

Foreword

In 2001 George Bush started out his first presidential term by stating that his best *amigos* were in Latin America, and that the United States' most important relationship abroad was with Mexico. This may have been an overstatement, but the underlying feeling was probably genuine. Washington could surely rejoice in Latin America's turn toward democracy: all its countries except for Cuba were governed by elected civilians. And most of these governments were busy putting into place the pro-market economic reforms the United States had long advocated.

But then came 9/11, and the alleged *amigos* were quickly forgotten. A long period of neglect, not always benign, followed. Peter Hakim, one of Washington's most seasoned Latin-watchers, wrote in the December 2005 issue of *Foreign Affairs*: "Relations between the United States and Latin America today are at their lowest point since the end of the Cold War."

Reporting on Latin America in the US media, never too abundant, has become rarer still. And when US-based

reporters do venture south of the border, they continue to see Latin politics as the struggle between impoverished masses and conservative elites, between good revolutionaries and free-market fundamentalists. These old clichés, as Javier Santiso points out in this insightful book, are grossly out of date. While the United States and much of the world looked the other way, Latin America has continued to change, and very fast.

The main point of the book is simple: a new kind of political leadership has emerged in Latin America. Unlike the left-wing ideologues of the 1960s and 1970s and the right-wing ideologues of the 1980s and 1990s, these new leaders are pragmatists. They are committed, in Albert Hirschman's lovely phrase, to the "political economy of the possible."

Chile's leaders of the last 15 years are the poster children of this new kind of leadership. An alliance of Socialists, Social Democrats, and Christian Democrats, they have run budget surpluses year after year, privatized infrastructure, relentlessly cut tariffs, and signed free-trade agreements with the United States, the European Union, Canada, China, South Korea, and a dozen other nations. At the same time, the three Chilean governments since 1990 have increased spending on education, health, and housing, raised taxes, strengthened anti-trust legislation, and opposed the US war in Iraq.

The new Chilean leadership is highly trained. All the finance ministers have doctorates from places like Yale and Harvard. The current president, Ricardo Lagos, a

lawyer by training, has a Ph.D. in economics from Duke. But rather than adhere single-mindedly to one recipe, they tend to pick and choose among alternative approaches, and stick finally to what works.

Chile is certainly not alone in this. Brazil was led for two consecutive four-year terms by Fernando Henrique Cardoso, a world-famous sociologist who as finance minister had conquered decades of Brazilian inflation. Cardoso, much like his friend Lagos in Chile, surrounded himself with US-educated technocrats and combined orthodox fiscal and monetary policies with bold social initiatives, particularly in education. Cardoso was succeeded in office by Luiz Inácio “Lula” da Silva, a former metalworker who ran from the hard left but has governed since 2002 from the moderate center.

Ernesto Zedillo and Vicente Fox in Mexico, Valentín Paniagua and Alejandro Toledo in Peru, Andrés Pastrana and Álvaro Uribe in Colombia, Jorge Batlle and Tabaré Vázquez in Uruguay—some of these recent Latin American presidents have called themselves conservatives, others leftists; some have been quite popular and successful, others much less so. But they have two things in common: they were all constitutionally elected, and on economic issues they have been pragmatists.

One might have thought these moderate leaders would be natural partners for the United States. But with the notable exception of Uribe, they have mostly received a cold shoulder from Washington.

While the new generation of Latin presidents has had many successes, it also has failures of its own to account for. The biggest one has to do with economic growth. So much pragmatism has helped to lower inflation, to cut budget deficits, to stabilize wobbly banks, and (in some cases) to avoid currency crises. But it has not made Latin America much more prosperous. Over the last 20 years, Chile was the only country to reduce its income gap with the United States. All others have diverged, becoming relatively poorer.

Unlike much of Asia, the region is not on a path of sustained growth. In 2004, its best year in two decades, Latin America's economy expanded by 5.5 percent. In contrast, India has been averaging 6 percent growth annually for 15 years, and China's economy has grown by 10 percent for 25 years.

This poor growth and jobs performance is one reason why populism is once again rearing its ugly head in the region. Not every leader is a Lagos or a Lula. There is also Commander Hugo Chávez of Venezuela, a twice-failed putsch leader who then went on to be elected president. Under his watch, national income contracted by nearly 17 percent in 2002–03, and investment fell to a paltry 15 percent of GDP. Chávez now offers to export his Bolivarian Revolution to other countries in the region. Fidel Castro has offered his help in this task. Collaboration may also be forthcoming from Evo Morales, the newly elected president of Bolivia, who during the campaign promised to nationalize the oil and gas

industries currently owned by multinational firms. And there is Argentina's Néstor Kirchner, who has tried to fight inflation by threatening to boycott supermarkets.

Javier Santiso labels Chávez, Kirchner, and Morales "neo-populists." They revel in anti-market and anti-globalization rhetoric, and promise quick fixes ranging from poverty to inequality. In a region where such promises have long been common currency, this is not surprising. What is more novel, as Santiso points out, is that even Chávez and Kirchner have shown themselves to be pragmatists of a sort, avoiding the large budget deficits and runaway inflation that routinely brought the downfall of their populist predecessors.

Showing a deep "bias for hope" (the phrase again is Hirschman's), Santiso celebrates the "profound and subtle transformation that is taking place in Latin America, stemming from the surge of economic pragmatism." But, as he acknowledges in the final chapter, "the emergence of possibilism . . . remains incomplete and fragile; it is an unfinished journey."

Whether the journey will indeed be completed is up to Latin Americans. But Washington can help along the way. By picking fights with Chávez or Morales, or trying to isolate them as it has with Castro, American policy makers would surely make these neo-populists even more popular at home. Pragmatism in American policy toward the region: that would be a historic shift indeed.

Andrés Velasco

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