

# Tracking the storm

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In my article "Land of Sorrow" (Issue 132) I referred to the political posturing of Hugo Chávez, the President of Venezuela. Trying to predict where events in that country will lead is akin to establishing with certainty the course of a hurricane and, as I wrote in another publication recently, the fate of Chávez has become a toss of the political dice. Venezuela escaped the nightmare of one Hurricane Hugo, but this time it has not been so lucky. Chávez, complain critics, has employed tactics which bring to mind Robert Mugabe in Zimbabwe (whose antics have made the Dark Continent a little darker) by recently telling his military commanders to ignore any rulings by judges that conflict with his own decrees. The army has already been ordered to commandeer privately-owned ships, trucks and aircraft in a desperate bid to distribute fuel and food. The stakes were raised, however, and a disturbing precedent set when national guardsmen raided a foreign-owned bottling plant and distributed Coca Cola to thirsty crowds. We were once told that things went better with Coke, but its barrels of oil not bottles of Coca Cola that will help things go better for Venezuela.

It is fair to say that for most of its history, Latin America has been on the periphery of world affairs and it is only when a crisis of some magnitude happens that the world sits up and takes note. Unfortunately, the present uncertainty which has spread across Latin America has indeed increased the nervousness of overseas investors and, at the same time, decreased the inflows of foreign capital.

Reluctant investors and weak capital inflows rob the continent of the stimulus needed to bring it back to partial, if not complete, financial health. The World Bank expects the region's GDP to have declined by 1.1% in 2002, which would be worse than anything experienced in some 20 years. This anaemic economic state of affairs has seen income decline steadily since 1998. In fact, poverty has increased to such an extent that the UN Economic Commission for Latin America and the Caribbean estimates that about 44% of Latin Americans are poor. It is little wonder that political unrest has increased.

But there are some good signs despite what many observers see as a perpetual uphill struggle, bringing to mind Sisyphus, the figure in Greek mythology who was condemned for eternity to push a boulder up a hill and then watch it roll back down again. Mexico, for example, has been able to remain financially stable (even though much of that stability depends on economic conditions in the USA) and Chile has also moved forward with bilateral trade deals with the EU and the USA. Significantly, even with the crisis in Argentina and the months of uncertainty that preceded the election of a new president in Brazil, coupled with turmoil in Venezuela and Colombia's continuing civil warfare, there is no sign of rifles replacing ballot papers in Latin America; democracy is growing and strengthening with even former leftist extremists recognising the importance of market forces and fiscal responsibility.

It is difficult to know what 2003 will

bring for Latin America, but it is a fair bet that events in Brazil, Mexico and Argentina will shape the continent's economic landscape this year. Those three countries will determine whether modest growth (anticipated by some analysts at 2%) can be achieved and if poverty can, at least, be arrested. Luis Inacio Lula da Silva, the new Brazilian president, has taken reassuring steps to encourage international investors; it is encouraging to note, for example, that the premium on Brazil's bonds has fallen (even though it is still at a level which makes the public debt acute). In Mexico, where just over 20 years ago the country's debt default helped coin the phrase "lost decade", there are legislative elections in July and, if his party is successful, Vicente Fox will be able to implement his economic liberalisation plan, making memories of the default even more distant. Fox has also forcefully highlighted two issues which have made some congressmen very uncomfortable: ability and self-interest. Further south, no one knows what is in store for Argentina's population of 37 million and the world's 8th largest country. The presidential elections, which are due in April, promise to be tempestuous, with some candidates already speaking of assassination plots against them and the leading opposition candidate, Elisa Carrio, promising a crusade against the "mafias" running Argentina. A mélange of intrigue, hearsay and misinformation has been thrust upon an already financially bruised and confused electorate whose main concern remains economic survival.

March brings carnival to Panama (an event the country has celebrated since 1906) and, much like Latin politics, there will be plenty of song and dance with streets given up to music and celebration during the festive days before Lent. Venezuela celebrates carnival also and perhaps any riotous behaviour will only be of the kind associated with revelry. But whether March will see more truncheons than trumpets in Caracas will be anybody's guess. Trying to determine a hurricane's next landfall comes to mind.

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