



Steady regional growth despite unrest

Political and economic news from Latin America has recently been dominated by drastic reforms in Argentina, chaos in Brazil and Venezuela and the "Panama Papers" tax scandal.

More welcome news from the IMF that the economies of the other 30 economies in the region are growing between 1 and 5 per cent (except Ecuador at -1.7 per cent) has been swamped in a tsunami of breathless, sensational reporting on the tumultuous parts of Latin American.

To better frame and understand the tumult, I prefer the apposite insights of 18th Century Jamaican Government Secretary and playwright, William Congreve, which provide a far more pertinent focus on events than those of contemporary hacks.

Argentina

His quote, "Music has charms to soothe a savage breast, To soften Rocks, or bend a knotted Oak", applies in Argentina's case as the prestissimo tempo of new brooms sweeping clean is soothing music to the IMF, World Bank and bond markets, all of which are softening and bending sympathetically to the neoliberal President Macri's government's austere new tune.

The removal of foreign exchange controls, export tariffs and subsidies will improve medium-term growth prospects, but meantime stagflation will endure with 7.8 per cent unemployment, inflation spiking around 40 per cent and GDP contracting 1 per cent this year.

Brazil

The lines, "Grief walks upon the heels

of pleasure; married in haste, we repent at leisure", evoke how the world's once-enamoured financial markets have downgraded Brazil and increased its financing costs as the economy reels from its worst performance in 25 years - with a 3.8 per cent contraction in 2015 (projected to further contract 3.5 per cent this year), political dysfunction and a pervasive corruption scandal riddling the corporate and political classes.

Congreve's words, "Heaven has no rage like love to hatred turned, Nor hell a fury like a woman scorned", accurately describe how viscerally Brazil's people turned on their once much-loved President Dilma Rousseff when economic conditions worsened, and succinctly characterise Rousseff's furious rhetoric accusing opposition forces of a "coup" and corruption-tainted Vice-President Michel Temer of a traitorous conspiracy to usurp her mandate as he personally impels growing momentum to impeach her.

The quote, "Defer not till tomorrow to be wise, Tomorrow's sun to thee may never rise", epitomises the urgent need for the resolution of political and policy uncertainty in Brazil or, despite a weakened currency helping improve export competitiveness, the IMF says the recession risks becoming the worst in a century.

Venezuela

It will take more than soothing music to soften the rocks upon which the Venezuelan economy has been dashed by an unsustainable socialist economic model.

Venezuela depends on oil for 90 per cent of its income and the crash in oil prices has led to a lack of hard currency, widespread shortages of electricity, food, medicines, GDP at -8 per cent, inflation at 720 per cent and imminent sovereign debt default.

President Nicolas Maduro, a former bus driver and intractable demagogue, clings to power by jailing opponents and at every turn checkmating the opposition parties who control Congress with the support of the supreme court and electoral commission both stacked with his handpicked cronies.

Widespread and virulent social unrest is building toward a crescendo, the long-awaited apogee of which will be Maduro's ouster and an imperative return to conventional economics.

Panama

Panama's booming financial services sector has grown to account for three-quarters of GDP courtesy principally in contravention of the FATF convention on money laundering, as now exposed by Mossack Fonseca's hacked "Panama Papers".

Congreve's words, "I know that's a secret, for it is whispered everywhere" exemplify Panama's egregious role in money laundering as while the Panamanian Government pays lip-service to FATF it covertly encourages tax evasion in other jurisdictions.

The nefarious, publicity-abhorring denizens of Panama's financial underworld including the seven heads of government from Latin America who are involved, believing Congreve's final words here as gospel, "O fie, miss, you must not kiss and tell", will decamp to more secretive havens and markedly shrink Panama's economy in the process.

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