

# Vulnerability in Developing Countries



Edited by

**Wim Naudé, Amelia U. Santos-Paulino and Mark McGillivray**

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## Introduction

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# The effect of national and global forces on the Americas: Tsunami, tornado or just a mild breeze?

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*Andrew F. Cooper and Jorge Heine*

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On 20 April 2008 Fernando Lugo won the presidential elections in Paraguay, bringing to an end 61 years of Colorado Party rule and opening a new chapter in the history of one of the poorest and most backward nations in South America. A former clergyman, known as “the bishop of the poor” and closely associated with liberation theology, Lugo and his coalition, the Patriotic Alliance for Change, represent a radical change for a country that – even after the fall in February 1989 of dictator General Alfredo Stroessner, who ruled Paraguay with an iron fist for 35 years – continued to be afflicted by poverty, corruption, the marginalization of its aboriginal peoples and an economy based largely on smuggling and drug trafficking. As *The Economist* (2008) put it, “The Colorado party . . . has ruled so long that Paraguay sometimes feel like a run-down country club that exists purely for the benefit of party members.”

By and large, the results of the Paraguayan elections went largely unnoticed by the international media – just another election in an obscure South American country with a difficult-to-pronounce name. One question that foreign correspondents asked was how close the new president would be to Venezuela, to which the answer was ambiguous.

Only a decade ago – that is, in the late 1990s – the notion that the left would reach power in Paraguay would have been considered somewhere between ludicrous and preposterous. In the new environment of the Latin America of the first decade of the twenty-first century, it is taken as a humdrum event. The reason is that the left has been winning almost everywhere in the region, so much so that it has become “the expected

outcome” whenever presidential elections are held (see Cheresky, 2007). A quick look at a map of South America in mid-2008 reveals that at least eight of the continent’s 10 countries are ruled by the left or left-of-centre coalitions. To these one could add several other governments in the broader Latin American region, like those of Presidents Daniel Ortega in Nicaragua, René Prével in Haiti, Leonel Fernández in the Dominican Republic and Martín Torrijos in Panama.

Yet, as a significant number of contributions in this volume attest, the left should not be looked upon as a homogeneous or monolithic entity. Some elements of the old left have morphed considerably, and a very different left has emerged. The new left (or centre-left) extends across a continuum that includes the Workers’ Party in Brazil, the Frente Amplio (Broad Front) in Uruguay, the Concertación in Chile and “Kirchnerism” in Argentina, and their respective governments (Vilas, 2006: 239–243). These significant departures from the first wave of democratic governments that came into power after the region’s transition to democracy in the 1980s have by no means been confined to the ideological sphere. What we are looking at is a much deeper transformation in Latin American politics, one that goes well beyond the alternation in power between right and left, affecting the very way in which politics is practised and by whom.

At one level, this collection is an attempt to add what we think is a necessary modification to this commonly accepted template about Latin American politics and society. Yes, the left in Latin America has made substantive gains. In both its causes and effects, however, this trend is far from a simplistic one. In structural terms, the left has been a beneficiary of the release of disciplines imposed in the bipolar world. Leftist political parties can no longer be immediately condemned and marginalized as agents of international communism. In societal terms, the left has been able to establish itself as the voice of those forces whose priority it is to close the equality gap between an increasingly expectant – and politically demanding – citizenry and the holders of economic privilege and power. In political terms, the left became the beneficiary in some parts of the region simply by its established credentials as the force of opposition in more robust democratic systems. Facilitated by growing discontent with the record of incumbents – specifically, the failure to deliver on jobs, incomes and services – the left came into office as much by default as by its own performance.

The changes demonstrated by the rise of the left are also cultural. Much as in the United States, where Barack Obama’s election as president has been described as “historic”, something similar could be said about what has happened in Latin America in this decade: electorates

are reaching out beyond the traditional white, male, Europeanized élite on which they relied to rule them to a new, much more representative generation of leaders. President Luiz Inácio Lula da Silva of Brazil – now into his second term, with approval ratings of 80 per cent and widely considered among the most effective Brazilian presidents ever – is a former trade union leader and metalworker who lost one of his fingers on the factory floor. Evo Morales, a native Aymara and high school dropout, is the first Bolivian president in many decades to have been elected with an absolute majority of the vote and thus has a legitimacy none of his predecessors enjoyed.<sup>1</sup> Michelle Bachelet of Chile was the first woman elected to a presidency in the Southern Cone, followed in October 2007 by Cristina Fernández de Kirchner in Argentina, whose main rival in those elections happened to be another woman, Elisa Carrió.<sup>2</sup>

Some of the left's success does indeed play out in a personalistic and populist character, as represented by Venezuela's President Hugo Chávez. A good deal of *chavismo* represents a classic expression of the *caudillo* (leader) in Latin American politics. For some observers, Chávez is the generational successor of Fidel Castro as the burr under the US saddle. For others, Chávez is another representation of the left-oriented but nationalist big military man "on horseback" who comes in to clean up the mess left by a corrupt and closed élite.

As the left increases its presence in the region, the formal "rules of the game" of Latin American politics are also being rewritten: at least three countries (Bolivia, Ecuador and Venezuela) are in the process of developing new constitutions and another (Chile, during the 2000–2006 presidency of Ricardo Lagos) undertook significant, if not necessarily radical, reforms to its existing charter. Simultaneously, and again contrary to the conventional wisdom, "Most Latin American countries were better placed in 2007 than they had been at any time in the previous quarter of a century" (Reid, 2007: 312).

From outside the region, observers have had notorious difficulty in explaining these momentous changes, as they do not respond to the conventional wisdom on what politics should look like in the supposedly post-ideological era after the Cold War. One suggestion is that there are really no differences between right and left in this day and age, and that, while candidates might engage in some platform posturing and sloganeering on the stump, at the end of the day governments will do what they always have: muddle through as best they can and try to hold on to power, by no means an easy task even in post-military-coups Latin America. This position, of course, is untenable: the very notion of no more ideologies is itself an ideological position. Ideologies change and adapt themselves to new circumstances – if the world changes, so will

ideologies. But that does not mean that all political parties embody the same programmes and values. Although the differences are smaller than they were, say, 30 years ago, there is still significant variation between right and left, and especially so in Latin America, where the right is closely identified with the military dictatorships that ruled from the 1960s to the 1980s.

A second suggestion is that, although the differences between right and left might still hold, no “rise of the left” actually exists. According to surveys conducted by Latinobarómetro, the region’s main polling firm, the vast majority of respondents tend to locate themselves closer to the centre than to either extreme of the political spectrum (*The Economist*, 2006). Accordingly, although eight South American countries are ruled by left or left-leaning parties and the vast majority of the 500 million Latin Americans find themselves under governments ostensibly identified with the left, the “rise of the left” is nothing but a myth. This view misses the point. For the purposes of increasing our understanding of the direction in which Latin America is going, the main issue is not what survey data tell us about where respondents place themselves on an abstract ideological continuum, but for whom they vote once they have the chance to do so. And the answer to that question seems to be quite obvious so far.

A third approach has been to take “the rise of the left” as given and move on to the next stage – that is, to make distinctions between the various types of left, especially between the “populist” left and the “pragmatic” left. Jorge G. Castañeda, a contributor to this volume and one of the region’s sharpest analysts, has been at the forefront of this approach, which underlines the many differences existing in the government programmes and policies followed by, say, Chávez’s Venezuela and Kirchner’s Argentina, on the one hand, and Bachelet’s Chile and Lula’s Brazil, on the other (see Castañeda, 2006). These differences are real, but, strictly speaking, should be a second-order concern, as it were.

The main question is a different one: why this upsurge of the left?

This question is especially pertinent since earlier victories of the left in Latin America had been few and far between and tended to end badly, as the cases of Juan Bosch in the Dominican Republic in the 1960s, Salvador Allende in Chile in the 1970s and Alan García in Peru in the 1980s attest. Indeed, never before in the almost two centuries of the region’s independent history has the left achieved its current ascendancy, reaching power in some countries, such as Ecuador and Uruguay, for the first time. Moreover, many observers believe the left will remain in government for quite some time, often alternating with the right but always present, as opposed to its earlier decades, if not centuries, of confinement to the political wilderness.



## Democracy and the Washington Consensus

To explain why this new wave of change is happening is by no means easy. For the first time, democracy as a form of government has established itself throughout the region. Universal suffrage is amply recognized, there are free and fair elections, a free press, *alternancia* in power and, as a rule, recognition of and respect for civic and political rights. This is by no means an inconsiderable achievement. As recently as 1979 there were only three functioning democracies, in the full sense of the term, in Latin America; today, democracy is the norm. The region has come a long way.

Yet it is also true that Latin American democracies, as opposed to those of the North, exist in societies marked by both poverty and inequality. In fact, as Guillermo O'Donnell (2004) has pointed out, democracy in Latin America has followed its own path, one that figures poverty and inequality quite prominently, which in turn affects its dynamics and performance. And this relates to the feebleness of the social, economic and, in many cases, legal rights of vast sections of the population.

Over the past 20 years or so, then, there has been a steady expansion of democratic institutions and political rights in the region, quite apparent to all and easily measurable through a variety of indicators. We have also seen the application of a certain type of economic programme, known as “structural adjustment”, which held the promise of ending, or at least dramatically reducing, poverty and inequality – a goal which people were willing to make significant sacrifices to attain.

The notion became widespread that there was only one economic model and one type of economic policy: that many key policy decisions ultimately were technical ones and should be removed from the political sphere (i.e. from democratic controls), and that the discipline of markets was in the end more significant than the discipline of democracy. For 15 years the region went through a veritable catharsis of economic reforms, which succeeded each other in various cycles and in which almost no government felt free from engaging – this was, after all, the “Washington Consensus”, and the penalties for those willing to depart from it were high.<sup>3</sup> These reforms had a number of beneficial effects, including the establishment of macroeconomic equilibria and the stabilization of economies that had often reeled under three-digit inflation rates. These accomplishments cannot be dismissed lightly. Yet by focusing almost exclusively on cutting back the size of the state (as opposed to enhancing its effectiveness), they also often weakened the state's capacity to perform its essential functions. The concept of a “lean and mean” state became only too true for many Latin Americans, with a state apparatus reduced not just to a bare-bones structure, but to an unwillingness and inability to

provide the security and essential public services that citizens expect (see Hershberg and Rosen, 2007).

The conceptual promise of the neoliberal adjustment model thus did not translate into widespread benefits. The average incomes of urban workers, with the exception of those in Chile, stagnated or fell (Portes and Hoffman, 2003: 65). Not only did the distance between the haves and have-nots grow in general terms, but issues of marginality among the indigenous populations were exacerbated – economic resentment is tightly woven into the politics of identity. Still, rather than returning to the rejected formulas of the past (military coups, above all else), Latin America has attempted to find other solutions to these problems. In some cases the torrent of distress has brought with it alternative forms of rebelliousness (Williamson, 2006: 268–272) – as in Bolivia, where in 2003 protests over gas prices and exports resulted in the removal of President Gonzalo Sánchez de Lozada (see McPherson, 2006: 120–121).

It is in this context that, in the course of the current decade and contrary to the prognostications of the prophets of “the end of ideology”, this upsurge of the left in Latin America has taken place. This poses a paradox. One would expect protest votes leading to first-time wins by the left in periods of great economic turmoil or recession. Yet for most of this decade Latin America has been undergoing an economic boom. In 2007, its fifth consecutive year of growth, the region’s economy expanded by 5.6 per cent, clocking the highest amount of foreign direct investment since 1999 (US\$95 billion), while foreign reserves increased markedly to 3.5 per cent of the region’s GDP, foreign debt continued to fall (as a share of GDP) and unemployment dropped from 8.6 to 8.0 per cent (ECLAC, 2008).

Thanks to the mid-decade surge in commodity prices, Latin American – especially South American – exports reached hitherto unseen levels. Studies show a close alignment between the business cycles of China and India and those of Latin American countries, indicating that the region has benefited especially from the high and steady growth rates of the two Asian giants (see Heine, 2006; World Bank, 2006; Rosales and Kuwayama, 2007). Here, psychologically, as well as practically, the statist ethos – and domestic politics and society more generally – meets head on with globalism in all its diversity. As Robertson (1992) puts it neatly, globalism (or globality) is as much a question of social consciousness or, one could add, of mental state as of concrete connections. Trade and investment flows, along with cultural affinities and senses of solidarities, have all moved intensely out into the global sphere (Scholte, 2005).

Globalism plays out not only in outside-in fashion with respect to Latin America but also in an inside-out manner. One distinguishing feature of the new Latin American leaders is their global reach – Brazil’s Lula

embodies this trajectory, as does Venezuela's Chávez. Furthermore, these statist expressions are just the ripple on top of the currents of Latin America's globalism, which can be found across the board from major companies to the multifaceted expressions of civil society activism.

### Roots of political change

Various interpretations have been offered of the precise nature of the current Latin American left. One is that, at a time when the rest of the world has dismissed protectionism and heterodox economic policies as unsuitable, Latin America appears to be returning to the failed policies of the 1960s. A standard argument is that Asia is forging ahead because Asian nations are closely attuned to the spirit of the times, while Latin American countries are once again losing the chance to make the Great Leap Forward to becoming developed societies.<sup>4</sup> Yet this is not true. Far from going back to inflationary and inward-looking policies, most Latin American governments today have embraced export-led development and are well aware of the need to keep inflation under control.

Another school of thought subsumes this emerging trend under an even earlier Latin American phenomenon, found in the 1940s and 1950s: that of populism, with its promise of easy and irresponsible redistributionism. In fact, in standard political rhetoric, in many ways "populism" has come to replace "communism" as the new threat of choice looming over the region, especially since "terrorism", the threat of choice elsewhere, is hardly present in Latin America. The truth is that populism, as defined in its Latin American expression of many decades ago, has lost its social basis of support, which was made up of multiclass urban coalitions based on import-substitution industrialization – *strictu sensu*, the only populism one can find in the region today is that of Venezuela under Chávez, which is really petro-populism, fuelled and made possible by that country's extensive oil reserves and the skyrocketing price of oil that occurred during the better part of the first decade of the twenty-first century.

Neither of these characterizations holds up. Instead, they skim over the surface of a very real, region-wide phenomenon without addressing its underlying social and economic causes. If one does that, instead of limiting oneself to the content analysis of political discourse, one finds that these changes – politically much more of a tsunami than a light breeze – are the fallout of 15 years of the dogmatic ramming through of economic reforms, none of which has made much of a dent in the region's underlying problems, including its massive inequality and the huge gaps between social classes. One could debate endlessly whether it is the

reforms themselves or the manner in which they were applied that are at fault, but the fact is that vast sections of the population feel their lives are not improving and are demanding change.

Some hard evidence confirms this proposition. According to one study, the index of economic reforms – a composite index that looks at international trade policies, tax policies, financial policies, privatizations and capital accounts, all related to the Washington Consensus and measured from 0 to 1 – shows a steady upward trend from 0.58 in the 1980s to an average of 0.83 between 1998 and 2003 (UNDP, 2004: 39–41). Yet what do these reforms – which have often implied the closing of whole sectors of industry, the firing of hundreds of thousands of public employees and the turning over to private hands, sometimes for a pittance, of public enterprises built up over many decades – have to show as a result? Are Latin Americans better off than they were in 1980?

The numbers suggest they are not. In 1980, when the index of economic reforms was 0.55, per capita income was US\$3,739 (in constant 1995 dollars); 20 years later, with the index of economic reforms at 0.83, per capita income stood almost unchanged at US\$3,952.

Poverty, however, did go down: affecting 46 per cent of the populations of 18 countries in 1990, the poverty rate fell to 41.8 per cent between 1998 and 2001, almost all of it explained by poverty reduction in Brazil, Chile and Mexico. Yet the absolute number of Latin Americans below the poverty line went up in those years, from 190 million in 1990 to 209 million in 2001. Poverty even increased in relative terms in some areas: in the Southern Cone from 25.6 to 29.4 per cent; in the Andean nations from 52.3 to 53.3 per cent; and in Central America from 45.2 to 51.2 per cent.

At the same time, inequality in the region, as measured by the Gini coefficient, increased from 0.554 in 1990 to 0.58 in 1999; in contrast, the world average in the 1990s was 0.38 and that of developed countries was 0.33. This inequality also expresses itself in the gap between the high- and low-income sectors of society: in 1990 the top decile of Latin Americans had 25.4 times the income of the lowest-income decile; by 1999 the gap had widened to 27.4 times, the highest income inequality in the world. In turn, growing inequality is related to the employment situation. Contrary to the predictions of those who believed reforms would usher in an era of plentiful jobs, nothing of the sort has occurred – as a rule, both unemployment itself and the informal sector grew in the 1990s, although this has changed in the past couple of years.

There should be nothing surprising, then, about the upsurge of the left in Latin America. It is, in many ways, a quite logical, predictable reaction by those who feel left behind, who are tired of waiting for reform programmes to deliver the goods. The moment economists start talking

about the “third generation” of reforms as those that will *really, truly* make a difference, one realizes why voters have become tired of such promises.

## Engaging the world

How is the region responding to the challenges arising from the international environment? In negotiating this complex and rapidly changing world, has there been an effort to “circle the wagons”, as it were, and hark back to the protectionism of yore? Or, on the contrary, have Latin American countries made a point of reaching out beyond their traditional diplomatic partners and tried to become, if not fully global players, at least actors on a wider stage? If the latter, how well have they fared? Are Latin American countries actually benefiting from globalization or are they paying inordinate costs as a result of it?

This is a central question asked in this book, and the various contributors provide somewhat different answers. Before getting to them, however, there are some general propositions about Latin America’s international interactions.

- Of all regions in the world, Latin America, because of its geographic isolation (surrounded as it is by two of the world’s largest oceans), traditional subordination to the United States and distance from the Eurasian landmass (traditional centre of world conflict), has been a strategically secondary region.
- This has meant a somewhat parochial international perspective, one confined to North America and Western Europe, with little attention being paid to the rest of the world. A quick survey of where Latin American countries have the majority of their embassies (overwhelmingly in Europe) is good evidence as to where international priorities lie.
- There have been exceptions: Cuba in the 1970s and 1980s, and, somewhat intermittently, Brazil. Yet, by and large, Latin American countries, for most of their close to 200 years of independent history, have been reluctant to reach out beyond the “safe” boundaries of North America and Western Europe in their foreign policy, diplomacy and international economic relations.
- As a consequence, Latin American nations have also been, as a rule, relatively absent from international debates about global issues. Though there are exceptions to this – like the Law of the Sea Treaty and the Antarctic Treaty, and where Brazil has been at the forefront of deliberations on the global environment and the role of the Amazon

region – there are not many more issues in this category. The reluctance of some Latin American countries in the not-too-distant past to stand for election to the UN Security Council (even when, according to the rotation principle, it is their “turn” and they would have a good chance of being elected) is a good example of this international “shyness”; this reluctance springs from a sense that little can be gained, except headaches, by engaging with global issues on an international platform like the Security Council.

It is against this background that the changes which have taken place in the course of the present decade stand out. In many ways, it has been a period in which Latin America has “come out” in the world scene, starkly raising its international profile.

Regionally, this has been made possible by two interrelated phenomena.

On the one hand, the 1990s saw a revival of regional (and particularly subregional) integration schemes, which many considered had been discarded for good in the 1980s. From the founding of Mercosur in 1991 to a renewed impetus of the Andean Community, the Central American Common Market and CARICOM, a “new regionalism” came to the fore. Very different from the one seen in the 1960s with ALALC (the Asociación Latinoamericana de Libre Comercio) and the Andean Pact, this was an “open regionalism”, inspired partly by the experience of ASEAN. Based on export-led development (as opposed to import-substitution industrialization), it looks at the region as a base from which to export to and interact with the rest of the world. These various subregional schemes have fallen short of “blending” into the Free Trade Area of the Americas (FTAA) that was announced with such fanfare at the Second Summit of the Americas in Santiago, Chile, in April 1998. Yet they have provided a somewhat larger base than the nation-state for Latin American countries to engage in relatively unimpeded trade and investment flows across the region.

The 1990s also saw the rise of Latin American political cooperation, to a degree not seen beforehand. Regional summit diplomacy became an established feature, with the Rio Group, the Ibero-American Summits, the Americas Summits (with a somewhat different profile) and, last but not least, the UNASUR summits – which overlapped with those of the various subregional integration schemes, leading to what some observers have referred to as “summit inflation”. The point, though, is that Latin American leaders have started to interact regularly in a great variety of forums, thus developing a distinct regional diplomatic identity that has been largely absent until now.

These various “collective action” schemes came into their own with a special impetus after 9/11. If the end of the Cold War meant that Latin

America's strategic significance for the United States (rather low to begin with) was even further diminished, the actions of Al Qaeda in September 2001 entailed the disappearance of the region from the radar screens of the White House and the State Department. Paradoxically, precisely because it was the one region in the world not involved in an attack planned in Central Asia, financed from West Asia, with "trial runs" in East Africa undertaken by personnel trained in Western Europe and the United States, Latin America became a leading diplomatic casualty of the "war on terror".

This marginalization, however, was not without its benefits. With the emergence of Asia as a major growth pole in the world economy, Latin American nations started to realize that their traditional "US and Euro-centric" outlook on world affairs was anachronistic, and that ignoring global issues was no longer an option.

Latin America's growing density of international linkages is thus marked by a steady increase in *regionalism* as a foreign policy platform, growing *diversification* away from traditional partners and towards a greater engagement of countries in the global South, and a shift to a position of relative *strength* as Latin American countries got their domestic economies in order and benefited from the 2002–2008 worldwide commodities boom, thus becoming valuable economic partners in their own right.

In terms of foreign policy, Brazil has been by far the most active and ambitious. Its leadership within the G-20+ in the Doha Round from 2003 on, the India-Brazil-South Africa (IBSA) initiative that same year (see Flandes, 2007; Devraj, 2004) and its joining the G-4 (with Japan, Germany and India) in 2006, in an (ultimately failed) attempt to reform the UN Security Council, are all products of this truly global approach to its international relations. The opening of 32 new embassies in the 2003–2008 period, at a time when many countries were closing missions abroad and cutting the budgets of foreign ministries, is also revealing.

More modest, but not without its own accomplishments, has been Chile's approach to foreign relations, putting international economic policy front and centre. With 54 FTAs, more than any other country in the world, Chile has made access to foreign markets a key component of its foreign policy, having signed agreements with the United States, the European Union, China and Japan, among other countries, and in so doing increasing its exports from US\$9 billion in 1990 to US\$69 billion in 2008. Chile also joined APEC (in 1994) and has been invited to join the OECD (in 2008), showing precisely the sort of diplomatic initiatives that are necessary in an increasingly complex and networked international system (see [www.direcon.cl](http://www.direcon.cl)).

Something similar can be said about Mexico, the first Latin American country to join APEC (in 1991), the first to join the OECD and the one, after Chile, with the largest number of FTAs.

## Globalization and the Latin American response

As Laurence Whitehead, a contributor to this volume, points out in his eye-opening interpretation, Latin America is a particularly “outward-oriented” region, one that is constantly looking to validate domestic policy proposals on the basis of international references and alleged “best practices”. Parties and factions compete with each other in the offer of different “modernities”, which are often quickly abandoned, leading to a veritable “mausoleum of modernities”. The interface between the domestic and the international in Latin American politics is therefore particularly dynamic (Whitehead, 2005).

Much of the conservative argument against the region’s current “left trend” is couched in terms of its supposedly running counter to broader “international trends” – in short, globalization. According to this perspective, opening up the economy, privatizing public enterprises and deregulating productive activities (especially the labour market) – all key tenets of the Washington Consensus or, in the words of Birdsall and de la Torre (2001), the “Washington Contentious” – are the only way to respond to the enormous demands of a rapidly changing world economy, and those countries that stray from it do so at their peril.

We have already examined what that approach did to Latin American economies and incomes in the 1990s. In fact, what obtains might be exactly the opposite. It might well be that the current political cycle in Latin America overlaps with, and is at least partly a reaction to, a broader international phenomenon: what some authors have referred to as “the collapse of globalism” and others, more modestly, as “the end of liberal globalization” – that is, broadly speaking, the end of globalization as an ideology, though not necessarily as a process (see Saul, 2006; Openheimer, 2007–2008). Notions like “the twilight of the nation-state”, “global markets in command”, “unilateral opening of economies to maximize comparative advantages” and “the ever-rising power of transnational firms” seem increasingly dated at a time when nationalism is reasserting itself almost everywhere; when the forceful presence of the state is behind the rise of new giants China and India; when the collapse of the Doha Round – the first such international trade round to fail since the Second World War – is proof positive that key actors are not necessarily willing or able to move towards a more liberalized and non-subsidized international trade regime; when the fabled FTAA, which



was designed to come to fruition in 2005, is nowhere near in sight; and when the electorates of France, the Netherlands and even Ireland have rejected the proposed EU Constitution and thrown a spanner into the process of European integration.

A central tenet of globalism was that the scope of politics was being reduced: there would be no margin for political choice and discretion in a world ruled by abstract economic forces, in the face of which politicians were essentially impotent. In response, the message that Latin American electorates have been sending is that they no longer buy this view and are ready for a change. They want choice. And it is not a coincidence that President Rafael Correa of Ecuador, elected in November 2006, did his doctoral dissertation in economics at the University of Illinois on the subject of globalization and its impact on Latin America.

Choice means alternatives to the single-minded goal of moving, in effect, from a market economy to a market society, in which democratic choice is reduced to a minimal expression, a society of citizens replaced by one of consumers. And this, of course, is critical to Latin America's central predicament: the coexistence of electoral democracy with widespread poverty and inequality. There *are* different ways to reduce poverty and inequality, alternatives to "trickle down" that would remove or at least alleviate the social fractures and divisions that plague so many countries of the region. And this requires a certain kind of politics, one that evaluates different kinds of economic policies, that is built on a strong state able to protect the weaker sections of society – which, in Latin America, encompass 40 per cent of the population – and that engages the world not in a defeatist manner, resigned to accept whatever the forces of globalization bring, but creatively and proactively.

There are many ways to combine the roles of the state and the market, and each country has to come up with its own approaches and solutions. But persistent demands for better welfare programmes, greater social justice, political inclusion and greater equality and dignity for the working man and woman and for disadvantaged groups provide the basis for much political mobilization.

## The challenge and the hemisphere

It is, then, to foster understanding of the forces, domestic and international, that have led Latin America to this momentous process of change that this volume has come into being.

The introductory section is formed by three *tour d'horizons*. In the lead chapter, Laurence Whitehead argues, with his usual flair, that the dominant metanarratives of our understanding of Latin America are

exhausted; that instead of illuminating the regional scene they condemn us to navigating in a fog. For the United States, the absence of a strong metanarrative that can act as a helpful guide is highly detrimental to its reputation in the region. Although Whitehead sees the US image in the region as still marginally positive, he adds that its “credit rating has dropped sharply”. For Latin America, the absence of a compelling metanarrative is equally negative. Instead of reinforcing a collective logic, autonomous activity is encouraged, with an upsurge of “parochial clashes of interests”. Rather than aiming for an overly ambitious new metanarrative, though, in a call we believe the contributors to this volume have heeded, Whitehead argues for more detailed research in key issue areas, in both comparative politics and international relations.

Michael Shifter, on the other hand, underscores the degree to which the hemispheric consensus extant in the 1990s has evaporated. For that he blames, as many do, the role of figures like President Chávez in Venezuela, but also Washington’s failings, its double standards on democracy and human rights after 9/11 and the growing distrust in US domestic politics of free trade and globalization – something that became especially apparent in the 2008 Democratic primaries. Shifter, nonetheless, is upbeat about Brazil and how its long-in-the-making stabilization and progress under Presidents Cardoso and Lula have led it to the economic momentum that forecasters say will put it among the world’s dominant economies by 2050. In this, other members of the select BRIC group (Brazil, Russia, India, China) – into which Brazil was thrust by Goldman Sachs in its 2003 report – will play a key role through their steady and growing demand for the country’s (and the region’s) raw materials.

The foundational debate on the prospects and nature of the left in Latin America is taken up by Jorge G. Castañeda and Marco A. Morales. They contrast the sort of anti-US, authoritarian left present in Venezuela under Chávez with the market-friendly one extant in Chile under Bachelet. They also emphasize the distinction between them with respect to “the means to accede to and remain in power”. One works within the confines of democracy and respects the rule of law, whereas the other takes on institutions it deems to be inconvenient. Although Castañeda and Morales admit that there are examples of both types enjoying political success, they believe the future is brighter for the more moderate variant, which is more likely to be able to attract support from across the political spectrum.

## Regional and global influences

Moving to Latin America’s interaction with the global political economy, Sidney Weintraub and Annette Hester reveal that there are many ten-

sions among countries in the region when it comes to energy sources and the energy market. The push of the United States for energy independence and the pull of Latin American sensitivity and resistance are a problematic mix – yet, despite their differences, Venezuela has continued to supply the United States uninterruptedly with some 15 per cent of its oil imports, and Caribbean nations have benefited considerably from Venezuela’s policy of supplying them with oil at cut-rate prices. But there are also differences among Latin American, and especially South American, countries on how best to deal with energy supply and demand. Chile, one of the fastest-growing and most dynamic economies in the region, does not have any oil and gas supplies to speak of. Its neighbours have plenty of gas, but Bolivia refuses to sell to Chile, Peru might follow suit and Argentina, running out of gas supplies for its own burgeoning domestic demand, is violating existing contracts with Chile and cutting off its supplies.

Brazil’s recent discovery of major offshore oilfields, on the other hand, with their potential for launching that country as a major oil producer, has come to underscore the irony of a region that could be self-sufficient in energy but cannot “get its act together” to take advantage of its endowments, with the consequent opportunity costs for all involved.<sup>6</sup> Brazil, in any event, is very much at the forefront on this particular issue with a publicly owned but publicly traded company, Petrobras, that is well managed and able to generate the capital it needs for prospecting and investment in new fields. In stark contrast, the Mexican oil company Pemex, hampered by bureaucratic controls and the financial needs of the Mexican government, which gets some 40 per cent of its revenues from Pemex, has little room for allocating a larger share of its funds to further exploration in the Gulf of Mexico. In a testament to the foresight of its energy policies, Brazil is also at the forefront in terms of alternative energy sources, with its development of biofuels and sugar-based ethanol (a much more efficient source of fuel than the corn-based one used in the United States) in a programme that started in the early 1980s and is now flourishing, given Brazil’s seemingly limitless amount of land for such crops.

Energy, of course, has become in many ways the key driver of the international agenda these days, and it has changed the distribution of power – away from the transnational corporations, which had many more trump cards in their hands when the main driver of this agenda was globalization *per se*, and towards the nation-state, whose demise has been heralded so often, but which stubbornly refuses to exit the stage. As energy sources, by definition, are to be found in particular territories, they are bound to fall more easily under the control of sovereign states than the regular production of goods and services, which can be shifted

quite easily from one country to another. Yet in the past oil and gas companies tended to develop as enclaves, giving few benefits to the populations of the countries in which they operated, thus generating considerable ill will. It is no coincidence that perhaps the three most militant left-nationalist governments in South America today – those of Bolivia under Evo Morales, Ecuador under Rafael Correa and Venezuela under Hugo Chávez – are to be found in oil- and gas-rich states, which have made the recovery of those resources and the channelling of the benefits to be derived from them to their populations a key priority. So-called resource nationalism is not a random phenomenon; it emerges from specific conditions that allow it to mature and develop. In South America, it is the Andean nations that have had particular difficulty in adapting to the demands of a rapidly changing world economy; not surprisingly, now that demand for some of the commodities with which they are richly endowed is picking up, they quite legitimately want to make the most of it (see Rosenberg, 2007). The notion that somehow it would be in their best interest to let foreign companies dispose of these resources more or less freely is embedded in a less-than-Aristotelian logic.

Nicola Phillips's chapter focuses on Sino-Latin American relations, which have generated considerable interest among specialists in the past few years. She acknowledges the complementarity of the Chinese and Latin American economies, but stresses the vulnerabilities this entails. Mexico and Central America, with their specialization in manufacturing, have been especially affected by Chinese competition; in fact, in 2006 China displaced Mexico as the second-largest exporter to the United States (after Canada). Phillips also points out that the structural rise of China as "the world's factory" will further reduce the opportunities for Latin American industrialization, while its seemingly inexhaustible demand for raw materials, perhaps perversely, will keep the countries of the region "stuck" in their condition as producers of commodities, preventing them from moving up the manufacturing value chain.

Jorge Heine takes a different tack on this issue in his analysis of Indo-Latin American links, a much newer issue. Although the volume of trade between India and Latin America is much lower than that between China and the region (US\$10–12 billion versus US\$100 billion in 2007), Sino-Latin American trade was at a similar low level as recently as 2001. With a particular focus on Brazil and Chile, which have taken the lead in relationships with India, Heine stresses the actual and potential benefit that "playing the India card" entails. This alludes to sheer volume of trade, enhancement of commodity prices, foreign-exchange earnings and, not least, the benefits of technological transfers and job creation resulting from the Indian information technology sector, one the world's

most dynamic – quite apart from opening up the foreign policy options available to Latin American nations.

Anthony Payne’s focus is the Commonwealth Caribbean, a subregion with features of its own but whose *problématique* interlocks with that of the broader hemisphere. In some way, debates in the Caribbean reinforce its sense of apartness, as underscored by the focus on reinvigorating CARICOM as a driver towards a single market and external tariff. On the other hand, the creation of the Association of Caribbean States (ACS), which brought together all 25 states of the wider Caribbean Basin into a new body, shows the creative interaction between the Caribbean and Latin America – although the ACS has not lived up to the full potential expected of it by its founders. However that may be, a vigorous debate is taking place in the Caribbean today about its competitive opportunities and vulnerabilities in the global political economy. Much of this debate underlines the structural constraints of the region – only Trinidad and Tobago has the natural resources endowment of its South American neighbours. Still, as part of the English-speaking world and with its geographical and climatic attractions, the Caribbean has some advantages across the spectrum of the services sector that might allow it to overcome its present predicament.

## Institutions and values

The third section of the book deals with the institutional fabric that allows, or impedes, collective action in the region. Andrew F. Cooper’s contribution traces the rise and ebb of innovative practices within the Organization of American States (OAS), a major beneficiary of the opening of policy space that was created by the end of the Cold War and the spread of democratic norms throughout the region. At the top of the OAS’s achievements is the Inter-American Democratic Charter, formally approved in 2001, an instrument that has stood the region in good stead not only in specific crises – such as the collective response to the 2002 coup in Venezuela – but also as a beacon to show other regions the way. Yet as quickly as the norms and instruments of the collective defence of democracy took hold, they became frayed. As Cooper depicts, the promise of an innovative, networked form of multilateralism faded, with a concomitant return to a “club diplomatic culture” and a stronger onus on sovereignty and non-intervention. A stalled OAS has been caught between the interests of the United States – always an awkward champion of innovative initiatives – and those of Venezuela, as under Chávez it became increasingly confident in its defiant stance.

Dexter Boniface's chapter strengthens the perception of an OAS overwhelmed by present circumstances. But he makes the distinction between what he takes to be the still-robust (albeit far from perfect) reaction to external threats to democratic rules and a weaker response to internal challenges through elected leaders who resort to more indirect means to abuse power. Faced with this new form of instability, the OAS is wanting, Boniface finds, lacking both a repertoire of tools it can deploy and the leverage it needs. He thus calls for a renewed effort to find creative instruments with which both states and non-state actors can monitor threats to democracy in the Americas, with firmer criteria for determining when intervention is needed.

Election monitoring might be the most visible success story of regionally oriented multilateralism, and that is the subject of Sharon Lean's contribution. This activity encompasses a range of actors, not just governments, and has become a growth area, increasingly regulated and wider in scope. One constraint it faces is that it can be done by invitation only. Still, it is very much a success story, reflecting well the routinization of democratic procedures in the region. In this context, the need to embed further and refine the standards of election monitoring cannot be overstated.

## Balancing national interests

The final section of the book resituates the analysis at the national level, with a number of pivotal country studies. Arturo Santa-Cruz complements Lean's chapter in detailing the trajectory of Mexico's transition to democracy, from the "boring" stage of Vicente Fox's election in 2000 to the "exciting" one of Felipe Calderón in 2006. But he also takes up two topics put forward by other contributors. One is the negative effect of US post-9/11 security policies as they have applied to Mexico, of which the gigantic wall being built on the US-Mexican border might be the most egregious example. The other topic is the increased projection of Mexican democracy abroad, now that an *alternancia* has occurred and Mexico has ceased to be a one-party-dominant state.

On the first issue, Mexico's geographic "advantage" in being situated next to the world's leading power – though one is reminded of the famous phrase, "poor Mexico, so far from God and so close to the United States" – is in some ways diminished by the increasingly shrill, some would say paranoid, debate on immigration and border security in the United States. On the second issue, Mexico comes out as a much more resolute champion of democracy than it has ever been in the past: its push for a non-permanent seat on the UN Security Council in 2009–

2010 and its sustained emphasis on democracy-promotion activities abroad are big departures from Mexico's foreign policy traditions. In Santa-Cruz's view, however, the full test of Mexico's new diplomatic efforts will come in the domestic arena, as the competitive, some would say divisive, nature of Mexican politics will ensure that policy agendas with such high stakes will not remain unaffected by intense partisan debates.

The best-known figure in Latin American today is President Hugo Chávez of Venezuela. What are the implications of his so-called Bolivarian Revolution for the rest of the region? How seriously should he be taken? Does he represent a return to the past, mixing personalism with populism and an authoritarian streak with the politics of confrontation? Or does he embody the wave of the future in Latin American politics, a harbinger of things to come?

Thomas Legler makes the case for looking in greater detail at the policies Chávez has implemented, and the way he has astutely used oil to reward his friends through initiatives such as Petrocaribe and more ambitious ones like the Banco del Sur, designed, according to some, to replace the International Monetary Fund with a more "friendly" financial institution in the region. Chávez has also forged close links with other regional leaders: both the new presidents of Bolivia and Ecuador and the "old" ones of Cuba and Nicaragua. At the same time Chávez, as shown in a number of regional polls, is far from universally popular in the region, and voters in several presidential elections, including those in Peru and Mexico in 2006, turned partly against the candidates he supported. Chávez has had an impact, but he is far from being the *caudillo* to whom other countries are looking for leadership – indeed, Venezuela's inability in 2006 to obtain widespread regional support for its candidacy to fill a non-permanent seat in the Security Council, a quest it ultimately lost, reflects those tensions and contradictions. If anything, Chávez's regional influence has been largely magnified by the international media, which see him as a caricature of the Northern image of a Latin American leader and are happy to give him coverage that extends well beyond his actual regional standing.

Luiz Pedone's contribution picks up one of the most fascinating bilateral relationships in the region – that between Brazil and Venezuela, Lula and Chávez. Though a trade union man and the leader of a left party, the Partido dos Trabalhadores (Workers' Party) – the very possibility of whose election in November 2002 generated a run on the Brazilian currency and a sharp fall in the São Paulo stock market index – Lula has shown himself to be a modernizer and a leader committed to both economic growth and proactive social policies, who has continued to expand and further develop many of the policies initiated by his

predecessor, Fernando Henrique Cardoso (1994–2002). The Bolsa Família (Family Scholarship) is one of the most successful social programmes in the region, allowing Brazil to cut down its extreme income inequality despite the fact that its growth rate has been by no means spectacular.

Internationally, Lula has become a “buffer” statesman in high demand, respected and cheered at both the World Social Forum in Porto Alegre and the World Economic Forum in Davos, and one who had an excellent relationship with both George W. Bush and Hugo Chávez. Brazilian foreign policy has always had a worldwide perspective, but Lula has been especially active in reaching out to Africa and Asia, in the G-20+ within the Doha Round and in the India-Brazil-South Africa (IBSA) initiative, all testimony to Brazil’s critical and constructive role in building up what Heine has referred to as the “New South”.

Brazil has also taken a lead role in MINUSTAH, the UN Stabilization Mission in Haiti, extant since 2004 and the first UN peacekeeping operation with a majority of Latin American troops (of which Brazil has posted the largest number and the general in command of the 7,000 “blue helmets”). Haiti is the subject of the final chapter, by Yasmine Shamsie, who touches upon both bilateral and multilateral efforts to cope with “the Haitian imbroglio”. Her main focus, however, is on Haiti’s development challenges. Shamsie examines the complexities of Haiti’s relationship with its donors and the possibility of reviving export-processing zones, which, in the 1980s, showed such promise that some observers saw the possibility of building up Haiti into “a new Taiwan”. The outlook for Haiti is not a happy one, although some observers see a “window of opportunity” with the government of René Préval, whose main concern has been to stabilize both the economy and the polity, and with the international (and the Latin American) community firmly committed to making things work. Shamsie is especially enthused about new approaches that could tap into hitherto relatively unexploited resources, such as remittances and the Haitian diaspora more generally, to kick-start development projects.

## Which way Latin America?

It has become somewhat fashionable in certain circles to point to the differences that exist among Mexico and Central America, the Caribbean, the Andean area and the Southern Cone – let alone Brazil, in some ways a world of its own – to deny the very existence of Latin America as a region about which meaningful characterizations can be made.<sup>7</sup>

This volume, however, focuses on the many common strands and challenges that exist in Latin America and the Caribbean today, and looks at



the region's complex interface with the rest of the world. As several of the republics in Latin America approach the bicentennial of their independence from Spain in 2010, they also find themselves grappling with the best way to promote development and greater social equity in a context of relative democratic stability and international peace. The formal launching in May 2008 of UNASUR, the Union of South American Nations, a long-in-the-making project spearheaded by Brazil and whose first president *pro tempore* is Michelle Bachelet of Chile, might be dismissed as simply another smoke-and-mirrors exercise attempting to prove the existence on paper of something that does not exist in reality: South American regional integration. Or it might be seen as a subregional response to something that now might never come into being: the FTAA.

There is little doubt, however, that throughout the region a tectonic shift is taking place. Citizens, social movements, political parties and leaders, after taking a fresh look at the traditional functioning of their own polities and faced with a post-9/11 world obsessed with security concerns of little relevance to Latin America, are searching for new, more inclusionary approaches and tools to raise themselves and their countries by their bootstraps. To characterize this search as an anachronistic attempt to roll the region back to the past shows little understanding of what this process is all about. To the contrary, what many Latin American leaders are trying to do – and the enormous dynamism of the region's links with China and India is a good example – is to respond to the challenges presented by a rapidly changing world order by opening themselves up to new perspectives and new ways to interact with this environment without being washed away by the powerful waves of globalization. We hope this collection of essays contributes in a small way to enhancing understanding of that process.

## Notes

1. About the upsurge of indigenous movements and parties in the region in the course of this decade see van Cott (2005); on Morales and his project see Dunkerley (2007).
2. For the rise of female leaders in Latin America see Inter-American Dialogue (2008); Buvinic and Roza (2004); Heine (2007).
3. For a recent comparative assessment of the effects of the Washington Consensus see Grugel, Riggiozzi and Thirkell-White (2008).
4. For an argument along these lines see the series of columns by Andres Oppenheimer in *The Miami Herald*, 18–24 January 2007, but especially the one entitled “While Latin America Nationalizes, India and China Open Up” (18 January 2007). In fact, India has been much more reluctant to follow the mantra of the Washington Consensus to “open up, privatize and deregulate” than almost all Latin American countries; yet its growth has averaged 8 per cent from 2003 to 2008. In other words, the lessons of India in this, if there were any to be drawn, would be exactly the opposite to those of Oppenheimer!
5. A useful text on Latin American populism is Coniff (1999).

6. In April 2008 the Brazilian government announced that, in addition to the Tupi oilfield discovered in 2007 (some 300 km off the coast of Rio de Janeiro, with an estimated 5–8 billion barrels of oil) a new oilfield named Carioca had been found, with an estimated 33 billion barrels of oil. With these and other nearby new oilfields, Brazil's total reserves could reach 80 billion barrels, putting it at par with Venezuela as the country with the fifth-largest oil reserves in the world – more than such traditional producers as Russia and Nigeria. These oilfields are some 5,000 m underwater and will demand massive investments and state-of-the-art technology to drill, but there is little doubt that they will considerably strengthen Brazil's hand as a player on the international energy scene. See Endres (2008).
7. This has become especially common in Mexico, whose government officials often talk publicly and in official discourse about Mexico's "being torn between the United States and Latin America", as if Mexico were not an integral part of the latter. Some take this even further, arguing that "Latin" America never existed in the first place, the very denomination being an invention of the French designed to split the region from its Hispanic roots. The semantics can be debated, but there is little doubt that, historically, culturally and behaviourally, there is such a thing as a Latin American identity which distinguishes Latin Americans from, say, Europeans or Africans.

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# Vulnerability in Developing Countries

Edited by Wim Naudé, Amelia U. Santos-Paulino and Mark McGillivray

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More than a billion people live in extreme poverty. Many face the risk of never escaping from poverty. Moreover, millions more may be at risk of falling into poverty. These risks are exacerbated by natural hazards, ill-health, and macroeconomic volatility. Consequently, vulnerability has become the defining challenge of our times. Despite this there is a need to better understand vulnerability, particularly in developing countries where people do not have the same bulwarks against risks. This volume addresses this need by pulling together essays from leading scholars in the field. It focuses on critical dimensions of vulnerability in developing countries such as the relationship between poverty and vulnerability, and vulnerability arising from ill-health and external shocks. Reflecting the multi-dimensionality of vulnerability, it showcases a variety of methodologies, which offer new perspectives on the use and relevance of the notion of vulnerability in economic development.

"In a world characterized by increasing risks at the micro and macro level, understanding the determinants of vulnerability is at the cutting edge of poverty research and policy. This volume is therefore a most timely contribution to help understand how households, economies, and states in the developing world are affected by risks and shocks and what coping mechanisms might help to mitigate this vulnerability."  
– *Stephan Klasen, Professor of Economics and Coordinator, Courant Research Center 'Poverty, equity, and growth in developing and transition countries', University of Göttingen, Germany*

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