

Politics in a Minefield

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



Honduras, the United States of America's platform in Central America in the 1980s during such conflicts as the civil wars in El Salvador, Nicaragua and Guatemala, has become a victim itself of political ferment after President Manuel Zelaya was unceremoniously removed from office on 28 June 2009; until now there have been no successful coups in Latin America since the end of the Cold War, some twenty years ago.

It had all been quite different 30 years ago, when 13 of Latin America's 20 republics had been under the control of generals. Historically, the US, with more than a nod to the ghost of 1950s McCarthyism, willingly supported authoritarian regimes if by doing so it helped to prevent the spread of leftist governments; even if that meant getting directly involved. It was Senator Joseph McCarthy who caused alarm in the 1950s by first charging that over 200 employees in the US State Department were members of the Communist Party. His timing could not have been more propitious: China had fallen to the Communists and the Soviet Union had tested an atomic bomb.

Washington's reaction under President Obama in response to recent events in Honduras has been muted. The president has emphasised that America does not wish to interfere in Honduran affairs; it would seem that there is a genuine desire to project a new image as the US tries to disconnect itself from past regional transgressions, as difficult as this might be. Sometimes profits, not just politics, had led to past US involvement, as I wrote about in November 2007 (Fruitful Endeavors – Issue 181), when back in 1954 the US conspired with the United Fruit Company in a successful coup in Guatemala, Central America's largest country, long before its funding of Central American guerillas in the 1980s, not to mention the invasions of Grenada (1983) and Panama (1989).

Events in Honduras, however, should not be seen as a precursor of more political upheaval to come in other parts of Latin America. According to Jorge G. Castañeda, a former Foreign Minister of Mexico, and Stephen Haber, a professor of political science at Stanford University in the US, Latin America (despite pockets of resistance) is entering a phase of unprecedented political and economic stability which is amply illustrated by the degree of progress being made in this regard in such countries as Brazil, Chile, Costa Rica, El Salvador, Mexico, Panama, Peru and Uruguay. In varying, but nonetheless positive, degrees these countries have pursued good macroeconomic policies that have effectively fought inflation; they have opened their markets and encouraged investments.

The resulting and significant shift towards more economic opportunity, social mobility and political democracy has gone unnoticed by some. In other words, these countries have broken with the past, whereas the opposite applies in Argentina, Bolivia, Ecuador, Honduras, Nicaragua and Venezuela where they are still living in the past and have not been able, so far, to break with it. Not only that, this awkward squad also fosters an elevated level of hostility towards the US. The argument goes that since the 1950s, and until the election of Barack Obama, every US president since Dwight Eisenhower – other than Jimmy Carter – has interfered, in one way or another, in the domestic affairs of one or more countries in the region.

The numerous sources of this enmity are far too numerous to cover in this month's column, but one root cause harks back to the 1960s when America's Central Intelligence Agency, due initially to the situation in Cuba, was heavily involved in Latin

America. Tom Polgar, who served as chief of the foreign intelligence staff of the Latin American division of the CIA between 1965 and 1967, is reported to have said that his mission “was to use the Latin American stations as a means to collect intelligence on the Soviet Union and Cuba”. At that time the US was not only on the side of today’s awkward squad, but also supported five other countries in the region. In fact, Richard Helms, Director of the CIA at the time, held that Latin American military juntas were good for the US.

Now with its seemingly more passive approach, the US faces the task of deciding the right tack to take with Cuba’s present transition (as the remnants of Fidel Castro’s influence dissipate) as well as how to manage relationships with those countries that worship at the altar of Simón Bolívar. It is, for the US, a tale of two left-wing polities: one that is hostile, and one that is embracing democracy and willingly connecting with the world at large. We are perhaps getting a flavour of how the current US administration might play its cards in the future by its response to date to Manuel Zelaya’s ouster from office.

It should be understood, however, that the Honduran coup did not originate in a military barracks but was the direct result of a court order issued by a competent judge of the country’s Supreme Court. President Zelaya, a member of the axis of “21st century socialists”, headed by the president of Venezuela, warmed quickly to the idea of extending his presidential mandate, just as Hugo Chávez has done. President Chávez did so by first holding a Constituent Assembly and changing the constitution. Mr Zelaya, whose ambitions were not shared by parliament, the Supreme Court and even his own Liberal Party, decided to start the ball rolling by holding a referendum to test the waters. The army refused to distribute the ballot boxes and subsequently the head of the armed forces, General Romeo Vásquez, was sacked by the president and resignations followed from the Defence Minister and the heads of the army, marines and air force. The Supreme Court had already declared the referendum illegal but the president chose to ignore this.

And what if the army had been complicit with the president despite all the opposition? Perhaps what turned out to be one man’s arrest in June could have escalated into bloody civil turmoil; that would have been terribly damaging, not just to Honduras, but to the region as a whole. One is not taking sides

in declaring that the coup is hardly a return to the 1980s. Just as the US Supreme Court determined the fate of a presidency in December 2000, arising, in part, from considerations of judicial power, so the gavel, and not the grenade, was used in Honduras to defend that country’s constitution.

Perhaps by the time you read this, the Honduran crisis will have gone off the boil – although I doubt this will be the case in Colombia where bazookas, instead of ballot boxes, have created diplomatic tensions. The weapons were allegedly shipped from Venezuela and ended up in the hands of guerrillas fighting the Colombian government; this time it is the Venezuelans and not the Americans who are the villains of the plot. Hugo Chávez, vehemently denying any official collaboration, recalled his ambassador in Bogotá (for the third time in less than two years).

Besides any issues with Venezuela, Colombia has caused a stir following President Rafael Correa of Ecuador’s decision not to renew the lease at Manta, the only US garrison in South America. Colombia is now offering the US use of several air and naval bases which, besides the predictable inflammatory rhetoric from Venezuela, charging that this gives the US a foothold in South America, has aroused feelings in Brazil and Chile. Brazil, especially, is worried by such a strong US military presence in South America which it feels cannot be justified. So even though, as Mr Castañeda has said, the US has the best opportunity in a generation to cement ties with the best-ever group of democratic and progressive Latin American leaders, there still remains a residual resentment – even in the case of the democratic left.

Geopolitics in Central America and the northern Andes point to Panama – where recent presidential elections (Politics and Privacy in Panama – Issue 198) proceeded, as they have done for almost twenty years, without incident – as Washington’s new Central American listening post. Certainly, relations between both countries have improved since Theodore Roosevelt requested a legal justification for his acquisition of the canal in Panama from his Attorney General, Philander C. Knox. “Oh, Mr. President”, came the response, “do not let so great an achievement suffer from any taint of legality”. It would appear that Panama today dwells more on the achievement than the 21st century socialists would.

www.trustservices.net

European Magazine Services Ltd, Lombard House, 10-20 Lombard Street, Belfast, BT1 1BW, United Kingdom Tel: +44 28 9032 8777 Fax: +44 28 9032 8555 www.offshoreinvestment.com

PUBLISHER Barry C Bingham barry@offshoreinvestment.com	CONTRIBUTING EDITORS J Richard Duke, Howard S Fisher Marshall J Langer, Derek Sambrook editorial@offshoreinvestment.com	ADVERTISING Neil Donaldson advertising@offshoreinvestment.com	MEDIA MANAGER Gillian Abernethy administration@offshoreinvestment.com
EDITOR-IN-CHIEF Charles A Cain editorial@offshoreinvestment.com	CONFERENCE EXECUTIVE Lori S Brewer conference@offshoreinvestment.com	DESIGN & PRODUCTION Dave Johnston Gillian Devenney administration@offshoreinvestment.com	FINANCE Rosalind Maguire accounts@offshoreinvestment.com
COMMISSIONING EDITOR Jenny McDonough editorial@offshoreinvestment.com	SUBSCRIPTIONS Anna Workman subscriptions@offshoreinvestment.com		

International Bureau

Anguilla - **Claudel VV Romney**
Antigua - **Brian Stuart Young**
Australia - **David Russell QC**
Bahamas - **Allyson Gibson**
Barbados - **Wayne Fields**
Bermuda - **Lynda Milligan-Whyte**
British Virgin Is. - **Ralph Nabarro**
Canada - **Gordon L Jacobs**
Cayman Is. - **Michael L Alberga**
Cayman Is. - **Timothy Ridley**
Cyprus - **Christos Mavrellis**
Dubai - **Laurence Black**
Gibraltar - **Nigel Feetham**

Greece - **George Economou**
Guernsey - **Charles Parkinson**
Hong Kong - **James A F Wadham**
Hungary - **Dr Gabor B Szabo**
India - **Nishith Desai**
Ireland - **Peter O'Dwyer**
Isle of Man - **Prof Charles A Cain**
Labuan - **Chin Chee Kee**
Liechtenstein - **Andrew J Baker**
Malta - **Dr Max Ganado**
Mauritius - **Suzanne Gujadhur**
Monaco - **William Easun**
Nevis - **Mario Novello**
Panama - **Jurgen Mossack**
Samoa - **Graeme Briggs**

Seychelles - **Simon J Mitchell**
Singapore - **David Chong**
St. Lucia - **Nicholas John**
St. Vincent - **Alex Jeeves**
S. Africa - **Prof Christian Schulze**
Switzerland - **Dr Bernhard Vischer**
Turks & Caicos - **Richard Savory**
United Kingdom - **Matthew Cain**
United Kingdom - **Floyd Ronald Jenkins, Jr.**
Uruguay - **Geoffrey Hooper**
USA - **Susanne R Wadsack**
US Virgin Is. - **Marjorie Rawls Roberts**
Vanuatu - **Lindsay D Barrett**

ems European Magazine Services Limited. © 2009.
ISSN 0954-0628 US PS 002-273.
All worldwide rights reserved. Reproduction in whole or in part by any means without written permission of the publisher is strictly prohibited. Printed by Pensord Press Limited, Pontlanfraith, Blackwood, Wales, UK. *Offshore Investment* has tried to ensure that all information contained within this publication is accurate, however, the publisher would emphasise that he cannot accept responsibility for any mistakes or omissions. No legal or investment instruction is intended. The opinions expressed are strictly those of the authors. *Offshore Investment* **USPS 002-273** is published monthly except July and December by Offshore Investment, Lombard House, 10-20 Lombard Street, Belfast, BT1 1BW, United Kingdom. The 2008 US annual subscription price is USD790. Airfreight and mailing in the USA by Agent named Air Business, C/O Worldnet Shipping USA Inc, 149-35 177th Street, Jamaica, New York, NY 11434. Periodicals postage paid at Jamaica NY 11431.

SUBSCRIBE TO OFFSHORE INVESTMENT
The only professional journal for the offshore world.
Tel: +44 28 9032 8777 Fax: +44 28 9032 8555. Email: subscriptions@offshoreinvestment.com

US POSTMASTER: Send address changes to Offshore Investment, c/o Worldnet Shipping USA Inc., 149-35 177th Street, Jamaica, New York, NY 11434. Subscription records are maintained at Offshore Investment, Lombard House, 10-20 Lombard Street, Belfast, BT1 1BW, United Kingdom. Air Business Ltd is acting as our mailing agent.

NEXT ISSUE

Special Purpose Vehicles

Jurisdictions: Antigua, Luxembourg,
Aruba/Curaçao, New Zealand