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FEATURED Q&A

Is Political Risk in Latin America on the Rise for 2020?



Around the region, militaries are getting pulled back into politics as social unrest has increased this year, Adam Isacson writes below. A Bolivian military ceremony last month honoring new Defense Minister Luis Fernando López Julio is pictured above. // Photo: Bolivian Government.

Q This year has been marked by massive and unexpectedly violent protests in countries including Chile, Colombia and Ecuador, the abrupt resignation of President Evo Morales following Bolivia's disputed election and the Peronists' return to power in Argentina. Which countries are likely to be the hotspots in Latin America and the Caribbean in 2020? Will the hemisphere see continued turbulence in the coming year? Where in the region will political risk increase, and what can regional leaders do to keep the peace?

A Peter DeShazo, visiting professor of Latin American, Latino and Caribbean Studies at Dartmouth College and former U.S. deputy assistant secretary of state for Western Hemisphere affairs: "Predicting when and where political upheaval will occur is often difficult—few would have included Chile on any such list for 2019. That said, there are a number of macro-variables that could affect political stability in Latin America as a whole and country-by-country. A major downturn in the world economy would have broad regional implications, undermining the already vulnerable socioeconomic status of the tens of millions of Latin Americans who emerged from poverty during the years of commodity-led growth from about 2003-2013. Natural phenomena such as a major drought, earthquake or hurricane—more likely than ever with global climate change—could provoke political upheaval, with the Northern Triangle countries of Central America especially susceptible. Other threats to political stability will likely emerge from unattended weaknesses in governance throughout the region. Political polarization, distrust of government and political parties, corruption, weak rule of law

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Brazil's President Spends Night in Hospital

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Mexican Economy Stuck in Neutral

Revised government figures show Mexico's economy entered a mild recession during the first half of 2019 and remained flat in the third quarter.

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Chile Advances Constitutional Referendum Plan

Chilean President Sebastián Piñera has signed off on a referendum to be held next year on a new constitution. The vote, scheduled for April 26, will decide whether Chileans want a new constitution and, if they do, whether a popularly elected assembly or one mixed with current legislators should design the new document.

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Piñera // Photo: Chilean Government.

POLITICAL NEWS

Brazil's President Spends Night in Hospital After Fall

Brazilian President Jair Bolsonaro was released from a military hospital in Brasília this morning after a fall in the presidential residence Monday night, Folha de S.Paulo reported. A CT scan found no irregularities. According to a government statement, Bolsonaro will remain under observation for up to 12 hours. The far-right leader suffered a severe stabbing wound in his abdomen while campaigning for president last year. More recently, media reports indicated Bolsonaro had skin cancer, which proved to be untrue, according to the report.

Chile's Piñera Signs Off on Constitutional Referendum Plan

Chilean President Sebastián Piñera on Monday signed off on a referendum to be held next year on a new constitution, La Tercera reported. The plebiscite, which Congress approved last week, would generate a "solid, compassionate and legitimate framework" to help reunify the South American country following nine weeks of protests over social inequality, Piñera said, adding that it's the start of a process of "broad and effective citizen participation." The vote, scheduled for April 26, will decide whether Chileans want a new constitution and, if they do, whether a popularly elected assembly or one mixed with current legislators should design the new document, Reuters reported. Scrapping the current constitution, which dates

to the dictatorship of Gen. Augusto Pinochet in the 1980s, was one of the main demands of protesters who have been demonstrating across the country for more than two months. A poll by Cadem last month showed 82 percent of Chileans want a new constitution, and 60 percent want a popularly elected assembly to draft it, compared with 35 percent who want a mix with politicians. Piñera said he hoped the new constitution would "serve to leave behind the violence and divisions that we have seen resurface with pain and sadness" during recent months. Opposition leaders expressed skepticism that Piñera will take a hands-off approach to the process, however. "Hopefully the government limits itself to fulfilling its duty and knows how to maintain the necessary distance," Radical Party leader Carlos Maldonado told reporters. [Editor's note: See related [Q&A](#) in the Nov. 27 issue of the Advisor.]

Shoplifting Envoy Suffers Brain Tumor Side Effects: Doctors

Mexican President Andrés Manuel López Obrador on Monday called the resignation of the country's envoy to Argentina "painful" and "sad" following reports that Ambassador Óscar Ricardo Valero may have suffered behavioral changes due to a brain tumor, the Associated Press reported. In recent weeks, a video apparently showing Valero stealing a \$10 book from a shop in Argentina surfaced online, prompting Mexico's government to recall him and open an investigation into the incident, El País reported. However, Valero's relatives have since said that treatment for a brain tumor may have affected his actions. He resigned on Sunday, citing health reasons, and Mexican Foreign Minister Marcelo Ebrard wrote on Twitter that Valero is "undergoing neurological treatment." Ebrard's office also published a doctor's letter saying that Valero, 77, was diagnosed with a brain tumor in 2012 that resulted in "behavioral changes," the AP reported. The tumor was surgically removed years ago, but Dr. Ana Luisa Sosa in the letter suggests that erratic behavior, including traffic tickets and "difficulties in

NEWS BRIEFS

Argentina Posts Biggest Trade Surplus in 10 Years

Argentina registered a trade surplus of nearly \$2.5 billion in November, national statistics agency Indec said Monday, driven by a sharp 22-percent drop in imports, which reached \$3.4 billion, and a 9.4 percent increase in exports, which totaled \$5.85 billion, Clarín reported. The trade surplus, nearly double the figure from the same month a year earlier, was the largest recorded since April 2009. November was the 15th consecutive month in which Argentina's trade surplus grew, according to the report.

Mexico Expresses Concern Over Bolivian Security

Mexico's government on Monday expressed concern over what it called "excessive" security and intelligence personnel in its Bolivian embassy, as well as in its envoy's residence in La Paz, Reuters reported. Former President Evo Morales last month fled to Mexico, which gave him asylum, after resigning from office amid Bolivia's contested presidential election, in what Morales has repeatedly called a "coup." Morales is now in Buenos Aires.

Telefónica Sells Towers in Ecuador, Colombia to Phoenix Tower Int'l

Spain-based Telefónica on Monday announced it had sold more than 2,000 communications towers in Ecuador and Colombia for approximately \$321 million. Florida-based Phoenix Tower International, a privately held company with backing from Blackstone Group and John Hancock, has bought 1,408 towers in Ecuador and 621 towers in Colombia. As part of a strategy to monetize its infrastructure holdings, this year Telefónica has sold more than 6,000 of the 72,000 mobile telecommunications sites it owned globally. After the deal closes, Phoenix will own and operate more than 7,000 towers across Latin America.

SUBSCRIBER NOTICE

The Advisor will not be published the week between the Christmas Day and New Year's Day holidays. Our next issue will be delivered on Jan. 2, 2020.

personal relationships," over the past year and a half suggests the tumor or its after effects may have returned, according to the report. Valero was involved in a second shoplifting incident that involves the theft of a shirt at a duty free shop at Buenos Aires' airport just two days after he was recalled from his post.

ECONOMIC NEWS

Mexican Economy Stuck in Neutral

Revised government figures released Monday show Mexico's economy entered a mild recession during the first half of 2019 and remained flat in the third quarter, Reuters reported. Data from state statistics agency INEGI showed the economy contracted by 0.1 percent in seasonally adjusted terms in both the first and second quarters of 2019, after also shrinking by the same margin in the last quarter of last year. "Mexico is experiencing an industrial recession," Goldman Sachs economist Alberto Ramos told clients in a research note Monday. Looking ahead to next year, tight monetary policy, decelerating job growth, a slowdown in U.S. manufacturing and lingering uncertainty over how the U.S.-Canada-Mexico trade agreement will play out for Mexico are weighing on investor confidence, he added. "The outlook for investment spending remains lackluster," Ramos said. Mexican President Andrés Manuel López Obrador, a leftist who campaigned last year on a pledge to jump-start the economy, recently announced the first phase of a \$44.3 billion infrastructure plan with nearly 150 projects that would be underwritten largely by the country's private sector. The plan includes projects in areas including transportation, tourism and telecommunications. "López Obrador and his team have realized that it is impossible to fully foster growth and meet development goals without the private sector," Nicolás Mariscal, the chairman of construction firm Grupo Marhnos, told the Advisor. [Editor's note: See related [Q&A](#) in the Dec. 11 issue of the Advisor.]

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and the lure of populism on the left and right undermine economic development and hollow out the moderate center. Repressive authoritarian regimes in Venezuela and Nicaragua will come under increased pressure, and Bolivia's transition to a president not named Evo Morales won't be easy. However, even countries with much stronger democratic institutions face challenges posed by the disparity in the distribution of wealth and opportunity that exacerbates political tension. Lack of progress in strengthening democratic governance during the years of economic boom is coming back to haunt the region."

A **Fulton T. Armstrong, senior faculty fellow at the Center for Latin American and Latino Studies at American University:** "Latin America and the Caribbean can change the script in 2020 if governments do more to address the underlying causes of their crises—and if resurgent popular leaders, while maintaining pressure for change, are prepared to accept evolutionary change. If Chile's constitutional reform process addresses the needs of all, the recent convulsions will be more than a tragedy. Team Fernández in Buenos Aires could also address Argentina's mess in a manner that moves the country forward. It's hard to be too optimistic, however. What passes for political discourse is too often divisive tribalism. Brazilian President Bolsonaro's incendiary rhetoric; Colombian President Duque's willful neglect of the peace process; the messes in Peru and Ecuador; the raging crisis in Haiti; and the simmering crises in Honduras and Guatemala are bringing out the worst in leaders and laying bare societal weaknesses. The U.S. policy of 'America First' (meaning the United States) and re-stored Monroe Doctrine often appear merely to seek to have ideologically friendly allies in power. UNASUR is moribund; right-leaning countries are creating hollow alternatives, such as PROSUR; and the Rio Group (TIAR)

is getting into the sanctions business (at least against one country). The OAS plays favorites—openly welcoming U.S. military intervention in Venezuela; condemning the Bolivian elections but not the coup that removed President Morales; turning a blind eye to police abuses in Chile; and remaining silent about narcocorruption and human rights violations in Honduras, the disbanding of Congress in Peru and social anomie in Haiti. The countries of Latin America need internal and international dialogue, not political warfare, to find solutions to their problems."

A **Daniel Erikson, managing director at Blue Star Strategies:** "2019 was full of surprises in Latin America, and the year ends without any of the major plot lines resolved. Chile's dramatic and violent protests sparked a constitutional reform process that will consume the country's politics in 2020. Bolivia's cathartic break from Evo Morales has quickly transitioned into electoral uncertainty. The Peronist resurrection in Argentina has set in motion the Fernández-versus-Fernández psychodrama as the country analyzes whether Alberto or Cristina wields true power. Leaders in Colombia and Ecuador will struggle to overcome slumping commodity prices and public discontent. And of course, the tragicomic pas-de-deux between Nicolás Maduro and Juan Guaidó in Venezuela will reach its one-year anniversary on Jan. 23, with no clear end in sight. If the year in Latin American politics were a film, it would be a cliffhanger. Indeed, the 'Empire Strikes Back' comes to mind—the famous middle movie of the original Star Wars trilogy that ends with a wounded Luke Skywalker clinging to a weather vane beneath Cloud City, awaiting rescue. Looking ahead to 2020, there are some potential bright spots. The final ratification of the U.S.-Mexico-Canada trade agreement (USMCA) seems likely. Oil-rich Guyana will lead regional growth, but an uptick is expected in several countries,

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including Brazil. However, U.S. Secretary of State Pompeo's recently unveiled mantra of 'realism and restraint' in Latin America suggests the United States will take a backseat in the region, especially as Washington's political battles intensify ahead of the 2020 election. In 'The Empire Strikes Back,' Skywalker is ultimately rescued by his friends. Latin Americans will find no such option in the United States."

A **Adam Isacson, director for defense oversight at the Washington Office on Latin America (WOLA):** "Economic growth is forecast to be sluggish in much of Latin America. People are angry about inequality, living costs, corruption and the quality of basic services. They're afraid of crime—both common and organized—and of finding themselves unemployed. This guarantees that 2020 will not be a year of stability. But it's hard to predict where the turbulence will be worst: who would have topped their list with Bolivia, Chile and Ecuador a year ago? Brazil and Mexico are good guesses: populist presidents run into trouble if they don't deliver in their second year in office. Mexicans are tiring of stubborn insecurity, and organized crime is challenging the López Obrador government ever more directly. A weak economy doesn't help. A badly polarized Brazil could be one bus fare increase away from mass protest, as happened in 2013. Bolivia's elections, when they happen, promise to be fraught. In Colombia, an unpopular and fiscally constrained president is hitting serious governability issues. Venezuela could go either way: Maduro will either muddle through or—ideally—negotiate an exit. Much depends on whether the opposition can manage to restore its flagging momentum. Either way, expect continued large-scale refugee flows. In Honduras and Nicaragua, long-serving authoritarian leaders are unpopular and could face strong challenges. And everywhere, militaries are getting pulled back into politics. Those countries seem like the likeliest candidates for

turbulence. But then, as happened in 2019, something unforeseeable could happen in a place that seems deeply stable—Costa Rica? Uruguay?—or frozen in time, such as Cuba. Prediction is a tough business."

A **Joy K. Gallup, partner in the corporate department at Paul Hastings:** "The political and economic turmoil in Latin American countries that were relatively stable in the recent past, including Chile, Colombia and Ecuador, mirror similar popular demonstrations throughout the world, including Hong Kong and India. The roots of these demonstrations go deeper than the ease of organizing large-scale protests through social media nowadays and can often be traced to government actions that raise costs for the working class or perceived corruption. Each country in the region has its own unique issues, but the rapid swing of the pendulum from left to right, or vice versa, as in the fall from power of Evo Morales in Bolivia and Argentina's October election results, creates continuing economic and social instability. Chile's plans to rewrite its constitution may not prevent its economy from sliding into recession. Colombia and Ecuador both have to rethink their reform plans due to the protests, which is likely to affect their economic growth. While international investors have been hoping to see Venezuela's debt restructuring finally take shape in the coming year to help solve that country's social and economic meltdown, Argentina also will need to face its own sovereign debt crisis (again) or face further turbulence. In Brazil and Mexico, the two largest economies in the region, the hard left-wing president in Mexico appears to be riding the economy into a recession, while the ultra-right wing president in Brazil seems to be enjoying an economic upswing. The one constant seems to be the rapidity of change in the region."

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.

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