

Lost heirs?  
Unclaimed assets?

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4-8 Museum Street  
Ipswich  
IP1 1HT  
Tel: 01473 226725  
Email: [info@angliaresearch.co.uk](mailto:info@angliaresearch.co.uk)

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## A tale of two polities

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*It remains to be seen how autocratic countries, such as Argentina and Venezuela, will handle a growing middle class, but they have certainly chosen the more precarious option, says Derek Sambrook*

Latin America [is growing in self-confidence](#) as it steps firmly onto the world stage. And I believe the illusions the US has to tackle contributed to the recent temporary government shutdown. Ideologies and egos clashed and resulted in a fiscal fudge allowing a reprieve until 2014, with politicians on both sides of the divide resorting to humbug and other examples of cant to justify their positions. "Kicking the can down the road" was repeated as much as a Beatles record was in the 1960s. I'd like to see them kick the 'cant' down the road.

Is there still a danger that the region could contract a strain of US hubris? This year, Brazil's President Rousseff cancelled a state visit to the US over spying revelations by the host country's security agency, and Brazil's director on the International Monetary Fund (IMF) board, Paulo Nogueira Batista, with surprising candour, criticised the IMF's £1.6bn payment to Greece in July -an institution which was once a financial saviour not just for Brazil, but other countries in the region too.

Brazil and the ten other Latin American countries it represents at the IMF, however, see a very real risk of Greece defaulting, or at least having to delay payments on its IMF liabilities, and for this reason abstained from the decision to continue supporting Greece, which, at the time of the vote, had already used up about 90 per cent of its total emergency funds.

### Dead trees

Yogi Berra, of New York Yankees fame, once said that when you reach a crossroad, take it. South America may be a confident continent, but if it has not reached a crossroad, it certainly has arrived at a fork in the road. Political ideologies (and, yes, egos) are producing two diverse styles of government in the 21st century and not every country will go in the same direction.

First, there are those without strong constitutional systems or well-managed economies - the awkward squad. In the vanguard will be Venezuela followed by countries including Ecuador, Bolivia and Argentina, all of which are hostile towards the US. Venezuela is grappling with the demise of Hugo Chávez and the ascent of Nicolás Maduro, who remains an unknown quantity.

What is known, however, is that he has the slimmest of mandates to rule a country that is chronically short of basic goods, drawing economic comparisons with a wasteland, immortalised by TS Elliot in which "the dead trees give no shelter". December's municipal elections will point to either hope or more despair.

Then there are the countries with stronger constitutions, as well as economies, which are better placed to deal with the millions who are joining the middle class and will make democracy more volatile. The commodity boom sustained governments in Argentina, Ecuador and Venezuela, which fed populism with cash. Whereas in Chile, Colombia and Peru, for example, they kept their reforms going but - crucially - did not spend all their commodity windfall.

### **Empty treasuries**

With empty treasuries, it remains an open question how autocratic countries, such as Argentina and Venezuela, will handle a grumbling, and growing, middle class, but what is certain is that they have chosen the more precarious fork in the road. What's more, the economic ills that began in the US then infected Europe, particularly its southern countries, have been joined by concerns over China's economy, which also has a growing middle class confronting a government promoting state-led capitalism, similar to the 'awkward squad'. The ripple effect of all this is now lapping the shores of South America and those houses built of straw, rather than brick, will suffer most from any attendant turbulence.

The unremitting malice of fortune, written about by Machiavelli in *The Prince* 500 years ago, stares Venezuela's President Nicolás Maduro and Argentina's President Cristina Fernández in the face.

Derek R Sambrook is managing director of [Trust Services SA](#) and treasurer for the British Chamber of Commerce in Panama

He writes a regular blog about Latin America for *Private Client Adviser*