

## THE PANDA AND THE PUMAS

April, 2015



I was chairing an annual offshore financial services conference in March in Panama. What struck those attending for the first time was the view from the luxury hotel on the city's seafront just a stone's throw away. The location gives a panoramic view of Panama Bay with its scattered, distant islands that I never tire of. But, of course, what is also visible across the bay are the container, tanker and other ships, of all shapes and sizes, either heading to, or coming from, the Panama Canal.

The shipping and services business has been good to Panama, supplemented by a healthy banking industry, such that the country is on track to experience real GDP growth this year in excess of 6 per cent, according to the International Monetary Fund. Out of 34 regional countries surveyed in North, Central and South America, including the Caribbean, only one or two countries are expecting growth of 5 per cent, with the average GDP growth, in fact, for Latin America and the Caribbean projected to be 2.2 per cent.

William Henry Seward in 1852 predicted that the Atlantic would decline in importance "while the Pacific Ocean, its shores, its islands and the vast regions beyond, will become the chief theatre of events in the world's great hereafter". He became Abraham Lincoln's secretary of state nine years later. And Panama, providing a commercial corridor between both the Atlantic and the Pacific, has harvested a copious bounty.

The trade between Asia and Latin America has been phenomenal. Since 2004 it has quadrupled and Asia has taken over from the European Union as Latin America's second-biggest trading partner after the United States of America. China has replaced the US as the biggest trade partner of Brazil, Chile and Peru; but even so, Japan is the biggest Asian investor in Latin America. Four countries on Latin America's Pacific coastline, namely, Chile, Colombia, Mexico and Peru, at the beginning of last year signed a trade pact called the Pacific Alliance, strengthening ties with Asia.



Samuel George of the Bertelsmann Foundation, based in Germany and focused on promoting freedom and international understanding, is credited with coining the term “Pacific Pumas” in reference to those four members of the Pacific Alliance which have a combined population of 212 million and conduct half of all Latin America’s trade. Chile is the most enthusiastic participant in pushing Asian trade and, coincidentally, China, rather than the US, is now that Andean nation’s biggest trading partner accounting for at least 20 per cent of its imports and exports.

### ***Masks, Poisons and Sword-sticks***

Chinese investment in Latin America is opaque, a word that regulators of western governments are trying to consign to the bin. It is known that a large chunk of China’s capital is always parked in the Cayman Islands and the British Virgin Islands prior to investment. The United Nation’s Economic Commission for Latin America and the Caribbean says that since 2010 China has invested around US\$10 billion a year in the region.

New transparency rules may have meant that, offshore, a planetary realignment is taking place, but not for China which is able to display either its passive or aggressive face through two respective national symbols, the Panda and the Dragon. The rest of us have joined hands with Alice and fallen down the regulatory rabbit-hole. She entered the world of upside down and with the blending of privacy, confidentiality and secrecy so have we, precisely 150 years after Alice in Wonderland was written.

The offshore industry in particular is taking some rough treatment from governments in the west. Louis Brandeis, who was appointed to the US Supreme Court in 1916, believed that the violation of the right to privacy constitutes a kind of wound – a puncturing of the soul. In 1844 when it was learned that the British government had been opening people’s mail, the editors of the London Times insisted that “the proceeding cannot be English, any more than masks, poisons, sword-sticks, secret signs and associations, and other such dark ventures”.

Surveillance has moved on from steaming open mail and the subject, as we all know, is today far more contentious. Meanwhile, the Panda cheerfully chews bamboo whilst often bamboozling the rest of us.

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