Seeing Ghosts

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The Chinese say that seeing a ghost forever puts the fear of darkness in you and certainly the spectre of the past, rather than the present, makes some people anxious over China. This anxiety manifested itself indirectly earlier this year during the furore over the aborted USD6.8 billion sale that would have given a government-owned company in Dubai, which is a member of the United Arab Emirates, control over important operations at six major US ports. Reality and perception have clashed again because, for some, their view of the UAE is encapsulated in comments made by Vito Fossella, a Republican congressman, who includes the UAE on his list of "foreign nations with spotty records on terrorism".

As with all political issues which potentially have significant repercussions, compromise is the only path to travel, regardless. James Russell Lowell, the nineteenth century essayist and diplomat, had this to say on the subject: "Compromise makes a good umbrella but a poor roof. It is a temporary expedient; often wise in party politics, almost sure to be unwise in statesmanship". It is difficult to see how statesmanship has been best served in this instance.

In a classic example of guilt by association, during the public debate on the ports sale, reference was made by US public figures to Panama's canal being yet another example of control of a strategic facility by a hostile power. Panama has Latin America's largest container port and some port operations on the canal are owned by Hutchinson Whampoa, the flagship company of Li Ka-shing, a Chinese billionaire businessman living in Hong Kong where the company is domiciled. Hutchison Whampoa owns Felixstowe Port, which is Britain's biggest container terminal, and I am sure that the British share Panama's lack of concern over Li Ka-shing. "Facts, facts, facts", to quote Charles Dickens in *Hard Times*, are what I recommend as an antidote.

China, besides not controlling any part of Panama, is a financial ally rather than a foe of the country. It is the world's third largest trading nation and, in 2004, China's Latin America trade reached USD22 billion in imports and USD18 billion in exports, many of which passed through Panama's canal, generating considerable revenue for the country.

It is estimated that almost half of China's direct foreign investment is being made in Latin America and Beijing expects the amount will reach USD100 billion within five years. US trade and investment, however, by comparison, is huge. In 2004, trade in the region exceeded USD445 billion (ten times more than China). Chinese investment near the end of last year was just over USD8 billion compared with USD300 billion from the US. It has been estimated that 30% of foreign direct investment into the region comes from the US and at least 40% of the multinational firms doing business there are North American.

Panama would agree with Benjamin Franklin that no nation was ever ruined by trade. In its fiscal year 2005, the Panama Canal Authority recorded USD484m in net profits, up by 27.2% from 2004, and revenues reached USD1.21 billion, an increase of 16% over the previous year. These results were audited by PriceWaterhouseCoopers. The country now has six Super Post-Panamax Gantry cranes, some of which are the first ones in Latin America that can handle 22 containers across a ship's deck. Some will doubtless twitch when they learn that the cranes were manufactured in China.

Panama has now re-opened discussions for a Free Trade Agreement with Chile (as one with the US continues to be negotiated) after talks were suspended back in 1998. (Chile is the principal Latin American user of the canal and is, in fact, the world's fourth largest user of it). Singapore has already signed a Free Trade Agreement with Panama which is its biggest trading partner in Latin America. Total trade in 2005 was worth almost USD2 billion whereas as recently as 2004 Singapore was only Panama's sixth largest trading partner. The trade agreement covers goods and services, including telecommunications, financial services and investments. It is Singapore's first such agreement in Latin America.

In 1913 as part of the canal construction, US president Woodrow Wilson pressed a button in Washington that triggered a huge explosion at Gamboa, not far away from the city of Panama. The signal had been relayed by telegraph and the result was a hole over a hundred feet wide which effectively split Panama in two and the continent of North America became separated from South America. But today more than just the canal divides the two continents. Might the region repeat the mistakes of the past and miss today's golden opportunities?

By the end of 2006, there will have been presidential elections in nine Latin American countries, but will these newly-elected presidents get it right and use their economic good fortune, derived principally from the current international need for primary products, to modernise economies and rebuild infrastructure while, at the same time, develop natural resources and human capital? With the exception of Chile, the region is neither saving nor investing enough. Investment rates have not yet returned to 1998 levels.

I read about a slogan written on a wall in Paraguay which said: "We have two types of politicians: the incapable and those capable of anything". This is something that the continent must strive to make yet another spectre of the past.

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