

Report by Isabel Oriol, Dyami Contributing Analyst — March 2021

When political change becomes a risk: 2021 a challenging year for Latin America

The series 'When political change becomes a risk' outlines how there is a Latin American tendency to uncertainty when major political changes take place, presenting a risk for business interests in the region. From protectionist policies in megaprojects and the energy sector in Mexico to environmental disaster mismanagement in Brazil, significant political changes can undermine investor's confidence.

After being hit by the COVID-19 crisis in 2020, Latin America is heading for an uncertain 2021. With deepened structural issues, tensions on the rise due to the health and economic crisis, and elections coming up this year in several countries; the stage is set for a particularly challenging 2021.

The 2020 crisis exacerbated social and political tensions

Before 2020, many countries in the region were already facing high social and political tensions. Millions protested in the streets of Chile and Colombia against inequality and the government's economic and social policies. The migration crisis from Central America intensified. The institutional crisis in Peru resulted in the dissolution of Congress. Venezuela's presidential crisis continued and further aggravated the humanitarian emergency. And Mexico, Brazil, and Argentina elected new controversial governments.



Protestor in Chile's widespread protests against inequality (Pedro Ugarte/Getty Images)

The situation was worsened by the 2020 crisis driven by the COVID-19 pandemic. According to the Economic Commission for Latin America and the Caribbean (ECLAC), the current is the worst economic crisis the region has faced in over 120 years.[1] The health and economic crisis have deepened already existing structural problems: inequality, unemployment, and rising numbers of poverty. A deeper social discontent is cooking in Latin America, and with it, political change is just around the corner.

Setting the stage for political change

The COVID-19 crisis response of many Latin American governments has been fiercely criticized. From poor outbreak management, overwhelmed public health systems, insufficient economic relief, loans from the IMF with strings attached, undelivered vaccination promises, or the symbolic gesture of presidents refusing to wear masks in public (notably López Obrador, Bolsonaro, Piñera); the pandemic response has further decreased the population's confidence in governments and the political elite.



President Jair Bolsonaro gathers with a crowd without wearing a face mask (Poder 360)

The combination of aggravated structural issues and the worsened distrust in the political elite are opening the door for new political discourses and the emergence of outsiders or anti-establishment politicians. As an already present phenomenon in Latin America, self-proclaimed outsiders have managed to win elections in Brazil, Mexico, and El

Salvador by capitalizing on the social discontent about corruption and making promises to change the system. The same populist discourses that have brought controversial politicians like Andrés Manuel López Obrador and Jair Bolsonaro to power are likely to be used in the COVID-19 crisis-era by taking advantage of the population's discontent with the pandemic management and the devastating economic crisis.

What to watch out for

Elections are coming up in a number of countries in Latin America. The first one in Ecuador has already been pushed to a second ballot between Andrés Arauz, a former government official of ex-president Rafael Correa; and Guillermo Lasso prominent banker and businessman. Leading candidate Arauz has opened the debate about whether the dollar should be the national currency –which most view as a stabilizing factor in the Ecuadorian economy–, he has also declared that if elected he will renegotiate the agreement made with the IMF by current president Lenín Moreno. Ecuador will go to the polls again on April 11.

Peru will be having presidential elections in April this year after an institutional crisis in which Congress voted to remove former president Martín Vizcarra for “moral incapacity”. Protests broke out for several days in the streets with some claiming it was a disguised coup or at the minimum an abuse of power by Congress. The discontent with the political elite (due to corruption, and the mismanagement of the pandemic, among others) elevates the possibility for an outsider to win the election in Peru. A strong example is former professional footballer George Forsyth, also known for his time as mayor of La Victoria and his strong discourse against crime and corruption, who is currently leading the polls.

Chile will have presidential elections in November this year, and after the far-reaching protests in 2019 and the devastating crisis that followed in 2020, the stakes could not be higher. Outgoing president Sebastián Piñera had a low approval rate of 15% at the end of

2020. So far, polls point to three major candidates: center-right Joaquín Lavín, communist party member Daniel Jadue, and journalist and TV personality Pamela Jiles. Additionally, members of the constituent assembly will be elected on April 11 for the demanding –and divisive– task to redact a new constitution.

Nicaragua will hold elections by the end of the year, in which current president Daniel Ortega will likely seek reelection for a fifth term as president. After anti-government protests broke out in 2018, Ortega was accused of using the justice system against critics of his government. While the opposition is in the process of organizing, likely precandidates have already pledged to back a single candidate for the elections in order to defeat Ortega. Among the profiles, there are exiled academics, former political prisoners, and journalists.

Honduras will be electing a new president by the end of this year. After accusations against president Juan Orlando Hernández of taking bribes from organized crime have surfaced in a US-based trial, he will not be seeking reelection as previously speculated. In a

similar fashion to Nicaragua, the opposition in Honduras is likely to form two major alliances in hopes to defeat the National Party (currently in power).

Finally, Mexico and Argentina will hold parliamentary elections that will be an indirect test to the governments of López Obrador and Alberto Fernández, respectively. Both left-wing governments that recently came into power, their policies and management of the crisis will be tested by the voters. Unprecedented times can lead to unprecedented events. While nations across Latin America continue to fight the COVID-19 pandemic and the devastating effects of the economic crisis, major political change will likely take place in 2021. Election results, vaccination strategies, and economic recovery plans will have a crucial impact on the stability each country will have in the following months, and years.



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End notes

1. Economic Commission for Latin America and the Caribbean (ECLAC). *Latin America and the Caribbean Will Have Positive Growth in 2021, but It Will Not Be Enough to Recover Pre-Pandemic Levels of Economic Activity*. 16 December 2020. <https://www.cepal.org/en/pressreleases/latin-america-and-caribbean-will-have-positive-growth-2021-it-will-not-be-enough>

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