

Hard Times for Populists



The most serious crisis has taken place in Central America, specifically in Honduras – The global economic crisis, which was unleashed in the United States around September 2008 and soon spread out to the rest of the world, didn't affect the region in a direct way – The regional economy will already start to recover towards the beginning of next year, and those countries which adopt a more sensible economic policy, like Peru, Brazil or Chile, and probably Mexico, will do that even before and more vigorously – The rise to power of a new American president, the Democrat Barack Obama, also contributed to the creation of a relatively relaxed atmosphere in the political field – The left-turn of the region is reaching an end: with Argentina, Uruguay, Chile, Brazil, Peru, Columbia and Mexico in a clearly distinct position, the expansion of populist policies already turns out to be impossible.

TENDENCIAS Latinoamericas intends to offer the reader a balanced overview on the reality of our region: being a semestral report, this is not a typical review of the political situation – since it goes beyond the anecdotic to immerse into the tendencies which lie beyond everyday life – however, this does not mean that we are reaching the other extreme, the purely abstract reflection, disconnected of the various occurrences of this region. Furthermore, this balance relates to the highlighted subjects and facts: the idea is to link economics with politics and social issues; therefore we present information that is not limited to a specific group of countries, but rather includes also events which, on occasion, could go unnoticed.

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Turbulences

Throughout the first semester of 2009 there have been less economic turbulences in Latin America than could have been predicted; even though, in the political field, the situation is undoubtedly a lot more complex. In previous editions we stated that the left-turn in the region was about to come to an end and that the respective countries would soon give rise to tendencies in the opposite direction. This forecast is beginning to come true – as we will see in detail in the sections that follow – but it represents a change within the general confusion of events which entails, as is understandable, diverse conflicts and tensions. Whereas in some countries the renewal of the political scenery advances without any frictions – as in **Brasil** or in **Chile**, for example – in others we assist at a reinforcement of authoritarianism that, on defensive, turns into ruthless dictatorship, even if it intends to keep a legalist and democratic mask. This is the case within **Venezuela** and, to a lesser extent, in **Bolivia** or **Nicaragua**.

The most serious crisis has taken place in Central America, specifically in **Honduras**, a country that is not very likely to appear in the news' headlines. At the time of writing this report, the events in the country are passing on in a highly accelerated speed, therefore we ask the reader to kindly forgive us if we leave the analysis of this case for the following edition, where we can reflect on the subject with more detail, profundity and dispassion. The way in which this crisis will work out can have long-term consequences for the region, stadying or weakening the main political tendencies that are debated in the conflict.

From a more general point of view, it can be pointed out that the global economic crisis which was unleashed within the United States around September of 2008 and soon spread out to the rest of the planet, didn't affect the region in the direct and profound way that could have been expected, since the previous years of prosperity brought, in general, a buffer big enough to avoid events of the catastrophic type. The economic situation is not a good one, naturally; however, there are some

encouraging signs that point out to a briefer recession than has been expected, of one or two years length at the most; and it is most likely that, towards 2010, many of the Latin American economies return to the path of growth.

The rise to power of a new American president, the Democrat Barack Obama, also contributed to the creation of a relatively relaxed atmosphere in the political field: Obama is redefining his relations with Cuba and uses a non-confrontational language which allows him to reconsider many situations that had been turned complicated by his predecessor. We don't think, however, that there will be fundamental or truly significant changes in the relation between the United States and Latin America, since the power of the north is exceedingly careful to appear as an interventional force which always performs in an imperialistic way.

The economic situation

The Latin-American economy as a whole did improve in a significant way during the last five years, favored by the increase of all raw material prices, the extension of international trade and the globalization process, which is deepened and consolidated with every year. The growth of the region started at a 4,6% during 2008, a nice figure that has been sharply exceeded by two countries, **Peru** and **Panama**, which increased their product up to 9,4% and 9,2%, respectively, positioning themselves on the same level of performance as the most dynamic Asian economies. It is not by coincidence that these two countries have shown encouraging signs of economic opening and liberalization, at least within the comparative framework of this region.

Other data shows a high growth regarding the commodities export countries, like **Argentina** with 7,1%, **Bolivia** with 5,8%, **Ecuador** with 5,3% and **Venezuela** with 4,8%, although it has to be emphasized that within these four cases the growth took place almost entirely during the first semester, while there has been a quite intense contraction recently in these countries. **Brazil**, on the other hand, grew 5,1% during 2008, also an excellent figure,

consolidating itself as the giant of the region and growing even more than **Mexico** which, with 1,8%, showed an irregular performance and was very quickly affected by the crisis, partially due to the narrow ties it maintains with the economy of the **United States**. **Chile** and **Colombia**, with growth rates of 3,2% and 3,0%, respectively, as also **Central America**, were left behind and promptly saw themselves affected by the crisis within the last months of the previous year. The answer of the Latin American governments regarding the worldwide recession has shown, predictably, a complete lack of imagination, attached to the old Keynesian recipes of trying to boost the economy as if it was possible to prevent or hide the consequences of the global downturn. Every government has tried to appear diligent and active, although, in fact, there is very little they could have done: as long as there is no adjustment of prices, which is necessary after the burst of the "bubble", the economies will not be able to grow again and the social consequences of the recession will be practically inevitable.

Fortunately, and maybe because something has been learned in the last decades, the crisis did not lapse into the extremes that could have seriously aggravated the situation: there haven't been neither significant protective tariff increases (except in **Ecuador**), nor an excessive issuing of money, nor tax increases. In fact, in some of the cases (as in **Brazil**) the heavy tax burden that had fallen on the citizens before has been slightly reduced and some healthy spending cuts were imposed. Only the countries which are ruled by the most populist governments of the region, like **Venezuela**, **Ecuador** and **Nicaragua**, now have to bear serious inflationary pressures that reduce the living standard of the poor and affect, generally in a stronger way, all the wage earners. The first of these countries, with an annual inflation of about 30%, keeps insisting in socialist policies - exchange control included - which are provoking serious problems regarding its productive system. Despite the Keynesian recipes which are - rather tepidly - applied here and there, the

crisis can undoubtedly be felt in Latin America, even though it did not adopt the catastrophic connotations of previous phenomena, like those in 1930 or 1982, for example. There is an obvious increase of unemployment, a cut back on investments and a significant downturn of the economy as a whole; hence the ECLAC anticipates a growth of only 2% during 2009. Our forecast, somewhat more pessimistic, is that Latin America won't grow at all during this year and that, very likely, in the end there will be even a decrease of about 1% of its GDP.

Even then, we would be far away from such a traumatic scene as the one of the crisis we have just mentioned. We think that the regional economy will recover towards the beginning of next year, and those countries which adopt a more sensible economic policy, like **Peru**, **Brazil** or **Chile**, and probably **Mexico**, will start growing even before and more vigorously: it is worth emphasizing that foreign investments within Brazil, during May, have been the highest in its history, and that Mexico is very close to a zero inflation. On the extreme contrary, countries like those of the chavista axis, coring within this gaseous organization named ALBA, will be the ones that have to bear tougher consequences, like higher inflation rates, unemployment and social unrest.

To end this section, we point out one optimistic note: in January the FTA between **Peru** and the **United States** was ratified, a treaty that promises to put new energy into trade and to open paths for the expansion of the powerful Peruvian economy.

The ups and downs of politics

The left-turn of Latin American countries has reached the maximum of its development. The appeal of a populist government is based, to a great extent, in its capacity to distribute public income without moderation, in offering governmental services which, guided towards the poorest and the political manipulables, confer a wide scope for action on the power wielders, hence

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consolidating their command. However, the Achilles' heel of the populist attitudes in this region is their economic unfeasibility: with measures that tend to keep investments off and to diminish the growth rates, the populist attitudes can only expand and flourish as long as they are receiving the necessary incomes. This condition fulfilled in the last years due to the sustained and considerable increase of all raw material prices, making room for the peak of these left-guided populisms that badly threaten and undermine institutions of our countries. However, nowadays, within the conditions of recession or international crisis and in the absence of substantive profits that could be shown to the population, our leftists face difficult times.

The right-turn of Latin America, in fact, already started to take place: clear signals have been provided by the elections in **Panama** and **Argentina**, the popular reaction against Zelaya in **Honduras** and the pre electoral panoramas that can be seen in **Chile**, **Brazil**, **Uruguay** and **Mexico**. However, during this semester there were still electoral results favoring the left-wing, although in various cases those were due to the direct manipulation of the elections and cannot be considered an authentic and favourable support from the voters. Let's see, to get more concrete, what happened:

- On January 25th, Evo Morales achieved in **Bolivia** the approval of his constitution through a referendum. His proposal gained 61,6% of the votes, although he had lost in the Eastern "half moon" departments – Santa Cruz, Beni, Pando and Tarija – and won only by a narrow margin in Chuquisaca. However, with the "technical support" provided by the Cuban and Venezuelan people, the regime of this president tried to renew the electoral roll in its own way and to impose new electoral laws, though finally a compromise was reached. Currently the tensions continue, the regime carries on with its totalitarian intentions and the climate of confrontation doesn't cease, in the

middle of a fairly battered economic situation.

- Some weeks later, on January 15th, Hugo Chávez finally managed to fulfill his ultimate desire: a referendum (also partly fixed) approved unlimited reelection in **Venezuela**, with 54% of the votes. From there on the authoritarian characteristics of a regime which is in power for more than 10 years now have been deepened: Manuel Rosales, one of Chávez' main adversaries – mayor of the second city of the country, Maracaibo, former presidential candidate and former governor – had to flee the country confronting farfetched criminal accusations and the possibility of appearing before a judicial system that is completely docile under its leader; the government drastically reduced the powers of the federal and local entities, expropriated various companies and also arrested General Baduel, the former minister of defense; hundreds of labor leaders have been murdered in incidents that seem to point out to the determined intention to control the organized workers' movement by the government; the threats of closing down Globovisión, the main news channel of the country, seemed to get concrete when this issue was being published, although it is not yet clear if Chávez will finally decide to take this last redoubt of free press. In short, Chávez' government - just like in **Bolivia**, **Nicaragua** and **Ecuador** - "escaped forward", applying a strategy which attempts to assume total control of the country in view of the possible discontent that could take place within the next months due to the deteriorating economic situation.
- In **El Salvador**, after having waited for 20 years, the leftist party FMLN finally achieved to win a presidential election on March 15th. Its candidate, Mauricio Funes, won with 51,3% of the votes, in front of Rodrigo Avila, the representative of the right-wing party ARENA, who obtained 48,7%. In the local and legislative elections which

- took place weeks before, the FMLN had achieved some progress, although it had lost the important office of mayor to ARENA. After the elections, Funes had emitted reassuring messages, declaring himself in favor of a moderate policy which would be more similar to the one applied by Brazilian Lula than to the one by Venezuelan Chávez, although it is still early to judge his acting at the head of government. It must be emphasized that the National Congress, in spite of the limited progress of the FMLN, is being controlled by the opposition to the new Head of State, who is only counting with the support of 35 delegates out of 84.
- On April 26th, Rafael Correa was reelected in **Ecuador**, according to the permission of the new Constitution of the country, the architect of which has been, to a great extent, Correa himself. With a split opposition, Correa won in the first round; nevertheless, he didn't achieve the overwhelming victory that many had expected: with only 52% of the votes and having lost clearly in Guayaquil against Jaime Nebot, Correa cannot count on the wide support he would have wished to for his mandate. However, his attacks against the only opponent television channel that remains within the country as well as some of his economic measures could be indicating that Correa will try to impose an authoritarian type of regime on the country, similar to the one of Chávez in **Venezuela**.
 - After all these elections favourable to the left the first right-wing victory in 2009 took place when Ricardo Martinelli won in Panama, with over 60 % of the votes. The defeated was the bearer of the left Balbina Herrera the official heir of the political forces that come from Torrijos. Martinelli, a prosperous businessman, will assume command in early July and will be able to govern in comfort thanks to a large majority in Congress and the popular support he has received.

- Towards the close of this edition, on June 28, the most important electoral result of the semester came true when a colorful opposition finally defeated the followers of Nestor Kirchner in the elections to renew the congress in **Argentina**. Kirchnerism was a complete disaster: the former president lost the elections in which he candidate to representative for the province of Buenos Aires, he was defeated in his home province of Santa Cruz and he lagged behind in all important districts of country.
- Although it was a partial renewal of the Chambers, he lost the majority of representatives, by a wide margin, and lost the control of the senate. President Cristina Fernandez de Kirchner with a very bad situation in the popularity polls, ended up with no political support. Now she heads a weak government, with authoritarian and populist ideology, but without support. The failure of the Kirchner points out, as recognized by all observers, the beginning of a realignment of political forces in the country, its oriented to the right and completely away from the couple's populist policies. There are several possible candidates and the political forces that will be launched, from now on, to fill the power vacuum that exists, especially in view of the presidential elections in two years.

Apart of this six electoral results, four in favor of the left and two against it, there has been some events that we will review, although briefly.

- The V summit of the Americas, that took place in Trinidad Tobago, showed a unusual friendly climate, with a conciliatory attitude on the part of Obama that contributed to relaxation of tensions. Shortly after, in Tegucigalpa, Honduras, the OAS abolished the resolution to exclude Cuba of this organization, opening the way for this nation to be accepted again. The Castro brothers, who govern the island since half a century now, showed no

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enthusiasm. They do not want a return to an OAS they have not tired to offend and, to some extent it could make more obvious the tyrannical style of this country and the total lack of respect to the human rights that prevails there. Obama lifted the restrictions that exist for travel and shipping to the island, demanding – albeit in a very cautious and indirect way – for changes in Cuba. Somewhat earlier, in March, two major Cuban leaders, Carlos Lage and Felipe Perez Roque, were fired in an internal coup that consolidated the Castro's power and reinforced the status quo of the regime, that has only very minor changes to the opening from Raul took power nearly three years ago. The situation in **Cuba** continues to stagnate, amid increasing economic hardship, but the pressures for regime change are gradually widen. It should be noted that, in the above-mentioned regional meetings, there was a special attention to the figures of the presidents of Brazil and United States, Lula da Silva and Barak Obama.

- In Nicaragua, as expected, the Supreme Court dominated by Sandinistas set aside the sentence of imprisonment for 20 years on the former president Arnoldo Alemán (1997-2002) for corruption. Thus, Sandinistas fulfilled the pact that allowed their rise to power when they received the votes from the supporters of Aleman which were essential for victory. The situation in the country, moreover, continues to be tense: the opposition does not recognize Sandinista's victory in local elections that, plagued by serious irregularities, took place late last year. The regime insists to validate them but there are so many specific allegations of fraud that their attitude is hardly credible: opposition demonstrations, violently disbanded by Sandinista rebel groups, set the tone for a semester that has not brought peace to the Central American country. Both the United States and the European Union have cut aid to the country until it satisfactorily clarifies the outcome of those elections.

- In Peru, former President Alberto Fujimori was sentenced to 25 years in prison for crimes “against humanity” committed during his administration. The verdict, which we believe has a definite policy, has given more prominence to the figure of his daughter Keiko, who leads those who propose a different treatment for the former president who defeated terrorism, and was elected as representative with more votes in 2006 elections. In any case, **Peru** under Alan García's government is going through the current period of economic crisis, so it is unlikely that significant political changes occur in the near future.

- In **Guatemala** there were large demonstrations against impunity and asking for justice after the murder of lawyer Rodrigo Rosenberg on May 10. Rosenberg had left a video, made public during his funeral, where he accused several people, including President Alvaro Colom and his wife, for his assassination: “If you are seeing this video is because I've been killed,” said lawyer, 48 hours before he was shot and killed. The case has not been clarified yet, but in any case, the credibility of the president, a leftist leaning towards populism, has been severely affected, at least in the capital.

- **Paraguay** has also lived turbulent times, with left wing supporters to President Lugo accusing him of not fulfilling his promises and with a country shocked by the several cases of irresponsible paternity of the former bishop, who seems to have had children with at least two young girls during the time when he was a priest.

- We left the end to the critical situation that has developed in **Honduras**, beginning in late June, where President Manuel Zelaya Mel was forced to leave the country on the 28th of that month. While the parties were preparing for the elections of November 29, Zelaya attempted a “popular referendum” to seek to change the country's

constitution. His intention, clearly manifested, was to ignore the existing legal order and convene an assembly, as in the case of **Venezuela, Bolivia** and **Ecuador**, to amend the constitution to allow his re-election. This attempt, however, was frustrated by the total opposition of the Congress, the Supreme Court and the military. Zelaya deposed the highest military authority of the country but the Court declared the decision invalid and, with his insistence on conducting the referendum illegal, was separated from power. Curious has been the reaction of the international community to this fact: from the OAS to Chavez, all have accused the government of the new Congress President Roberto Micheletti, of conducting an undemocratic coup. Those same people who cry for democracy in **Honduras** validate the dictatorship with democratic façade of Chavez in **Venezuela**, welcome the eternal dictator Fidel Castro and tolerate the abuses of visible authoritarianism of Evo Morales. This ambiguity, if not hypocrisy, of the OAS and several European countries and America, is leading the region into an extreme situation that could have unpredictable consequences. As this edition was being printed, however, the new government of **Honduras** remained firmly in place, enjoying broad popular support and speaking of bringing forward the next general election, as a way to prompt solution to the crisis.

In conclusion it can be said that the next semester will be carrying, in addition to **Honduras**, several other important elections. In early July there will be parliamentary elections in **Mexico**, with a predictable victory of PRI and a good result, relative to the center-right party currently in power: PAN. The forces of the leftist PRD, which has been virtually off the populist Lopez Obrador, will be reduced very significantly; losing much of its parliamentary representation since it

receives in the polls just 13% of popular preferences.

In **Uruguay**, in October, it will be decided if the leftist “Frente Amplio” stays in power, a coalition that has been quite moderate respected the law of the country. In any case, it will have to confront forces of the center and right-increasing popularity. The following month there will be elections in **Chile**, which presents a complex picture. Eduardo Frei Ruiz-Tagle, the candidate of Concertación (he was president between 1994 and 2000) against Sebastian Piñera, a right wing leader who now has the preference in the polls. But a third candidate has emerged, Marco Enríquez-Ominami, a Socialist MP who is fairly moderate subtracting voting intentions from Frei and Piñera.

It is still too early to assess the electoral landscape of **Brazil**, but for now everything points towards a victory for the center-right José Serra, the powerful former governor of Sao Paulo state, as the candidate of President Lula, Dilma Rousseff, is well behind in the surveys.

These next elections will confirm, we assume, the turn “to the right” that has already begun in our region, isolating the populism of the left that led Hugo Chávez and allowing only a relatively small control group of countries relatively few significant within overall continent. We do not believe that the time of populism has come to an end, of course, but we think that with **Argentina, Uruguay, Chile, Brazil, Peru, Colombia** and **Mexico** in a different position, the expansion is impossible. Rather on the contrary, we believe that in **Nicaragua** and **Bolivia**, for example, the new authoritarian rulers will face severe problems that bring questions for their mandates in the middle of conflicts that can be very intense. We do not anticipate changes, it is good to say before I conclude these pages, but first and foremost we mean a political climate somewhat different, less inclined toward Chavez’ hysteria and more concerned about the current economic growth.

Those who are indignant over the democracy in Honduras at the same time validate the dictatorship with democratic façade of Chávez in Venezuela, receive with approval the eternal dictator Fidel Castro and tolerate the visible abuses of the authoritarian Evo Morales.