

CHAPTER I

THE FORGOTTEN CONTINENT

Scarcely a month goes by without some political leader or ageing rock star urging the citizens of the world's richer countries to do something to aid Africa. With similar frequency, as yet another statistic of economic advance comes out of Asia, we are assured that the world's future lies in China and India. Meanwhile, the terrorist attacks of 11 September 2001 and those thereafter in Madrid, London and elsewhere meant that for the United States and Europe, the Middle East and the broader Islamic world became of overwhelming strategic interest.

But what of Latin America, the other great region of the developing world? 'Latin America doesn't matter ... People don't give one damn about Latin America now,' Richard Nixon told a young Donald Rumsfeld in 1971 when advising the future American Defence Secretary which part of the world to avoid if he wanted a brilliant career.¹ With the exception of the Central American wars of the 1980s, Nixon's judgement has largely held true. To be sure, the sickening collapse of Argentina's economy in 2001–2 attracted horrified glances, as well as scaring some foreign investors away from Latin America altogether. Colombia's drug lords and guerrilla violence sometimes made headlines. Fidel Castro remained a curiosity, stubbornly ensconced in his communist island well into old age, having seen off nine American presidents. Then, suddenly, the veil of oblivion thrown over Latin America by much of the media in Europe and the United States parted. Presidential elections in a dozen countries in the thirteen months from November 2005 aroused a flurry of outside interest. This mainly focussed on the notion that Latin America was moving irrevocably to the left and out from under the thumb of the United States, where it was asserted to have forever languished. Much of the interest was catalysed by Hugo Chávez, Venezuela's voluble populist president, and by his search for disciples in the region. He aroused fears in many quarters (and hopes in others) that he might be another Castro – but one armed with oil. Seemingly in his wake stood Evo Morales,

a cocagrowers' leader and socialist with a pudding-basin haircut and a stripy jumper, who became the first Bolivian of Andean Indian descent to be elected to his country's presidency. In Chile, Michelle Bachelet, whose father died after being tortured by General Pinochet's secret police and who was herself briefly a political prisoner, became the first woman to be elected president in Latin America who did not owe this distinction to marriage to a famous husband (she was a separated mother of three children). In Brazil, Luiz Inácio Lula da Silva, a bearded former trade union leader born in poverty, had been elected in 2002; he shook off a corruption scandal involving his Partido dos Trabalhadores (Workers' Party) to win a second term. Daniel Ortega, a leader of the Sandinista revolution of 1979 and an old foe of the United States, was elected in Nicaragua. In Ecuador, Rafael Correa, who described himself as being of the 'Christian left', was elected. Elsewhere, two other figures seen as leftists, Ollanta Humala, a nationalist former army officer in Peru, and Andrés Manuel López Obrador, a charismatic former mayor of Mexico City, were only narrowly defeated.

Something, it seemed, was stirring in Latin America. But this flurry of interest only served to underline the region's status as a largely forgotten continent. It is neither poor enough to attract pity and aid, nor dangerous enough to excite strategic calculation, nor until recently has it grown fast enough economically to quicken boardroom pulses. It is only culturally that Latin America makes itself felt in the world. Its music, dance, films, novels and painting have edged into the cultural mainstream in both the United States and Europe. Spanish is firmly established as the second international language of the Western world. Taking into account use as both a first and second language, Spanish is spoken by 417 million people, making it the fourth most-spoken tongue after Mandarin, English and Hindi, according to a report commissioned by the British Council. Portuguese is in seventh place, with 191 million speakers, behind Russian and Bengali but ahead of German and French.² Brazil is enjoying a surge of popularity that extends far beyond the football field. 'Everyone wants a Brazilian!' proclaimed London's *Observer* newspaper in 2003. 'Everyone loves Brazil,' echoed *Newsweek* the following year, noting the global reach of the country's fashion models, bikinis, capoeira and music. Tango, the jerkily melodramatic dance of Argentina, is in global vogue. So, too, is the dancehall music of pre-revolutionary Cuba, revived in the Buena Vista Social Club. Exhibitions of Mexico's cultural treasures, from the Aztecs to Frida Kahlo, have drawn massive crowds to museums across Europe. Flourishing contemporary art in both Brazil and Mexico is receiving international attention. The Latin American travels two centuries ago of Alexander Von Humboldt, a distinguished natural scientist and writer, provided the subject for Germany's best-selling novel of the past two decades,

published in 2005. ‘I wanted to write a Latin American novel,’ said Daniel Kahlmann, its young and previously unknown author. ‘I’ve written a Latin American novel about Germans and German classicism.’³ At the other end of the cultural spectrum, Latin American *telenovelas* challenge American soaps for domination of much of the world’s television screens, claiming an audience of some 2 billion people. Romantic melodramas from Mexico and Venezuela and grittier social dramas from Brazil have captivated viewers from Russia to Indonesia to the Middle East.⁴

Some Latin Americans have long claimed a superiority in cultural production over their materially more successful northern neighbours. Yet, paradoxically, the region’s enhanced cultural prominence stems in part from the increasingly audible and dynamic presence of 41 million *Latinos* in the United States. It also reflects globalisation and one of its consequences, the rise in tourism to Latin America. That has exposed more and more people to the region’s awe-inspiringly dramatic geography, the magnificent artefacts left by the ancient civilisations of the Aztecs, Mayas and Incas, and the personal warmth and relaxed approach to life that characterise the average Latin American.

There are, in fact, other reasons apart from culture and language why Latin America, a region of 550 million people, matters to the rest of the world. It is not just a source of migrants and illegal drugs – though it is that. It boasts some of the world’s most ecologically important, biodiverse and endangered natural environments, from the Amazon rainforest to the Andean glaciers and the Galapagos Islands. Brazil has more ‘environmental capital’ than any other country in the world: it has the most biodiversity and its river systems contain more fresh water than those of any other country (almost three times more than those of the United States).⁵ Latin America has the world’s largest reserves of arable land, and is a storehouse of many important commodities, from oil to metals and foodstuffs. If rich countries were ever to make a serious effort to dismantle agricultural protectionism, Latin America could supply much of the world’s food, as well as its industrial raw materials. In 2004, the region had 8.5 per cent of the world’s proven oil reserves. Venezuela’s government claims that if the extra-heavy oil from the tar sands of the Orinoco is included, its reserves total 235 billion barrels – similar to those of Saudi Arabia.⁶ In 2004, Latin America accounted for almost a third of oil imports by the United States. The US Department of Energy expected that percentage to rise over the next two decades.

Demand for Latin American commodities from China, in particular, has helped to fuel a renewal of economic growth in the region. Between 2004 and 2006 the region’s economies, taken as a whole, grew at an average of around 5 per cent a year. This was the best performance for more than

two decades, though it still lagged that of many other developing countries. Growth remained relatively disappointing in Brazil and Mexico, the two largest economies in the region. But the potential, as always, is beguiling. In 2003 Goldman Sachs, an investment bank, published a report in which it highlighted the growing importance for the world economy of 'the BRICs', a new acronym in which Brazil took its place alongside Russia, India and China. Brazil is the world's fifth-largest country in area and population and its fourth-largest democracy. Its economy was only the eleventh biggest, when measured at market exchange rates in 2005, or the ninth in purchasing-power parity terms. But the Goldman Sachs report argued that Brazil's economy could become larger than that of France by 2031.⁷ Brazil is increasingly seen as a country of global significance in other respects, such as in world trade negotiations. It also has aspirations to become a permanent member of the United Nations Security Council.

The relative neglect of Latin America by the outside world is in part benign. No news is good news, after all. Most Latin American countries are no longer home to dictators or death squads and, Argentina and a few others apart, they pay their debts. Yet what is at stake in Latin America in this first decade of the twenty-first century is of much wider importance. Along with Europe and North America, Latin America can claim to form the world's third great group of democracies (with Cuba the lone exception). But Latin America has another, less attractive, distinction: it has the most unequal distribution of income in the world. At the start of the new century, the richest 10 per cent took between 34 and 47 per cent of the pie depending on the country, while the poorest 20 per cent got just 2 to 5 per cent. By contrast, in the United States the richest 10 per cent got 31 per cent and the poorest 20 per cent got 5 per cent, while in Italy the figures were 27 and 6 per cent respectively.⁸ That is why, even though most Latin American countries are officially classed as 'middle income', almost two-fifths of Latin Americans – or some 205 million people – lived below their country's national poverty line.⁹ So Latin America's attempts to make democracy work, and to use it to create fairer and more prosperous societies, carry wider significance. The region has become one of the world's most important and testing laboratories for the viability of democratic capitalism as a global project.

This book is a progress report from this laboratory of democracy, on Latin America's quest to achieve the twin goals of effective and equitable political systems on the one hand, and sustained economic growth and development on the other. It is first and foremost a reporting job, drawing on a quarter of a century of observation of the region. But it is also an attempt to convey the complex realities that are so often missed by the sweeping generalisations and superficial misrepresentations that are all that Latin America merits in

many media outlets in Europe and the United States. Both left and right have tended to treat the region with the utmost condescension. Rich-world leftists, while enjoying the freedoms and prosperity of capitalist democracy, worshipped vicariously Castro's defiance of the United States – increasingly mimicked by Chávez – and presumed that benevolent socialist strongmen were a worthy solution for what they saw as the corruption and poverty of capitalism in the rest of Latin America. Many NGOs, often with the best of intentions and claiming to speak for Latin American counterparts who were dependent upon them for funds, were too ready to preach anti-capitalism while offering no plausible alternative path to development for people who urgently needed it. (Such are the biases of academia that while the activities of multinational companies have received exhaustive study, the interventions of rich-world NGOs in Latin America have attracted scarcely any analysis.) On the other hand, some 'neoliberals' assumed that free markets and free trade were in themselves all that was needed to deliver a promised land. Conservatives often seemed to believe that Latin Americans were a poor, disorganised and hot-headed lot, too immature for democracy and in need of the smack of firm government from a capitalist strongman. All the evidence is that most Latin Americans, for their part, want what most people elsewhere want: freedom, security, clean and effective government, social provision and a vigorous capitalism that creates jobs, opportunities and prosperity. It is the purpose of this book to show why this deceptively simple combination has proved so elusive in the region – but also why for many Latin American countries it is within closer reach today than at any time in their history.

From hope to disappointment

In 1994, Bill Clinton, then newly elected to the presidency of the United States, invited 33 other heads of government from the Americas (all of them except Castro) to a summit in Miami. Remarkably, it was the first such meeting ever held. It had a celebratory ring to it. In the dying years of the Cold War, Latin America had undergone a historic transformation, with the seemingly definitive establishment of democratic government. In 1978, outside the Caribbean, only three countries in the region were democracies; by 1994, all except Cuba and Mexico were (and Mexico was well on the way to becoming one).¹⁰ This democratic wave swept away some of the bloodiest and nastiest dictatorships the Latin American countries had seen in their long – though far from continuous or generalised – history of authoritarian rule. It went hand in hand with a surge of free-market economic reform after half a century of statist protectionism. This prompted much optimism that Latin