



Erupting Volcano – political changes in the Americas

By Derek Sambrook, FIB(SA), TEP,
Managing Director, Trust Services, S.A.,
Panama



It would seem that just before America's presidential election the two topics on everyone's lips were females (if you were a Democrat) and emails (if you were a Republican). For longer than I can remember, I have heard about American exceptionalism. Surely, it doesn't get more exceptional than this? What this boils down to is that America's next president will, at least for the next four years, face a fractious term in office. America is democracy's flagship, but now when stormy seas are encountered it is as if the stabilisers have been removed. What is more, the captain cannot rely on the crew because their loyalties are divided, with some members bordering on mutinous. As we sail into 2017, what can we hope for?

H. L. Mencken, an American social and political commentator, and editor of the Baltimore Sun from 1906 to 1910, was also known as the sage of Baltimore. It was he who created the term "boobus Americanus" inspired by his observation of presidential conventions which he abhorred because of, what he called, their cant and hypocrisy. He said that democracy, in fact, "is the worship of jackals by jackasses", adding that "Democracy is the theory that the common people know what they want and deserve to get it good and hard".

In the case of Europe, the cradle of democracy, Willy Brandt, a former German chancellor, was not too far off the mark with his prediction in the mid-1970s that "Western Europe has only 20 or 30 more years of democracy left in it; after that it will slide, engineless and rudderless, under the surrounding sea of dictatorship". Still, despite populist parties gaining ground in Europe, we have not returned to the 1920s and 1930s with the scourge of communism and fascism. But what is certain is that unions of states in America, with a federal government, or more loosely in Europe with a commission, are both in trouble. Are we sitting on a volcano? Further on I will mention other unions, of the Latin variety.

This discord comes at a time when conventional politics are taking hold in key Latin American countries, and in issue 270 ("Islands in the Stream") I made reference to a comment that South America was under new management. It must be said that we have yet to see if the shareholders, which are the people, will accept the new style of management in the long run, but what is more certain is that the politics which have been representative of developing countries in the past have started to creep into developed countries, with a corresponding level of economic uncertainty once felt, by and large, only in emerging economies.

Even although its democracy is secure, Panama has still encountered turbulent waters. One of Ireland's greatest poets and playwrights, the late Brendan Behan, said that "there is no such thing as bad publicity except your own obituary", and since the Panama Papers story broke, those international journalists who flew to Panama for the first time, did not just take pictures of the Arango Orillac building where Mossack Fonseca has its headquarters. No, some of them travelled around the city and since then pictures have appeared in magazines, newspapers and online, showing the ultra-modern architecture found in the banking sector and other parts of the capital – especially along the seafront which curves along the coast and offers panoramic views of the Pacific islands in the Bay of Panama. Some realised, for example, that many a banker in the City of London would look on with envy at his counterpart in the City of Panama due to the sturdy banking system, which, although small change in London terms, grew by over USD4 billion during the first half of 2016 and at the end of June deposits totalled nearly USD73.4 billion, reflecting a 5.3% increase on comparable figures for last year. At the same time, the government announced in August that assets of the national banking system almost topped USD100 billion (a 4.6% increase over the same period in 2015).

These financial facts were discussed during Panama's Business Forum which is held every November and is organised by the British Chamber of Commerce Panama, with strong support from the local British Embassy. My firm was the key sponsor and a cross section of senior members of government and commerce discussed Panama's role as a hub for maritime and logistics business, multinational companies, banking and finance, and foreign investment. Panama's economy and drive are far from dead and the only papers that were shuffled during the day were those on the tables.

In the same vein, no obituary is needed for Argentina whose European roots made Gabriel García Márquez, the late Colombian writer, say that it was "an error of God" that Buenos Aires happens to be in South America and not Europe along with Barcelona, Paris and Milan. Its pragmatic president, Mauricio Macri, who has even softened the stance on Britain's Falkland Islands, has launched the largest ever bond issue (USD 16.5 billion) in emerging markets and remains optimistic that there will be an encouraging amount of foreign investment (including from some of the approximately USD400 billion he estimates that Argentines have put in foreign bank accounts).

But regardless of any influences from Europe, South America itself, as it slowly integrates, will not be another European Union. If the large democratic economies of South America have watched open-mouthed at the antics in Washington, they have been astounded at the EU's degree of disorder. It was once a model Latin Americans aspired to; no more. Nonetheless, a lot of work must be done to achieve any permanent cohesion and what has not helped has been the diverse political landscape which has split Latin America and created rival blocks. A former Peruvian foreign minister, José Antonio García Belaúnde, talked of alliances through policy affinity rather than geography.

Brazil and Argentina, for example, do a lot of business with each other and this is likely to be boosted by the fact that they now have centre-right governments in power; both are pursuing a trade agreement with the EU. They are also the bedrock of Mercosur, a trade group which is a customs union, but one which really does

not work, in practical terms, between all its members – especially Venezuela; its common tariff is far from common.

Argentina's president is looking closely at the Pacific Alliance (made up of Chile, Colombia, Mexico and Peru) and he attended the Pacific Alliance's annual meeting in June, with some commentators even speaking of a possible convergence between the four-country alliance and Mercosur. Certainly, Chile's centre-left government is very interested in promoting co-ordination between the two blocks, even if they are two different projects, but this will, in my opinion, be a slow process – if it happens at all.

If Brazil and Argentina ever joined the Pacific Alliance, it could prove to be everything the EU had once hoped to be because its aim is to achieve free movement of goods, services, capital and people among its members. Tariffs have already been abolished on 92% of their trade in goods, although any merger of stock markets has been hampered by tax and regulatory differences. There are 48 countries, together with Argentina, with observer status and if it does sound a lot like a potential EU, here is the important, fundamental difference: there is no intention to cede elements of sovereignty to a supranational body. Peru's José Antonio García Belaúnde puts it this way: "There's no Brussels in the region". It also helps that in South America only two languages dominate: Spanish and Portuguese.

Mr. Obama's Trans-Pacific Partnership, by contrast, and involving 12 countries (including Mexico, Chile, Peru, the US and other Pacific Rim countries), has little prospect of success. It has been agreed but not ratified, and so the Chinese, who were excluded from the partnership, will not mourn its passing. Its failure would strengthen China's trade position in Latin America, and so plays right into its hands.

I only hope that Latin America will not become eventually disillusioned about democracy after the debacle that was the US presidential election, leaving the American eagle with a broken wing. It was John Adams, America's second president, who said that "democracy never lasts long. It soon wastes, exhausts and murders itself". Nil desperandum, Latin America. Time, after all, is a relative term; just ask the Greeks, Romans and Ottomans.

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