

The Cuban muscle crisis

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



Some commentators have said that the most exciting part of the sixth Summit of the Americas which was held in the middle of April in Cartagena, a steamy (in more ways than one) port in Colombia was the sex scandal involving prostitutes and members of the United States of America's Secret Service, as well as some US military personnel. That would be unkind, but doubtless because of it, and the ensuing publicity, a very large number of US citizens have become aware of this very important event that is held every three years.

President Obama, for his part, had clear goals: he wanted to promote economic growth and employment by strengthening the trade ties and co-operation with his southern neighbours, although they had an agenda which was more weighted towards solutions to the regional drug problem, the continued exclusion of Cuba and, to a lesser degree, resolving Argentina's claim to the Falkland Islands. If the chance of solving any of those three topics has not increased, the US's isolation certainly has, after a Summit that did not live up to its theme, "Connecting the Americas". The influential Washington think-tank, Inter-American Dialogue, issued a report in April which concluded that most countries in Latin America were now seeing the US as "less and less relevant to their needs" (Mexico, with its unique trade relationship with North America, would not, naturally, share this view). The opinions in the report were drawn from some 100 people, of whom nearly one-half were from the US and the rest were Canadians and Latin Americans; former ambassadors and presidents were included in their number.

These Summits have gained more relevance whilst the status of the Organisation of American States which, since 1994, has spearheaded hemispheric gatherings (and which plays an important role in the Summits) has diminished in the wake of new regional alliances, such as the Union of South American Nations (see "Laughter and Tears" – Issue 225). These alliances, of course, also further weaken the political influence that the US has in the region. Isolating the US, however, is a mistake because with all its actual and perceived imperfections it is democracy's leading defender not only across Latin America, but around the world, and as Winston Churchill told the British House of Commons in 1947: "Democracy is the worst form of government, except for all those other forms that have been tried from time to time."

Latin America should not need reminding of this and the presidents of Nicaragua and Ecuador who refused to attend the summit (the former did send his foreign minister) because of Cuba's absence are two leaders in particular who should heed the late British prime minister's words. Although the Ecuadorian president was absent, he was still instrumental in making Cuba a pivotal issue. So much so that several countries (especially allies of Hugo Chávez) have stated that they will not be at the next summit if Cuba doesn't attend also.

Despite Cuba, good relations with Washington are, as I say, important, if only as a counterweight to China, whether or not the US is less relevant economically and financially, a situation which has been brought about in large part due to various factors such as: China is the biggest trade partner for many countries in the region; local banks increasingly provide the necessary access to capital; and Brazil, in its own right, is becoming, what is tantamount to, an alternative superpower, albeit within the region only. And just as the Organisation of American States is in danger of being relegated to a secondary role in the region's affairs, the US (as well as Canada) could be side-lined in future important hemispheric decisions if Latin Americans no longer regard the Summits as the prime platform for debate – especially if the Union of South American Nations gains traction.

But it wasn't all gloom and doom for President Obama in Cartagena. A big trade deal was agreed, following the announcement that the US and Colombia are now ready to implement a bi-lateral free trade agreement. It will mean that more than 80% of industrial and manufactured products exported from the US and Colombia will be duty-free. This is significant and the US hopes to increase its exports by USD1 billion due to the agreement; Colombia expects a resulting increase of 500,000 new jobs. Although the date of implementation (at the time of writing) is not known, Tom Donohue, president of the US Chamber of Commerce, who attended the Summit, expected it to be weeks away.

There was more good news. The region's biggest and fastest-growing economies, such as Brazil, Mexico and Peru, all agreed to closer co-operation, as well as integration, with North America. Agreements were signed on issues ranging from energy to telecommunications and a parallel summit on special issues went well. Significantly, for the first time a businessman's summit (called a tropical Davos by one journalist) was made part of the event. 500 business leaders from the hemisphere exchanged ideas and the US contingent included Wal-Mart Stores Inc., PepsiCo, Yahoo and Caterpillar. The forum was hosted by Colombian President Juan Manuel Santos and Brazilian President Dilma Rousseff. This is a significant development because it is the private sector, and not governments, that will be the prime mover in driving economies forward.

There was progress on the drugs front too, because it was agreed to examine the current regional policies and their effectiveness in depth. The fact that the US is prepared to look at alternatives to its present approach was a giant step forward. A group of Central American countries led by Otto Pérez Molina, Guatemala's new president, has called for the legalisation of drugs to counter the scourge of organised crime. Although President Obama has said that he is open to debate on the issue, he still remains, however, opposed to any steps towards decriminalisation.

Apparently, President Obama was surprised by the region's increased militancy over Cuba, a sure sign that he is out of touch on

this important issue for Latin Americans. And whilst he dismissed many of the tensions in the region as remnants of the past, surely his own administration's stand on Cuba is one of them, as if the missile crisis was yesterday? He said he sometimes felt that he was in a time warp that dated back to before he was born when gun boat diplomacy and the Cold War were writ large. "That's not the world we live in today", he declared, but his detractors would say that as far as Cuba goes, that is precisely the world in which he dwells.

The US should study the case of Taiwan where inclusion has worked better. What do Cuba and Taiwan have in common? Besides being islands and both on the 23rd parallel, you might think that's where the similarities end. Not if you're either China or the US, each of which has an island off its south eastern coast with a political philosophy diametrically opposed to its own. On the one hand, a capitalist island confronts a communist country and on the other a communist island confronts a bastion of democracy; the difference in approach that each country has taken and the results could not be more stark.

Despite its claim to sovereignty over Taiwan, often expressed with a passion equal to that of Argentina's president when she speaks of the Falkland Islands, China has left the door ajar and as a result of which not only has political dialogue been easier but investments from the island have benefited the mainland. Meanwhile, the US nurses an animosity that has been nurtured for more than 50 years with its roots in the Cold War, a relic of times past. When will a US president be brave enough (see "Barrels, Borders and Bravery" – Issue 188) to try another approach with Havana? Latin America is starting to use more of its own political muscle and the stand-off over Cuba promises to fester as the region grows more confident and independent, proving ever more difficult for the US to bridge the gap.

Some municipalities in Cartagena have declared "tolerance zones" for prostitution, the subject which was at the centre of the sex scandal that embarrassed the US president during his visit there. It's time the US created a tolerance zone of its own in the case of Cuba.

www.trustservices.net

European Magazine Services Ltd, Lombard House, 10-20 Lombard Street, Belfast, BT1 1BW, United Kingdom • Tel: +44 (0) 28 9032 8777 • Web: www.offshoreinvestment.com

PUBLISHER AND CEO Barry C Bingham barry@offshoreinvestment.com	CONTRIBUTING EDITORS Howard S Fisher	ADVERTISING Paul R Dean advertising@offshoreinvestment.com	DESIGN & PRODUCTION Dave Johnston Gillian Devenney administration@offshoreinvestment.com
EDITOR-IN-CHIEF Charles A Cain editorial@offshoreinvestment.com	F. R. Jenkins, Esq Derek Sambrook	CONFERENCE Susan M Kearney conference@offshoreinvestment.com	FINANCE Rosalind Maguire accounts@offshoreinvestment.com
EDITOR Jenny L McDonough editorial@offshoreinvestment.com	Yongjun Peter Ni editorial@offshoreinvestment.com	SUBSCRIPTIONS Louise Loughran subscriptions@offshoreinvestment.com	MEDIA MANAGER Gillian M Abernethy administration@offshoreinvestment.com

International Bureau

Anguilla - **Claudel VV Romney**
Antigua - **Brian Stuart Young**
Australia - **David Russell QC**
Barbados - **Wayne Fields**
Bermuda - **Lynda Milligan-Whyte**
British Virgin Is. - **Ralph Nabarro**
Canada - **N Gregory McNally**
Cayman Is. - **Michael L Alberga**
Cyprus - **Christos Mavrellis**
Dubai - **Andrew De La Rosa**
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**
Luxembourg - **Paolo Panico**
Malta - **Dr Max Ganado**
Mauritius - **Suzanne Gujadhur**
Nevis - **Mario Novello**
Ras Al Khaimah - **Dr Theodor Strohal**

Samoa - **Graeme Briggs**
Seychelles - **Simon J Mitchell**
Singapore - **David Chong**
St. Vincent - **Alex Jeeves**
S. Africa - **Prof Christian Schulze**
Turks & Caicos - **Jonathan M Katan**
United Kingdom - **Matthew Cain**
United Kingdom - **Floyd Ronald Jenkins, Jr**
Uruguay - **Geoffrey Hooper**
USA - **Susanne R Wadsack**
USA - **Howard S Fisher**
US Virgin Is. - **Marjorie Rawls Roberts**
Vanuatu - **Lindsay D Barrett**



European Magazine Services Limited. © 2012.
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 2012 US annual subscription price is 930.00. Airfreight and mailing in the USA by agent named Air Business Ltd, c/o Worldnet Shipping Inc., 156-15, 146th Avenue, 2nd Floor, Jamaica, NY 11434, USA.

US POSTMASTER: Send address changes to Offshore Investment, c/o Worldnet Shipping Inc., 156-15, 146th Avenue, 2nd Floor, Jamaica, NY 11434, USA. Subscription records are maintained at European Magazine Services Ltd, Lombard House, 10-20 Lombard Street, Belfast BT1 1BW, United Kingdom. Air Business Ltd is acting as our mailing agent.

SUBSCRIBE! Subscription includes the print edition and FREE unlimited downloads from the online archive. **One Year (10 issues)**
INPRINT • ONLINE Tel: +44 (0) 28 9032 8777 **UK & Europe GBP370**
 Email: subscriptions@offshoreinvestment.com **US Mainland USD930**
Rest of World GBP499

NEXT ISSUE **Charity** Jurisdictions: BVI, Belize, Liechtenstein, Switzerland, Austria