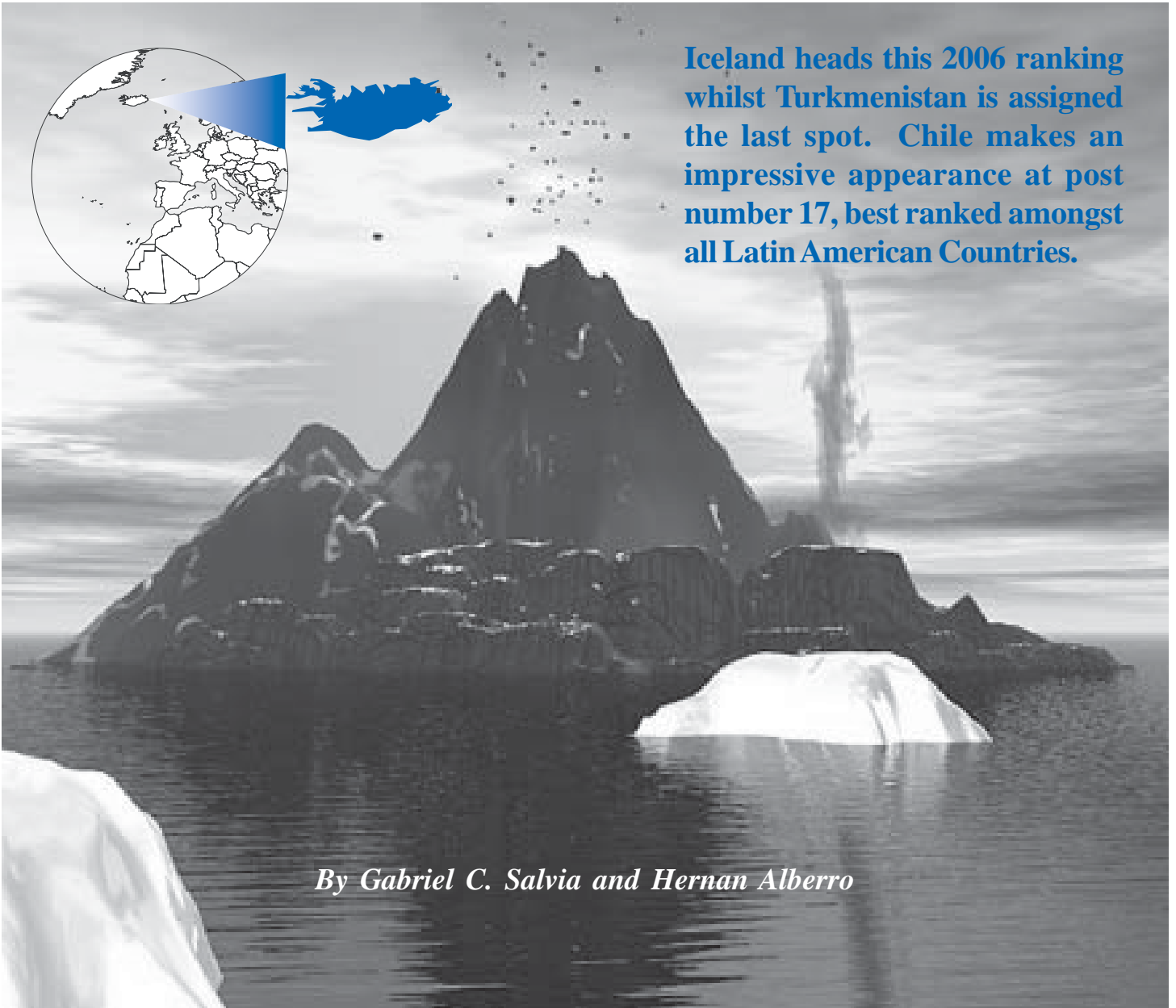


DEMOCRACY, MARKET AND TRANSPARENCY 2006



Iceland heads this 2006 ranking whilst Turkmenistan is assigned the last spot. Chile makes an impressive appearance at post number 17, best ranked amongst all Latin American Countries.

By Gabriel C. Salvia and Hernan Alberro

DEMOCRACY, MARKET AND TRANSPARENCY: THE DIVERSE FACETS OF DEVELOPMENT

The idea of development withholds no other initiative other than that of the successive broadening of rights, liberties and the possibilities to all human kind. Such objective goes beyond the mere targets of economic growth (even though this characteristic does tend to pertain the very core of what we consider as development), due to the fact that sustained growth depends on the correct implementation of rights, liberties and possibilities.

From the historical point of view, there has been a very dissimilar evolution between the elements that we consider these days consubstantial of the idea of development. In this manner, one may observe that in many centuries, civil and economic liberties has often preceded political liberty, frequently adopting the particular form of democracy. Even so, the Rule of Law –fundamental element of all economy based on property and economic liberty- has been a clear antecedent of the Democratic Rule of Law.

Having stated this, this same historical evolution has fathomed deep changes, presenting alterations in our living conditions and also, our perception concerning these very liberties and rights without which life would be impoverished. It is because of this that we are unable to refrain ourselves from considering, perhaps, Democratic liberties as a fundamental part of a country's development. Their absence is not only a deficiency, something missing, but also a great loss that decisively diminishes the value of other possible achievements, due to the fact that it impoverishes human living conditions.

Because of this, it is improper to consider countries that do not respect democratic liberties as more developed, as is the case of Singapore, that would head any chart of Economic Liberty and Transparency. It is also impertinent to speak of "countries that are headed towards development" as is the case of those Latin American countries that have performed some market reforms so blemished by corruption that they have ended up detonating the same the same Rule of Law and Democracy.

Countries such as these have figured with a good score in Ratings of Economic Liberty and Transparency, an emblematic case would be Argentina (when lead by Carlos Menem). The ranking that CADAL presents here has the grand virtue of approaching this holistic and totalizing vision of development, in which the objective is not to leave aside any component of our actual concept of development. It is because of this that the question addressing which countries would be more or less developed is responded by a cross-comparison of results that offer a series of rates that measure up variables that range from economic liberty to the existence of democratic liberties as well as the absence of corruption.

Let us not omit that every ranking of this nature has its defects and limitations, but that which CADAL has elaborated has less defects and limitations than many other acclaimed rankings. In the meantime, this shows us with sheer clarity how the diverse facets of development tend to coincide and mutually reinforce themselves.

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Which countries would be considered developed and which “headed towards development”? The answer could be obtained by cross-referencing the results that the rates that measure the civil, political and economic liberties as well as the perception of corruption offer, and see which countries would make it to the top 20 spots. On the contrary, less developed countries would be more repressive of the fundamental democratic liberties, most corrupt and poorest, directed (in most cases) under the adversity of dictatorships.

Rank	Country	Per capita GNI	Points
1	Iceland	46320	0,924
2	Denmark	47390	0,916
3	New Zealand	25960	0,915
4	Finland	37460	0,914
5	Luxembourg	65630	0,898
6	Switzerland	54930	0,893
7	Sweden	41060	0,890
8	United Kingdom	37600	0,886
9	Australia	32220	0,882
10	Netherlands	36620	0,877
11	Canada	32600	0,874
12	Austria	36980	0,869
13	Ireland	40150	0,855
14	Norway	59590	0,848
15	Germany	34580	0,846
16	United States	43740	0,830
17	Chile	5870	0,827
18	Estonia	9100	0,815
19	Belgium	35700	0,808
20	Japan	38980	0,778

Rank	Country	Per capita GNI	Points
122	Azerbaijan	1240	0,259
123	Ivory Coast	840	0,251
123	China	1740	0,251
124	Togo	350	0,243
125	Guinea	370	0,238
126	Cameroon	1010	0,232
127	Tajikistan	330	0,231
128	Angola	1350	0,224
129	Vietnam	620	0,207
130	Congo Rep.	950	0,192
131	Ecuatorial Guinea	7000	0,173
132	Cuba	2170	0,168
133	Syria	1380	0,160
134	Iran	2770	0,159
135	Zimbabwe	340	0,144
136	Belarus	2760	0,143
137	Haiti	450	0,138
138	Libya	5530	0,133
139	Uzbekistan	510	0,132
140	Turkmenistan	2170	0,124

This ranking of the top 20 countries best and worst in terms of “Democracy, Market and Transparency” rises after questioning the results published in “Freedom in the World”, “Index of Economic Freedom” and “Corruption Perception Index”, related to 2006.

In the “Freedom in the World” report, a survey provides an annual evaluation of the estate of global freedom as experienced by individuals. The survey, published by Freedom House, measures freedom –the opportunity to act spontaneously in a variety of fields outside the control of the government and other centers of potential domination- according to two broad categories: political rights and civil liberties. Political rights enable people to participate freely in the political process, including the right to vote freely for distinct alternatives in legitimate elections, compete for public office, join political parties and organizations, and elect representatives who have a decisive impact on public policies and are accountable to the electorate. Civil liberties allow for the freedoms of expression and belief, associational and organizational rights, rule of law, and personal autonomy without interference from the state.

“Index of Economic Freedom” published by Heritage Foundation and The Wall Street Journal, includes the widest collection of institutional factors that determine economic liberty: Corruption in the judiciary, customs service, and government bureaucracy; Non-tariff barriers such as import bans and quotas; strict labeling and licensing requirements; Taxation such as capital gains, value-added, and payroll; Rule of Law, Efficiency within the judiciary and the ability to enforce contracts; Regulatory burdens on business; Restrictions on banks regarding financial services, such as selling securities and insurance; Labor market regulations, such as established work weeks and mandatory separation pay; Black market activities, including smuggling, piracy of intellectual property rights, and black market labor and provision of services.

Finally, the “Corruption Perception Index 2006” elaborated by Transparency International, is composed by multiple polls of expert opinions and the presence of public opinion survey concerning perceptible corruption in 163 countries around the world. It involves planning the most ambitious RCP elaborated to this date.

Democracy, Market and Transparency 2006

Iceland heads this 2006 ranking whilst Turkmenistan is assigned the last spot. The demonstrated differences between these two poles might prove enlightening.

- Citizens of Iceland can change their government democratically
- Citizens of Turkmenistan cannot change their government democratically. President Saparmurat Niyazov enjoyed virtually absolute power over all branches and levels of government (he died on December 21st, 2006).
- In Iceland the constitution provides for freedom of speech and of the press. A wide range of publications includes both independent and party-affiliated newspapers. Academic freedom is widely respected and enjoyed, and the education system is free of excessive political involvement. Rights to freedom of association and peaceful assembly are respected. Many domestic and international nongovernmental organizations (NGOs) operate freely in Iceland and enjoy extensive government cooperation.
- While rumors of President Saparmurat Niyazov's failing health circulated, the government of Turkmenistan continued its campaign against real and perceived political opponents throughout 2005, including dismissing a number of senior state officials. In the December 2004 legislative elections, the country's sole legal party was the only one permitted to field candidates. Meanwhile, the president enacted further isolationist and frequently bizarre policies, including the signing of a decree forbidding the playing of recorded music at public events, on television, and at weddings. President Saparmurat Niyazov enjoyed absolute power over all branches and levels of government.

None of the country's legislative elections have been free or fair. Only one political party, the Niyazov-led DPT, has been officially registered. Opposition parties have been banned, and their leading members face harassment and detention or have fled abroad. Freedom of speech and the press is severely restricted by the government, which controls all radio and television broadcasts and print media. Subscriptions to foreign newspapers and magazines are forbidden.

- Iceland is a Parliamentary democracy with a Market Economy that has a relatively young labor force. It also withholds a Top Bracket Corporate Tax Rate of 18%, one of the lowest that can be found in any of the countries that are members of the Organization for Cooperation and Development. The structural reforms and the liberation of the market have permitted Iceland to enjoy a solid economical achievement, with a GDP growth rate of 5,9 percent in 2004.
- The educational system of Turkmenistan has been converted practically into an instrument of political doctrine instruction. In 2005, Niyazov closed almost every library and fired 15.000 members of the state medical staff and replaced them with military recruits and ordered the closing of all hospitals, with the exception of those that were located within the capital premises. The most important industries in Turkmenistan still belong to the government and the corruption together with the excessive regulation of the economy constitute a dissuasive factor for all foreign investment.
- In Iceland the judiciary system is independent. The law does not provide for trial and jury, but many trials and appeals use panels consisting of several judges. All judges, at all levels, serve for life.
- In Turkmenistan the judicial system is subservient to the president, who appoints and removes judges without legislative review. The authorities frequently deny rights of due process, including public trials and access to defense attorneys. Police abuse and torture of suspects and prisoners, often to obtain confessions, is reportedly widespread.
- Corruption is not a problem in Iceland. Transparency International ranked Iceland the least corrupt country of all the 159 countries surveyed in its 2005 Corruptions Perceptions Index.
- In Turkmenistan corruption is widespread, with public officials often forced to bribe their way into positions.

In countries like Iceland, where rights and freedoms are guaranteed to favor development, the democratic institutions are always supported, regardless of who is the Prime Minister at the given time. On the other hand, in dictatorial regimes, like Turkmenistan, the country's functioning depends exclusively on the leader's arbitrary measures. It must not be strange for the worldly public opinion to acknowledge the names of the President or Prime Ministers of developed countries, whereas, in many cases the names of some dictators are easier to remember than it is to place their own countries on a map. For example, not many recognize Iceland's Prime Minister, meanwhile Niyazov, Turkmenistan's deceased dictator, has been named all over the media due to his death, produced this December 21st, 2006. He's been renowned for his eccentricities,

such as creating a new calendar in which all 12 months are renamed (including January, which bears his own private nickname).

Global Ranking 2006 "Democracy, Market and Transparency"

Rank	Country	Points	Rank	Country	Points	Rank	Country	Points
1	Iceland	0,924	50	Mexico	0,544	96	Burkina Faso	0,391
2	Denmark	0,916	51	Trinidad y Tobago	0,540	97	Uganda	0,373
3	New Zealand	0,915	52	Jamaica	0,537	98	Morocco	0,370
4	Finland	0,914	53	Ghana	0,533	99	Zambia	0,364
5	Luxembourg	0,898	54	Mongolia	0,525	100	Tunisia	0,363
6	Switzerland	0,893	55	Brazil	0,523	101	Kirgistan	0,351
7	Sweden	0,890	56	Bahrein	0,516	102	Mauritania	0,349
8	United Kingdom	0,886	57	Peru	0,514	103	Malawi	0,344
9	Australia	0,882	58	Romania	0,506	104	Sierra Leone	0,342
10	Netherlands	0,877	59	Mali	0,499	105	Gabon	0,328
11	Canada	0,874	60	Senegal	0,494	105	Burundi	0,328
12	Austria	0,869	61	Argentina	0,490	106	Centra Africa Rep.	0,323
13	Ireland	0,855	62	Madagascar	0,488	108	Gambia	0,319
14	Norway	0,848	63	Thailand	0,486	109	Bangladesh	0,297
15	Germany	0,846	64	Turkey	0,484	110	Nigeria	0,294
16	United States	0,830	65	Malaysia	0,483	111	Saudi Arabia	0,293
17	Chile	0,827	65	Colombia	0,483	112	Cambodia	0,292
18	Estonia	0,815	66	Jordan	0,482	113	Egypt	0,286
19	Belgium	0,808	67	Dominican Rep.	0,479	114	Venezuela	0,285
20	Japan	0,778	68	Lesotho	0,478	115	Kazajstan	0,280
20	France	0,778	69	Albania	0,469	116	Swaziland	0,275
21	Barbados	0,774	69	Macedonia	0,469	117	Ethiopia	0,271
22	Spain	0,771	70	Suriname	0,468	118	Pakistan	0,267
23	Malta	0,770	71	Kuwait	0,468	118	Yemen	0,267
24	Portugal	0,767	72	Benin	0,467	119	Russia	0,264
25	Cyprus	0,762	73	Ukraine	0,463	120	Chad	0,263
26	Slovenia	0,749	74	India	0,461	121	Nepal	0,261
27	Singapur	0,737	75	Georgia	0,457	121	Ruanda	0,261
28	Taiwan	0,733	76	Bolivia	0,455	122	Azerbaijan	0,259
29	Uruguay	0,726	77	Sri Lanka	0,451	123	Ivory Coast	0,251
30	Czech Rep.	0,716	78	Nicaragua	0,444	123	China	0,251
31	Lithuania	0,712	79	Armenia	0,438	124	Togo	0,243
32	Israel	0,707	80	Guyana	0,435	125	Guinea	0,238
33	Hungary	0,702	81	Ecuador	0,434	126	Cameroon	0,232
34	Slovakia	0,691	81	Moldova	0,434	127	Tajikistan	0,231
35	Italy	0,686	82	Qatar	0,432	128	Angola	0,224
36	Latvia	0,685	83	Bosnia and Herzegovina	0,431	129	Vietnam	0,207
37	Botswana	0,674	84	Niger	0,428	130	Congo Rep.	0,192
38	South Korea	0,655	85	Phillipines	0,425	131	Ecuatorial Guinea	0,173
39	Mauritius	0,649	86	Paraguay	0,422	132	Cuba	0,168
40	Polland	0,643	87	Honduras	0,421	133	Syria	0,160
41	Costa Rica	0,641	87	United Arab Emirates	0,421	134	Iran	0,159
42	South Africa	0,627	88	Kenya	0,417	135	Zimbabwe	0,144
43	Greece	0,615	89	Tanzania	0,415	136	Belarus	0,143
44	Bulgary	0,593	90	Laos	0,413	137	Haiti	0,138
45	Belize	0,583	91	Oman	0,412	138	Libya	0,133
46	El Salvador	0,582	92	Indonesia	0,409	139	Uzbekistan	0,132
47	Panama	0,575	93	Lebanon	0,402	140	Turkmenistan	0,124
48	Croatia	0,552	94	Mozambique	0,399		Average	0,499
49	Namibia	0,550	95	Guatemala	0,392			

More interesting comparisons are to be made on the 2006 global ranking of "Democracy, Market and Transparency", especially between Latin American countries and other regions. Such comparisons enable us to observe similarities between: Chile and the United States, Uruguay and the Czech Republic, Costa Rica and Poland, Panama and Croatia, Mexico located between Namibia and Trinidad and Tobago, Brazil located between Mongolia and Bahrain, Argentina and Madagascar, Colombia and Malaysia, Bolivia and Georgia, Ecuador and Moldova, Paraguay and Honduras with the United Arab States, Guatemala and Burkina Faso, Venezuela and Egypt, Cuba located between Equatorial Guinea and Syria, and Haiti located between Byelorussia and Libya.

Democracy, Market and Transparency in Latin America

We have already observed the twenty countries that occupy the top 20 spots and the bottom 20 places of the 2006 ranking: "Democracy, Market and Transparency". In the case of Latin America, Chile tops the charts on spot 17 whilst the Cuban dictatorship occupies one of the last spots, only to find itself above a few "paradises" like Syria, Iran, Zimbabwe, Byelorussia, Haiti, Libya, Uzbekistan and Turkmenistan.

Effectively, the 2006 ranking is headed by Chile, followed by Uruguay and Costa Rica, three countries that do not permit immediate presidential reelection, a important fact we must take into account due to the fact that we are dealing with a region that is characterized by its institutional weakness, frequent governmental crises, and propensity to fall into "political personalism", governors that focus on making permanent their grip on power.

Meanwhile, the last three spots belong to Venezuela, Cuba, and Haiti, barely a casualty due to the fact that their governments are prone to populism as well as authoritarian regimes and consequently, constituted by a frail attempt of an Estate.

Having been able to compare successfully Turkmenistan with Iceland, we deem it just as enlightening to establish the same sort of comparison between the two ranked poles of Latin American countries: Chile and Cuba.

- Citizens of Chile can change their government democratically. The 1999, 2000, and 2001 elections were considered free and fair. In 2005, the Senate finally passed reforms that repealed the last vestiges of Pinochet's legacy, moving to abolish authoritarian curbs on the legislative branch and agreeing to restore the president's right to remove the commanders-in-chief of the country's armed services.

- Citizens of Cuba cannot change their government democratically. President Fidel Castro dominates the political system, having transformed the country into a one-party state with the Cuban Communist Party (PCC) controlling all governmental entities from the national to the local level. Although Cuba's cycle of repression has ebbed and flowed over the past decade, the desire to neutralize organized political dissent remains a regime priority. In February 1999, the government introduced tough legislation against sedition, with a maximum prison sentence of 20 years. It stipulated penalties for unauthorized contacts with the United States and the import or supply of "subversive" materials, including texts on democracy and documents from news agencies and journalists.

- The Chilean media generally operate without constraint. A political consensus exists in Chile to amend some current statutes, striking down such crimes contained in the Criminal Code as insulting public officials. The constitution provides for freedom of religion, and the government generally respects this right in practice. The right to assemble peacefully is largely respected, although police occasionally use force against demonstrators. The constitution guarantees the right of association, which the government has also generally respected. Workers may form unions without prior authorization as well as join existing unions. The constitution provides for an independent judiciary, and the government generally respects this provision in practice.

- The press in Cuba is the object of a targeted campaign of intimidation by the government, which uses Ministry of Interior agents to infiltrate and report on the independent media. Independent journalists, particularly those associated with five small news agencies established outside state control, have been subjected to continued repression, including jail terms of hard labor and assaults by state security agents while in prison. Foreign news agencies may only hire local reporters through government offices, limiting employment opportunities for independent journalists. In March 2003, the government initiated a crackdown against the prodemocracy opposition. Seventy-five people, including 27 independent journalists, 10 independent librarians, and at least a dozen signature collectors for the Varela Project, were sentenced to an average of 20 years in prison following one-day trials held in April. The government restricts academic freedom. Teaching materials for courses such as mathematics or literature must have an ideological content. Affiliation with official Communist Party structures is

Latin America		
Rank	Country	Points
1	Chile	0,827
2	Uruguay	0,726
3	Costa Rica	0,641
4	El Salvador	0,582
5	Panama	0,575
6	Mexico	0,544
7	Brazil	0,523
8	Peru	0,514
9	Argentina	0,490
10	Colombia	0,483
11	Dominican Rep.	0,479
12	Bolivia	0,455
13	Nicaragua	0,444
14	Ecuador	0,434
15	Paraguay	0,422
16	Honduras	0,421
17	Guatemala	0,392
18	Venezuela	0,285
19	Cuba	0,168
20	Haiti	0,138
	Average	0,477

generally needed to gain access to educational institutions. Limited rights of assembly and association are permitted under the constitution; however, these are subject to the stipulation that they may not be "exercised against the existence and objectives of the Socialist State." Workers do not have the right to bargain collectively or to strike. Members of independent labor unions, which the government considers illegal, are often harassed or dismissed from their jobs and subsequently barred from future employment. According to a domestic monitoring group, the Cuban Commission for Human Rights and National Reconciliation, there are 306 prisoners of conscience in Cuba, most held in cells with common criminals and many convicted on vague charges such as "disseminating enemy propaganda" or "dangerousness."

- Chile is the freest economy in Latin America and the Caribbean is the economical star of the region, which constitutes an emblem that shows how prosperity can be obtained through economic liberty. The government in particular has actively promoted the celebration of agreements of free commerce and has liberated the Capital's markets. After an agreement of free commerce was signed with the United States of America (valid since January 2004), the commercial exchange volume between Chile and the USA has grown beyond all possible expectations, giving the Chilean economy a surge of dynamism.
- Cuba is one of the 12 "repressed" economies of the world and as such must improve on almost all factors in order to experiment some economical growth. Cuba is constituted by a totalitarian government, an economy controlled by the Estate, a captive labor force and few exports to balance commercial accounts. Cuba does not count with enough independent data about the economy, and the GNP per capita does not reflect the real average individual's income. The help that Venezuela provides has also permitted Cuba to retreat limited liberal reforms as a way of permitting autonomic professions in occupations such as the sale of "bocadillos" and bicycle repairs. Official corruption is still a severe issue, with a "cultural illegality" covering a mixture of private activity and Estate controlled activity that is permitted within the island.

Democracy, Market and Transparency: Latin America and Regional Units

The average of Latin America's standing in the 2006 ranking for "Democracy, Market and Transparency" is equivalent to that of the African nation of Lesotho (assessed in global terms). Meanwhile, the European Union provides the highest average amongst the Regional Units: 0,785, followed by NAFTA with 0,749. On the other hand, CAFTA registers an average similar to those of Trinidad and Tobago, and the Andes Nations Community is approximate in average to Albania.

The average of MERCOSUR is similar to the average registered in global terms by one of its members, Argentina, a reliable reflection of the unit. But if we were to exclude Uruguay from the MERCOSUR average, such toll would diminish to 0,43, a score similar to the one Bosnia and Herzegovina registers. This is an interesting fact, taking into account that the major MERCOSUR associates, Brazil and Argentina, firmly oppose the idea of Uruguay signing these commercial treaties with United States, impeding them in this manner a beneficial arrangement for the nation that is today providing the best institutional quality to MERCOSUR.

Averages of Trade Agreements	
Agreement	Points
European Union	0,785
NAFTA	0,749
CAFTA	0,541
Mercosur	0,489
Andean Community	0,472

Andean Community	
Country	Points
Peru	0,514
Colombia	0,483
Bolivia	0,455
Ecuador	0,434
Average	0,472

CAFTA	
Country	Points
United States	0,830
Costa Rica	0,641
El Salvador	0,582
Dominican Rep.	0,479
Nicaragua	0,444
Honduras	0,421
Guatemala	0,392
Average	0,541

NAFTA	
Country	Points
Canada	0,874
United States	0,830
Mexico	0,544
Average	0,749

Mercosur	
Country	Points
Uruguay	0,726
Brazil	0,523
Argentina	0,490
Paraguay	0,422
Venezuela	0,285
Average	0,489

European Union	
Countries	Points
Denmark	0,916
Finland	0,914
Luxembourg	0,898
Sweden	0,890
United Kingdom	0,886
Netherlands	0,877
Austria	0,869
Ireland	0,855
Germany	0,846
Estonia	0,815
Belgium	0,808
France	0,778
Spain	0,771
Malta	0,770
Portugal	0,767
Cyprus	0,762
Slovenia	0,749
Czech Rep.	0,716
Lithuania	0,712
Hungary	0,702
Slovakia	0,691
Italy	0,686
Latvia	0,685
Polland	0,643
Greece	0,615
Average	0,785

Conclusion

Such views might seem overly simplistic, but taking a look at the global 2006 ranking of “Democracy, Market and Transparency” would provide a notion as to why certain in certain countries some people enjoy better living conditions than in others. This also enables comprehension with respect to how ideal living conditions are attached to democratic freedom and how this gives countries a chance to benefit from progress, something that pushes people to emigrate from their respective countries for economical and/or political motives, as is the case of Cuban exodus.

The global ranking permits one to investigate the political and economical reality of Latin America and other countries that might be astoundingly unacknowledged, if not generally unavailable for information (as are the cases of Slovenia and Eastern Europe and that of Botswana and Sub-Saharan Africa). Because of this, this cross-referencing of publications that measure civil liberties and political rights, economic freedom and transparency, might result as useful tools that enable us to ponder about each Latin American

country in particular and the general region. This in turn enables us to know why we stand where we are and why.

CADAL, an organization with central location in Buenos Aires and office in Montevideo, is an NGO, with no political party inclinations and non-profit organization created on February 26th of 2003 with the objective to promote in Latin American Countries the empowering of democracy, Rule of Law and public politics that favor progress in all its forms, most importantly economical and institutional. For such ends, CADAL hosts several activities and provides information based on analysis, thorough investigation, diffusion, assistance and instruction.



The Center for the Opening and Development of Latin America, with its headquarters in Buenos Aires and an office in Montevideo, is a non partisan NGO created as a foundation on February 26, 2003 with the aim of promoting within the region, the strengthening of democracy, rule of law and the public policies that favor economic and institutional progress. With this purpose, CADAL organizes activities related to analysis, research, diffusion and training.

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