

**JOHNS HOPKINS SCHOOL OF ADVANCED
INTERNATIONAL STUDIES (SAIS)**

THE SOCIAL AGENDA FOR DEMOCRACY IN LATIN AMERICA

WELCOME:

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BERNARD L. SCHWARTZ PROFESSOR OF INTERNATIONAL
POLITICAL ECONOMY, JOHNS HOPKINS SAIS**

SPEAKER:

**ALEJANDRO TOLEDO,
FORMER PRESIDENT,
REPUBLIC OF PERU**

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FRANCIS FUKUYAMA: He was president of Peru from 2001 to 2006. The full bio statement is in your package. But before that, he was part of our academic and policy community. He has a Ph.D. in economics from Stanford University. He's worked at the World Bank, the IDB, the United Nations.

He has launched this Social Agenda for Democracy project that he's going to talk to us today about. I was, as an NED board member, extremely happy to support this because it seemed to me it fit exactly into this intersection between development and democracy that we have been talking about this morning.

So as I understand it – so you can keep on eating. As I understand it, we're going to see a short four-minute video before President Toledo makes his address. So are we ready to run it? Okay. Okay go ahead.

(Off-side conversation, laughter.)

(Begin audio clip.)

MR. : Latin America is currently living a paradox. On the one hand, there is sustainable economic growth and on the other, serious social problems continue without solution. There is a huge social gap between rich and poor that continues, making this part of the world a politically unstable region. The problem is that neither market fundamentalism nor authoritarian populism will help to achieve sustainable, fair and long-term development.

And the saddest part is that it is not clear that these policies will deepen democracy in Latin America. These unbalances and the urgency to find immediate solutions allow new scenarios to emerge sometimes with application of desperate populist formulas based on leaders and not on institutions. To this we have to add the financial and economic crisis that the world is facing and that will have a severe impact on the poor, making it even more difficult to integrate them into the economy.

Faced with this reality, a group of former presidents summoned by former president Alejandro Toledo decided to evaluate this new development context in Latin America and to propose what they have called the social agenda for democracy. In response, the following former presidents have participated:

Fernando de la Rúa from Argentina; Carlos Mesa from Bolivia; Fernando Henrique Cardoso from Brazil; Ernesto Samper from Colombia; Rodrigo Carazo from Costa Rica; Rodrigo Borja and Gustavo Noboa from Ecuador; Antonio Saca from El Salvador; Vinicio Cerezo and Eduardo Stein from Guatemala; Ricardo Maduro from Honduras; Vicente Fox from Mexico; Nicolás Ardito Barletta from Panama; and Hipólito Mejía from the Dominican Republic.

With the participation of prestigious institutions, internationally recognized intellectuals, public management experts and private-sector leaders, diverse areas have been discussed directly related to poverty reduction, increased political and social inclusion and promotion of a new economic and environmentally responsible scheme.

This involved two years of intensive work, two years of debates and meetings. The first encounter was held in Washington in November, 2007, while the next one was held in Lima in April, 2008. Following meetings were held in Guayaquil in October of the same year and in São Paulo in March, 2009. The social agenda confirms that democracies must continue economic growth to improve average living standards and that political institutions should be reformed to include the poor, women and indigenous people.

Social Agenda for Democracy is a unique effort in Latin America to pave a road of changes without violence. These recommendations are highly interrelated. A deeper democracy makes it possible to improve public policies. At the same time, it effectively reduces poverty and reinforces democracy. The encounter produced a set of recommendations on 16 public policies that were presented to presidents and heads of state at the Ibero-American Summit held in Estoril, Portugal.

MR. : (In Spanish.)

MR. : (In Spanish.)

MR. : Twenty years after promoting the Washington Consensus in the region with different results, the Social Agenda is projected as the new consensus for Latin America, searching to reinforce and deepen growth benefits. It is a call for action as to what needs to be done and what can be done within the current democratic framework to reduce the destructive inequality in the region.

The Social Agenda shows that in Latin America when one speaks about poverty, justice, inclusion and development, it is possible to understand each other since we all speak the same language – the language of hope. The Social Agenda for Democracy: leadership beyond politics.

(End audio clip, applause.)

ALEJANDRO TOLEDO: First of all, let me tell you that it's a great honor to participate in this seminar. With the leader thinkers and practitioners on the interrelationship between development, democracy, the rule of law. This community plays a crucial role in my view and I'm very glad that we are getting together members of this democracy promotion community at SAIS, an institution which I'm very proud and honored to be part of – (inaudible). Dean Jessica Einhorn and Francis Fukuyama, Larry Diamond are really sort of my godfathers that have been introduced to this community.

I have just arrived from Peru, so you have to have some tolerance with me. I have put some thoughts in black and white to try to share my thinking about the question that this seminar

has put forward. What is the relationship between development and democracy? Is there a convergency (sic) of interests between democracy promotion and economic development? Or do specialists in these fields approach their respective issues with an oblique agenda? Let me share with you where am I at in terms of my thinking in my view of the question that this seminar is dealing with.

I have had the improbable experience of facing the challenge of development and democracy from four quite different perspectives. First, I was born at 12,000 feet above sea level in the Peruvian Andes into extreme poverty. And my 16 brothers and sisters did not live to celebrate their fifth birthday.

This is to say, I'm a survivor. I'm number eight. Seven of them died between they reach five years of age. I'm a survivor. I survived on the flip of a coin. And I only stand today in front of you as a keynote speaker at this seminar as a result of a statistical error that's going on. So the need for development never was an abstract concept for me. Rather that it was always has been in my memory as a tangible, an urgent need.

Second, I have decided to dedicate the first half of my academic career to the pursuit of economic development so the hundreds of millions of people like me will have the chance that I had had to have access to education. In my case, as a statistical error, but in the case of all the people, as their right to have access to clean water, health care and educational quality as the most powerful weapon to get out of poverty and be free – and be free.

I did a path in my life from having born in the high mountains of the Andes to shine shoes and sell lottery and newspaper and other things at the age of 5 years old to supplement my family income. But in that path, as part of that improbable path of getting access to education, I went to the University of San Francisco – a nice, clean-cut Jesuit university. Then I went to Stanford – two master's and a Ph.D. – the World Bank, the United Nations, the IDB, Harvard – the whole schmear – (laughter) – and then to be a president.

When I was at Harvard, I lost my mind and I made the jump from an academician who was teaching and writing about poverty and never affected the life of the poor – I lost my mind and jumped from academia to politics. Please, Frank, don't do that. (Laughter.)

This time, I found myself fighting for democracy in the streets, leading a broad democratic coalition to bring down a corrupt dictator, Alberto Fujimori who captured all the institutions – bought the press, the judicial system, Congress persons, the armed forces, the owners of the communication media and even part of the church – an authoritarian that captured the freedom of the press and violated human rights.

And finally, it became part of my destiny to have the privilege to conduct the destiny of my nation. I became a president in a very fragile moment of Peru, a time in which the restoration of democracy was a sharp demand, a democracy with transparency, with respect to human rights and the freedom of the press, trying to construct a democracy with a healthy system in which leaders are accountable to their citizens – accountable.

After finishing my presidency, I founded the Global Center for Development and Democracy, which is based in Lima for Latin America. We have an office in Washington for North America. And we have an office for the European Union in Madrid. The focus of this foundation is the formulation of public and private policies that could put forward as a recommendation to tackle the interrelationship between poverty, social inclusion, economic growth and democracy.

Trying to construct a democracy that delivers concrete results – results that are concrete and measurable, access to potable water and sanitation, energy for the poor, rural electricity, health care and educational quality are one part of the equation. And to do that – trying to promote economic growth and democracy, the rule of law – all together – is quite a hard task. And so the nature of this seminar does really lead us to look analytically with some input from practitioners about the convergency of this intersection between social public and private policies, economic growth and democracy.

Let me return to the question of the seminar: What is really the nature of the relationship between democracy and development? There's a long debate as to the orders of the D's: development and democracy or democracy and development. But I'm not going to indulge in that debate now. A quote attributed to Einstein answers the question both succinctly and incisively in my view: "An empty stomach is not a good political advisor."

The situation in Latin America and the Caribbean illustrates Einstein's principle because this is a region of 500 million people with almost 20 percent of its population living below the poverty line. It is one of the – is the region that although it's not the poorest region of the world is the most unequal region of the world in terms of income and wealth distribution.

This inequality and social exclusion generates a lot of social discontent and people are losing faith in democracy. Anger and dissatisfaction with the status quo are increasingly empowering politicians in Latin America to recycle dangerous populist formulas that places leaders above institutions. In the streets of Latin America, one can hear close to 200 million people who are poor and excluded – women and men who are unable to taste the benefits of the economic prosperity before the recent financial global meltdown.

They are demanding jobs with decent salaries. They are demanding access to potable water. They are demanding an uncontaminated environment. They are demanding access to justice. The youth of Latin America and the Caribbean are eager to attain access to this digital world. And maybe this is a ripe time to construct a digital democracy.

Einstein's principle, in other words, is that when people's basic material needs are met, they adopt much more moderate attitudes. They would be less inclined to support politicians and some governments who are recycling populist position by giving people fish away instead of providing them the right to learn how to fish.

Poverty is able to shift our time perspectives, as well as our assessment and tolerance of our political risks. Research carried out at the University of Copenhagen has quantified and verified several observations. On paper, rich countries are more politically cohesive, they say, in

a way portrayed this apparent paradox: My friends, without concrete economic growth that is reflected in the pockets of the poor, we run the risk that poverty could undermine sustained levels of economic growth and could conspire against democracy.

Some of my friends in the entrepreneurial sector are having difficult time to swallow the proposition that investing in poverty reduction is profitable for business and is good for democracy. I know that they are having difficulties with this because they want to see the returns of their investment in the short run.

They're having difficulties to understand that contributing to poverty reduction strategies together with the public sector, investing in poverty reduction and social exclusion, that respecting freedom of the press and human rights are profitable for business and it's good for democracy.

When you have social unrest, that is not a very propitious climate to attract capital investment. When social unrest increases, country risks goes up. When country risks is high, interest rates increases. And the costs of productions are high and therefore, the rate of return to their investment are lower.

If economic growth is not accomplished together with deliberate social policy, a gain that delivers concrete and measurable results particularly for the poorest of the poor and if we lack strong democratic institutions, then we are trapped in this vicious cycle that we need to break away from.

Social unrest does not allow the capture of capital investment and without capital investment, we don't have sustained rates of economic growth. And without economic growth, we cannot deal with any poverty reduction strategy. They also – people begin losing faith in democracy. Poverty then ties together the issues of both economic development and democracy.

One of the three components – two of them are quite clear and integral – the third one, democracy, is actually highly multifaceted. And that carries a lot of assumptions. We know what poverty looks like. I have seen it when I was born. And economics provide us with the numbers of indicators to quantify the health of an economy. Democracy, however, is especially very complex. It consists of several largely unrelated concepts. And people naturally disagree most about political issues.

I'm amazed – I'm amazed as an observer of U.S. politics about which I don't want to get involved into – (laughter) – how difficult it is for some people in a country that promotes democracy – difficult to share some of their readiness to provide health care for people who don't have access or don't have good income or don't have jobs.

The intersection about democracy, equality and growth. When we are talking about poverty and being sensitive about environment, we have great reluctance. But when we're trying to save the bankers or big corporations, we are very – we have high levels of solidarity. (Laughter.) This is the extent of my comments. (Laughter.)

My friends, democracy is supposed to be egalitarian because all adult citizens are eligible to cast an equal vote, ideally. Democracy, likewise, allows every ethnic, religion and gender groups (sic) in society to be treated equally, ideally. Democracy is humanitarian because it tends to privilege the rights of the individuals over those of the groups and their leaders, ideally.

Democracy is anti-authoritarian because it divides powers between different branches of government, which are all accountable to a free press and to the respect of human rights, ideally. Finally, democracy comes together with a market economy, which, again, privileges the individuals, the private corporations, innovation, creativity and growth, but at the cost of creating inequalities.

To what extent the states should intervene to redistribute an unequal accumulation of resources is always a subject of intense political debate. As the president and founder of the Global Center for Development and Democracy, and as a leader of a modern center-left political party, I am convinced – and I advocate – the need to manage the economy with the right hand and to distribute it with the left.

I like to manage the economy with the right hand with a final purpose of distributing with the left. Number one, because I don't think that the name of the game is to redistribute poverty or to be a sophisticated administrator of poverty. We need to grow. But growth, being an indispensable component of this searching for the intersection of development and democracy, growth is an indispensable component, yet insufficient to accomplish a more equal society and democracy – and democracy.

My friends, the question that you have posed in this seminar is the most relevant one today in the world. And I have more authority to talk about Latin America and then Peru. If we don't put content to political democracy, it will be an empty shell, while increasing the skepticism from citizens.

If democracy is not able to deliver concrete and measurable results, and if democracy does not have the strong, democratic institutions that provides accountability to the citizens, then we might continue to witness the expansion of authoritarian populism because it is always easy and profitable, in the short run politically, to give fish today, which will be hunger for tomorrow.

You will – they will get a lot of (claps ?) in the short run, and we will have instability. My friends, we not only need to democratize the access to the basic service for the poor, now more than ever, not as a result of our own doing, but because now we have this digital technology, we can now enter into a digital democracy in which poor people who live in the rural, remote areas, who may not know how to read and write, but can use a cellular phone, if they can have access to free Internet, they can ask their local leaders about how they have expended their scarce resources.

And to regional leaders, to the national leaders, ask them to be transparent about how do you spend the precarious resources. Ask them questions that, perhaps, will contribute to reduce corruption, which are indispensable components of this search of the intersection between development and democracy.

Let me conclude by saying that I know that the issues that we are dealing with in the summit are issues that will not be seen in a very short run. Investing in quality health care and education, in access to clean water, is not a short-term return investment. And we should be clear on that. It will not help you to be re-elected in the next election, but it's a must.

We need, now more than ever, more leadership and less politicians. We need, now more than ever, to join hands and to work to the pursuit of a democracy that delivers, of a democracy that provides transparent participation, a democracy that is not easily pulled by those who have thick wallets with money that provides from an exogenous factors, that most of the time have to do with the prices of the commodities of our raw materials in the international market, be it gold, silver, copper, oil, gas.

We need to be free. And freedom is not only circumscribed to the act of going, on an election day, to vote. Freedom is the capacity to choose. I am free now as a result of a statistical error. Yes, but what the hell. (Laughter.) And I'm free to choose. I can choose to have the privilege to be at SAIS and Brookings and Stanford. I can choose, thanks to education. But there are millions of women and men in the world who are not free, and yet, they go to vote. Thank you very much. (Applause.)

MR. FUKUYAMA: We're running behind schedule. We're supposed to reconvene at 1:30. So if there are any urgent questions for President Toledo, I think – okay, well in that case, I'd like to thank President Toledo very much for that fine speech. And as I said – well, let's give us 15 minutes. So 1:35, back in the room next door. Thank you very much. (Applause.)

(END)