

The Left, Latin America and Implications for the U.S.

Recent Trends and Future Prospects for Democratic Capitalism

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Introduction

Scholars concerned with Latin America as well as the popular media have for some years sought to describe and explain a “move to the left” in the politics of this region.¹ This paper reexamines some of these arguments in light of new and ongoing developments in Latin America that help offer some encouragement to supporters of democratic capitalism. These developments have potentially crucial implications for the United States (US) and its interests in the region.

We begin with a description of recent historical and contemporaneous political trends in seven key Latin American countries (alphabetically they are Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela). These countries provide a reasonable representation of the crucial recent trends in the region incorporating both shifts to the left and counter-tendencies toward the democratic right.

We combine our discussion of broad political trends using Latinobarómetro and other survey data, examining public opinion trends in these seven countries relating to attitudes toward democracy, markets and capitalism. We examine these political trends and popular attitudes within the framework of US economic, political and security interests within the region.

An Overview of Recent Political Developments

Advocates of free markets and the principles of limited government and the rule of law could only look with anxiety on political developments that manifested themselves in Latin America over the approximate 1998-2008 time period. During this period, parties and candidates of the left scored victories in country after country in Latin America.

These gains by the left in large part appeared to represent a rejection of the so-called “Washington Consensus”. This policy formulation that had emerged in the 1980s had called for sweeping privatization, deregulation, and monetary and fiscal policies designed to reduce inflation in order to keep inflation under control as well as efforts to create incentives for businesses and individuals to save and invest, while avoiding high and redistributive tax schemes.

The policies characterized as the Washington Consensus were not dissimilar from the broader movement in the U.S. and Western Europe during the 1980s and 1990s as well as the newly emerging democracies of the former Soviet bloc. The aim was to reduce the role of the state and create an environment supportive of the rule of law, relatively free markets, a pro-business environment and, in the case of emerging democracies, one conducive to the maturing of representative government.² Regarding economic reform, the Reagan presidency and Thatcher years in Great Britain came to be emblematic of these efforts in a bid to translate their experiences and the reform efforts of other industrial democracies to Latin America and elsewhere.

If there was a year that could be identified as a political inflection point in Latin America, it was 1998. That year witnessed important political events in three important countries; Venezuela, Argentina and Chile, which would in some cases shape the political landscape for years to come, as left-wing regimes of varying stripes came to power. Brazil would exhibit important electoral shifts in 2002. We describe events in roughly historical sequence as we examine dominant trends in these countries and point out the critical distinctions to be drawn in the underline character of the governments of the left.

Venezuela witnessed the victory in December 1998 of the fiery, former military officer and failed 1992 coup leader, Colonel Hugo Chávez. An admirer of President Fidel Castro and a vociferous critic and opponent of the US, Chávez had worked assiduously in the years prior to 1998 to build a radical populist left-wing movement that was able to dominate the

1998 elections.³ His victory in presidential and legislative elections and subsequent electoral victories in referenda aimed at expanding Chávez's powers sent Venezuela down an increasingly socialist path, as the Chávez government moved toward increasingly radical redistributionist programs designed ostensibly to aid the poor, together with a program of nationalization of businesses that gave increasing economic power to the state. These moves were combined with an increasingly authoritarian turn within Venezuela, as opposition leaders were threatened, arrested and in many cases forced into exile.

Perhaps just as disturbing to non-left forces in Latin America has been Chávez's international ambitions, as he has become increasingly engaged over his decade in power in providing aid to various leftist revolutionary movements throughout Latin America, supporting the FARC (The Revolutionary Armed Forces of Colombia) in Colombia, leftist elements in Peru and El Salvador and using Venezuela's oil wealth to buy the support of various regimes including Argentina. These activities are considered in more detail later in this essay.

Argentina has also moved left since 1998, beginning with the election of Fernando de la Rúa, a Socialist, in the 1998 elections. The 1998 election took place in a toxic political and economic environment. The market-friendly reforms (privatizations, dismantling of protectionist barriers to imports and streamlining of business regulations) of President Carlos Menem, a reform Peronist who had sought to modernize the Argentine economy, in conjunction with Menem's political corruption scandals were blamed as the ultimate causes of the 1998 economic downturn, although the election took place at a time when the Asian currency crisis was sending shockwaves around the world.⁴

During the second half of the 19th century, thanks to free market economic policies and the rule of law embodied in the 1853 Constitution drafted by Juan Bautista Alberdi, Argentina enjoyed a period of prosperity from 1880 to 1929 ranking it as one of the 10 wealthiest economies in the world.⁵ It was the Great Depression in 1929 that began an era of economic nationalism and populist authoritarianism in the guise first of Peronism and later, various military governments. These unhappy trends have continued to the present day.

The increasingly negative economic situation in 1997-98, and the rapid economic deterioration helped produce Socialist candidate Fernando de la Rúa's election victory in the presidential election of 1998. But the continuing slide in Argentina's economic prospects due in part to the Asian and Brazilian financial crises and the already debilitated Argentinean economy led eventually to de la Rúa's resignation in 2003 and his eventual replacement by an unreconstructed Peronist, Néstor Kirchner.

It must be understood that Kirchner's Peronists are not of the Chávez or certainly Cuban variety. Nonetheless, Kirchner's brand of populism contains elements of a left-authoritarian strain that has been endemic to Argentina and elsewhere in Latin America. Under Kirchner, whose

protectionist and massive spending policies combined with various redistributionist schemes and use of the state to deny individual property rights, together with an exceedingly friendly posture toward Cuba and Venezuela, represented a fundamental shift away from the reform efforts of former President Menem. Argentina's strained circumstances in part accounted for Argentina's move toward Venezuela, which had agreed to purchase large amounts of Argentinean debt at a time when there was no demand whatsoever in the international debt markets for Argentinean debt instruments.⁶ Recent evidence, however, including the June 2009 legislative election, which resulted in a disastrous defeat of Kirchner allies, and other recent polling data, suggest Argentina may swing back to the right when general elections are held in 2011.

Brazil had emerged from a painful past, in which the Brazilian military had run the country from 1964 to 1985. After this, Brazil entered an era of democratic renewal with a succession of democratically elected leaders, beginning with Presidents Fernando Collor de Mello and Itamar Franco. Fernando Henrique Cardoso, elected president in 1995 proved to be extremely significant and enacted a number of important economic reforms. Cardoso's reforms included a reduction in import barriers, privatization and fiscal retrenchment, and introducing a plan to reduce rampant inflation. This effort was called the "Plano Real" that introduced a new currency, the "Real" pegged to the dollar; while working well for a time in the late 1980s and early 1990s and producing large inflows of capital, continuing fiscal deficits combined with international currency crises led to devaluation and recession.

Cardoso's market-friendly administration, labeled by critics as "neoliberal", was criticized and blamed as the cause of the late 1990s currency crisis, giving leverage to the charismatic and populist leader from the left, Luiz Inácio Lula da Silva. Da Silva, popularly known as "Lula", went on to win by an overwhelming margin the next presidential election in 2002. Yet, surprisingly, the market-friendly policies that Cardoso implemented were rapidly adopted by the new elected leftist president, giving Brazil access to international credit markets and producing healthy economic growth.

In spite of its recent extraordinary serious problems with the collapse of the all-important commodities market upon which Brazil was heavily dependent, the fall of the Brazilian currency and the growing possibility of default on its sovereign debt, President Da Silva made no moves that could be considered fundamentally hostile to the market, or to constitutional processes. Indeed, the President's policy direction suggested substantial continuity with the conservative pro-market policies of his immediate predecessors.⁷ These moves delighted conservatives and investors, but deeply disappointed leftists.

Many of President Da Silva's policies including his fiscal position, free trade and relatively mild redistributionist strategies were well within the so-called "neo-liberal" framework.⁸ Moreover, Brazil hewed to an independent foreign policy that maintained some political distance

between itself, Venezuela and Bolivia, two recently radicalized states in the region.⁹ To the extent the Da Silva years could be criticized, it is in the refusal of Brazil to more directly confront the radical forces in the region represented by Venezuela and others. However, if recent polling trends hold up, the likelihood of a conservative victory in the October 2010 general election seems a reasonable probability. This could help strengthen Brazil's resolve against the far left in the region.

Chile's political landscape shifted to the moderate left as well in 1998. Governed by the authoritarian Pinochet regime from 1973-88, Chile had, in the post-Pinochet era, moved continuously toward democratic freedoms. Patricio Aylwin from the Christian Democratic, center-left political party, began to reconstitute a democratic regime in Chile and gave continuity to the previous economic reforms that Pinochet implemented under the advisory of the so-called "Chicago Boys", a group of 25 Chilean economists trained at the University of Chicago under the leadership of Milton Friedman and Arnold Harberger. Their market-friendly policies helped Chile abate inflation and achieve economic growth (the so-called Chilean Miracle) by undertaking deregulation, privatization, tax reduction and other pro-market reforms.¹⁰

In 1994 Eduardo Frei another member of the Christian Democratic party took the presidential office experiencing economic growth thanks to Chile's openness to the world economy, the previous market oriented reforms, fiscal discipline and capital controls. Yet at the end of the 1990s the Asian and Brazilian financial crises also hit the Chilean economy, demonstrating that even healthy economies can be vulnerable to crises of confidence generated by events in other countries through contagion effects.

The election of Ricardo Lagos, a Socialist and Harvard trained economist, represented an important symbolic, and to some extent substantive, change in the South American nation. Symbolically, the election was certainly important since it represented the first time the left had won a general election since the ill-fated far-left Salvador Allende government had come to power in 1970.

The Lagos government, however, and Michelle Bachelet's Socialist government that succeeded it in 2005, proved themselves to be pristine in their support for democratic norms and values. While mildly redistributionist in their domestic politics, they did not reject the basic principles of the market or support for property, and certainly did not engage in the usual binge of negative nationalizations and expropriation so common to many radical populist regimes.¹¹ At the same time, they failed to deal forthrightly with the radical leftist threat posed by Venezuela, the FARC and their allies. However, the recent victory in January 2010 of Sebastián Piñera and the conservatives suggest a potential hardening of attitudes by Chile toward the extremist elements in Latin America.

Table 1. Summary of Left-Wing Electoral Gains in Latin America¹²

Country	Year Left Came to Power	Came to Power Through	Chief Executives	Regime Type	Replaced
Cuba	1959	Revolution	Fidel Castro	Orthodox Marxist-Leninist	Non-Left (Conservative-Authoritarian)
Venezuela	1998	Democratic Election	Hugo Chávez	Radical Populist Authoritarian	Non-Left
Brazil	2002	Democratic Election	Luiz Inácio Lula da Silva	Social Democratic	Non-Left
Uruguay	2005	Democratic Election	Tabaré Vázquez	Social Democratic	Non-Left
Bolivia	2006	Democratic Election	Evo Morales	Radical Populist Authoritarian	Non-Left
Ecuador	2006	Democratic Election	Rafael Correa	Radical Populist Authoritarian	Non-Left
Nicaragua	2006	Democratic Election	Daniel Ortega	Radical Populist Authoritarian	Non-Left
Argentina	2007	Democratic Election	Cristina Fernández	Populist Statist (Peronist)	Non-Left
Guatemala	2008	Democratic Election	Álvaro Colom	Social Democratic	Non-Left
El Salvador	2008	Democratic Election	Carlos Mauricio Funes	Radical Populist/Social Democratic	Non-Left
Paraguay	2008	Democratic Election	Fernando Lugo	Radical Populist	Non-Left

There was much political change elsewhere during the 1998-2008 time period that goes beyond the primary purview of this paper. Table 1 summarizes the preceding discussion.

The classification of regime type is not always straightforward. For the sake of simplicity the authors tried to classify regimes on the basis of their actual political orientation rather than the official names of the parties. Thus, Brazilian President Da Silva's government is referred as to "Social democratic" even though he was elected as the candidate of an avowedly socialist party i.e. the Socialists Workers Party. The classification "Radical Populist" is used to describe those systems where the government is dominated by an ideology that is generally anti-capitalist and anti-market and that promotes very extensive redistributionist policies. We try to distinguish between those regimes such as Ecuador and Paraguay and "Radical Populist Authoritarian" systems where there is clear evidence of at

least some degree of political repression of citizen procedural rights such as free speech and free press. Venezuela is the clearest example of such a system. The term “Non-Left” seeks to capture a broad range of orientations for governments that could be generally characterized as centrist to conservative and that are broadly supportive of markets and that take an anti-Marxist posture in domestic and international affairs.

Bolivia, with the election of Chávez ally Evo Morales as President in 2006, accentuated the leftward tilt, as did Rafael Correa’s victory in Ecuador in 2006, another Chávez supporter. Other countries including Paraguay and Uruguay also saw leftists come into power in this time period. Most recently, nonleftists must also have viewed with some chagrin the re-emergence of the Sandinista regime in Nicaragua as well as the most recent election in 2009 of the leftist government in El Salvador where conservative pro-US governments have held sway for two decades. Clearly, the left has enjoyed considerable success since 1998 in many countries. Interestingly, and perhaps a testament of the strength of political democratic institutions, each and every gain by the left was achieved through the electoral process.

Whatever one thinks about Latin American political institutions, there was a substantial “opening up” of the political process that in some cases allowed for political movements and candidates deeply hostile to the prevailing, basically centrist, center right or rightwing political orders, to gain political power in free and fair elections. The very institutions that allowed such electoral gains were insufficiently weak, or too underdeveloped, to withstand constant political assaults by highly organized, very ideological foes such as Venezuela’s Chávez, or Morales and Correa in Bolivia and Ecuador, respectively, or Ortega in Nicaragua, who clearly would like to replicate Chávez’s successes in their own countries.

The positive side to our story so far however, has been the robust maintenance of democratic and pro-capitalist institutions in Brazil and Chile. The political dynamics at work in these countries offer a crucial counterbalance within the left to the more radical, populist authoritarian regimes that occupy the neighborhood.

Against the Tides: Counter Tendencies in the 1998-2008 Period

Although the left made significant gains over the past decade as Table 1 clearly emphasizes, conservatives in Latin America were not bereft of triumphs, some of them enormously important. The victory of Álvaro Uribe Vélez in Colombia in 2002 and his subsequent reelection in 2006 provided one welcome sign for advocates of democratic, free market capitalism. Uribe’s victory was critical to Colombia’s struggle against the violent, leftist terrorist groups the FARC, which had managed to carve out a significant slice of territory in the southwest (Putumayo, Huila, Nariño Cauca and Valle del Cauca departments) of Colombia and ran it as an almost de facto state within a state. Uribe’s much more aggressive policy

toward the FARC has resulted in a significant deterioration in the terrorist group's power and reach within the country, with many of its leadership killed or captured. His domestic economic policies have been quite successful, reducing inflation and providing a more secure environment for business and investment than had heretofore been the case.¹³

Mexico is perhaps the most important case study. Mexico since the late 1980s has been moving away from the traditionalist statist and nationalistic policies of the PRI (Institutional Revolutionary Party), the dominant political force in Mexico since the 1930s. Still, it was the presidencies of Carlos Salinas de Gortari (1988-1994) and Ernesto Zedillo (1994-2000), both elected under the banner of the PRI, who helped accelerate the move toward economic liberalization, with the NAFTA accord signed in 1992 and coming into force on January 1, 1994, a keystone to the policy.

Since 2000 Mexico has continued to develop politically; an enormously important step was the victory of Vicente Fox, the candidate of the National Action Party or PAN, in 2000 and the subsequent victory of Felipe Calderón of the PAN to the presidency in 2006.¹⁴ Even though the PAN was unable to win a legislative majority, these victories represented a major transformation in the political fabric of the nation.¹⁵ They ended the seven decades long dominance by the PRI, which had held a stranglehold on power in the decades prior to the 2000 election, although noted above recent PRI presidents such as Ernesto Zedillo and Carlos Salinas de Gortari had moved in a decidedly reformist direction.

Felipe Calderón and the PAN faced two major candidates in the 2006 elections, the PRI representative, Roberto Madrazo Pintado, and the former mayor of Mexico City, Andrés Manuel López Obrador, the leader of the leftward leaning PRD (Democratic Revolutionary Party). López Obrador, a charismatic figure whose left wing redistributionist agenda bore a marked resemblance to the Chávez and Morales policies they had promulgated prior to their coming to power in their respective countries.¹⁶

The radical populist thrust of the campaign frightened many in Mexico, who viewed a prospective López Obrador victory as being a disaster for the country, with the prospect of an exodus of both foreign and domestic capital. Nonetheless, López Obrador ran an extremely strong race and in fact the final polls were actually suggesting a narrow López Obrador victory, although in the end Calderón emerged victorious by the narrowest of margins.

After having lost by a very narrow margin the PRD leftist contender López Obrador was not content with the results and argued that the electoral vote count was a fraud. He precipitated weeks of massive civil disobedience by his followers. It should also be noted that, to this day, he has failed to acknowledge the legitimacy of Calderón's presidency and has created a parallel "shadow government".¹⁷ Perhaps an additional sign of the maturing of the Mexican democratic institutions can be found in the recent electoral reforms proposed by President Calderón, that would

provide for a run-off in future presidential elections between the two top votegetters. This would have avoided the bitter controversy surrounding the 2006 election when three candidates representing the PAN, PRD and PRI all competed, with no one coming close to an absolute majority of the vote.¹⁸

The period since President's Calderon election has not been easy. The global economic crisis that hit full force in 2008 as well as the political divisions regarding what should be done about the transnational criminal organizations that have been conducting a war against law enforcement in Mexico has resulted in a turbulent political environment although democratic political institutions appear to remain secure. Moreover, the evidence suggests that the PRD has suffered a massive loss of support and will not be a major factor in the 2012 presidential election.¹⁹

Peru is another case of a "close call". The country was torn by violence during the 1970s and 1980s by the Maoist Shining Path guerrilla movement, and by the early 2000s was seeking to recover from the Alberto Fujimori presidency with its political scandals and uncontested evidence of corruption.²⁰

Peru had in spite of these problems managed modest economic growth in the past few years. Vast inequities remained, however, and radical populist movements akin to those in Bolivia and Venezuela were creating unrest in the countryside. During July and August of 2009, violent confrontations between the police and radical demonstrators in Peru threatened the government of President Alan García. García, who had been president of Peru in the 1980s and had conducted a disastrous economic policy that had produced ruinous inflation and decline in foreign investment, had been elected in 2006 running against yet another radical left-wing populist in the same stripe as Chávez and Morales. Polling data suggests centrist to center-right forces have an extremely good chance of maintaining power in the next general election scheduled within the next year.²¹

García has appeared to be older and wiser. His political orientation has been drastically modified, and if not a free market, limited government libertarian, he by all accounts has come to understand the limits of state intervention and to appreciate the role of markets in allocating resources. García thus has emerged as a potential ally of the responsible center left governments throughout Latin America as well as more conservative systems such as Mexico and Colombia.

Table 2 provides a somewhat more expansive look at conservative success in Latin America beyond those cases studied in this paper. As the table clearly signals, many of the governments (i.e. Costa Rica and Panama) replaced relatively mild, social democratic regimes that had respected the rule of law and the importance of markets.

Table 2. Summary of Non-Left Electoral Gains in Latin America

Country	Year Right Came to Power	Came to Power Through	Chief Executives	Regime Type	Replaced
Mexico	2000	Democratic Election	Vicente Fox	Non-Left	Centrist
Colombia	2002	Democratic Election	Álvaro Uribe Vélez	Non-Left	Social Democratic
Peru	2006	Democratic Election	Alan García Pérez	Non-Left	Centrist
Costa Rica	2006	Democratic Election	Óscar Arias Sánchez	Non-Left	Social Democratic
Panama	2009	Democratic Election	Ricardo Martinelli	Non-Left	Social Democratic
Honduras	2009	Democratic Election	Porfirio Lobo Sosa	Non-Left	Radical Populist
Chile	2010	Democratic Election	Sebastián Piñera	Non-Left	Social Democratic

Tables 1 and 2 summarize the current state of plate of the broad political and ideological direction in Latin America. We combine the data from Tables 1 and 2 into a map show in Figure 1 that summarizes the political landscape as of February 2010 following the outcome of the Chilean election in which the conservative candidate Sebastián Piñera defeated the center-left coalition candidate Eduardo Frei. It also shows those countries most likely to witness a shift back to the center-right within the next two years, namely Brazil and Argentina.



Figure 1. The Political Landscape as of February 2010

Attitudes toward Democracy

The preceding discussion has sought to provide a broad overview of political trends in Latin America. Here, we now seek to examine using survey data specific attitudes as it relates to support for democracy and capitalism. We begin with an analysis of the dynamics of public opinion related to support for democratic institutions. We want to determine the trends within the seven countries described earlier, and to examine common features as well as distinctions between those countries that have seen political shifts. The Latinobarómetro survey results yield some very interesting findings. First, observe the trends seen in Figure 2.

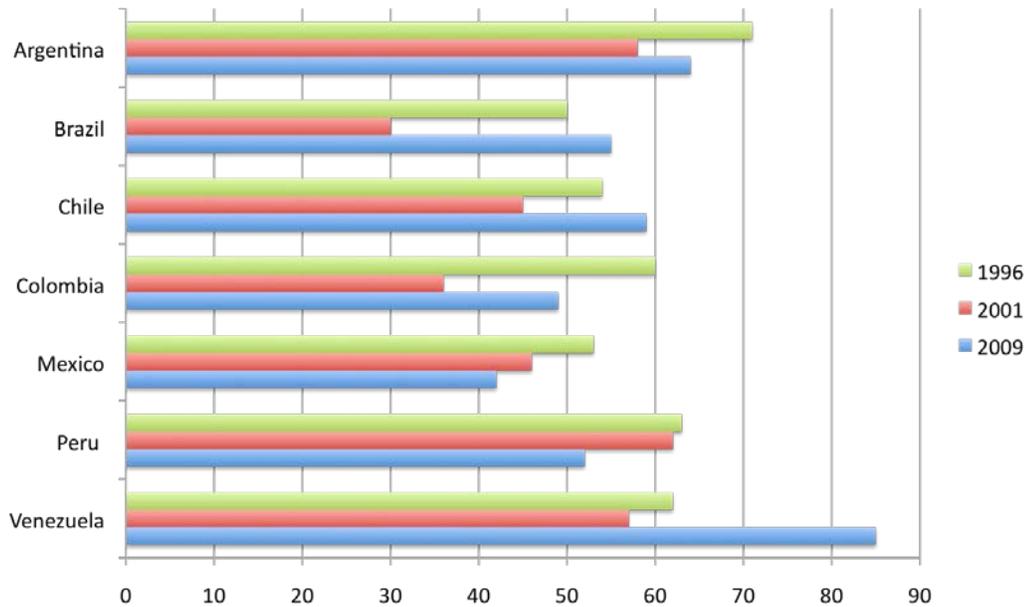


Figure 2. “Democracy is preferable to any other type of government” (percentage responding “strongly agree” and “agree”).

Source: Latinobarómetro.

Figure 2 provides trends on seven of the largest nations in Latin America regarding general support for democracy. What is perhaps most interesting about Figure 2 is the almost uniform decline in support for democracy between 1996 and 2001. All seven countries demonstrate declines from 1996 to 2001 with the most dramatic declines taking place in Colombia and Brazil. This period of course, was the period during which the left was beginning to make its ascendancy in Latin America as economic circumstances worsened throughout the region.

While there were clearly declines for virtually all countries (although Peru, surprisingly, demonstrates very little decline during this period) the actual levels for support for democracy from 1996 to 2001 were rather varied. For example, Brazil began the period in 1996 with 50 percent support for democracy declining to 30 percent by 2001; Colombia suffered a decline from 60 to 36 percent while Argentina only suffered a decline from 71 to 58 percent. As noted above, Peru exhibited the most modest of declines from 63 to 62 percent.²² Generally, most countries saw improvements in attitudes after 2001.

While the usual caveats apply to the interpretation of survey research, the data shown in Figure 2 is fairly hopeful; although in several cases the absolute levels of support for democracy are not extraordinarily high, the general trend (and here Mexico seems to be an exception) is, for the most part, moving in the right direction. The findings are reaffirmed in Figure 3, which indicates that country-specific attitudes are fairly positive toward democracy, and have improved over the past decade.

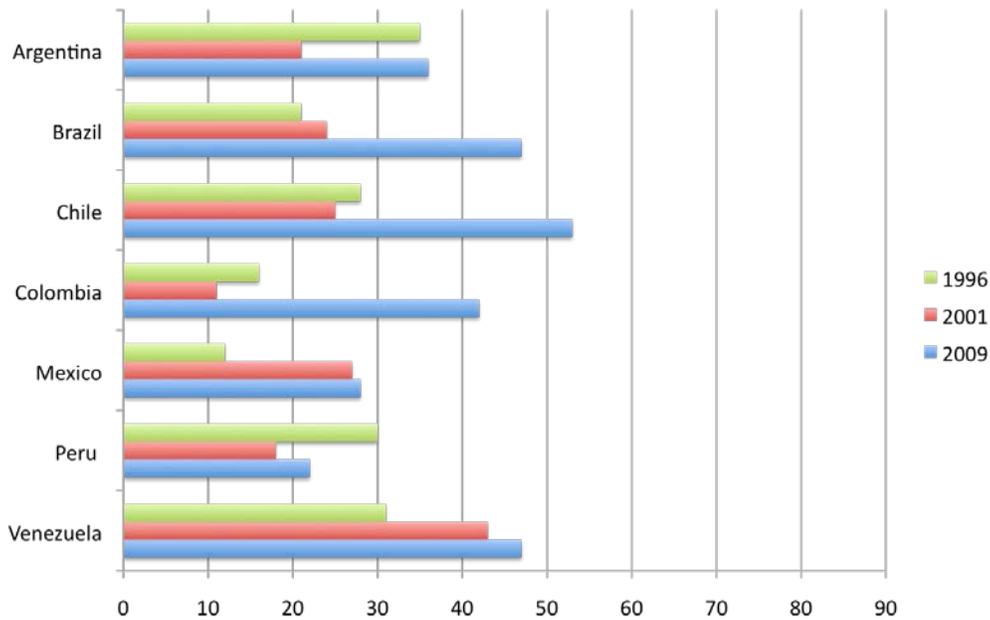


Figure 3. “Satisfaction with the way democracy works in your country” (percentage responding “very satisfied” and “rather satisfied”).

Source: Latinobarómetro.

Of course, one should not rely exclusively on a single source of data if at all possible. Although the surveys are not identical, the Latin American Public Opinion Project provides confirmation of our basic findings. Figures 4 and 5 are similar to the wording of the survey questions displayed in Figures 2 and 3, although the data, unfortunately, are only available for 2008. However, it shows substantial comparability with the Latinobarómetro data.

Argentines agree overwhelmingly with the statement that “Democracy has problems but it is still preferable to any other type of government,” with more than 80 percent responding affirmatively. Venezuela is a close second at 76 percent support for democracy (Figure 4). Other countries’ values range from about 40 percent (Peru) to 55 percent (Colombia). When respondents are asked about their satisfaction with “The way democracy works in your own country” (Figure 5) the responses are not substantially different, although Brazilians and Mexicans are slightly more content with democracy in their own countries (61 percent and 53 percent respectively) than with democracy in general. Peru brings up the rear with only 35 percent professing to be very or somewhat satisfied with democracy in their country; others varied from nearly 50 percent (Chile) to Venezuela (67 percent).

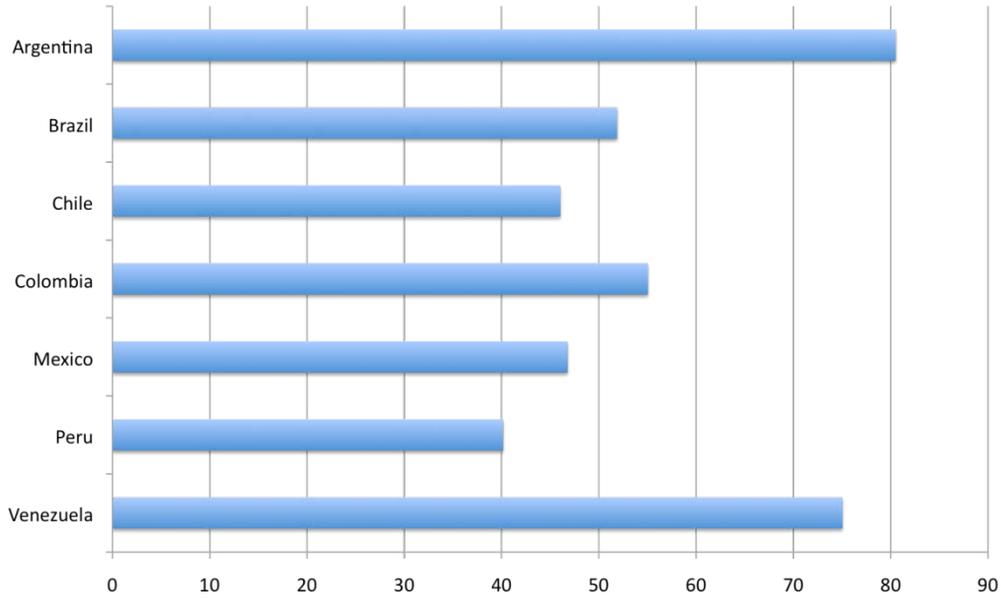


Figure 4. “Democracy has problems but it is still preferable to any other type of government” (percentage responding “strongly agree” or “agree”), 2008.
Source: Latin American Public Opinion Project of the Vanderbilt University.

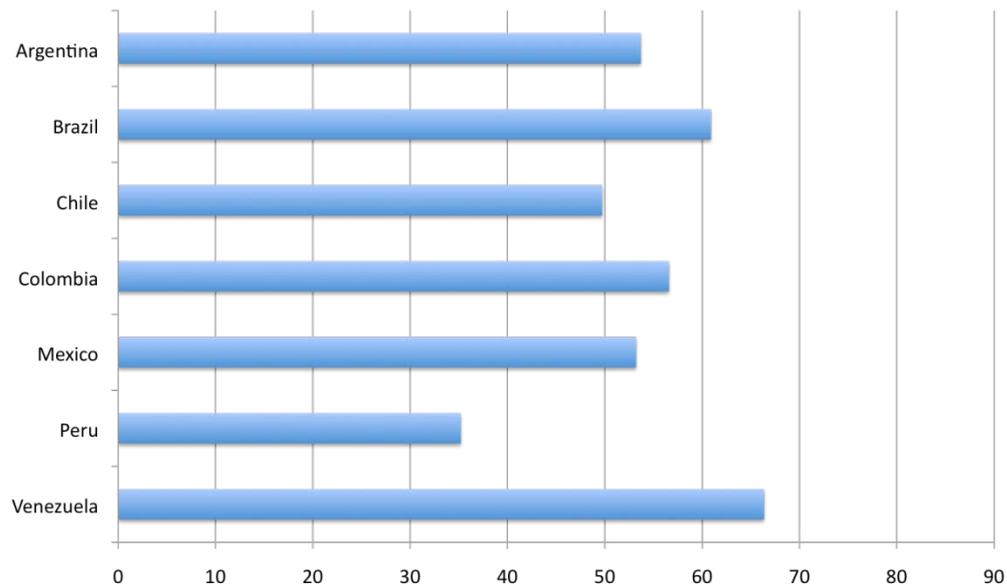


Figure 5. “Satisfaction with the way democracy works in your country” (percentage responding “very satisfied” or “somewhat satisfied”), 2008.
Source: Latin American Public Opinion Project of the Vanderbilt University.

Attitudes toward Capitalism and Markets

In the preceding section we discussed the attitudes of citizens in Latin American countries toward democracy. In this section we examine citizens attitudes toward the other leg of democratic capitalism, i.e. attitudes toward the market. Clearly, a perusal of Figures 6, 7 and 8 reveal the complex nature of attitudes toward markets and capitalism.

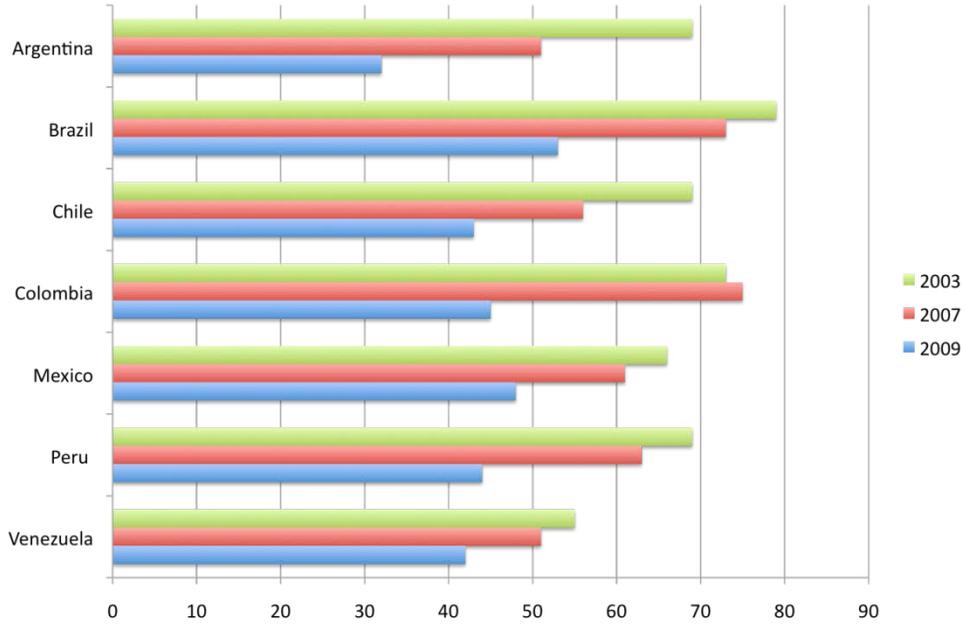


Figure 6. “The market economy is the only system for becoming a developed country” (percentage responding “strongly agree” or “agree”).
Source: Latinobarómetro.

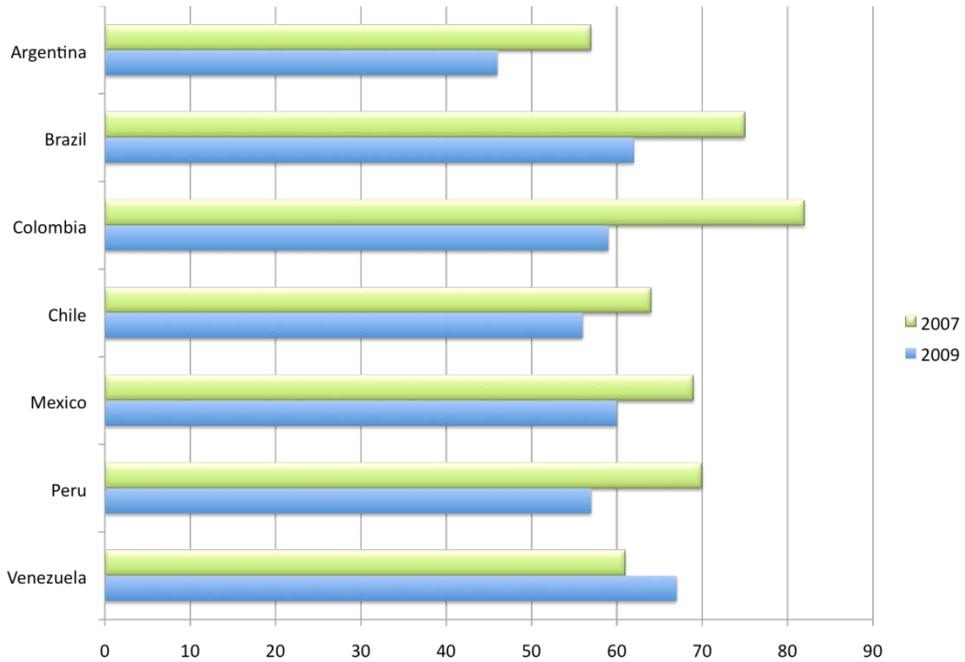


Figure 7. “The market economy is best for the country” (percentage responding “strongly agree” or “agree”).

Source: Latinobarómetro.

A closer look at figure 6 shows marked variation over time. It shows responses to the question “The Market economy is the only system for becoming a developed country”. Brazil, for example, went from a nearly 80 percent affirmative response in 2003 to about 53 percent in 2009; Colombia from 73 percent in 2003 to 45 percent in 2009. Other countries exhibited very similar patterns. 48 percent of Mexicans agreed that the market economy was best for development, but this was down from 66 percent in 2007. Other countries exhibited similar kinds of movement; while these data, if viewed in isolation, may be somewhat troubling it should be emphasized that the 2009 data was actually collected during the fall of 2009 at the very height of the financial and economic panic. What is perhaps more illuminating are the relatively stable array of positive responses in the early time period.²³

Figure 7 shows that those responding favorably to the statement “The market economy is best for the country” showed declines for 2007 to 2009 in every case except Venezuela. Again, given the trauma of the 2008-09 economic crisis the results are surprising on the upside. Similar evidence can be found from the Latin American Public Opinion Project data for 2008 (Figure 8), which shows that no country surveyed has a majority in favor of extensive nationalization. When asked if “The state should be the owner of the most important industrial sectors and private enterprises” percentages agreeing with this statement range from 48 percent in Argentina to less than 20 percent in Venezuela, with a mean value across all countries of 38 percent. While the survey evidence suggests that publics in most Latin countries believe there is a substantial role for the state there is certainly no consensus on the role of the state controlling the commanding heights of the economy. Given the traditional statist orientation of Latin American political culture these findings are not at all surprising and indeed one might even expect higher levels of support for state involvement.

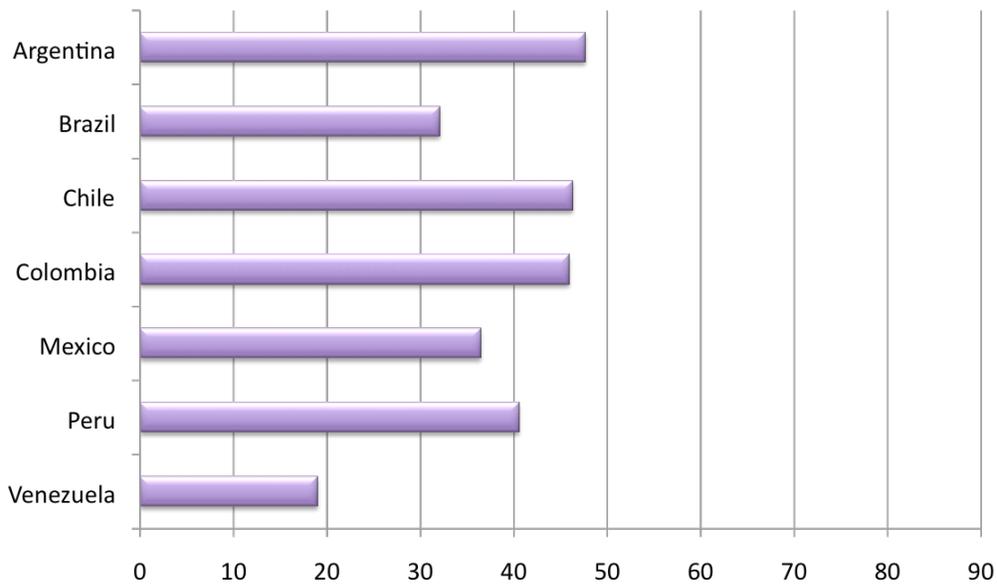
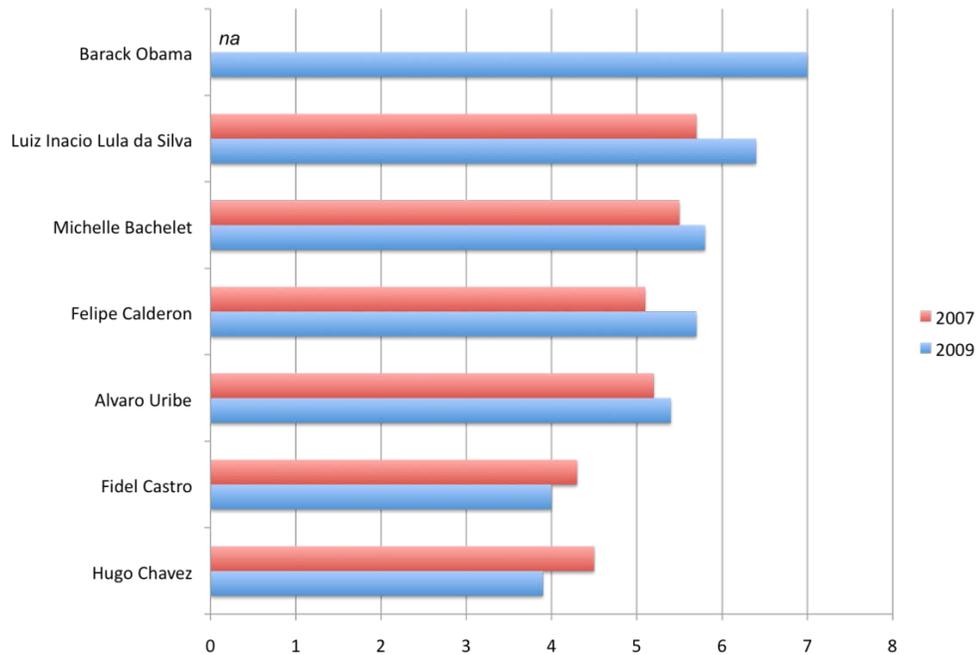


Figure 8. “The state should be the owner of the most important industrial sectors and private enterprises” (percentage responding “strongly agree” or “agree”), 2008.

Source: Latin American Public Opinion Project of the Vanderbilt University.

In addition to survey data on attitudes toward democracy and markets, there is encouraging evidence that citizens in Latin America are discriminating in their attitudes toward political leaders. There are signs that Hugo Chávez’s image is badly tarnished and among a list of several leaders, Chavez generates little support in Latin America. These findings are depicted in Figure 9. Interestingly, enthusiasm for President Obama in Latin America is quite high. This holds out hope that the repair of the US image in Latin America is underway.

The building of long term strategic relationships most rely upon far more than the temporary vicissitudes of personal popularity. Nonetheless, the data do suggest opportunities for the US if they will take advantage of the “facts on the ground”. A new effort at expanding trade and commercial ties that will place the US and Latin America in a more equitable footing would be an ideal place to start. As a major leading observer on Latin America has indicated, the shift back to the center-right in Latin America could have major foreign policy implications as Chile and Brazil, together with Peru, become important counterpoints to Chavez, diminishing his influence in the region, and enabling the US to advance a democratic capitalist agenda.²⁴



**Figure 9. “Evaluation of Leaders” (Latin American average 10=very good, 0=very bad).
Source: Latinobarómetro.**

Policy Implications for the U.S.

It goes without saying that the US has viewed Latin America as an area of strategic concern and interest almost since the founding of the Republic. While it is always dangerous to make too many generalizations, it also goes without saying that many of the actions taken by the US, both in the economic and political as well as military spheres, have vastly complicated relations with Latin America, and helped produced an atmosphere of ambivalence, distrust and in many cases outright hostility toward the US.

The major strategic elements of US policy toward Latin America consist of the same elements as one sees in other regional contexts. They are 1) the need to prevent adversaries from using positions of support in the region to project military force against the US or its allies, or to have proxies in the region act militarily or be able to apply the threat of military action against US allies. 2) To encourage the development of political-economic institutions and governments that are congenial to liberal democratic and capital values. 3) Encourage the growth and expansion of commercial relationships that more closely links the political and economic interests of north and South America.

It would be impossible in this essay to discuss in detail the complexity of US interactions with Latin America over time. Amid the Cold War and Latin American-US relations the turning point was the triumph of the Cuban Revolution in 1959 and the consequent inclusion of Cuba into the Soviet sphere of influence.

By the late 1970s, pro-Marxist and pro-Soviet guerrilla movements, with Cuban assistance, were flourishing in Latin America, primarily in Central

America. The Sandinistas took power in Nicaragua in 1978 and the guerillas in El Salvador were making headway against the pro-US government. Central America was to be a challenge to the US for the next decade.

After the failed Bay of Pigs invasion, Cuba was the primary challenge to the US strategic position in Latin America during much of the Cold War. The failure of the 1961 Bay of Pigs invasion by anti-Castro Cubans, supported by the US, cemented Cuba-Soviet ties and of course it ultimately led to the US-Soviet confrontation over the discovery of the placement by the Soviets of medium range ballistic missiles in the Cuban missile crisis in 1962.

To date, Venezuela in many respects plays a role similar to that of Cuba in the 1960s and 1970s, although Venezuela does not have the single great patron today that Soviet Union represented to Cuba during the heyday of the Cold War. Nonetheless, Venezuela's cozy relationships with Russia, particularly the increasing militar relationship, and Venezuela's friendly relations with Iran and North Korea, have to give policy-makers reason for concern. Wielding vast oil revenues, Hugo Chávez is well positioned to purchase allies and bully neighbors.

Chávez's support for the Kirchners in Argentina, through the purchase of Argentina debt, his friendship with Evo Morales in Bolivia and Correa in Ecuador and more recently his bluster toward Honduras following the Honduran military coup ousting leftist to president Manuel Zelaya are cases in point. Also, and very important, Chávez has turned its aggression toward Colombia and has led increased worries that a border conflict with this critical US ally could occur. In March 2008, Colombia executed a military offense against the FARC guerillas and bombed a FARC's camp located in the border with Ecuador, killing one of the key leaders of the guerilla movement. Venezuela and Ecuador responded by massing forces on the border with Colombia claiming the violation of the national sovereignty of these countries. The Colombian army found computers with evidence associating Venezuela and Ecuador with the FARC guerrillas. The diplomatic relations among these countries were broken but after the Rio Group meeting tensions were alleviated to some extent.

Colombia has emerged over the last decade or so as a critical ally in Latin America, not only as a result of the so-called "war on drugs" but more generally as a bulwark against radical regimes in Venezuela and elsewhere. President Uribe's pro-US anti-Chávez and pro-economic liberalization administration has served as a linchpin in US efforts to contain the spread of radical left authoritarian regimes. Álvaro Uribe's administration firmly supported George Bush's "War on Terror" by diplomatically upholding the Iraq invasion in 2003 despite strong domestic opposition. In exchange, the US government has been key in supporting Colombia's "War on Drugs" through the "Plan Colombia" providing military aid and training from the US since Andrés Pastrana administration back in the late 1990s.

Of course, we note that Uribe's term in office expires in August 2010 and a new president will be elected. Until recently there was some question as to whether President Uribe might seek to run for a third term, but the Colombian Supreme Court has recently ruled against that effort as being in

contravention of the Colombian Constitution. President Uribe has indicated he would abide by that decision. This leaves open the possibility that Colombia might swing away from its current political position, although recent polling suggests substantial support for the incumbent's policy and this may bode well for his party in 2010.²⁵

While developments over the past decade have created substantial challenges for the US, we do not think it is being pollyannaish to recognize that political changes have not approached plausible worst case scenarios of a few years ago. Imagine a scenario were Brazil and Chile, both with sensible moderate left governments over the past several years (albeit with little taste for direct confrontation with the radicals in the region such as Venezuela) that have shown no evidence of falling under the sway of radical authoritarian elements, had moved in a different, extreme populist direction? While such a scenario seems extremely implausible today, there was deep concern in 2002 after Da Silva's presidential victory that a radical populist government under his leadership would be a natural ally of Venezuela or possibly even the FARC. Or, what if Manuel López Obrador, the charismatic candidate of the left wing PRD in Mexico had been successful in the 2006 Mexican elections? While we will never know what direction Mexico would have taken with a López Obrador victory, the mere possibility of such an outcome, combined with a concurrent radical authoritarian direction in much of the rest of Latin America would have posed enormous economic, political and potentially military challenges to US policy-makers.

The US is confronted with substantial challenges in Latin America as we move into the second decade of the twentieth first century. These are challenges that can, nonetheless, be met. What we are witnessing, in our view, is a gradual maturing of democracy in Latin America. Coincident with the maturing of democracy would appear to be the emergence of a market-friendly capitalist system (albeit one still vulnerable to exogenous shocks as well as internal upheaval), that has the support of a substantial part of the population in Latin America.

What US policy makers need to understand is that support for markets and democracy will not necessarily translate into automatic and unquestioning support for the US. One aspect of the maturation process in Latin America is the recognition that democracy and markets are in their self-interest as well as that of the US. But that does not necessarily mean unwavering support for US actions that could be viewed as counterproductive. Thus, this does not by any stretch of the imagination mean we will see a return to the days of the "Washington Consensus".

The US must learn to accept that democratic capitalism in Latin America will likely take on a somewhat distinctly Latin flavor period. This likely means more state involvement in markets than are generally considered acceptable in the US political context. Expectations of pristine free market economies emerging toward the south are unlikely for the foreseeable future. Some degree of government intervention and direction is probably inescapable, but the expectation is that within the parameters of Latin political culture market systems can develop in a healthy fashion. The recent

victory by the democratic right in Chile, combined with the distinctive possibility of conservative-centrist victories in Argentina and Brazil over the next few years bode well for this argument.

The recent experiences of the US suggest it is hardly a paragon of economic soundness and free market economics in light of the recent intervention by the US in the automotive and banking sectors, and the massive budget deficits the US has been running making extraordinarily difficult for the US to be a positive role model, much less to attempt to lecture others.

Political developments will continue to complicate US efforts to move toward a long sought liberalization of trade in the hemisphere. Efforts by the Bush administration to achieve of a Free Trade of the Americas Agreement (FTAA) fell apart and the even bilateral free trade agreements with US allies like Colombia have been extremely difficult to achieve. While a comprehensive treaty would have been difficult under the best of circumstances, the gains by the left particularly in Venezuela, Bolivia and Ecuador and the statist Peronista tradition in Argentina make a successful FTAA extraordinarily difficult. Further, the new US administration of President Barack Obama has until recently appeared to be unsympathetic to the goals of free trade in any event as evidenced in part by their apparent ambivalence regarding NAFTA. However, in his first State of the Union Address, President Obama endorsed the opening of world markets by declaring that his Administration will strengthen trade relations with key partners like Colombia.

Nonetheless, in spite of these obstacles, the US should see to take advantage of a window of opportunity brought about by the re-invigoration of democratic and market institutions in Latin America combined with the new US President's personal popularity to support expanded commercial and trade ties on either of a bilateral or multilateral nature. This could be done with or without the auspices of FTAA. Such moves would strengthen NAFTA and the US-Mexican relationship and solidify ties with Colombia and Peru, which are on the front lines of opposition to the radical left and whose fortunes are essentially symmetrical with those of the US, and enhance the confidence of other market friendly and constitutionalist regimes in the region. It would also have the salutary effect of reinforcing the emergence of Brazil, a potential US ally in the region, although it seems clear that as Brazil gains increasing confidence as a power in its own right, its actions will be based on its own conception of national self-interest. It is the responsibility of the US to develop creative policies that will take advantage of the enhanced stature of Brazil in Latin America and on the global stage.

It is important to point out that with the growth of countries like Brazil, one of the so-called BRIC countries that is emerging as a power in its own right, it maybe extremely difficult to maintain the historic US role as the hegemonic economic actor in Latin America. While the US will remain the biggest economy, political, cultural and geographic ties may contribute to a deepening of relationships within in Latin America that will reduce US leverage in the region.

The US role will be attenuated further by the increased involvement of Latin countries with other parts of the world. China, for example, is becoming increasingly engaged with Latin America at the economic and political level. This is in China and Latin America's self interest, and the US would be making an enormous mistake by attempting to hamper these emerging ties. The global economy of the twenty first century has to allow for the development of multiple trade and political relationships in Latin America and elsewhere.

Conclusion

This essay has examined recent political trends in Latin America that suggest a potentially troubling leftist tilt in the region. The emergence of several radical left authoritarian regimes have helped create a sense of Latin America as a region that is moving rapidly away from liberal democratic and pro-market, pro-capitalist values. Such a political shift has important implications for the US in the context of its economic, political and military-security interests. This paper contends that a more nuanced view of developments in Latin America is warranted. While there has been a leftward shift in political orientation, it is important to distinguish between the radical authoritarian and social democratic brands of leftism. As we have sought to emphasize in this essay, it is critical to make distinctions between the two as it relates with relationships with the US and its fundamental interests. In so doing, it helps to lend a better perspective to the US-Latin American relationship.

As we have noted, important countertendencies have also been at work in places like Colombia and in Mexico. Further, there are signs that forces that brought the democratic right back to power in Chile will also produce similar results in Brazil and Argentina that would help to at least in part reinforce the US position in the region.

The evidence from polling data tend to suggest that, in general, support for democracy and markets have increased and in spite of one might expect given of the severity of the current economic crisis which is in part blamed on bankers and capitalists shown increased support over the last twelve months. None of this is to suggest the US will be able to assert itself in Latin America as it has in the past. A healthy recognition that Latin American political institutions mature and that support for markets and democracy stabilizes their interests where sometimes diverged from those of the US.

The growth of major economic and political players on the world stage such as Brazil, or Mexico and the increasing complexity of economic international relationships such as the increasing presence of China in

Latin America and the deepen Chinese-Latin American relationship needs to be recognized and accepted.

The ties between China and Latin America are relatively recent according to an official government report, developing since 2001 and its primarily economic in nature. These ties are designed to develop trading relationships with those countries in Latin America such as Chile and Venezuela and others designed to provide critically needed raw materials to sustain China's rapidly growing economy.²⁶ While trade relations were the first aspect of the emerging Sino-Latin American to develop, direct investment by the Chinese is also growing and suggests that the Chinese view its relationship with the region as being long term in nature.²⁷ As one OECD report noted,²⁸ China represents a "trade angel", providing an outlet for the region's commodities while providing little competition for Latin American products. As the document suggests, trade provides for a degree of diversification of Latin exports markets. This offers a potentially important buffer against excessive dependency on a single market.

Even the existence of conservative and liberal democratic regimes throughout Latin America would be unlikely to reverse these trends. The US must also recognize the strong likelihood that pockets of deeply embedded radical authoritarianism will remain a reality in parts of Latin America. Hugo Chávez, Evo Morales and his allies are unlikely to disappear anytime soon.

The succeeding decades of the twenty first century are likely to produce an increasingly multipolar global order in which political and economic power shifts to emerging economies in Asia as well as growing power like Brazil. The increasingly multipolar global structure will be played out in Latin America. The maturation of Latin America democracy and capitalism provide real opportunities for the US to develop long-term mutually beneficial relationships with Latin America independent of the periodic cycles in the global economy. Meanwhile, American business and commercial interests, while facing a degree of economic competition from China and others with which it has not previously had to content, should nonetheless find substantial opportunities with its NAFTA partner Mexico, and with growing economies like Brazil, Chile and others. Competition from China may serve to encourage the cultivation of closer and more comprehensive, as well as equitable, relationships in the region.²⁹

The development of more equitable relationships, between the US and Latin America will assist with the strengthening of democracy and markets in much of the region as Latin political and economic institutions develop in response to their own dynamic processes and not

as a result of efforts from the US to dictate developments in the Latin America milieu.

Notes

1. See for example, Jorge Castañeda, "Latin America's Left Turn" *Foreign Affairs* 85, no. 3 (May-June, 2006) and Hector E. Schamis, "Populism, Socialism, and Democratic Institutions" *Journal of Democracy* 17, no. 4 (October 2006).
2. A classic work in this topic is Daniel Yergin and Joseph Stanislaw, *The Commanding Heights: The Battle for the World Economy* (New York: Simon & Schuster, 2002).
3. According to Damarys Canache, Chavez's victory in 1998 was the result of multiple convergent factors, including the deterioration of the living standards of most Venezuelans, the perception of generalized political corruption, the decay of traditional parties, the construction of electoral alliances, and a dynamic electoral campaign. Nevertheless, one key component of Chavez's victory was the existence of an early foundation of popular support. See "From Bullets to Ballots: The Emergence of Popular Support for Hugo Chávez" D. Canache, *Latin American Politics and Society* 44, no. 1 (Spring, 2002): 69-90.
4. A cynic could be excused for suggesting that the term "reform Peronist" is a contradiction in terms. However, it reflects the fact that within Argentina and for that matter in Latin America as a whole, there are no true classical liberal i.e. free market parties that have a real chance at governing; such views tend to be found in party factions and among important personalities of more traditionally conservative parties.
5. See Alan M. Taylor, "Three phases of Argentine economic growth." *National Bureau of Economic Research Working Paper Series*, no. H0060 (October, 1994): 1-22.
6. "Under Kirchner, Argentina reversed many of the neoliberal policies of the 1990s and replaced them with a much more prominent role for the state in the Argentine economy. Following the underlying logic of Peronism, most of the Partido Justicialista politicians who had been fervent advocates of neoliberal policies under President Menem became fervent advocates of statist policies under President Kirchner", Mark P., Jones et al., "Government and Opposition in the Argentine Congress, 1989-2007: Understanding Inter-Party Dynamics through Roll Call Vote Analysis." *Journal of Politics in Latin America* 1, no. 1 (2009), 68.
7. De Pavia Abreu and Werneck for example note: "But, somewhat surprisingly, the new government opted for policies that by and large represented a continuation of the orthodox economic policies of its predecessor." Marcelo De Paiva Abreu and Rogério L. F. Werneck, "The Brazilian economy from Cardoso to Lula: An interim view." *Texto para Discussão* no. 504, Departamento de Economia PUC-Rio (Outubro 2005), 4.
8. The developments in Brazil are consistent with Kingstone and Young who, employing a time-series, cross-sectional statistical design found that once neoliberal reforms are undertaken, governments, whether of the left or right, and regardless of their campaign discourse continue to pursue the neoliberal course. This suggests that, at least in part, seemingly radical regimes either choose, or are forced by various economic constraints, domestic and international, to pursue at

least some degree of moderation while simultaneously maintaining heated rhetoric to assuage the support of their core constituencies. But it is difficult to make this claim in regard to Argentina and Venezuela and some other states. Peter Kingstone and Joseph Young, "Partisanship and Policy Choice: What's Left for the Left in Latin America?" *Political Research Quarterly* 62, (March 2009): 29-41.

9. "When Lula visited Havana in 2004, Castro wanted to hold a mass rally at the Plaza de la Revolución; instead, Castro got a 24-hour in-and-out visit from the Brazilian president, with almost no public exposure." J. Castañeda (2006): 28-43.

10. The Chilean experience is also consistent with Kingstone and Young's arguments (see footnote 7).

11. See also Mitchell A. Seligson, "The Rise of Populism and the Left in Latin America." *Journal of Democracy* 18 (July 2007), 81.

12. The Caribbean countries (among them Belize and Guyana, which are often considered to be Caribbean states) are excluded except for Cuba. Cuba is included due to the obvious historical links to Latin America.

13. See John C. Dugas, "The Emergence of Neopopulism in Colombia? The Case of Álvaro Uribe" *Third World Quarterly* 24, no. 6 (December 2003): 1117-1136. Dugas argues that contrary to the thesis that Álvaro Uribe is a neopopulist, Uribe made no concerted effort to cultivate political support among the masses. According to Dugas, Uribe's public meetings consist largely in his listening to citizen complaints, rather than giving electrifying public orations.

14. See Carol Wise and Robert Pastor, "The Lost Sexenio: Vicente Fox and the New Politics of Economic Reform in Mexico." *Latin American Politics & Society* 47, no. 4 (Winter 2005): 135-160.

15. See Enrique Krauze, "Furthering Democracy in Mexico." *Foreign Affairs* 85, no. 1 (Jan/Feb 2006): 54-65.

16. This is not to say that López Obrador was in fact another Chávez waiting in the wings. Indeed, López Obrador himself rejected the parallels that were drawn to Chávez. We are simply suggesting that the redistributionist efforts and some of the candidate's own language concerning the desirability of mass democracy bore troubling parallels of what happened in Venezuela.

17. See A. Manuel López Obrador, "The mob stole the presidency from us." Mexico: Grijalbo Mondadori, 1st edition (August 1, 2007).

18. The presidential election results were as follows: PAN 35.89% of the votes (15,000,284), PRD 35.31% (14,756,350) and the PRI 22.26% (9,301,441).

19. According to "Consulta Mitofsky", one of the most influential polling agencies in Mexico, in February 2010, 40.5% of the sample said that "would never vote for the PRD in the next presidential election". The PRD is currently at 11% support in the Presidential preferential vote.

20. See Kurt Gerhard Weyland, "The Politics of Corruption in Latin America," *Journal of Democracy* 9, no. 2, (April 1998):108-121 and Jelke Boesten, "Free Choice or Poverty Alleviation? Population Politics in Peru under Alberto Fujimori," *European Review of Latin American and Caribbean Studies* 82, (April 2007): 3-20.

21. The most recent public opinion poll taken in February 2010 by the Peruvian agency "Ipsos Apoyo Opinión y Mercado" situates Luis Castañeda Lossio at 22% of the vote support; very close to Keiko Fujimori (21%).

22. Of course, we must emphasize that like all surveys, there are usual caveats concerning statistical error. Given the sample size, the margin of error in the latest survey is approximately 3%.

23. It is worth noting that Argentina, which was only to beginning to recover in part from its currency collapse in 2003, showed the most precipitate decline, and that Chavez-dominated Venezuela, in spite of the relentless propaganda barrage against the US and global capitalism, still exhibited a 42 percent agreement with the statement.

24. See Alvaro Vargas Llosa's article "Latin America's Tilt to the Right?," *The Independent Institute*, commentary (January 6, 2010).

25. Former Defense Minister, Uribe loyalist Juan Manuel Santos is the early frontrunner in Colombia's presidential race, according to a poll by Ipsos Napoleón Franco. 23 per cent of respondents would vote for Santos in this year's ballot.

26. See Kerry Dumbaugh and Mark Sullivan, "China's Growing Interest in Latin America", *CRS Report for Congress*, Order Code: RS22119, April 20, 2005, The Library of Congress, United States of America.

27. We take a rather benign view of the emergence of growing Chinese influence in Latin America. Others are far less sanguine. See for example Stephen Johnson, "Balancing China's influence in Latin America" in *Backgrounder* (October 24, 2005), 3-4.

28. See Javier Santiso (ed.), "The Visible Hand of China in Latin America," Organization for Economic Cooperation and Development, *Development Center*, April 4, 2007.

29. Stephen Johnson, "Balancing China's influence in Latin America", 4.



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