

Less Sorrow

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My first Latin Letter column in October 2002 was entitled “The Land of Sorrow” and it was about Argentina. Plenty of sorrow still remains but there have been positive changes in this resilient country.

The Teatro Colon, the great opera house in Buenos Aires, is a symbol of Argentine adaptability. The private company, which started building it in 1895, failed but with the help of the city government the project was completed in 1908. It is twice the size of La Scala in Milan, has six tiered balconies and a lobby that resembles the Hall of Mirrors at Versailles. But, like Argentina, its grandeur has not made it immune from troublesome trade unions or precarious finances and in 2000, strikers took to the stage during a performance. The director died of a heart attack, the season was cancelled and, meanwhile, the country was experiencing its own cardiac arrest as it slipped into financial collapse.

Argentina is rich in contrasts and contradictions and some of the country’s political personalities have exemplified this. Juan Perón, who served three terms as president and who died in 1974, had three wives but his second wife, Eva, was the most charismatic. She came from a poor background and continuously worked for the descamisados (shirtless ones), organising mass political rallies and eventually getting women the vote and legalising divorce. She spent millions of US dollars of public money on the poor and was proclaimed “spiritual chief of the Argentine nation” by Congress, even though she was only aged 33 when she died from cancer. The government announced an official mourning period of 30 days and her body lay in state dressed in a white evening dress. On her death bed, she had requested a post-mortem manicure so that the colour of her nail

varnish could be changed from red to natural. Little wonder she was the inspiration for a famous musical. Conversely, commentators have described Juan Perón as wily and aloof with a passion for French poodles. After Eva’s death he found a very young mistress to whom he would write fond letters about his dogs.

The current president, Néstor Kirchner, as I have previously written, has his own eccentricities, but he remains very popular. Granted, he has had the good fortune of a healthy economy which was even spared the market turmoil in May amid fears that a deep recession in the US was on the cards. Argentina has been cushioned by both a sound budget and current account surpluses supported by a combination of an undervalued currency and growing foreign exchange reserves. So, two weeks after the mayhem began in May, the currency had depreciated by just 1.3% as against 15% in Brazil and Turkey. The country’s unemployment figures are improving and the inflation target set by the government for this year (8-11%) looks realistic. Inflation is being helped by the price “agreements” with businesses as well as tariff freezes for utilities. (The government, however, has re-nationalised the Buenos Aires water company and has fought with other private companies over utility agreements).

The energy sector, especially in the case of electricity generation, is a growing problem but it is one to be found almost right across South America where the public sector is not spending enough on electricity or water and the private sector is not being sufficiently encouraged to participate. The World Bank reckons that some 58 million Latin Americans lack access to potable water (and 137 million, more than double the figure, lack sewerage). Some strained relations between countries have not helped either and Argentina, for example, has proved to

be an awkward neighbour. Back in 2004, it unilaterally cut gas exports to Chile for a while and earlier this year, much to Chile’s chagrin, it raised the price.

Argentina has a regional business advantage in that the population is better educated than the average Latin American, even if its education system is not the stellar example it once was. One lesson, however, that Argentines need to learn is how Chile has become the continent’s singular economic success. It should note the open trade policy and the greater respect for the rule of law. The military dictatorship in Chile began its privatisation programme in 1985, starting with telecoms and electricity, and today most of the country’s motorways – as well as Santiago’s airport – are in private hands. While the Buenos Aires water company might have been re-nationalised, nearly all of Chile’s water is supplied by private companies.

Even though Argentina will not hold presidential elections until 2007 (and probably nearer the end of that year), Néstor Kirchner is not resting on his laurels. Flying high above the presidential palace in May, during a mass rally he organised on the country’s national day, was a huge inflatable penguin (a reminder of the president’s roots in Patagonia) with “Kirchner 2007” printed in bold letters across it. Despite the president’s popularity, a powerful, potential rival has emerged, namely, Roberto Lavagna. He is the president’s former economy minister who can equally claim credit for four consecutive years of strong growth. Unlike the president, however, who has veered more to the left, Mr. Lavagna encourages an open market economy.

Inflation in 2007 might not be a problem in Argentina. Except perhaps for the president’s penguin which, so far, is staying in the air.

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