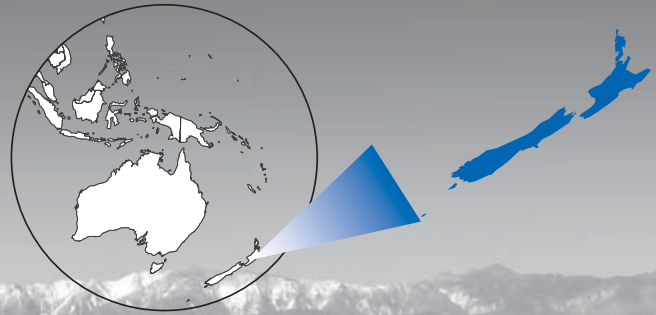


# DEMOCRACY, MARKETS AND TRANSPARENCY 2007

New Zealand heads the 2007 Global Ranking “Democracy, Markets & Transparency”. New Zealand is a parliamentary democracy composed of a single 120-member legislative chamber and an independent judiciary. It displays high levels of freedom of expression and is also the fifth freest economy, as well as one of the least three corrupt countries in the world. Denmark tops the European Union list, while Chile leads in Latin America and Uruguay in MERCOSUR. Myanmar occupies the last spot in the global ranking, while Cuba holds that distinction in Latin America.

This report argues that development stands on three pillars: democratic liberties, a market economy and transparency in government.



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2005 Templeton Freedom Award Grant for Institute Excellence

2005 Francisco De Vitoria Prize for Ethics and Values

# Global Ranking 2007 "Democracy, Markets & Transparency"

Score	Countries	2007
1	New Zealand	0,916
2	Denmark	0,903
3	Finland	0,900
4	Iceland	0,894
5	Switzerland	0,893
6	Australia	0,890
7	Netherlands	0,887
8	Sweden	0,883
9	Canada	0,881
10	United Kingdom	0,879
11	Luxembourg	0,872
12	Norway	0,852
13	Ireland	0,845
14	United States	0,836
15	Austria	0,834
16	Germany	0,830
<b>17</b>	<b>Chile</b>	<b>0,817</b>
18	Belgium	0,808
19	Estonia	0,797
20	Japan	0,792
21	France	0,787
21	Barbados	0,787
23	Spain	0,781
<b>24</b>	<b>Uruguay</b>	<b>0,776</b>
25	Portugal	0,759
26	Slovenia	0,753
27	Malta	0,737
28	Cyprus	0,736
29	Singapur	0,732
30	Israel	0,723
31	Czech Rep.	0,721
32	Taiwan	0,717
33	Lithuania	0,714
34	Hungary	0,713
35	Slovakia	0,706
36	Latvia	0,701
37	Italy	0,700
<b>38</b>	<b>Costa Rica</b>	<b>0,699</b>
39	South Korea	0,686
40	Cape Green	0,672
40	Mauritius	0,672
42	Botswana	0,669
43	Poland	0,648
44	South Africa	0,643
45	Greece	0,631
46	Bulgaria	0,628
47	Namibia	0,620
<b>48</b>	<b>Panama</b>	<b>0,607</b>
49	Trinidad and Tobago	0,605
50	Ghana	0,599
<b>51</b>	<b>El Salvador</b>	<b>0,595</b>
52	Belice	0,592

Position	Countries	2007
<b>53</b>	<b>Mexico</b>	<b>0,590</b>
54	Romania	0,582
55	Croatia	0,577
<b>56</b>	<b>Brazil</b>	<b>0,573</b>
57	Jamaica	0,555
58	Mongolia	0,552
<b>59</b>	<b>Peru</b>	<b>0,549</b>
60	Suriname	0,546
61	Senegal	0,542
<b>62</b>	<b>Dominican Rep.</b>	<b>0,541</b>
63	Georgia	0,540
<b>64</b>	<b>Argentina</b>	<b>0,540</b>
65	Malaysia	0,538
66	Turkey	0,535
67	India	0,528
<b>67</b>	<b>Colombia</b>	<b>0,528</b>
69	Benin	0,523
70	Mali	0,520
71	Lesotho	0,516
72	Macedonia	0,510
73	Madagascar	0,508
74	Guyana	0,503
75	Albania	0,497
76	Ukraine	0,491
<b>77</b>	<b>Nicaragua</b>	<b>0,490</b>
78	Bosnia - Herzegovina	0,490
79	Jordan	0,489
80	Bahrain	0,487
81	Indonesia	0,482
<b>82</b>	<b>Honduras</b>	<b>0,479</b>
<b>83</b>	<b>Bolivia</b>	<b>0,476</b>
84	Kuwait	0,473
85	Qatar	0,471
86	Philippines	0,469
<b>87</b>	<b>Guatemala</b>	<b>0,465</b>
88	Tanzania	0,464
<b>89</b>	<b>Paraguay</b>	<b>0,463</b>
90	Kenya	0,461
91	Niger	0,460
92	Moldova	0,459
93	Mozambique	0,450
<b>94</b>	<b>Ecuador</b>	<b>0,447</b>
95	Sri Lanka	0,446
96	Armenia	0,444
97	Malawi	0,442
97	Lebanon	0,442
99	Oman	0,434
100	United Arab Emirates	0,431
101	Morocco	0,423
102	Burkina Faso	0,420
103	Zambia	0,419
104	Uganda	0,417

Position	Countries	2007
105	Gambia	0,407
106	Tunisia	0,405
107	Sierra Leone	0,396
108	Thailand	0,387
109	Nigeria	0,386
110	Kyrgyzstan	0,379
111	Burundi	0,378
112	Mauritania	0,376
113	Nepal	0,374
114	Gabon	0,373
115	Guinea Bissau	0,363
115	Bangladesh	0,363
<b>117</b>	<b>Venezuela</b>	<b>0,363</b>
118	Djibouti	0,357
119	Swaziland	0,346
119	Yemen	0,346
121	Ethiopia	0,344
121	Central African Rep.	0,344
<b>123</b>	<b>Haiti</b>	<b>0,335</b>
124	Algeria	0,332
125	Pakistan	0,329
126	Kazakhstan	0,325
127	Rwanda	0,324
128	Tajikistan	0,314
128	Saudi Arabia	0,314
130	Russia	0,312
131	Cambodia	0,309
131	Azerbaijan	0,309
133	China	0,300
133	Guinea	0,300
135	Togo	0,298
136	Cameroon	0,289
137	Ivory Coast	0,281
137	Vietnam	0,281
139	Egypt	0,276
140	Angola	0,273
141	Chad	0,268
142	Congo Rep.	0,267
143	Iran	0,255
144	Equatorial Guinea	0,238
145	Belarus	0,226
146	Laos	0,225
<b>147</b>	<b>Cuba</b>	<b>0,217</b>
148	Syria	0,212
149	Uzbekistan	0,201
150	Zimbabwe	0,188
151	Turkmenistan	0,179
152	Lybia	0,170
153	Myanmar	0,149
	<b>Global average</b>	<b>0,523</b>



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This report argues that development stands on three pillars: democratic liberties, a market economy and transparency in government. Accordingly, countries that may be defined as “developed” must retain each of these three necessary parts of political, economic and institutional progress.

### Methodology

The present report is based on data appearing in the following publications: *Freedom of the World*, by Freedom House; the *Index of Economic Freedom* by the Heritage Foundation and the Wall Street Journal and finally the *Corruption Perceptions Index* by Transparency International.

*Freedom of the World* provides a yearly assessment of the state of freedom worldwide as experienced by individuals. The study measures liberty –defined as the opportunity to act spontaneously in a variety of fields outside of government control and other forms of potential domination- split in two categories: political rights and civil liberties. Political rights allow people to participate freely in the political process, including the right to vote with different choices in legitimate elections, competing for government employment, associating with political parties and organizations and electing representatives who will have an impact on public policies and will be held accountable toward the electorate. Civil liberties include freedom of expression, freedom of religion, the rights to associate and organize in groups, the rule of law and personal autonomy free of government interference.

The *Index of Economic Freedom* has documented the progress of market economies with 13 years of research and analysis. It includes 161 countries and is published jointly by The Heritage Foundation and The Wall Street Journal. The Index has created a global description of economic freedom and has become a reference from which it is possible to measure a country’s possibilities of achieving economic success. The *Index of Economic Freedom* considers ten factors of equal importance to determine the economic freedom of a country. The following concepts are therefore weighted equally: Business Freedom, Trade Freedom, Fiscal Freedom, Freedom from Government, Monetary Freedom, Investment Freedom, Financial Freedom, Property Rights, Freedom from Corruption and Labor Freedom.

The 2007 *Corruption Perceptions Index* is a compound index that combines several opinion polls of experts on the subject, which ponder perceptions of corruption in the public sector in 180 countries. The TI CPI is centered on corruption in government, defined as the abuse of public service for private benefit.

The scores these three publications provide for each country are tallied equally and result in the “Democracy, Markets and Transparency” report. This year’s begins with the present introduction, followed by the complete table with the report’s global results. Details are provided on the main traits shown in regards to Democracy, Markets and Transparency in the top and bottom countries of the list: New Zealand and Myanmar. Finally, the results are presented by region and commercial bloc, providing details for some countries and comparing them to others from around the world with similar scores.

### Introduction: The three pillars of development

Seeing the first ten countries of the ranking provides a clear idea of what a developed country is. Furthermore, it is noteworthy that combining the above mentioned pillars in an index places nations that cannot be considered world powers in the first nine of those ten places. On the other hand, the last places are occupied by countries that are undeniably governed by corrupt dictatorships and where poverty is generalized.

There are obviously other considerations when it comes to a country’s economic development, but the three proposed in this report constitute its core. Experiencing problems in one of them has an effect on a country’s development and, therefore, it is not sufficient for a country to be democratic and market-friendly if it has high levels of corruption, or if it guarantees economic freedom and apparent transparency under an authoritarian political model. It is precisely a country’s commitment to each of these three factors that defines each political model. In order to further develop it, political scientist Eduardo Viola contributed in preparing the following table. It offers the political systems that would result from combining each of the three components of development according to a High, Medium, Low or Inexistent level of commitment to each:

#### DEGREE OF COMMITMENT TO THE THREE PILLARS OF DEVELOPMENT AND THEIR CORRESPONDING POLITICAL SYSTEMS

Democratic freedoms	Market economy	Transparency	Political system
High	High	High	Consolidated market democracy
High	Medium	Medium/Low	Market democracy in process of consolidation
Medium	Medium/Low	Low	Semi-Democracy
Low	High/Medium	Low/Medium	Market Authoritarianism
Low	Medium/Low	Low/Inexistent	Authoritarianism
Inexistent	Inexistent/Low/Medium	Inexistent	Totalitarianism

Combining degrees of respect for civil, political and economic liberties with transparency levels helps in easily understanding why some countries enjoy a better quality of life than others, and it also opens up an analysis of each country’s strengths and weaknesses.



## Global Democracy, Markets and Transparency

The 2007 “Democracy, Markets and Transparency” global average score is 0,523. 67 countries rank above that mark, while 85 score below it.

New Zealand heads the 2007 list, while Myanmar occupies the bottom spot. What follows is a brief comparison of these opposite realities, based on information available from the aforementioned publications.

– New Zealand is a parliamentary democracy composed of a single 120-member chamber. Although it has been an independent country since 1947, it is officially a constitutional monarchy whose Head of State is Queen Elizabeth II, represented by a Governor General. The Prime Minister fulfills the role of Head of Government. It is worth remembering that New Zealand was the first country to recognize women’s right to vote in 1893.

– Myanmar, also known as Burma, does not fit in any of the traditional structures of government. It gained independence from the United Kingdom one year after New Zealand, in 1948. Beginning with a *coup d’etat* staged by the military in 1962, Myanmar has since been a union of states governed by the General Staff of the Armed Forces. The successive incarnations of the military junta have resulted in the existence of an inoperative Prime Ministership subject to control by a State Council with totalitarian powers. There are no basic structures such as a Legislative Power or a Judiciary.

– New Zealand enjoys very elevated freedoms of expression and of the press. The media is neither pressured nor censored by the government. Ethnic minorities are contemplated; print media are widely available in languages such as Filipino, Chinese or Hindi. Internet access is free. There is academic freedom at every level of education and the government respects the freedoms to associate and assemble. Non-governmental organizations and other civil society entities are active throughout the country.

– There is practically not a single individual liberty in Myanmar. The government is actively dedicated to stomping over each of them. Any gathering of a certain amount of people is illegal, as is any expression of opposition to the government. It is impossible to freely access phone services or the Internet. Journalists, artists or ordinary citizens are constantly harassed and jailed by the government because of dissenting opinions or the consumption of news prohibited by the regime.

– According to the Heritage Foundation’s *Index of Economic Freedom*, New Zealand is the world’s fifth freest economy. Its market economy stands out especially in property rights, financial freedoms and labor market freedoms. After two decades of reforming its economic policies, New Zealand is today a competitive economy, with the lowest unemployment rate within the member countries of OECD. Its GDP has grown by 20% in the last five years.

– The same index places Myanmar as one of the least free countries in the world. There are neither laws nor a Judiciary; therefore access to basic elements such as rights over property and guarantees over the execution of contracts are inexistent. Myanmar inherited a Socialist and statist development ideology, although the regime’s main economic compass is corruption and not ideological zeal. The government controls prices, foreign trade, property, foreign investments and the market in general at will. It is common for the Armed Forces to employ slave labor taken from the civilian population in the construction of diverse infrastructure projects.

– New Zealand has an independent Judiciary; appeals may also be presented to the Privy Council in London. Discriminatory acts against ethnic Maori citizens by the police in detention facilities have been denounced; this group represents over half of New Zealand’s prisoners.

– It is not possible to speak of due process or other guarantees in Myanmar. Judges are appointed by the same junta that oversees every sphere of life in the country. Detentions are arbitrary. The inexistence of laws or the rule of law allows the military government to consider each case separately, as well as to discriminate based on ethnicity or nationality.

– New Zealand is one of the least corrupt countries in the world. Transparency International places it in the first place of its list, along with Denmark and Finland, out of 179 countries analyzed in its 2007 Corruption Perceptions Index.

– According to the same organization, Myanmar is, along with Somalia, the most corrupt country on Earth. The discretion with which the military controls the country and the inexistence of a private market that allows for economic independence from the government impose a system of bribes and favors to the power brokers, the generals.

Even though both countries are former British colonies, there are abysmal differences in their levels of development. While New Zealand represents a successful case of a country that possesses widespread democratic guarantees, respect for individual rights, economic stability and trust in institutions, Myanmar stands out as one of the worst places on Earth to live in. According to what was just exposed, there is no area of life in society or where individual rights are concerned in which Myanmar is not a colossal prison.

The main differences emerge in the history of the relation between individual liberties and each country’s government. New Zealand has kept a tradition of subscribing to the idea that government’s duty is to guarantee individual liberties, so that citizens may use them to live and prosper. Myanmar, on the other hand, is a clear example of what happens when a government violates its original covenant and decides to control or direct an entire society. The periodic resurgence of opposition movements in that country, based both on ethnicity and ideology, are further proof that the desire for human liberty is universal and not cultural.

The recent crisis that struck the country, which is reaching its climax as these lines are written, may mark the end of another attempt by Myanmar’s society to recover its liberties and accessing a democratic government. The dead are already counted by the dozens, and if previous massacres serve as a guideline, the toll could rise to the thousands. It is notorious that the leader

of the main opposition party in the country, a Prime Minister-elect, remains in house arrest since 1990. Aung San Suu Kyi is the world's only Nobel Prize winner detained by a government.

Last year it was Iceland that occupied the top spot of the Democracy, Markets & Transparency Ranking. New Zealand held the third place. The trend, however, is that it always occupies the highest ranks in regard to liberty and transparency. Myanmar does not figure within the 140 countries studied in 2006. This may be due, in great measure, to a lack of available information on particularly brutish and isolationist regimes such as Myanmar or North Korea. Just as expressed by the press, international organizations and non-governmental organizations, Myanmar's government usually obstructs the entry of foreigners into the country, in particular those who set to investigate the regime or to contact key actors of civil society. Furthermore, the junta is actively dedicated to persecuting those who manage to enter the country. It is a striking contrast to New Zealand, since that country's borders are fully open to dissidents and refugees from many countries.

As a final comment on the global situation, the African nation of Benin has the closest score to the global average. A French colony until 1960, Benin is considered a free country and an electoral democracy. After several decades of dictatorial regimes, the first multiparty elections took place in 1991. There is currently a wide variety of political parties. According to Freedom House, freedoms of expression and of the press, as well as in academia, are respected. However, the justice system is considered inefficient and prone to corruption. Conditions in prison facilities are precarious and only 10% of detainees have stood trial and been sentenced. Corruption is a widespread problem in Benin. The country occupies the 118<sup>th</sup> place in the Corruption Perceptions Index. This factor, as well as the government's interference in the economy, has limited its economic development.

## Democracy, Markets & Transparency in the European Union and the NAFTA

### Countries

With 27 members in all, the European Union has an average score of 0,768. None of those members, including recent additions Romania and Bulgaria, are below the global average. Those two countries occupy the last two spots of the block's table, with averages of 0,628 and 0,582 respectively that pull down the EU's overall average.

Thirteen EU countries rank in the first twenty positions of the global ranking. The group is headed by Denmark, whose 0,903 score places it in second position worldwide.

Denmark is a constitutional monarchy with a fully liberal and democratic parliamentary system. The Danish tradition of respect for human rights and liberties is solidly engraved and comes from long ago. The country presents a traditionally European social-democratic structure: fair grades of entrepreneurial freedom mixed with a large welfare state. Two facts reflect both sides: opening a business takes only five days –the world average being 48-, but close to 23% percent of working-age Danes depend on some form of government subsidy. It is worth noting that in recent years Denmark has been shaken by a large Islamist agitation in response to a newspaper publishing cartoon depictions of Mohammed, Islam's prophet. The government headed by Anders Fogh Rasmussen demonstrated its support for freedom of expression in spite of threats and acts of violence. Denmark is one of the least corrupt countries in the world. It takes the top spot in Transparency International's CPI, along with New Zealand and Finland.

NAFTA has a slightly higher average than the EU, scoring at 0,769. Canada holds the highest score in the bloc, 0,881, placing it 9<sup>th</sup> in the global ranking. The US, with 0,836 is 14<sup>th</sup> worldwide. The third member, Mexico, places considerably lower in the global ranking, at 53<sup>rd</sup> with a 0,590 score.

## Democracy, Markets & Transparency in Latin America

Chile once again leads the Latin American ranking, placing globally at the 17<sup>th</sup> place - above Belgium, Estonia and Japan. Chile scores 0,817, which is way above the region's general average of 0,528 and even NAFTA's 0,769. In spite of having a low GDP Per Capita -which separates it from the rest of the top countries in the ranking- it is a fact that Chile combines a political, economic and institutional performance that sets it apart from the rest of Latin America. Therefore, this report places it in the top twenty most developed countries in the world.

Uruguay holds the second place with a score of 0,776. For comparison purposes, this is in proximity to the European Union's average. Furthermore, Uruguay heads the MERCOSUR ranking, where it easily outranks the other members. It places 24<sup>th</sup> globally. Costa Rica, which by popular referendum just approved its entry into CAFTA, places third in Latin America and 38<sup>th</sup> worldwide.

European Union	
Country	Score
Denmark	0,903
Finland	0,900
Netherland	0,887
Sweden	0,883
United Kingdom	0,879
Luxembourg	0,872
Ireland	0,845
Austria	0,834
Alemania	0,830
Belgium	0,808
Estonia	0,797
France	0,787
Spain	0,781
Portugal	0,759
Slovenia	0,753
Malta	0,737
Cyprus	0,736
Czech Republic	0,721
Lithuania	0,714
Hungary	0,713
Slovakia	0,706
Latvia	0,701
Italy	0,700
Poland	0,648
Greece	0,631
Bulgaria	0,628
Romania	0,582
<b>Average</b>	<b>0,768</b>

NAFTA	
Country	Score
Canada	0,881
United States	0,836
Mexico	0,590
<b>Average</b>	<b>0,769</b>

The region scores an average barely above the global 0,528. Only nine Latin American countries score below that mark: Nicaragua, Honduras, Bolivia, Guatemala, Paraguay, Ecuador, Venezuela, Haiti and Cuba.

**Colombia- India.** This methodology invites a comparison between Colombia and India. Colombia is the Latin American country closest to that region's average, while India is the closest scoring country from elsewhere in the world.

There are notorious similarities between both countries that can be instantly appreciated. Both are liberal democracies suffering from a variety of problems, including sizable warlike conflicts and mistaken government policies that led to destruction and poverty. Simultaneously, the progress seen in the last decade has helped both countries become examples of the advance of democracy, liberty and security.

It is common to call India "the world's largest democracy". It has all the traits of a liberal democratic system of government: a clear-cut separation of powers, periodic elections, competition between political parties and a vigorous free press. It is generally considered a country in which the State protects individual rights and liberties. Its demographic complexity leads to persisting outbreaks of violence, which in addition to its democratic singularity within its immediate region makes it comparable to Colombia. India has developed its economy enormously during the last decade and a half. Unlike Colombia,

it has not set its sights on free trade and it has serious deficiencies in infrastructure, as well as government regulations that put off new investments.

As is common with a developing country, there are many deficiencies to criticize. Among those are: access to a fair justice system, ethnic, religious and ideological violence and in some cases the fusion of religious edicts with official laws. Corruption is also a problem: India occupies the 79<sup>th</sup> spot of the CPI, while Colombia takes the 68<sup>th</sup>.

**"Myanmar is like Cuba".** Latin America's last spot is taken by Cuba, with a 0,217 score – much worse even than Haiti, which takes the second to last position with a 0,355. Venezuela -where Hugo Chávez is pressing ahead with a constitutional reform- is fast approaching the bottom in its effort to follow Cuba's decadent path.

An interesting fact about Cuba is that a few days before the international press broke the news of the bloody repression of civil society –including Buddhist monks- by Myanmar's military dictatorship, the regime's Chancellor U. Nyan Win met his Cuban counterpart, Felipe Pérez Roque, in Havana. According to what was reported by the Cuban dictatorship's official propaganda outlet "Juventud Rebelde", the Burmese government's envoy, an employee of the worst-ranked country in this list, "thanked Cuba's support" to his country. Pérez Roque stated that "Myanmar is like Cuba, a free country that must face an unfair and unequal world in which it is very difficult for our countries to access economic and social development".

Separately, on October 2<sup>nd</sup> of the present year, the United Nations Human Rights Council strongly condemned the violent repression of peaceful demonstrators in Myanmar, adopting a resolution by consensus asking that country's government to act rationally and free all political prisoners. It also asked the Burmese to "guarantee the complete respect of human rights and fundamental liberties" and to "put the perpetrators of these violations on trial".

It is more than obvious that what's difficult for the military dictatorships of Cuba and Myanmar is accessing democracy and stopping persecuting, jailing and murdering those who think differently. Those are enough reasons to figure in the bottom spots of this report's rankings.

### Democracy, Markets & Transparency in Latin America's Commercial Blocs

As for the general average of commercial blocs from Latin America, CAFTA ranks first with 0,587, followed by the countries of MERCOSUR with 0,543 and finally the Andean Community of Nations with 0,500. In this way, globally, each commercial bloc has a similar score to the following countries: CAFTA to Mexico, MERCOSUR to Senegal and the ACN to Guyana.

### Democracy, Transparency & Markets in MERCOSUR

MERCOSUR in its original grouping –which includes Argentina, Brazil, Paraguay and Uruguay-, has a 0,588 average, which is higher than the rest of the commercial blocs in the region. However, with the addition of Venezuela the bloc's average drops to 0,543. Brazil scores closest to the group's average.

What follows is a comparison of each member of MERCOSUR and the closest-scoring country worldwide: Uruguay and Spain; Brazil and Croatia; Argentina and Georgia; Paraguay and Tanzania and finally Venezuela and Bangladesh.

**Argentina- Georgia.** Globally, the score closest to Argentina's is Georgia's. A small country with a population slightly less than four and a half million, Georgia gained independence from the Soviet Union in 1991. Its greatest challenges are fighting

Latin America		
Position	Countries	Scores
1	Chile	0,817
2	Uruguay	0,776
3	Costa Rica	0,699
4	Panama	0,607
5	El Salvador	0,595
6	Mexico	0,590
7	Brazil	0,573
8	Peru	0,549
9	Dominican Rep.	0,541
10	Argentina	0,540
11	Colombia	0,528
12	Nicaragua	0,490
13	Honduras	0,479
14	Bolivia	0,476
15	Guatemala	0,465
16	Paraguay	0,463
17	Ecuador	0,447
18	Venezuela	0,363
19	Haiti	0,335
20	Cuba	0,217
	<b>Average</b>	<b>0,528</b>

CAFTA	
Country	Score
United States	0,836
Costa Rica	0,699
El Salvador	0,595
Dominican Rep.	0,541
Nicaragua	0,490
Honduras	0,479
Guatemala	0,465
<b>Average</b>	<b>0,587</b>

Mercosur	
Country	Score
Uruguay	0,776
Brazil	0,573
Argentina	0,540
Paraguay	0,463
Venezuela	0,363
<b>Average</b>	<b>0,543</b>
<b>Average without Venezuela</b>	<b>0,588</b>

Andean Community	
Country	Score
Peru	0,549
Colombia	0,528
Bolivia	0,476
Ecuador	0,447
<b>Average</b>	<b>0,500</b>

corruption, violence and settling its conflictive relations with Russia. Factors such as electoral processes that do not stand up to acceptable standards, the weakness of the political opposition and the looming presence of President Mikhail Saakashvili –who won the 2004 election with an overwhelming 96% of votes-, put Georgia in the “Partially Free” category. Argentina, on the other hand, ranks as “Free”. Nonetheless, Freedom House notes a negative tendency due to the concentration of power in the hands of President Néstor Kirchner, as well as the curtailing of the autonomy of other branches of the State.

Both countries display high levels of corruption. They are, however, lower in Georgia: it takes the 79<sup>th</sup> spot of 179 countries tallied, while Argentina ranks 105<sup>th</sup>.

Georgia has a considerably higher ranking than Argentina in regard to economic freedom: 35<sup>th</sup> versus 85<sup>th</sup>. Under Kirchner, the role of the government in the economy has expanded into price controls in some industries and the creation of new state enterprises. Gross Domestic Product growth in the last years is attributed to the high prices of commodities and to the recovery from the 2001 election, not to efficient policies. In Georgia, the role of the State in the economy is in decline. State companies are simple and the labor market is highly flexible.

**Brasil- Croacia.** Curiously, the country that most resembles a giant like Brazil is tiny Croatia. Since the end of the wars that collapsed Yugoslavia in the past decade, Croatia has come to be -along with Slovenia- one of the most prosperous and stable of its former republics. It is a favored candidate for entry into the European Union. Brazil, on its part, has managed to maintain a stable and peaceful political system.

Both countries enjoy firmly established democratic systems of government. The success of the Brazilian model has managed to integrate the left: the result is that the Lula Da Silva administration is grouped inevitably in the group of Latin American countries that favor democracy and market economies. As for Croatia, it is succeeding in overcoming the Yugoslavian period and not returning to ethnic conflagrations. The Croatian government respects its citizens’ liberties, although according to Freedom House it is necessary to improve the efficiency of the judicial system and the dominance of state-run media. Brazil faces a similar inefficiency problem, particularly in regard to containing violence, which has peaked in gravity in recent years. Both countries’ economies have developed in the past few years, but it is an area in which their governments insist on imposing inefficient interventions that hamper growth. According to the Heritage Foundation, the main weaknesses of the Croatian economy are the rigidity of the labor market –which favors unemployment-, the non-official brakes on foreign investments and controls over foreign trade. Brazil stands out for its high tax levels, similar restrictions on the labor market and an inexistent commercial policy. Corruption is a grave issue in both nations. The recent years have seen an explosion of corruption scandals involving top officials in the Lula Da Silva administration. Transparency International ranks both countries slightly above the middle of its ranking: Brazil at 72<sup>nd</sup> and Croatia at 64<sup>th</sup>.

**Paraguay – Tanzania.** Paraguay is an elective democracy, unlike Tanzania. Although the African nation’s opposition parties were legalized in 1992, the ruling *Chama Cha Mampinduzi* party still dominates political life. A common factor to both countries is high levels of corruption. Paraguay ranks 138<sup>th</sup> out of 179<sup>th</sup> in the CPI. In the entire American continent only Ecuador, Venezuela and Haiti rank lower. Tanzania takes the 94<sup>th</sup> place in the same index. It is 14<sup>th</sup> out of 52 countries in its region. In both cases the judiciary is highly subject to corruption.

Tanzania is one of the poorest countries in the world. According to International Monetary Fund statistics, its Gross Domestic Product Per Capita is USD 800. In the last few years the economy has seen a 6% growth rate, powered by low inflation levels and foreign investments motivated by tourism. The Tanzanian economy, traditionally controlled by the State, is becoming more and more oriented towards the market. Freedom of the press, in comparison with neighboring countries, reaches high levels.

According to the Heritage Foundation Paraguay is the 99<sup>th</sup> freest economy in the world; Tanzania is the 103<sup>th</sup>. The lack of security in Paraguay’s border areas, particularly the Triple Frontier it shares with Brazil and Argentina, has enabled the establishment of large networks of organized crime. Money laundering, weapons smuggling and even growth in the activities of Islamic terrorist groups -such as the Lebanese Hizb Allah- are often mentioned.

**Uruguay- España.** Both Spain and Uruguay are considered free countries. In general terms, individual liberties are respected. The Spanish case faces two large problems: immigration and terrorism. As for corruption levels, both share the 25<sup>th</sup> place in the Transparency International list. It is not considered a factor of particular gravity in any of the two countries.

The judicial system is independent of political power in both nations, although Uruguay’s is considered slow, while sensitive issues in the Spanish system are highly subject to media pressure.



Spain's economy enjoys more liberty than Uruguay's: it takes the 27<sup>th</sup> place against the South American nation's 33<sup>rd</sup>. The main criticism made of Spain is the rigidity in its labor market. The Uruguayan case faces problems in its financial markets and monetary freedom: according to the Heritage Foundation, the government fixes some prices and the banking system is subject to government intervention.

**Venezuela – Bangladesh.** Venezuela is perhaps the Latin American country where democracy, free markets and transparency have suffered the most. It can be compared to Bangladesh, an extremely poor country which lacks basic liberties.

Bangladesh is one of the world's most densely populated countries. Its political system theoretically has the characteristics of a democratic republic, but in practice it is chaotic and authoritarian. The struggle for power between opposite political parties and a third Islamist group has resulted in the suppression of freedom of speech and of association. A similar phenomenon is taking place in the Venezuela of the *bolivarian* era. The victims are usually journalists, opposition activists and members of religious minorities. In Venezuela's case the same effect can be observed, due to the progressive domination by the State of different parts of civil society.

The Bangladeshi government imposes one of the least free economies in the world. According to the Heritage Foundation, the state closes the country's borders to foreign trade, property rights are not respected and there are no basic rules for trade and banking. Something similar has been taking place in recent years in Venezuela: expropriations, foreign exchange controls and a general state direction of the economy. Corruption is out of control in both countries, particularly in Bangladesh. They are tied at the 162<sup>nd</sup> place, which means that the perception of govern employees, political parties and their use of power is extremely negative.

### Democracy, Markets and Transparency in Africa

The three African countries with the best scores are Botswana, Mauritius and Cape Verde. They are all considered to be free and constitute electoral democracies.

Even though Botswana is regarded as one of the best positioned countries in the continent, it still faces serious problems. There are high levels of xenophobia and discrimination against ethnic minorities. An electric fence is being built alongside the border with Zimbabwe and Zambia, with the purpose of fighting foot-and-mouth disease. Some say its real purpose is restricting illegal immigration. Moreover, homosexuality is against the law.

Mauritius is regarded as one of the most successful democracies of the developing world. However, in the last years it has suffered from an increase in insecurity, inflation and unemployment rates.

Cape Verde is a very poor country and has an extremely high unemployment rate of 50%. In spite of this, the situation has improved in the last couple of years. Institutions work fairly well and people trust consider them trustworthy. This was proved in 2001 when, during the second round of presidential elections, the opposition candidate won by an almost implausible margin of twelve votes. The results were accepted.

Alongside with South Africa, these three countries have the lowest levels of corruption in Africa. They scored better than the countries of MERCOSUR, except for Uruguay: Botswana at 38<sup>th</sup>, Cape Verde at 49<sup>th</sup> and Mauritius at 53<sup>rd</sup>.

Excluding Uruguay, Mauritius and Botswana constitute much freer economies than those of MERCOSUR. These two countries are ranked 34<sup>th</sup> and 38<sup>th</sup> (with Uruguay at 33<sup>rd</sup>, Brazil 70<sup>th</sup>, Argentina 95<sup>th</sup>, Paraguay 99<sup>th</sup> and Venezuela 144<sup>th</sup>). Cape Verde is ranked 88<sup>th</sup>, much lower than the other two countries. Nonetheless, it is freer than Argentina, Paraguay and Venezuela.



CADAL's objective consists in promoting, in Latin American countries, the strengthening of democracy, Rule of Law and public policies that favour economical and institutional progress. For such ends, CADAL combines activities of research, diffusion and training/instruction. With special emphasis on Latin American politics, CADAL's areas of work are: International Human Rights Promotion; Press Freedom; Democratic Governance; and Economic and Institutional Reforms.