

Latin America and the Caribbean in the New Decade

How Did We Get Here?

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As the new decade begins, Latin America and the Caribbean face a continuing period of high instability and uncertainty. In line with the political disruption that has characterized other regions of the world, Latin America faced an unusually challenging year in 2019. Social discontent and unrest swept across a broad swath of countries in the region, while populist leaders rode that same social discontent into power in Latin America's three largest countries.

2019: Annus Horribilis in Latin America

- **Venezuela** stood out as the most extreme case, mired in political unrest, economic collapse, and humanitarian crisis. The optimism generated by the election of Juan Guaidó as interim president of the National Assembly in January 2019 turned sour as the April 30 “coup” was defeated. The country ended the year looking more stuck under the dictatorial thumb of Nicolas Maduro than ever (backed by Cuba, Russia, and, to a lesser degree, China) and beset by organized crime and a corrupt military hierarchy.
- By the end of 2019, almost **five million Venezuelan refugees** (more than 15 percent of the entire population) had fled the country. The UN expects this refugee crisis will soon surpass the Syrian crisis in terms of the number of people affected.
- Demonstrations against IMF-dictated fuel price increases in **Ecuador** in February morphed into broader public protests against inequality, poverty, corruption, and indigenous complaints. The protests were fed by political polarization between President Moreno and former President Correa's allies, who encouraged the unrest.
- Continuing public discontent in **Honduras** over the allegedly stolen election in 2017 and over clear proof of the deep involvement of President Hernández's family in drug-related corruption led to

periods of violent protest and police overreactions. Efforts to remove the OAS-sponsored international investigatory commission against corruption (MACCIH) appeared to be close to success, with President Hernandez having to make a final decision by January 19, 2020.

- Extensive public protests in **Guatemala** in recent years over deepening corruption were mostly suppressed through state intimidation in 2019. Outgoing President Morales, a target of the attorney general's corruption investigations, completed the expulsion of the UN-sponsored International Commission against Impunity (CICIG) in September 2019. Newly elected President Alejandro Giammattei knows that he will have to demonstrate that his anti-corruption pledges are real and that he can reverse what many believe to be a state "captured" by the interests of organized crime and drug trafficking.
- In **Haiti**, public protests and police counter-violence erupted regularly throughout the year as disgust over President Moïse and the prior government's involvement in the multi-billion-dollar Petro-Caribe scandal left the region's poorest country at the brink of collapse.
- Social protests in **Nicaragua** that began in April 2018 continued actively into 2019, with OAS and UN human rights officials condemning violent government-sponsored killings and abuse. Large segments of the population, especially the youth, called for the end of the increasingly dictatorial regime of Daniel Ortega and his wife, Rosario Murillo.
- In **Peru**, public disgust with rampant corruption resulted in ongoing street protests in 2019, with a difficult constitutional crisis over early elections being played out between President Vizcarra and the opposition.
- Initially peaceful protests in **Chile** against a 3 percent rise in public transport fares in early October exploded into violent attacks on public facilities around the country. The first use of the military to restore public order since the return to democracy in 2000 resulted in 27 dead.
- A national strike in **Colombia** against the government of Ivan Duque in November brought out hundreds of thousands of Colombians to demand greater accountability and security and measures to combat corruption, as well as to express support for the 2017 peace agreement.
- President Morales tried to steal **Bolivia's** presidential elections in October, ignoring the country's two-term limit. Following days of massive protests in the country, Morales fled the country after military leaders "suggested" that he resign. As 2020 began, a polarized country, under a conservative interim government, announced elections for May.
- In the U.S. territory of **Puerto Rico**, a long-running economic downturn made worse by destruction caused by Hurricane Maria in 2017, and corruption and indifference on the part of Governor Rosselló, resulted in social unrest that led to the governor's resignation in July 2019.

A high level of social discontent in Latin America's three largest countries had its energy channeled into new populist leaders taking power:

- In **Mexico**, the resounding election of leftist Andres Manuel Lopez Obrador (AMLO), inaugurated on December 1, 2018, reflected public discontent over deep corruption and high concerns over violence and security. While AMLO's levels of public support have remained high (in the 60-70 percent range), the country's murder rate in 2019 reached record levels, and a clear strategy to fight corruption with a reformed police and judiciary remains elusive.

- October/November 2018 presidential elections in **Brazil** brought the right-wing populist leader Jair Bolsonaro to power on January 1, 2019 in a dramatic rejection of traditional politics. Bolsonaro's popularity has dropped precipitously over his first year in office, with very little progress made in addressing the issues of high insecurity and corruption that fueled his victory. His disdain for the impact of climate change mirrors that of the Trump administration, and his plans are already causing devastating consequences for the Amazon and global environment.
- October/November 2019 presidential elections in **Argentina** brought Peronist President Alberto Fernandez into power on December 10, 2019, accompanied by former President Cristina Kirchner as the new vice president. Large protests and marches marked 2019, both against Macri's "neoliberalism" and in support of his unsuccessful efforts to turn around Argentina's populist tradition. The new year promises a difficult economic transition with high expectations of the new president.

Ongoing Challenges Across the Region

Underpinning the discontent and protest have been familiar factors that have plagued Latin America for many decades. They include highly polarized and unequal societies, a rising threat from organized crime, and the related plagues of violence and corruption, as well as chronically weak institutions. These conditions have only been made worse by economic stagnation across the region over the last several years.

Inequality: Latin America is the most unequal region in the world. Out of the world's 20 most unequal countries ranked by the World Bank's GINI Index, 8 are in Latin America. According to data on regional consumption patterns developed by the McKinsey Global Institute, the bottom 90 percent of the income distribution in Latin America—the region's poor and vulnerable—and most of the middle class accounts for just 64 percent of domestic consumption. This is the lowest share in the world, very similar to the same figures in sub-Saharan Africa.

Corruption: The region has the worst levels of corruption of anywhere in the world. In the past few years, 11 presidents and former presidents in Latin America have been forced from office, jailed, or are under investigation for corruption. The 2018 Latinobarometro stated that a decade ago corruption was not registered in the country polls as a concern; today, it is the fourth most important problem after crime, unemployment, and the economy.

According to Transparency International's Corruption Perceptions Index, countries in Latin America and the Caribbean have an average ranking of 36/100, closely aligned with the overall TI/CPI ranking of the countries of sub-Saharan Africa (32/100), where a score of 0 is very corrupt and 100 is very clean. Other more detailed regional studies by Transparency International reveal a culture permeated by corruption and populations held hostage to corrupt officials at all levels of government.

Violence: Latin America is the most violent region in the world. While home to just 8 percent of the world's population, Latin America accounts for 33 percent of the world's homicides. Four countries in the region—Brazil, Colombia, Mexico, and Venezuela—account for a quarter of all murders globally. According to data compiled by the Brazilian think tank Igarapé Institute, 43 of the 50 most violent cities and 8 of the top 10 most violent countries in the world are in Latin America and the Caribbean in 2018.

Organized Crime: Venezuela is the prime example in the region of what has come to be referred to as a "captured state," where organized crime is so intertwined with the institutions of the state that the two cannot be separated. Venezuela is justifiably called a mafia state. Elements of this same direct link between the state (at municipal, provincial, and national levels) and organized crime are evident in many other

countries as well, especially in Central America. The complexities and dangers of this reality are only beginning to be understood, and effective means of addressing this situation are rarely undertaken.

Weak Institutions: Latin America has long been known for its high levels of institutional weakness, particularly in public institutions. In the World Economic Forum’s Global Competitiveness Index measure of the [strength of public institutions](#), Latin America and the Caribbean ranks lower than all other regions of the world, including sub-Saharan Africa, with an average score of only 30.5/100 (compared to 36.1 for sub-Saharan Africa). Another important measure of the strength of institutions is the World Bank’s [Worldwide Governance Indicators](#), which record perceptions of the extent to which agents have confidence in and abide by the rules of society. Of the 195 countries rated, only three Latin American countries (Chile, Uruguay, and Costa Rica) rank in the top 60. At the same time, 13 out of the 35 countries in Latin America rank among the lowest 50 countries in the world.

Declining Economic Growth: Consistent economic growth in the region in the 1990s through 2012, fueled by the commodity boom, helped to moderate somewhat the impact of inequality, corruption, and violence as large numbers of people were lifted out of poverty. However, persistent economic stagnation in much of the region since 2013 has played a strong role in promoting discontent and unrest, as many citizens see their newly won economic gains at risk. A [recently released study](#) by the UN’s Economic Commission for Latin America and the Caribbean (ECLAC) explains how the level of growth in Latin America and the Caribbean over the last six years (2014–2020)—a disappointing average of just half a percent annually—is dramatically lower than for any other period over the last seven decades. The region is [projected to grow](#) at only 2.7 percent annually between now and 2024, the lowest growth rate of any of the emerging regions of the world, well behind emerging Asia, the Middle East, and sub-Saharan Africa.

Reflecting and Looking Ahead

The years ahead promise to be more difficult than ever for Latin America and the Caribbean, both in terms of conditions on the ground as well as in the context of increasingly complex international conditions. Global climate change, including stronger and more frequent hurricanes in the Caribbean, drought in Central America and elsewhere, and extreme wildfires, as seen recently in Brazil, Bolivia, and Chile, will have an increasingly strong impact in the region, undermining economic growth and promoting greater migration. Corruption, public insecurity, organized crime, and institutional weakness are increasingly the rule rather than the exception in many countries of the region, with “state capture” emerging as the worst form of this volatile combination. These factors are only encouraged further by the increasingly clear rivalry and proxy struggle in the region, pitting an inconsistent United States on one side with China and Russia on the other, with both of these countries driven primarily by their search for commercial and ideological advantage. Good governance, transparency, and effective security are becoming secondary priorities to the realities of increasing ideological competition.

The region is clearly facing a combination of very serious challenges, which will only persist and worsen in the absence of ambitious, comprehensive, coordinated, and out-of-the-box solutions. Effective action to address these complex challenges can only be undertaken with fully engaged and principled U.S. leadership, together with the involvement of other committed international partners and regional institutions. Forward-looking solutions will need to incorporate the latest technologies, such as blockchain. Blockchain can help rebuild more transparent institutions and enhance individual rights and can assist in combatting corruption. Solutions should also seek to leverage regional and international institutions to fight corruption and organized crime. This should include anti-impunity institutions modeled on the experiences of CICIG in Guatemala and MACCIH in Honduras and new serious efforts to understand better and address the grave

threat of organized crime. These institutions must be accompanied by strong mandates that can stand up to the well-financed opposition of corrupt politicians and business leaders and transnational organized crime groups. Efforts at promoting greater and genuine regional integration along the lines of the already existing Pacific Alliance and a newly introduced initiative for a Central American Economic Community would help to make the region more competitive. The longer effective and coordinated action is delayed, the more difficult it will be to address the region's chronic weaknesses. Failing to take action will only leave Latin America and the Caribbean further behind as the forces of globalization move forward.

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