Juscelino Kubitschek bridge in Brasilia, Brazil; Latin America is no longer a development backwater. (Wikimedia/Erik Gaba)

The Strategic Price of Neglect

By Peter Schechter

Latinoamericanistas—those of us who follow, love, and have dedicated much professional and personal attention to Latin America—are often quick to complain about the historical U.S. neglect of "our" region. On the campaign stump, then Governor George W. Bush hinted at the long periods of negligence when he said, "Should I become president, I will look south, not as an afterthought, but as a fundamental commitment of my presidency."[1]

Indeed, we who advocate for stronger regional ties have long been disappointed with the lack of attention from U.S. policymakers. We have pointed to the dearth of commercial favoritism from America's businesses. We have argued for more assistance, more presidential visits, more creative policy frameworks.

But this time, something is very different. The United States is at a historic juncture. It cannot afford the costs of continued neglect towards the region because today the United States is incurring more than just lost opportunity costs. Uncertainty is everywhere; it is even more acute beyond Latin America. It tears at the fabric of America's alliances and puts into play the 70-year old, U.S.-created post–war international order. Decades-old friendships are now in question.

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Like other U.S. allies, the region is confused by the conflicting signals from the United States. On the one hand, Latin music, culture, food and drinks are skyrocketing in popularity.[2] The U.S.-based investments of *multilatinas*, Latin multinational companies, are prospering and U.S. foreign direct investment in the region is growing.[3] On the other hand, except for Venezuela, the United States government's policy toward the hemisphere has, during the past eighteen months, oscillated between apathy and disdain. Reference to Latin America is often accompanied by an unusually sharp barrage of criticism of Latin Americans in general and Mexicans in particular. Tariffs have targeted some of the region's important exports. And, President Trump passed on the chance to meet his regional colleagues at the Summit of the Americas.

This detachment is unfortunate. In the past 25 years, the region has changed radically—mostly for the better (although, in a few cases, for the dismally worse). More importantly, while the world recognizes the transformation of the region, the United States cannot seem to let go of its view of Latin America solely through the narrow lens of drugs, crime, and immigration.

Indeed, Latin America is a good mirror of our times; an apt measurement of the *zeitgeist* of doubt. Having cemented its democracies and reformed its economies, some of America's closest Latin American friends are reassessing their options and realigning their interests away from the United States. Our closest regional friends are realizing that the United States may no longer be the fulcrum of Latin America's future. While America's soft power—its culture, innovation, and ethos—are still highly attractive, the fact is Europe, Asia, and China are capturing much of the region's political imagination and economic attention.

At a time of fast change, it is hard to think strategically. Yet, strategy is what will be needed to re-prioritize Latin America within U.S. foreign policy. At some point—in this administration or the next—there will inevitably be a debate about the role of China in Latin America. In her report this year on Chinese engagement with Latin America, the Inter-American Dialogue's Margaret Meyers asks whether China has understood the appeal to Latin American governments of inclusive rhetoric and development-oriented policies—maybe better than the United States.[4] Today, there is a price for neglecting the region: the abdication of influence to the United States' most important strategic rival.

If You Were Latin American, China Would Look Pretty Good

China's fast-growing interest in the region, in fact, has not gone unnoticed by U.S. policymakers. In February 2018, former U.S. Secretary of State Rex Tillerson warned Latin American countries against excessive reliance on economic ties with China, arguing that the region did not need new imperial powers: "Today China is getting a foothold in Latin America. It is using economic statecraft to pull the region into its orbit; the question is at what price?"[5]

Secretary Tillerson was not wrong. The United States should be worried about its waning influence with an estimated 640 million increasingly middle-class Latin Americans. Yet, notwithstanding the apparent preoccupation, U.S. actions in the region seem designed to distance the United States from its regional neighbors. Compare China's "peaceful rise" of investments and trade missions or Europe's negotiation of a Mercosur–EU trade deal with the demarche from the Trans–Pacific Partnership, assaults against NAFTA, the North American Free Trade Agreement (which now has turned into the United States-Mexico-Canada Agreement), rhetorical attacks on Mexico, tariffs on Argentina and Brazil, and the harsh treatment of Latin American migrants, including the tear gassing of Central Americans at the Tijuana border.[6]

As an example, the Economist's Bello column juxtaposes the Trump Administration's rhetoric

during the World Economic Forum in Davos, Switzerland early last year with Chinese Foreign Minister Wang Yi's speech during the same period while attending the China and the Confederation of Latin American and Caribbean States (CELAC) to promote globalization, free trade, and co-operation with Latin America. China, in the soothing words of Minister Wang, offers Latin America a "strategy of mutual benefit and shared gain."[7] In fact, since that speech Minister Wang, as of mid-2018, has completed at least 14 ministerial-level meetings with government officials from the region, discussing trade, bilateralism, surely all while selling the 'intuitiveness' of including Latin America in the One Belt One Road (OBOR) initiative in coming years.[8]

The difference with the United States is not just stylistic; it is substantive. Talk to Latin American leaders and you will hear a consistent theme: the Chinese are willing to provide trade, financial assistance, and technical help. They construct the infrastructure, invest in local companies and grow commerce. Chile's former Foreign Minister, Heraldo Muñoz, summed up these feelings during the China–CELAC summit in Santiago in January 2018—"We are in uncertain and complex times, and China is playing a very constructive role in addressing these complexities."[9]

It is worth reviewing some of the salient facts of Chinese influence in the region. In the past five years, total annual trade between China and Latin America shot up from almost nothing to more than $200 billion by 2014. After stalling for the next two years, Latin America's exports to China increased by around 30 percent in 2017, according to the Inter-American Development Bank (IDB), mainly because of an increase in the price of South American oil, minerals and other commodities. China is the largest trading partner of Brazil, Chile, and Peru.[10]

It is not just trade. Chinese investment in the region, according to a report by the Boston University's Global Development Policy Center, has continued to rise. In just the past couple of years, Chinese companies have increased their new "greenfield" foreign direct investment in the region from $2.7–$4.3 billion during 2016–17, totaling to $29.5 billion from 2013–17.[11] Since 2008, the region has become the second largest destination for Chinese finance.[12] Chinese investors are diversifying away from extractive industries and, smartly, from a geographic focus on Venezuela. Investments in Brazil and Argentina have recently shot up, concentrating on banking and infrastructure projects such as railroads, power plants, and ports.[13]

Importantly, there has been some understandable preoccupation about the impact of Chinese trade on Latin economies. Reports by the Atlantic Council and others have expressed concern that Chinese demand for raw materials exacerbates the dependency on low-end exports and has a deindustrializing effect on the region's heavy industries such as steel, plastics, and glass.[14] Recent meetings with officials and think tanks in China have convinced me that the Chinese are aware of this criticism and are seeking to compensate through increased investments.

China's currency, the *renminbi*, now has regional clearinghouses in Latin America to facilitate trade. In 2015, the People's Republic of China opened two of these Offshore Clearing Banks in Latin America, first in Santiago, Chile, and then in Buenos Aires, Argentina.[15] These clearinghouses facilitate trade integration between China and the clearinghouse's host nation by allowing direct dealing in either currency, lowering transaction costs, and streamlining administrative obstacles.[16] Though the renminbi still trails other global currencies, it has transcended its humble beginnings in the past 15 years or so. According to the UN Economic Commission for Latin America and the Caribbean (ECLAC), the International Monetary Fund accorded special drawing rights to the renminbi, granting it potential to be used for IMF loans. Not to mention that the renminbi has become an increasingly desired currency on

global financial markets, with at least 60 countries possessing a cache of the Chinese currency.[17]

Notwithstanding some very public setbacks—especially in Sri Lanka and Malaysia—China has caught the world's attention with its Asian Infrastructure Investment Bank (AIIB) and the OBOR initiative. While both are mostly designed for Asia, Panama surprised many by being the first Latin America nation to petition joining the Belt and Road initiative. Even Chile's conservative new president, Sebastian Piñera, used his campaign stump speeches to promote the importance of a deeper bilateral relationship between China and Chile. Chinese capital flows have grown exponentially.

There has been considerable recent commentary that China's Belt and Road Initiative is little more than a 'debt trap'. But the numbers speak for themselves. The ECLAC report from January 2018 on "Exploring New Forms of Cooperation between China and Latin America and the Caribbean," notes that 80 percent of international loans to Latin American nations from 2005–16 originated from the China Development Bank, totaling $141 billion.[18] "Chinese lending to the region's governments exceeds that of the World Bank, the Inter-American Development Bank, and the CAF–Development Bank of Latin America."[19]

Yes, there are some preoccupying Chinese military sales to a few governments in the region, including some radars and fighter jets to Venezuela, a national emergency response system to Ecuador, military trucks and buses to Bolivia and Peru. But make no mistake—America's leadership in the region is not threatened by China's military sales; it is being sapped by the trade and investment opportunities created by China's strategic approach to Latin America.[20]

When asked what the United States should do to combat China's growing influence in the region, a Brazilian official recently answered in exasperation: "Anything! Because now the U.S. is doing nothing." The truth is that slowing China's growing importance in Latin America will not be easy; it will require a proactive, positive and economics-oriented approach. America's lack of response is the long-term threat. Put bluntly, it is the chronic reluctance to fortify hemispheric relations against the flood of Chinese finance and diplomacy that may be the reason Washington is washing out of the region. Again, this is the key, costly price of negligence.

The truth is that slowing China's growing importance in Latin America will not be easy; it will require a proactive, positive and economics-oriented approach. America's lack of response is the long-term threat.

There is no question that today's increasingly middle class, western, and democratic Latin America is a key asset to sustaining a strong U.S. economy and spreading democratic values around the globe. What is far from clear, however, is whether the United States wants to put in the effort to regain its influence in the region.

It is Not Your Grandmother's Latin America

It is hard to overstate the profound changes in Latin America during the past twenty years, which have largely seen the hemisphere evolve into a more prosperous region with an admirable new political consensus. With some notable exceptions, change is all over and it is mostly positive. In a region that has seen its share of international conflicts, there are now no border disputes at risk of flaring into

military conflict. Known in the past for blaming economic failures on outsiders, most Latin American nations have reformed their economies, sanitized their finances and raised millions out of poverty into a new middle class. Guerrillas and internal conflicts officially became a thing of the past with the recent signing of Colombia's peace agreement. Even the political turbulence caused by corruption investigations in Brazil, Peru, Colombia, and other countries means that the region's judicial institutions are becoming stronger and civil society's demand for transparency cannot be held back.

Perhaps the biggest change of all has been that, after a long history of inward looking, autarchic economic policies, much of Latin America now espouses a globalist mantra. Notwithstanding the rhetoric, politicians of vastly different persuasions—from Mauricio Macri in Argentina, Andrés Manuel López Obrador (known as AMLO) in Mexico to Jair Bolsonaro in Brazil—today want their countries to become stronger international competitors. Latin Americans largely favor politicians and policies that insert their economies into the global marketplace. Eleven countries in Latin America have free trade agreements (FTA) with the United States.[21] Outside the neighborhood, Latin American nations have ratified or are negotiating free trade agreements with Japan, the European Union, Israel, and China.

As proof of its growing weight, three Latin American countries are now part of the Organization of Economic Cooperation and Development (OECD), with important cooperation programs and access discussions in the wings with Costa Rica, Brazil, Peru, and Argentina. The OECD is known as a club of wealthy, democratic countries—though it should be better branded, in Daniel Runde's words, as "a club for serious countries."[22] Colombia joined in 2018, following Mexico and Chile, as the 36th member of the organization.

Even after years of economic slowdown and notwithstanding dire predictions, the 2018 "monster" year of elections in Brazil, Mexico, and Colombia brought to power a wide political spectrum, but has not altered a growing consensus towards open markets. In June, Iván Duque Márquez won in Colombia 54 percent to 42 percent against Gustavo Petro, a former guerrilla and leftist candidate. In the past 25 years, Colombia has earned recognition as consistently centrist. Petro's mere presence in the second round was groundbreaking. But in the end, Colombia's proclivity for caution won out.

In July, Mexico elected AMLO with more than 53 percent of the vote, a huge victory by Mexican standards. AMLO took office in December and he will hew a political high-wire act that combines accelerated social expenditures to the poor with protecting Mexico's hard-earned reputation as a manufacturing power. Despite fears that AMLO will reverse most of the previous government's important decisions (and he did, indeed, reverse the decision to construct a new airport in Mexico City), nothing he said in the campaign put Mexico's 2014 energy reforms or its outward looking, export-oriented manufacturing economic model into doubt

Bolsonaro, Brazil's newly elected populist leader, took office in January on a platform to battle rampant corruption and crime as well as promising to reignite Brazil's economy. Brazil has suffered one of the deepest and longest economic recessions in its history. There are legitimate worries that Bolsonaro's anti-crime crackdown could go too far. But, the election cemented a growing consensus that Brazil needs strong action to modernize its economy and engage further—not less—in the world. To that end, Finance Minister Paulo Guedes has promised to launch a deep program of privatization and reform.

With some glaring exceptions—led by Venezuela, Cuba, Central America's Northern Triangle and, more recently, Nicaragua—Latin America has become a solid western bastion of 640

million people. The region's countries are avid consumers of social media; indeed, Brazil is the world's second largest Facebook community. Democratic freedoms—the freedom to read anything, espouse a point of view and assemble to defend a cause—are not in question in most Latin countries. There are more women in the Congresses of Mexico and Argentina than in the U.S. Congress. Not withstanding Bolsonaro's rhetoric, gay marriage is legal in Brazil, Argentina, Uruguay, and Colombia.

Given Latin America's progress during the past two decades, this is the historical moment in which the United States and a rejuvenated Latin America should be most aligned. Even the much feared 'pink tide' of Hugo Chavez' Venezuela, and Evo Morales' Bolivia has failed completely; nobody in Latin America sees the catastrophe that Venezuela is today as a model for the future.

Indeed, many of the political and economic issues that divided the United States and the region in the past seem to have faded into history. From economic reforms, central bank independence, judicial strengthening, protections for journalists, liberating civil society and NGO's from government oversight, to the belief that open, global economies are the keys to prosperity—the United States and Latin America seem to finally be in synch across a spectrum of issues. Common economic, social, and political purpose has allowed greater cooperation on narcotics, immigration, and terrorism to occur without the historical sensitivities about hegemony and national sovereignty.

Sadly, that alignment has not happened. In 2016, America decided to move in a different direction, pivoting suddenly against the rules based international framework it had been preaching to the region for the past 20 years. Beginning with the administration's decision to pull out of the Trans–Pacific Partnership, the break with the region is accelerating. The consequences of this shift will inevitably be felt in the decades to come.

The "Arc of Confidence"

It seems almost quaint to suggest—in this moment of international dislocation and uncertainty about America's leadership and the cohesion of the West—the need for a "strategy" towards the region. Yet, this is exactly the right time to begin a debate about how to best integrate Latin America back into the U.S. foreign policy picture. At some point in the future, this administration or a future president will have to discuss whether U.S. policy now needs the creation of additional, new cornerstones.

When we do come to this debate, China will be its fulcrum. Its staggering 25-year sprint to prosperity has astounded many and created admirers around the globe. At its core, China's success raises deep questions. Many of us believed—and preached—that democracy was the essential precursor element needed to create the combustion of prosperity. China has proven us wrong.

Yet, China's development—and the model it proposes to other countries—is profoundly different from America's. China's deep economic advances beyond Asia and Africa into Latin America will soon force us into a debate about a defense of common values. A discussion of values may sound haggard and harried today, but the United States, Japan, Korea, and countries across Europe and Latin America still comprise an "arc of confidence" of western-oriented, democratic nations that have chosen openness and inclusion.

Latin America is where the fight to expand the arc of confidence must succeed. Of the regions that share a commonality of values, Latin America is the youngest and largest. Seemingly the economic caboose, the region's growth potential makes it a possible locomotive for the preservation of democratic values. Admiral James Stavridis, former Commander, U.S. Southern Command writes,

> *The countries of Latin America and the Caribbean have large populations with*

strong cultural and religious linkages to the United States, are almost all democratic, enjoy vast natural resources, and represent the only region of the world that avoided a war in the 20th century and are at peace today . . . we are lucky to be part of the Americas with partners like these.[23]

Including Latin America in an arc of confidence will require a whole new, positive policy that joins together democratic nations everywhere. But, in the Western Hemisphere, we will need to create new initiatives to promote growth, reduce inequality, enhance civil society and strengthen the values of democracy, freedom, and personal responsibility. This is not about crowding China—or anybody else—out of the region. It is about re-engaging with the hemisphere on an exciting, goal-oriented mission to re-imagine the hemispheric partnership and re-connect with Latin America on shared values and ideals.

The goal must be to take the impressive economic gains of the past two decades and push forward harder and faster—we must help to convert the majority of Latin America to become high-income countries by 2035. The most important countries of the region have come this far; there is no reason that Latin American nations cannot break the mold and become more developed countries. Latin America is not condemned to underdevelopment. After all, Colombia, Mexico, Argentina, Peru, Brazil, and Chile stand today about where Spain and Portugal stood only 25 years ago.

The ability to reach high income status will require combining specific national level policies and reforms with strategically delivered U.S. partnership. Leaders across the region must adopt a shared vision of the path forward and their objectives. Governments must act in concert; with business and civil society stakeholders included in the effort.

This effort will require large, highly-directed investments in infrastructure, education,

View of El Paso, Texas from the Ciudad Juárez, Chihuahua side of the U.S.–Mexico border. The United States is linked by history, geography, and economics to Latin America. (Flickr/ Astrid Bussinik)

and innovation. What is clear is that a commodities-based export model will not deliver the economic upgrades and fixes needed to transport a country to higher incomes. Diversifying to exports of higher value-added goods is *sine qua non*. Easy to say, harder to do.

Change is possible. Who would have believed only two decades ago that the policies such as fiscal discipline, tax reform, market dependent interest rates, floating currencies, trade liberalization, and privatization of state enterprises would be seen today as normal? These ideas, then derided as "IMF thinking" and "Washington Consensus," are today the basis of much of the region's economic modernization. It is worthwhile to remember that these changes happened without much political consensus. If Latin America came this far notwithstanding the opposition of powerful political voices, imagine how much further it could move with a broad consensus for change.

In 2003, OPIC committed $200 million in financing to support the construction of the Mariscal Sucre International Airport (Quiport) in Quito, Ecuador. Since opening in 2013, the airport has produced far-reaching benefits from Ecuador to the United States. (OPIC)

With a Little Help from our Friends, High Income is Doable!

Including Latin America in an arc of confidence starts with expanding the economic bargain. Democracy and freedom remain in danger without growth. What then might be the cornerstones of a new regional initiative to bring Latin America into the ranks of high income economies? Certainly, the brunt of the work and responsibility must be borne by Latin countries that must continue to reform economies to raise productivity levels, liberalize trade, and open markets. But, there is an important role for the United States as catalyst, investor and cheerleader. Here are the four fundamental pillars of what should be a new U.S. policy for growth in Latin America.

Create a Regional Infrastructure Investment Center

The Chinese clearly have done some things right through a massive effort, both at home and across the region. With the help of the Chinese, infrastructure transformation in the continent is accelerating. But, needs are still huge. The Economist describes it this way: More than 60 percent of the region's roads are unpaved, compared with 46 percent in emerging economies in Asia and 17 percent in Europe. Two-thirds of sewage is untreated. Poor sanitation and lack of clean water are the second-biggest killer of children under five years old, according to the World Health Organization.[24] Losses of electricity from transmission and distribution networks are among the highest in the world. Latin America spends a smaller share of GDP on infrastructure than any other region except sub-Saharan Africa.[25]

Infrastructure deficiency reduces productivity and throttles demand. The McKinsey Global Institute predicts that if the infrastructure of the region's middle-income countries were as good as that in Turkey and Bulgaria, their growth rates would be two percentage points higher than they

are.[26] The Economic Commission on Latin America estimates that the region needs to invest more than 6 percent of its GDP in infrastructure for 10 years (an estimated $320 billion) to eliminate the infrastructure needs gap.[27] This is far above the current level of investment, as none of the region's economies are currently investing more than 3 percent of GDP in infrastructure. Any new infrastructure investment center should seek to match the government's 3 percent with an equal contribution during the next fifteen years.

There are two ways to implement a new infrastructure center. The first would follow the Chinese model and create a mini-financial institution which could be attached to one of the three multilateral lending institutions—the World Bank, the Corporación Andina de Fomento (CAF) or the IDB. The latter probably is best placed as both a regional institution and also a bank that provides knowledge-based solutions. The second way would be to follow the European Investment Bank's model of providing regional and commercial banks with guarantees for infrastructure investment. Commercial banks do not lend monies for infrastructure because there are no back-up guarantees for these huge expenses. This latter route allows guarantees to leverage private funds.

Either route requires the participation of the private sector. Public-private partnerships (PPP) have been given a bad political name by the onslaught of corruption revelations linking political parties and infrastructure companies such as Odebrecht. But with careful oversight and transparent procurement, PPPs can not only accelerate funds to infrastructure, they can also reduce the cost of infrastructure through expanded competition and less red tape.

Strengthen OPIC and EXIM

The United States needs to strengthen its economic diplomacy, instead of relying excessively on its military to project American influence. The Overseas Private Investment Corporation (OPIC), which insures U.S. exports against overseas risk and the Export–Import Bank of the United States (EXIM), which provides financing solutions for U.S. exporters are the two principal bilateral bastions of U.S. economic leverage. They help both U.S. exporters and foreign purchasers by facilitating the acquisition of expensive, high-end products.

Both agencies underwent withering attacks by Republican members of congress (with the help of a sprinkling of liberal Democrats) in the final years of the Obama Administration. Michael Lind, a *Politico* contributing editor, referred to the attacks on EXIM and OPIC as "a study in strategic incompetence."[28]

But 2018 brought an unexpected turnaround. In October, through the sheer willpower of a bipartisan group of legislators and experts, the United States now has a new development finance institution—the U.S. International Development Finance Corporation (DFC). This is an important step—it is the first strengthening of export credit to occur in decades. The DFC will combine OPIC and the U.S. Agency for International Development's (USAID) Development Credit Authority, adding new development finance capabilities, including equity authority, and a higher lending limit than its predecessor. There should be a plan to expand the new agency's programs during the next two decades.

Now is also the time to strengthen EXIM. Indeed, both agencies provide precisely the aggressive economic diplomacy President Donald Trump seems to prefer.

One visit to the EXIM website gives a reader an immediate sense of the power of expanded export credit financing. EXIM credit to a medium sized Peruvian company allowed it to complete a $1.6 million transaction with a medium sized U.S. company in Indiana. The Chinese call this "win-win" and provide billions in similar transactions to Latin America each year. Indeed, China uses its development bank

to win allies by financing infrastructure projects and economic development in countries of strategic importance to China's foreign policy goals.

America's overseas development banks, the EXIM and OPIC need to become similarly strategic instruments. And Latin America should be the proving ground for greatly strengthened export facilitation agencies. As an example, only 23 percent of OPIC's portfolio is directed today at Latin America. This should be doubled during the next 15 years.

Integrate North America

With all three parties exhausted by the negotiations leading up to the renegotiations of NAFTA, (now known as the U.S.–Mexico–Canada Trade Agreement, USMCA), discussions to deepen ties amongst Canada, the United States, and Mexico may seem far-fetched. But, this region's answer to China's OBOR initiative, which accelerates the integration of infrastructure between China and its neighbors, should be an ambitious North American infrastructure project that catapults the continent's prosperity and solidarity. As the United States faces accelerated competition from China (and the EU), the integration of North America's economies will become an urgent imperative. Regional trade amongst the three countries is today a whopping $1.1 trillion. Mexico and Canada together account for nearly 30 percent of U.S. trade—China (the largest individual trading partner) is next with 16.4 percent and next in line is Japan at 5 percent.[29] These large numbers hide the important role of an integrated North American economy for individual states. Canada is, for least 14 states, the number one export destination, conducting more than 30 percent of these states' global two-way trade. Similarly, Mexico is the number one destination for 14 states, moving more than 13 percent of these states' global trade.

We have already seen how increased integration of our economies has made North America energy independent. Pipelines crisscross the borders, moving petroleum products and renewable energy through the three countries' electricity grids. The fact that North America's energy markets have become so much closer has benefited both manufacturers and consumers alike. This has, in turn, accelerated the integration of production chains. Automobiles manufacturing, for example, moves parts and products across borders several times in the construction of a single car.

Now, just imagine more integration. Think, for example, how large, but legal, movement of peoples for seasonal or project labor could effectively contribute to reduced migration. Or, how free and unimpeded movements of goods and services would result in private and public sectors cooperating to upgrade infrastructure in all three countries. Or how large-scale technological improvements at the border could vastly increase trade by permitting a single clearance at one North American border to function as cleared across all North American borders.[30]

Nobody questions the right of the United States to control its borders. But this should not impede greater integration with Canada and the burgeoning middle-class economy that Mexico is becoming—remember, by 2050, Mexico will be the fifth or sixth largest economy in the world. We are lucky to have the neighbors we have; let us be smart about the possibilities for U.S. growth and prosperity by lifting its neighbors' boats alongside its own.

Make Latin America's Education an International Priority

During the past 25 years, Latin America has bet heavily on education as a route to more equitable and prosperous societies. The IDB reports that the region spends about 3 percentage points more of its GDP on education than in the early 1990s.[31] This number is not that far off from education budgets in countries in the industrialized world. This investment has paid off in some respects: Enrollment in the region has markedly increased across all levels of

education, with basic education now nearly universal. Citizens in Latin America now see education as a fundamental right.

While access to education has improved, the quality of the offering has gaping holes and should become a central part of how the United States can participate in the improvement of its neighbors' lives. The IDB points out that the region continues to underperform in education—around one out of every three youths does not finish high school. Recent PISA (Program for International Student Assessment) scores reveal that the region has a long road yet to travel; scores in math, reading, and science are highly discouraging. Latin American students rank in the bottom third of all the world's countries. Unemployment among youths in the region during the last two decades has been 15 percent—three times higher than the average unemployment rate among adults. The time is ripe for another exponential jump in Latin America's education investments.

The IDB and the World Bank are the principal organizations expending resources for education. Both institutions support key priorities; school infrastructure (to meet the demand for increasing access to pre-school, to increase science labs in secondary and high schools), teacher education and training, and curriculum transformation to teach skills sought by the private sector, among others.

As the IDB and the World Bank highlight, rising education opportunities increase incomes and social mobility. These are key to reducing inequality and fostering social inclusion. While there is plenty of opportunity to support education expansion, the United States should focus its resources on developing a major workplace skills initiative in the region. Latin Americans understand the importance of education to improve jobs access and retention. Indeed, the IDB describes, vocational training as "a key ingredient to improve lives in Latin America and the Caribbean to face the challenges of this new era."[32]

USAID already supports a plethora of youth workforce programs, higher education efforts, and equitable access projects. Programs to expand and improve vocational training, apprenticeship, and core life skills advance the successful transition from school to work and contribute to positive impacts on the employment quality over the long term. More must be done to support regional private sector-sponsored initiatives to create and sustain youth programs. The United States is perfectly placed to foster public-private partnerships and enhance collaboration between Latin American and American companies to hugely expand vocational programs so that they reach and deliver science, math, and technology skills to larger and more diverse numbers of young people.

Conclusion

Latin America has more to offer the United States than ever before. Describing the region as a threat is a disservice to Americans, let alone Latin Americans. Fifty-five million U.S. citizens of Latin American descent diversify—and animate—daily life in the United States. They shine in all walks of American life. Without Latinos, Lin-Manuel Miranda would not have written "Hamilton"; Daniel Lubetsky would never have invented KIND® fruit and nut bars; U.S. Supreme Court Justice Sonia Sotomayor could not have written her searing dissents. These are just a few of the millions of successful Latinos in America.

It is unfortunate that the transformation of Hispanics in America or the rapid changes in Latin American countries does not seem to elicit much attention in America. In the minds of too many Americans, the region cannot unglue from the rut of being viewed as a purveyor drugs, crimes, and immigration. Barring a change, that out-of-date stereotype may cost the United States a heavy price.

There are some unexpected, positive consequences from Latin America's unmooring from the United States. It is true that the America's newfound distance from the region has created an unlikely, new impetus to accelerate integration—particularly between Mercosur countries and the Pacific Alliance nations. Difficult as it may be to imagine given the migration crisis created by millions of desperate Venezuelans, Latin America's newfound self-assurance should create more open borders, greater trade and accelerated regulatory integration in Latin America.

But, meanwhile, other nations, particularly China, are proving that they understand the unique opportunities offered by Latin America. China is wooing Latin America through business, culture, and by showering the region with political attention. It is working; slowly, the region's citizens are becoming convinced that Beijing takes the region more seriously than Washington.

The building of a new partnership—an arc of confidence—with other democratic countries and with our neighbors will require a full-scale effort to move the largest and most important Latin American nations to become high income countries. For the United States, this will be an act of self-interest. It will expand markets and create a more prosperous Americas. Most importantly, it will insure that 640 million Latin Americans continue identify themselves with the hemisphere's common values of democracy, freedom, and inclusion. **PRISM**

Notes

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