

The Elections Factor

A Continental Crossroads for U.S.-Latin America Relations

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Latin America stands at an electoral crossroads. While the region continues to grapple with volatile U.S. foreign policy and the Trump administration's rewriting of international trade rules, the ballot box might now determine its future. A wave of major elections across South and Central America over the next year could trigger a series of political shake-ups. These have the potential to realign the new governments with Washington – or deepen ideological divides.

Upcoming Elections in Latin America (2025-2026)



Leftist Leaders Face Strong Challenge from the Right

Colombia

In Colombia, the electorate's recent experiment with tumultuous leftist policies might prompt a swing back to a more centrist or right-wing government in 2026. Although congressional opposition and judicial checks have limited President Gustavo Petro's left-wing transformational state-centric agenda, Colombia's fiscal profile has sharply deteriorated amid expanding social spending, weak economic growth, underperforming revenues and rising interest expenses. The government has also been damaged by a series of corruption allegations and deteriorating security under Petro's failed "Total Peace" strategy. U.S.-Colombia relations have grown tenuous amid U.S. disputes over Colombia's migration and drug policies and perceived realignment toward China. The Trump administration has threatened punitive tariffs and has considered "decertifying" Colombia as a drug partner, which would have rippling effects on security cooperation.

Incumbent presidents cannot seek re-election under the Colombian constitution. Potential candidates are beginning to emerge across the political spectrum ahead of May's election, with investors already pricing in a political shift, as reflected in the nearly 20% year-to-date U.S. dollar total return in local bonds. Investors hope the next administration will move to limit the fiscal damage, preserve institutions and foster more cooperative relations with Washington.

Brazil

Escalating tension between the Trump administration and Brazil's left-wing president, Luiz Inácio Lula de Silva (Lula), has pulled forward investor focus on the next election, scheduled for October 2026. The U.S. announced an additional 40% tariff rate on Brazilian imports, on top of a 10% baseline tariff announced earlier, in what appears to be a politically motivated maneuver to protect an ally of President Donald Trump. Trump has maintained close ties with Brazil's right-wing former president, Jair Bolsonaro, who was banned from office after being found guilty of election interference by Brazil's Superior Electoral Court and is being tried on charges of an attempted coup in 2022 after losing re-election. Trump has described these legal actions as a political witch hunt by the Lula administration. The U.S. has revoked visas for Brazilian Supreme Court members over censorship of U.S. social media platforms and sanctioned Supreme Court Justice Alexandre de Moraes, who is presiding over Bolsonaro's trial.

These actions have spurred a rally-'round-the-flag effect in Brazil, boosting approval ratings for Lula, who is expected to seek re-election. Given his ban on seeking public office, Bolsonaro is likely to select a successor – potentially from his own family – to run and pursue a pardon for him if victorious. The market favors São Paulo Mayor Tarcísio de Freitas as the most competitive and market-friendly candidate to run from the right against Lula. Given the persistent fiscal concerns that have arisen from Lula's progressive social agenda, Lula's re-election next year could dampen investment sentiment and raise questions of debt sustainability.

Chile

In Chile, the leading far-right and far-left candidates are virtually tied in opinion polls ahead of November's first-round presidential election to replace outgoing leftist President Gabriel Boric. Barred by the constitution from consecutive re-election, Boric is widely seen as having fallen short of his mandate, with voters twice rejecting a constitutional rewrite and the legislature blocking tax reforms intended to boost revenues for expanding social expenditures. Without new revenue measures, fiscal consolidation efforts have slowed, and government debt ratios have continued their upward trend, albeit from relatively moderate levels. Boric's low approval ratings might weigh on the candidacy of Jeannette Jara from the Communist Party. She leads the Unity for Chile coalition and is running on an agenda to the left of Boric's. A rightward shift in the next government could facilitate closer ties between Chile and the U.S. However, it is worth noting that Chile has thus far managed to sidestep the most punitive U.S. tariffs. Refined copper, Chile's main export to the U.S., remains exempt from the 50% sectoral copper tariff.

Honduras

In Honduras, a three-way race is underway to replace the left-wing government of President Xiomara Castro in November elections. Opposition candidates Nasry "Tito" Asfura of the conservative National Party and Salvador Nasralla of the center-right Liberal Party are facing off against Castro's chosen successor, Rixi Moncada of the ruling Libre Party. A win by Moncada, who currently serves as defense minister, would signal a continuation of Castro's leftist domestic agenda and regional alliances with U.S. adversaries including Venezuela and Cuba. Recent polling shows Castro's approval ratings sinking, which is likely to weigh on Moncada's candidacy and boost prospects for a political shift. A win for either opposition candidate would open the door to market-friendly reforms and a likely reset in foreign relations, especially with the U.S.

Centrist and Right-Wing Incumbents Also Face Election Challenges

Peru

Peru heads to the polls in April, facing an especially uncertain election. The country, known for poor polling, political fragmentation and political volatility, has endured seven presidents in six years. Current President Dina Boluarte, who was never elected, holds an approval rating of just 2%. In 2022, Boluarte assumed the presidency after then-President Pedro Castillo was impeached for attempting a coup by dissolving the legislature to form an emergency government. Castillo now sits in jail alongside three other former presidents, all charged or indicted for corruption. Boluarte herself faces possible investigations once out of office, including for illicit enrichment and her handling of deadly crackdowns on protesters in 2022. Deep distrust of the political establishment and an expectedly fragmented congress will make governance difficult for any winner. Peru's next leader might also face a reset in U.S.-Peru relations, which have thus far remained cooperative under the Trump-Boluarte administrations despite Peru's growing economic alignment with China.

Argentina

Libertarian President Javier Milei of Argentina faces a potential referendum on his mandate in October's midterm elections, which will see the renewal of half the lower house and approximately one-third of the senate. Milei has benefited from close alignment with the Trump administration, which has earned his country favorable U.S. tariff treatment and helped Argentina secure a \$20 billion support package with the International Monetary Fund. On Sept. 7, Milei's government suffered a heavy defeat to the Peronist party in a local Buenos Aires Province election. The province, representing 38% of the country's electorate, is thought to be a political thermometer of the upcoming midterms. While provincial results might not extrapolate to the national level, the vote reflects social fatigue of the government's economic policy. As Milei's party lacks a majority representation in congress, building support in the midterms will be crucial to enable further reform measures. Without stronger support in congress, Milei's hard-fought disinflationary austerity shock to bring the budget into balance could be jeopardized.

Costa Rica

In Costa Rica, center-right populist leader Rodrigo Chaves is positioning his former chief of staff, Laura Fernandez, to succeed him in presidential elections scheduled for February. Despite being

dogged by corruption allegations, Chaves enjoys high levels of popularity, which could support Fernandez's candidacy. Given the highly fragmented nature of the political landscape, opposition-party candidates have time to mount strong challenges. Costa Rica has won high praise from the Trump administration for its pushback against Chinese influence, including the government's decision to ban Chinese telecommunications company Huawei from Costa Rica's 5G rollout. Costa Rica's alignment with the U.S. on security and diplomacy reinforces a long-standing alliance between the two countries. This is expected to continue regardless of which candidate succeeds Chaves.

El Salvador

Bucking the election-risk trend is El Salvador, where the right-wing party of Trump ally President Nayib Bukele has used its control of the legislature to eliminate presidential term limits, allowing indefinite re-election. Bukele is serving his second term and enjoys approval ratings above 80%, largely thanks to a vast and controversial crackdown on crime and gangs. Bukele has partnered with the U.S. on multiple immigration and security issues, most notably using CECOT, El Salvador's maximum-security prison, to house Venezuelan and Salvadoran deportees from the U.S. Strong U.S.-El Salvador ties have raised the country's global profile, which Bukele hopes to leverage to bring in tourism and foreign investment.

The Road(s) Ahead

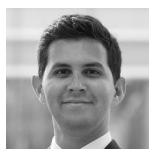
While consequential elections will play out across Central and South America over the balance of this year and next year, the Trump administration will face its own referendum with voters in U.S. midterm congressional elections. Americans will head to the polls in November 2026 to decide whether to renew Republicans' control of Congress to continue advancing Trump's agenda or to hand more legislative power to the Democrats. Political gains by Democrats could both weaken Trump's popular mandate and introduce more legislative checks on the president's policy agenda, including on issues of immigration, deportations, regional security and tariffs.

As the Americas enter a pivotal electoral period, voters in their respective countries will decide on whether to stay the political course or elect for regime change. The results will require close monitoring given their implications for domestic economic policies and potential shifts in foreign relations, with a particular focus on evolving ties with the United States. ■



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