



# The President and the dancer

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**G**utzon Borglum and America's President Calvin Coolidge did not get on. The sculptor who was the architect of the Mount Rushmore National Memorial, a massive sculpture carved into Mount Rushmore in the Black Hills region of South Dakota in the United States of America commemorating Presidents Jefferson, Lincoln, Roosevelt and Washington, asked the president to write a 500-word inscription which was to be cut on the west wall of the memorial celebrating the history of the US.

President Coolidge wanted eight events to be recorded, with the expectation that the inscription would endure for 5,000 years. One event took place on foreign soil and so stood out: the completion of the Panama Canal; this confirmed the strong ties between the microstate and the US and which helps explain why the eventual handing over of the canal to Panama was, and still is, such a contentious subject. After all, on President Coolidge's list the canal ranked alongside the Declaration of Independence, the Constitution's framing, the Louisiana Purchase, the admission of Texas to the Union, the Oregon boundary settlement, the admission of California to the Union and the end of the Civil War.

The inscription, however, wasn't to be because the sculptor had the temerity to edit the president's text and the result was that it never materialised, even if the canal is engraved into the narrative of America's modern history. Elsewhere on the sub-continent historical links with the US do not seem so secure, although in the case of Cuba (see issue 259 – The Galloping Reindeer of Cuba) and Argentina real effort has been made to mend relations, even if the shadows of past ghosts remain.

Last September marked the 55th anniversary of the establishment of diplomatic ties between Beijing and Havana, despite a period of dormancy during the Cold War period, the inspiration for the James Bond film phenomenon. It was in 1995 that Fidel Castro visited China; he did so again in 2003. His successor, and brother, Raul, made his own visit to China in 2012 and in 2014 China's current president, Xi Jinping, reciprocated. China's and Cuba's overall bilateral trade was worth USD 1.3 billion in 2014 with most of that made up of Chinese exports to Cuba.

By contrast, before President Obama's visit no US president had travelled to the island in almost 90 years. While the US has been distracted by overseas military engagements, particularly in the Middle East, China has strengthened its influence in Latin America; it is doing the same in the Middle East, practicing its policy of "non-interference" in other countries' internal affairs. The Chinese president began his first presidential visit to the Middle East in January when he went to Saudi Arabia, Iran and Egypt. This entailed having to perform a high wire act, balancing his diplomatic skills between Saudi Arabia and Iran; Saudi Arabia is China's largest source of foreign oil although Iran has sold more crude oil to China than to any other country since oil sanctions were imposed in 2011 (since lifted).

Latin America, not just China, however, wants to develop trade relations with the Middle East to boost those with its main trading partners, the US (a political time bomb at present) and a dysfunctional and squabbling Europe. Countries in the Gulf import some 90 per cent of their food and so South America, a sub-continent not just abundant in minerals but agricultural goods, has strong appeal. In return for refined oil and chemicals the Middle East gets, for example, beef from Uruguay, grains and cereals from Argentina, grapes and avocados from Peru and frozen chickens from Brazil. Latin America also wants to attract capital from the Middle East in order to fund development and infrastructure projects, including those involving agriculture which the Arabs, like the Chinese, have a vested interest in pursuing for food security reasons.

The director of the Centre for Mideast Studies at Peking University's School of International Studies says "China is not the saviour of the Mideast", nor does it wish to be. If it doesn't export ideology, it certainly gains influence by other means such as Currency Swap Agreements. Already China and Chile had strengthened their trade relationship considerably last year, opening the door for the use of the Chinese yuan in South America. China is Chile's main trade partner and the currency exchange agreed for three years (up to 2 trillion pesos) by the two central banks saw China Construction Bank appointed as the yuan clearing bank in Chile.

Although President Obama's visit to Argentina did not have the kudos that his trip to Cuba did, it was nonetheless a significant move towards improving relationships in the region. Importantly, Mauricio Macri, Argentina's new centre-right president, is anxious to reverse the previous anti-American attitude engendered by the country's past leftist leaders. President Obama, for his part, is eager to see the trust lost between the two countries restored and his visit, the first by an American president in more than ten years, has had its impact.

The timing was ideal. Since April Argentina has made efforts to return to global capital markets after striking a landmark deal with its largest existing debtors. The country has been locked out of global markets since a record USD95 billion default in 2001; unfortunately, South America's second-largest country has defaulted eight times since independence. But still, President Macri is confident that the issue of new bonds totalling nearly USD12 billion, to be sold under New York law and carrying a yield between 7.5 and 8%, will be attractive.

Overseas investors looking for yield in the present economic climate put almost USD37 billion into developing world stocks and bonds in March, according to the Washington-based Institute of International Finance, making it, then, the highest sum in nearly two years. How much of yield-hungry money, however, will find its way into Argentina's three new bonds (with maturities of five, 10 and 30 years) remains to be seen.

Roughly a quarter of Argentina's foreign reserves are denominated in yuan following a USD11 billion currency-swap agreement with the People's Bank of China last July. The country had turned to China to strengthen its financing sources because of the legal dispute over its debt

with hedge fund creditors led by billionaire Paul Singer and which led to the US court action that stopped payment to the holders of the foreign law bonds. China may have imported grains and cereals from Argentina, but the South American country has, in return, received economic sustenance.

As China establishes itself as the top trading nation its currency in 2014, according to the US Federal Reserve Bank of San Francisco, was the world's fifth most used payment currency, the sixth most traded currency, and the second most used trade finance currency. Currency-swap agreements have seen a surge of yuan trade settlements and significantly, the International Monetary fund has now included the yuan in its reserve currency basket which will become effective in September. In 2014 an equivalent of over USD180 billion in swaps, arranged under swap agreements, was transacted; as of the middle of May 2015 the total value of effective currency-swap agreements had reached USD468 billion. Expect more of this.

In his book, "The Rise and Fall of American Growth", Robert Gordon speaks about a special century, the 100 years between 1870 and 1970, when horse-drawn transport gave way to motor cars and aeroplanes. Personally, I see the century we are living in as being very special, although the progress made so far must be weighed against the battered, disillusioned and nervous state of affairs in the world's important power centres such as Beijing, Berlin, Brasilia, Moscow, Tokyo and Washington. Sounds a bit like 1916 doesn't it?

Calvin Coolidge was the US president who last visited Cuba before President Obama and perhaps the friendly relations he had with the island, unlike those with Gutzon Borglum, can be restored, even if not cast in stone, like the Rushmore Monument. As for Argentina, the image of President Obama embraced by an Argentine tango dancer during his March visit went viral. But more than fancy footwork will be needed to counter the slow, careful waltz that China is dancing across South America, an Asian country which identifies with further wisdom from F. Scott Fitzgerald: "The test of a first-rate intelligence is the ability to hold two opposed ideas in mind at the same time and still retain the ability to function".

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