

Democracy, Markets & Transparency 2009

Year IV Number 4 - January 2010

New Zealand and Denmark

Leaders of development

The analysis of the cases of New Zealand and Denmark, heading the ranking for third consecutive year, indicates that there are powerful theoretical reasons to think that open economies, liberal democratic regimes and transparent public sectors go together.



Argentina

Only by looking a little like its neighbors, the advance of Argentina would be immense.

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Latin America

The most concerning causes of the relatively bad performance of Latin America in this ranking are organized crimes – especially drug trafficking – and institutional weakness.

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The three facets of development

This report states that the three pillars of development are: democratic freedoms, market economy and government transparency. In this way, the countries that could be defined as developed have to guarantee these three facets necessary for political, economic and institutional progress. For this reason, to make this report we use the information of the following 2009 publications: Freedom of the World, by Freedom House, Index of Economic Freedom by Heritage Foundation and Wall Street Journal, and Corruption Perception Index by Transparency International.

Freedom of the World is an annual evaluation of the global freedom situation as experienced by individuals. The survey measures the freedoms in two big categories: political rights and civic liberties. Political rights allow the people to participate with freedom in the political process, including the right to vote with freedom to different alternatives in legal elections, compete for public jobs, be part of a political party and political organizations, and choose politicians that have an important impact on public policies and that account to their electorate. The civic liberties include the freedom of expression and religion, the rights of association and organization, the rule of law and the personal autonomy without government's interference.

On the other side, the Index of Economic Freedom has created a global description of economic freedom establishing a point of reference, in which it is possible to start to measure the possibilities that a country has to reach the economic success. The Index of Economic Freedom considers 10 variables that have the same importance for the level of economic freedom of every country. In this way, with the goal to determine the general score of a country, the factors are measured

in an equal form: labor freedom, business freedom, trade freedom, fiscal freedom, government spending, monetary freedom, investment freedom, financial freedom, property rights and freedom from corruption.

Finally, The Corruption Perception Index is the result of multiple opinion surveys to experts that study corruption perception in the public sector in 180 countries around the world. The indicator defines the public corruption as the abuse of the public service for personal benefit. The score of these three publications for each country are calculated in an equal form giving as a result the Democracy, Markets and Transparency ranking.

If there are other aspects that are also important in the countries development, the three that are combined here: democratic freedoms, market economy and government transparency, are the principal base and the countries that are in the top of the ranking are the proof of it.

An editorial of the La Nacion newspaper from Buenos Aires published on November 21, 2007, resumes the same idea saying: "without democratic freedoms, there could be market economy, such as Chile under Pinochet's dictatorship, but it is very difficult to find government transparency. Without government transparency, like in other Latin American countries, democratic freedoms and market economy are in risk. Finally, without market economy, democratic freedoms and government transparency could be finished by an inefficient state like in the old times".

In short, this ranking gives the possibility to know the level of respect of the civic, political and economic freedoms and the levels of transparency, helping to understand very easily why some countries have more quality life than others, and also helps to see the strengths and weaknesses of the country.

Presentation

New Zealand and Myanmar occupy for third consecutive year the first and last places of the ranking “Democracy, Markets and Transparency”. This year’s results showed two particularities on these countries: New Zealand increased its score, while Myanmar, also known as Burma, lowered its own compared to previous years. On the top of the ranking, scores between New Zealand and Denmark showed an increased difference. Zimbabwe went down in the ranking to one of the last positions, getting even closer to become the worst dictatorship in the world.

One novelty of the ranking’s recent edition is the incorporation of 16 new countries: Saint Lucia, Saint Vincent and the Grenadines, Samoa, Kiribati, Serbia, Montenegro, Seychelles, São Tomé and Príncipe, Liberia, Buthan, Tonga, Solomon Islands, Timor Leste, Comoros, Maldives and Eritrea. In consequence, up to 168 countries are considered, bringing about changes in the performance of each country and its positions in the ranking. For example, Cuba showed an insignificant improvement from its last year’s score but still dropped down eleven positions to remain as one of the worst ranked countries. From the 19 newly incorporated ones, only Eritrea ranks lower than the Castro dictatorship.

In Latin America, Chile and Uruguay are acknowledged once again for their performance. Both countries showed a small drop on this year’s score but remained in the 18th and 24th position respectively. Two countries raised their scores and reached a better position: Costa Rica, ranking 35th with 0,714 pints, and Brazil, ranking 57th with 0,567 points. Peru followed them in the 58th place.

Venezuela is the Latin-American country dropped more positions in the ranking this year. It descended 25 places to rank even below countries like Haiti. Nicaragua also descended

17 places to position itself under Paraguay, Guatemala and Bolivia. Colombia dropped 13 positions. Argentina ranked above Alvaro Uribe’s country but still went down 5 positions in the ranking. Macedonia ranked better than Argentina.

For the analysis of the performance of countries, regions and groups, CADAL convened several highly recognized experts from its Advisory and Academic Councils and several youth and promising graduates and university students. Tristán Rodríguez Loredó, Director of CADAL’s Advisory Council, presents a global evaluation of the ranking and of the Argentinean case in particular. Raúl Ferro, one of the most recognized journalists on Latin America, writes on the performance of several countries in the region. Jorge Marshall, Chilean former Minister of Economy works on the experience of his own country, recently adhered to the OCDE. Adrián Lucardi, CADAL’s associate researcher, analyzes the two development leader countries: New Zealand and Denmark. Nelson Fernández, CADAL’s officer in Uruguay, writes about this country’s case and the coming welcome to its new president José “Pepe” Mujica. Historian Ricardo López Göttig, Director of the Academic Council of CADAL, evaluates three former socialist countries in order to present some recommendations for ALBA member countries, a regional block created by Hugo Chávez Frías. Mariana Dambolena, researcher from CADAL, describes the worst countries in the world by region. María Amelia Gibbons presents her work on the country that will attract the world’s attention during 2010: South Africa, home of the next Soccer World Cup.

Finally, our expectation is that for each country in Latin America this report provides elements for reflection on what needs to be improved in order to advance on the development path and to reach a better position in the world.

By Gabriel C. Salvia and Hernán Alberro
Editors of the research report Democracy, Markets and Transparency.
Gabriel C. Salvia is Chairman and Hernán Alberro is Programs Director of the Center for the Opening and Development of Latin America.

2009 Global Ranking “Democracy, Markets and Transparency”

POSITION	COUNTRY	FH	HF/WSJ	TI	2009	POSITION	COUNTRY	FH	HF/WSJ	TI	2009
1	New Zealand	1	82,0	9,4	0,918	85	Zambia	3	56,6	3	0,485
2	Denmark	1	79,2	9,3	0,905	86	Senegal	3	56,3	3	0,484
3	Switzerland	1	79,4	9	0,894	87	Guatemala	3,5	59,4	3,4	0,481
3	Australia	1	82,6	8,7	0,894	88	Jordan	5	65,4	5	0,477
5	Canada	1	80,5	8,7	0,887	89	Madagascar	3,5	62,2	3	0,476
6	Netherlands	1	77,0	8,9	0,883	90	Honduras	3	58,7	2,5	0,473
7	Finland	1	74,5	8,9	0,874	90	Oman	5,5	67,0	5,5	0,473
8	Sweden	1	70,4	9,2	0,872	92	Guyana	2,5	48,4	2,6	0,471
8	Iceland	1	75,9	8,7	0,872	93	Paraguay	3	61,0	2,1	0,466
10	Ireland	1	82,2	8	0,867	94	Bolivia	3	53,6	2,7	0,464
11	Luxembourg	1	75,2	8,2	0,851	95	Mozambique	3	55,7	2,5	0,463
12	Norway	1	70,2	8,6	0,849	96	Burkina Faso	4	59,5	3,6	0,461
13	United Kingdom	1	79,0	7,7	0,845	97	Ukraine	2,5	48,8	2,2	0,457
14	United States	1	80,7	7,5	0,843	98	Nicaragua	3,5	59,8	2,5	0,449
15	Germany	1	70,5	8	0,828	99	Tanzania	3,5	58,3	2,6	0,448
16	Austria	1	71,2	7,9	0,826	100	Bosnia-Herzegovina	3,5	53,1	3	0,446
17	Barbados	1	71,5	7,4	0,809	101	Niger	3,5	53,8	2,9	0,444
18	Chile	1	78,3	6,7	0,805	102	Ecuador	3	52,5	2,2	0,442
19	Belgium	1	72,1	7,1	0,800	103	Thailand	4,5	63,0	3,4	0,438
20	Japan	1,5	72,8	7,7	0,796	104	Philippines	3,5	56,8	2,4	0,436
21	Estonia	1	76,4	6,6	0,795	105	Moldova	4	54,9	3,3	0,435
22	Saint Lucia	1	68,8	7	0,785	105	Kenya	3,5	58,7	2,2	0,435
23	Cyprus	1	70,8	6,6	0,777	107	Liberia	3,5	48,1	3,1	0,433
24	Uruguay	1	69,1	6,7	0,775	108	Sri Lanka	4	56,0	3,1	0,431
25	France	1	63,3	6,9	0,763	108	Malawi	4	53,7	3,3	0,431
26	Spain	1	70,1	6,1	0,756	110	Sierra Leone	3	47,8	2,2	0,426
27	Slovenia	1	62,9	6,6	0,750	111	Bhutan	5,5	57,7	5	0,424
28	Singapore	4,5	87,1	9,2	0,733	112	Tonga	4	54,1	3	0,421
29	Portugal	1	64,9	5,8	0,727	113	Morocco	4,5	57,7	3,3	0,416
30	Israel	1,5	67,6	6,1	0,720	114	Salomon Islands	3,5	46,0	2,8	0,414
30	Saint Vincent and the Grenadines	1,5	64,2	6,4	0,720	115	Timor-Leste	3,5	50,5	2,2	0,407
32	Mauritius	1,5	74,3	5,4	0,716	115	Armenia	5	69,9	2,7	0,407
33	Costa Rica	1	66,4	5,3	0,714	117	Uganda	4,5	63,6	2,5	0,406
34	Lithuania	1	70,0	4,9	0,711	118	Gambia	4,5	55,8	2,9	0,395
35	Malta	1	66,1	5,2	0,709	119	Nepal	4	53,2	2,3	0,392
35	Czech Rep.	1	69,4	4,9	0,709	120	Lebanon	4,5	58,1	2,5	0,388
37	Hungary	1	66,8	5,1	0,708	121	Pakistan	4,5	57,0	2,4	0,381
37	Taiwan	1,5	69,5	5,6	0,708	122	Kirgistan	4,5	61,8	1,9	0,378
39	South Korea	1,5	68,1	5,5	0,699	122	Nigeria	4,5	55,1	2,5	0,378
40	Slovakia	1	69,4	4,5	0,694	124	Bangladesh	4	47,5	2,4	0,377
41	Cape Verde	1	61,3	5,1	0,690	125	Tunisia	6	58,0	4,2	0,367
42	Poland	1	60,3	5	0,682	126	Gabon	5	55,0	2,9	0,365
43	Botswana	2	69,7	5,6	0,680	127	Saudi Arabia	6,5	64,3	4,3	0,364
44	Latvia	1,5	66,6	4,5	0,657	128	Comoros	4	43,3	2,3	0,359
45	Italy	1,5	61,4	4,3	0,632	129	Guinea Bissau	4	45,4	1,9	0,351
46	South Africa	2	63,8	4,7	0,627	129	Ethiopia	5	53,0	2,7	0,351
47	Namibia	2	62,4	4,5	0,615	131	Rwanda	5,5	54,2	3,3	0,349
48	Greece	1,5	60,8	3,8	0,612	131	Djibouti	5	51,4	2,8	0,349
49	Panama	1,5	64,7	3,4	0,610	131	Swaziland	6	59,1	3,6	0,349
50	Ghana	1,5	58,0	3,9	0,606	134	Kazakhstan	5,5	60,1	2,7	0,347
50	Samoa	2	59,5	4,5	0,606	135	Egypt	5,5	58,0	2,8	0,343
52	Trinidad and Tobago	2	68,0	3,6	0,601	136	Yemen	5	56,9	2,1	0,342
53	Bulgaria	2	64,6	3,8	0,597	137	Togo	5	48,7	2,8	0,340
54	Romania	2	63,2	3,8	0,592	138	Argelia	5,5	56,6	2,8	0,339
55	Croatia	2	55,1	4,1	0,576	139	Haiti	4,5	50,5	1,8	0,337
56	El Salvador	2,5	69,8	3,4	0,572	140	Venezuela	4	39,9	1,9	0,333
57	Brazil	2	56,7	3,7	0,567	141	Burundi	4,5	48,8	1,8	0,331
58	Peru	2,5	64,6	3,7	0,565	142	Azerbaijan	5,5	58,0	2,3	0,325
59	Suriname	2	54,1	3,7	0,558	143	Mauritania	5,5	53,9	2,5	0,319
60	Mexico	2,5	65,8	3,3	0,555	144	Maldives	5,5	51,3	2,5	0,310
61	Turkey	3	61,6	4,4	0,553	145	Central Africa Rep.	5	48,3	2	0,309
62	Kiribati	1	45,7	2,8	0,552	145	Cambodia	5,5	56,6	2	0,309
63	Mongolia	2	62,8	2,7	0,550	147	Ivory Coast	5,5	55,0	2,1	0,307
64	Dominican Rep.	2	59,2	3	0,549	148	Tajikistan	5,5	54,6	2	0,302
65	Jamaica	2,5	65,2	3	0,541	149	China	6,5	53,2	3,6	0,301
66	Benin	2	55,4	2,9	0,533	150	Russia	5,5	50,8	2,2	0,297
67	Serbia	2,5	56,6	3,5	0,531	151	Vietnam	6	51,0	2,7	0,289
68	Macedonia	3	61,2	3,8	0,530	152	Cameroon	6	53,0	2,2	0,277
69	Qatar	5,5	65,8	7	0,525	153	Angola	5,5	47,0	1,9	0,273
70	Montenegro	3	58,2	3,9	0,524	154	Congo Rep. (Bras)	5,5	45,4	1,9	0,268
71	Argentina	2	52,3	2,9	0,522	155	Syria	6,5	51,3	2,6	0,258
71	Seychelles	3	47,8	4,8	0,522	156	Guinea	6	51,0	1,8	0,255
73	India	2,5	54,4	3,4	0,520	157	Cuba	6,5	27,9	4,4	0,247
74	Albania	3	63,7	3,2	0,516	158	Iran	6	44,6	1,8	0,234
75	Georgia	4	69,8	4,1	0,514	159	Laos	6,5	50,4	2	0,233
76	Bahrain	5	74,8	5,1	0,512	160	Belarus	6,5	45,0	2,4	0,230
76	Malaysia	4	64,6	4,5	0,512	161	Eritrea	6,5	38,5	2,6	0,215
78	United Arab Emirates	5,5	64,7	6,5	0,503	162	Chad	6,5	47,5	1,6	0,208
79	Colombia	3,5	62,3	3,7	0,502	163	Equatorial Guinea	7	51,3	1,8	0,201
79	Mali	2,5	55,6	2,8	0,502	163	Libya	7	43,5	2,5	0,201
81	Lesotho	2,5	49,7	3,3	0,501	165	Uzbekistan	7	50,5	1,7	0,194
82	Kuwait	4	65,6	4,1	0,500	166	Turkmenistan	7	44,2	1,8	0,177
83	Indonesia	2,5	53,4	2,8	0,495	167	Zimbabwe	6,5	22,7	2,2	0,148
84	Sao Tome and Principe	2	43,8	2,8	0,490	168	Myanmar	7	37,7	1,4	0,140

FH: Freedom House. It is an average of political rights and civic liberties measured by Freedom in the World 2009 where 1 is the best qualification while 7 is the worst. **HF/WSJ:** Heritage Foundation and Wall Street Journal make the Index of Economic Freedom 2009 where 100 is absolute economic freedom while 0 is its total inexistence. **TI:** Transparency International measures corruption perception qualifying countries between 0 and 10. The higher the score there is a fewer corruption perception in that country. **DMT:** With an egalitarian combination of the above mentioned scores the Democracy, Markets and Transparency ranking is made.

New Zealand and Denmark: Leaders of development

By **Adrián Lucardi**
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The virtuous circle of Democracy, Markets and Transparency

The report “Democracy, Markets and Transparency” is based on the premise that truly developed countries are those that combine broad civil and economic liberties with democratically elected governments and a transparent public sector. These three elements may not appear together, as shown by Singapore where an authoritarian and repressive regime with an open and competitive economy and a highly transparent public sector are combined. However, the ranking “Democracy, Markets and Transparency” shows that generally these three elements stand together. It could be a mere empirical regularity. However, the analysis of the cases of New Zealand and Denmark, heads of the ranking for third consecutive time, indicates the existence of powerful theoretical reasons to believe that open economies, liberal-democratic regimes and transparent public sectors go together ⁽¹⁾.

First, market economy and governmental transparency are mutually complementary. When the state is opaque, it is not possible to identify (and punish) government officials that work inefficiently and unproductively at the expense of public spending. When transparency is reduced, laws and regulations can not be taken as egalitarian rules of the game but as tools to benefit government friendly businessmen and to damage those that are not. Innova-

tion is discouraged and resource redistribution goes to inefficient economic activities.

Second, market mechanisms constitute the best way to improve transparency and efficiency of the public sector. To the extent that public officials are obliged to compete in a free and deregulated market against private enterprises and/or other state organs, they will find incentives to provide better goods and services instead of lobbying to obtain a bigger budget. This will also allow an increase in productivity of the public sector without having to rise spending or taxes.

Third, an agile and transparent state contributes to improve the quality of democracy. As spending decisions are centralized on elected officials and not on unknown bureaucrats, citizens can exert more influence over the general course of public policy. Also, citizens are given better services in exchange for their taxes.

Finally, democratic regimes, though imperfect, are more likely to open their economy, to reform the state and to improve the quality of their public policy than authoritarian ones. This seems counterintuitive as in democracies political power is usually more extensively distributed than in autocracies, thus elevating the cost of implementing reforms that could damage the most protected sectors. Similarly, democratic governments face consistent and continuous pressures to introduce reforms that improve the performance of the economy and the quality of the public administration. Elected authorities tend to implement popular but not sustainable policies on the long run. However, authoritarian governments are less prone to introduce pro-market reforms or to seriously work to improve the public administration because it reduces its capacity to add supporters through the provision of special benefits.



Only a quarter century ago, New Zealand was facing a similar economic scenario to Argentina's. Although agriculture was the most competitive sector of its economy, governments since 1945 promoted a model of industrialization through import substitution (IIS). Inefficient internal sectors would be subsidized by the agro exports. As in Argentina, results were disastrous: repeated cycles of “stop and go” due to the endemic shortage of currency; chronic fiscal deficits generating foreign debt and inflation; and a less competitive agro export sector as a result of having to acquire its inputs from a protected and inefficient local market. This was threatening for the sustainability of the new model on the long run. The dollars gained through agricultural exports were necessary to buy the inputs and capital goods required by the industry ⁽²⁾.

However, between 1984 and 1996, successive labourist and conservative governments implemented a series of structural reforms that drastically changed the orientation of the country's economy, turning it into one of the most open and competitive ones in the world. Besides the classic elements of trade liberalization, internal deregulation, monetary stability and privatization of state assets ⁽³⁾, the reforms also included two other elements not present in the reforms implemented in Argentina and other Latin American countries: a deep reform of the state and the liberalization of the labour market.

(2) H. Schwartz, “Internationalization and two Welfare States: Australia and New Zealand” (en F. Scharpf y V. Schmidt, eds: *Welfare and work in the open economy*, Vol. II: *Diverse responses to common challenges*, Oxford, Oxford University Press, 2000, ch. 3), pp. 76-88.

(3) H. Schwartz, “Internationalization...”, pp. 88-104.

(1) El argumento elaborado en esta sección está construido en base a E. Campos y S. Pradhan, “Budgetary institutions and the levels of expenditure outcomes in Australia and New Zealand” (en J. Poterba, ed: *Fiscal institutions and fiscal performance*, Chicago, The University of Chicago Press, 1999, ch. 10), pp. 235-46; y H. Schwartz, “Public choice theory and public choices: Bureaucrats and state reorganization in Australia, Denmark, New Zealand, and Sweden” (*Administration & Society*, 26(1), 1994), pp. 50-8.

The state reform reached went way beyond a program of privatizations. Noticing that the continuous raise of public spending (and therefore of fiscal deficit) was due to the excessive power of bureaucratic lobby, reformers focused on reducing both the political power of this group and their incentives to push for more budget instead of providing services to their citizens.

The reform consisted on two key elements. The first element was the centralization of decisions over expenditure on elected officials. These officials are permanently under scrutiny by the press and the electorate, increasing their incentives to be fiscally responsible. The second element was the establishment of market mechanisms for the provision of public services. The pyramidal and hierarchical structure characteristic of the public sector was replaced by a more decentralized one, in which administrative units' directors are allowed to hire and dismiss employees, fix work conditions or charge for the services provided. These liberties stand along their duty to fulfil established objectives on five year contracts and the possibility of being sanctioned in case of non-fulfilment. Also, the renewal of those contracts is not automatic. Officials interested on its renewal must compete with other public or private "businessmen" in an open selection process⁽⁴⁾. By this means was it possible to reduce public spending and to sensibly improve the quality of public services⁽⁵⁾.

Labour legislation was also extensively modified. During the IIS period, wage increases achieved by the agro export sector were commonly transferred to the rest of the economy. To avoid the affection of the protected industries by these increases, they were compensated with a raise on tariff protection. As the agro export sector had to buy some of its inputs and resources from the labour market, these wage increases diminished the international competitiveness

(4) H. Schwartz, "Small States in big trouble: The politics of state reorganization in Australia, Denmark, New Zealand and Sweden in the 1980s" (World Politics, 46(4), 1994), pp. 527-31 y 539-47; H. Schwartz, "Public choice...", pp. 57-62.

(5) E. Campos y S. Pradhan, "Budgetary..."; H. Schwartz, "Small states...", pp. 527-31 y 539-47; H. Schwartz, "Public choice...", pp. 57-62 y 70-73.

of the country's economy⁽⁶⁾. In consequence, during the early 90's, the conservative government launched a major labour reform to establish a new market system in which workers and employers could enjoy total freedom to negotiate wages and working conditions⁽⁷⁾. Along with the increase of the economy's efficiency, the reform encouraged businessmen to hire personnel, as the costs of firing an employee lowered to the minimum. Since 1995, New Zealand presents one of the lowest unemployment rates of the OCDE⁽⁸⁾.

Altogether, the reforms transformed the new Zealanders economy in one of the most open and competitive economies in the world. Investment increased and agricultural production diversified: wood and fruits became two of the main export products. Opportunities to create and innovate allowed the appearance of new industries, like tourism, wine and design clothing, which created value instead of redistributing it⁽⁹⁾. Finally, the open attitude towards competition and market seem to have solved what The Economist Magazine called "the oldest conundrum": (de)regulation of prostitution⁽¹⁰⁾.

Of course, that does not mean that New Zealand is a country without problems. Open economies are vulnerable to changes in the international price of commodities⁽¹¹⁾. Also, restrictions to immigration are increasing⁽¹²⁾. But this should be put in context. The agro export sector has become highly diversified over the last few years. Besides, industrialization based on import substitution does not generate less dependency to the price of agricultural commodities. And finally, the increasing immigration confirms the success of the reforms.

(6) H. Schwartz, "Internationalization...", pp. 82-8.

(7) H. Schwartz, "Internationalization...", pp. 88-104.

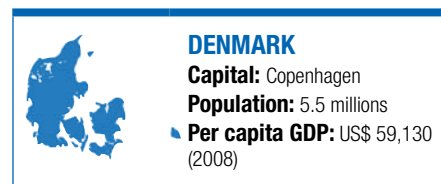
(8) International Monetary Fund, World Economic Outlook Database, October 2009.

(9) "From fantasy worlds to food" (Economist.com, 09/11/2006); "At the sweet spot" (Economist.com, 27/03/2008); "Kiwis on the catwalk" (Economist.com, 28/02/2008).

(10) "The oldest conundrum" (Economist.com, 30/10/2008).

(11) "New Zealand's economy" (Economist Intelligence Unit Viewswire, 30/06/2008).

(12) Freedom House: Country Report on New Zealand, 2009.



If New Zealand represents an extreme case of radical (and successful) neo-liberal reforms, Denmark is highlighted for demonstrating that, under certain circumstances, a big and interventionist state can avoid being an insuperable obstacle to the economic growth of the country. Public spending in Denmark reaches 50% of GDP, but reforms adopted since the 80s have developed in the right way, allowing the end of the raising unemployment rates, fiscal deficit and debt faced during the 70s and early 80s⁽¹³⁾.

The reforms focused on three main points. First, the economy became export oriented, forcing enterprises to compete globally and to increase their productivity. Part of the success of this openness policy was due to idiosyncratic factors⁽¹⁴⁾. However, if the economy hasn't been oriented towards international markets, it wouldn't have reached the same results.

Second, state bureaucracy was reformed with the objective of making it more effective. Public officials kept the privilege of stability of their jobs. At the same time, tax collection and provision of government services were strongly decentralized. The former limited the pressures to rise spending, because municipal governments that would like to provide more services would have to pay the political cost of raising taxes. The latter brought public officials close to the people, increasing the quality of services provided by the public sector. Also, lower range state dependencies were able to keep their autonomy in exchange of their commitment to improve the quality of public services⁽¹⁵⁾.

Third, the wage negotiation system was decentralized. Denmark has a system called "flexicurity". This system allows employers to freely hire and dismiss employees, while

(13) H. Schwartz, "The Danish 'Miracle': Luck, pluck or stuck?" (Comparative Political Studies, 34(2), 2001), pp. 133-4.

(14) H. Schwartz, "The Danish...", pp. 135-9.

(15) H. Schwartz, "The Danish...", pp. 144-52; H. Schwartzm "Public choice...", pp. 62-5; H. Schwartz, "Small states...", pp. 550-5.

the state is responsible of providing a generous unemployment insurance to whom has lost their job and is under training and/or looking for a new post⁽¹⁶⁾. However, until the 80s, the wages were fixed through collective negotiations conducted on a national scale. This was causing prejudice over the most efficient sectors of the economy and was contributing to a sustained increase on public spending. As negotiations were decentralized to factory level, the reforms caused that wage increases were conditioned to raises in productivity⁽¹⁷⁾.

Similar to New Zealand, the impact of reforms over the performance of the economy was very positive: deficit was reduced considerably and finally disappeared, external debt dropped, unemployment rates declined and the GDP kept growing⁽¹⁸⁾. However, problems faced by the Danish economy are also more serious, partially because the reforms were not as profound. Public spending is still over 50% of its GDP. As a result, taxes are high causing a decrease of the competitiveness of its economy. The centre-right coalition that has governed since 2001 focused on the reduction of tax pressures. However, its disposition to reduce public spending has been much lesser⁽¹⁹⁾. The economy is still very

much regulated, limiting the possibilities for innovation⁽²⁰⁾. Its immigration policy is among the most restrictive ones of the European Union⁽²¹⁾. However, change is possible. Justice in the EU is putting a stop to the most restrictive policies on immigration⁽²²⁾. A more efficient state allows reducing the spending without sacrificing the quality of public services. The electoral success of a government that promises to lower taxes indicates that the high tax pressure is being perceived as a serious problem.

Lessons for Argentina

New Zealand and Denmark head the ranking "Democracy, Markets and Transparency" since 2007 not because of idiosyncratic factors but due to the reforms they have been applying since the mid 80's. Although reforms were much more radical in New Zealand than in Denmark, in both cases the general orientation was the same: to open their economies to the international markets to become more competitive and to reform the state apparatus to better serve its citizens.

Success of this reforms offers important lessons for Argentina, were development is still hampered by the presence of certain left and right wing ideologies. In the first place, it is not true that authoritarianism is the best way to market and economic develop-

ment. On the contrary, market reforms can be (and are) implemented by democratically elected governments.

ment. On the contrary, market reforms can be (and are) implemented by democratically elected governments.

Second, it is a myth that economies based on agricultural product exportation are condemned to underdevelopment. On the contrary, the New Zealand case shows that international openness and the use of the comparative advantage principle are keys for development.

Third, economic openness has a positive effect on transparency and efficiency of the public sector. In isolated economies, state is the main distributor of benefits and tax exemptions, encouraging corruption and fiscal deficit (and thus generating debt and inflation). Meanwhile, in open economies, the state is subject to strong pressure from international markets to be efficient and not generating debt beyond the reasonable.

Fourth, state bureaucracy must act, not as an actor with veto power over political decisions but as an instrument for democracy. To expect a more agile and efficient state, whose employees are subject to similar rules and incentives as workers from the private sector, is not being inhuman or right wing. It is the recognition that state is, among other things, a provider of services (health, education, security and justice); that politicized bureaucracy reduces the quality of those services and that it causes disproportionate harm to the poor, the main recipients of public services. In other words, although there are decisions that are mainly political and not administrative or technical, those decisions also correspond to the elected officials and not to the bureaucrats not subject to elections.

(16) M. Walker, "For the Danish, a job loss can be learning experience" (Wall Street Journal, 21/03/2006, p. A1); "Flexicurity" (Economist.com, 07/09/2006); T. Eriksson y N. Westergaard-Nielsen, "Wage and labor mobility in Denmark, 1980-2000" (NBER Working Paper # 13064, 2007), pp. 5-6.

(17) T. Eriksson y N. Westergaard-Nielsen, "Wage...", pp. 8-10; H. Schwartz, "The Danish...", pp. 140-4.

(18) International Monetary Fund, World Economic Outlook Database, October 2009.

(19) "Full Fogh forward" (Economist.com, 03/02/2005); "Steady at the helm" (Economist Intel-

ligence Unit Viewswire, 21/04/2009); "Exit strategy" (Economist.com, 17/08/2009).

(20) L. Abboud, "How Denmark paved way to energy independence" (Wall Street Journal, 16/04/2007, p. A1).

(21) "Love bridge to Sweden" (Economist.com, 08/07/2004); Freedom House: Country Report on Denmark, 2009.

(22) Freedom House: Country Report on Denmark, 2009.

LIBROS CADAL

MATEN AL CARTERO
Jorge Elias
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Angel Soto, CADAL-ATLAS, 2008

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LA EXPERIENCIA CHILENA
Pedro Isern Munne, Gabriel C. Salvia
CADAL, 2005

Argentina's Dilemma

By **Tristán Rodríguez Loredo**
Economic journalist and
Director of CADAL's
Advisory Council

Like in previous editions the 2009 Global ranking of "Democracy, Markets and Transparency" by CADAL combines Freedom of the World by Freedom House, the Index of Economic Economy by Heritage Foundation and Wall Street Journal, and the Corruption Perception Index by Transparency International. 2009 suffered the most terrible capitalism crisis of recent times, something that was shown in the indexes, testing the democratic, market and transparency values in every country.

The tendency to use the rankings to explain different facts of the political, social and economic life of the countries could be confused with a fashion to measure everything. Letting aside that this could be true in some cases, the idea of looking for indicators is to find points of reference that help to escape from the old fight of pure subjectivism that ends with every discussion. Also they are useful as contrast: between countries, between years of the same nation and between regional tendencies. So, it is possible to argue that the chosen indicators do not show the complex reality. Instead they are useful in the sense that they reach with a certain depth their goal: to give points of reference for public policies.

Winners and Losers

The "winners" of this edition are common to see in the first places of every ranking. New Zealand for example, is in the top of the list with 0.908 points over 1, and it is also in the group of the 20 countries with better Human Development Indicator (HDI). Is not the only one: of the 20 countries best qualified in this ranking, three quarters are also in the first 20 places of HDI list. The most important piece of news of this year is the confirmation of the stability of three countries in the first 50 places: Chile (18), Uruguay (24) and Costa Rica (33). These countries were benefited by the good eval-

uation in the Freedom House (FH) ranking and in the Index of Economic Freedom by Heritage Foundation and Wall Street Journal (HF/WSJ), but paid the price of the regional distrust in the government and private activities related to corruption, regardless that Transparency International (TI) gave them the best scores in Latin America.

On the other hand, Singapore (28) the head of the ranking HF/WSJ and (3) in TI, obtained a bad grade on FH, sharing the last places with Burundi and Haiti and even below Venezuela. Probably it is paying the heavy past of being a British colony later absorbed by its neighbor China (149). In relation with the other big Asian country, Russia (150), they are both at the end of the ranking. They both share a bad performance on the democratic field (6.5 and 5.5 points over 7 in the FH ranking).

Other countries that paid dearly their democracy detachment are Saudi Arabia (127) with 4.3 points over 10 in the TI ranking, and Kuwait (82) with 4.1 points over 10 in the TI ranking, also promoted by their good scores in economic freedom.

Other exceptional cases are some European countries that obtained good scores on democratic practices, acceptable grades on economic freedom, but bad grades on the corruption field, that make them go down in the list so far from the European Union powers. This is the case of Greece (48) with a score of 3.8 on the TI ranking, Romania (54) with 3.8 on the TI ranking, and Italy (45) with 4.3 on the TI ranking.

Finally, on the end of the list appear some countries that are not considered to be poor anymore: Iran (158) with a US\$ 3,540 of per capita GDP, Belarus (160) with US\$ 5,380, Equatorial Guinea (163) with US\$ 14,980 or Libya (163) with US\$ 11,590. All this countries are the strongest oil and mineral producers, which explains their GDP, but these haven't contributed for the

democratic practices or economic freedoms improvements. The Spanish former colony is the country that more places lost between the 2007 and 2009 rankings, right at the same time that its production expanded. Almost a funding to extend situations far from the model countries.

Postponement variables

Obviously, we are going to concentrate in Latin America with the double purpose of analyzing the impact of the crisis in societies that haven't paid attention to the observance of rules, so many times following the path of short term results but harmful in the long run.

The Latin American podium: Chile, Uruguay and Costa Rica have a common item, a stronger political public base that transcends to the political sectors that could alternate on the power. Traditionally Argentina (71) was identified with these characteristics. Argentina did not loose important places on the list, only that it was overran by the good performance of some of its neighbors like Chile, Uruguay, Peru and obviously Brazil.

Analyzing separately the three indicators of CADAL's ranking, we can explain the reasons of the Argentine place.

The score obtained by Argentina during the 2009 (0.522), placed it in the middle of the list. Their grades are the consequence of a regular score in the economic freedom (52.3), acceptable performance in the political and civil freedoms (2) but below Chile, Uruguay and Costa Rica. However, the worst grade (2.9 over 10) is in the Transparency International ranking, although the ranking is elaborated by an NGO the information came from the opinion of international leaders.

The TI ranking measures a "perception" we cannot discredit subjectivities. Keynes talked about "animal spirits" that many times pull the investors to make a decision. Of the 80 countries globally above, Argentina is the second

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most corrupt country always according its own leaders, only exceeded by Mongolia (63), with 2.7. Is it a punishment or an unconformity or a reflection of reality? Although we can know the true, it is clear that in this aspect subjectivity is very important.

Supposing that in the TI ranking Argentina had obtain the same score as Uruguay (6.7), the average value would be 0.663 placing Argentina in the 43 place above of Latvia and Italy. Not going too far, supposing that the corruption perception was the same as the Brazilian (3.7) and the value of economic freedom was the same as Uruguay (69.1), that would place Argentina in the number 50 above from Greece and Panama.

So we can conclude that only trying to be like its neighbors, the advance could be great. Why this grades in an economy that is more advanced and with better indicators than the others of the region? Could it be also subjectivity?

The Freedom House Index that measures civic freedoms and political rights shows a good grade but not the best. So the question is why they didn't put it in the top of the list (with 1). Basically they argue 5 aspects to "improve":

- a. Although the right to information is present, the report found some contradictions in transparency information subjects and in the arbitrary distribution of the public advertisements.
- b. Isolated anti-Semitic attacks, promoted by the delay in the resolution of the attacks of 1992 and 1994 to the Israeli Embassy in Buenos Aires and the AMIA.
- c. Interferences of the internal di-

visions of syndicalism for a full freedom of association and enforcement of labor rights.

- d. Suspicious of police illegal activities, especially in the providence of Buenos Aires the province with more police officers.
- e. Government persistence, though to a lower extent, of trying to manipulate judges.

Regarding the economic freedom ranking by Heritage Foundation and Wall Street Journal, the country occupies the position number 138 and was exceeded by many of its neighbors (place number 25 in the regional ranking) and by countries with a weak economy. From the 10 aspects to consider (with grades between 0 and 100), in two Argentina got regular grades: in financial freedom (40) and in investment freedom (50); and in two aspects it had terrible scores: property rights (20) and freedom from corruption (29), what reflect again the politic desire to observe the behaviors and respect the norms. Even if in these last four variables Argentina would have got scores similar to the regional average, its final punctuation would have been only 10 centimes better escalating to position 72, with Colombia.

However, the patch chosen by the economic policy and the legislative architecture seems to go in the wrong direction, in an attempt to run away from the axis of economic policy of 2001/2002. We can quote some of the "state policies" that the government used in the last years and that are the responsible for the current situation in Argentina:

- Indefinite extension of the emergency economic state (voted recently until 2011).

- Fixed prices discretionally established for public services to isolate the effects of the 2002 devaluation and the raise of the international prices, freezing the negotiation of the failed contracts.
- Obstacles to international commerce: Establishment of quotes for imports and exports, to control local prices as well as stop the currency escape.
- Compensations through subsidies of mismatches in the relative prices through distort taxes. Game of zero or negative sum.
- Centralization of decisions on infrastructure buildings, with the appearance of overprices and corruption opportunities.
- Dilution of provincial autonomy in fiscal matters and political subordination of the governors.
- Manipulation of the official statistics, trough the INDEC.
- Nationalization of the public service companies (Mail, AySA, Aerolinas Argentinas)
- Nationalization of the provisional system and use of the funds for discretionary funding of consume and production.
- Advance in the establishment of labor laws of public order, without paying attention to particular or company arrangements.

The correlations made with the per capita GDP and the Human Development Indicator show Argentina as an exception, especially in this last item. It means that the grades of economic freedom obtained by the country don't match with the other indicators (human, political, social and environmental).

The iron dilemma for Argentine politics during the next years is to decide, which are going to be the variables of adjust: if political and civic participation, human development and corruption will vary to be compatible with the reduced economic freedom or if this, finally, will return to the levels correlative to a country with acceptable levels in those other fields.

Latin-America: stagnated in the development of its institutions

By **Raúl Ferro**

Director of Contents
Development of Business
News Americas, and
member of the CADALs
Advisory Council

In contrast to what used to happen, Latin America came out pretty good from the financial crisis that the world experience during 2009. Many countries in the region had been praised for its good economic performance. Chile was shown as an example by the prestigious magazine “The Economist”, while Brazil and especially its president Luiz Inácio Lula da Silva, had received praise because of his leadership in these times of crisis.

While Latin America showed during 2009 the products of the good economic management of the previous years, the results of the region are not so good in the 2009 ranking “Democracy, Markets and Transparency” by CADAL. From the 20 countries of Latin America and the Caribbean included in the study, only two, Costa Rica and Brazil improved their last years positions, the rest fell in the ranking. Although some of these countries of the region improved their indicators other countries did a better job and advanced more on the ranking.

There are many reasons that explain the loss of competitiveness of the Latin America. In some cases – though less than expected originally – the economic crisis carried many countries to adopt measures that hinder market economy. The most common had been the use of obstacles to the foreign trade, be it through import or export quotes or complicating the paperwork for these activities. In some cases they are absurd decisions, like the Argentine decision to forbid the import of paper for international fairs that took place in the country.

But the most worrying causes of the relatively bad performance of Latin America in this ranking are the organized crime –especially the drug trafficking – and the institutional weakness of the region. Causes that are interrelated mutually supported and that have created an omnipresent bastard son in the region: corruption.

The case of Mexico in the last two years is probably the most dramatic example of the magnitude of the organized crime in the region. The Mexican president Felipe Calderon decided in 2007, just after becoming president, to declare a frontal war against drug. He started sending 500 soldiers his home state Michoacan. Today there are 45,000 soldiers fighting in this cause. Although many of the heads of these illegal organizations have been captured or killed, Calderón’s strategy seems far from being effective. In these almost three years of fight, México had 16,500 deaths related to clashes, 7,300 correspond to 2009. The war against drug trafficking in México has more deaths than the war in Iraq, and it made some international analysts to wonder if this North American country is not a failed state.

The problem faced by Calderon is that whenever they manage to behead a crime organization, a battle between rival groups begin to occupy the empty space. With thousands of millions of dollars as a backup and a fast and free from contemplations trigger – the adjustment of accounts between rival groups include the killing of children – drug mafias have strong arguments – the juicy fringe or the sinister threat – to corrupt anything in the way.

Calderon’s effort to fight organized crime and the drug trafficking is admirable, but the result of the war is terrible and many are worry that the violence will keep on raising. Truly enough, the drug traffic problem is one of the more complexes of Latin America and there is no easy way out of it. Though there have been some relatively successful cases of pacification like the Colombian during the last years, the drug production and trafficking continue to be a huge problem for the region, frustrating in many cases the institutional efforts of the countries and producing the absence of the state in some Latin American regions.

Poor Institutions

Institutional weakness of Latin-America is one of the main characteristics of the politic culture in many countries of the region. For the old Latin-American order there is an inversely proportional relation between political power and institutional strength. Thus, there are fewer incentives for the improvement of democratic institutions. At this point, the specter of weaknesses is huge and diverse.

On one side, there are the local chiefdoms that constitute the denial of the goodness of local empowerment. The federal and decentralize concept, so successful in many other countries around the world, created in many Latin America countries, local centers of arbitrary power that evaporate the essence of democracy and promote bad practices like patronage and other types of corruption.

The Brazilian case is one of the most striking. On 2005, the Lula’s administration faced a huge crisis because it became public that the government had a system of payments for legislators to support their initiatives. The crisis cost the post to Lula’s right hand in government, the chief of cabinet, José Dirceu, accused of knowing about these illegal payments. However Lula got out of the crisis really good within public opinion: in general terms Brazilian people accepted his explanations that he didn’t know about the system of payments to buy consciences. A similar situation was known in Argentina during Fernando de la Rúa’s government which produced a huge governance crisis that combined with the end of the convertibility, turned into one of the worst political and economic crisis in Latin America.

In the middle of the Brazilian corruption scandal, President Lula announced the he would do serious efforts to attack corruption in his government. The announcement apparently was not only words. Though Brazil still occupies a not so good

place in the Corruption Perception Index by Transparency International, it has improved its place: it is currently ranked 75 out of 180, five places better than the previous year. It is not as good as to open a bottle of champagne but it is an improvement. The South American giant is clearly above Mexico (89), not to mention countries with a worse performance like Argentina (106) and obviously Paraguay (154) and Venezuela (162).

The institutional weakness is also

to put many mining projects in standby – the sector that attracted more foreign investment – according to some experts in this field. Since mining companies choose the top of the hills where the development is low, this sector is the victim preferred by populist leaders.

But the biggest threats to Latin American institutions take place in countries where the government abusing democratic institutions model them in their favor stripping them from

the candidates of big blocks. Ironically this system had facilitated the stability of the political status that was very important during the democratic transition, although it stole formal representation to small political groups with considerate support. The system determinates two places by circumscription and that if a list doubles the votes of the other, that one obtains both places.

There have been various attempts to reform this system, but everyone failed because the center-right opposition never gave quorum to the parliament debate. Anyway the debate is on the table and it sooner or later has to be debated and probably reformed.

Causes that are interrelated mutually supported and that have created an omnipresent bastard son in the region: corruption.

behind political volatility that we can find in successful economies like the Peruvian. The low presence of the state in far and poor zones, combined with populist local leaders, the development of any type of nongovernmental organizations (some correctly intended to solve problems and others affected by ideological interests), and a low technical capacity to work in development projects even when there are economic resources (like those coming from the mines), are combined to create a political atomization that complicates the country's governance. To all these factors we have to add the high level of informal or black economy, corruption, and in some areas the drug trafficking, forming an explosive cocktail that already had cause some violent episodes in the country. The best example of this political atomization appears during presidential elections. Usually there are a dozen and a half candidates during the first round, generating great vote dispersion and making it tough to arrive to consensus or long term government projects.

Although Peru is one of the countries with better economic perspectives for 2010 and is considered with investment grade by three risk assessment agencies, the tough electoral campaign expected for 2010, is going

their democratic spirit and transforming them in a legal framework to justify autocracy. The Venezuelan case is the most significant, but constitutional reforms in Bolivia and Ecuador go in the same direction. And in Honduras, the unjustifiable coup in 2009 cannot prevent us from seeing the attempts of President Manuel Zelaya to reform the constitution to satisfy his own political interests.

On the opposite extreme is Chile, whose success in terms of growth, development and poverty reduction is fixed with its strong institutions. Though the country faced an increasing number of corruption cases during last years, they are far below the Latin American standard in number as well as in the amount of money involved, occupying the 25th place in the TI ranking, on the surroundings of France. And the fact that the cases were known is, precisely a proof that the control and check and balance systems work correctly and are not vulnerable to the politic power of the moment.

Chile faced a very different institutional challenge in comparison to other Latin American countries. Mainly pending reforms to systems established during Augusto Pinochet dictatorship. The most notorious is the binominal system that rules national legislative elections and favors

However....

The results of the CADAL ranking show again the institutional and transparency deficits and flaws of Latin American. There are pending subjects whose lower development could affect the achievements of some Latin American countries. Despite the retreat of Latin America in the ranking we can be cautiously optimistic. Usually the economic development forces sooner or later the development of stronger institutions. That happened in Chile and in some way in Brazil, Mexico, Colombia and Peru who despite of their huge problems, also advance on the right direction but at a slower pace.

One of the biggest lessons for Latin America has to be that the popular support, do not mean to advance in the authoritarianism path affecting the national institutions like Venezuela did. Democracy has to maintain clean and transparent rules which allow harmonizing the different interests of society, respecting minorities and guarantying access to justice and representation of the people. Without the construction of these institutions social development would be impossible. The fact that the most economic and socially developed countries are in the top of the ranking is not a coincidence as Chile being the only Latin American country in the top 20.

Chile: A Growth Potential The Country Should Take Advantage Of

By **Jorge Marshall**
Director of the Institute of Public Policy Expansiva UDP, former minister of Economy and Member of CADAL's Academic Council.

The presidential and parliamentary elections taken place in Chile on December 2009 did not cause any impact on markets and business decisions, as demonstrated by the activation of numerous investment projects and the good performance of the asset prices at the end of the year. Electoral uncertainty was kept inside the candidates circles and did not reach the markets. Electoral processes that defined the orientation of the country for the next period usually resulting in drastic changes on economic policy were left behind.

At the same time, in Paris, the Organization for Economic Cooperation and Development (OECD) formally invited Chile to become the second Latin-American member of the organization, along with México. By this means, the possibility of integrating the select group of countries that has reached development or is taking important step towards it, materialized. The signature of the international agreement between Chile and the OECD is expected for January 2010. Afterwards, during April or May, the ratification of the agreement by the Congress is expected. It will allow the country to become definitely a member of the OECD.

These facts reflect a combination of the quality of Chilean democracy with

the good performance of its economic institutions and the control over corruption. These three perspectives of institutional quality explain the good performance of the country in the last decades. It's the result of strengthening its institutions, which have stopped the frequent path changes of the past, limiting the influence of interest groups in the direction of politics and keeping a broad agreement on the fundamental aspects of the country's development.

Background facts show that healthy democracies require the existence of vigorous state institutions that can guarantee legitimacy to its organs for the application of public policy and a professional and committed public service. Maturity of a democracy does not depend only on the existence of periodic elections. It also needs adequate functioning of the country's institutions acting at the same time. The balance of powers stands in the centre of institutional quality and thus in the democratic evaluation. It allows the institutional control of the executive and effective accountability to its citizens, the restriction to the authority's discretion and the creation of an atmosphere of trust in the rules that call for investors.

At the same time, the existence of strong institutions that can create a favourable environment for econom-

ic transactions and, in general, the everyday interactions of people in society is necessary to enable the growth of the economy. So, an institutional framework constitutes a crucial element on how investment decisions are taken and the way production is organized. For this reason, there is a strong relationship between the development status of each country and the quality of its institutional development, which in turn influences the quality of democracy.

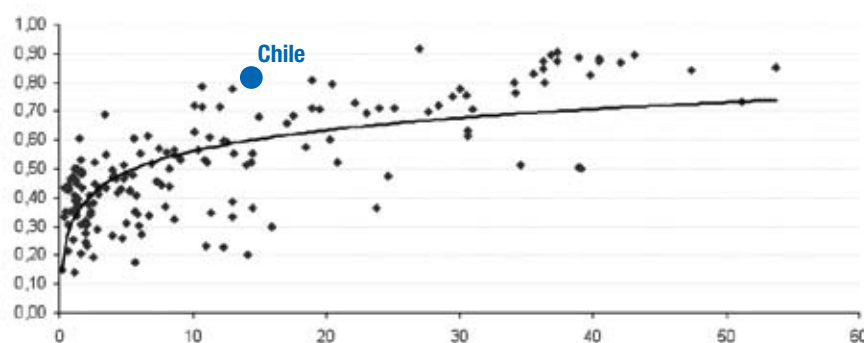
Graphic 1 shows the relationship between the ranking presented by CADAL (on the vertical axis) - composed by three indicators - and the 2008 per capita income measured in purchasing power parity in thousands of dollars (on the horizontal axis). Results prove that countries that show a better performance in the ranking are those that reached the highest income per capita, with a higher variance among the middle income countries.

Chile's performance in the ranking exceeds its development status, as it is clearly above the tendency curve. This fact shows the existence of a growth potential, the country should take advantage of, due to the fact that Chilean institutions facilitate the generation of income and wealth which in turn can be useful for the individuals, companies and government. It is possible to state that countries above the tendency curve can reach a growth differential in the next decades.

Elements of institutional quality are the control of corruption, the absence of irregularities in public procurement, transparency of the state and political independence of the judicial power. All these factors reduce the costs of transactions on investments and accelerate growth.

Although graphic 1 shows a high correlation between long term growth and quality of institutions, the causality between these variables can not be identified from it. Specialized literature shows that better institutions imply higher growth; while a higher

Graphic 1. General Ranking and per capita GDP (ppp 2008)



Fuente. Cadal y Fondo Monetario Internacional

growth does not necessarily imply better institutions. It can be explained by the influence of interest groups or networks that work to ensure their particular interests, advocating for the maintenance of the status quo. These networks of power usually generate negative influence on the public sphere, as they usually oppose reforms or important institutional changes.

The functioning of markets also depends on a set of variables. The most relevant one is the openness to competition on international markets. In this sense, Chile started a daring process of unilateral openness during the 70's that has deepened until achieving a free trade regime with up to 90% of the world's GDP. On this item, Chile's quality is above the corresponding to

adopted measures are: the regulation of the expenses reserved for the Executive Power, the regulation on electoral spending, the law on administrative procedures, the law on public acquisitions, the regulation on conflicts of interests, the penalization of new crimes to combat corruption of public officials, the establishment of disabilities and prohibitions to public officials, the enactment of the Inter-American Convention against Corruption and the creation of a high public administration system for the selection of high public managers.

An initiative that must be specially highlighted is the Law for Access to Public Information, which came into force on April 2009. The norm establishes a new regime on transparency of the information from the state. The new legal framework creates institutions that allow monitoring its compliance, establishes a special procedure to guarantee the access to public information for all citizens without distinction and imposes sanctions to whoever violates its contents, applicable to all state organs.

Regarding pending matters in the future Chile will have to face the adoption of a law that regulates lobby, the improvement of the internal audit system, the establishment of a special office in charge of the design and implementation of policy, plans and programs related to corruption control, to professionalize the civil service, the creation of a strategy to efficiently distribute growth all over the country, among others.

In short, Chile has gradually advanced towards more transparent institutions, an upright, efficient and technically competent public service, and the establishment of an atmosphere of trust and certainty on the state's performance to its citizens. Results are not casual. It is the committed will of the democratic governments that allowed the construction of high quality public institutions, capable of fulfilling its functions and duties facing a new political and economic reality. The journey, however, does not mean the task has been completed. The reform of the state and the improvement of the quality of its institutions is a constant and permanent effort that requires a formal commitment from the government, the private sector and the society as a whole.

Chile also finds itself above all the rest of the countries from Latin America. However, no matter its leadership position among the Latin American countries, Chile is slightly under the average level of the country members of the OECD on all variables.

Thus, the economic growth does not always goes along with a process of institutional development. This is possible only if the authorities and the political system are willing to improve the quality of its institutions and transform the state into a transparent, participative and highly accountable one.

Chile's Performance

CADAL's ranking assumes that the foundations of development are quality of democracy, market economy and governmental transparency. Countries that can be defined as developed must guarantee a good performance on each one of the three necessary factors for political, economic, and institutional progress.

Regarding to the three variables that determine the institutional quality of a state, Chile is way beyond its group average. The group is composed by economies with similar income. Chile also finds itself above all the rest of the countries from Latin America. However, no matter its leadership position among the Latin American countries, Chile is slightly under the average level of the country members of the OECD on all variables.

The quality of a democracy depends on a set of variables. One of the variables is the existence of voice and accountability. In this dimension Chile has shown one of the biggest advances in recent years, finding itself above the institutional quality that corresponds to its level of development. Another variable is political stability and the absence of violence, in which Chile is above the tendency line. It again suggests an indicator of institutional quality above Chile's income level.

its development status. Another aspect of the operation of markets is the governmental effectiveness, showing Chile's institutional level above the international tendency for countries with similar income and close to the richest and most developed ones. In terms of regulatory quality, Chile once again stands above countries with similar incomes.

The last variable that determines the quality of institutions in the ranking by CADAL refers to corruption control. Chile is placed above the tendency line, which could mean that its institutional development is above the average. This reflects, in part, the set of reforms the country has implemented on this matter during the last decade.

Pending important reforms and challenges

The promotion of transparency, integrity and corruption prevention in the state organs in Chile has been one of the main objectives of its democratic governments since 1990. As such, a series of specific reforms on transparency, honesty and corruption control were implemented. These reforms meant the approval of an important set of legal initiatives – including amendments to the Political Constitution – the subscription of a series of international treaties and the adoption of several administrative measures focused on the improvement of the levels of integrity from the public service.

Thus, the Chilean government has enacted an important quantity of laws on transparency from different perspectives. The most important

The country that Mujica receives

By **Nelson Fernández**
journalist and CADAL's officer
in Uruguay

At the age of 74, Jose Mujica assumes the Presidency of Uruguay, a country valued by its democratic vocation, its strong political party's tradition, its peaceful coexistence between party leaderships, and the respect of its institutions and the state contracts with privates and between them for the economic performance.

It is not “wonderland”, like Mujica himself warned us, but it presents various comparative advantages to other Latin American countries that coincide with the “Democracy, Markets and Transparency” ranking results.

Mujica is one of the politicians that produce more sympathy in the Uruguayan people, he is a veteran leader who knows the cunning of low voice conversations and who seduces the masses from a podium with an attractive speech and clear and convincing language.

The ability he showed to win the internal elections and keep the postulation of Frente Amplio, despite that the president Tabaré Vazquez announced his public support to another presidential candidate part of the other Uruguayan left wing, and the skills he later showed to win the majority in both parliamentary chambers and win the second round by a huge margin, now he will have to use them to rule a country that is used to an unusual economic growth.

Changed dreams

Mujica was involved during the 60s and 70s in a revolutionary dream. With other young people he wanted to win the power in Uruguay and implement a system of “national liberation and socialism”. In 2010 those men who in the past lost the war against the military forces, admit that the project of “liberation” continues but in other ways and other purposes.

But although they may not low those socialist flags, the practical content they give those dreams, is pretty dif-

Uruguay is no “wonderland”, like Mujica himself warned us, but it presents various comparative advantages to other Latin American countries that coincide with CADAL's ranking results.

ferent to those they expressed underground, from jail or in mate rounds when the went out of prison and the new democracy lived its first years. The modernization had occurred with all the Uruguayan left wing, and also with the leaders of the “Movimiento de Liberación Nacional-Tupamaros (MLN-T)” like Mujica.

“Frente Amplio (FA)” coalition, who won for the first time in 2004, renewed its electoral confidence and will govern between 2010 and 2015, with the Mujica's administration. The MLN-T is a very strong sector of the FA, but it will have to harmonize positions with other groups. All the left wing had decided that the debt has to be paid and that it is good to have some fiscal responsibility so the investors trust in the state and lend money to them. They don't say anymore that the important deficit is the social one and that the fiscal deficit can wait.

This group have learned the importance of having a low inflation rate, of being careful with monetary policy, they learned that the price of the dollar can not be raised artificially to gain competitiveness and especially that poverty decreases with the economic development, and that only could happen in a business climate appropriate for investments..

Reasons and emotions

Obviously the path is not so straight. And also one thing is to say it in papers and speeches and other very different is to align government measures to these apparent convictions.

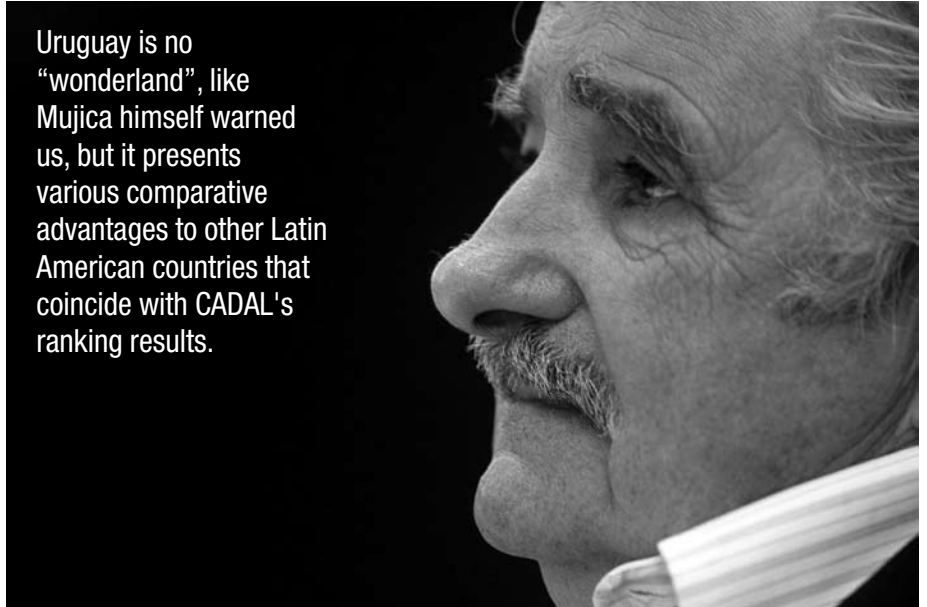
Mujica arrives to government with the conviction that he has to work to attract investments, but also with the commitment to attend the poor and contribute to a more fair redistribution of income.

Mujica won the government with the support of the poor people who did not vote the left in the past. And now he wants to respond. But he also arrives with the internal support of the most radical socialist groups (the MPP that is an alliance between MLN-T and the Communist Party), who expect this period to have a “turn” to the left and to “popular participation”. And he also won the elections with the support of the image of his vice-president, the former minister of economy Danilo Astori, in favor of a social-democratization of Frente Amplio.

Many people to reply to at the same time, publics, partners and allies with different and opposite interests.

Freedom assessments

Mujica wants to respect and guarantee the opposition its place and offers



it participation in the design of state policies in four axes: energy, environment, security and education. He shows a better attitude to talk than the previous left government.

About the media he has an ambiguity. Mujica and Astori expressed they disliked the regulation laws, but know all the FA is interested in fix quotes over the content produced in electronic networks (national production percentage in channels, etc).

This simultaneous sensation of tolerance to freedom on the one hand but the desire of influence in some decision with some state policy or rule is one of the biggest challenges of

tend to achieve objectives in an indirect way, is one of the risks of market distortions in the new government.

Forced opening

Uruguay already assumed its reality of a small country with an insufficient internal market which makes it impossible to close the doors to the world. It was not easy but without saying it out loud, little by little, 3 and a half million of Uruguayans had accepted they can not live with their own market.

Free trade was not appreciated some years ago, but the veal began to fall with the adventure of commercial integration. Uruguayans got into

Challenges and risks

The challenge for Mujica is to accomplish his aim of sensitivity towards poverty and generating opportunities for social mobility, preventing that the measures of his government in that sense have a negative impact the exercise of political and economic liberties. That means that the policies which help to reduce poverty cannot affect the business environment, necessary to generate investments and employments.

In the political future we perceive some potential risks over the plain exercise of economic freedom:

- In comparison with the first left government there is a risk: it is not easy to repeat its good indicators and the frustration could derive in measures that instead of strengthening the productive growth could increase confusion.
- The new protectionist tendencies in Argentina and Brazil could revive in political leaders and some of the public opinion a claim of “mirror measures”, to stop imports from those countries. The search to strengthen ties with countries in the region (Mujica pays more attention than Vázquez to this) could converge in that sense.
- The culture of “defense” of public companies that confuses “sovereignty” with “national patrimony” and monopoly services, produce the proper environment for measures against competition. Labor unions enforce this idea.

Mainly, these contingencies will depend on Mujica’s confidence in his political instinct to achieve impact and success with the people, through “creative solutions”, understood like heterodox measures of state advocacy on the work of economy, with the risk of negatively altering the private investment scene.

All the left wing had decided that the debt has to be paid and that it is good to have some fiscal responsibility so the investors trust in the state and lend money to them. They don't say anymore that the important deficit is the social one and that the fiscal deficit can wait.

this new government. To some extent this was also the case in the first leftist administration.

Mujica is not a nationalist and said so. He rejects bureaucracy and says he is more of a libertarian than an nationalist. For example, Mujica had disagreed with the idea of the groups that supports him to create a big meat plant that can regulate the meat market. Instead he proposed that the workers create their own plant with an self-management process that would produce its own incomes.

So he does not want a state meat plant but he wants to regulate some market prices like the meat prices or had used the threat of exportation taxes to press the meat producers to lower the prices of this very important product for the Uruguayan food.

The temptation for creative solutions, like heterodox tools that pre-

the Mercosur through the side door when they noticed that Brazil and Argentina were advancing together. The idea of integration was sold more as a window of opportunities than a path of new challenges and risks.

Instead of producing for just over 3 million consumers, one could achieve a demand of over 200 million of consumers. However the opening commerce implies to dismantle a heavy artificial protection to industries that will disappear. “We have to open the doors”, was the political message to understand the convenience to get into Mercosur.

Then there was time to explain that the big partners find the way to put obstacles to free trade or even they can use those tools to stop the investors from building factories in this little country because of the risk of trucks being stopped at the border.

CENTRO PARA LA APERTURA Y EL DESARROLLO DE AMERICA LATINA



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Estonia, Slovenia and Czech Republic: lessons for ALBA's countries

By **Ricardo López Göttig**

Ph. D. in History from Karlova University of Praga and Director of CADAL's Academic Council

According to the 2009 Democracy, Markets and Transparency ranking, there are various countries that 20 years ago were in the European “socialist block” and now show a good performance because of the transparency of their governments and low levels of corruption. We are going to analyze the cases of Estonia (place 21), Slovenia (27) and Czech Republic (35), in contrast with nations like Cuba (place 157), that continues with the real socialism recipe, or others giving their first steps towards a Latin American version of socialism, like Venezuela (140), Nicaragua (99), Bolivia (94) and Ecuador (102), a block forming the Bolivarian Alternative for the Americas (ALBA), led by Hugo Chavez. The bad example among Eastern European countries is Belarus (place 160), where there still persists the authoritarian and corrupt government of the eccentric Alexander Lukashenko, who concentrates all the power, blocks the development of civil society and holds a big control over the national economy since there are almost no private enterprises in Belarus. He is isolated because of his fraudulent elections and the prosecution of the oppositions. It is no coincidence, then, that his government is a European friend of Hugo Chávez, Mahmoud Ahmadinejad (Iran, place 158) and Robert Mugabe (Zimbabwe, place 167).

It is worth noting that in the countries of the “real socialism”, inside or outside of the Warsaw Pact which was controlled by the Sovietic Union, corruption was not only widespread but it was also a escape from the central planning system of the society and the economy.

Let us remember that, on the one hand, every decision on economic production came from the big ministers, which means that all the salaries, prices, goods and services were established by a central planning entity

that set plans of production for several years -like Stalin's five year plans then followed by many countries. This supposed an abandonment of what was consider the “anarchy” of market economies, to establish a “scientific” version of the economy. However, these central planning began to fail from the beginning, because the market was drowned as the environment that involves consumers and bidders to express their preferences trough prices, according to offer and demand. The disappearance of the private property of the means of production, as well as the criteria of paying salaries according to the hours worked and not to productivity, led to a slow collapse of the socialist economies. A country like Czechoslovakia that during the years between wars was in the group of the 10 more industrial nations, turned into underdevelopment during the cold war because of the obsolescence of its capital goods and the absent of incentives to investment and production.

All this was accompanied by the introduction of widespread corruption habits in society. We all know that one of the classic flags of the socialism from its origin is material equality, so in the countries where it was applied, it tried to dissolve differences in salaries. For instance, a medical doctor earned a little more than a nurse. This meant that the responsibility, years of study, professional requirements and prestige were relegated. How was this situation compensated? Medical doctors (like all the other health professionals) arbitrarily managed the appointments, giving privilege to those who could do some favors for them. This favors could be obtained by officials or CP members – get a better house or a better car or new home appliances –, even the humble lady who would attend with a coffee bag to be treated. These types of behaviors were generalized in all the fields and professions.



ESTONIA

Capital: Tallin

Population: 1.4 million

Per Capita GDP:

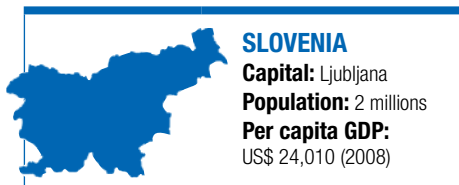
US\$ 14,270(2008)

In the real socialist regimes these practices were accepted to create complicity links, and also the members of the Communist Party used them to intimidate and obtain material advantages. In this way, parallel markets appeared in central planning economies that at the same time brought some oxygen to stagnation. At the same time, these small corruption practices – real survival strategies – were tolerated as a means of social control: whoever oppose to the regime, lost the products of these traps to the system.

They are rooted practices that persisted during transition to democracy and market economy, because they are habits acquired by the people who lived 40 years in a regime where these types of conduct were normal behaviors. This supposed a big challenge to eradicate this corruption habits and reach acceptable levels of transparency and accountability to be accepted by the European Union that demanded a change mainly in public management, security forces and the judicial power.

But in the first 15 years prior to entering the European Union, in these countries –and also in Hungary, Poland and a few others– and after the collapse of the socialist system, more or less fast tracks were taken towards democratic and representative institutions and towards market economy. This not only meant to create new constitutions with ideas of fundamental freedoms, guarantees, pluralism and the return of private property, but also the creation of huge legal system appropriate to rule of law principles. This was the base that gave judicial safety to citizens, the elimination of the political and ideological persecution, the end of

the unique party monopoly in power with all its collateral associations, and opening the doors to private initiative as the power of the economy. In these countries where resources are scarce and that didn't have a good administration, it was necessary to open the economy to direct their products to the exportation and attract the direct foreign investments, which make possible the modernization, the creation of new jobs and the reinsertion of the region in the world. The constant affluence of those investments produced a growth in incomes and an important improvement of the quality of life of the inhabitants. An active policy of privatization and desmonopolization was accompanied by the formation and incorporation of new officials that would be far from authoritarian and corruption practices during the old times.



Estonia, Slovenia and Czech Republic are parliamentary republics members of NATO and the European Union. In peaceful and regular elections the power alternates between center-right and center-left coalitions, and the main guidelines do not change following the alternation. In the three of them, there is a big respect for press freedom, freedom of information, free speech, and freedom of movement, association and worship, as well as property rights.

In Estonia, which recovered its independence with the fall of the Soviet Union, an anti-corruption policy took place meaning the adoption of the Anti-corruption Law in 1995 – with reforms in 1999 – which followed the general guidelines of the European Union, and also during 2000 there was a campaign for the prevention of crimes related to documents, citi-

zenship, or residence, and the traffic of guns, fuel, radioactive material, money laundering and administrative frauds. The police and the customs service were two weak links detected in the 90s. These aspects were very important for Estonia because it is a country limiting with Russia. The anti-corruption legislation includes punishments for corruption in the tree powers of the state and also at local level, where some cases were detected. It establishes the conflict of interests and incompatibilities of public servants in their relation with the private sector. Officials have to give a declaration of their assets before assuming a public job and that declaration is published in the official gazette .

In order to carry this control over the officers, they created an auditing system with the participation of non-governmental organizations to monitor transparency .

Slovenia, is a new country born in 1991 after the disappearance of the Yugoslavia. It established its anti-corruption law in 2004, which indicates the creation of an autonomy commission, formed by members elected by the three branches of the government with a six years mandate without reelection. It has its own budget to ensure its independence and reports to the parliament every three months. The same as in the case of Estonia, one of the weaknesses was the security forces. This prevention model is being studied to be applied in other countries of the region. Civil society, not so articulate yet, has almost played no role in the control of government . In Slovenia, alike to the Estonian and Czech case, the privatization policy was slower partly because of the resistance of the different governments to advance this policy faster, as well as because of the little attraction for investors since it is a country with a small market. However, the fact that the government is predictable, transparent and oriented towards market economy and foreign investment, is attracting the affluence

of capital, making it possible that the income is now over Portugal's and very similar to the Greek.



Czech Republic is born as such after the separation of the Republic Federation Czech-Slovak in 1992 . Like in other countries of the region, the corruption problems had centered around the security forces, the criminal system, corporations funds for political electoral campaigns to influence later decisions – which forced the resignation of the then Prime Minister Václav Klaus in 1998, for “donations” of non-existent individuals and embezzlement of public funds. To investigate these crimes, there is an Anti-corruption Police (ÚOKFK) being in charge of cases like the one of the former social democrat prime minister Stanislav Gross related to the traffic of influences (he had to resign for accusations of bribery in the privatization of Unipetrol); and the cases of former minister of regional development Petr Forman accused of embezzlement European Union subsidies between 2002 and 2005.

Nevertheless the mentioned cases and the results of the Democracy, Markets and Transparency ranking show that in liberal democracies with market economies corruption turns visible and it is possible to know the facts trough the media and fight with legal procedures and the participation of the civil society. The existence of independent media, of autonomous judicial power and anti-corruption organisms make it possible to investigate. Different of what is happening with ALBA, in Estonia, Slovenia and Czech Republic the power is disperse, multiplying the control procedures and the transparency of the information and government acts.

The Tour of Terror

By **Mariana Dambolena**

CADAL's associated researcher

The ten worst countries of the world according to the 2009 Democracy, Markets and Transparency ranking, in descending order are: Belarus, Eritrea, Chad, Equatorial Guinea, Libya, Uzbekistan, Turkmenistan, Zimbabwe and Myanmar. It can strike as surprising that some countries with enough merits to be in this club of hell are absent. For example: North Korea, Sudan, Afghanistan or Somalia. The reason is the lack of information in certain variables, not the lack of merit.

From the ten worst of the world, the majority come from Africa and Asia. Even the regional concentration of the worst countries, it is not necessary to look so much up in the table to involve every region of the planet. In the 12 countries with worst scores Asia, Sub-Saharan Africa, the Islamic world, Europe and America, are represented. Obviously, there are regions that are more affected by corruption, the absence of freedoms and guarantees for its inhabitants; these violations can be found in all latitudes.

This section presents a profile of the “worst” of every region: Myanmar, Zimbabwe, Libya, Belarus and Cuba. Like a curiosity, three of the five have had the same head of state for a long period: Robert Mugabe in Zimbabwe 29 years, Muammar Gaddafi in Libya 40 years and the Castro brothers in Cuba 51 years.

CUBA, PLACE 157

In 2008 when the eternal Cuban dictator Fidel Castro ceded his place to his brother Raúl, many people dreamt with the opening of the island. Little advances like the access to some consumer goods created the illusion that the change would soon happen. However, the “reforms” stopped and the problems that Cuba has suffered for more than half a century continue.

In the island there is no private media. Every dissident voice is silenced and accused of being an Ameri-

can agent. The peaceful exercise of freedom of expression is subject to harassment -even physical-, by the authorities and in some cases to imprisonment under inhuman and degrading conditions. An illustrative case is that of the blogger Yoani Sanchez, who was kidnapped last November, kicked and threatened for being “contra-revolutionary”⁽¹⁾. Another is the case of musician Gorcki Aguila, arrested for criticizing and mocking the government with his songs.

The recent report by Human Rights Watch entitled “New Castro, Same Cuba”, reviews more than 40 cases of people who were imprisoned during the Raul Castro Administration accused of offenses of “pre-crime social dangerousness”. The possible offenses to be in this category are: no participation in governments acts, not being a member of a party organization or not being employed, “distributing copies of the Universal Declaration of Human Rights”, organizing peaceful demonstrations, writing articles that criticize the government and trying to organize independent labor unions⁽²⁾.

To leave Cuba means to escape from Cuba. The impossibility of freely getting out of the country forced thousands of Cubans to adventure to the ocean in precarious ships looking for a better future; many times knowing that will never see their families again or lose their lives in the attempt. There are many doctors and sportsmen that take advantage of a trip to defect. That was the case of seven soccer players of the youth national soccer team in Tampa, Florida in 2008.

BELARUS, PLACE 160

Belarus got independent from the Soviet Union in 1991 and since 1994 it

(1) Human Rights Watch. Cuba: Secuestran y golpean a destacada autora de un blog, 7/11/2009. Ver: <http://www.hrw.org/en/news/2009/11/07/cuba-secuestran-y-golpean-destacada-autora-de-un-blog?print>

(2) Human Rights Watch. Otro Castro, la misma Cuba, Presos políticos en la era post Fidel. Noviembre 2009. Ver: <http://www.hrw.org/sites/default/files/reports/cuba1109s-0.pdf>

is governed it by Alexander Lukashenko. The president concentrates all the power, controlling every part of the judicial and legislative branches. Although there are elections every 5 years, in the practice they are totally fraudulent without freedoms and guarantees for the opposition parties.

Lukashenko has publicly defended Adolf Hitler⁽³⁾ and the discrimination towards Polish minorities and homosexuals, and also the anti-Semitism are huge problems. Another big issue is the trafficking of people and children prostitution mainly sold to Western European countries mostly to Italy. According to New York Times journalist Nicholas Kristof in some interior villages there are not young women left⁽⁴⁾.

There are no freedom of the press and association. “Defamation” is considered as a criminal offense. At the same time, the press and internet access are controlled by the authorities⁽⁵⁾. Since 2005 the police forces are authorized by the president to shoot against demonstrators.

The Lukashenko regime, which has a constant dialogue with Venezuela, had recently expressed its desire to have closer links with Mercosur⁽⁶⁾.

LIBYA, PLACE 163

The political and economic power of this North African country has been concentrated in the egocentric and eccentric dictator Muammar Gaddafi since 1969.

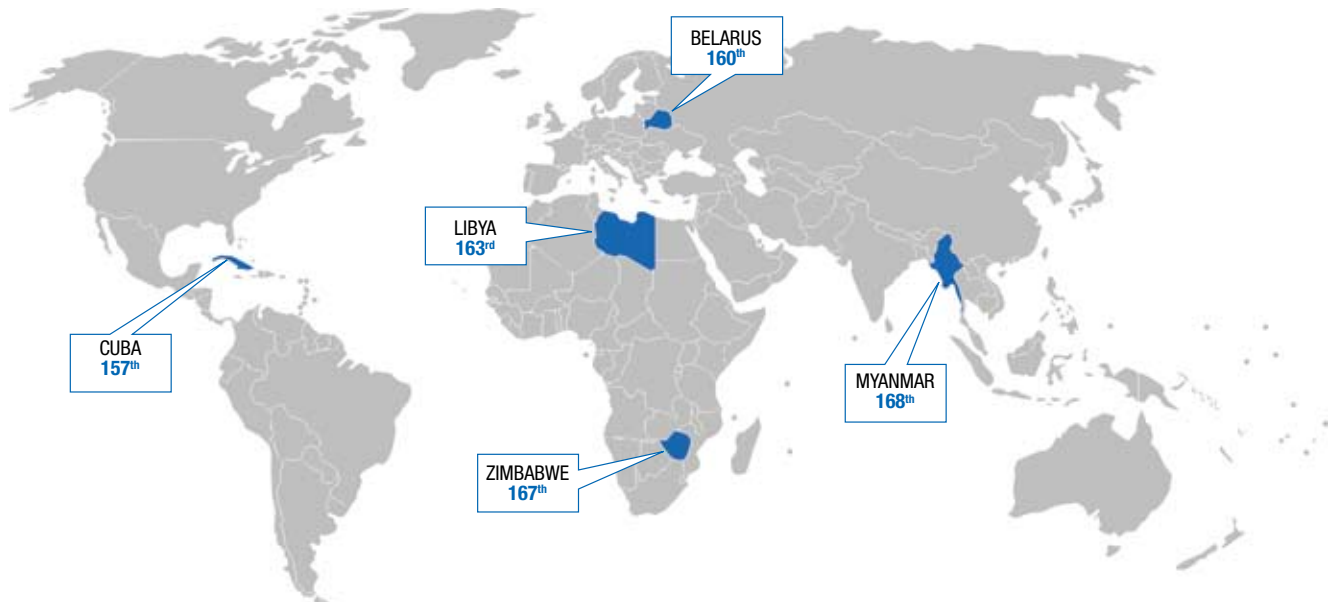
During the 80s Libya was directly involved in various terrorist attacks in

(3) BBC News. President Lukashenko: in quotes. 10/07/2004. Ver: <http://news.bbc.co.uk/2/hi/europe/3881341.stm>

(4) Southern Methodist University. Journalist Kristof on 21st-century slavery: child prostitution. <http://smu.edu/audience/faculty-staff/070412-2.html>

(5) Freedom House. Freedom in the World Country Report Belarus (2009). Ver: <http://www.freedomhouse.org/template.cfm?page=363&year=2009&country=7565>

(6) MERCOSUR Noticias. Bielorrusia expresó su deseo de intensificar las relaciones con el MERCOSUR. 2/12/2009. Ver: http://www.mercosurnoticias.com/index.php?option=com_content&task=view&id=33655&Itemid=251



the Western hemisphere, the most notorious of which was the attack to the Pan Am airplane over Scotland with 270 death people as a result. In recent years Gaddafi recognized the Libyan responsibility in this attack and offered compensations for the victims' families.

Libyan law expressly prohibits the existence of political parties and any collective activity against the regime, as well as the exercise of freedoms of expression, meeting and association⁽⁷⁾. In the list of offenses are "to insult public officials" and "to oppose to the revolutionary objectives"⁽⁸⁾. Among the possible punishments to the violation of the law, is the death penalty.

In Libya there is no freedom of the press. Any journalist who may criticize in some way the government acts are attacked and sometimes arrested. At the same time, internet service has a strong monitoring and the block of the access to opposition websites is common⁽⁹⁾.

It is not strange that the 2009 report by NGO Freedom House classifies Libya as a "not free" country and gave the worst grade possible in political rights and civic liberties.

(7) Ley 71 de 1972 y artículo 206 del Código Penal (arts. 6 and 22). Ver: <http://www.universalhumanrightsindex.org/hrsearch/displayDocumentVersions.do?sessionId=F9F2300B77925B31B57CD901B4C074DE?lang=es&docId=1291>

(8) Human Rights Watch. Libia: En atmósfera represiva, pequeñas mejoras. 12/12/2009. Ver: <http://www.hrw.org/es/news/2009/12/16/libia-en-atm-sfera-represiva-peque-mejoras?print>

(9) Freedom House. Freedom in the World Country Report Lybia (2009). Ver: <http://www.freedomhouse.org/template.cfm?page=22&year=2009&country=7647>

The detention and interrogation of suspect people is in charge of the Internal Security Agency. According to reports published by Human Right Watch and Amnesty International, many detainees are incommunicado without a lawyer and trails do not follow the international rules of due process⁽¹⁰⁾.

In 2008 the Libyan government began to sign death certificates for approximately 1200 prisoners murder in circumstances not clearly set yet in the prison of Abu Salim in 1996. Until 2004 the authorities even denied that this event had ever occurred⁽¹¹⁾.

Annually Libya gives the prize "Muammar al-Gaddafi for human rights". The president of Nicaragua Daniel Ortega received the doubtful honor in 2009. In previous years the winners were Fidel Castro and Hugo Chavez.

ZIMBABWE, PLACE 167

Since its independence in 1980, Zimbabwe has been governed by Robert Mugabe. In this nation the bad quality of democratic institutions are joined by hunger and diseases. According to a survey published in 2008 by the United Nations World Foods Programme 7 out of every 10 interviewed

(10) Amnistía Internacional. Documento-Libia: Amnistía Internacional Termina su Primera Visita de Investigación en más de Cinco Años. 29/05/2009. Ver: <http://www.amnesty.org/es/library/asset/MDE19/003/2009/es/41229649-8dfc-4fff-8b88-aedf850dc56d/mde190032009spa.html>

(11) Human Rights Watch. Libia: June 1996 Killings at Abu Salim Prison. Ver: <http://www.hrw.org/legacy/english/docs/2006/06/28/libya13636.txt.htm>

had eaten only one or no food the previous day⁽¹²⁾. 40% of the population suffers malnutrition⁽¹³⁾. The situation of human development in this South African country is without any doubt the most critical of this group. According to the statistics of the World Health Organization, Zimbabwe has a life expectancy at birth of only 43 years and an expectancy of healthy life of only 34 years; the lowest rate of the world. The poor conditions of life and medical attention generated during 2008 and part of 2009 the worst cholera epidemic in 15 years. It is estimated that more than 98,000 people were infected and approximately 4,300 died⁽¹⁴⁾. High health authorities of the regime blamed for the epidemic the "biological weapons from United Kingdom"⁽¹⁵⁾.

Former Rhodesia is probably the worst economy in the world. The application of crazy measures produced in Zimbabwe an inflation rate of 231,000,000%⁽¹⁶⁾.

In the diamonds fields of Marange, thousands of people -adults and chil-

(12) The New York Times. In Zimbabwe, Survival Lies in Scavenging. 21/12/2008. Ver: <http://www.nytimes.com/2008/12/22/world/africa/22zimbabwe.html>

(13) Programa Mundial de Alimentos. Serie de informes sobre el hambre en el mundo: el hambre y los mercados. 2009. Ver: <http://docustore.wfp.org/stellent/groups/public/documents/newsroom/wfp209156.pdf>

(14) World Health Organization. Cholera in Zimbabwe. 9/06/2009. Ver: http://www.who.int/csr/don/2009_06_09/en/index.html

(15) BBC News. UK caused cholera, says Zimbabwe. 12/12/2008. Ver: <http://news.bbc.co.uk/2/hi/7780728.stm>

(16) BBC News. Zimbabwe inflation eases further. 16/09/2009. Ver: <http://news.bbc.co.uk/2/hi/8258723.stm>

dren- are subject to force labor and sometimes suffer beatings from the army⁽¹⁷⁾.

During the fraudulent elections of 2008 the regime made a terrible campaign of harassment, terror and persecution of members of the opposition. Among the horrors that took place, 400 women and young girls members or related with the opposition party, were raped by officials of the government forces. Some of the victims were only 5 years old⁽¹⁸⁾.

MYANMAR PLACE 168

The fate of Myanmar, also know as Burma, is in hands of a military board since 1962, led by general Than Shwe since 1988. Myanmar regime is one of the most repressive of the world. Aside from the absence of basic freedoms of expression, movement, meeting and association are the terrible abuses the ethnic minorities suffer in the interior of the country by hands of government forces, the use of children soldiers and the trafficking of persons for prostitution.

It is estimated that are more than

(17) Human Rights Watch- Diamonds in the Rough. 26/6/2009. Ver: <http://www.hrw.org/en/reports/2009/06/26/diamonds-rough>

(18) AIDS-Free World -Electing to Rape: Sexual Terror in Mugabe's Zimbabwe. Ver: <http://www.aids-freeworld.org/content/view/341/202/>

2,000 political prisoners. The most known case is that of the leader of the opposition and winner of the Peace Nobel Prize Aung San Suu Kyi, in prison since 1991⁽¹⁹⁾. Other cases of political prisoners highlighted by international press are the blogger Nay Phone Latt sentenced to 20 years in prison for his critics to the government, the comedian Zarganar sentenced to 59 years in prison and the student leader Min Ko Naing whose several sentences add up to 150 years of prison⁽²⁰⁾.

In 2007 the most violent demonstrations of last years took place. Widely known was the peaceful demonstrations of Buddhist Monks brutally repressed with at least 31 deaths and hundreds of arrested people. Even nowadays two years later the Buddhist Monks are constantly harassed and intimidated by government forces⁽²¹⁾.

Another terrible event that illustrates the cruelty of Myanmar regime was its attitude with the hurricane

(19) Human Rights Watch. South Asian Nightmare. 2/10/2009. Ver: <http://www.hrw.org/en/news/2009/10/02/south-asian-nightmare?print>

(20) Nicholas Kristof. The New York Times. Sneaking In Where Thugs Rule. 4/2/2009. Ver: http://www.nytimes.com/2009/02/05/opinion/05kristof.html?_r=1

(21) Human Rights Watch. Burma: End Repression of Buddhist Monks . 22/09/2009. Ver: <http://www.hrw.org/es/news/2009/09/18/burma-end-repression-buddhist-monks>

Nargis that hit the country in 2008. More than 140 thousand people lost their lives and 2.4 millions were affected by the tragedy. The military board did not authorize the access of humanitarian aid and the donations were confiscated by the authorities⁽²²⁾.

Needless to say that Myanmar is far from being an electoral democracy. The board governs by decree and all the other powers depend from the executive. All the media is controlled by the board and the freedoms of meeting and association are highly restricted. Levels of corruption are alarming. Transparency International ranks Myanmar in place 178 over 180 in the 2009 report.

The minorities Chin, Karen and Rohingya, which in sum represent 35% of the population are persecuted and discriminated. The NGO Coalition to Stop the Use of Child Soldiers reports Myanmar⁽²³⁾ like one of the countries with child warriors. Children of only nine years are recruited to be part of the war in the army or in the guerrillas.

(22) Freedom House. Freedom in the World Country Report Burma (2009). Ver: <http://www.freedomhouse.org/template.cfm?page=22&year=2009&country=7577>

(23) No more denial- Children affected by armed conflict in Myanmar. Watchlist- May 2009. Ver: <http://www.child-soldiers.org/regions/country?id=146>

Democracy, Markets and Transparency in the host of the 2010 Football World Cup

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In 2010 for first time the host of the Football World Cup is going to be an African country. This fact is a great opportunity for South Africa, a country with a tough past that left an important legacy for development, which is confirmed in the 2009 Democracy, Markets and Transparency ranking.

This country, ranked 46, demonstrated to have the enough potential to organize the World Cup. The inspector from the FIFA could verify and approve the impact that this event represents in the economy and the correlation with the necessary capital investment. Indeed, the Orga-

nizer Committee concluded that "the event contributes to consecrate and confirm the democratic and unification process" which began in 1994 with first democratic elections.

South Africa is recognized by the diversity of its ethnics, languages, cultures and beliefs, as it illustrated by its slogan "Unity in diversity". Unfortunately, it is also known by its terrible past of discrimination and violence that it slowly managed to leave behind. "The peaceful process of political reconciliation



which continues after the apartheid, has created a strong base for democratic governance and the respect of human rights", said Heritage Foundation in the 2009 Index of Economic Freedom. In the economic field, South Africa could be defined as a country with a middle range income and a growing free market economy. The country has mineral resources, services, manufactures and a very competitive agricultural sector; however, poverty, HIV and high rates of unemployment are serious problems.

The development level in South Africa can be reflected in the 2009 Democracy, Markets and Transparency ranking which qualified the countries according to its political, economic and institutional level. South Africa with a score of 0.627 got the place 46 in the ranking, over the world average and fourth in the African continent under Mauritius, Cape Verde and Botswana. This can be seen as awesome because of its discrimination and violent history. However, after the first elections in 1994, the government undertook important reforms directed to the democratic freedoms, government transparency and market economy. Next, a specific analysis of the country development in these areas.

First of all, the 2009 Corruption Perception Index by Transparency International qualified South Africa with 4.7 points out of 10, in the fifth place on the Sub-Saharan region, and place 50 in the globe, close to the world average of 4.1. Many agencies and special organizations are in charge of fighting corruption. The legal framework has been strengthened in the region, but its application is still slow and inefficient. The judicial power is independent and the courts work with certain autonomy. However, in the practice judges had been susceptible to corruption and bullying. These disorders could be dangerous for political stability and the government capacity to provide education, health, and basic services. According to Transparency International, this corruption level is perceived as a "serious challenge for businessmen". When the state is not transparent, it produces imbalances in other areas, like in the economic sector influenced by the decrease in trust and the increase of uncertainty and risk.

Secondly, the 2009 Index of Economic Freedom by Heritage Foundation and the Wall Street Journal qualified South Africa with 63.8 out of 100 – over the world average of 59.6– placing third in the sub-Saharan region and number 61 worldwide. Also South Africa is over the average in 8 of the 10 dimensions of the economic freedom. Commercial activity found in South Africa a proper environment for development, with proper regulations, overcoming the world average of trade freedoms – to open a company

takes 22 days when the world average is 38. The respect of the foreign trade freedom in the country is over the media; however tariff barriers, restrictions and low regulations decreased the score obtained. The efficient development of the financial system in South Africa continues evolving to be one of the biggest and less regulated in the emerging markets group, placing the country over the world media. Property rights are clearly defined, the expropriation risk is low and contracts are secure, but the slowness of courts affects their performance. Inflation rate is moderate but price controls in some sectors and the policies that distort domestic prices reduce the monetary freedom. In respect to investment freedom, South Africa is over the world media, but it is reduced by the absence of transparency in the regulation and organisms, the slowness of the judicial system, the rigidity of the labor market and the crime. The fiscal and labor freedoms have a long way to go. Fiscal policy is described by Heritage Foundation like conservative and taxes are very high. Labor freedom faces rigid regulations that affect the increment of jobs and productivity. The cost of hiring a worker is low, but the difficulty of firing him is high. There are also important discriminatory barriers which block the labor freedom of some groups.

In Freedom in the World 2009 by Freedom House, South Africa is well positioned with 2 points out of 7 over the world average of 3.3. This is especially meritorious because the country experienced many years under apartheid. Since 1994 the country is ruled by a constitutional democracy, the legislative power rest over a senate and a parliament. The members of the parliament choose a president who governs during 5 years. The electoral process is generally characterized as free and fair, however sometimes there are some accusations to the radio-television state enterprise SABC (South African Broadcasting Corporation) to be part of the party ANC (African National Congress), which governed since the establishment of democracy. Political violence had decreased with every elective cycle. Freedom expression and of the press are generally respected, however in practice there had been some accusations by Freedom of Expression Institute to the

government for sometimes violating this right. At the same time, most of the media companies are property of the SABC. Labor rights are respected, and also the freedom to participate in independent union. Strikes are frequent, but only in a few cases they had turned violent. Religious and study freedom is strongly protected by the government. The association and meeting freedoms are also protected by the Constitution, something really important in South Africa because it has a very vibrant civil society and a culture of demonstrating.

Due to the serious problems of discrimination, violence and torture that nowadays continue to happen, the Constitution establishes various independent institutions to promote democracy and human rights and also establishes positive discrimination laws. However, this have not avoid the continue imbalances in the labor market, in business participation, in education and other fields. Women's rights continue being discriminated in terms of marriage, divorce, and inheritance and property rights. The more serious problems are violence, harassment and violation, which are treatment with more several laws and strongest punishments. Paradoxically, Freedom House qualified South Africa like one of the most liberal places for homosexuals, because since 2006 marriage and adoption is legal for couples of the same sex.

In conclusion, South Africa shows a relatively good and gradual performance for a young democratic republic of only 15 years. The Constitution and the regulations show a country which is growing, moved by its legacy history. The realization of Football World Cup in South Africa shows a good and favorable degree of social and economic development for the event. It is going to be a unique chance to show the progress that the country reached. It is expected that the world cup will contribute to the democratic and unification process, "the legacy made in comparison to the necessary investment represents an excellent contribution to the country" stated the FIFA 2010 Inspection World Cup Group. Though there are many things to do, there are expectations that this event will be a favorable impulse for the development of the nation already in the right path.



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Christopher Sabatini

Editor Jefe, Americas Quarterly / Senior Director, Council of Americas

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The Center for the Opening and Development of Latin America (CADAL), with its main headquarters in Buenos Aires , Argentina , and an office in Montevideo , Uruguay , is a non-profit, non-partisan, private foundation. CADAL is member of the Network of Democracy Research Institutes (NDRI), an Associated Institute of Proyecto Plataforma Democrática and it has received five international awards for its work.

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The mission of CADAL is to promote: the strengthening of democracy and rule of law; the implementation of public policies fostering economic, social and institutional progress; the regional integration and its opening to world trade; and the international promotion of human rights.

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