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Latin America's Dangerous Decline

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El peligroso declive de América Latina
O perigoso declínio da América Latina

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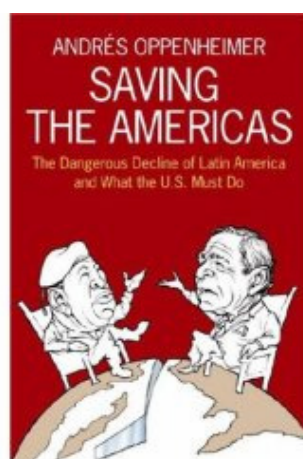
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This article is an Adaptation from "Saving the Americas: The dangerous decline of Latin America, and what the U.S. must do," (Random House, 2007) by Andres Oppenheimer. An abbreviated version of this article has appeared in The Washington Post.

Este artículo es una adaptación de Saving the Americas: The dangerous decline of Latin America, and what the U.S. must do» (Random House, 2007) [Salvar las Américas: El peligroso declive de América Latina, y qué debe hacer Estados Unidos], de Andres Oppenheimer. Se ha publicado una versión resumida de este artículo en The Washington Post.

Este artigo é uma adaptação de «Saving the Americas: The dangerous decline of Latin America, and what the U.S. must do» (Random House, 2007) [Salvar as Américas: O perigoso declínio da América Latina, e o que os EUA devem fazer], de Andres Oppenheimer. Foi publicada no «The Washington Post» uma versão resumida deste artigo.



When the Spanish-version of "Saving the Americas" came out in Latin America two years ago and warned about the region's dangerous decline in the global economy, I never expected it would create a political stir, much less that it would sell more than 200,000 copies. My biggest fear was that it would be dismissed as fear-mongering literature.

The book came out as international financial institutions were celebrating – as they still are – Latin America's best economic performance in more than two decades. Indeed, the region has been growing at about 5 percent annual rates for the past five years. Some countries, such as Venezuela and Argentina, have been growing at 9 percent rates.

In addition, a record \$65 billion a year in family remittances from Latin American migrants in the

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United States and Europe have become a new source of wealth for millions of the region's poor. And soaring world prices of oil, soybeans, copper and other commodities – alongside China's emergence as a major buyer of the region's goods – have resulted in an export bonanza for many Latin American countries.

Latin American leaders were exuberant. Venezuela's narcissist-Leninist President Hugo Chavez proclaimed that his oil-rich country was not only growing economically, but "socially, morally, even spiritually." Argentine President Nestor Kirchner assured his country that the whole world was marveling Argentina's impressive economic recovery. Mexico's then President Vicente Fox asserted that Mexico was growing "like a locomotive that after taking off, starts picking up speed."

Trouble is, Latin America is growing almost exclusively because of external factors, such as a growing world economy and high commodity prices. And these factors will not last forever. Latin American leaders' claims that the region was entering a new era of prosperity were fairy tales, I argued in the book. Accordingly, the book's title in Spanish was "Cuentos Chinos," and in Portuguese "Contos do Vigário," both of which translate roughly as "Tall Tales."

While researching the book, I had traveled to places as politically diverse as China, India, Poland, the Czech Republic, Ireland and more than a dozen Latin American countries, seeking to find out why some countries are growing and reducing poverty faster than others. And it didn't take me long to conclude that Latin America suffers from "peripheral blindness" – an excessive focus on its itself, and a failure to realize what is going on in the rest of the world.

Indeed, while Latin America had been growing at a 5 percent annual rates for the past few years, China had been growing at 10 percent rates for nearly three decades, India had been growing at about 8 percent rates for a decade, Eastern European economies were expanding at near 6 percent annual rates, and even Africa had recently grown at 6 percent rates. In fact, measured against other developing regions, Latin America is falling behind.

In terms of poverty reduction, the contrast is even starker. While Asia – which was behind Latin America by most economic standards four decades ago – has reduced poverty from 50 percent of its population in 1970 to 19 percent nowadays, Latin America has barely reduced poverty from 43 percent to 39 percent of its population over the same period, according to United Nations figures.

What are Asians doing that Latin Americans are failing to do?, I asked myself. One of the things I soon discovered in my travels was that while many Asian countries are guided by pragmatism and obsessed with the future, many Latin American countries are guided by ideology and obsessed with the past.

In China, I saw pragmatism everywhere. Shortly after landing in Beijing, I learned that top government officials had recently welcomed the entire board of directors of McDonald's. A few weeks earlier, while traveling in South America, I had learned that the Chavez government had proudly announced a three-day suspension of all McDonald's restaurants

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in his country, citing an alleged tax investigation aimed at teaching multinationals a lesson.

Ironically, while Communist-ruled China is going out of its way to woo foreign investors, several nominally capitalist Latin American countries seem to be seeking to keep investors away.

In Latin America, history reigns. Venezuela's Chavez addresses the nation almost daily in front of a giant painting of 18th Century independence hero Simon Bolivar. He cites Bolivar's writings as the guiding light for virtually every government decision. He has even officially changed Venezuela's name to "the Bolivarian Republic of Venezuela."

Granted, Bolivar may have been a great man at his time - or not - but he died in 1830, forty years before the invention of the telephone, and 150 years before the invention of the internet. What can Bolivar's nationalistic ideas - or those of late Argentine leader Juan Domingo Peron, or Mexico's Lazaro Cardenas, for that matter - teach Latin America in today's global economy, where recent college graduates in Wall Street's financial firms can move hundreds of millions of dollars from one country to another by simply pressing one computer key?, I asked readers. Not much.

But the most troubling trend for Latin America is its stagnation in education, science and technology. While Asians and Eastern Europeans are creating increasingly skillful labor forces, most Latin American countries have barely modified their outdated education systems.

In China, to my big surprise, I learned that children in all public schools are beginning to get compulsory English-language classes in third grade, four hours a week. When I asked Mexico's education minister a few weeks later in what grade do Mexican chil-

dren in public schools start studying English, the answer was in seventh grade, two hours a week. When I asked Argentina's education minister the same question, I got the same answer.

How can one explain that China, a Communist-ruled country in another continent that has an entirely different alphabet and major cultural differences, starts teaching English in public schools four years earlier than Mexico, a U.S. neighbor that shares the same alphabet, and has a free trade agreement with the United States?

But that is just one measure of Latin America's educational challenge. Among others that I cited in the book:

- While the conventional wisdom in Mexico, Argentina and other countries in the region is that their big state-run universities are great, they are pretty mediocre. According to the London Times' Higher Educational Supplement's 2007 ranking of the world's 200 best universities, there are only three Latin American universities among them, and they are at the very bottom of the list - the University of Sao Paulo, Brazil (178th), the University of Campinas, Brazil (179th), and the National Autonomous University of Mexico, UNAM, (195th). By comparison, about a dozen universities from China, Singapore and South Korea rank much higher on the list.

- While the number of Asian students in U.S. colleges is rising, the number of Latin Americans is dropping. India has 84,000 students in U.S. colleges, China 68,000 - 76,000 (one includes Hong Kong) - South Korea 62,000, and the percentage of Asian students rose by 5 percent in 2006, according to the New York-based Institute of International Education. By comparison, Mexico has 14,000 students in U.S. colleges, Brazil 7,000, Colombia 6,700, Venezuela 4,500, Argentina

2,800, Chile 1570, and the number of Latin American students fell by 0.3 percent last year, according to the IIE report.

- While Asian and Eastern European countries are mass producing engineers and scientists, Latin America's state-run universities are producing large numbers of psychologists, sociologists and political scientists.

Argentina's 152,000-student University of Buenos Aires is graduating 1,300 psychologists a year, compared with about 240 engineers -- the equivalent of five new psychologists to try to solve the mental problems of each new engineering graduate. At Mexico's 280,000-student UNAM, eighty percent of the students pursue careers in social sciences, humanities, arts and medicine, and only twenty percent in engineering, physics or mathematics. At both universities, which charge no tuition, the vast majority of students drop out in their first years of college.

- In the latest Program for International Student Assessment, a standardized test that measures 15-year-olds in math, language and science, Latin American countries scored among the lowest in the world. While Chinese children in Hong Kong scored 550 points in the math test, South Korean students scored 542 and U.S. children 483, the scores in Mexico, Brazil, Chile and Argentina were around 400 points or below.

- Only 1 percent of all world investment in research and development goes to Latin America. And Latin America's 32 countries together spend \$11 billion a year in research and development, which is less than the \$12 billion that one Asian country alone - South Korea - spends annually on it, according to the Inter-American Bank. Why is all of this important? Because in today's knowledge economy, in which pri-

ces of raw materials - even with today's record oil prices - are way below those of high-tech or higher value added goods, countries that produce the most sophisticated goods are the ones that grow the most in the long run.

My favorite example: of each cup of Latin American-grown coffee that American consumers buy at any U.S. cafeteria, less than 3 percent of the price goes to the region's farmers. More than 97 percent of the price goes to those involved in the genetic engineering, processing, branding, marketing and other knowledge-based activities, which are most often based outside the region. If Latin America wants a greater share of the production pie, it will need more engineers and business administrators.

Despite these depressing data, I'm still optimistic about Latin America. There several encouraging trends in the region, including a new political and economic stability within democracy.

Brazil, Mexico, Chile, Colombia and Peru, among others, are breaking away from Latin America's age-old curse of extreme political swings, which led to instability, capital flight, and ever-growing poverty. These and other countries have bet on economic continuity, which is beginning to draw growing domestic and foreign investments. And, in several cases, this is done by a new breed of economically-responsible leftist governments.

Granted, U.S. officials and most of us in the media focus on Chavez and his allies in Bolivia, Ecuador and Nicaragua, who make big headlines with their calls for Socialist "revolution." But, together, Venezuela and its friends don't account for more than 7 percent of Latin America's gross domestic product. Latin America's story is being written elsewhere in the region.

As more Latin Americans become interested in the outside world, as I witnessed when I started seeing street vendors peddling pirated editions of “Saving the Americas” in several capitals, and begin to see the rewards of long-term stability, as several of presidents in the region are already doing, there will be a growing social pressure to attract investments and promote education. The region may still surprise skeptics, and become the world’s next success story.
