

Economics

# Colombia Elects Pro-Market President Who Attacked Peace Deal

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- ▶ Ivan Duque defeated leftist Gustavo Petro by 54% to 42%
  - ▶ He faces Venezuela migrant crisis, fiscal hole, cocaine spike
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## What to Expect From Colombia's New President

Ivan Duque, a 41-year-old lawyer and former senator who wants to modify parts of a peace process with Marxist guerrillas and cut corporate taxes, will be Colombia's next president following a decisive election victory on Sunday.

Duque, who spent half his adult life in Washington, is the protege of former President Alvaro Uribe, a polarizing security hard-liner. Whether he'll be able to emerge from Uribe's shadow to promote his technocratic plans to boost the "creative economy" and overhaul the tax agency may depend on the severity of a series of crises hitting the country.

These include a flood of hungry Venezuelan refugees, record cocaine production which is straining the country's relationship with U.S. President Donald Trump, and the threat of further downgrades in Colombia's credit rating.

"Duque is very much a creature of Washington who'd love to be Colombia's Emmanuel Macron, a young modern leader who makes a virtue of being a technocrat," said Brian Winter, editor-in-chief of Americas Quarterly, who knows Duque well. "The challenge is that Colombia isn't France."

Duque defeated Gustavo Petro, a leftist former mayor of Bogota who wants to tax wealthy Colombians and redistribute land, by 54 percent to 42 percent in Sunday's runoff vote, with four percent casting so-called blank ballots in protest. Petro, 58, will get an automatic seat in the senate, from where he'll lead an energized left-wing opposition in the only major nation in Latin America that has never had a leftist government.

Market reaction was muted, with Duque's victory having been widely expected. The peso weakened 0.5 percent in early trading, in line with other emerging market currencies, while the benchmark Colcap stock index gained 0.7 percent.

## Eye on 2022

He and his supporters already have their eyes on 2022. Petro tweeted Sunday evening: "There's no defeat. We won't govern for now."

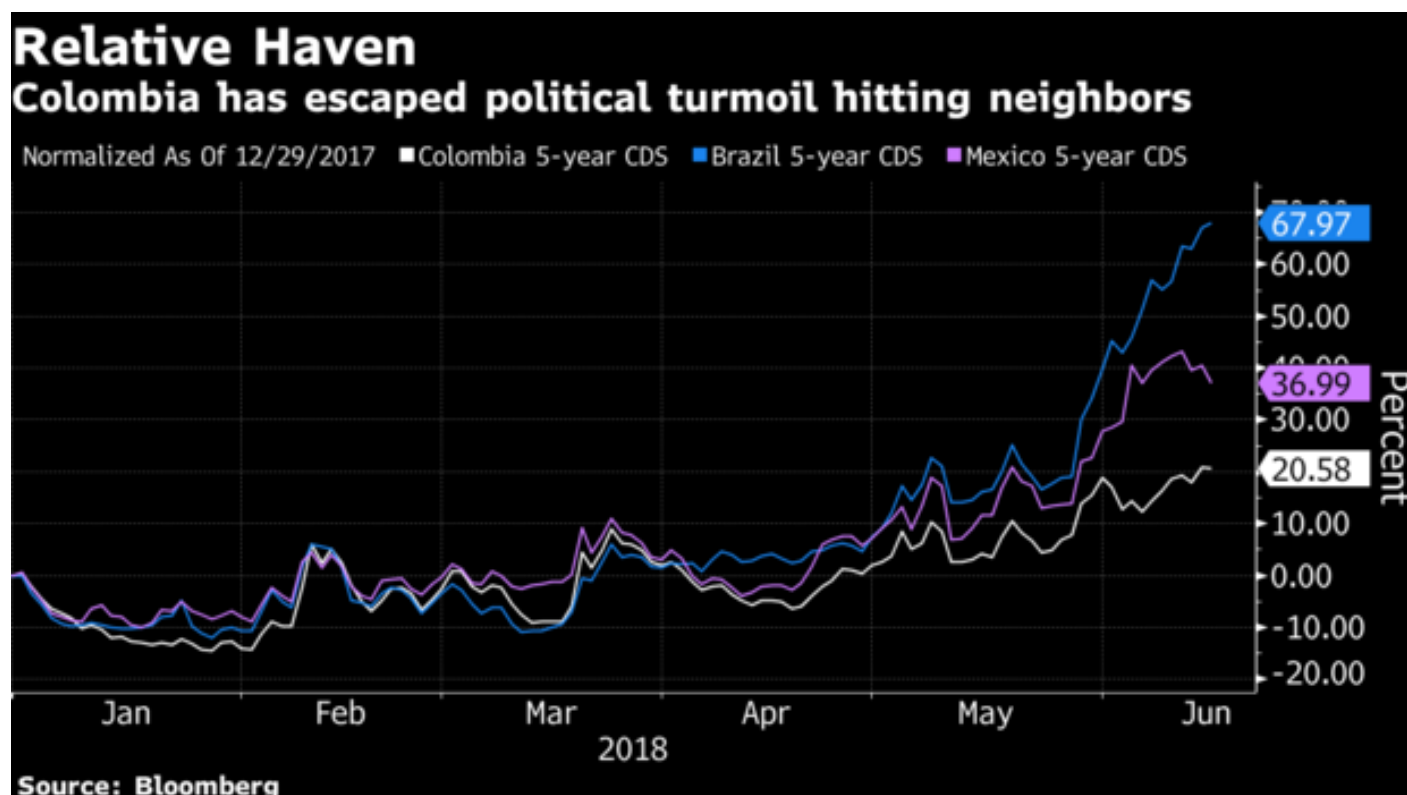
Speaking after his victory to supporters in Bogota, Duque reiterated that he wouldn't rip up the peace accord, would simplify the tax system and defend the country's fiscal stability. He vowed to make half his cabinet women.

Despite lawlessness in the cocaine-producing regions, Colombia, a country of 50 million, is the most peaceful it has been since the 1970s, and the elections suffered no violence or sabotage. At the peak of drug cartel power in the 1980s and 1990s, four presidential candidates were murdered, and the guerrillas made voting impossible in some areas. Guerrillas disrupted Uribe's 2002 inauguration ceremony with mortars, and the way he crushed their forces in the following years defined his legacy and created a popular loyalty to him. It's also a main reason Duque won.

"What Uribe's relationship to Duque will be - micro-manager and ultimate boss, or more hands-off 'spiritual guide' - remains to be seen," Teneo Intelligence analyst Nicholas Watson wrote in a report.

After getting a law degree in Bogota, Duque received an advanced degree in international legal studies in 2004 from American University in Washington and a master's in public policy from Georgetown in 2007 and worked at the Inter-American Development Bank there. He is married and has three small children. His father was governor of Antioquia, the nation's richest province, as well as head of the national electoral authority and a member of the central bank's board.

The Colombian peso is the best performer in emerging markets this year, as investors bet on a Duque victory. The nation has escaped the volatility that has afflicted Brazil and Mexico, as traders priced in the risk that populist candidates may take power in upcoming elections.



Duque is widely popular among investors but his plans to reduce taxes could prove dangerous at a time when Colombia is struggling to hang onto its investment grade credit rating, said Jorge Restrepo, an economics professor at Javeriana University in Bogota.

“There is a need for an increase in tax collection,” Restrepo said in a phone interview. “And he’s proposing cutting taxes. I don’t know how he will pay for that.”

And while Duque has outlined plans to clamp down on tax evasion, Moody’s Investors Service said last month that such plans typically bring in less revenue than their proponents expect. S&P Global Ratings cut the country to one notch above junk in December, while Moody’s and Fitch Ratings rate Colombia two notches above.

At a time when the finance ministry is fighting to keep the deficit under control, the government has to cope with more than 100,000 Venezuelans crossing the border every month, many requiring medical attention and school places for their children. The economy grew 1.8 percent last year, the weakest since the global financial crisis.

## Blood On Their Hands

Duque campaigned against the 2016 peace accord with the Revolutionary Armed Forces of Colombia, or FARC, as too lenient to those with blood on their hands. The accord won outgoing President Juan Manuel Santos a Nobel Peace Prize. As president, Duque is likely to be unenthusiastic about implementing parts of the agreements, such as programs to help farmers switch from growing coca to other crops, according to Adam Isacson, a Colombia expert at the Washington Office on Latin America.

“The FARC are going to mostly stay demobilized,” Isacson said. “But the peace accord was supposed to be something much bigger than that. It was supposed to be a way to prevent conflict from re-occurring, and that part is dead.”

The amount of land planted with coca, the raw material for making cocaine, has more than tripled over the last five years. Last year it hit a record high of 180,000 hectares. Trump has floated the idea of stopping aid to countries that are “pouring” drugs into the U.S. and his representatives have told officials in Bogota they must do much more to end the flow.

A Duque administration appears likely to attempt massive forced eradication of coca. Between that and softening the peace accord with the FARC, there is a possibility of increased unrest in the countryside.

Winter, the Americas Quarterly editor, says Duque has told him he considers himself independent of his mentor Uribe. But the one area they seem completely aligned, Winter said, is security. If that becomes threatened, his presidency could take on a very different tone.

*(Updates with market reaction in 6th paragraph.)*

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