

Unhappy endings

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George Bernard Shaw observed that political necessities sometimes turn out to be political mistakes.

There are always, of course, exceptions to the rule. In 1954, the Brazilian president, Getulio Vargas, with a shot to the heart, committed suicide after resigning in the midst of a political crisis. Today, politicians in most countries tend, in a manner of speaking, to shoot themselves just in the foot. In the suicide note that Vargas left he spoke of an economic crisis and claimed to have tried to “liberate” the people, after seizing power in a 1930 revolution. Not only did he subsequently dissolve parliament, he also banned all political parties and trade unions, censored the press and suppressed all opposition.

Despite some serious political problems not of his making, Brazil’s current president, Luiz Inácio Lula da Silva, governs a country that has matured both politically and economically in the past half century. Brazil’s currency continues to perform strongly, wholesale prices have been falling and the 2005 target of 5.1% for consumer price inflation appears to be still achievable. However, there are a lot of problems with the country’s infrastructure and, according to Brazil’s budget proposals, the government will still only spend 0.5% of GDP on infrastructure in 2006. (The World Bank has reported that poor roads, railways and ports have been instrumental in delaying development in South America and says that spending on infrastructure, in general, has fallen on average to less than 2% GDP, which is around half of the expenditure achieved in the 1980s.) Besides its problems with infrastructure, hampered by severe political constraints and regulatory opaqueness, Brazil is finding that its commercial ties with China have become fractious. Chinese imports are affecting manufacturers of shoes, textiles

and electronic equipment in particular. Brazil’s trade surplus with China has shrunk in 2005 and it is now running a deficit in trades in industrial goods. The president’s challenges are manifold and the general election in 2006 might have an unhappy ending for him; but do not expect a suicide note.

There is also a general election scheduled in Mexico for 2006 and, after the New Year festivities, there will be very little for the president, Vicente Fox, to celebrate. After he was elected in 2000, ending 71 years of rule by the Institutional Revolutionary Party, there were high hopes that his presidency would accomplish much. He has not, however, lived up to the expectations of many Mexicans and the only “Fox” that seems to be really popular in Mexico is the one made by Volkswagen in Brazil. In both countries, where 70% of car buyers purchase small cars, the German compact has proved to be a winner, unlike the President who has seen his popularity wane.

Many political commentators feel that the president’s problems began as soon as he took office. He modelled himself on Franklin Delano Roosevelt and publicly announced that Mexicans would see landmark changes in the first 100 days of his administration. But he spent some three months or so of his first year travelling abroad, celebrating his unique position as the first Mexican president in over 70 years to have been elected from the opposition. Those trips overseas gave the defeated and dejected opposition time to re-organise themselves, making it even more difficult for the president to deal with a hostile legislative majority that continually hinders his every political move.

Issues outside Mexico are also turning hostile. The North American Free Trade Agreement might have made the US aware of the fact that it has a vested interest in Mexico’s political and economic stability

but, even so, maintaining good relations has become more difficult. The increasing demand for cheap labour for farms, the hospitality industry and building sites in the US has been a magnet for illegal immigrants at a time when US terrorist concerns have made protecting the country’s borders a top priority. So, the vulnerable Mexican border has increased tension between the two neighbours. At established Mexican border crossings, US officials are carefully checking passports for evidence of trips made to the Middle East but those with evil intentions are more likely to emulate the successful illegal immigrants who slip unnoticed across the border.

Elsewhere, however, President Fox is reducing political tensions. Hugo Chávez, Venezuela’s president, has called for Latin American countries to unify their economies rather than adopt a US-led, free trade approach. Here, the Mexican president has proved to be a good American ally. Last July, at the Fourth Summit of the Association of Caribbean States held in Panama, Vicente Fox called for a strategic alliance of open markets and free trade in the region. Hugo Chávez was absent from the summit but his foreign secretary, Ali Rodríguez, made it clear that Venezuela believed in economies “based on solidarity, not mercantilism”. Stronger language followed when he added that Venezuela opposed “the slimy, mercantilist view of things”.

In 1908, Charles Macomb Flandrau wrote in a somewhat vivid passage in his book, *Viva Mexico*, that a “well-regulated, systematic and precise person always detests Mexico and can rarely bring himself to say a kind word about anything in it...” I am sure that today, when Washington is confronted by vituperative remarks from Venezuelan officials, it can find many kind words to say about Mexico, despite increasing border friction.

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