus preserving a democratic façade- as long as enough support can be secured through direct government spending.

1.6. The legacy of populism

The combined tally of weakened institutions, disrupted political processes, decentralization reversal, party system disarray, and citizens' disenchantment, amounts to a social crisis in governance. Aside from the impacts of clientele-based/paternalist social policies and –if present-economic unsustainable overspending, populism leaves behind a legacy that can send back decades of democratic development. Although, as has been discussed, the emergence of a populist option can be in itself indicative of an unhealthy democracy, which lacks the capability to respond to demands of inclusiveness and participation, the effect of populism is to further deteriorate governance, mitigating the process of institutional development.

The populist legacy also includes deep divisions within society, by virtue of the antagonistic take on politics of populist leaders. Political representation comes into question, given the limitations imposed on participation mechanisms within the state, but especially due to the closing of spaces for civil society development and organization outside the government censored structure, and institutions ceasing to be viable channels to funnel popular discontent. The environment of confrontation and mistrust that populism generates –aside from repression-makes it almost impossible to articulate political alternatives that could bridge differences and bring together a multiplicity of social actors. These limitations to the consolidation of a cohesive opposition seriously jeopardize the possibility of a non-traumatic return to the path of democracy. The betrayal of expectations by a populist government, and more to the point, the incapacity to make good on unrealistic –even if well intended- promises of a messianic nature, further destroy what little trust in governments and institutions the people might still have. By repeating the well-known cycles of hope and frustration, populism creates deeper wounds in the social fabric and increases political volatility.

2. Current versions of populism

2.1. Neo-populism

Currently, many debates about the region are centered on the emergence of what some analysts are calling Neo-populism. The term has been coined in an attempt to differentiate the new governments and movements from traditional populist denominations (i.e. Peron, Vargas, and others from the 20th century); and as a way of avoiding the left/right dichotomy. Even though the phenomenon is not new as such, some new characteristics present in different countries allow for the neologism. These new movements arise against the entire political class. It is not just the traditional opposition to ruling elites –and institutions perceived as only responding to their interests- but rather all the polity comes into question. As Legler points out “it (neo-populism) is not just anti-establishment, but also anti-system.” (Legler, 2006)

Another relevant, new characteristic has to do with the core constituency or supporters of the neo-populist movements. As opposed to the ones previously mentioned (military, organized labour/peasants) new constituents come from either the (in Marxist terminology) lumpen-proletariat or from other traditionally excluded sectors such as indigenous populations. The political organization of such groups appears to be the result of the convergence of cumulative disenchantment with the political exclusionary system, spontaneous mobilization for basic rights –and social services- and indeed the presence of a strong leader. Also neo-populism is redefining the “us and “them” division of society in new terms, including some particularly dangerous divisions along racial or ethnic lines.

2.2. Left (s) and Right (s) in Latin America

Once we accept the limitations of a binary left/right approach, we must attempt to explain current political affairs in the region on a case-by-case examination. The idea of two “lefts”, or furthermore a “good” left and a “bad” one, seems equally inappropriate as it does not account for

the specificities of the countries of the region, and is based on a judgment call regarding the choices on economic policy, rather than analyzing ideological approaches. What we have in the region are varying responses to undeniable social urgencies, and political systems and institutions with varying capabilities to carry them forward. Arising are different visions, competing ways, on development, on how to sustain growth and addressing the needs of the population.

The kind of social policy that governments generically grouped as from the left are implementing, and particularly how they prioritize macroeconomic stability and growth, is more an expression of the institutional strength and weaknesses within their countries. Maxwell Cameron put it this way: "In countries including Chile and Uruguay, where democracy is strong, political parties are well organised and corruption is minimal, moderate socialists are advancing progressive social policy agendas. In the Andean region, where indigenous peoples have suffered centuries of exclusion and discrimination, where party systems are fragmented and corruption is rife, the backlash against economic orthodoxy has resulted in more radical nationalist and populist movements." (Cameron, 2006)

And just as one can argue that the left defies grouping, the same is true for the right side of the political spectrum. Macroeconomic openness and the pursuit of Free Trade Agreements is neither exclusive to the right, nor a defining characteristic in itself. There are as many populist traits among right (or centre-right) governments as we find among the left; and conversely as many more committed to furthering democratic agendas, institutional development and good governance on both sides. Hence, ideology not being the defining factor, any approach to engaging with the countries of the region to support the democratic agenda, should not be based on ideology either.

2.3. Economic realities

These are good economic times in the region. But, whenever referring to Latin America, this is a statement that begs for qualification. The macroeconomic indicators show growth and low inflation. There is still widespread consensus on

the need for openness in the economy, to integrate and compete, to pursue free trade, and other fundamental variables for successfully inserting the region in the changing world economy. It is also true that the current indicators mainly respond to high commodity prices, that most economies in the region rely all too heavily on these, and that not much is being done in the way of preparing for the downturn that –as the region knows painfully well- follows in the cycle. But the main obstacle for the sustainability of these good economic times lies in how the governments can use the growth to bridge the extraordinary gaps in distribution within countries. On strictly economic terms the expansion and growth of internal markets is essential for sustainable growth, as is the insertion of the vast sectors of the populations that are currently in the informal economy. But redistribution policies can only be successfully implemented in a context of good governance. In the absence of government accountability and transparency, sound institutions (i.e. for tax collection), a professional civil service and autonomous fiscal and monetary policy institutions, whatever revenues the governments might have during the "good cycle" will be lost.

A balance has to be found between long-term thinking and investment and urgent social spending. Good macroeconomic indicators that do not put food on the table for the vast majorities of the populations in the region quickly become meaningless. The political viability of some of the necessary measures -for economic growth sustainability- becomes almost impossible if immediate results on poverty alleviation are not seen.

2.4. Social realities

Although recent figures show poverty declining in the region, the vast majorities of the populations are still living in poverty conditions and deprived of access to essential services. We have pointed to the gap in wealth distribution as a main social problem in Latin America. But beyond the current social inequalities, the most worrisome factors are those that contribute to their perpetuation. The exclusion from the education system, the limited access to health services and basic

infrastructure, on top of limited economic opportunities to improve these conditions, demand immediate actions. Not only the moral imperative calls for poverty alleviation, but also the need for political stability as an essential prerequisite for socio-economic development.

Social injustices and huge disparities in living conditions that affect and marginalize entire sectors of the population pose a considerable threat to institutional development and political stability. This is particularly so when those excluded can be identified as a distinct sector of the population. Hence indigenous populations, or the inhabitants of a given region or urban slums, or landless peasants, to name but a few, can become mobilized under the illusion of standing for their rights by unscrupulous leaders. The political organization of these sectors and their access to participation mechanisms is a desirable goal, as only by opening those spaces –alongside responding effectively to their social demands– can governments prevent them from becoming a disruptive social force and easy prey for populist caudillos.

2.5. The politics of discontent: democracy doesn't deliver

Another key component of the political realities in Latin America, one that also contributes to explain the success of populist alternatives, is the perceived limitations of democracy to deliver when it comes to improving living conditions. Identifying representative democracy –and its institutions– with the success or failure of the socio-economic policies of the governments in the region is very misleading. Although neo-populists stand against the entire political system, it is not their actions alone that give weight or credibility to such an inaccurate statement. The inherited political traditions of the citizens' client-based relationship with governments, and of presidential paternalism, are also part of the equation; as well as the inability –or willful decision not to– of governments to explain and/or implement unpopular policies.

The result is that alongside democratic advancements in the region, –to be celebrated and defended– the majority of people have not

seen an improvement in their living conditions. Turning this fact into a cause-and-effect explanation is an interesting political stance, as it works in favour of the anti-democratic movements. The advancements in democratic institutions have not necessarily implied good democratic governance, nor that elected governments would actually fulfill the expectations they create or deliver on promises made. One can easily see how the perception of democracy's shortcomings can be spun into a systemic problem at the root of the reasons for social discontent and upheaval.

2.6. The anti-politics

By disqualifying representative democracy and its institutions, neo-populism finds it even easier to portray itself as the antithesis of traditional politics. If all the system's maladies are endemic, and everything from government incompetence and corruption, to political parties' abuse of power and political exclusion, is to be blamed on representative democracy, then the alternative has to come from "outside" the system. This is a self-serving approach to justify the disregard for institutions and processes that are part of the political structure of the nation, a means to legitimize any action that –once in power– dismantles or subverts the institutional scaffolding.

If politics and politicians are the expression of everything that is "wrong" with the system, then the rights and freedoms that enable their existence (as well as that of independent civil society organizations and media) are seen as superfluous or unnecessary. By extension of the "us" and "them" interpretation of politics and society, the anti-democratic nature of populism dismisses basic political rights as being arms of the enemy (i.e. it argues that freedom to attack the government is not the same as freedom of speech).

2.7. Chavez: 21st century socialism

The current Venezuelan regime is –by all the definitions discussed so far in this paper– a neo-populist regime. Arguably it is in the works of one of Chavez's early advisors, the late Norberto

Ceresole², where one can find an ideological formulation for this political phenomenon. In his book “Caudillo, Ejército, Pueblo” Ceresole defines *post-democracy* as a regime with a central charismatic leader, the army fulfilling the role of the “party” and the mobilization of the people through direct links with the leader (Ceresole, 1999). To this date the evolution of the Chavez government has consistently moved in that direction. The pseudo-theoretical constructs of the official ideologues (Heinz Dietrich and Marta Harnecker) are, for the most part, post-facto elaborations on Chavez’s rhetoric. 21st Century Socialism, the “Bolivarian” epithet, and the anti-neo-liberalism and anti-globalization stances -that figure prominently in Chavez’s speeches- are part of his self-aggrandized aspirations of historical leadership, rather than ideological definitions.

Beyond the deep divisions within Venezuelan society (Chavistas / anti-Chavistas) steered by the president with his confrontational political praxis, one distinctive element of the regime has been militarizing all spheres of government. Since coming into power in 1998, the armed forces have been commissioned or in charge of everything from distributing and selling groceries to training the new civilian militias. Most government industries, ministries and appointed positions have been assigned to military officials. All branches of power are under the complete control of the executive (the president). The electoral institutions are under the government’s control. All the traditional democratic institutions have been by-passed, dismantled or eroded, with the central government directly controlling all affairs.

The Chavez regime has become the most contentious and dividing force in the Latin American political scene. With the oil prices at historical heights, the Venezuelan government has an inordinate amount of resources at its disposal. Unbridled spending has fueled the emergence of a domestic new elite and exacerbated the state’s paternalism. On the international front, foreign policy is based on the use of oil as a political tool for purchasing loyalties. The regime has been accused of

financing like-minded destabilizing forces in many countries and meddling in the internal affairs and elections of others.

When we analyze how the Democratic institutions of the region are under threat, and the nature of those threats, we will further examine the domestic and regional implications of this kind of neo-populism, and its impacts on governance, civil society and democratic development in Latin America.

2.8. Other countries/regimes of concern

Populist behaviours are present in many other governments in the region, a fact that does not necessarily spur concern, as long as those traits do not translate into actions that limit or hinder democratic development and good governance. From Alvaro Uribe in Colombia, to Nestor Kirchner in Argentina, we can identify personal styles and attitudes in line with the historically inherited notion of “strongmen,” with a tendency to micromanage state affairs, and exploit a “connection” with the “common people.” The current situations in those countries are not exempt from deteriorations in their governance, but these could not be attributed to neo-populist leadership.

By contrast, Bolivia’s president Evo Morales’ leadership presents neo-populist characteristics of a more worrisome nature. His emergence to power came after two years of demonstrations – mostly self-led- that ousted three presidents. The desire for stability prompted important sectors of Bolivian society to elect him president, thus allowing him to win in the election’s first round with over 50% of the vote. His speech is divisive and confrontational as have been some of his early actions in government. The “us” and “them” lines seem to be drawn not only against the “oligarchy” but now include ethnicity (what some have called “reverse racism”) and strong “anti-imperialist” rhetoric. The desire to transform the institutions has –following Chavez’s lead- taken on a new variant: the call for a Constitutional Assembly that will re-write the Bolivian Constitution.

² Better known for his anti-Semitism, Holocaust-denial writings and his closeness with the “Carapintadas” in Argentina.

Peru is also a country of concern. More than the uncertainty that a new government led by Alan Garcia generates, main preoccupations derive from the facts that the country is deeply divided and that an overt neo-populist and antidemocratic option, such as the one represented by Ollanta Humala, had 45% of popular support in the last elections.

New electoral processes in the region are to be watched closely. Central America's slow road to recovery, internal healing after decades of wars, and hopes of overcoming the tough social challenges it faces, can be seriously jeopardized by a Sandinista victory in the upcoming Nicaraguan elections in November.

3. Democratic institutions under threat

3.1. The nature of the threat: trends.

The answer to the question "are democratic institutions threatened by populism?" is an unequivocal yes. Thomas Legler summarizes why populism is such a potentially serious threat to democracy, by stating that: "Populism is divisive, polarizing, intolerant, and anti-plural. It feeds on existing class, racial, ethnic, and rural-urban divides." (Legler, 2006) We will further examine which specific aspects of populism define the threat, and which democratic institutions are more at risk, aiming to identify what can be done to diffuse the threat.

In many Latin American countries there is a growing distrust of leadership. This is a trend that transcends the traditional political leaderships and is extended to other institutions. The rapid ascent of outsiders to positions of political leadership, by-passing the traditional channels of party politics, is as much an indicator of the crises of representation, the party system and institutions alike, as it is of the proclaimed virtues of "anti-politics" disseminated by neo-populists.

The increased polarization within countries is another trend that erodes democratic institutions and favours the emergence of populist

alternatives. When spaces for political dialogue are being restricted and positions entrenched, the likelihood of consensus-based agreements on long-term national interests is diminished. We have pointed out how populism thrives on confrontation. The deepening of divisions within a country highlights the exclusion of social sectors from participatory mechanisms, feeding the confrontational approach. As a result we are witnessing governments –populist and otherwise– that are not perceived as being –or acting as– the genuine representatives of their entire countries, but rather of segments of the population.

3.2. The political agenda of destabilization

The threats to democracy are not only the result of the fractures and weaknesses within the current institutions. Behind the destabilizing trends subverting democratic development is a political agenda. Based on the reaction against what is generically termed "neo-liberalism" many social and political movements are cashing in on the backlash of macroeconomic policies and adjustments made during the 90s and the beginning of this century. By equating social inequalities and the failure of governments to alleviate poverty –and reduce exclusion– to the "imposed agenda of the Washington consensus" and the "dictates of the International Monetary Fund," many sectors of the population have been stirred against the political leadership.

Most democracies in the region have been able to withstand the attacks, to the point that the quick succession of ousted presidents in countries like Ecuador and Bolivia happened without disrupting constitutional or democratic continuity. But direct action, as in street mobilizations, that succeeds in toppling governments is a negation of and a threat to democracy, rather than the ultimate exercise in participation, as populists would like to portray it. On the one hand it indicates the limitations of current institutions to funnel discontent, allow participation and ultimately respond to the demands of vast sectors of the population. On the other, it feeds the perpetuation of a climate of crisis and instability that jeopardizes the return to institutional channels for political expression.

Governments that arise through these processes have both the innate weakness of their debatable legitimacy and the constant pending threat of being ousted the same way.

3.3. “Participatory” democracy and “representative” democracy

By favouring direct action neo-populism presents -as an alternative to representative democracy- the notion of participatory democracy. The vagueness of the definition becomes immediately apparent when attempting to formalize new modalities of participation outside democratic institutions. Once the populists are in power, these mechanisms are restricted for the sake of the government’s self-preservation. Grassroots support organizations become mere appendices for social control, passive recipients of government funds, and in some cases the clash groups to intimidate and harass the opposition.

Participatory democracy has been hailed by neo-populists as the answer to the limitations of electoral systems, political parties, representative institutions and branches of government. More than constituting an alternative –valid within limited contexts and arguably at municipal or local government levels- the formulation of participatory mechanisms points in the direction of eliminating any possibility of social organization outside government-controlled instances. The idea of eliminating intermediaries in the state-citizen relationship is a way of justifying the suppression of civil society independent organizations. By dispelling the need for multiple –and indeed diverging- interests within society being expressed through mechanisms beyond state regulation, populist proponents of participatory democracy negate the quintessential component of democracy. As discussed, the stage is thus set to justify taking away other basic rights and freedoms.

3.4. The gap between electoral logic and government logic

One major threat to democracy is the personalization of politics that characterizes populism. When one person embodies the hopes

and aspirations of the population, many negative connotations come attached. The autocratic tendencies quickly surface when there is no dissent or questioning of the leader’s decisions, setting the foundations for personality cult and the idea of infallibility. The nature of the promises made and expectations created, alongside the predictable impossibility to deliver once in government, exposes the gap between electoral and government logic.

In addition to being a defining trait of populism, the dichotomy between these two logics runs deeper in Latin American countries and is to be blamed for many cycles of popular hope and disappointment. The need to be elected has prompted many politicians to promise the undeliverable, but even more so has limited the resolve of many governments to implement essential –yet unpopular- policies, given the cost in terms of political capital. Weak leadership in strong positions (i.e. unpopular president in a country with strong presidential powers) poses the danger of changes in course of action when election time approaches and support figures are waning.

When reacting to intense pressures to deliver on social policy –*visible* results on poverty alleviation- governments can throw out the window any macroeconomic caution. The inescapable logic of not being able to distribute what you don’t have will soon catch up. The conundrum of popularity being essential to be elected and the some times unpopular task of good government is one that can only be solved through strong institutions. Only with institutional development and consolidation can the situation where the success or failure of a government – and more so of a single leader- threatens the entire stability of a democracy, be avoided.

3.5. Institutions

When analyzing representative democracy, and democratic institutions and governance, three problems are always mentioned: the problem of implementation –how to create and sustain institutions; the lack of state capacity – professional public service; and the lack of bureaucratic accountability –how to ensure

transparency. Although in Latin America the issue of building institutions has been for the most part absent from the political discussion, it is now critical to counteract the growing threat of populism.

Institution building is a constant ongoing process. Democratic governance entails the development and consolidation of permanent institutions that are subject to scrutiny and evaluation: permanent does not mean fossilized and institutional trustworthiness can only be achieved through accountability and transparency. When it comes to reforming democratic institutions these must have the flexibility to respond to new challenges, by virtue of opening new spaces for participation. On the one hand the legitimization of elected officials and their accountability helps prevent crises of representation, whilst on the other decentralized decision-making processes and competencies allow for greater inclusiveness.

As a general rule, the best antidote to threats to democracy is more democracy. Political decentralization processes in Latin America must be supported and strengthened. The clear definition of competencies of the different levels of government, as well as their legal capacity to generate revenue, is as important as the separation, independence and autonomy of the central government's branches of power. The hyper-centralizing trend that comes from the concentration of power in presidential figures - and is exacerbated in neo-populist models- must be reversed for the sake of democracy. Political parties must understand that the presidency is not a coveted prize, seen as the pinnacle of political careers, but rather one more position within a collective approach to government. There are many possible paths for democratic development, exploring and pursuing them is a sine-qua-non condition for diffusing the populist threat.

3.6 Electoral system: a reliable indicator

There are several possible indicators to evaluate if democracy is under threat in a given country, and to what extent the democratic institutions are vulnerable to such threat. By examining how, and

to what extent the essential elements of representative democracy, listed in articles 3 and 4 of the Inter-American Democratic Charter of the Organization of American States (OAS), are respected, we can objectively assess the state of democracy. Among these elements, the call for "periodic, free, and fair elections based on secret balloting and universal suffrage" is key as the democratic governments' source of legitimacy. On this premise, the electoral power's independence and autonomy from the government would be a prerequisite for good democratic governance in compliance with the Charter.

In the Venezuelan case, the assertion regarding the independence of all branches of power being trumped by the executive is most noticeable when evaluating the elections body. The international electoral observers highlighted Venezuelans' lack of trust in the National Electoral Council (CNE). In their reports following the latest parliamentary elections (December 2005), both the European Union and the Carter Centre delegations, expressed their concerns regarding the transparency and fairness of the upcoming presidential elections scheduled for December 2006.

Currently, massive inaccuracies and illegalities in the permanent electoral registry have been publicly exposed. The government has denied independent auditing of the registry (including an offer by three national universities). More to the point, the neo-populist grip on power, increased by the oil-generated resources, allows the government to show its contempt and disregard for democratic demands.

3.7. Party system and other civil society organizations

Directly linked to the electoral system is the party system. Also listed under article 3 of the OAS Democratic Charter, as an essential element of representative democracy, is the "pluralistic system of political parties and organizations." Neo-populist leaderships usually emerge from outside the traditional political parties, creating ad-hoc political movements shaped to respond to the immediate demands of a given point in time

rather than as more permanent organizations. Political parties, as well as labour unions and organizations are seen by neo-populists as part of the same de-legitimized political system to be replaced.

The crises affecting traditional political parties and labour organizations in many Latin American countries derive not only from the neo-populist attack, but also to a great extent from their own doings. The representation crises of governments and institutions that create fertile grounds for populism are shared by these other organizations. Parties and unions (grouped under national organizations) tend to reproduce the hyper-centralized, vertical and clientele-based models of national governments.

In the case of many social organizations (labour ones included) the neo-populist response has been –upon reaching power- to create their own parallel structures. With civil society organizations in general, we have already discussed how restrictions are set in place to allow only the government sponsored ones to subsist. Political parties acting in a pluralistic fashion are another hurdle that obstructs the concentration of power in the hands of the neo-populist leader, so the response is to further discredit them, to limit their access to state-controlled resources and rights (i.e. representation within the electoral body), to harass their supporters and to initiate judicial prosecutorial actions against their leaders.

When discussing options for civil society organization in the context of the antagonistic and divisive neo-populist regimes, Legler suggests that: “civil society must help establish spaces for dialogue, debate, and tolerance, from the community to the national level;” and he concludes that “the best way to counter populism is not so much to oppose it as to strengthen the representation of the underprivileged and promote tolerance and pluralism.” (Legler, 2006)

4. The role of a donor country (Canada)

4.1. Terms of engagement

Almost every set of recommendations regarding the role of donor countries –and specifically Canada- towards Latin America begins with two words: stay engaged. We will examine some of the terms of the engagement, the obstacles and challenges to overcome, and some strategy suggestions.

The engagement has to be permanent, go well beyond aid, and focus on the entire development framework. In other words, the engagement has to be at all levels of the Canadian government. The hemisphere is “our” region, and by promoting a multi-prong approach to international assistance, one that could help ensure democratic development, good governance and, of course, economic growth, Canada can contribute decisively to regional stability and prosperity.

The assistance efforts cannot be done in isolation. The engagement has to bring in many partners, as we must work in coordination with other countries in the region. All options are open for new and creative ways of collaborating, exploring multilateral and bilateral programs and defining new leaderships and regroupings aimed at specific development targets. Canada has to contend with a changing political landscape in the Americas, one that would inevitably affect the way we see our role in the region.

Engagement is the only way to go if in fact we want to make a difference in the region, dealing with the threats posed by neo-populism and containing the destabilizing actions of neo-populist regimes. The options of isolation, withdrawal, blockades or other similar initiatives, have sufficiently proven of how little use they are.

4.2. Internal obstacles to external assistance

Not all assistance is welcome. As a donor country willing to be more involved Canada faces

obstacles that come from within the countries of the region. Although there is no such thing as “anti-Canadian-ism,” many a time we are portrayed as furthering the US’s agenda, and hence rebuffed by the widespread anti-Americanism. Opponents of the trade liberalization agenda exploit the anti-US feelings, packaging all initiatives as part of the “imperial” designs. The two antidotes to this obstacle are: pursuing Canada’s own policies towards the region in new partnerships; and linking the trade agenda with socio-political development. (We will come back to these).

Development assistance can be funneled in many ways designed to reach specific goals, with targeted approaches by issue. Central administrations are for the most part very useful partners, but can also represent the main barrier when the agenda becomes politicized. The current Venezuelan regime has presented a Bill in the National Assembly designed to regulate Non-Governmental Organizations. Aside from serving the neo-populist agenda of control over civil society, this bill includes strict limitations on foreign assistance (particularly funds) to domestic NGOs. This might potentially have an impact on cooperation between Canadian and Venezuelan organizations, even beyond NGOs, affecting other fields such as academe.

By extension of the neo-populist agenda, similar actions could be implemented regulating bilateral cooperation at many levels such as municipal bilateral programs (when a municipality has an opposition government). Such measures, to be expected rather than ruled out, would jeopardize many ongoing projects. If similar legislation to the one presented in Venezuela were to be implemented by the Bolivian Government, CIDA programs could come into question.

4.3. Choosing partners

One key criterion for the effectiveness of foreign assistance lies in identifying the best partners for each program. Central governments are essential partners when the scope of a program has national impact, but also when the political will is a determining factor for a project’s viability. By setting national agendas that identify key sectors

for cooperation, national governments can enable the most effective targeting in terms of partnering institutions.

By contrast, other program initiatives might imply bypassing central administrations. The engagement with civil society organizations, or with independent and autonomous institutions, or with local governments, would be undoubtedly more fruitful when not constrained by the central government. The direct bilateral connection between all different levels of governments, but especially between organizations outside governments is very effective mechanism for international cooperation. Small NGO initiatives are powerful -and in many cases more far reaching- tools at the disposal of international donors.

4.4. Institutional development

Strong institutions are the cornerstone of democratic development, good governance and political stability. Those three being key objectives of our foreign policy, the corollary that follows is that special efforts should be devoted to programs for strengthening institutions. As previously stated, threats to democracy should be countered with more democracy. We have identified many issues that demand our attention when it comes to democratic institutions: those of a structural nature such as excessive centralization and concentration of power; of governance, namely lack of transparency and accountability, and the need for a professional public service; and of political praxes, such as limitations to participation, exclusionary mechanisms and lack of representation and/or legitimacy.

Many other criteria should be included when identifying areas for assistance and cooperation in the realm of institutions: the rule of law, defined through legislation, regulatory frameworks, best practices, social responsibility and many other sources, and enforced by different levels of government; National and regional balances, examining the jurisdictional scopes, definition of competencies, services, revenue generating attributions, and other decentralization issues; Tax collection, fiscal regulatory regimes, etc. All

these are but examples of key areas for democratic development. There are many others that point in the direction of empowering citizens through educational programs, interconnectivity and IT initiatives, and integration to political decision making processes. The options are limitless.

4.5. Multilateral/bilateral options

It could be argued that the time is ripe for more Canadian integration with other countries of the hemisphere. The fact is that overall, throughout the region there are many issues that signal that we are not taking advantage of the good economic times to cement integration. Among those issues we could list aid, trade, energy, migrations, and others. So how to approach these challenges and continue to move forward? In order to seize the moment, Canada should not wait for the US, and explore taking initiatives with other multilateral partnerships. Likeminded countries in the hemisphere, those with whom we share interests, could come together to discuss hemispheric initiatives. Hemispheric integration demands a comprehensive view.

Multilateral initiatives do not have to be confined to already existing organizations, as we explore new partnerships and groupings within the region. Still, when it comes to multilateral actions in the hemisphere, our key commitment must continue to be with strengthening the Organization of American States. In the context of containing the destabilizing threat of neo-populism, the OAS Department for the Promotion of Democracy – within the Secretariat of Political Affairs- must be actively supported.

4.6. Re-thinking strategies

To explore new strategies for assistance is just as important as rethinking the traditional options for multilateral or bilateral actions. There are options modeled on European experiences, or new interpretations of past initiatives in the hemisphere, that are worthy of being considered. With the aim of making assistance flows permanent and not subject to political fluctuations, we could consider European-like integrated programs for aid and compensation

funds, in a new creative way. When it comes to migrations and the extraordinary flow of remittances, we could explore ways to mobilize those resources as capital.

The main goals of achieving sustainable permanent aid flows and compensation funds would allow us to bridge some of the disparities between countries of the hemisphere. Sub-regional mechanisms could be explored as well as the hemispheric ones. The need for broad initiatives is more than evident and in the current state of affairs these are not likely to come from the US, as its policies for the region are single-mindedly focused on trade and security. This is another front where Canada has an opportunity to play a leadership role. Initiatives that point in the direction of fostering development would also play a critical role in complementing the trade agenda.

4.7. The free trade agenda: linking the socio-political challenges

Trade and investment are not the panacea, but the fact remains that those countries that export more grow more. Access to markets is a critical factor and the hemisphere can only benefit from more open markets and more investment. But the truth is that this is a tough political sell in Latin America, as the benefits of opening and modernizing the economies have not been felt by the vast majority of the population: few people in the region believe that Free Trade Agreements will lift them out of poverty.

The challenge is to help understand the benefits of Free Trade Agreements; to complement them with mechanisms with an immediate impact on poverty alleviation; and to link the socio-political demands to the trade agenda. This is a clear example of where the desirable and the doable converge. The future of trade negotiations relies on scaling down the over-ambitious –yet still valid long-term goal- of a Free Trade Area of the Americas. It is also another good example of the need to explore all options of negotiation, from bilateral, to bloc-agreements, to regional, and to act in concerted fashion with those countries that share our interests in multilateral forums beyond the hemisphere.

4.8. Specific targeting

We have pointed out the uselessness of labeling countries, regimes or movements, as well as how counterproductive it would be to design assistance policies based on such oversimplifications. The consistent approach would be to analyze each country situation on a case-by-case basis. Bearing in mind the development assistance objectives discussed and the strategic imperative to counteract the emergence of neo-populism, priority actions should be targeted towards those countries most at risk. Countries where the social inequalities and regional disparities are more pronounced; where identifiable segments of the population are marginalized from -or by- the political system; and where the democratic institutions are weaker and governance flawed. We should choose the best course of action based on its potential multiplying effect and wider impact on income distribution, access to education and services, and political inclusion.

Following those criteria we should prioritize our programs in the following countries:

- Bolivia, where the neo-populist regime of Morales still allows for some open spaces for constructive engagement (particularly after not obtaining the two thirds majority in the Constitutional Assembly).
- Peru, where the success of the recently elected government is critical to prevent the “nationalists” of Ollanta Humala from destabilizing the country into a governing crisis.
- Ecuador, where popular mobilizations and political instability, as well as the emergence of increasingly radicalized indigenous movements, amount to an on-going crisis that could easily deteriorate into a non-democratic outcome.
- Nicaragua, where the November elections could see the return to power of the Sandinistas: an outcome that would erode the incipient progress made by Central American countries in their economic recovery and trade negotiations, and deteriorating even more their convulsed social realities.

- El Salvador, another critical situation for Central American stability, where the meddling in internal affairs by the Venezuelan regime –by supporting those municipal governments held by the FMLN– further impacts an already divided country.

4.9. Bold new plans or incremental steps along the known path

When proposing new and creative approaches to the role of donor countries, we have mentioned exploring new hemispheric integrated initiatives. It has been argued that new broad and bold plans are needed. The nature of the challenges in the hemisphere, particularly in the social arena given the critical poverty situation and income distribution inequalities seems to indicate so. If the root causes of the political-institutional crises and -consequently- of the arising of neo-populism, are to be found in the social injustices and exclusions, the design of a regional agenda for democracy agenda must prioritize the issue.

The call for new bold plans does not preclude the necessary incremental steps and pursuing our current agenda and assistance programs. New hemispheric initiatives do not happen overnight and even with the most active commitment and leadership would take time to generate the necessary consensus and momentum to have an impact on the region. So, what is called for is the renewed determination to remain engaged in the terms discussed above, strengthening our role in the hemisphere by picking-up where we left in Quebec City 2001 and leading the Americas to prosperity, one step at a time.



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