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## Latin America: Fragmentation and Forecasts

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The current Latin America outlook is disheartening. The democratic governments of Ecuador and Bolivia are hanging by a thread. In Colombia, as the war goes on without letup, it is not possible to predict whether the Supreme Court will accept the reelection of Álvaro Uribe, despite the clear and popular support he enjoys, in addition to a certain amount of parliamentary support as well.

In Venezuela, it is obvious that Hugo Chávez is accelerating the pace toward “the sea of Cuban happiness.” In Argentina, the economy seems to be flourishing, but what is really happening is a rebounding, as the foreseeable recovery is taking place after the debacle caused by the devaluation of the peso and the default declared by the government.

In Nicaragua, it is possible that Daniel Ortega will return to power, heading the radical wing of the Sandinistas, supported by a relative majority tired of Liberal Party scandals, and it is easy to predict that if this were to take place, he will make common cause with Castro and Chávez. In México, Manuel López Obrador, a populist, leftist candidate, has a good chance of getting into power, as has already taken place in Uruguay with the victory of Tabaré Vázquez, or when Inacio Lula da Silva won the Brazilian elections.

It seems, therefore, that this is the hour of the left.

All this is accompanied by an evident degradation of political institutions. In many nations—with the clear exception of Chile—the traditional political parties are disintegrating. In all polls, parliaments appear

### Talking Points

- Reforms toward a market economy, moderation in public spending, fiscal balance, privatizations, liberalizations, and the control of inflation did not take long in losing their attractiveness in Latin America.
- However, Eastern Europeans coming out of the Communist bloc had a clear notion that the model to follow was the one used by successful countries, and they understood that they needed to follow capitalist rationality.
- Latin America will continue to be the poorest sector of the West until a broad consensus around an economic and political model capable of inducing growth, and substantially decreasing the levels of poverty, takes hold.
- Because almost nobody in Chile doubts that success lies in the free market, education, a fundamental economic orthodoxy, and democracy, Chile could become, in the course of one generation, the leading Latin American nation to join the first world.

This paper, in its entirety, can be found at:  
[www.heritage.org/research/latinamerica/hl883.cfm](http://www.heritage.org/research/latinamerica/hl883.cfm)

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as the most discredited branch of government, and the loss of prestige of the political class is such that the image that best fits the interests of politicians seeking elected office is that of the *outsider*, somebody that does not come from the system and who will come to clean out the stables of Augias from the indigence that they so shamelessly exhibit.

On the other hand, the judicial branch, in practically all these countries, is also classified as unjust, venal, and corrupt, almost as much as is the police, frequently in cahoots with criminals to commit all manner of abuses against defenseless citizens.

### **A Journey to the Recent Past in Latin America**

This horrible outlook has been aggravated in the last few years. It wasn't exactly this way merely a generation ago.

Let's travel to the past and take a look at the beginning of the 1990s in the Western world. The first thing we notice is the appearance of a powerful center that won the Cold War, made up of the U.S., Canada, Western Europe, and several Asian countries that during the last few decades had successfully integrated into the methods and customs of the West. I am talking about Japan and its four robust followers: South Korea, Singapore, Taiwan, and Hong Kong, the triumphal "Asian Dragons" (also known as the "Asian Tigers"), prosperous and developed.

Within this happy scenario, other hopeful elements can be seen: Two up-to-then-marginal areas of the West, Eastern Europe and Latin America, seem to be taking the road to political stability and economic rationality.

After the fall of the Berlin Wall, the former satellite states of the USSR begin to distance themselves from the tired metropolis, withdraw from COMECON and the Warsaw Pact, and without delay reinstitute a market economy, democracy, and pluralism as hallmarks of their new identity. Soon, even the USSR would implode, spawning in its path, among others, nations such as Ukraine, Belarus, Armenia, Georgia, and the remote Central Asian states of the former Turkistan.

In Latin America, these changes come hand in hand with the failure of old populist schemes. The

walls that fly off into the wind are protectionism, statism, and the rancorous dependency theory.

Latin Americans—who had seen how the famous Asian Dragons, along with European countries such as Spain and Ireland, had abandoned underdevelopment, taking the path of globalization and good governance—could not go on insisting on old and failed economic ideas, at times coming from populists from the right, such as Juan Perón, and at other times from populists from the left, such as the leaders of the Mexican PRI. Only the Cuban dictatorship maintains its indifference to reality, despite the fact that the sudden disappearance of Soviet subsidies that took place in 1991 meant a crash dive in the consumption capacity of the society to the tune of 50 percent.

This is the moment in time when Salinas de Gortari in Mexico, Luis Alberto Lacalle in Uruguay, Gonzalo Sánchez de Lozada in Bolivia, César Gaviria in Colombia, Carlos Menem in Argentina, Carlos Andrés Pérez in Venezuela, and Alberto Fujimori in Peru—although the latter without much conviction—begin or deepen their commitment to reform. Facing a certain amount of popular resistance, they privatize state-owned enterprises, try to control inflation, and, up to a certain point, open their markets.

In Chile, Patricio Aylwin wisely insists on the economic path blazed by the "Chicago Boys," then working for the recently defeated Pinochet dictatorship, while in Nicaragua, Violeta Chamorro, assisted by the good judgment of her son-in-law and chief of staff, Antonio Lacayo, disassembles with great effort the fateful legacy of the Sandinistas. In some cases, such as Argentina, reforms unfortunately will not be accompanied by the containment of public spending—something that will in the mid term lead to an enormous economic crisis.

The United States—which since the Reagan and "Bush 41" Administrations had been making efforts to create closer trade ties with Latin America—during the first Clinton Administration finally succeeds in incorporating Mexico into the North American Free Trade Agreement (NAFTA), having to defeat in the process a strong alliance of labor unions, protectionist corporations, and a number

of nationalists that do not deny their disdain for their Mexican neighbors. At that moment of euphoria, it would seem that the Free Trade Agreement of the Americas (FTAA), a huge hemisphere-wide economic community, would soon become a very beneficial reality for all.

At that moment in time, therefore, in the first half of the 1990s, the forecast called for Latin America to be definitely headed toward modernity, incorporating as the means for development and social and political behavior the same model adopted by the leading nations of the West. At around that time, I recall writing in an article a phrase that later turned out to be sadly inaccurate: “Latin America has come of age.” It turned out not to be true. A wide turn toward populism would not be long in coming.

### **And a Leap to the Future in the Eastern Bloc**

In fact, reforms toward a market economy, moderation in public spending, fiscal balance, privatizations, liberalizations, and the control of inflation did not take long in losing their attractiveness in Latin America. Their enemies—neopopulists, coming out of the old Marxist left and at times out of the nationalist right—craftily discredited these measures, creating the label “neoliberalism.”

Suddenly, Latin America’s poverty was a “consequence of the savage neoliberal tax imposed by the International Monetary Fund, the World Bank, and, in the final analysis, American imperialism.” Anyone ticketed with the label “neoliberal” would be politically destroyed, so that adjective was utilized demagogically in any electoral battle. Reforming the state, therefore, lost almost all its attractiveness.

However, this phenomenon seemed to affect only Latin Americans. Eastern Europeans coming out of the Communist bloc had a clear notion that the model to follow was the one used by successful countries, and they understood that, no matter how painful the adjustments would be, it was unavoidable that they needed to follow capitalist rationality.

In the final analysis, the Maastricht Treaties—whereby the euro, the common European monetary unit, was created—looked substantially like

the so-called Washington Consensus so greatly derided by Latin American neopopulists. It was unavoidable to privatize state-owned enterprises, to abandon price and salary controls, to stimulate the free functioning of the market, to combat inflation, to limit public spending, and to balance budgets, even though this would lead to a cutback in state services.

What is the result of this divergence between the path followed by the Eastern European countries and those of Latin America? Very stark: Practically all of the 10 former Communist countries that recently joined the European Union have today healthier economies than their Latin American counterparts, and one of them—Slovenia, the most prosperous one—has an annual per capita income of \$19,000 in purchasing power parity, practically triple the average PPP of Latin America. In general, these 10 nations, after going through a difficult transition period that included nothing less than the reinvention of capitalism and the reintroduction of private property, report macroeconomic data much better than those achieved by Latin America.

### **Three Latin Americas**

However, it would be unjust to classify all of Latin America as one unitary bloc where only one ideological trend is in vogue. The truth is that there are three large blocs, each with its own characteristics.

There is one Latin America in which Mexico, Central America, the Dominican Republic, Chile, and perhaps Colombia can be included, where it would appear that the majority of society and of the ruling political class agree to some extent in backing the Western capitalist model and in accepting the methods of governance and the public policies instituted by the great nations of the developed West.

There is a second Latin America, undecided and indecisive, in which those favoring reform do not hold any powerful political leverage, made up of three Andean countries—Peru, Bolivia, and Ecuador. In this area, to different degrees, populism, regionalism, Indian nativism, and coca planters coalesce while the frailty and discredit of the political establishment opens the way to any radical adventure of the left, making it impossible to disre-

gard serious secession attempts, such as those happening in Ecuador in the dispute between Guayaquil and Quito, or in Bolivia between Santa Cruz and La Paz.

The third Latin America, made up of governments that take up a broad band on the left, include the Brazil of Lula da Silva, the Argentina of Néstor Kirchner, the Uruguay of Tabaré Vázquez, the Venezuela of Hugo Chávez, and Cuba, for now the only Communist nation remaining in the West, governed for almost half a century by Fidel Castro. Paraguay, in tow of its huge neighbors in the Southern Cone, will probably follow the trend that ends up taking hold in that region of the world. In principle, this third Latin America is a strong populist redoubt, with clear symptoms of anti-Americanism, enemies of the FTAA, and intent on creating an alternative under MERCOSUR, the southern common market.

However, this left is far from monolithic. South American socialism has two very different faces. On the one hand, under modern socialism, we find the Chilean Ricardo Lagos and the Brazilian Lula da Silva, while on the other, radical and authoritarian varieties, Fidel Castro and Hugo Chávez. Evidence points to Néstor Kirchner, the Bolivian Carlos Mesa, and Tabaré Vázquez to inch closer to the ideas espoused by Lagos and Lula than to the revolutionary adventures called for by the Cuban Commander and the Venezuelan Lieutenant Colonel.

In any case, Chávez—who has already announced explicitly the Cuban destination selected for his revolution—and Castro will both persist in their decision to revive the atmosphere of the Cold War in Latin America, with the improbable objective of revitalizing Communism. That is where the support for Daniel Ortega in Nicaragua, Shafik Handal in El Salvador, and Evo Morales in Bolivia is coming from.

Why do they do it? The Messianic aspirations they espouse or the Marxist convictions that they may hold aside, they are engaged in this insane project because of strategic reasons formulated long ago by Leon Trotsky after the Bolshevik Revolution of 1917—because they assume that socialism, if found in only one country, is destined to disappear. For

Trotsky, as for Castro and Chávez, the expansion of Communism is a form of self-protection.

### The “Uncivilization” of Latin America

Condoleezza Rice is right in paying attention to Latin America. Its problems are grave. In one way or another, they will affect the United States, and they are all interrelated. In a nutshell, all Latin America, although not to the same degree, is confronting a growing onslaught of common criminals, frequently allied to political subversion and driven by two formidable forces—the enormous resources of Colombian narcoguerrillas and the petrodollars of Hugo Chávez, the chief *caudillo* of the banana left, who is determined to redesign the political map of Latin America.

The best example of this dangerous symbiosis was recently showcased in a devastating event that took place in Paraguay. A few months ago, Cecilia, the young daughter of Raúl Cubas, a former president of that country, was kidnapped and murdered by militants of Patria Libre, an extreme-left political party in Paraguay looking to get millions in ransom. The group belongs to the Sao Paulo Forum, a sort of International that gathers from Chavistas of the Fifth Republic Movement to Nicaraguan Sandinistas, and among which singularly stand out the representatives of the FARC, the Colombian Revolutionary Armed Forces.

In fact, one of the leaders of the FARC, Colombian Rodrigo Granda—to whom the Hugo Chávez government granted Venezuelan citizenship and passport so he could freely move about the world—was the “technical” adviser to these Paraguayan criminals. Soon after these events, Granda was abducted in the streets of Caracas and was “sold” to the Colombian government by a group of Venezuelan military turned into “bounty hunters,” which provoked the ire of Chávez and his vice president, José Vicente Rangel, both committed to energetically defending this Colombian criminal.

What is the significance of this deed? Patently, in this case, we can encapsulate the problem and its extraordinary danger. Present is the long arm of the Colombian Communist guerrilla, replete with dollars coming from cocaine traffic and capable of operating in Paraguay, thousands of miles away.

Present is the ideological and strategic complicity among Patria Libre, the FARC, and Chavism, a Mafia-type collaboration among groups that have converted kidnappings, murders, and narcotrafficking into a common practice justified as valid elements in “the struggle against Yankee imperialism and cruel capitalism.”

Also present, indeed, is the suicidal indifference of the rest of Latin America, a continent that looks at these events as if they were police anecdotes lacking any nexus and not as they are, in fact—coordinated attacks against the heart of democratic stability and social peace in the whole continent.

Add to this outlook the emergence in Central America of the *maras*, made up of thousands of young gang members, terribly cruel and beginning to establish contacts with Communist narcoguerrillas. It is the perfect marriage—where to find better allies to traffic in weapons and cocaine?

Today, three countries are flooded and almost impotent against this form of massive lawlessness: Honduras, El Salvador, and Guatemala. It is possible that soon the bloodstain will extend into Nicaragua and Panama. Conditions are in place for this to take place: The police is very weak, lacking in resources, and the judicial system is politicized and prone to corruption while jails, overpopulated and violent, are truly schools for turning out criminals.

In large parts of Latin America, something fearsome is taking place: The state is increasingly incapable of maintaining order and guaranteeing the security and property of its citizens. In Argentina, the crisis goes as far as the government being extorted by *piqueteros*—protestors that demand subsidies in order to regulate their disturbances. In Ecuador, patriotism is beginning to get mixed up with street mutiny. In rural areas of Colombia, Peru, and Bolivia, the situation is even worse, causing great migrations of peasants into cities that are turning hopelessly into Calcuttas, creating ideal conditions for the proliferation of lawlessness.

This situation can be given the moniker *uncivilization*. Latin America, slowly, is “discivilizing.” Governments are losing their ability to exert authority. Societies feel unprotected. Criminals are in charge, at times alone and at others with the

complicity of corrupt police. Crimes go unpunished. Judges do not judge in fairness. Parliaments do not legislate with common sense. The rule of law and the delicate institutional fabric of the republics simply become diluted in the face of the generalized impotence of the society.

Therefore, Condoleezza Rice is right in looking south. Not only because it is there—but because it is burning.

## Conclusion

In any case, the outlook described is perhaps not as desperate as it seems. It is true that Latin America, in general, is taking up again a good deal of the populist schemes of the second half of the 20th century, but at times it seems that we are in the presence of devices to reach power and not true ideological convictions. Lula da Silva, for example, has not departed much from the fiscal policies of his predecessor, Fernando Henrique Cardoso, and both Kirchner and Vázquez have denied that they are trying to bring back the strong statism adopted in the past by the interventionist left.

There is no doubt, however, that Latin Americans will continue to be the most poor and backward sector of the West until a broad consensus around an economic and political model capable of inducing growth, and substantially decreasing the levels of poverty, takes hold.

Apparently, the only Latin American country where this has taken place is Chile, where almost nobody doubts that success lies in the free market, education, a fundamental economic orthodoxy, and democracy. That is why there is a great possibility that Chile, in the course of one generation, will become the leading Latin American nation to join the first world.

—*Carlos Alberto Montaner is an acclaimed author and journalist whose syndicated columns appear in Latin America, Spain, and the United States. His books include Journey to the Heart of Cuba, Manual for the Perfect Latin American Idiot, Twisted Roots: Latin America’s Living Past, and The Latin Americans and Western Culture. These remarks were delivered at a meeting of the Heritage Foundation Resource Bank held in Miami, Florida, on April 28–29, 2005.*