

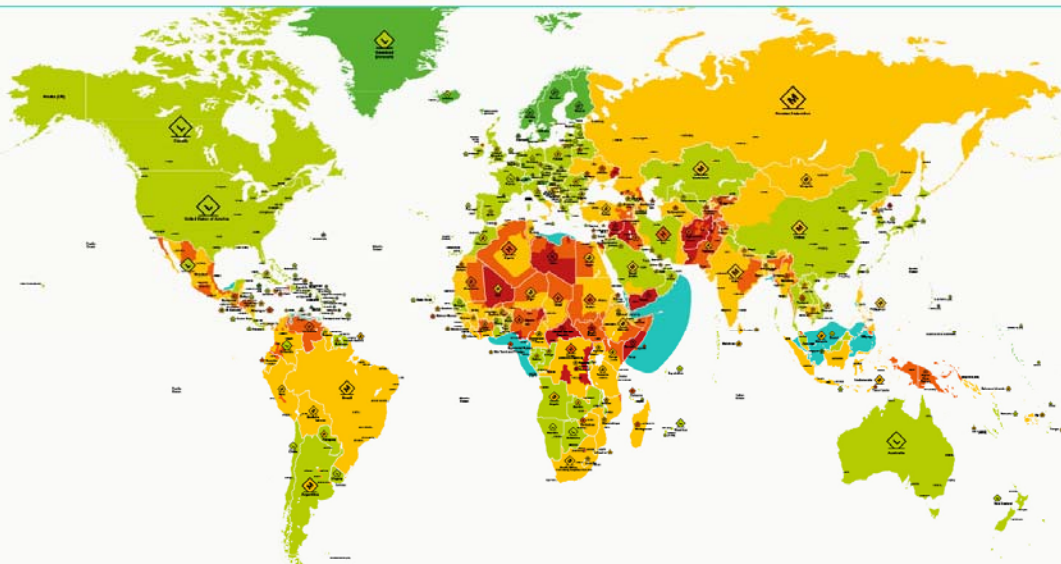
# King & Spalding

## Energy Forum: Shifting Dynamics in Latin America

Nick Panes



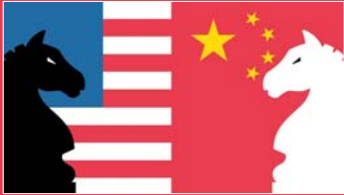
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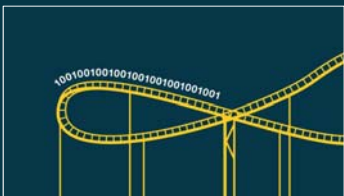
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1

## US-China trade rift foretells a new global order

The confrontation on trade between the United States and China will be the defining geopolitical dynamic of 2019. This antagonistic relationship will complicate life not only for businesses in China and the US. Companies in a wide orbit around this stand-off will feel the political and economic impact. In 2019, what started as a trade war will ultimately harden into a more permanent stance. A US “contain China” policy could become one of the pillars of a new global order.



2

## The global data switchback ride

The stand-off between the three domains of data regulation will present a new level of risk for the international business in 2019. For China, data is something to be controlled; for the EU, data is something to be protected; the United States sees data as something to be commercialised. Brace for the challenge of collecting, storing and transferring data within and between these three domains against a backdrop of inconsistent enforcement and escalating cyber security threats.

3



## American political gridlock

The vice of legislative gridlock will close on policy making in Washington and throw the US into a period of pitched political uncertainty. Resurgent Democrats in the House of Representatives will seek to pin the President under an investigative lens. Pushback from a Republican Senate and White House will erase any hopes of consistency for business. Trade policy will remain unchanged; the pace of deregulation will slow. Foreign policy will remain unsettled and ambivalent in a global environment that requires clarity and resolve.

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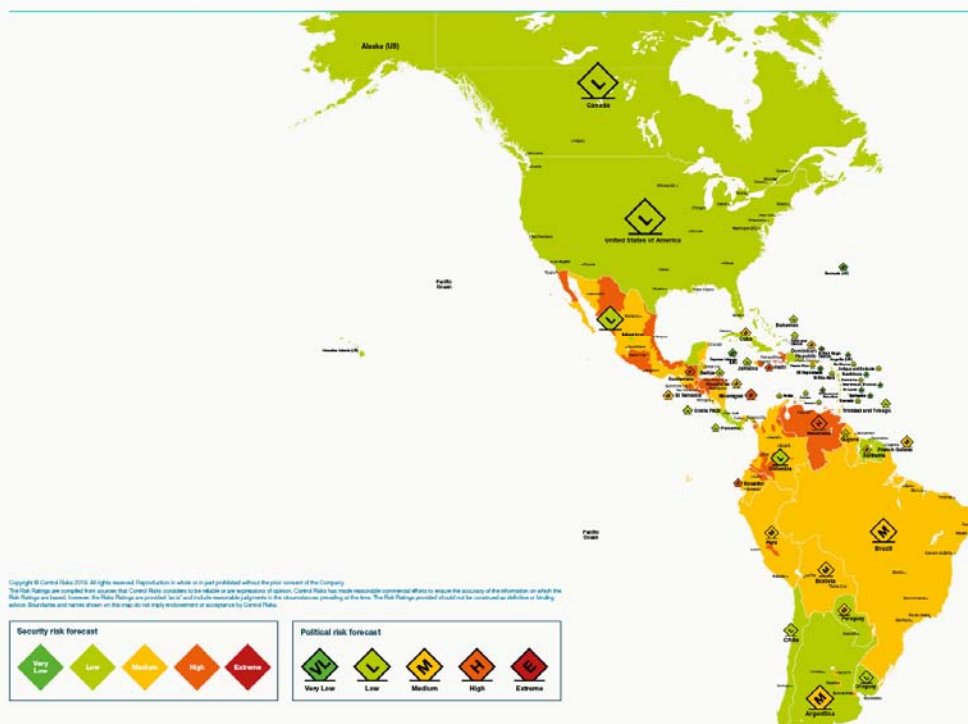
## Extreme weather disruption

Some of 2019's worst business disruptions will not come from terrorist attacks but from extreme weather and its consequences. From storms to floods to droughts and forest fires, the costs of interrupted production, distribution, sales and travel will skyrocket in 2019. Last year's record for weather-related insurance claims will likely be surpassed. Extreme weather and all it brings have never been more significant as a business risk.



## Multinationals becoming nationless

As globalised companies enter 2019, they risk – ironically - becoming nationless as nationalist politics continue to advance across the world. Formal and informal barriers are rising. Frictionless trade is beginning to rub, supply chains are starting to drag. Business leaders must re-calibrate and adapt to this new reality or global players will end up being played by a world in uncertain transition.







01

## Election 'super-cycle'

Voters across Latin America head or headed to polls sharing a certain sense of disillusion with mainstream political parties – a breeding ground for outsiders and populists. Countries are experiencing political and ideological trends that until recently were not as prominent

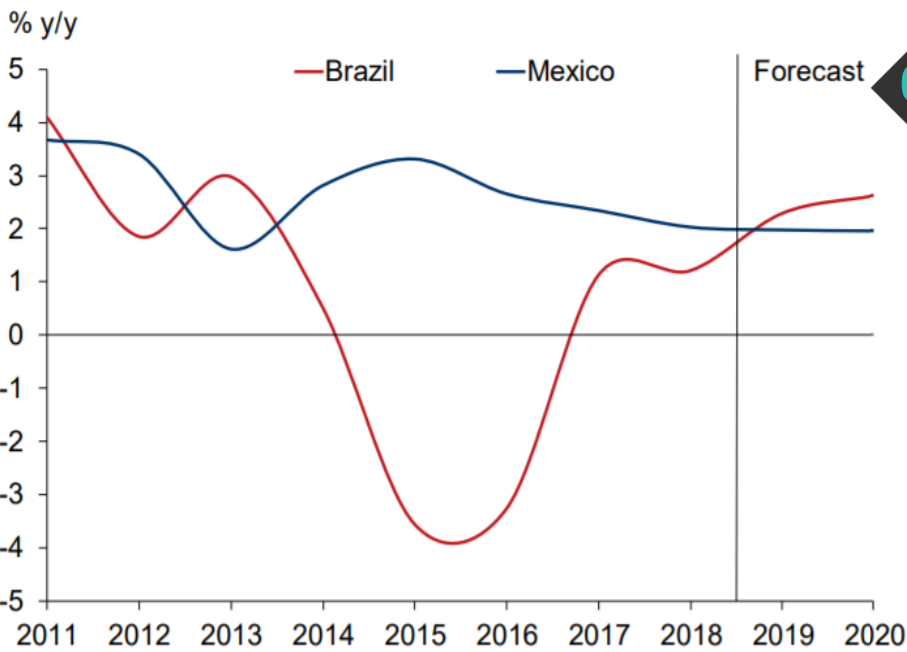


02

## All eyes on Caracas

Venezuela is quickly becoming an 'internal' issue for other countries, and not only because of migrants. Voters are keeping track of how governments are responding to the Venezuelan crisis – and increasingly wary of candidates promising the Bolivarian model

## Brazil and Mexico: GDP growth

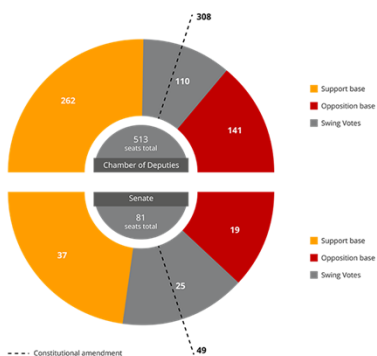


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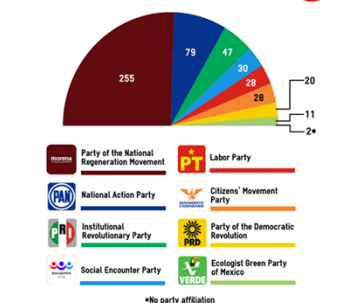
### Shifting economics?

Brazil will grow faster than Mexico for the first time since 2013. There is good evidence to suggest that AMLO will maintain a conservative macroeconomic policy, it is also undeniable that parts of his agenda will have a stronger interventionist approach. In Brazil the election of far-right leader Jair Bolsonaro has led to a surge in business confidence.

Political caucuses in Brazil's congress



Distribution of seats in the Chamber of Deputies  
Results of the July 1 elections



Distribution of seats in the Senate  
Results of the July 1 elections



04

### Gridlock spreads?

With the notable exception of AMLO and a couple of iron-fisted autocrats, most presidents in Latin America are struggling with minority governments. Political gridlock is taking place more frequently, and frustration is a dangerous by-product



05

## Trade and beyond

The US-China trade dispute is likely to create supply chain disruptions which could be advantageous to some Latin American economies – notably Mexico and Brazil. If however trade disputes escalate rapidly and affect global economic growth, they would have a major negative impact on commodity prices and re-enforce risk aversion vis-à-vis emerging markets.

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