Latin America and the Caribbean: Predictions for 2022

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2022 will likely be a mercurial, but ultimately very difficult year for Latin America, the Caribbean, and the Biden administration's engagement in the region. The year will begin with hope that the region is slowly gaining the upper hand in its battle with COVID-19, and that the continuing string of victories by left-of-center parties, the consolidation of authoritarian populism, and the advance of the People's Republic of China (PRC) will not have the negative consequences that some fear. By the end of the year, that optimism will likely be strained by a combination of problematic behavior by radical left and populist authoritarian regimes, further significant electoral advances of the populist left, and increasing challenges from organized crime, political instability, fiscal and economic crises, and refugee flows. The year will likely also feature continued diplomatic, economic, political, and security penetration of the region by the PRC, as well as a notably weakened U.S. voice in both multilateral affairs and bilateral political and security engagement to address such challenges.

A Hopeful Beginning?

In the early months of the year, the newly elected radical left government of Xiomara Castro in Honduras will likely seek positive relations with the Biden administration, building on shared interests in development, social justice, protection of disadvantaged groups, and cooperation in prosecuting corrupt actors tied to the outgoing regime of Juan Orlando Hernández. Indeed, Castro may delay her campaign pledge to diplomatically recognize the PRC to avoid souring relations with Washington, while seeking to extract more concessions from longtime partner Taiwan. In Chile, the inexperienced incoming Boric administration, hampered by a divided Congress, may move slowly and seek consensus, leading some to speculate that conservative fears of Boric becoming a new Salvador Allende were overblown. Similarly, the regime of Pedro Castillo in Peru will continue to be stymied by its own internal difficulties and a conservative, if fragmented, Congress.

In Mexico, expanding economic engagement, new agreements on security cooperation, and Mexican President Andrés Manuel Lopéz Obrador's hopes that Democrats in the U.S. Congress will provide a pathway to citizenship for Mexicans in the United States, will create the illusion of a reasonably healthy U.S.-Mexico relationship.

In Costa Rica, the centrist National Liberation Party (PLN) may prevail in February's wide-open national elections and forced to govern moderately with a multi-party congress.

In Colombia, the increasing visible consequences of the rest of the region's turn to the left, particularly in neighboring Venezuela, may lead the country to rally around a centrist alternative to former M-19 guerrilla

Gustavo Petro as president or elect a Congress that limits his ability to impose a radical agenda if elected.

Pro-U.S. voices like Iván Duque in Colombia, Guillermo Lasso in Ecuador, Luis Abinader in the Dominican Republic, Irfaan Ali in Guyana, and Luis Lacalle Pou in Uruguay will provide superficial reassurance that despite victories by a diverse array of leftist groups in the region, the United States still has many friends.

In countries from El Salvador and Nicaragua to Peru, Bolivia, and Chile, governments face an environment of uncertainty and fiscal constraints arising from continuing expenditures against COVID-19 and associated lockdown measures. Given this context, Chinese projects will likely move slowly and Chinese loan offers will have few takers. Some Chinese projects, like the Las Bambas mine in Peru, will be impaired by social unrest, leading some to emphasize the limitations of PRC-based companies and the overblown nature of the Chinese threat.

While not every bad thing that *could happen* in Latin America *will happen*, the occurrence of some, if not all, of the following events is likely to sour the optimism that some will find at the beginning of 2022:

In Venezuela, expanded oil production, helped in part by the China National Oil Development Corporation's re-engagement, will complement Russian arms, Iranian support, and an emboldened Nicolás Maduro to increase Venezuela's risk to its neighbors. Violence involving terrorist groups in Venezuela, such as the FARC and ELN, will raise the prospect of military action spilling over into the territory of Venezuela's neighbors.

In Chile, the influence of the Communist Party in Boric's coalition, combined with the frustration of his attempts at accommodating the right and center, the enabling effect of Chinese money, and Boric's need to rally his base toward approving the new draft constitution likely to be released mid-year, will likely radicalize his government's politics.

In Brazil—which comprises nearly half of the population and landmass and over a third of the economy of South America—the Workers Party (PT) and its head Luiz Inácio Lula da Silva, radicalized from his time in prison, are increasingly likely to be elected in October, decisively shifting the balance in multilateral institutions such as Mercosur, CELAC, and the OAS.

In Argentina, the government's inability to meet significant 2022 debt payments, combined with its hard line in renegotiating them, could lead to a new default on its IMF loans. A default would strengthen the hand of Cristina Fernández de Kircher's radical wing of the Peronist movement and accelerate the Argentine government's embrace of China, including not only loans, but also rail, hydroelectric, nuclear, solar, and other infrastructure projects and expanded investment in extracting lithium. The need for Chinese money may help Argentina's formal commitment to buy the Chinese FC-1 fighter (a decision due in 2022), and other strategic cooperation such as PLA presence in the space radar facility in Neuquén and a possible role in the new polar logistics base in Ushuaia.

In Costa Rica, the inability of the incoming government to meet austerity measures, postponed until after the election, could constrain the new administration and increase its interest in turning to the PRC to fund investment projects.

In Mexico, AMLO's eventual frustration with the likely failure of a realistic path to citizenship for Mexicans in the United States, escalating tensions regarding his anti-business initiatives in the electricity, petroleum, and other sectors, his increasing reliance on PRC funding for projects from Tren Maya and the Bacanora lithium deposits to PRC-owned Zuma energy, and increasing pressure from the Biden administration on security cooperation and anti-corruption initiatives will likely oblige AMLO into an increasingly anti-U.S. posture.

In Honduras by the end of the year, more radical actors within the Partido Libre, bolstered by Cuba and Venezuela, may force an eventual break with the Biden administration and Castro's recognition of the PRC to escape dependency on Western investment.

In Nicaragua, the November 2021 reappearance of Chinese developer Wang Jing suggests a possible 2022 resurrection of the interoceanic Nicaragua Canal project. In 2022, the newly formed Nicaragua-China relationship could also give rise to purchases of Chinese military equipment, plus cooperation on security issues and surveillance and information architectures, complementing the role of Russia in making Nicaragua less isolated, less broke, and thus more threatening.

On the China-Taiwan competition, 2022 will likely see the Caribbean become a new area of focus, including the possibility of a flip by the current government of Saint Lucia (which currently recognizes Taiwan but previously recognized the PRC), or by the next government in Haiti. As the region moves beyond the economic paralysis of COVID-19, a range of temporarily stalled Chinese projects may begin, and the role of Chinese companies in 5G, biotech, ridesharing, and other e-commerce will contributing to a sense that PRC-based companies are advancing everywhere.

Across Mexico, Central America, and the Caribbean, the deterioration of the security situation and the continuing influence of organized crime will highlight the cost of the lost U.S. ability to engage, let alone substantially influence, its partners in the region, even tiny El Salvador, on issues of organized crime, immigration, or China, or secure cooperation on such issues in once reliable multilateral institutions such as the OAS.

That visibly weakened U.S. posture will contribute strongly to the recapture of the House of Representatives by the Republican Party in the November 2022 U.S. midterm elections. The result will likely be more conflict, stagnation, and attention to the increasing challenges for the United States in the Western Hemisphere, albeit not likely significant solutions under a split Congress.

In short, in 2022, the United States will find that after a few initial signs of hope, the hemisphere to which it is intimately bound by ties of geography, commerce, and family is more dangerous, less democratic, less stable, less willing to cooperate, and more engaged than ever with its extra-regional rivals. Predictions are imperfect, however. It is possible that some of the anticipated glimmers of hope at the beginning of the year will fail to materialize, and the region will plunge more rapidly into crisis.

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