The Inter-American Dialogue’s twenty-sixth meeting of the Latin America Working Group took place on July 22nd, 2014 at The Dialogue in Washington D.C. Initially a working group on Colombia, the group, now in its 13th year, has since expanded its scope to discuss issues across the Andes and Western Hemisphere. The meeting was supported by the CAF—Development Bank of Latin America.

To start off, the working group discussed the most recent presidential elections in Colombia and the prospects for peace before analyzing Venezuela’s economic and political challenges. Karen DeYoung, associate editor and senior national security analyst for the Washington Post, joined the working group for a lunch discussion on U.S. foreign policy and politics. The afternoon agenda covered the outlook for Ecuador and Peru, before ending with Brazil’s future prospects in light of the upcoming elections.

A special welcome dinner was held on the 21st with Alejandro Werner, Director of the Western Hemisphere Department of the International Monetary Fund. Werner gave an overview of the region’s economic outlook and offered reviews of a number of countries, positing that growth is expected to slow down in most of them. The Dialogue also hosted a public event on the 22nd where the group’s five Colombian participants shared their insights and perspectives on Juan Manuel Santos’ second term and their expectations for the next four years.

This report outlines the main topics discussed on a country-by-country basis.
Colombia: Santos’ second term and peace prospects

Colombian president Juan Manuel Santos defeated Oscar Iván Zuluaga after one of the country’s most contentious campaigns. He secured a second term and promised to concentrate on ending the five-decade long armed conflict with the FARC and ELN insurgencies.

Part of the working group’s discussion focused on the successes of the president’s campaign. Santos lost the first round to Zuluaga, former president Alvaro Uribe’s hand-picked candidate, but he managed to turn his campaign around and defeat Zuluaga by a comfortable margin of 5%. Some of the participants argued that Santos was successful in the second round because of how he changed the rhetoric of his campaign: while during the first round his discourse was more conciliatory and sought to garner the support of those who criticized the peace process, during the second round he promoted unconditional support for peace.

A few working group members suggested that Santos’ discourse had implied that members of the opposition were the enemies of peace and had thus increasingly polarized society. One person observed that a majority of Colombians who hadn’t voted for the president were not against peace, but only against what they saw as a “supplicatory” process that failed to insist that the guerrillas accept stronger conditions. The peace agenda has undergone a long and complex process of negotiation that has reflected some of the divisions within Colombian society. Two particularly contentious points are victims’ reparation and compensation, and the incorporation of some sectors of the guerrillas into Colombian politics. Those most affected by the conflict want the administration to take a tougher stance on these issues.

Close to seven million Colombians voted against the president and could well complicate efforts to fulfill the peace accords. A majority of the participants argued, however, that this opposition shouldn’t be seen as an impediment to reaching a final agreement. Instead, Santos could use the opposition as leverage at the negotiating table, pressuring the FARC to accede to conditions that would bring wider support for the peace process. Broader societal support is particularly important should the resulting accords be submitted to a popular referendum or some other voting mechanism.

Despite the potential challenges the opposition might pose to the peace process, the general atmosphere points to a positive outlook. In the second round of elections, Santos successfully united groups such as unions and other leftist sectors that had formerly opposed the official ruling institutions, under a coalition for peace. One of the participants remarked how the majority of congress has shown support for the peace process. Congress will play a crucial role as Santos’ second term unfolds, especially since Uribe will be directing the opposition.
Uribe was Santos’ political archenemy during this campaign, resorting to social media on a daily basis to aggressively attack the president and accuse him of corruption. Shortly after Santos delivered his victory speech, Uribe went as far as to call the second round of elections the “worst corruption in history”. Apart from his attempts to delegitimize Santos, Uribe himself was a protagonist in the election through his seamless association with Zuluaga. Some working group members argued that this alliance increased support for Santos during the second round, particularly from people who didn’t want Uribe to once again wield power, even if only indirectly.

While most working group members agreed that Uribe’s accusations were mostly part of a political feud, some did express concern over what they saw as an unfair campaign. To be sure, Santos managed to mobilize the support of different left-wing parties, business associations, and unions. Some participants, however, consider the election to be marked by problematic irregularities such as excessive clientelism as compared to previous elections, and an overwhelming media bias in favor of the incumbent. Some also think that Santos’ strategy of securing support from mutually antagonistic parties in order to win the election will pose major challenges to governance. One of the main priorities of Santos’ second term, they argue, should be to restore the trust of the population in the presidency and in political institutions.

Santos is entering his second term with other significant challenges that he cannot afford to ignore. To achieve an enduring peace, the president will have to tackle deficient infrastructure as well as education, health and lingering insecurity that continue to affect a significant portion of the population. Despite the booming economy, many citizens remain critical of the president for focusing too much on the peace process while overlooking the issues that, polls show, really matter in their daily lives.

However, participants agreed that peace will remain in the forefront of Santos’ agenda. By betting on peace during the campaign, Santos will find a society that holds extremely high expectations for him to conclude the already lengthy process. More than the typical campaign promise, peace has become the president’s mandate. It is also important to consider that the issue of peace won’t be exhausted during Santos’ second term. While successfully finalizing the Havana peace accords would signify a historic moment for Colombia, the task of peace consolidation is a long-term effort.

Apart from controversies over the peace process, most of the participants agreed that Colombia’s outlook remains generally positive. Colombia’s economy is growing at an enviable rate, and relations with its neighbors and the United States remain very friendly. If Santos finalizes peace negotiations and renews his focus on issues that have been previously overlooked, Colombia will continue on a steady road towards better distributed and more consolidated prosperity.
Venezuela: any relief for the crisis?

The prospects for Venezuela were much bleaker. The economy remains weak, with the world’s highest inflation rate, rampant scarcity, and a volatile fiscal policy that drives away potential investment. Crime and violence levels remain extremely high, with 53.7 murders per 100,000 inhabitants. The country’s dire problems are exacerbated by the president’s poor performance: working group participants agreed that Nicolás Maduro lacks the political capacity or leadership experience that Hugo Chávez had, which has resulted in deteriorating institutionalism and the weakening of the rule of law.

The Venezuela session began with a review of the government’s fragmentation. Power is no longer concentrated in a strong presidential figure, like Chávez, but is instead spread out among different key actors, including the military, traditional business owners, Maduro himself, a fractured opposition, the middle class, and other popular sectors. Maduro has lost power due to a confluence of factors. Beginning in February 2014, Venezuela witnessed massive anti-government protests sparked by the sexual assault of a student in the college town of San Cristóbal. Maduro’s harsh response resulted in approximately 50 deaths and thousands of injured victims. After the protests, Maduro’s popularity dropped more than 10 points, reaching a record low of 37%.

Participants also mentioned that since Maduro has assumed power, the opposition has also suffered significant fragmentation. After the elections, he called for a dialogue with the opposition that provoked disagreement within the Mesa de Unidad Democrática, particularly from its more radical sectors. Following the murder of Monica Spear, the president attempted to connect once again with the opposition in order to deal with the problem of insecurity and abate some of the tensions that were slowly developing into broad civilian unrest. Opposition leader Henrique Capriles accepted the invitation, sealing the rupture with the more radical sectors of the opposition that eventually decided to take the protests to the streets. As a result, the opposition lost its unity and has no longer been able to articulate viable alternatives to Maduro’s government.

The government has also poorly handled the economy, which currently has the world’s highest inflation rate of 68%, and a scarcity index of nearly 30%. An excess in public spending, particularly in the country’s oil company (PDVSA), has significantly affected the deficit, increasing it to nearly 15% of Venezuela’s GDP. The fiscal situation has also worsened due to the existence of three different exchange rates, with the black market rate nearly 10 times greater than the heavily regulated official one. Oil production and exports to important markets like the United States have fallen while heavy subsidies drive domestic oil consumption upwards. One of the participants humorously (but truthfully) remarked that one can purchase 250 liters of gas in Venezuela for the price of a can of Coca Cola.

Despite the dire situation, characterized by one of the participants as the decomposition of a political and economic regime, Maduro has managed to stay at the helm of the
government, though his grip is tenuous. He has become more punitive against select targets in media and civil society, while striking an important alliance with pro-government sectors of the military. However, there is a minority faction within the military that opposes Maduro’s government. While some of the participants worried that the military might end up taking matters into its own hands, most of the experts agreed that a coup is unlikely.

The outlook for Venezuela remains anything but certain. While a recall referendum in 2016 is possible, participants were skeptical about whether the crisis could continue much longer. Maduro risks losing support not only from within the country but also from the international community. Venezuela still enjoys cordial relations with its neighbors, but some working group members noted a sense of fatigue within UNASUR about the constant crises that arise in the country. While the current situation makes it difficult to come up with concrete solutions, most of the participants agreed that only a serious economic and political restructuring will be able to rescue the country from such dire conditions.

**Peru: Troubles Ahead?**

Peru exhibits a much more positive outlook than Venezuela, but the working group participants recognized that serious challenges have recently emerged. The country’s economy remains one of the fastest growing in the region (5% in 2013) despite the expected economic downturn in Latin America for 2014 due to lower commodity prices. One of the participants mentioned that because there is a basic consensus on the country’s economic trajectory, economic policies are expected to remain the same over the next couple of years. Nevertheless, there is a sense of growing unease and dissatisfaction with president Ollanta Humala. Humala’s popularity rate plummeted nearly 40 points since 2013 alone, and he hasn’t been able to recover a single point in 2014. Interestingly, one participant mentioned that nothing particularly serious had happened to account for such a drop in approval. According to him, Humala’s popularity decreased as the cumulative result of a series of minor but poorly handled political crises. Another participant noted that dissatisfaction stems from a lack of political leadership. Humala and his ministers have proposed reforms but have not adequately pushed for their implementation. Due to the lack of popular support, Humala’s reforms have elicited discontent from several sectors, as reflected by a doctors’ strike that lasted for more than 50 days.

Participants also mentioned that increasing corruption has contributed to the administration’s lack of popularity. Humala’s government, like those of his three predecessors, faces corruption charges. Civil society and the media have played an important role in denouncing this corruption and have refused to remain silent.

All participants agreed that the most pressing matter, however, is the deterioration of citizen security during Humala’s administration. One participant pointed to the
qualitative change of crime as one of the most worrying issues. Organized crime has begun to take root in the country and has shown dangerous signs of metastasizing. While drug trafficking still exists, mafias have also expanded their *modus operandi* to include extortion. According to the participant, the political response to diversified crime has been weak and has contributed to the government’s loss of support.

Looking ahead, no candidates with a clear advantage have surfaced for the 2016 presidential elections. While there were rumors that first lady Nadine Heredia could run, many have been critical of her overt political involvement. Participants agreed that she would not have much chance of winning, and instead mentioned other potential candidates, including former presidents García and Toledo, and former presidential candidate Keiko Fujimori, but to date none has been able to garner sizable support from the population.

Peru’s troubles might seem trivial compared to Venezuela’s, especially since the economy continues to perform well, but Humala’s weak reaction to mounting problems of corruption and crime could lead to greater instability which, left unchecked, might lead to serious political difficulties in coming years.

**Ecuador: Smooth Sailing for Correa?**

Unlike Peru’s Humala, Ecuador’s president Rafael Correa is one of the most popular leaders in the region, both nationally and internationally. Participants mentioned how his approval rates reach 83%, with universities across the globe awarding him honorary doctorates and awards every year. Correa also enjoys ample support from the legislative branch. According to one participant, three quarters of parliament strongly back the president.

But Correa seems to want consensus along with popularity, particularly when it comes to his ambitious “revolución ciudadana.” Participants argued the lack of opposition visibility is not because it doesn’t exist but because the president exercises a tight control of the media. His public image is carefully cultivated through an aggressive, very well executed, and permanent political campaign against which it is almost impossible to compete. His government also passed a very controversial communications reform that re-defines public media as a public service and allows the state to restrict what type of audiovisual, print, and electronic media can be published. Presidential decree no. 16, which gives the government ample powers to shut down NGOs if they compromise public peace, was also brought up. Participants agreed that Ecuador’s laws regarding freedom of expression and civil society are some of the most restrictive in the region. One participant expressed frustration at regional for not reacting against the clear disintegration of the rule of law in the country.

Correa is also facing a difficult economic situation. While the economy has been performing well over the past couple of years, growth is predicted to decelerate to 3.5% by
2015. An excess in public spending has increased the deficit and made Ecuador dependent on foreign loans, particularly from China which has invested more than 10 billion dollars in the country. One participant mentioned that petroleum is set to run out within the next 10 to 15 years. The president has been promoting oil extracting projects in the Amazon region, but has met with some resistance from local communities.

The need to address the country’s issues was reflected in the most recent local elections, where Alianza PAIS, the president’s party, lost in 9 out of 10 key municipalities. A number of participants argued that this loss shows how Correa’s party has become extremely dependent on him. Without Correa, Alianza PAIS shows no real prospects of surviving. The government is currently trying to reform the constitution to allow for Correa’s reelection. While Correa’s reelection could well be beneficial for his political project, a lack of alternation would threaten Ecuador’s democratic progress.

**Brazil: What Are the Prospects?**

The last session of the day focused on Brazil, the region’s dominant economic power that has also been undergoing challenging political and economic times. As the presidential election approaches, President Dilma Rousseff seems to be losing ground to the opposition. Participants agreed that Rousseff’s Achilles heel is the economy. The central bank has changed this year’s projections eight times, predicting that economic growth will be less than 1%. This would set the average growth during Rousseff’s presidency to a meager 1.8%, compared to her predecessor’s 4.1%. Confidence in Brazil’s macroeconomic stability has fallen and the government should take urgent measures to regain it.

One of the participants mentioned that the economic super-cycle responsible for the creation of a robust middle class in the country has ended and that the middle class is now demanding more from its government. According to him, Brazil’s growth model was based on consumption that had been facilitated by favorable access to credit lines and salary increases. However, people are now expecting better services to go along with an increase in their purchasing power. As an example, the protests that shook the country in the summer of 2013 were triggered by a failed government promise of building infrastructure in areas surrounding the very expensive stadiums. The government appears trapped: how can the government deliver more services to the new middle class with an economic downturn that has significantly diminished its resources? Whoever wins the October elections will have to revisit the Brazil’s economic strategy in order to tackle this situation.

The discussion also touched on Brazil’s regional policy and its approach towards integration. Over the past decade, Brazil has led an ambitious agenda of regional integration as it seeks to dominate as one of the leading powers. While its influence on Mercosur is still visible, Brazil’s leadership has become increasingly difficult to maintain. Participants predicted that Mercosur will start looking away from the region and towards the European Union in order to broaden its scope of negotiations. Brazil, however, will
focus more on reevaluating its internal policies than on pursuing an aggressive foreign policy agenda.

No set predictions were made for the October elections. While one of the participants argued that Dilma is still in a position to win, he also mentioned that ignoring the high levels of popular discontent might cost her the election. Even if another candidate defeats Dilma, participants don’t foresee any radical change in policies. While Brazil must reevaluate some of its policies to revamp the economy, the country’s main parties are more left-leaning and tend to espouse similar macroeconomic principles. It will be interesting to see how the candidates’ campaigns unfold, especially now that the World Cup has ended and the global hype about Brazil has passed.

**Regional Outlook**

The day ended with a discussion on the outlook for the region as a whole. Compared to 20 years ago, 21st century Latin America has undergone a radical political and economic transformation and has become a protagonist in global affairs. China has risen as one of the region’s main partners, while the U.S. continues to struggle to maintain influence, particularly in South America.

However, the region also faces serious challenges that must be critically analyzed. One of the participants commented on the differences that are emerging more sharply within the region regarding degrees of democratic consolidation. While the region enjoys higher levels of democracy than during much of the 20th century, there is a worrying pattern of democratic weakening -- especially in terms of the rule of law -- that demands more serious attention and discussion.