

# Opportunities beyond Europe – Rediscover Latin America

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With Europe losing its lustre and falling behind the economic pace of the outside world, it is high time for Britain to reassess our priorities. Since the trauma of Suez, which shocked Britain out of its belief in imperial preference and the reliability of the special relationship with the United States, we have been obsessed with “Europe”, to the exclusion of realising the opportunities we have elsewhere. We should break free of the increasingly introverted, bureaucratic and expensive monolith that the European political elite is trying to create, in the teeth of the populations of Europe, which they are determined not to consult, let alone take a democratic mandate from.

The Commonwealth has now made its transition to maturity. The obsessions of the initial leaders of independent Commonwealth countries with anti-colonialist attitudes, and seeing their relationship with us accordingly, have fallen away under the pressures of time. We now have the opportunity to build relationships based on friendship, and mutual interests, derived from sharing a language, trading practices, legal systems, and historic associations. Many Commonwealth countries are powering ahead, notably India, Australia, and certain Asian and African countries.

## **The great opportunity for Britain**

However, there is another vast opportunity for Britain that we have neglected for the last seventy years – Latin America. From the Rio Grande border of Mexico with the United States, the region stretches down the Americas to the Antarctic, a distance of 6,000 miles. It is home to 600 million people, has a GDP of US\$6.2 trillion, and

a growth rate of 4%. Following the trend to globalisation, these markets have flourished for trade and investment from outside. However, with a few worthy corporate exceptions, Britain has been outstripped by the performance of our competitors. Germany, France, and even Italy, have outstripped us. Spain has been given a free rein to invest (largely money, including our own, recycled from Brussels), drawing on cultural and linguistic affinities.

### **Latin America**

Settled originally by Spain and Portugal, the countries of Latin America achieved their independence in the early nineteenth century with the assistance of Britain. The Napoleonic Wars put paid to the Iberian colonial era in the continent. The King of Spain was deposed by Napoleon, whose brother usurped the throne; and the Portuguese royal family fled to their largest colony, Brazil, under the protection of the Royal Navy. In many of the Spanish colonies, the local settlers rebelled against their nominal Napoleonic masters. Buenos Aires fought off a British expeditionary force, and went on to rebel against Spain itself. Many rebels were exiled in London, amongst them Francisco de Miranda and Simón Bolívar. They turned to Britain for help in their quest for independence.

### **Britain's historic relationship**

This coincided with the final victory at Waterloo. A grateful Britain made the majority of our victorious soldiers and sailors redundant!! The exiles, not short of money, recruited many of them to apply their military and naval skills to the struggle for independence. In Venezuela, the Legión británica was formed of British and Irish veterans. Under Bolívar's command, they, together with local volunteers, swept the Royalist Spanish forces before them, liberating the future republics of Venezuela, Colombia and Ecuador. In the far south, José de San Martín, marched his forces from Buenos Aires across the Andes into Chile and northwards into Peru, dislodging the Spaniards. He did so with many British mercenaries turned settlers, and above all with the support of the gifted British Admiral Lord Cochrane, who was appointed the first Commander of the Chilean Navy, and led great naval exploits leading to the capture of the Spanish Pacific colonial capital at Lima.

In Brazil, the Portuguese royal court returned to Lisbon after Waterloo, and attempted to turn the colonial clock back. The Crown Prince was left behind as Viceroy of Brazil, and even he rebelled against the oppression from Lisbon. It was his "Cry of Ipiranga" which triggered Brazilian independence, and he was nominated as Emperor. In turn, he called on Lord Cochrane to develop a navy to defeat and

remove the remaining Portuguese troops. This he did, and then quarrelled over prize money, departing for Europe to assist the Greeks with their independence struggle against the Ottomans. He ended his days having been reinstated into the Royal Navy, and serving as Commander-in-Chief of the North America Station.

### **British investment in Latin America**

With the autonomy of independence, all the new Republics, and Brazil, opened their economies to international trade and investment. The great player of the day was Britain. A majority of the merchantmen sailing into their ports flew the “red duster” of Britain, and British investment poured in throughout the nineteenth century, and into the twentieth. Railways, urban tramways, electricity and gas works, banking and insurance, meat processing, mining, and many other sectors, were developed, both through direct investment, and through issues and financing in the City of London. Many of the economies developed reflecting this trade. In Argentina, in particular, meat and grain exports to Britain were reflected by manufactured products imported. In Brazil, the Emperor and his government banked with Rothschild, who financed many new developments.

For years, motor transport in Latin America, was dominated by Leyland buses and commercial vehicles, and by Austins, Vauxhalls and Rovers. Until recently, these survived to be seen in Montevideo. With the development of local manufacture, British companies completely failed to grasp the opportunities. Lord Stokes, Chairman of BMC, arrogantly claimed, “Nonsense, Brazil will never have a vehicle market to justify local manufacturing!” The Brazilians went on to their second choice, Volkswagen, who in turn went on to manufacture over a million vehicles a year in Brazil.

Britain persisted in being the dominant power right up to the second world war, when many investments were sold to finance the war itself. After the war, Latin America followed Britain in nationalising their public utilities, most of which were British-owned, with inadequate or no compensation. The result was an antipathy towards Latin American investment in the City of London, as they wrote off historic investments.

In any event, following the war, Britain was debilitated by the cost and destruction of the war, and priorities were such that after Europe, the United States and the Commonwealth, Britain had little surplus energy or finance to go beyond those priorities. This left our friends in Latin America, disappointed and puzzled – but the friendship remained, unrequited.

## **Modern Latin America**

Latin America has a business cadre that is definitely first-world, well-educated and sophisticated. Responding to recent world developments, they are outward-looking. Modern economics has defeated the longstanding Latin American curse of inflation, bringing with it the economic emancipation of the purchasing power of the mass populations, in turn creating vast consumer markets of potential interest to British traders and investors.

Latin America's other curse, military dictatorships, disappeared in the final years of the twentieth century. The defeat of the Argentine military in the Falklands conflict, led to the restoration of democracy. Poor performance led to the failure of other dictatorships. The only exception was Chile, where Pinochet had created a powerful free-market economy; but even he had to submit to the worldwide move against dictatorship, whether of military or communist varieties. In the whole of the continent, only in Cuba has dictatorship persisted.

## **The opportunities — Brazil**

So, where to start? The first lesson to learn is that each Republic is distinctive. Brazil, uniquely speaking Portuguese rather than the Spanish of the remainder of the region, accounts for almost half the continent's GDP.

With a GDP of US\$2.5 trillion, Brazil competes with Britain to be the world's sixth economy. It is the BR in the BRICS group of high growth world economies, the others being India, China and South Africa. With a population in excess of 200 million, it is a vast and sophisticated economy. In Embraer, it has a major aerospace manufacturer, which sells short-haul airliners around the world. In the economic powerhouse of São Paulo State, whose economic GDP now exceeds Spain's, every manner of industry can be found. Nevertheless there are numerous opportunities for specialist and innovative companies. Local partners of quality can be found in every sector. These are often essential in light of complex local bureaucracy and taxation arrangements imposed by the multiple layers of government. Investment is not for the faint-hearted or for the short-termists, but the opportunities are great. Those companies which have been in Brazil for many years have done well over that time.

## **Further opportunities — Chile and Colombia**

Chile is another opportunity, although it is a small market, with a population of 17 million. The democratic inheritors of Pinochet's economy have had the good sense to safeguard and develop it. Chile is outward looking, a hub of investment, due to its advanced pension funds, with a determinedly free-trade President, Sebastián Piñera.

Colombia is another new opportunity. For years, this vast republic in the north-western corner of South America, was wracked by the war between leftist terrorists financed by drug money, and local para-militaries, who fought each other with scant regard for human life, with murder and kidnapping running rife. The despair of the population led to the election of Álvaro Uribe in 2002. His work in defeating the warmongers, carried on by the current President, Juan Manuel Santos, has brought a stability and peace in which the economy is flourishing, opening up many opportunities.

### **The problem countries – Argentina**

However, all is not rosey. Argentina, one of the earliest well-developed markets, with its predominantly European population, has seen eighty years largely in the doldrums. In the 1930s it had all the opportunities and scale of a modern Canada. And yet, today the two scarcely compare. Whilst Canada has powered ahead, Argentina has wasted its opportunities. It developed the curse of Peronism, with the coming to power by coup of Juan Domingo Perón, in 1943, at the head of his semi-fascist populist movement, which has dominated Argentine politics ever since, interspersed with occasional military dictatorships. In the new era of democracy, Peronism in its various forms has continued to dominate Argentine politics, seldom producing leaders of quality. Economic disasters are periodic. Failed Presidents use the Falklands to whip up populist feeling to distract from their economic failures. General Galtieri did so, with the military capacity to invade the islands, if not hold them. The current President, Cristina Fernandez de Kirchner, is now doing so, fortunately without the military capability to repeat history. The Argentine population is long-suffering. A wag has bitterly stated “God gave Argentina everything – the prairies, the mountains, the beef, the grain, the minerals, the wines – but to redress the balance, God gave it the Argentines!” This applies more correctly to their politicians!

### **Hugo Chávez – the throwback Caudillo**

A new phenomenon in Latin America has been Hugo Chávez of Venezuela. A medium-ranking Army officer, he was horrified by the corruption of the Venezuelan elite, financed by the oil revenues of the republic, and in time-honoured tradition tried to mount a coup in 1992, which failed. He then went on to found a populist movement, and gained election as President in 1998, becoming a Caudillo in an echo of Latin America’s long history. Initially inspired by Simón Bolívar, he survived a counter-coup, allegedly sponsored by the CIA, and then increasingly became motivated by anti-americanism, throwing in his lot, and Venezuelan oil finance, with

similarly inspired governments, notably Castro's Cuba, and Sandinista Nicaragua, and associating with the likes of Ahmadinejad of Iran and Gaddafi of Libya. His form of leftist, introverted nationalism has had a devastating impact on his own country, but has only had traction due to the proceeds of Venezuela's oil industry. Recently re-elected on a platform of populist rhetoric, he is now dying of cancer, without an identified successor of calibre, condemning his country to a future of instability.

Chávez's rhetoric and Venezuelan money have procured him allies in Ecuador's Rafael Correa and Bolivia's Evo Morales, together with Nicaragua's Daniel Ortega – with corresponding damage to their own development.

### **The other opportunity – Mexico**

Meanwhile, on the northern end of the region, Mexico, a member of NAFTA, is the second largest economy, after Brazil. A modern economy, it is blighted by the impact of the transiting drug trade, bringing with it its accompanying violence and gangsterism.

### **The British Government's approach to Latin America**

And what of Britain's reaction to all of this? The last government took an interest, with Prime Ministerial visits by both Blair and Brown. But this was off-set by the severe weakening of our diplomatic effort. Embassies were closed in Paraguay and Central America, and consulates downgraded. Diplomats were distracted from commerce, to dabble in green and human rights issues, frequently to the irritation of local governments.

William Hague has brought a breath of fresh air to the case. He made the first speech for decades by a Foreign Secretary dedicated to Latin America, with his celebrated Canning Lecture on the subject. He has reopened the respective embassies, opened new consulates, and redeployed diplomats toward trade and investment. In turn, the diplomats have been inspired by tangible objectives to work on.

### **Opportunities for British companies**

However, we need to see British companies, particularly SMEs, focusing on the opportunities to be found in Latin America. They should harness the new dynamic to be found in our diplomatic missions, and indeed UKTI. HSBC, one of the recent British investment success stories is established across the region, with services to provide support for business prospectors. Likewise, the leading British accountancy firms are to be found throughout the region.

Not only will British companies find this support, but they will also find a friendly

disposition towards Britain, in a region of stability, sound economies, and blessed with peace. The only recommendation they will have to heed is to overcome a particular British weakness - language ability. It's back to school to command Spanish and/or Portuguese!

### **Time to redirect our international efforts**

In Napoleonic times, a London journal published a cartoon showing William Pitt and Napoleon Bonaparte sitting at a table carving up a steaming plum pudding in the form of a globe. Napoleon is furtively slicing off Europe, whilst William Pitt is nonchalantly carving off the remainder - the wider world!

It is a time to revert to our strengths. Europe is in relative decline, the wider world is in expansion. Let us concentrate our efforts accordingly. We will find a warm welcome from our friends, instead of recriminations and accusations of disloyalty from our European associates - whilst they take an increasing amount of our revenue! Let us turn again to the open seas and the wider world!

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