

# God and Politics in Latin America

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**W**ill one of the largest infrastructure projects in Latin America start next year? If a referendum is held and the country's voters agree, then work will commence on Panama's canal which will allow ships over 32.5 metres wide and with a dead weight exceeding 80,000 tonnes to use it. Widening of the waterway by building new locks would perhaps double the size of the ships that can be accommodated. One study reveals that the share of the world sea cargo that transits the canal has fallen from 5.6% in 1970 to 3.4% in 2004. The whole project, unfortunately, is presently embroiled in a mixture of politics and social economics and no one is sure what the outcome will be. Critics abound and there is even one controversial school of thought which argues that Panama could profit more from selling its fresh water than by operating a canal. It is true that each ship requires 200m litres of fresh water to operate the locks but it is also a commercial reality that the canal means that ships do not have to make a two to three week detour around South America that would have a significant impact on the price of goods for everyone. The debate between the project's supporters and dissenters, as well as the political and social issues, could mean that even hoping for a decision in 2006 might be being too ambitious.

Latin America has benefited greatly from the demand for commodities (many of them having passed through Panama's canal) and it has been suggested, for example, that Brazil's economic fortunes might mean that within a year or two the country could achieve an investment grade credit rating. It is sobering to reflect that back in 1913 the real GDP per head in the US

was roughly the same as Brazil's today. But still the region is vulnerable to its over-reliance on high commodity prices and the dangers of a sudden fall in them are all too real. The good news is that Latin American markets are now less volatile and governments have been building up reserves, paying down debt rather than borrowing, and looking for new sources of revenue. A number of governments in the region, for example, have increased royalties and taxes on foreign mining and oil companies; even Bolivia's interim president has done so (more later). Taxes received from any source would be welcome in Brazil where it has been said that there are maybe four tax enforcers for every 1m people.

The growing economic confidence that Latin Americans feel has encouraged new alliances abroad. The US, the behemoth to the north that has historically regarded South America as its patio trasero (back yard) has looked on uneasily. It is a back yard that ranks fourth in area, after Asia, Africa and North America, with a population that, in 2004, ranked fifth after Asia, Africa, Europe and North America. Mexico shares a 2,000-mile border with the US but, for a long period, Mexican foreign policy was against close ties between the two countries. Many Mexicans have felt that the US has not taken them seriously, regarding its relations with Mexico as un noviazgo de fin de semana (a casual weekend fling). Other parts of Latin America can identify with this. Today, Mexico and its neighbour have experienced fundamental changes in their relationship and Mexico has embraced and cultivated new relations in Europe, Asia and in Latin America.

Unfortunately, as we have already seen this year - most recently in Brazil as I write - the continent's politics are just

as precarious as its commodity prices. In my last column, "Venezuela: Rising Waters", I wrote about the Bolivarian revolution and nowhere is there a better illustration of corrosive politics than Bolivia, the country named after Simón Bolívar. Its caretaker president, Eduardo Rodríguez, will be in power until general elections (expected in December) are held. The country has suffered centuries of exploitation of its indigenous population and has endured populist programmes that once pushed inflation above 20,000%. What's more, many Bolivians mistrust foreign governments who they see as being mainly interested in the country's natural gas. Eduardo Rodríguez, although just appointed in June (and after saying that his role was only to supervise the electoral process) has already put into effect a hydrocarbons law that has increased taxes on foreign energy companies.

According to the World Bank, Bolivia is the poorest country in the Americas, excluding Haiti, and the Guinness Book of World Records says that it has had more changes of government (188 in 157 years) than any other country in history. Unlike its politics, however, Bolivia has no desire to change its character and in contrast to many countries in the region, it does not try to be anything other than itself. Cervantes, creator of the romantically idealistic Don Quixote, aspired to become, but never did, mayor of La Paz, the capital of Bolivia that is in a ravine thousands of metres above sea level. Like Simón Bolívar, however, politics was not where his talents lay. But when reflecting on Latin America, I am reminded of something Cervantes wrote: "Everyone is as God made him and often times a good deal worse". In Latin America, as elsewhere, the same can be said of countries.

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