



# The Best is Yet to Come

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**T**he late Lewis Carroll, author and mathematician, once said that if you don't know where you are going, any road will get you there. I doubt if this is any solace for those developed countries who today find themselves in need of a compass as they battle economic atrophy.

Even without the excuse of Carnival last month, Panamanian businessmen and their government had reason to celebrate following Dominique Strauss-Kahn's first visit as Managing Director of the International Monetary Fund (IMF). A press statement issued by the IMF head spoke of the country's remarkable performance with an economy which grew in 2009 when output in the region had shrunk. "Prudent macroeconomic policies", he said, "a strong banking system and dynamic investment in infrastructure" has made Panama "one of the fastest-growing countries of the Americas".

Panama's neighbour, Colombia, is also enjoying economic good health and the pace of progress, given the Great Recession, has been encouraging; its GDP growth for 2011 is projected at 4.4% with inflation of less than 4%. And whilst Juan Manuel Santos, Colombia's new president, intends to address unemployment (just over 11% according to figures published at the end of last year) one of his primary concerns (and that of investors in his country) remains security; he must ensure that he builds upon the successes achieved by his predecessor, Álvaro Uribe, who, during his two terms in office, delivered severe body blows to the leading rebel groups. I previously wrote in-depth about Colombia in May, 2009, (Colombia: A Developing Story, Issue 196).

Increasingly, those seeking assurances of safety are from Asia because, as Luis Alberto Moreno, the president of the Inter-American Development Bank, has observed, there is a steady integration of emerging markets themselves. His predecessor, Enrique Iglesias, made the point previously that besides the United States of America's once traditional political and economic sway in the region, China has now entered the arena and is perceived to be destined to become the driving force of the global economy. Iglesias, in fact, sees two spheres of influence, calling them a "China cycle", stretching from Panama down to Chile and a "US cycle", from Panama up to the US border. It would seem that Panama – as is often the case – has a foot in each camp, with its canal serving the best interests of both.

Provided the world does not experience a double-dip downturn (fears of which have not been helped by recent developments in North Africa and parts of the Middle East), Latin America could achieve economic growth of up to 5% this year with the aid of the region's new benefactor, China. According to the United Nation's Conference on Trade and Development, last year, for the first time, so-called rich countries received less than half of global Foreign Direct Investment with more than USD 100 billion of it poured into China, making it second only to the US (USD 186 billion) as a recipient.

An optimistic Sebastián Piñera, president of Chile, believes that after some 200 years of effort and failure, the continent's future, like that of Brazil's (Brazil: The Future Arrives, Issue 207) has arrived; in his words, "the best ... for all of Latin America is yet to come." Writing last year, the Chilean president said that South America had not suffered the ravages of European wars and neither the racial conflicts in Africa nor the religious discord prevalent in the Middle East. Is it not a little ironic that the African Dakar rally, a motor sport event famous for its test of car and driver, has for the third successive year not taken place in Africa, but in Argentina and Chile?

But politics still remain South America's Achilles heel and the presidential elections during this year may not all go as smoothly, and efficiently, as Brazil's did last year when Dilma Rousseff, Luiz Inácio Lula da Silva's anointed successor, won and took office this year. Peru

has presidential elections this month and despite its strong economy, politics will remain fractious between the three main candidates, Ollanta Humala (a populist former army officer who nearly beat Alan García in 2006), Alejandro Toledo, a centrist former president, and, controversially, Keiko Fujimori (whose father ruled – in every sense of the word – the country from 1990 until 2000). I wrote about Peru in December 2010/January 2011 (Pizarro's Quest, Issue 212). The other presidential election – and which I featured last month (Devils and Princes, Issue 214) – will take place this October in Argentina. It will be, however, in Central America where perhaps the most volatile presidential elections will be held in 2011, when Guatemalans vote in September and Nicaraguans do the same in November.

In Guatemala, Otto Pérez Molina, a populist former general, will face the wife of the incumbent centre-left president, Álvaro Colón, who wants to replace her husband in the same way as Cristina Fernández Kirchner did hers in Argentina. The main worry, however, is what effect both drug-traffickers and gangsters might have on the election. Even so, I suspect that the most potentially explosive election for presidency will take place in Nicaragua where Daniel Ortega, the Sandinista leader and close ally of Venezuela's Hugo Chávez, has ridden roughshod over the judiciary and the electoral authorities in his determined (but unconstitutional) efforts to get a second consecutive term in office. Unfortunately, there is no clear leading candidate, so far, from a divided opposition to challenge him.

Fortunately, those elections will be the exception rather than, in past times, the norm in Latin America and will only serve to illustrate just how much the democratic process has taken hold in the region. If, as suggested, these two countries are within a US cycle, it raises a question about how an over-stretched super power might be able to influence the outcome. Besides problems abroad it faces a large number of disaffected taxpayers and although Latin America may be the region synonymous with income inequality, it is the US that has the distinction of having created the greatest income inequality in the developed world; crippling debts and high unemployment persist with 1% of the country owning a quarter of all the wealth.

Certainly the US continues to dither in the case of a free-trade agreement with Panama as well as with Colombia which, in the latter case, especially, could prove unfortunate as Beijing and Bogotá relations flourish. The accountancy firm KPMG estimates that between 2001 and 2009 China's total investments in Brazil were just USD215 million versus the USD20 billion spent since by Chinese energy and chemical groups acquiring assets there as well as in Argentina. In the last decade Asia's share, in fact, of Latin American trade has leapt from 9% to 20% with China in the vanguard. President Santos is in talks with China to link Colombia's Atlantic and Pacific coasts by rail, with newspapers awash with stories about a "dry canal" through the Darien Gap and the 220 kilometre-long railway that would act as an alternative to Panama's canal and transcontinental railway.

Colombia is home to one of the world's richest coal reserves and China is Colombia's second biggest trade partner (one forecast suggests that the Chinese could topple the US from the number one spot by 2020, just as they have already done in Brazil). Bilateral Sino-Colombian trade has gone from USD10 million in 1980 to over USD5 billion in 2010. A second proposed railway would be 791 kilometres long, with a cost of USD7.6 billion, all funded by the Chinese Development Bank and operated by China Railway Group. 40 million tonnes of mixed cargo a year would travel from Colombia's economic heartland to the Pacific, with priority (not surprisingly) being given to coal destined for China. Currently most of China's coal is exported via Atlantic ports, despite the rapid growth in demand from the East.

Beijing lent more money to developing countries over the past two years than the World Bank did. While Washington ponders on its next step with a free-trade agreement with Colombia, not to mention Panama, it should be aware that the gastronomical term "Chinese take-away" has more than one meaning. Is this the moment for American businessmen to say: "Wake up Washington"? Perhaps the US president's first official visit to the region in March means the administration has. We shall need to wait and see if something has stirred or if the president was just sleepwalking.

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