

News Release

Economic freedom and rule of law key to ending Latin America's years of stagnation and poverty

For Immediate Release

SAN JOSE, COSTA RICA, 2 NOVEMBER, 2006—Failure to implement market-based reforms and embrace the rule of law has condemned most Latin American nations to economic stagnation and poverty, says the Economic Freedom of the World Network.

Latin America has never had a sustained market-based reform effort and, most dangerously, has failed to establish the rule of law. Limited reforms were attempted in the first half of the 1990s but were too restricted and too short lived to have much effect, the Network said in a communiqué issued prior to meetings in San Jose, Costa Rica. The communiqué in English, Spanish and Portuguese can be found at www.freetheworld.com.

“It’s a myth that Latin America went through a sustained period of reform. We had some weak reforms but still Latin Americans remain among the least free economically on the planet – and the last decade has seen continual reversal of even these modest reforms,” said Rigoberto Stewart, President of Costa Rica’s Institute for Liberty and the Analysis of Public Policy, which co-hosted the Costa Rica meeting with The Fraser Institute. “If Latin Americans are ever going to build prosperity and reduce poverty, we must enter into a period of real reform – especially in building the rule of law.”

Chile is the only nation in the region to establish a high coherence with the rule of law and adopt wide-ranging market reforms. Consequently, it outpaces all other Latin American nations by a wide margin, with real per capita economic growth of just under 25 per cent between 1995 and 2004, compared to a Latin American average of just over 10 per cent, according to the Network’s research.

Venezuela ranks as one of the world’s least free nations with the lowest level of economic freedom in Latin America and the fifth lowest in the world. Despite great oil wealth, the lack of market economics has deprived the people of Venezuela of the prosperity they should enjoy. Per capita incomes in Venezuela were lower in 2004 than in 1995, and the current government seems set on a course that will deprive the people of Venezuela of their birthright and keep them mired in poverty.

Brazil, the largest country in the region, has a mediocre economic freedom performance by Latin American standards and a very poor one by world standards. Brazil’s score in rule of law has declined by 1.6 points since 1995, worse than the average Latin American average decline of 1.0 points. Brazil’s weak performance in economic freedom – ranking 88th out of the 130 nations – is reflected in its per capita GDP growth. The total increase between 1995 and 2004 is just 8.5 per cent, worse than the regional average.

(more)

The average score of all Latin American nations in 2004 would rank the region, were it to be considered a nation, 65th out of 130 nations in the index of economic freedom, tied with Namibia, Tanzania, and Uganda. Even worse, Latin America ranks 85th in rule of law behind Russia, Senegal, and Uganda.

“The rule of law provides the infrastructure of a market economy, and too many nations in Latin America simply do not have the legal infrastructure they need for success,” said Fred McMahon, Director, Trade and Globalization Studies at The Fraser Institute. “But the rule of law cannot be built quickly through a simple formula. It requires study, hard work, dedication to the cause, and patience.”

The Economic Freedom of the World network consists of independent social and economic policy research organizations from 72 nations. It publishes the *Economic Freedom of the World Annual Report* which is recognized globally as a marker of good institutions.

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CONTACT: Rigoberto Stewart, President, Institute for Liberty and Analysis of Public Policy
Tel. (506) 438-2464, e-mail: riggo@inlap.org
NOTE: Mr. Stewart speaks Spanish and English

CONTACT: Fred McMahon, Director, Trade and Globalization Studies
The Fraser Institute, Tel. (506) 209-9800 e-mail: fredm@fraserinstitute.ca

For more information on the Economic Freedom Network, data sets and previous Economic Freedom of the World reports, go to www.freetheworld.com.

For further information, please contact: Dean Pelkey, Associate Director of Communications, The Fraser Institute, Telephone (604) 714-4582, Email deanp@fraserinstitute.ca