An Agenda for Freedom 2007 stated that Latin America constitutes a substantial part of the West and that the Region was faced with the dilemma of choosing between the path of progress, democracy and openness, or the path of populism, backwardness and irrelevance within world affairs. Five years later, An Agenda for Freedom 2012 shows how the majority of the Latin American nations have chosen the right path. Latin America is now more prosperous, largely democratic and faces an excellent opportunity to consolidate its development. Nevertheless, it is still necessary to tackle certain key challenges: the Region must consolidate its middle classes, combat violence with the lawful instruments of the State and take on a more prominent role within the realm of world affairs. Based on the strength of a series of ideas that revolve around the concepts of freedom and democracy, Latin America finds itself in a position to take its place at the forefront of nations throughout the world.
# CONTENTS

## FOREWORD

### INTRODUCTION

## 1. FREEDOM FOR LATIN AMERICA

### AT THE BICENTENARY OF INDEPENDENCE

#### A) Latin America: A Substantial Part of the West

The Latin American Tradition of Freedom

Unity and Diversity within the Latin American Language System

#### B) The Fraud of the “Noble Savage”

and “21st Century Socialism”

#### C) Latin America and Globalization

Governance for Freedom

#### D) The Middle Classes as a Guarantee

of Prosperity and Stability
2. LIGHTS AND SHADOWS .................................................. 65

A) Where Are We? .................................................. 65

B) Politics .............................................................. 71
Consolidation of the Liberal Order and the Peaceful Transfer of Political Power ............................................. 72
The Emergence of a Moderate Left ........................................ 73
The Setback of a Populist Wave ............................................ 75
Brazil and Mexico: Western Giants to Promote Freedom ....... 77
The Need for a New US Strategy Toward Latin America ........ 80
Spain and the Latin American Community .......................... 86

C) A Historic Opportunity to Consolidate Latin American Development .................................................. 95
On the Path Toward Sustained Growth ............................... 97
The Institutional Deficit ................................................. 103
Other Challenges ....................................................... 104
Infrastructures and a Latin American Organization for Economic Cooperation: The Economic Role of Latin American Emigrants .............................................. 106

D) Security: A Battle that Cannot Be Lost ....................... 108
Drug Trafficking and Violence .......................................... 113
Dangerous Liaisons ..................................................... 114
The Terrorist Threat ...................................................... 116
3. TWO PRESSING OBJECTIVES .......................... 121

A) Developing and Consolidating the Middle Classes in Order to Emerge within a Globalized World .... 121
Education: An Opportunity and a Pending Matter ............ 122
The Economic Dimension of the Language Community .... 126
The Obstacle of Legal Insecurity .......................... 128
Consolidating the Rule of Law:
The Free Press and an Independent Judiciary ............... 131

B) Integration: An Objective Based on Variable Geometry .. 135
Physical Integration ........................................... 138
Energy Integration ............................................ 144
An “Erasmus” for Latin America ......................... 148

4. THE TIME FOR POLITICS .............................. 153

A) Unity: A Prerequisite in Order to Defeat Populism ... 153
Uniting all Forces to the Right of the Left ................. 158
How to Encourage the Union of Like-Minded Parties? .... 160

B) Interest Groups that Claim to Represent the People ... 162

CONCLUSIONS ............................................... 165

ACKNOWLEDGMENTS, CONTRIBUTIONS RECEIVED AND INSTITUTIONS CONSULTED ................ 169
FOREWORD

The Latin American Community is a priority for Spain and essential for the future of freedom, democracy and well-being around the world. In accordance with this idea, the Foundation for Social Studies and Analysis (FAES) has been working to secure this future through specific and feasible policy proposals for more than 20 years.

In 2007, FAES published *Latin America: An Agenda for Freedom*, a strategic report on the future of the Region. This document was the product of a collaborative project undertaken by many individuals and institutions on both sides of the Atlantic with whom we share ideas and values.

In hindsight, we can proudly state that the 2007 report, which was presented in eighteen countries, has become a veritable reference work. Thanks to its widespread dissemination and its availability on the Web, this document has served as an important source of reference for researchers and experts. It has inspired electoral programs and encouraged debate at different academic and political forums.

The 2007 *Agenda for Freedom* held that Latin America was a significant part of the West and was faced with a dilemma.
A dilemma that the Argentinean politician and observer, Domingo Faustino Sarmiento, highlighted more than one hundred years ago: the Region could follow the path of freedom, democracy and prosperity, which is to say civilization, or it could choose populism, authoritarianism, paralysis and irrelevance on the world stage, the threshold of barbarism.

Over the last five years, Latin America has continued making progress in terms of respect for individual freedoms and democratic procedures, the Rule of Law and its lawful institutions, and a rational economic approach and openness vis-à-vis the world. The peaceful transfer of power and political alternation have become a rule rather than an exception. Although there is still some way to go, the future for the Region as a whole looks promising.

At a time of economic and financial crisis amongst the most developed nations, Latin America has managed to maintain high levels of growth. The rise in the price of commodities has no doubt been decisive, but the Region’s general compliance with orthodox macro-economic approaches, based on balanced budgets and low rates of inflation, has also played a very important part.

Unfortunately, the Cuban dictatorship and its satellite nations, which are opposed to reform and incompatible with the idea of a free society, have been unable to take advantage of this positive trend.

“21st Century Socialism,” in spite of its pompous name, is actually nothing new. It simply combines elements of tra-
ditional Socialism with some of the political solutions that caused serious harm to Latin Americans throughout the twentieth century: revolutionary populism, militarism, caudilismo and racist indigenism.

The violation of property rights, legal uncertainty, lack of monetary control and the impossibility of measuring economic variables with any degree of precision and transparency, all factors inherent in any closed economy, explain why the countries that have adopted “21st Century Socialism” have been unable to keep pace with the Latin American republics where free market economies flourish. This has highlighted the economic failure of the populist model, leading to disappointment with this approach even among sections on the Left.

Over the five years that have elapsed since the Agenda was first published in 2007, the Region has resisted a burgeoning wave of populism, which has retreated but not disappeared. The triumph of freedom and democracy is not yet complete.

Populism is only one of the threats that Latin America must deal with. Insecurity, as well as constituting a human drama in itself, weakens citizens’ confidence in the law, as it questions the legitimate monopoly of force which corresponds to the Rule of Law. Organized crime finds its most lucrative business within the world of drug trafficking, whose impact on certain Latin American countries is altogether dramatic.

There are also other weak-points throughout the Region that must be addressed. Improving the quality of education contin-
ues to be one of Latin America’s greatest challenges, whilst basic public services must be made available to all members of society. Furthermore, the ongoing existence of an unofficial economy disables the State when it comes to exercising its powers with sufficient resources, thus perpetuating injustices by creating divisions between those who respect the law and those who do not. This also has a negative effect on the efficient allocation of economic resources and on growth.

Integration is still a pending matter in Latin America. In spite of various regional initiatives that deserve to be supported, progress seems rather slow, especially when integration is working so well in other parts of the world as a response to increasingly global problems. Too many prejudices still exist that prevent Latin American countries from establishing closer ties, even though this is one of the most homogenous regions in the world.

In any case, the favorable trends outnumber the negative trends throughout Latin America and the Region is faced with an historic opportunity to consolidate its development. Being well aware of the significant changes witnessed throughout the Region since the first report was published, the Foundation for Social Studies and Analysis has decided to publish a new updated and extended version of *An Agenda for Freedom*.

Over a period of more than a year, Miguel Ángel Cortés, Alberto Carnero and Guillermo Hirschfeld have organized and overseen seminars with experts. They have also celebrated working visits to different countries on the American Continent.
and held consultations with political leaders and prestigious thinkers, whose valuable comments and contributions have enriched this new document. However, FAES accepts full responsibility for this report and for all of its proposals.

It is not fortuitous that this new edition of *An Agenda for Freedom* should coincide with the Bicentenary of the Constitution of Cádiz, an extraordinary political heritage created by “Spaniards from both hemispheres.” That Constitution, affectionately known as “La Pepa,” represents a landmark in the endeavor of the Hispanic nations to set up a liberal political system, a system which is essential in terms of recognizing and guaranteeing the rights of individuals and fundamental when it comes to creating a civil society based on the idea of freedom.

This *Agenda for Freedom* seeks to make a modest, but clear, contribution to the task of preserving and passing on this important political legacy. We are convinced that the future of the Latin American Community depends on it remaining loyal to the principles advocated by the patriots of freedom two centuries ago, freedom fighters who sought to establish amongst their countrymen a true sense of respect for the Constitution and for the basic ingredient of modern, advanced societies: the Rule of Law.

José María Aznar
President of FAES Foundation
INTRODUCTION

“As of this point – regardless of superficial appearances and conventional word games – the truth is that, once they have become independent nations that move forward in accordance with their own sense of inspiration, all new peoples of colonial origin, in the same way as the mother country itself, move forward together along a converging path, without proposing or even wishing to do so and even against their own apparent designs, which is to say that they begin to appear increasingly similar, increasingly equal and increasingly homogeneous. By this I do not mean that they all become increasingly similar to Spain, but that all of them, and Spain included, progress towards new shared ways of life. It is not a question, therefore, of anything to do with an eventual political approximation, but of something much more important: the increasing coincidence of a certain style of humanity”1.

José Ortega y Gasset

The world is changing at a rapid pace. We are witnessing a series of far-reaching political, economic and social changes within a process of globalization, which, in general terms, is founded on three institutions of Western origin:

• On the realm of politics, the democratic State, based on the Rule of Law and recognition of individual freedoms.

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1 Speech delivered in Buenos Aires on November 16th, 1939. Cited in the publication, Meditación del pueblo joven y otros ensayos sobre América.
• On the economy, the free market.

• On the realm of culture, the advance of science and technology, based on rational and empirical logic.

Following the collapse of the Berlin Wall in 1989, the success of these three institutions seemed indisputable. This event marked the triumph of the open society over its ideological alternatives. However, history did not come to an end. Democracy and freedom continue to face enemies that are willing to contest them, even though the opposing side may not offer a political project as strong as the one that split the world in two during the long years of the Cold War.

The market economy has no feasible alternative. Whether it is accepted with conviction or with reluctance, this economic model has been capable of pulling millions of people out of poverty and has propitiated the growth of the middle classes throughout the world and, in particular, throughout Latin America.

As was stated in the *Agenda for Freedom* in 2007, Latin America is an essential part of the West, the values of which underpin an unstoppable process of globalization throughout a good part of the world. Its Iberian tradition, which is enlightened and liberal, feature a series of key Western principles that have ensured the prosperity and progress of all nations that have adopted them. When the policies implemented in the Latin American nations have been based on doctrines that go against this tradition of freedom, the logical consequences have been backwardness, isolation and authoritarianism.
Fortunately, in recent years the Region has witnessed the progress and consolidation of representative democracy and free market economy. The democratization process on the sub-continent, which began in the 1980’s, has almost been completed, with the stark exception of Cuba. The peaceful transfer of power among governments of different political persuasions is today the norm in Latin America.

The rapid process of globalization around the world has also reached the economies of Latin America. Their products reach an ever-increasing range of markets. Important trading partners and foreign investors, such as China, have emerged throughout the Region, providing finance, skills and new contacts. Traditional trading relations with the United States and, to a lesser extent, with Europe, have benefited from a new balance based on new markets and investors, thus providing Latin American governments and businessmen with a wider range of options.

In short, today Latin America is more democratic, richer and enjoys a wider range of opportunities than ever before. Republics such as Chile, Brazil, Peru and Colombia have consistently applied policies based on structural reform and economic stability, over and above any electoral vicissitudes. In this respect, the balancing of their public accounts and liberalization of their economies has been made possible through the strengthening of their institutions. As a result of these developments, significant progress has been made in the battle against poverty.

The potential and solid performance of the Latin American economies have enabled the Region to emerge relatively un-
scathed from the economic and financial crisis that has had such a profound impact on the United States and Europe. Nevertheless, we cannot rule out the possibility that Latin America might also be affected by the financial crisis at some point.

Whatever the case may be, the future of Latin America remains promising if the Region takes advantage of assets such as the following:

- Growing levels of institutional and democratic stability.

- Sensible macro-economic policies, which have enabled the Region to face the challenges of the international economic and financial crisis somewhat better than other regions.

- Expectations of healthy growth – with a few exceptions – based, in large part, on the rising price of commodities and food products from exporting nations.

- The asset entailed by having a population of more than 500 million inhabitants and a social fabric that is fully imbued with the Western values of democracy and freedom.

- A long humanistic tradition, which endows the Region with an enviable human capital.

- The demographic and economic value of an eminently young population, featuring 110 million individuals between 15 and 24 years of age.
• The possibilities offered by the fact that Latin America has the largest area of arable land on Earth, the largest fresh water reserves, a very large proportion of the world’s energy resources and endless commodity reserves.

Some countries are already taking advantage of these opportunities. Brazil has become a world player and an engine for growth throughout the Region. In 2009, Peru came second in the ranking of countries with the highest rates of growth, behind China. Colombia is on the threshold of significant economic growth, thanks to its policies ensuring democratic security and economic liberalization. Chile, which joined the OECD in May 2010, is very close to becoming a fully developed nation.

However, it would be irresponsible to become too optimistic. Strictly speaking, rather than talking about the advent of a new era in Latin America, it would be more correct to point to an unbeatable opportunity for the Region to secure a new and prosperous future. Latin America is in a position to consolidate the progress that has been made and to assume a prominent role in world affairs.

In this respect, two important obstacles regarding the consolidation of development, prosperity and freedom in Latin America persist:

• First of all, the weakness of the State. Few phenomena illustrate this point more clearly than the different manifestations of violence that can still be witnessed throughout the Region: brutal drug cartels and narco-terrorists, not to
mention acts of delinquency perpetrated by organized gangs that pose a dangerous challenge to the State’s institutions. The persistence of these blights on society undermines the confidence of Latin American citizens regarding the State’s legitimate monopoly of the State’s force.

- Second, the ideological challenge posed by what is known as “21st Century Socialism,” which combines the old Socialist structure of beliefs that collapsed along with the Berlin Wall in 1989 with a series of doctrines that are tragically considered to be home-grown in Latin America, such as revolutionary populism, exclusivist nationalism and racist indigenism.

Another political challenge is posed by the emergence of cleptocratic regimes, which appropriate the State by means of a combination of corruption, coercion and crony-based capitalism that serves whoever may be close to the centre of power. This phenomenon also has the effect of damaging the image of real free market economy based on transparency.

When FAES published the first edition of An Agenda for Freedom, “21st Century Socialism” threatened to subjugate practically the entire Region. However, the strengthening of Latin America’s political institutions, the economic setbacks inherent in any Socialist doctrine, together with the political courage and determination shown by citizens in many countries, have curtailed the expansion of populism in a democratic manner.
Whatever the case may be, we must remain vigilant. Although the danger of revolutionary contagion has been held in check for the moment, this kind of populist Socialism continues to pose a threat to freedom, stability and prosperity in Latin America. This Region, in spite of the slow progress it has made in terms of integration, is now regarded as an up-and-coming and dynamic economic and political bloc. Nothing could be more harmful than the perception that fractures have emerged in this new-found unity based on liberal democracy, the Rule of Law and the free market economy.

Many of Latin America’s republics present promising macro-economic figures, although we should remember that this growth has been mainly based on the rise in energy and commodity prices dictated by the burgeoning demand of the Asian economies. The risk that various countries run in Latin America is that that they might fall into what is known as the “commodities curse.” In order to avoid this, it is important for the Region to take advantage of the current bonanza and strong economic growth by laying the foundations for the establishment of open and competitive economies, backed by the State based on the Rule of Law, together with solid institutions that permit the creation of authentic welfare-based societies. In short, Latin America will be able to take a decisive step forward towards modernization and development if it is capable of taking advantage of this cycle of expansion by embarking on a series of coherent structural reforms.

In spite of the significant reduction in poverty levels recorded in practically all of the countries throughout the Region (accord-
ing to ECLAC, the poverty rate fell from 44% in 2002 to 32% in 2010), a trend that has not been affected by the world economic crisis, Latin America still has the highest levels of inequality in the world, an ongoing characteristic of this Region over the last four decades. According to figures furnished by the United Nations Development Program (UNDP), out of the fifteen countries with the highest levels of inequality, ten are located in Latin America.

One of the obstacles when it comes to consolidating the burgeoning middle classes in Latin America is the lack of quality education, which provides the basis for promoting human capital in any society, and to which those sections of the population with the fewest resources are unable to gain access to. It is important to implement reforms in order to achieve two objectives: to ensure that society’s investment in education results in high-quality training, and to ensure that this quality education is available to all sections of society.

The shared history of the countries that make up the Region, together with their cultural, legal and constitutional similarities, should facilitate the integration process. Nevertheless, insufficient integration in terms of trade and economic matters, not to mention education, law, energy and infrastructures, reduces the range of opportunities available to each country and to the Latin American Community as a whole.

None of the proposals for political integration in Latin America has produced the results that were hoped for. The reason for this may reside in excessive ambition, excessive interventionism and nationalism.
In recent years, the institutional structures have improved throughout the entire Region, with the well-known exceptions of Cuba and the populist countries. Nevertheless, the State still fails to fulfill its essential purposes in the vast majority of the Latin American republics, namely those of guaranteeing the freedom and rights of citizens, ensuring security and offering a stable framework for a welfare society to flourish.

Spain’s projection throughout Latin America is more important today than ever. Spain needs to implement a policy in the Region that is not tainted with ideology or subject to shady deals with the enemies of freedom. It is in Spain’s interests for Latin America to consolidate its status as a Community based on liberal democracy, the respect for human rights and guaranteed freedoms for individuals, a Community endowed with an open, free market economy that underpins a series of prosperous and dynamic societies. Spain cannot be indifferent to the future of Latin America and neither can it renounce the commitments it has made to the Region. Restricting itself to the role of an indifferent spectator is not an option that Spain can readily afford.

This is because Spain, like the rest of the Western World, cannot be properly understood without the Americas. The Latin American reality has unfolded throughout history, uniting two continents through a series of ties of identity based on shared values and far-reaching personal and historical links. These centuries of shared history have led to the feeling of belonging to the same community. In this respect, the Bicentenary of Independence represents an ideal opportu-
In effect, solemn commemorations marking the Bicentenary the Latin American nations Independence are taking place throughout the Region, stretching from the Río Grande to Tierra del Fuego. This process will last throughout the entire decade and will also extend to Spain in 2012, with the two hundredth Anniversary of the Constitution of Cádiz.

These bicentenaries pose a key intellectual challenge. This trial, while inviting to political reflection, could make the future of Latin American politics lean towards one direction or another. A distorted analysis of the phenomenon of independence would bring with it unfortunate consequences for both Latin America and Spain. Conversely, a rigorous study of the corresponding emancipation processes and the principles of freedom on which they were based will bring to light a coherent historical discourse that reflects the events as they happened, a discourse that is essential regarding the construction of a prosperous future for the whole of Latin America.

This task entails arduous endeavors to clarify the endless distortions that have arisen from a recurrent populist victim mentality. In this sense, our analysis must mainly focus on the fact that these emancipation processes constituted the American version of the shift from the Ancien Regime to a new political order, which is to say, the evolution from absolutism to the nation of free and equal citizens and liberal and
democratic constitutionalism, a process that also took place in Europe. Our analysis will be correct if we manage to convey the essential idea that this development towards the Modern Age constituted a path that both Spaniards and Latin Americans followed as part of one and the same Liberal Revolution, one that was fought on both sides of the Atlantic.

***

This document seeks to update the Agenda for Freedom that was published by FAES in 2007. It constitutes a new report that textually reflects those ideas that continue to be relevant, whilst adding an analysis of the transformations that have taken place in Latin America over the five years since the last report was produced. This study also elaborates on some of the ideas and approaches that were sketched out five years ago, as well as incorporating a series of new proposals. If the Agenda in 2007 mainly revolved around the firm belief that many of the countries throughout the Region were faced with the dilemma of choosing between civilization (democracy, balance of powers, guaranteed rights, free market economy) and barbarism (populism, the arbitrary exercise of power, authoritarianism), this new report reflects the fact that the majority of the Latin American nations have opted for the first choice.

This report is made up of a first section entitled “Freedom for Latin America at the Bicentenary of Independence,” an eminently essay-based chapter that studies the repercussions of globalization on Latin America, the Region’s membership to the Western World and the important role that the middle classes
have to play regarding the consolidation of a free society. This is followed by a wide-ranging descriptive chapter that focuses on politics, economics, society and security, entitled “Lights and Shadows.” In Chapter 3, the reader will find an entire series of proposals, organized around two main objectives: the creation of stronger middle classes and the promotion of a greater degree of regional integration. The report’s fourth and final chapter is entitled “The Time for Politics,” which calls for unity amongst all like-minded people and proposes a series of formulas when it comes to creating a winning political project for Latin America.

Two observations must necessarily be made regarding this analysis of the situation in Latin America. The first is that any generalization with regard to a region, in which each country constitutes a world in itself, can lead to erroneous interpretations and conclusions. A brief work such as this, which does not enter into any great detail regarding the specific situation in any one country, will inevitably contain certain simplifications concerning a Latin American situation that may seem to be perfectly homogenous, but that is necessarily diverse and plural.

The second observation relates to the name we have given to the group of nations we are going to be analyzing in the report. In this document, Latin America refers to the group of Spanish- and Portuguese-speaking nations located in the Americas. International bodies and studies on the Region generally include the Caribbean nations under the general heading of “Latin America,” nations that share many of the char-
acteristics of the Spanish- and Portuguese-speaking countries, especially Haiti. For this reason, and because most of the statistics that are compiled for the Region include the English-, Dutch- and French-speaking nations of the Caribbean, this report makes no distinction between the two groups.

The term “América Latina” (“Latin America”) has long been rejected and viewed with skepticism in Spain and certain circles throughout the Americas, mainly due to the fact that it is far removed from the Hispanic-American intellectual tradition, constituting something of a symbol for a separate bloc in the face of Anglo-Saxon hegemony. Whatever the origin of this term might be, the expression “Latin America” is widely used throughout the world, including within the Region itself, which has been happy to call itself by this name for some years now.

The expression “Hispanoamérica” (“Hispanic America”) refers to a historically and culturally identifiable reality, one that necessarily excludes Portuguese-speaking Brazil, therefore this term shall only be used on exceptional occasions by this report.

Finally, we might also highlight the fact that the term “Iberoamérica” (“Ibero-America”) refers to a community that stretches over two continents, made up of Spain and Portugal, on the one hand, and all of the Latin American countries on the other. This is an expression that has become established among many public and private organizations and bodies as a consequence of the creation of the Ibero-American Community of Nations.
FREEDOM FOR LATIN AMERICA
AT THE BICENTENARY
OF INDEPENDENCE

"I am proud to feel myself the heir to the pre-Hispanic cultures that created the textiles and feather mantles of Nazca and Paracas and the Mochican or Incan ceramics exhibited in the best museums in the world [...], and to the Spaniards who, with their saddle bags, swords, and horses, brought to Peru Greece, Rome, the Judeo-Christian tradition, the Renaissance, Cervantes, Quevedo, and Góngora, and the harsh language of Castile sweetened by the Andes."

Mario Vargas Llosa
Excerpt from his Lecture to the Swedish Academy upon being awarded the Nobel Prize for Literature in 2010

A) Latin America: A Substantial Part of the West

Latin America constitutes a substantial part of the West. This statement is essential when it comes to reflecting upon the future of Latin America. But what are we trying to point out exactly when we say this? The West is not a geographical concept. The West is a system of values that governs society. It is a culture. It is not an expression of the spirit of a people, and neither is it the exclusive property of any one country. Western values are universal.
The West has an identifiable historical origin. It has been developed over the centuries by the many different peoples and societies that have adopted these values and, in turn, these peoples have enriched the overall concept with their own specific contributions. The West represents a process of accumulation, of gradual enrichment, of superposition and extension. However, its key characteristics and aspects are precise and have prevailed over time.

If the West can be defined by the Greco-Latin tradition, by the heritage of Christianity, by Renaissance humanism and scientific rationalism, by the protection of fundamental freedoms and rights, by representative democracy and the aspiration to perfect this model, by the separation and balancing of powers, by the Rule of Law and the principle of equality before the law, by the free market economy and openness to the world at large, by a sense of equality between men and women; then Latin America forms part of the West.

The purest Western institutions and values continue to play a key role in the societies that have adopted them and, in particular, in the nations of Latin America.

The West finds its most modern political expression in the concept of liberal democracy. This is the only political model that is fully compatible with the idea of the individual; whose dignity and rights serve as both the origin and absolute limit regarding the exercise of power, even in the face of majority will. Liberal democracy is a form of government in which the members of government are elected and political deci-
sions are subject to the rules of what is known as the Rule of Law.

The rights and freedoms that make up a democracy include the right to life and physical well-being, the right to due process, the rights to privacy, property and equality before the law, as well as the freedoms of expression, association and worship. These rights, among others, must be recognized, guaranteed and protected. They make up the foundations of any system that calls itself democratic. And in order to guarantee these rights and freedoms, the balance of powers is an absolute prerequisite.

A democracy also requires a sense of tolerance and pluralism. A range of extremely diverse political ideas may coexist and compete for political power, although these must be underpinned by democratic foundations and the respect for fundamental rights and freedoms.

The West also means scientific and critical thought. Scientific methods prefer an open society. Discovery of the truth is an ideal to which all members of the community aspire, rather than being an imposition on the part of those in power. Truth as an ideal concept must be distinguished from certainty, which, by definition, is a transient phenomenon. This is precisely the reason why Western civilization has gained a technological and scientific advantage over closed societies.

Within the realm of economics, pluralism, freedom and property make up what is known as the free market economy. This system is based on free initiative and recognizes the capacity
for enterprise and trade. This system has proven to be the best when it comes to generating prosperity and well-being.

The West is not the exclusive property of any one people. It has incorporated many different peoples over time and has expanded throughout history. Latin America is the historical result of the expansion process that began in the late fifteenth century when Europeans reached the New World and initiated a fusion and miscegenation process that can be considered to have been quite unprecedented in history. Over more than three centuries, the original peoples of the American Continent gradually blended with people arriving from the Old World. However, the most significant development in all of these societies was their gradual adoption of Western values, through the spread of Christianity, which served as a vehicle for conveying the entire Western tradition up until that time and as a means of incorporating American societies into the West.

This tradition witnessed a very clear continuation in the different process of independence undertaken by the American republics, which form part of the historical cycle of democratic revolutions.

However, we must also remember that the conquest of Western values does not guarantee the victory of the West in itself. In fact, there have been many cases in which nations that have made a decisive contribution to the West regressed into terrible barbarism and savagery. We need look no further than the events of the 1930’s in Europe or the tragic legacies of the Communist, Fascist and National-Socialist regimes, which were
nothing more than perverse experiments in social engineering based on a negation of the idea of the individual that forms the very basis of Western values. Dictatorships, both totalitarian and non-totalitarian, have also existed in Latin America, together with repression. But these have existed over limited periods of time and have always been tainted with illegitimacy. The aspiration has always been to return to democratic forms of government. This is another of the characteristics that testifies to the essentially Western nature of Latin America.

For all these reasons, we consider Latin America to form part of the West. This is both due to its history and to its contributions in terms of thought, culture and creation. It might be pointed out that this process has been imperfect or incomplete. That there have been regressions. However, none of this is far removed from historical developments in other parts of the Western World. A sincere acknowledgment of these facts should not prevent us from recognizing that Latin America’s most brilliant future resides precisely in its recovering and strengthening its Western identity. This does not entail a negation of the fertile crossbreeding process that has taken place up until now. Rather, it means imbuing this process with new momentum.

The Latin American Tradition of Freedom

One ideological fallacy of today, which is generally used to stigmatize the advocates of classical-liberalism and that must be refuted immediately, consists of the idea that the liberal tradition is alien to Latin American customs, being the exclusive heritage of the Anglo-Saxon world. Neverthe-
less, the Hispanic contribution makes up a key part of the Western tradition of freedom.

As a part of the Hispanic World, Latin America has also played a prominent role in the Western tradition of freedom. The School of Salamanca, an example of Late Scholasticism, shows just how strongly Liberal ideas were rooted in the Iberian thought of the sixteenth century. This thought provided the basis of a body of law for a part of the world that today has nearly 600 million inhabitants. Neo-Scholastic theology, as expounded by the founders of the School of Salamanca, Francisco de Vitoria, Francisco Suárez and, later on, Juan de Mariana among others, taught us that men are born free and enjoy a series of inalienable rights – the right to life, the right to freedom, the right to dignity, and the right to private property. In short, the writings of the theologians at the School of Salamanca provided the foundations for what would be known as political and economic liberalism during the Enlightenment, some two centuries before authors such as Adam Smith.

It is also important to highlight the fact that many of the texts written by the freedom-fighters during the 19th century to legally justify the emancipation and birth of the Latin American republics employed the writings of the School of Salamanca as a source, especially those which expounded on the rupture of the social pact in cases of a power vacuum and the consequent need to set up a new regime. Forerunners of various independence movements, such as Juan Pablo Vizcardo y Guzmán in Peru and Francisco de Miranda in Venezuela, and even Bolívar himself, provide clear examples of this line of
thought in favor of freedom, one that had been initiated by the theologians of Salamanca some three centuries before.

The term “liberal,” which is of Spanish origin, given that the Members of Parliament in Cádiz were the first to call themselves “Liberals,” is a word that is abused by some today and, for this reason, is sometimes avoided. However, as Mario Vargas Llosa has reminded us, it is not only an extremely beautiful word, “a blood relative of liberty and of the best things that have happened to Mankind since the birth of the individual,” but also intimately connected with “democracy, recognition of others, human rights, the slow dismantling of borders and the coexistence of diversity”.

In short, the future of the Region requires us to understand the liberal “revolution” that took place on both sides of the Atlantic so that truth can prevail over manipulation and deceit during the celebration of the Bicentenary.

Unity and Diversity within the Latin American Language System

The Latin American language system is a faithful reflection of the Region’s European cultural inheritance and constitutes an additional factor of considerable practical and symbolic value regarding its Western membership. If we travel from one end of the American Continent to the other, we are surprised

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2 Words expressed by Mario Vargas Llosa during the opening of the FAES Campus in 2007.
by its relative linguistic homogeneity: four languages of European origin facilitate communication among 875 million people. It is also true that the predominant use of English, Spanish, Portuguese and French has not obliterated the variety of the linguistic landscape throughout the Continent, thanks to the preservation of numerous native languages. Nevertheless, the diversity of languages in the Americas, where nearly one thousand languages are still used, is much lower than in Africa (more than 2,000 languages) or Asia (3,500 languages), although greater than Europe (240 languages).

The great European languages of the Americas have a vehicular purpose, although they have also served as instruments of integration for societies made up of successive waves of immigrants from every corner of the world. The national identities of the countries that make up the geo-political landscape of Latin America have been constructed around the languages of Spanish and Portuguese.

The preservation and study of the Region’s pre-Hispanic linguistic heritage, which constitutes a civic and cultural requirement for the Latin American Community as a whole, should not, nevertheless, enter into conflict with the need to integrate the most underprivileged indigenous populations in social and economic terms. This integration should begin with education. Certain proposals, such as that of “indigenous intercultural” universities and schools of higher education, which have emerged without any resources or coherent study plans, or that of imparting courses in indigenous languages and relegating Spanish to the category of a second language, reflect objec-
tives that have nothing to do with opportunities to improve the lives of members of society. In effect, they clash with the socio-economic situation throughout the Continent and threaten to obstruct the progress of entire communities.

The search for social cohesion based on a return to customs of the past and archaic institutions, founded on alleged collective rights and specific privileges, works against the declared goals of such measures. In fact, it represents a threat to the liberal constitutional order and the individual rights of the members of the communities in question.

Experts have highlighted the economic advantages that companies, professionals and students gain from the fact that they belong to a large language community:

• It facilitates job mobility.
• It reduces transaction costs at companies.
• It facilitates administrative management.
• It smoothes the way towards investment and the establishment of trade contacts.
• It enhances the possibility of a Hispanic knowledge society.

Language also defines the scope of certain markets, such as the cultural and communication industries and educational services, which, when they grow, create economies of scale and large corporations that are capable, in turn, of competing in other markets on an equal basis.
The Spanish language already has an extensive linguistic community and enjoys some of these advantages, which guarantees its position among the great languages of the world over time. The Latin American nations, and the Spanish-speaking countries in particular, thus have a marvelous resource at their disposal for facilitating their internal relations and projecting themselves throughout the rest of the world.

The fact that some 90% of Spanish speakers live on the American Continent demonstrates the importance of this asset to the Region. This is so much the case that Brazil has once again confirmed its desire to play an active role within the Ibero-American Community of Nations by promoting the learning of Spanish as a second language.

B) The Fraud of the “Noble Savage” and “21st Century Socialism”

The history of ideas in Latin America is dotted with ideologies that have estranged the Region from the Free World for far too long. This history is characterized by a desire to demand and take pride in the exotic and the exceptional.

This desire to stand apart is inspired by the work of authors such as Jean-Jacques Rousseau, who imagined Man in his pure, free and blissful state of nature prior to the social contract. This was a theory that seemed to fit the history of the American Continent perfectly, one in which the “noble savage,” which is to say the Amero-Indian, lived in blessed happiness
and perfect harmony with nature until Columbus set foot on dry land in Guanahani. Thus, as occurred later on with Marxism, various theses originating in Europe were employed in order to assert a claim to pre-Colombian cultures and ways of life, as well as to denounce their allegedly deliberate destruction at the hands of the conquistadors.

In 1776, the Thirteen Colonies of North America rejected the political guardianship of England, but they did not fail to recognize themselves as the heirs to British civilization and the Whig tradition. In contrast – according to Jean François Revel – Latin America, in its wars of independence and endeavors to build a series of nation states, sought to eliminate its Hispanic heritage, without realizing that this actually constituted the very culture of the New World, a culture based on the Greco-Latin and Judaeo-Christian tradition. In short, this was a culture that made a Hispanic-American civilization comprised of whites, mixed-race inhabitants, and Amero-Indians, possible.

Spain’s work in the Americas was admirably described in the Spanish Parliament in Cádiz by Chile’s representative, Joaquín Fernández de Leiva:

“But if we consider those events as a whole, based on the pious measures undertaken by the Catholic Monarchs and their successors, we can see that this Empire filled itself with glory by extending the honorable Spanish nation throughout those vast regions in order to populate them, establish civilization and good customs and defend the native inhabitants from the cruelty of some of their despotic leaders, not to oppress or impoverish them”\(^3\).

\(^3\) “Debates de las Cortes de España sobre las Américas”, *El Español* (Nº XV), June 30\(^{th}\), 1811, p. 207.
In the north of the Continent, the British and, to a lesser extent, the Dutch and the French, pursued a kind of “transplant” strategy, which is to say, European societies were transported to the New World in order to create other European societies which, in effect, eventually grew and prospered. In contrast, in Mesoamerica and South America, the Spanish and, to a lesser extent, the Portuguese, carried out what Julián Marías has described as “a graft”⁴, in other words, live portions of Iberian tissue were introduced into the various societies of the Americas, completely transforming them and creating a new civilization.

The victim mentality and claims regarding a mythical pre-Colombian past that are so fashionable today in Latin America derive from one of the two great currents of thought that swept across the Region immediately after emancipation: that of the indigenist “noble savage,” twinned with nationalism and exoticism. These were ideas that shaped the Latin American populist movements of the 19th and 20th centuries. The second great current is made up of the Conservative, Classical-Liberal and even Social-Democrat ideas that run through the modern institutions of today, through democracy and through the Rule of Law.

In short, we are faced with a doctrinal schism that has always worried classical-liberal authors on Latin America, whose work has been unable to ignore two concepts that are inseparable from the situation in Latin America: civilization and barbarism. These concepts were first employed by Domingo

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Faustino Sarmiento in order to explain the reasons for the backwardness of the Argentinean Republic in the mid-nineteenth century and are still fully relevant today. This same dilemma also runs through the thought of Juan Bautista Alberdi and so many other classical-liberal Latin American thinkers, namely the idea that there are two paths that can be followed: that of civilization, which is to say, the enlightened Western tradition; and the path of irrationality, chaos and destruction.

These authors became aware of the dangers posed by fictitious and distorted readings of the Latin American situation, especially when these were elevated to the category of ideological and political myth. In general terms, we can state that the history of the Region over the last two centuries has been characterized by the ongoing conflict between these two ways of conceiving the Latin American ethos. And this dialectical situation has been accompanied by the two political lines of thought mentioned above, whose inconclusive battle has conditioned the history of Latin America since independence.

In the 2007 edition of this document we referred to the radical project advocated by the Latin American Left, christened with the name of “21st Century Socialism.” As we highlighted earlier, indigenism, neo-Statism, nationalism, militarism and populism are all employed by the advocates of this path in order to achieve their goals. The Left grants priority to alleged collective rights over individual rights, thus overlooking the individual in favor of the group, whether it be ethnic, trade unionized or a social class. The ethnic element and
an obsession with the past, in the form of a mythical pre-Colombian pastoral paradise that was both collectivist and egalitarian, constitute one of the illusions of this Latin American Left, especially in those countries that have a large Amerindian component in their population. This Left has abandoned its discourse of “progress” and now casts its eye back to a pre-Modern and reactionary narrative that justifies and provides the basis for its political actions.

Indigenism has begun to take on the role in Latin America that nationalism played in Europe. In fact, it is as enlightening as it is worrying to notice the similarities between the two. Both question the modern Nation States that superseded the Ancien Régime with Liberal constitutionalism in the 19th century. Indigenism replaces the idea of the citizen in a republic with membership of an ethnic community, in the same way in which European nationalism sought to establish exclusivist identity formulas. Both subordinate liberal principles and institutions such as the balance of powers, merit and capacity, equality before the law and respect for individual rights, to the achievement of their goals, in a manner very similar to totalitarianism.

Indigenism and nationalism advocate a confusion of powers. The accumulation of power is a shared characteristic, as is the unjustified interference in the private realm of individuals and their families regarding aspects as sensitive as education and the use of religion in the service of their causes. Both the Latin American indigenists and the exclusivist nationalists of Europe have promoted a false reading of history,
whilst in the economic sphere we find that alleged historical rights are used as an instrument of interventionism and economic protectionism.

In its attempts to reinstate alleged or mythical pre-Hispanic institutions, indigenism promotes dangerous exceptions to normal democratic practices, in the only form that they can possibly be conceived: universal suffrage, equality before the law, balance of powers, accountability and transparency. The current political idealization of pre-Colombian civilization is nothing more than an attempt to impose authoritarianism and collectivism.

In the same way in which the true defense of a nation entails praise for patriotism and denunciation of nationalism, the true defense of indigenous groups, as in the case of any group that may be underprivileged, must lead us to denounce and fight against indigenism. Segregation between different ethnic and cultural groups simply exacerbates current problems. The results of indigenism are quite contrary to those that it claims to bring about: a considerable amount of damage to national integration due to the fact that the strategy pursued is based on racial or non-existent mythical factors, coupled with a distancing from the developed world.

The protection of minority cultures need not necessarily entail an obstacle or an excuse regarding the access of indigenous minorities to the realms of education, healthcare and all other rights, based on perfectly equal opportunities with regard to all other members of society.
The political indigenism of the Latin American populist Left has some enthusiastic advocates in certain parts of the West, especially among the European and US left-wing movements that are bereft of any cause following the failure of “real Socialism.” It seems quite incredible that this populist option should enjoy the support of certain left-wing sections in the First World that enjoy all the comforts of prosperity and political freedom in their own countries. With this flagrant sense of irresponsibility, these “progressives” support ideas for others that they would never dream of proposing for their own societies.

Neo-Statism, another of the components of what is known as “21st Century Socialism,” constitutes one of the great ideological threats to the Latin American economy. It entails a return to the past, featuring a series of formulas that failed in the 20th century whenever they were applied.

Whilst certain left-wing movements in other parts of the Western World have been forced to accept the fact that market economy is a necessary condition for ensuring growth and development, in Latin America various social movements – and, which is even more serious, certain governments – continue to stigmatize “Neo-Liberalism” as the cause of all evil throughout the Region.

Ignoring the policies that have worked in developing economies, the Latin American populist Left has advocated the nationalization of natural resources and the collectivization of land, with the consequent damaging effects regarding private property rights and investment.
Populism is, perhaps, the most important instrument of “21st Century Socialism.” Enrique Krauze\(^5\) has proposed a series of specific characteristics when it comes to describing Latin American populism. The first characteristic is egoism: the party or movement is organized around a providential individual, a charismatic leader who immediately demands the creation of a personality cult.

The populist leader is also a demagogue: he takes centre stage in order to flatter the ears of the “people”; in doing so, he does not hesitate to extend his control over the media by means of censorship and harassment of the free press, or by means of subsidies and sinecures.

Populism uses the State budget in an arbitrary manner. It tends to use public funds for political purposes and, even when the funds are shared out, it demands repayment in the form of obedience. The demagogue does not seek to abolish the market by force, but establishes alliances with “patriotic businessmen,” who seek shelter in convenient protectionism. However, the populist also fans the flames of class hatred by encouraging popular prejudices against “the rich” and constantly mobilizing social groups against the enemies at home and abroad.

Populist nationalism finds its raison d’être in the existence of an enemy abroad, which it blames for all of its failures. Imperialism, the United States, international financial bodies

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\(^5\) Words expressed by Enrique Krauze during the seminar on “The Strength of Ideas” (“La fuerza de las ideas”), organized by FAES and the Rafael Preciado Hernández Foundation in the Federal District of Mexico on February 5th, 2006.
and multinationals are the favorite scapegoats of Latin American populism.

The populist leader scorns the legal system. Rather than the law serving as a limit to his power, the leader seeks to become the origin of all law. He seeks to eliminate the institutional checks and balances of liberal democracy, considering them to be aristocratic, oligarchic and contrary to the popular will. He also rejects any kind of time limit, seeking to perpetuate himself in power.

Even when it does not become fully dictatorial or totalitarian, populism, according to Krauze, endlessly encourages dreams of a better future by sidestepping the most pressing problems, covering up the disasters that it creates, disregarding any objective analysis of its measures, crushing any criticism, adulterating the truth and subjugating, corrupting and impoverishing the public spirit.

A large part of the lost and disorientated Latin American Left, which was traditionally dogmatic and strongly influenced by Castro-style Marxism-Leninism, has shamelessly headed a movement that has no defined ideological foundations. We must certainly recognize its skill in amalgamating a series of feelings, rubbing open wounds and exacerbating certain social irritations, phobias and sectarian approaches as part of its lust for power and frantic attempts to hold onto it.

Populism can be defined more clearly by its methods than by its thought. Unfortunately, certain examples of populist-style movements exist today that serve as a refuge for the most rad-
ical members of the Latin American Left, *coup d’état* conspirators and all kinds of anti-system fighters: anti-establishment and anti-globalization radicals. Their violent methods, militarist symbols and gestures, their creation of “paramilitary circles” devoted to the tasks of intimidation, indoctrination and vigilance, answering as they do to the supreme leader alone, recall the worst totalitarian aspects of the movements that were witnessed during the 20th century.

**C) Latin America and Globalization**

The fall of the Communist regimes of Central and Eastern Europe in 1989, the collapse of the Soviet Union two years later, as well as the progressive abandonment of economic planning as of the 1980’s by the two Asian giants, India and the People’s Republic of China, have led to the expansion of free market economics throughout a good part of the world.

In China and Vietnam, the privatization of means of production has not been accompanied by the democratization of the countries’ regimes, which continue to be strictly controlled by their respective Communist Parties. Nevertheless, the ideas of freedom and democracy have been taken up by the European countries dominated by Communism up until 1989, completing what the US political commentator, Samuel Huntington, has called the “third wave of democratization.”

The Latin American Region joined this process in the 1980’s when Peru, Brazil, Argentina, Uruguay, Chile and Paraguay re-
covered the democracy they had lost with the imposition of their respective military regimes. With the flagrant exception of Cuba, the democratic State, based on the Rule of Law and recognition of individual freedoms, became the most widespread political institution and the only truly legitimate type of regime throughout the Region.

According to Freedom House, at present some 45% of the world’s countries (87 countries) are currently free, with autocracies making up 24% (47 countries), and partially free regimes accounting for the remaining 31% (60 countries). Some 43% of the world’s population lives in free countries and 35% lives under authoritarian regimes (22% under mixed regimes)\(^6\). The triumph of democracy, together with the general adoption of free market economy, the subsequent rise in world trade and the development of information technologies, have all helped to shape a globalized world that tends toward the free movement of goods, services, capital and know-how. Indeed, today there is no other feasible alternative either to the democratic State or the market economy. The model consisting of a capitalist open society and free market economy has not even been called into question during a period in which both Europe and the United States are experiencing a serious financial and debt crisis.

The triumph of the democratic State and free market economy has been absolute and definitive. In fact, the value of democracy is such that the immense majority of the world’s pop-

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ulation supports it and even authoritarian States define themselves as “democratic,” even though they are not. Furthermore, a clear correlation exists between freedom and economic prosperity: almost all of the most prosperous countries in the world are free, and almost all of the free countries are prosperous. In this respect, we can observe a growing link between per capita GDP and economic freedom: the greater the degree of economic freedom, the greater the GDP per capita (see Graph 1).

Graph 1.
Link between Economic Freedom and GDP Per Capita in More Than One Hundred Countries (2007)

How can we explain this? It is probably due to the fact that democracy tends to ensure good government, which means a sound institutional framework. What is more, there is a very clear link between good government and prosperity, on the one hand, and bad government and poverty, corruption and the poor allocation of resources, on the other.

Globalization has led to higher levels of mobility in terms of both trade and individuals, which means that the competitive benefits of other societies can be taken advantage of more easily with regard to knowledge, technology and know-how. This provides a considerable boost in terms of opportunities for wealth creation. The larger the number of individuals making contact and exchanging information, the greater the source of knowledge and skills available to each individual. Opportunities to establish efficient forms of stabilization increase at the same time as the hottest competition forces companies to use new ideas and technologies to boost their efficiency levels.

The phenomenon of globalization is enabling the developing countries to exploit ideas and technologies that the developed countries had already devised through the work of generations and in which they invested enormous quantities of resources. In short, the poorer nations can learn from the mistakes and successes of the past, and therefore they can incorporate the most recent innovations immediately.

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8 Ibid.
The emergence of a globalized economy and the proliferation of free societies, as part of what constitutes a much more extensive, intense and rapid social and economic revolution than the Industrial Revolution itself, has benefited all of the world’s inhabitants, but especially the poorest and most vulnerable. In this respect, over the last 50 years poverty throughout the world has decreased more than over the previous 500 years. The number of poor people who survive on less than one dollar a day has been reduced by five hundred million over the last 30 years. The growth-rates posted by the developing nations are extremely high (China, 9.3%; India, 8.3%; Brazil, 7.5%) and the latest economic and financial crisis has not prevented the developing countries and Latin America from growing much more rapidly than the more developed nations\(^9\). Nevertheless, the eventual slowing down of the Chinese economy will undoubtedly affect quite seriously those Latin American countries that have chosen to base their economic growth on their exports of primary products to the People’s Republic of China.

Indicators relating to life-expectancy, access to health services and access to education are also illustrative. Between 1960 and 2005, the life expectancy rate upon birth increased by an average of 18 years\(^{10}\). Furthermore, infant mortality decreased from 12.2% to 5.1%\(^{11}\). With regard to access to education, worldwide illiteracy fell from 36.6% to 17.6%\(^{12}\).


\(^{10}\) Norberg, op.cit., p. 41.

\(^{11}\) Ibid., p. 43.

\(^{12}\) Ibid., p. 63.
Latin America has not always been a region open to international trade. Following the Second World War, economic nationalism and trade protectionism, encouraged by capitalist theories, took a firm hold throughout the Region. In the 1960’s and 1970’s, the theory of dependence predominated in Latin America, with which the underdevelopment suffered by Latin American countries was explained by their subsidiary role within world economy, based on their commodities exports of low added value.

Economic nationalism in Latin America only served to punish the Region with an enormous foreign debt, an extremely high fiscal deficit and hyperinflation. These problems weighed down the Region’s economies throughout the entire 1980’s, constituting what has become known as the “lost decade.”

The adoption (albeit deficient and incomplete) of the reforms set out in what was known as the “Washington Consensus” on the part of the majority of the Latin American governments enabled the Region to reduce its fiscal deficit and rates of inflation to manageable levels, laying the foundations for the orthodox macro-economic policies implemented today.

For many years, a Manichean, absurd and unfounded radical nominalism dominated political life throughout the Region in a rather sterile manner. However, if we look back over the recent past at the results achieved by the leading economies throughout the Region, we must necessarily acknowledge the effectiveness of the classical-liberal practices that have been adopted, which have nevertheless been systematically demonized by the Left. In this respect, the Social Democratic nostalgia for failed
development models does not appear to be the best way forward when compared to the evidence provided by real developments.

With the exception of the countries that fall within the “Bolivarian” Axis, Latin America today enjoys a classical-liberal model that includes the “dismantling of customs barriers, the privatization of State-owned companies, schemes to boost domestic and foreign investment, and the creation and expansion of stock markets in order to strengthen financial markets”\(^\text{13}\). The liberalizing measures that have been introduced, together with greater openness to the outside and the general adoption of democracy, without forgetting the rising demand for primary products, have led to some truly extraordinary rates of economic growth sowing the seeds for the emergence of a Latin American middle class.

Nevertheless, if we analyze global projection figures in the cool light of day, taking into account the position of a country within the economic, military, scientific, social and cultural spheres, the inevitable conclusion we must reach is that the countries of Latin America continue to have little influence within the current globalized world. This much is confirmed by the Elcano Global Presence Index (IEPG) for 2011, which quantifies the internationalization of 54 countries (including the 42 nations with the highest GDP), and which placed the Latin American republics in a rather poor position. In this respect, Mexico comes in at number 20 in the ranking, whilst Brazil is at number 25. Venezuela (which benefits from its oil reserves) is ranked 38, whilst Argentina comes

in at 39. Chile and Colombia are ranked 43 and 44, respectively\textsuperscript{14}. 

Mexico’s acceptable position in the ranking can be explained by its thriving trade, migratory and tourist relations with the United States. Brazil, on the other hand, in spite of the fact that it has become a regional power in South America, continues to suffer from a weak global projection, one that is well below that of China (ranked 5), but also lower than that of another developing power such as India (ranked 18)\textsuperscript{15}.

Latin America undoubtedly faces the challenge of becoming part of the worldwide chain of production, not only as a supplier of commodities, but also as a producer of goods of high added value. India provides a perfect example of this: within ten years it has gone from being an irrelevant nation in terms of information technology to a grand factory for digital technologies as a result of delocalization processes.

In summary, globalization offers Latin America the opportunity to become an important player on the world stage if it adopts a series of sensible policies and is capable of pursuing and consolidating its liberalizing reforms, which have proven to be most effective.

**Governance for Freedom**

The reality of a globalized world diversifies and extends the scope of relations among different countries. In spite of the in-


\textsuperscript{15} Ibid.
exhaustible opportunities offered by this new model, certain grey areas exist regarding the legal and institutional mechanisms that should govern such exchanges. The last few years have been characterized by the creation of formulas that have emerged within the factual context –G20, G8, BRIC – but which, nevertheless, have become arbiters regarding questions of considerable global importance, without it being especially clear exactly what legitimate foundations and procedures underpin these forums. In effect, these forums do not derive from any formal source of law and their representation lacks any kind of organic formulation, What is more, they do not present any systematic procedures regarding decision-making and the enforcement of decisions.

It seems clear that the multilateral bodies of the post-War period have lost credibility in the face of current developments and have left a vacuum to be filled by these improvised guiding forums for international affairs. The consequence of not having any kind of regulated international framework is that no predictable and stable mechanisms exist regarding implementation and enforcement, which, ultimately, are provided by law. In the face of numerous statements and vague intentions, what is clearly lacking is a set of effective policies designed to introduce reliable regulation.

The recovery of law as the basis for international relations must underpin a new and reformed multilateral architecture. The role that must be played by the Atlantic community of values in this task, with its tradition of legal security, necessarily requires the Latin American nations to defend a form of worldwide governance that is capable of monitoring international power games and keeping certain policies in check that arbi-
trarily damage the legitimate interests of those who are side-lined by these spontaneous and informal forums.

D) The Middle Classes as a Guarantee of Prosperity and Stability

The middle classes have become a source of innovation and enterprise, the pillars of economic growth and prosperity. The middle classes within society are imbued with the values of education, hard work and saving, all of which are indispensable for the creation of wealth and for increasing aggregate demand.

Furthermore, once they become consolidated, the middle classes demand a State based on the Rule of Law and a political regime that is truly representative, thus becoming the architects and guarantors of democracy.

It is worth recalling that capital (physical and human) and private property are the foundations on which the middle classes of any society rest upon. Although the term “middle class” is difficult to define, among the features that characterize it we might highlight the following: ownership of a vehicle and a house, drawing of a pension, access to secondary education and the possibility of upward social mobility... Due to their desire to prosper, their independence and their important social role, the Latin American middle classes represent the culmination of the liberal project throughout the Region devised at the origin of the republics.

Certain essential conditions exist for a middle class to be created, such as upward social mobility, the possibility of
transforming education into a productive factor and free access to everything that might be aspired to according to merit and the limits of the law. The reduction of poverty is an objective that must never be renounced. However, this in itself cannot guarantee a middle class society. In this respect, it is worth pointing out that the middle classes will be fragile if they are exclusively based on favorable external factors, without important structural reforms having been carried out.

The middle classes throughout the Region are growing at a favorable rate and acquiring a significant size, one that is similar to the middle classes of Southern Europe (see Graph 2).

GRAPH 2.
Middle classes: Percentage of the Population with Income between 50% and 150% of Median Income

The exception to this trend is provided by the countries that have adopted what is known as “21st Century Socialism.” The rest of the Region has made considerable gains in the battle against poverty, specifically a gain of 10.9 percentage points since the year 2002. Furthermore, throughout the same period, the destitution rate was reduced by 6.1 percentage points (see Graph 3).

The expanding middle classes are benefiting from greater access to property and a significant rise in banking credit, which is reflected in higher banking levels (accessibility), improved property registers and better financial practices.
Nevertheless, Latin American middle classes, although increasingly large, present some serious defects that make their consolidation extremely difficult. Indeed, a significant number of members of these classes work within the unofficial economy, do not own a property and do not have access to consumer goods of high added value. And to make matters worse, Latin America’s emerging middle classes have a considerable number of members without any basic education. In short, these middle classes are extremely fragile and their members run the risk of falling back into poverty, which is why public policies are required to consolidate their precarious success and facilitate upward social mobility.

The low quality of formal education, which entire sections of the population are unable to even gain access to, continues to make it difficult to establish a thriving and large middle class in Latin America. Furthermore, some observers might expect a simple and direct correlation between rising public expenditure on education and improvements in quality. However, the increase in public spending on education undertaken by the Latin American governments does not seem to be contributing to the growth of the middle classes throughout the Region. The problem is that, without a large and active middle class, it is difficult for educational quality to be improved, given that it is precisely the middle-class sections of society that are more inclined to demand high-quality training for the new generations.

In this respect, one of the main challenges that governments throughout the Region must tackle is that of implementing long-term public policies that favor these middle sections of soci-
ety, thus enabling them to consolidate their role as the authen-
tic middle classes.

Macro-economic achievements are not sufficient to bring this about. Measures designed to encourage the development of real middle classes must focus on aspects of a micro-economic nature. If we analyze these parameters, even those of the countries that fulfill the corresponding macroeconomic rules, we can discover the factors that impede the existence of a direct correlation between economic growth and the mass incorporation of the disadvantaged into the middle sections of society. Among these impediments, we might highlight the following:

• An absence of efficient control bodies.
• Profuse fiscal legislation.
• Complex and rigid employment legislation.
• Slow bureaucracy regarding the incorporation of new companies.
• A lack of efficient property registers.
• Lack of accountability.
• And, finally, extremely slow mechanisms for the resolution of conflicts (litigation).

These defects inevitably create an informal climate that compromises the revenue-generating potential of the State and, ultimately, makes it difficult to finance basic social services and benefits: justice, security, health and education. The current pe-
period of general prosperity throughout Latin America constitutes an ideal opportunity to undertake those reforms that are likely to promote a more formal framework for economic activity, an indispensable requirement for individuals to become citizens with fully recognized freedoms and rights.

As far as inequality levels are concerned in Latin America, these continue to be high; in fact, they are the highest in the world. The income share of the four poorest deciles\(^\text{16}\) averages less than 15% of total income, whilst the wealthiest decile accounts for about one third of the total. Furthermore, average income received by the wealthiest 20% of the population is 19.3 times higher than for the poorest quintile\(^\text{17}\). The years 2002 and 2003, however, mark a turning-point in which inequality begins to present a downward trend in numerous countries.

It is also worth mentioning the fact that the declining trend for inequality throughout the Region does not seem to have been affected by the advent of the economic and financial crisis in 2008\(^\text{18}\). Between 2002 and 2008, the GINI coefficient\(^\text{19}\) fell by 1% or more per year in ten countries, with Guatemala posting the only appreciable increase. In turn, the figures for

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\(^{16}\) Deciles are any one of nine numbers in a series dividing the distribution of the individuals in the series into 10 groups of equal frequency. Quintiles are any of the four values that divide the items of a frequency distribution into five classes.


\(^{19}\) Index that measures inequality with regard to income.
2010, which reflect the immediate post-crisis scenario, show that inequality did not increase significantly in any of the eleven countries studied by the ECLAC\textsuperscript{20} (See Graph 4).

GRAPH 4.


Nevertheless, the real obstacle regarding the development of a society is not inequality in itself, which is a natural consequence of diversity, but a lack of opportunities. The cer-

\textsuperscript{20} Ibid., p. 14.
tainty that one can prosper socially and economically by doing things well provides an extremely powerful incentive to work hard and generate wealth. The true challenge and key to solving inequality resides in creating the conditions in which the poor may prosper and wealth be based on effort and justice. The illegitimate interference of certain forces that distort the healthy logic of economic gain, which are sometimes linked to crime, drug-trafficking, cronyism between the State and companies, and abuse of power, must be tackled in order to achieve these objectives.

A large middle class strengthens society. It makes the social fabric more robust by generating mutual trust, based on the ideas of legitimate gain, aspiration and projects undertaken within a secure context. In short, it is a question of providing individuals with the means to freely exercise their rights within the framework of a thriving productive society.

To believe that success has been achieved by simply contemplating the corresponding growth indicators would be a grave error. This decade offers Latin America the opportunity to achieve success, but that success is not guaranteed.
2

LIGHTS AND SHADOWS

“Today, all of us, Europeans and Americans, want to be free and to enjoy equal rights: so why don’t we get together soon and be reconciled?”

Francisco de Miranda\textsuperscript{21}

A) Where Are We?

Over the last third of the 20th century there were many reasons why Latin America should have had a strong sense of confidence in itself. For the rest of the world, the Region even presented indications of becoming the continent of the future.

The indicators relating to health and education had progressed significantly throughout the century. Although it took some time to achieve, the gap regarding illiteracy rates, infant mortality and life expectancy compared to the developed nations had been almost entirely closed by the 1980’s. The combination of these advances with sustained and high fertility

\textsuperscript{21} Letter sent from the Prison of Puerto Rico on June 30th, 1813 to the Council of the Regency of Cádiz.
rates explains why Latin America achieved the highest rate of demographic growth in the world during the 1960’s.

Up until the 1950’s, the Region attracted European and Asian immigrants, who contributed to the population explosion and the ethnic and cultural mix that characterizes the sub-continent. As of the 1960’s, and in spite of the fact that certain nations continued to present positive figures due to movements between different Latin American countries, the Region seemed to lose its appeal and Latin Americans began to emigrate. Nevertheless, Latin America witnessed an increase in population that went from 60 million inhabitants in 1900 to 517 million in 2000, in other words, from 4% to 9% of the world’s population.

The institutional transformations that underpinned the process of modernization and growth ran parallel to those witnessed throughout a large part of the industrialized world. The judicial, tax and financial systems underwent wide-ranging reforms in the 1920’s. In the same way as in other parts of the world, central planning and State interventionism mechanisms were introduced more widely in the 1950’s and 1960’s. However, unlike other parts of the West, the countries of Latin America failed to create the minimum conditions for well-being and extend opportunities for betterment to wide sections of society, together with participation in public life, thus making the establishment of a basic consensus and political alternation difficult.

Political instability and far-reaching social discontent were used as a pretext for promoting revolutionary movements, which in many countries led to the outbreak of violent conflicts,
which, in turn, were used as an excuse for military coup d’états, authoritarian regimes and political repression.

In spite of these grave problems and frequent border tensions of a nationalist nature, the Region managed to maintain relative harmony with regard to its international relations, thanks largely to principles of international law. This kind of “splendid isolation,” founded on economic development and a shared cultural and institutional background, continued beyond the two World Wars, in which the Region basically remained on the sidelines.

Uninterrupted decades of economic progress led to certain modern developments and scientific and artistic achievements, rather too isolated perhaps, but comparable to those of the most advanced nations. The artistic international avant-garde movements have found many highly original interpretations and an overwhelming degree of creativity in Latin America. The Region has also seduced Europe and the United States with its literary, artistic, musical and architectural creations.

As in the rest of the world, although on a second act, the rapid economic development of the mid-twentieth century came to an abrupt halt in the 1970’s. In the first instance, most of the Latin American countries were able to avoid the consequences of successive international economic crises thanks to the massive inflow of capital searching for new profits. However, the withdrawal of this capital and the consequent debt crisis laid bare the defects of the Region’s model of growth and led to the collapse of Latin America’s economies.
The last quarter of the 20th century presented some extreme vicissitudes throughout Latin America. The terrible growth and development figures of the 1980’s led to the coinage of the expression “the lost decade.” During these years, the basic indicators of well-being began to fall behind those of the rest of the developed world, a trend that continued, with certain ups and downs, until the end of the century.

However, the 1980’s also witnessed various transitions to democracy. In this respect, except for Cuba, by the end of the decade all of the Latin American countries had democratic systems, whereas at the beginning of the decade the democratic nations were the exception rather than the rule. Although the return of democracy did not solve the question of political instability, it did lead to a change of attitude regarding the necessary economic adjustments that needed to be made.

The discrediting of economic nationalism (trade protectionism, substitution of imports, an abnormally large public sector), which had established the basis of the development policies pursued during the mid-twentieth century, together with the support of international credit institutions, enabled the countries to initiate reforms towards a more liberal approach during the 1990’s. Unfortunately, these reforms were not far-reaching enough in the majority of countries where they were applied. Some countries even opted out of these reforms.

These policies, which were timid, incomplete and, in many cases, soon aborted, did not manage to protect the main Latin American economies from sudden financial crisis, within the
context of a world that featured increasingly few barriers regarding the movement of capital.

The defective application of what was known as the “Washington Consensus” had at least one positive outcome: the reduction of the Region’s fiscal deficit and inflation rates to manageable levels, the necessary point of departure for sustained growth. Nevertheless, lack of transparency in privatization processes very often compromised the results achieved by these reforms and produced the paradoxical effect of many governments seeking to preserve their influence through a populist increase in public spending.

Following what became known as the “lost decade” in the 1980’s (based on economic failure and a five-year period of crisis in many countries between 1998 and 2002) the regional and worldwide situation presented a series of new opportunities for Latin America to rejoin the path of modernization and development. Maintenance of the appropriate economic policies, an increase in foreign investment and exports and strong worldwide growth over these years improved the economic outlook of the Region’s economies significantly. The income per capita figures compensated for the accumulated decreases of the previous decade and, with only a few exceptions, poverty rates also decreased significantly.

Coinciding with the advent of the new century, various populist leaders rose to power throughout the Region who took advantage of the countries’ democratic systems in order to empty them of all content and set up authoritarian regimes fol-
lowing the corresponding constituent processes. Demagogy, exacerbated nationalism and anti-political discourse made up some of the characteristics of what was called “21st Century Socialism.” Few countries actually surrendered to this form of populism, although until very recently, its capacity for expansion seemed quite limitless. At the moment in which this report has been written, “21st Century Socialism” has been discredited and confined within the borders of the countries that make up what is known as the “Bolivarian Axis,” which, in itself, constitutes something of a problem for the Region.

Nevertheless, Latin America finds itself at a crossroads and the risk certainly exists that its leaders may look back in time in search of certain formulas that ended in failure. They might also fall under the influence of other models that have combined authoritarianism and capitalism with a certain degree of success in other parts of the world, but which are far removed from the Latin American liberal tradition. If Latin Americans give credit to these distractions and abandon their reformist efforts, the Region runs the risk of missing another train towards modern development.

The alternative to these possibilities consists of persevering with the current reforms, opting unreservedly for those that have been seen to work in other countries and even within the Region itself. In any process of change, the temptation to become complacent and renounce the possibility of advancing along the path to progress constitute dangers that must be fought with a combination of political will in the form of determined leadership and a level of public awareness that focuses on the possibility of enjoying a future packed with opportunities.
B) Politics

During the last edition of this report we identified a series of political and institutional weak-points that served to undermine the basic structures of the State and hold back progress throughout Latin America. Among these, we mentioned the following:

- Weak and crisis-ridden political parties.
- Fragmentation of Opposition parties.
- Political instability as reflected in the frustrated and inconclusive culmination of various presidential mandates (between 1989 and 2007 some fourteen presidents had yet to conclude their mandate)\textsuperscript{22}.
- Immature democracies featuring a general level of mistrust on the part of civil society when it comes to using political parties as a channel for participation in political life.
- Use of sinecures and handouts as mechanisms for securing votes in the poorest sections of society.
- The scarce role of Parliament and the lack of independence of the different powers, reflections of a general institutional deficit.
- The general discrediting of institutions due to disaffection with politics.

We also pointed out that, within this context, political militancy very often had nothing to do with ideological reasons and more to do with sociological factors far removed from the realm of convictions and principles. We were faced with a vicious circle: the political channels did not work, the realm of politics was being discredited and those who entered public decision-making spheres very often did so in search of some personal benefit or based on feelings similar to those that are held toward football teams.

However, over the last five years, these grave deficiencies, which described a rather negative outlook, have been widely addressed. Although problems continue to exist in these areas that oblige governments to continue working on structural reforms in order to strengthen their institutions, we cannot overlook the fact that the political progress that has been made constitutes one of the Region’s greatest triumphs in the last five years.

Consolidation of the Liberal Order and the Peaceful Transfer of Political Power

The political changes that have been witnessed throughout the Latin American Region over the first decade of the 21st century have not affected the countries’ liberal institutions, except in those countries where Socialist populism has been adopted. Liberal democracy, which was recovered during the 1980’s as the many military regimes that had proliferated throughout the Region began to collapse, has been consolidated in recent years thanks to public policies aimed at strengthening its institutions, coupled with the correct economic strategies and acceptance of the system on the part of much of the Left. This transformation, com-
bined with a series of solid institutions and, let us not forget, the responsible civic approach of Latin Americans themselves, has made it possible for good policies to be applied on an ongoing basis, very often in spite of changing political persuasions in the presidential office and differing majorities in Parliament.

**The Emergence of a Moderate Left**

If it is possible to state that liberal democracy and the free market economy have consolidated their hold in Latin America over the last decade, this is, in part, due to the emergence of various nominally left-wing governments during this period in different States throughout the Region which have, nevertheless, completely respected the rules of the democratic game, in addition to accepting and even promoting economic freedom in their respective countries.

In Brazil, Luiz Inácio Lula da Silva, the leader of the Workers Party, a former trade unionist and, in principle, a hostile adversary to Brazilian social democracy, once in the President’s office, actually continued the economic policies of his predecessor, Fernando Henrique Cardoso, which resulted in low rates of inflation and sensible GDP growth, as well as a significant reduction in overall and relative poverty throughout the country. This led to the emergence of a Brazilian middle class. His successor as President since 2011 and fellow party-member, Dilma Rousseff, has followed exactly the same policies.

This sensible left-wing approach has also been applied in Uruguay, where José Mujica has extended the social-democratic
measures introduced by his predecessor, Tabaré Vázquez. In Peru, it was Alan García who maintained the open approach of the Peruvian economy initiated by Alejandro Toledo and exercised strict monetary and public spending controls.

It cannot be denied that an important conversion has taken place within the ideological realm, given that these left-wing leaders and parties have understood that the most underprivileged members of society can only prosper if the obstacles to business enterprise and trade are dismantled, State-owned companies are privatized within the framework of a competitive environment, market elements are introduced into State social policies, and inflation is kept under control.

The adoption of these values is the result, in good part, of the degree of political maturity that Latin American societies have achieved through their assimilation of democratic principles and individual freedoms. The conclusion that can be drawn from all this is that classical-liberal values, which have set down roots wherever they have been put into practice, offer their natural political representatives (corresponding to the political sphere that does not identify with the Left or with populism) the opportunity to articulate a winning program. However, for this program to triumph in electoral terms it is essential to establish an all-encompassing political organization, to go beyond divisive personal differences, and create attractive leaderships and proposals that are sufficiently coherent to ensure that freedom-based ideas are not used in an opportunistic and parasitic manner by sections of the Left.
The Setback of a Populist Wave

What is known as “21st Century Socialism,” which until not long ago seemed to be emerging as a decisive ideological force throughout the Region, shows clear signs of ailing in 2012. The countries following this political persuasion are in crisis. The expansion project mapped out by Socialist populism has been curtailed by the incompetence of the regimes that embody these beliefs and by the success of the countries that have adopted measures aimed at building feasible and harmonious societal projects.

The Cuban Communist regime, a reference-point and ideological beacon for “Bolivarian populism,” forced by the unmitigated failure of its collectivist system, has sought to replace this approach with an alleged authoritarian capitalism devoid of political freedoms. For its part, Chávez’s Venezuela, in spite of the fact that it enjoys the highest revenue levels in the country’s history thanks to oil exports, has seen its regional influence diminish due to the regime’s overwhelming ineffectiveness and corruption, an aspect that has even impeded the supply of basic provisions to the Venezuelan population.

Furthermore, the increasingly robust nature of the institutions in various Latin American countries has halted attempts to introduce constitutional reforms whose sole purpose is to perpetuate the leader’s grip on government. The balance of powers, the Rule of Law and respect for the prevailing constitutional order have proven themselves to be the best means of counteracting the advance of populism, which is a form of
authoritarianism characterized by its use of democratic institutions in order to subvert democracy itself.

We cannot ignore the leading role that has been played by Latin Americans themselves when it comes to containing these abuses of power, to the effect that they have managed to abort certain illegitimate measures advocated by despotic leaders. What is more, these leaders have been left entirely disconcerted by the adverse reaction of their alleged electoral support.

In this respect, the image and influence of these authoritarian leaders who propound “21st Century Socialism” has been progressively eroded in recent years, as witnessed by the regional indicators that measure the popularity of different Heads of State and Government throughout the Latin American Community. It is indicative of the degree of democratic maturity achieved by Latin Americans and promising for the future of the Region that the representatives of this expansive populist project of continental aspirations should be among the political leaders with the lowest popularity ratings.

Whatever the case may be, the frontline where the advance of populism has truly been halted is located in those countries in which democrats have joined forces in order to offer an opposing and feasible alternative based on harmony, progress and freedom. The united action of all those who believe in the values of freedom and democracy is essential when it comes to displacing populist governments in power, and this always by democratic means, naturally.
Brazil and Mexico: Western Giants to Promote Freedom

Within the context of the new multi-polar order, as various influential players have emerged on the international scene, the West has found new support from the Latin American giants when it comes to promoting its values of democracy and freedom.

There is a saying in Brazil that is inspired by the title of one of the last works by Stefan Zweig: “Brazil is the country of the future and always will be,” which refers to the eternally-awaited success of this huge country. However, the developments of the last few years demonstrate that Brazil has become an important power in the present: it has the sixth largest economy in the world, serves as a prominent member of the G20 and is now one of the leading players in the international arena.

Brazil’s achievements in recent years are incontestable: it has managed to reduce overall poverty by 30%, whilst in less than a decade it has created more than fifteen million jobs. If it continues along this path, by 2015 the country will have reduced extreme poverty in Latin America by half. Brazil’s GDP is growing at a consistently high rate, which has enabled the Brazilian Government to declare that the country will become the world’s fifth largest economy before 2015, displacing France23.

The secret of Brazil’s success resides in the serious manner in which it has implemented its fiscal and monetary poli-

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cies, its orthodox macro-economic approach and the existence of a favorable environment for business. Lula da Silva prolonged a period of prosperity whose foundations had been laid by Fernando Henrique Cardoso with his “Plan Real,” which balanced the public accounts, cut inflation and boosted private investment. Far from breaking away from this legacy, Lula continued and strengthened it with social schemes founded on incentives for effort and merit plans, rather than on handouts, such as those which linked aid to enrolment in school.

The forthcoming events that are due to take place in Brazil (the World Cup in 2014 and the Olympic Games in 2016 in Rio de Janeiro) offer a grand opportunity for the country to step up the pace of its modernization process and project the image of a nation that is effective, serious and reliable. These events also pose an enormous challenge to the Government of Dilma Rousseff.

Brazil’s consolidation as an international power requires sustained political action designed to resolve the problems that are holding the country back, such as the perception of corruption, the absence of reform within the fiscal and employment spheres, low levels of personal saving, a deficient education system and, in short, a lack of qualified labor.

The country’s GDP is undoubtedly growing, poverty is being reduced and foreign capital is flowing into the country. However,

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24 In 2011 Brazil occupied the 73rd place in the ranking (just behind Samoa and just ahead of Tunisia) which makes up the Corruption Perceptions Index produced by Transparency International. http://cpi.transparency.org/cpi2011/results/
it is also important to point out that the Brazilian economy is showing signs of overheating. In January 2012 the rate of inflation came to around 7%, practically doubling the figure in Mexico, which is the other regional power. Brazil’s exchange rate had also risen, which is damaging to the Brazilian export sector.

It is often forgotten that the Mexican and Brazilian economies are growing at a similar rate and that Mexico’s progress regarding the human development and inequality indices (See Graph 4) is slightly better than those of Brazil. In short, Brazil’s undoubted success should not overshadow that of Mexico, in spite of its difficulties in the battle against organized crime.

Today, the two countries together account for two-thirds of the Latin American economy. This degree of importance entails responsibilities that the two nations must necessarily assume, not only in their role as global players, but mainly in their capacity as regional leaders. Without Brazil and Mexico, Latin America is unable to act and would certainly not be perceived as a consistent bloc, which would undoubtedly be damaging to the Region as a whole. What is more, the two countries would lose out themselves due to their inability to take advantage of the enormous asset entailed by being leaders of a thriving and developing region.

In their capacity as global players, Brazil and Mexico must prove themselves to be advocates and promoters of human rights, of freedom and of democracy throughout the world. They

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not only have the responsibility of reaping the economic rewards of globalization, but also of defending the Western values that characterize them. Neither can they afford to ignore the great issues of today and fail to state their clear position. These two countries must necessarily be involved in the great debates of the globalized world, such as the international financial system, energy, the environment, the battle against poverty and international security, given that they are becoming increasingly important and are destined to continue being so. Following a long period in which the Region appeared to form part of the problem, today it has the opportunity to play a decisive role as part of the solution.

The Need for a New US Strategy Toward Latin America

The key to Latin America’s integration and its anchorage at the heart of the Western World depends on its complex relations with the United States.

The United States has a long tradition with regard to the defense of democracy and freedom. Latin America has experienced this influence since the early days of the emancipation of the young republics, although it is certainly true that during the 20th century US policy toward Latin America very often fell into complacency and even complicity with regard to the Latin American dictatorships and corrupt regimes that have impoverished the sub-continent.

The United States’ commitment to freedom and fundamental rights makes it a key guarantor of these values throughout the world. In the case of Europe, the developments of the
last century clearly demonstrated this fact. The intervention of the United States was fundamental when it came to destroying the two worst totalitarian systems that Mankind has ever seen: German National Socialism, which was defeated on the battlefield in 1945, and Soviet Communism, which was brought to end after more than forty years of Cold War conflict.

Anti-Americanism is very often used as an explanation for all of the evils of Latin America. As the Venezuelan thinker, Carlos Rangel, once wrote, the United States is sometimes used as a scapegoat for the relative failure of Latin America when compared to the north of the Continent, in which respect what is lacking is for “Latin Americans to undergo an inconceivable course of collective psychoanalysis so that Latin America can face up to the real causes of the contrast between the two Americas. It is for this reason that, even though they know it is untrue, all Latin American political leaders are forced to claim that our evils are perfectly explained by the effects of US imperialism” 26.

Latin America is a first-order economic partner of the United States of America. In 2009, the volume of trade between the USA and the Latin American/Caribbean Region as a whole came to 524,000 million dollars. Some 40% of Latin American and Caribbean exports go to the United States. The Western Hemisphere, including Canada is the destination for 42% of US exports. Furthermore, NAFTA, which is made up of the United States, Mexico and Canada, is one of the biggest free trade ar-

eas in the world (735,000 million dollars in trade during the year 2009). The United States continues to be the largest direct investor in the Region, furnishing some 38% of direct foreign investment in Latin America and the Caribbean in the year 2010.

Within the political realm, however, the United States’ influence in Latin American has been reduced considerably in recent years. The Region’s republics no longer turn to the giant in the north in order to solve their problems, but search for solutions amongst themselves, in addition to setting up regional organizations that exclude the United States and looking for friends that may provide opportunities outside Washington’s orbit.

The loss of US influence throughout the Region, which is, in good part, a result of the achievements of Latin Americans themselves, could paradoxically endanger the Region’s prosperity. In effect, this realignment of the balance of power throughout the Region could lead to unforeseen alliances and conflicts. “21st Century Socialism,” although apparently curtailed in terms of its expansionist mission, continues to constitute a threat to the democracies and free market economies that have laid such strong roots in Latin America in recent decades. As far as the United States is concerned, the country must adapt to this new situation, unless it wishes to see its influence continue being weakened throughout the Region.

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There is little doubt that, since the terrorist attacks of September 11th, 2001, both the United States’ interest in Latin American affairs and its capacity to influence them have been significantly diminished. The general perception is that the United States now focuses its attention on parts of the world other than Latin America.

The Obama Administration has continued the Latin American policy pursued by George W. Bush during his second term, namely that of making responsibility a requirement for cooperation and leadership. In other words, this means demanding that Latin Americans resolve their own problems. Nevertheless, especially in view of the failure of the Free Trade Area of the Americas (FTAA), Washington seems to have stopped dealing with the Region as a bloc, limiting itself to the maintenance of selective bilateral relations with certain Latin American partners. It seems perfectly clear that, apart from questions strictly relating to trade or drug trafficking, the Region does not presently constitute a strategic priority for the United States.

In this respect, the funds set aside for the Mérida Initiative for the battle against drug trafficking and organized crime in Mexico and Central America have been cut back. Furthermore, the US Administration should take a longer-term view of the unstoppable growth of the Hispanic community in the United States itself, which currently accounts for 50 million people, 30 million more than in 1990.

The fact that 50 million people with strong ties to Latin America actually live in the United States not only testifies
to a key migratory phenomenon, but also constitutes an added link between the United States and the Latin American republics. In this respect, we should bear in mind that, in spite of the fact that Spanish is not even an official language, the United States has the second largest population in the world of Spanish-speaking inhabitants. This situation presents a marvelous opportunity for both sides to strengthen their social and economic ties. Another asset to be taken into account consists of the more than 60 billion dollars that Hispanic inhabitants in the USA send back to their countries of origin each year. This money should be used to provide a boost for trade activity and fruitful enterprise throughout the Region.

The strong Latin American presence on US soil has two benefits. On the one hand, it may help to combat the anti-American feeling that exists in Latin America. On the other, the integration of the Latin community enriches the social make-up of the United States as a whole. Furthermore, the example provided by Latin Americans who have prospered in the United States constitutes both an incentive and a warning for Latin America. It confirms the fact that Latin Americans can compete and triumph when they are offered the appropriate conditions in terms of legal security and institutional stability. If countries throughout the Region enjoyed the levels of respect for freedom and the Rule of Law that exist in their neighbor to the north, their citizens might improve their standard of living, in the same way that many of their compatriots manage to do who emigrate to the United States.
A low-profile policy limited merely to the signing of trade agreements does not appear to be an appropriate geo-political strategy when it comes to protecting Western interests in general and the United States in particular. The legal, cultural and migratory ties and the shared values between the United States and Latin America seem to invite a somewhat closer alliance so that both sides can achieve their shared goals.

The good news is that the United States has bilateral relations with practically all of the Latin American governments. Furthermore, the vast majority of the Latin American governments value and desire US involvement and even commitment. Practically all of the Heads of the Latin American republics agree that their Region and the United States share both interests and objectives and that cooperation between the two is indispensable.

The long-desired ratification of the free trade agreements with Panama and Colombia (October 2011) on the part of the US Congress undoubtedly constitutes excellent news for Latin America as a whole. However, the strengthening of relations between the Region and the USA should not be limited solely to eradicating customs barriers. The US Administration would do well to accept the Colombian Government’s proposal to place the latter’s experience at the service of the battle against organized crime and drug trafficking in Mexico and Central America. At the Organization of American States (OAS) and other forums, Washington must remain steadfast in its support for democracy, human rights and individual freedoms throughout the Region, effectively denouncing any country that violates these principles.
Spain and the Latin American Community

The Ibero-American Community is a social, economic, political and cultural reality that has been forged over time. We make up a group of almost 600 million people who communicate in two languages of worldwide scope. This is a linguistic and cultural community, but also a community based on law, the result of a situation inherited from a shared past, one that is still fully relevant today. The era of globalization makes this shared legal tradition an important asset when it comes to playing a prominent role within international economic and political affairs.

Like no other country on the Old Continent, Spain and Portugal have a double European and American dimension. This characteristic has made Spain, ever since it became a member of the European Economic Community (today the European Union), the main mediator and promoter of relations between Europe and its Latin American partners. The latter would not be able to find better advocates for a European agenda in Latin America than Spain and Portugal. At the same time, this role grants the two Iberian countries a certain weight and influence within Europe.

The strengthening of the Atlantic relationship between 1996 and 2004 is among Spain’s greatest foreign policy achievements. Up until 2004, this approach facilitated a privileged dialogue between the United States, Spain and Latin America as part of a fruitful triangle of relations. In order to recover this capacity and explore the full potential of this strategy, it is first necessary that the leading Spanish political parties achieve a wide-ranging consensus.
Indeed, the first condition for Spain to be able to play a positive role in Latin America is for a basic consensus to be re-established within the realm of foreign policy. This consensus must be based on both democratic principles (the Rule of Law, fundamental freedoms, international law) and on the interests of Spain. Spain must fulfill these principles without qualification and respect the international agreements that affect its interests.

In short, this consensus must be based on something as simple as proposing for Latin America what Spain desires for itself: a plural democracy that recognizes and guarantees the rights of the individual and a free and dynamic economy as the basis for prosperity and active involvement within world affairs. A consensus regarding these matters was established during the period between the advent of democracy in Spain and the arrival of the last Socialist Government, which decided to put an end to this legacy.

After having worked so hard and well in the past as an ally of democracy throughout the Latin American region, Spain cannot afford to be discredited by promoting closer links with authoritarian and repressive regimes. Spain’s change in policy towards the Cuban dictatorship, its maneuvers to secure a softer stance with regard to the EU’s Common Position on Cuba, its inhibition regarding the crisis in Honduras in 2009, and its complacency regarding the progress of various populist governments, have all discredited Spain and diminished its leadership in the region.

The policy of making dialogue with Cuba dependent on the regime’s democratization efforts must be maintained in spite
of the freeing of certain dissidents and the timid and insufficient economic reforms that have been carried out. Spain has the obligation to support the transition to democracy on the island, encouraging a sense of understanding among different Opposition groups.

Spain has favored the creation of an Ibero-American forum and promoted initiatives aimed at strengthening its role. Set up officially in 1991 and strengthened in 2003 with the creation, upon Spain’s initiative, of the Ibero-American Secretariat General (SEGIB), the Ibero-American Community of Nations and its system of annual summits led to a dense network of meetings, contacts, programs and projects of very different kinds, both within the realm of government and within civil society.

The last Socialist Government paid little attention to the Ibero-American Summits, as witnessed by the inexcusable absence of the Spanish Head of Government, José Luis Rodríguez Zapatero, at the meeting in Mar del Plata (Argentina) in December 2010. This unprecedented absence weakened Spain’s position within the Ibero-American Community of Nations. Fortunately, the Summit Meeting in Cádiz in 2012 will once again offer Spain an opportunity to help strengthen this special forum for dialogue and exchange. Furthermore, it is essential for this joint action to go beyond the realm of summit meetings and have a significant and favorable impact on the situation throughout the region.

The Socialist Government’s predilection for the most questionable regimes throughout the sub-continent, implemented behind the guise of protecting Spain’s interests, has produced a
series of results that not only fail to protect the country’s interests, but have proven to be clearly counterproductive. Basing foreign policy on a choice between interests and values is entirely fallacious, given that the best means of guaranteeing the necessary security and conditions for Spanish investment and business, both of which are in Spain’s interest, is to encourage democratic guarantees so that such conditions will prevail.

In this respect, it is in Spain’s interest that the Latin American party systems work properly, thus enabling citizens to make use of constitutional mechanisms that ensure the exercise of political and social freedoms; this offers a feasible alternative with regard to outbreaks of seductive populism. Insofar as this lies within its power, Spain must attempt to promote productive exchanges among different political forces in order to strengthen certain shared sets of ideas, practices and democratic institutions throughout the Region.

Strengthening the role that foundations, think tanks and universities play in developing different political party programs can be beneficial to the community as a whole in the sense that it facilitates an exchange of ideas and, in short, an exchange of political know-how.

Likewise, in order to fight against undesired institutional weaknesses, Spain should extend its current civil servant exchange programs. The existence of a select group of civil servants, chosen according to merit and capacity, one that remains stable in spite of the ever-changing vicissitudes of politics, provides the best guarantee of an effective and committed government admin-
istration. Furthermore, the creation, with the support of universities, of a high-level school of government or a Chair in Political Science within the framework of the Ibero-American Community could constitute another valuable initiative when it comes to professionalizing the realm of public service within the Region.

Alongside this, sub-regional integration processes could involve the Region’s countries in relations of mutual interest that generate an approach based on democratic legality and shared progress, if the will really exists to go beyond the realm of mere good intentions. With a satisfactory trade agreement between the EU and MERCOSUR still pending, the opening of different Latin American countries to the European market constitutes a goal that can have some truly beneficial results, as witnessed by the experiences of Mexico and Chile.

Of course, we must also bear in mind the current crisis in Europe. With regard to Europe’s recovery, the Old Continent, and Spain in particular, could find a marvelous ally in Latin America when it comes to generating new resources and consolidating their position within the context of a globalized world.

• Spanish Companies in Latin America: Building Bridges for Investment

During the 1990’s, Spain acquired a visible and prosperous presence throughout the Region thanks to the liberalization of its economy and privatizations, in addition to the modernization and internationalization of companies within strategic sectors such as energy, banking and telecommunications. During the
second half of the decade, Spain enjoyed a strong domestic market that was open to competition. The success of the economic, fiscal and job creation policies of the Partido Popular Government, together with the favorable results achieved by companies on the domestic market, created the climate of optimism necessary for them to undertake the search for new markets and expand towards Latin America.

In 2010, Spanish investment accounted for 4% of overall direct investment flows throughout the Region29. What is more, between one third and a half of the operating profits of the companies that are quoted on the IBEX 35 Index originate from their investments in Latin America.

Although operations have been carried out almost all over Latin America, more than half have taken place in Mexico, Argentina, Brazil and Chile. These countries are followed by Colombia, Peru and Venezuela.

In view of the impact of the current economic and financial crisis in Spain and within the context of the competitive outlook posed by this new era of globalization, the involvement of multinational companies based on Spanish capital within the rising Latin American economies simply extends the possibilities of shared prosperity in the future. The middle classes, which are developing rapidly in Latin America, undoubtedly have a vocation to take advantage of the services that Spanish companies are able to offer.

29 Foreign Direct Investment in Latin America and the Caribbean 2010, ECLAC; 2011, p. 9.
This is the ideal moment for Spanish companies to consolidate their presence wherever their investments are greatest and for them to expand to Latin American countries where they have yet to set up operations. If the period between 1992 and 2004 represented a true process of internationalization of various large Spanish companies due to their presence in Latin America, the second decade of the 21st century could witness a “second internationalization process,” this time featuring the leading participation of small and medium-sized enterprises (SME’s). This process must be the focus of policies that are capable of creating the conditions required for Spanish SME’s to take advantage of the benefits of the international economy.

Furthermore, it is also important for the Latin American Community to promote enterprise and investment forums in other regions, especially in Asian and African countries where golden opportunities await Latin America.

• **Latin American Multinationals (Multilatins)**

The new century witnessed a significant rise in investment in new markets from the more industrialized nations, which led to the gradual incorporation of developing countries into the global trade circuits. In turn, this phenomenon led to an increase in the flow of investment between different developing economies and the expansion of multinational companies from Brazil, Russia, India and China (known as the BRIC countries).

We can observe how an increasing number of Latin American companies are joining this internationalization process, in
many cases going well beyond regional boundaries. The initial leading role played by companies from Brazil, Argentina and Mexico has been followed in recent years by a wave of companies from Chile, Colombia and Peru\(^\text{30}\). We cannot ignore the fact, however, that Brazil continues to be the Latin American country with the largest number of internationalized companies (See Graph 5).

**GRAPH 5. Number of Latin American Multinationals According to Country (2010)**

<table>
<thead>
<tr>
<th>Country</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>27</td>
</tr>
<tr>
<td>Mexico</td>
<td>15</td>
</tr>
<tr>
<td>Chile</td>
<td>11</td>
</tr>
<tr>
<td>Argentina</td>
<td>4</td>
</tr>
<tr>
<td>Peru</td>
<td>2</td>
</tr>
<tr>
<td>Colombia</td>
<td>2</td>
</tr>
<tr>
<td>Venezuela</td>
<td>1</td>
</tr>
<tr>
<td>Bolivia</td>
<td>1</td>
</tr>
<tr>
<td>CAM</td>
<td>3</td>
</tr>
</tbody>
</table>


\(^{30}\) Santiso, Javier: “Multilatinas, cada vez más fuertes por países y sectores”, *Infolatam*, May 4\(^{th}\), 2011. Consulted on December 1\(^{st}\), 2011.
We can also observe how the group of Latin American countries with the largest number of multinationals has been joined by Colombia (with two companies), Venezuela (with one company), Bolivia (with one company), as well as by three Central American countries.

The area of expansion of these Latin American multinationals is very often not limited to the Latin American Region either. Indeed, out of the 66 companies that appear in the ranking produced by América Economía\(^\text{31}\), 53 operate outside the Region. In recent years, the most popular destination for the expansion of Latin American companies has been China, although we can observe a growing interest in the African Continent, especially in the case of Brazilian multinationals\(^\text{32}\).

There are reasons to believe that the current decade will grant a prominent role to emerging multinationals and, in good measure, to the multinationals of Latin America, which are destined to consolidate their presence in Europe. Spain could take advantage of this trend by becoming a focal-point for Latin American investment in Europe and by providing the location for the corporate headquarters of these international companies.

Indeed, following many years in which the flow of investment circulated in the opposite direction, it is now Spain’s turn to receive the investment of Latin America’s increasingly dynamic and prosperous companies. In this respect, Spain offers the Latin

\(^{31}\) Ranking Multilatinas 2011, América Economía. Consulted on December 1\(^{\text{st}}\), 2011.

\(^{32}\) Santiso, op. cit.
American investor an enviable geo-strategic location, due to its membership of the European Union, its proximity to North Africa and the fact that it has an economy of worldwide importance. Through the creation of incentives and the elimination of certain barriers, direct foreign investment, and especially investment of Latin American origin, should find a fertile environment in Spain.

We must not underestimate the significant contribution that sections of the Spanish population of Latin American origin have made to the growth of Spain’s business fabric. In effect, in recent years many immigrants have decided to set up their own businesses in Spain. Public Administration at all its three levels, State Administration, Regional Administration and Local Administration, must endeavor to make the procedures required to set up new companies somewhat less onerous, as well as promoting the concession of micro-loans to these small immigrant businessmen.

C) A Historic Opportunity to Consolidate Latin American Development

Sustained economic growth requires macro-economic discipline, but this is only one of the prerequisites for ensuring prosperity. There are other conditions that favor growth:

- A wide-ranging framework of freedom that does not arbitrarily restrict the exercise of economic activity.
- The adoption of regulations that guarantee the right to property and respect for legal contracts.
• Markets featuring free competition, which offer the best deal to consumers and constitute an efficient source of innovation and technological progress.

• And economies that are open to the outside and that encourage competition, innovation and efficiency.

In order to ensure the economic and social prosperity of Latin America it is necessary to develop its productive fabric, a process that should be headed by the private sector. In turn, in order to develop accordingly, enterprise requires an environment of stability and legal security.

In line with the proposals set out in the document Doing Business, published by the World Bank, the following aspects are indispensable:

• A clear, stable and predictable legal framework.

• Administrative simplification, featuring reduced bureaucratic costs.

• Greater facilities for setting up and winding up companies.

• Finally, a fiscal and social security contributions system that is attractive with regard to investment and enterprise.

All of these aspects provide an incentive for a flourishing economy, stimulating a source of growth and well-being and, in short, creating the most efficient means of reducing poverty.

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On the Path Toward Sustained Growth

The enormous size of the Latin American economy becomes evident when we consider certain macro-economic figures. One of the most striking is that the nominal GDP of Ibero-America as a whole today is larger than that of China (See Graph 6). Although it is true that the growth rates corresponding to the Chinese economy are higher (coming to around 9.5% in mid-2011), the Latin American countries are also growing at a favorable rate compared to the developed world.

The worldwide economic and financial crisis is one of the developments of greatest importance that the world has witnessed since the publication of the first edition of the report, Latin Amer-

GRAPH 6.
Nominal GDP 2010

Source: Own elaboration based on World Bank figures.
Latin America has not remained unaffected by the crisis, although the Region has recovered rapidly and well, avoiding the danger for now of a new “lost decade” on the sub-continent.

Latin America has drawn some valuable lessons from the 38 economic crises that were suffered and surpassed between 1980 and 2003, lessons that have enabled the Region’s countries to overcome with reasonable speed an economic recession that continues to hit the United States and Europe hard. What is more, Latin Americans today are in a position to offer their experience to the rest of the world regarding crises which, although not identical to the current worldwide situation, could provide certain ideas that lead to a joint solution to the economic and financial crisis.

Latin America’s ability to rejoin the path towards economic growth cannot be explained without the fact that the vast majority of the republics throughout the Region have ensured macro-economic and financial stability and an openness with regard to trade abroad, aspects that have been consolidated over the last decade and brought greater prosperity and well-being to many Latin Americans, thus leading to a significant reduction in poverty levels throughout a good part of Latin America.

In effect, economic growth throughout the Region has been quite considerable in recent years. Regional growth came to

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around 5% between 2004 and 2010, except for two years of serious worldwide recession, compared to an average of 2.9% over the last 30 years. In other words, throughout the decade, the Region presented a rate of growth that was practically double that of the last three decades, matching the current growth of the developing nations in Asia as a whole.\(^{35}\) (See Graph 7).

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**GRAPH 7.**  
**Percentage Variation of Economic Growth**

Source: Own elaboration based on figures from the *World Economic Outlook*, The International Monetary Fund (IMF), September 2011.

Almost the entire Latin American Region is growing, although the truly significant fact is that it is the countries that have ensured a secure legal framework, solid institutions and open economies that have attracted much higher levels of investment than the States governed by the populist regimes based on “21st Century Socialism.” Investment is an important variable when it comes to determining whether GDP growth is merely an incidental consequence of the wider economic situation or whether it will be sustainable over time.

Macroeconomic stability is the result of a low inflationary regime, one that is maintained in spite of shocks from abroad, thus breaking away from the traditionally high inflation rates suffered by the economies of Latin America, with just a few exceptions. Stability with regard to these countries’ public accounts has helped to ensure a solid foreign positioning, which is the result of the inflow of long-term investment and which is favored, in turn, by rising exchange rates. Furthermore, Latin America’s banking system seems to be relatively robust and, in effect, has managed to weather the worst of the storm unleashed by the crisis rather better than its European and US counterparts.

Another indication of the healthy financial situation in Latin America is provided by the considerable rise in confidence levels in many of the countries throughout the Region. Institutional stability and a secure legal framework generate a strong sense of confidence, which, in turn, attracts investment. This leads to economic growth, job creation and, in short, prosperity and well-being. This feedback process creates a virtuous circle of prosperity.
For the economic achievements of the last decade to be consolidated, the following measures are desirable:

- The Region should diversify its economies and, in this respect, its exports.
- It must promote and extend its middle classes.
- It must strengthen its institutions.
- It must strengthen the legitimate powers of the State in all the countries throughout the Region.

The diversification of Latin American production and experts is still insufficient, in spite of the fact that the volume of exports not related to commodities has increased significantly in Mexico and Central America over the last forty years. A large part of the expansion of the Latin American economy can be explained by favorable global economic factors (high growth with high exchange rates for the Region) rather than by structural strengths.

The Latin American republics that export primary products have benefited from rising levels of demand on the part of the developing Asian economies, especially China’s, and this has led to an increase in the price of commodities and food products (See Graph 8).
The Latin American countries that produce commodities will develop higher levels of technology and achieve a more significant added-value dimension if they extend their range of trading partners and include countries such as India, Japan and South Korea and the Association of South-East Asian nations (ASEAN), in addition to China.

Whatever the case may be, the social achievements that can be observed throughout the entire Region also need to be completed with a series of structural reforms. Only then will it be possible to consolidate current successes and prevent future periods of regression from ruining the progress that has been made throughout a decade of unprecedented growth during Latin America’s recent history.
The Institutional Deficit

In general, the size of the public sector in the Latin American countries is quite small, which entails a somewhat deficient tax system and a meager Welfare State. Those State services that cannot be delegated (public order, the prison system, law enforcement) tend to be compressed due to the fact that it is difficult to finance them.

With regard to the defects of the tax system in Latin American countries, these can be summarized under three headings:

- Unofficial (unreported) economic activity.
- Tax evasion.
- Weak inspection and penalization systems.

Strictly speaking, the unofficial black market economy, which is so widespread throughout the Region, has its origin in overregulation on the part of the State and is extremely harmful to businessmen. Unofficial activities completely undermine official incentives, creating parallel and asymmetrical markets in which people respond to incentives outside the realm of the official economy.

Fiscal policy is essential when it comes to legitimizing democracy. It is not a question of spending more, but of spending better and, in this respect, it is imperative to optimize fiscal efficiency. It is essential to widen the fiscal base if tax evasion is to be eradicated. In short, Latin America must adopt a model of fiscal sustainability based on lower rates, but which are applied more extensively.
One way of enhancing the transparency and efficiency of the country’s institutions is for administrative bodies to adopt digital technologies. For example, a single electronic window for administrative matters that works by introducing a digital or electronic national identity number, would facilitate both tax collection and the filing of companies at the corresponding register. Furthermore, with regard to health, electronic medical records, digital health cards and digital prescriptions facilitate enormous savings in terms of public resources.

The Latin American republics must create an official labor market suitable to each country’s situation. And users of unofficial sectors of the economy must only be able to gain access to social benefits if their numbers are reduced. Banking levels, in spite of the improvements that have been witnessed in recent years, are still insufficient, in which respect it would be a good idea to develop formulas that facilitate access to current accounts, establish payment systems and encourage people to draw their salaries through the banks. All of these measures would enhance the secure framework of legality, as well as confidence regarding the government’s control of inflation and the financial system.

Other Challenges

Another obstacle to growth consists of the infrastructures deficit, which can be solved through cooperation mechanisms involving public and private capital, restricting operating expenditure and increasing spending on public works.
In addition, a large and solid middle class, by facilitating access to basic services, favors saving and higher banking levels. Many of the countries throughout the Region lack proper coordination between the public and private sectors, which partly explains their productivity levels, which are comparable to those of African countries. And what makes matters worse is that the Latin American public sector is especially inefficient. An increase in the regional rate of inflation is forecast due to Latin America’s vulnerability with regard to rising food prices. There is little doubt that a combination of negative supply shocks and high interest rates will create considerable difficulties throughout the entire Region.

It would be desirable for all of the Latin American governments to accept the advantages inherent in macroeconomic stability, including those entailed by self-controlling monetary, fiscal and budget policies, and the emergence of institutions that guarantee this kind of stability.

Unfortunately, the Region faces some rather unfavorable prospects regarding inflation, based on the serious danger of hyperinflation in those countries, such as Argentina and Venezuela that are implementing economic policies based on the expansion of monetary supply.

Excessive regulation constitutes another cause of the emergence of extremely low-category companies, which, in turn, leads to low levels of banking and scarce tax revenue for the State. The countries of Latin America, thus, require a higher-quality level of regulation, as well as a greater degree of involvement on the part
of the elites. The list of defects presented by the States that make up the Latin American Region include the permeability of the public sector to different interest-based pressure groups.

The rate of saving is, undoubtedly, extremely low, having become a considerable obstacle with regard to guaranteeing stability. Stability can only be ensured by reducing consumption and increasing levels of saving, which would be facilitated by certain incentives and a reorientation of fiscal policy.

In short, Latin America still has a closed economy, one that clearly contrasts with those of the developing Asian countries.

**Infrastructures and a Latin American Organization for Economic Cooperation: The Economic Role of Latin American Emigrants**

The reforms that Latin America needs to implement include the creation of a solid institutional framework, one that is capable of generating confidence among economic operators. The eroded influence of the present “brands” and enormous financing needs throughout the Region, especially in relation to infrastructures, recommend the creation of a new institution which, in a similar manner to the OECD (the heir to the OEEC that emerged from cooperation between the United States and Europe in the immediate post-war period), would be able to channel aid and guide the Region’s policies.

This Latin American Organization for Economic Cooperation, whilst avoiding supranational aspects that are politically unfeaa-
sible and corrupt and parasitic bureaucracies, would provide an instrument for strengthening the Region’s institutions and framework of legality.

This body would have certain institutional cooperation and executive powers. Among the former we might mention the mutual supervision and elaboration of voluntary codes in essential areas of regulation. Among the latter, we would include the establishment of a Latin American Mechanism for the Solution of Trade Differences and an Investment Arbitration and Mediation Mechanism.

Another institution of an eminently practical nature, one aimed at addressing the physical obstacles to integration by means of the construction of new infrastructures, would consist of a Latin American Infrastructures Fund. This body would act in conjunction with institutions of proven solvency, such as the Inter-American Development Bank, the Andean Development Corporation and the World Bank. The new Latin American Organization for Economic Cooperation could manage this fund, which would be endowed by the Latin American nations themselves and by other developed nations, thus constituting the focal-point for a shared transport and energy market.

This section on opening up the Region’s economy to the outside would be incomplete without commenting upon the economic role played by emigration. The remittances that Latin American emigrants send to their countries of origin has reached a volume that outstrips the total amount of development aid that the Region receives and, in some countries, even the most important items that make up the foreign trade figures.
However, the economic impact of emigration is not limited to this financial injection. As testified by other migratory movements in the past, the reinvestment of capital in countries of origin is likely to play an increasingly important role. Neither should we ignore the economic drive and enterprise of emigrants who return after having acquired certain skills in their host countries. In order to support this process, together with other business links between emigrants and their countries of origin, it would be a good idea for governments to promote the creation of an International Chamber of Latin American Businessmen.

D) Security: A Battle that Cannot Be Lost

Violence is one of the most serious problems that is currently holding back the Region. This is not only because it constitutes a veritable human drama, but also because it is a phenomenon that erodes the institutional framework by undermining the authority of the State. Security today constitutes a key priority, one that demands a joint effort when it comes to combating the international consequences of criminal activities. Violence has the effect of curtailing essential freedoms, making it difficult for democracy to function properly and, above all, affecting the weakest members of society and restricting economic growth.

Violence in Latin America takes on many different guises. In this respect, street delinquency, new-style gangs, terrorism and drug-trafficking, not to mention kidnapping and violence within the family realm, all constitute a serious threat to a weakened social fabric.
Impunity is the most decisive factor in any criminal activity. The fact that crimes go unpunished in a large percentage of cases, simply serves to encourage delinquency. The Latin American States have some of the highest homicide and kidnapping rates in the world, as well as substantially lower incarceration rates compared to other Western nations\textsuperscript{36}.

The Latin American penitentiary system is in crisis. To the lack of resources, prison buildings and specialized staff, with the consequent crowding and lack of supervision of the inmates, we must add the fact that in the majority of countries throughout the Region some 50\% of the prisoners have yet to be sentenced\textsuperscript{37}. In this context, the rehabilitation and reininsertion of delinquents within society become virtually impossible.

The battle against poverty also entails ending violence within the Region, given that violence constitutes one of the main impediments for members of society when it comes to gaining access to opportunities and upward social mobility. Delinquency is a lethal enemy for the economies of the Latin American countries.

Violence, which is very often linked to narco-terrorism, drug cartels and organized crime, also constitutes a human drama of the first order, this being the main risk to companies that invest in the Region. We must bear in mind that the homicide rate

\textsuperscript{36} The International Centre for Prison Studies, University of London.

\textsuperscript{37} Crimen e Inseguridad. Indicadores para las Américas, FLACSO-Chile, The Inter-American Development Bank (IDB), 2010, p. 96.
in Latin America is 27.5 out of every 100,000 inhabitants, which is above the figure of 22 homicides in Africa, 15 in Eastern Europe and one homicide out of every 100,000 people in the industrialized nations. Furthermore, in spite of the fact that it accounts for only 8% of the world’s population, the Region recorded almost a half of all kidnappings in the year 2009\(^3^8\).

Investing in Latin America entails an added cost when it comes to ensuring protection from crime, which in some places takes the form of express kidnapping. For example, in Central America we can observe how private armies are beginning to appear (See Table 1). The most underprivileged classes,

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of private guards per 100,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Honduras</td>
<td>104</td>
</tr>
<tr>
<td>Guatemala</td>
<td>119</td>
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<tr>
<td>Nicaragua</td>
<td>163</td>
</tr>
<tr>
<td>El Salvador</td>
<td>362</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>465</td>
</tr>
<tr>
<td>Panama</td>
<td>500</td>
</tr>
</tbody>
</table>


\(^3^9\) Reproduced in La corrupción y la impunidad en el marco del desarrollo en América Latina y el Caribe: un enfoque centrado en derechos desde la perspectiva de las Naciones Unidas, CEPAL/ECLAC, 2007.
which cannot afford the cost of private security services, once again find that they are the most vulnerable.

Trade and tourism are also affected by this lack of security. The leading international tourism routes, as well as domestic tourism flows, avoid many Latin American destinations in their search for safer and less conflictive places.

Relations between crime and the State determine certain perverse forms of authority that can be classified as follows: when parts of the country are not subject to the sovereign authority of the State (the so-called “lawless areas”), we are dealing with a situation in which the State is “absent.” If we observe the complicity of State bodies with the structures of organized crime, the State becomes “corrupt.” When criminal groups are able to breach the State’s monopoly on the use of force and set themselves up as a counter-power opposed to the legitimate authorities, we can describe this kind of State as being “challenged.” Finally, populist regimes throughout the Region, both due to their violation of fundamental rights and freedoms and their alliance with players that entail a threat to world peace, can be perfectly defined as “hostile” States.

The latest manifestation of violence in Latin America consists of delinquent gangs of youths, an increasingly serious threat that has a considerable potential for social destabilization. These groups of youths, which are extremely violent in many cases, also devote themselves to drug trafficking and all kinds of criminal activities. Recognition within the group is one of the main incentives for membership, in which respect the
sanctions of the penal system do not always serve as a deterrent. This makes these gangs especially dangerous compared to other delinquents. The organization of these gangs is becoming more sophisticated, based on connections with new groups that are springing up in the United States and certain European countries, especially Spain.

The disordered growth of cities favors the emergence of areas that lack a healthy social structure, which means that the rule of violence is imposed in place of the Rule of Law. In some cases this process has eroded the fundamental values required for social peace to prosper, leading to extreme situations in which the value of life is lost altogether.

Public insecurity in Venezuela is especially dramatic. In this respect, nearly 20,000 murders take place in this country each year. In Caracas alone, 50 people die in attacks or vendettas every weekend. Furthermore, 97% of the crimes committed on Venezuelan territory go unpunished40.

As economic development becomes more evident, governments will have more effective resources at their disposal in order to combat the world of gang crime, which is a problem that must be understood within the context of a wider social integration problem. Improvement of education, the recovery of traditional values, increased access to an effective labor market and neighborhood regeneration are the key aspects when

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it comes to eradicating a phenomenon that has ruined many lives and entails a veritable scourge for certain societies.

**Drug Trafficking and Violence**

Gangs represent the face of organized crime, which in this Region focus on drug trafficking as its main business. As long as there is a demand for drugs, drugs will be supplied, because land and sea borders are so extensive that it is practically impossible to secure them entirely. The success of the battle against drug trafficking in Colombia, which has demanded such a great sacrifice and placed the country’s democratic institutions under such strain, has led these activities to shift their centre of operations to Central America and, especially, to Mexico. Traditionally quiet areas have now become arenas in which a low-level war is being waged for the control of territory, one that is destined to last for many years.

Mexico faces a battle which, in the same way as in Colombia, is likely to test the resolve of its institutions and challenge the credibility of its political classes. Two pressing measures consist of the professionalization of the judiciary and the creation of economic alternatives that provide an incentive for individuals to give up their life of crime.

Drug trafficking is highly profitable and enables those involved in its distribution networks to gain access to enormous amounts of money, which they can then use to corrupt the justice system, the security forces and the political system. In short, it constitutes a phenomenon that destroys a country’s institutional fab-
ric. In addition, criminal gangs are using their economic clout to find increasingly sophisticated ways of combating government measures. These new methods very often focus on the realm of air space, which undoubtedly requires greater control.

The countries affected are faced with some enormous challenges, which require high levels of international coordination and cooperation, including, for example, a system to supervise air space, a system for the exchange of information, joint police action and the exchange of know-how and experiences.

**Dangerous Liaisons**

The links that have been established between populist regimes and certain groups and governments makes the Region’s security issues even more difficult to solve. “21st Century Socialism” has always revealed a manifest inclination towards different forms of authoritarianism, oppression and violence, all of which have been denounced by human rights bodies and by the international community in general.

The anti-establishment alliance originally emerged in a spontaneous manner, based on a series of coincidentally shared enemies and phobias. This shared aversion is what brought together elements of the Left that failed in May 1968 and those defeated by the falling debris of the Berlin Wall, with the intellectuals who praised Communism and today regard the anti-Western rage of Jihadist Islamism with complacency. The same movement includes anti-globalization fighters of different stripes and different manifestations of indigenism, populism and reli-
religious fanaticism. All of the members of this alliance, which is diffuse but operative, see the movement as an opportunity to boost their influence and undermine their shared enemy: the West. In this respect, they do not hesitate to accept the strangest bedfellows, which explains the growing proximity and coordination between these elements and Islamist movements.

Islamists and Third-Worldism have thus joined forces in a kind of tactical symbiosis. In effect, Third-Worldism ideology, which has been propounded for many years by Latin American revolutionary thought, finds a propitious ally in the satanizing discourse of the Ayatollahs, which parallels the demagogic tactics of the Left in which “the clash between good and evil shows that the Marxist, by definition, is on the side of the angels. History thus becomes a kind of religious crusade.” This discourse inevitably leads to violence which is justified by the perverse argument of imposing salvation by exterminating the unfaithful.

Proof of the above is provided by the links that have been established by the countries governed by what is known as “21st Century Socialism,” especially Venezuela, and the Islamic Republic of Iran. This “strategic relationship” in weapons, nuclear technology and espionage networks, represents a real threat to the West. The President of Venezuela, Hugo Chávez, has expressed his support for the Iranian nuclear program on repeated occasions, as well as his intention of developing his own uranium enrichment program.

The Terrorist Threat

- **FARC**

Three groups that operate in Colombia are designated as terrorist organizations by the State Department of the United States. These include the National Liberation Army (ELN), the splinter groups that have survived from the now demobilized United Self-Defense Forces of Colombia (AUC) and the Revolutionary Armed Forces of Colombia (FARC).

The FARC have been considerably weakened by the military campaign undertaken by Colombia’s democratic government, which managed to eliminate various commanders belonging to the terrorist organization in 2007, as well as the FARC’s second-in-command, Raúl Reyes, who died in an attack against a terrorist guerrilla camp located on Ecuadorian territory on March 1st, 2008. In May 2008, the FARC admitted that its traditional leader, Manuel Marulanda, alias *Tirofijo*, had died from natural causes.

In July of the same year, a military operation in the South-Eastern Department of Guaviare led to the rescue of fifteen hostages being held by the FARC, including the former Senator and candidate for the Colombian Presidency in the elections of 2002, Ingrid Betancourt. The Organization received another crushing blow with the death of its military chief, *Mono Jojoy*, in September 2010, during an operation that was carried out by the Omega Joint Task Force. In November 2011, the Colombian armed forces took another step forward in their war against terrorism by killing the head of the guerrilla movement and the most wanted man in Colombia, Alfonso Cano.
The number of desertions from the FARC reached 3,000 guerrillas in 2007 and 2008. It is estimated that the FARC currently has a force made up of 8,500 men, which, in spite of the offensive that has been waged by the Colombian Government, continues with its terrorist activity based on attacks, extortion and kidnapping.

- **Weak Regional Integration with Regard to Security**

One of the objectives of the Organization of American States (OAS) was to maintain peace and security, as defined at the Ninth American Conference which was held in Bogotá in 1948. The OAS decided to base its measures within the field of defense and security on the Inter-American Treaty of Reciprocal Assistance (TIAR), which was signed at the Summit organized in Rio de Janeiro in 1947. On paper, the Rio Pact establishes a strong commitment to defense cooperation among the member countries. The Treaty’s text states that an aggression against one of the countries must be considered an attack against the rest of the signatories, in such a manner that the security of the different States throughout the Continent is, in theory, both solid and cohesive.

However, the Inter-American System has not managed to express the will of a regional community of nations or a multilateral political system. Neither has it structured an effective collective security system. A highly dispersed political will exists alongside a lack of coordination with regard to the members’ security, economic and political agendas, thus accentuating the non-correspondence between the areas of peace and trade zones throughout the sub-continent.
The Presidential Summits of the Americas, as well as the Ibero-American Summits, at least up until the Summit in Mar del Plata, have covered the institutional void created by the weak political initiatives undertaken throughout the Region, by the prolonged crisis at the OAS, by the inoperative nature of the Inter-American Defense Board, and by the meager impact made by the TIAR and the Bogotá Pact when it came to tackling regional security problems.

With regard to the identification and evaluation of security threats to the Region, drug trafficking and terrorism have become dangers of a global nature that go beyond traditional problems. However, in spite of the grand political speeches that systematically outline these threats at security forums, none of these phenomena has led to the creation of a security forum for the entire hemisphere. In this respect, each country formulates its own strategy when combating these threats, without establishing frameworks for cooperation with its neighbors. Disagreements also exist regarding the link between police security and military defense when it comes to tackling organized crime. These problems are aggravated even further when doubts arise as to the ideal moment in which to undertake police measures or military action in order to tackle terrorism and drug trafficking.

Numerous security agreements have sprung up aimed at establishing areas of peace and cooperation based on asymmetrical and diverse interests and many different national contexts. In this respect, the strategic horizon tends to be conceived from the perspective of a diverse and asymmetrical regional reality,
rather than based on a security zone shared by all of the countries on the Continent. Thus, the Region’s countries do not design their security and defense policies based on a hemisphere-wide approach.

Cooperation among the democratic countries is essential when it comes to countering the populist movements and defeating terrorism. Latin America suffers from acronym inflation. Endeavors to develop an “institutional architecture” have done little more than make the fiction of cooperative diplomacy and a community of nations working for the same goals even more complicated. It is not a question of creating new organizations, in this case organizations that are firmly committed to democratic values, but of rescuing those that already exist.

In the short and medium term, it is more advisable to follow an empirical strategy rather than a Cartesian one. Democracies should establish bilateral links in order to share information regarding subversive activities and in order to take joint action in their war on violence and terrorism. The sum of these bilateral links will end up creating a democratic regional security network organized on a horizontal basis. In the realms of security and intelligence, trust, personal contact and information are all essential. There is no point in establishing pyramid-like mechanisms if the operational heads do not trust their partners, something that can only be established over time.

Both organized crime and populism are social phenomena that can also be tackled from the political and economic
spheres. The governments throughout the Region must make their liberalising economic policies compatible with social policies that make members of the population feel they are part of a joint project, one in which both their values and their interests are strengthened.

We must not forget the importance of pursuing a policy at European forums – especially via the Common Position on Cuba – that seeks to protect the democratic regimes of Latin America and contain insurgency movements and the regimes that back them. Furthermore, in conjunction with an incipient Hispanic caucus, the Spanish foreign affairs department should work to persuade Washington to make a greater commitment in the Region.
“We are moving more rapidly towards a middle-class society than we might have possibly imagined twenty years ago. My feeling is that we are crossing the threshold.”

Fernando Henrique Cardoso

A) Developing and Consolidating the Middle Classes in Order to Emerge within a Globalized World

The expansion of the middle classes in Latin America entails a higher demand for quality education. At the same time, education is an essential means of generating new members of the middle classes, which is why it is so important for the most underprivileged members of society to be able to gain access to it.

Neither is it possible to consolidate a burgeoning, vibrant and enterprising middle class without a secure legal framework.

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Security in all its different forms constitutes a key factor of economic competitiveness, as well as a basis for social cohesion and equilibrium. We should, perhaps, point out that poverty is not so much a cause of insecurity, but the consequence of it. In developing societies, this maxim is as clear as day: lack of security – and legal security is no exception – generates misery at all levels of society. However, it would be wrong to evaluate this secure legal environment in purely utilitarian terms, given that, ultimately, the “certainty of law” provides individuals with a guarantee that their person and their property will not be violated. In this respect, it constitutes one of the foundations of the Rule of Law and, as such, it must be guaranteed.

Education: An Opportunity and a Pending Matter

Education is a key means of combating poverty and promoting social and economic development. Countries that have invested in their human capital are the ones that achieve the highest standards of living and well-being and highest rates of growth. High-quality education provides the basis for creativity and innovation and enhances an economy’s competitiveness through the accumulation of knowledge.

Within the field of education, Latin America presents some stark contrasts. Sufficiently promising conditions exist for education to bear its fruits. However, in comparative terms, the countries of Latin America present educational results that are rather average and they run the risk of falling behind other emerging economies, such as those of certain Asian countries,
which are quickly closing the gap that separates them from the United States, Europe and Japan and, in some cases, are even outperforming the latter.

The education systems of Latin America have a long tradition, one shared with that of the most developed nations, having sometimes achieved comparable levels of excellence. The oldest universities on the Continent are located in Mexico and Peru. Argentina and Uruguay were pioneers in terms of establishing free and compulsory education for all at the end of the 19th century and they achieved full schooling levels before the majority of the European nations.

Over the last fifty years, considerable achievements have been made as a whole regarding literacy rates, teaching curricula and methods, teacher training, educational materials and infrastructures and average figures regarding the number of schooling years. Four Latin American scientists have received the Nobel Prize\(^43\), and certain centers of excellence have demonstrated their capacity for research and scientific inquiry, although on a relatively small scale.

In spite of the above, the contrasts within the educational realm are, nevertheless, quite stark. Most of the Region’s national education systems lack resources due to the limited capacity of their economies to invest in education. The Region’s educational

\(^{43}\) Bernardo Alberto Houssay, Nobel Prize for Medicine, 1947; Luis F. Leloir, Nobel Prize for Chemistry, 1970; Cesar Milstein, Nobel Prize for Medicine, 1984; and Mario J. Molina, Nobel Prize for Chemistry, 1995.
results provide unequivocal proof of the inefficient nature of its school systems and the low levels of learning they encourage.44

Nevertheless, neither the lack of resources nor inequalities amongst students entirely explain the failings of Latin America’s education systems. Nor can we point to different levels of ethnic uniformity or cultural differences in certain countries when it comes to explaining varying results between countries.

The most probable reasons for this state of affairs point to the ineffective administration of the scarce resources that are set aside for education, the lack of qualifications and dedication on the part of teachers, deficient teaching quality levels and, above all, the low demands placed on students. Of course, levels of demand have to do with effort, adequate rewards for the work that is carried out and expectations of progress, aspects that are more deeply imbued in certain societies than in others and which, ultimately, are linked to the degree of freedom that exists: freedom of choice, freedom of creation, free management of centers, and educational freedom.

For many decades, paternalistic governments and a combination of gratuitous circumstances, lack of incentives and in-

44 The results of the Latin American countries, as analyzed in the Pisa Report 2009 published by the OECD regarding the competence of students aged 15 years (Uruguay, Colombia, Mexico, Argentina, Brazil, Chile, Peru and Panama), were well below the average achieved by the Member Countries. The independent reports produced by PREAL (Program for the Promotion of Education Reform in Latin America and the Caribbean) show that these poor results are shared by the entire Region and are below those of other developing nations, in spite of progress in terms of higher registration rates, longer schooling periods and rising levels of investment in education in recent years.
sufficient public investment held back the best universities and, consequently, the rest of the education system in Latin American countries. The Latin American university realm quite simply ceased to be attractive to the best students. And as if the brain drain for academic or economic reasons was not enough, political problems led to the expulsion of successive waves of highly capable academics and intellectuals. Today, when we look at the rankings that measure university excellence throughout the world, the number of Latin American universities that appear among the first one hundred centers can be counted on the fingers of one hand.

Latin America has some important reserves of human capital, the kind of capital that is used up slowly, at a generational pace. It is still possible for the disciples of the old masters to convey all of their learning to the students of today. However, when human capital is wasted, the recovery process is also very slow and the losses can sometimes be irreversible. Furthermore, within the context of a global economy that is increasingly based on the production of information and know-how and in which companies and national economies rely on innovation in order to ensure their competitiveness, education becomes increasingly important, as does its constant updating and renewal.

In conclusion, it is essential to introduce certain free market elements within the Region’s education systems. Controls and audits are required in order to ensure a truly open and competitive framework. Only in this manner will it be possible to avoid the risk of greater politicization within the
realm of education, whilst maximizing the possibilities of academic excellence\textsuperscript{45}.

The Economic Dimension of the Language Community

The Spanish and Portuguese languages are key aspects of the Ibero-American Community of Nations. These two great languages endow the Community with a sense of internal cohesion, uniting nations on both sides of the Atlantic and connecting them with the rest of the world. In this respect, both language communities have worked to maintain and promote these linguistic ties: in the case of Spanish, through the Association of Language Academies and different International Congresses, among other initiatives; in the case of Portuguese, through the International Institute for the Portuguese Language. Ibero-American cooperation bodies have also recognized the importance of this linguistic proximity and have welcomed initiatives aimed at strengthening these ties, as well as those designed to promote the reciprocal learning of both languages.

In addition to its cultural and political importance, membership of a language community has an economic dimension. In the case of Spanish, this dimension is based on a demographic dynamic that positions it among the four leading languages in the world in terms of its number of speakers (on a par with English and Hindi, and behind Chinese). As an international language, Spanish presents a series of distinctive features:

• It is a language that has benefited from demographic expansion for a number of centuries (especially throughout the Americas and during the 20th century).
• It possesses a wide-ranging geo-political diffusion (it is an official language in 20 countries) and it is geographically compact (the majority of Spanish-speaking nations occupy adjacent territories on the American Continent, creating one of the largest language areas in the world).
• It is relatively homogeneous (it presents little threat of fragmentation) and there is a high level of coincidence between its different varieties (a low rate of diversity).
• Furthermore, it serves as a vehicular language for a varied group of linguistic communities.

The image that Spanish projects today at an international level is one of unity, cultural strength and demographic and economic expansion. English and Spanish are the two most widespread European languages throughout the world. The cultural vitality of Spain and the Spanish-speaking Americas has endowed the language with an appeal that translates into a growing demand for Spanish as a foreign language. The economic growth of the Spanish-speaking countries and the growing influence of the Hispanic community in the United States have also led to a boom regarding studies that focus on Spanish language and Hispanic culture, based on the prospects of using these skills for specific professional purposes.

Experts have highlighted the economic advantages that companies, professionals and students gain from the fact that they belong to a large language community: it facilitates job mobility, it reduces certain transaction costs at multinational companies,
and it smoothes the way towards investment and the establishment of trade contacts. Language also defines the scope of certain markets, such as the cultural and communication industries and educational services, which, when they grow, create economies of scale and large corporations that are capable, in turn, of competing in other markets on an equal basis.

The Spanish language already has an extensive language community and enjoys some of these advantages, which guarantees its position among the great languages of the world over time. The Latin American nations, and the Spanish-speaking countries in particular, thus have a marvelous resource at their disposal for facilitating their internal relations and projecting themselves throughout the rest of the world. Possessing an international language can help countries to develop in an economic sense by facilitating their access to the world outside. At the same time, the progress of the Spanish-speaking countries will boost the popularity of Spanish, especially as the purchasing power of Spanish speakers increases and their market become more internationally attractive. As part of this virtuous circle between the language and the economy, institutions also have an important role to play: protecting the language throughout the entire educational process, from the earliest levels of basic education to the most advanced levels of research; developing certain standards; and maintaining communicational unity.

The Obstacle of Legal Insecurity

A secure legal environment is a *sine qua non* requirement for prosperity. Any member of society or company must have guar-
anteed property rights and guarantees that agreements that are freely entered into are fulfilled, turning, if necessary, to independent judicial authorities in this respect.

Attacks on property rights by the State, including different forms of treatment doled out to native citizens and native companies, on the one hand, and foreign citizens and companies, on the other, constitute a typical feature of the new populist governments based on “21st Century Socialism.” State expropriation, in any form whatsoever, serves as an extremely powerful deterrent with regard to investment. In the absence of any guarantees, savers are most reluctant to maintain their funds or invest in a country where their property has previously been expropriated or where the investments of others have been expropriated.

Attacks on private property and lack of respect for agreements can be profitable measures in electoral terms for unscrupulous populists, but the country is damaged severely in the process. The low level of confidence that such attacks generate among economic operators can take a very long time to reverse. The immediate effect is to scare off new investment and, frequently, to spur the delocalization of business.

Ensuring respect for property rights and legitimate agreements, especially those subscribed by the State, requires far-reaching institutional reforms. The ideal strategy is to undertake legal reforms that incorporate effective mechanisms for guaranteeing respect for property rights and contracts as part of a constitutional framework. In their absence, it is important to introduce strengthened legal guarantees that cannot be mod-
ified by fleeting parliamentary majorities or decisions issued by governments invested with full emergency powers.

Other desirable mechanisms include procedures that guarantee recourse to independent courts and arbitration bodies so that they can resolve any possible disputes regarding property rights and public contracts.

Another indispensable condition when it comes to guaranteeing the right to property and a secure legal framework consists of a network of effective property registers. The effective safeguarding of private property and real rights only exists in those countries that have transparent and effective registry systems. Registers must not be conceived as collection offices or administrative bodies subject to the will of the political authorities. They must be designed to serve as a clear, agile and extensive mechanism for the allocation, definition and organization of real rights. If registers do their work properly, the proliferation of unofficial settlements (shanty towns, favelas, slums ...) can be prevented. In order to tackle this problem it is also necessary to undertake reforms in order to allocate registered rights to the inhabitants of precarious housing.

The establishment of efficient property registers has a number of different benefits that tend to create a virtuous circle:

• It helps to develop the mortgage loans market.
• This development pushes down interest rates and facilitates longer loan periods.
These conditions lead to an increase in the supply of housing, together with access for the most underprivileged sections of society.

In short, the circumstances required for boosting the middle classes are created, at the same time as the construction industry can provide an excellent source of employment. This virtuous circle is completed when members of society can see for themselves the benefits of a free market based on equal opportunities, compared to the empty promises of populist propaganda.

**Consolidating the Rule of Law:**
**Free Press and a Independent Judiciary**

When it comes to maintaining a secure legal environment and defending persons and property, a strong and effective State is indispensable; the Rule of Law, based on a secure legal framework and respect for human rights. In short, we are talking about a government based on freedom.

Corruption is one of the most atavistic problems of certain countries throughout the Region and it has become one of the main obstacles to economic growth and institutional development. In order to combat corruption, two principles of the democratic State are essential: freedom of expression and independent justice.

The free press is essential for the correct functioning of a country’s institutions, based on the legitimate exercise of criticism. The acceptance of criticism is what sets free and open societies apart from those that are based on ideological fundamentalism and political totalitarianism.
Unfortunately, Latin America has become the most dangerous region in the world regarding the practice of journalism. In this respect, according to the 2011 report published by the NGO, *Press Emblem Campaign* (PEG), some 35 violent deaths involving journalists were recorded throughout the year, a dramatic figure that bears witness to the unstoppable increase in violence inflicted on journalists over the last five years. Furthermore, the levels of impunity regarding these crimes are becoming increasingly high (See Graph 9).

**GRAPH 9.**  
**Murders of Journalists and Sentencing in Latin America**

![Graph showing the number of Latin American journalists murdered and sentenced for the murder of journalists from 2005 to 2010.]

Mexico was the country that recorded the largest number of murdered journalists (twelve) throughout the world in 2011, followed by Pakistan (eleven), Iraq (seven) and Libya (seven)\textsuperscript{46}.

Freedom of press is not only violated by the murder of journalists, but also by threatening acts and intimidation against members of the media who are critical of the Government, especially, although not exclusively, in those countries where so-called “21st Century Socialism” reigns supreme. The inevitable consequence of terrorization and persecution is self-censorship, provided that this does not end with the complete shutdown of the media outlet, as occurred in the case of Radio Caracas Televisión in 2010.

In any democracy worthy of the name, it is understood that you cannot be the judge and the defendant at the same time. In this respect, the independence and impartiality of the judiciary is essential when it comes to ensuring the good health of the system as a whole. Without the true independence of the judiciary, one that is subject to the law and the law alone, the Rule of Law and democracy cannot possibly exist. In order to facilitate the independence of the judiciary and transparency regarding the administration of justice, it is necessary to work toward a true Latin American legal community. This must serve as a stimulating goal for improving the effectiveness of exchanges and cooperation between countries that share the

\textsuperscript{46} Press Emblem Campaign (PEG), \url{http://www.pressemblem.ch/10399.html}, Consulted on December 19th, 2011.
same legal culture and that are aware of forming part of an Ibero-American Legal Community.

In short, it is a question of creating an integrated legal framework. In this sense, it is advisable to establish policies that promote legal cooperation and legislative harmonization within many areas of law.

And for these frameworks to be established, the Ibero-American Community of Nations should preferably be the body that promotes an increasingly large corpus of harmonized legislation, encouraging the creation of networks of specialized jurists (civil law, criminal law ...), so that they can work together on joint formulations. It should also boost training and exchange programs for judges and lawyers. As an example, we simply need to visualize the practical advantages of harmonizing mercantile legislation in terms of boosting the legal security of transnational investments.

This task should enjoy the backing of the bodies that already exist, such as the Ibero-American Union of Bar Associations (UIBA), whose effective work can be of considerable help when it comes to laying the foundations for an Ibero-American corpus of legislation based on the decisions of the Ibero-American Summits and the meetings of the legal community.
B) Integration: An Objective Based on Variable Geometry

“Everything is a door. Everything a bridge. Now we are walking to the other bank.”

Octavio Paz

Integration is an objective based on variable geometry. It can take on various geographical guises: hemispheric, Latin American, sub-regional and Ibero-American. All of them are positive if they promote free trade and trans-national cooperation, and negative if they are conceived as exclusivist clubs that restrict the market or as instruments for unilateral hegemony or regional destabilization.

In this report we propose a greater degree of integration within a Latin American context (sub-regional trade agreements) with the rest of the Americas and the rest of the world (anchored within the West), as well as measures to strengthen the Ibero-American Community. Disillusionment and impatience often set in because of the slow nature of Latin American integration processes, with players changing sides or exchanging pawns. But the makings of a more integrated system are there. Based on this variable geometry, a hemispheric union is extremely appealing due to the opportunities for progress that it offers.

Integration can also take place on many different levels: economic affairs, political affairs and security matters. Within the economic sphere, we have already made reference to a Latin

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American OECD. Here it is, perhaps, a question of replacing damaged brands such as the Free Trade Area of the Americas (FTAA) with new Inter-American forums, following the example of the OECD in post-war Europe, based on the two-fold objective of channeling foreign financial aid and establishing evaluation and control mechanisms for greater efficiency, as well as setting up an economic intelligence centre that serves to promote good practices within the realm of Latin American public policy.

Transatlantic cooperation between Europe and North America, within the framework of the proposals made by FAES regarding an Atlantic Prosperity Area, cannot be properly understood without the incorporation of Latin America within this process. This proposal would complement the signing of traditional bilateral free trade agreements for merchandise and services. The purpose of joining the Atlantic Prosperity Area would be to eliminate non-tariff barriers to trade and investment in many sectors of production, especially within the realm of services.

It is also important to promote ties between Latin America, North America and Europe within the realm of civil society, through the creation of a forum, the Atlantic Forum, which would bring together research institutes, political foundations, professional colleges and religious associations. In this respect, we also propose the creation of a Chair in Atlantic Studies in order to encourage research on the relations between the Amer-
icas and Europe, as well as the opportunities for strengthening and deepening these ties. This Chair could be itinerant or could be based at various different locations.

With a view to taking advantage of the opportunities offered by the rapid development of the Pacific Basin and transferring them to the realm of Ibero-American relations, it would not be a bad idea to promote the creation of a triangular business forum. Transatlantic ties should not be exclusivist, and those Latin American countries that border the Pacific could play a representative role for the Region in organizations such as APEC, similar to the one played by Spain and Portugal in the European Union.

The Ibero-American Community of Nations is a linguistic and cultural community, but also a law-based community. There is an increasing degree of gravitation towards the Anglo-American legal model due to the strong influence exercised by the United States throughout the Region. This influence should not be incompatible with regard to mechanisms designed to strengthen the Ibero-American Legal Community, which is based on a legacy that is still fully relevant today.

There is little doubt that tourists interested in visiting more than one Latin American country during a single trip become more than deflated by the lack of harmonization with regard to the visas they require. Many tourism experts agree that it is difficult for Latin America to enjoy the avalanche of tourists that can be found in various other parts of the world precisely because of the complex visa requirements. These tourists would flock to the Region in normal circumstances in the case of im-
important events that range from the World Cup to the staging of the Olympic Games in Rio de Janeiro.

In this respect, instead of making grand and vacuous declarations that proclaim the definitive integration of Latin America, the Region’s leaders should focus on a series of specific measures designed, for example, to facilitate the introduction of a single visa before the staging of the World Cup in 2014, this being an essential prerequisite for attracting millions of tourists from Asia in the short term and other regions in the medium term. A single visa would help to create jobs and reduce poverty in a much more effective manner than thousands of official speeches\textsuperscript{49}.

**Physical Integration**

Improvements in transport services make up one of the main dimensions of the economic globalization, regional integration and domestic development process in different countries. Alongside progress regarding computerization and the standardization and liberalization of trade, the ability to be able to gain access to more rapid, more extensive, more reliable and lower-cost transport services facilitates the integration of production processes as a whole, boosts the productivity of economic operators, effectively integrates the territory and enhances the quality of life of individuals\textsuperscript{50}.

\textsuperscript{49} Oppenheimer, Andrés: “Hacia una visa común latinoamericana”, Informe 21.com, November 1\textsuperscript{st}, 2009.

\textsuperscript{50} Sánchez, Ricardo J. and Wilmsmeier, Gordon: “Provisión de infraestructura de transporte en América Latina: experiencia reciente y problemas observados”, Series entitled Recursos naturales e infraestructura, ECLAC, Natural Resources and Infrastructures Division, Santiago de Chile, August 2005, p. 12.
Transport infrastructure in Latin America is characterized by being highly developed in some sectors and weak in others, requiring wide-scale improvements that will contribute to the Region’s economic development. Among the deficiencies that can be observed with regard to the Latin American transport infrastructure, we might mention the following list, which is not exhaustive by any means:

- Physical restrictions due to geographical features throughout the Region.
- Insufficient capacity, especially within the road and railway sectors, as well as deficient use of the Region’s waterways.
- Deficient maintenance of infrastructures, especially roads and railways.
- Operating restrictions, based on the existence of incomplete interconnections and technical disparities between forms of transport and/or countries.
- Problems relating to the physical security of persons, equipment and merchandise.
- Difficulties regarding investment and financing.
- Deficiencies regarding planning, the design of public policies and the allocation of roles between the public sector, private sector and international sector.
- Weak and unreliable contracts featuring high transaction costs.
- Untimely, inadequate or excessively complex regulatory frameworks.
- An absence of sustainable mobility policies.
- Vulnerability due to geological and climatic factors.\(^{51}\)

\(^{51}\) Ibid., p. 20.
An extensive transport infrastructure exists, stretching first of all from the Mexican border with the United States down to Southern Panama; the network also extends from Venezuela, through Colombia and then on to the Western side of the Andes; finally, the network also encompasses Central Chile, Central Argentina and Southern Brazil.

The rest of the Region features networks of a lesser scale or simple links in the chain. The road network is made up, in good part, by non-paved tracks that are difficult to travel through. In general, the Region’s highways are old, except for those sections that were subject to concessions during the 1990’s, which come to less than 3% of the total network. What is known as the Pan-American Highway, which crosses the Continent from north to south, starting in Alaska and continuing down to Patagonia, is interrupted in the Region of El Darién (the so-called Darién Plug) between Panama and Colombia. The density of the jungle in this Region, together with various expressions of political reticence, have, for the time being, prevented the Highway from continuing between the two countries.

A large part of the network is made up of roads, given that the railways are mainly used for linking mining and agricultural areas with the ocean and river ports. General railway freight transport is restricted to the centre and north of Mexico, the centre and north of South America (iron and coal), as well as to certain sectors of MERCOSUR. The integral nature of the railway network is disrupted by the different railway line gauges that exist in the different countries. The rivers, which can be directly interconnected, could also feature inter-modal transport
connections in order to extend the Region’s transport infrastructure, thus taking advantage of the extensive river network that exists throughout Latin America.

If we compare the provision of road, railway and river transport infrastructures in relation to the territory and population of Latin America with that of other parts of the world, the figures corresponding to the Region are somewhat lower, as we can observe in the two statistical tables below (See Tables 2 and 3).

**TABLE 2**

**International Comparison of Road Provision Indicators**

<table>
<thead>
<tr>
<th>Countries or Regions</th>
<th>Paved roads/total roads</th>
<th>Total roads/territory m/km²</th>
<th>Paved roads/territory m/km²</th>
<th>Total roads/population m/habit.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Western Europe</td>
<td>95.2%</td>
<td>1,044.32</td>
<td>993.70</td>
<td>9.86</td>
</tr>
<tr>
<td>Average Central and Eastern Europe</td>
<td>54.3%</td>
<td>812.88</td>
<td>441.70</td>
<td>8.76</td>
</tr>
<tr>
<td>The United States</td>
<td>59.0%</td>
<td>657.89</td>
<td>388.15</td>
<td>21.82</td>
</tr>
<tr>
<td>Average Latin America and the Caribbean</td>
<td>15.1%</td>
<td>147.17</td>
<td>22.20</td>
<td>5.71</td>
</tr>
<tr>
<td>Average South America</td>
<td>11.2%</td>
<td>141.24</td>
<td>15.82</td>
<td>6.82</td>
</tr>
<tr>
<td>Average Central America</td>
<td>31.0%</td>
<td>163.82</td>
<td>50.81</td>
<td>2.85</td>
</tr>
<tr>
<td>South Korea</td>
<td>72.2%</td>
<td>914.49</td>
<td>660.03</td>
<td>1.86</td>
</tr>
<tr>
<td>Japan</td>
<td>53.7%</td>
<td>3,117.73</td>
<td>1,674.27</td>
<td>9.18</td>
</tr>
<tr>
<td>Thailand</td>
<td>97.5%</td>
<td>126.23</td>
<td>123.07</td>
<td>1.01</td>
</tr>
<tr>
<td>Malaysia</td>
<td>76.2%</td>
<td>204.14</td>
<td>155.61</td>
<td>2.90</td>
</tr>
<tr>
<td>Indonesia</td>
<td>46.3%</td>
<td>187.63</td>
<td>86.87</td>
<td>1.46</td>
</tr>
</tbody>
</table>

Nevertheless, in relation to the Region’s waterways, there are reasons for optimism, given that certain Central American countries, all of the MERCOSUR countries, as well as Venezuela and Colombia, enjoy some excellent resources in terms of navigable waterways. In this respect, we might point out that the Region’s average figure of 6.06 surpasses that of the United States (4.26), although not the figures corresponding to Western Europe, Thailand, Malaysia and Indonesia.

The fiscal and debt crises that affected the Region’s countries in the 1980’s and the subsequent implementation of adjustment policies and reduction of public spending on infrastructures led to a progressive decrease in the rate of public investment in transport infrastructures.

### TABLE 3

**International Comparison of Railway and Waterway Provision Indicators**

<table>
<thead>
<tr>
<th>Countries or Regions</th>
<th>Total railways/territory km/thous. km²</th>
<th>Total waterways/territory km/thous. km²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Western Europe</td>
<td>48.41</td>
<td>12.81</td>
</tr>
<tr>
<td>Average Central and Eastern Europe</td>
<td>40.27</td>
<td>5.48</td>
</tr>
<tr>
<td>The United States</td>
<td>20.22</td>
<td>4.26</td>
</tr>
<tr>
<td>Average Lat. America &amp; Caribbean</td>
<td>5.96</td>
<td>6.06</td>
</tr>
<tr>
<td>South Korea</td>
<td>31.83</td>
<td>-</td>
</tr>
<tr>
<td>Japan</td>
<td>61.82</td>
<td>4.72</td>
</tr>
<tr>
<td>Thailand</td>
<td>7.95</td>
<td>7.82</td>
</tr>
<tr>
<td>Malaysia</td>
<td>7.36</td>
<td>22.21</td>
</tr>
<tr>
<td>Indonesia</td>
<td>3.54</td>
<td>11.81</td>
</tr>
</tbody>
</table>

Source: Ibid., p. 25.
The transfer of a large part of these activities to the realm of private management and exploitation may have permitted the inflow of investment within the sector, but it did not serve to increase, or even maintain, the former rate of investment in transport infrastructures\textsuperscript{52}.

Private investment in transport focused on the equipping and organization of ports. A lower percentage of investment was aimed at roads and railways run by concessionary companies, although the network itself was not expanded in general, given that these investments focused on raising the quality of the infrastructures themselves.

Without reducing the participation of the private sector, it is evident that investment needs regarding transport infrastructures must necessarily involve the public sector. The infrastructure deficit throughout the Region can only be addressed by means of cooperation between public and private capital, restrictions regarding operating expenditure and increased expenditure on public works.

The solution to the problems of the Latin American commercial air sector resides in the introduction of an open-skies policy that generates competition, featuring flight options for all destinations at low prices. The liberalization process in all markets is experiencing considerable difficulties throughout the Region. Unfortunately, some governments believe that liberalization is harmful and choose to maintain the traditional model.

\textsuperscript{52} Ibid., p. 30.
of regulating supply and fixing prices. This is contrary to evidence that shows that regulation and restrictions represent obstacles when it comes to encouraging transport companies to improve their services and create new markets. Nevertheless, there is also a group of countries that is choosing to make its policies progressively more flexible with a view to gradually adapting to new times and new outlooks.

**Energy Integration**

Following the creation of the OAS in 1948, various political integration policies emerged in Latin America which gradually extended to the realm of trade and, specifically, to the field of energy, first within the electricity industry and, later on, within the oil and natural gas industries. This led to the creation of organizations such as the Latin American Integration Association (ALADI), the Regional Association of Oil and Natural Gas Companies in Latin America and the Caribbean (ARPEL), and the Latin American Energy Organization (OLADE). At the end of the 20th century, an attempt was made to re-launch these bodies with the staging of the Hemispheric Meeting of Energy Ministers.

Other more recently created associations such as the Andean Community of Nations (CAN), the Group of Three (G-3), the Central American Common Market (CACM), MERCOSUR, the Free Trade Area of the Americas (FTAA), the Informal Group of Latin American and Petroleum-Exporting Countries (GIPLA-CEP), the Pact of San José, the Mesoamerican Energy Integration Program (PIEM), the Bolivarian Alternative for the Americas (ALBA), Petroamérica, Petroandina, Petrocaribe, Petrosur, Una-
sur and the Community of Latin American and Caribbean States (CELAC) were also created in order to facilitate economic and energy integration.

Nevertheless, the proliferation of agreements of this kind has proven to be counter-productive with regard to regional free trade. In this respect, we might highlight the fact that some of these integration proposals have been sponsored by States with planned economies that are clearly hostile to the free market approach.\(^{53}\)

In spite of the difficulties in removing trade barriers and the harmful proliferation of agreements, Latin America presents exceptional potential when it comes to carrying out a far-reaching degree of integration regarding energy exploitation and generation. The problem certainly does not reside in the energy panoramas that exist in the different countries. Quite the contrary, in fact. The considerable wealth of resources throughout the Region should provide a clear incentive for the development of better integration mechanisms between the different domestic markets (See Table 4).

In effect, the Region is rich in resources, which are close to centers of production in markets with the highest levels of demand and considerable experience within the field. We might

also highlight the high level of seasonal coincidence, which helps to boost the efficiency of an integrated energy system.

If it possessed higher levels of integration, Latin America could save resources, as well as benefit from risk investment advantages entailed by higher levels of reliable and guaranteed energy supplies. Today, we can observe bilateral energy connections between various Latin American States, but effective regional integration within this field continues to be conspicuous due to its absence.\(^{54}\)

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According to the US Energy Information Administration (EIA), the Latin American Region will demand 5.5% of worldwide energy requirements by the year 2030 and today there is a deficit. With regard to demand, with the exception of Bolivia, Brazil, Peru, Trinidad and Tobago and Venezuela, the Latin American countries could witness a deficit in the medium and long term regarding fuels for electricity generation and transport\(^{55}\).

Venezuela, the leading Latin American nation in terms of oil and natural gas reserves, has maintained a highly favorable discourse with regard to the question of energy integration. Proof of this is provided by Venezuela’s open support for mega-projects such as the Energy Ring and the even more ambitious South American Gas Pipeline. Nevertheless, the Socialist Government of Venezuela has made no progress in terms of making more than specific noises about these proposals. Maybe it believes that this stance will be beneficial to the country as long as it can take advantage of the volatile situation on the energy markets and, in particular, the current bonanza of high prices\(^{56}\).

From the point of view of importing countries, the ongoing supply of energy from Brazil is not yet guaranteed. Nevertheless, the discovery of vast deposits of high-quality crude and natural gas in October 2006 in the Santos Basin (The Tupí Deposit), will not only enable Brazil to achieve energy self-suffi-

\(^{55}\) González Cruz, Diego J.: op. cit.

ciency in the short term, but also raises the possibility of it becoming an oil and natural gas exporter in the medium term\textsuperscript{57}.

The Brazilian energy panorama is rich and varied, based on the coincidence of fossil fuels with an increasingly large renewable energies sector. The two main liquid bio-fuels used in Brazil are ethanol, which is extracted from sugar cane, and, to an increasing extent, bio-diesel, which is produced from vegetable oils and animal fat. Furthermore, new prospects for South America have opened up with the recent discovery of large oil deposits.

**An “Erasmus” for Latin America**

Education and integration are essential for the development of nations. Academic exchange programs promote the mobility of students and lecturers. In a region with such profound linguistic, cultural and historical affinities, there should be few obstacles when it comes to carrying out integration projects within the educational field. The Summits of Ibero-American Nations constitute the ideal framework in which to promote programs of this kind. The Erasmus Program has been carried out in Europe since 1987. This consists of a trans-national cooperation project that facilitates the exchange of students and university lecturers. More than one million students have taken part in the program, which encompasses some 31 countries and has become the most successful academic exchange mechanism in the world. In fact, the project has received awards as

\textsuperscript{57} Ibid.
prestigious as the Prince of Asturias Award for International Co-operation 2004.

The Erasmus Program goes beyond the merely academic goal of acquiring knowledge, with part of its success residing in the creation and development of strong personal ties between students of different nationalities. For many students, it constitutes the first time they have ever lived on their own in a foreign country. The program helps to break down prejudices and clichés and to facilitate a better understanding of the differences and similarities that exist between different nations.

In short, the Erasmus Scheme has emerged as a new pillar for raising awareness of a Europe-wide citizenship. It constitutes a key instrument for integration and membership within an area joined by shared values. It also provides a clear demonstration of how political will can serve to highlight the many things we have in common, as opposed to the aspects that separate us. In spite of the fact that a wide range of languages, customs and styles of life exist in Europe, it has been clearly understood that all of these aspects enrich and strengthen a shared European identity.

Unfortunately, Latin America does not have a program of this kind. Although it is true that a large number of companies and universities have set aside financial resources for programs designed to encourage student mobility throughout Latin America and that certain initiatives have been introduced such as high-level grants for Latin American countries adopted by the European Commission, not to mention pilot schemes for post-
graduate academic mobility such as the Pablo Neruda Program promoted by the Ibero-American General Secretariat (SEGIB) and projects such as Erasmus Mundus, the fact is that no program currently exists for the countries of the Latin American Region that has the same substance and magnitude as the European Erasmus Scheme.

In this respect, it is paradoxical that a Region that has such profound affinities between its different nations has found it so difficult to design a project of this kind that facilitates exchange and integration. Political will is essential when it comes to promoting this kind of program, and there are certainly many reasons why a project such as the European Erasmus Scheme should be carried out in Latin America.

With a project such as this in operation, the university alliances and networks that are constructed around the project would then facilitate the integration of Latin American universities with those of the rest of the world. It would favor access to information and knowledge that is generated abroad and would help to convey the academic output of the Latin American countries to other nations with greater agility.

There is little doubt that a program of this magnitude should be implemented within the framework of the Ibero-American Community of Nations, with Spain and Portugal playing the leading role. Their participation would be of considerable value, not only because of the agreement that exists between universities on both sides of the Atlantic, but also because of the cultural ties that bind them. Second, Spain can offer its know-how
to many countries in terms of its accumulated experience as the leading destination chosen by European students to carry out their Erasmus. Furthermore, the presence of Spain and Portugal would lead to a program that is much more ambitious, one that has a trans-Atlantic dimension.

Endowing a program of this kind with a symbolic and economic dimension is crucial when it comes to ensuring its success. In this respect, it is important to launch a project of this kind at a Summit-like meeting, based on the consistent support of the Secretariat and the respective Governments. For this idea to work, it is important to go beyond the mere realm of rhetoric and good intentions. Based on the creation of financing mechanisms that encourage universities to form part of the network, Latin American countries should provide institutional support for the corresponding agreements. A framework agreement between the different countries would be ideal for university centers to be able to sign up for the program.
4

THE TIME FOR POLITICS

“In politics, everything that is not possible is false; [ ... ] politics is, above all, an art that must necessarily mould itself to current circumstances and the age”58.

Antonio Cánovas del Castillo

A) Unity: A Prerequisite in Order to Defeat Populism

Many countries throughout Latin America are faced once again with a dilemma between revolutionary populism, in its most authoritarian version, and liberal democracy. As explained in the first chapter of this report, this crossroads has existed throughout the 200 years that have elapsed since the emancipation of the first Latin American republics. However, it is no less true that, over the last decade a moderate Left (analyzed in Chapter 2) has emerged throughout the Region, one that is far removed from the populist tenets of Chávez’s expansionist proj-

ect, one that subscribes to Western values, democracy and respect for fundamental rights and freedoms.

Furthermore, the results of the presidential elections in Chile, Colombia and Mexico of the last decade testify to the fact that a mature Centre Right also exists that is free from all of the stigmas of the past and deserves to be seen as a winning option based on clear leadership and a program founded on solid principles, ideas and convictions.

Nevertheless, not all of the parties of the Centre and the Right in every Latin American country have managed to develop a shared political program. The recent electoral processes that have taken place have demonstrated that the main obstacle when it comes to displacing the Left and the populist forces from power consists of the difficulty of bringing together all of the sections of society in a single political forum that advocates freedom and a strong, but not excessively enlarged, State.

Needless to say, the kind of union required for electoral victory must be based on set of shared values that will vary depending on the political system of the nation and the institutional situation within the country in question. The formula will not be the same in countries in which the very model of a nation based on free and equal citizens is clearly at stake, when compared to contexts in which the political forces and civil society accept the rules of the game entailed by democracy, rights are guaranteed and the differences between political parties are virtually imperceptible. What is clear in both cases is that, in order to win, it is essential to join, unify and
prevent the dispersion of different candidates with the same political persuasions.

This becomes even more important in the case of presidential elections based on two rounds of voting, in which the winning candidate must achieve an absolute or qualified majority in the second round. In other forms of government – such as parliamentary elections, where the Head of Government is appointed by the legislative chamber or an electoral system based on a proportional representation, – the dispersion of votes does not, perhaps, represent such a serious problem, given that coalitions (agreements to govern) could be decisive after general elections in order to make it possible to elect the Head of Government from the most widely voted list (or otherwise). However, unity always facilitates victory.

As the name itself suggests, a party only constitutes a part of the whole, in which respect it cannot and must not possess all-encompassing ambitions. Nevertheless, this does not mean that the party, governed by a series of clear principles, cannot search for the widest support possible within society in order to achieve a majority that enables it to overcome the first stage of the election process and win the second round in a categorical manner.

When it comes to achieving these objectives, it has been shown that divisions, when they are based exclusively on the personal aspirations of leaders who place their own personal project before that of building a winning alternative, inevitably lead to failure.
When the political project that aspires to claim the reins of power or perpetuate itself in power takes on totalitarian hues, and when it is the democratic system itself that is at stake, then the Opposition front must unite on a basis that goes beyond distinctions of Right or Left, placing the values of representative democracy before any other consideration. Once victory has been achieved and the threat has been contained, then there will be time to reorganize the political system and reinstate the essential plurality of a party political system that offers different democratic alternatives.

It is essential to make this response effective and operative based on the politics, will and determination of all sections of a wide-ranging ideological spectrum. In the face of a choice between “civilization and barbarism,” all like-minded sections of the political spectrum must unite as one.

After having witnessed the misery, oppression and death caused by the real Socialism of the twentieth century, the totalitarian tendencies of the governments that style themselves on what they call “21st Century Socialism,” make it more essential than ever today for all democrats to join forces. In this respect, they have a moral obligation to unite in order to acquire the strength necessary to defeat neo-Communist populism by democratic means.

Politics within the context of an increasingly global world recommends the integration of parties into international party organizations, based on coordinated efforts designed to achieve shared goals, with both parties and like-minded in-
stitutions being endowed with the necessary ideological points of reference.

It is crucial with regard to the survival of freedom throughout the Region and in order to anchor the Region firmly within the West, for a network of individuals, institutions and political parties to be established that share certain ideas and can work together in a coordinated manner. Bringing together like-minded forces, this network must convey the ideas of freedom, democracy, respect for the Rule of Law and the need to strengthen the Region’s institutions in order to ensure the prosperity and success of nations.

In this sense, based on all of the lessons that history has taught us, it is more essential today than ever for us to raise awareness of the fact that the union of all democrats is the only possible and appropriate response to those who seek to destroy the values of democracy and freedom through the imposition of a totalitarian system. This is an extremely difficult enterprise, one that demands considerable effort, grace, generosity, a sense of historical responsibility and an open-minded approach.

In this manner, ideas must serve as a clarion call and point of reference for all those who share the same values. Because the ideas of freedom, representative democracy, respect for human dignity and equality before the law need people who are prepared to work together as part of a grand joint endeavor, thus ensuring that these formulas triumph over outdated approaches that only lead to failure.
The creation and development of an efficient and coordinated web of networks is a complex task that demands mutual, and sometimes difficult, concessions. It may be necessary to leave argument and debate regarding secondary matters to one side for the time being, given that what is at stake is the very system itself, in short, the institutional architecture of liberal democracy as a whole.

If we look at the other side, it is astonishing to see how the enemies of freedom never fail to grasp an opportunity to get together, to work together in a coordinated manner and to attract new fellow-travelers of the most diverse ilk in order to tread the same path. Revolutionary populists in Latin America, in the form of indigenists, militarists and neo-Statists, fascists and former participants in coups d’états, anti-establishment activists who have a phobia of the market, radical Islamists and post-modern progressives, take every opportunity to join forces in order to wage battle with their common enemy: the West and liberal democracy. In fact, as we have outlined above, they do not really share any values or principles, simply an aversion to the West.

**Uniting all Forces to the Right of the Left**

When it comes to joining forces within the heart of an established democracy, the challenges are rather different. When no real totalitarian threat exists, union, although still desirable, must be based on other variables. In the case of the Centre Right it is essential for all Liberal, Conservative and Christian Democrat parties to cooperate in order to promote the values they share. They must work on the basis of the many things that
unite them, rather than the aspects that separate them. These starting-points that make up a basic consensus would include, for example, a belief in freedom as the engine of progress, membership in the West, the Christian roots of the Americas, the idea of battling poverty through the market economy and the desire to defeat populism by democratic means.

An old African proverb states the following: by traveling alone you can reach your destination more rapidly, but only by traveling together will you go a long way. And in politics this tends to be the case, given that the atomization of political projects based on a small section of the electorate and a narrow range of principles inevitably leads to the failure of these initiatives.

Shared principles – such as support for democracy, the free market economy, a desire for an open society to triumph over populism, a secure legal framework, clear rules of the game, pluralism, basic State services, the Rule of Law, the balance of powers ... – must serve to unite all forces that are located to the right of the Left, all forces that are opposed to populism. In this case, we are dealing with principles that cannot be dragged this way and that by a form of political fragmentation based on mere personal whim.

The union of like-minded political forces has been a successful enterprise for both the Centre Left and Centre Right in many Ibero-American countries (the Partido Popular in Spain, headed by José María Aznar, managed to rise to victory in the year 1996; Concertación Chilena, the UDI-RN Alliance headed by Sebastián Piñera, was successful in 2010). Naturally, for this kind of union
to take place, it is important to scrutinize the qualities of the leaders who head these projects. Generosity, statesmanship, a sense of historical responsibility, a measured sense of ambition and, above all, an ability to understand that mutual concessions should prevail over personal ambitions, are all decisive factors when it comes to building a winning political project.

**How to Encourage the Union of Like-Minded Parties?**

The time has come to double our efforts in order to ensure that, *mutatis mutandis*, like-minded parties can form part of a similar model to that of the European People’s Party, which was created with the Liberal, Conservative and Christian Democrat political parties of Europe, within the context of a solid institutional framework. The key characteristics of this model could also be used for the unification of the political projects that are currently governing Mexico, Colombia and Chile.

In short, the aim is to design an effective organization, taking advantage of those that already exist, one that will serve to enhance the collaborative ties and values that unite these projects: the Western roots of Latin America, democracy, individual freedoms and a desire for free and open societies to defeat populism.

From the very beginning, it is of utmost importance to highlight the integrating capacity of international initiatives. The role of other Western Centre Right organizations is key, given that these bodies can generate mechanisms that help to unite the Latin America political family. International action must be based on a joint endeavor, one that does not duplicate what is already being
done. That is to say, a collaborative system must be created that rewards those projects that have an integrating vocation.

In view of the breakdown of traditional political parties in some countries (Venezuela, Colombia, Ecuador, Argentina and Bolivia, among others), the international organizations of Latin America that bring together the parties of this political spectrum – ODCA (Christian Democrat), UPLA (Conservative) and RELIAL (Liberal) – must demonstrate, on the one hand, a vigorous desire to gather together all like-minded forces and, on the other, an ability to generate ideas that enable their members to formulate a winning political discourse.

There is little doubt that the Latin American political parties located to the Right of the Left need to improve their campaign teams and manifestos. In short, they need teams that are capable of attracting people.

When a political system breaks down, the shattered pieces lose strength, thus making it impossible to build an alternative that has the capacity to convince and to win. Many different players are required in order to ensure the success of a joint enterprise such as this. In this respect, in order to convince and win over the electorate, perhaps we should recall the exhortations that José Ortega y Gasset made to the Argentinean people and get right down to it, which is to say, work hard in favor of unity.\footnote{Conferencia pronunciada en 1939 en la Ciudad de La Plata, Argentina, y recogida en Meditación del pueblo joven y otros ensayos sobre América, Revista de Occidente en Alianza Editorial, 1981, Madrid.}
B) Interest Groups that Claim to Represent the People

It is part and parcel of a modern society for citizens to group together and exercise their freedom of association by creating organizations that defend the rights of their members or of others. This is a noble enterprise that serves to enrich democracy. There are many examples of associations whose altruistic efforts have strengthened the position of the most underprivileged sections of society: associations of victims of terrorism, human rights groups and aid organizations that create a safety net based on sentiments as pure as charity and altruism.

Nevertheless, in recent years we have seen how this aid model based on spontaneously and freely constituted organizations, has sometimes degenerated into the realm of political agitation and corruption. In effect, causes as dignified as the protection of the environment, defense of the rights of indigenous groups and demands for justice in the face of the brutal violation of human rights in Latin America, have been exploited by certain political groups.

These instrumental associations bring together altruistic efforts designed to pursue certain political or economic goals that remain unachievable for political groups working through the normal constitutional channels. In effect, they constitute players that seek to impose their agenda based on a conception of politics that is, in reality, “anti-political,” given that it intentionally avoids institutional channels where its goals would be thwarted. This is a contemporary manifestation of the dan-
gers that may be generated by factionalism, something from which *The Federalist Papers* (number 10)\(^{60}\) alerted us.

In short, this association-based system represents a mechanism for the trafficking of power and influence between interest groups that have no electoral representative basis in the country’s institutions. In fact, it represents a perversion of the liberal democratic model and a constant burden on the true representatives of the popular will. This kind of organization takes on the appearance of open political participation when, in reality, it conceals a kind of politics based on very little participation and the imposition of the will of a noisy minority over that of a silent majority, all with the aim of delegitimizing the constitutional democratic system. In all cases, the tactic employed is the same: adoption of a noble and altruist cause that nobody can dispute and the use of the pressure mechanisms required to achieve either political goals or budget allocations from the State or international cooperation.

This kind of manipulation culminates in the idea that the only just political project is an alleged “real” democracy, which, nevertheless, corresponds to a strategy designed to secure certain power niches. However, history shows us that the modern State based on representative democracy and the separation of powers is the only political institution capable of enabling members of society to govern a country.

CONCLUSIONS

A brief look at the different aspects that have been analyzed in this document reveals that Latin America plays an important role within the dynamic framework of Western political and social processes. In this respect, the challenges posed by a globalized world regarding the democratic project that was initiated two centuries ago requires the Region to find the corresponding solutions, in accordance with the values of progress, justice and freedom that are rooted within the history and culture of Latin America.

The years that have elapsed since the publication of the first edition of *An Agenda for Freedom* have simply strengthened our conviction that democracy and institutional stability enjoy good health in the region: the peaceful transfer of power between parties of different political persuasion has been the norm, whilst the maintenance of good policies has not been incompatible with the idea of alternating governments. Furthermore, in the majority of cases, statesmanship has been placed before personal ambition.

In addition to all this, the battle against poverty has brought some significant achievements throughout the same period.
The most visible illustration of this fact are of the growing middle classes, which are shaping a new form of empowerment for members of society as a whole, with citizens now playing a prominent role in the societies in which they live.

Nevertheless, these achievements do not mark the end of the road. Measures designed to facilitate the access of all members of the population to opportunities must be maintained over time and must not be sacrificed at the altar of political and electoral opportunism. Alongside this, guarantees of personal safety and the eradication of violence constitute the indispensable conditions for creating a social framework that enables these opportunities to flourish.

As a consequence, our concern regarding the survival of the Cuban dictatorship and the authoritarian regimes based on “21st Century Socialism” remains very much alive, in which respect we must not lower our guard in the battle to protect human rights, peace and democracy.

It is impossible to review the life of the different republics throughout the Latin American Region without insisting on the importance of securing a more effective degree of regional integration. The shared cultural, linguistic and legal community, the consequence of a shared history, is an asset that must be placed at the service of educational, economic and trade exchanges, so that the Region can strengthen its role at multilateral forums and on the international scene in general. In this respect, it is also advisable for Latin America to strengthen its ties with its partners and allies in Europe and the United States.
The rapprochement of different political projects interested in perfecting their democratic appeal also requires us to promote forums for dialogue and debate, for the production of ideas and for the exchange of experiences. The union of all like-minded parties is the winning formula.

Spain plays a committed role when it comes to supporting and promoting the Ibero-American Community of Nations, and it must continue to do so. In turn, this Community also provides an ideal realm in which to promote and strengthen the values of freedom, human rights and democracy. With these values, Latin America is destined to build a bright future, one that is as irrevocable as its past.
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However, FAES bears sole responsibility for the final text that is published.

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An Agenda for Freedom 2007 stated that Latin America constitutes a substantial part of the West and that the Region was faced with the dilemma of choosing between the path of populism, backwardness and irrelevance or the path of progress, democracy and openness. The 2012 report shows how the majority of Latin American nations have chosen the right path. Latin America is now more prosperous, largely democratic and faces an excellent opportunity to consolidate its development. Nevertheless, it is still necessary to tackle certain key challenges. The Region must consolidate its middle classes, combat violence with the lawful instruments of the State and face up to the strength of a series of ideas that revolve around the concepts of freedom and democracy. Latin America finds itself in a position to take its place at the forefront of nations throughout the world.

Latin America: An Agenda for Freedom 2012