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2019: Trends, risks and hard questions in Latin America

By Evan Ellis / [Twitter](#) REvanEllis / January 8, 2019

For the United States, especially conservatives, 2019 began on a hopeful note for Latin American politics. Secretary of State Mike Pompeo made a productive trip to the region, conferring with newly elected Brazilian President Jair Bolsonaro—who appears likely to adopt positions on issues such as China, Venezuela, Nicaragua and Cuba that complement those of the Trump administration—at his inauguration. Secretary Pompeo, accompanied by National Security Council Western Hemisphere Director Mauricio Claver Carone, also had a positive meeting with conservative Colombian President Ivan Duque, whose administration highlights the political shift to the right in South



America over the past three years, which also includes the elections of Mauricio Macri in Argentina, Sebastian Piñera in Chile, Pedro Pablo Kuczynski (replaced by Martin Vizcarra) in Peru, and Bolsonaro in Brazil.

Elsewhere in the region, the regime in Venezuela seems on the point of economic collapse, Nicaragua's citizens have rallied bravely against Daniel Ortega's Sandinista regime, and in El Salvador, the leftist government of the former guerrilla movement FMLN seems on the verge of being voted out of office.

Yet it would be a grave mistake to judge the health of Latin America and the Caribbean and the associated implications for U.S. interests using Cold War ideological metrics. As the states of the Western Hemisphere move into 2019, unresolved reinforcing challenges of organized crime, weak governance and extra-hemispheric actors threaten to create instability and gravely erode the position of the U.S. in the region, even as its political pendulum oscillates temporarily toward the right.

Across Latin America, the fragmentation of criminal groups, the end to the 2008-2016 China-Taiwan diplomatic truce, and the dangerous lessons learned regarding how to interact with unfriendly regimes will have powerful destabilizing effects on the region's political dynamics in 2019.

When it comes to illicit groups, more is worse

From Mexico, to Central America, to Colombia and beyond, advances in financial and other intelligence and the targeting of criminal elites have enabled authorities to advance in breaking up criminal enterprises without eliminating the underlying incentives and enablers of their illicit activity. Meanwhile, global commercial and informational connectivity increasingly permits a lucrative criminal economy that does not require large, easily targeted hierarchical organizations spanning multiple countries that characterized the international drug trade of the previous generation (e.g. Colombia's Medellin and Cali cartels, and the Sinaloa cartel in Mexico). With U.S. help, authorities across the region have broken up major criminal bands including La Familia Michoacána in Mexico, the Cachiros and Valle Valle smuggling groups in Honduras and the Gulf Clan in Colombia. Yet the byproduct of that success has been a more fragmented, more violent, less predictable criminal economy in virtually every country of the region and along every step in the illicit chain, from source to transit zone to consumers of the goods.

Enter a more active PRC

Adding to the strategic uncertainty from this tendency toward fragmentation in the criminal domain, the end to the diplomatic truce

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between the People's Republic of China (PRC) and Taiwan has led Panama, the Dominican Republic and El Salvador to establish relations with the PRC. In each country, the change has opened the door to a flood of new agreements, political relationships, expanded commercial activities by PRC-based companies, and other forms of engagement that are transforming the political and economic dynamics of those countries. The end to the truce, and the example of these changes, also raises the possibilities for at least one additional Central American nation to switch relations from Taiwan to the PRC (possibly Honduras), as well as one or more Caribbean nations (possibly Haiti, St. Vincent, or St. Kitts), producing an even greater expansion of PRC activities in sensitive sectors such as ports and logistics, telecommunications, and political and security cooperation. With the exception of Paraguay, each of the eight states still recognizing Taiwan is in close geographic proximity to the United States, either in Central America or the Caribbean.

Beyond these general trends, risks in multiple countries and sub-regions in the hemisphere demand the attention of U.S. policymakers.

Mexico: In Mexico, the new administration of Andres Manuel Lopez Obrador (AMLO) has adopted a cordial tone and cooperated with the U.S. on Central American migrants. However, Mexico's reinforcing problems of criminal violence and deepening economic difficulties may ultimately push its president toward a stance more hostile to its ally to the north, and more welcoming of Chinese (and possibly Russian) advances in Mexico and the region as a whole as a source of economic support or a symbol of Mexican independence, popular among AMLO's followers. Although AMLO's pragmatism and focus on domestic Mexican issues have restrained his embrace of China and

Russia for an “anti-U.S.” alliance, the likely failure of a politically polarized U.S. Congress to ratify the revised U.S.-Mexico-Canada free trade agreement (USMCA) could severely damage the Mexican economy, just as AMLO struggles with the effects of expanded cocaine exports from Colombia through the country and the destabilizing effects of both opioids and fentanyl exports to the U.S. on the violent competition between Mexico-based criminal groups. AMLO will also continue to struggle with internal security issues. His proposed security reorganization, including the possible elimination of the civilian intelligence organization CISEN, the relocation of the federal police from under the interior ministry, and the replacement of the military with a new “national guard” for internal security are all difficult reforms, made particularly so in the context of the Supreme Court’s invalidation of the December 2017 National Security Law.

In economic affairs, AMLO’s attempt to return the national oil company PEMEX to a stronger role as an investor and operator (not just a manager) of oil contracts, will tempt him to welcome Chinese oil loans, such as the \$5 billion from China agreed to by his predecessor. Such loans, like the \$10 billion the China Development Bank loaned to Brazil’s national oil company Petrobras in 2009 and 2016, would help AMLO with his political goal of increasing Mexican oil production without new auctions, while also setting the stage for an expansion of the Chinese presence in the sector begun in December 2016 with CNOOC’s successful bid for two blocks in Mexico’s Perdido basin.

Although established Mexican companies often see China as more of a competitor than a partner, the likely growing frustrations of the AMLO government with the U.S. on migrant flows, economic disruptions from USMCA non-ratification, or a U.S.-Mexico border closure may lead

his government to embrace a greater Chinese role in the Mexican economy. This could include Chinese participation in infrastructure projects, telecommunications, finance, and symbolic activities such as expanded senior level visits. Moreover, although AMLO has, to date, shown a preference for Mexican domestic affairs over international issues, growing friction at home and with the U.S. could tempt him to resurrect a traditional theme of his original party, the PRI, to assert Mexico's traditional role as a leader in Central America and the Caribbean by welcoming recognition of the PRC by the region, encouraging the associated growth of Chinese infrastructure and other projects in the Caribbean involving a combination of Mexico and Central American and Caribbean states, leading by example in engaging more with the PRC in arenas such as defense and security, space and telecommunications, and possibly hosting sub regional events to facilitate such advances by the PRC, magnifying associated discomfort in Washington.

Central America: In Central America, the migrant caravans highlight how gang violence, principally from Mara Salvatrucha and Barrio-18, have generated a wave of extortion and criminal violence that has pushed out families and legitimate businesses, particularly from the Northern Triangle states—Guatemala, El Salvador, and Honduras. Yet while levels of criminality and insecurity are among the highest in the region, the Northern Triangle governments have actually made significant, if little appreciated, progress in bringing murder rates down.

The violence and refugee outflows are a manifestation of the unhealthy state of the Central American political class and politics in general (along with corruption, the drug money that fuels it). Nonetheless,

during the coming year, previously noted initiatives by China (as well as Russia), will likely compound efforts by regional leaders on both the right and left to hold onto power, making the situation in the region much worse.

In Nicaragua, after over 320 deaths, the imprisonment of hundreds more, and thousands of injuries, Daniel Ortega and his wife Rosario Murillo have at least temporarily succeeded in using technology, intelligence, and brute force to decapitate and atomize the briefly successful, widespread opposition to their corrupt rule. An inter-American community reluctant to take serious actions against one of their own continues to largely stand on the sidelines.

Ortega's ability to hold onto power, despite mounting sanctions from the U.S, strong criticism from the international community, and the threat to expel the country from the Organization of American States, serves as a worrisome lesson for others, from the Maduro dictatorship in Venezuela, to conservative regimes in Honduras and Guatemala facing serious accusations and popular protest: it is better to resist than to compromise.

In Honduras, the leftist opposition continues to claim fraud in the election that returned Juan Orlando Hernandez to power, denying his legitimacy, with increasingly extremist former President Manuel Zelaya calling for the recruitment of "10,000 commandos" to pressure the government. At the same time, the November 2018 arrest of the President's brother, Juan Antonio Hernandez, on narco-trafficking charges, compounds a growing number of cases against Hernandez's predecessor, Pepe Lobo, family members and business associates to

worsen the president's political (if not yet legal) position, despite his achievements against public insecurity.

In Guatemala, President Jimmy Morales is engaged in an institutional struggle against his own constitutional court to disable the United Nations anti-corruption commission, CICIG, whose investigations led to the imprisonment of his predecessor, Otto Perez Molina, and Perez Molina's vice-president, Roxana Baldetti. The outcome is uncertain, with Morales having terminated the mandate of CICIG, and crippled its functionality by expelling its head, Ivan Velasquez, and a number of its functionaries from the country. When the Constitutional Court blocked Morales' actions, Morales returned fire by threatening criminal charges against the members of the court.

In both Honduras and Guatemala, while the underlying problem is the cycle of narcotrafficking, gang violence, insecurity and lack of opportunity, the aforementioned political struggles have the potential to explode and destabilize one or both fragile regimes.

Simmering refugee and political crises

In the Caribbean basin, expanding Venezuelan refugee flows add to challenges for small states already buffeted by narcotrafficking-fueled corruption, with the fragility of the regime in Haiti and gang violence in Trinidad and Tobago of particular concern.

Guyana will arguably be the greatest near-term challenge in the Caribbean basin. The defection of parliamentarian Charrandas Persaud to the opposition in a no-confidence vote against his own party plunges the ethnically divided nation into political uncertainty on the eve of the

inflow of significant oil revenues. If the government holds elections, it will likely lose, with the Indo-Guyanese majority largely supporting the PPP opposition in an increasingly polarized context. Yet if it seeks to use legal technicalities to avoid elections, it will lose its legitimacy, deepening the crisis.

In Colombia, the anticipated inflow of 1.2 million Venezuelan refugees in the next year, on top of the one million already living in the country, in combination with the injection of illicit money from expanding cocaine production, will fuel the expansion of criminal groups and violence between them. While the FARC has formally demobilized following the 2016 peace agreement, and the Colombian security forces have secured significant gains against the largest criminal band, the Gulf Clan, dissident FARC fronts who never demobilized are drawing on FARC militias (many safely on the more lawless Venezuelan side of the frontier) and the recruitment of demobilized FARC members who have been unable to adjust to civilian life, battling for control of drug production and criminal enterprises with the ELN and an array of other groups.

Venezuela itself is degenerating from a state whose populist leadership systematically looted the country, into a criminal free-for-all, with the ELN operating in an estimated 19 departments, as well as the FARC, prison gangs (the “pranes”), armed pro-regime neighborhood paramilitary (the “colectivos”), and profiteering portions of the National Guard, among others. In this environment, the government may not cede power, so much as a precipitating event could touch off a violent struggle, exposing the degree to which the government lost control long ago.

In Brazil, while the new conservative government of Jair Bolsonaro is viewed as a potential ally in Washington, there is a non-trivial risk that his controversial style could deepen already significant polarization in the country, fueling strikes and other actions that further undermine the Brazilian economy and Bolsonaro's ability to effectively manage problems of the nation, even as challenges such as the competition between the PCC and Red Command prison gangs to dominate the drug trade expand.

Happy 2019?

The good news is that the region appears to finally be receiving sustained attention from U.S. policymakers, evidenced not only by Secretary of State Pompeo's visit to Brazil and Colombia, but also by trips in the past year by National Security Advisor John Bolton, former Secretary of Defense James Mattis, former Secretary of State Rex Tillerson, and Vice President Mike Pence, as well as the confirmation of Assistant Secretary of State for the Western Hemisphere Kimberly Breier, and routine trips by senior U.S. Latin America-facing personnel, such as Deputy Secretary of Defense Sergio De la Peña (who recently traveled to Honduras) and National Security Council Western Hemisphere Director Mauricio Claver Carone.

Yet despite good plans and effective engagement, it may also be necessary to make cold assessments and difficult choices in the coming months. U.S. decision makers must ask whether, in the current situation, the U.S. has the resources and credibility at the present time to engage with the region on the topic of China, to meaningfully strengthen governance, and to otherwise act decisively to stave off the political instability that may ripple throughout the region.

If the beginning of the new 116th US Congress was any indication, the U.S. government is likely to be consumed by internal political issues in the coming two years that further detract from its ability to dedicate senior-level attention and resources toward Latin America. If the U.S. approach, however inspired, cannot realistically hope to succeed, U.S. leadership must ask whether the wise choice is to continue with that approach, or to change course—perhaps to a posture oriented toward damage control until circumstances change.

There are no easy answers, but in light of the importance of Latin America to the U.S. through bonds of geography, commerce and family, the U.S. must face the risks, and ask these hard questions, as we move into 2019.

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