

*THE OPPENHEIMER REPORT*

## **Despite headlines, there's hope for Latin America**

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**MEXICO CITY** -- Cheer up! Despite a barrage of depressing news from Latin America and the Caribbean in recent days, there are some reasons to be optimistic about the region.

Granted, last week's headlines can give the impression that the region is going nowhere. Pessimists can say that a growing number of reactionary leftist rulers -- emboldened by a temporary rise in world prices of commodities exports -- are scaring off investors and generating capital flight, factory closings and poverty.

On Friday, in what may go down in history as a constitutional coup, Bolivian President Evo Morales moved a step closer to Venezuela's authoritarian democracy.

Morales' backers in a newly elected Constituent Assembly approved, 156-77, giving the institution "foundational" powers, which will allow the 255-member body to rewrite the Constitution. Opponents say that, under Bolivian law, the Constituent Assembly needs a 2/3 majority to rewrite the Constitution.

Meantime, in Ecuador, a new poll showed that leftist-populist candidate Rafael Correa has become the front-runner in the race for the Oct. 15 presidential elections. Correa, an ally of Venezuelan President Hugo Chávez, vows to convene a Constituent Assembly to "refound" the nation, much like Venezuela and Bolivia have done.

In Nicaragua, a new poll shows that radical leftist former president Daniel Ortega is leading the race for the Nov. 5 elections.

If Chávez wins a seat at the United Nations Security Council later this month, and if his allies win in Ecuador and Nicaragua, he will have a stage from which to display his narcissism-Leninism, and he will have a Venezuela-Cuba-Bolivia-Ecuador-Nicaragua bloc to expand his influence in Latin America.

But while reading all of these headlines late last week in Mexico, I stumbled upon a much smaller but potentially more meaningful story in the back pages of

the newspapers: On Oct. 24, Mexico will launch its first-ever 30-year peso-denominated bond.

Mexico's finance ministry feels that, as President-elect Felipe Calderón prepares to take office Dec. 1, there will be enough investor confidence to buy these bonds. If the bond is successful, Mexico will join the ranks of rich countries that offer long-term bonds to pay for their roads, schools and hospitals -- something that most Latin American countries have long been unable to do.

More importantly, on the eve of today's presidential elections in Brazil, there were no big headlines warning about a possible radical shift in South America's biggest country. On the contrary, the stories were rather undramatic, pointing out that President Luiz Inácio Lula da Silva -- a former hard-line leftist -- had shifted so much to the center that, no matter who wins, Brazil would continue its slow-motion economic opening.

In Peru, new President Alan García, who in his previous presidency had suspended his country's foreign debt, has come back as a pro-investment moderate leftist. In Chile, socialist President Michelle Bachelet is continuing her country's successful insertion in the global economy.

The good news is that a new democratic stability is emerging in much of Latin America. Investors are not taking their money out of Mexico, Brazil, Peru or Chile. And what's even better news, there is growing evidence that this new democratic stability is working.

According to official figures, Chile has cut its poverty rate from 39 percent of the population to 18 percent over the past 16 years; Peru has reduced poverty from 54 percent to 48 percent over the past five years, and Brazil -- according to a new Data-folha Institute survey -- has lifted more than six million people out of extreme poverty over the past five years.

In Mexico, poverty dropped by 20.5 percent over the past six years, meaning that 4.8 million people were lifted out of poverty during that period, according to government estimates.

"There has been a better distribution of wealth," boasts Mexico's presidential spokesman, Rubén Aguilar. "The rich have seen their income drop. Clearly, the poor have been the winners."

Granted, much more needs to be done, and fast, to reduce the region's obscene inequality and extreme poverty levels. Nevertheless, without strident speeches or political repression, these countries are doing more to raise the standard of living of the poor than Chávez, Morales, Fidel Castro and their brethren. That's good news!