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## The Summit of the Americas: Rescuing the Reform Agenda

By Roger F. Noriega

*Leaders attending the November Summit of the Americas must concentrate on deepening democracy, expanding economic opportunities, and strengthening the rule of law in order to help the region's poor lift themselves out of poverty.*

The fourth regional Summit of the Americas in Mar del Plata, Argentina, on November 4–5, will be a test of courage for the region's leaders. Pressured by genuine popular dissatisfaction, they will either commit unequivocally to finish the hard work of creating economic opportunity for the region's 128 million poor, or they will let warmed-over populism undermine the consensus behind free-market reforms and democracy itself. The stakes are high, and the leaders must use the summit process to advance the reform agenda for their peoples' sake.

At the summit, President George W. Bush will, no doubt, press his colleagues to reemphasize their commitments to defend democracy and the rule of law, deepen economic reforms, and expand trade as a recipe for sustained, equitable growth. But there is a significant number of Latin leaders who may try to scuttle this work plan and serve up sympathetic rhetoric to cynically court the poor.

It is no surprise that many entrenched interests and comfortable elites in the region do not share Bush's sense of urgency about deepening democracy's roots and expanding economic opportunity more equitably. What is remarkable, however, is that many in Latin America's political class appear to be trying to avoid accountability for

chronic poverty by impugning the very reforms that are indispensable to helping the poor.

### Real Problems, Reformers on the Defensive

The problems in the Americas are real enough. Poverty, sputtering or spotty growth, anti-globalization sentiment, and populism create an environment where demagogues can manipulate dissatisfaction to fuel personal political agendas. Reformers are clearly on the defensive: voters in key countries have elected leaders from the left such as Inácio "Lula" de Silva in Brazil in 2002, Nestor Kirchner in Argentina in 2003, and Tabaré Vazquez in Uruguay in 2004; and mob violence has swept several others from power, including Gonzalo Sanchez de Lozada in 2003 and Carlos Mesa in 2005—both in Bolivia—and Lucio Gutierrez in Ecuador in 2005.

Moreover, many Latin countries are mired in poverty. While per capita GDP in the region averages about \$3,200, it is as low as \$516 in Haiti and \$871 in Nicaragua. According to a recent World Bank study, income distribution in Latin America is the most skewed of any region in the world. And, boom-and-bust cycles have failed to generate sufficient jobs to keep up with population growth, let alone to address chronic poverty. Compounding these problems is the fact that

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popular expectations have risen in recent decades and the reality that those on the margins of society have not benefited from the region's uneven economic performance.

During the 1980s and 1990s, most Latin governments embraced economic and political reforms, logging impressive growth rates and moving toward democracy.

Beginning in the late 1990s, however, growth slowed markedly, and it slumped even further after the attacks of 9/11.

The 2001 economic meltdown in Argentina is cited as evidence that the "Washington consensus" (a term coined by economist John Williamson to describe reforms favored by Washington-based international financial institutions that create the conditions for growth) is inadequate at best. The 2003 ouster of Bolivian president Lozada—a favorite of economic reformers—startled his former colleagues, many of whom have also been buffeted by populist whirlwinds.

Although many economies in the region have rebounded in the last several years fueled by rising commodity prices, the damage from the downturn has been done: the 24 percent of the region's inhabitants who live in poverty are restless, and policymakers with reform-fatigue are ducking for political cover. In many places, stubborn poverty, weak institutions, and undeveloped civil societies have caused people to question democracy itself.

Venezuelan president Hugo Chavez is fishing in these troubled waters, using his country's oil wealth as a personal slush fund to exert influence over his Latin and Caribbean brothers and to build a following impressed by his *caudillo* swagger. Still, responsible leaders across the political spectrum have little use for Chavez's provocative, militaristic style, and they recognize that his spendthrift policies have actually *driven up* poverty in Venezuela. Nevertheless, the Chavez-Castro axis has roiled the waters in countries with fragile institutions and weak leadership.

Differences over President Bush's foreign policy—exploited by Chavez's aggressive international campaign—have damaged the U.S. image in a region that has traditionally liked and admired the United States. Although popularity is not an end in itself in U.S. foreign policy, it is fair to say that confidence in President Bush's "freedom agenda" in the Americas has eroded, as masses and leaders alike doubt his intentions.

## Defending and Reinvigorating Reforms

Notwithstanding the critics, economists agree that economic reforms have produced significant progress that must be advanced through deeper, broader second-generation measures. Unfortunately, some Latin diplomats and politicians are shy about confronting populist critics

with hard facts, let alone advocating *additional* reforms. So, ideally, the summit will present a timely opportunity to rescue the reform agenda from a political riptide.

The theme of the summit and of its draft declaration is "Creating Jobs to Fight Poverty and Strengthen Democratic Governance." Despite this promising moniker, the torturous drafting sessions among the thirty-four delegations at the Organization of American States (OAS) during the past weeks have produced a muddled, rambling document.

Although like-minded delegations have tempered the statist, populist rhetoric, there is considerable worry that

the final declaration may stir doubts about the region's commitment to second-generation economic reforms, regional trade, and even representative democracy. The fact that the summit host, Argentina, blames its economic woes on the failures of "the Washington consensus" has complicated the drafting of the summit declaration.

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It is essential for the summit declaration to press governments to complete the essential tasks that will build more competitive economies and generate jobs. There is no doubt that these are tough assignments, but Latin America and the Caribbean are lost without them. Fiscal discipline, civil service reform, a fair tax code, a rational energy policy, a flexible labor code, and independent democratic institutions (congresses and courts) are the preconditions for sustained growth. Making it easier to start a private business and to deal with corruption also must remain indispensable priorities.

Chile is frequently cited as an example of a country that is following through on second-generation reforms and reaping the rewards. According to the Organisation for Economic Co-operation and Development's 2003

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economic survey, “Chile has achieved the highest *per capita* growth rate in Latin America since the mid-1980s and has also become a regional benchmark for structural reforms.” But even in Bolivia, the track record of the reform agenda speaks for itself: since 1980, infant mortality in Bolivia has been cut almost in half, adult literacy has risen dramatically, life expectancy has extended from fifty-two to sixty-four years, and the gross domestic product has more than doubled. Although Bolivia still lags behind the rest of the region, these results argue for quickening the pace of reforms, not changing course.

The reformers at the summit should also seek a full-throated statement backing regional trade. President Bush’s declaration at the September UN development summit makes clear that the agricultural producers of the Americas stand together in calling for the elimination of subsidies. A resolute statement from the region will help build momentum for progress at the December Hong Kong ministerial that is intended to rescue the Doha round of World Trade Organization talks. Moreover, Brazil needs a nudge to resume the talks to produce a Free Trade Area of the Americas.

Reformers should reject, at least implicitly, Hugo Chavez’s “Bolivarian” vision. Indeed, the Mar del Plata encounter may prove to be the high-water mark for his very personal vision, as leaders reaffirm their commitment to a positive, cooperative agenda in which the United States figures prominently and to which Chavez has very little to offer. The leaders should also instruct their diplomats at the OAS to hold the line against wrong-headed *Chavista* rhetoric in the ongoing drafting sessions to produce a regional “social charter,” which is supposed to represent a shared commitment to social development.

Reaffirming a commitment to the robust defense of democracy and the rule of law must go hand-in-hand with rescuing the economic reform agenda. Venezuela, working with a handful of collaborators, has launched an unseemly effort to blunt the OAS’s effectiveness in defending representative democracy from authoritarian temptations. The extraordinarily dangerous dismantling

of democratic institutions and the rule of law witnessed in Venezuela today is only the most pronounced threat. In other countries, as politicians have concluded that it is too hard to solve the people’s problems, they have set out to solve their own problems: hence, the notorious Liberal-Sandinista pact in Nicaragua, the faltering efforts to ferret out corruption, the *desafuero* debacle (the transparent effort—later reversed—by Mexico’s ruling National Action Party of President Vicente Fox and the Institutional Revolutionary Party to keep Mexico City mayor Andres Manuel Lopez Obrador off the 2006 presidential ballot) in Mexico, and the ouster of several presidents by questionable means.

The leaders at Mar del Plata should give new emphasis to the multilateral tools they have at hand to advance their agenda with new vigor and effectiveness. Indeed, the summit should put leaders on the spot to support OAS secretary general José Miguel Insulza in his bid to make the organization a more agile and resolute defender of democratic ideals. Insulza should be given the political backing to hold accountable those elected leaders who fail to govern democratically.

Complementing these efforts to consolidate democratic institutions, the Inter-American Development Bank (IDB), under the new leadership of Colombian Luis Alberto Moreno, will push for free-market reform. And Moreno is personally committed to making the IDB an even more effective instrument for extending economic opportunity to those on the margins of society. His new mission and his vision should be showcased at the summit.

## High Stakes for the Region’s Poor

A tug of war for the region’s economic and political future will be played out at the Mar del Plata summit. The stakes are extraordinarily high, because facile formulas aimed at riding out the latest wave of popular discontent will only serve to deepen the region’s economic woes—with the poor paying the highest price for irresolute leadership.