

Summary

- **Uncertainty over US president-elect Donald Trump's policies on Cuba will deter new investments and slow down the pace of economic reform.**
- **Trump's proposal to renegotiate the North American Free Trade Agreement (NAFTA) is likely to generate regulatory uncertainty, slowing down investment and damaging economic growth in Mexico.**
- **It is highly likely that there will be an escalation of social protests in Brazil in early 2017.**
- **A reduction in improvised explosive device (IED) and arson attacks on oil pipelines and trucks, roads, bridges, and electricity towers in Colombia is likely throughout 2017.**

Detailed Analysis

Cuba



(Picture by: Artur Widak/SIPA USA/PA Images)

Uncertainty over US president-elect Donald Trump's policies on Cuba will deter new investments and slow down the pace of economic reform.

Trump indicated during the presidential campaign that he would seek to reverse outgoing president Barack

Obama's efforts to normalise relations between Cuba and the United States. Obama's measures introduced a gradual easing of the US trade embargo, which has led to a moderate improvement in the business environment, favouring the tourism sector, travel, and food exports from the US. In addition to uncertainty around Trump's approach to the island, the threat of economic collapse in Venezuela, which continues to be the island's closest ally in the region, sending between 60,000 and 80,000 barrels of oil per day to Cuba, poses a separate challenge. This outlook is likely to slow down investment and the pace of economic reform in Cuba over the next year. A significant fall in the island's revenues could affect Cuba's capacity to provide healthcare, energy, transport, and infrastructure, which arguably serves as a counterweight to the lack of political freedoms. Despite this, there is no immediate indicator of mass protests demanding democratic reform. Instead, there



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will continue to be low-level protests (dozens marching peacefully and being easily controlled by security forces), posing little threat to government stability and localised to the cities of Havana and Santiago.

Mexico

Trump's proposal to renegotiate the North American Free Trade Agreement (NAFTA) is likely to generate regulatory uncertainty, slowing down investment and damaging economic growth in Mexico.

To protect US manufacturing jobs Trump has threatened to impose a 35% tariff on US-based companies importing goods from factories based in Mexico and either renegotiate or withdraw from NAFTA. As president-elect, he has struck a deal with the US-based Carrier Corporation to halt its Mexico relocation plans and keep 1,000 jobs in the US. Regulatory uncertainty connected to the outcome of a protracted NAFTA renegotiation is likely to slow down investment in Mexico, threatening job creation, rising government discontent, and making it difficult for the ruling Institutional Revolutionary Party (Partido Revolucionario Institucional: PRI) to maintain power after the 2018 presidential election, particularly under an economic slowdown scenario. Trump has also promised to deport illegal immigrants with criminal records and has threatened to impose restrictions on remittances to Mexico, currently valued at USD24.8 billion annually. The arrival of individuals with criminal records, combined with a probable restriction on remittances and the legalisation of recreational marijuana in California is likely to exacerbate drug-related violence in top-remittance-receiving states such as Veracruz and Michoacán, or top-marijuana-producing states such as Durango, Sonora and Sinaloa.

Brazil

It is highly likely that there will be an escalation of social protests in Brazil in early 2017.

Two main sources account for growing social discontent: public anger against widespread

corruption and popular rejection of the austerity plan unveiled by President Michel Temer's government to tackle a fiscal deficit that has become unsustainable. These are politically motivated protests, whose main focus is corruption; for that, protesters are blaming mainstream politicians, MPs, and President Temer. The fact that leaders of congress have tried to derail investigation by federal prosecutors has exacerbated public anger. Anti-corruption civil groups that were instrumental in precipitating the impeachment of former president Dilma Rousseff took to the streets in December, this time to demand the removal of the heads of the two houses of congress; the issue is likely to resurface in 2017. This will be compounded by protests by civil servants, police, teachers, and doctors to resist the severe cuts being implemented by most Brazilian states. In addition, industrial action by labour unions is likely; the unions have vowed to resist through direct action pension reform, approval of which the Temer government has vowed to gain in 2017.

Colombia

A reduction in improvised explosive device (IED) and arson attacks on oil pipelines and trucks, roads, bridges, and electricity towers in Colombia is likely throughout 2017.

The majority of the Fuerzas Armadas Revolucionarias de Colombia (FARC) insurgents are likely to demobilise and disarm in 2017, following the ratification of a new peace agreement in late 2016. The Ejército de Liberación Nacional (ELN) insurgent group, with some 1,700 fighters, continues to target oil pipelines and trucks, roads, bridges, and electricity towers, as well as state security forces and, occasionally, civilians. It is likely to have been responsible for most, if not all, of the attacks on 38 pipelines, 16 electricity towers, three roads, and a bridge targeted between January and October 2016. Formal peace negotiations between the government and the ELN are due to begin in January, but have been repeatedly delayed due to internal disagreements and poor discipline within the group. Even if talks begin in early 2017, the group is likely to continue targeting the above assets during negotiations.