



# The weight of numbers

Financial index and rating services company Standard & Poor (S&P), predict the Latin American GDP will grow less than two per cent in 2020 because of investment uncertainty arising from volatile social and political instability.

The instability they are referring to is the often deadly, region-wide mass protests against inequality, corruption and electoral fraud, as well as contentious elections that occurred in 2019.

As evidenced by S&P's own indexes, growing inequality in Latin America has been the major driver of instability, as the almost universal adoption of conservative economics

has seen the collapse of the middle classes and increased poverty.

Citizens in Guatemala, Haiti, Honduras, Paraguay and Puerto Rico took to the streets demanding an end to corruption, as did Peruvians when President Pedro Kuczynski was implicated in a 'cash for access' scandal and forced to resign.

Protestors in Colombia successfully demanded the cancellation of planned pension cuts and youth wage reductions, while in Ecuador the government abandoned the capital after protestors occupied parliament. They were only able to return once IMF-mandated austerity measures were reversed and fuel subsidies restored.

After five days of deadly unrest in which police killed 30 protestors, the Nicaraguan government annulled tax increases and social security benefit cuts.

The largest protests erupted in Chile, paradoxically one of the richest nations in Latin America, but the most unequal society in the OECD, with millions taking to the streets to protest inequality.

President Sebastián Piñera, a billionaire and Chile's 3rd richest person, ultimately agreed to a referendum on the Pinochet-era constitution (which protestors say entrenches inequality), slashed the cost of medicines and increased the minimum wage & pensions, but

not before security forces killed 29 protestors and injured 2,500 more.

After populist Evo Morales, Bolivia's first indigenous president, sought a fourth term, voting discrepancies emerged which triggered deadly demonstrations. When the police and army withdrew their support, Morales was forced into exile and replaced by a right-wing interim president.

Mass protests calling for the resignation of socialist President Nicolas Maduro, who has led Venezuela into a dystopian world of hyperinflation and famine, failed after the cosseted armed forces killed over 300 protestors and Maduro still clings to power with their support.

In Argentina, Brazil and Mexico,

discontent has been channelled through the ballot box, with left-wing presidents replacing right-wingers in Argentina & Mexico and vice versa in Brazil.

New Argentine President Alberto Fernández must perform a high-wire balancing act between improving living standards for the 44 per cent of the population who now live under the official poverty line after four years of right-wing rule – when poverty increased from 15 to 44 per cent and annual inflation to 53.8 per cent - while avoiding defaulting on the USD 300 billion external debt racked-up by the previous government.

Fernández has imposed foreign exchange and price controls, increased pensions and family support payments, but he needs to quickly create jobs and increase productivity or it won't be long before the famously demonstrative Argentinians take to the streets.

In Mexico left-winger Andrés Manuel López Obrador (known as AMLO) won the presidency by a landslide, increased spending in poverty reduction and education, stopped privatisations and eschewed the baubles of office (the USD 200 million Boeing Dreamliner presidential jet is for sale and 'Los Pinos', the lavish presidential residence, has been converted into a museum).

Mexico's vicious drug cartels (linked to 300,000 murders and 61,000 disappearances since 2006), who operate hand in glove with corrupt security forces and judges, are now increasingly strong-arming their way into the avocado, citrus and vanilla trades and the industrial-scale theft of timber and gasoline.

Regardless of how much AMLO can reduce poverty, unless he can make significant improvements to public and judicial security in the short-term, unrest is inevitable with armed citizen militias already appearing in remote regions, to protect local

communities from cartel and security force depredation.

Even as his regional peers are repudiating conservative economics, the so-called 'Tropical Trump', Brazil's ultra-rightist President Jair Bolsonaro, is swimming against the tide and making major cuts to government spending including pensions, privatising state assets and commercialising indigenous

*According to Oxfam, Latin America is the most unequal region in the world, with the richest 10 per cent now owning nearly 90 per cent of the region's wealth*

lands in the Amazon Basin (the major cause of 2019's vastly destructive fires).

Risk of unrest is high as hugely popular former president, leftist Lula da Silva is leading a national anti-Bolsonaro campaign in response to which Bolsonaro, an admirer of former Brazilian dictators, has threatened to re-enact a dictatorship-era law that suspended habeas corpus and to use the military to detain demonstrators.

According to Oxfam, Latin America is the most unequal region in the world, with the richest 10 per cent now owning nearly 90 per cent of the region's wealth (up from 71 per cent in 2014), and as long as oligarchic capitalism (oligarchic socialism in Venezuela's case), endemic corruption and rampant crime remain the norm, protests are understandable and this will continue to be reflected in regional GDP.

**Thomas Manning is Governing Director of Manning Group Limited and a former Vice President of the Latin America NZ Business Council. Visit [www.manninggrouplimited.com](http://www.manninggrouplimited.com)**