

El American

Daniel Raisbeck: ‘A Petro Triumph Would Be the Failure of U.S. Policy towards Latin America’

Orlando Avendano

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A few days before the first round of Colombia’s presidential elections, El American spoke with Daniel Raisbeck, a Latin America public policy analyst for the Cato Institute, historian, and renowned Colombian economist.

There is no certainty about what will happen. The far-left candidate, Gustavo Petro, is leading in the polls, with a very wide lead over the second-place candidate, center-right candidate Federico Gutiérrez. Given the imminent possibility that for the first time in Colombia’s history an explicitly socialist project will reach the Presidential Palace of Nariño, these elections are referred to as the most important in Colombia’s contemporary history.

El American talked to Raisbeck about this. He discussed the possible scenarios for Colombia under Petro, what could be in store for the region, particularly for the United States, and what are the chances that the country will be saved from being taken over by communism.

According to Raisbeck, if Petro were to win the Colombian presidency, “it would be a strategic fiasco” for the United States, compared to what happened in Afghanistan. Likewise, Raisbeck assured that Petro threatens “not only the composition of the next government but an entire constitutional system.”

“That applied Petrismo leads to poverty and massive capital flight is not speculation; without being president, his proposals have already had a strong negative impact on the fixed income market,” Daniel Raisbeck told El American.

How important are these elections for Colombia?

These presidential elections should not be more important than some of the past elections. The problem is that all candidates respect the rules of the game except the one leading in the polls. Petro has said on numerous occasions that his “project” requires much more than four years of government, and there is the precedent of his allies in the region, who changed the constitutional arrangement to perpetuate themselves in power (which Uribe also did in Colombia, but at least he only stayed for two presidential terms).

Petro has also announced his intention to convene a constituent assembly because the current constitution, which is full of positive “rights”, is not “pluralist” enough for him. In other words, at stake in these elections is not only the composition of the next government, but a whole system of a constitutional republic that, in Latin American terms and despite all its problems, has been quite stable and long-lived.

The Colombian republic has endured because, in the midst of tremendous difficulties, it managed to resist external threats such as the wars waged by drug cartels and guerrilla groups (among them, the violent organization in which Petro began his public life).

Petro, by the way, still identifies himself as a revolutionary, which is tantamount to delegitimizing the republic and its forms. The novelty is that, in a potential presidency of his, the highest power of the State would not exercise due resistance against the subversive forces, because the subversive forces would exercise the highest power of the State.

How likely is a Gustavo Petro victory?

The worst mistake the business and political class in Colombia could have made four years ago was to assume that the country was safe because Petro lost the second round. The fact that Petro surpassed 40% of the vote in his defeat against Iván Duque, by far the best result of the hard left in Colombian electoral history, should have set off all the alarms.

As I warned at the time, deep reforms were needed because the country’s finances were badly battered after eight years of Juan Manuel Santos’ government and his ill-timed, very costly, and counterproductive agreement with the FARC. In the first six months of government, Duque had to do everything possible to free up the market (starting with the labor market and public education), reduce bureaucracy, cutting state spending, reduce the foreign debt and slow down the devaluation of the peso with some kind of dollarization (as Duque himself proposed when he was a senator). It would have been a difficult agenda, with a lot of resistance, even violence, but by now it would have paid off. In any case, the hard left intended —at the point of marches, strikes, armed strikes, and other excesses— to prevent Duque from governing, as indeed happened. In a way, audacity was the only safe option.

But the president chose to maintain the status quo. He lost a year and a half of government by satisfying the unions, creating ministries, pleasing the social-democratic press (which never ceased to despise him), and giving in unnecessarily to public pressure, which demanded even more spending and had him on the ropes in December 2019. Time was running out and the pandemic arrived. The economic blow was worse than necessary given the authoritarian measures of the government, which tyrannized the country with the excuse of public health.

In fact, we have reached the point where being saved from a Petro presidency borders on the miraculous, like a tragedy solved by some *deus ex machina*. But stranger things have been seen in Colombia.

The vaccination effort was successful, and the economic recovery of the last year has been encouraging. Colombia is still a thriving country. But unemployment is still well above double digits and the currency is as devalued as ever. Moreover, inflation is a problem for the first time in several decades. The government will say that it is a global phenomenon, but the local monetary expansion, the excessive increase in the minimum wage, and the cataract of subsidies that Duque released in the middle of his quarantines have exacerbated it unnecessarily (note also the low inflation in Latin American countries dollarized or anchored to the dollar).

The gradual and systematic loss of purchasing power (either with devaluation or inflation) generates great discontent in any country in the world. Moreover, by creating a base of dependency with their redistributive schemes, the last governments created the basis for Petrismo.

Given all of the above, a triumph of Petro, to whom chaos is convenient and promotes it, would not be a black swan. Moreover, Petro has benefited from the complacency of those who assume that what has never happened here but has happened in the rest of the neighborhood — submission under a ‘Bolivarian’ regime — will not happen *ipso facto*. On the contrary, it was necessary to understand that, as Seneca the Younger taught, what someone suffers, anyone can suffer. A country is exceptional until it ceases to be so.

What is the danger for Colombia if Gustavo Petro wins?

Apart from the danger to the fragile institutional order, there is the great economic danger, which is well diagnosed. However far-fetched and outlandish the threats of a potential tyrant may seem, they must be taken seriously. To end oil and gas exploration is to end the country’s main export, right at the beginning of a commodity bull cycle. Treating individual pension savings accounts as state property is tantamount to expropriation on a grand scale; the results have already been seen in Argentina. Raising tariffs on imported food is making food even more expensive. To print money without limits means to finish destroying a currency with no demand beyond the national territory.

Hardcore Petrismo leads to poverty and massive capital flight is not speculation. Even without being president, his proposals have already had a strong negative impact on the fixed income market.

However, just as dangerous to Petro is the attitude still held by most of the establishment and technocracy. Convinced that “Colombia will not be Venezuela” because the institutions here are supposedly very solid and strong, they never took the measures that can protect citizens from an economic assault from the presidency itself. It is necessary to take into account what saved some countries from the worst aspects of Bolivarianism: in Ecuador, it was dollarization. In Bolivia, the regime fixed the currency to the dollar. But Petro is on the verge of the Casa de Nariño with hyperinflationary ambitions, and here they never let the debate about dollarization take place. They mitigated the efficiency and even the independence of the Bank of the Republic, which is not insurmountable before a hostile president, like Petro would be.

Does Petro represent a danger to the United States?

More than a danger to the United States, a Petro win would mean the failure of the cornerstone of U.S. foreign policy toward Latin America. Since the presidency of Andrés Pastrana, Washington has disbursed USD \$12 billion in the context of Plan Colombia and successor “bilateral aid” programs, which have focused on the fight against drug trafficking. The result was that, in 2020, there were more hectares planted with coca than two decades ago.

During the last few years, it has become evident that the so-called “dissidences” of the FARC and the ELN, both drug trafficking groups, control a good part of the territory in the south of the country and in the border area with Venezuela, while other armed groups and drug traffickers, allied with Mexican cartels, control parts of Chocó, Urabá and the Caribbean coast. As a few of us warned in the midst of the euphoria caused by the Santos-Farc agreement, it would only bring more territorial fights, more disorder and more violence. The underlying problem is prohibitionism.

Today, the instability caused by a waning rule of law is one of the factors that has driven Petro, whose potential presidency would mean the end of the alliance with the United States and the entry of Colombia into the regional axis of Havana, Caracas and Managua. It seems to me that, from Washington’s point of view, this would be a strategic fiasco, perhaps comparable to that of Afghanistan. At the very least, and to the extent possible, the assumptions of the failed war on drugs would have to be rethought.

What do you think of Fico Gutiérrez?

It seems to me that Gutierrez is a charismatic career politician, but not very outstanding, with few ideas and without a clear vision of an attractive destiny for the country. In a way, the lack

of enthusiasm for his campaign reflects the poverty of the discourse of the so-called right-wing over the last twenty years. The danger of basing an entire political movement around one person—that is why “the right” is immediately associated with “Uribism”—is that when that person is absent, dies, or falls in disgrace, the whole edifice collapses. That is why ideas are essential, but, unlike the hard left, the business and political class never wanted to understand this point.

Nor do I doubt that a Gutiérrez government, which I would add to a long list of mediocre but not disastrous governors, is infinitely preferable to one of Petro.

A couple of days ago, Alejandro Gaviria expressed his support for Gustavo Petro, what do you think about it?

I wrote a brief article about Alejandro Gaviria when he ran for the presidency, and I don't have much to add about it. I guess that the part of the business sector that supported and financed his campaign, giving an early but deadly blow to Sergio Fajardo's much more viable candidacy, never thought it would end up with Gaviria's support for Petro in the Financial Times. I see something similar with the urban sectors of high income and high levels of formal education—which does not equal high levels of intelligence—who support Petro thinking he is some sort of Nordic social democrat. I don't know how much they like living under an authoritarian regime and in the midst of deprivation. Definitely, “do-goodism” can generate suicidal instincts.

In the event of a second round between Gutiérrez and Petro, for which candidate would Sergio Fajardo's votes go? For which candidate would Rodolfo Hernández's votes go?

The big problem for Gutiérrez is that, if he does indeed go to a second round and the trend of the polls continues, he would need practically all the votes of the other candidates to defeat Petro. However, the anti-government and anti-Uribe sentiment is such that this seems unlikely to happen.

Are you optimistic?

In the investment world, it is said that pessimists say smart things, while optimists make money. I am optimistic about Colombia's long-term future. The question is how low we have to go for the next few years until a consensus forms around what we really need to get ahead: much more savings, more investment, more trade internally and with the rest of the world, a stronger currency, less government waste, fewer tariffs, and less useless interventionism. For now, suffice it to say that Petro offers just the opposite.