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ROUND TABLE

The Challenges Facing Latin America after COVID, Part 2

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[Home](#) / [Articles](#) / [The Challenges Facing Latin America after COVID, Part 2](#)

Dr. Evan Ellis, Latin America Research Professor for the U.S. Army War College Strategic Studies Institute, talks to Haverford School headmaster Dr. John Nagl about the challenges and opportunities that will confront the Biden administration in Latin America and the Caribbean. This article is the second of a two-part look at key strategic issues across the region.

John Nagl: What are the prospects for regional diplomatic competition between the People’s Republic of China and Taiwan in the post-pandemic environment?

Evan Ellis: In general, Taiwan was viewed as providing good medical and other support to its partners during the pandemic, and in the wake of this year’s other challenges, such as Hurricanes Eta and Iota. This contrasted with some difficulties with equipment and tests supplied by PRC-based companies. Nonetheless, over

the long term, the economic need generated by the pandemic strengthens the position of the PRC government and advocates in local “friendship committees” and other Chinese Communist Party United Front-supported organizations. The belief that switching from Taiwan to the PRC will open doors for investment from PRC-based companies, loans from Chinese policy banks, and exports to the Chinese market is a boon for the PRC.

While there have been no diplomatic changes in the region since El Salvador in August 2018, which precipitated a strong reaction from the U.S. government, the PRC “diplomatic truce” with Taiwan, which the former ended following the January 2016 election of the Democratic Progressive Party (DPP) government in Taiwan, has not been restored. Indeed, General Secretary Xi Jinping’s government in the PRC has demonstrated a willingness to act aggressively in a range of areas, including suppression of the democracy movement in Hong Kong, suggesting that during the Biden administration, the Xi government will continue to pursue opportunities to flip states from Taiwan to the PRC.

While it is possible that the PRC will move with caution regarding its diplomatic fight with Taiwan and while it looks for ways to improve relations with Washington, Beijing might also see the coming months as a period to test the new Biden administration’s resolve on the issue.

During the past year, PRC efforts to change diplomatic recognition appeared concentrated on Paraguay, where friends of the PRC in the Paraguayan Senate symbolically brought a motion in May 2020 to recognize the PRC.

In Belize, the victory of the People’s United Party (PUP) in November 2020 elections raised the prospect that it could recognize the PRC, given that senior PUP officials traveled to the PRC in 2019. Incoming PUP Prime Minister Johnny Briceño has stated, however, that Belize will continue to recognize Taiwan.

In Haiti, the uncertainty surrounding the February 2021 end to the constitutional term of President Jovenel Moise, plus elections scheduled in September, similarly raises the prospect of political change to a new government that could recognize the PRC.

Elsewhere in the Caribbean, the victory of the incumbent “Team Unity” coalition in St. Kitts and Nevis in June 2020 elections, and the victory of the incumbent Unity Labor Party in St. Vincent’s and Grenadines in November 2020, decrease the danger of a flip by those two states.

In Central America, possible increased pressure by the Biden administration on the governments of Honduras and Guatemala over issues of corruption and human rights could lead those governments to turn from Taiwan to the PRC in hopes of securing the latter's financial resources and other support, reducing their vulnerability to financial and other pressures of U.S. and European governments and Western institutions. El Salvador, which recognized the PRC in August 2018, is a logical platform from which the PRC may send plausibly deniable messages to Guatemala and Honduras about changing relations.

In Nicaragua, anything is possible with the embattled and increasingly isolated Sandinista regime, which previously recognized the PRC upon coming to power in 1979, then switched back after the Sandinistas were temporarily ousted in 1990, yet did not "re-recognize" the PRC when the Sandinistas returned to power in January 2007.

Nagl: How do you assess the challenges facing the Andres Manuel Lopez Obrador administration in Mexico, and opportunities and risks for the U.S.-Mexico relationship under the Biden administration?

Ellis: I am particularly worried about the direction that Mexico is heading in, particularly given its importance to the United States as both a security and economic partner.

First, the COVID-19 pandemic is taking a particularly severe toll on the country. Under the government of Andres Manuel Lopez Obrador (AMLO), Mexico instituted a problematic reorganization of its public health system at the worst possible time, just before the pandemic hit, undercutting the ability to obtain medicine and to respond to the new risks posed by the pandemic. Mexico has one of the highest death rates from COVID-19 in the region, accounting for 2% of global cases, but 7% of global deaths, almost 160,000 people, as of early February 2021. While the substantial informal economy and the AMLO government's reluctance to implement economically damaging social distance measures contributed to the spread of the virus, the measures and the weakening of the U.S. economy, to which Mexico is tied, caused the country's gross domestic product (GDP) to plunge 8.8% in 2020. Although the nation is now showing some signs of recovery, buoyed by the rebound in the United States, long-term structural damage has arguably been done to Mexico's small businesses and manufacturing sectors.

Second, Mexico's ability to recover from the pandemic is impaired by a chaotic investment environment. The orientation of the AMLO government to rely on the arguably inefficient and money-losing state petroleum company PEMEX to reverse

declining oil production, discouraging private sector energy investment, plus problems in the administration of major infrastructure projects, such as the new international airport, impede Mexico's ability to attract the private-sector resources needed to help the country through the pandemic.

Third, crime and insecurity in Mexico are growing. Even pre-COVID, Mexico was experiencing a record rate of homicides. The violence was driven by uncertainty flowing from significant fragmentation of criminal groups in the country, even while a few highly violent and militarized actors, such as the Jalisco Nuevo Generation cartel, were expanding control through a series of narco proxy wars in the country. As with the health sector, AMLO arguably chose the worst possible time to reorganize the security sector, eliminating the Federal Police and attempting to replace both the police and the internal role of the Mexican military with a new National Guard. The failure of the new organization to attract enough recruits, including from the disbanding Federal Police, ultimately obliged the Mexican Army and Navy to step in to fill much of the National Guard's ranks, creating an environment that was as militarized as previously, but impaired by the reorganization and loss of the military chain of command.

The AMLO government further disbanded the former civilian intelligence organization, CISEN, and replaced it with a new one, the National Intelligence Center (CNI), without substantially eliminating the problems with politization and capabilities that had plagued the former. As social distancing measures in Mexico are eased, and crime grows further as a function of the desperation generated by the pandemic and the adaptation of criminal groups during this period, Mexico will arguably face the challenge of a still impaired and adapting security structure.

Fourth, the AMLO government's actions significantly impede the ability of the United States to collaborate with Mexico in the fight against organized crime at the time when Mexico most needs such help. Its October 2019 release of key Sinaloa cartel figure Ovidio Guzman, in the middle of a battle with cartel supporters, in order to prevent them from doing more damage, raised the question of the AMLO's commitment to truly taking on Mexico's criminal groups. In December 2020, the ruling Morena coalition passed a law obliging the Mexican Central Bank to purchase dollars. Although superficially to reduce transaction costs for the small number of Mexicans who earn money in the United States and don't send the money home electronically, it will also facilitate the laundering of dollars earned in the U.S. through drug sales and smuggling across the border.

More recently, the AMLO government's passage of a new security law, which removes the immunity of U.S. Drug Enforcement Administration (DEA) agents operating in the country and significantly increases the red tape for working with

U.S. personnel, gravely limits the U.S. ability to cooperate with the country. The AMLO government's decision not to prosecute former Mexican Defense Minister Salvador Cienfuegos—after convincing the United States to drop its own charges and release him into Mexican custody, then publicizing the details of the U.S. Justice Department case against him—burns the bridges of U.S.-Mexico law enforcement and intelligence cooperation even further.

Also, early policy changes by the Biden administration on immigration, including creating a new path for citizenship and changing policies on asylum seekers, could unleash a new flood of Central American immigrants through Mexico, seeking to reach the United States.

Nagl: What most concerns you about the evolution of transnational organized crime and gang violence in the post-pandemic regional environment?

Ellis: The pandemic has made organized crime groups more dangerous through five interdependent effects.

First, the pandemic initially hurt those groups' revenue streams, making them more desperate and forcing them to change their operating patterns. The closure of borders to normal human traffic, the deployment of the military to reinforce control, and the reduction in commercial cargo transits impeded the ability of criminal organizations to move drugs and other illicit cargos and to smuggle people. The PRC shutdown of Wuhan and the rest of China, a key source of fentanyl and precursor chemicals for synthetic drugs, similarly hurt drug trafficking organizations. Criminal groups were forced to innovate, forging new supply relationships and relying on new techniques, such as the greater use of submersible and semisubmersible vehicles.

The pandemic itself also created new opportunities for criminal groups. Rapid government acquisitions of COVID-19 relief supplies created new opportunities for corruption, contraband tests and vaccines, and the extortion and robbery of relief aid. The pandemic also increased opportunities for cybercrime as people and businesses moved into the virtual environment.

The previously noted expansion of economic need facilitated recruitment by criminal organizations, including people paid to perform limited services and the use of individuals and imperiled businesses to launder money.

Finally, the pandemic has permitted criminal organizations to deepen and consolidate their control over communities and neighborhoods. While the military and police limited civic engagement by enforcing curfews and other measures, their ability to engage with communities was arguably limited by diversion to

functions in direct support of the government response to the pandemic. Meanwhile, gangs and other groups notably have played roles distributing personal protective equipment (PPE) and other needed supplies to the communities that they dominate and enforcing curfews, among other activities.

Nagl: Given the return of left-of-center governments in Argentina and Bolivia, the apparent survival of leftist populist governments in Venezuela, Nicaragua, and Cuba, and uncertainty regarding upcoming elections in Ecuador and Peru, what do you see as the future of the Latin American left? What are the implications for the United States and multilateral institutions in the region?

Ellis: First, it is important to recognize that the resurgence is part of a recurring alternation between left and right, traditional governments and populist alternatives, as the peoples of the region continue to seek (with frustration) viable paths to prosperity and the addressing of their needs. Nonetheless, the current wave is particularly insidious, in that contemporary leftist populists have become adept in integrating knowledge about organizing and mobilizing marginalized populations with new social media tools to take, consolidate, and retain power. They have become ever more sophisticated in exploiting legitimate frustrations over the performance of democratic regimes to destabilize them, creating crises that facilitate their arrival in power through “democratic” mechanisms. Once in office, they leverage their followers’ discipline, exploiting the ambivalence of many regarding commitment to procedure, “hijacking” democracy by putting their supporters in key positions, and slowly changing the rules, all of which marginalizes the democratic opposition in the process, often making increasing use of Chinese capital as Western governments, institutions, and investors push back on their actions.

The role of the left in exploiting legitimate social grievances in the fall 2019 mass protests in Ecuador, Chile, and Colombia, and more recently COVID-19 era protests in Chile, Guatemala, Colombia, and elsewhere—leveraging the deepened human misery—to expose corruption and other government performance issues are examples.

The latest dynamics bolster the institutional position of the entrenched populist left in Nicaragua, Cuba, and Venezuela. For the moment, the likely disposition of the Biden administration to pursue a less conflictual strategy, with respect to Cuba and possibly Venezuela, will give the left the perception of “breathing room.” In Ecuador, the likely victory of populist leftist candidate and former President Rafael Correa protégée Andres Arauz in that country’s elections, whose first round will be held in February, will add to the inertia.

The path to power for the left in Peru, Chile, Colombia, and elsewhere is more indirect, involving the deepening of societal and political stress in the context of political fragmentation, and possibly failed attempts by the right to impose order.

In the April 2021 elections in Peru, 22 parties are competing in a two-round contest although center-right candidates, such as George Forsythe, are on top of the polls, and the left is currently split. Nonetheless, the two-round nature of the Peruvian contest creates the possibility of a tired electorate rallying around leading leftist candidate Veronica Mendoza in the second round, possibly following a COVID-19 related election delay.

In Chile, April 2021 elections to the constituent assembly will empower a body that could produce radical change in the constitutional structure of the country, in the context of ongoing protests and possible violence, allowing virtually any outcome in the subsequent 2022 national elections.

In Colombia, pressures from Venezuelan refugees, dissatisfaction on all sides with the 2016 peace accords, and violence from the National Liberation Army (ELN), Revolutionary Armed Forces of Colombia—People's Army (FARC) dissidents, the Gulf Clan, and numerous other armed organized groups (*Grupos Armados Organizados*, or GAO)—compounded by protests with the specter of violence—similarly create an opening for a left-of-center candidate to replace the currently unpopular government of Ivan Duque.

The ability of Luis Arce's government in Bolivia, Cristina and Alberto Fernandez in Argentina, Nicolaus Maduro in Venezuela, and possibly Andres Arauz in Ecuador to survive and consolidate their power is bolstered by their ability to turn to the PRC for loans and other support in exchange for their commodities. As also occurred with Hugo Chavez in Venezuela, Rafael Correa in Ecuador, and Evo Morales in Bolivia, the consolidation of power by leftist governments to consolidate power usually leads to pushback by Western government, hesitance by Western banks to provide funds, and flight by Western investors. The ability of such regimes in the new era to receive alternative funds from the PRC allows leftist leaders to continue their consolidation of power and other policies without having to compromise with the West. Indeed, PRC-based companies, along with their Russian counterparts, are again purchasing sanctioned Venezuelan oil with increasing openness. Argentina has agreed to give Chinese companies an additional \$4.7 billion in work to restore and expand its rail system.

In institutional terms, the resurgence of the populist left will put an end to the ability to use multilateral institutions, such as the Organization of American States or the Lima Group, to promote transparency and rule of law, to combat of

transnational crime, and to resist leaders consolidating authoritarian control and dismantling their own democratic opposition.

Nagl: What are the most significant challenges for Brazil in the post-pandemic environment?

Ellis: Like Mexico, Brazil's most significant challenges begin with the continued health and economic effects of the pandemic itself. As of the end of January 2021, Brazil had registered 9.1 million cases of COVID-19 and over 223,000 deaths, second in the world after the United States, contributing to a 4.7% fall in GDP for 2020. The response of the Jair Bolsonaro government, which has consistently downplayed the virus, has arguably been late and inconsistent. As a second, more contagious wave of the virus was pushing hospital beds to their limit in the interior city of Manaus, the government was also registering a shortage of vaccines.

Brazil's second major challenge is the increasing presence of, and dependence on, the PRC. In 2020, 46% of Brazil's agricultural exports went to the PRC. Chinese companies have significantly expanded their presence in virtually all key sectors in the country, including electricity generation and transmission, with tens of billions of dollars in acquisitions in Brazil by PRC-based giants State Grid, China Three Gorges, and State Power Investment Corporation (SPIC) giving the PRC control over a significant portion of Brazil's power grid. PRC-based companies similarly have multiple key port projects, including China Merchant Port Holdings' control of the Paranaguá container port, the Babitonga Bulk Terminal in São Francisco do Sul, and a contemplated megaport in São Luis, among others. Beyond primary product sectors such as oil and mining, Chinese companies have an increasingly important presence in services and high-tech sectors from branch banking and non-traditional finance, to e-commerce, from Alibaba to the rideshare company Didi Chuxing. Huawei already has a major presence in Brazil's telecommunications sector and is now positioned to win the postponed 5G auction when it is likely conducted in June 2021.

Brazil's third challenge is organized crime, and in particular the First Capital Command (PCC), now estimated to have 31,000 adherents in the country, as well as allied groups. Like the Sinaloa and Jalisco Nuevo Generacion cartels in Mexico, the PCC now operates not only in Brazil's major cities, but also far beyond Brazil's borders moving cocaine and other drugs through the country, via multiple routes, including from Peru and Bolivia, and from Colombia through Venezuela and the north. In addition to the PCC, Brazil's favelas and other areas are also increasingly infested by gangs and militias, a phenomenon worsened by the adverse economic impact of the pandemic.

Fourth, Brazil must deal with its grave, mutually reinforcing challenges in the context of political fragmentation and weakened leadership. Brazil's Congress, with 24 parties in the Chamber of Deputies and 16 in the Senate, has become even more fragmented, forcing Bolsonaro to turn increasingly to a coalition of "center" parties to govern. Bolsonaro himself, whose candidates were largely defeated in November 2020 municipal elections, retains 37% popularity, reflecting continuing loyalty from his base, but limited popularity beyond it, even though his preferred candidates were recently elected to head both houses of Brazil's Congress. Nonetheless, in the coming months, Bolsonaro must confront a range of opponents with powerful voices who seek to undermine him and remove him from power, including former President Lula da Silva, who is excluded from running for office himself but is poised to rally the opposition against Bolsonaro.

Finally, Brazil is increasingly isolated on the international stage. As noted previously, leftist governments hostile to Bolsonaro are entrenching their position and becoming increasingly assertive in Argentina and Bolivia. Bolsonaro's positions on deforestation in the Amazon and other issues have led to European threats to delay the finalization of the Mercosur-European Union trade agreement, as well as harsh words on climate between Bolsonaro and then-Candidate Joe Biden. The risk is that Brazil—constituting half of South America's land mass, population, and economic might, and consumed by reinforcing difficulties—turns inward away from an active role in continental and global affairs, becomes even more dependent on the PRC, and is unable to effectively resolve its challenges.

The views expressed in this article are those of the author alone and do not necessarily reflect the position of the Foreign Policy Research Institute, a non-partisan organization that seeks to publish well-argued, policy-oriented articles on American foreign policy and national security priorities.



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