

# The Long Journey

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**T**he nineteenth century Argentine constitutionalist, Juan Bautista Alberdi, once observed that “Nations, like men, do not have wings; they make their journeys on foot, step by step”. Certainly democracy’s journey through the countries of Central and South America has, at times, been tortuous and slow. This year we will see six presidential elections in the region, three in Central America (El Salvador, Honduras and Panama) and three in South America (Chile, Ecuador and Uruguay).

However, attitudes towards, and definitions of, democracy differ. Lord Byron, the 18th century British poet, spoke of democracy as “an aristocracy of blackguards”; if not accepting the latter, it is fair to consider the former. Democracy can produce a ruling body of nobles or elites, and Latin America is not the only example of this. The United States of America, the world’s second largest democracy, and one which has had a lot to say on the subject recently, is a further illustration. A Bush or a Clinton has occupied the Oval Office in the White House for the last 20 years (it is possible that it could have been as much as 28 years if Hillary Clinton – still a holder of high office in the present administration – had won the last election and subsequently remained in power for 8 years).

There is a belief shared by many Americans that the US needs to look at its Senate and House of Representatives to prevent, in their view, the perpetuation of an exclusive club. Setting term limits (an anathema to Venezuela’s Hugo Chávez) for both senators and congressmen is one sure way of attracting a broader spectrum of candidates from all walks of life, as opposed to a class of professional politicians akin to Lord Byron’s aristocracy. Perhaps that is why, in part, the new US president has been regarded by many as a breath of fresh air. That, however, still would not be enough for those pessimists who agree with H.L. Mencken, man of letters and satirist, who believed that in the US “...one party always devotes its chief energies to trying to prove that the other party is unfit to rule – and both commonly succeed, and are right.”

Economics, more than politics, is what most people in Latin America have on their mind in 2009. Countries within the region are suffering as the economic maelstrom crosses oceans and they are experiencing declining exports, lower commodity prices and limited access to finance; all of this can be exploited by populist presidents ready to remind the poor of the existing unfair influence and advantage of the rich and powerful. Even so, in 2009, it will only be those countries in the region with a diversified export base and robust domestic policies that can hope to weather the storm; they will not be unscathed, but they will be in far better shape than those who have chosen to be less prudent. Although Brazil, the region’s biggest economy will suffer, it is likely that Gross Domestic Product will grow, if only minimally. President Luis Inácio Lula da Silva has been conservative in his management of the economy and this will now pay off. That said, inflationary pressures will lead to tighter fiscal and monetary policy which will not only curb growth but consumer spending as well.

While recently in the US, Bernard Madoff, the doyen of deception (I will be writing about conmen and Colombia next month), has allegedly lost his investors USD50 billion, Brazil’s central bank has pumped an equal amount into currency markets in an attempt to staunch a marked drop in the real which has caused losses for companies and, at the same time, increased inflation. The president, nonetheless, can point proudly to the 50% reduction in the number of very poor Brazilians and the 50%

growth of the middle class (as defined in Latin American terms) that has been achieved during (almost) six years.

The region's other big economy, Mexico, is less fortunate. In 2009 the country can expect GDP growth of less than 1% as it struggles with imported high inflation from the US that will signal a decline in growth for the third successive year. Mexico's economy has been so interwoven with manufacturing in the US that its fate is largely sealed by the financial morass in the north. Economic dependency on too few sources can prove fatal in a downturn (discussed later).

Whereas Mexico is hostage to events across its northern border, what about others, such as Argentina and Venezuela? Cristina Fernández de Kirchner, president of Argentina, has a silent enemy which, in a word, is perception. Even the president's influence over the Congress and the ruling Peronist party is waning. Foreign investors, after a long history of bitter experiences, have lost trust in the government and remain unconvinced that Argentina is a safe and secure place to do business. Despite the controversy over the accuracy of the country's inflation index, the fact remains that Argentines are getting poorer. Meanwhile, the president has been more successful at making harmful headlines than headway with the challenges facing her country; so far, there's no indication that this will change.

As I have said before (see my article "Joseph's Coat" - Issue 185) democracy is not of equal quality or depth throughout Central and South America; the countries would seem to fall into three main categories: developed, developing and threatened democracies. Some political scientists have even said that only two countries can be really classified as having fully developed democracies: Costa Rica and Uruguay (see my article on Uruguay, "The Land of Oxo" - Issue 194). Developing democracies would include Argentina, Brazil and Mexico, and possibly Peru and Colombia (Colombia could be described as developed but for the fact that its guerrilla warfare prevents the state from securing the rule of law throughout the entire country; I will be writing about Colombia in the next issue). The third, and threatened, group would have Venezuela, probably Bolivia, and certainly Ecuador (which has had seven presidents between 1996 and 2007) on the list. Paraguay (see my article "The End of Forever" - Issue 191) and El Salvador, on the other

hand, are still in the transitional stages of becoming settled democracies. Whatever progress democracy has made in the region, and despite some discouraging developments recently, its grip will only strengthen.

As the increase in left-wing governments has grown in Latin America, it becomes even more important to distinguish between them. Unquestionably, Hugo Chávez, president of Venezuela, gives left-wing governments a bad name, and personifies George Bernard Shaw's observation that "the art of government is the organization of idolatry." Venezuela can expect poor GDP growth this year, while inflation, for the country's population of 28 million, is likely to go above 30%, suggesting that it could not only be the highest rate in Latin America but perhaps in the world – if you exclude from the rankings the failed state of Zimbabwe.

Hugo Chávez has now been in power for ten years, and despite the country's grim prospects for this year, he is expected to stay in control until his term ends in 2013. Chávez's Achilles heel, however, might be oil which Venezuela's economy relies on. Back in April, 2007, (see my article "Distant Thunder" – Issue 177) I wrote about the combined economic dangers of petrol and populism which can lead to political disaster; for Mexico in the 1970s and now for Venezuela (and which bears out my earlier remarks about dependency on too few sources of revenue).

The dangers that Hugo Chávez faces are serious as he tries to balance the significant increase in imports with lavish public spending. Unless oil rises above USD100 in the foreseeable future, crude oil is going to be replaced by crude economics in Venezuela (perhaps a currency devaluation) such that growth will almost grind to a halt. The present disturbing trickle of nationalisation could become a flow.

The Venezuelan president does have, for the moment, some USD15 billion held in various development funds and (at present) the central bank's reserves are around USD30 billion. So he is not down and out yet. He has to hope, however, that the money doesn't run out before his political fortunes change; the fact that he can run again for the presidency due to his recent referendum success could still prove to be academic. Hugo Chávez, in more ways than one, has been put over a barrel.

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