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WORLD

Latin America, Hit by Slower Growth, Braces for More Instability

A commodity boom has been followed by a regional economic downturn, corruption scandals and a wave of protests.

By Ryan Dube

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LIMA, Peru—Latin America ended last year in upheaval. All the signs suggest even more turmoil in the months ahead.

A wave of protests has roiled one nation after another, the byproduct of a regional economic downturn and corruption scandals that pollsters say have driven down support for governments and even democracy to the lowest levels in years.

It's a huge comedown from just a few years ago. In 2010, as the U.S. and Europe struggled to recover from the global financial crisis, the outlook for Latin America was upbeat. China's demand for copper, soybeans, oil and other raw materials drove robust growth in the region, boosting the middle class and government coffers while providing political stability. Latin America's gross domestic product increased 5.8% that year, led by a 10% rise in Argentina, an 8.5% increase in Peru and a 7.5% jump in Brazil.

Those days vanished with the end of the commodities boom in 2014, and the region hasn't recovered. The International Monetary Fund expects Latin American GDP to expand 1.6% this year, after almost no growth in 2019, making it one of the slowest-growing regions in the world.

That will likely stoke more turmoil in a region where political instability is the historical rule rather than the exception, experts say. Unemployment is on the rise, and poverty increased to about 31% of the population last year from 28% in 2014, according to the United Nations' Economic Commission for Latin America and the Caribbean, a Chile-based organization that tracks economic and social trends. Anger over corruption and poor public services will also contribute to unrest, analysts say.

“The underlying reasons for the conflicts are not going away,” says Cynthia McClintock, a political scientist and Latin America expert at George Washington University. “We are not going to see an economic boom, we are not going to suddenly see the democratic governments being clean and transparent.”

From Argentina to Mexico, just 24% of people in Latin America are satisfied with democracy, the lowest point since at least 1995, according to pollster Latinobarómetro. Satisfaction with the economy is down to 16%, the lowest since 2003, while approval of governments has declined to 32% from 56% in 2010.

Latin America’s troubles are at their worst in Venezuela. The once oil-rich nation is mired in an economic crisis that has led 4.5 million people to flee abroad, according to the U.N. There is little hope for change, as President Nicolás Maduro remains in firm control, moving this month to take control of the National Assembly, the country’s last independent body, away from the U.S.-backed opposition.

Meanwhile, Argentina, an agriculture powerhouse, is grappling with a deep recession as President Alberto Fernandez, who took office in December, aims to stave off another costly default by restructuring debt with bondholders and the IMF. Ecuador, Chile, Bolivia and Colombia, all struggling with weaker economic growth, were hit by large antigovernment protests at the end of 2019. In Peru, President Martin Vizcarra closed the nation’s Congress, accusing the opposition of blocking needed changes.

Mexico and Brazil, Latin America’s two biggest economies, elected antiestablishment presidents in 2018 as voters angry with the status quo of corruption scandals, violent crime and weak economies happily voted in populists to take on the perceived elites. In Brazil, President Jair Bolsonaro, a right-wing firebrand, has implemented changes to attract investors and turn the economy around after its worst recession in recent history. Mexico’s leftist president, Andrés Manuel López Obrador, is facing a flailing economy and surging violence, but remains popular. In both countries, the change in leadership helped prevent social upheaval for the time being, but how long the calm lasts depends on how well those governments deliver on promises of change.

“The overall picture is one of promises that have not been fulfilled” across Latin America, says Michael Shifter, president of the Inter-American Dialogue, a Washington-based think tank. “That is a recipe for frustration.”

During the boom years, left-wing governments spent heavily on social programs that helped lift millions of people out of poverty. But experts say they failed to prepare for an inevitable downturn by investing in education and technology to improve economic productivity and diversify away from natural resources.

With weak institutions, corruption flourished, triggering a public backlash that tarnished powerful politicians and business leaders all around the region. Grappling with that fury remains a huge challenge for leaders in Chile and Peru, as well as Colombia, where a scandal involving illegal wiretapping is the latest to whipsaw President Ivan Duque's government.

About 65% of people in Latin America believe their governments are run by private interests, according to a poll by Transparency International, a Berlin-based watchdog group.

The hard realities mean that this year could be just as difficult—and violent—as last year.

Bolivia will hold a presidential election in May after last year's fraudulent vote led to deadly clashes that forced longtime leader Evo Morales to resign. Mr. Morales, now in exile in Argentina, continues to stoke tensions back in Bolivia, telling local media earlier this month that he should have organized an armed militia to maintain his grip on power.

Chile, meanwhile, is bracing for more unrest after the biggest demonstrations since its return to democracy in 1990, which were sparked by a small increase in metro fares before evolving into a range of demands from better pensions and education to government action against economic inequality. "The rich share the country among themselves," said Alejandro Olfanos, a 32-year-old protester in Chile's capital, Santiago. "We'll keep fighting until we achieve something."

In April, Chile will hold a referendum on writing a new constitution to replace the one drafted in 1980 during the Pinochet military dictatorship, which heavily favored the private sector. Officials say a new constitution could create a more just society with a stronger economy in the long run, but analysts caution that the vote could also rekindle radical protests. Last year's protests paralyzed the economy, causing billions of dollars in losses as buildings were torched and stores were looted. Business leaders say they've halted investments due to the uncertainty about the future of the country's free-market policies. President Sebastián Piñera's approval rating tumbled to 6% in January, as pollsters say the crisis opens the door for the rise of a political outsider. In short, the country's situation is emblematic of the troubles the entire region is facing. "Chile is like a plane high in the air facing violent turbulence," says Patricio Navia, a political scientist at Diego Portales University in Santiago. "There are reasons for concern."

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