

# DEMOCRACY, MARKET AND TRANSPARENCY 2008



**Just like in the previous edition, two former British colonies, New Zealand and Myanmar, occupy the first and last position in this ranking, respectively. All in all, referring to 2007, about 75 countries improved their score while 62 got worse and seven stayed the same. Chile continues to lead the ranking of Latin America, well above the region's average, ranked 17 on a global level. The second Latin American country is Uruguay that improved its position in comparison with 2007 and surpassed in the ranking nothing less than France and Spain.**

*Gabriel C. Salvia and Hernán Alberro*

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## 2008 Global Ranking “Democracy, Market and Transparency”

Position	Country	FH	HF/WSJ	TI	DMT
1	New Zealand	1.0	80.2	9.3	0.908
2	Denmark	1.0	79.2	9.3	0.905
3	Switzerland	1.0	79.7	9.0	0.895
4	Australia	1.0	82.0	8.7	0.892
5	Canada	1.0	80.2	8.7	0.886
6	Netherlands	1.0	76.8	8.9	0.882
7	Iceland	1.0	76.5	8.9	0.881
8	Finland	1.0	74.8	9.0	0.879
9	Sweden	1.0	70.4	9.3	0.875
10	Ireland	1.0	82.4	7.7	0.856
11	Luxemburg	1.0	75.2	8.3	0.854
12	United Kingdom	1.0	79.5	7.7	0.847
13	United States	1.0	80.6	7.3	0.835
14	Austria	1.0	70.0	8.1	0.830
15	Germany	1.0	71.2	7.9	0.826
16	Norway	1.0	69.0	7.9	0.819
17	<b>Chile</b>	<b>1.0</b>	<b>79.8</b>	<b>6.9</b>	<b>0.818</b>
18	Belgium	1.0	71.5	7.3	0.805
19	Estonia	1.0	77.8	6.6	0.800
20	Barbados	1.0	71.3	7.0	0.793
21	Japan	1.5	72.5	7.3	0.780
22	<b>Uruguay</b>	<b>1.0</b>	<b>68.1</b>	<b>6.9</b>	<b>0.779</b>
23	Cyprus	1.0	71.3	6.4	0.771
24	France	1.0	65.4	6.9	0.770
25	Spain	1.0	69.7	6.5	0.769
26	Slovenia	1.0	60.6	6.7	0.746
27	Portugal	1.0	64.3	6.1	0.737
28	Singapore	4.5	87.4	9.2	0.734
29	Malta	1.0	66.0	5.8	0.731
30	Czech Rep.	1.0	68.5	5.2	0.717
31	Taiwan	1.5	71.0	5.7	0.716
32	Mauritius	1.5	72.3	5.5	0.713
33	Israel	1.5	66.1	6.0	0.711
33	Slovakia	1.0	68.7	5.0	0.711
35	Hungary	1.0	67.2	5.1	0.709
36	Lithuania	1.0	70.8	4.6	0.703
37	South Korea	1.5	67.9	5.6	0.702
38	<b>Costa Rica</b>	<b>1.0</b>	<b>64.8</b>	<b>5.1</b>	<b>0.701</b>
39	Botswana	2.0	68.6	5.8	0.684
40	Italy	1.0	62.5	4.8	0.682
41	Latvia	1.5	68.3	5.0	0.681
42	Cape Verde	1.0	58.4	5.1	0.680
43	Poland	1.0	59.5	4.6	0.665
44	Greece	1.5	60.1	4.7	0.643
45	South Africa	2.0	63.2	4.9	0.633
46	Bulgaria	1.5	62.9	3.6	0.612
47	Namibia	2.0	61.0	4.5	0.611
48	<b>Panama</b>	<b>1.5</b>	<b>64.7</b>	<b>3.4</b>	<b>0.610</b>
49	Trinidad and Tobago	2.0	70.2	3.6	0.608
50	Ghana	1.5	56.7	3.9	0.602
51	<b>El Salvador</b>	<b>2.5</b>	<b>69.2</b>	<b>3.9</b>	<b>0.588</b>
52	Romania	2.0	61.5	3.8	0.587
53	Croatia	2.0	54.6	4.4	0.586
54	Belice	1.5	62.8	2.9	0.585
55	<b>Mexico</b>	<b>2.5</b>	<b>66.4</b>	<b>3.6</b>	<b>0.568</b>
56	Mongolia	2.0	62.8	3.0	0.561
57	Turkey	3.0	60.8	4.6	0.558
57	<b>Peru</b>	<b>2.5</b>	<b>63.5</b>	<b>3.6</b>	<b>0.558</b>
59	<b>Brazil</b>	<b>2.0</b>	<b>55.9</b>	<b>3.5</b>	<b>0.557</b>
60	Suriname	2.0	53.9	3.6	0.554
61	Jamaica	2.5	66.2	3.1	0.548
62	Dominican Rep.	2.0	58.5	3.0	0.547
63	Benin	2.0	55.0	3.1	0.539
64	Malaysia	4.0	64.5	5.1	0.534
65	Senegal	2.5	58.2	3.4	0.533
66	<b>Colombia</b>	<b>3.0</b>	<b>61.9</b>	<b>3.8</b>	<b>0.532</b>
66	<b>Argentina</b>	<b>2.0</b>	<b>55.1</b>	<b>2.9</b>	<b>0.532</b>
68	Macedonia	3.0	61.1	3.6	0.522
68	Albania	3.0	63.3	3.4	0.522
70	India	2.5	54.2	3.4	0.520
71	Kuwait	4.0	68.3	4.3	0.517
72	Bahrain	5.0	72.2	5.4	0.515
73	Mali	2.5	55.5	3.1	0.513
74	Georgia	4.0	69.2	3.9	0.505
75	Lesotho	2.5	51.9	3.2	0.504
76	Jordan	4.5	63.0	5.1	0.501
77	Qatar	5.5	62.2	6.5	0.494

Position	Country	FH	HF/WSJ	TI	DMT
78	Madagascar	3.5	62.4	3.4	0.491
79	Indonesia	2.5	53.9	2.6	0.489
80	<b>Honduras</b>	<b>3.0</b>	<b>60.2</b>	<b>2.6</b>	<b>0.482</b>
81	<b>Nicaragua</b>	<b>3.0</b>	<b>60.0</b>	<b>2.5</b>	<b>0.478</b>
82	<b>Paraguay</b>	<b>3.0</b>	<b>60.5</b>	<b>2.4</b>	<b>0.476</b>
82	Ukraine	2.5	51.1	2.5	0.476
84	Oman	5.5	67.4	5.5	0.475
85	United Arab Emirates	5.5	62.8	5.9	0.474
85	<b>Guatemala</b>	<b>3.5</b>	<b>60.5</b>	<b>3.1</b>	<b>0.474</b>
85	<b>Bolivia</b>	<b>3.0</b>	<b>53.2</b>	<b>3.0</b>	<b>0.474</b>
85	Guyana	2.5	49.4	2.6	0.474
89	Mozambique	3.0	56.6	2.6	0.470
90	Moldavia	3.5	58.4	2.9	0.459
91	Tanzania	3.5	56.4	3.0	0.457
92	Bosnia-Herzegovina	3.5	53.7	3.2	0.455
93	Zambia	3.5	56.4	2.8	0.449
94	Burkina Faso	4.0	55.6	3.5	0.445
95	<b>Ecuador</b>	<b>3.0</b>	<b>55.4</b>	<b>2.0</b>	<b>0.444</b>
95	Armenia	4.5	70.3	2.9	0.444
97	Sri Lanka	4.0	58.3	3.2	0.443
98	Niger	3.5	52.7	2.8	0.437
99	Kenia	3.5	59.6	2.1	0.434
100	Philippines	3.5	56.9	2.3	0.432
101	Morocco	4.5	56.4	3.5	0.419
101	Sierra Leone	3.0	48.9	1.9	0.419
103	Mauritania	4.0	55.0	2.8	0.417
104	Lebanon	4.5	60.9	3.0	0.416
105	Thailand	5.0	63.5	3.5	0.415
105	Nigeria	4.0	55.5	2.7	0.415
107	Uganda	4.5	64.4	2.6	0.413
107	Malawi	4.0	53.8	2.8	0.413
109	Nepal	4.5	54.7	2.7	0.384
110	Tunisia	6.0	59.3	4.4	0.379
111	Kyrgyzstan	4.5	61.1	1.8	0.372
112	Gabon	5.0	53.6	3.1	0.367
113	Gambia	4.5	56.6	1.9	0.361
114	Djibouti	5.0	52.3	3.0	0.360
115	Algeria	5.5	55.7	3.2	0.350
115	Guinea Bissau	4.0	45.1	1.9	0.350
115	<b>Venezuela</b>	<b>4.0</b>	<b>45.0</b>	<b>1.9</b>	<b>0.350</b>
118	Swaziland	6.0	58.9	3.6	0.348
118	Ethiopia	5.0	53.2	2.6	0.348
120	Egypt	5.5	59.2	2.8	0.347
121	Rwanda	5.5	54.1	3.0	0.338
122	Togo	5.0	48.8	2.7	0.337
123	Yemen	5.0	52.8	2.3	0.335
124	Saudi Arabia	6.5	62.8	3.5	0.330
124	Kazakhstan	5.5	60.5	2.2	0.330
126	Bangladesh	4.5	44.9	2.1	0.329
127	Pakistan	5.5	56.8	2.5	0.328
128	Burundi	4.5	46.3	1.9	0.327
129	<b>Haiti</b>	<b>4.5</b>	<b>48.9</b>	<b>1.4</b>	<b>0.317</b>
130	Central Africa Rep.	5.0	48.2	2.0	0.309
131	Tajikistan	5.5	54.5	2.0	0.302
132	Azerbaijan	5.5	55.3	1.9	0.301
133	Camboya	5.5	56.2	1.8	0.300
133	China	6.5	52.8	3.6	0.300
135	Russia	5.5	49.9	2.1	0.291
136	Vietnam	6.0	49.8	2.7	0.285
137	Cameroon	6.0	54.0	2.3	0.284
138	Guinea	5.5	52.8	1.6	0.281
139	Ivory Cost	6.0	54.9	2.0	0.276
140	Angola	5.5	47.1	1.9	0.274
141	Congo Rep.	5.5	45.2	1.7	0.260
142	Iran	6.0	44.0	2.3	0.250
143	Laos	6.5	49.2	2.0	0.229
143	Equatorial Guinea	6.5	52.5	1.7	0.229
145	Syria	6.5	46.6	2.1	0.224
146	<b>Cuba</b>	<b>7.0</b>	<b>27.5</b>	<b>4.3</b>	<b>0.214</b>
146	Belarus	6.5	44.7	2.0	0.214
148	Chad	6.5	47.7	1.6	0.209
149	Uzbekistan	7.0	52.3	1.8	0.204
150	Lybia	7.0	38.7	2.6	0.188
151	Turkmenistan	7.0	43.4	1.8	0.174
152	Zimbabwe	6.5	29.8	1.8	0.157
153	Myanmar	7.0	39.5	1.3	0.143
	<b>Global Average</b>				<b>0.521</b>

**FH:** Freedom House. This is an average of political and civil liberties measured in *Freedom in the World 2008* where 1 is the best score possible and 7 the worst.

**HF/WSJ:** Heritage Foundation and Wall Street Journal elaborate the *Index of Economic Freedom 2008* where 100 means absolute economic freedom and 0 its total inexistence.

**TI:** Transparency International measures the perception of corruption labeling the countries between 0 and 10. The higher the score, the lower the perception of corruption in the country.

**DMT:** Out of a combination of the before mentioned indicators emerges the ranking Democracy, Market and Transparency.

## Presentation

By Gabriel C. Salvia and Hernán Alberro

The present study sets out that the pillars underneath development are three: democratic liberties, market economy and governmental transparency. This way, the countries that can be defined as developed must guarantee all of those three aspects necessary for political, economical and institutional progress.

For the elaboration of this study, the data used appears in the 2008 editions of the following publications: *Freedom in the World*, by Freedom House; *Index of Economic Freedom*, by Heritage Foundation and Wall Street Journal; and the *Corruption Perception Index*, by Transparency International. The study *Freedom in the World* provides an annual evaluation of the status of global freedom as it is perceived by individuals. The survey measures freedom – the opportunity to act spontaneously in different fields out of control of the government or other centers of potential domination – according to two big categories: political rights and civil liberties. Political rights allow people to participate freely in the political process, including the right to vote freely for different alternatives in legitimate elections, to compete for public positions, to join political parties and organizations, and to choose representatives having a decisive impact on public policies and account to the electorate. Civil liberties include freedom of expression and religious, rights of association and organization, rule of law and personal autonomy without interference by the State.

In turn, the *Index of Economic Freedom* has documented the progress of market economies with investigation and analyses for 14 years and includes 161 countries. Published by Heritage Foundation and Wall Street Journal together, this index created a global description of economic freedom and established a point of reference from which it is possible to measure a country's possibilities to reach success in the economic field. The *Index of Economic Freedom* considers the 10 factors of the same importance for a country's level of economic freedom. Like this, with the aim to determine a country's general score the factors are weighted equally: Business

Freedom, Trade Freedom, Fiscal Freedom, Freedom from Government, Monetary Freedom, Investment Freedom, Financial Freedom, Property Rights, Freedom from Corruption and Labor Freedom.

Finally, the *Corruption Perception Index* published by Transparency International compounds multiple opinion polls of experts who sound out the perceptions of corruption in the public sector in 180 countries in the whole world. This index focuses on the corruption of the public sector and

defines it as the abuse of public service for a particular benefit.

Using the ratings provided by those three publications for the respective countries, each of them has the same weight and result in the ranking "Democracy, Market and Transparency". The global ranking includes 153 countries, leaving aside the rest of the countries whose data was not included in one of the mentioned publications.

Obviously there are other aspects constituting the countries' development, but the three combined here are the indispensable base: democratic liberties, market economy and governmental transparency. Likewise, the weakness of some of them affects the country's development and therefore it is not enough that a country is democratic and pro market if it has a high corruption level; or that it guarantees economic freedom and an apparent transparency within an authoritarian political framework.

The editorial of La Nación newspaper in Buenos Aires, published on Wednesday, November 21<sup>st</sup> 2007, referring to this study, resumes its idea with a brilliant clarity: "Without democratic liberties there can be market economy but, as shown by Chile during the Pinochet's dictatorship, it is very difficult to have governmental transparency. Without governmental transparency as it happens in other Latin American countries democratic liberties and market economy run the risk to derail. And, finally, without market economy democratic liberties and governmental transparency can be swallowed by a state capable to show one more time its inefficiency as during times that we consider nowadays past".

Definitely, this ranking provides the possibility to group the degree of respect for civil, political and economic liberties, as well as the levels of transparency, helping to understand easily why in some countries people enjoy a greater quality of life than in others and it also allows everybody from his place to see the strengths and weaknesses of his own country. The 2008 edition of the study "Democracy, Market and Transparency" offers a global ranking with the rating of each of the three indexes used and the final result of their combination (see page 2). Furthermore, the results of Latin America are analyzed and at a global level this year's ratings are compared with the previous ones. In this edition also the collaborations of prestigious guest columnists are incorporated.

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## The great pending matter in Latin America is government transparency

By Raúl Ferro

During a lunch celebrated in Lima as part of the business summit of the Asia-Pacific Economic Cooperation (APEC) at the end of November, former prime minister of Peru Pedro Pablo Kuczynski, one of the country's most appreciated economic conductors, attracted the attention of the others sitting at his table by making a parenthesis in his speech and recalling that without Alberto Fujimori Peru would not be where it is now: Neither in the APEC nor one of the economies with the highest growth worldwide in the last years.

At this moment Fujimori is imprisoned and facing a myriad of trials for corruption and violation of human rights. As you will remember, Fujimori was democratically elected in 1990 but soon afterwards he made a coup d'état with military support against the congress and established an authoritarian regime. His administration, without any doubt, ended with more than two decades of economic experiments which reached their peak in the second half of the 80s, with hyperinflation and a grave decline of the country's productive capacity. They also put an end to the Shining Path, a bloodthirsty terrorist movement that had put the country against the wall.

Nevertheless, the authoritarianism of his government institutionalized a sinister system of corruption and clientelism that among other things put Peru at a serious stake of converting herself in a narco-dictatorship. The structure set up around this authoritarian model collapsed because of its own weight and Fujimori escaped to Japan, renounced his presidency by fax becoming the first fugitive president in the history of Peru.

Kuczynski's recognition of Fujimori's achievements gained the applause of the more than thousand people sitting at the lunch. Half of them came from Asia, a part of the planet where Fujimori, originally from Japan, enjoys popularity. But also Peruvian businessmen applauded him with enthusiasm and agreed with the former prime minister: Without Fujimori Peru would not be where it is.

This feeling hits the center of a painful wound that crossed the history of Latin America in the 20<sup>th</sup> century: The perception – conviction most of the time – that in our region economic development can not be obtained in democracies and that it requires a hard hand to create the necessary conditions of social order for good-working economy and companies. The bloody dictatorship of Augusto Pinochet in Chile is the emblematic example for this idea and the authoritarian model of Fujimori its best confirmation: At the moment of highest popularity, in the first half of the 90s, the president of Peru was known as “Chinochet”, a nickname that far from being read as an insult was considered a praise.

Even today, an immense majority of the Chilean business class – and a not insignificant part of businessmen from

other Latin American countries – look with indulgence at the crimes of Pinochet's dictatorship and interpret them as a necessary cost of the change that converted Chile into the global economic star it is today.

But is this appreciation correct? Can reforms and economic success in the emerging world only be achieved in an authoritarian context? Are democratic liberties a brake for economic development? It is always dangerous to make political fiction, but if a political dictatorship were a guarantee for economic development, Latin America today would be the greatest power of the world. It is enough to see Argentina and the dictatorships that were supposed to be pro-market that plagued the second half of the 20<sup>th</sup> century and ended up in spectacular political and economic failures. Or the dictatorships of Brazil and Uruguay who pretended to build the bases for a long term model that fell into pieces like a castle of cards at the first breeze.

Luckily, the democratic consolidation and the economic development enjoyed in Latin America the last years brought quite some light into this discussion. In the specific case of Chile there are evidences that the consolidation of the economic model would not have been possible if the dictatorship had perpetuated in power. Countries that converted themselves into important investors in Chile, such as Canada and Finland, had shown great reluctances to participate in projects in Chile. And the success of Chilean consumer products abroad, such as wines and salmons, would have been very vulnerable by being associated with a country without freedom. After all, Chile is not China in terms of size.

It is correct to point out that the basis of the Chilean model was constructed under the administration of Pinochet. But political center-left parties and democratic institutions where those that allowed the country to turn herself into one of the most successful countries of the world. Without democratic institutions and political liberties the Chilean model of free markets could not have taken off.

Something similar can also be applied to other countries, such as Mexico where the end of 70 years of PRI governments under a pseudo-democratic system was the necessary and indispensable corollary to consolidate the country's opening and its integration into the most powerful economic blocks of the world. The economic reforms initiated in the 80s and implemented in the 90s by the administration of Carlos Salinas de Gortari were a first step. Salinas' successor, Ernesto Zedillo, was the one who consolidated the political reforms that allowed full democracy to arrive in Mexico with the triumph of the first opposition candidate since the Mexican revolution at the beginning of the 20<sup>th</sup> century.

Colombia and Brazil are, on the other hand, clear examples of how economic reforms and market economy can develop

from democratic institutions. Menem's Argentina, on the contrary, is a good example of how poor institutions can shatter a reform and opening process.

Uruguay and Costa Rica, on the other hand, are two particular cases worth studying, as they are the only ones together with Chile that find themselves in the superior quarter of the ranking that combines democratic liberties, market economy and government transparency. Both countries have high quality democratic institutions but have been slow in the economic opening process. Democracy, in those cases, could have hold back the process but not stop it. It causes enthusiasm to see how in Uruguay, thanks to its democratic institutions, a center-left coalition promotes the clearest program of economic opening in the country's modern history.

In the last years Latin America has advanced notably on various fronts. The most obvious one is that of democratic liberties. Except for Cuba that remains as the only dictatorial spot in the region the rest of the Latin American countries is ruled according to democratic rules. This includes some nations like Venezuela that shortened liberties taking advantage of and abusing its own democratic system.

Nevertheless, the battle for democratic liberties is not totally won yet. Latin American nations need to continue strengthening their institutions in order to develop and consolidate the mechanisms a democracy is based upon – that gives the system its capacity to *check and balance*, ensuring the difficult interest balances forming the core of democracy. Today we have many cases of abuse as well by the government, in the case of Venezuela and to a lower extent Bolivia, Ecuador and Nicaragua, as by the other side, like the case of Peru where because of the absence of institutions and tenability, conflicts tend to be resolved by profound confrontation putting the government into an almost permanent situation of check. This was the principal

explanation for the very poor popularity with which president Alejandro Toledo ended his mandate, despite the high rates of economic growth reached during his administration, and also for the situation the current president Alan García is suffering, despite having reduced to a significant extent the country's poverty and maintained Asian growth rates.

Secondly, it is evident that market economy has advanced in an important way, starting with the region's two great powers, Mexico and Brazil, followed by the principal medium-sized economies, such as Chile, Colombia and Peru, and even among small economies, such as Uruguay and the majority of Central American nations. The risk of involution remains but it is quite a lot smaller than some years ago. We hope that the global crisis we are suffering doesn't convert itself into a negative catalyst that could make us loose part of the terrain gained with so many sacrifices in the last years.

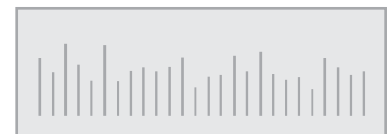
Latin America has to carry on in depth, facing pending micro and indispensable reforms in order to improve the competitiveness of the region's countries.

The great pending matter is government transparency. Here there is still a lot to do. Corruption levels are still very high, inefficiency of the judicial power is evident and juridical security, even though it improved, is still subject to political swinging. This is probably the most difficult area to improve. But inside the necessary pragmatism to govern, the fight against corruption and the strengthening of institutions must have a lot more importance as they have today in political strategies of Latin American countries.

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## Democracy, Market and Transparency in Latin America 2008

Chile continues to lead the ranking of Democracy, Market and Transparency in Latin America, a lot above the region's average and with a score of 0,818 is ranked 17 on a global level. The second Latin American country in this study is the Oriental Republic of Uruguay with a rating of 0,779 improving her position in comparison to 2007 and therewith exceeding nothing less than France and Spain on a global level.

Latin America registers an average of 0,525 and eleven of the twenty countries find themselves above this average. A fact calling attention in the Latin American ranking is that four countries of the region didn't record any changes in their scores from one year to the other: Brazil, Argentina, Bolivia and Cuba.

Referring to regional blocks, Uruguay leads the ranking of the countries integrating Mercosur that has an average of 0,539. For several reasons, Mercosur faces an uncertain future and this study shows the difficulty to harmonize the block institutionally which became even more complicated with the entry of Venezuela. The incorporation of the latter with a rating of 0,350 and a position 115 in the worldwide ranking represents a retreat for Mercosur from a political, economic and institutional point of view.

The incipient Union of South American Nations (Unasur) has Chile with the best rating and holds an average of 0,502; and CAFTA has an average of 0,586 with Costa Rica as the best country of Central America and the Caribbean.

Concerning **political rights and civil liberties** all the regions' countries maintained their score, except **Mexico**. Effectively, the Aztec nation improved one point in civil

liberties due to changes and favorable situations in 2007. Anent, the study by Freedom House points out the following:

-“The legal and constitutional guarantees for freedom of expression have improved gradually, but the security environment for journalists has deteriorated considerably. As they do not depend any longer on official publicity and subsidies, competitive press took the initiative to denounce official corruption, even though there are still very few investigation reports”.

-“In 2007 the so-called Law Televisa which gave a major spectrum of broadcasting to the media giants was rejected by the Supreme Court. Furthermore, defamation was legalized on a federal level, even though it remains a crime in many states.”

-“Towards the end of 2007, the Congress was following a path towards the sanction of a great judicial reform which would replace the civil inquisitorial system by an oral system. Experts see this change as a positive means which would increase efficiency and justice”.

-“Violence and sexual abuse is known to affect almost 50 % of women. In February 2007, the government approved a broad law to protect women from domestic abuse, even though its efficiency still has to be determined.”

But the greatest changes happened regarding **economic liberties**, according to what is pointed out by Heritage Foundation and Wall Street Journal:

-**Chile** got worse in: Business Freedom, Trade Freedom, Fiscal Freedom, Government Size, Labor Freedom and Monetary Freedom; but it improved in Investment Freedom. It is worth highlighting that even though it got

Latin America			
Position	Country	2008	Change in position
17	Chile	0,818	=
22	Uruguay	0,779	Improved 2 positions, overtaking France and Spain
38	Costa Rica	0,701	=
48	Panama	0,610	=
51	El Salvador	0,588	=
55	Mexico	0,568	Lost 2 positions ceding before Romania and Croatia
57	Peru	0,558	Improved 2 positions overtaking Brazil and Jamaica
59	Brazil	0,557	Lost 3 positions to Peru, Mongolia and Turkey
62	Dominican Rep.	0,547	=
66	Colombia	0,532	Improved 1 position evening up to Argentina
66	Argentina	0,532	Lost 2 positions to Turkey and Benin
80	Honduras	0,482	Improved 2 positions overtaking Nicaragua and Ukraine
81	Nicaragua	0,478	Dropped 4 positions ceding before Honduras, Qatar and Indonesia
82	Paraguay	0,476	Improved 7 positions overtaking Bolivia and Guatemala
85	Guatemala	0,474	Improved 2 positions evening up to Bolivia and overtaking Philippines
85	Bolivia	0,474	Lost 2 positions being reached by Guatemala
95	Ecuador	0,444	Lost 1 position ceding before the United Arab Emirates
115	Venezuela	0,350	Improved 2 positions overtaking Bangladesh and Burundi
129	Haiti	0,317	Lost 6 positions to Kazakhstan, Pakistan and Algeria
146	Cuba	0,214	Improved 1 position reaching Belarus
	<b>Average</b>	<b>0,525</b>	

worse in various aspects, the retreat is very low in the points where it got worse and the points where it improved, Investment Freedom, is very high, growing from 70 % to 80 %. The study holds: “Foreign investment is a cornerstone of Chile’s strong growth, and allowing easy repatriation is an attraction to inbound capital”.

**-Uruguay** moved backwards in the following aspects: Business Freedom, Fiscal Freedom, Government Size, Investment Freedom and Labor Freedom; but it improved in Trade Freedom, Monetary Freedom, Freedom from Corruption and stayed without modifications regarding Financial Freedom and Property Rights. It is worth emphasizing that the retreat of Investment Freedom, contrary to what is happening in Chile, was of 10 points while the most notable improvement was in terms of Freedom from Corruption.

**-Costa Rica** dropped regarding Trade Freedom and Freedom from Corruption; and improved in Business Freedom, Government Size, Monetary Freedom and Labor Freedom. Nevertheless, it shows no substantial change, neither to the better nor to the worse.

**-Panama** saw a strong improvement (10 percent points) in Financial Freedom, but a strong fall of four points in Freedom from Corruption. Heritage holds that “Panama suffers from weak property rights, labor freedom, and freedom from corruption. The judicial system is backlogged with cases, not committed to contract enforcement, and subject to political interference. There is significant corruption in the judiciary and civil service. Trade regulations are enforced inconsistently.”

**-El Salvador** retreated in Business Freedom, Government Size, Freedom from Corruption and Monetary Freedom; and enjoyed very shy improvements of Fiscal Freedom and Labor Freedom

**-Mexico** improved her Trade Freedom, Fiscal Freedom, Government Size, Monetary Freedom and Labor Freedom indicators and in general terms those improvements were quite noticeable. In this sense Heritage declares that “Commercial operations are becoming more streamlined, and business formation is efficient. Income and corporate tax rates are moderate, and overall tax revenue is low as a percentage of GDP. Government expenditures are fairly low”. Also, the retreat in Freedom from Corruption was considerable and this is why Heritage declares: “Freedom from corruption is the only factor that is worse than the world average”.

**-Brazil** suffered sharp retreats in Business Freedom, Labor Freedom and Freedom from Corruption; but it showed interesting improvements concerning Trade Freedom and Monetary Freedom. Heritage states: “Brazil is a regional economic power but is not notably strong in any of the 10 economic freedoms”. “Significant restrictions on foreign capital exist in many areas, and the government remains heavily involved in banking and

finance. The judicial system and other areas of the public sector are inefficient and subject to corruption.”

**-Peru** improved on Trade Freedom, Government Size, Monetary Freedom, Investment Freedom and Labor Freedom. According to Heritage: “Peru scores above average in seven areas and is particularly strong in terms of government size. Personal income and corporate tax rates are moderate, and overall tax revenue is low as a percentage of GDP. Inflation is low, and prices are not significantly influenced by the state. Privatization is moving forward, particularly in infrastructure, and overall government expenditures are correspondingly low. Peru faces significant challenges, particularly in labor freedom, property rights, and freedom from corruption. The slowness and unpredictability of the courts have led to allegations of corruption, but corruption is not as serious as it is in other countries in the region. Economic development is also impeded by a restrictive labor market that regulates costly employee dismissal procedures and inflexible weekly working hours.”

**-Dominican Republic** improved regarding Business Freedom, Labor Freedom and Financial Freedom.

**-Argentina** practically didn’t suffer any modifications. According to Heritage, “Compared to the typical country, Argentina has only one economically favorable institution: relatively small government in terms of expenditures. Most advanced economies are cutting their corporate tax rates, but Argentina’s top corporate and income tax rates are 35 percent. Yet tax revenue as a percentage of GDP is low, as is expenditure, as a result of tax avoidance and evasion.”

**-Colombia** improved substantially. The most notable improvements (10 points) took place regarding Investment Freedom and Property Rights, followed by Fiscal Freedom, Business Freedom, Monetary Freedom, Government Size and Labor Freedom. There were no noticeable retreats.

**-Nicaragua** recorded according to Heritage “one of the sharpest declines worldwide, reflecting lower scores in six of the 10 economic freedoms”. The most substantial falls were Financial Freedom (10 points), Property Rights (5 points), Trade Freedom and Size of the State Sector; while it did not experiment significant improvements in any aspect. For Heritage “Nicaragua’s is weakest in property rights and freedom from corruption. The judicial system is inconsistent in contract enforcement and subject to political interference.”

**-Honduras** fell significantly regarding Financial Freedom (10 points), but improved substantially regarding Business Freedom, Fiscal Freedom, Monetary Freedom and Labor Freedom. It also retreated even though in a less notable way in Trade Freedom and Freedom from Corruption. In summary, Heritage explains that the administration of José Manuel Zelaya “has met targeted macroeconomic objectives and is reducing debt under

World Bank and International Monetary Fund initiatives. Ongoing problems include drug trafficking, violent crime, and the proliferation of street-youth gangs known as *maras*".

-**Bolivia** dropped clearly in Investment Freedom, Property Rights and Freedom from Corruption, next to more subtle falls in other four points like Business Freedom, Trade Freedom, Fiscal Freedom and Government Size. But it is worth highlighting that it enjoyed a notable improvement of almost 6 points in Monetary Freedom as "inflation is moderate, averaging 4.6 percent between 2004 and 2006. Relatively unstable prices explain most of the monetary freedom score".

-**Guatemala** fell in Financial Freedom and Trade Freedom. On the other side, there were only few significant improvements, except for the remarkable case of Business Freedom. Heritage concludes that "Guatemala scores poorly in business freedom, property rights, and freedom from corruption. Closing a business is difficult, and licensing procedures are burdensome. The judiciary is not an effective arbiter of cases, and corruption is extensive".

-**Paraguay** improved regarding Business Freedom, Property Rights and Freedom from Corruption. Heritage remarks that "Paraguay scores above average on half of the areas measured and especially well in terms of fiscal freedom and government size", but "business freedom, labor freedom, property rights, and freedom from corruption are weak. Opening a business is difficult, and regulations are enforced by an opaque bureaucracy."

-**Ecuador** dropped substantially in Financial Freedom and Freedom from Corruption but improved to the same extent in Investment Freedom. As explained by Heritage Foundation "rule of law is politically influenced and inefficient". After the election of Rafael Correa his "platform of tighter government control of banking and oil production, default on debt owed to international lenders, and opposition to a free trade agreement with the United States" resulted in "capital flight has soared and foreign direct investment has fallen".

-**Venezuela** lost 2,9 points "mainly reflecting worsened property rights and labor freedom. Venezuela is ranked 28th out of 29 countries in the Americas, and its overall score is much lower than the regional average". Even though Business Freedom and Monetary Freedom improved, all other indicators dropped, especially Property Rights where the retreat was of 20 points resulting in a score of 10/100. Heritage explains the retreat in the following way: "Last year, Chávez confiscated control from private-sector oil companies and nationalized the largest electricity supplier and the biggest telephone company. He is spending billions on an international, anti-American petro-diplomacy campaign and propping up the regime of his mentor, Cuban dictator Fidel Castro. Coupled with import and price controls, these policies hurt the lower-income groups that Chávez promises to help. Venezuela has one of the world's highest inflation rates. Price controls on food, medicines, and basic services discourage private production and result in shortages."

-**Haiti** registered a retreat in comparison with the previous year and "one of the five largest declines this year". It improved only its Monetary Freedom (3 points) but dropped in 6 items especially Business Freedom, Trade Freedom and Financial Freedom.

-**Cuba** also dropped, "mainly reflecting worsened government size and freedom from corruption". "The Communist government dictates economic policy, all aspects of business are tightly controlled and government-dominated, and the private sector is very small. No courts are free of political interference, and private property (particularly land) is strictly regulated by the state."

Finally, regarding **transparency**, according to the survey about the perception of corruption, Chile, Uruguay, Costa Rica, Panama, Mexico, Peru, Honduras, Bolivia, Guatemala and Cuba improved, while Nicaragua, El Salvador, Ecuador, Venezuela and Haiti got worse. The rest of the countries did not change.

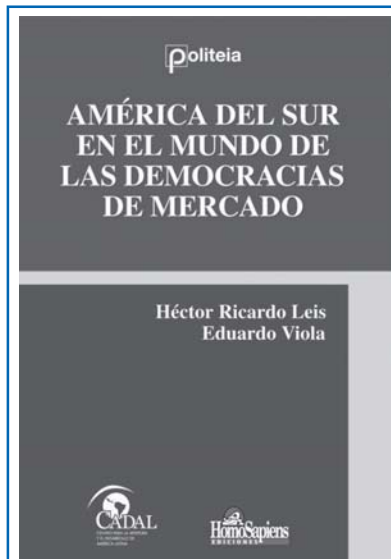
## South America in a world of market democracies

Héctor Ricardo Leis and Eduardo Viola

*"The book is gathering, polemic and committed. The authors analyze the globalization process and knowledge society in the threshold of the international system in the 21st century. Market democracy is established in the world, and that tendency contrasts in South America with the populist experiences that leave serious question marks and challenges on the evolution of certain democratic regimes in the region".*

**Hugo Quiroga**, Political Scientist, Universidad Nacional de Rosario, Argentina

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## Democracia, Mercado y Transparencia Global 2008

Al igual que en la edición anterior, las dos ex colonias británicas, Nueva Zelanda y Myanmar, vuelven a ocupar el primer y último lugar de este ranking, respectivamente. En total, con respecto al 2007, unos 75 países mejoraron su calificación, otros 62 la empeoraron y siete se mantuvieron igual.

Dinamarca se ubica segunda a nivel global, ha achicado bastante la diferencia respecto a Nueva Zelanda y sigue encabezando el ranking de los países de la Unión Europea. Suiza se ubica tercero y también achicó la diferencia con Nueva Zelanda. El otro país de Oceanía, Australia, se ubica en cuarto lugar y también ha mejorado su calificación. Por su parte, Canadá aparece en el ranking en quinto lugar y es el mejor posicionado del continente americano.

Islandia y Finlandia son los dos únicos países del Top Ten que bajaron su calificación, y el Reino Unido y Noruega son los que registraron los mayores descensos entre los que ocupan los veinte primeros lugares del ranking.

Egipto, que se encuentra en el puesto número 120, es el país que registró el mayor aumento de su calificación, de 0,282 a

0,347; mientras que Chad, en el lugar 148 es el que más retrocedió, de 0,280 a 0,209. Macedonia, Albania e India son los países con el puntaje más cercano al del promedio global, que en 2008 fue de 0,521 y en el año anterior de 0,523. De los 27 países que integran la Unión Europea, solamente 8 aumentaron su calificación y 19 retrocedieron en este ranking. Chipre es el país que registró el mayor crecimiento, pasando del puesto 17 en 2007 al lugar 12 en 2008 en la UE. Los otros países de la UE que mejoraron su puntaje son Dinamarca, Irlanda, Estonia, Eslovaquia, Polonia, Grecia y Rumania.

Por su parte, de los países que integraban la ex Unión de Repúblicas Socialistas Soviéticas, el mejor posicionado es Estonia, en el lugar número 19; de Medio Oriente se destaca Israel, en el puesto 33; y de África aparece Mauricio, que se ubica en la posición número 32 y obtiene uno de los crecimientos más importantes en su calificación respecto al 2007. Finalmente, siete son los países que en las mediciones de 2007 y 2008 no registraron cambios en su puntuación: Austria, Brasil, Argentina, Bolivia, Armenia, Djibouti y Cuba.

### Which country would Argentina like to be similar to?

A fundamental question to ask a politician should be: Which are your reference countries? The answer would give an idea of the kind of economic and institutional system he/she supports or would show some contradiction in his/her thinking. Obviously, some politicians identify themselves with the sensible policies that are being implemented in Chile;

some few sympathize with the Cuban “paradise”; and a great majority pretends the Nordic states’ social welfare state model in order to distribute incomes fairly but combined with the transparency levels of Venezuela. That’s why the data offered by this study on a global level deserves to be observed with attention by Argentina’s political decision makers if they are interested in favoring the country’s development. In this ranking Finland is 8<sup>th</sup>, Sweden 9<sup>th</sup>, Norway 16<sup>th</sup> ... and Venezuela 115<sup>th</sup>.

Likewise, these data also help to strengthen the reasoning of Argentine businessmen. For example in the edition for the 25<sup>th</sup> anniversary of the prestigious magazine *Apertura*, several businessmen consulted about “what headline would you like to see on the cover of the magazine?” answered the following:

-“Argentina: historical opportunity. How the neighbors grow increasing free trade, without distorsive taxes, lowering levels of debt by investment. Cases like the one of Brazil, Peru, Colombia and Chile. Or Uruguay with galloping agricultural exports, without retentions, a relatively low inflation and social peace. Show that things can be done benefiting society, focusing on the creation of wealth more



than on its distribution”.

-“A map of Argentina and sentences: Who do we want to be like when we are grown-up? Australia, Ireland, Canada? Or Bolivia, Venezuela, Zimbabwe?”

-“The news that Argentina achieved to be grated with the same investment grade like Brazil. We are every time left further behind the region’s

countries and our politicians do not look at the medium term as real statesmen”.

-“A collage. A world where food gets every time more expensive, Brazil is becoming a power, Uruguay and Chile are increasing their credit ratings, China is consuming more cell phones than Europe, Alan García is breaking records of foreign investments. And the other, where Chávez talks about ‘imperialism’, we refer to ‘f... oligarchy’ and Bolivia is busy banishing foreign companies. The word OPENING would be an invitation to think”.

One has to keep in mind that the mentioned comments were realized before the Argentine government of Cristina Fernández de Kirchner confiscated the funds of the Private Pensions System (AFJP) and before it nationalized Aerolíneas Argentinas; and that this ranking was elaborated with data obtained between 2007 and the beginning of 2008. That is why an important decline of Argentina in the ranking 2009 will not be too surprising and therewith, instead of getting closer to Norway, Argentina will get even closer to Venezuela with the political, economic and social consequences this represents.

## The cases of Denmark, Russia and China

By Gonzalo Bustamante Kuschel

The ranking Democracy, Market and Transparency shows us in the case of Denmark the success of what Inglehart, Leblang and Jackman, among others, called the multi-factorial impact of different cultural aspects on economic development as well as on the consolidation of democracy. That is why with a glance at the ranking on can see among the Top Ten a correlation between the corruption levels and the democratic quality: they are inversely proportional.

Institutions and cultural values would play, according to those authors, and with accents on one or the other element, a key role for the generation of economic growth and political freedom. Additionally, there is another decisive factor: a well educated population. Denmark is characterized, as well as all Scandinavian nations, for being a nation of high educational levels not only developing technical skills which for sure are central, but furthermore also intellectual skills in all areas: from science and technology to humanistic disciplines.

Like this, the case of the “Danish success” does not only rest on possessing a work ethic and an institutional and juridical order that is being respected but also a civil society of citizens alert to what could be a populist temptation or demagogy. It is worth to mention what the founding fathers of the United States believed: at the end, a population “with healthy citizenship” is the best guarantor for stability and freedom. It is not casual in this same line that observing the countries with the worst performance in the ranking all of them are missing one (or several) Danish strengths: working institutions, cultural values of enterprises, respect for freedom or low educational level and civility, this would explain the low yield of those countries and to the opposite the good performance of Denmark.

In this sense, countries like Denmark serve as contra-factual examples to determine what is missing to get closer to the levels of freedom, transparency and prosperity.

Hans Christian Andersen said: “Press is the artillery of freedom” but without a doubt this assumes the quality of the reader and Denmark is an example of what is called Human Capital, not only of her agents in the economic system but also of her civility in the political sphere, as indicated by this ranking.

### A third world power

As is also shown by the ranking of Democracy, Market and Transparency, Russia continues to be very far away from a real democracy and its corruption levels and the lack of transparency generate the paradox of being a “power but with political structures and a public opinion of the third world”. In order to understand this phenomenon it is interesting to consider certain data about Russia and its environment that help to understand what the ranking shows us.

According to the data provided by Anckar (2002) and Karantnycky (2000) at the beginning of the 20<sup>th</sup> century there were 55 national states, out of which almost none

Position	Country	2008	2007	Diference
2	Denmark	0,905	0,901	0,004
133	China	0,300	0,293	0,007
135	Russia	0,291	0,306	-0,015

corresponded to a democracy, in 1950 there were 80 sovereign states, out of which 22 were democracies and 1999 192 states existed, from which not less than 122 had some type of democracy. In other words, according to both authors, in the year 1900 only 12 % of the world population lived in democracies, in 1950 this figure was of 31 % and at the end of the 20<sup>th</sup> century of 58 %, this tendency continued to rise during the first decade of the 21<sup>st</sup> century.

What does this data shows? That “sovereignty” as well as “democracy” (with different quality levels, of course) extended over the world. Russia, in this context, passed from a Zarist regime that was an absolutist court to one of the most brutal totalitarianism of the 20<sup>th</sup> century and now to a “non-democratic” government with high levels of social corruption. It is enough to think that the Russian mafia is today the biggest and most dangerous criminal organization of the world. Furthermore, the expansion of sovereignty and democracy affected what some time ago was Russian and Soviet Empire winning the independence of countries that found themselves under its orbit and in some cases became democracies, such as the Baltic countries.

This way, this phenomenon meant the loss of Russian influence and the end of absolutism and totalitarianism as way of government of this nation but not the arrival of a proper democracy. Besides, as the happenings in Georgia showed, Russia does not accept like this loss of influence and tries to play a very powerful role, at least at a regional level.

This context can help to explain the reason why a nation so rich in natural resources, with a highly educated population and a low cost for manpower compared with the European Union did neither achieve to consolidate a democracy nor to establish a market economy.

Robert Dahl indicates that a condition for democratic development is the previous existence of certain values, among them: tolerance, individual freedom, respect for institutions above personalized authorities and the feeling of valuation for legality. Those would be the values that allow to consolidate democracy. Seen like this, in Russia there is a predominance of values generated by centuries of authoritarianism, totalitarianism and dependence from a state transformed in a cult of personality. This “personality cult” has been translated to the heads of the mafia, to the new authoritarianism and a lack of sense of institutions and their legitimacy reflected by the economic performance of the slave nation. That is why it has to be expected from Russia to increase its intents in the future to make its population dream of new nobility of an empire that is not anymore and like this generate social cohesion around the state and its leaders.

### A giant with clay feet

Today, there is hardly a country more talked about than China and less subjugate to *cliché* sentences. As the ranking of Democracy, Market and Transparency reflects, China continues on its position among the countries of low performance in freedom and public transparency. That is why talking about China one tends to forget that the Asian nation found itself in an expectant situation as power more than one time in its history and without this factor certain dynamics of its politics can not be understood.

When dynasty Qin unified the country the first thing to do was to generate a “bureaucracy” that allowed to administer the immense nation. Therefore the Chinese bureaucracy was a lot older than the European and according to authors like Kaiser and Yon Cai (2003) not until 17<sup>th</sup> century, as it is worth saying almost 2000 years later, that a bureaucracy will emerge inside Europe capable to compete with China. Another fact to have in mind is the presence of Confucianism in the Chinese culture, as incorporated values, and with different streams of this doctrine, respect for laws, obedience to authorities and development of virtues linked to strength and sacrifice as a common patrimony are instilled, next to establishing and promoting efficiency criteria in order to determine the ascension to the state bureaucracy and no hereditary factors. This will be of great importance because the Chinese bureaucracy is accompanied by criteria of administrative excellence, at least for 500 to 300 years before Christ.

Also it has to be taken into consideration that China was always a country divided in social classes, races (the order of 56 and always has been governed the Han), religious diversity and clans. This could explain why even though China achieved to dominate in the 19<sup>th</sup> century even more than 30 % of the world trade and even though it was a Chinese of Muslim religion, Zheng He, who was the first to travel around the planet in the 14<sup>th</sup> century that the Asian

tiger until today never opted for challenging the Western dominance. For them it must have been clear that they suffer internal weaknesses and as Sun Tzu advises in *The Art of War* “it is not prudent to attack a power if there is no security of one’s own strength”.

All this helps to understand why China remains united: on one hand a bureaucratic tradition, a population for millions of years used to obey and not knowing democracy and a Communist party, heir of a culture full of fear of its own weaknesses. And today she clearly aspires to challenge the West for what they need, according to their opinion, a monolithic and dictatorial political order that drowns the divergence, something surely in concordance with the Communist ideology of their own party.

In those conditions the position of China in the ranking is not astonishing: a mute public opinion, a civil society molded to obey and a bureaucracy that does not contribute to transparency.

It has to be seen what will happen with China in the next years: she is next to another Asian giant with whom she fought her last war in 1962, to the north limited by Russia, a country not willing to play a secondary role in the center of Asia, possesses in the north a very numerous Muslim community and increases in a growing way the inequalities in terms of economic power and water resources between the north and the south. All this makes it possible to assume that the days of political opening in China are not close yet. The tiger has a conscience possessing more than one clay foot and its political culture is based on resisting to split making use of force.

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## The worst of the world

By Pablo Brum and Mariana Dambolena

A moral obligation for developed countries and those aspiring to be so is not to forget the people who unfortunately live in countries governed by dictatorships, with poverty and widespread corruption. Those are the countries appearing in the last positions of this ranking and whose authorities should not be considered legitimate by any democracy or international organism wishing to be respectable.

As this study allows to compare at a global level the respect for the three aspects making up development, the analysis of the ranking's worst countries is also a kind of consolation for those living in places with different political and/or economic difficulties, as they can then appreciate that there are still a lot worse cases. Clarifying again that this study does not include in its ranking countries that do not appear in anyone of the publications used for this measurement, those are exactly the reasons why some nations deserving to be included into the worst of the world do not appear in this section, such as North Korea, Eritrea, Somalia and Sudan.

The countries occupying the last ten positions in the ranking Democracy, Market and Transparency 2008 are described below.

### Myanmar

The regime of Myanmar, also known as Burma, already maintains a tradition of massive use of force and repression in order to control the country. It is difficult to know where to begin to list reasons why this administration is at the bottom of this study.

The power lies in the hands of a military junta led by general Than Shwe. All dictatorships of the world restrict human rights, such as freedom of expression, of association or worship. Still the regime of Yangon goes far more than that.

In Myanmar, most elemental activities, such as telecommunications, freedom of circulation or to have contact with foreigners are forbidden. Even more, the regime is in a state of war with its own population, as it has used the army for decades to brutally strike down ethnic minorities of the country's jungles. Likewise, in order to carry out and finance this war effort the population of the surrounding regions is recruited and directly enslaved.

The grade of extreme violence and control of the population, exercised by the military led by Shwe, famous in the media for their violent suppression of protests by Buddhist monks, turns Myanmar into one of the least accessible countries of the world. Actually in 2008 the regime hit bottom with its violation of the human rights of its own citizens. Facing the surge of the cyclone Nargis killing a mere 100 000 persons the administration prohibited during several weeks the access to organizations and governments offering free humanitarian aid.

### Zimbabwe

The administration of Zimbabwe is under the control of one single man since 1980: Robert Mugabe. The unlucky inhabitants of this country, formerly called Rhodesia, passed this year from being governed by a supremacist administration of the white minority to bearing a dictator who uses his pro-independence activism for justifying his control about the country. Zimbabwe actually faces the precipice of a widespread famine. When this study was written it was the country with the highest inflation rate of the world, same accounting for unemployment levels, life expectancy and nutrition in a free fall. All this derives directly from the policies dictated from Harare by Mugabe and his team. Among them there are the massive expropriation of agricultural properties of citizens with white skin, the closure of the country against the entrance of foreigners in order to alleviate the food situation, the prohibition and repression against independent political activities and the control of the economy by the state.

Mugabe caused an even bigger upset in the world when he ordered in 2005 the operation Murambatsvina or "take away the trash". In one of the world's poorest countries with the widest misery, the regime sent the armed forces to demolish whole quarters of irregular housings in the country's poorest areas. United Nations estimates that the destruction affected more than two million people.

### Turkmenistan

This is one of the world's most forgotten countries. When it appears in the news it is because its dictator who is part of the category of the most bizarre ones surprises the world with a new excess. Saparmurat Niyazov was a soviet apparatchik, designed by the party of Moscow to control the Turkmen republic. When the communist empire broke down, the old supporter of the international communism transformed himself into Turkmenbashi, the father of all Turkmenians.

Like this since 1985 under the soviet era and until 2006 all the power inside the central Asian republic was hold by Niyazos. Even today the country reflects at the style of North Korea a totalitarian cult to his personality that Niyazov commanded his citizens/subordinated. Niyazov's poetry books were a mandatory reading and his decrees/moods included the closure of all hospitals of one city. The order to the sick persons was that they had to be treated in the capital Ashgabat.

Niyazov's death did not change the fact that the former Communist Party is the only one active in the country. Economy turns around selling contracts for the energetic exploitation by the state which is exclusively nourished by the thereby generated incomes.

## Libya

It is not surprising that another country of those among “the worst of the world” in this study is another one in which total power is reserved for one sole dictator with tendencies to extreme egocentrism.

Muammar Gaddafi took the power in 1969 when he was a young colonel. Until today he is the one controlling everything happening in Libya. Naturally he is preparing his sons to follow him who in the meantime travel around the world causing damages and scandals.

Libya is a totalitarian country subordinated to the concepts invented by Gaddafi as society ordering principles. Behind the contents the result is that political parties and the freedom of expression are expressly prohibited. The regime uses violence to detain, torture and make disappear its critics. Additionally, Gaddafi turned Libya’s reputation into an infamous one for organizing terrorist operations at an international level, including the shooting down of a civil airplane above Scotland in 1988. In order to survive on the international scenery, Gaddafi reinvented himself successively as communist, Islamist, African or even Mediterranean. Recently he achieves to buy a major acceptance in the international community because of his offer to sell oil, to compensate the victims of his terrorist operations and to renounce to a program of development of nuclear weapons. Oddly, the Argentine president Cristina Fernández de Kirchner stated the following during her visit to Africa in mid November this year including Libya and a meeting with Gaddafi: “Me and the leader of the nation Libya have been politically active since we were very young, holding on very strong ideas and convictions and with a strong questioning slant towards the status quo”. A surprising comment by a person defining herself as defender of human rights.

## Uzbekistan

Even though it is a country considerably rich in resources, its economy is widely controlled by the government and there are high indexes of poverty and unemployment. Communication media is controlled in its totality by the state and the opposition is practically inexistent.

Various supporters of the human rights, dissidents and independent journalists are imprisoned under absurd charges. The repression of dissidents reached its peak in 2005 in the episode known as the Massacre of Andijan where hundreds of pacific demonstrators were attacked by government forces. Today those murders – the administration estimates 190 dead – are still unpunished. Torture is considered a systematic and widespread practice. The regime uses the “threat by Muslim extremists” as an excuse to make arbitrary arrests and torture Muslims practicing their faith out of established controls.

## Chad

This central Sahara country is the one that declined most in the raking compared with 2007. Since 2003 it exports

Position	Country	Per capita GDP	2008
143	Laos	580	0,229
143	Equatorial Guinea	12860	0,229
145	Syria	1760	0,224
146	Cuba	7580	0,214
146	Belarus	4220	0,214
148	Chad	540	0,209
149	Uzbekistan	730	0,204
150	Lybia	9010	0,188
151	Turkmenistan	2320	0,174
152	Zimbabwe	340	0,157
153	Myanmar	450	0,143

oil and, like the case of Equatorial Guinea, the abundance of natural resources and the substantial incomes related to its sale did nothing more than increase the corruption levels. Chad continues to be one of the poorest and least developed countries in the world. Even though the government promised to assign a great part of the profit coming from oil to development programs, this has not been implemented and the resources are mainly used for buying weapons.

Since its independence from France in 1960 the country has been submerged in intermittent conflicts, in their majority related to ethnic and religious tensions. The guerrillas include child soldiers.

Besides, in the last years Chad has been the destiny of hundreds of thousands of refugees coming from Darfur, Sudan. To this the thousands of internal migrants have to be added. All those live in extremely precarious conditions that are even engraved by the hard climatic conditions.

## Belarus

The president of this former Soviet Socialist Republic, Aleksandr Lukashenko is considered “Europe’s last dictator”. Taking into consideration this pseudonym, it is not difficult to imagine the living conditions in this country. There are almost no independent press media, the access to and navigation in internet is limited and criticising the president is considered a criminal offence. Even though political opposition groups are “legal”, the authorities act in a way that is practically impossible to operate and the majority of the opposition leaders are imprisoned. One of the most recent cases is the one of the former presidential candidate Aleksandr Kazulin, imprisoned since 2006 when he was arrested during a peaceful protest and accused to disturb the public order. Recently, Russia has weakened her support for the administration of Lukashenko, demanding higher prices for oil and gas. On the other hand, the Western countries maintain a distance because of the grave violations of human rights that exist there. This has driven Belarus to search new connections, like the president of Venezuela, Hugo Chávez and his homonym of Iran, Mahmoud Ahmadinejad.

## Cuba

Cuba holds the distinction as first and unique totalitarian dictatorship in the history of America. Even after the dead

of her ancestor, the Soviet Union, and the overcoming of her eternal dictator, Fidel Castro, Cuba did not change practically at all since 1959.

The result is that it is one of the poorest countries of the world that furthermore is physically ruined. The grade of invasion into liberties and human rights by the government is grotesque. In Cuba there is almost no internet; there are no media and no press which are not owned by the state. All those expressing a critic against the government or even showing “wrong” tendencies are susceptible to disappear in one of the world’s most brutal jail systems. Exile is not an option as the regime forbids the exit of Cubans of their own country. The decades long result is immense human waves fleeing from the island in improvised rafts, usually towards the United States.

Orthodox application of communism means that the Cuban economy is almost completely collectivized – which implies a permanent retreat and life levels inferior to the ones of 1959. The only exception is international companies investing in tourist sectors cynically exploited by the regime. Next to all this, Cuba has a rich history of support and exercise of terrorism, antidemocratic subversion and the suppression of human rights in the whole world.

### Syria

Outstanding for having initiated the first secular dynasty in the Near East, in 2000 after Dictator Hafez Assad’s death, the power turned to his ophthalmologist son Bashar.

Syria under the second Assad is a Pariah state seen widely as one of the world’s most repressive. The regime’s authoritarianism extends to arbitrary imprisonment and constant persecution of thousands of dissidents, the attempts to create a free press and the corruption allowing the army to dominate life in the country. Economy is stagnant since the era of the first dictator Assad who implemented the socialist ideology Ba’ath. There are estimates indicating that until half of the Syrian population are employees of the state. Regulations on trade, foreign investments and finances are extreme.

Additionally, Syria continues to clash with the free world, for its open support of Palestine, Lebanese and Iranian terrorism.

### Equatorial Guinea

This tiny state of Africa’s Western coast is the third oil producer of the continent. Still, the profits are concentrated

by a chosen group related to the government and the results of the economic growth do not reach those needing most. The economic boom did not contribute to improve the corruption indexes, but to the contrary it have continued rising.

Equatorial Guinea has very high poverty indexes and one of the world’s worst alphabetization rates. The power is concentrated in the hands of her president, Teodoro Obiang Nguema Mbasongo who determined that the information regarding profits derived from the sale of oil is considered “state secret”. Political and civil liberties are seriously limited, press and the judicial power are not free and for meetings of more than ten people special permissions are required, same accounting for visas to leave the country.

It is worth recalling the recent visit of Teodoro Obian to Argentina in February this year. Next to signing various cooperation agreements president Cristina Fernández reproached the head of state for the situation of human rights in his country. Obiang did not hide his discomfort and declared that he did not go to Argentina “to receive classes about democracy and human rights”.

### Laos

Laos is one of the poorest countries of Eastern Asia. After years of isolation it started to open to the world in the 90s. The wide majority of the population, about 80%, work in the agricultural sector. In rural areas the population’s majority lives without electricity and in precarious conditions.

Laos together with Vietnam and Myanmar constitutes the so called “Golden Triangle”, an area for the production of heroine; that is why drug trafficking and the violence brought by this activity are widely spread. In Laos human rights are gravely violated, especially those of the minority Hmong. This ethnic group lives in the mountainous jungle in extremely humiliating conditions and is persecuted even today by forces of the government for their links to the “secret army” during the war in Vietnam. The only legal political party is the Popular Revolutionary Party of Laos. The government controls press media and the opposition is strongly suppressed.

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## Area of International Promotion of Human Rights



### Proyecto ProCubaLibre

“Cuba es una enorme prisión y tenemos que dar la alarma alrededor de sus muros”, Vaclav Havel



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## May they wait for the end of capitalism

By Pablo Díaz de Brito

The international columnist of Newsweek and CNN and former editor of Foreign Affairs, Fareed Zakaria, recalls in his column *The age of Bloomberg* that during the capitalism of the 19<sup>th</sup> century there were recessions every 49 months and after 1919 this average rose to 100 months. The interventions and regulations of the central banks and the finance ministries prevented and softened many crises that still are intrinsic of a capitalistic economy as its enemies point out with pleasure these days. But those cyclic crises, as is revealed studying the current one, are due to the great intrinsic dynamism of capital, the same one that allows the creation of wealth as no other economic system. This dynamism allowed people in the United States to buy a first or even second house who in Argentina can not even dream of having a property.

That is why today, as Zakaria points out, nobody would accept to return to 19<sup>th</sup> century capitalism, the same way as nobody wants to go half a century back when the entrepreneurial state was responsible for not only banks, iron, steel and telephone but also cigarette and noodles factories and fixed the price of all kind of goods and services. The best contemporary example of this failed return to the 50s, Chávez' Venezuela, ratifies the universal negative judgment about this archaic model. The Venezuelan economy collapses together with the oil price in a whirl of inflation while Chávez nationalizes everything that comes to his mind. Venezuela's position 115 confirms all this.

Zakaria concludes that it is not the globalized capitalism that is at stake with the current debate but the worldwide predominance of the United States that could easily loose this central role (this is the topic of his last book).

What counts is that "the countries will continue to trust in free markets and free trade in order to achieve their development and increase the level of life" of its population, he concludes.

Some weeks ago, labor unionists and indigenists diagnosed in Guatemala "the end of capitalism". And right afterwards the great Marxist historian Eric Hobsbawm stated that "what

is happening today is a drama equivalent to the collapse of the Soviet Union", as if capitalism was facing its sudden death as it occurred with communism in 1991. Over the years the times when the left has issued this fatal diagnose are literally uncountable. As we know they were always wrong.

Also, the candidates to dispute at a medium term the primacy of the United States, or at least to share this primacy, such as China and India and, at a second step, Brazil, Mexico and Russia, are all countries that betted clearly on the market in order to grow and achieve the accession of a significant part of its population to good levels of welfare. It is worth noticing that out of those countries China and Russia, two super stars of growth until the current crises perform very badly in the table (134 and 135, respectively) while the enormous democracy of India finds itself on the position 70, a similar level to Argentina. About China, perfect dictatorship if such exists, a doubt can be added: its statistics. Nobody knows for sure which their scientific value is. In plain debacle China calculated its annualized growth for the third quarter of 2008 a stratospheric 9 %. Any kind of opaqueness, including informative, which the country is undergoing deserves to put those official numbers into brackets. Bear in mind the ridiculous case of Cuba, with delirious numbers of growth that bitterly make Cubans laugh. The case of China, as Leis and Viola point out, opens the doors to the model of market authoritarianism, in a dangerous way attractive in a not far away future for the Latin American region.

Anyway, as a conclusion: The current crisis, the first of the globalized economy of great magnitude (the previous, of the internet bubble in 2001 was a lot smaller), is only part of the process of the development of capitalism on a planet-wide scale itself. If somebody gets excited about believing to see the beginning of the end of market and liberalism will have to continue waiting.

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## The validity of market democracies in an international society

By Héctor Ricardo Leis and Eduardo Viola

The methodology of the ranking of Democracy, Market and Transparency aims at establishing an order starting from a combination of attributes of market economy with those of democracy; a combination that could be summarized in the concept of market democracy. The resulting order defines not only short term expectations but, especially, long term ones. That is why situations of economic-financial crisis like the current one do not change the value of those criteria, even though they might eventually produce other alterations in the countries' classification in the short or medium term. The current crisis even deploying as a worldwide recession or depression will make few changes in the long run regarding the importance of the best qualified countries because since 1989 an international system of hegemony of market democracies was installed and there are no signs that this could be altered. A partial exception to this is the possibility that China could consolidate herself as a model for market authoritarianism, including with capacity to attract other Asian and African countries (it is important to recall that there is no economic recession at the horizon for China and that in the last two years its population seems to be the most satisfied of the world and also the one with the greatest trust towards the future). Anyway, the central countries of the system of market democracies will continue to concentrate a fundamental part of the world GDP, military capacities and political-cultural prestige (or *soft power*).

Not always perceived is the fact that inside market democracies there is a tension between market and democracy: an extreme maximization of the markets' power eroding democracy and a maximization of democracy undermining market economy. Actually, until the current crisis unleashed in September 2008 there was a clear predominance of the markets about politics inside the market democracies which allowed the existence of eventual risks as it turned out to happen. But those regulation-free spaces which allowed the speculation of the derivative markets do not cause irreparable damage to the system even though the losses and delays could be considerable. To the contrary, once the current shortages are dealt with the system will go out stronger and therefore the countries which strengthened their democratic and market institutions will benefit on the mid and long term. Those betting on the crisis of the system as such will be heavily damaged (something that in Latin America seems to be a permanent temptation for many governments).

It is fundamental to understand modern market democracies as a product of the historical evolution, with not less than three hundred years of numerous battles instead of understanding them as a project of one or another actor in one or another period of history. Hence, the current international system is not a system of North American hegemony, but a system of hegemony of market democracies. In contrast to what happened during the Cold War, since 1990 the number of relevant countries that are

market democracies increased considerably, a product of the third democratization wave and of liberal economic reforms. Nevertheless, a significant number of countries are still not market democracies – some on the way of uncertain approximation to market democracy, others that failed partially in the attempt to establish it in the 90s and finally others that never even tried to establish market democracies. The previous suggests that the increase of the proportion of relevant countries that are market democracies does not mean that the world makes progress heading to the universalization of market democracy as a way of social organization. Beyond the temptation to imitate the Chinese model of market authoritarianism there are also empiric evidences to assert that an important amount of African, Middle East, Central Asian and even Latin American countries would have many intrinsic difficulties to reach market democracy. Despite all that the possibility that a new society model capable to compete with market democracies in the production of prosperity and individual satisfaction at the long run might emerge is firmly established.

The changes that could happen starting from the current situation will not alter that much the countries' order in the international system, but the type of market democracies that will develop facing the future. There are two subtypes of market democracies: Liberal ones and liberal-statist ones. If we take consolidated market democracies as examples it comes true that liberal ones are characterized by a reduced, even though not weaker state, low tax burden, high economic freedom for individual agents, low state regulation and a predominantly a capitalization pension system. Those are for example the United States of America, the United Kingdom, Ireland, Iceland, Switzerland, New Zealand and Chile. Liberal-statist ones are characterized by a mayor state and tax burden, less economic freedom for individual agents, higher state regulation and a mainly redistributing pension system. Those are almost all countries of the European Union, Japan, South Korea, Taiwan, Australia, Singapore and Israel. The current crisis allows predicting that in the near future there will probably be a move forward in the liberal-statist direction.

Finally, it is worth the effort to observe that the deepness of the economic crisis in combination with the acceleration of the threat of the climate change could erode the mentality of consuming and hyper-materialistic attitudes inside market democracies. This would open new scenery of more rationality and a great opportunity for the evolution of humanity towards a system of hegemony of a globalized market democracy with low carbon.

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