

Special Reports

Effects of the US 2024 election on Latin America



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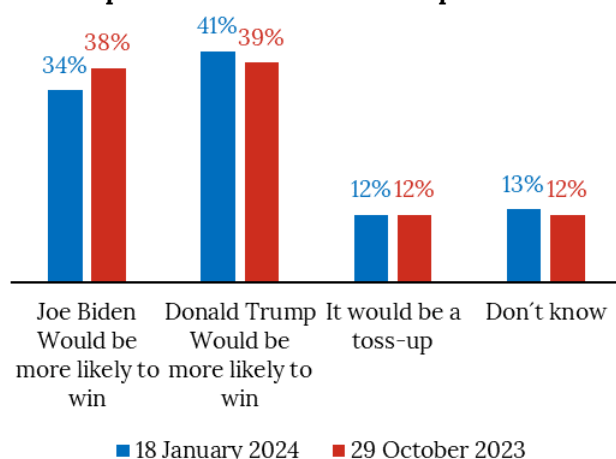
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Summary

The 2024 US election is possibly the most important election in this year. With the possibility of World War III erupting due to the conflicts in Eastern Europe, the Middle East, and the friction between China and Taiwan, one wrong move could cause worldwide instability. With the US election being up in the air, it is anyone's guess who will triumph between President Joe Biden or former President Donald Trump, with the polls showing very close results regarding voter expectations (Graph 1.). The two of them are facing each other on November 5, which makes the tension between parties palpable and has polarized the country even more. Now this is a big deal globally because it leaves the world expectant of what the next step is for the US and how that might affect them moving forward.

Graph 1. 2024 Election Voter Expectations

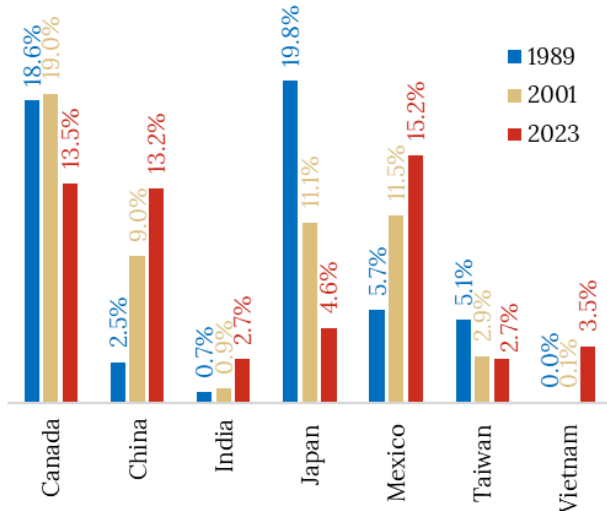


Source: Redfield & Wilton Strategies - Economic Research Acciones y Valores

With that being said, the prospect of Republican Donald Trump returning to office, with his “America First” foreign policy agenda, adds more uncertainty to an already tumultuous picture. Some countries look forward to his return. But many of America's allies are more fearful about the possible comeback of an unorthodox president they found hard to deal with the first time around. Nevertheless, most countries are deeply invested

in this result, for whatever their national interests are and how the elections might affect them. While the impacts of the election may have more consequences on countries in the East, it will definitely affect Latin America in countless different ways as well. However, since the region is not currently the most important due to circumstances elsewhere, the effects will be limited unless a large-scale conflict erupts; but it is imminent to recall that the region has strong relations of interdependence with the US, so consequently their gains are correlated. A worldwide conflict would have severe effects on Latin America's trade, and it would potentially cause different countries to pick sides. The biggest question mark in that scenario would be Brazil since it's a fundamental part of BRICS. It may choose to take the side of the countries in that alliance, instead of siding with the United States, which would create a disconnect in the region and might have larger diplomatic and economic effects.

Graph 2. Share of U.S Imports

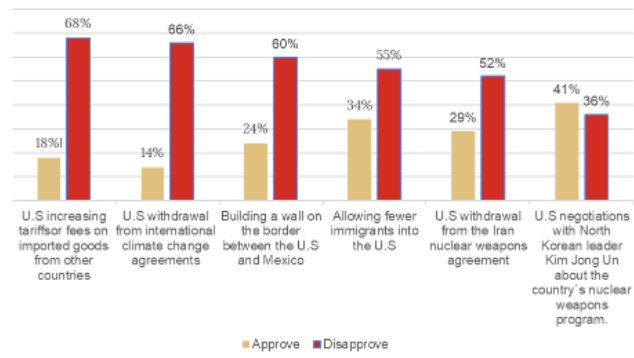


Source: U.S Census Bureau, Visual Capitalist - Economic Research Acciones y Valores

Before delving into the impacts of the 2024 election on Latin America, it is necessary to examine the impact on the rest of the world. Under a second Trump administration, the U.S. commitment to multilateralism would come under direct attack, in principle and in practice. Countries like Ukraine would see a lot less funding from the US if any, and the US may be willing to communicate more with Russia to see if there was any way to resolve the conflict. In terms of the Palestinian-Israeli conflict,

it is a little more difficult to foresee due to the situation, but at the bare minimum, it could be assumed that the US stance would be more isolationist, siding with Israel. Lastly, in terms of the China-Taiwan conflict, due to the technology in Taiwan, the US would probably support Taiwan unilaterally regardless of the party in power, creating the already rocky relationship with China to worsen. Additionally, it is worth highlighting that during Trump's presidential term he captured the world's attention because of its policies and the public debates that emerged from them. This generated a lot of negative publicity on a global manner, with a lot of disapproval worldwide (Graph 3), and due to Trump's strong declaration that if he is to be reelected, his policies will be even more radical than in his last term.

Graph 3. Global Opinions on Trump's policies



Source: Pew Research Center - Economic Research Acciones y Valores

On the other hand, if Biden is elected, Ukraine will continue to receive billions of dollars from the US to fund their ongoing war. In regard to the Israeli-Palestinian conflict, Biden has withdrawn some support from Israel in recent months due to backlash from his voter base due to human rights violations in Gaza. However, the US under Biden will still support Israel at the end of the day due to them being close allies with a mutually beneficial relationship. Lastly, the Chinese-Taiwanese conflict would most likely remain the same as stated before, due to the importance of the microchip technology that is developed in Taiwan.

With these effects of the election in mind, Latin America will face very different consequences if Biden is reelected versus if Trump takes office again after a four-year absence. In the interest and relevance of time, we will focus on the major Latin

American countries such as Argentina, Brazil, Colombia, Mexico and Chile.

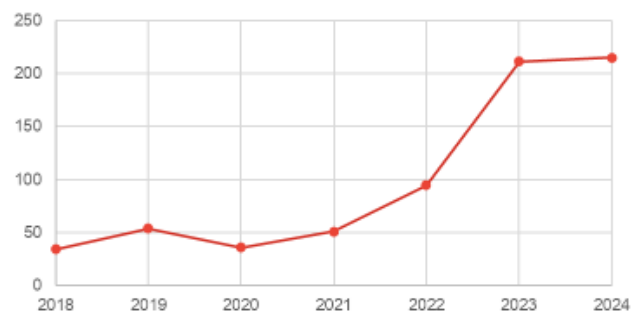
Argentina

Argentina is quite an interesting country in terms of the US election this year due to its current leader Javier Milei, and the economic crisis that the country has been through for the past three decades. It could have very different outcomes depending on whether Trump or Biden is elected. In the case of Trump prospects for Argentina would be much better, as ideologically Milei is quite aligned with the former US president on many issues and have praised each other's work and ideas. Mostly, they are both leaders that are anti-establishment, come from business backgrounds and present themselves as outsiders from the political system and elites. Politically these two are quite different as economist Milei ran on the premise that he would shrink the government as much as possible as well as cut spending by at least 15%. Trump on the other hand spent a lot of money and added to the US debt over 7 trillion dollars. Additionally, Milei has been considered more of a libertarian while Trump is definitely more of a protectionist. While there are stark differences between the two, both of them stand by a "anti-China" and "anti-leftwing" speech, which has led them to compromise their diplomatic and commercial relationships. Argentina proved its commitment to the president's ideas by stepping out of the BRICS as soon as he started his term in December 2023. On top of that, both prioritize economic growth as a prerequisite for social development, but plan to achieve them through completely different approaches. Having this in mind, Milei has expressed a lot of support for Trump, and there are most likely no reasons for them to antagonize each other as a friendly relationship would be mutually beneficial.

On the other hand, Milei and Biden would probably be cordial at best due to the extreme ideological differences in their personalities, and politics. In the worst-case scenario if Milei insists on pursuing the implementation of legislation that could be perceived as taking away rights from people, Biden could develop a less than enthusiastic approach to relations with Argentina, causing anything from a ignore and avoid approach to outright implementing sanctions or some other way to disincentivize behavior that the United States deems incorrect. Most likely however, if Biden is reelected, Argentina

would largely be ignored by the US, while Milei is in office, due to the country's relationship through the years, unless there are severe violations made towards human rights. Additionally, because of Argentinas internal economic situation, with inflation over 3 digits (Graph 4), during 2023 and the Federal reserves used to try to control this, added to the already existing debt crisis, one of Javier Milei's stronger proposals is to dollarize the economy. Due to this, it's important for Argentina to maintain a good relationship with the US, because when adopting their currency, the country's economy loses autonomy and becomes somewhat dependent on how the US manages their monetary policy and other external issues that might affect the dollar.

Graph 4. Argentina inflation



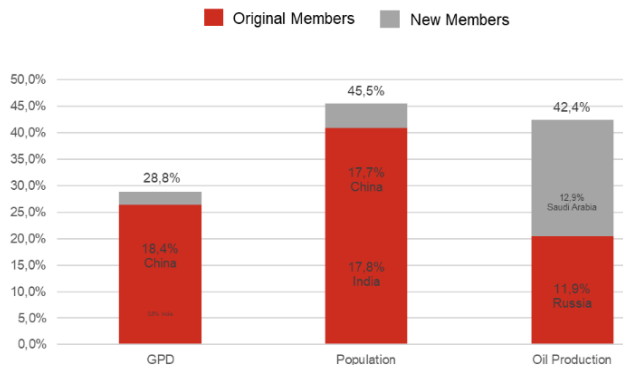
Source: Latin Focus Consensus Forecast- Economic Research Acciones Y Valores

Brazil

Brazil is also an interesting case that could vary a lot depending on what happens in the coming US elections. The current president of Brazil, Luiz Inacio Lula da Silva, who was inaugurated at the beginning of 2023, has more liberal views than the previous president Jair Bolsonaro, who had political ideals that resonated with Trumps and were open with their support towards each other than the actual president. Additionally, Bolsonaros and Trumps governments resembled a lot, not only on their politics but also on their supporters and the polarization in the country. Trump and Bolsonaro are friends, and this would mean that, with Lula in power, relations may be strained between him and Trump if he were to be reelected in this upcoming election, due to their fundamental differences. Moreover, the most interesting thing about the US/Brazil relationship is the fact that the BRICS are becoming much more important and influential in the world (Graph 5), especially during Lulas mandate; they are offering up a different perspective

than the American one, and with Brazil being one of their principal members, its compelling to speculate each candidate's approach to the matter.

Graph 5. BRICS Share of Global



Source: IMF, World Population Review, EI Statistical Review, World Trade Organization, Visual Capitalist. -Economic Research Acciones Y Valores

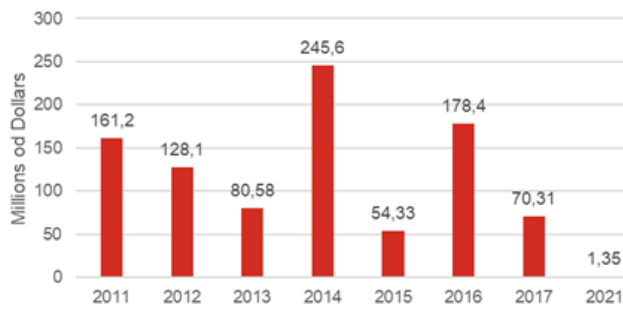
If Trump is elected, Lula will likely not support him, as in Brazil's presidential election in 2022 they were very vocal in their disapproval towards each other but will maintain commercial matters mostly the same on Brazil's end. Another Trump presidency could make the relationship between both countries complicated and may further push Brazil in the direction of other alliances, and potentially a new world order when it comes to BRICS. With talks of an alternate currency to the dollar brewing, it could cause a catastrophic effect if there are more incentives for countries to doubt the dollar or the USA. Considering Trump's "Anti-China" and "anti-leftwing" policies, measures to stop the growing of the BRICS as an economic and ideological power, especially in Latin America, might be on the way if Trump is reelected and would strain relations between the US and the biggest economy in South America. On top of that it might have effects on how the rest of the region manage their relationships with the US and force them to take sides.

If Biden is elected, it would be ideal for relations between Brazil and the US currently as there haven't been any problems between the two countries over the past year since Lula was elected. Things will continue to move forward in a similar trajectory unless BRICS decides to make a move which could prove detrimental for not only the United States but also the world. An escalation by BRICS would most likely lead to World War III and a large devaluation of the dollar.

Chile

Chile's case is as intricate as the other discussed because of the country's economically dependent relationship with the US. The current president of Chile, Gabriel Boric, and as most presidents in the region have liberal ideas and can be considered as politically left. He came into power in March 2022, after riots and social disapproval, presenting himself as a new candidate who was open to explore and change, to ease people's discomfort. Boric and Trump have said harsh comments about each other on social media and their positions on most social matters are on the opposite sides of the spectrum. While Biden and Boric have not had any big issues while they both have been chiefs of state. Chile and the US are long time commercial partners and as of now the US is the number one market for Chilean exports. Additionally, the US is the country that invests the most in Chile, with more than 20,000 million dollars invested in the country during 2023. Both countries signed a free treaty trade and have mutually benefited from its commercial benefits and since 2014 Chile is the only country in Latin America in which their citizens do not require a visa to enter. On top of this, both countries have profound military connections that have promoted exchange of technology and knowledge. This comes to show that the countries have cultivated a very tight and stable relationship that might be the least affected among the countries in South America.

Having that in mind, if Trump won the elections this year, there would ideological difference between the presidents, creating disagreement and because the both of them are very outspoken and vocal on social media, it might create tension on their diplomatic relationship, but only on the surface because of the strong and mutually beneficial relationship that the countries have nourish through the years. They will probably clash the most on matters of migration, climate change and clean energy. Furthermore, because of Trump's protectionist policies, the income that Chile receives from the US can be reduced, which would not be as detrimental as it would be for other countries in the region because of the already low amount of foreign aid that Chile has seen in the last couple of years (Graph 6).

Graph 6. Chile Foreign Aid


Source: The Global Economy- Economic Research Acciones y Valores

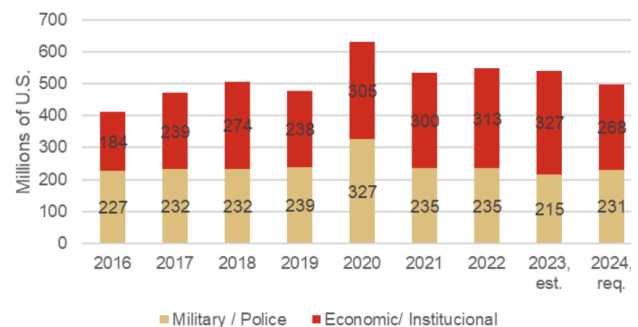
On the other hand, if Biden is elected, not much would change on the relationship that the countries have at the moment. Biden and Boric, have similar ideals and prioritize policies that target the same issues, so him being reelected will generate stability in their relationship and be the best-case scenario. This will allow the country to focus on the national challenges and the solutions for them, while not worrying for the most part on the actions of the US.

Colombia

Colombia is one of the United States main trade partners so the elections will affect Colombia socially, politically, and economically, in a direct matter. The results could create volatility on a geopolitical matter, and this could possibly affect Colombia's performance on a general level due to its intricate and dependent relationship with the US. Especially in matters of climate change, migration, and the approach on the drug problem. The current Colombian president, Gustavo Petro, has very liberal ideas and his ideals could even be considered left winged. Having in mind that he and Trump stand on completely opposite sides of the political and ideological spectrum, might bring challenges to Colombia on a diplomatic and economic matter, if he were to win. In contrast with Biden as the elected president, Petro's administration will continue to be fully supported by the US, as it has been for the past 4 years, creating more stability so that the administration can achieve their government plan, without external complications, considering they have had many internal conflicts during this government.

The US and Colombia have shared a very close relationship throughout the years, in which both countries have shown support and loyalty towards each other. One of the most influential ways that the

US has shown this is through economical aids (Graph 7) or by financing projects for economic and social development in the country, tackling issues such as the war against drugs and poverty amongst others. To this day the United States is the country that invests the most in Colombia. Nevertheless, in 2023, the Biden administration reduced the aid by 7%, specially affecting the amount that goes to reduce drug trafficking, which was surprising considering it also affects the US. On Trump's last term he cut around 21% of financial aid, in 2017, that went to Colombia, because of his protectionist and America First policies, and because of his statements on how this term he will be harsher and stricter with his policies, a cut of the same magnitude or even more can be expected if he wins. On the other hand, if Biden is reelected a cut on the aid can also be expected, to bring more resources to help stabilize their national economy and escape a recession, but not in the same proportions as expected with Trump. This decision can leave Petro's administration in a turmoil on how to fill the hole that this creates but still achieve development goals.

Graph 7. U.S Aid to Colombia


Source: U.S. government documents. Economic Research Acciones Y Valores

During Trump's last term he supported the use of glyphosate, a pesticide that kills plants or weeds, by the government to tackle crops used for the creation of illegal substances. This was so that the Colombian government could explore a direct solution to the drug production problem. His administration supported this ignoring the environmental and social effects of the use of this product, just so that this issue can be mitigated. When Biden got elected in 2020, he was blunt and radical in revoking the US support for the use of this product because of its environmental consequences. Having this in mind, if Trump were to be elected again, he would concentrate and restrict most of the aid and support towards just tackling drug production in Colombia,

no matter the collateral costs. Here is where the Trump's and Petro's administration could clash, because of Petro's policies and ideologies emphasis on the environment, which Trump couldn't have a more different perspective. Additionally, Trump has shown himself apprehensive towards the peace treaty and supported more drastic measures in the past, so we can conclude that if he won, he would still do. This might represent a clash between Petro and Trump, because of Colombia's president pushing "Paz Total " program and policies. On the other hand, Biden has shown his support and admiration toward the way Colombia's chief of state has handled the situations and would probably continue to do so if reelected.

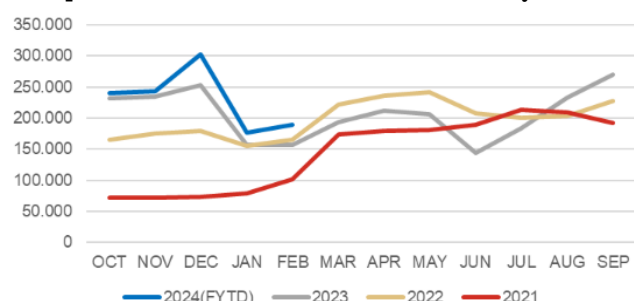
To sum it all up, if Biden were to win, the US will keep the political model of the last 4 years; focusing on building bilateral policies with Colombia, centering on climate change, energetic innovation and transition, technology and taking a pragmatic approach with the country. This will represent stability for Gustavo Petro administration and support for most if not all the goals on Colombia's agenda, due to their common priorities which are addressed in government plans. On the contrary, if Trump wins the US will become isolated to multilateralism, and less willing to tackle issues arising or related to climate change and clean energy. But it will prioritize policies that fight drug trafficking, migration and security. Which might create diplomatic tensions with Petro because they have very different perspectives and prioritize different things. Besides, their personalities and political views differ on a fundamental level so the possibilities for the two of them to clash are high. Nevertheless, Colombia will have to do their best effort to smooth out their relationship and maintain amicably, for their benefit and because of their dependence on the US.

Mexico

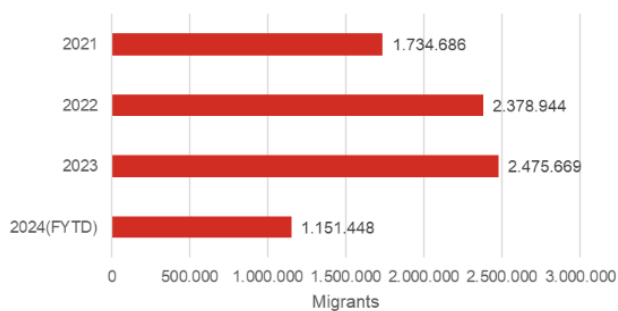
Mexico, this year is also holding elections during June, but as of now the polls predict the winner of Mexico's presidential elections to be Claudia Sheinbaum Pardo, by an advantage of at least 30% from the next runner up. She is from the same party as the now president Andrés Manuel Lopez Obrador, Morena, and is set to continue with the policies of the prior government. She has also shown herself to be neutral in matters of international relationship, such as the Israel-Palestine conflict, even with the

fact that she is Jewish, so we can conclude that if she were to be elected, she would take a similar stand on other matters. Nevertheless, she has been vocal regarding the migration crisis in the Mexico-US border, which is one of the biggest points of deflection among US presidential candidates, stating she wants to protect the immigrants, granting alongside the US for their rights to be respected and to give out work visa so that migration can be more regulated whilst permitting the flow of migrants to go through to the US. On top of this she asked developed countries, especially the US, to invest in the countries where the migrants are coming from so that they don't have to go in the first place. She plans to maintain the policies that Lopez Obrador had in place and put more emphasis on the wellbeing of these people. Having this in mind, the flow of migrants (around 11 million Mexican migrants are living in the US as of October 2023) coming from Mexico into the US and some of the highest number of border encounters to the date, makes the amount for remittances to be world breaking, accounting for 95% of the total amount that enters the country. This has propped up the Mexican economy, in addition to their trade deals. Mexico was the US biggest trade partner during 2023, surpassing China and exporting to the US more than 475,000 million dollars. Additionally, a lot of US companies are nearshoring in Mexico, taking advantage of their trained workforce and reducing costs in product transportation, making their total exports in 2023 to rise 5.8% from May 2022. This creates a stable relationship between both countries, with economic benefits and strengthening their alliance as business partners, supported by their strong free trade treaty. Having this in mind, there are little to no chances of any alterations on this relationship is not mutually beneficial.

Graph 8. U.S Mexico Border Encounters by Month



Source: U.S. Custom and Border Protection - Economic Research Acciones y Valores

Graph 9. Total Encounters U.S – Mexico Border

Source: U.S. Custom and Border Protection - Economic Research Acciones y Valores

If Trump were to be elected, it can be predicted that there will be no change in the country's economic relations, because of their benefits and potential for growth and development. In addition, because of Trump's "anti-China" take on his government this opens an opportunity for Mexico to fulfill a bigger market. However, Trump has made it known that he plans to set in place very extreme migration policies, scaling up the ones he set up in his last presidential term. During his campaign he has said statements dehumanizing migrants and called for the biggest deportation in the country's history, as a preview of his already radical leading position. This is where the conflict with Mexico and the US can fall and damage their diplomatic relationships, because the approach that the Mexican government has on the matter is almost opposite than Trumps. It can also stop the amount of remittances that come out of the US, affecting Mexico's economy, as well as creating more insecurity and poverty because of the high flow of migrants that will stack on the border, forcing Mexico to take urgent action to manage the situation.

If Biden were to be reelected, there will most likely not be any changes on their relationship, considering their relationship now and that probably the next government will continue with the same political style and current. Regardless, the Mexican government will put more pressure on how to handle the flow of immigrants that go into the US,

and for the US to provide them with the conditions necessary for their safety.

A few thoughts

This panoramic view that was built, brings to light the uncertainty that the US elections bring on the world, but especially to Latin America due to the region's dependent relationship with the country and because of the ideological differences of Trump with most of the presidents in the region. Additionally, the idea of Trump winning and setting in place protectionist policies that cut financial aids and investment projects around the world, will create uncertainty and volatility that could put the countries that are not developed into a really unstable position. While, if Biden won there will not be a lot of change in the international order and on their policies, therefore it won't affect other countries. Despite this, it is also worth noting that an upcoming wave of right-wing governments such as Bukele in El Salvador and Milei in Argentina, after most of the countries in the region have left winged governments, will have a really good understanding of Trump policies. Additionally, with most of the countries in the region holding elections either this year or 2026, there are predictions of more conservative candidates than their successors which would be beneficial if Trump were to win, stabilizing diplomatic relationships between Latin America and the US and working toward achieving mutually beneficial agreements.

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