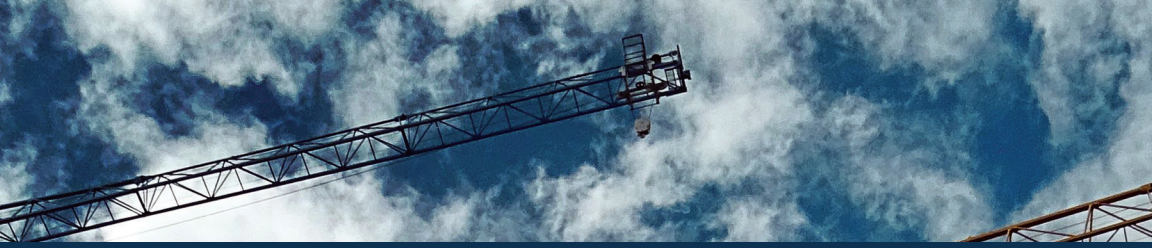
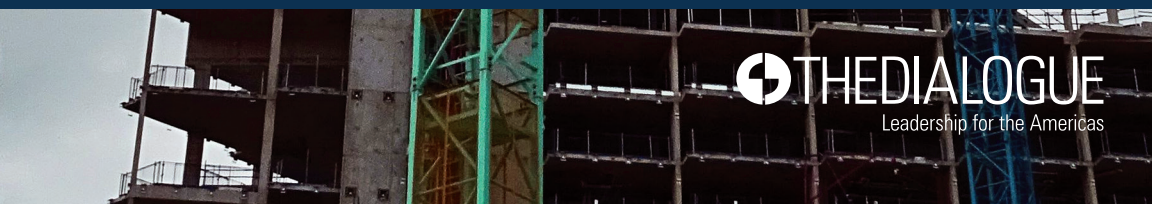


UNFULFILLED PROMISES

LATIN AMERICA TODAY

Edited by Michael Shifter and Bruno Binetti

INTRODUCTION BY LAURA CHINCHILLA



THEDIALOGUE
Leadership for the Americas

UNFULFILLED PROMISES

LATIN AMERICA TODAY

Edited by Michael Shifter and Bruno Binetti

INTRODUCTION BY LAURA CHINCHILLA

THE DIALOGUE
Leadership for the Americas

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First Edition
Printed in Washington, DC
ISBN (paper): 978-1-7337276-0-0
ISBN (electronic): 978-1-7337276-1-7

Photos: Juninatt/Shutterstock (front cover); Bogdan R. Anton/Pexels (chapter 1); Cameron Casey/Pexels (chapter 2); Icon 0/Pexels (chapter 3); Alex Powell/Pexels (chapter 4); Fox/Pexels (chapter 5); Amy Chandra/Pexels (chapter 6); Gabrielle Ri/Pexels (chapter 7); Magda Ehlers/Pexels (chapter 8); Shutterstock.com (back cover).

Layout and copyediting: Nita Congress

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Acknowledgments

This volume is the culmination of a special Inter-American Dialogue project. Unlike other Dialogue publications, its essays attempt to stand back and take a broad view of Latin America. Focused on cross-cutting and salient themes, together they try to construct a thread or narrative about the region, seeking to capture Latin America's main idiosyncrasies and trends.

To be sure, in Latin America there are multiple, often competing stories—some more sanguine than others—and enormous variation, depending on the country, the issue, and the moment. The idea of this volume is to stimulate reflection and debate on the region's performance in critical areas, with the aim of charting a constructive path forward. It is intended for a wide and diverse audience and will also be published in Spanish and Portuguese. The undertaking is difficult and ambitious, but hopefully valuable, particularly since we live in such uncertain and turbulent times, both regionally and globally.

The six topics selected are by no means exhaustive, but all are particularly pertinent to most Latin American countries. They include democracy and the rule of law, crime and violence, poverty and inequality, economic management, regional integration, and Latin America and the world. We are extremely fortunate to have contributions from first-rate analysts and scholars from Argentina, Bolivia, Brazil, Colombia, Ecuador, and Mexico. We are grateful to Laura Chinchilla, former president of Costa Rica and current co-chair of the Dialogue's Board of Directors, for her thought-provoking and sobering introductory essay.

This project owes a huge debt to Bruno Binetti, co-editor of this volume and co-author of the concluding essay. Binetti, a Dialogue fellow who teaches at Di Tella University in Buenos Aires, Argentina, was chiefly responsible for the

coordination of this effort and bringing it to fruition. He worked closely with each author as the essays went through various drafts. He applied his exceptional editing skills, intellectual acumen, and vast comparative knowledge to the project. Binetti exhibited superb judgment and good humor throughout.

The project benefited from an excellent meeting with all authors at the Dialogue's office in Washington, DC, in February 2018. The frank and stimulating exchanges on initial drafts helped improve their quality and achieve greater coherence. We appreciate the acute, constructive comments of Peter Hakim, the Dialogue's president emeritus and senior fellow.

At the Dialogue, we are also grateful to the intellectual and administrative contributions made by Ben Raderstorf, especially during the earlier stages of this effort. In the latter stage, special thanks go to Irene Estefanía González and Melissa Reif for their invaluable support in design, layout, and publication. Gastón Ocampo, Dialogue intern, provided editorial assistance.

The Dialogue expresses its profound gratitude to the Ford Foundation and, in particular, its vice president for social justice, Martín Abregú. The Foundation's generous support enabled the Dialogue to engage such outstanding authors, produce this volume, and undertake dissemination activities in Washington, DC, and throughout Latin America to foster open dialogue.

Michael Shifter
President, Inter-American Dialogue

Abbreviations

ALBA	Bolivarian Alliance for the Peoples of Our America (Alianza Bolivariana para los Pueblos de Nuestra América)
BRI	Belt and Road Initiative
BRICS	Brazil, Russia, India, China, and South Africa
CCT	conditional cash transfer
CELAC	Community of Latin American and Caribbean States (Comunidad de Estados Latinoamericanos y Caribeños)
CICIG	International Commission Against Impunity in Guatemala (Comisión Internacional contra la Impunidad en Guatemala)
EU	European Union
FARC	Revolutionary Armed Forces of Colombia (Fuerzas Armadas Revolucionarias de Colombia)
FPIC	free, prior, and informed consent
FTAA	Free Trade Area of the Americas
GDP	gross domestic product
IAHRS	Inter-American Human Rights System
ISI	import-substituting industrialization
MCCE	moderately converging commodity exporter

MCCI	moderately converging commodity importer
Mercosur	Southern Common Market (Mercado Común del Sur)
MPI	Multidimensional Poverty Index
NAFTA	North American Free Trade Agreement
OAS	Organization of American States
PA	Pacific Alliance
SCCE	strongly converging commodity exporter
SCCI	strongly converging commodity importer
UN	United Nations
UNASUR	Union of South American Nations (Unión de Naciones Suramericanas)
USMCA	United States–Mexico–Canada Agreement
WCCE	weakly converging commodity exporter
WCCI	weakly converging commodity importer
WTO	World Trade Organization
WWII	World War II

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Introduction: Latin America, A Pending Assignment

Laura Chinchilla

Introduction: Latin America, A Pending Assignment

Laura Chinchilla

In 1992, in commemoration of the 500-year anniversary of Christopher Columbus's first voyage to the Americas, Mexican writer Carlos Fuentes penned one of the most notable essays ever written on Ibero-American history entitled *The Buried Mirror*. In this essay, he compared the region's troubled past to the construction of a tall building in Mexico City, a building that is never fully finished in spite of gradual, permanent progress. The construction of Latin America, he claimed, was just as incomplete. It was a work that was "advancing yet unfinished, energetic yet fraught with seemingly insoluble problems" (Fuentes 1992).

Over 20 years have passed since Fuentes's seminal essay. Most countries in the region find themselves amid the opposite commemoration: the bicentennial of their independence. Yet it is fair to say that the image of that unfinished building continues to be the most accurate depiction of Latin American reality. Our inability to carry out plans and objectives, our difficulty in finishing tasks, our propensity to improvise and to look for the easy way out instead of finding long-term solutions continue to be the signs of our predicament.

These problems are not exclusive to Latin America, but we can think of few other places where there is such a strong sense of wasted opportunity. Latin America is a region particularly identified with unfulfilled promise, untapped potential, and unfinished business. Throughout history, some Latin American countries have stood at the threshold of success. Some have experienced episodes of unprecedented economic growth; others have attained remarkable development goals—but each time a new economic recession, a new political breakdown, a new social upheaval has undermined their achievements and set them back years, if not decades. Argentina by the first two decades of the 20th century ranked among the 10 richest nations in the world, ahead of France, Germany, and Italy. Its per capita income was 92 percent of the average of 16 rich economies, and even during the second post-war period it was still the fifth largest economy in the world. After years of economic ups and downs, Argentina's per capita income is 43 percent of those same 16 rich economies (*The Economist* 2014).

But the most visible and tragic example of economic and social decline is Venezuela. By 1970, this country had become the richest in Latin America and

1 of the 20 richest countries in the world (Hausmann and Rodríguez 2013). In contrast, today, with a projected inflation of 1 million percent and a projected gross domestic product (GDP) growth rate of −15 percent for 2018,[1] Venezuela is suffering a humanitarian crisis of severe shortages of food, medicine, and medical supplies, and thousands of Venezuelans flee the country daily (Human Rights Watch 2017).

This erratic trajectory of some countries in the region is evident not only in our economic performance but also in our political development. Long periods of stability and institutional consolidation in Latin America have been interrupted by episodes of authoritarian rule, repression, and human rights violations. This does not necessarily mean that progress and improvements are largely absent. Rather, it means that either positive change takes place at an extremely slow pace or policies normally fail to trigger meaningful, in-depth, transforming dynamics.

Regarding the economy, we must admit that something positive that has happened is the consolidation of macroeconomic and fiscal responsibility in most Latin American countries. A region infamous for the great volatility of its markets has enjoyed considerable economic stability, even weathering the worst effects of the 2008 economic crisis. This time around, our economies were stronger and more diversified, and our governments were more prudent and savvy. Just a few countries exhibit double-digit inflation rates, while others have received investment grade credit ratings.

Economic growth was also impressive by the beginning of the current century. Between 2003 and 2011, overall per capita income in the region rose by 3 percent on average (World Bank 2011). Our share in the world economy rose from 5 percent to 8 percent in that period (World Bank 2011). However, since 2013 the tide has turned, and optimism and euphoria have transformed into caution and concern. Ever since Latin America's boom came to a sudden end, some countries have struggled to avoid negative growth rates while others have faced modest to minimal growth.

The most visible reasons behind this downturn were external and far from our control: prices for primary goods and commodities dropped; demand from emerging markets, particularly from China, went down; and external financing conditions became scarce and expensive. However, there were certainly more profound reasons behind the downturn such as the low productivity and lack

[1] International Monetary Fund, IMF DataMapper; http://www.imf.org/en/Countries/VEN#countrydata; accessed September 2018.

of competitiveness of our economies[2]—the internal and structural factors that have historically hindered our ability to reach sustained economic growth and social progress.

In chapter 5, Augusto de la Torre and Alain Ize deal with several of these structural elements that prevented most Latin American countries from closing the per capita income gap (converging) with the United States. As de la Torre and Ize highlight, while we need to sustain and deepen our accomplishments at the macroeconomic level, we must also make significant gains in productivity over the next couple of decades if we are to survive in an increasingly interconnected world market. To face the challenge of productivity, we need to dramatically improve the quality of our education and to align the skills we teach with the skills we require. We need to increase investment in research and development. We need to modernize our infrastructure and logistics; enhance our connectivity; lower our energy costs; grant better access to finance; and streamline our regulatory framework so that our companies can operate in an enabling, empowering environment. We must promote and perfect our public-private partnerships. We must attract high-value industries that have the potential for establishing local linkages. We must strive to insert our economies in global value chains, seeking constant productive upgrading.

De la Torre and Ize also argue that promoting exports of goods and services will be essential for Latin America to end decades of mediocre growth. To do so, we must continue to seek a smart integration into the world economy. In chapter 6 on Latin America and the world (chapter 6), Andrés Malamud argues that since the beginning of the 21st century the region is presented, perhaps for the first time, with an alternative—embodied in China—to the historic economic and geopolitical dominance of the United States. The rise of China and the extraordinary expansion of trade, investment, and financial ties between the Asian giant and Latin America were significant factors behind the economic regional growth in the early 2000s. However, this new alternative also presents significant challenges, including the risk of falling back into dependent relationships with an outside power, based on the exchange of commodities for manufactures. This is a particular concern for South America. So far, however, Latin America has been unable to come up with a common stance vis-à-vis Beijing, that would give the region more leverage to influence the terms of China's engagement. Meanwhile, growing protectionist

[2] It is estimated that companies in Latin America exhibit productivity rates about half that of companies in the United States. A report by the World Economic Forum (2015) found that not a single economy in the region substantially improved its productivity gap between 1980 and 2011—the years we grew the most.

sentiments in the United States threaten to affect many Latin American economies, which depend on the U.S. market.

Some countries in the region are making efforts toward devising new ways of integrating with a changing global economy. For instance, the members of the Pacific Alliance have grown more consistently and have made progress in diversifying their production while promoting an open integration into the global economy and Asia-Pacific in particular. At the same time, as Ana Covarrubias points out in chapter 7, in Latin America, initiatives to promote regional integration tend to be circumstantial: new institutions and groupings are launched, but stagnate soon afterwards because of problems of policy coordination, an old-fashioned and absolute view of sovereignty, and lack of leadership from the region's largest countries.

The second challenge we need to address is sustainable social progress. In chapter 4, George Gray Molina reveals a mixed picture: while important progress has been made in reducing income-based poverty and inequality since 2003, strong imbalances among and between countries endure. Undoubtedly, the economic success during the first decade of the century translated into social achievements. Between 2002 and 2012, poverty in the region fell from 44 percent to 29 percent, unemployment was reduced by 35 percent, and the middle class expanded from 22 percent to 34 percent of the population. Moreover, unlike other regions, Latin America managed to reduce income inequality during the same period with an overall decline of about 3 points in its Gini coefficient (ECLAC 2013). However, large segments of the population are still vulnerable to falling back into poverty in the event of external or internal economic shocks, like those affecting some nations after 2013.

To lock in the social gains, governments must invest in the expansion and improvement of public services. This is particularly important when it comes to education, which continues to be the best way to help young people—our most vital asset—enter the job market and attain social mobility. Digital technologies have spread widely in Latin America. We must ensure that they become a tool for social progress, making technology literacy a priority and redesigning the provision of public services to put the digital citizen at the center of our policy process.

But no conversation on income inequality would be complete if we do not thoroughly address the issue of our anemic and often regressive tax structures. According to the United Nations Economic Commission for Latin America and the Caribbean, the average tax revenue as a percentage of GDP in the region is less than 18 percent, yet several countries' tax collection falls between 10 percent and 15 percent of GDP (ECLAC 2018). No country is able to provide high-quality public services with such meager incomes. And not

just that—taxes in Latin America fall more heavily on those who are less able to pay them, since they are mostly indirect taxes levied on wage earners.

Tax reform is, of course, politically challenging anywhere, but there is simply no way the region will be able to leap forward without seriously examining the way states are funded. Tax reform will only be possible if business elites understand that the price they pay for having bad public services and weak public institutions is in fact way more onerous than the cost of paying higher taxes. Governments have a responsibility as well: if they are going to ask for more money, they need to prove they are able to spend it wisely, efficiently, and properly. The necessary complement to a discussion on tax reform in Latin America is a discussion on how we can increase the efficiency and transparency of our public administration, providing a real commitment to move away from the appalling corruption levels we have witnessed in the last years.

This brings us to the next challenge, one that we must highlight with particular emphasis: improving public governance while strengthening our democratic institutions and the rule of law, the cornerstones of any serious endeavor to generate political stability and build countries and societies where human dignity is fully guaranteed.

As Catalina Botero explains in chapter 2, when the last wave of democratization swept the region in the 1980s, we expected governments to embrace the rule of law and become accountable and transparent after citizens regained the right to decide their own destiny through the ballot box. Yet some countries in Latin America were unable to move past the basic outline of electoral democracies. They fell short of safeguarding freedom of the press, building a robust system of checks and balances, and enforcing accountability.[3] Instead of devising new ways to expand democracy, some governments have come up with new ways to undermine it, and others just decided not to make further significant progress in this field. Botero acknowledges that in spite of the undeniable progress since the democratic transitions, there are insufficient advances and alarming setbacks.

This is not to say that all countries in the region face the same odds. Despite the many challenges we share, some countries have advanced considerably, implementing open government initiatives that bring transparency and

[3] According to Freedom House (2017), only three countries in the region enjoy free press conditions—Chile, Costa Rica, and Uruguay—while the rest have partially free press conditions or lack a free press environment. As to accountability, some nations in the region lag at the very bottom of International Transparency Indexes, such as Guatemala, Honduras, Mexico, Nicaragua, Paraguay, and Venezuela (Transparency International 2018).

efficiency to public administration,[4] increasing the participation of women in politics,[5] and fighting corruption and impunity.[6]

The last challenge in the region I want to mention is the need to design and implement effective local, national, and regional responses to violence, drug trafficking, and all forms of organized crime. According to the United Nations Development Programme, "between the year 2000 and the year 2010 Latin America's homicide rate grew by 11 percent, while it decreased or remained stable in most regions of the world. More than a million human lives were lost due to criminal violence during this period, that is, around 100,000 deaths per year" (UNDP 2014, v). These rates are much higher in certain segments of the population, particularly young males, which hampers the region's prospects.

Some countries in Mesoamerica are experiencing violence on a huge scale. The situation is such that the fundamental pact of these societies—the social contract by which the state holds the monopoly of the legitimate use of force in exchange for protection and security for its citizens—has virtually collapsed in large swaths of the territory.

We know that fighting crime goes beyond law enforcement and criminal repression. Crime prevention in our countries must be linked to the development and strengthening of institutional capacities, the consolidation of the rule of law, the promotion of social justice, the fight against corruption, and the reinforcement of our justice systems. In the end, the most effective security strategy is an integral, long-term development strategy. In chapter 3, Robert Muggah analyzes the complexities of this problem and explores the deficiencies of traditional hard-line policies known as *mano dura*. Effective security forces are key to controlling and deterring crime, especially organized

[4] The Open Government Partnership Initiative, a multilateral organization aiming to secure commitments from governments to promote transparency and fight corruption, has worked extensively in the Latin American region during the last decade.

[5] According to the Interparliamentary Union (http://archive.ipu.org/wmn-e/world.htm), Latin America is the second region of the world in terms of greater women's representation in parliamentary posts (28.8 percent), and will likely expand during the electoral cycle 2017–19 due to the parity laws and regulations adopted in several countries, which will face their full implementation for the first time.

[6] The 2017 annual report published by Transparency International (2018) states that "in the last few years, Latin America and the Caribbean made great strides in the fight against corruption. Laws and mechanisms exist to curb corruption, while legal investigations are advancing, and citizen anti-corruption movements are growing in many countries across the region."

criminal networks, but they alone are insufficient. Muggah presents a compelling case for promoting "citizen security" initiatives, which aim to tackle the social causes that fuel violence in Latin America and build ties between law enforcement forces and citizens.

Latin America finds itself at a moment of enormous challenge. The region's ability to preserve its conquests and overcome its faults and limitations will be put to a severe test. There are grounds for cautious optimism, at least for a group of countries in the region that could be able to build on the progress achieved in the past. Clearly, none of the pending tasks we have mentioned is easy to accomplish. Development will always be a somewhat unfinished goal. But there are clear signs indicating the path we need to take, and there are proven recommendations we can follow. We hold the key to unraveling over 500 years of unfulfilled promises.

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2

The Rule of Law in Latin America: From Constitutionalism to Political Uncertainty

Catalina Botero

The Rule of Law in Latin America: From Constitutionalism to Political Uncertainty

Catalina Botero

Compared to other regions, Latin America is doing well. Of 19 countries, Cuba alone lacks a democratic constitution and has not held free elections this century. All others have, at least nominally, multiparty regimes and a vibrant political debate. In quite a few, a strong judiciary has proven its independence by overriding presidential attempts to remain in office indefinitely and, more recently, by investigating corruption among political and economic elites. Most countries have made significant strides in furthering social inclusion. Civil society has become stronger, and technically savvy organizations enjoying political legitimacy have decisively helped redemocratize the justice system.

That said, some areas have seen precious little progress, while others have experienced a disturbing backslide. In Venezuela, the regime has shut down democratic institutions, predictably causing a humanitarian, social, and political tragedy of vast proportions, including the region's worst migrant crisis. In Venezuela and elsewhere, massive and systematic human rights violations and voter fraud are reported. These problems are compounded by the conspicuous inability of some states to control their territory, the criminal activities of political elites, and massive corruption scandals. Alarming social divisions, growing polarization, and declining trust in democracy and its representative institutions are also evident.

As envisaged in many Latin American constitutions, the rule of law requires, inter alia, separation of powers and upholding minority and fundamental rights. While the rule of law is not easily defined, intersecting as it does both political science and the law, this chapter views the concept as the legal and political foundation of a robust democracy. For the rule of law and democracy to exist, elections alone are insufficient. Also required are a state monopoly on force, control over government power, and as Ronald Dworkin (1986) notes, not using minority rights as a bargaining chip.

This chapter presents a brief overview of the status of the rule of law in Latin America, with an emphasis on five of the most serious challenges facing its consolidation. The starting point is the transition to democracy and the constitutional reforms that sought to consolidate it. Covered next are some of the most significant challenges facing the rule of law: the inability of certain

countries to control their territory and the resultant violence, the threats facing judicial independence, corruption, re-election and hyper-presidentialism, and the persistence of inequality. The chapter closes with brief remarks on the erosion of popular support for democracy.

The Transition to Democracy and the Constitutional Promise

In the 1970s, only Colombia, Costa Rica, and Venezuela were not ruled by a military junta or authoritarian government (although Colombia was emerging from a restricted political regime and stared armed conflict in the face). As a so-called "third wave of democracy" rippled through Latin America in the late 1970s, things began to change, driven, inter alia, by a new international scenario. The Greek, Portuguese, and Spanish dictatorships had come to an end, and the Cold War was winding down. In many autocratic states, a fiscal crisis made it hard to control bureaucracies and societies. Thus, in 1978, Dominican president Joaquín Balaguer was forced to turn power over to Antonio Guzmán. After that, the region—except for Cuba—began moving from authoritarian military or civilian regimes to democratic rule. In Ecuador, a military junta turned power over to Jaime Roldós in 1979. In the 1980s, autocrats in Argentina, Bolivia, Brazil, Chile, Nicaragua, Paraguay, Peru, and Uruguay gave way to democratically elected governments. In 1989, the Noriega dictatorship ended and Panama headed to the polls. In the 1990s, El Salvador and Guatemala negotiated peace accords that cleared the way for a return to democracy. In 2000, Mexico ended the seven-decade reign of the Institutional Revolutionary Party.

Apart from the antidemocratic attitudes of some individual leaders, only Peru substantially regressed into authoritarianism. In 1992, President Alberto Fujimori dissolved the Legislative Assembly and took over the judiciary in the name of the fight against terror. It is no coincidence that the Inter-American Democratic Charter was adopted in Lima in 2001, a year after Fujimori's hasty departure. The event was a symbolic celebration of the return to democracy in Peru and an assertion of the renewed democratic values of a region that, except for Cuba, was at last represented by governments elected in reasonably fair elections. With the charter, the countries of the Americas sought to mark a turning point in the collective defense of democracy. But consolidating the rule of law would prove to be a slower and much tougher task than enthusiastic Latin American governments had anticipated.

Although fragile and institutionally fragmented, the new democracies relied on a robust understanding of the rule of law that comprised not only regular, free, and competitive elections, but also a somewhat broad list of fundamental rights.

From 1982 to 1987, several Central American countries enshrined in their constitutions checks on presidential powers (e.g., a ban on incumbent or unlimited re-election) as well as an important slate of individual rights and judicial mechanisms designed to protect the constitution. These constitutions failed to thrive because of political tensions in the subregion and the armed conflicts in El Salvador and Guatemala, but shortcomings aside, they did seek to consolidate democratic regimes under lawful civilian authority.

The Brazilian Constitution of 1988 marked the start of a second wave of reforms that would last through Mexico's constitutional amendments of 2011. Meant to consolidate the rule of law, these changes limited presidential powers, recognized a broad slate of rights, gave international human rights instruments constitutional standing, created or strengthened constitutional justice systems, and boosted judicial independence. Some constitutions set up new civic engagement mechanisms, such as recall referendums, popular legislative initiatives, plebiscites, and popular consultations. Drafted during the heyday of the Washington Consensus, these changes also sought to bolster legal certainty and enable structural privatization and deregulatory reforms designed to increase the role of the market in the economy. But promises regarding economic, social, and cultural rights collided with institutional models and political agendas that had placed their bets on the market as the key driver of growth and redistribution (Uprimny and García-Villegas 2004).

Despite these efforts, chief executives retained significant power over the rest of government. In some countries, the only effective counterweights were constitutional courts or panels that reined in presidential excesses and adopted decisions forcing presidents to implement the social policies mandated in the constitution. Limited participation, institutional weakness and fragmentation—especially in remote regions—and poor implementation of accountability mechanisms, such as transparency and access to information laws, impeded the rise of a strong civil society capable of claiming a key political role. Although great institutional efforts were made to consolidate the functioning of the market, the institutions tasked with delivering quality goods and services to the disadvantaged were, with a few exceptions, timidly implemented.

Finally, there is a third type of new constitution, including those of 2008 in Ecuador and 2009 in Bolivia. These constitutions were drafted as the Washington Consensus faded away and amid a fiscal bonanza fueled by rising commodity prices. They reflected the rise of leaders outside the traditional party mainstream who rode in on the shoulders of broad social movements disenchanted by the failure of liberal promises. The new leaders promised substantial reforms in the name of social inclusion and cultural rights. Their constitutions substantially added to the catalogue of rights, gave government new powers, and, as counterbalance, created new and powerful mechanisms

of civic engagement and social control. However, these mechanisms were promptly co-opted by the executive power, putting an end to this new experiment in direct democracy and reinforcing the typical concentrated and hierarchical powers of regional constitutionalism.

The constitutions of the first and second periods, and at least the first versions of the Bolivian and Ecuadorian constitutions, promised a robust rule of law that would respect and guarantee political and personal autonomy rights and heed demands for equality and inclusion. The question now is whether these promises, crucial as they were for consolidating the rule of law, were fulfilled and what were the obstacles they faced.

Territorial Control, Violence, and Institutional Apartheid

It used to be that the regional debate on the rule of law did not include public security, one of the most critical issues on today's agenda. Indeed, absent territorial control and a state monopoly on the use of force, there is no rule of law. In other words, the endemic public security crisis facing Latin America is directly connected to our topic.

With barely 8 percent of the global population, in 2017 Latin America accounted for 38 percent of all murders. Of the 50 most violent cities in the world (based on murder rates), 41 are in Latin America (Alvarado and Muggah 2018). As Robert Muggah notes in chapter 3 of this book, the emergence of organized, well-coordinated criminal groups operating throughout the region is raising concerns about state ability to guarantee territorial control and a monopoly on force, without which there can be no rule of law.

While vast portions of Colombia were long controlled by criminal groups that, all told, led to over 8 million victims (Alsema 2018), Colombia is no longer the region's sole case of macro-criminal violence. Starting in the year 2000, drug lords began to fight the Mexican state for control of extensive border zones. As their Colombian counterparts lost their hold on drug shipments to the United States, the powerful Juárez and Gulf cartels moved in. Soon their reach extended throughout Central America's Northern Triangle (El Salvador, Guatemala, and Honduras) and is now spreading to areas of Colombia vacated by the Revolutionary Armed Forces of Colombia (FARC) guerrillas demobilized in 2016. Now more powerful than ever, drug cartels run hemispheric networks that have diversified into the capture of state rents, arms trafficking, drug precursors, smuggling, and human trafficking. All of these activities are fueled by the war on drugs, which has turned the drug trade into the world's most lucrative industry and the cartels into sophisticated enterprises capable of wresting territory from the state.

Other players include groups less structured but just as violent as the cartels, such as MS-13 or the Mara Salvatrucha. These groups are organized in stand-alone gangs which answer to local bosses and control vast vulnerable neighborhoods. This form of gang activity is growing throughout El Salvador (one of the world's most violent countries, second only to Venezuela in the region), poor Venezuelan neighborhoods, and the *favelas* of Rio de Janeiro. In many countries they also run the prisons, relegating the state to perimeter control. These groups wield absolute power over residents under their control. A new and growing criminal undertaking involves illegal mining, oil extraction, and logging activities. These groups often intimidate and murder environmental leaders, a practice that in 2017 reached epidemic proportions in Brazil, Colombia, Mexico, and Peru.

Once criminal gangs secure their turf, they set up regional networks that attempt to neutralize or capture state activities. Territorial control is usually facilitated through tacit cooperation or non-aggression pacts with local or central officials. Some of these arrangements are based on acts of corruption or mutual interest; others are the result of state inability to take action. The most successful of all state capture experiments is taking place in Venezuela, where officials across the board—including the military—are involved in drug, fuel, currency, food import, and smuggling cartels, leaving criminal gangs to handle street violence, neighborhood enforcement, and prison control (InSight Crime 2018).

The inability of Latin American institutions to prevent, investigate, and sanction crime is staggering, as is the resulting neglect facing millions of people. Other than the promise of the "citizen security" initiatives Robert Muggah notes in his chapter, effective prevention policies remain conspicuously absent. Regional impunity rates stand among the world's highest, ranging from 50 percent to 92 percent. The 2014 Ayotzinapa case in Mexico, in which 43 students were forceably disappeared after an alleged encounter with police forces, is a powerful example. Years after the incident took place, there have been no convictions, and the Mexican state has been accused of purposely derailing the judicial investigation.

Millions of residents of outlying areas are subject to violence from illegal groups and often from poorly trained security forces. The lack of territorial control prevents institutions from operating adequately and limits their ability to deliver quality goods and services to communities facing a plight that García-Villegas and Espinosa (2016) have labeled institutional apartheid, or the absence of the right to have rights due to state weakness and the dominance of violent groups.

As such, the debate about the rule of law cannot overlook the security crisis and the state's inability to tackle it. Since a complete overhaul of the global

drug control policy that is fueling the violence is not realistic at present, it is imperative to at least think about a comprehensive security policy that goes beyond law enforcement's anti-violence campaigns. For any such policy to succeed, it must strengthen fragile state institutions and engage communities without compromising safety. It must also improve the delivery of goods and services, including infrastructural, to outlying areas; revise campaign financing rules; and control the use of public funds. Also crucial are mechanisms for regional cooperation and mutual legal assistance, and reinforced prosecutorial independence and autonomy. Reverting high impunity rates can offer redress to victims and is the most effective way to prevent recurrence.

Judicial Independence and the Rule of Law

A key aim of post-transition constitutional reforms was to bolster court autonomy and independence. These changes set up independent judicial councils to handle court appointments and administration, sought to establish a judicial career track, and in some cases, provided budget guarantees designed to ensure that no government could financially starve the justice system.

Most of these efforts reflected the neo-institutional economic thought prevalent in the late 20th and early 21st centuries. The intent was to create courts that would efficiently arbitrate conflict, protect property, and give legal certainty to the private sector. However, the strengthening of justice, especially constitutional justice, combined with entrenchment of a broad slate of rights produced unanticipated effects that became enormously important for fulfilling the promise of social constitutionalism.

Indeed, guarantees of impartiality and independence allowed many judges to uphold key minority rights, notably prior consultation with indigenous peoples, sexual and reproductive rights, recognition of same-sex couples, and protection of social rights. In Colombia and Guatemala, the courts helped protect institutional stability from the arbitrary acts of powerful actors and prevented presidents from remaining in office indefinitely. As noted below, across the region prosecutors and judges are playing a critical role in investigating and prosecuting political and economic elites linked to major corruption scandals.

Still, judicial independence continues to face serious issues. Except for Brazil and Chile, most countries offer no real career track, and many judgeships are filled by nontenured judges, which makes them even more dependent on their political patrons. Expert and funding support remain insufficient; wages are often not competitive; and judicial councils have not shown the expected autonomy, governance, and management skills. Most countries lack effective policies on granting the disadvantaged access to justice, meeting

judicial demand in outlying areas, and protecting judges and prosecutors who investigate organized crime.

These vulnerabilities make the judiciary permeable to corruption and political interference, while society wonders about the legitimacy of a slow, biased justice system. Authoritarian governments have exploited these concerns to push for reforms that ostensibly intend to enhance the courts system, but in fact tend to weaken its independence. Many authoritarian rulers have seriously undermined judicial autonomy and independence to remain in office, avoid prosecution, or dilute checks on their power.

Venezuela is a textbook example. After becoming president in 1999, Hugo Chávez leveraged the judiciary's widespread disrepute to push for reforms that purported to strengthen the courts while in fact placing them under government control. The capture of the judiciary helped consolidate an authoritarian regime and lend a veneer of legitimacy to acts that contributed to breaking down the rule of law. For example, in 2017, the Venezuelan Supreme Court validated an illegitimately convened, government-controlled constituent assembly designed to supplant the opposition-controlled Legislative Assembly elected in December 2015. In countries such as Bolivia, Honduras, and Nicaragua, the evidence shows that guarantees of judicial independence are clearly lacking. In Ecuador, the reforms that gave former president Rafael Correa control of the courts are being dismantled by amendments approved in a plebiscite called by his successor, President Lenín Moreno.

There is a direct link between judicial guarantees, the rule of law, and democracy. Where the justice system is afforded institutional, structural, and functional guarantees of independence and autonomy, democratic performance is best. Where judicial independence is fragile or nonexistent, the quality of democracy is low.

The World Economic Forum uses a judicial independence indicator ranging from 1 to 7, with 1 indicating no independence. The 2018 report, comprising 140 countries, gives Venezuela, Nicaragua, and Ecuador a score of 1.1, 1.6, and 1.9, respectively, among the lowest in the world. In contrast, Uruguay, Costa Rica, and Chile score 5.4, 4.9, and 4.9, respectively. In the World Justice Project's Rule of Law Index (scores range from 0 to 1, with 1 indicating strongest adherence to the rule of law), one indicator is the judiciary's ability to act independently and to effectively limit government power (World Justice Project 2018). Latin American countries with the lowest scores on this front were Venezuela (0.14), Bolivia (0.24), Nicaragua (0.32), Honduras (0.35), and Ecuador (0.37).

In this century, all Latin American governments that drifted into authoritarian rule generally started by curtailing judicial independence and freedom of expression.

The Rule of Law and the Fight Against Corruption

Corruption scandals such as Mexico's Casa Blanca, Guatemala's customs bribery ring, Costa Rica's cement company racket, and Brazil's Odebrecht and Lava Jato cases (which then snowballed through the region) have shaped the Latin American political debate since 2012. As a heightened perception of corruption may help account for the democratic backsliding in the region, these scandals have a strong impact on the rule of law.

Analyzing the response to corruption helps determine the health and maturity of the rule of law. In December 2016, following the remarkable progress made by Brazilian prosecutors, the U.S. Department of Justice revealed that from 2001 to 2016 Odebrecht paid some US$788 million in bribes across 10 Latin American countries. Brazil and Peru have successfully prosecuted and convicted prominent politicians and businesspeople. But in the Dominican Republic, Mexico, and Venezuela, impunity has been the rule. What often makes the difference is the ability of prosecutors and judges to try cases involving politically powerful individuals. Where prosecutors are government appointed and judges are not protected by guarantees, investigations may stall or be restricted to lower-rung officials.

Brazil is a prime example of the impact of an independent judiciary on the anti-corruption fight. Three former presidents are facing charges, notably Luiz Inácio Lula da Silva, already serving time for corruption. Also behind bars are the former speakers of the lower and upper houses; the head of the government's congressional caucus; the former governor of Rio de Janeiro; and several legislators, cabinet ministers, and businesspeople.

In Peru, the fallout from the Odebrecht scandal led to the resignation of President Pedro Pablo Kuczynski. All told, three former presidents are under investigation and former president Ollanta Humala and his wife are already in pretrial detention. That said, *Fujimorista* legislators have threatened a congressional investigation of the lead prosecutor. In Ecuador, the investigation went ahead only after the Moreno government appointed a new prosecutor. As of this writing, Correa's vice president has been convicted and his comptroller general remains at large.

Argentina, where the courts under President Cristina Fernández de Kirchner (2007–15) shelved or stalled corruption cases, is another example of investigations gathering steam under a new government. A new scandal erupted in 2018, with mounting evidence implicating Fernández in a massive public works corruption scheme. In an unprecedented development resembling Brazil's Odebrecht affair, leading businessmen have admitted to paying kickbacks, which has led to fresh charges against the former president.

Where judges are less independent or the political atmosphere is adverse, investigations have failed to make headway. In Venezuela, a prosecutor appointed by President Maduro to look into the million-dollar bribes paid by Odebrecht promptly closed the investigation without filing charges. In Mexico, the prosecutor handling the Odebrecht file was fired after he made it clear that he actually intended to investigate.

In Guatemala, events around the International Commission Against Impunity in Guatemala (CICIG) show the close connection between presidential privilege, judicial independence, and corruption. CICIG was established with United Nations support as part of the peace accords. A 2015 CICIG investigation conducted in tandem with local justice officials implicated President Otto Pérez Molina in a customs corruption ring, eventually forcing his resignation. More recently, President Jimmy Morales has responded to an investigation into his family and presidential campaign with fierce attacks against the CICIG commissioner. Strong support from the United Nations and regional states, plus the technical skills and security of tenure of the commissioner and his team, show that institutional, structural, and functional guarantees can achieve remarkable results even under extremely hostile circumstances. Special mention should be made of the Guatemalan Constitutional Court's courageous stand to forestall drastic action against CICIG. At present, Morales is escalating his attacks against CICIG, with support from major allies in the U.S. Congress and government.

The Mission to Support the Fight against Corruption and Impunity in Honduras, a similar undertaking created under the auspices of the Organization of American States, has also faced serious hurdles investigating Honduran officials.

The checkered progress made in the anti-corruption fight shows how much remains to be done to fully guarantee court independence and transform the political culture. While it is encouraging that cases are being brought to light and serious investigations conducted, the absence of effective justice can hurt confidence in the system. Moreover, some politicians under investigation are using their clout to escalate polarization and question the justice system. In Brazil, Lula loyalists feel that court decisions against him are part of a political conspiracy. In Argentina and Ecuador, Fernández and Correa followers have accused the courts of being partisan and selective, while opponents claim that the system is ineffective. Where court guarantees are insufficient, democratic principles are not well rooted in civil society and calm debate on the role of the courts is found wanting, anti-corruption efforts can paradoxically end up undermining support for democratic institutions.

The Strengthening of Presidentialism and Re-election

To avoid a repeat of past abuses, most Latin American constitutions of the 1990s set limits on presidential re-election. Some barred it and others allowed it, although not consecutively or indefinitely. Yet, within the past 25 years, 12 of 18 governments have moved to weaken these limits.

In 1993, Peruvian president Alberto Fujimori successfully pushed for single-term incumbent re-election under the constitution. In 1996, free from the strictures of democratic formality, he had the legislature pass a law allowing him to run once again. He won, but his mandate rapidly collapsed amid accusations of widespread voter fraud. Shortly after, Fujimori fled the country to evade serious human rights and corruption charges. In 2000, upon the return of democracy, a constitutional amendment set a five-year term of office and barred incumbent re-election.

In 1994, Argentine president Carlos Menem agreed to reforms advancing the legitimacy and governance of the presidential system in exchange for a re-election clause. Once re-elected in 1995, he tried to remove term limits. Menem currently stands convicted of serious felonies.

Brazil's Fernando Henrique Cardoso also amended the constitution to allow for incumbent re-election. His intent was to ensure the sustainability of his Plan Real, a blueprint for stabilizing the currency after a difficult period of hyperinflation. To secure approval, Cardoso proposed reducing the term of office to four years, limiting re-election to a single term, and exempting governors and mayors from these restrictions. The amendment was approved by the voters, and in the 1999 presidential elections Cardoso defeated Lula da Silva. This may well be the only instance of a popular second-term president not seeking a new amendment to stay in office.

The 1999 Venezuelan constitution allowed one-time incumbent re-election and extended the term of office from five to six years. With a party system in disarray, a president with sky-high poll numbers, and a Constituent Assembly controlled by a government majority, the amendment was easily passed, allowing Chávez to substantially boost the powers of the presidency. He later proposed a referendum on unlimited re-election, an initiative that failed in 2007 but was eventually approved in 2009, leading an exultant Chávez to declare that he would stay in power through 2025. Elections in Venezuela presently lack all legitimacy, but this amendment allows Maduro to run as often as he wants, on a playing field wholly tilted in his favor.

Correa, in Ecuador, also succeeded in pushing through his re-election ambitions. After serving three terms, he left the post intending to run again after Moreno completed his term, only to see re-election barred in a referendum

held by the new administration. In the Dominican Republic, the rules have been constantly debated and amended to allow incumbent presidents to remain in office. The Colombian case is unique, in that although President Álvaro Uribe did manage to pass a constitutional amendment enabling him to run a second time, the Constitutional Court threw out an amendment that would have allowed him to run a third time.

In Bolivia, Honduras, and Nicaragua, where the judiciary is beholden to political power, limits on incumbent re-election were relaxed by court ruling after political efforts to secure a reform failed. Independent observers have strongly questioned the subsequent presidential elections held in Honduras and Nicaragua. While in Costa Rica re-election was also enabled by court ruling, the decision did not benefit a sitting president.

Most re-election efforts have been led by charismatic presidents vowing to address pressing security, social, and cultural demands. Once re-elected, however, they often stray from the mandates of democratic constitutionalism. All such rulers have significantly increased their powers, as additional terms of office offer an enormous ability to control the institutions meant to hold them accountable. In Nicaragua and Venezuela, crackdowns by re-elected presidents have resulted in the deaths of hundreds of opponents.

The Unfulfilled Promise of Social Constitutionalism

In its most robust version, such as many Latin American countries envisaged after transitioning to democracy, the rule of law ought to guarantee the rights and entitlements of all citizens. This duty entails a state obligation to confront the multidimensionality of poverty and inequality. As George Gray Molina writes in chapter 4 of this book, the socioeconomic dimension is but one factor behind inequality in Latin America. Gender, native or Afro-descendant status, age, and place of residence are also core components of inequality. These often overlap and feed on one another, resulting in wide-ranging inequality in matters of access to rights. While chapters 4 and 5 by Gray Molina and Augusto de la Torre and Alain Ize respectively review the impact of economic and social policy, this chapter focuses on inequality as the unfulfilled promise of the rule of law.

As Gray Molina shows, from 2002 to 2014, Latin America made significant headway in terms of poverty reduction. The advent of leftist governments shifted the development policy agenda toward inclusion and social issues, driving a significant increase in social spending. However, a new international scenario, slumping commodity prices, and the collapse facing countries implementing this agenda (Nicaragua, Venezuela) have revealed that any progress

that was made did not come from stable, robust institutions capable of sustainably managing such policies.

Inequality persists, at least in part, because of the weakness or absence of long-term policies capable of fostering stable institutions that are free from political cronyism and ensure the rights and interests of all sectors affected by these structural issues. The reality is that Latin American political elites of all stripes seem more preoccupied with acquiring and holding onto power than with guaranteeing universal access to rights.

In accounting for the lack of policies addressing structural inequality, another equally relevant factor is the lack of effective mechanisms for representation and participation in public policy making and accountability. Significantly, most constitutional reforms have preserved the traditional highly concentrated, top-down forms of exercising power. Where these did contemplate mechanisms for participation and social control, as in Bolivia and Ecuador, chief executives made sure to thwart them. The connection between constituents and representatives is thus tenuous and outlets for deliberation and participation, especially in remote regions, few and far between. Furthermore, the models adopted failed to include functional transparency and accountability systems. In short, while some efforts to address inequality were made, especially during the commodity bonanza of the early 2000s, they were not part of a larger policy design capable of building up long-term social citizenship and state capacities. Social benefits often remained tied to the whims and electoral goals of the government of the day, or, as in Venezuela, were wielded as a political tool while the basic institutions of the rule of law were dismantled.

Absent more adequate mechanisms for representation and participation, it often fell to the judiciary to ensure adoption of social policy and compel governments to fulfill their social mandate under the constitution; so-called "structural determinations" are a prime example. Many social movements chose strategic litigation over working through channels of representation. Court decisions, however, face democratic and material constraints. When matters involve redressing structural inequality, the justice system simply cannot offer adequate, long-term solutions to issues the political system chooses to ignore.

Concluding Remarks on the Regression of Democracy

The economic and social gains of the early 2000s notwithstanding, by 2018 excitement over the Latin American spring has died down, and so has optimism over its not-so-new democracies. The latest report of the World Justice Project's Rule of Law Index (scores range from 0 to 1, with 1 indicating strongest adherence to the rule of law) gives Venezuela 0.29 points, the world's

worst performance overall, followed by Bolivia (0.38), Honduras (0.40), Nicaragua (0.43), Guatemala (0.44), Mexico (0.45), and Ecuador and the Dominican Republic (both 0.47) (World Justice Project 2018).

Moreover, support for democracy has been steadily slipping in the last decade. The Latinobarómetro survey reports that the share of Latin Americans preferring democracy over any other form of government fell from 61 percent in 2010 to 48 percent in 2018. Dissatisfaction is also growing: in 2010, 52 percent of respondents were not satisfied with democracy in their country; by 2018, the number had risen to 71 percent.

The decline affects both democracy and its basic institutions. The AmericasBarometer survey asked respondents if they agreed that presidents should close down the legislature when the country is facing difficult times. In 2010, 14 percent of Latin Americans agreed; in 2016, the number rose to 20 percent. In 2010, 32 percent trusted the courts, 45 percent trusted the government and 34 percent trusted the legislature. By 2017, these figures had dropped to 25 percent for the courts and government and to 22 percent for the legislature. Worst ranked overall were political parties. According to Latinobarómetro (2018), in 2010 political parties were trusted by 23 percent of Latin Americans; by 2017, the number stood at a scant 15 percent. AmericasBarometer reports similar findings. In 2010, 24 percent trusted political parties; in 2016, the figure stood at 17 percent (Cohen, Lupu, and Zeichmeister 2017).

Accurately isolating the root causes of the growing democratic backsliding is not an easy proposition, but some explanations seem plausible. First is the state of the economy. In a report recapping 20 years (1995–2015) of measuring public opinion, Latinobarómetro (2015) found a clear link between economic health and satisfaction with democracy. From 2002 to 2008, Latin America lived through a virtuous cycle of sustained growth that lifted per capita income and substantially boosted support for democracy. Once the cycle was over and per capita income growth weakened, support for democracy declined.

Another factor is the growing incidence of voter fraud and the overt abuse of the rules of the game by incumbent presidents intent on staying in office. Indeed, inconsistent social agendas, ineffective public security policies, corruption scandals, and neglect of outlying regions have led many to feel that rulers govern to benefit themselves, not society. Compounding this feeling is the crisis facing political parties as channels of representation and the rise of charismatic leaders promising to address demands for justice and security while disparaging checks and balances such as the courts and press freedom. In addition, the new world scenario, with Donald Trump becoming president of the United States as Russia and China are in the ascendant, has induced a bewildering lack of interest—to say the least—in democratic backsliding in Latin America. As

a result, democracy has ever fewer champions at a time when societies seem ever more disenchanted. Finally, there is a shift in political discourse that cannot be emphasized too strongly: the rise of increasingly intolerant echo chambers unwilling to check their beliefs against the available evidence.

Samuel Huntington (1991) once wrote that waves of democracy are often followed by a decline that puts gains to the test. In the past five years, the test has cost Latin America dearly in terms of the consolidation of its democratic institutions. Maybe the time has come to call the decline for what it is: a dire, real challenge to the rule of law.

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3

Fighting Organized Crime in Latin America: Between *Mano Dura* and Citizen Security

Robert Muggah

Fighting Organized Crime in Latin America: Between *Mano Dura* and Citizen Security

Robert Muggah[1]

Latin America's violence problem is the subject of considerable global debate. On the one hand, the region is justifiably praised for establishing a zone of peace. Latin America has not experienced an international armed conflict since 1945, and the last remaining internal conflict came closer to an end with the 2016 peace deal with the Revolutionary Armed Forces of Colombia (FARC). Notwithstanding dangerous political and economic volatility in Venezuela and occasional constitutional crises (see chapter 2), Latin America has effectively rid itself of armed conflict. These successes were due in large part to the spread of democratic governance, real economic gains, and periodic interventions from regional organizations and so-called "guarantor states."

On the other hand, Latin American states and cities routinely rank among the world's most murderous (*The Economist* 2018; Luhnow 2018; Philipps 2018; Winter 2018). The regional homicide rate is at least three times the global average (Igarapé Institute Homicide Monitor 2018[2]; UNODC 2014), and citizens routinely list insecurity among their top concerns (Basombrio 2012). This is a change from the 1960s and 1970s, when murder rates were closer to the global average. Since then, the prevalence of lethal violence has steadily increased in Latin America while declining in most other parts of the world. While registering some improvements in recent years, 8 of the top 10 most violent countries on the planet are in Central America and the Caribbean,[3] and just 4 countries in the region account for 27 percent of the world's murders

[1] Credit to Katherine Aguirre Tobón, Juan Garzón, Bruno Binetti, and Nathalie Alvarado for reviewing earlier drafts.

[2] homicide.igarape.org.br.

[3] According to the latest data available from the Homicide Monitor, the top 10 include El Salvador (60 homicides per 100,000), Jamaica (56 per 100,000), Venezuela (54 per 100,000), Honduras (43 per 100,000), Saint Kitts and Nevis (42 per 100,000), Lesotho (41 per 100,000), Belize (41 per 100,000), Trinidad and Tobago (36 per 100,000), Saint Vincent and the Grenadines (35 per 100,000), and South Africa (34 per 100,000).

Table 3.1 **Homicides in selected Latin American countries as a percentage of the estimated global total**

Country/region (year)	Number of homicides	% of world total
Brazil (2016)	62,517	14
Colombia (2017)	11,918	3
Mexico (2017)	25,339	6
Venezuela (2017)	16,046	4
Subtotal	115,820	27
Rest of the world	321,180	73
World (2012)	437,000	100

Source: Igarapé Institute Homicide Monitor, homicide.igarape.org.br.

Table 3.2 **Top 50 global cities by homicide rate per 100,000 in population**

Rank	Country	City	Rate	Year
1	Venezuela	Guarenas-Guatire	102.20	2016
2	Mexico	Acapulco de Juarez	97.70	2017
3	Mexico	Chilpancingo De Los Bravo	97.05	2017
4	Brazil	Caucaia	96.60	2017
5	Mexico	Los Cabos	96.57	2017
6	El Salvador	San Salvador	95.70	2017
7	Mexico	Tijuana	91.23	2017
8	Honduras	Choloma	86.45	2017
9	Brazil	Mossoró	84.20	2017
10	Brazil	Ananindeua	79.60	2017
11	Brazil	Camacari	79.40	2016
12	South Africa	Chris Hani	77.80	2017
13	Brazil	Fortaleza	75.30	2017
14	Guatemala	Guatemala	75.11	2017
15	Venezuela	Caracas	74.96	2016
16	Brazil	Natal	70.30	2017
17	Mexico	La Paz	69.08	2017
18	Venezuela	Maturín	68.46	2016
19	Venezuela	Ciudad Guayana	68.18	2016

(continued)

Table 3.2 **Top 50 global cities by homicide rate, per 100,000** *(continued)*

Rank	Country	City	Rate	Year
20	Brazil	Paulista	67.90	2017
21	Venezuela	Ciudad Bolívar	67.56	2016
22	El Salvador	San Miguel	66.94	2017
23	Venezuela	Valencia	66.31	2016
24	Brazil	Rio Branco	66.00	2016
25	United States	St. Louis	65.83	2017
26	South Africa	Amathole	64.66	2017
27	Brazil	Marabá	64.10	2017
28	Mexico	Victoria	63.70	2017
29	Mexico	Culiacán	63.39	2017
30	Brazil	Caruaru	63.20	2017
31	Brazil	Belém	62.70	2017
32	Brazil	Gravatai	62.50	2017
33	Lesotho	Maseru	61.90	2009
34	El Salvador	Soyapango	61.79	2017
35	Brazil	Feira de Santana	60.50	2016
36	Brazil	Parnamirim	60.50	2017
37	Brazil	Vitória da Conquista	60.40	2016
38	South Africa	Cape Town	60.25	2017
39	Brazil	Maceió	58.70	2017
40	Venezuela	Barinas	57.59	2016
41	Brazil	Jaboatao dos Guararapes	57.20	2017
42	Brazil	Nova Iguaçu	56.50	2017
43	Venezuela	Maracay	56.18	2016
44	United States	Baltimore	55.48	2017
45	South Africa	Joe Gqabi	55.39	2017
46	Brazil	Serra	54.80	2016
47	South Africa	O.R Tambo	54.66	2017
48	Venezuela	Barquisimeto	54.53	2016
49	Brazil	Belford Roxo	53.90	2017
50	South Africa	Nelson Mandela Bay	53.82	2017

Source: Igarapé Institute Homicide Monitor, homicide.igarape.org.br.

(table 3.1). In addition, 43 of the 50 cities with the highest homicide rates on the planet are found in Latin America (table 3.2).

Over the past four decades, most efforts to control and contain organized crime have employed repressive measures, known as *mano dura* (firm hand). These law and order strategies were augmented with counternarcotics and anti-gang support from the United States. A basic assumption underlying *mano dura* is that bolder law enforcement, tougher penalties, and longer sentences deter bad behavior by actual and prospective drug traffickers and gang members. The results, however, have been mixed, with widespread negative externalities.

Faced with spiraling violence and comparatively high spending on public security, alternatives to *mano dura* started emerging in the late 1990s, building citizen security strategies from the ground up. The roll-out of citizen security programs and projects was incremental at first, though they gained support among national and subnational governments, international donors, and philanthropic foundations. Rather than emphasize punitive approaches and tightening border security, citizen security approaches place value on safeguarding people's rights, dignity, and entitlements.

This chapter considers Latin America's high violence rates, its relation to organized crime, and the region's attempts to deal with both problems. It first explores the dynamics and trends of organized crime and violence in the region. The second section turns to the underlying risk factors giving rise to insecurity. The third section examines the punitive characteristics of *mano dura* measures and their unintended consequences. The fourth section explores the origins and evolution of citizen security across the region. Throughout the chapter, we also see how citizen security—which encompasses social and situational prevention efforts, police and justice measures, and rehabilitation and re-entry interventions—has emerged as a counterbalance to the more traditional forms of crime control.

Reviewing Organized Crime and Violence in the Americas

Despite increasing military and police offensives in Mexico and the so-called Northern Triangle countries of El Salvador, Guatemala, and Honduras, levels of violence and population displacement have soared in recent times. Drug trafficking organizations, such as the Sinaloa Cartel and the Zetas in Mexico as well as gangs such as MS-13 and Barrio 18 in Central America, account for as much as one-third of the violence in the Americas, compared to just 1 percent in Asia or Europe. Ineffective criminal justice systems, weak enforcement practices, and high levels of impunity are some of the factors behind these trends (UNODC 2018).

Latin America is currently the region with the world's highest homicide rate. In 2017, the regional homicide rate was 21.5 per 100,000; by 2030, it is expected to reach 35 per 100,000 (table 3.3). This is not to say that the situation is uniformly bad across the region (table 3.4): there is considerable heterogeneity in patterns of crime and violence, and there are many examples of policies and programs that have contributed to improving safety and security in states, cities, and towns, including in settings dominated by organized crime.

Table 3.3 **Changes in homicide rates around the world, 2000–30**

Year	Latin America	Africa	Asia	Europe	Oceania	Global
2000	15.2	19.1	4.7	2.7	2.8	8.6
2005	18.1	6.4	4.8	2.6	4.4	8.5
2010	22.4	7.2	3.4	2.3	4.5	8.5
2015	23.7	8.8	2.8	1.7	1.8	6.3
2020*	27.1	7.2	2.5	1.5	2.0	5.7
2025*	30.5	5.6	2.1	1.2	2.1	5.1
2030*	35.0	4.0	1.7	1.0	2.3	4.5

Sources: Igarapé Institute Homicide Monitor, homicide.igarape.org.br. Projected average rates (indicated with *) by region from Vilalta 2015.

With regard to organized crime and violence, there is dramatic variation in the degree of criminal penetration and social disorganization across the region. For example, Argentina, Bolivia, Chile, Nicaragua, and Uruguay exhibit comparatively low violent mortality rates compared to Costa Rica, Dominican Republic, Panama, Paraguay, and Peru. Brazil, Colombia, El Salvador, Guatemala, Honduras, Mexico, and Venezuela all register high prevalence and absolute numbers of incidents of lethal violence attributable to a combination of factors including social and income inequality, lack of employment opportunities (for young males in particular), social disorganization and segregation, local drug markets, the availability of firearms, and widespread use of alcohol (Briceño-León, Villaveces, and Concha-Eastman 2008).

Organized crime and collective violence are predominantly urban problems in Latin America. This is not entirely surprising given the extent of urbanization: 85 percent of the region's population lives in cities, rising to more than 90 percent in parts of Central and South America (UN DESA 2018). Even in cities that are considered comparatively safe (e.g., Buenos Aires, Lima, or Montevideo), feelings of insecurity are high—due, in part, to high levels of victimization. And some of the region's fastest expanding cities, such

Table 3.4 **Homicide rates in Latin American countries per 100,000 in population**

Country	Subregion	Rate	Year
El Salvador	Central America	60.07	2017
Jamaica	The Caribbean	56.00	2017
Venezuela	South America	51.05	2017
Honduras	Central America	43.60	2017
Saint Kitts and Nevis	The Caribbean	42.00	2017
Belize	Central America	37.22	2017
Trinidad and Tobago	The Caribbean	36.00	2017
Saint Vincent and the Grenadines	The Caribbean	35.34	2016
Saint Lucia	The Caribbean	34.00	2017
Bahamas	The Caribbean	30.92	2017
Brazil	South America	30.34	2016
Guatemala	Central America	26.04	2017
Antigua and Barbuda	The Caribbean	25.00	2017
Colombia	South America	24.18	2017
Mexico	Central America	20.51	2017
Puerto Rico	The Caribbean	19.44	2017
Dominican Republic	The Caribbean	16.00	2016
Dominica	The Caribbean	15.77	2017
Guyana	South America	15.00	2017
Costa Rica	Central America	13.40	2017
Barbados	The Caribbean	11.00	2017
Grenada	The Caribbean	10.25	2016
Panama	Central America	10.07	2016
Haiti	The Caribbean	10.00	2015
Uruguay	South America	8.10	2017
Peru	South America	7.70	2016
Paraguay	South America	7.38	2017
Nicaragua	Central America	6.84	2017
Bolivia	South America	6.40	2016
Suriname	South America	6.00	2017
Argentina	South America	6.00	2016
Ecuador	South America	5.81	2017
Cuba	The Caribbean	4.32	2017
Chile	South America	3.50	2017

Source: Igarapé Institute Homicide Monitor, homicide.igarape.org.br.

as Acapulco in Mexico, Caracas in Venezuela, Maceió in Brazil, and San Pedro Sula in Honduras, are exceptionally vulnerable.

High rates of violent crime are commonly associated with rapid (and unregulated) population growth and informal or poorly planned development. As a result, zones of exclusion are quickly established, segmenting higher-income communities from lower-income ones (Muggah 2018a). These spatially segregated areas inhibit physical and social connectivity with other urban neighborhoods. They also frequently feature topographic barriers and uneven supply and access to basic services; as a result, they suffer from concentrated disadvantage. There, organized crime groups, gangs, and vigilante groups frequently develop alternative mechanisms of social control, described by some scholars as parallel, criminal, or shadow governance (Briceño-León, Villaveces, and Concha-Eastman 2008; Muggah 2018b).

To a certain extent, organized violence can be viewed on a continuum. In some cities, such as Medellín, Rio de Janeiro, and San Pedro Sula, there is a comparatively high level of violence that is highly organized. Meanwhile, in other cities, such as Panama City and São Paulo, rates of homicide and crime are comparatively low, despite (or perhaps because of) the presence of organized groups. The manifestation of violence is frequently connected to the types of illicit markets involved (e.g., cocaine trafficking, illicit arms sales, human smuggling), the extent of disequilibrium and disruption in the market (competition among different entities typically generates more violence), and the organizational characteristics of criminal groups.

Despite these differences, there are shared characteristics of organized criminal violence in Latin America. Although patterns of violence and victimization change over time, they nevertheless tend to concentrate in specific locations (Muggah and Aguirre Tobón 2018). In most locations, the largest share of violence occurs on just a few street corners. A setting's social cohesion and collective efficacy helps explain why more crime occurs in some areas as opposed to others. If the social ties within a community are too weak to influence how local people behave, criminality—in particular juvenile crime—is more likely. Where there are pockets of acute social and economic marginalization, high levels of youth unemployment, and a high turnover of residents, crime is also more likely.

In Mexico City, for example, four municipalities account for more than one-quarter of all crimes; in Caracas, three municipalities account for over 50 percent of all homicides. In Bogotá, the clusters are even more refined: just 1.2 percent of street addresses accounted for 99 percent of homicides. A meta-review of five Latin American countries found that 50 percent of all crime occurs in just 3.8 percent of street segments (Ajzenman and Jaitman 2016).

There are also common demographic features to criminal violence in Latin America. For example, young, poorer, and Afro-descendant males are most acutely vulnerable, comprising the overwhelming majority of victims of homicide in countries such as Brazil and Colombia. In countries such as Bolivia, Guatemala, Honduras, Mexico, and Peru, indigenous populations are also unevenly targeted by violence from state and private actors in rural areas (Human Rights Watch 2018). These same populations are also disproportionately represented among the poorest quintiles of Latin American populations, with comparatively low access to health, education, labor markets, and basic infrastructure (Morrison 2015). Indigenous women and girls are particularly vulnerable to exploitation and abuse, including sexual violence (UN 2014).

In monetary terms, the costs of criminal violence run into the hundreds of billions of dollars for the region. Some estimates suggest that the Latin America and the Caribbean region spends over 2 percent of its GDP combating organized crime. The total costs of criminal violence for 17 countries in the region are estimated to amount to between $114.5 and $170.4 billion per year (IDB 2010; Jaitman 2017; Ortega and Sanguinetti 2014). Given that the Latin America and the Caribbean region has roughly 645 million inhabitants, this translates into a regressive tax as high as $263 per capita. Taken together, the costs of crime in the region are twice the average in developed countries.

Reviewing the Causes of Organized Crime and Violence

Criminal violence is multifactorial: several variables influence the scale and dynamics of lethal and nonlethal violence in Latin America. Scholars have isolated a host of structural risks that are tightly correlated with intentional homicide. Among these are poverty and inequality, unemployment among young males, low-quality education, high impunity rates, and social norms condoning violence against women and girls. Other homicide triggers include rapid unregulated urbanization, the systemic penetration of organized crime and gangs, drug trade (and inelasticity of cocaine consumption), and ready access to alcohol and illicit firearms.

Policy makers and practitioners typically predict a positive relationship between improvements in social welfare and reductions in crime and violence. Yet despite positive changes in socioeconomic conditions in the mid-2000s, many Latin American countries and cities continue to register above-average rates of organized crime and violence. As George Gray Molina argues in chapter 4 of this book, while many people in Latin America and the Caribbean at the bottom end of the social ladder experienced real income gains during the “boom” years, the quality of economic growth was relatively poor. In most

countries, poverty reduction efforts were based on a model advocating consumption and sustained on direct cash transfers, and access to low-wage part-time work, which resulted in limited social mobility. This helps explain why a reduction in poverty did not have a significant impact on violence rates.

Notwithstanding declining poverty rates across Latin America, inequality reduction is stagnating, and the region exhibits the most unequal distribution of income in the world, including 8 of the 20 most unequal countries on the planet. There are at least two reasons why more inequality translates into more violence. First, large disparities in wealth create greater competition in and among populations experiencing high unemployment and limited upward mobility. Second, income inequality generates competition between the rich and poor over public goods. Given the capacity of the elites for appropriating and even eliminating public services, the result is often substandard provision of public goods, such as policing in poorer areas.

Another factor influencing high homicide rates is persistent youth unemployment. About 13 percent of Latin America and the Caribbean's 108 million youth (15- to 24-year-olds) are unemployed (ILO 2017). Their unemployment rate is three times the rate of adults. Over half of the young people who work are tied to the informal economy. In all, more than 20 million youth are not being educated, trained, or employed.

Higher rates of unemployed males contribute to a higher risk of violence and is connected to a surge in gang recruitment and membership. In Brazil, for instance, a 1 percent rise in unemployment rates for men is associated with a 2.1 percent spike in murder (Cerquiera and Moura 2015). Latin American societies are witnessing an explosion of aspirational crime as young people enter criminal groups and gangs as a way to climb the social ladder. Those either perpetrating or suffering from violent crime are typically young people who are out of work, out of school, and out of options. The opportunity costs for crime are lower when there are limited job horizons.

Comparatively high levels of violence against women and girls suggest that the phenomenon is both pervasive and widely tolerated in many Latin American societies. Indeed, gender-based violence is prolific across the region: 14 of the 24 countries with the highest reported rates of femicide are in Latin America and the Caribbean (Small Arms Survey 2016). Domestic violence affects 50 percent of all women in some countries, while lifetime forced sex prevalence rates range from 5 to 47 percent (PAHO and CDC 2012). The characteristics of violence against women differ in several respects from that committed against men. Women are more commonly physically assaulted by known acquaintances, family members, and intimate partners. They are also more frequently sexually assaulted and exploited in childhood, adolescence, and adulthood (Bott, Ellsberg, and Morrison 2004). Factors that aggravate

sexual violence are connected to unequal gender social orders and power relations between men and women. Specifically, the legitimization of violence against women, blaming of women for rape and other forms of sexual violence, viewing women as sexual objects, and the cult of women's virginity are all singled out (Jewkes 2002).

Another common explanation for high violence rates in Latin America relates to weak security and justice institutions (UNDP 2014), as Catalina Botero points out in chapter 2 of this volume. Weaknesses include low institutional legitimacy, uneven capacity of courts and government agencies, prevalent corruption, and lack of legitimacy in the eyes of the population. Meanwhile, low institutional capacity leads to law and order institutions becoming associated with patronage and impunity. In Latin America, 20 in 100 murders results in conviction, whereas the global rate is 43 in 100 (UNODC 2014). In Brazil, the rate of convictions to homicides is 8 in 100. There are several explanations for institutional weakness in the law enforcement and criminal justice sectors. One of the most obvious is the legacy of civil war and military rule in countries like Argentina, Brazil, Colombia, El Salvador, Guatemala, and Haiti. In some instances, military and police institutions continue operating with a war mentality. Some of them harbor clandestine structures in the armed forces, intelligence, and judicial sectors.

A major factor shaping systemic impunity is organized crime—especially drug trafficking organizations. All Latin American countries are affected to varying degrees by criminal organizations, especially drug cartels, which manage an estimated $330 billion in revenue per year (UNODC 2014). In many countries, such groups have already penetrated all branches of government (Muggah and Sullivan 2018). After all, a weak state is a boon for organized crime. Buying off public institutions is much more efficient than fighting them.

The abundance of unlicensed firearms, including those trafficked from the United States or leaked domestically, are also associated with the region's disproportionately high burden of gun violence. Approximately 75 percent of all homicides in Latin America are perpetrated with firearms, compared to the global average of roughly 42 percent. In Brazil and Honduras, the percentage of gun-related murders soars to close to 90 percent. Handguns and assault rifles are not the "cause" of homicide or violent crime per se, but their abundance and easy accessibility certainly increase the risk of a lethal outcome during a dispute between intimate partners or gang factions, or a holdup. And while weapons are trafficked illegally from outside the region, they are also routinely pilfered from the stocks of the armed forces and police (Aguirre Tobón and Muggah 2018).

Characteristics of *Mano Dura* Measures in Latin America

Mano dura policies and practices refer to the application of repression to address public order concerns. This expression is typically shorthand for hard-line authoritarian approaches to law and order and the acute application of military and police force to address common crime. Because these approaches sound action oriented and morally just and have widespread popular appeal, populist leaders routinely resort to such tactics.

Many countries across Latin America emerged from decades of civil war and authoritarian rule in the 1970s and '80s with their military and paramilitary institutions left relatively intact. Some continue to rely on their armed forces to undertake discretionary arrests and patrol streets to maintain law and order, and many have introduced legislative changes allowing for the criminalization of misdemeanors. Further, courts regularly accept extrajudicial confessions, the detention of suspects without charge, and violent indiscretions during periods of "emergency." Inmates frequently languish for years in prisons without access to counsel or final judgment.

The perpetuation of *mano dura*–style policies and practices into the 21st century can be traced to a few factors. For one, historically high crime rates have ensured that "tough on crime" responses remain high on the political agenda. Hard-line populist politicians, backed by media, religious, and business representatives, have sought to maintain the status quo. Not surprisingly, elected officials routinely increase military and police crackdowns and mass incarceration in response to citizen anxieties about crime and personal insecurity. Surveys reveal that public concern with rising crime and victimization are associated with increasing support for authoritarian government, due process restrictions, expanded police discretion, and vigilante justice (Muggah and Winter 2017).

Another impetus for *mano dura* is the persistent appeal of certain theories that justify its perpetuation. For example, "zero-tolerance" policies applying the so-called "broken windows" approach to crime prevention in North America are especially seductive and have spread throughout Latin America. This approach suggests police can make areas safer by cracking down on minor quality-of-life offenses, like vandalism or panhandling, on the assumption that strict enforcement of the law against petty crime will prevent more serious crime from taking root. Yet unlike the experience of North America, Latin American efforts to introduce zero tolerance are subject to comparatively few formal checks and balances. Moreover, zero tolerance is often applied in circumstances where criminal justice institutions were traditionally weak by poorly trained police and ineffective judicial and penal systems. Pervasive corruption compounds these problems (see chapter 2 in this volume).

Practically speaking, *mano dura* policies can be distilled to three sets of measures. It is their combined, not individual, application that characterizes them as *mano dura*. First, there is the amplification of police discretion to arrest suspects on subjective evidence and to impose criminal sentences for minor offenses. As a result, police are granted license to sweep poor and marginal neighborhoods. They can search, seize, and arrest people for civil misdemeanors including loitering, public nuisance, vagrancy, or more ambiguously, "no licit purposes," or "lacking an identity document." Since the object of many *mano dura* approaches is gangs—from sophisticated *maras* to street-corner cliques—the result is typically rapid and targeted incarceration of young people.

Across Central America, for example, *mano dura*–style legislation is common. In some cases, it is connected to the wider counter-terrorism and war on terror discourse made popular since 9/11. In October 2006, for example, El Salvador initiated the Special Law Against Acts of Terrorism. Ten years later, after abandoning a truce with gangs, public authorities passed new anti-gang measures that classified gangs as terrorist organizations. In 2015, Honduras strengthened its legislation to combat gang activity by enacting stricter prison sentencing guidelines and new legislative tools for prosecuting gang members, increasing prison terms for recruits to up to 30 years. And in May 2017, Guatemalan legislators proposed a new bill with similar features (Asmann 2017).

The excessive use of force by police is systemic and corrosive. According to a victimization survey by AmericasBarometer (Zechmeister 2014), there is considerable variation in reported police abuse: Argentina, Bolivia, Colombia, and El Salvador report the highest levels. Indeed, there is a positive relationship between a country's murder rate and the overall share of killings committed by the police. Although the proponents of *mano dura* policing argue that these high ratios might be the result of Latin American police officers facing frequent dangerous encounters, recent data contradict this thesis by showing that the ratio of people killed by police to police officers killed by suspects in such places is higher than 10:1, implying the serious misuse of force.

The second characteristic of *mano dura* policies is a reduction in the procedural rights that are guaranteed to suspects, including minors. They may include a combination of pretrial detention, extrajudicial confessions, the rolling back of protections for young people under age 18, increased prevalence of unauthorized searches, and lowered evidentiary standards. They move beyond so-called "zero-tolerance" strategies that target low-level crimes, since there are few safeguards for limiting police abuse and procedural guarantees for detainees (Muggah 2018b).

Heavy-handed approaches frequently override the basic rights of offender groups, especially young low-income minorities. Aggressive policing, including stop and search, is common, as are forceful targeted interventions focusing on at-risk youth. There are often controversial efforts undertaken to adapt criminal and penal codes to reduce the age of criminal responsibility. Similarly, new laws may be introduced to ensure more severe sentencing for adults and juveniles alike. Frequently, there are also efforts to segregate and contain prisoners once they are in jails, often with highly unsatisfactory results (Muggah 2018b).

Mano dura also commonly lengthens prison sentences for inmates for violent and nonviolent offenses, especially drug-related charges. The logic is that stiff sentencing and robust detention will deter future perpetration of crime. There is, however, comparatively limited evidence that such measures are effective as a deterrent. Nor does it appear that longer and more severe prison terms contribute to reducing recidivism and repeat offenses. To the contrary, stronger penalties may reverse, and even strengthen, the power of organized crime, including prison gangs with youth membership. From Brazil, Colombia, and Mexico to El Salvador, Guatemala, and Honduras, prisons have provided ideal locations for young gang members to become more cohesive.

Because of stricter penalties and longer sentences, most countries across Latin America suffer from mass incarceration policies and prison overcrowding. Punitive strategies overwhelmingly affect the poor, and most inmates are charged with minor offenses. Excessive incarceration also has deleterious knock-on social and economic effects outside the prison gates. Mass imprisonment disrupts neighborhood-level mechanisms of social control and social support by, for instance, breaking up families, reducing the purchasing power of households, increasing reliance on social welfare and public support programs, and heightening barriers to legitimate labor opportunities and financial well-being (DeFina and Hannon 2009).

The third characteristic of *mano dura* policies is a wide application of militarized police and the armed forces to guarantee internal security. The involvement of soldiers in domestic security reverses decades of efforts to ensure civilian oversight and investment in civic police forces. Most constitutions allow the deployment of the military during "national crises" as a temporary measure for exceptional circumstances. *Mano dura* interventions mobilize a more permanent use of military assets to control organized crime, predominantly gangs, under the rubric of law and order. In many settings, institutional reforms have not contributed to positive institutional transformation: police corporations are frequently skeptical and resist change (Frühling 2012). As a result, regressive organizational cultures persist, many of them committed to heavy-handed repressive approaches to policing.

Military and paramilitary responses to domestic crime challenges undermine democratic legitimacy and basic norms of human rights and procedural justice. Their use virtually always results in the excessive use of force since militaries are organized according to vertical and inflexible command structures and strategies designed to eliminate the enemy. By contrast, law enforcement agencies are expected to minimize the use of violent force and establish a tighter relationship with communities (Dammert 2007).

From Brazil and Colombia to El Salvador and Mexico, there are many examples of resorting to military and paramilitary assets to address regional and ostensibly domestic crime challenges. The effects of deploying armed forces to stabilize crime-affected areas and deterring specific perpetrators of crime are uneven. On the one hand, there are occasions where the use of soldiers to "pacify," "occupy," and "contain" has an anesthetic, albeit temporary, effect. On the other hand, such strategies—alongside counternarcotics and counter-insurgency measures more generally—also result in widespread violations of human rights, including extrajudicial assassinations, disappearances, torture, and more.

Since it necessarily upsets criminal structures, the deployment of military and paramilitary assets for domestic crime control purposes virtually always increases overall violent mortality in the short to medium term. In Mexico since 2006, military interventions have resulted in year-on-year increases in the average homicide rate in selected municipalities. Meanwhile, in Brazil, there is evidence that military measures and the deployment of military police and soldiers have also contributed to disproportionate violence against citizens.

A final trend is worth mentioning. The number of private security personnel across Latin America outstrips police officers by a ratio of at least 2:1, and this ratio increases significantly in countries such as Brazil, Colombia, El Salvador, Honduras, and Mexico. While armed guards are increasingly connected to local political economies across the region—in the formal and informal sectors—there are open questions about what degree of protection is generated by them. There are also concerns about the corrosive effects of the spread of private security on public spending for security and safety. Latin American elites show limited appetite to subsidize public security services, especially given their low trust in police and justice institutions.

Any meaningful shift away from *mano dura* will require a reappraisal of how to address illegal drugs. Some U.S.-backed regional and national counternarcotics strategies—the Central American Regional Security Initiative, the Caribbean Basin Security Initiative, the Merida Initiative, and Plan Colombia, to name a few—have all had limited impacts on reducing the demand and supply for drugs. By contrast, they have generated mixed results with respect to

weakening organized crime, much less lowering rates of violence and nonviolent crime in the long term (Muggah and Szabo de Carvalho 2014). There is recognition among many public authorities across Latin America that more balanced strategies are required, not an overreliance on repression. Some governments, notably Colombia, Mexico, and Uruguay, have also experimented with limited regulation of certain drugs, together with intelligence-led policing and preventive measures.

Citizen Security in Theory and Practice

A promising set of citizen security policies and practices offers an alternative to *mano dura*–style measures. These alternative measures encompass an array of ideas and activities intended to prevent and reduce violence, promote public security and access to justice, strengthen social cohesion, and reinforce the mutual rights and obligations of states and citizens. In principle, citizen security entails the delivery of effective public safety measures in the context of broader democratic norms (Muggah 2017a). In addition to emphasizing the central role of effective and legitimate public security forces and criminal justice systems, citizen security is distinct from and broader than punitive law and order approaches to policing and crime control. Most countries in Latin America have established national or subnational citizen security policies, and virtually all multilateral and bilateral donors describe at least some of their investments in these terms.

There is growing investment in citizen security strategies precisely because they appear to have reigned in some of the authoritarian tendencies of states and security institutions. Citizen security policies and programs are supported by foreign donor governments, development agencies, and civil society groups precisely because of their emphasis on guaranteeing human rights and civil liberties. This is not to suggest that citizen security appeals to all quarters of society. To the contrary, there are many who are hostile, seeing it as "soft on crime" or a wider politicized project of the left. Regardless, at the center of the idea are two basic constructs that have gained traction across Latin America: the responsible state and active citizenship.

The first pillar of citizen security is **the responsible state**. States have the ultimate responsibility to protect their citizens and to ensure basic guarantees of their safety and well-being. And yet, in many Latin American cities and outlying slums, the state has either been unable or unwilling to abide by this basic obligation. Security entities are alternatively predatory or negligent. Not surprisingly, public confidence in state institutions—especially police, courts, and prisons—has reached historic lows. As a result, there is frequently a temptation to summon military actors to engage in domestic law and order. However,

as recent experiences from Brazil, El Salvador, and Mexico show, the presence of soldiers on the streets can generate contradictory messages and uncertain outcomes. While warmly welcomed in some quarters, the historical legacy of soldiers on Latin American streets is a complicated one.

The second concept is **active citizenship**. It is not just police, but also citizens who play a key role in ensuring their own security. On the one hand, citizens hold state officials to account for their failures to adequately deliver on their responsibility to provide security. On the other hand, the success of many public safety policies is predicated on positive engagement between police and the wider population. Finding ways of building engagement between the police and the population is essential in delivering information and establishing and implementing effective policing policy. Ultimately citizens, in collaboration with law enforcement, must take ownership of their own security. This does not imply support for vigilantism or lynching, as is alarmingly common in some parts of Latin America. Nor does it imply the creation of militia or paramilitary forces or investing in more prisons, which are often referred to as "crime colleges" since young people held for relatively minor offenses are often forced to join criminal organizations while in prison and retain their affiliations after they leave.

At heart, citizen security is framed and administered by the state but guided and implemented with active public engagement. Citizen security is consistent with—though not substituted by—a wide variety of successful policing practices across the globe including problem-oriented policing, proximity and community-oriented policing, and problem-oriented and intelligence-led policing.[4] Such approaches are often introduced in the context of police reform and modernization in Latin America.[5] In addition to specific policing strategies and tactics, citizen security policies also encompass an array of activities seeking to improve general safety, prevent violence, and reduce crime, especially in cities (Alvarado and Muggah 2018; Muggah et al. 2016). These can include but are not limited to the redesign and upgrade of urban spaces (environmental design), job creation, vocational training and employment placement programs, educational measures and school-based interventions, early childhood and parent support activities, and formal and

[4] For a comprehensive discussion of the application of contemporary policing strategies in Latin America, see Ungar and Arias (2012).

[5] Major restructuring processes swept across Central and South America over the past two decades including in Argentina, Colombia's National Police, Chile's Investigative Police, and Venezuela where successive efforts have been undertaken. See FLACSO (2007).

informal mediation to reduce intergroup tensions in highly volatile situations (Muggah 2018b).

While there are hopeful signs of a shift to more citizen security–oriented approaches, they have struggled to scale effectively (Ortega and Sanguinetti 2014). Their usefulness needs to be demonstrated on both empirical and cost-effectiveness grounds. However, a recent study estimates that Latin American governments spent between $55 and $70 billion on public security—police, justice, and prisons—in 2014, with a much smaller proportion devoted to citizen security measures (table 3.5). Government spending on public security across Latin America is on average one-third of the amount spent on health and education, but still between two and three times higher than in developed countries. Further, countries with equivalent levels of expenditure on public security may have radically divergent security outcomes.

Table 3.5 **Overall crime-related costs by subregion, 2014**

Subregion	Percent of GDP
Central America	4.2
Caribbean	3.6
Andean Region	3.1
Southern Cone	3.0
Latin America and the Caribbean average	3.5

Source: Jaitman 2017.

Even so, citizen security efforts have generated some positive outcomes in relation to crime and victimization reduction across Latin America. Once notoriously violent cities such as Bogotá, Medellín, San Pedro Sula, and São Paulo have witnessed a 70–90 percent drop in murder over the past two decades (Muggah and Alvarado 2016). While offering a glimpse of what is possible, these experiences are still rare, and mostly concentrated in Brazil and Central America. The challenges are monumental: half of the region's 300 largest cities feature homicide rates that are at least five times the global average. What is required is a comprehensive vision of citizen security that accounts for multiple levels of government and multisector interventions. These measures require reliable and high-quality data and analysis, developed in partnership with affected communities.

While every situation is different, key ingredients include crafting a clear strategy with a determined focus on high-risk places, people, and behaviors (Muggah and Aguirre Tobón 2018). A significant part of the solution requires

addressing the specific risks—persistent inequality, youth unemployment, weak security and justice institutions, and organized crime groups fueled by drug trafficking. There are also several practices—including focused deterrence strategies, cognitive therapy for at-risk youth, early childhood and parenting support, and targeted efforts to reduce concentrated poverty—with a positive track record (Cano and Rojido 2016; Garzón 2017).

Colombia has been a leader in innovative citizen security programs. One of the most well-known national strategies is the Plan Nacional de Vigilancia Comunitaria por Cuadrantes, known as Plan Cuadrantes. It initially focused on the largest cities: Bogotá, Barranquilla, Bucaramanga, Cali, Cartagena, Cúcuta, Medellín, and Pereira. At least 9,000 police were involved in community- and problem-oriented policing strategies (including foot patrols) to address neighborhood-level challenges. Cities were divided into small areas (*cuadrantes*) with six officers per area. Impact evaluations registered a 22 percent reduction in homicide (Muggah et al. 2016).

It is not just national plans but, even more important, city-driven initiatives that stand out. Starting in the 1990s, Cali mayor Rodrigo Guerrero pursued data-driven crime control with impressive results. In Bogotá, a succession of mayors, beginning in 1997 with Antanas Mockus and later Enrique Peñalosa and Luis Eduardo Garzón, launched so-called citizen co-existence and citizen security interventions with dramatic gains. Meanwhile, Medellín mayors Luis Pérez and Sergio Fajardo introduced social urbanism and "urban acupuncture," together with principles of transparency and zero tolerance for corruption.

The results of these city-led crime prevention efforts are nothing short of breathtaking. Take the case of Medellín, which in 1991 had a homicide rate of 381 per 100,000. Medellín's homicide rate in 2017 is closer to 21 per 100,000, far below that of many U.S. cities. Bogotá's murder rate dropped from 80 per 100,000 in 1993 to 16 per 100,000 today. Even Cali's and Barranquilla's stubbornly high rates have fallen to historic lows. This is good news, since these four cities account for one-third of all murders in Colombia (Muggah 2017b).

While the headlines are often pessimistic, Brazil is a laboratory of innovation when it comes to citizen security. There are many examples of innovative policing, criminal justice, penal, and prevention programs across the country since the 1990s. They share some common features, including comprehensive approaches combining community policing with social and economic investment in marginal areas of concentrated poverty. They have also struggled with similar challenges, including changes in leadership, funding gaps, persistent inequality, and uneven government support over the long term.

Take the case of the state of São Paulo in Brazil, which witnessed an extraordinary drop in murder in 2000. Metropolitan São Paulo witnessed even more dramatic reductions in murder than cities in Colombia: from 52.5

per 100,000 in 1999 to just 6.1 per 100,000 today. Researchers attribute this drop to a combination of structural factors, police reform, gun control, alcohol restrictions, and even a Pax Mafiosa generated by the consolidation of a major gang, the First Capital Command (PCC), that seems to have imposed its rule over other criminal organizations. The most important interventions involved the deployment of community police units working in tough areas, new guidelines on the use of force, data-driven crime-mapping tools (called Infocrim), rewards for good performance, human rights and technical training, improvements in investigation, and better coordination between military and civil police forces.

Meanwhile, in Rio de Janeiro, two programs are credited with generating reductions in lethal violence between 2009 and 2015. The first is a statewide system of targets for military police, which sets performance targets for reducing lethal and nonlethal crime. The second is the pacification police units, which enlisted 9,000 new officers, deploying them to 38 areas across the metropolitan capital. Between 2009 and 2015, homicide rates dropped by 66 percent, although they started to creep back up in 2016 in the wake of political scandal, economic crisis, and collapsing leadership. In addition to failing to address systemic social and economic challenges, the intervention came under heavy criticism for a series of abuses committed by the pacification police units themselves.

It is worth noting that many public authorities across Latin America, including Brazil, Colombia, and El Salvador, have resorted to informal pacts and truces with organized crime groups to reduce crime and violence. The evidence suggests that such informal agreements are seldom effective in the medium to long term (*The Economist* 2017b; Justus et al. 2018). They can generate short-term reductions in homicide, but when they collapse—as they often do—levels of criminal violence return to (or exceed) levels seen before the agreement. The problem seems to be one of credibility: in the absence of predictable rules and third-party enforcement, repeat iterations of this type of agreement become more difficult.

Truces and pacts with cartels and gangs are exceedingly unpopular with the public. The chief criticism is that these agreements afford such groups opportunities to rearm. In other cases, pacts allow gangs to shore up their legitimacy and capacity in their communities, especially in the absence of concessions and external verification measures. In postwar settings, ceasefires and peace agreements have clear confidence-building and verification measures, usually backed by a credible third party. Similar guarantees rarely if ever exist outside war zones.

Conclusions

Given Latin America's continued high levels of organized crime and violence, the accompanying fear among citizens, and societal tolerance for aggressive policing, it is likely that *mano dura* approaches will persist. When Latin Americans are afraid, support for more punitive tough on crime policies—and the politicians who endorse them—grows. That said, even if citizen security measures were to become a more dominant form of public security provision, they alone will not resolve Latin America's crime epidemic.

To be sure, measures to prevent and reduce organized crime cannot rely exclusively on security forces, intelligence led-policing, criminal justice, and penal reform. While cliché, it is still the case that they must be accompanied by preventive efforts to address systemic problems that give rise to such crime in the first place. Strategies addressing concentrated poverty and disadvantage, social and economic inequality, chronic un- and underemployment, impunity, and norms condoning violence against women are critical. To be effective, strategies should be based on evidence and squarely focused on the highest risk places, people, and behaviors. Fortunately, there are a growing number of positive (and evaluated) experiences across the Americas on which to draw.

Sustained public and private investment in safety and security is showing some promising results across Latin America. While there are still supporters of aggressive law and order approaches to all forms of crime control in Latin America, many governments and societies have taken steps to pursue more balanced strategies. Transparent civilian oversight of the region's military, law enforcement, and justice institutions is a precondition for restoring their credibility and legitimacy. Combined with police and criminal justice reform, the introduction of new technologies, including real-time crime-mapping systems, predictive analytics, and smarter forms of surveillance, is contributing to better law enforcement and administration of justice. These are all deeply challenging tasks and generate consequential ethical questions: positive outcomes will require enlightened leadership and robust citizen engagement. The most notable successes have arisen when policies are sustained across multiple electoral terms and are genuinely owned by local populations.

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4

Latin America's Social Development: Mountains and Valleys

George Gray Molina

Latin America's Social Development: Mountains and Valleys

George Gray Molina

As economic growth slowly resumes after the abrupt end of the boom Latin America enjoyed from between 2003 and 2013, its socioeconomic landscape reveals a mixed picture: while important progress has been made in reducing income-based poverty and inequality since 2003, strong imbalances among and between countries endure. Further, the post-2013 economic downturn has reversed part of the progress Latin America had made in the previous decade: poverty and inequality have risen, albeit moderately. In addition, wealth and income are still highly concentrated, and gender, ethnic, and racial exclusions continue to skew opportunities and access to services across the region. Given the enormous efforts made by governments in pursuing antipoverty policies in the 21st century, this is a good moment to take stock of their effectiveness. How can we explain the observed patterns of achievement and exclusion? Will "more of the same" deliver social, labor, and gender benefits? What will it take to protect past gains and break through enduring exclusions, inequalities, and discrimination?

This chapter is structured in four parts. The first reviews the trends on income poverty and inequality during the economic boom (2003–13) and slowdown (2014–17). The second part assesses the effectiveness of government policies, starting with labor markets, education, and social transfers, followed by a discussion of multidimensional policy approaches to tackle poverty and inequality. Part three analyzes Latin America's progress and challenges in breaking down historic patterns of discrimination by gender, ethnicity, and race. The final part explores potential scenarios for the future and highlights important policy issues the region needs to pay attention to if it is to continue reducing poverty and inequality.

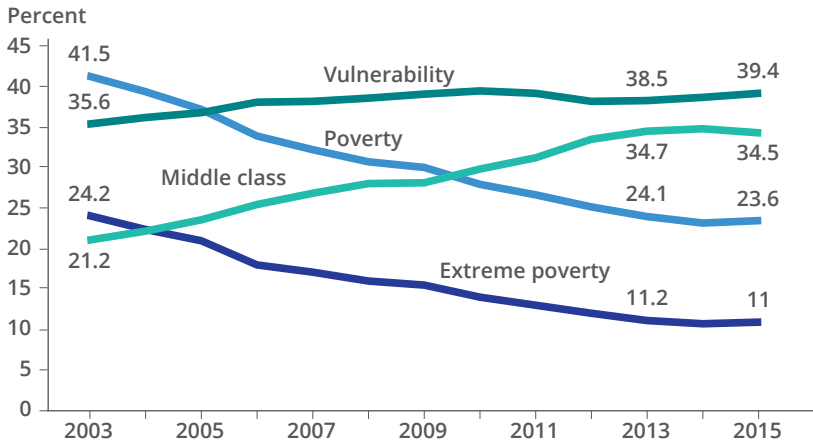
The Trends: Boom and Slowdown

Three trends tell a remarkable story of the recent social transformation in Latin America.[1] First, between 2003 and 2013, Latin America achieved both the

[1] This section uses the most comprehensive series of household income data collected in the region, compiled by the Center for Distributive, Labor and Social Studies

lowest incidence of poverty on record and the largest expansion of the middle class. In general terms, 72 million people exited conditions of poverty in this period, and 94 million people joined the middle classes (UNDP 2016). Almost half of this effect was due to Brazil. The countries that reduced poverty fastest—in terms of percentage drops since 2003—are Peru, Bolivia, Ecuador, and Paraguay. The proportion of the population living in poverty fell from 41.5 percent in 2003 to 24.1 percent in 2013 (figure 4.1). Furthermore, those classified as extremely poor fell from 24.2 percent to 11.2 percent of the region's population. Meanwhile, the middle-class population increased from 21.2 percent in 2003 to 34.7 percent in 2013 (Ortiz-Juárez 2017).

Figure 4.1 **Poverty, vulnerability, and middle-class trends since 2003 for 19 Latin American countries**



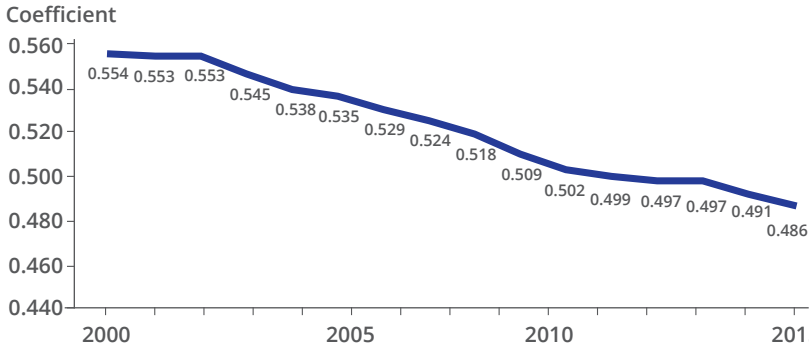
Source: Ortiz-Juárez 2017.

Further, during the boom, Latin American countries made progress in terms of inequality reduction: the region's average Gini coefficient (which

(CEDLAS)–La Plata, for 19 countries. The income groups included in the Socio-Economic Database for Latin America and the Caribbean (SEDLAC; http://www.cedlas.econo.unlp.edu.ar/wp/en/estadisticas/sedlac/) are based on daily per capita income thresholds established in U.S. dollars and adjusted for purchasing power parity: extreme poverty line (less than US$2.50 per day), poverty line (less than US$4 per day), vulnerability line (US$4–US$10 per day), and middle-class line (US$10–US$50 per day). Data from 2003 to 2016 are presented in this review.

measures inequality, with 0 being total equality and 1 total inequality) fell from over 0.55 to 0.48 (figure 4.2). At the same time, however, the region remains the most unequal in the world. In 2014, the richest 10 percent had 71 percent of Latin America's wealth (Bárcena and Byanyima 2016).

Figure 4.2 **Gini coefficient since 2000, Latin America (19 countries)**



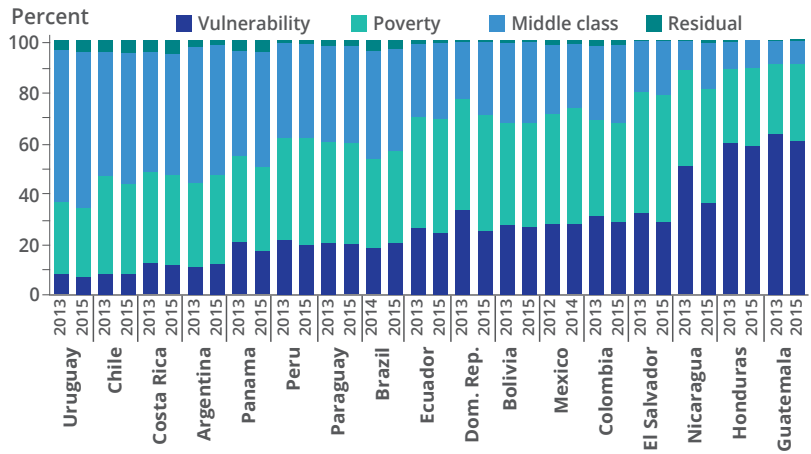
Source: Ortiz-Juárez 2017.

Some of this progress was reversed during the slowdown period (2013–16). While 35 million people moved upward between 2013 and 2015, close to 18 million moved downward: 11 million became part of the "vulnerable" class, and 7 million dropped under the poverty line (Ortiz-Juárez 2017). This "leaky bucket" effect is ominous because it suggests that the gains in poverty reduction are fragile after the end of the boom and that the determinants of exiting poverty are not identical to the determinants of falling back into poverty. The dynamism of labor markets is critical to reduce poverty, but social assets—education and access to physical (e.g., housing) and financial assets (e.g., banking and credit)—are most important for not falling back into poverty. In other words, government policies that helped reduce poverty during the boom will not be enough to protect those gains in current times of economic stagnation or slow growth. Further, the need for more targeted and sophisticated state policies highlights the weakness of many Latin American states, and the urgency of strengthening institutions at the national and local levels.

The largest population group in Latin America is neither statistically poor nor middle class but in between. The vulnerable population that lives on less than US$10 but more than US$4 per day represents 39.4 percent of the regional population, making it the largest population group by numbers.

The most recent expansion of the vulnerable population—noted in almost all countries of the region except Chile, Costa Rica, Panama, and Uruguay (figure 4.3)—has resulted in almost 10 million people joining this population group since 2013, bringing the regional total to nearly 223 million in 2015. To ensure that this vulnerable class does not slip into poverty, governments will need to strengthen not only the reach (as they did during the boom) but also the quality of systems of care, pensions, and health and education services. This will be no easy task, especially given shrinking fiscal space in times of mediocre economic growth.

Figure 4.3 **Country disaggregations on poverty, vulnerability, and middle classes**



Source: Ortiz-Juárez 2017.

Despite enormous progress, 128 million people still live under the poverty line in Latin America, and 60 million live under the extreme poverty line. A closer look at the characteristics of those who did not benefit from the economic boom reveals four patterns. First, chronic poverty tends to agglomerate in territorial pockets of rural and urban exclusion. The most enduring trend in the region is a gradual yet incessant process of urbanization—80 percent of Latin Americans lived in urban settings by 2015. Urbanization has accelerated access to services and new labor markets for millions of poor households, accounting for the high rates of poverty remaining in rural areas. The concentration of land ownership in many countries is also a factor behind high levels of rural poverty. Despite this pattern, the poorest of the poor, in absolute

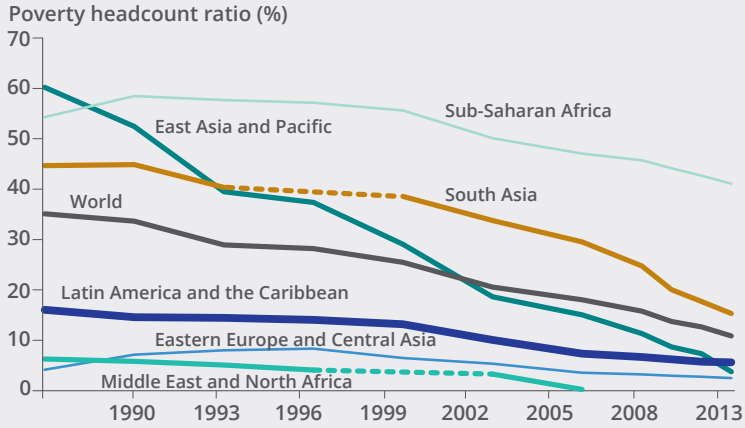
numbers, mostly reside in sprawling urban areas. The largest of these is Mexico City, which accounts for fully 3 percent of all of the chronic poor in the region, followed by poor neighborhoods in the outskirts of São Paolo, Lima, and Buenos Aires (Vakis, Rigolini, and Lucchetti 2016). This agglomeration effect has important implications for policy; since the poorest of the poor are not randomly scattered across the region, they require targeted territorial policy attention. In that regard, socioeconomic vulnerability cannot be separated from problems of insecurity, violence, and lack of state control, as Catalina Botero and Robert Muggah note in chapters 2 and 3, respectively, of this volume.

Second, most people affected by chronic poverty do not benefit from dynamic labor markets, because they are too young to participate fully, are caring for dependents, or are too old to join. In 2015, only one-third of people older than 16 living in a situation of extreme poverty, including school-aged youth and people of retirement age, were employed. For adults between 25 and 55 years of age in extreme poverty, only 56 percent were employed, a rate almost 30 percentage points lower than for the middle class. Furthermore, of the total employed adult population living in a situation of extreme poverty, 27 percent did not receive any income. Given the relatively high level of labor participation in Latin America with respect to the rest of the developing world, exclusion from dynamic labor markets is not likely to be addressed through further labor-intensive growth. For this subgroup of the population, social transfers, pensions, and remittances constitute a larger proportion of their total income.

Third, poor and middle-class households differ not only by income level, but also by access to assets. The strongest predictors of staying poor, besides not participating in the labor market, are low levels of education; lack of land, housing, and vehicle ownership; and lack of access to the formal banking system, savings, and credit. In Chile and Mexico, for example, secondary or tertiary education of the head of household is correlated with a fall of between 10 and 24 percentage points in the probability of falling into vulnerability or poverty (Ortiz-Juárez 2017). In Ecuador, Honduras, and Peru, secondary and tertiary education is also associated with a significant decline in the probability of falling from the middle class. If the head of a household has a secondary level of education, there is an increased probability of the household escaping poverty of more than 3 percentage points in Colombia and Panama, and between 1 and 2 percentage points in Southern Cone countries.

Box 4.1 **Policy Debate #1: Latin America in the context of global trends**

From a global perspective on poverty trends, the period between 1990 and 2013 is mostly an East Asian success story. Extreme poverty dropped by 1.1 billion people, from 1.8 billion in 1990 to 767 million 2013. In this 23-year period, China brought its US$1.90/day poverty rate down to 3.5 percent. Latin America and the Caribbean is the region with the second fastest drop in poverty rates, at almost 1 percentage point per year between 2002 and 2008, dropping by 0.3 percentage points per year between 2008 and 2013. The region's poverty rate is 5.4 percent, equivalent to 33 million people. As shown in the figure below, the highest poverty incidence rates in the world are in Sub-Saharan Africa (Democratic Republic of Congo, Central African Republic, Madagascar and Burundi), while the highest absolute number of poor people are in South and East Asia (India, Indonesia, Bangladesh, and China). Despite progress in poverty reduction, Latin America and the Caribbean is still the world's most unequal region, even with 12 of 17 countries having reduced inequality since 2003. All countries in the region have a Gini coefficient above 0.40, with the regional average at 0.48 in 2015.



Source: World Bank 2016.

The Impact of Government Policies

What is driving poverty reduction in Latin America? Evidence suggests a common regional pattern (Azevedo, Inchauste, and Sanfelice 2013; López-Calva and Lustig 2010). Increases in labor income (for individuals between the ages of 15 and 69) explain between 40 and 60 percent of observed poverty reduction in the countries for which data are available. Meanwhile, increases in nonlabor income, including social transfers, remittances, and rents, explain between 20 and 40 percent of reductions in poverty. The remainder is explained by demographic and residential effects as well as other changes in the labor market.[2]

Labor Income Effects

What is driving the sustained increase in labor income? Recent trends show that the wage gap between low- and high-skilled workers is becoming smaller in Latin America. That means that the benefits of education remain high but are flattening and, in some countries, declining. The average gap between college-educated workers and workers with only primary schooling or less declined from about 330 percent to 240 percent since 2003 (Rodríguez-Castelán et al. 2016). Why are the returns to education increasing for unskilled workers? The literature converges on both supply- and demand-side explanations for this effect (Galiani et al. 2017).

On the supply side, the region has experienced a rapid increase in the supply of better-educated workers. Thanks to the expansion of education systems, especially during the boom, the average years of schooling of individuals aged 18 and older increased from 5.8 in 1990 to 8.3 in 2015 (UNDP 2016), with a large proportion gaining secondary and tertiary levels of formal education. Holding all else constant, this reduction in education inequality reduces the premium for higher-educated individuals. The demand side for unskilled labor amplifies this effect. In many Latin American economies, the demand for unskilled workers outstripped the short-term supply of such workers across all sectors of the economy (de la Torre, Messina, and Silva 2017), thus tightening labor markets at the bottom of the pyramid and benefiting construction workers, transportation and personal services, retail services, and so on.

[2] As used in this section, social transfers include in-kind (such as food) and cash transfers to households and individuals from the government. Cash transfers, in turn, can be conditional (on a health checkup, going to school, seeking employment, or other objectives of social or labor policy), or nonconditional (as a direct monetary transfer, a noncontributory rent, or a direct subsidy). Social protection is a larger category that subsumes social transfers, social security, and social insurance flows.

Does this mean that social policy has little to do with the poverty reduction story? Not really. It just shows that labor market income was more important for poor households than social transfers and remittances. While labor income explains close to half of the poverty reduction and middle-class expansion effects, the relative weight of social transfers is greater for the poorest households (more on social transfers in the next section). Beyond transfers, active and passive labor policies are also shaping markets and the trajectory of educational returns.

First, and perhaps foremost, is the expansion in educational achievement. While depressing returns are evident in the short run, the expansion is paying off in the long run with both intergenerational social mobility (children's educational achievement with respect to parents) and intragenerational social mobility (children of parents with low education levels who nevertheless prosper). The further expansion in education and skills is also likely to set the stage for future gains in productivity.

Second, during the period 2005–15, there were significant, widespread improvements in real minimum wages, which rose an average of 42 percent, the equivalent of 3.6 percent annually. The Andean countries experienced the highest increases (4 percent), followed by those of the Southern Cone (3.8 percent), and Central America and Mexico (3 percent). Honduras, Uruguay, and Bolivia had the highest accumulated increase in minimum wages while Paraguay, Mexico, the Dominican Republic, and Colombia had the lowest (ILO 2017). In economies with large informal sectors such as Latin America's, however, the pitfall of increasing minimum wages is well known: drawing a persistent incentive to move out of formality into informality or never to leave informality at all.

Third, many countries also implemented passive labor policies designed to improve youth's skills and foster women's labor participation, although these have been only partially successful (OECD 2017). The region is young, facing a unique demographic opportunity. One-quarter of the Latin American population—163 million citizens—is between ages 15 and 29. This base contributes to many Latin American countries having dynamic labor markets and expanding social security systems without facing the problems of accelerated aging that are affecting Europe, Japan, and even China.

At the same time, Latin America and the Caribbean is not taking advantage of this opportunity, since it has a wide gap between the pool of available skills and those skills that economies and businesses require. In Latin America, around 50 percent of formal firms do not find employees with the skills they need, compared to 36 percent of firms in Organisation for Economic Co-operation and Development (OECD) countries (OECD 2017). This is a particularly pressing issue in countries such as Brazil, Mexico, and Peru.

Consequently, one-third of employers need to use foreign talent to meet skills shortages, and firms take longer to fill job vacancies.

Social Transfer Effects

Social transfers include conditional cash transfers (CCTs) and nonconditional cash transfers, including noncontributory pensions. CCTs are by far the largest of this group, and their use increased significantly in the region during the 2000s, under programs such as Bolsa Família in Brazil, Prospera in Mexico (previously known as Progresa and Oportunidades) and Argentina's Asignación Universal por Hijo. The number of beneficiaries of these CCT programs stabilized after 2010 but fell in 2014 and 2015, primarily due to coverage reductions amid economic recession and budget shortages. As of 2015, CCT programs reached 132 million people and 30 million households in the region, with an investment equivalent to 0.33 percent of regional gross domestic product (GDP), or $153 per capita (Cecchini and Atuesta 2017). However, CCT coverage remains very heterogeneous across Latin America, ranging from 1.8 percent of the population in Chile to 61 percent in Bolivia. The benefit levels are also high, with Argentina, Ecuador, and Trinidad and Tobago allocating over US$250 per person, and Belize, Bolivia, Guatemala, and Haiti averaging less than US$20 per person.[3]

While social transfers are aimed at building human capital through improvements in nutrition and effective access to education and health services, they have been an important income supplement in their own right—and hence a driver of poverty reduction in the region. Investment in CCT programs rose from US$0.9 million in current dollars in 1996 to US$20.162 billion in 2015. At the regional level, social transfer recipients outnumber those in extreme poverty, but represent just 73.6 percent of the number of people living in poverty, which suggests that the region's CCT programs could be expanded to cover target populations. The fiscal constraints behind expansion, however, are not negligible, especially after the end of the boom. The reduction in social transfers since 2014 suggests further expansions are contingent on the resumption of economic growth and growing social expenditures.

Social transfers averaged 5 percent of regional GDP in 2015, with total social expenditures averaging 14.5 percent of GDP. Countries with the highest levels of social expenditures are Argentina, Brazil, Colombia, and Costa Rica, at more than 20 percent of GDP; while countries spending the least include Guatemala and Haiti, at less than 8 percent of GDP. Considering social

[3] This figure excludes noncontributory pensions.

Box 4.2 **Policy Debate #2: Pathways to reduce poverty and inequality: does the economic model matter?**

An ideological debate rages on in Latin America: are left-wing or right-wing governments better at reducing poverty and inequality? The raw data show that both types of countries are successful. The "best performers" on poverty reduction during the boom years were both market-oriented (Paraguay and Peru) and state-activist economies (Bolivia, Brazil, and Ecuador). Each reduced poverty by at least 20 percentage points (see figure). Discounting that the best-performer metric (percentage change in poverty reduction between 2003 and 2013) tends to penalize higher-income economies such as Argentina, Chile, and Uruguay that started with lower levels of poverty or countries that did not benefit from a commodity boom like Costa Rica, the Dominican Republic, and Mexico, the question still remains: if the *modelo* does not explain antipoverty performance, what does?

Part of the answer is detailed in the labor income–education returns–social transfer story described in "The Impact of Government Policies" section of this chapter. All best performers observed a steep improvement in the earnings of low and unskilled workers during the boom. Most earnings increased because of labor market tightening. Bolivia, Brazil, and Ecuador also increased minimum wages during the boom. All countries increased their levels of social transfers during the boom, with Brazil reaching 13.6 million households and Bolivia reaching 61 percent of the population with social transfers.

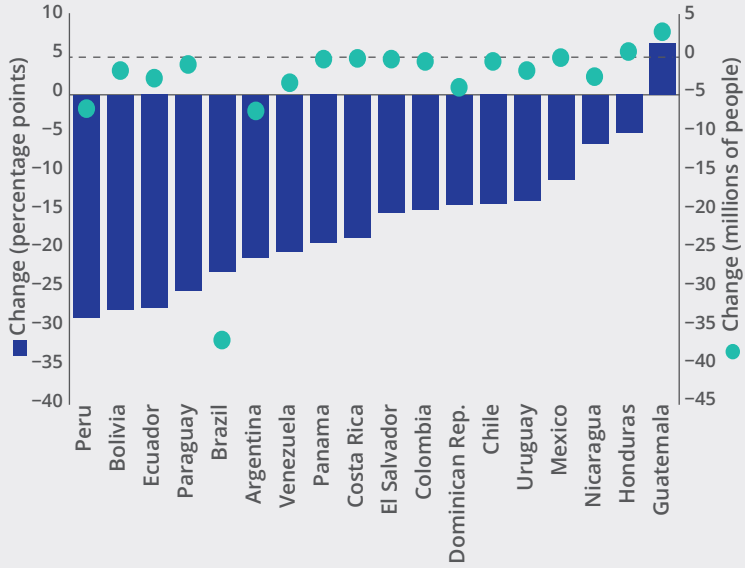
expenditures separately, Argentina and Brazil spend most on social protection (over 13 percent of GDP in 2015), Bolivia and Costa Rica on education (over 7 percent of GDP in 2015), and Argentina and Costa Rica again on health care (over 6 percent of GDP in 2015).

Multidimensional Approaches

For over a decade, many Latin American countries have supplemented their labor and social transfer policies with initiatives that strengthen access to services and build up the assets of the poor. These initiatives target direct

Perhaps the key factor is that all top performers were able to sustain labor-intensive growth by keeping stable macroeconomic policies, stimulating broad-based growth, and expanding social transfers. All have vast informal economies, which might help explain rapid growth in labor-intensive service sectors, but is also, undoubtedly, a source of vulnerability during the downturn. The only top performer with a strong social safety net is Brazil.

Poverty reduction in selected Latin America countries, 2003–13



Source: UNDP 2016.

deprivations in household access to health care, education, and good-quality housing, among other poverty dimensions.

The first two Latin American countries to innovate with multidimensional poverty approaches were Colombia and Mexico. The Mexican poverty matrix, which uses both income-based poverty lines and multidimensional poverty lines, led the way with integrated approaches to service provision and strengthened an institutional division of labor between the Secretariat of Social Development (SEDESOL, the social policy agency), and an autonomous National Council for the Evaluation of Social Development Policy (CONEVAL) that has since been copied by many countries in the region. Colombia used its multidimensional

poverty index to inform public policy through targeting, municipal mapping, and as graduation criteria for CCT programs. It also made a quantum leap with the use of georeferenced administrative registries to monitor the effects of social transfers and other social policy instruments. Many other countries followed Colombia's lead with multiple-source administrative registries.

Several features distinguish the multidimensional approach. The first is actively reaching those left behind by labor markets, who are usually concentrated in rural and urban geographic pockets, and across specific groups of the population along the life cycle. Unlike income-based antipoverty strategies, multidimensional approaches start with the limits and edges of the labor market. Some population groups are either too young, too old, or are taking care of dependents (both young and old) to fully benefit from mobile and dynamic labor markets, in the absence of systems of care, paternity leave policies, and gender parity policies in the labor market. Multidimensional approaches focus on the direct deprivations of poor households regardless of and despite labor market status.

A second feature is a strong territorial focus. Multidimensional problems are most successfully tackled at the municipal or provincial level, which involves multilevel political and institutional coordination. The multidimensional approach focuses attention on a single subset of the population, addressing all of its deprivations. This is perhaps one of the most challenging logistical questions faced by policy makers working on antipoverty programs today. The Sustainable Development Goals approved in 2015 have provided a framework for more subnational work on multidimensional poverty in the region. The Dominican Republic, Honduras, Panama, Paraguay, and several others have moved from measuring aggregate-level poverty to implementing microlevel strategies focused on households, using georeferenced data. In the past, antipoverty programs targeted entire geographic regions or neighborhood. The use of real-time monitoring and evaluation data has moved the action closer to the household level.

A third and defining feature of multidimensional approaches is that governments "move the needle" on access to services and improving household standards of living regardless of how the economy is doing. This decoupling from growth and labor markets means that multidimensional poverty alleviation has become a continuous policy agenda. Because of the range of services provided under a multidimensional approach, local businesses, churches, nongovernmental organizations, social movements, and unions have united on issues that are usually contentious at the national level. As noted by numerous evaluations of these programs, the key challenges looking forward are both graduating from multidimensional services and more directly linking living standards improvement to income generation.

Fourth, for over a decade, many Latin American countries have supplemented their income-based measures of poverty with multidimensional poverty measures that more closely approximate gaps in education, health, nutrition, housing, and standards of living. There are at least two important characteristics of Multidimensional Poverty Index (MPI) estimates that are not captured by income-based measures: (1) multidimensional poverty measures direct deprivations in various dimensions of well-being, rather than indirect proxies through income data; and (2) MPIs capture many dimensions that are not correlated with income levels or rates of change. This provides information on services and assets that can be affected through direct social policy interventions.

The Global MPI maintained by the Oxford Poverty and Human Development Initiative (OPHI) has national estimates for a total of 19 countries in Latin America and the Caribbean, 218 subnational regions in 16 of these 19 countries, and about 495 million people, accounting for 82 percent of the region's population. Of these, over 33 million people are reported as MPI poor (OPHI 2018). On average, 6.6 percent of the population in the Latin America and the Caribbean countries covered are ranked as MPI poor. Haiti is the country with the highest percentage of multidimensionally poor, with 49 percent. In Guatemala, Nicaragua, and Honduras, poverty rates are 24.8 percent, 20.5 percent, and 16.0 percent, respectively; Bolivia's is just over 20 percent.

Beyond Income: Gender, Ethnic, and Racial Exclusion

Some forms of social exclusion persist despite dynamic labor markets and faster economic growth. Latin America continues to show uneven outcomes for women, indigenous peoples, and Afro-descendant communities. While all groups have benefited from improvements in income and access to services and assets since the 1990s, the achievement gaps between indigenous and non-indigenous, Afro descendant and non-Afro descendant, and women and men are still wide. How many of these disparities stem from exclusion within labor markets, and how many accumulate much earlier, from infancy through primary and secondary school? This section reviews the status of women, indigenous peoples, and Afro descendants on select social, economic, and political indicators.

Beyond the recognition of expanded constitutional rights and the domestic ratification of international conventions in the 1990s and early 2000s, a common thread in recent years is the emergence of an array of antidiscrimination, affirmative action policies as well as continued promotion of collective rights for self-government and territorial management for indigenous peoples and Afro descendants.

Gender Imbalances

Three trends on the economic, political, and security dimensions of gender inequality in Latin America are highlighted here.[4] First, women's participation in the labor force increased throughout the 2000s in Latin America, rising significantly from only 44 percent in 1990 to 53 percent in 2014 (Novta and Wong 2017). Between 1992 and 2014, the labor participation gap between women and men aged 25 and older decreased from 43 to 28 percentage points. As a result of these gains, the percentage of women without their own sources of income has dropped from 42 to 29 percent in this same time period, thereby strengthening women's economic autonomy.

At the same time, problems of labor quality, pay gaps, and hours of care for dependents continue to be an obstacle for alleviating gender inequality in the workforce (UN Women 2017). To start, over twice as many women as men lack their own sources of income (28 percent versus 12 percent). Further, although the pay gap between men and women improved in the region—from 28 to 22 percentage points between 1997 and 2013—it is still high in comparison to other middle-income countries in the world. And access to the labor force does not mean decent income. In 2013, 24 percent of women with their own income lived under the poverty line, compared to only 10 percent of men. Finally, beyond remunerated work, women continue to spend a disproportionate amount of time on care activities and domestic work in the household—about three times as much as men, in the regional average. Women perform 71 percent to 86 percent of all unpaid work required by households, depending on the country. In all countries in the region for which information is available, women in poor households have the heaviest burden of unpaid work.

Second, women's political participation rates have improved over the past 10 years but are still far from parity. Despite recent progress, only 30 percent of positions within public decision-making spaces—in the executive, legislative, and judicial branches, and at the local level—are filled by women (ECLAC

[4] Several sources provide information on gender statistics, disaggregated by economic, social, and political dimensions: the United Nations Development Programme's (UNDP's) *Human Development Reports* (http://hdr.undp.org/), the Economic Commission for Latin America and the Caribbean's Gender Equality Observatory (https://oig.cepal.org/en), the World Economic Forum's *Global Gender Report* (https://www.weforum.org/reports/the-global-gender-gap-report-2018), as well as UNDP's America Latina Genera Igualdad platform (http://www.americalatinagenera.org/es/) and UN Women's reports on women's progress in the region (http://lac.unwomen.org/en/digiteca/publicaciones).

2017). In 2015, women held an average of 28 percent of the seats in Latin American legislative bodies, making the region a world leader (IPU 2018). Bolivia, Ecuador, Mexico, and Nicaragua are the regional outliers, with female parliamentary representation rates of over 40 percent. Access to public office seems harder for women at the local level: the percentage of female mayors has increased less than the percentage of women in public office at the national level. In most countries, less than 15 percent of mayors are women; the regional average is only 12 percent. Nicaragua, where 40 percent of mayors are women, is the only country with a representation rate over 30 percent.

Third, violence against women continues to rise despite accelerated social and economic progress in Latin America, as Robert Muggah points out in chapter 3 of this volume. According to the official figures reported by the countries of the region to the Gender Equality Observatory for Latin America and the Caribbean of the Economic Commission for Latin America and the Caribbean (ECLAC), 2,554 women from 25 countries were victims of femicide in 2017. Women are also particularly at risk of being the victims of internal and international human trafficking. The United Nations Development Programme reported approximately 45,000 victims of human trafficking per year in Latin America (UNDP 2013). According to the United Nations Office on Drugs and Crime, 26 percent of all detected victims of human trafficking in Central America and the Caribbean were adult women, and 60 percent were girls. In South America, those numbers were 46 percent and 29 percent, respectively. Moreover, in Latin America and the Caribbean, sexual exploitation represented more than 55 percent of detected forms of exploitation (UNODC 2018).

Latin America's multiple gender gaps in political decision making, physical security, and economic autonomy persist despite economic growth, dynamic labor markets, and increased access to services. In retrospect, the key problems were not simply access to or availability of services, but enduring normative and cultural barriers to political, economic, and physical security rights. The move to equity aimed at leveling the playing field for women has increasingly been adopted by other policy makers facing exclusions by ethnicity, race, migrant status, sexual orientation, and identity.

A review of policies across politics, physical autonomy, and economic autonomy includes a wide array of actions:

- **Women in power and decision making:** Sixteen Latin American countries have adopted quota laws of some sort, and six of these include parity legislation (ECLAC 2017). Although the quota laws have led to a significant rise in the proportion of women in parliament and in municipal councils in several countries, the process has not been entirely effective. Actions and measures are therefore ongoing to improve efficiency in the

implementation, oversight, and follow-up of the laws in place. Barriers to the fulfillment of quota laws have made it necessary to target actions on electoral law and its application.

- **Violence against women:** There are multiple policies addressing violence against women and, for the most part, these reflect the demands of women and women's organizations themselves, covering the realities of violence in multiple settings and forms (ECLAC 2017). The registration of murders, specifically of women, reveals the difficulties of capturing the magnitude of violence. This situation calls for a stronger legal framework for protecting women against violence, including types of violence not recognized under the law in many countries, such as femicide.
- **Sexual and reproduction rights:** In the sphere of health, there are general policy measures aimed at improving the quality of preventive health policies and care for women, and measures aimed specifically at improving sexual and reproductive health. Maternal mortality has dropped significantly in recent times but continues to be a concern at the regional level. Policies to prevent maternal mortality have increasingly included ethnic and territorial analyses covering universal professional care in pregnancy, at birth, and postpartum; the prevention and treatment of sexually transmitted diseases (especially HIV); and the treatment of obstetric complications arising from abortion, which, since it is illegal in many countries, is performed in clandestine and unsafe conditions, especially for the poorest women.
- **Women and economic autonomy:** Key challenges for economic autonomy are broadening women's employment opportunities, promoting and improving opportunities for poor women, and strengthening entrepreneurship and concern for specific groups of women living in poverty (e.g., older women, the LGBTI population, young women, women with disabilities, Afro-descendant women, indigenous women, rural women, and female heads of household in poverty and extreme poverty) (ECLAC 2017). Several Latin American policies address the living standards of poor women, especially those who are the main breadwinners of poor households, and propose measures to deliver housing solutions, property ownership, and access to credit, especially in the case of indigenous and rural women.

Indigenous Peoples and Afro Descendants

According to the last round of censuses from 2010, there are approximately 42 million indigenous people in Latin America and the Caribbean, nearly 7.8 percent of the total population. Bolivia, Guatemala, Mexico, and Peru have the highest absolute and relative shares of indigenous populations, comprising

80 percent of the regional total, or approximately 34 million people. Argentina, Brazil, Costa Rica, El Salvador, Paraguay, Uruguay, and Venezuela have the smallest proportions of indigenous populations, of which El Salvador and Costa Rica have the smallest absolute numbers: 14,000 and 104,000 respectively (World Bank 2015).

Countries in the region have increasingly adopted self-identification as the main criterion for statistical recording. The use of native languages as a criterion in collecting demographic data is in decline, inasmuch as it can create fixed divides on fluid and evolving social identities. The loss of indigenous languages is generally associated with poverty, social exclusion, and lack of political participation; and this trend is accelerating with urbanization and globalization, particularly among economically vulnerable communities (World Bank 2015).

Two policy issues stand out regarding indigenous peoples. First, is the contested application of the "free, prior, and informed consent" (FPIC) principles adopted to ensure a sphere of self-determination in territories recognized legally under indigenous jurisdiction. A comprehensive mapping of socio-environmental conflicts in indigenous territories, commissioned by the Special Rapporteur on the Rights of Indigenous Peoples, identified 226 ongoing conflicts for 2010–13. These conflicts refer only to mining and hydrocarbon-extractive industry projects. The scope of conflicts has pushed discussions up through the court systems and has attracted the attention of ombudsmen and other public agencies. Measures taken include multistakeholder negotiations in various countries, including some of the most widely known cases in Baguas in Peru, Tipnis in Bolivia, as well as the Shuar-Explorcobres conflict in Ecuador.

In this respect, the recent Escazu Agreement on Access to Information, Public Participation and Justice in Environmental Matters in Latin America and the Caribbean has moved the FPIC agenda forward in the region. It includes specific binding provisions for the protection and promotion of individuals, groups, and organizations that promote and defend human rights in environmental matters. Negotiated under ECLAC auspices, it is the only binding treaty stemming from the UN Conference on Sustainable Development (Rio+20) (OHCHR 2018).

The second policy challenge deals with ensuring political participation of indigenous peoples in parliaments and subnational governments across the region. The six countries with the highest proportional and absolute numbers of indigenous population—Bolivia, Ecuador, Guatemala, Mexico, Nicaragua, and Peru—had 71 indigenous congressional representatives (of whom 22 were indigenous women) of a total 1,134 congressional seats. Bolivia, the country with the highest political representation, instituted special indigenous

districts and ran candidates through traditional indigenous organizations, as recognized by the Constitution of 2009 and new electoral laws.

There are 133 million Afro descendants currently living in Latin America and the Caribbean (World Bank 2018), representing about 21 percent of the total population in the region. Ninety-eight percent of the Afro-descendant population lives in Brazil, Colombia, Cuba, Ecuador, Mexico, and Venezuela. Two key issues are at the forefront of current policies on Afro descendants in the region. The first concerns persistent disparities in education and income with respect to non-Afro-descendant populations in the region. This includes youth at risk and associated high rates of both teenage pregnancy and criminal prosecution against Afro descendants. According to the World Bank, regionally, Afro descendants are over 2.5 times likelier to live in chronic poverty than whites or *mestizos*. Their children are, therefore, born with unequal opportunities and have disadvantaged access to services. The poverty rates of Afro-descendant communities in Latin America are all higher than those of non-Afro descendants, with the largest gaps in Brazil (26 percent to 12 percent, respectively) and Uruguay (13 percent and 4 percent). At the regional level, 64 percent of Afro descendants complete primary schooling (compared to 80 percent of non-Afro descendants) and represent 12 percent of adults with a degree in higher education. Eighty-two percent of Afro descendants live in urban areas but are more than twice as likely to live in slums or shantytowns than non-Afro descendants. The policy response has focused mostly on leveling the playing field within the labor market with an array of antidiscrimination laws and regulations in force in the 2000s.

The second issue is political representation. The increased self-declaration of Afro-descendant heritage both in racial and political discourse since the 1990s has not been matched, so far, by an increase in Afro-descendant political representation. The five countries with the highest number of Afro-descendant people show only a negligible increase in Afro descendants in the 2000s: Brazil has 17.4 percent Afro-descendant representatives, for a population with a 50 percent Afro-descendant share on the one end; and Uruguay has 0.8 percent Afro-descendant representatives for a population with a 7 percent share on the other end. The exception to this pattern is the election of Latin America's first Afro descendant, Epsy Campbell, as Costa Rica's vice president in the 2018 national elections. Brazil, Colombia, Ecuador, and Uruguay have each introduced legislation and affirmative action policies to improve the political representation of Afro descendants in the region. This continues to be a pending challenge to equal representation.

What to Do Next?

The past 15 years in Latin America were unlike any period in the postwar era with simultaneous gains in economic growth, poverty reduction, and inequality reduction. Income-based poverty reduction was driven by the combined effects of labor markets, social policies, and demographic change. Most of the heavy lifting was achieved through labor tightening in unskilled labor markets and prolonged through a lengthy spell of labor-intensive economic growth. While "growth plus social transfer" policies continue to attract the attention of policy makers, there was more to poverty and inequality reduction than growing and spending. Antipoverty policies evolved in two distinct ways.

First, the scope of policy making expanded beyond social transfers to more comprehensive life-cycle and territorial approaches that focus on the assets of and services to the poor. This shift was spurred by a leap in data availability, stronger demand for policies that span labor markets, social protection and basic services, and, increasingly, middle-class policy challenges such as a demand for quality education, youth employment, systems of care, and social security. With new data, policy makers tackled not merely poverty targeting issues, but broader concerns about vulnerability and graduation criteria that link labor markets to business opportunities and economic diversification.

A second shift is the higher visibility of antidiscrimination, affirmative action, and empowerment policies addressing gender, ethnic, and racial exclusions. The 2000s showed that "growth plus social transfer" policies were mostly ineffective at dealing with discriminatory exclusions. These require more aggressive actions targeting social norms, behavioral change, and societal views on sexuality, gender, racism, and other vectors of exclusion. The region has seen a transition from legal/constitutional reform to policy implementation on this matter. A particularly enduring challenge for social policy is fighting violence, particularly violence against women, which has not abated in the decade.

As economic growth resumes, "more of the same" is unlikely to move the dial on poverty and inequality reduction. By the end of the economic boom, many countries were hitting fiscal and labor market walls, which slowed further gains (UNDP 2016). In chapter 5, Augusto de la Torre and Alain Ize propose an agenda of economic reform for Latin America focused on exports of goods and services. In that regard, it will be essential for countries to bear in mind that as economies diversify their productive capabilities, upgrade skills, and adopt new technologies, they are likelier to *unequalize*, as pockets of early adopters (export or service sector winners) diverge from laggards (almost everyone else). The transition from low-skilled/commodity-based to diversified/high-skilled economies will require a set of policies that are mostly absent

today. How should policy priorities evolve in the context of renewed economic growth?

Three policy issues will become more salient over the next decade. The first involves the labor market. Will countries pursue labor formalization policies (that ensure social benefits attached to labor contracts) or continue down the path of labor flexibility/informality (where social benefits are funded by general taxes, decoupled from labor contracts)? This fork in the road will be reached as the pool of unskilled workers is depleted and real wages rise enough for local businesses to face hiring trade-offs. The key lesson from the past decade is that Latin American economies will not be able to ride the wave of flexibility without slipping during an economic downturn. One of three people risked falling back into poverty during the 2013–16 slowdown because of the absence of broad-based social protection, systems of care, and social insurance (UNDP 2016).

A second issue has to do with those left behind after the boom. As labor participation rates peak in the region, there will be more pressure to tackle chronic and multidimensional poverty. Some of the toughest pockets of rural and urban poverty face gaps in chronic housing, basic services, and social services. The most successful experiences with multidimensional poverty reduction suggest a serious logistical challenge: chronic poverty requires georeferenced data, and local/subnational implementation that reaches the poorest at their places of residence. These challenges require integrated approaches that break through the traditional inertia of bureaucratic red tape and sectoral silos. They also need state-of-the-art monitoring and evaluation systems to learn from what works and what does not.

The third issue concerns the normative, behavioral, and political changes needed to dismantle gender, ethnic, and race-based exclusions. Some of the most effective campaigns, such as #niunamenos, have implemented massive campaigns (aimed at revealing the scope of violence and discrimination) and involved policy makers to take systemic action. Citizen security and violence challenges have not abated with the rise of middle classes or booming economic growth. While there is much work to be done on police, justice, and institutional reform, changes in social and cultural norms will need to match the magnitude of the challenge.

A common theme of the past 15 years has been pushing the frontiers of social policy beyond social transfers. Labor, urban, productive, and industrial policy are part of the ecosystem of policies that create incentives for human capital, for changes in female labor participation, youth employment, and social cohesion over the long run. The socioeconomic landscape of Latin America is evolving, but so are the policies that affect the shape of its landmarks.

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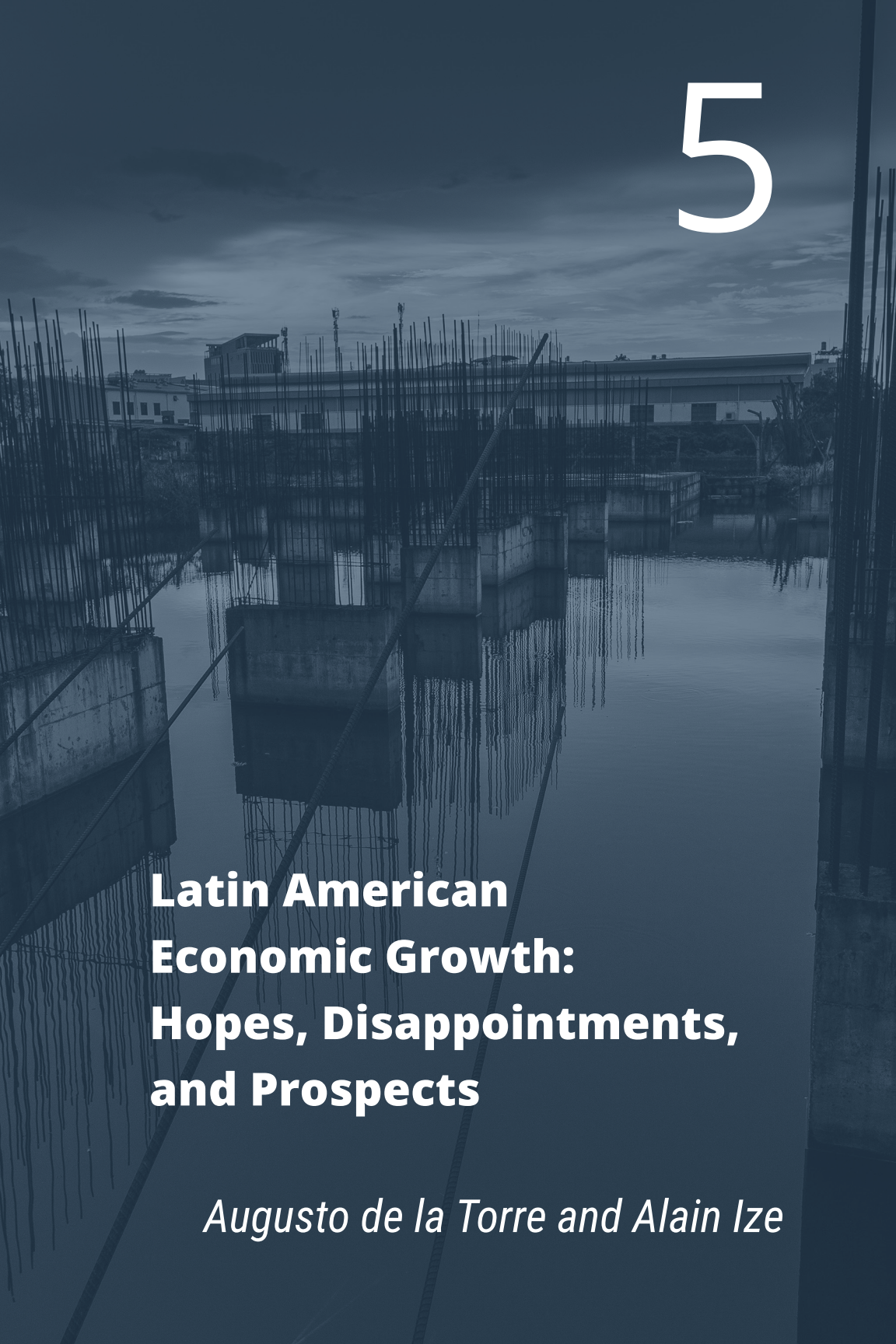


5

Latin American Economic Growth: Hopes, Disappointments, and Prospects

Augusto de la Torre and Alain Ize

Latin American Economic Growth: Hopes, Disappointments, and Prospects

Augusto de la Torre and Alain Ize[1]

Latin America's economic performance has historically been uninspiring. Since the 1950s, except for a brief upswing during the recent commodities boom (2000–12), regional growth has fallen short of that of the United States and of the world economy. In contrast to the "Asian Tigers" (Hong Kong, Singapore, South Korea, Taiwan), which took off in the 1970s and have by now caught up or overtaken standards of living in developed economies, Latin American countries continue to suffer from economic volatility, low growth, and high inequality.

This chapter analyzes the reasons behind Latin America's persistent failure to converge toward the standard of living of the more developed economies, focusing on the impact of foreign trade. We start by reviewing Latin America's economic performance since the early 20th century, using the per capita gross domestic product (GDP) of the United States as a point of comparison. Not surprisingly, given Latin America's history of stagnation and instability, the gap between the region's average GDP per capita and that of the United States is wider now than in the 1950s. Some Latin American countries have done better than others, which raises the question of what drove such performance differentials.

We argue that there is a direct relationship between a country's ability to converge with U.S. GDP per capita (that is, to close the gap) and its participation in world export markets. To examine the importance of exports for economic growth in Latin America, the second section of this chapter explores contrasting growth experiences of countries in the region over the past 25 years or so. Since at least the 1980s, Latin American economies can be divided in three groups: commodity exporters in South America; commodity importers in Central America; and the particular case of Mexico, which developed a strong manufacturing sector linked to the U.S. market but failed to converge nonetheless.

[1] We want to thank Martin Arazi for excellent research assistance. This chapter is based on a broader and more technical research paper (de la Torre and Ize 2018).

The third section tackles the relationship between economic growth, rule of law, and socioeconomic development. Latin America's disappointing economic performance cannot be separated from its fractured social landscapes—with stubborn pockets of chronic poverty, high inequality, and lack of opportunities—and weak institutions, including poor public services, corrupt bureaucracies, and inefficient judiciaries. This relationship is complex: on the one hand, Latin America's weak economic base prevents countries from having the resources they need to tackle social and institutional problems. On the other, closing the productivity gap with developed economies requires bridging poverty and inequality and strengthening the rule of law.

The fourth and final section of this chapter proposes ways to break Latin America's boom-and-bust economic cycle through an outward-oriented growth strategy. This calls for a greater emphasis on innovation and exports whose world demand rises faster than world income. The region has tremendous opportunity in the export of services, including tourism and personal services such as health, wellness, and old-age care. Taking advantage of these export services will require a strengthening of institutions and the rule of law, sound countercyclical macroeconomic management, social protection systems (especially regarding pensions and health), and skill formation (including through high-quality education for all).

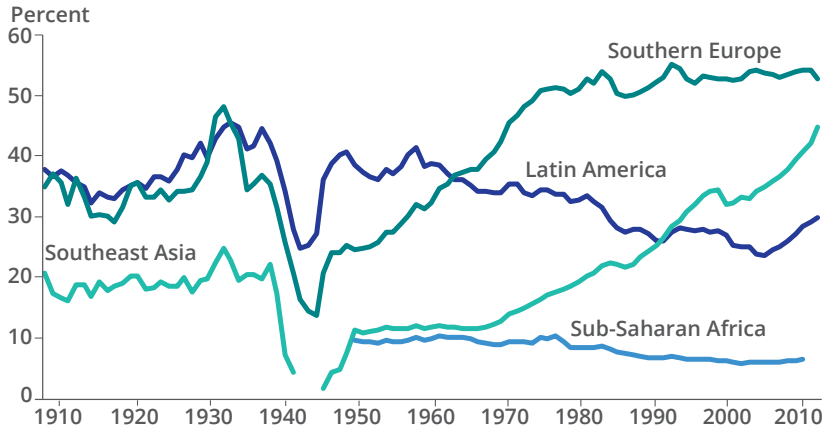
Historical Background: Latin American Growth in a Comparative Perspective

This section reviews Latin America's historical growth performance in a comparative setting. It focuses on the growth of per capita GDP (rather than of total GDP), a reasonable proxy of a country's standard of living, and on the process of convergence (or divergence): the evolution of a country's standard of living relative to that of more advanced economies. Convergence is measured in this chapter by the ratio of a country's per capita GDP to that of the United States.

Latin America's convergence performance over the past century has been, overall, uninspiring (figure 5.1). The region's per capita income was just under 40 percent that of the United States in 1910. One hundred years later, in 2010, it was lower, around 30 percent. The historical failure to systematically converge is indeed a trademark, although there have been important ebbs and flows over time. A closer look at figure 5.1 suggests at least four periods into which the region's saga of economic growth and convergence might be divided.

A **first period** spans the pre–World War II (WWII) decades, when Latin America was on a decidedly converging path, its per capita income rising from around 36 percent of that of the United States in 1910 to nearly 45 percent around 1938. Remarkably, the region's average standard of living over

Figure 5.1 **Average regional GDP per capita relative to the United States**



Source: Maddison Project Database, https://www.rug.nl/ggdc/historicaldevelopment/maddison/releases/maddison-project-database-2013.

Note: Latin America comprises Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Panama, Peru, Uruguay and Venezuela; Southeast Asia comprises China, Indonesia, Malaysia, Singapore, Thailand, The Philippines and Vietnam; Southern Europe includes Greece, Italy, Portugal, and Spain. No data are available for Southeast Asia for 1940–45. All regional aggregates reflect simple averages.

that period closely tracked that of Southern Europe (Greece, Italy, Portugal, and Spain) and remained well above that of Southeast Asia (whose per capita income was only about half of Latin America's). This observation echoes the view that Latin America started falling behind the advanced economies not in the 19th century, as is often believed, but in the second half of the 20th century (Prados de la Escosura 2007).

A **second period** in Latin America's economic growth history extends from 1950 to the late 1970s. This period was marked, at the global level, by the post-WWII economic reconstruction, which turned the Japan, the United States, and Western Europe into the three major engines of world growth; and at the regional level, by Latin America's grand effort to develop its manufacturing sector via an inward-looking import-substituting industrialization (ISI) strategy. ISI failed to generate sustained convergence, however, as Latin America's per capita income fell steadily to around 30 percent of the U.S. per capita income by the late 1970s. Moreover, the region was dramatically surpassed first by Southern Europe (which took advantage of its links to Western Europe). Latin America was subsequently surpassed by Southeast Asia, which was lifted by the veritable convergence miracle registered by the so-called Tigers, which harnessed themselves to the powerful Japanese economic

locomotive under a successful outward-looking, export-led industrialization strategy. In this sense, ISI appears as an astonishing failure of Latin America to take advantage of its links to the United States, the most powerful growth pole of the time.

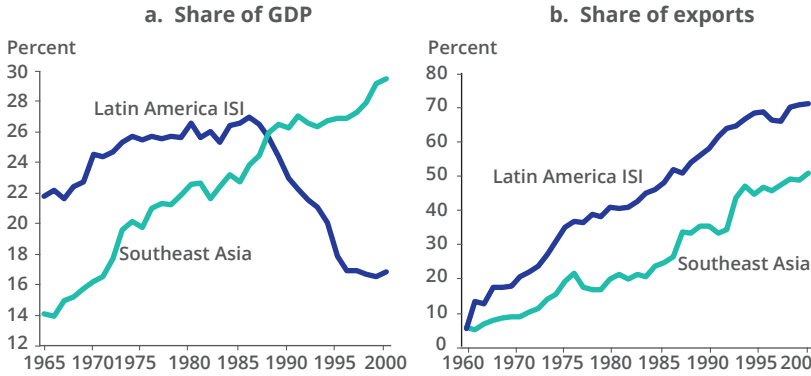
Aimed explicitly at freeing the region from its dependence on commodities, ISI used (and abused) the infant industry argument to develop manufacturing products to be sold initially and mainly in regional markets protected by common import barriers. But this strategy paradoxically relied on the very commodity exports it wanted to shed. Those exports were the source of the foreign exchange needed to finance the imports of inputs and equipment required by the inward-looking (highly protected and import-intensive) manufacturing sector. Southeast Asia, by contrast, had no commodity exports to rely on, and hence had no choice but to pursue an outward-oriented industrialization strategy.

To be sure, ISI did accelerate growth and unleashed some converging paths in the 1960s until the late 1970s in the larger Latin American countries, which could take advantage of their large domestic markets. The heyday of ISI in fact featured "growth miracles" for Brazil and Mexico, which significantly outperformed the regional average by harnessing large productivity gains associated with a rapid urbanization process, where people migrated from the low-productivity agricultural sector to the more productive industrial sector (Pages et al. 2010).[2]

Import substitution gave Latin America an earlier start than Southeast Asia regarding the participation of manufacturing in GDP, but this was dramatically reversed during Latin America's trade liberalizations that started in the 1980s. As Latin American industries were unable to compete with cheaper imports from abroad, manufacturing shrunk quickly relative to GDP in Latin America but gained importance in Southeast Asia (figure 5.2a). At the same time, the share of manufacturing exports in Latin America's total exports lagged considerably behind that of Southeast Asia (figure 5.2b). Indeed, the grand ISI experiment ended up promoting inefficient manufacturing sectors with little exporting potential and ran out of steam by the late 1970s.

[2] Argentina was also decidedly committed to ISI, yet it performed poorly comparatively speaking, because the favorable impact of ISI was overwhelmed by the downward trend driven by commodity specialization. Several other Latin American countries embraced ISI enthusiastically but could not produce growth accelerations comparable to those of Brazil and Mexico. Colombia and Ecuador came in second place, although Ecuador's growth improvement can be attributed more to the oil boom of the 1970s than to ISI per se.

Figure 5.2 **The manufacturing sector in Latin America countries and Southeast Asia**



Source: World Bank, World Development Indicators, wdi/worldbank.org.

Note: Countries in Southeast Asia are Malaysia, South Korea, and Thailand; ISI Latin American countries are Brazil, Colombia, and Mexico.

The 1980s thus marked the beginning of a **third period** in the region's growth and convergence history, one characterized by macrofinancial crises followed by a painful adjustment process that extended through the 1990s. During the "lost decade" of the 1980s, Latin American economies suffered from explosive inflation rates rooted in fiscal disequilibrium largely financed by minting currency, combined with debt crises (when countries were unable to repay international loans taken to sustain the ISI strategy) and deep economic contractions.

The "Washington Consensus" era of the 1990s brought a sharp fiscal correction that stabilized regional economies and contained inflation but contributed to the severity and length of the adjustment pains. In the mid-1990s, Latin America's growth rate roughly matched that of the world, but given the collapse in the previous decade, regional per capita income continued to fall, to around 25 percent of that of the United States by the early 2000s—a stark illustration that growing with the world does not ensure convergence with more developed economies. In fact, the world failed to converge toward the U.S. standard of living through most of the post-WWII era until the rise of China.

China's "big bang" marks the **fourth period** in Latin America's growth and convergence saga. China changed the global economic landscape profoundly by unleashing a strong process of world convergence relative to U.S. per capita GDP, although this was also helped by the effects of the 2008 crisis

on U.S. economic growth.[3] Latin America also shared in the China-induced convergence wave, although in a more subdued manner compared to other upper-middle-income countries. Unlike other upper-middle-income countries, however, Latin America started diverging again after 2012, as the commodity price cycle entered its downswing phase.

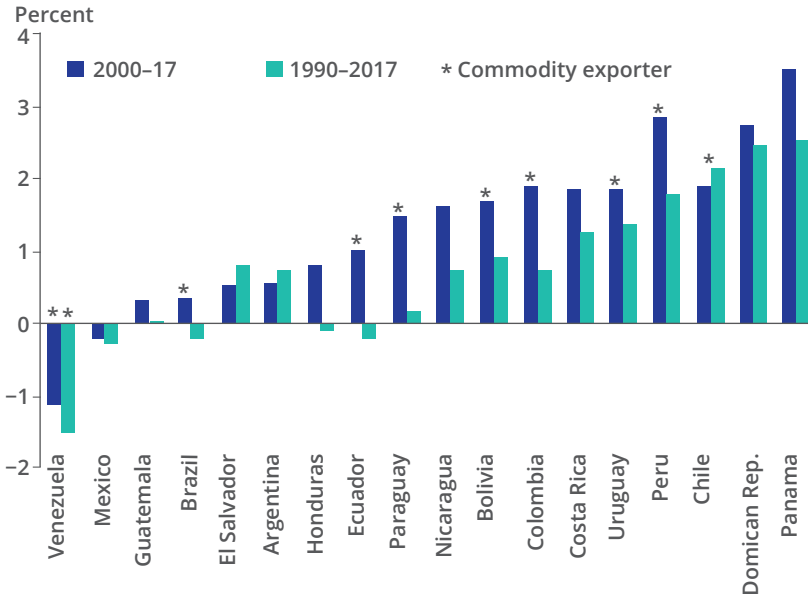
The positive (yet comparatively modest) impact of China on Latin America's convergence hides significant cross-country heterogeneity, which reflects the sharp bifurcation of trade patterns within the region. Until the 1980s, all countries in the region were predominantly commodity exporters. By the end of that decade, however, the northern part of the region diversified toward manufactures (Mexico) or services (Central America and Dominican Republic). Meanwhile, South American exports remained commodity centered. As a result, the terms of trade (the ratio of export prices to import prices) of northern and southern Latin America bifurcated, with the south moving with commodity prices and the north tending to move in the opposite direction. This bifurcation deepened after Mexico joined the North American Free Trade Agreement (NAFTA) in 1993–94 and China joined the World Trade Organization (WTO) in 2000, vastly expanding its participation in global trade.

The China-driven economic boom of the 2000s was not directly related to commodity abundance: not all Latin America commodity exporters in South America converged, nor did all commodity importers in northern Latin America diverge. To drive this point home more clearly, we classify Latin American countries in terms of their convergence performance over the past 25 years or so, distinguishing between commodity exporters and commodity importers. To broaden the perspective, we choose two measuring periods, the first (1990–2017) starting a decade ahead of the rise of China, and the second (2000–17) coinciding with it. The result of this exercise is summarized in figure 5.3 and table 5.1.

Why were some commodity-exporting countries in Latin America South unable to strongly converge despite the positive effect of Chinese demand for commodities such as soybeans, oil, and minerals? Why were some commodity-importing countries in the region able to converge despite unfavorable terms of trade during most of the early 2000s? More generally, what has driven the differences in growth and convergence in the region in the post-WWII period (i.e., the period when Latin America as a whole started falling behind)? The next sections shed light on these questions.

[3] Arguably, the global imbalances interpretation of the 2008 U.S. crisis is consistent with the view that the crisis itself was, at least in part, a consequence of the China surge.

Figure 5.3 **Latin America and the China pull: convergence patterns**



Source: World Bank, World Development Indicators, wdi/worldbank.org.

Table 5.1 **Convergence patterns in Latin American countries, 1990–2017**

Level of convergence	Commodity exporter		Commodity importer	
	Designation	Country	Designation	Country
Strongly converging	SCCE	Chile Peru Uruguay	SCCI	Costa Rica Dominican Republic Panama
Moderately converging	MCCE	Bolivia Colombia Ecuador Paraguay	MCCI	Nicaragua
Weakly converging	WCCE	Argentina Brazil	WCCI	El Salvador Guatemala Honduras
Nonconverging	NCCE	Venezuela	NCCI	Mexico

Note: A country is classified as "strongly converging" if its per capita income converged toward that of the United States at a minimum of 1 percent per year during both subperiods (1990–2017 and 2000–17), "moderately converging" if it converged by at least 1 percent per year during one of the two subperiods, "weakly converging" if it exhibited a positive (but less than 1 percent per year) rate of convergence during either subperiod, and "nonconverging" if it failed to converge during either period.

Interpreting Latin America's Economic Performance

Important insights toward explaining Latin America's growth and convergence performance since the mid-20th century can be gained by focusing on trade structures, particularly export dynamism. We argue that a country's success in gaining presence in international markets—as measured by a rising share in global exports—has been and will most likely continue to be the main highway to convergence for emerging economies (see the appendix to this chapter, beginning on page 97, for a more technical explanation).

This section selectively examines aspects of Latin America's economic growth and convergence experience from the perspective of export dynamism. It focuses on the post-WWII era, particularly the last 25 years or so, and on three cases: commodity exporters in South America, Mexico, and service exporters in Central America and the Dominican Republic.

Commodity Exporters: On the Resource Curse and Countercyclical Policies

One salient message of figure 5.3 and table 5.1 is that Latin American countries that are highly dependent on commodities (agricultural, minerals, oil) have not necessarily performed worse economically, as illustrated by Chile (where copper represents 40 percent of its exports) and other cases. This suggests, as Lederman and Maloney (2012) also note, that export dynamism, or growing participation in global trade, may be more fundamental than export complexity in avoiding the so-called "natural resource curse."[4] Even where exports remain concentrated in commodities, countries might converge toward the standard of living of advanced economies *if* they can continue to raise their shares in global exports and translate this into vigorous domestic growth, neither of which is easy to sustain.

For instance, in the cases of Chile, Peru, and Uruguay—commodity exporters that were able to reduce their income gap with the United States—growth was clearly lifted by the dynamism of their exports during the recent commodity boom (2003–12), with the domestic economy responding positively, albeit modestly. By contrast, a positive but modest trend in South American exports in the 1980s and 1990s could not raise growth because economies were then gripped by macroeconomic crises and adjustment pains. In other words, more

[4] The "natural resource curse" refers to the likelihood that countries with abundant natural resources grow more slowly (Sachs and Warner 2001).

exports do not automatically mean more GDP growth, which underscores the importance of sound macroeconomic management, strong institutions, and high-quality public services (more on that below).

While it is possible for commodity exporters to converge through an expansion of their shares in global exports partly through diversification within commodities,[5] it is an open question whether they can continue to do so over the long haul. For starters, it is obvious that with slower growth in China beginning in 2012, commodity-exporting countries cannot count on rising commodity prices to increase their shares in world exports.[6] Moreover, these countries' ability to gain ground in global markets through higher export volumes may be limited: it would need constant improvements in production efficiency and a global demand for commodities that rises faster than world income. This is unlikely to be the case.

The contrasting converging experiences of commodity exporters in the region also highlight the relevance for growth (and not just for stability) of countercyclical macrofinancial policies. In effect, commodity dependence exposes countries to pronounced terms-of-trade cycles which, in the absence of strong countercyclical policies, can lead to major macroeconomic excesses in the upswing, followed by painful adjustments in the downswing. In other words, countries that were able to save during times of economic boom and maintain high levels of public spending during times of stagnation were much more successful than those that did not.

This point is illustrated by the contrast between commodity exporters that were able to converge (SCCEs) such as Chile, Peru, and Uruguay; and weakly converging commodity exporters (WCCEs) such as Argentina and Brazil. The key difference between the two groups originated from their contrasting domestic responses to growing export dynamism. During the China-led upswing (2002–11), countries in the WCCE group maintained pro-cyclical economic policies

[5] Mandel (2011) provides evidence of significant upgrading toward higher-quality, higher-value-added varieties within minerals in Chile and Peru. He also shows that, contrary to popular perception, international trade in metals is characterized by a high degree of intra-industry trade, and the room to upgrade within metal goods compares well within other manufacturing exports.

[6] This is one reason why Chile now appears to be facing a renewed commodity curse–type challenge. In the 1990s Chile was able to raise its share in global exports and converge on the strength of export volume expansion. By contrast, the rise in its export share during the recent boom was mainly driven by higher export prices (de la Torre and Ize 2018). With the recent decline in copper prices, Chile has been losing ground in global export markets and growth momentum.

that, instead of saving for the future, boosted spending, particularly consumption, and consequently allowed for a strong appreciation of their currencies. A strong currency appreciation eventually reduced the competitiveness of their economies and translated into a comparatively much larger expansion of the nontradable sector (goods and services that cannot be traded across borders, e.g., construction, public services, and others). Pro-cyclical policies led to fast growth during the boom, but also to a sharper contraction during the bust. Further, their bias in favor of nontradable production weakened economic links to international markets, prolonging the recessionary consequences of the commodity price reversal. Thus, the WCCEs ended up much behind the SCCEs in terms of overall GDP growth over the whole cycle.

Of course, implementing countercyclical policies when external factors are particularly favorable (yet unlikely to last long) is politically difficult. Pressures induced by rising expectations in deeply unequal societies make it difficult for policy makers to postpone spending during booms to avert a sharp belt-tightening and large adjustment costs in the busts. This clearly suggests that tackling social inequities is as crucial to unleashing export and GDP growth as other growth-oriented structural policies (for instance, regarding education, skill formation, infrastructure, and contract rights). As emphasized by George Gray Molina in chapter 4 of this book, despite significant reductions in poverty and income inequality since 2003, Latin America has significantly more social progress to achieve.

Mexico: A Shift Toward Manufacturing Exports That Did Not Boost Convergence

That Mexico is the second worst performer (after Venezuela) in the region in terms of per capita income convergence over the past 25 years or so is quite puzzling. It is even more puzzling considering that Mexico excels in other relevant respects, including the quality of its macrofinancial policies, a high degree of trade openness, tight links to the U.S. market through NAFTA (expected to be replaced by the new but quite similar United States–Mexico–Canada Agreement), and its successful shift toward rather diversified and complex manufacturing exports. Thanks to this shift, Mexico quickly moved up the ladder of economic complexity and now ranks first in the region and 21st in the world (ahead of Canada, Hong Kong, and Spain, for instance) in this regard.[7]

[7] Source: Observatory of Economic Complexity, https://atlas.media.mit.edu/en/.

That alone should have led to higher growth, yet it did not.[8] This subsection sheds light on Mexico's nonconvergence puzzle using the analytical categories discussed in the appendix to this chapter.

Mexico's export dynamism has been the main driver of growth over the last 25 years. Its 1995 entry into NAFTA caused Mexico's exports to skyrocket, lifting growth. Yet the momentous eruption of China into the global economy five years later as the Asian giant entered the WTO was quite disruptive and led to a net trade loss; hence, growth loss for Mexico. This suggests that the timing of Mexico's joining NAFTA—and not NAFTA per se—was an important factor behind its poor convergence performance. Had Mexico joined NAFTA 10 years earlier, the rise in its export share could have endured enough to more likely boost the country's convergence.

Interestingly, Mexico's share of world exports has risen again since 2010, suggesting a welcome ability to adapt and reconstruct export niches while taking advantage of China's rising wage costs. Yet Mexico's GDP growth has remained below that of the rest of the world. Why? First, exports, while growing, lacked buoyancy as Mexico's export penetration into the United States (Mexico's dominant destination market) has been hindered by the combination of a relatively slow-growing U.S. economy and the concentration of Mexican exports on relatively income-inelastic products—i.e., products whose demand in the United States does not grow faster than U.S. income. Second, Mexico's domestic economy has not been able to translate export dynamism into growth.

The sharp fall in Mexico's domestic response to rising exports in the 1990s reflects the transitional disruption caused by trade liberalization. As we show elsewhere (de la Torre and Ize 2018), countries that experienced rapid trade globalization during the 1980s encountered similar initial collapses of their domestic response followed by a very gradual recovery. The greater severity of the Mexican domestic response collapse can be explained by Mexico's being a much more protected economy to begin with. In this regard, today's insufficient growth can be viewed partly as the result of the protectionist import substitution policies of the 1960s and 1970s. Indeed, underestimation of the deep transitional costs of market liberalization policies was arguably one of the weaknesses of the subsequent neoliberal agenda (the Washington Consensus). This said, the reallocation of factors and resources needed to boost

[8] According to Hausmann et al. (2014, 27), "countries whose economic complexity is greater than what we would expect, given their level of income, tend to grow faster than those that are 'too rich' for their current level of economic complexity. In this sense, economic complexity is not just a symptom or an expression of prosperity: it is a driver."

efficiency in production could have been strengthened from the outset had Mexico complemented its liberalization process with a more ambitious set of structural reforms to promote more integrated, competitive, and efficient markets; strengthen contract rights; and boost labor skills.

The insufficiency of complementary structural reforms is in part manifested in the major differences in productivity growth between Mexico's internal regions—a key factor behind Mexico's incapacity to transform its relatively strong export growth into broader GDP growth. Indeed, Mexican per capita GDP growth is the weighted sum of a rich but lately slow-growing north (in large part reflecting the northern region's violent, crime-riddled environment), a much poorer and slow-growing south (mainly reflecting its traditional, indigenous, agricultural-based economy), and a rich and much more rapidly growing middle (reflecting its export-based economies, whether NAFTA or tourism-related). Thus, Mexico's fast-growing manufacturing-oriented center has lacked the traction needed to offset the low per capita income growth of its most backward regions, whether by pulling workers from these regions or by promoting regional growth through trade or productivity spillovers.

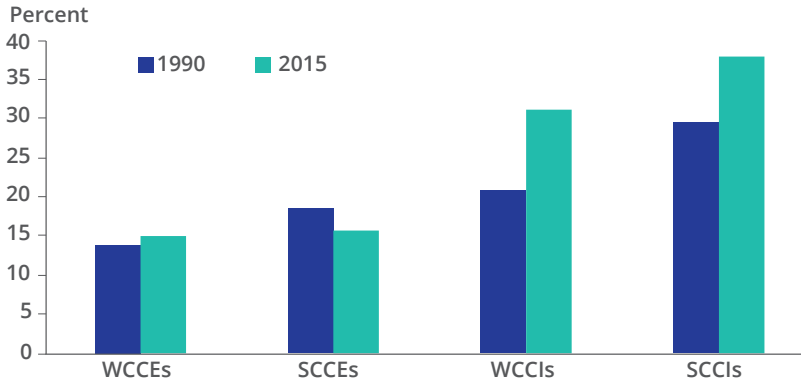
Fast population growth may drag down convergence, possibly more than is recognized. The inability of the Mexican economy to productively absorb its relatively fast-growing labor force (a reflection of weaknesses in formal labor markets and poor integration of regions within the country) has led to an oversized informal sector and constituted another important hindrance to convergence.

Service Exporters in Northern Latin America

Given their different convergence performances, Costa Rica, the Dominican Republic, and Panama are classified as strongly converging commodity importers (SCCIs) and El Salvador, Guatemala, and Honduras as weakly converging commodity importers (WCCIs). The SCCIs display more dynamic exports and a much faster growth rate than WCCIs. Interestingly, however, growth has in both cases consistently exceeded the export pull because of a very dynamic domestic response, which implies that both country groupings have systematically relied on external resources. What then explains their different growth and convergence performances?

SCCI and WCCI countries have two features in common. First, they have become exporters of services, particularly tourism-related, over the past decades: their shares of services in total exports now lie in the 30–40 percent range, compared to shares of around 15 percent in the case of the South American commodity exporters (figure 5.4). Second, they have been running relatively large trade and current account deficits (excluding remittances),

Figure 5.4 **Service exports as percentages of total exports**



Source: World Bank, World Development Indicators, wdi/worldbank.org.
Note: See table 5.1 for country groupings.

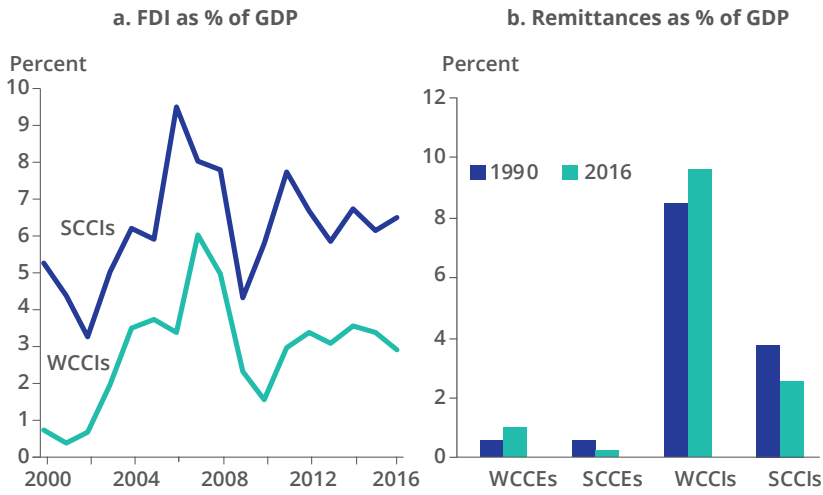
averaging around 5 percent of GDP in the past 15 years, compared to relatively balanced current account positions on average in South America.

However, external deficits are financed very differently. The SCCIs (Costa Rica, the Dominican Republic, and Panama) finance them mainly via robust foreign direct investment (FDI) inflows (figure 5.5a), which amounted on average to 6 percent of GDP per year over the past 15 years, compared to less than 3 percent on average for the WCCIs (El Salvador, Guatemala, and Honduras). The WCCIs, by contrast, rely heavily on remittance inflows from their citizens living abroad (especially in the United States), which amounted on average to nearly 10 percent of GDP per year, compared to about 2 percent for the SCCIs (figure 5.5b).

Hence, the better convergence performance of the SCCI group can be traced to a stronger export pull, as well as easier availability and higher quality (FDI-based) of external finance. The preponderance of FDI inflows (which facilitate learning and technology transfer) is consistent with the superior performance of the SCCIs. The preponderance of remittance inflows (which may well help support consumption and thus alleviate poverty) seems to have systematically undercut growth and convergence in the WCCIs.[9] In the SCCIs, the tradable services (i.e., those that can be traded across borders, including

[9] Shapiro and Mandelman (2014) find adverse productivity effects of remittances, a result of negative work incentives and weaker firm dynamics. Higher remittances are also associated with lower saving rates, another factor behind slower growth.

Figure 5.5 **Latin America: external financing items**



Source: World Bank, World Development Indicators, wdi/worldbank.org.

Note: See table 5.1 for country groupings.

tourism) are produced at home, with FDI inflows employing the local labor force. Instead, in the WCCIs, the local labor force outmigrates, seeking to work with capital that is located abroad.

Two Critical Factors: Rule of Law and Poverty and Inequality

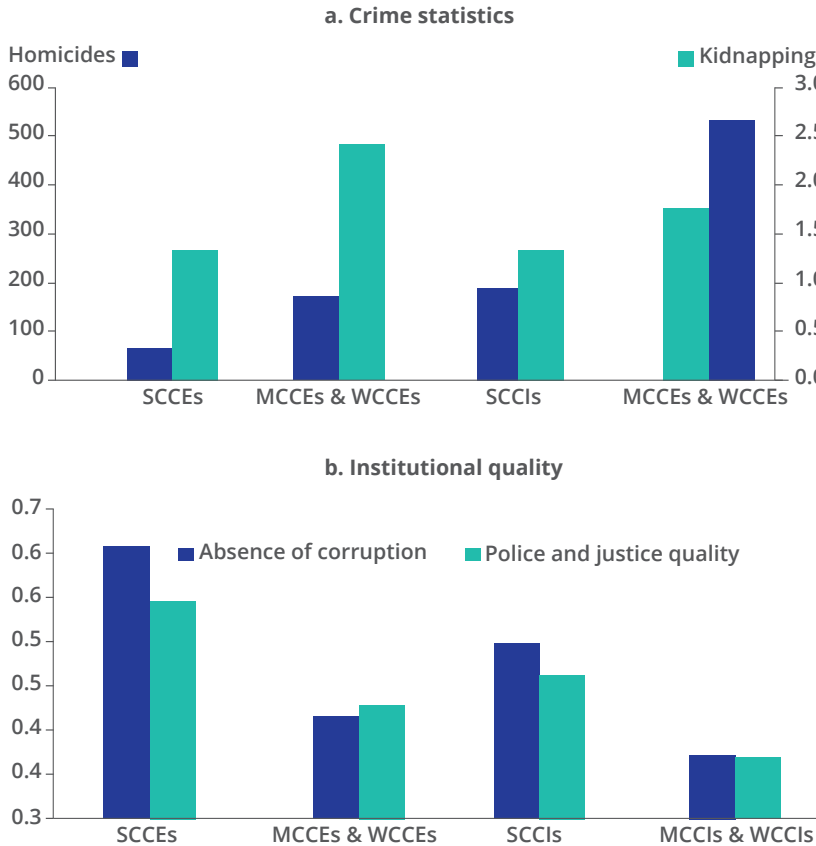
No analysis of Latin America's economic performance would be complete without addressing two of the region's most pressing challenges: institutional weaknesses and poverty and inequality. Both are historical problems for Latin America that affect countries regardless of their economic structure or geographical location.

First, and as emphasized by Catalina Botero in chapter 2 of this book, causality between institutional quality and economic growth runs in both directions. In addition to generally discouraging investment (both foreign and domestic), a weak rule of law can hamper a country's growth by limiting its export potential, as in the case of the export of services by the Central American and Caribbean countries reviewed above. This lack of growth can further weaken institutions, partly by limiting the supply of quality governance. Corrupt governments, inefficient and non-independent judiciaries, and weak enforcement of regulations are historical obstacles to economic growth and

development in Latin America. Not surprisingly, converging countries, whether in northern or southern Latin America, tend to feature better institutional quality and a lower incidence of violence (figure 5.6). It remains to be seen if recent anti-corruption efforts in some countries will have positive effects on competitiveness and growth.

Second, and in addition to being at the root of weak institutions and rule of law, high levels of poverty and inequality have also hindered convergence

Figure 5.6 **Rule of law in Latin America**



Sources: World Justice Project 2016; United Nations Office on Drugs and Crime, Intentional Homicide Victims, https://dataunodc.un.org/crime/intentional-homicide-victims; NYA24 2018.

Note: See table 5.1 for country groupings. Homicides are based on reported cases; kidnappings are probability estimates based on surveys; data on corruption and institutional quality are also survey-based (a higher number reflects better quality).

by widening the scope for politically expedient yet unsustainable spending binges. In other words, it is very hard for governments to maintain prudent macroeconomic policies and save for the future when populations rightly demand a strong state response to their pressing social needs. At the same time, evidence shows that countries that were able to resist extremely pro-cyclical policies have been more successful in curbing poverty and inequality in the long run than those that have not.

During the China boom, for example, several commodity-exporting countries (such as Argentina and Brazil) dealt with rising social expectations by limiting domestic spending, thereby exacerbating the great decelerations that followed the collapse of commodity prices. Poverty and inequality also contribute to, and reflect, the difficulties of integrating rapidly growing populations into productive labor markets, difficulties whose consequences include informality and marginalized rural enclaves.

However, Latin America's painful history during the 1980s and 1990s shows that merely postponing government action to address social grievances in the name of economic growth is not an option. Economic growth requires investment in people and investment in equity, including through robust health and education systems. During the boom, many countries in Latin America made some progress in this regard. These advances may now be in peril given fiscal constraints after the end of the commodities boom.

Looking Ahead

The above discussion has highlighted key domestic policy challenges that Latin America will need to overcome to achieve convergence in the future. The road ahead is complicated by a host of potential threats and uncertainties associated with the global environment which domestic policies cannot influence. These include the risk of rising protectionism in advanced economies, a possible secular decline in the world demand for commodities (particularly in fossil fuels and minerals), and the unpredictable impacts on world trade (particularly on labor-based manufacturing) of the unrelenting progress toward digitalization and automation.

In view of these uncertain (if not downright adverse) external prospects, one domestic policy option to avoid—although it may appeal to many a politician in the region—would be to shift again toward inward-oriented, import-substituting growth strategies, supported by heavy interventionist and protectionist policies at home. Latin America's history and worldwide empirical evidence on trade and growth linkages provide a clear warning that while this course of action might produce short-term gains, it would disrupt macroeconomic stability and be fatal to long-term growth and convergence.

A more constructive option would be to continue to move up the value-added ladder in commodities production while diversifying exports and export destinations as much as possible. In part, export diversification may be attained via deeper Latin American or South-South integration. The global South (including Latin America, Africa, and Asia) has probably by now acquired the critical mass necessary for such a course of action to be viable. In fact, the South is likely to grow faster than the North, even with limited trade interaction within the South. And notwithstanding the meager returns thus far from regional integration, further efforts should be made to turn Latin America into an entirely free trade region, thereby better leveraging larger markets and the associated economies of scale. The pursuit of South-South integration has limits, however, and is not a good substitute for expanding export niches into the richer economies. Hence, Latin America should put a premium on building up and diversifying its export base with an eye toward global markets, with South-South integration pursued to boost global integration. For much of the region (particularly Mexico), sitting next to the largest consumer market on earth probably remains a critical asset.

Given anti-globalization sentiments in the United States and other advanced economies, export promotion efforts should emphasize win-wins over zero-sums. Gaining exporting ground in richer destination markets will be politically easier to achieve if, instead of displacing firms and dislodging jobs in the importing countries, Latin American exports were mainly focused on goods and services that are naturally buoyant and do not conflict directly with local production in the advanced countries. This implies a boost in creativity (not just productivity) and a repositioning toward tradable services of all kinds (tourism, health and wellness, old age, and education, to cite just a few), which are, on average, more demand elastic (i.e., they account for a rising share of global consumption) and generate more employment than manufactures. By pulling labor out of the informal sector into more productive formal employment, the expansion of tradable services can also deliver a needed productivity boost.

The shift toward more creative exports puts the accent on knowledge and on attracting and retaining the talent that is germane to the discovery and development of export niches. Given globalization, many noncommodity goods and services can increasingly be produced anywhere in the world; to raise growth, Latin America needs to become an attractive place to produce as well as an attractive place to visit or live. This shift highlights the need for a more sophisticated outward-oriented strategy. Making the region an enticing hub to visit, live, or work puts a premium on stronger institutions (particularly the rule of law), more efficient and integrated infrastructure (including digital infrastructure), safer living environments, friendly and educated citizens,

clearer air and greener development, and well preserved natural and cultural capital.

Finally, growth agendas in Latin America must be supported by stronger countercyclical macrofinancial policies, which are essential to avoid the growth-impairing consequences of amplified boom-bust phenomena, particularly in commodity-exporting countries. Given that social and regional fractures and inequities undermine the domestic response to an export pull, the region will need to significantly improve its social protection systems (pensions, health) and provide quality education for all. Rather than an afterthought, good social policy should be considered a core component of a sound growth-oriented reform program.

Appendix: The Export-Linked Underpinnings of Convergence

The remarkable tightness of the link between convergence and export dynamism comes across quite strikingly in figure 5A.1, which breaks down the post-WWII era into two subperiods, one predating China's entry into the WTO (1960–2000) and the other covering the recent China-driven cycle (2000–15). The figure plots, for all countries for which data are available, the average annual rates of change of each country's share of world exports against the annual rates of change in per capita income convergence. The close correlation between both variables (very high for both periods, although with greater dispersion in 2000–15) clearly suggests that convergence is unlikely to materialize in the absence of a vigorous export performance.

As evidenced by the bar columns in figure 5A.1, there are important contrasts between the pre- and post-China periods. Relatively few countries converged toward the U.S. per capita income in the 1960–2000 period and, except for the fast-growing Southeast Asian Tigers, most of those that converged were relatively high-income countries, chiefly in Europe. Nearly 70 percent of the countries in the world diverged in that period. By contrast, nearly 80 percent of all countries, including Latin American countries, converged during the China pull period of 2000–15; most of them were low to middle income (the higher-income countries lost ground during this period).[10]

Correlation does not necessarily imply causation, however. It may be that countries export because they grow rather than the other way around, as faster productivity gains give faster-growing countries a natural edge in export markets. If so, there would be no reason for attaching more policy importance to boosting exports than to promoting productivity across the board. Yet, empirical and conceptual reasons support the view that a crucial direction of causality goes from exports to growth. On the empirical side, simple Granger tests strongly indicate that exports precede rather than follow growth (see de la Torre and Ize 2018). While such timing-based tests do not prove

[10] Regressing the rate of per capita income convergence against the rate of change of world export shares while controlling for country size, rate of population growth, and initial GDP per capita confirms the overwhelming association between export expansion (relative to global trade) and per capita income convergence. It also shows that population growth tends to hinder convergence, an oft-overlooked feature that contradicts the theoretical steady-state predictions of plain-vanilla neoclassical growth models where population growth boosts GDP growth via human capital accumulation. Countries with fast population growth are often unable to fully integrate their labor force into productive, formal employment.

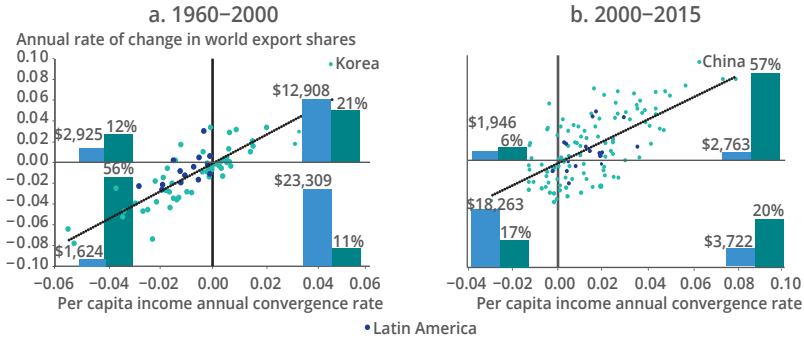
causality, they are suggestive of causality and, at a minimum, imply that a country's rising share in global exports can be a good predictor of growth. On the conceptual side, beyond the obvious scale gains of operating in larger (international) markets, there are at least two reasons to think that productive activities in the tradable sector are special. First, they are likely to generate superior learning externalities and technological spillovers compared to nontradable activities.[11] Second, more dynamic exports enhance balance of payments viability and resiliency, thereby helping to avert the negative growth impacts of macrofinancial instability and crises. Hence, on both counts, promoting the tradable sector should be good for the economy as a whole.

This said, faster-rising exports may not necessarily translate into faster GDP growth. Figure 5A.1 shows that the link between export growth and GDP growth, while strong, leaves room for country variation. In fact, in the upper left quadrant, countries gained ground on exports yet lost ground in per capita GDP convergence. To help identify the factors underlying such a variety of outcomes, it is useful to decompose GDP growth into the sum of three trade-related channels.[12] First is the **export-pull channel**, which measures the rate at which a country's exports gain ground in the world's export markets (i.e., the country's export elasticity to a change in world demand). The country's GDP response to the export pull, in turn, depends on the strength of the **domestic-response channel**, the rate at which a country is able to convert higher exports into GDP growth (i.e., the country's output elasticity with respect to a change in imports). An economy with more dynamic exports can of course import more, but whether this translates into faster GDP growth depends on the strength of the domestic response channel. Moreover, some countries might import in excess of their exports, financing the resulting external deficit with external resources. This points to the third channel, the **external-leverage channel**, which measures the extent to which countries finance their growth with foreign rather than domestic resources (i.e., the country's import elasticity with respect to a change in exports). Figure 5A.2 shows such growth decomposition

[11] This argument has been advanced by several authors. Rodrik (2008) uses it to highlight the importance for growth of a competitive real exchange rate. Hausmann and Rodrik emphasize the role of product complexity, particularly the complexity of export baskets (see Hausmann et al. 2014; and Hausmann, Hwang, and Rodrik 2005). The focus on exports is complementary to the focus on productivity that has characterized recent studies on Latin American growth, such as Araujo et al. (2014) and Pages (2010).

[12] These channels emerge from an export-focused accounting decomposition of real GDP growth based on elasticities, as discussed in more detail by de la Torre and Ize (2018).

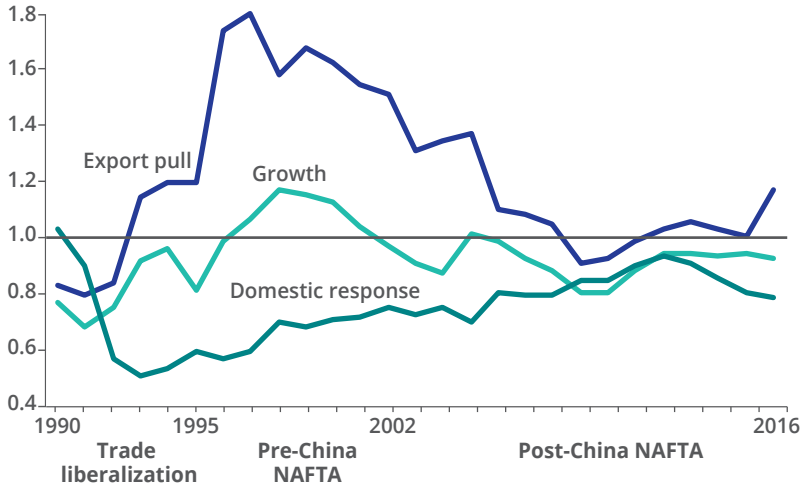
Figure 5A.1 **Per capita income convergence and export shares**



Source: World Bank, World Development Indicators, wdi/worldbank.org.

Note: Per capita GDP is in constant U.S. dollars; export shares are in current U.S. dollars. Each dot represents a country and the values it takes along the vertical and horizontal axes represent the yearly geometric average of the respective rates of change over each period. The bars show the median income per capita (sample share) of all countries in each of the four quadrants.

Figure 5A.2 **Mexico: growth, export pull, and domestic response**



Source: World Bank, World Development Indicators, wdi/worldbank.org. Calculations follow de la Torre and Ize (2018).

Note: GDP growth, export pull, and domestic response are measured relative to the world over 10-year, backward-looking moving intervals, with 1 representing the world average.

for Mexico during the period 1990–2017. The figure shows that Mexico's low growth during this period reflected the combination of a low export pull—its surge in the wake of Mexico's joining NAFTA was subsequently reversed following China's entry into the WTO—and a low domestic response—after collapsing on the wake of Mexico's trade liberalization in the early 1990s, it recovered only very gradually.

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6

Latin America and the World: Dependency, Decoupling, Dispersion

Andrés Malamud

Latin America and the World: Dependency, Decoupling, Dispersion

Andrés Malamud

"The world is falling down upon us" (*el mundo se nos cae encima*), former Argentine president Cristina Fernández de Kirchner famously said. Contrariwise, "We need to come back to the world" (*necesitamos volver al mundo*), campaigned current president Mauricio Macri. As global power spreads, the international economy stumbles, and multilateral rules are challenged, the world sends confusing signals to peripheral countries. Should they pursue global integration or protectionism, whether regional or national?

Power Diffusion in a Disorderly World

In Latin America, the degree to which the world is viewed as an opportunity or a threat is a central theme of political debates. While there has been a marked tendency toward greater global engagement, the path has by no means been linear, as evidenced in cases such as Brazil, which in 2010 was a visible player on the global stage and in 2018 has a far diminished role. Foreign policy strategies have tended to swing to the rhythm of votes, commodity prices, and interest rates. Therefore, to anticipate the evolution of Latin America's international relations, it is necessary to understand the dynamics that are shaping the global scenario.

The most notable development in Latin America over the past two decades has been the expanding role of China, chiefly based on trade, investment, and, increasingly, financing for major infrastructure projects. This shift is, of course, not only evident in the region, but throughout the world. Deepening Chinese engagement in Latin America has posed an unprecedented challenge to the United States, which has long been the most influential external actor in the region. To some degree, the United States' indifference to Latin America in recent years—which has been accentuated by the Trump administration—has left an opening for China and other external players to deepen their relations in the region. But Latin American countries have so far been unable to develop a strategy to deal with China's assertive approach.

That the world has become more multipolar and has witnessed the rise (and fall) of new powers has complicated Latin America's global relations.

Further, multilateral institutions that formed the bedrock of the global order have become weaker and more ineffective in recent times. The United Nations (UN) seems as toothless as ever, the World Trade Organization remains unable to reach any meaningful agreement, and a global environmental regime is unenforceable at best and unraveling at worst.

The rise of new powers has not leveled the playing field but increased power differentials globally. The larger the gap that separates great powers from secondary powers the more likely it is that the former will try to conduct business among themselves. As a result, international governance takes the form of a G-world (G7, G8, G20), while emerging powers come together in groupings such as BRICS (Brazil, Russia, India, China, and South Africa). Notably, both strategies have tended to cluster around issues rather than regions. In sum, the global situation is more complex and fluid than it has been in the past.

Contrary to what some analysts expected, the new multipolar landscape has not translated into enhanced multilateralism or effective regional coordination. Emerging powers—Brazil, just like India or Turkey—were expected to gain dominance over their regions, which would then become the building blocks of global governance. Yet regional capacities to act with one voice in international affairs have not developed significantly beyond Europe, and even there, they are endangered. Organizations such as the Southern Common Market (Mercosur), softly modeled on the European Union (EU), still survive, but most of them have been unable to consolidate internal rules or institutionalize external ties.

Further eroding regionalist strategies, global powers, such as the United States and China, now offer secondary regional powers alternative policy options to their regional hegemons. Thus, in Latin America, the two largest economies—Brazil and Mexico—have seen their influence over their neighbors impaired. As a consequence of eroded followership, these putative leaders have turned their sights outwards, and each has adhered to an extra-regional grouping—respectively, BRICS and the North American Free Trade Agreement (NAFTA, now renamed the United States–Mexico–Canada Agreement [USMCA]). Furthermore, each has done so with complete neglect of the other.

A multipolar landscape has not led to effective multilateralism because differences among countries have become more, not less, pronounced, making consensus more elusive. This problem can be seen in contemporary debates about global trade, climate change, and even local crises such as those in Syria, Ukraine, and Venezuela. But it has not fostered effective subregionalism either, where just a few players could have made cooperation easier. In Latin America, states acknowledge they share a neighborhood, but not a house: they might join forces to mow the front garden but will not sign the same lease. It remains unlikely that they will unite to face global challenges,

and even regional cooperation seems doomed by political polarization and scarce state capacities.

Multipolarity broadens the autonomy of both middle powers and small states. Hence, as President Lula's Brazil aspired to put greater distance between itself and Washington, so did other South American states from Brasilia. Accordingly, more and more of them have opted to conduct business with overseas powers instead. Colombia's security ties with the United States, Argentina's extra-NATO ally status, and the signing of the Trans-Pacific Partnership agreement by Chile, Mexico, and Peru are cases in point.

In Latin America, the outcome is a patchwork of segmented and overlapping organizations. Global issues are being dealt with by selected groups of powers irrespective of geography, which is no different than in the past. Similarly, different blends of coastal or trans-oceanic regionalism will take priority over traditional border-sharing regionalism: the larger the gap between great powers and secondary powers, the more likely it is that the latter will try to conduct business with faraway partners rather than with neighboring countries.

Indeed, the low-savings, commodity-exporting countries of Latin America display a pattern in which economic performance "is highly determined by fluctuations of commodity prices and of international interest rates. Economies boom when commodity prices are high and international interest rates are low. Crises are more likely to happen when the opposite occurs" (Campello 2014). Economic stability requires that at least one of these two variables move in a favorable direction, as occurred between 2012 and 2017 with interest rates but not commodity prices. Although political outcomes also depend on domestic factors and leadership skills, even gifted leaders have struggled to survive hard economic times.

Four preliminary conclusions stand out. First, it is unlikely that favorable conditions for effective multilateralism will prevail in the coming years. Second, although external conditions depend on markets rather than agents, they are mostly determined by two countries: the United States (since the Federal Reserve sets the pace of international interest rates) and China (whose growth rate mostly determines commodity prices). Third, Latin American states will continue to diverge according to their natural resource endowment and their ensuing chief international relationship, either with the United States or China. Like it or not, the short-term future of the region is tied to the political and economic evolution of the two world giants. Over the longer term, the emergence of new global powers, such as India, may add to the mix. Fourth and last, Latin America is unlikely to become a significant global actor. Rather, a changing combination of states may emerge over some periods and goals, but there will be no common regional strategy. Divergent national interests and calculations will continue to carry the day.

Should I Stay or Should I Go? U.S.–Latin American Relations

"The unipolar order that characterized 20th-century U.S.-Latin American relations is today a relic" (Williams 2015, 207). For the United States, relations with Latin America are now limited to low politics (everything but defense) and are ruled by the theory of relativity: Energy, migration, and cocaine squared. This pun reflects a realist approach to international relations as set forth in Henry Kissinger's 1994 book *Diplomacy*. He depicts the United States as a stalwart of an anti-imperialist tradition, reluctant to intervene in other countries' domestic affairs. Of course, Latin America is absent from his many historical examples. Even after President Theodore Roosevelt, the "backyard" has tended to fly under the radar of U.S. top foreign policy thinkers.

During the Cold War, U.S. policy makers did not consider Latin America a high-priority battlefield, with a few exceptions such as the Cuban missile crisis in 1962 and Central America's civil wars in the 1980s. In general, it was enough to provide funding, training, and intelligence to allied governments or combatants, only occasionally sending the marines to discipline a rebel nation. Political tensions, however, stayed high during the whole period. Once the communist threat was dispelled, the end of bipolarity looked like an opportunity for improving inter-American relations.

Evidence of such an opening was the Initiative of the Americas, launched by President George H. W. Bush in 1990, and the negotiations to establish a Free Trade Area of the Americas (FTAA) inaugurated by President Bill Clinton in 1994. Both projects emphasized economic ties over the strategic and ideological dimensions that had prevailed until then, but neither grand scheme prospered. Although the Summit of the Americas of 2005 (Mar del Plata, Argentina) is considered by many as the FTAA slayer, what is often overlooked is that Latin American resistance—in particular by the Mercosur member states plus Venezuela—was no stronger than the domestic resistance with which U.S. unions and protectionist businesses opposed the initiatives by lobbying their representatives in Congress.

Over the past two decades, U.S. relations with its southern neighbors have been a low priority on Washington's foreign policy agenda. Latin American states neither present strategic threats nor constitute relevant allies or opportunities to help face such threats overseas. There have, of course, been exceptions—particular issues or countries that receive serious attention. Plan Colombia, passed with bipartisan support under the Clinton administration in 2000, was a success, though more in helping Colombia assert the state's authority than in solving the drug problem.

In addition, the dramatic policy shift and opening up of Cuba under President Barack Obama in 2014 was widely cheered in Latin America. Also under Obama, there was increased focus on the governance crises of Central America's Northern Triangle countries (El Salvador, Guatemala, Honduras), in an attempt to tackle the root causes of migration to the United States. In 2017 U.S.-Mexican relations took a sharp turn for the worse, as Donald Trump exploited the two issues that propelled his candidacy for president in 2016: trade and immigration. In this regard, Washington's Latin American agenda is arguably more driven by domestic politics today than it was in recent decades.

Of course, for some Latin American governments, the United States is indeed a priority—even if Washington does not see it that way. Cuba and Venezuela consider that the United States poses a threat to their national security; while others, such as Colombia, regard it as a vital, strategic ally. Mindful of Washington's interventionist past and uncertain present, the future of inter-American relations can be classified in three broad policy areas: security, economy, and transnational issues that may require a regional governance architecture. Although the security question is unlikely to occupy the top of the inter-American agenda, it may exacerbate conflicts that are rooted in other areas. Three subdimensions are worth exploring: territorial conflicts, terrorism, and the intervention of an extra-regional power.

Some territorial conflicts, either inter- or intrastate, are likely to develop sporadically. Conventional wars should not be expected, and militarized interstate disputes will rarely take place, but state failures and collapses should not be ruled out. Haiti fits this category and, increasingly, so does Venezuela, but Cuba also looms large in case of regime breakdown. Causes of conflict may range from natural disasters through "Dutch disease" to bad governance up to secessionist attempts, and their potential legacies are failed states incapable of enforcing public order and border control. Apart from massive violence at the national level, there is potential for contagion through economic and, above all, migratory spillover. Promoting domestic stability to avoid civil wars or power vacuums may become one of the greatest challenges for inter-American diplomacy.

Democracy promotion, however, will not be well served by direct U.S. intervention. Yet, the idea of intervention by the United States in Venezuela has sporadically entered the policy debate, given the gravity of the situation and the migration crisis that affects neighboring countries (paradoxically, while closer countries resent the massive arrival of refugees, more distant countries such as the Southern Cone's will benefit from qualified Venezuelan migration). Initiatives that exclude the United States, like the 1980s Contadora Group dealing with Central America or the current Lima Group focused on Venezuela, are better equipped to deal with rogue Latin American governments.

Similarly, the Organization of American States could be more effective if members other than the United States take the lead whenever a diplomatic quarrel with a Latin American country emerges.

The terrorism issue is rarely associated with Latin America, yet it will occupy a larger, albeit hardly critical, space. It is expected to foster more cooperation than conflict: unlike during the Cold War, virtually all states in the hemisphere are today actual or potential victims rather than promoters of terrorism. Even Venezuelan ambiguity on the issue has decreased, partly due to its domestic problems. The place of terrorism in the agenda will depend on the occurrence of attacks or credibility of threats, which will be greater in a turbulent world. In any case, terrorism is unlikely to significantly sour inter-American relations because most conceivable sources are extra-hemispheric.

Since the development and possession of weapons of mass destruction have been ruled out by the three Latin American states that possess nuclear capabilities (Argentina, Brazil, and Mexico), the intervention of an extra-regional power constitutes the top strategic risk for inter-American relations. Remarkably, the countries with the strongest anti-U.S. rhetoric lack the technology and the suppliers. The only global powers with military projection capabilities are China and Russia, but they are not expected to go beyond selling conventional weapons and deploying observation facilities in the region. Some analysts also point to the rising profile of the U.S. Southern Command (USSOUTHCOM) and its key role in anti-narcotics as ushering a more militarized approach to the United States' Latin American policy.

The economic question is likely to be a higher priority than the security issue in the inter-American agenda. Again, it is useful to break down the economic category into three distinct issues: investment and trade, regulations, and energy.

U.S. president Donald Trump has made it clear that, regarding investment and trade negotiations, he foments conflict prior to cooperation. The renegotiation of NAFTA (now the USMCA) and constant talk about the border wall will embitter relations with Mexico irrespective of what President Andrés Manuel López Obrador might do. As for the rest of the region, skirmishes will ebb and flow. Neither major confrontations nor comprehensive negotiations are likely to take place, although particular bargains may occur whenever necessary. Trade or currency wars waged by the United States will not target Latin America, but side effects could hurt it. With Trump, the prospect of the United States rallying Latin American countries to deter further Chinese influence in the hemisphere looks ever more remote. Indeed, the United States lacks the tools and resources to effectively counterbalance growing Chinese presence in the region. The problem is compounded by Washington's increasing dysfunction and policy paralysis.

Also on the economic front, the regulation of standards and patents has a low probability of becoming a hot issue. Whatever the stance the United States might assume, the Latin American countries are mostly rule takers. The only exceptions are Mexico, which might be approached on a bilateral basis, and Brazil—both of which, official discourses notwithstanding, hold little strategic interest for the United States. The rest of Latin America mostly consumes rather than produces rules and patents. No global transformation is expected to alter the relative unimportance of the region in this policy area.

The energy issue is highly consequential but also may be the most unpredictable policy area, because technological innovations, by definition unanticipated, have the largest impact in this field. Indeed, U.S. energy self-sufficiency based on fracking and shale gas, as well as its depressing impact on global prices, are among the drivers of Venezuelan economic collapse. Mexico, on the other hand, might change its production and exporting matrix to reduce its dependency on oil and its main buyer. Further developments in renewable energy sources might lead to the reversion of the only historical asymmetry that has benefited Latin America so far, by turning the region into dependence upon energy imports from the United States. Brazil's failure to utilize its pre-salt oil reserves to foster new extractive technologies is a clear example of the obstacles facing Latin America in reaching energy self-sufficiency and create industrial spillovers. Whatever the case and irrespective of the global scenarios, energy issues will probably remain at the top of the common agenda.

Two salient transnational issues will also be prominent on the inter-American agenda: migration and drug trafficking.

Migrants and refugees have the potential to become the greatest challenge to inter-American cooperation. While migration flows relate to economic asymmetries and social networks, refugee crises are linked to political conditions such as repressive regimes or dysfunctional states. Massive exodus, like the past one from Haiti and the accelerated flow from Venezuela, can bring about the collapse of border cities and destabilize neighboring states. A sound set of policies by the hemispheric powers needs to combine generous hospitality regulations in the host countries with measures aimed at stabilizing fragile economies and managing regime transitions in the sending countries. However, some caution is important in the level and kind of intervention so as not to provoke a nationalist backlash. By contrast, a shocking example of a harmful policy is the massive deportations carried out by the United States toward Central American citizens, which have been going for years irrespective of administration. This has spread the phenomenon of the *maras*, criminal gangs characterized by extreme violence, and wreaked havoc especially in El Salvador, Guatemala, and Honduras.

Assuming there is no chance the United States will change its prohibitionist stance, drug trafficking will continue to be an irritant in U.S.-Latin American relations. Indeed, the more the Latin American governments approach narcotics as a public health rather than security issue, the greater the gap with the United States. This will not necessarily deter decriminalization policies as long as there are more understanding partners on the world stage. This area appears to be one of the few in which the EU can play a significant role to balance or compensate for inter-American disagreements. Moreover, this is probably the only policy area in which Latin America could take the initiative and become an agenda setter, even globally, as this is a region characterized by considerable drug production and drug-related damage. The potential to influence the agenda is reflected in the report prepared by three former presidents—Brazil's Fernando Henrique Cardoso, Colombia's César Gaviria, and Mexico's Ernesto Zedillo—on behalf of the UN-sponsored Global Commission on Drug Policy (Latin American Commission on Drugs and Democracy n.d.). These statesmen urged the world to end the "unmitigated disaster" of the war on drugs. Similarly, Mexican president López Obrador has announced steps toward the decriminalization of marijuana and other drugs, which might complicate relations with the Trump administration.

In sum, the outlook for inter-American relations appears as follows. The good news is that the security issue is unlikely to deteriorate. Latin America will continue to be a region at peace. With the exception of a few outliers like Cuba, Nicaragua, and of course Venezuela, interests and threats are mostly aligned across the hemisphere. Changes for the worse are unlikely, as extra-hemispheric powers do not indicate any intent to challenge the United States on its turf, and transnational terrorism has neither roots nor strategic targets in the continent.

On the economic front, though no one ever expected that the Americas would integrate national markets beyond the free trade stage, not even this will take place. Indeed, current conditions suggest that Latin American countries will neither commit to any meaningful coordination of public policies nor invest in the establishment of a regional governance architecture. Consequently, any U.S.-Latin American negotiations regarding trade, investment, and regulations will probably be administered through bilateral interactions. The emerging pattern will be neither regional nor multilateral, but rather ad hoc and bilateral, though the asymmetry between the parts may look unilateral. However, a much more unpredictable and potentially significant policy question exists: energy, whose evolution depends on resource discoveries, technological advances, and global prices that cannot be anticipated.

The greatest causes of irritation will continue to be transnational, mostly regarding drug trafficking and migration. On these issues, Latin America

and the United States hold opposite interests: while the former appears as a producer of both drugs and migrants, the latter complains about being the receptor, regardless of its responsibility in feeding either flow.

So: Energy, migration, and cocaine squared.

Despite Trump's rhetoric and unpopularity in the region, the reality of U.S.-Latin American relations has not changed significantly since he came into office. To begin with, because Mexico was the prime target of the U.S. president's wrath on trade and immigration, other nations have managed to pragmatically maintain good relations with Washington. The one exception is Trump's partial dismantling of Obama's thaw with Cuba, where diplomatic relations remain, but some economic restrictions have been reinstated. The issue of Cuba, however, is not as salient for hemispheric relations as it was before Obama's changes. Latin America has not been a priority for Washington for a long time. Trump is no exception.

A new and potentially significant irritant in U.S.-Latin American relations in coming years is Washington's pressure on Latin American countries to choose its preferred partner: either the United States or China. The Trump administration has been threatening to punish countries that move to recognize China and not Taiwan, or that undertake major investment projects with Chinese financing. Such strong-arm tactics are likely to build resentment toward Washington in a region that is largely pragmatic and is trying to grow its economy and reduce poverty.

Although then–secretary of state John Kerry declared on November 13, 2013, at the Organization of American States that "The era of the Monroe Doctrine is over,"[1] Trump's first secretary of state, Rex Tillerson, in a question and answer session following a speech at the University of Texas at Austin on February 1, 2018, countered with "I think it's [the Monroe Doctrine] as relevant today as it was the day it was written" (Restrepo 2018). Unlike the Monroe Doctrine, however, Chinese policy toward Latin America does not overtly seek political or military influence. China's focus is commercial and financial exchange, which can be mutually beneficial. Beijing does not seek to export its political model and does not threaten domestic regimes. Still, some thorny questions are worth pondering: Will Xi Jinping preside over a sea change in China's Latin American policy? Will China—with or without Russia's help—seize the opportunity to rebuild and control Venezuela in the event that the Bolivarian regime collapses? And will China's people-to-people diplomacy

[1] "Remarks on U.S. Policy in the Western Hemisphere," U.S. Department of State online archives, https://2009-2017.state.gov/secretary/remarks/2013/11/217680.htm.

and money exchange capture the imagination and buy off the loyalty of a significant share of Latin American elites?

Old Hegemony in New Vases? China–Latin America Relations

As a new power such as China emerges, Latin American countries are finding an opportunity to overcome or mitigate U.S. hegemony. Some Latin American policy makers have designed strategies of diversification to guide their foreign economic and political relations. Nevertheless, "if relationships between the challenger and the hegemon turn to open conflict, they are pushed to choose sides, a position that they find uncomfortable, except when there are specific internal political projects that clearly support one option over the other" (Paz 2012, 33). China's global rise has taken two visible forms in Latin America—trade and investment—and two less obvious forms—financial cooperation and political influence.

Trade in goods between China and Latin America peaked in 2013 and then fell and stagnated. Although it is expected to recover, it will not reach the growth rates experienced up until 2012. This decreasing dynamism has asymmetric consequences. Latin America lost weight in China's foreign trade while China displaced the EU as the second trading partner for Latin America. Most countries—chief among them Mexico and several Central American states—run trade deficits with China.

Latin American trade with China is less diversified than with the rest of the world, concentrated mainly in agriculture, metals, and energy. Concentration is also evident in trade partnerships, as two-thirds of China's imports from Latin America originate in Brazil and more than 95 percent when Argentina, Chile, and Uruguay are added. Such a skewed trade pattern highlights the region's vulnerabilities.

Chinese direct investment increased notably in 2010 but stabilized thereafter. Official data do not capture the real magnitude of investments though, since a large part is channeled through third countries or territories such as Hong Kong. China's four commercial banks—the China Construction Bank, the Industrial and Commercial Bank of China, the Bank of China, and the China Communications Bank—have expanded their presence and range of services in key countries, and China's two policy banks—the China Eximbank and the China Development Bank—remain among Latin America's top lenders. Chinese companies are behind large infrastructure projects, some under the banner of the Belt and Road Initiative (BRI), a massive infrastructure program from through which China is pouring billions of dollars throughout the world. As the BRI makes inroads in Latin America, the region can expect more

support from Chinese financial institutions. Remarkably, the BRI functions with a geographic scheme that is neither fixed nor bounded by conventional world regions.

On the contrary, the reference to economic corridors, transit areas, economic hubs, and technical ecosystems will undermine existing regional organizations. As Margaret Myers and Kevin Gallagher (2018) point out, the challenge is for Latin America to become a shaper, rather than a taker, of investment from China. The drawback is that Latin America lacks central strategic coordination, and none of its individual countries has the capacity to shape China's policies.

From China's perspective, Latin America—particularly South America—is chiefly a commodity producer, a fact reflected in its foreign direct investment. Between 2010 and 2014, 90 percent of all Chinese investment in the region was channeled toward natural resources, as opposed to 25 percent of all non-Chinese foreign direct investment. Despite the much-abused South-South label, China–Latin America relations show signs of being center-periphery reloaded.

Natural resources can be extracted, like mining, or produced, like agriculture. China invests in both types, with an emphasis on mining in the Pacific countries and agricultural products in Argentina and Brazil. The four largest Chinese oil companies are present in all Latin American countries that export hydrocarbons with the exception of Bolivia and Mexico. In contrast, mining investments are more concentrated and have provoked socio-environmental conflicts. In many cases, China's money arrives in the form of loans (to companies or governments) rather than direct investment; this strategy is aimed at stabilizing returns and minimizing risks.

Chinese investment in agriculture and industrial sectors remains limited but shows a growing trend, although large investment projects have not yet materialized. Reciprocal flows are minimal, as Latin American investment in China remains incipient. A recent report by the Economic Commission for Latin America and the Caribbean draws attention to the three challenges that Latin America faces relative to Chinese direct investment: increase the amount; diversify target countries and economic sectors; and make it socially and environmentally sustainable, especially regarding extractive activities (ECLAC 2016).

Overall, China's ties with Latin America remain concentrated in a few countries: Argentina, Brazil, Chile, Mexico, Peru, and Venezuela. Trade will continue to be the foundation of Sino-Latin American ties, but there is room for diversification along the six areas delineated by Chinese president Xi Jinping in his 2014 "1+3+6 cooperation framework": energy and resources, infrastructure, agriculture, manufacturing, scientific and technological innovation, and

information technologies. The ensuing policies will need to include measures on mitigation strategies and damage control, mostly regarding the environment, where potential grievances come from civil society. Security issues are likely to remain off the agenda to avoid upsetting the United States.

Thus far, China's inroads in the Western Hemisphere have been neither spontaneous nor hostile. During the first years of the century, there was an institutionalized dialogue between China and the United States on Latin America. The United States had attracted China with the intention not of stopping or containing Chinese initiatives in the region but of shaping them (Paz 2012). However, this mechanism is now suspended.

Is China striving for political influence that goes beyond trade? A recent survey of Latin American commercial and financial relations with China and the United States from 2003 to 2014 found that China was engaging the most with countries that the United States was least involved with (Urdinez et al. 2016). Three hypotheses were offered to account for this reality: diversification, accommodation, and contestation.

The diversification hypothesis argues that "countries marginalized by the United States could pursue diversification and turn to China as an alternative trading partner" (Urdinez et al. 2016). This option would recognize the agency of Latin American countries, but is also the least likely according to the authors, since only public Chinese actors seem to be engaging with the region (which suggests that Beijing has the initiative). In the accommodation hypothesis, "Beijing could be blending its economic and political goals by expanding intentionally at the peripheries of U.S. areas of influence, trying not to disturb Washington" (Urdinez et al. 2016, 4). The third hypothesis implies a strategy of active contestation. In this scenario, "Beijing is using economic statecraft to buy friends in the region amongst those forgotten by Washington, taking them away from the claws of the eagle and adding them to the claws of the dragon" (Schenoni 2016). Arguably, the only country where China has political influence is Venezuela, but the relationship has little to do with ideology and more with interest in gaining access to the world's largest oil reserves.

A few years ago, Margaret Myers called attention to China's "surprisingly static political agenda" in the region (2015, 213). She claimed that Chinese engagement was not intended as a form of competition with the United States but rather as another way to promote its traditional foreign policy goals such as "market economy" recognition, Taiwan-related concerns, and Tibet policy. Indeed, 11 of the 20 states that hold diplomatic relations with Taiwan are located in Latin America and the Caribbean. The expansion of Confucius Institutes in the region, which number more than 20 in nine countries, is a manifestation of China's growing interest in nurturing soft power to smooth its economic and political projection.

However, Xi's leadership has injected a new dynamism into the Chinese agenda for Latin America. Its most noticeable effect was diplomatic recognition by Panama (2017) and the Dominican Republic and El Salvador (2018) of the People's Republic of China over their previous partner, Taiwan. Although not hostile, China's approach is becoming more assertive. As Myers acknowledges, China's newest (and second ever) policy paper on Latin America, issued in 2016, was accompanied by many more high-level visits, new (although still vague) references to Latin America and the Caribbean and the BRI, and a wider variety of BRI-related infrastructure proposals. How this strategy evolves will only partially depend on Latin American choices, no matter how earth-shattering some forthcoming presidential elections might appear. The region has so far been unable to put forth its own agenda and priorities with China.

Rest of the World

Today, relations between the EU and Latin America are "marked by relatively low interdependency and entrenched asymmetries" (Müller et al. 2017, 64). Besides, they "lack a clear focus and are dense but highly dispersed between a large range of topics and patterns" (Gratius 2015, 223). Two megatrends explain this pattern, which is unlikely to change: the continuing loss of global weight by the EU and the fragmentation of Latin American interests and strategies. The narrative with which the EU has sought to define the bilateral relation—that of interregionalism—is thus an academic relic.

Gratius describes EU–Latin America and the Caribbean relations as organized in four concentric circles: general umbrella interregional interactions; subregional cooperation for development (particularly with the smaller member states of Central American and Caribbean arrangements); bilateral cooperation with the larger emerging economies; and special relations with a few particular states, notably Brazil, Cuba, and Mexico. These circles are symbolic but do not carry much economic or geopolitical weight. In spite of traditionally strong trade relations, the failure to sign a trade and investment agreement between the EU and Mercosur reveals how protectionist interests have gained the upper hand over geopolitical strategy. Started in 2000, these negotiations have taken place intermittently and unsuccessfully over 18 years. According to a European Parliament report of March 2018, "EU offensive interests tend to contrast with Mercosur's defensive interests partly because of the latter's low level of competitiveness in these sectors which have long been sheltered from external competition through high tariffs." To the dismay of the authors, this truism works both ways.

In 2007, the EU launched a strategic partnership to deepen its ties with Brazil. The first ever EU-Brazil summit was held in Lisbon after the Portuguese

presidency of the European Council. This event had two consequences. On the one hand, it conferred Brazil the same status as other emerging world powers with which the EU had already signed strategic partnership agreements: China, India, Russia, and South Africa. On the other, it distinguished Brazil from the other Latin American countries and went against the proclaimed EU goals of bloc-to-bloc negotiations. Although the substance of the agreements left aside trade issues, which were to be dealt with directly with Mercosur, "central topics of the new partnership included effective multilateralism, climate change, sustainable energy, the fight against poverty, the Mercosur's integration process and Latin America's stability and prosperity." According to the EU website, "[t]his new relationship places Brazil, the Mercosur region and South America high on the EU's political map." However, most of Brazil's neighbors felt that they were left out of the map and that this move could further undermine regional integration.

A failure of ongoing EU-Mercosur negotiations would doom the prospects of interregionalism, but a success will not be enough to guarantee its survival. Whatever the case, the EU will continue to be a relevant, if declining, trade and investment partner for many Latin American countries. However, European geopolitical influence and its capacity to set global rules will continue to fade.

If demography is destiny, only two countries are likely to bring about as momentous transformations in Latin America as China did in the early 2000s: India, by rising as China has done, or China itself, by collapsing as the Soviet Union did. The former scenario would be positive but is far from certain; the latter would be negative and improbable, but not impossible.

Latin America is not a priority for Indian foreign policy. To be sure, India has doubled its diplomatic missions from 7 to 14 between 2002 and 2012 and trade has increased from 2012 onwards, partly as a consequence of sanctions against Iran. Indian investment has a good reputation in the region and is viewed as less intrusive than China's. Yet, trade and investment figures are still very low. India engages with selected target countries only and has negligible relations with regional groupings (Gardini and Miguel Müller 2017). Brazil is a special case, as cooperation is not limited to economic relations but includes political cooperation. Still, as India grows and its appetite for commodities increases, the region might find an attractive opening.

South Korean and Japanese relations with Latin America differ from Chinese and Indian relations and also have important differences from one another. The bulk of South Korean capital-intensive exports go to the two Latin American giants, Brazil and Mexico, while its imports largely focus on Brazil and Chile. Although Japan also concentrates on a few countries in the region, its roots are deeper, its links more complex, and its investments more diversified than any other Asian country. Indeed, Brazil and Peru are home to a large

Japanese diaspora (about 2 million people) that formed in two waves during the 20th century. Another particularity is that, for several small countries (mostly in Central America), Japan is a larger trade partner than China. Japan would like to counterbalance China but lacks the resources to do so.

In contrast to China's, Russian engagement in Latin America is focused on geopolitics. It concentrates on a limited set of countries and sectors, with an emphasis on arms sales. With few exceptions such as Cuba and, to a lesser extent, Venezuela, Russian markets, loans, and investment are not crucial for Latin American countries (Ellis 2017). Although some predict an increase in Russian influence should left-wing or populist parties win key presidential elections in the region, it is hard to see how such political expressions could dramatically realign their foreign policies without provoking a full-fledged, Venezuelan-like collapse.

So far, Russia's advances in Latin America have been countered by China's own progress—both political and economic—in the region. However, their interests might come to converge were the United States to revive the Monroe Doctrine.

Conclusions

Three patterns are likely to characterize the relations between Latin America and the world in the coming years: regional dependency, policy decoupling, and intraregional dispersion.

Regional dependency means that the fate of Latin America is determined from outside the region. Unlike traditional dependency, though, in which central states devise strategies to control peripheral states, current dependency hinges on impersonal market forces besides direct agency. Commodity prices and interest rates are the two factors on which the economic growth and political stability of most Latin American countries depend. Since the former is mostly determined by events in China and the latter by events in the United States, the economic evolution and foreign strategies of these countries will remain key to Latin America's future. Regional dependency will remain paramount even if China's increasing financial power and the U.S. ongoing energy revolution bring about an unexpected turn of events by increasing China's sway on money and U.S. influence on resources.

Policy decoupling means that, with the exception of illiberal regimes such as in Cuba, Nicaragua, and Venezuela, economic and security considerations part ways. While for most Latin American countries security threats and coping strategies continue to be shaped by geographic contiguity, economic challenges do not. Security stays regional while the economy goes global, implying the transformation of regionalism. From now on, Latin American

countries are more responsible than ever regarding their own security management—and as impotent as ever regarding their economic future.

Finally, **intraregional dispersion** means that there is no single regional tendency. However, the main cleavage is not the one dividing the Pacific from the Atlantic countries, but rather the southern from the northern countries. China's increasing connection with South America is the result of two factors: the geography of natural resource distribution and reduced U.S. involvement in the region. In spite of the trade agreements that other Asian countries, such as Japan and South Korea, have signed with South American partners, no one comes close to rivaling China. From Panama northwards, though, flows of trade, investment, migration, remittances, and even tourism continue to bind Latin American countries to the traditional hegemon in the North. Cases such as Colombia's strong ties with the United States or Nicaragua's bonds with China constitute subregional exceptions rather than trends.

In sum, the world is becoming increasingly multipolar. There are unclear patterns regarding domestic regime trends, interstate military conflicts, and international economic stability. In this setting, Latin American countries look increasingly fragmented, and their policies more and more heterogeneous. There are only weak regional poles in Latin America, and Latin America is no world pole. The region remains outward oriented but grows centrifugal, as extra-regional poles multiply, policy areas decouple, and intra-regional heterogeneity increases. The single most relevant issue—whether China's rising influence will bring about cooperation or conflict with the United States, and between Latin American countries—is still open.

Latin America used to be one troubled neighborhood. Today, it seems to be splitting into two, with troubles—and solutions—concentrating in either Washington or Beijing. And yet, if a house divided against itself cannot stand, a neighborhood might. Fragmentation need not always breed conflict.

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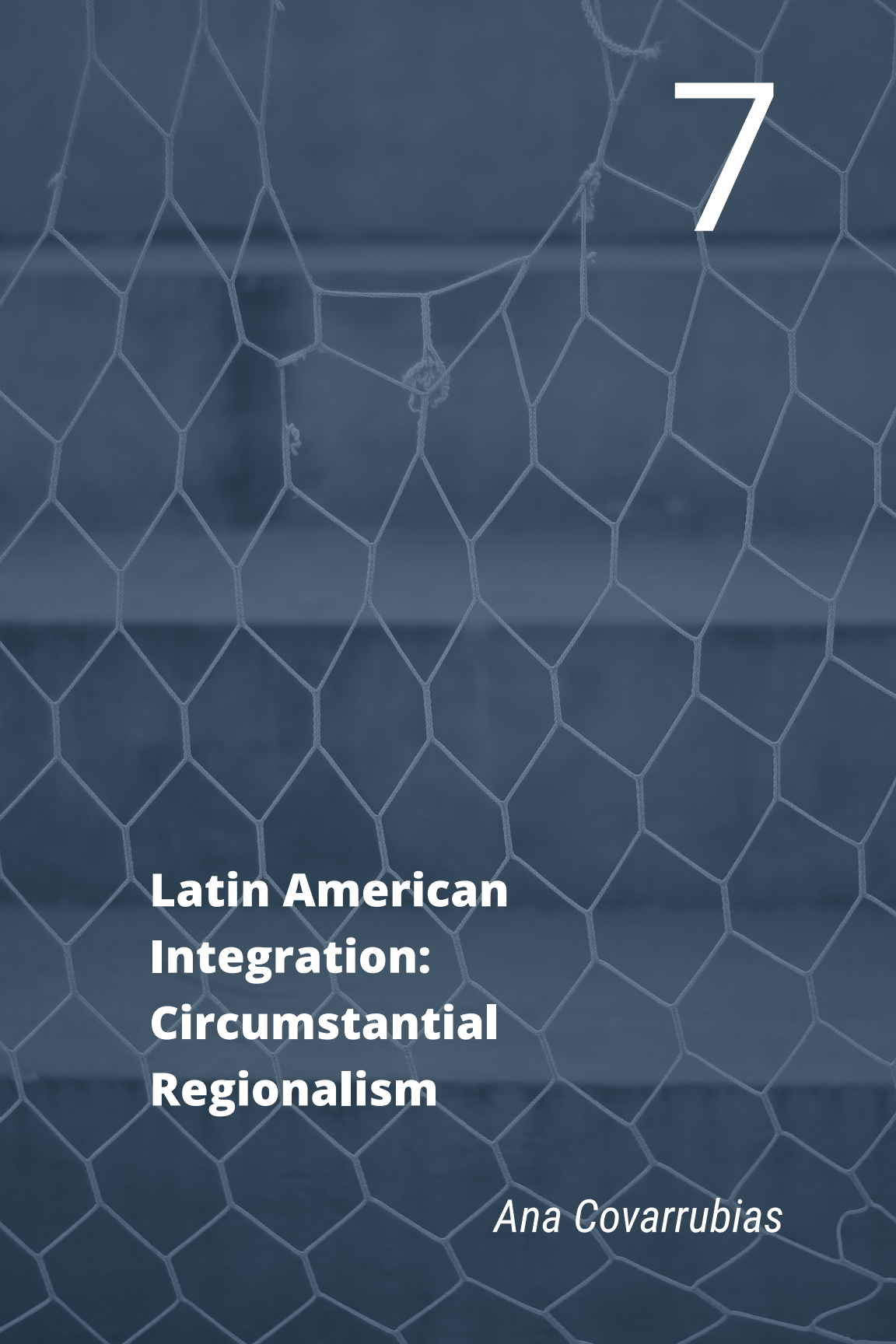

7

Latin American Integration: Circumstantial Regionalism

Ana Covarrubias

Latin American Integration: Circumstantial Regionalism

Ana Covarrubias

Throughout history, and especially since the mid-20th century, Latin American countries have launched numerous initiatives aimed at promoting regional integration in political and economic terms. The idea behind these attempts was that more cooperation among countries in the region would lead to larger markets for Latin American goods, more weight for the region in global discussions, and more autonomy from outside powers such as the United States and, in the 21st century, China.

At least in theory, it should be relatively easy to promote regional integration in Latin America. In contrast to other regions, Latin American countries share a colonial history, similar cultural traits, and except for Brazil, the Spanish language. Further, Latin American nation-states are relatively stable, there are no significant secessionist movements, and there have been no wars between two Latin American countries since the 1930s.

And yet, Latin American regionalism is characterized by the proliferation of several institutions of grand ambition but little real impact. Most groupings overlap not only in membership but also in goals, and have not led to more coordinated policies within the region. Despite their rhetoric about Latin American brotherhood, governments prefer to keep public policy in their own hands and refuse to cede any autonomy to regional institutions. Without this capacity to act somewhat independently from their creators, Latin American regional institutions simply cannot perform their functions.

This chapter provides a narrative of Latin American regionalism, highlighting the contrast between a long-lasting and strong regionalist rhetoric and the poor performance of existing integration mechanisms. In Latin America, integration projects frequently fail to transcend the specific circumstances that led to their creation. Therefore, I argue that Latin America has developed a circumstantial regionalism, characterized by a repeated cycle of optimism and institution creation, followed by prolonged stagnation and neglect by national governments which prefer to act unilaterally.

The chapter is divided into five sections. The first provides a brief history of regionalism in Latin America and examines the factors behind the idea of circumstantial regionalism. The second section analyzes U.S.-led regionalism,

focusing on the Organization of American States (OAS)—which paradoxically and despite its many problems remains one of the most solid regional institutions in Latin America. The third section compares the Southern Common Market (Mercosur) and the Pacific Alliance (PA) as models of how to adjust to the international political economy. The fourth section explores the Bolivarian Alliance for the Peoples of Our America (ALBA), the Union of South American Nations (UNASUR), and the Community of Latin American and Caribbean States (CELAC) as efforts to shape subregional and regional orders based on political rather than economic views. Finally, the conclusion assesses the relevance of supranational institutions for regionalism in the Americas and highlights the main obstacles in achieving deep and long-lasting integration.

Circumstantial Regionalism

Ever since independence from Spain and Portugal in the beginning of the 19th century, Latin American leaders have expressed their desire to build stronger ties among their countries, integrate their economies, and speak with one voice to the world. One of the first proponents of Latin American integration in the early 1800s was independence hero Simón Bolívar. For more than a century, however, political instability in many countries and distrust among neighboring nations (such as Argentina and Brazil) prevented the region from moving toward closer cooperation.

Beyond the creation of the U.S.-sponsored OAS in 1948 (discussed in the following section), the first serious attempt to build regional institutions did not come until the late 1960s and 1970s. This period was marked in many countries by attempts to promote industrialization through import substitution (see chapter 5 in this volume), an ideological framework that influenced the founding of the Andean Pact (1969), the Caribbean Community (1973), the Latin American and the Caribbean Economic System (1975), and the Latin American Integration Association (1980), among other regional and subregional organizations.

Despite hoping to promote economic and social development through regional cooperation, these institutions quickly proved incapable of fostering real integration. Amid frequent crises and instability, regional governments preferred to keep full control of their economic policies and preserve trade restrictions against other Latin American countries. Not surprisingly, most of the institutions created under this wave had lost all relevance by the mid-1980s. Many still formally exist, mostly as empty shells that provide a few lucrative jobs for political appointees.

The end of the 20th century saw a revival of regionalist enthusiasm in Latin America. This trend was started by the creation of Mercosur in 1991,

largely following the liberalizing agenda of the Washington Consensus. Several other organizations were created in the early 2000s, as Latin American economies experienced a period of high growth. This time, regionalism was promoted by leaders from the left and center left, part of the so-called "pink tide." This period saw the funding of ALBA (2004), UNASUR (2008), and CELAC (2010). In 2011, the PA brought together outward-looking Latin American economies that sought to build a platform to integrate with the world economy, especially Asia-Pacific.

Despite the optimism that surrounded the creation of these and other Latin American regional institutions without the U.S. "hegemon," most also stagnated after their creation, just as they had previously. Even before the sudden end of the economic boom around 2013, it was clear that the pro-integration rhetoric of Latin American presidents did not match their willingness to make compromises or relinquish their capacity to determine their own diplomatic and economic policies. This is sadly confirmed by the inability of regional institutions (including the OAS) to prevent the implosion of Venezuela's democracy or its descent into a dramatic economic and humanitarian crisis.

Many reasons account for the state of regionalism in the Americas. The first is global fragmentation. In chapter 6 of this volume, Andrés Malamud analyses the increasing complexity of the international system with the consolidation of various poles of economic and diplomatic power besides the previously hegemonic United States. In this context, Latin American countries prioritize their bilateral relations with extra-regional powers and are unwilling to be bound by regional frameworks. This points to a more general reason behind circumstantial regionalism*:* the relative weakness and dependency of Latin American countries on outside powers, including the United States and emerging powers such as China and even Russia.

Second, despite rosy rhetoric about what joins all Latin American nations, countries in the region adhere to a very strict definition of sovereignty that prevents them from making any significant concessions or accommodating each other's interests, a prerequisite for any meaningful integration process. Based on Latin America's traditional principle of non-interference in the domestic affairs of other nations, governments are unwilling to grant autonomy to regional bodies and prefer to tightly control the terms of their interaction. An exception is the Inter-American Human Rights System (IAHRS), discussed below.

This problem is compounded by a third factor: the lack of leadership from the region's largest countries. In the European case, for instance, France and Germany functioned as the engines of the integration process, providing the political will, economic might, and policy incentives to convince smaller nations to join common institutions. In contrast, countries in Latin America

have been reticent to join Brazil- or Mexico-led initiatives out of fear of becoming prisoners of these larger nations' own geopolitical or economic ambitions.

In the case of Brazil, the country represents nearly 40 percent of Latin America's gross domestic product and a third of its population (Germany, meanwhile, only represents 20 percent of the European Union's economy, and about 15 percent of its population). The sheer weight of Brazil and its goal of becoming a global power make it difficult for other countries to accept its regional leadership. Brazil's frequent economic crises and political instability make this even harder. Meanwhile, Mexico's increasing dependency on the United States as an economic partner also generates tensions with other Latin American nations, who fear that Mexico could become a proxy of Washington within regional institutions.

In sum, Latin America's weakness vis-à-vis external powers, its strict understanding of sovereignty, and the lack of leadership from the region's largest countries have blocked most attempts to promote meaningful regional integration mechanisms. When these obstacles combine with Latin America's long-established discourse about the similarities and common destiny among its countries, the result is circumstantial regionalism: periodic attempts to relaunch Latin American regionalism that quickly stagnate.

Offshore Regionalism: The Inter-American System

The Inter-American System is formed by a series of institutions between the United States, Latin America, and the Caribbean, with the objective of promoting peace, security, and cooperation on specific issue areas. Its two most important traditional components are the OAS, one of the oldest regional institutions in the world; and the Rio Pact. The IAHRS, formed by the Inter-American Commission on Human Rights and the Inter-American Court of Human Rights, has gained importance since the 1980s, constituting a third pillar.

After the largely failed experience of its direct predecessor, the Pan-American movement of the late 19th and early 20th centuries, the OAS was created in 1948 during the early stages of the Cold War. Given the United States' outsized influence, the OAS during its early decades served mainly as an instrument of U.S. foreign policy in its global confrontation with the Communist bloc. In 1962, for instance, Cuba was suspended from the OAS after its government adopted communism, and in 1965 the OAS endorsed a U.S. military intervention in the Dominican Republic under the largely false pretext of a possible communist takeover.

With time, however, the OAS provided an important forum for Latin American countries to express their opposition to certain U.S. initiatives in the

hemisphere. In the late 1970s and 1980s, the United States was less interested in the region; when it was interested, as in the Nicaraguan case in 1979, the Latin American and Caribbean countries refused to go along with it. By the end of the 1980s, paralysis in the OAS showed that there was no consensus on shared interests or values, the regional balance of power, or indeed, the role of the organization in solving regional disputes.

Interestingly, the OAS had a revival as the Cold War ended. The United States was more willing to assume its role as regional leader, actively promoting an economically liberal agenda in Latin America, which became known as the Washington Consensus. During the first Summit of the Americas (a biannual gathering of hemispheric leaders), participants agreed, for the first time, that the Americas was a community of democratic societies and that regional prosperity was to be achieved through open markets, hemispheric integration, and sustainable development. Some years before, the 1991 Santiago Commitment had explicitly proclaimed that representative democracy was indispensable for stability, peace, and development, and the only political system that guarantees respect for human rights and the rule of law. Equally important was the proposal for a Free Trade Area of the Americas (FTAA), to be completed by 2005.

Democracy and hemispheric economic integration through free trade characterized this new wave of regionalism. Many countries in Latin America and the Caribbean enthusiastically endorsed this agenda, hoping to improve relations with Washington, consolidate their transitions to democracy (see chapter 2), and jumpstart their economies after the "lost decade" of the 1980s (see chapter 5). In 1990, Canada became a full member of the OAS, while Cuba remained excluded.

During the 1990s, there seemed to be a consensus that the priorities of the OAS should be the defense of democracy and the protection of human rights. The Unit for the Promotion of Democracy was created in 1990 to assist states in strengthening their political institutions and democratic procedures, and the OAS became active and effective regarding electoral training and observation. The most important instrument for the defense of democracy, the Inter-American Democratic Charter, was signed in 2001. The charter establishes the steps to follow in case of an interruption of the democratic order in a member state, leading, in the end, to its suspension from the OAS until democracy is restored.

This hemispheric consensus on democracy, human rights, and neoliberal economic policies was short-lived. By the end of the 1990s, the "pink wave" in Latin America (a series of electoral wins in many countries by leaders of the left and center left) revealed disappointment with neoliberalism, and the governments of the region were divided over the most suitable economic and

political models, and the nature of regional integration. At the same time, anti-trade sentiment also became more important within the United States, as shown by growing opposition to the North American Free Trade Agreement (NAFTA) even after its ratification. In fact, the collapse of the FTAA initiative during the 2005 Summit of the Americas in the Argentine city of Mar del Plata was due to opposition from some Latin American leaders, most notably Presidents Hugo Chávez of Venezuela and Néstor Kirchner of Argentina, but also to protectionist resistance in the U.S. Congress.

This growing political fragmentation has prevented the OAS from effectively enforcing its democratic principles. In 2009, the Inter-American Democratic Charter was applied to suspend Honduras after a coup against President Manuel Zelaya, but it did little to resolve the political impasse in that country, amid differences among member states. Curiously, that same year, the suspension of Cuba was lifted.

The most damning case for the OAS's role in upholding democratic principles has been its inability to prevent or reverse the destruction of democracy in Venezuela. In 2017 courts controlled by the government of President Nicolás Maduro stripped the opposition-controlled National Assembly of its powers and authorized the creation of an illegitimate Constitutional Assembly, packed with government acolytes. Meanwhile, the Venezuelan economy is in shambles, which has led to a humanitarian crisis and the emigration of over 2 million Venezuelans. The secretary general of the OAS, Luis Almagro, has been vocal in condemning the Venezuelan regime, all but acknowledging that the OAS has no capacity to play a meaningful role in the crisis.

Clearly, there is a lack of consensus on political values in the region, no shared understandings regarding the role of the OAS, and asymmetries of power that play out in favor of some countries and not others. Venezuela's declining but still significant regional clout (especially among some Caribbean nations) has prevented the OAS from reaching the majorities it needs to suspend Caracas. Meanwhile, Venezuela has announced its withdrawal from the organization (which would take effect in 2019), and Maduro has exchanged harsh words with Almagro—an increasingly vocal voice against the Venezuelan regime.

The absence of a consistent U.S. policy toward the Western Hemisphere has helped deepen fractures in the region and calls into question the interest of the United States in promoting democracy and human rights as pillars of the OAS. The OAS, therefore, faces "an ongoing irrelevancy trap in which long-standing perceptions of ineffectiveness become self-fulfilling prophecies, but without a clear or present danger that could help spur action" (Raderstorf and Shifter 2018, 6).

Besides the emergence of a bloc of leftist-leaning governments that viewed the OAS as an instrument of U.S. hegemony and worked to undermine

its influence by creating competing organizations that have weaker democracy and human rights standards, Raderstorf and Shifter identify other trends that have had a negative impact on the Inter-American System. These trends include the vulnerability of imperfect democracies in Latin America threatened by corruption, organized crime, and authoritarianism; and the rise of China, which strengthened the economies of some Latin American countries during the commodities super-cycle, making them more confident players in the world. Yet, as the cycle ended, internal struggles weakened their participation in regional affairs. In either case, such countries were not necessarily interested in strengthening an organization perceived to be dominated by the United States (Raderstorf and Shifter 2018).

Assessing the role of the OAS is not an easy task. Legler argues that the OAS has not achieved its full potential since "it is not a truly powerful, effective, and autonomous international actor, nor is it completely powerless, ineffective, and controlled by its member states" (Legler 2015, 312). The OAS has contributed to regional governance but has not been able to achieve independence, institutional leadership, delegated authority, or adequate financing. The OAS has also not been able to construct and maintain a sense of hemispheric identity. Nevertheless, it is the only hemispheric forum in which the countries of Latin America and the Caribbean engage the United States and Canada on issues of mutual concern (Legler 2015).

But there is another pillar within hemispheric integration: the IAHRS. Unlike the OAS, the Inter-American Commission on Human Rights and the Inter-American Court of Human Rights have been able to continue performing their functions despite political divisions. They have been very active since the 1990s, and their work has been consequential, giving victims additional channels to search for justice. Although the commission issues nonbinding recommendations, it has generally been useful in defending victims, suggesting reparations, and influencing public policies in member states. Despite the significant differences among state members and attempts by Bolivia, Ecuador, and Venezuela to weaken its main institutions, the IAHRS has continued to work relatively well—despite being plagued by shrinking budgets and an overwhelming number of cases. It operates thanks to the support and openness of Latin American countries about a very sensitive domestic issue.

The efficacy of the Inter-American Court of Human Rights has been greater because its decisions are legally binding, it considers national legislation and rulings of the highest courts in its decisions, member states recognize that there is a link between the observance of fundamental human rights and the functioning democracy, and pressures from civil society. It has influenced domestic legal systems, which have adapted and reformed in order to protect human rights and has had a significant impact on the way human rights are

defined and the way violations are investigated and punished (García-Sayán 2015).

In other words, the IAHRS works relatively well despite directly affecting sensitive domestic processes in countries that have historically been very protective of their sovereignty. Three reasons may account for this situation: (1) countries recognize their incapacity to address violations of human rights on their own; (2) the United States does not participate in the IAHRS since it is not a party to the American Convention on Human Rights, so it is not the global hegemon that imposes its views on weaker countries; and (3) the IAHRS enjoys the greatest delegation of authority, and therefore independence, by member states, which is not the case for other OAS-related institutions (Legler 2015). The question remains as to why governments with different ideologies have delegated authority to the IAHRS. It might be, as just mentioned, because of their incapacity to improve the situation of human rights in their countries on their own, but it may also be because they perceive their participation and compliance with the system's rulings as a means to gain domestic and international legitimacy. No matter how governments define democracy and human rights, it is still difficult to minimize their importance. Moreover, the commission's resolutions are not binding, and the rulings of the Court can always be ignored. In the end, governments do not give up sovereignty entirely.

Subregional Economic Integration: Mercosur and the Pacific Alliance

Unlike the Inter-American System which focuses on political cooperation and human rights, Mercosur and the PA are examples of subregional economic integration schemes. They emerged from the economic vulnerability of their members in a globalized world during two different moments for Latin America: the "neoliberal moment" and a period of adaptation to multipolarity. Mercosur is usually described as stagnating in contrast to the energetic PA, but both could serve as examples of circumstantial regionalism.

Mercosur (founded by Argentina, Brazil, Paraguay, and Uruguay in 1991) is a unique regional case of economic integration with a substantial political dimension which has survived despite various crises. Mere survival, however, is not enough to escape circumstantial regionalism. More than 25 years after its creation, Mercosur is far from becoming a true economic bloc (including free trade and coordinated policies among its members) as its creators had envisioned.

Mercosur was launched as an instrument to facilitate the adaptation of its members to rapid globalization, which was putting pressure on Argentina's and Brazil's largely uncompetitive industries. The bloc also aimed to forge a cooperative relationship between Argentina and Brazil after decades of

geopolitical competition, consolidating their democratic transitions. Governing elites in Buenos Aires and Brasilia responded to the common challenges of the time through common strategies, including structural reforms and a partial liberalization of their markets through Mercosur.

As argued by Malamud (2005), the making of Mercosur challenges traditional explanations of regionalism. Unlike the European Union, Mercosur did not emerge from increased economic interdependence between its main members, nor from social demands from below. Secondly, Mercosur has not developed independent institutions such as an effective secretariat; it still depends on presidential will to move forward. In Mercosur all important decisions are made (or blocked) at the presidential level, which helps explain the bloc's origin and evolution.

As an economic integration effort, Mercosur was rather successful in its first decade. Intra-bloc trade increased fourfold, and the average annual growth rate of intra-Mercosur trade rose to an average of 16.9 percent per year between 1991 and 2000, up from 5.3 percent per year during the previous decade. However, the devaluation of the Brazilian real in 1999 and the Argentine crisis in 2000–01 marked a turning point. Intraregional trade nearly halved from about 23 percent of total trade in 1998 to 13.9 percent in 2002; it has remained below 15 percent since then. Moreover, these crises at the turn of the century put an end to attempts to coordinate macroeconomic policies between Brasilia and Buenos Aires. In critical times, both key members of Mercosur chose to preserve their national interests over regional integration, a key feature of circumstantial regionalism.

In 1998 Mercosur adopted the Ushuaia Protocol, which established that democratic governance was a prerequisite to membership. The clause was first applied to suspend Paraguay from the group in 2012 after President Fernando Lugo's questionable impeachment trial. Venezuela was welcomed as a full member that same year. By joining Mercosur, Venezuelan Chávez hoped to expand his regional influence and gain legitimacy for his anti-American foreign policy. In turn, Brazil hoped for Mercosur to become a source of stability in an increasingly convulsed Venezuela (Van Klaveren 2017).

Since the early 2000s, inward-looking governments had transformed Mercosur into a symbol of resistance to neoliberalism. Under Brazilian Presidents Luiz Inácio Lula da Silva (2003–11) and Dilma Rousseff (2011–16), and Argentine Presidents Néstor Kirchner (2003–07) and Cristina Fernández de Kirchner (2007–15), Mercosur adopted a much more salient political dimension, as economic integration stagnated (Gardini 2010). Venezuela's entry as a full member, despite having limited commercial ties with the bloc and without fulfilling most of the regulatory changes demanded by Mercosur treaties, is the most blatant display of that politicization.

Paradoxically, since the economic crises of the 2010s and the emergence of center-right governments in Argentina and Brazil, under Mauricio Macri and Michel Temer, respectively, domestic preferences seem to have returned to the starting point; as both countries implemented structural economic reforms, contained public spending, and promoted measures to liberalize some industrial sectors and attract foreign investment. These changes have not ended Mercosur's stagnation: Argentine and Brazilian industries remain uncompetitive and push for protectionist policies. Moreover, negotiations for a free trade agreement between Mercosur and the European Union have not been successful, largely because of the resistance of European agricultural interests and some criticism from Mercosur's manufacturing sector. Amid the lack of meaningful progress, Mercosur is focusing on small-case measures covering trade facilitation, rules of origin, the identification of regional value chains, trade promotion, small and medium-sized enterprises, customs cooperation, nontariff barriers, and, surprisingly, facilitation for trade in services with the PA (IDB 2018). Whether it will be able to achieve this moderate agenda remains to be seen.

Political changes in Argentina and Brazil have also led to changes in Mercosur, as in August 2017 the bloc suspended Venezuela for violations of its democratic institutions. This could be an indication of Mercosur's permanent commitment to democracy or of the impact of changing domestic coalitions in the nature of regionalism in Latin America. Either way, Mercosur's democratic clause has proven to be a useful mechanism that places democracy at the center of regional integration.

The PA was formed in 2011 by Colombia, Chile, Mexico, and Peru as an economic and trade integration mechanism to promote free flows of goods, capital, services, and people among its members to promote development, growth, and competitiveness. It replaced a series of bilateral trade agreements. The founding treaty also foresees that the PA would serve as a platform for trade integration with the world, with a special focus on the Asia-Pacific region (Pastrana 2016). In contrast to the inward-looking Mercosur, the PA is focused on fostering the integration of its member states into the global economy.

The reasons explaining the creation of the PA vary, but they point to the importance of circumstances. A first explanation underlines the need to adjust to international economic trends (globalization in a multipolar world), along the lines of neoliberalism. PA countries came together to gain weight and negotiate with other countries and blocs as a group. Unlike Mercosur, where Argentina and Brazil are highly protectionist, PA members have dismantled most trade barriers since the 1990s, facilitating this international projection.

However, a second explanation suggests that the PA was a reaction to Brazil's ambition to become the Latin American leader, by bringing Mexico into

South America to counterbalance Brasilia's influence in the region (Pastrana 2016; Quiliconi and Salgado Espinoza 2017). In fact, after the creation of the PA, the perception of two South Americas—a protectionist Atlantic and a liberal Pacific—became commonplace, presenting a scenario of rivalry between the PA and Mercosur. Initially, each organization illustrated contrasting integration models: open regionalism (free trade) in the case of the PA, and post-liberal regionalism in the case of Mercosur, with relatively high barriers among members and with third parties. Van Klaveren (2017) argues that the Atlantic-Pacific divide is true regarding trade policies, but not in political and geopolitical terms. In fact, Chile is an associate member of Mercosur and has attempted to promote integration between the two blocs; Peru strengthened relations with Brazil; and finally, Brazil and Mexico found accommodation in CELAC. Whether the main motive for creating the PA was to soft-balance Brazil is difficult to say, but it might be one of its consequences anyway.

It has become commonplace to present the PA as a success story in terms of economic regional integration in Latin America, in contrast to the stagnating Mercosur. This vision points out that PA economies are more competitive, have lower barriers to trade, and are moving faster to adapt to a changing global economy in which Asia-Pacific (and China in particular) has become the economic engine of the world. PA members have committed to integrate their financial markets, reduce regulatory differences, and promote the creation of regional value chains.

At the same time, the PA faces significant obstacles. To start, the liberalizing of trade and economic policies within PA members was not due to the creation of the alliance, but a precondition. Most of the "accomplishments" of the PA in terms of liberalization predate its creation. Further, and unlike Mercosur (which helped integrate the Argentine and Brazilian economies), PA countries trade very little with each other: only 5 percent of PA members' trade is intra-bloc (versus 15 percent for Mercosur). There is also great geographical distance between PA members, which complicates efforts to promote infrastructure integration and boost intra-group trade, and great differences in economic structure among members (most notably Mexico, which is much more industrialized than other PA countries and highly dependent on the U.S. market).

Finally, and just like Mercosur, the PA has maintained all decision making at the presidential level, without creating a permanent secretariat or common institutions. The PA might well be another example of circumstantial regionalism, where rhetoric is stronger than actual integration.

Regional Powers and Regional Orders

There is a third type of regional institution in Latin America, which prioritizes political coordination and ideological alignment over economic integration. ALBA, CELAC, and UNASUR have a primarily political approach to cooperation. They intend to create spaces of autonomy vis-à-vis the United States, and they pretend to become international actors capable of influencing international discussions regarding political and economic governance. Their main objective is to generate opportunities for political agreements and intergovernmental cooperation to procure social welfare and cope with global instability (Saltalamacchia 2015).

ALBA is an example of a counter-hegemonic movement. Founded in 2004 by Cuba and Venezuela, and joined by Bolivia, Ecuador, Nicaragua, and several Caribbean nations, ALBA was envisioned as a way to curtail U.S. regional influence in Latin America. It was presented as the alternative model to the neoliberalism embodied in the FTAA proposal that was defeated in Mar del Plata in 2005, with a focus on fighting poverty and promoting social development under a common, left-wing ideology (Gardini 2010). Perhaps most importantly, ALBA was created as an instrument of Venezuela's foreign policy to advance its regional agenda and challenge Washington. In so doing, Venezuela (Chávez) would consolidate its (his) leadership in the Caribbean and the poorest Andean countries.

According to its creators, ALBA would promote a noncapitalist model of integration, with a focus on social development instead of market incentives and with the goal of favoring endogenous development. The main instrument to achieve these goals and cement Venezuela's influence was PetroCaribe, a 2005 initiative through which Caracas delivered subsidized oil to its ALBA allies. PetroCaribe committed Venezuela to providing US$17 billion in subsidized oil for the following 10 years at a rate of 200,000 barrels of oil per day. In 2016, PetroCaribe provided more than 40 percent of hydrocarbons to its members (Burges 2007; Legañoa 2017); and until 2017, it had sold oil to 19 countries.

The collapse in oil prices starting in 2011 and the death of Chávez two years later dealt heavy blows to ALBA and to Venezuela's regional ambitions. Given the economic collapse, social chaos, and political authoritarianism of Venezuela under Maduro, the "Bolivarian" alternative proposed by Chávez has been discredited at the domestic and regional levels. In fact, Ecuador left the bloc in 2018 under new president Lenín Moreno. Venezuela's regional influence has not entirely disappeared, and oil shipments through PetroCaribe have been reduced but not eliminated. Venezuela's weakening but still present alliances with small nations in the Caribbean have been instrumental in

preventing the OAS General Assembly from fully applying the Democratic Charter to Venezuela. Despite current problems, there is a sense of gratitude in smaller ALBA countries for Venezuela's oil largesse, especially given the relative neglect of the United States.

Like ALBA, UNASUR was envisioned as a foreign policy instrument of a regional power: in this case, Brazil. The idea developed under Brazilian president Fernando Henrique Cardoso in the late 1990s and was continued by Lula da Silva. Created in 2005, UNASUR was Brazil's platform to construct its own subregional order within South America (all countries in the subregion are members) to gain autonomy from outside powers (including the United States) and to become a global player. Mexico was pointedly excluded, because it was considered to be a Trojan horse of the United States in Latin America and a potential rival of Brasilia in terms of size and capabilities. UNASUR also gave Brazil the opportunity to moderate radical ALBA initiatives (Saltalamacchia 2015).

UNASUR is a political initiative that defends democracy, social goals, economic equality, infrastructure integration, and the protection of the environment, among other things. It is also a mechanism for political and security coordination (including a South American Defense Committee) that would facilitate solving disputes between member states.

Despite its limitations and resistance from other members to Brasilia's influence, UNASUR has been successful in mediating domestic crises and those between states: in Bolivia in 2008, when opposition local officials demanded autonomous governments; and in Ecuador in 2010, to suppress a police insurrection. In 2010, UNASUR contributed to alleviating bilateral tensions between Colombia and Venezuela after President Juan Manuel Santos accused the Venezuelan government of protecting Colombian guerrillas, the Revolutionary Armed Forces of Colombia (FARC) and the National Liberation Army (ELN).

Like other examples of circumstantial regionalism, however, UNASUR depended on presidential leadership to function. Once the "pink tide" of governments of the center left and left receded, the initiative lost momentum, as ideological affinities among member states faded. The critical case that pushed UNASUR to its current crisis was the group's inability to handle Venezuela's economic and social collapse, and the destruction of democracy in that country. Far from being an independent actor, under Secretary General Ernesto Samper UNASUR became close to the Venezuelan government, which led to protests by many member states.

It is hard to envision how UNASUR could overcome its present crisis. Presidential summits have been postponed, and elections for a new secretary general to replace Samper of Colombia have not taken place because of

disagreements over a successor. Argentina, Chile, Paraguay, Peru, and most notably, Brazil, have stopped their contributions to the organization; Colombia has fully withdrawn. Ecuador has even requested that UNASUR hand back its headquarters, located outside of Quito. In other words, UNASUR worked as long as it was conducted by ambitious leaders with plenty of resources and favorable circumstances. However, UNASUR's procedures, the need for consensus to make decisions, and the weakness of its institutions make it impossible for the organization to overcome very different ideological positions (Mizrahi 2018).

CELAC was the last of the institutions created under the most recent regionalist wave, in 2012. The most discussed feature of CELAC at that time was that it excluded the United States and Canada and included Cuba—generating much speculation as to whether its main objective was to replace the OAS. By resorting to the rhetoric of historical unionism and a common Latin American identity, CELAC seeks to address regional issues, improve the position of Latin America and the Caribbean in the international system, and be the region's voice on international issues. Indeed, CELAC has released statements on relevant matters for the international and regional agenda and has been an interlocutor for the region with outside powers. Perhaps most importantly, CELAC has become a platform for discussions between Latin America and China, after the creation of the CELAC-China forum in 2015 (Quiliconi and Salgado Espinoza 2017; Saltalamacchia 2015; Van Klaveren 2017).

Like the PA, CELAC brought Mexico back into the region after years of conflicting relations with other regional powers such as Argentina, Brazil, Cuba, and Venezuela. Indeed, the Mexican official perspective maintains that CELAC was a successful Mexican initiative, not only for being able to bring together all Latin American and Caribbean countries at the Unity Summit in Cancun, when CELAC's creation was announced, but also because it was an instrument to balance Brazil's influence in Latin America. CELAC, therefore, may be another example of the Mexico-Brazil rivalry, of their competition for influence in the region, and for leadership status (Covarrubias 2016).

CELAC has, however, been unable to foster real integration or to cope with the latest political crises in the region. Divisions among its members made it impossible to hold an extraordinary meeting on Venezuela in 2017. For the same reason, the summit with the European Union planned for October had to be suspended. Unity in diversity, CELAC's motto, is not easy to carry out and evidently not effective. Moreover, despite the existence of a forum with China, countries still handle their relations with Beijing individually (see chapter 6).

What do the declines of ALBA, UNASUR, and CELAC tell us about regionalism in Latin America? A tentative answer suggests that it is hostage to the weaknesses of Latin American countries and to the absence of common

interests sufficiently strong to overcome ideological and political differences and asymmetries of power. Political and economic vulnerabilities can not only encourage regionalism, but can also undermine it or at least render it ineffective. An economic crisis and a change of government in Brazil in 2016 weakened its desire and capabilities to act as a regional leader. The fall in the international price of oil and institutional frailty have left ALBA without economic and political leadership, and the lack of consensus over democracy has contributed to paralyzing CELAC. Ultimately, domestic economic and political swings in many Latin American countries complicate the reality of regional or subregional orders.

Conclusion

Regionalism in the Americas has shown little permanence, progress, or efficacy. This chapter demonstrates its cyclical nature and calls it circumstantial regionalism. The most institutionalized and stable organization in the region is still the OAS, even with its long-lasting stagnation and lack of purpose. Under the framework of circumstantial regionalism, we may find positive results at specific moments: the OAS, Mercosur, the PA, UNASUR, ALBA, and CELAC all have had good results at some point (especially right after their creation), either solving domestic regional crises, contributing to regional governance, increasing trade and investment, or assisting development in poorer countries. As soon as the political and economic environment shifted, however, these initiatives fell into a state of ineffectiveness—just like their predecessors.

Despite sharing many more cultural traits than other regions of the world, Latin American countries are reluctant to delegate authority to supranational institutions because of their refusal to surrender sovereignty. Given the lack of real interdependency on the economic level, countries in the region prefer to act unilaterally and distrust each other. In Europe, countries needed each other after World War II to rebuild their economies. There is no such need in Latin America, nor are the benefits of further integration clear. Countries feel that by surrendering part of their autonomy to regional institutions they run the risk of sacrificing their domestic interests under frameworks that only benefit regional leaders.

Van Klaveren (2017) argues that Latin American countries share a minimum of norms, such as the peaceful settlement of disputes, nonintervention, the prohibition of arms of mass destruction, protection of human rights, democracy, and the rule of law. Yet the examples cited in this chapter question such a consensus, especially regarding democracy and the rule of law.

Many analysts point out that regionalism in Latin America has failed because countries did not create strong supranational institutions that can

mediate among them and foster integration in a somewhat autonomous manner. This explanation is unconvincing: there must be an underlying reason why countries refuse to cede sovereignty to regional initiatives in the first place. It could be that circumstantial regionalism is the product of the weakness of institutions *within* Latin American countries, not *among* them. As other chapters in this book show, despite some progress, state structures in Latin America remain weak, fragmented, and ineffective. It might be that governments resist regional integration because they do not trust their own state bureaucracies to implement this integration without succumbing to other countries' desires or interests. In other words, Latin American states preserve their sovereignty because they are too weak to handle integration effectively.

This chapter demonstrates that regionalism in the Americas is more than anything a political moment contingent on many variables. Whether the existence of supranational institutions is the answer to achieve more lasting and effective organizations remains to be seen. So far, the economic and political weaknesses of Latin American and Caribbean countries, and the intermittent interest of the United States in the region, have acted as both an incentive and obstacle to effective regionalism.

Evidence in other areas of the world suggests that building effective state structures is a prerequisite for successful regional integration. In that sense, Latin America is hardly unique, as shown by the sporadic nature and obstacles of African regionalism. At the same time, Latin America's common past, cultural similarities, and shared language makes regionalism a particularly compelling cause. The combination of these obstacles and this potential is what gives way to circumstantial regionalism. Until countries resolve the weakness of their own states, Latin American regionalism in all its forms will probably continue to be trapped in cycles of optimism and frustration.

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8

Conclusion: A Latin American Narrative

Michael Shifter and Bruno Binetti

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The purpose of this book is to present a narrative of Latin America that helps illuminate where the region stands on the most pressing political, social, and economic issues, now that the 21st century is well under way. This was not an easy task. Latin America is a vertiginous region, where optimism about the future often turns quickly into frustration about setbacks. As former president Laura Chinchilla points out in her introduction, "we can think of few other places where there is such a strong sense of wasted opportunity."

A quick analysis of the events of the past few decades demonstrates this dual reality. During the 1980s, and against all odds, most of the region moved forward toward consolidating democratic regimes. At the same time, Latin American countries suffered a "lost decade" in development, with debt crises and severe macroeconomic instability. During the following decade, the 1990s, most of the region applied structural reforms inspired by the Washington Consensus. Pro-market policies led to stability, reduced inflation in most countries, and permitted modest growth, but also had high social costs reflected in rising poverty and inequality. Later, the first decade of the 21st century brought new hope with an economic boom in South America, fueled by China's appetite for commodities. This expansion allowed new governments from the left and center left to increase public spending, create social programs, and preside over a reduction in poverty and even inequality in some countries.

At the time of publishing this book, however, most of Latin America is once again grappling with frustration and a sense of lost opportunities. Between 2003 and 2013, governments were focused on responding to pressing social demands and, blinded by their own electoral success, acted as if the boom were going to last forever, rather than being a temporal and unique opening. That chance was squandered. Most Latin American countries did not implement reforms to improve productivity, diversify exports away from raw materials, or increase the efficiency of the state apparatus. Yet again, Latin America sacrificed its future on the altar of the present.

Therefore, when the unusually favorable external environment shifted around 2013, largely due to a deceleration of the Chinese economic engine,

most Latin American economies fell into stagnation. Brazil, the region's largest country, suffered the worst recession in its history: it lost 8 percent of its gross domestic product in only two years. Perhaps most importantly, the impressive progress made in reducing poverty and inequality is now at stake throughout the region. If the 2000s were the years of the new Latin American middle classes, the 2010s seem to be the era of the vulnerable: those who barely managed to escape poverty during the boom and now risk falling back.

The chapters in this volume look beyond the present juncture to identify the main challenges facing Latin America, considering the achievements and disappointments of the recent past. In each account, this very Latin American mixture of hope and frustration stands out.

On the rule of law, Catalina Botero reminds us of the progress Latin America has made in leaving behind a tragic cycle—which once seemed unbreakable—of military dictatorships, internal conflicts, and human rights violations. Today, most countries in the region are democracies, and two of them (Costa Rica and Uruguay) are among the most robust democracies in the world, according to *The Economist* Intelligence Unit (2019). At the same time, Botero notes, comparing the current situation with the dark years of the 1970s could result in excessive complacency. In the 1990s, the authoritarianism of Alberto Fujimori in Peru proved that democratic institutions are not only threatened by military coups but can also be dismantled from within by democratically elected leaders. That lesson has returned as a tragedy in the 21st century given the consolidation of dictatorships in Nicaragua and Venezuela, and the antidemocratic tendencies exhibited in Bolivia, Guatemala, Honduras, and other countries.

Historic anti-corruption movements in many countries have had mixed effects on Latin American democracies. On the one hand, judicial activism against corruption, in part inspired and connected to the Lava Jato case in Brazil, has proven the strength of rule-of-law institutions in some countries. On the other, the endless succession of scandals involving former and current presidents, lawmakers, and public officials has eroded the legitimacy of democratic rule in the eyes of their citizens. Together with current economic problems, corruption cases have accelerated the decomposition of traditional political systems in most of the region, opening the way to political outsiders who win office on an anti-politics and anti-corruption platform only to co-opt corruption structures for their own benefit. Further, several of these newcomers have taken advantage of citizens' anger against politics to erode checks on executive power, curtail freedom of expression, and aggravate political polarization. Even beyond the unprecedented and horrific political, economic, and social implosion of Venezuela, the future of democracy in Latin America is uncertain.

An important Latin American paradox is analyzed by Robert Muggah: the region has not had a full military conflict between two of its states since the 1930s, and the last armed internal conflict (that of Colombia) is coming closer to an end. At the same time, however, Latin America is the most violent region on the planet, with a murder rate three times the global average. How can this tragic record be explained? Muggah highlights many factors, including the prevalence of drug trafficking, the availability of arms, the weakness of state institutions, and socioeconomic conditions.

The author notes that Latin America has been a laboratory of innovation on anti-violence and anti-crime initiatives, developing citizen security policies based on prevention and the building of trust between the security forces and the people they are intended to protect, with encouraging results in Brazil, Colombia, and other countries. These actions, however, seem to be more the exception than the rule. Much more common are hard-line (or *mano dura*) policies based on repression, mass incarceration, high penalties, and giving security forces free rein to use violence as they see fit. These policies are politically expedient for leaders but highly counterproductive, as they are linked to mass violations of human rights, abuses by unchecked security forces, and even higher rates of violence. A major test will soon play out in Brazil, where President Jair Bolsonaro centered his campaign on applying extreme hard-line policies against drug trafficking and crime.

Latin America not only leads the world in crime and violence, it also has the world's highest level of inequality—another unfortunate distinction and chronic problem for the region, as George Gray Molina considers in chapter 4. The author argues that social programs had a relatively small role in reducing poverty between 2003 and 2013, with economic expansion being much more important. It is not surprising, therefore, that this progress is in peril today. Further, millions of Latin Americans, including women, Afro descendants, sexual minorities, and indigenous people, are still treated as second-class citizens by their governments and societies, and have limited access to public services, economic opportunities, and basic human rights.

Economic inequality frequently overlaps with and reinforces other types of exclusion and discrimination. In reviewing Latin America's complex and evolving social landscape, Gray Molina underscores the persistence of gender, racial, and ethnic inequalities and urges social policies that more effectively target these groups. In that sense, Gray Molina's chapter serves as a powerful indictment of the failure of Latin American countries to ensure the basic rights of millions of their citizens.

It would be impossible to understand these levels of poverty and inequality without addressing the effectiveness of economic policies in the region. Augusto de la Torre and Alain Ize maintain that, except for isolated cases such

as Chile, Costa Rica, and Peru (which still face significant challenges on social inclusion and access to public services), Latin American countries remain trapped in a cycle where years of accelerated growth are followed inexorably by times of crisis and stagnation.

This is yet another example of Latin America's lack of long-term planning: buoyed by the boom, leaders failed to apply countercyclical policies that could have allowed them to save during the good years to invest in times of stagnation. Politically, it is much harder to apply much-delayed but necessary reforms on productivity, taxes, and public spending under modest growth. The authors argue that this failure to plan ahead meant the loss of a tremendous opportunity to base Latin America's economies on stronger foundations. Looking ahead, de la Torre and Ize urge the region to boost innovation, strengthen the rule of law, invest in their citizens, and seize new export markets (both in goods and services) to close the growing gap with developed economies and better integrate into the global economy.

Andrés Malamud, however, warns that the world with which Latin American countries want to improve ties is changing rapidly—and not necessarily for the better. Global economic and geopolitical power is diffusing and fragmenting at a level not seen since the end of the Cold War or even World War II. This severely complicates foreign policy strategies for countries in "peripheral" regions such as Latin America, to borrow a term frequently used by dependency theorists in the 1970s. The rise of Asia, and especially China, as the economic engine and geopolitical center of the world in the 21st century was welcomed by countries in Latin America as an opportunity to diversify their international relations and find new economic partners. Some saw Beijing as a potential savior, and a "South-South" alternative to Washington's traditional hegemony.

At the same time, Malamud notes, China's rise risks creating new dependencies. Despite recent efforts by Beijing to increase its role in technological and industrial sectors in some Latin American countries, the region's ties to the Asian giant remain focused on the exchange of commodities (soybeans, iron, copper, oil) for Chinese manufactured goods. In recent years, Chinese demand for these raw materials has stagnated, worsening Latin America's vulnerability. Further, many grand infrastructure projects announced by Chinese actors in Latin America have yet to materialize, and some initiatives face criticism for their environmental impact and negative effects on the rule of law in the region.

Few countries express this sudden turn from hope to pessimism as starkly as Brazil, which, under President Luiz Inácio Lula da Silva aspired to become an emerging global power and now, after a recession and a prolonged political crisis, has a much-diminished global role. President Bolsonaro intends to align

his country with U.S. president Donald Trump and reduce ties with China. However, given how much Brazil (and much of Latin America) depends on Chinese trade, finance, and investment, it is doubtful that countries in the region will have much leeway for drastic changes.

In the meantime, the United States, the region's former hegemonic power, is down but not out. Washington has lost some of its clout in South America since the turn of the century, partly as a result of China's increased role, but has much greater influence in Mexico, Central America, and the Caribbean. At the same time, as Malamud underscores, the U.S. Federal Reserve will remain important, since some Latin American countries are vulnerable to fluctuations in interest rates given their dependency on foreign borrowing.

Little has changed in U.S. Latin American policy under Donald Trump, Malamud argues, despite the president's xenophobic rants, anti-immigration policies, and protectionist inclinations. The author notes that, rhetoric aside, Washington's relative neglect toward the region continues, and the approach remains focused on drug trafficking and fending off potential challengers in the security arena. Even on Cuba—one of President Barack Obama's few notable accomplishments in the region—U.S. policy has been reversed, but not irreparably.

Some analysts argue that Latin America would be able to improve its negotiating power vis-à-vis the United States and China if the region acted jointly, articulating common policies. Ana Covarrubias's analysis suggests that, though desirable, joint action is highly unlikely, since Latin American regionalism has been circumstantial and weak. Cycles of hope and frustration are present once again: in recent times, the region created new institutions such as the Community of Latin American and Caribbean States (CELAC) and the Union of South American Nations (UNASUR) amid lofty promises and high expectations. As soon as the political context changed, however, CELAC stagnated (other than for the occasional photo opportunity with Chinese officials), and UNASUR is close to extinction after the withdrawal of Colombia and the refusal of Argentina, Brazil, and other countries to participate. Polarization and obstruction around the issue of Venezuela has been an important factor behind the decay of both organizations.

Perhaps part of the problem has been the unrealistic expectations regarding the potential for integration. After all, the creation of the Pacific Alliance in 2011, despite its limitations, suggests that there are opportunities to create pragmatic regional frameworks. In addition, most Latin American nations are part of the Inter-American human rights system, a decades-old and sophisticated mechanism that monitors compliance with human rights standards.

The region suffers from lack of leadership from its largest countries and resistance to share sovereignty, two prerequisites for deep integration. As a

result, for instance, Latin American countries have not been able to articulate a common position regarding the defense of democracy in the region. The Organization of American States, the world's oldest regional organization, has been incapable of reaching a consensus to apply its Democratic Charter to cases such as Nicaragua or Venezuela, despite the vocal activism of its secretary general. Latin America's growing political fragmentation, including the electoral victories of the ultra-rightist Bolsonaro in Brazil and the nationalist Andrés Manuel López Obrador in Mexico, suggests this distrust and lack of coordination will only become worse in the years to come.

There is a critical thread that runs through this volume: all authors highlight lack of state capacity as a main reason behind Latin America's unfulfilled promises.

To be sure, more Latin Americans have access to education, health, and other public services than ever before. Most central banks and finance ministries are staffed by independent and professional officials, which helps explain why the region controlled fiscal deficits and maintained macroeconomic stability after the end of the boom. Further, local governments in many Latin American cities have implemented innovative public policies to boost entrepreneurship, promote culture and education, improve transportation systems, and reduce violence. By and large, though, Latin American countries have failed to build professional public bureaucracies at the national, regional, and local levels. Many have been unable to create state structures that are capable of reaching every corner of their territories and guarantee access to basic public services for their populations.

Part of this failure has to do with a poor allocation of resources. Some Latin American countries impose high and complex taxes on their citizens only to waste most of those resources through inefficient and corrupt state agencies. In other countries, especially in Central America, the entrenched economic elites who hold most political power refuse to be taxed at all, making it impossible to finance even the most basic government functions.

Even in Latin America's richest countries, state institutions (security forces, transportation services, judicial systems, schools and hospitals, among others) are concentrated in relatively well-off areas within main cities, virtually ignoring the millions who live outside these "islands," except to ask for their vote on election day. This only perpetuates Latin America's high levels of corruption and exclusion. Moreover, the extraordinary concentration of power in the executive branch limits the ability and willingness of Latin American governments to reach meaningful consensus with civil society, the private sector, and political actors. Only by building efficient, decentralized, legitimate, and inclusive institutions will Latin American countries be able to strengthen the rule of law and restore their citizens' trust in democracy, contain violence

and crime, reduce socioeconomic inequalities, implement sound and forward-looking economic policies, and design effective mechanisms to deepen regional coordination and global integration.

Decades ago, the late economist Albert Hirschman edited a seminal series of essays on Latin American development titled *A Bias for Hope*. As we take stock of Latin America's serious challenges—some historic, some recent—it is important to note the region's immense and seemingly unending capacity to reinvent itself and rekindle that hope. Without it, the Latin American narrative would be incomplete.

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