

"Pursuing protectionism is just like locking oneself in a dark room: wind and rain might be kept outside, but so are light and air."

Those words were spoken by the Chinese president, Xi Jinping, when he attended January's World Economic Forum in Davos, the first Chinese leader to do so. A reminder of the changing times.

As America seems to have put involvement in South America on hold, except for building a wall along the Mexican border, the Chinese continue to strengthen their ties south of the Rio Grande; they do not believe in barriers of any kind and China is pushing trade deals, cementing relations rather than bricks.

A NEED FOR UNITY

Now more than ever, there is a need for the South Americans to unite as traditional bonds between countries in the West seem to be weakening. A measure of this fragility is apparent by the recent activation of the United Kingdom's departure from the European Union.

The EU has just celebrated its 50th anniversary; Latin America's politicians – in both Central and South America – have continually talked about regional integration for twice that length of time.

Although this century has seen a big increase in trade agreements among Latin American countries, the share of their exports that remain within the region is hardly inspiring: perhaps no more than 20% has been the constant, according to the latest study made by the World Bank. Comparative statistics in other countries are revealing, such as Canada and the US (35%), East Asia (5%) and 60% for 18 of the main members of the European single market.

In fairness, there are significant factors that account for the disparity (despite the obvious tensions brought about by politics), such as the fact that many regional economies are small and produce similar goods; importantly, huge distances separate some markets: South America ranks fourth in size after Asia, Africa and North America.

Further European unity may not be in vogue but, as **Derek Sambrook** argues, the time could be ripe for a more united South America. Closer cooperation could mitigate some of the region's more persistent problems

Unconventional wisdom



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This low level of exports within the region is unfortunate because following the last six years of Latin America, as a whole, being in the economic doldrums, it is looking for new sources of growth. Those centre-right governments that have now come to power are far more eager than their left-wing predecessors on furthering the cause of open trade.

I have written frequently about Mercosur, a problematic customs union which includes Brazil, Argentina, and the Pacific Alliance, a free-trading pact between Chile, Colombia, Mexico and Peru.

The buzzword for some time has been "convergence", referring to both alliances somehow coming together, which in theory would be a pow-

erful partnership. But that would not overcome the need (a difficult task) to standardise the different rules both alliances have – not to forget the diverging philosophies.

The only plus, when compared with the European Union, is that there are only two languages to deal with, and both have Latin roots.

BUREAUCRATIC BARRICADES

Despite the absence of significant language difficulties, however, the prospect of harmony has a quixotic feel to it, a pursuit of ideals that are perhaps unrealistic.

The key ingredient to bringing down the obstructive barricades to trade is a commitment to tackle



bureaucracy, an import from the 1530s onwards which two European invaders in particular, Spain and Portugal, introduced.

In concert with this, the region's countries need to improve the transport links across the vast sub-continent (especially open-skies agreements). What's more, transport costs in South America are particularly high and every effort needs to be made to remedy this.

Even so, domestic markets and domestic demand alone will be insufficient to replace the gains from the commodity bonanza now just a memory. International economic ties are vital and will foster stable growth.

The World Bank is expecting tepid economic growth in the region this year and an obvious port of call, especially for the larger economies, is China. There is no doubt that boosting business with the US would be a boon if trade trumps walls.

BRAZILIAN WOES

South America's principal economic driver, Brazil, remains in intensive care. Foreign investment fell by 10.2 per cent in 2016 – not helped by the country's crippling high interest rates (although the central bank hopes, optimistically, to bring them down to single digits this year).

The majority view among economists is that Brazil will emerge from recession during the course of this year, but that the rate of growth will not reach 1% and if this is so, then it will be insufficient to reduce unemployment. Household consumption last year fell 4.2 per cent as joblessness reached a record high.

This year offers no guarantees and the downturn has left almost 13 million unemployed, producing a record number of filings for bankruptcy and stripping this proud country of its treasured investment grade credit rating.

Brazil had already suffered the ignominy of former President Dilma

Rousseff's impeachment and there was no panacea for the people with her replacement, Michael Temer, whose approval ratings are low as he tries to push through an agenda which includes budget and pension reforms.

Despite the awfulness of 2016, it is more than encouraging to note that even although the recession has been the deepest in the country's history, it has not resulted in the previous financial upheavals experienced in past tumultuous economic crises which included sovereign debt disasters, capital flight and hyperinflation.

A TORRID PAST

It may be true that protectionism will loom large on President Trump's political agenda, but South America is hardly immune from it when one sees the often-blatant practice in countries such as Argentina, Brazil and Colombia.

It will not just be bureaucracy and transport issues that must be faced. The problem is that governments in the region are politically weak, having to perform a high-wire act, keeping a balance between economic progress and pleasing the electorate.

Unfortunately, no matter what course countries might steer, it is unlikely that any country will have one powerful party able to free itself from the rancorous and factious party politics that, in most cases, set the parliamentary scene; dictators of old, of course, were not bothered by such problems.

Dictators belonged in an era written extensively about by the late Marxist historian Eric Hobsbawm whose experiences led him to say that: "Nobody who discovers South America can resist the region". It was a fascination shared with Graham Greene, another British writer, who brought an awareness of the region to a worldwide readership. Writing 15 years ago, Hobsbawm described South America as a "laboratory of

historical change... made to undermine conventional truths". How right that was and his travels convinced him that here was "a continent apparently bubbling with the lava of social revolutions".

One needs only to consider the past travails of Central America, and then South America – especially Peru, Colombia, Brazil, Chile, but particularly Venezuela which reminds us that South America has still to this day not completely expunged its torrid political past.

Writing in 1971, Hobsbawm made a remark about Latin America which is as true today as it was then: "... the US cannot impose its own ideas of the future... even if it knew how to set about it".

If there is any remote comparison with Panama being a warm-up act for subsequent Middle East adventures (see "Of Ghosts and Scoundrels", last month's column) then the recent US strike on Syria's al-Shayrat military airbase, whether a one-off or not, might be a wake-up call to all governments in this troubled corner of the globe. But the US, any more than it can in Latin America or Afghanistan (notwithstanding using the most powerful non-nuclear bomb in its arsenal), can never (as history records) impose the future direction of those former ancient empires in the Middle East.

We now know how accurate some of this British historian's predictions were about Latin America by remembering his comments on the rise of Luiz Inácio Lula da Silva to the Brazilian presidency: "Now I suppose we wait once again to be disappointed". And it proved to be so.

We see the untested mayor of São Paulo, João Agripino da Costa Doria Junior, an energetic tycoon who once hosted the Brazilian version of The Apprentice, President Trump's television show, wanting to run for the presidency next year. Should he be successful let's hope that Brazilians don't end up wondering just who the real apprentice was.

One thing's for sure: his US counterpart has most certainly been learning on the job. ■

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THAT GOVERNMENTS
IN THE REGION ARE
POLITICALLY WEAK,
HAVING TO PERFORM
A HIGH-WIRE ACT