

How South America Went From a Haven of Stability to a Mess in 18 Months

Judah Grunstein | Wednesday, July 26, 2017

SANTIAGO, Chile—Imagine an Obama administration official looking out at the world from the vantage point of December 2015. The Middle East is engulfed in bloody conflict and crackdowns on domestic dissent. Africa is muddling through a humbling correction to the “success story” narrative that had been used to portray the continent’s preceding decade of dynamic growth and democratic progress. Asia is an uneasy landscape of shifting power balances and wary hedging in the shadow of a newly aggressive China. And Europe is struggling to address a refugee and migrant crisis that is awakening a populist backlash to elite consensus.

At the time, if there was one part of the world that the administration could have felt reasonably certain it would pass off to its successor in better shape than when Barack Obama took office in 2008, it was Latin America, and in particular South America.

If the preceding 15 years of progress were any indication, South America’s prospects were promising in December 2015. Driven by China’s demand for commodities, the region had just ridden a wave of prosperity that swelled the ranks of a burgeoning middle class. Left-wing governments in Brazil, Chile, Ecuador and Bolivia had used progressive approaches to redistributive policy to dramatically reduce poverty and expand access to health care and education.

Meanwhile, parliamentary elections won by the opposition in Venezuela had just signaled a course correction for the excesses of the late Hugo Chavez and his successors, who had combined unsustainable economic policy with democratic regression. Argentina’s presidential election, won by Mauricio Macri on a program of structural reforms, suggested popular fatigue with the personalized rule and economic chaos of Cristina Fernandez de Kirchner’s leftist government.

Finally, peace talks between the Colombian government and FARC guerrillas seemed to have built enough momentum to make a negotiated end to the country’s 50-year civil war seem more likely than



Venezuelan opposition lawmakers brawl with pro-government militias at the National Assembly, Caracas, July 5, 2017 (AP photo by Fernando Llano).

not.

U.S. policy had little to do with most of these developments. But when Obama took office in 2008, America's political capital in Latin America had been depleted by eight years of George W. Bush's historically tone-deaf approach. The Obama administration restored Washington's legitimacy and credibility through a combination of hands-off noninterference and its bold initiative to begin normalizing ties with Cuba in December 2014.

Both components made it clear Washington had acknowledged what the rest of the Western Hemisphere had known for some time: that a page had turned in the region's history and its relations with the U.S.—and the world. Brazil was no longer a regional leader but a champion of the Global South on the world stage. The countries of South America were as likely to look west to Asia as north to the U.S. for trade, investment and aid. And with the notable exception of Venezuela—and, to a lesser extent, Ecuador and Bolivia—the continent was a model of democratic expansion and consolidation.

The ongoing political circus in Brazil and Venezuela's descent into dictatorship, famine and chaos threaten to further derail the region.

A year and a half later, the South American political landscape is considerably more unstable, to the point of being almost unrecognizable. Things are far from doom and gloom, particularly compared to the violence in the Middle East and geopolitical tensions in Eastern Europe and Asia. Peru, Chile and Bolivia have managed to register growth despite the commodities bust. Argentina continues its uneven and painful corrections to the Fernandez era's policy mismanagement, while Colombia continues to implement its peace accord with the FARC in fits and starts.

But all are on less secure footing than they were 18 months ago, with approval ratings for weakened leaders now low across South America. The transnational corruption scandal involving the Brazilian construction firm Odebrecht has rippled outward to implicate the political class of the entire region. Most recently, former Peruvian President Ollanta Humala was charged, along with his wife, with receiving illegal campaign donations from the firm in 2011 and ordered to await the outcome of the investigation in jail. In Chile, unrelated corruption charges against the son of President Michelle Bachelet tainted her second nonconsecutive term, and unsatisfying reforms to education and retirement pensions have driven more popular disenchantment with the center-left, but also the country's political elite more generally. In Argentina, too, there is a sense of impending trouble, as proponents of painful structural reforms begin to

realize that the resulting benefits are unlikely to fully kick in before parliamentary elections in October.

More alarming are the two imploding stars that now threaten to suck the region into their gravitational pull: the ongoing political circus in Brazil and Venezuela's descent into dictatorship, famine and chaos.

It's hard to understate the extent of Brazil's reversal of fortune over the past year and a half. Its economy, like those of most of the commodity-exporting countries of South America, had already weakened by December 2015. And popular dissatisfaction with former President Dilma Rousseff was already on display at the 2014 World Cup, where she was humiliated with a shower of boos from the home crowd.

Still, few could have predicted the subsequent fall from grace, not only for Rousseff, who was impeached in August 2016, but for Brazil, which has since endured a year of political tragicomedy. Its role as an emerging global power has been all but forgotten. Its role as a regional leader—on anything other than corruption—has likewise been torpedoed.

That takes on added significance in the context of Venezuela's continued unraveling. What began as a political crisis there has combined with an economic freefall, setting the stage for the humanitarian tragedy currently on display. That has implications for neighboring Colombia, which could face a destabilizing flood of refugees at a vulnerable moment for the ongoing implementation of its peace accord.

As Frida Ghitis argued in her WPR column last week (</articles/22746/to-shape-events-in-venezuela-the-u-s-needs-smart-policy-and-partners>), the U.S. should tread carefully in seeking to shape outcomes in Venezuela, particularly given the ways U.S. President Donald Trump has squandered the political capital accumulated by the Obama administration on Cuba and damaged ties with long-standing partners like Mexico. For a host of reasons, the U.S. should address Venezuela's crisis in concert with South American partners, and ideally by letting South American countries take the lead themselves. In 2008, 2009 and 2010, Brazil played a central role in resolving repeated tensions between Colombia and Venezuela that at one point in 2008 saw then-President Chavez deploy tanks to the border. As recently as October 2015, the regional body UNASUR helped mediate border tensions between the two neighbors (</articles/16931/unasur-is-south-america-s-imperfect-crisis-manager>).

It's hard to see Brazil being able to bring the same influence to bear on Caracas today, or lead a regional response if Venezuela's turmoil spills over the border. And no other obvious local replacement come to mind as a potential mediator.

South America is nowhere near the kind of conflict and dysfunction on display elsewhere in the world these days. But it is far from the haven of stability it represented just 18 months ago. Under normal

circumstances, Washington would be paying closer attention, but clearly these are not normal times.

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