

1995

# Hemisphere Volume 7 Number 1

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Hemisphere Volume 7 Number 1

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# And This Just In...

Marlene Fernández

It has been said that all the media cares about is blood, money, sex, drugs and rock 'n' roll. Not quite – but not too far from the truth. Media coverage is indeed crisis-oriented: death, destruction and disaster make a story. We cover change, not continuity; crisis, not steady improvement; individuals, not societal change. News is, “Man bites dog,” not “Dog bites man.”

In the case of U.S. coverage on Latin America, traditionally, a story is weighted, not according to the degree of real impact in the country, but to the degree of U.S. involvement in that particular story. Ever since the 1950s, when the communist threat was well and alive, and Latin America was ground for ideological confrontation; ever since the CIA-supported military coup in Guatemala, the Bay of Pigs, support for military regimes, and covert wars in Central America, the story was not what Latin America was experiencing, but the degree of wrongdoing, complicity, or violations of U.S. law.

Today, this trend continues, and added to the list are stories which play on American fears — drug trafficking, low-paying *maquiladoras* that “steal” American jobs, illegal immigration and attacks on U.S. citizens living in Latin America.

Nothing illustrates this better than the recent Guatemala-CIA

scandal. For months, Jennifer Harbury, the widow of an indigenous Guatemala guerrilla, went to extremes, resorting to hunger strikes, protests and rallies in an attempt to attract the attention of the press into covering the disappearance of her husband in Guatemala.

The story was reported, but did not make front page until Congressman Robert Torricelli of the House Intelligence Committee released information which linked the CIA to the scandal. It was the possibility of wrongdoing by the intelligence agency which made it a big story to the U.S. media.

Just before coming to Miami, I asked CNN's anchor Reid Collins how he viewed U.S. media coverage of Latin America in 1995. His response was revealing.

“It would be nice to see more noncrisis news of the region to relieve the impression that Latin America careens from one catastrophe to another,” said Collins. “As we know,” he continued, “this is not in the cards so long as the viewers' appetite continues to expect what it has been whetted on – trouble.”

And here lies the core of the point I want to make. In the remaining months of 1995 and in the years to come, I expect a decline in the intensity of Latin American coverage by the United States English media.

Latin America is moving toward free market democracies, toward more open political systems. This is good news, and that is the problem. Good news is hard to cover. It is difficult for an editor to justify stories on steady progress in Chile, a coun-

try with economic growth of 7 percent a year. It is much easier to dedicate energy to the collapse of the Mexican peso, a story that has implications in the United States, not to mention the impact on the emerging countries all the way down to the Southern Cone.

Calamity is what makes a story, or at least the possibility of one. Mexico is a top story. There is a great deal to be reported about Mexico: whether it will come out of the peso crisis intact; whether social unrest will settle; or whether the crisis will eventually support a wave of illegal immigration. Still to be answered is the degree to which drug traffickers have infiltrated the government. There are unfinished investigations of major political assassinations. But Mexico is a big story not so much because of its importance as a Latin American country, but because of its sheer proximity to the United States.

U.S. coverage of Latin America is not driven solely by what is happening in the region. Now that major television networks do not have bureaus in the area – forcing correspondents to cover ten countries at a time – coverage decisions are driven by what Washington is doing in terms of policy.

Cuba will be covered much more extensively in the coming months; that's because the U.S. has decisions to make. The real questions are: what is the fate of thousands of Cuban refugees in Guantánamo, and should the embargo remain or be lifted? There is also debate on what the administration will do in relation to the Burton-Helms bill that puts sanctions on companies dealing with Cuba.

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*Marlene Fernández is bureau chief for CNN Spanish. This commentary is an excerpt of a speech to the Thirteenth Annual Journalists and Editors Workshop, April 20-21, 1995, held at The Miami Herald.*



*Issues to watch for*

In reality, Cuba deserves much more attention than it has been given. The last time we heard extensively about Cuba was during the refugee crisis. Many developments happening right now are being ignored. Unfortunately, some believe that there is no story in Cuba without a resurgence of a massive flow of refugees to the coasts of Florida or absent the fall of Fidel Castro from power.

When that happens there is no doubt that coverage will be massive. As Don Hamilton, head of the Latin American division at the U.S. Information Agency put it, "Even though Cuba does not represent a national security threat anymore, even though the cold war is over, Fidel, like Madonna, will always attract the press." This is true; the press never misses the moves of celebrities. Fidel Castro, a controversial, compelling character, is treated as such.

Drug trafficking as an issue for press coverage could gain importance as the debate for the U.S. presidential election heats up. We have already heard conservative Republicans urging a tougher stance from the current administration toward the drug-producing countries of Latin America. The Republicans – who perceive the current drug policy as a weakness of the Clinton administration – see the topic of drugs as an issue that can provide them political advantage.

This coincides with stronger voices in Latin America urging Washington to see this issue from another perspective. I just returned from a trip to Peru, where I covered the presidential election. President

Alberto Fujimori wondered why the U.S. media does not concentrate on the tons of cocaine that are still able to enter the country. He complained about the lack of stories regarding the network in the U.S. that facilitates the entrance and distribution of drugs.

The growing anti-immigration feelings in the United States will be another issue as the electoral debate in the United States draws near. The media will probably report more about isolationist sentiments.

We will also probably hear more about Jesse Helms, given his new power chairing the Senate Foreign Relations Committee and his strong feelings about certain Latin American issues. As a matter of fact, one of my colleagues at CNN describes Mr. Helms as the "political Molotov cocktail" for foreign policy initiatives: Not strong enough to destroy them, but strong enough to cause trouble.

What the media has not focused on yet is the threat of social polarization in Latin America. While most governments in the region are successfully pushing through neoliberal economic reforms, social needs pay a price. The reforms are hurting the poor disproportionately. If this problem is not addressed, we could be seeing social explosions throughout Latin America. We saw a small example of this on April 18, when the government of Bolivia had to declare a state of siege to control discontent in the working class.

In the meantime, since the attention of the U.S. media in foreign affairs still focuses on security problems, Latin America will appear less in the news than Russia, China or

the Middle East. If reporting reflects that reality, Latin America will continue second tier after Asia and Europe, though it will probably fare better than Africa.

Not everyone, however, sees the relative silence of coverage of Latin America as something negative. Frank Sesno, CNN anchor and deputy bureau chief in Washington, thinks that to some extent this might be healthy.

"We are living in a transitional period," he said. "I am optimistic that this time will serve to help the media evolve from the xenophobic coverage, which in the past characterized Latin America as a group of 'Banana Republics in turmoil,' into a more complex reporting where Americans will begin to appreciate that the well-being of the American worker indeed depends upon what happens in Mexico."

We at CNN have adopted this philosophy by consistently opening more bureaus in Latin America and expanding our Spanish language coverage to six shows a day. CNN Spanish is fundamentally interested in covering social issues and long-term trends in the region. We are closely watching the efforts of Latin American countries to diversify their economies and open their markets.

But, as we all know, coverage of these kinds of stories involves more reportorial skill, more reporting time, and, consequently, more money. It is all worth it. Americans would benefit from the knowledge that El Salvador is still in Central America, and that Guatemala exists before and after Congressman Torricelli. ■

# The Mote in Thy Brother's Eye...

Daniel Samper Pizano

**T**he world's nations are not unlike schoolchildren: Every so often they must show proof that they deserve a good-conduct certificate. In the case of schoolchildren, that certificate is granted by the hall monitor. In the case of the world's nations, the grantor is the United States, whose government draws up — in Olympian conceit — a list of good and bad nations that inhabit this planet. The problem is that every time it refuses to certify a nation, the United States gains international trade advantages. It's as if a teacher were entitled to take home the books and bicycle of any student to whom the teacher refused to give a hall pass.

The countries most severely subjected to the arbitrariness of the "monitor of the North" are those that are plagued by drug trafficking. It's not enough for them to suffer the violence and the corruption of the drug cartels; they must also put up with the whims of the examiner in Washington. Whenever certification time nears, these sorry nations must wait for the murder of a few judges or cabinet ministers, and hope for drug-related terrorist attacks that leave at least 20 citizens blown to bits. Otherwise the monitor might refuse to award the good-conduct medal. If things continue as they are now, it might be wiser to establish good-conduct certification for the medal giver. It would be only fair. Someone should watch the watchman.

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*Daniel Samper Pizano is a Colombian journalist. This article is reprinted with the permission of the author.*

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***The problem is that every time it refuses to certify a nation, the United States gains international trade advantages.***

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In the same way that countries plagued by organized crime are handed a list of requirements to meet in order to please the grantor of diplomas, there should be minimum requirements set down for nations that presume to instruct others in probity. The country in question:

- 1) Must show proof of its ability to combat the drug trade. If narcotics consumption in its own backyard increases, it is ill-prepared to instruct others on how to curb it.
- 2) Must not have any elected mayors known to be drug addicts or to promote drug use.
- 3) Above all, must not have any re-elected mayors with a drug-related prison record.
- 4) Should not permit the cultivation of marijuana on its soil, or the production of hallucinogens in its laboratories, or the export of those venoms to other countries.
- 5) Must quash the laundering of drug money.
- 6) Must not permit the uncontrolled sale of chemical sub-

stances needed to process cocaine or heroin.

- 7) Should not pretend that drug use is limited to movie, rock music, and television circles. Remember Wall Street.
- 8) Should not sell weapons to drug traffickers so that they may slay authorities in countries where drugs are produced.
- 9) Should be untainted by allegations that (a) drugs have been consumed in the presidential palace; (b) narcotics have been purchased by secret service agents; (c) drugs have been traded for weapons to combat communism; (d) its authorities have connived with drug traffickers; (e) presidents and Mafia or other organized-crime figures have had secret understandings.
- 10) Must not offer reduced sentences to imprisoned drug dealers in exchange for untrue statements to support the claims of anti-drug officials.
- 11) Must not block, for selfish reasons, the importation of legal products from countries that attempt to replace coca or poppy plantations with other crops that will benefit that region.
- 12) Must never have sponsored assassination attempts or terrorist acts in other countries for political reasons.
- 13) May not permit the bribing of foreign authorities.

...and nose

- 14) Must employ alert and honest air traffic controllers, capable of spotting airplanes that enter its air space carrying illicit cargo.
- 15) Must guarantee the incorruptibility of its customs agents.
- 16) Must be able to state that it does not pressure the media to disseminate self-serving information about events in other countries.
- 17) Must be home to a press corps that strictly observes the ethical rule of giving the defendant an opportunity to defend himself.
- 18) Must have captured a large number of drug-traffic chieftains in the past 12 months.
- 19) Should be able to guarantee (as minimum proof of its struggle against drug trafficking) that no drugs are sold inside its prisons.
- 20) May not pocket 80 cents on each drug-related dollar.
- 21) Should not prop up, for reasons of political convenience, sinister Third World characters involved in drug trafficking.

To me, it does not seem excessive to demand that only those countries that meet these basic requirements may issue good-conduct certificates to their equals in the war against drugs. Let those that don't meet them go to reform school. And let the reader judge if Washington has any authority to hand out moral diplomas. ■



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# The "Demos" in Democracy

George C. Biddle

**O**n January 24, enraged and frustrated by the government's delay in carrying out promised social programs for demobilized soldiers, over 1,000 ex-combatants representing the Association of the Demobilized of the Armed Forces of El Salvador (ADEFAES) forcibly occupied the Legislative Assembly and the Finance Ministry in San Salvador. The protesters took 13 members of Congress and 70 government employees hostage. After two days of negotiations with the government and ONUSAL (United Nations Observer Mission in El Salvador), the ex-combatants abandoned their positions and released the hostages. Ex-Sergeant Mauricio Cornejo, who led the negotiations for ADEFAES, said the deal that was struck included government promises to provide land, credit, training and housing for 5,000 former members of the Salvadoran Armed Forces.

This violent action represented the fourth time since December of 1993 that ADEFAES, an organization of 15,000, had seized the Assembly, underscoring the fragility of the peace process and the difficulty of achieving lasting reconciliation in El Salvador. In a recent conversation, Ana Guadalupe Martínez,

*George C. Biddle is the president of the Washington-based Institute for Central American Studies (ICAS). ICAS provided technical assistance in establishing Centro DEMOS and continues to assist it in many aspects of its program.*

former guerrilla leader and now vice president of the Legislative Assembly, said that she sees a change in the mentality of leaders and groups across the political and ideological spectrum. Martínez fears that traditional viewpoints are resurfacing and that the polarization of Salvadoran society is increasing, not decreasing. As evidence of this, she pointed to the recent emergence of a number of new political parties. "There is too much orthodoxy on the right and the left – no one wants to listen," she noted.

Working to build a lasting peace after a 12-year civil war that claimed more than 75,000 lives, El Salvador is also confronting a long history of intolerance, economic disparity, and violence. Three years after the end of the war, it is evident that divisiveness and violence remain realities. To succeed in constructing a peaceful, democratic society, Salvadorans will have to be vigilant in their commitment to communication, understanding and compromise.

One week after the conclusion of the dramatic events at the Legislative Assembly, ex-Sergeant Cornejo approached the Center for Strategic Studies for Strengthening Salvadoran Democracy, known in Spanish as Centro DEMOS, and asked if he could become a participant in the center's annual course for national leaders which had begun the previous November. He was accepted as a midyear participant.

Centro DEMOS is a nonpartisan organization which sponsors an intensive academic course that brings together leaders from the different sectors of Salvadoran society to attend lectures, discuss interna-

tional and national issues, and become better informed about the problems confronting El Salvador. Based in San Salvador, the center is unique because it provides a neutral, pluralistic forum for sustained study, dialogue and debate in a society known for its polarity. Through sustained interaction, Centro DEMOS strives to respond to the urgent need for mutual understanding, tolerance and reconciliation among the diverse interests of the fragmented Salvadoran society.

The DEMOS initiative is based on the premise that El Salvador will not develop peacefully and democratically until the competing interests in society know and understand each other and begin to rely on open discussion of differences, negotiation strategies and compromise rather than hostile or destructive confrontations. As one observer of the center put it, civil society "will be strengthened to the extent to which each sector broadens its horizons and learns to understand, tolerate and accept political, philosophical and ideological solutions other than its own." The center's goal is to establish, maintain and consolidate horizontal lines of communication among society's different interest groups in order to minimize the potential for violent confrontation and polarization and explore the possibilities for cooperation, development and consensual problem solving.

Centro DEMOS' methodology is straightforward. The center invites 60 associations, institutions, organizations, political parties and government bodies to select a senior representative to participate in its annual course. Ideally, the center wants to

## *A new role for NGOs in postwar societies*

attract emerging leaders who can represent their sector from a position of authority and who will remain in a leadership position for some time to come. The 78 participants in this year's course include representatives from labor, business, campesino organizations, universities, religious institutions, the military, various branches of government, most political parties, NGOs, professional associations and special interest groups. The widest range of social, political and economic perspectives is represented.

Centro DEMOS brings these leaders together three days a week for five hours per day over an eight-month period in a specially designed conference room at the Salvadoran Association of Engineers and Architects. This year's course began on November 10, 1994 and ended on June 15th – 91 sessions in all. The participants are paid a small stipend for attendance at each session. Centro DEMOS is an inclusive organization and wants to ensure there is no discrimination based on financial ability.

The curriculum for the course is designed by the center's staff and is divided into three stages. Stage one analyzes the present international situation, El Salvador's place in the world and important general concepts such as the rule of law, modernization of the state and sustainable development, to name a few. Stage two focuses on the critical economic, social, political, military and geographic issues facing El Salvador. The primary topics in each of these areas are selected by a democratic vote of all the participating groups. This year's topics include: "The New Role of the

Armed Forces;" "The World Economy and the Effects of NAFTA;" "The Political Party System: The Only Way to Access Political Power?;" "Integral Social Development;" and "The Judgment of the International Court of Justice: Its Implications." The final stage of the curriculum is devoted to the theory, methodology and application of strategic analysis and planning. During this important stage, the participants study different approaches to strategic problem solving and apply them to the issues they have analyzed throughout the course. This allows the diverse group of participants the opportunity to address difficult problems together and apply alternative solutions to the challenges facing Salvadoran society.

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*The express purpose of the project's design is to maximize the potential of sustained face to face dialogue.*

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Each session of the course typically begins with a plenary conference in which a diverse group of international and national experts present differing views on the given topic. This is followed by a question and answer period and then a brief break for dinner, where the participants can interact informally. After the break, they divide into four working groups to analyze and debate the presentations as well as present their own distinct views. At

the end of the session, they reconvene in a plenary forum to discuss and debate the findings of the working groups.

Centro DEMOS attempts not only to educate and widen the horizons of the individual participants, it also provides the initial point of contact to enhance interaction among competing sectors within El Salvador – the very essence of civil society. Participants learn as much from one another as they do from the guest speakers. Simply put, the express purpose of the project's design is to maximize the potential of sustained face to face dialogue – thus the intensity and the length of the course. The ultimate success of peace and democracy in El Salvador depends on the ability of the different sectors of society to communicate more effectively and, at the very minimum, to listen to, understand and tolerate opposing viewpoints.

Centro DEMOS is by no means a panacea. It is but one mechanism among countless that are needed to strengthen civil society and sustain the process of peace and reconciliation in El Salvador. The DEMOS initiative does not pretend to effect radical change among individuals or to solve all the country's problems. It does, however, strive to provide an environment conducive to modifying attitudes. Although attitudinal changes are difficult to measure, there have been some tangible and positive results.

One piece of anecdotal evidence is particularly moving. One of the participants from the Legislative Assembly this year is Francisco Mena Sandoval. During the war, Sandoval defected to the insurgents

from the Armed Forces, where he had been a captain. While in the army, he served under the command of then Colonel Mauricio Vargas, who later became a General, Deputy Chief of Staff, and the Armed Forces representative to the peace negotiations. As commander of a guerrilla unit during the war, Sandoval led an attack on the Army's Second Brigade at Santa Ana, which at the time was defended by Colonel Vargas. During the battle that ensued, Sandoval shot Vargas in the arm. The two had never spoken or reconciled until this year, when Vargas came to speak at Centro DEMOS. Following Vargas's presentation, the staff at DEMOS brought the two men together. In an emotional exchange in front of other participants, they shook hands and talked briefly.

Another example of Centro DEMOS' impact is the recent creation of an association of Centro DEMOS graduates. Alumni from Centro DEMOS' first course have established their own organization to continue their dialogue and interaction. More importantly, they have formed working groups with broad representation to address specific problems facing the country. One group is working with students from the National University to develop approaches to stem the growing tide of gang violence, another is working with Habitat for Humanity to help meet the need for low-cost housing (in fact a majority of the national board of Habitat is comprised of DEMOS graduates), and the final group is working on an AIDS prevention campaign.

Centro DEMOS was not an easy organization to establish. It required a great deal of determination and political will. Presently, the center is governed by a foundation, FUNDEMOS, which is comprised of a variety of Salvadoran leaders, among them Joaquín Villalobos, a former commander of the FMLN

and a leader of the Democratic Party; Saúl Suster, former director of ANTEL, the telephone company and one of former President Alfredo Cristiani's closest advisors; and Father Walter Guerra, director of CARITAS for Central America and Mexico. Just like the participants and the foundation, the staff also reflects the diversity of Salvadoran society.

Until now, the Center has been entirely financed by the U.S. Agency for International Development. Centro DEMOS is working to attract support from others in the international community as well as from within El Salvador. To do this, the center must continue to be vigilant in maintaining its nonpartisanship and the quality of its academic course. If this occurs, Centro DEMOS can continue to play a constructive role by building bridges among distinct interests in El Salvador.

Centro DEMOS' methodology and structure leave it open as a model that may prove replicable and effective in other societies facing similar challenges as El Salvador. Without question, the needs of each society and the conditions within each country are distinct. Where the political will exists, however, the Centro DEMOS approach could be used successfully to strengthen democracy, civil society and peace.

It remains to be seen whether ex-Sergeant Cornejo and ADEFAES will change their approach. At the very least, through Centro DEMOS, Cornejo will be exposed to democratic dialogue and the gamut of opinions and interests in the country. Already, important back channel communication is occurring between him and another participant, Edgardo Zelaya, an ARENA deputy in the Legislative Assembly. This can only serve to aid the cause of conflict prevention, democracy and peace. ■

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# Chronicle of a Death Foretold

Yvon Grenier

Intellectuals are producers and disseminators of political ideas. Although the concept was coined less than a century ago in France during the Dreyfus affair, the intellectual's libido *dominandi* has immemorial roots: one recalls antiquity's philosopher-king; the professor of the Middle Ages (called "*dictatore*"), craving to rule Christendom; the reckless *philosophe* surfing on the waves of the French revolution. There were also gurus, artists and, more recently, social scientists, all with something in common: an aspiration to define the way people are governed.

Perhaps because all definitions of intellectuals are self-definitions, as Zygmunt Bauman pointed out, they also tend to come with a thesaurus of self-laudatory features. Intellectuals are free-spirited rebels and would rather sip hemlock than renounce their muse, freedom. Money and power? These hovering giants, like Baudelaire's albatross, scorn such worldly temptations. But facts are hard things. Intellectuals have cheered for a variety of Spartas (if possible from some decadently democratic Athens) more often than they care to remember. They could easily be singled out, over the ages, as the

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most enthusiastic devotees of the bonfire, guillotine, re-education camps, and other purifying devices. In fact, the case could probably be made that dictatorship, being the triumph of an idea, is a much more "natural" option for an intellectual than any form of open society, made of hollow procedures and ignoble compromises among ordinary people. Finally, because the intelligentsia is a form of nobility, it usually loves social deference and considers emancipation from material preoccupations as a natural right.

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*The obsession with "facts," curiously, exists in a genuine world of fantasy, with its own rules, intellectual currents, temple, etc.*

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Fortunately, there are quite a few exceptions to this rule, the Dreyfusards themselves being the first and most illustrious one. In their quest for the foundation of a "new society," intellectuals have denounced real injustices in their own country and abroad. Nevertheless, because most of the Western great thinkers have espoused some form of ideocracy, shouldn't we welcome the fact that the intellectual – that is, the function of the intellectual – is threatened by extinction almost everywhere? Before reaching any conclusion on this, some clarifications are warranted.

## PROFESSIONALS AND GENDELETTRES

It is useful to distinguish intellectuals from either professionals (*técnicos*) or *gendelettres* (persons of letters). Professionals are those highly competent persons in the technical sense, who do not wield influence outside of their specific discipline. *Gendelettres*, on the other hand, can be defined as highly cultivated but contemplative individuals whose influence on public affairs is either nil or unintentional. From these idealized types one can analyze the social function of some relevant social actors: how much of a professional and/or ideologue a management guru is, for instance. A social scientist is arguably a combination of professional and intellectual – more of the former in North America, more of the latter in Latin America. An intellectual, even a politician, has to be a bit of a *gendelette* in Europe, a bit of a professional in North America, and so on. The extinction of intellectuals does not equate with either anti-intellectualism or a renunciation of the emancipatory power of knowledge. It means the disappearance of the kind of social actor whose dominant feature is to be an intellectual: i.e. to seek political influence and status through the power of ideas.

## CASE STUDY: THE AMERICAS

The American continent, featuring different fragments of the European matrix as well as heterogeneous patterns of development, offers a contrasted tableau of the conditions conducive to the blossoming or extinction of intellectuals in our times. The diagnosis: (a) intellectuals are a curiosity in the U.S. and English Canada; (b) they



## Intellectuals in the Americas

are in decline in Latin America; but (c) they are still vigorous in the mostly French-speaking Canadian province of Quebec.

### FAREWELL TO INTELLECTUALS

"As modernity advances, the intellectual retreats," says P. Nettl. Moreover, "The social scientist, far from being a new form of intellectual, may really be his mortal enemy as well as his replacement in society." Why? For Nettl, "The intellectual's role in [advanced Western] society has been undermined primarily by increasing specialization, by different but professional groundings of authority, by separation between culture and politics, and the breakup of unitary cultures – or at least the hierarchy of better as opposed to worse culture." To this list drawn up in the 1960s we should now annex the relative and probably transitory retreat of antiliberal ideologies in the West.

Intellectuals have no political space: politicians and lobbyists monopolize access to political power. The media play the role of intermediary between the political class and the apathetic masses. Would-be intellectuals despise the media. The media ignore them. In the cities, a "new knowledge class" (Peter Berger) of "lifestyle engineers" (Hansfried Kellner) or "moral entrepreneurs" (James Hunter) strives to shape specific social activities or "issues" (the environment, gender, taxes, etc.). However, their impact remains ephemeral and particularistic, having more to do with marketing a product than shaping the *res publica*.

Social scientists, most of the time, are quasi-intellectuals. But the

modern social scientist is primarily, as Max Weber anticipated, an over-specialized professional. This is particularly true in North America, where the quest for professionalized social sciences (i.e., the expulsion of value judgements) has been dominant. Lewis Feuer recalls that during the 1950s in Anglo-Saxon countries, "To call a person an 'intellectual' was to suggest that this was an educated person who had failed to complete his work, who lacked discipline, who had intellect but not character; he was neither a scientist nor a scholar; a frivolous erudite: in short, a Parisian." This celebration of science comes with a certain estrangement from social practices, an imperviousness to the ideological cycles that shape the public debate. (For example, the U.S. now imports massively from the French social sciences of the 1960s, now totally *démodé* in France). The notion of "magic realism", presumably more suited to characterize Latin American literature, captures the nature of this university-based *République des lettres*. The obsession with "facts," curiously, exists in a genuine world of fantasy, with its own rules, intellectual currents, temples, etc.

In the 1960s, the counterculture movement, sweeping a whole generation in Western countries, opened a parenthesis in the American tradition. A new quest for community and some generational tribalism, coupled with timely political instability, generated extraordinary social and political fluidity. Gore Vidal recalls this period nostalgically when "politics and literature officially joined forces. The politician had literary longings; the writer saw

himself as president." A perfect time for intellectuals! Still, this was typically followed by a certain normalization, a decline of the revolutionary fervor. Capitalism opened its purse to a promising self-centered generation, whereas the Democratic Party displaced its hegemonic center from the New Deal coalition to "new politics" and a newly affluent generation.

Arguably, the only situation amenable to converting politically autistic intellectuals into movers and shakers in this kind of environment is one of deep collective trauma: external or internal war, collapse of political institutions, crisis of collective identity, nationalistic upsurge, generational clash, etc. Intellectuals should pray for the advent of a new charismatic era, one that would break the social grid and renew the human communities receptiveness to overarching social myths and ideologies.

### THE DISTINCT TRADITION

Sociopolitical development in Latin America has been more consonant with the active participation of intellectuals in the public sphere, for a number of reasons. First, one has a distinctive pattern of elite reproduction. Elites in Latin America have typically been less differentiated and "functional," or more homogeneous than in North America. In fact, Latin America's elites are in many ways similar to the European continental model. For instance, French elites tend to be *cumulard*: they accumulate social, political, cultural and often economic roles. Politicians who aspire to the highest positions must display some mastery of *lettres* and

philosophy, a reminiscence of the Middle Ages' trivium of grammar, rhetoric and logic. All the same, in Latin America – where power, not wealth, is the pivotal resource – the low differentiation of elites is salient among cultural and political elites. Disciplines such as art or science are not fully milked until their mastery is converted into some political (or “public”) capital. Latin American universities, with their emphasis on liberal professions, are more suited to forming *homo politicos* (the “surrounded man” described by Glen C. Dealy) than solitary scientifics and technicians seeking impersonal rewards.

Latin American elites are not a loose collection of interconnected but distinct heads of “functional groups.” They form a fairly homogeneous and selective club of rulers. Cultural, political, and economic resources command social deference, but those resources are granted with, more than being a prerequisite for, membership to the club. Latin American intellectuals are largely defined by the nature of their relations with this club, to which many belong or aspire to belong. This explains why the category of intellectual is so unspecific in Latin America: as Jorge G. Castañeda, after many others, pointed out: “Almost anyone who writes, paints, acts, teaches, speaks out, or even sings, becomes an ‘intellectual’.” A society that values what you are more than what you do, and where the mastery of universal discourses command more deference than instrumental reason and technical skills, is one where intellectuals, all things being equal, are more likely to find rewards for their talents.

What is more, low levels of social mobilization also enhance the political influence of intellectuals. In Latin America, the relatively low level of social mobilization and the weakness of the indigenous entre-

preneurial class confers to the educated stratum, especially the cultural elites (including the intellectuals), an inordinate pull vis-à-vis both the government and the masses.

Second, one has a distinctive pattern of circulation of political elites. In Latin America, as in most modernizing countries, politics is much less “institutionalized” and democratic than in North America (minus Mexico). Political parties enjoy no monopoly in the business of political representation and mobilization. As a matter of fact, other seasoned “representative forces,” such as the army, students, the church or unions, have as much, if not more, of a legitimate say in shaping policies than regular politicians. This kind of setting invites all actors who master political discourse (including, nowadays, social scientists) and who enjoy organizational resources to participate actively in politics.

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Interestingly enough, with the emergence and consolidation of democracy in the region, coupled with the disqualification of Castroist-like political activism in universities, intellectuals are likely to lose ground, retreating into professional or *gendetres* roles. Latin American social scientists are now attempting to emulate the North American model, facing the new dilemma of “publish or perish” instead of “praxis and perish.” They are more busy competing for

scarce resources than for some exclusive and entrancing position in deciphering/revolutionizing *la realidad*.

This impressionistic portrait of hemispheric convergence deserves to be qualified, however, because of the resistance of a small political village in the northeast of the American continent. In the Canadian province of Quebec, vigorous Gaulois, armed with the ancestral magic potion of ethnic nationalism, are staunchly staying off the onslaughts of disenchantment and cultural fragmentation.

**QUEBEC**

Beyond the Latin heritage, the mostly French-speaking province of Quebec arguably shares with Latin American societies a legacy of belated development, and hence a certain cult of the state conceived both as a guardian of national identity and as the prime agent of modernization. Another common feature is the early convergence between the Roman Catholic Church and the state. In Quebec, this successful marriage strongly contributed to cementing a “national culture” that celebrates order, monistic political values, paternalism and protectionism against unholy foreign influences. Unlike English Canadians, Québécois were not “born free”: the conservative and traditional provincial Premier Maurice Duplessis (1936-39, 1944-59), who ruled with the support of a reactionary Catholic Church, had to be uprooted. The patricidal brotherhood that launched the so-called Quiet Revolution in the 1960s consisted of a group of educated young men and women, who took a leave of absence from the Church or Catholic educational institutions in order to capture the state apparatus and turn it (and ergo, themselves) into the modern, secular guardian of the collective identity. The previous generation offered little, if any,

resistance: the so-called baby-boomers of the postwar period were just too numerous. A few colleges and universities in two cities (Montreal and Quebec) churned out the technocrats for the takeover. Social scientists found positions in commissions of inquiry, planning boards and halls of government – even before graduation. They felt the warm embrace of a society that needed them. As in Latin America, the state became the main employer for social scientists. In contrast with Latin America, however, the vigorously growing state had money to pay them.

On the economic side of the Quiet Revolution, the nationalization of electricity in the 1960s became the building block upon which a new “cargo cult rhythm” was elaborated. For three decades, the whole Creole ruling elite in Quebec worshiped the huge dams of the wild North, swearing to defend the “integrity of the Quebec territory” against aboriginal territorial claims. The flooded North is conceived as a repository of Québécois crude power, refined by the post-clerical Leviathan. Thanks to Hydro Quebec (as in Mexico with PEMEX), the illusion of the state’s self-sustainability could be created. The national bourgeoisie will eventually rise and play its historical role, but only thanks to the real demiurge: the national technocracy.

The love story between this generation of technocrats and the state (that is, the love story of a generation of technocrats with itself) is now reaching its baroque denouement with the election of the separatist *Parti Québécois* (PQ) in 1994. The PQ seeks the “normal” sequel to the quiet revolution: an independent, full-grown nation state. And intellectuals are asked to churn out “identity” products, to design new institutional constructs, to figure out strategies and tactics

for before, during, and after the Homeric referendum of Quebec sovereignty (due this year). Most of the Quebec intellectuals, old and young, have already been “nationalized.” The artists, cherished by the Quebec population, relish Ottawa’s no-strings-attached largess. Nevertheless, their commitment to separation remains virtually mandatory in le Quebec. In short, intellectuals have a 19th century-like mission to accomplish: to erect a nation-state and to strengthen a national culture.

English Canadians find it much harder to relate to one state, one territory, one culture, one nation. They are a dispersed lot, breathing through a maze of diverse, sometimes conflicting, identities. English Canada is a natural federation. In the country as a whole, the National Energy Program did not have the same impact as the nationalization of electricity in Quebec. In fact, it created an opportunity for intra-elite disputes, fostering division among provinces and regions. There was no revolution, even a quiet one. In terms of “civic culture” or political values (perception of the role of the state, the role of business, Church and politics, etc.), English Canada can probably be located somewhere between Quebec and the U.S., and leaning more toward the latter.

Social sciences in English Canada were never the kind of Confucian wisdom they became in Quebec during the Quiet Revolution. Social scientists, especially economists, were recruited in provincial and federal bureaucracies, but they never captured the state the way a generation of educated Québécois did. Key disciplines such as sociology and political science were institutionalized in the 1960s and 1970s – that is, decades after their US counterparts – but with some difficulty. Political science, for example, was perceived as the unfortu-

nate child of philosophy (contemplative) and economics (purely technocratic).

Culturally, English Canada is more permeable to American influence and much more self-conscious about it. Soft anti-Americanism is the minimal common denominator of English Canadian political culture; not the privilege of the left as in Quebec. Scholars and journalists routinely argue whether there is such a thing as a Canadian culture; recently, the Canadian Minister of Multiculturalism held that there wasn’t. Clearly, the evocation of Canada’s kindness and compassion, enshrined in our social programs, is not enough. Consequently, there seems to be room for the emergence of nationalist intellectuals in English Canada, if only the overarching conditions for such a development were there. The disruption created by an eventual (though unlikely) separation of Quebec could do the trick. Deprived of most of its French component, Canadians would be looking for myth-makers, capable of telling them how different they are from the Yankees.

#### SUMMING UP

In sum, with the exception of Quebec and the potential exception of the ROC (Rest of Canada), the hemisphere features virtually no conditions amenable to the emergence or resurrection of intellectuals. Democratization and obsolescence of the idea of nation as an integrative entity, in addition to the globalization of the economy, condemn the last nobility to convert its members into either professionals (including professionals of politics, or politicians) or *gendettes*. If more would-be intellectuals were striving for liberty, equality, and the pursuit of private happiness, and not for some *gemeinschaft* of warriors and producers, this would be an unfortunate development. ■

# Defanging the Predatory State

Robert Maguire

**A**s Americans grapple with redefining the terms of the "covenant" between those who are governed, Haitians are once again struggling to forge the first such contract in their nation's history. At its heart the struggle pits a recidivistic, powerful and resilient few against the vast majority of Haitian citizens. The few are resisting the demise of their predatory state, where economic and political elites, with a supporting cast of military and paramilitary thugs, prey on the rest of Haiti's 7 million citizens for their own gratification. The many are seeking to ensure the emergence of modern democratic society, where elected leaders are accountable to citizens and economic predation falls victim to fair competition and rule of law.

Significant progress in defanging Haiti's predators has been made since the September 1994 "intervention" of Haiti by the U.S.-led multinational force (MNF) and the subsequent return of governance by democratically-elected leaders. That progress includes the departure from Haiti of the military coup's three leaders, the destruction of the military's coup-prone Heavy Weapons unit, the virtual demobilization of Haiti's so-called army, and the collection, by the end of January, of approximately 30,000

weapons through seizures and buy-back programs.

It also includes the lawful separation of the police from the army, the opening of a professional police training academy, and the transfer in duties in late March to the U.N. Peacekeeping Mission in Haiti (UNMIH) following MNF assurance that Haiti's overall environment is "safe and secure." A 4,000-strong Interim Public Security Force (IPSF), under the supervision of 830 international police monitors, has also been created – though it has not been warmly received by most Haitians since 3,000 of its members are former military personnel "recycled" by way of a one-week course on professional police procedure and respect for human rights. The 1,000 other members of the IPSF, refugees trained while in Guantánamo, have been more warmly received by Haiti's ordinary citizens. The first 375 members of Haiti's permanent, professionally-trained police were deployed following their graduation from the police academy in May. As they are deployed, the permanent police will replace the IPSF.

In spite of widespread fears and propaganda spread by coup leaders between 1991 and 1994, precious little violence or vengeance has emanated from the heretofore repressed population since the intervention and the return of President Jean-Bertrand Aristide. Of special importance to the U.S., all of these accomplishments have also witnessed an end to out-migration and the return of many refugees. In Haiti, the same events have witnessed a reversal of the internal displacement that accom-

panied the coup and its subsequent reign of terror against some 300,000 Haitians, many of whom make up community-based civil society organizations that will play a crucial role in building a democratic future.

Important steps toward the evolution of a democratic society have occurred beyond the realm of Haiti's military and police. Among them is President Aristide's oft-repeated call for reconciliation, followed by tangible steps in that direction. The creation, in December 1994, of a 24-member private/public sector Presidential Commission for Economic Growth and Modernization is one such practical measure toward that end. Further, a legitimate ministerial government, led by businessman/Prime Minister Smark Michel, has begun the unenviable job of rebuilding the plundered country.

In late January, the Aristide/Michel government secured international pledges of some \$900 million over the following 12-15 months to support a reform-minded social and economic reconstruction plan. The plan emphasizes citizen and local government empowerment, trade, and democratization of the economy, including the sale of state-owned enterprises. Finally, progress, albeit slow, is being made toward elections which will enable Haitians to choose the parliamentarians, mayors, and town counselors who will become key players in operationalizing and sustaining Haiti's first contract for democratic governance and accountability.

Even though all these developments have placed Haiti under a

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## *A contract for democratic governance in Haiti*

glowing, silver cloud, it has a dark lining. An incident featuring one of Haiti's most notorious thugs juxtaposed the fragility of progress against the deeply rooted resistance to a democratic society and an end to predatory behavior.

An arms and materials cache uncovered by the MNF in Port-au-Prince in early February has been linked to Franck Romain, the former, Duvalierist mayor of that city, also alleged to be one of Haiti's foremost paramilitary gang leaders. For weeks following this incident, Romain, who is implicated in such incidents as the November 1987 voter massacre and the September 1988 St. John Bosco church arson/murder, remained at large, reportedly holding nocturnal gang meetings similar to those that preceded previous terrorist acts. Despite the fact that he was summoned to meet high-ranking MNF authorities, he was not detained. Subsequently, he quietly slipped into the Dominican Republic.

Romain's case underscores several broad concerns. One is that despite the MNF's arms seizures and buybacks, a multitude of weapons, including scores of semi-automatics and hand grenades distributed between 1991 and 1994 by military and paramilitary leaders, still circulate. Given Haiti's porous border with the Dominican Republic, it would not be surprising if the supply of underground arms in Haiti is not currently static.

Repeated requests by the Aristide/Michel government for the systematic disarming of the population were declined by the MNF. While targeted efforts to disarm military and paramilitary thugs

increased somewhat between late January and the MNF's departure on March 31 – the Romain cache is a good example – it is unlikely that any systematic disarmament will take place under the aegis of UNMIH. Visiting Washington in late January, Prime Minister Michel expressed concern that with only about 30 percent of Haiti's thugs thus far disarmed, the security of electoral politics remains fragile.

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***The Haitian military's symbiotic relationship with the country's paramilitary thugs is the ultimate issue when it comes to defanging the predators and sustaining progress far beyond the 1996 departure of the U.N. peacekeepers.***

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Of perhaps greater concern is the fact that so many notorious characters like Romain also remain in circulation in Haiti, basking in their continued legal and judicial impunity. To wit, when the MNF turned over its detainees to the Haitian government in late January, of the hundreds of alleged criminals and human rights abusers either rounded up by the MNF or turned over peacefully by citizens, only 26 were turned over to Haitian authorities. Others had been released by the MNF largely on the grounds that there was no functioning Haitian judicial system to follow up on these cases, or that they had

"escaped" from prisons still under the control of individuals affiliated with the Haitian army. The current wave of murder and organized crime is due, at least in part, to the fact that suspected criminals and rights abusers have not been detained.

In addition to Franck Romain, other notorious characters like Emmanuel Constant, the leader of the violent vigilante group FRAPH, have quietly slipped out of the country. In a dismaying episode of what was hopefully just bureaucratic incompetence, Constant is reportedly somewhere in the United States. Other lesser-known recidivists have reportedly crossed the border to the Dominican Republic, to lurk there with their weapons until they feel it advantageous to return.

Some argue that since September the backbone of the Haitian army has been broken, and as a result, individual thugs and the gangs they once controlled have lost the umbrella protecting them. Others argue that the Haitian army never had a single backbone to break. Regardless, without an end to impunity, destabilizing episodes of political terror and organized crime will continue, particularly with elections on the horizon. Clearly, the ultimate solution of this problem calls for the existence of an honest, functioning judicial system and a secure prison system that can complement the efforts of a reformed police and a population seeking rule of law. Unfortunately, despite significant Haitian and international attention to these matters, this is not something that can be put together overnight, particularly

since there has never been a functioning judicial system in Haiti that has provided justice for all.

The Haitian military's symbiotic relationship with the country's paramilitary thugs is the ultimate issue when it comes to defanging the predators and sustaining progress far beyond the 1996 departure of the U.N. peacekeepers. Regardless of the aforementioned trends toward demilitarization in Haiti, internationally-supported social and economic reconstruction plans advanced by the Haitian government still call for the reformation of a 1,500-member armed force. Surely, if a citizen referendum were held in Haiti to determine whether or not the country needs a military, practically all Haitians would vote NO. Indeed, a public opinion poll conducted in March under the auspices of the Arias Foundation for Peace and Human Progress found 62 percent of Haitians favored disbanding the army entirely. How the U.S. weighs in on this issue will ultimately be of key importance in determining the future of an army for Haiti. Presently, divergent views on the matter circulate within both the White House and the Pentagon.

International presence thus far has helped to create a safer and more secure environment needed by Haitians to advance their efforts of democratic reform. The predators, though still lurking about, are also very uncertain of their future. As a result, optimism is growing that if those trying to forge a contract for a democratic society and economy are violently attacked again, they will be able to withstand the assault.

During the slow, tedious work of consolidating reforms, Haiti's leaders seeking to forge and sustain a contract of accountable, democratic governance will need continued international support and decisive measures to ensure they remain out of the predators' grasp. ■

# MEXICAN STUDIES



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# Old Back Water

Frank O. Mora

Perhaps there is no other country in the Western Hemisphere where history repeats itself so often as in Paraguay. Today, much of what continues to tug at Paraguay's fragile democracy is the legacy of its own political culture. The real challenge for Paraguay is whether it can overcome its turbulent and authoritarian past, principally the Stroessner legacy, before its remnants snap and destroy this young democracy.

Long relegated to the back-burner of political and academic discourse, Paraguay has been a victim of geographic isolation and intellectual neglect. It has been plagued by an irrational sense of insecurity and paranoia that began before independence when the Jesuit missions were established to protect the Guaraní Indians and the area from the combined wrath of the Portuguese *bandeirantes*, the barbarism of the Chaco Indians, and the imperiousness of the *porteños* of Buenos Aires. After independence, the autocratic rule of José Gaspar Rodríguez de Francia (1811-1840) closed off any form of participatory politics and regulated contact with the outside world, condemning Paraguayans to a childlike dependency on the state or "father" of the country and creating a provincialism that turned it into a cultural

backwater. This was augmented by the devastating effects of despotic rule and a calamitous war (1865-1870) in which about half the population died.

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*Isolation has been the official policy of many of Paraguay's authoritarian dictatorships, starting with Francia.*

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Political clientelism is both cause and effect of authoritarianism in Paraguay. Personal relationships have traditionally dominated all forms of political activity, which has retarded the development of democratic institutions in favor of caudillism, personalism, and patronage. This patron-client tradition has also contributed to the expansion of corruption, as a cause and consequence of the absence of effective institutionalization. Corruption is most clearly manifest in the country's long experience with contraband trade which, in addition to limiting the scope and role of institutional politics, demonstrates how their isolation and fear of external enemies have induced a reliance on illegal commerce to survive.

The best portrayal of Paraguayan society and culture was written by the award-winning novelist Augusto Roa Bastos in two works, *I, Supreme* and *Son of Man*. Both novels provide a vivid portrayal of this brutal and tender land whose people have been subjected to tyranny, exploitation, violence and state-sponsored corruption. This Paraguayan novel-

ist movingly captures the plight of many of his people who, throughout history, have attempted to resist brutal repression. He shows the humanity, pride, courage, and stubbornness that enable the people of Paraguay to go on living and fighting back while most of the world turns a blind eye to the brutality.

Roa Bastos suggests that isolation from external influences has been the official policy of many of Paraguay's authoritarian dictatorships, starting with the hermetic regime of Francia and ending with the paranoid kleptocracy of General Alfredo Stroessner (1954-1989). These regimes hoped that by insulating Paraguay from foreign influences and attention they could maintain their iron grip over the country without risking the criticism and ire of the international community.

The Stroessner regime succeeded in maintaining a low profile which helped limit international pressures and criticisms. Additionally, as the regime suppressed all attempts at developing the social sciences in Paraguay (this activity was considered "subversive"), the academic community outside of Paraguay followed suit, making the country the least studied in the hemisphere. The paucity of social science research on Paraguay illustrates this fact. Paraguay is largely absent from studies conducted and published in the U.S. and Europe on such contemporary topics as democratic transition and political economy. Even with Stroessner gone, it seems that old habits are hard to overcome.

It is within this historical, sociological and international context

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## *Is there life after Stroessner?*

that one must understand the rule and longevity of the Stroessner regime. Stroessner was the culmination of a long history of authoritarianism and patrimonialism. He clearly understood the history and political culture of the nation, and he emphasized symbolic elements and traditions that reminded the population of its authoritarian past. His rule, however, cannot be solely attributed to cultural elements – his keen political skills coupled with the “Stroessnerization” of the state, Colorado party, and armed forces explains the longevity of his regime. Stroessner used the Colorado party to solidify his power base by doling out thousands of government jobs to its members and controlling the military by incorporating it into the party.

In conjunction with repression, co-optation, and marginalization, corruption played a pivotal role in “greasing” the wheels of this kleptocracy. Corruption, which Stroessner believed to be the “price for peace” in Paraguay, pervaded every sector of Paraguayan society, particularly the armed forces from which he purchased and compromised their absolute loyalty. High ranking military and party officials enjoyed lucrative sinecures in state monopolies, controlling major commercial fronts for narcotics, contraband, and prostitution.

Stroessner and his cronies turned Ciudad Presidente Stroessner (now Ciudad del Este) and other towns on the Brazilian border into outposts where all kinds of illegal activities were conducted – this region became known as Paraguay’s “Far East.” For this reason, Paraguay received the well deserved reputa-

tion during the late 1960s of being the heart of corruption and contraband trade in South America. In short, Stroessner exacerbated and institutionalized all that had been negative of Paraguayan society and political culture. Carlos Miranda recently stated that the longevity of the Stroessner regime could be “found in the fabric of Paraguayan society and in the way he tailored his role to that society.”

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*In the end, the coup of 1989 left intact Stroessner’s structure of corruption. There was no fear of a military coup while one of their own governed.*

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Although Stroessner was overthrown in February 1989, the transition and the government’s international image continue to be hampered by the legacy of his reign. When General Andrés Rodríguez staged the coup that overthrew his political mentor, it was not a complete break with the past. In fact, many of the same faces and institutions remained even though Rodríguez and the new government liberalized all forms of political activity. The democratic process remained incomplete because important enclaves or authoritarian remnants impeded the process at different levels and dimensions. The ruling Colorado party, though significantly fragmented, remained a dominant force, and the military continued to hold on to its privi-

leged position in Paraguayan politics and economics. In the end, the coup of 1989 left intact Stroessner’s structure of corruption. There was no fear of a military coup while one of their own, General Rodríguez (1989-1993), governed and supervised a restricted “transition from above.”

The foundation of Paraguay’s fragile democracy began to shake in 1992, when the armed forces refused to allow its power and influence to be diminished by a new constitution or by a military organic law proposed by opposition parties. In the events leading up to the May 1993 general elections, the military made it clear that no matter the results the armed forces would “co-govern Paraguay for centuries unto centuries.” The threat to Paraguayan democracy is personified and embodied in a populist general named Lino Oviedo, commander of the armed forces.

Juan Carlos Wasmosy, a civil engineer and candidate of the ruling Colorado party, won the May 1993 presidential election with 40 percent of the vote, making him the first civilian president chosen in free, competitive and direct elections since Paraguay’s independence. His election has allowed Paraguay to finally discard its isolationism, a process started by Rodríguez, and cease being “an island surrounded by land,” as many Paraguayans describe their landlocked country. The press is largely free, the opposition is tolerated and active, and human rights are respected, but the shadow of the military, institutional corruption, and poverty still linger, posing serious threats to democracy.

President Wasmosy has not been able to assert civilian authority over the military. He has not confronted the military or cut back the endemic corruption and smuggling traditionally protected by the armed forces. General Oviedo has kept up his bad boy rhetoric, openly defying the president and Congress after they passed a law last year prohibiting military personnel from making political statements. In a speech before Paraguayan farmers, Oviedo said, "We don't know if the man is born who can sew up the mouths of the military." While Oviedo has jailed three generals for calling him "schizophrenic" and "paranoid," he himself did not receive even a reprimand.

Tensions mounted and rumors of a coup spread during the second half of 1994. General Ramón Rosa Rodríguez, director of the anti-narcotics secretariat, was assassinated, allegedly by a fellow officer. This brought to light the power of the drug mafia in Paraguay, believed to be linked to the Cali Cartel and protected by the armed forces. Paraguay has become an important transit point for Bolivian cocaine destined to the U.S. and Europe. According to U.S. officials, one-and-a-half tons of cocaine moves through Paraguay every week.

The opposition demanded that Wasmosy do more to weaken the armed forces which, it contended, were turning Paraguay into a narco-democracy. Wasmosy did very little. Then, in December civil-military tensions reached a new high, provoking more rumors of a coup and presidential assassination. Wasmosy denied Oviedo's request to transfer a general widely viewed as his chief rival. Eventually, the president and Oviedo reached a compromise, but the opposition took this opportunity to criticize the president for not curbing the

power of a corrupt and undisciplined armed forces headed by a renegade general.

Some observers believe Wasmosy is beholden to Oviedo because the general helped him gain the party nomination; other intimate that Oviedo has damaging information on the president and is threatening to use it during a time of extreme public sensitivity to corruption among public officials. What is clear is that President Wasmosy suffers from a certain paralysis – because to govern he must maintain political alliances with interest groups whose political agendas are in conflict. In the end, Paraguay's democracy will depend upon how well Wasmosy can reconcile the country's anti-democratic legacy with popular demands for democracy and accountability.

The political history of Paraguay is predominantly authoritarian in

culture and practice. Whether military or civilian, Paraguayan governments have been autocratic. The legacy and experience of the past does counsel a certain caution regarding the short-term malleability of long-standing sociocultural values and political arrangements that continue to persist. It is not mere inertia. Recent developments in Paraguay demonstrate that the past keeps coming back in the form of exclusionary, clientelistic intra-party politics which encourage and perpetuate militarism and corruption. The centrality of the armed forces and the lack of cohesion among socioeconomic classes and political organizations make democracy in Paraguay reversible. In short, as Paraguayan journalist and political analyst Estéban Caballero so astutely stated, "It is harder to deal with the past when the past is still living with you." ■

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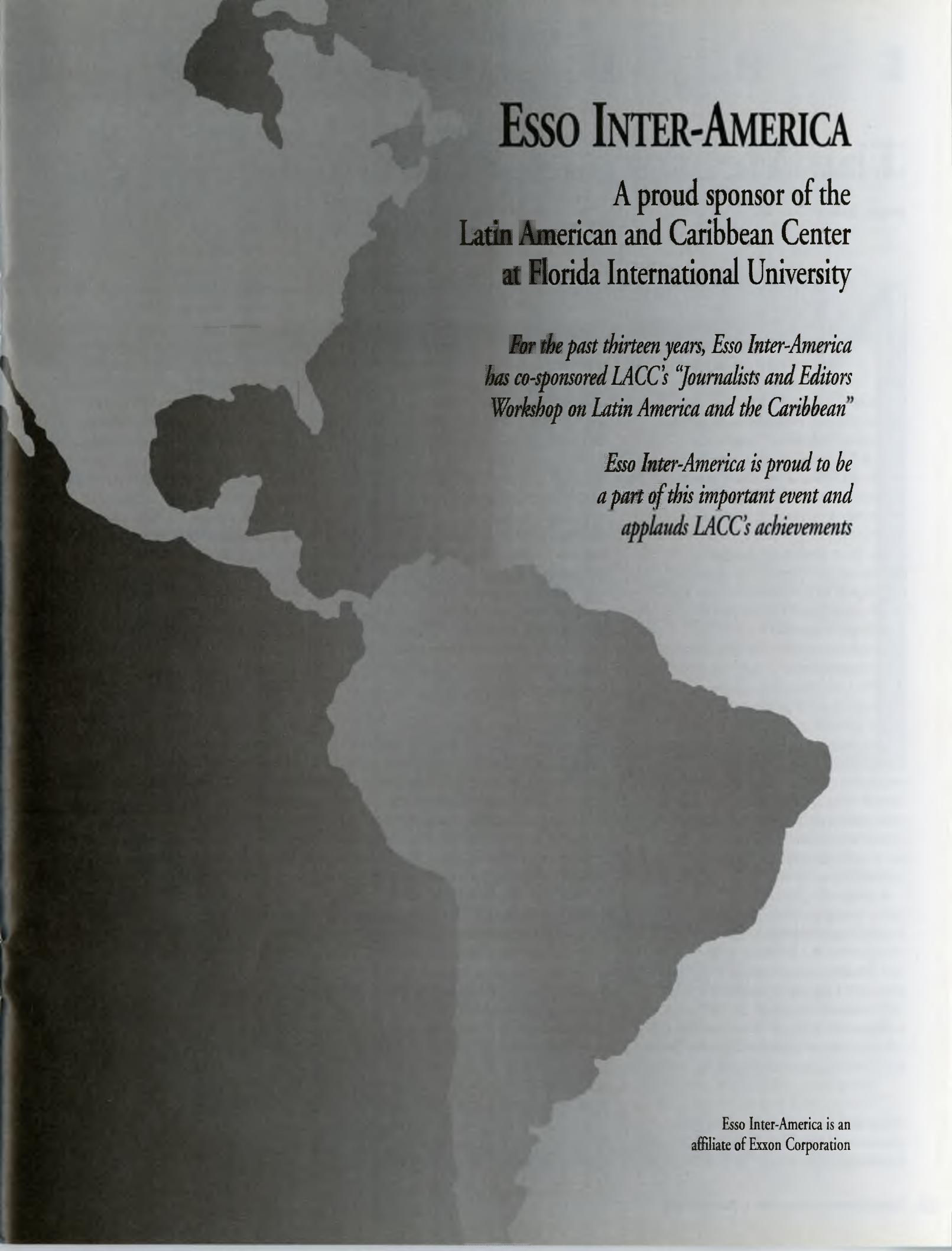
*edited by Anthony P. Maingot, Florida International University*

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# The Measure of Reform

*Bruce Kelley*

**N**eoliberal reform programs in Latin America are designed to increase the role of markets in allocating resources with the aim of increasing investment and economic efficiency. In general, microeconomic changes are directed toward improving efficiency. Tariff reductions lower domestic prices of imported goods, forcing domestic producers to operate more efficiently and cut production costs. In a similar vein, legal or institutional reforms that reduce regulation of the labor market give firms more flexibility in production and lower wage rates.

Macroeconomic changes, such as smaller government deficits, primarily affect investment and growth through greater price stability and lower interest rates. As with lower wages, deficit reduction has distributional consequences as higher taxes and government cutbacks are not borne equally. An additional tension within neoliberal reform programs is that they impose immediate costs while their benefits are uncertain and take time to occur.

A reduced state role and distributional consequences of reform programs engender significant domestic opposition. In some countries, like Brazil, political opposition has prevented significant reforms, while in Venezuela it caused the reform program to collapse. Success has often come in countries lacking formal political opposition; Chile

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under Pinochet and Peru under Fujimori are two examples. Elsewhere, governments have been able to implement these reforms if they dominate the political process, as in Mexico, or if they are the traditional representative of populism, such as Menem in Argentina. Domestic political factors will continue to play an important role in shaping economic policy in 1995. Both Argentina and Peru had presidential elections with incumbents who used economic policy to help win re-election. New governments elected last year in Mexico, Brazil and Venezuela must prove they can manage their economies as well as govern their countries. The task is even more difficult where governments must consolidate the institutions of civilian rule.

## CAPITAL GLOBALIZATION

Growing problems with international financial markets will also present challenges for the region. Prompted by the collapse of the Mexican peso, capital flows to the region will fall sharply, resulting in several immediate effects. First, countries will be forced to moderate their appetite for imports, which will reduce growth. Trade liberalization and booming investment tied to economic restructuring produced a surge in imports; Venezuelan imports nearly doubled between 1990 and 1992, while Argentina's imports are two-and-one-half times higher than three years ago. Future growth, however, will be much more moderate. A sharp change in capital flows also has the potential to destabilize the whole financial system and could spark widespread bank failures in

countries like Mexico and Argentina. The government response of hiking interest rates to slow the economy and defend the exchange rate might improve the external situation, but it depresses asset values and undermines the balance sheet of the banking system. The collapse of Venezuela's banking system in 1994, although caused by different factors, indicates the long-lasting impact of a financial crisis.

Financial instability will also slow privatization in many countries that still have publicly owned enterprises. Although privatization has served to eliminate a major source of the public sector deficit, countries will no longer have the easy access to the foreign funds that these sales generated.

## BRAZIL

Despite the tremendous decline in inflation, price stability remains the key to Brazil's economic outlook. Plan Real has cut monthly inflation from 50 percent in June to below 2 percent, helping its designer, Fernando Henrique Cardoso, get elected president in November, but the country still faces tremendous problems. Inflation remains high, the currency has become severely overvalued, the trade balance has fallen into deficit in recent months and the government has yet to attack the economy's structural problems. While movement on these fronts is possible, there are several reasons to believe things will not improve much in 1995.


First, inflation is unlikely to fall much more since the past decline partly reflects a fall in inertial inflation following the introduction of a new index (URV) and a change in

## The varying costs of economic reforms

the indexation process. Furthermore, the URV is heavily influenced by the exchange rate so the real's appreciation during the last six months has helped lower inflation. The real's current overvaluation, however, suggests any adjustment will produce higher inflation. Most importantly, the current rebound in economic activity reduces the likelihood of lower inflation unless Congress passes significant economic reforms. This is unlikely to happen given Brazil's political situation.

Although Fernando Cardoso's election in the first round of balloting last October seemed to indicate support for his economic reform program, his themes of fiscal responsibility and privatization did not carry over to Congress, where his party remains a small minority. The fragmented nature of the Brazilian Congress, combined with the importance of pressure groups and regional interests, makes it very difficult to build a stable coalition to enact these reforms. Thus, any wholesale change in the fiscal system, the core issue facing Brazil, is not likely this year. At best, there will be some sales of public enterprises, but these will be limited by public opposition and the concerns of investors about Brazil's economic future.

The immediate picture is clouded by the overvalued exchange rate, which along with tariff reductions have led to a flood of imports. Imports in 1994 rose an estimated \$12 billion and the trade balance turned negative in November. The more inclusive current account recorded a \$5.4 billion deficit which must be financed. Last year, capital inflows were more than sufficient to



### B R A Z I L

	1991	1992	1993	1994	1995	1996
Growth	0.2%	-0.8%	5.0%	4.9%	2.6%	3.3%
Inflation	433%	1001%	2105%	2644%	101%	52%
Trade Balance <sup>1</sup>	10,578	15,525	13,072	9,630	7,290	9,370
Current Account <sup>1</sup>	-1,408	6,275	-637	-5,460	-14,180	-12,000
Real:US\$ <sup>1 2</sup>	—	0.002	0.032	0.645	0.92	1.51

<sup>1</sup>Millions of US\$  
<sup>2</sup>Year's average

cover this gap and international reserves reached \$40 billion. In the wake of the Mexican crisis, however, such flows have been reduced and reserves have begun falling. Thus, at this juncture exchange rate policy is critical. The government's problem is how to alter the exchange rate without reigniting domestic inflation and undermining public confidence. While an overvalued exchange rate can help win elections, the Mexican situation has reminded everyone that the capital inflows underlying such a policy can be quickly reversed when wealth holders anticipate a future devaluation. Unfortunately, Brazil is not the only country in such a dilemma.


### ARGENTINA

Argentina also faces a crucial decision regarding exchange policy, although the economic and political pictures are much different than Brazil. Over the last four years, President Carlos Menem and Economy Minister Domingo Cavallo have ended hyperinflation, eliminated the public sector deficit, pushed through constitutional reform and sold virtually all state-owned enterprises. The results have been impressive; economic growth has averaged 7 percent over the past four years with inflation falling to 3.9 percent in 1994. A fixed exchange rate which controls the money supply has been a key component in this rebound.

The problem is that in 1994 Argentina recorded an estimated trade deficit of \$5.8 billion and current account deficit of \$10 billion, the latter representing 6.5 percent of GDP. Observers have compared Argentina to Mexico of last year; while the parallel is not exact, (Argentina's inflation has been in line with global inflation the last two years), the similarity has spooked investors, reversing capital flows and causing the domestic stock market to plummet. The government has four options: do nothing and watch the external situation deteriorate further; cut expenditures and raise taxes to slow economic growth; hike domestic interest rates to reduce output and attract capital; or devalue in the hope of improving the trade balance.

Cavallo has repeatedly refused to devalue due to the importance of the exchange rate in anchoring domestic prices and to avoid the turmoil caused by Mexico's devaluation. Restrictive fiscal policy is also unlikely given the election year and the fact that while the government deficit is rising, it is only 1 percent of GDP. Thus, financial measures appear to be the government's only option. Recent measures seek to improve the external imbalance by further dollarizing the financial system and increasing interest rates, causing growth to drop from an estimated 7.5 percent in 1994 to 3.2 percent this year. Since the government has tied monetary policy to the level of reserves, capital outflows have sparked a liquidity crisis in the banking system which could spread to a more serious financial crisis if the government does not alter its tack.

These economic problems and lingering resentment over the inequity of the reform process did not prevent Menem's re-election, but Argentina will see slower growth and higher inflation in 1995. Monthly inflation has surged to



## A R G E N T I N A

	1991	1992	1993	1994	1995	1996
Growth	4.0%	8.7%	6.0%	7.5%	3.2%	5.2%
Inflation	171%	24.9%	10.6%	3.9%	4.7%	4.1%
Trade Balance <sup>1</sup>	4,419	-1,450	-2,428	-5,860	-1,040	-2,970
Current Account <sup>1</sup>	-670	-6,660	-7,470	-11,290	-8,170	-7,160
Peso:US\$ <sup>12</sup>	0.95	0.99	0.99	0.99	1.03	1.03

<sup>1</sup>Millions of US\$  
<sup>2</sup>Year's average

almost 1 percent during the past few months compared to average increases of 0.2 percent over the previous year. The government deficit is rising, and although Menem cut expenditures across the board in late 1994, the structural problems still exist and will not be addressed given this year's electoral pressures. Since price stability underlies much of Argentina's current success, higher inflation in 1995 – 4.7 percent compared to 3.9 percent in 1994 – could jeopardize the economic picture.

#### VENEZUELA

Venezuela's experience highlights how quickly the reform process can collapse. After surging 9.7 percent in 1991, output fell an estimated 1 percent in 1993 and 3.3 percent in 1994 amid a massive banking failure, weak political leadership and uncertainty surrounding economic policy. At the same time inflation

has shot up, topping 60 percent in 1994 with no signs of abating. With a weak president facing a divided Congress, the political situation is not helping matters and the bleak outlook has completely turned off foreign investors.

The Venezuelan crisis also illustrates the fact that under democratic rule, economic reforms need to be politically palatable as well as economically consistent. After the initial reform package was implemented in 1989, riots broke out, leaving 300 dead. While the economy boomed in 1991 and 1992, living standards for the poor did not improve, and two military revolts in 1992 found popular backing. Weakened by these coup attempts, public protests and electoral failure in the midterm elections, Carlos Andrés Pérez resigned in 1993 amid charges of corruption. Elections to replace him in December 1993 confirmed the public's opposition to

economic reforms; Rafael Caldera was elected on his promises to halt the privatization process and reverse standing economic policy.


So far, Caldera's tenure in office has worsened the economic crisis. The banking crisis and financial panic in 1994 have permanently altered investor sentiment and economic stability. This, coupled with Caldera's nationalist rhetoric and inability to formulate a coherent economic policy, has caused private investment to evaporate. At the same time, distributional pressures have kept inflation above 60 percent. Price and exchange controls can stabilize the situation in the short-run, but without fiscal reforms and reduced social tensions, sustainable medium-term growth will not appear. The banking crisis will also continue to depress output as the financial system remains extremely fragile. For 1995, the growing trade and current account surplus reflect ongoing problems in the domestic economy rather than the external sector's strength.

#### CHILE

With the smooth transition to a new president, Eduardo Frei, and continued sensible macroeconomic management, Chile appears to have consolidated the economic and political reforms of the past. While tensions between the civilian government and the military continue, they are unlikely to derail the current expansion. The government's targets of average growth of 5.5 percent through the end of the decade and 5 percent inflation in 1999 are optimistic, but achievable. Reforms such as privatization of the pension system have sparked savings and investment, while the emphasis on infrastructure development will improve productivity and the competitiveness of Chile's exports, the key to the country's economic success.

On the other side, the government must indicate it is more sensi-

## V E N E Z U E L A

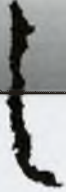


	1991	1992	1993	1994	1995	1996
Growth	9.7%	6.2%	-1.0%	-3.3%	-0.2%	1.8%
Inflation	34.2%	31.4%	38.1%	60.8%	70.5%	54.0%
Trade Balance <sup>1</sup>	4,837	1,274	2,902	7,990	9,144	8,440
Current Account <sup>1</sup>	1,736	-3,753	-2,223	4,120	3,880	4,200
Bolivar:US\$ <sup>12</sup>	57	68	91	149	206	266

<sup>1</sup>Millions of US\$

<sup>2</sup>Year's average

## C H I L E



	1991	1992	1993	1994	1995	1996
Growth	6.0%	10.4%	6.0%	4.2%	5.3%	5.1%
Inflation	21.8%	51.4%	12.7%	11.4%	11.3%	10.1%
Trade Balance <sup>1</sup>	1,574	750	-979	700	1,540	770
Current Account <sup>1</sup>	120	-743	-2,093	-770	-60	-390
Peso:US\$ <sup>12</sup>	349	363	404	420	390	400

<sup>1</sup>Millions of US\$

<sup>2</sup>Year's average

tive to social issues and the poor than have previous administrations. While aggregate output has nearly doubled over the last dozen years, 30 percent of the population continues to live in poverty; more attention must be given to how the economic pie is distributed. The previous administration was able to sidestep this issue given the difficulties of a transition to civilian rule, but the new government cannot. Increasingly, support for a particular civilian government will be based on its ability to solve these problems rather than as an option to military rule. Candidate Frei indicated that social spending in health and education would increase, but President Frei has not carried through on these promises, and recent strikes indicate growing restlessness on the part of workers.

These factors suggest that increased growth in 1995 will likely preclude any further reduction in inflation. As tight monetary policy,

which reduced inflation from 22 percent in 1991 to 11.4 percent last year, is loosened, investment and growth should pick up from an estimated 4.2 percent in 1994 to 5.3 percent this year. The government's ability to run a more expansionary policy, despite the risk of higher inflation, reflects last year's decision to sacrifice growth in return for price stability. This modified fears in the business community that civilian rule would result in a return to the short-run, populist policies of the past.

#### FUTURE TRENDS

Latin America's economic rebound of the last four years will slow significantly in 1995 as the region finds it increasingly difficult to attract the external capital which has funded the recent growth. While international capital markets have reduced their enthusiasm for emerging markets in general, specific factors in many countries also

work against continued growth. External imbalances in Argentina and Brazil require some change in economic policy, while banking failures in Venezuela have wiped out a large part of the country's financial capital. Only in Chile is the combination of solid growth and reasonable price stability forecast with a high degree of confidence.

Thus, 1995 will likely witness sharply differing economic performances across South America as countries have varying degrees of success in addressing their specific combination of economic imbalances, social tensions and political uncertainty. While a return to the hyperinflation and stagnation of the 1980s is unlikely, the promises of sustained growth with price stability made by neoliberal reformers will remain elusive. Instead the region will exhibit great promise, but also great volatility, as countries grope with developing and applying their own set of consistent reforms. ■



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## Insider briefs on people and institutions shaping Latin American and Caribbean affairs

### Andean Cicciolina

Susana Díaz, a former cabaret dancer also known as "la Cicciolina Chola," won a seat in the Peruvian Congress during the April general elections. Díaz, who campaigned by displaying her ballot number (13) on her derriere, has been facing some difficulties in her new job. In late May she was charged with associating with "el Vaticano," Peru's most notorious drug lord who was arrested in 1994. Apparently, Díaz was one of many performers hired to entertain traffickers during their hours of boredom in the Huallaga Valley.

### New Cuba Man

Richard Nuccio, deputy undersecretary of state for Latin American Affairs, has been named President Clinton's special adviser on Cuban Affairs. Nuccio's views on Cuba are well liked in Miami's exile community, which viewed the appointment as an attempt to temper the administration's new policy of repatriating Cubans fleeing the island.

### New Report Out

In January 1995, the Inter-American Development Bank and the Economic Commission for Latin America issued "Trade Liberalization in the Western Hemisphere." The report summarizes the findings of government officials, entrepreneurs and academics on three issues: what might be

achieved from hemispheric trade liberalization; essential conditions to maximize gains; and how to go about liberalizing trade. The project concluded that trade liberalization by itself is a necessary but not sufficient condition of the development process; that countries require access to better trade data in order to proceed with hemispheric liberalization; and that liberalization warrants caution. Copies of the report can be obtained from the IDB or ECLAC.

### Miami Bound

Over the last year, Miami, San Juan, Tampa and several other cities competed to attract the United States Southern Command, the U.S. military's headquarters for operations in Central and South America. In March, the Pentagon announced that SOUTHCOM would move to Miami in 1999. Miami expects to gain about 750 jobs and increased commerce as a result of the move.

### Florida's Summit Fever

In June 1995, Florida Governor Lawton Chiles signed a budget bill authorizing the establishment of the Summit of the Americas Center. Launched in August 1995, the Center will monitor progress on the accords signed by the Summit participants in December of 1994. Housed at Florida International University's Latin American and Caribbean Center, the Center is a cooperative venture among FIU, the University of Florida's Center for Latin American Studies, and the University of Miami's North-South Center.

### Beauty and the Beast

During a recent visit to London, Argentine Foreign Minister Guido di Tella was quoted complaining about the immigration woes of his country. At current growth rates, between 25 and 30 percent of Argentina's population could be of Bolivian or Paraguayan origin by the year 2000. Di Tella told the British audience that his country wants to be close to the "beautiful people." Argentina, like the U.S. and several European countries, is facing an anti-immigrant fervor among its population that could possibly translate into government policy.

### The Hand of God

Soundly defeated 3-0 by the U.S., the Argentine soccer team had something to prove in its final game at the Copa America played in Uruguay last July. Argentina scored early and led for most of the ball game against world champion Brazil. Then, in the last few minutes, Brazil's Tulio downed the ball with his hand and scored, tying the score and sending the game into an overtime penalty shootout. Argentina lost in penalty kicks and was eliminated from the competition; calls went out for the head of the referee who had failed to call the hand ball. The irony was not lost on Brazilians, who invoked Maradona's "hand of God" goal against Great Britain in the 1986 World Cup. Maradona, however, was incensed by the comparison, calling Tulio's effort "the devil's hand."

*Edited by Eduardo A. Gamarra*

### Ill Will Ambassador

Brazilian President Fernando Henrique Cardoso's scheduled July visit to Portugal met with some unusual problems. The Brazilian ambassador to Lisbon is Cardoso's predecessor, Itamar Franco. On July 18, 1995, Reuters reported statements by the ambassador that Cardoso's policies would damage the economy and hurt salaried workers. Franco went on to warn that high interest rates would trigger a recession and that were it not for his help, Cardoso would never have become president. Cardoso responded that "in the future all former presidents should be named ambassadors to Lisbon."

### Fidel Castro On-Line

Net heads have produced a series of innovative, unusual, and often humorous new sites on the World Wide Web. One of the most recent to surface is the "Fidel for President" page. Any surfer can tap in to a photo gallery of Fidel, order t-shirts and bumper stickers, read about vice-presidential possibilities, and write to complain or comment. To reach the Fidel home page through the World Wide Web type <http://www.slugs.com/image-smith/fidel>.

### Transparent Time

Transparency International's March newsletter reports that Colombian President Ernesto Samper launched a major anti-corruption campaign to restore public confidence in that country's public sector. The plan calls for the establishment of a

"transparency office" in each agency to interact with the public, and a "transparent minute" on radio and television to provide updates on the progress of the plan.

### Exporting Pension Plans

According to an item in the May 4 issue of the *Latin American Weekly Report*, the Chilean pension fund administrator signed agreements in principle with the governments of Bolivia and El Salvador to begin operations in those countries when private pension schemes are introduced there. Provida is one of the best known private pension investors in Latin America, having invested in Argentina, Colombia, Ecuador and Peru. The move is another step toward the dismantling of publicly-funded pension plans throughout the region.

### Blinders in Bolivia

According to Americas Watch, an official with the DEA admitted that to avoid direct knowledge of abuses by Bolivian police, DEA agents "wear blinders when conducting joint operations." One agent was quoted as saying, "we are guests in their country. It's not for us to criticize...we fuel the truck and say, 'go get 'em.' If people come back arrested with bruises on their face, it's not my responsibility."

### AT&T Reaches Out

Cresencio Arcos, former ambassador to Honduras and until May, deputy assistant secretary of state for Narcotics and Terrorism

Matters, has accepted a position as vice president of International Public Relations with AT&T. Arcos will work out of AT&T's Latin American headquarters in Coral Gables, Florida.

### Requiem for the Left

In May, some 250 Latin American leftists regrouped in Montevideo, Uruguay to protest the embargo against Cuba, to call for a renegotiation of the region's foreign debt, respect for human rights, and for social justice. According to press accounts of the meeting, the participants spent most of the time purging those leftist parties who have embraced market reforms and very little time on how to reverse the organized left's electoral irrelevance in the current neoliberal trend. Remarked a young Uruguayan, "It's no good clinging to old symbols. If we don't wake up, the left will be swallowed by the right."

### Ideology of Terror

Amnesty International's annual report claims 4,000 political prisoners in Peruvian jails; the majority are members of the Shining Path. According to Luis Gonzales, an AI officer in Peru, "crimes by terrorists, even when they are of a criminal nature, are considered political because they have a political motivation." Fujimori responded, "some believe that when a terrorist says he has an ideology, he should no longer be considered a terrorist." Most Peruvian human rights organizations reject AI's conclusions as well.

# The Money Store

Jeremy Adelman

**T**his essay puts the turmoil of Latin American financial markets into a recent historical perspective. It has two interrelated arguments: first, the reactions to the debt crisis of 1982 spawned a set of policies designed to revamp Latin American economies without eliminating the underlying dependence on world money markets; second, recent (post-1990) capital flows and the euphoria of "emerging markets" obscured the highly contingent and volatile nature of transborder investment.

These two arguments are related. The policies to cope with financial upheaval of the 1980s generated opportunities for new, highly speculative investment in Latin America. This dovetailed with slumping yields on financial investments in core money markets and a slowdown in general economic performance, which released mobile capital to pursue higher earnings abroad. In large measure, the recent malaise in Mexico can be attributed to the combination of a closure in speculative financial deals and the repatriation of capital to core markets as economic growth has recovered and interest rates rise.

We are not, however, witnesses to the reenactment of the previous debt crisis. The meltdown of the

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Mexican peso and its fallout is historically unique. Comparisons with previous crises help illustrate the multiple personalities of finance capital and the challenges public authorities will face in trying to avert a full-scale global financial crisis. As Walter Bagehot warned in his classic *Jeremiad* on the eve of the first great depression in 1873, financial crises can rock the balance between the pursuit of private self-interest and the effectiveness of public regulation.

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***Financial crises can rock the balance between the pursuit of private self-interest and the effectiveness of public regulation.***

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## 1982 IN RETROSPECT

In August 1982, when Mexican Finance Minister Jesús Silva Herzog announced Mexico's inability to meet future debt payments, a five-year boom in lending to Latin America came to a sharp and cataclysmic end. Several aspects of foreign borrowing deserve mention.

First, much of the money was used throughout the region (with the arguable exception of Brazil) to correct underlying deficits on trade accounts. In the late 1970s, Argentina, Chile, Mexico and Venezuela used foreign exchange rates as blunt instruments to tackle domestic inflation. Over the medium-term, local currencies soon became overvalued, drawing greater imports and inhibiting exports. In

some countries, such as Argentina and Chile, military regimes embarked on a reckless campaign to deregulate local financial sectors, enabling billowing local banks to act as intermediaries for the deluge of foreign funds. The accumulation of external debt responded to domestic policies designed to stabilize and "liberalize" Latin American economies.

Second, capital flowed almost exclusively through the sinews of commercial banks, based mainly in the United States. Until the late 1950s, commercial banks played a residual role in dispensing global capital, and much of the non-equity flows moved through official channels (such as the World Bank and the Inter-American Development Bank). In the late 1960s and early 1970s, the collapse of the Bretton Woods system, combined with innovations in international bank lending practices (primarily the invention of the syndicated loan), loosened banks from their national moorings and converted them into potential channels for investible funds. Thus, when world oil prices began to soar in the 1970s, OPEC surpluses were recirculated into offshore banks who found themselves with a surfeit of capital to lend. In the context of a generalized crisis in the OECD (Organization for Economic Cooperation and Development), lending to developing countries became increasingly attractive.

These pull and push factors in global capital markets triggered unprecedented flows from money centers to Latin America. Policy changes, especially in the rules governing local financial affairs, eased

## *Whatever happened to the debt crisis?*

the access to local markets, while large quasi-oligopolistic commercial banks served as the main agent for capital flows to the region. When the crisis hit in 1982, most economies reacted by reversing earlier liberalization measures. In turn, Latin American countries lined up to renegotiate their debts to banks, and for the first five years of the adjustment phase foreign indebtedness actually rose as banks rolled over previous obligations. A crucial actor in this complicated brokerage was the International Monetary Fund (IMF), which suddenly donned unprecedented institutional strength as mediator and lender of last resort. In this fashion, a combination of policy flexibility, bank rollovers and strategic international institutional intervention avoided full-scale default.

Compared to previous financial crises in Latin America, such as the 1820s, the 1890s or the 1930s, management in the 1980s averted financial collapse. The institutional structure of 1970s lending made commercial banks the final holders of most of the semi-periphery's debt. Moreover, banks' syndicated lending practices allowed them to stand as a common front – in contrast to the atomized and disorganized profile of bondholders in earlier financial cycles. In previous crises, sovereign borrowers could more easily default or force lenders to accept more generous terms to reschedule debts since most investors did not have the institutional clout of money-center banks.

Together, these institutional changes shifted the bargaining power between lender and borrower dramatically in favor of the for-

mer. This power enabled banks to divert substantial resources out of the periphery to the core. Paradoxically, while old debts were rolled over and interest arrears folded into the accumulated principal, Latin America endured sustained net outflows of resources (debt-service charges over new earnings of foreign exchange) for the rest of the 1980s.

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*The very heterogeneity of money managers and skittishness of petty investors inhibits any cooperation.*

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### THE SECOND ADJUSTMENT

The first phase of adjustment soon ran afoul. The initial response to the crisis sought to protect the stability of the world financial system at the expense of debtors. By 1987, however, debtors had suffered five years of financial compression and clearly displayed signs of debt fatigue: mounting social tension, careening inflation and widening budget deficits, the latter two aggravated and not ameliorated by IMF stabilization.

Latin America faced a second round of adjustment. Sponsored by the United States Treasury Department, an alternative system of debt restructuring sought to reduce the overall weight of outstanding debt. International institutions as well as U.S. Treasury bonds were used to support debt buyback (whereby Central Banks would pur-

chase the debt from creditors at some discount) and conversion from bank debt to longer-term portfolio debt (the so-called Brady Bonds). Beginning in 1987 with Chile, but more generalized under the umbrella of the "Brady Plan" in 1989, Mexico, Venezuela, Costa Rica, Uruguay and Argentina began offering debt and debt service reduction options. By 1993, some \$116 billion had been altered from short-term to longer-term debt or changed to domestic obligations through buyback provisions.

This second phase of debt adjustment had its domestic corollary. In chronically high inflation countries like Argentina and Brazil, inflation was attacked with dramatic austerity. In countries with "controlled instability," like Venezuela, the macroeconomic situation persisted with simmering inflation and large public sector deficits (in this case abetted by an anemic oil industry). Several aborted coups d'état in 1992 only betrayed the weakness of the civilian regime. In moderately inflationary countries like Mexico, stabilization was more effective. Either way, most Latin American countries embarked on stiff anti-inflationary campaigns.

But the big policy shift came with the massive privatization of state firms across the region. There is a crucial link between debt management and selling public assets. Debtors aimed to line treasury coffers (thereby closing the fiscal gap) and restock central bank reserves (and thereby giving governments desperately needed foreign exchange). Furthermore, debt-equity swapping (the exchange of shares in former public enterprises

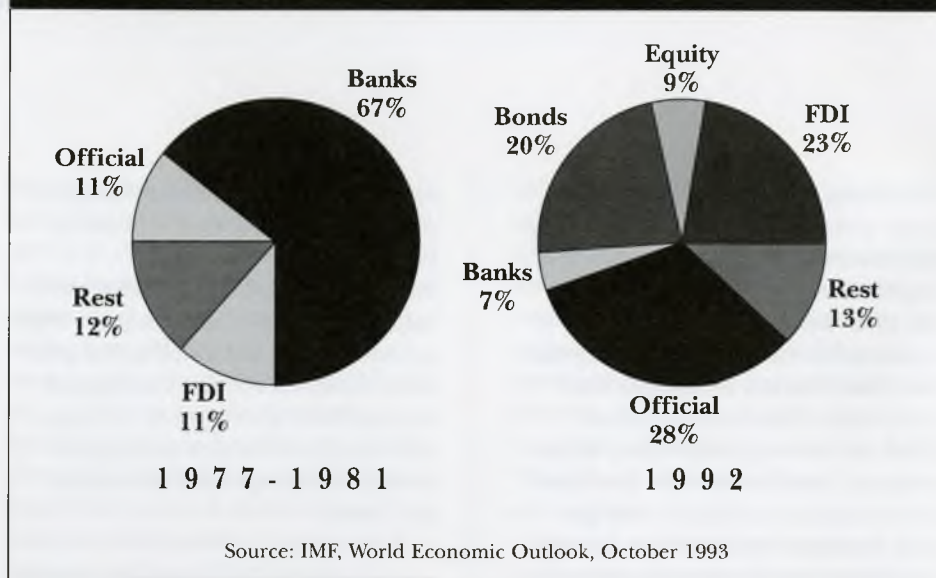
in return for old foreign debt), a preferred means to finance privatization, allowed Latin American governments to slash the overall principal.

These policy moves coincided with structural changes in world capital. First, at the behest of the U.S. and British governments, financial markets were substantially liberalized. Barriers to entry of new investors and money managers dropped while restrictions on the range of financial institutions' activities were removed. Walls between banking, securities, trust and insurance companies quickly disappeared, creating a wide diversity of money managers. The old world of commercial bank authority over money centers began to collapse as it was exposed to intense competition.

Second, governments in money centers slashed transaction costs on international nonbank capital flows. In the U.S., for instance, "Regulation S" enabled developing countries' securities to be issued in U.S. capital markets without paying steep registration fees. Rule 144A relaxed stipulations that securities buyers hold their investment for at least two years, thereby increasing the liquidity of their holdings. Both reforms were passed in 1990. Japan and Switzerland followed with similar measures.

Chart I is a graphic representation of proportional distribution of lending in Latin America. Whereas commercial banks were the overwhelming source of external finance to Latin America in 1982, their business was drastically reduced a decade later. In turn, foreign direct investment (FDI – outright offshore ownership of assets within Latin America), rose – this, in contrast to the global decline in FDI. FDI has now become the largest single source of external funding to developing countries, much of it linked to privatization.

Chart I: Distribution of Capital Flows to Latin America and the Caribbean



Most remarkable was the coterie of new private intermediaries in portfolio equity and bond markets.

From 1990 to 1993, private capital flows from lenders to the developing world rose by 250 percent. Most of it was concentrated in middle-income countries. In 1993 alone, total debt stock of developing countries rose by \$90 billion. Some of this reflected reconversion of old debts. For instance, the capitalization of interest (folding accumulated interest arrears into the principal of the loan while rescheduling its maturity and new interest rate) alone raised Third World debt stocks by \$15 billion in 1993 (and it is estimated that another \$10 billion in interest arrears remain outstanding). Debt stocks nonetheless remain high and are rising. By 1994, total disbursements of debts in Latin America were significantly higher than they were in 1982, in some countries by as much as 50 percent.

Changing rules in world capital markets increased the range and flexibility of financial instruments and permitted Latin American borrowers to broaden the spectrum of

capital sources. But as early as 1991, the IMF itself warned that this emerging system would pose new difficulties for financial supervision.

#### THE CURRENT CRISIS

Much of the recent profile of lending and borrowing activity resembles earlier patterns of capital flows. Prior to the 1970s, Latin America's private sector was the largest destination for external funds, and, more importantly, capital flowed through an array of non-bank channels. Borrowing and lending transpired through an atomized and relatively uninvigilated system. It would seem that, with the demise of the commercial banks, we have returned to earlier forms on nonequity capital flows. This has important implications for debt management.

There is a further historical parallel. Just as capital flowed to Latin America during the OECD slump of the 1970s, and flowed out with the North Atlantic recovery of the mid-1980s, the remigration of capital to big Latin American borrowers was contingent upon a downturn in the OECD beginning in 1989. The

inveterate pursuit of higher returns, even at the cost of higher risk, led investors to booming offshore centers in the so-called emerging markets (Hong Kong, Singapore, Mexico City and Buenos Aires being among the most lucrative – at least until 1994). The recent economic recovery in the North Atlantic and, since early 1994, rising interest rates have prompted, once again, capital remigration to the core. This was one of the underlying causes of Mexico's recent troubles.

The other cause, just as in the 1880s and 1920s, was the role of capital flows to correct current account imbalances. Across the region a combination of low domestic savings, overvalued exchange rates and reluctance to sterilize the effects of massive capital inflows promoted yawning trade deficits. Mexico's deficit, by far the Third World's most outstanding, is estimated to have topped \$30 billion in 1994, followed by China then Argentina. Sustainable as long as net capital flows favored debtors, the imbalance was thrown into sudden relief once money began flowing in the opposite direction. The result was that Mexican Central Bankers quickly ran down their reserves in an effort to defend the peso (largely to see the ruling PRI through the elections).

Once again, the confluence of domestic policy decisions and international economic cycles combined to direct capital flows, first into and then out of debtor countries. This conjuncture, however, differs from its predecessor of the early 1980s.

What has changed is the personality of finance capital. The dominant actors resemble much more the profile prior to the 1960s, of heterogeneous and relatively atomized lenders to an equally disparate array of borrowers. What made the first and second phases of the 1980s adjustment work was the facility to overcome coordination problems.

Debts could be renegotiated among a small coterie of large banks engaged with sovereign debtors.

Now, however, borrowers come largely from the private sector and cannot easily displace their insolvency on to taxpayers or consumers, as Latin American governments did in the 1980s. Mexico's giant conglomerates, Grupo Sidek and Grupo Financiero Banamex, are on the verge of financial collapse and threaten to eviscerate the country's financial structure. Similar firms in Argentina, Brazil and Venezuela are teetering.

Likewise, on the creditor side, the formation of coherent blocs is proving impossible. President Clinton's desperate effort to cobble together loan guarantees was designed to shore up investor confidence and

prevent a stampede out of Mexican securities. The very heterogeneity of money managers and skittishness of petty investors inhibits any cooperation. The result is – rather than rollover debts as in the 1980s – volatile financiers are calling in their loans to Latin America.

The combination of institutional atomization of financial actors and the great volatility of capital flows makes this debt crisis both very different and extremely dangerous. After a decade of deregulating of global finance, it remains to be seen whether central bankers and international monetary authorities have the instruments to cope with actors they themselves helped create. If not, we may be facing circumstances more analogous to 1929 than 1982. ■

## Caribbean Studies Newsletter

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# Waiting for the Promised Land

Victor Uribe

**A**grarian reform is a Latin American fixation. Ecologists, peasants, guerrillas, and Indians challenge landowners, ranchers, gold hunters, and government – all in the name of land. So what happened to agrarian reform? What became of the many attempts to modify the structure of land tenure in Latin America? What is the future of agrarian reform across the region? Four cases indicative of distinct approaches and different epochs in the development of agrarian reform under non-socialist regimes will provide some answers.

## MEXICO

Thanks to revolutionary mobilization and progressive populist government coalitions, extensive agrarian reforms were carried out in Mexico for decades, especially in the 1930s. From the Mexican Revolution until the early 1990s, millions of hectares of land were transferred to *ejidos* or communal farms. By 1991, 43 percent of all farmland and 60 percent of the farmers (3 million families) were organized into *ejidos*, of which there are currently about 22,000.

Alongside the collective *ejidos*, there are numerous small private farms. Today about 50 percent of Mexico's farmland is privately owned and some 15 percent of it is in parcels of five hectares or less. A good part of the remainder is made up of other "small property;" ceilings limiting the amount of privately owned land were established in 1971.

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However, peasant families have not generally escaped poverty. Part of the land distributed to them was of inferior quality, and extension services have been inadequate. Many landless families must supplement their income through other revenue-generating activities (handicraft production being a key one) on a micro-scale. Proprietors of modern commercial farms (over 100 hectares), particularly in the north and northwest of the country, generally produce crops for export and have enjoyed better fortunes. They have benefited from policies aimed at agrarian modernization, especially irrigation districts, subsidized credit and technological assistance.

The Mexican government recently resolved to put a stop to agrarian reform and even enacted measures aimed at reversing some standing legislation. As part of the neoliberal reforms intended to modernize Mexico's economy, a 1992 constitutional amendment ended land distribution and introduced mechanisms that made it possible for both local and foreign corporations to hold and work rural lands. The amendment also allows *ejido* lands to be leased or sold at supervised prices.

The end of land distribution in Mexico has come at a moment of increasing rural unrest, particularly in Chiapas, where at least one-third of the 1.5 million local Indians have no land. In fact, Mexican authorities estimate that in the year following the Zapatista National Liberation Army's 1994 revolt, the region's landless were responsible for about 2,000 seizures of private cattle ranches and coffee lands. Although some land may be redistributed in Chiapas for the sake of political expediency, the

government's neoliberal economic programs preclude further land distribution in the rest of the country and aim instead at "modernizing" agriculture by increasing its commercial dimension. Agriculture's modernization and commercialization will likely lead to land concentration.

## COLOMBIA

The first true "agrarian social reform law" was enacted in 1961 after a long bargaining process between Liberals and Conservatives, thus anticipating a wave of Alliance for Progress-sponsored reforms that came into vogue during the 1960s. Policies were not a response to foreign pressure but to the urgent need to restore peace and legitimacy after the protracted civil war that engulfed the country from 1948 until the 1960s. Some major *haciendas* and regions of significant *latifundia* were targeted. The government also sponsored peasant associations as a way of undermining opposition from landowners.

Direct participation of peasants in the implementation of the reform and the delivery of agricultural services led to the radicalization of the peasant groups and produced waves of land invasions during the early 1970s. The number of redistributed hectares more than tripled from the 1960s to the 1970s. Estimates indicate that some 66,000 families gained access to approximately 1.2 million hectares as a direct result of the land struggles of the 1970s. Another 100,000 families received nearly 1.8 million hectares under less contentious circumstances.

The pace of land redistribution slowed in the late 1970s and early 1980s, and different governments



## Whatever happened to agrarian reform?

used agrarian legislation to push large-scale landholders into modernizing their *haciendas*. In the mid-1980s, agrarian reform surfaced again during peace talks between the government and rebels. A proposal intended to streamline land transfer was drafted by a commission of experts. New legislation was approved in 1985 after a long bargaining process that watered down the original proposal's progressive provisions.

Agrarian issues were revived in 1989 when an "agrarian jurisdiction" was created to resolve conflicts over rural lands, formerly adjudicated in the overcrowded civil courts. Under recent legislation, some formal land allocation by the government has occurred. The main beneficiaries have been Indian communities, but extensive de facto colonization of public lands continues to take place as landless peasants migrate to frontier regions and rainforest areas. Moreover, in the early 1990s, a new constitution reiterated the "social function" of agrarian property and provided legal mechanisms (*tutelas* or injunctive actions) to redress land claims by peasants and Indians. Though these and other pressures on the part of civilians or armed rebels may lead to some land distribution, the efforts of the current Liberal government are geared towards privatizing public companies and making labor legislation "flexible." Land distribution is not at the top of the government's economic agenda.

### EL SALVADOR

A significant agrarian reform was instituted in El Salvador in 1980 by a civilian-military junta which had

taken power the year before. The junta decided that agrarian transformation would contribute to economic development and, more importantly, was necessary to avert a full-scale civil war.

The reform was scheduled in three phases. Phase I consisted of the expropriation of estates over 500 hectares for conversion into peasant production cooperatives. Phase II would have expropriated estates of 100-150 (depending on the soil quality) to 500 hectares. Phase III gave individual titles to those who worked land under tenancy agreements. In Phase I, more than 30,000 families benefited from the expropriation of nearly 220,000 hectares, 12 percent of it coffee land.

The political climate did not allow implementation of Phase II; but much later, Phase III was pushed through amid great difficulty, benefiting more than 95,000 families who received about 97,000 hectares. As a whole, though, there were about 155,000 fewer beneficiary families and about 425,000 fewer hectares than originally envisioned. The entire reform affected nearly 20 percent of the country's land and one-quarter of the rural population, yet left unsolved the landless situation of a large number of peasants.

Peace talks in the early 1990s included promises of land for both former insurgents and discharged members of the military. These land grants were to have come from voluntary sales by private owners to a Land Bank or from membership in standing agrarian cooperatives. The magnitude of the distribution actually carried out under such agreements is unknown, but in the early months of 1995 there were numer-

ous street clashes and seizures of government buildings by individuals (particularly former members of the army) who demanded compliance with the peace accords, especially provisions concerning the distribution of land. Like the rest of Latin America, the government of El Salvador is privatizing, and anything other than the minimum land required to solve immediate political crises is unlikely.

### BRAZIL

Agrarian legislation was first enacted in 1964 under a military government, but changes to the structure of land tenure were not significant. By the mid-1980s, official data indicated that 70 percent of farmland in Brazil was made up of *latifundia* (estates over 1,200 hectares) and only 8 percent was made up of family farms. Furthermore, the 2 percent of rural properties with more than 1,000 hectares occupied 57 percent of the agricultural land in 1985. Thirty percent of farms smaller than ten hectares accounted for only 1 percent of farmland. Finally, during 1974-1984, holdings of less than 10 hectares saw their share of farmland fall from 1.2 to 1.0 percent, whereas the area occupied by estates with more than 1,000 hectares rose from 48 to 57 percent. This all suggests a continuing pattern of land concentration and inequity.

Rural violence paralleled land concentration, particularly during the 1980s. Evictions, land-grabbing, estate occupations, and peasant resistance escalated. Thousands of rural farmers have been assassinated. The huge flow of internal landless immigrants flocking towards the new frontiers in Amazonia (Acre, Amazonas,

Rondônia, Roraima) has also accelerated environmental destruction. Following a long period of military rule, a new civilian government proposed agrarian legislation in 1985. Under pressure from the União Democrática Ruralista (UDR), a powerful landowners group organized to neutralize the new agrarian measures, the legislation rendered many properties (i.e., rural enterprises, small family farms, "productive" farms regardless of size) ineligible for expropriation. New laws enacted in 1987 (by which time UDR had 150 branches throughout Brazil and nearly 230,000 members) added further restrictions, limiting the amount to be expropriated to 75 percent of an estate's extension and mandating that landowners be compensated with financially attractive debt bonds. After further pressures from the landowners lobby, Brazil's new 1988 constitution also included relatively vague and weak provisions concerning the expropriation of agrarian properties not "fulfilling their social purpose."

In spite of the many delays and limitations, by the early 1990s millions of hectares and thousands of families had been affected by the new agrarian reform laws of Brazil (see table). Numerous *latifundia* occupied by peasant farmers and rainforest areas claimed by Indian communities were especially targeted for redistribution. The scale of agrarian problems in Brazil is gigantic and far from disappearing, but the government has done more about land issues in the last decade than ever before. Furthermore, because of the dynamic nature of peasant organization, mobilization and pressure, it is likely that agrarian reform will continue to advance in Brazil. Cardoso's government is committed to deepening neoliberal reforms in Brazil, but it also seems committed to addressing social needs, land being a critical one. Recently, it announced the distribu-

**Summary Table: Agrarian Reform in Four Latin American Countries**

Country	Main Reform Period	# Hectares Distributed	#Families Benefitted	Gini Coeff.
Mexico	*1917-1990	93,000,000	3,000,000	
Colombia	1962-1979	5,856,900+	253,4150	.70
El Salvador	1980s	315,132	79,436	
Brazil*	1964-1989	4,200,000	81,0000	.86

Sources: William C. Thiesenhusen ed., *Searching for Agrarian Reform in Latin America* (Boston: Unwin Hyman, 1989); Roy L. Prosterman, Mary N. Temple and Timothy M. Hanstad eds., *Agrarian Reform and Grass Roots Development. Ten Case Studies* (Boulder: Lynne Rienner, 1990); Susan R. Walsh Sanderson, *Land Reform in Mexico: 1910-1980* (Orlando: Academic Press, 1984); Leon Zamosc, *The Agrarian Question and the Peasant Movement in Colombia. Struggles of the National Peasant Association, 1967-1981* (New York: Cambridge, 1986); United Nations Development Program. Human Development Report (New York, 1993).

\* approximate figures  
+combines land redistribution and allocation of titles of public land

tion of 110 *fazendas* in the states of Pará, Maranhão, and Paraná among 20,000 landless families. While expropriating two large haciendas in the northern state of Ceará in late March, the government also announced that, by 1998, 280,000 more families will receive 11 million hectares of land.

**WAITING FOR THE PROMISED LAND**

In Latin America, land reform has been a response to revolutionary or pre-revolutionary situations, rural violence, and foreign pressures – that is, a political expedient. Even where there has been extensive land reform (i.e., Mexico), conflict lingers. There continues to be the sense that the system of land tenure is disadvantageous to a large segment of the population. Rural poverty still stems to a large extent from inequitable distribution of farmland.

In spite of continuing tensions in the countryside, every case, except perhaps Brazil's (and the case of Guatemala, not examined here), also suggests that, unless specific and isolated political crises dictate the distri-

bution of some land to calm particularly belligerent social groups, across-the-board land reform policy is a thing of the past. Today the trend is to favor modernization over land redistribution, which Alain de Janvry had named as one of the key obstacles to democratization of land ownership in Latin America.

Neoliberalism, which assumes that economies of scale and high rates of capitalization are required to maximize agrarian productivity, will reinforce the modernization option. It will demand support for agribusiness, agrarian corporations, efficient commercial agriculture and so forth, and will look with suspicion at any state attempt to invest public funds in subsistence farms, indemnification of expropriated landowners and social programs in the countryside. Yet, as the neoliberal model starts to unravel, and mounting social tensions become unmanageable, it is likely that new coalitions will emerge to push forward agrarian reform once more. Until then, many Latin Americans will have to continue waiting for the promised land. ■

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# Out of Many, One Yard

*Bruce Loshusan*



*Herbert, Worker in the Brown Sugar Room, Kingston, 1992*

*Jamaican-born Bruce Loshusan is a freelance photographer based out of New York City. His series on Jamaica was shown this Spring at FIU.*



*Stephanie, Kingston, 1992*



*Boys Swimming in Port Royal, Kingston, 1993*



*Tony in the "M\*A\*S\*H" T-shirt, Kingston, 1993*



*Clothesline in Port Royal, Kingston, 1994*





*"The Lord is My Shepherd" Juice Cart, Kingston, 1994*



*Tony in the Outside Shower, Kingston, 1994*



*Tree Roots, Kingston, 1994*



*Ma Ma, Kingston, 1993*



*Young Girl from "Concrete Jungle" Series, Kingston, 1994*

# Landscape of a Revolution

Damián Fernández

## The Cuban Revolution: Origins, Course, and Legacy

By Marifeli Pérez-Stable; New York:  
Oxford University Press, 1993, 236 pp.

If Marifeli Pérez-Stable were a painter, she would have been an impressionist. The ability to paint the nuances of the little pictures that form the big picture is the hallmark of her book *The Cuban Revolution: Origins, Course, and Legacy*. This is a book of connections and missed connections, of what has been and what could have been, a masterpiece of scholarship.

The first missed connection the author attempts to address is between the study of Cuba and the study of other countries in Latin America. Why has Cuba been neglected in many landmark studies on the region's politics and economics? Why have scholars presumed the island's exceptional nature, instead of testing it? Why have theoretical debates largely excluded the Cuban case? Pérez-Stable successfully argues that Cuba must be brought into the mainstream of scholarship and sets out to connect her case study to the broader literature on development.

Pérez-Stable connects the dots of history, politics, economics, society and international relations that have produced the Cuban revolutionary landscape since 1959. She brings together the interaction of individuals, elites, and structures and sheds light on the past, present and future

of the island's political system. Only through the multiple levels of analysis can one understand the logic of the *Fidel-Patria-Revolución* equation that appealed to the popular classes during the early 1960s. That equation was a product of the support of the lower segments of the Cuban social system and the inability of economic elites to mobilize a counterresponse. Coupled with anti-U.S. sentiment on the island and the Cold War, the *Fidel-Patria-Revolución* combination found an acceptable partner in the Soviet Union.

*The Cuban Revolution* also connects the material factors determinant in Cuba's development with less tangible variables like *conciencia* (i.e. "revolutionary consciousness"). But dimensions are not the only ones included in the study. The tensions within and between institutions and organizations, as well as the charismatic basis of *fidelista* leadership, also surface as relevant factors which explain the course of events. The author devotes particular attention to labor unions and the Federation of Cuban Women.

According to Pérez-Stable, the origins of radical social change are to be found in the failure of reformism in the decades prior to the 1960s. Although this is not necessarily an original argument, no one has made it as thoroughly. She adds a twist to the argument by pointing out opportunities that reformists and the economic elites failed to take. By shedding light on alternatives that never materialized, the book underscores the agency and the limits of political protagonists. Contrary to many other scholars who perceived the Cuban revolution as inevitable, Pérez-Stable underscores

that history is made moment by moment by the decisions of individuals within the constraints imposed by structures. Between the lines the author's preference for a different outcome shows, although Pérez-Stable does not take into account the fact that other alternatives would also have unleashed their own set of unexpected and equally unpalatable consequences.

The failure of reformist nationalism polarized society. Particularly after the 1940s, the political middle ground in Cuba proved, time after time, an elusive quest. This legacy still haunts the political culture of the island and its Diaspora. But if the past was not predestined, neither is the future. Like variations of the same object under different light, Pérez-Stable concludes that the interplay between individuals and structures can produce a variety of outcomes. Pérez-Stable demonstrates how the same leaders and logic that promoted social change eventually closed that space; how a legitimate state finds its legitimacy slowly eroding. The revolutionary unity which initially signalled popular support for a common front against all odds became a useful pretext for suppressing dissent and pluralism while sustaining some individuals and institutions in power.

The final connection this book makes is that between the past and the future of the island. *The Fidel-Patria-Revolución* is exhausted. As in the early years of the revolution, the challenge of the 1990s is to compose a new form of governance. Whether the course will lead to polarization and conflict, or toward a mediated solution will be decided as actors make and miss connections. ■

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# Latin American Foreign Debt

Marian Goslinga

**L**atin America's foreign debt has been steadily on the rise. According to the World Bank, the region owed US\$529 billion in 1994, a 14 percent increase since 1989, and some analysts fear that a new debt crisis could be developing. Brazil, Mexico, Nicaragua, Honduras, Argentina, Bolivia, Peru, Ecuador and Cuba have been classified as "severely indebted." A survey of the literature reveals that academic interest in the subject has waned considerably since the crisis years, but will probably intensify when and if the situation worsens. According to the *Hispanic American Periodicals Index* (better known as HAPI), in 1989, there were 89 articles written on the Latin American foreign debt. In 1993, this number had dwindled to 15. The following is a list of recent publications on the subject, describing the situation in the various countries of the region.

**All Eyes on Latin America.** Riordan Roett. *Chief Executive* No. 100 (January/February 1995), p. 23.

**América Latina: economía e historicidad.** Norman Palma. Bogotá: Indigo Ediciones; 1994. 153 pp. [Discusses the debt issue from a Colombian standpoint.]

**América Latina: el desarrollo en tiempos del neoliberalismo.** Gustavo D. Dans. Montevideo: EPPAL; 1994. 135 pp.

*Marian Goslinga is the Latin American and Caribbean librarian at Florida International University.*

**As Latin Economies Boom, Commercial Banks Cautiously Re-Enter Loan Market.** Paul Kilby. *Latin Finance*, no. 63 (December 1994), pp. 49-52. [Describes the renewed interest of international banks to venture into the area due to the success of the Brady debt agreements.]

**Au Chili, les sirènes de l'oubli et les dividendes du libéralisme: sous la chape du conformisme.** Bernard Cassen. *Le Monde Diplomatique*, v. 42 (February 1995), pp. 8-9. [Focuses on the effects on the economy of new policies of democratization and the legacy and remnants of authoritarianism.]

**Brasil-FMI: frustrações e perspectivas.** Gesner Oliveira. São Paulo: Bional; 1993. 192 pp. [Discusses relations with the International Monetary Fund regarding the debt crisis and economic stabilization.]

**The Capital Inflows Problem: Concepts and Issues.** Guillermo A. Calvo, Leonardo Leiderman, Carmen M. Reinhart. San Francisco, CA: ICS Press; 1994. 27 pp. [This occasional paper by the International Center for Economic Growth compares the Latin American situation to that of Southeast Asia.]

**Capital Markets and Developing Country Firms: Latin America and the Caribbean.** Jack Glen, Brian Pinto. *Finance and Development*, v. 32, no. 1 (March 1995), pp. 40-44. [Discusses the renewed interest in external financing among well established local firms.]

**The Caribbean in the Global Political Economy.** Hilbourne A. Watson, ed. Boulder, CO: Lynne Rienner; 1994. 261 pp. [Analyzes restructuring, globalization and regional issues affecting the Caribbean.]

**Central Banking After the Latin American Debt Crisis.** Arminio Fraga. *Columbia Journal of World Business*, v. 29 (Summer 1994), p. 66-70. [Discusses the central banks of Argentina, Brazil, Chile, Colombia, Mexico and Venezuela and their contribution to economic stability.]

**El clima de los negocios, 1994-1995: balance y perspectivas de la economía colombiana.** Saúl Pineda Hoyos, Javier B. Cadena Lozano. *Revista de la Cámara de Comercio de Bogotá* (September 1994), pp. 29-37. [Describes Colombia's business climate and the policy orientations of the Gaviria administration.]

**Comentarios al documento de criterios generales de política económica, 1994.** Arturo Huerta G. *Investigación Económica*, v. 54 (January-March 1994), pp. 45-70. [Assesses economic growth and policies in Mexico, 1983-1993.]

**La crisis y la deuda externa en América Latina.** Jorge Enrique Romero Pérez. San José, Costa Rica: Editorial de la Universidad de Costa Rica; 1993. 231 pp. [Compilation of articles by the author previously published.]

**The Debt Requires More Service.** Walter R. Spurrier. *Weekly Analysis*, v. 24, no. 39 (October 1994), pp.



401-407. [Examines Ecuador's public sector expenditures and discusses the foreign debt service. According to the Brady Plan rescheduling agreement, interest payments will increase from 4.0 percent of GDP in 1994 to 4.4 percent of GDP in 1995.]

**Debt-for-Nature Swaps and the Limits to International Cooperation on Behalf of the Environment.**

Janeen Klinger. *Environmental Politics*, v. 3 (Summer 1994), pp. 229-246.

**Democracy, Markets, and Structural Reform in Latin America: Argentina, Bolivia, Brazil, Chile, and Mexico.**

William C. Smith, Carlos H. Acuña, Eduardo A. Gamarra, eds. New Brunswick, NJ: Transaction Publishers; 1994. 331 pp. [Describes recent economic reforms in the region.]

**Los desafíos de la deuda externa y el desarrollo: a diez años del inicio de la crisis.**

Ricardo Ffrench-Davis. *Estudios Internacionales*, v. 26 (April-June 1993), pp. 155-164. [Traces the development of Latin America's foreign debt crisis, 1982-1992.]

**Did the Debt Crisis or the Oil Price Decline Cause Mexico's Investment Collapse?**

Andrew M. Warner. Washington, DC: Economic Research Dept., World Bank; 1993. 31 pp.

**Economic Reforms in Latin America.**

Hermann Sautter, ed. Frankfurt: Vervuert Verlag; 1993. 169 pp. [Proceedings of a symposium held in November 1992 at the Georg-August-Universität Göttingen.]

**En Route to Modern Growth: Latin America in the 1990s; Essays in Honor of Carlos Díaz-Alejandro.**

Gustav Ranis, ed. Washington, DC: Johns Hopkins University Press; 1994. 160 pp. [Study sponsored by the Inter-American Development Bank.]

**Estabilización, apertura y pobreza en la República Dominicana, 1986-1992.**

Andrés Dauhajre et al. Santo Domingo: Ed. Corripio; 1994. 238 pp. [Analysis of structural adjustment and trade liberalization policies in the Dominican Republic.]

**El Fondo Monetario Internacional y la deuda externa mexicana: crisis y estabilización.**

Ricardo Campos. 2a ed., revisada. México, DF: Plaza y Valdés Editores; 1993. 276 pp. [Revised and updated ed. of a work on Mexico's relations with the International Monetary Fund; the first edition was published in 1991.]

**Government Responses to the Latin American Debt Problem.**

Robert E. Gross, ed. New Brunswick, NJ: Transaction Publishers; 1995.

**Growth and Inflation in the Caribbean, 1977-1992.**

M. K. Anyadike-Danes. *Bulletin of Eastern Caribbean Affairs*, v. 19 (June 1994), pp. 54-66. [Compares and examines growth in Barbados to that of members of the OECS (Organisation of Eastern Caribbean States).]

**How One Big Battle Was Won: The International Debt Crisis of 1981-82 and the Mexican 1994 Situation.**

William Cline. *The Economist*, v. 334 (February 1995), pp. 17-20. [Argues that Mexico's current situation is

much less serious than the 1982 crisis which required a concerted international bail-out.]

**In Default: Peasants, the Debt Crisis, and the Agricultural Challenge in Mexico.**

Marilyn Gates. Boulder, CO: Westview Press; 1993. 274 pp.

**Indice bibliográfico iberoamericano de economía política, 1981-1992.**

*Pensamiento iberoamericano* (July 1993/June 1994), pp. 9-666. [Bibliography of works relating to economic trends and policies in Latin America, the Caribbean, and Spain.]

**Latin America and the Caribbean in the 1990s.**

Armando S. Lindo. *Finance and Development*, v. 32, no. 1 (March 1995), pp. 2-4.

**Latin America's Economic Future.**

Graham Bird, Ann Helwege, eds. San Diego, CA: Academic Press; 1994. 339 pp. [Examines the different ways in which external debts have been reduced in the region and lists factors that may endanger the recovery.]

**Macroeconomic Crises, Policies, and Growth in Brazil, 1964-90.**

Donald V. Coes. Washington, DC: International Economics Dept., World Bank; 1994.

**Managing International Debt.**

William Cline. *The Economist*, v. 334 (February 1995), pp. 17-19. [Focuses on Mexico.]

**Mexico After the Debt Crisis: Is Growth Sustainable?**

Daniel Oks, Sweder van Wijnbergen.

Washington, DC: International Economics Dept., World Bank: 1994. 42 pp. [Argues that the Brady Plan is primarily responsible for the country's economic expansion.]

**México: dependencia y autoritarismo.** Pablo Moctezuma Barragán. México, DF: <s.n.>; 1994. 162 pp. [Links the foreign debt to political authoritarianism.]

**Mexique: la dégringolade qui a ebanié le monde.** Patrick Bonazza. *Point* (February 25, 1995), pp. 46-51.

**1994 versus 1982: deuda externa.** Alicia Girón González. *Momento Económico* (July/August 1994), pp. 2-6. [Analyzes Mexico's foreign debt problem, 1982-1994.]

**Mobile Capital and the Structure of Development in Latin America.** James E. Mahon. University Park, PA: Pennsylvania State University Press; 1995.

**Money Doctors, Foreign Debts, and Economic Reforms in Latin America from the 1890s to the Present.** Paul W. Drake, ed. Wilmington, DE: Scholarly Resources; 1994. 270 pp. [Focuses on international advising and lending, relations with foreign and domestic interest groups, external debt failures and the role of the International Monetary Fund.]

**Moratoria de la deuda en América Latina.** Oscar Altimir, Robert Devlin, eds. Buenos Aires: Fondo de Cultura Económica de Argentina; 1994. 485 pp. [Includes articles on Argentina, Bolivia, Brazil, Costa Rica, Ecuador and Peru.]

**O papel do Senado Federal no controle do endividamento público no Brasil.** Juarez de Souza <et al.>.

*Revista de Informação Legislativa*, v. 31 (July/September 1994), pp. 129-148. [Discusses certain constitutional provisions regarding the role of the Senate in controlling and rescheduling Brazil's foreign debt.]

**Los pequeños países de América Latina en la hora neoliberal.** Gerónimo de Sierra, ed. México, DF: Universidad Nacional Autónoma de México; 1994. 217 pp. [This study, published jointly with the Universidad Nacional Heredia in Costa Rica, focuses on the Central American countries.]

**Peru Delays Debt Talks Till '95.** *LDC Debt Report* (December 12, 1994), pp. 1-10. [This newsletter published by American Banker alleges that a tentative plan to begin negotiating Peru's external debt has been canceled. Peru is insisting that lawsuits against the country be dropped as a precondition for negotiating.]

**Peru: Back From the Brink.** Maria E. Lasagabaster. *IDB* [International Development Bank], v. 21, no. 8 (August 1994), pp. 4-5. [Describes the rewards of economic reforms in Peru. In 1993, the country became one of Latin America's top economies with 6.5 percent GDP growth.]

**La política de la deuda externa.** José Angel Gurría. México, DF: Fondo de Cultura Económica; 1993. 274 pp. [Analyzes the Mexican foreign debt problem, its rescheduling process, and other economic policies of the Salinas administration.]

**The Politics of Economic Liberalization: Argentina and Brazil in Comparative Perspective.** Robert A. P. ckingham. Notre Dame, IN: Helen Kellogg Institute for International Studies; 1994. 19 pp. [This working paper compares recent policies in Argentina and Brazil.]

**Power Plays: Managing New Opportunity and Risk in Latin America.** Shannon Burchett, John Duddy. *Latin Finance*, no. 62 (November 1994), pp. 1-18. [Discusses the success of the 1989 Brady Plan in restructuring the Latin American debt focusing on Yucatán, Mexico, as a case study of the region's economic resurgence.]

**Les promesses de la nouvelle Argentine.** Daniel Solano. *Le Moniteur du Commerce International* (MOCI), November 1994, pp. 25-28. [Two articles on the impact of economic stabilization.]

**Public Finances, Stabilization and Structural Reform in Latin America.** Guillermo Perry, Ana María Herrera. Washington, DC: Johns Hopkins University Press; 1994. 133 pp. [Study sponsored by the Inter-American Development Bank.]

**La reforma económica en la Argentina: que fuerzas sociales y para qué objetivos?** Jorge Schvarzer. *Revista de Economia Política* (São Paulo, Brazil), v. 14 (October/December 1994), pp. 76-96. [A critical analysis of the Argentine economy under President Menem.]

**Renegociación y deuda externa.** Jorge Gallardo [et al.]. Quito: FONDAD, Grupo de Trabajo sobre Deuda Externa y Desarrollo; 1993. 305 pp. [Focuses on Ecuador.]

**O rumo perdido: a crise fiscal e financeira do estado brasileiro.** Monica Baer. São Paulo: Paz e Terra; 1993. 213 pp. [Examines Brazil's foreign debt since the early 1980s.]

**U.S. Foreign Economic Policy and the Latin American Debt Issue.** C. Roe Goddard. New York: Garland; 1993. 153 pp.



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