

# COLOMBIA: BREAK WITH THE PAST WITH FIRST LEFT-WING PRESIDENT BUT ADVANCING EXTREME POLICY PROPOSALS WILL BE DIFFICULT



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## EVENT

On 19 June, Colombians elected Gustavo Petro, an extreme leftist ex-guerrilla, as their president. Petro beat Rodolfo Hernández, an extreme rightist candidate, with 50.5% of the votes and a small margin of 3 percentage points. Petro will take over as president on 7 August, when right-wing incumbent president Iván Duque steps down. Furthermore, on the same day, vice-president-elect Francia Marquez, an environmental campaigner, will make history by becoming Colombia's first black vice-president.

## IMPACT

Petro will become the country's first leftist president, as, for a century, centre-right and conservative presidents have been ruling the country. Hence, the election win of left-wing candidate Petro represents a significant break with Colombia's past. Moreover, his victory adds the Andean nation to the list of Latin American countries that have recently elected anti-establishment presidents, such as Peru, Mexico and Chile.

Some of Petro's policy proposals, during his election campaign, were regarded as extreme and have startled investors. For example, Petro promised a ban on oil exploration, open-pit mining and fracking – though current contracts could remain in place. This is quite an extraordinary proposal in a nation that relies on fossil fuels for about a quarter of its export revenues, though not surprising given the desire for a clean energy transition. Instead, Petro wants the country to diversify into manufacturing and agriculture, but concrete plans haven't been disclosed yet. Furthermore, Petro has promised to address social and economic inequality, with free education, higher pensions, land reforms, extension of subsidies for low income people and state employment for long-term unemployed. The main challenge is that these proposals could lead to fiscal expansion, especially if combined with efforts to ban oil exploration. Fiscal expansion could damage Colombia's credibility in financial markets and the solvability of the public debt (at an elevated 65% of GDP in the end of 2021) while last year the sovereign rating had already been downgraded to junk.

That being said, Petro is likely to run into serious governability issues owing to a highly fragmented Congress and opposition from traditional parties. His coalition holds only about 15% of seats in both houses of Congress and he does not have a majority. Hence, broader coalitions and compromises will be necessary and extreme policy proposals are likely to be watered down. Moreover, given rising inflation (at an annual rate of 9.1% in May 2022) and monetary tightening, on top of structural grounds of unrest such as high inequality and polarisation, the risk of social unrest remains in the cards, hampering governability as well. In that context, policy uncertainty will remain high and is likely to continue to weigh on investor confidence.

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