



Politics and Perceptions

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Notwithstanding any cultural influence flowing from music, films, novels and paintings, Richard Nixon in 1971 told an eager young Donald Rumsfeld, the former United States of America defence secretary, that “Latin America doesn’t matter”. But nearly 40 years later things have changed. Perhaps it was the middle of this decade, when a plethora of presidential elections during a span of 13 months took place that caught the attention of the news media in Europe as well as the US. One resulting key issue seemed to dominate all others: there appeared to be an irreversible political shift to the left, much to the concern, especially, of the US.

As regular readers of ‘Latin Letter’ know, Hugo Chávez, Venezuela’s populist president, has been featured regularly because he has often taken – and continues to – centre stage in South American politics. Comparisons with Fidel Castro are frequent and it is certainly fair to say that the Venezuelan’s influence has been equally profound. An abundance of oil has given him extra economic clout which, unlike Brazil, following its recent new oil field discoveries (see July/August 2008 column (Issue 188), ‘Barrels, Borders and Bravery’), has led to belligerence. How the Brazilian government, however, handles the development of the country’s anticipated vast offshore oil reserves is another matter.

Brazil’s president has already declared that “o petróleo é nosso”, the oil is ours, while supporting the idea that a new state-controlled national oil company should be created to manage this new-found wealth, side-stepping Petrobras, Brazil’s government-controlled oil company, which has, since 1997, operated a concessions system by which oil companies purchase exploration rights which in turn grant them rights over any oil discovered (although royalties are paid to the government). The new oil company would own all the reserves discovered beneath the sea-bed as well as control production. Understandably, foreign oil companies have not taken the proposal well, but it should be remembered that nationalism, although dormant for quite some time, has always stood in the background of Brazil’s politics. It will be interesting to see how this all plays out.

Unlike Venezuela, however, oil is not the only vital commodity Brazil has in liquid form: its rivers contain more fresh water than those of any other country (nearly three times more than the US) and the Amazon river system discharges a fifth of the water flowing into the oceans from the entire world’s rivers. Brazil is already the world’s leading exporter of soya and beef and its production of ethanol rivals the US output. Not only that, it is more efficient at making ethanol from sugar cane than American farmers are at producing it from maize.

Fortunately, the president of Brazil’s approach to international politics is benign when compared with those of President Chávez. But, together with the region’s other large economy, Mexico, the country’s potential, as I have commented before, has not been fully exploited – despite the fact that it is well on the way to achieving superpower status. Luiz Inácio Lula da Silva is the most popular Brazilian president in the country’s history with an economy that is flourishing, so much so that an assured Aloizio Mercadante, a senator and one of the president’s advisers, dismisses the time-worn comment about Brazil catching pneumonia when the US gets a cold; he recently stated: “Now the US is in intensive care and we haven’t even sneezed”. But just as there are over 100 different strains of cold, so any number of future developments might still cause government officials in Brasilia to reach for their handkerchiefs. In the past it was said that the economic growth in Brazil is like a chicken’s flight: short, noisy and always ending with a clumsy landing.

Mexico, with its untapped potential, has seen a Phoenix-like rise of a banking system

which was practically reduced to ashes following the famous Tequila Crisis (1994-1995) and which I wrote about in my June 2007 column, Issue 177 – ‘Distant Thunder’. I was living in Miami in 1994 when Bill Clinton, the newly elected US president, arrived there and was joined by 33 other heads of government from the Americas (but not Fidel Castro) for a summit; Mexico, although included, was not yet, by international standards, a democracy. Now, 14 years later, Mexico enjoys economic stability, due in large part to prudent management of the public finances. The government budget has, at last, been balanced and President Felipe Calderón hopes to end the current year with a small surplus.

At the beginning of 1994 the North American Free-Trade Agreement (NAFTA), bringing Mexico, the US and Canada together in a trade pact, had come into effect and bolstered by this the Latin Americans worked towards a hemispheric Free Trade Area of the Americas. Even so, many of the hopes voiced at that 1994 summit in Miami have not materialised. Within months of the summit Mexico’s currency crumbled and financial chaos reigned, casting doubt over the whole region’s future.

NAFTA is no longer so popular in the US where manufacturing jobs are being lost. Mexico, unfairly, is taking a large part of the blame when the main culprit is China. Canada, on the other hand, is enthusiastic and sees NAFTA as being more important than ever, with Mexico now its fifth-largest export market.

Nonetheless, the fact remains that Central and South America have seen more emigration than immigration in the last century that illustrates, and in stark terms, the lack of opportunity and jobs available at home. Whereas originally millions of immigrants from Europe had come to Latin America, today over 25 million Latin Americans are estimated to live in other parts of the world. Those migrants, however, represent an important regional export because the Inter-American Development Bank calculates that in 2006 remittances benefited the region by at least USD62 billion (a third more than in 2004).

But as with national stereotypes, generalisations regarding Latin America can be misguided. Not just perceptions, but provocative news reporting can take its toll. Those of you who read ‘Fruitful Endeavours’ (my November 2007 column – Issue 181) and which featured the defunct United Fruit Company, will recall how false stories were part of a US plan to bring down the

government in Guatemala in the middle of the last century. Edward L. Bernays, a master of public-relations, was the man behind those stories. Bernays established the Middle America Information Bureau (the forerunner of today’s classic front organisation) whose purpose was to publish “information” for distribution to the American press about communist infiltration in Guatemala. The ensuing newspaper stories stirred public concern in the US to such an extent that eventually the CIA backed an insurrection which replaced the Guatemalan government with a right-wing totalitarian regime.

In the same vein, another persuasive (some would argue, perverse) publishing force was William Randolph Hearst, the press tycoon, who famously said: “You furnish the pictures and I’ll furnish the war”. The tool used to do that sat anchored in Havana harbour, Cuba, in 1898 and was the American naval vessel, the *Maine*, which blew up. Hearst leapt upon this incident and almost single-handedly caused the US to enter into a war with Spain after using his inflammatory press coverage to help convince an American tribunal that the cause of the explosion was a Spanish mine. A contemporaneous Spanish tribunal determined that the warship’s own ammunition was, in fact, to blame and regardless of Voltaire’s observation that “history is a trick the living play on the dead”, a majority of historians today (whatever their nationality) agree with the original Spanish finding.

Let’s end with a dose of reality. Imagine how elated the US Secretary of the Treasury would have been to declare that the US “has run a surplus of 7 percentage points or more for three years running. We have paid back every penny of public debt. You would be hard pressed to find any country in the world with better public finances”. South America would be the last place many readers would identify as being the inspiration for that statement; but it was Andrés Velasco, finance minister of Chile, talking about his country (even though things have changed since) just a few months ago, who spoke those words.

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